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# Section 32 Report

## Proposed Plan Change 6 (NPS - Urban Development) to the Bay of Plenty Regional Policy Statement

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# Part 1:

## Introduction

### 1.1 Purpose of report

This report documents the consideration of alternatives, benefits and costs associated with Proposed Change 6 (PC 6), National Policy Statement for Urban Development (NPS UD) to the Bay of Plenty Regional Policy Statement (PC 6). In doing so, it addresses the requirements of section 32 of the Resource Management Act 1991 (RMA). This report also records the process used to develop Proposed Change 6.

*Table 1      Structure of document*

Section	Contents
<b>Part 1</b>	Outlines the purpose of this report and the requirements of s32 of the RMA.
<b>Part 2</b>	Outlines the proposed amendments to the Bay of Plenty Regional Policy Statement, the purpose of those amendments and the objectives of Proposed Change 6.
<b>Part 3</b>	Provides the policy and regulatory context, covering the appropriate legislation which is required to be addressed as part of the Proposed Change and any relevant policy documents.
<b>Part 4</b>	Explains the reasons why the RPS needs to be amended to implement the NPS UD and the development of Proposed Change 6.
<b>Part 5</b>	Lists consultation to date with iwi/hapū authorities, key stakeholders, and the community.
<b>Part 6</b>	Outlines the strategic urban development context and growth challenges in the Bay of Plenty region
<b>Part 7</b>	Provides an evaluation of Proposed Change 6, identifies all reasonably practical options, and is followed by an assessment of the options.
<b>Part 8</b>	Conclusion.

## Requirements of Section 32 of the Resource Management Act 1991

Under section 32 of the RMA, a Proposed Change must be accompanied by an evaluation report at the time of public notification. The evaluation report must:

- Examine whether the provisions in the proposal are the most appropriate way to achieve the objectives of the Bay of Plenty Regional Policy Statement (RPS) by identifying other reasonably practicable options; assessing the efficiency and effectiveness of the provisions; and summarising the reasons for deciding on the provisions.
- Contain a level of detail that corresponds to the scale and significance of the effects anticipated from implementing the proposal.
- Identify and assess the benefits and costs of implementing the proposal in terms of the environmental, economic, social, and cultural effects that are anticipated, including opportunities for economic growth and employment.
- Assess the risk of taking or not taking action if there is uncertain or insufficient information about the identified issues.
- Include a summary of all advice concerning the proposal received from iwi authorities and a summary of the response to that advice, including any provisions of the proposal that are intended to give effect to the advice.

The first step of any evaluation is to identify the issue or problem that the change is designed to address. That is, why are the current RPS provisions inadequate or unsuitable? In this case the principal reason is that the NSP UD introduced a new national policy approach to urban development including new objectives and policies to guide urban development. It includes several objectives and policies that require a response in the RPS if it does not already address those issues. The relevant NPS UD objectives and policies are as follows:

*Objective 3: Regional policy statements and district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply:*

- (a) *The area is in or near a centre zone or other area with many employment opportunities.*
- (b) *The area is well-serviced by existing or planned public transport.*
- (c) *There is high demand for housing or for business land in the area, relative to other areas within the urban environment.*

*Objective 6: Local authority decisions on urban development that affect urban environments are:*

- (a) *Integrated with infrastructure planning and funding decisions, and*
- (b) *strategic over the medium and long term, and*
- (c) *responsive, particularly in relation to proposals that would supply significant development capacity.*

In addition, Objective 5 is a new specific objective requiring Treaty principles to be taken into account in urban development decisions. It is:

*Objective 5: Planning decisions relating to urban environments, and FDSs, take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).*

The policies that support these objectives and specifically refer to the RPS are Policies 3, 5, 8 and 9. They are as follows:

*Policy 3: In relation to Tier 1 urban environments, regional policy statements and district plans enable:*

- (a) in city centre zones, building heights and density of urban form to realise as much development capacity as possible, to maximise benefits of intensification, and*
- (b) in metropolitan centre zones, building heights and density of urban form to reflect demand for housing and business use in those locations, and in all cases building heights of at least 6 storeys, and*
- (c) building heights of at least 6 storeys within at least a walkable catchment of the following:*
  - (i) existing and planned rapid transit stops,*
  - (ii) the edge of city centre zones,*
  - (iii) the edge of metropolitan centre zones, and*
- (d) within and adjacent to neighbourhood centre zones, local centre zones and town centre zones (or equivalent) building heights and density of urban form commensurate with the level of commercial activity and community services.*

*Policy 5: Regional policy statements and district plans applying to Tier 2 and 3 urban environments enable heights and density of urban form commensurate with the greater of:*

- (a) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services, or*
- (b) relative demand for housing and business use in that location.*

*Policy 8: Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is:*

- (a) unanticipated by RMA planning documents, or*
- (b) out-of-sequence with planned land release.*

*Policy 9: Local authorities, in taking account of the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) in relation to urban environments, must:*

- (a) involve hapū and iwi in the preparation of RMA planning documents and any FDSs by undertaking effective consultation that is early, meaningful and, as far as practicable, in accordance with tikanga Māori, and*
- (b) when preparing RMA documents and FDSs, take into account the values and aspirations of hapū and iwi for urban development, and*
- (c) provide opportunities in appropriate circumstances for Māori involvement in decision-making on resource consents, designations, heritage orders and water conservation orders, including in relation to sites of significance to Māori and issues of cultural significance, and*
- (d) operate in a way that is consistent with iwi participation legislation.*

Therefore, the principal purpose of PC6 is to implement these policies. In doing so guidance has been taken from Part 3: Implementation, of the NPS UD, particularly clause 3.8 which applies to responsive planning.

The main areas where the RPS is not consistent with the NPS UD responsiveness, intensification and Te Tiriti o Waitangi policies are:

- Directing where urban development can go (Policy UG 5A: Establishing urban limits, UG 14B: Restricting Activities outside the urban limits, UG 17B: Urban growth management outside of the Western Bay of Plenty).
- Directing when development should occur (UG6A): Sequencing of urban growth development).
- Target 'yields' for new development (UG4A): Providing for residential yields in district plans, does not provide sufficient support for higher densities.
- Policy UG 15B: Accommodating population growth through greenfield and residential intensification development directs growth to specific areas identified in appendices C and D which are now out of date.
- The urban limits are fixed by the plans in Appendix E, and the use of hard urban limits.
- Policy UG 7A provides for only limited opportunity to extend urban development beyond the urban limits, and only for business land.
- Sequencing of urban development in the western Bay of Plenty subregion is specified in the plans and tables in Appendices C and D. These lack flexibility and are now out of date, so are insufficiently responsive.
- Policy UG 22B is too narrow by focussing only on development opportunities for papakāinga outside existing urban areas and the urban limits, rather than the wider values and planning aspirations of iwi and hapū as required by NPS UD Policy 9.

There are a range of other policies that require consequential amendments.

A secondary purpose of Change 6 is to address housing capacity shortfalls. Consistent with the reasoning behind the introduction of the NPS UD, the current policy settings in the western Bay of Plenty and Rotorua in particular are not adequately delivering sufficient residential land capacity. The Housing and Business Capacity Assessment (HBA) for Tauranga and the Western Bay of Plenty (July 2021) identifies a shortfall of capacity compared to demand in Tauranga City in the short, medium and long term. There is also a very small shortfall identified in Western Bay of Plenty District.

The HBA for Rotorua (February 2022) identifies substantial shortfalls of residential capacity in the short and medium terms and a small shortfall in the long term.

Therefore, the problem is not just inconsistency with the NPS UD. It is wider than that and includes problems of increasing unaffordability and homelessness and lack of housing choice in the region's largest and fast-growing cities.

As Change 6 responds to national directives included in the NPS UD there is limited scope to consider a wide range of alternatives. Therefore, the evaluation of alternatives section of this report is limited to a few alternatives in relation to the wording of policies. That section rejects a number of broader alternatives that are inconsistent with the directives in the NPS UD. It also rejects the 'do nothing' option as that would be inconsistent with national policy as well as not addressing the housing shortfalls.

In accordance with s32(1)(c) the evaluation is to a level of detail that corresponds to the scale and significance of the anticipated effects. Those effects are limited mainly to removing restrictive policies such as those providing for fixed urban limits and replacing them with more flexible and responsive policies guiding urban growth. The effects of these policy changes are not direct but will play out through subsequent district and city-level planning processes.

Plan Change 6 is an 'amending proposal' under s32(3). That is, it proposes to amend the existing RPS. For an amending proposal, the evaluation of objectives is limited to:

- any new objectives that are part of the proposal, and
- any relevant objectives of the current RPS.

As Change 6 does not include any new objectives, in accordance with s32(6) the evaluation is to be undertaken against the relevant objectives of the RPS and the purpose of Change 6.

This report has been prepared in accordance with the requirements of section 32 of the RMA and taking account of the guidance on section 32 produced by the Ministry for the Environment<sup>1</sup>.

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<sup>1</sup> Ministry for the Environment. 2017. *A guide to section 32 of the Resource Management Act: Incorporating changes as a result of the Resource Legislation Amendment Act 2017*. Wellington: Ministry for the Environment.

# Part 2:

## Proposed Change 6

Change 6 (PC6) in summary proposes the following amendments to the operative Bay of Plenty Regional Policy Statement:

- Amend the text in **Part two** '*Resource Management issues, objectives and summary of policies and methods to achieve the objectives of the Regional Policy Statement*' to amend outdated text relating to current regionally significant urban and rural growth management issues and to reflect changes to policies required by the NPS UD.
- Update '*Table 8 Urban and rural growth management objectives and titles of policies and methods to achieve the objectives*' to reflect changes made to corresponding policies.
- Delete Policy 'UG 4A '*Providing for residential development yields in district plans – western Bay of Plenty sub-region*'.
- Delete Policy UG 5A '*Establishing urban limits – western Bay of plenty sub-region*'
- Amend Policy UG 6A '*Sequencing of urban growth development – western Bay of Plenty sub-region*' to remove provision for sequencing of urban growth development in the western Bay of Plenty and replace it with provision for efficient infrastructure servicing for region wide urban growth and development.
- Delete Policy UG 7A '*Providing for the expansion of existing business land – western Bay of Plenty sub-region*' and replace it with a new Policy UG 7A '*Providing for unanticipated or out-of-sequence urban growth – urban environments*'. Amended Policy UG 7A implements Clause 3.8(3) of the NPS UD and sets out criteria for determining whether unanticipated or out-of-sequence urban development proposals will add significant development capacity, and how the merits of individual proposals will be assessed. It applies to residential and business development proposals.
- Introduce new Policy UG 7Ax '*Enable increased-density urban development – urban environments*' to enable higher density development, and to give effect to NPS UD Policies 3 and 5.
- Amend Policy UG 9B '*Coordinating new urban development with infrastructure*' to remove text restricting the policy to the western Bay of Plenty.
- Amend Policy 'UG 13B '*Promoting the integration of land use and transportation*' to ensure that in promoting integration of land use and transport activities, regard is given to the benefits of higher density development.
- Amend Policy UG 14B '*Restricting urban development outside the urban limits – western Bay of Plenty sub-region*' by removing references to the urban limits and the subregion and relocating the growth principles from Policy UG 17B into this policy.
- Delete Policies UG 15B '*Accommodating population growth through greenfield and residential intensification development – western Bay of Plenty sub-region*', and UG 16B '*Providing for new business land – western Bay of Plenty sub-region*'. These policies relate specifically to the western Bay of Plenty sub-region and require growth to be provided for in accordance with growth timing and sequencing that is included in Appendix C and is now outdated.

- Amend wording from Policy UG 17B *'Urban growth management outside the western Bay of Plenty sub-region'* to relate to urban growth (region-wide) outside 'urban environments' as defined by the NPS UD and combine with Policy UG 14B (delete Policy 17B and move wording to Policy UG 14B).
- Amend Policy UG 18B *'Managing rural development and protecting versatile land'* to refer to 'urban areas' and to include urban development that has satisfied the criteria in UG 7A.
- Amend Policy UG 19B *'Providing for rural lifestyle activities – western Bay of Plenty sub-region'* to remove reference to urban limits and associated maps and replace with reference to 'existing and planned urban areas'; and add text to provide clarity when land use change to reduce nutrient losses in Rotorua Te Arawa Lakes may justify over-riding this policy.
- Amend Policy UG 20B *'Managing reverse sensitivity effects on rural production activities and infrastructure in rural areas'* to remove reference to urban limits and replace with 'urban areas'.
- Delete Policy UG 22B *'Providing for Papakāinga'* and replace with new Policy 22B *'Te Tiriti o Waitangi Principles'*. The existing Policy UG 22B has a narrow focus, and it is more appropriate to more broadly enable Māori land development both inside and outside urban areas. Objective 5 and Policy 9 of the NPS UD also seek to ensure planning decisions relating to urban environments take into account Te Tiriti o Waitangi principles. The new policy UG 22B extends those principles more broadly to planning decisions.
- Amend Policy UG 24B *'Managing reverse sensitivity effects on existing rural effects on existing rural production activities in urban areas'* to remove reference to urban limits and associated maps and replace with reference to 'existing and planned' urban areas.
- Delete Methods *'14: Monitor and review growth – western Bay of Plenty sub-region'* and *'16: Consider amendments to the urban limits – western Bay of Plenty sub-region'*. These methods relate to policies being deleted and are inconsistent with the NPS UD.
- Amend Method *'18 Structure plans for land use changes'* by deleting references to target yields and sequencing of urban growth requirements to be consistent with changes made to Policy UG 6A and UG 7A.
- Amend 'Appendix A – Definitions'. To include reference to the NPS UD; amend definitions for 'Business Land', and 'Existing urban area' to be consistent with their meanings in the NPS UD; and delete the definition of 'Urban Limits'.
- Delete Appendices *'C – Indicative growth area timing and business land provision'* and *'D – Indicative growth area sequencing'* as these are now redundant.
- Delete *'Appendix E – Management and Growth areas for the western Bay of Plenty'* maps. These maps correspond to appendices 'C' and 'D' which are to be deleted.
- Other minor text amendments for clarity and/or consistency. Including minor changes to the text of RPS Objective 25 to reflect the responsive planning requirements of the NPS UD.

A full copy of PC 6 is included in Appendix 4.

## 2.1 Purpose of Proposed Change 6

In summary Proposed Change 6 (NPS UD) is a change to the Regional Policy Statement change to implement the following requirements of the NPS UD:

- The responsive planning requirements.
- The intensification planning requirements.
- The requirement to take into account the principles of Te Tiriti o Waitangi in urban planning.

## 2.2 Outcomes of Proposed Change 6

The outcomes of Proposed Change 6 are to:

- Implement Policies 3, 5, 8 and 9 of the National Policy Statement on Urban Development 2020 (NPS UD), covering urban intensification, responsive planning and the principles of Te Tiriti o Waitangi, insofar as they apply to the Bay of Plenty Regional Policy Statement (RPS).
- Contribute to the Urban Growth Agenda's objectives addressing restrictive Resource Management Act 1991 planning practices.
- Provide support to Toi Moana, and the region's city and district councils in achieving the relevant objectives in the NPS UD.

## 2.3 Key development principles of Proposed Change 6

The key development principles of Proposed Change 6 are:

- Achieve the objectives of the NPS UD.
- Implement Te Tiriti of Waitangi principles in relation to urban planning, and thereby implement Policy 9 NPS UD.
- Changes to be kept to a minimum and limited to what is required to give effect to the NPS UD and preserve the majority of the existing RPS Urban and Rural Growth Management provisions intact.

Wider amendments and updates to the RPS are proposed as part of a comprehensive review programmed for 2024.

# Part 3:

## Policy and Regulatory Context

### 3.1 National Policy Statement – Urban Development 2020

In September 2017, the Government established the Urban Growth Agenda (UGA). The UGA is a programme that aims to remove barriers to the supply of land and infrastructure and make room for cities to grow up and out.

The National Policy Statement on Urban Development 2020 (NPS UD) contributes to this by addressing constraints in our planning system to ensure our system enables growth and supports well-functioning urban environments. The constraints and rigidities of supply of land and housing were found to be closely linked to the resource management planning system that limits efficient land use and includes lengthy and expensive processes to release land for development or to ‘upzone’ land.<sup>2</sup> The NPS UD took effect on the 20 August 2020.

The NPS UD recognises the national significance of:

- Having well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.
- Providing sufficient development capacity to meet the different needs of people and communities.

The NPS UD 2020 requires councils to plan well for growth and ensure a well-functioning urban environment for all people, communities, and future generations.

This includes:

- Ensuring urban development occurs in a way that takes into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).
- Ensuring that plans make room for growth both ‘up’ and ‘out’, and that rules are not unnecessarily constraining growth.
- Developing, monitoring, and maintaining an evidence base about demand, supply and prices for housing and land to inform planning decisions.
- Aligning and coordinating planning across urban areas, regardless of boundaries.

The NPS UD 2020 contains objectives and policies that councils must give effect to in their resource management decisions.

The NPS UD responsive planning requirements seek to ensure local authorities respond to development proposals that would add significantly to development capacity and contribute to well-functioning urban environments, regardless of whether they are planned for or anticipated in existing documents. The requirements apply to development proposals in both greenfield and brownfield locations.

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<sup>2</sup> Cost-benefit analysis for a National Policy Statement on Urban Development, PWC, July 2020

The NPS UD identifies Bay of Plenty Regional Council as a Tier 1, 2, and 3 local authority. Tauranga City Council and Western Bay of Plenty District Council are Tier 1 local authorities. Rotorua Lakes Council is a Tier 2 local authority. Whakatāne District Council is a Tier 3 local authority. Some policies in the NPS UD specifically apply to only Tier 1 and 2 urban environments, other policies apply to Tier 1, 2 and 3 urban environments.

The NPS UD 2020, Clause 4.1 sets out the timeframes for implementation. Every Tier 1, 2 and 3 local authority must amend its RPS or district plan to give effect to the provisions of the NPS UD as soon as practicable. In addition, an RPS change must be notified no later than 20 August 2022 to give effect to Policies 3 and 4 relating to Tier 1 urban form and density to reflect housing and business use and demand in city centre and metropolitan centre zones. As such, Change 6 (NPS UD) is being progressed to cover changes to implement the NPS UD with a notification date of no later than 20 August 2022.

Responsive planning requirements apply to all Tier 1, 2 and 3 local authorities. The policies need to be implemented continuously, as and when relevant requests for plan changes are made. For the purposes of implementing Policy 8 (responsive planning), criteria must be included in an RPS to determine what plan-change requests will be treated as adding significantly to development capacity.

The summary table below shows the NPS UD requirements as they apply to Tier 1, 2 and 3 urban environments. The brown shaded rows must be implemented by district and city councils. The green shaded rows are matters which BOPRC must either implement or be involved with the respective district and city councils. For clarity, BOPRC responsibilities are to:

- Implement responsive planning and intensification requirements via an RPS change (Change 6).
- Involvement in Housing and Business Development Capacity Assessments (work led by respective district and city councils).

Work collaboratively with the respective district and city councils on Future Development Strategies (FDS).

*Table 2 Summary of NPS UD requirements*

### Summary for Tier 1, 2 and 3 urban centres

NPS-UD Requirement	Tier 1 - Tauranga	Tier 2 - Rotorua	Tier 3 - Whakatane
<ul style="list-style-type: none"> <li>Quarterly Monitoring</li> <li>Remove car parking minimums</li> <li>Check their capacity is plan-enabled and infrastructure-ready</li> </ul>	✓	✓	✓
Responsive Planning – RPS change required	✓	✓	✓
Housing and Business Development Capacity Assessment – 3 yearly	✓ Due 2023	✓ Due 2023	Strongly encouraged
Future Development Strategy (3/6 yearly) and an implementation plan (updated annually)	✓ Due 2023	✓ Due 2023	Strongly encouraged
Enable significant intensification (6+ storeys) over large parts of existing urban areas	✓ Within 2 years	N/A	N/A
Enable some intensification near public transport routes	N/A	✓ Within 2 years	✓ As soon as practicable

### 3.2 **Government Policy Statement; Housing and Housing Action Plans**

The Government Policy Statement - Housing and Urban Development (GPS HUD) was released on 28 September 2021. The GPS HUD is intended to provide a shared vision and direction across housing and urban development, to guide and inform the actions of all those who contribute. It sets out how Government and other parts of the housing and urban development system will work together.

The GPS HUD will shape future:

- government policy,
- investment, and
- programmes of work.

#### *Developing an implementation plan*

Government will work alongside stakeholders across the system, including with local government, iwi and Māori, industry, non-government organisations, and communities to develop and test the implementation plan.

Given the nature of the implementation plan, it is expected that it will be updated more regularly than the GPS HUD. The first is to be published in 2022.

The GPS-HUD requirements link to:

- Existing requirements under other policy (e.g. NPS UD 2020).
- Matters that are part of the urban and transport work programme (e.g. integration of public transport with urban growth, provision of public transport services).
- Matters that are part of other work programmes (e.g. climate change adaptation).
- Changes that have been flagged in RM reform (e.g. development of a Regional Spatial Strategy - RSS).

There are no implications for RPS Change 6 from the GPS-HUD.

### 3.3 **Bay of Plenty Regional Policy Statement**

The second-generation RPS became operative on 1 October 2014. The RPS provides a framework for sustainably managing the region's natural and physical resources. It highlights regionally significant issues with our land, air, fresh and coastal water, infrastructure and biodiversity, including issues of significance to iwi. It sets out what needs to be achieved (objectives) and how it will be achieved (policies and methods).

The RPS does not contain rules; instead, it sets out how regional, city and district councils, need to manage these resources. It is a directive policy document in relation to regional and district plans and the consideration of resource consents. The RPS currently contains urban limits within the western Bay of Plenty sub-region to manage the timing and location of urban development. The supporting policy framework provides certainty over the timing and sequencing of urban growth management and to manage the efficient development and use of finite rural land resources.

Currently, the RPS sets out specific policies applying to urban development in the western Bay of Plenty sub-region. These include:

- where urban development can go (Policy UG 5A: Establishing urban limits, UG 14B: Restricting Activities outside the urban limits, UG 17B: Urban growth management outside of the Western Bay of Plenty),
- when development should occur (UG 6A: Sequencing of urban growth development), and
- target 'yields' for new development (UG 4A: Providing for residential yields in district plans, UG 15B: Accommodating population growth through greenfield and residential intensification development).

The Urban Limit line for the Tauranga City is identified on several maps contained in RPS Appendix E. Indicative growth area timing and sequencing is set out in Appendices C and D.

### 3.3.1 Changes to the RPS to implement the NPS UD

The NPS UD requires changes to the RPS to:

- Amend the Urban and Rural Growth Management policy framework to enable more land and infrastructure supply, growth (up and out) of urban centers and support well-functioning urban environments.
- For the Western Bay, remove the urban limits and amend policies to be more flexible/responsive (in relation to the criteria referred to in the bullet point below).
- Include criteria for determining what district plan changes will be treated as adding significantly to development capacity including out of sequence or unplanned private development proposals.
- Include policy support for greater intensification of development in urban environments.
- Include policy to implement the principles of Te Tiriti o Waitangi in urban planning.

### 3.3.2 Other NPS UD amendments to the RPS (not included in Proposed Change 6)

The NPS UD also requires the inclusion of housing bottom lines into the RPS for Tier 1 and 2 areas. The housing bottom lines are from the HBAs prepared by the respective local authorities. The inclusion to the RPS is through a non-Schedule 1 process – which is largely administrative. This amendment was undertaken on 2 March 2022. It does not form part of PC 6.

Consequently, Policy UG 25B 'Targets for Housing Development Capacity' has been replaced by a 'Housing Bottom Lines' policy.

## 3.4 Bay of Plenty Regional Council's Long-Term Plan 2021-2031

Delivery of RPS changes is an integral part of the Long-Term Plan (LTP) Regional Planning activity, which sets Council's strategic planning and policy direction. The RPS identifies how the integrated management of the region's natural and physical resources are to be managed by establishing policy direction for resource management decision making processes particularly in regional and district plans.

### 3.5 Resource Management Reform

Plan Change 6 (NPS UD) is progressing amidst a plethora of RMA reform including new spatial/strategic planning requirements.

The Government plans to repeal the Resource Management Act 1991 (RMA) and replace it with three new pieces of legislation:

- Natural and Built Environments Act (NBA)
- Strategic Planning Act (SPA)
- Climate Change Adaptation Act (CAA).

The proposed Natural and Built Environment Act is the primary piece of legislation in the reform package and has been progressed initially through an exposure draft. An exposure draft refers to legislation that has not yet formally been introduced into parliament.

The exposure draft of the NBA includes the most important sections of the Bill such as the overall purpose of the Bill and what it aims to achieve, the Treaty clause, the National Planning Framework and region-wide plans.

The SPA will be developed in parallel to the NBA. The purpose of the SPA is to provide a strategic and long-term approach to how we plan for using land and the coastal marine area. Long-term spatial strategies in each region would be developed to identify areas that:

- Will be suitable for development
- Need to be protected or improved
- Will need new infrastructure and other social needs
- Are vulnerable to climate change effects and natural hazards such as earthquakes.

The regional spatial strategies would enable more efficient land and development markets to improve housing supply, affordability and choice, and climate change mitigation and adaptation.

The Resource Management Reform process does not impact directly on PC 6 as none of the reform provisions will come into force before PC 6 is notified.

#### 3.5.1 Implications of Resource Management Reform for Change 6

The timing and resourcing requirements around RM Reform have affected the scope of Change 6. Bay of Plenty Regional Council have directed that the scope is limited to that necessary to implement the NPS UD, with any wider amendments resulting from legislative reform being considered as part of a comprehensive review in 2024.

### 3.6 **Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021**

The Resource Management (Enabling Housing Supply and Other Matters) Amendment Act was enacted in 2021.

The Act amends the Resource Management Act 1991 to rapidly accelerate the supply of housing where the demand for housing is high. This will help to address some of the issues with housing choice and affordability that Aotearoa New Zealand currently faces in its largest cities. There are two main components in the Act:

- A new planning process to help councils to implement intensification policies in the NPS UD more quickly. This is called the Intensification Streamlined Planning Process (ISPP) and applies to Tier 1 councils. The ISPP is based on the existing streamlined planning process under the Resource Management Act, but is intended to be faster, easier, and less costly for councils. The ISPP would enable the intensification outcomes to be achieved at least a year earlier, in 2023 rather than 2024.
- Medium density residential standards to be included in New Zealand's main urban areas to enable a wider variety of housing choice. The Act requires Tier 1 councils to apply medium density residential standards (MDRS) from August 2022. These standards will allow people to develop up to three homes of up to three storeys on most sites without the need for a resource consent. Exemptions will apply based on qualifying matters set out in the NPS UD, such as heritage areas and natural hazards. The ISPP will also be used to implement the MDRS by the required councils/urban areas.
- The MDRS applies to all existing residential areas, except for areas zoned as large lot residential or areas where qualifying matters apply. Areas in that are being rezoned as residential (for example, greenfield development) will also be required to apply the MDRS.

Under the Act, 'specified territorial authorities' are required to implement the MDRS requirements. These are defined as:

"Specified territorial authority means any of the following:

- (a) Every Tier 1 territorial authority.
- (b) A Tier 2 territorial authority that is required by regulations made under section 80I(1) to prepare and notify an IPI.
- (c) A Tier 3 territorial authority that is required by regulations made under section 80K(1) to prepare and notify an IPI."

The Act has also included prescriptive lists of Tier 1 and 2 territorial authorities in section 2 of the Resource Management Act:

"Tier 1 territorial authority means any of the following:

- (a) Auckland Council
- (b) Christchurch City Council
- (c) Hamilton City Council
- (d) Hutt City Council
- (e) Kapiti Coast District Council
- (f) Porirua City Council
- (g) Selwyn District Council

- (h) Tauranga City Council
- (i) Upper Hutt City Council
- (j) Waikato District Council
- (k) Waimakariri District Council
- (l) Waipa District Council
- (m) Wellington City Council
- (n) Western Bay of Plenty District Council

Tier 2 territorial authority means any of the following:

- (a) Dunedin City Council
- (b) Hastings District Council
- (c) Napier City Council
- (d) Nelson City Council
- (e) New Plymouth District Council
- (f) Palmerston North City Council
- (g) Queenstown–Lakes District Council
- (h) Rotorua District Council
- (i) Tasman District Council
- (j) Whangarei District Council

Tier 2 territorial authorities may be required to implement the MDRS in urban environments if the Minister of Housing and Minister for the Environment consider there is acute housing need. Rotorua is a Tier 2 territorial authority as defined by the RMA. Rotorua Lakes Council has requested that the Minister for the Environment apply the MDRS to Rotorua and the Minister has agreed. As such, Rotorua Lakes Council is a ‘specified territorial authority’ under the Act in accordance with section 80I.

### 3.6.1 Implications of enabling Housing Supply Act for Change 6

The Act amended the Resource Management Act 1991 to accelerate and strengthen the implementation of the NPS UD. There are no implications for PC 6 as the Act principally relates to Territorial Authorities and district plan changes. The Act did amend the wording of Policy 3(d) of the NPS UD which is one of the intensification policies, but that does not directly affect PC 6.

However, the Act provides important context to PC 6 as it directs local authorities to include policies and rules in their district plans to enable higher residential densities as outlined below. PC 6 provides high level support in the RPS for these policies and rules. This in turn maintains consistency across the hierarchy of planning instruments.

### 3.7 Relationship to other National Policy Statements

All relevant National Policy Statements (NPS) apply to urban development regardless of PC 6. One NPS does not prevail over another, and interaction and trade-offs are expected in how the requirements are implemented. Any apparent conflict between the respective NPS policy directions will be reconciled as a result of paying close attention to the way the policies are framed, usually in the context of assessing specific urban development proposals under the RMA.

A brief summary of the other relevant NPSs in relation to urban development is provided below.

### 3.7.1 **NPS Freshwater Management (NPS FM)**

Implementation of the NPS FM is also a key priority for Regional Council and is being progressed separately through the Essential Freshwater Policy Programme which includes RPS and RNRP changes to be notified in 2024.

The National Policy Statement for Freshwater Management (NPS FM) 2020 sets out the objectives and policies for freshwater management under the Resource Management Act 1991. It came into effect on 3 September 2020.

The NPS FM requires local authorities to adopt an integrated approach to freshwater and land use development. The NPS FM has a number of implications for urban planning such as the need to define wetlands, identify suitable water supply, wastewater infrastructure and stormwater discharge locations etc.

### 3.7.2 **Upcoming National Policy Statements**

Other key areas of national direction currently being developed: are National Policy Statements on Highly Productive Land (NPS HPL) and Indigenous Biodiversity (NPS IB).

#### *National Policy Statement on Highly Productive Land*

As at June 2022, the Ministry for the Environment (MfE) and Ministry for Primary Industries (MPI) are reviewing the proposed NPS HPL based on the public submissions and will provide feedback and recommendations to Ministers during 2022. As at July 2022, the NPS HPL had not been released.

#### *National Policy Statement on Indigenous Biodiversity*

The joint project team (Ministry for the Environment and the Department of Conservation) are working on an implementation plan to support the roll-out of the policy statement once it is finalised. It will allow for the development of an 'exposure draft' to enable testing of the drafting prior to the NPS being finalised. An exposure draft was released in June 2022. While the NPS IB will have implications for urban areas, those are at a specific level rather than direct implications for PC 6.

# Part 4:

## Development of Proposed Change 6

The NPS UD only applies to ‘urban environments’ as defined by the NPS UD (urban areas that are part of a housing and labour market of at least 10,000 people). Some provisions apply to all urban environments, while others only apply to Tier 1, or Tier 1 and 2 areas. Urban environments and their relevant tiers in the Bay of Plenty region are:

Table 3 NPS UD urban environment tiers

NPS UD Tier	Bay of Plenty area
Tier 1	Tauranga – includes Tauranga City and parts of Western Bay of Plenty District (specifically Te Puke and Ōmokoroa)
Tier 2	Rotorua city
Tier 3	Whakatāne (town)

### 4.1 NPS UD requirements

Regional Councils are required to implement the NPS UD direction, which requires changes to the RPS.

The NPS UD responsive planning requirements seek to ensure that local authorities respond to proposals that would add significantly to development capacity and contribute to well-functioning urban environments, regardless of whether they are planned for or anticipated in existing documents. These requirements apply both to development proposals in greenfield and brownfield (i.e., intensification) locations. In addition, the intensification and Te Tiriti o Waitangi policies require consideration and plan changes to be prepared where necessary.

The NPS UD imposes a timeframe of 20 August 2022 by when an RPS intensification change must be notified (Clause 4.1(2)). All other changes, including the responsiveness planning requirements, must be notified as soon as practicable (Clause 4.1(1)). For efficiency PC 6 includes changes required by the intensification, responsiveness and Te Tiriti o Waitangi provisions.

### 4.2 Resource Management Act – Streamlined Planning Process

The Resource Management Act 1991 (RMA) enables councils to make a request to the Minister for the Environment (Minister) to use a Streamlined Planning Process (SPP) when preparing planning instruments. This can avoid the standard Schedule 1 planning process, for a proposed policy statement, plan change or variation, and avoid the need to go through a lengthy appeals process.

The intent of this legislation is to provide greater flexibility and speed in planning processes and timeframes and allow them to be tailored to specific issues and circumstances.

The Regional Council explored the option of utilising the SPP for PC 6 and consulted iwi and hapū and stakeholders on its use during 2021. Some opposition to the use of the SPP was expressed during this consultation process, due to the removal of rights of appeal to the Environment Court, as set out in more detail in section 5.1.1 below. As a result, the Regional Council decided not to use the SPP and PC 6 is being progressed using the RMA Schedule 1 process.

### 4.3 Overview of the PC 6 development process

The NPS UD requirements were reported to, and received by, the Regional Council Strategy and Policy Committee on 3 November 2020, in the 'Operating Environment Report'.

On 16 February 2021, the Regional Council Strategy and Policy Committee:

- 1 Agreed in principle to Council using a combination of both Section 55 of the Resource Management Act (RMA) 1991 and the Streamlined Planning Process to implement the responsive planning requirements of the NPS UD 2020.
- 2 Noted, subject to endorsing the above process for the RPS change, staff will develop:
  - (a) A detailed Project Plan,
  - (b) Communications and Engagement Plan,
  - (c) Draft policy framework, and
  - (d) Proposal (application) to use the Streamlined Planning Process.
- 3 Noted use of the Streamlined Planning Process must be approved by the Minister for the Environment.

Section 55 of the Resource Management Act 1991 (RMA) requires local authorities to amend their plans or policy statements if a national policy statement directs them to do so. Amendments must be made as soon as practicable or within the time specified in the NPS UD.

Discussion at the 16 February 2021 Strategy and Policy Committee meeting informed the scope of Proposed Change 6 - in particular to focus only on what Council must do under the NPS UD. This is primarily due to the implications of upcoming Resource Management Act (RMA) reform and spatial/strategic planning requirements.

Following the 16 February 2021 Strategy and Policy Committee meeting, staff continued to progress work on Proposed Change 6 by:

- Developing the project plan, and Communications and Engagement Plan.
- Developing an Issues and Option paper which included analysis of the role of the RPS under the NPS UD, and legal advice from Council's in-house legal team.
- Developing draft proposed RPS Change 6 in collaboration with colleagues from the region's city and district councils (in particular Tauranga City Council and Western Bay of Plenty District Council), Ministry of Housing and Urban Development (MHUD) and Kāinga Ora.
- Seeking comment from iwi and hapū in the region on Change 6, with an offer to hui at a time and place suitable to them. A presentation was also given to the SmartGrowth Combined Tangata Whenua Forum on 11 August 2021.

The Strategy and Policy Committee were updated on progress at a workshop on 21 September 2021 and they endorsed an updated version of PC 6 for further consultation. That consultation took place from September 2021 through to April 2022.

The Strategy and Policy Committee confirmed the use of the RMA Schedule 1 process at its meeting on 3 May 2022.

#### 4.3.1 Matters that are out of scope for Change 6 are:

- New urban growth areas – these will be investigated through Future Development Strategies and spatial planning initiatives. In the western Bay of Plenty sub-region, new urban growth areas, need to be agreed through the SmartGrowth urban growth partnership. Once they have been agreed any necessary changes to the RPS will be considered.
- Existing transport policies UG 1A, UG 2A, UG 3A and Methods 4 and 13, and implications from the One Network Framework (ONF) national transport classifications will be considered as part of the RPS review in 2024.
- The Strategy and Policy Committee have directed the RPS is amended consistent with the National Planning Standards (NPStds) format and structure requirements when the NPS FM change is notified in 2024. That change will only relate to freshwater provisions however the intent is the entire RPS is made NPStds compliant at the same time. Therefore PC 6 does not include NPStds requirements.

#### 4.3.2 Responsive planning provisions – Approach taken

- **Delete existing Policies UG 4A, 5A, 7A, 15B, 16B**
- **Delete Method 16**
- **Delete definition of ‘urban limits’**
- **Delete Appendices C, D and E**
- **Add new replacement Policy UG 7A**

#### Explanation

The existing RPS urban limits policies are inconsistent with the requirements of Policy 8 of the NPS UD. Policy UG 5A is:

- Establish urban limits as provided in Appendix E within which urban activities shall occur up to at least 2051.
- The related explanation states that the policy is to enable urban development with a high degree of long-term certainty as to location, yield, sequencing and timing. There is no policy support to develop urban residential activities outside the urban limits. There is policy support for the consideration of expanding existing business land (Policy UG 7A) where specific limited criteria are met (e.g., no new connections to water/wastewater infrastructure required and must be contiguous with existing business land).
- Method 14 (Monitor and review growth) reinforces the urban limits by referring to a strict but comprehensive methodology on how and when amendments to the urban limits may be made, with an assumption that changes will not be made lightly. Method 16 refers to amending urban limits.
- These policies and methods are inconsistent with NPS UD Policy 8 which requires local authorities to be ‘responsive’ to plan changes that will add significantly to development capacity and contribute to well-functioning urban environments.
- The MfE Responsive Planning Guidance Fact Sheet states: ‘a hard rural urban boundary without the ability to consider change or movement of that boundary would not meet the requirements of the responsive planning policy.’ Retaining the urban limits would mean both a district/city plan change AND RPS change would be required for unanticipated urban development proposals. This would be an inefficient policy approach.

- For the reasons above, Policies UG 4A, 5A, 7A, 15B, 16B; Methods 14 and 16; and the definition of 'urban limits' are to be deleted.
- Appendix C – Indicative growth area timing and business land provision, and Appendix D - Indicative growth area sequencings are consequentially redundant and are to be deleted. Retaining Appendix C and D with updated timing is not efficient as identifying timeframes has not proven effective or efficient. In the western Bay of Plenty decisions on growth area timing and sequencing are better made through the SmartGrowth Urban Growth Partnership and subsequently through the partner councils' respective Long-Term Plans. A Priority Development Area working group under SmartGrowth is currently looking at funding and progressing the greenfield areas in the western Bay of Plenty sub-region. RPS Appendices C and D conflict with the responsive planning requirements of Policy 8 of the NPS UD as they impose a rigid timing and sequencing requirement for urban growth. In addition, a change to the RPS can only be initiated by the Regional Council, meaning there is no opportunity for private initiatives to progress urban development.
- Policy 8 requires local authority decisions affecting urban environments to be responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is unanticipated by RMA planning documents; or out-of-sequence with planned land release. This raises questions of providing certainty as to what development is 'unanticipated by RMA planning documents' and what 'add significantly to development capacity' means in the context of the Bay of Plenty.
- 'RMA planning documents' are district plans, regional plans, unitary plans and regional policy statements. Regional plans do not control the use of land for urban purposes. Therefore, if urban growth is provided for in a district plan, unitary plan or RPS then it is 'anticipated', and Policy 8 does not need to apply. If the RPS is sufficiently flexible (responsive) and district plans urban growth areas are kept up to date by providing adequate capacity for growth that is infrastructure-ready ahead of time, then there will be no need to use a responsiveness policy in the RPS to consider alternative growth areas. The new RPS policy UG 7A does not apply to Council-led RMA plan changes or plan reviews as they are by definition 'planned' and 'anticipated'.
- However, experience shows that urban growth planning through the RMA can be slow and cumbersome and there is a need to allow for alternative pathways. Those pathways are private plan changes and submissions on district plans seeking rezoning of land. Both require s32 analysis so they would be well-tested.
- The second issue is what does 'significant development capacity' mean? In the NPS UD 'development capacity' is defined as:  
*the capacity of land to be developed for housing or for business use, based on:*
  - a. the zoning, objectives, policies, rules and overlays that apply in the relevant proposed and operative RMA planning documents, and*
  - b. the provision of adequate development infrastructure to support the development of land for housing or business use'.*

Therefore, capacity does not just mean spatial area, it means a spatial area that can be serviced with adequate infrastructure.

The next question is to define what 'significant' means, sufficiently to guide local authorities and private developers as to whether they will meet the criteria in the RPS and therefore can advance an alternative urban growth area. The MfE Guide refers to four elements:

- 1 Significance of scale and location. This includes large size, so as to support a range of transport modes.
- 2 The extent to which the proposal meets an identified demand (i.e., meet Housing Bottom Lines or a shortfall identified in the HBA, or through other evidence).

- 3 Timing- whether a development can be delivered at pace; if it can be delivered earlier than otherwise planned this would apply.
- 4 Infrastructure provision- whether there are viable options for funding and financing infrastructure.
  - Appendix E – Urban Growth maps for the western Bay are to be deleted. The intent of the NPS UD is for Future Development Strategies (FDS) to identify existing and future urban growth areas, promote long-term strategic planning, achieve well-functioning urban environments, and provide sufficient development capacity for the next 30 years.
  - New Policy UG 7A gives effect to NPS UD Policies 1 and 8 and implements the requirements of Subpart 2 – Responsive planning, specifically 3.8(3). The provisions of Policy UG 7A draw on the requirements of the NPS UD and guidance documentation, and link to other relevant RPS policies.

#### 4.3.3 Te Tiriti o Waitangi principles – Approach taken

- |  |
|--|
| <ul style="list-style-type: none"> <li>• <b>Replace Policy UG 22B</b></li> </ul> |
|--|

##### Explanation

- Replace Policy UG 22B with a new policy to implement Objective 5 and Policy 9 of the NPS UD, and link to Policy IW 1B RPS.
- It replaces existing Policy UG 22B (Papakāinga), which has a narrow focus. It is more appropriate to enable Papakāinga and development of land both inside and outside urban areas, and not limited to Māori land. Existing Policy UG 22B would be deleted.

#### 4.3.4 Intensification – Approach taken

- |  |
|--|
| <ul style="list-style-type: none"> <li>• <b>Add new Policy UG 7Ax</b></li> </ul> |
|--|

##### Explanation

- New Policy UG 7Ax has been included to give effect to intensification provisions of the NPS UD Policies 3 and 5. It provides support for intensification initiatives being undertaken by local authorities, as the RPS was silent on this issue and included target development yields that are inconsistent with current thinking on intensification. It was supported through feedback from Ministry of Housing and Urban Development (MHUD) staff.

### 4.3.5 Minor and consequential changes – Approach taken

- Amend Policies UG 6A and UG 13B to better reflect NPS UD matters.
- Delete Method 14.
- Amend the definition of 'Business land' to remove reference to Appendix C.
- Amend the definition of 'Existing urban area' to remove reference to greenfield development growth areas.
- Delete any references to 'urban limits' and Appendices that would be deleted.
- Combine Policies 14B and 17B to clarify the management of urban growth outside urban environments

#### Explanation

- Method 14 has been superseded by the NPS UD requirements and specifications for Housing and Business Development Capacity Assessments (HBAs) in Subpart 5.
- Definitions are amended to deleted reference to other provisions or terms that are no longer relevant.
- Consequential changes resulting from deletion of 'urban limits' and Appendices.
- Policies 14B and 17B have had references to urban limits removed and then combined into a single policy restricting growth outside and not forming part of urban environments.

### 4.3.6 Project timeframes and engagement

Key tasks and timeframes (including engagement), are set out below in Table 4:

Table 4 Proposed Change 6 (NPS UD) key tasks and timeframes

Key tasks	Timeframe
Development of draft RPS Change 6, including: Early engagement with iwi, district and city councils, Ministry of Housing and Urban Development (MHUD) and Kāinga Ora Project plan Communications and Engagement Plan Early discussions with Ministry for the Environment around SPP application	February – September 2021
Consultation with iwi and hapū.	ongoing
Strategy and Policy Committee Workshops Proposed Change 6 – direction on key matters	21 and 27 September 2021 29 March 2022
Further engagement with key stakeholders (including those in Early engagement list above; and property developers, planning consultants, infrastructure providers, and economic development agencies)	September 2021– April 2022
Strategy and Policy Committee confirm RMA Schedule 1 process and direction to bring Proposed Change 6 to Council for approval	3 May 2022
Council approves Proposed Change 6 (NPS UD) for public notification	23 June 2022

# Part 5:

## Consultation

### 5.1 Consultation requirements

This section summarises feedback received during consultation, including feedback received during development of draft PC 6.

Consultation has been undertaken with Tier 1, 2 and 3 local authorities, Kāinga Ora, the Ministry for Housing and Urban Development, Iwi Authorities, Property Developers, Consultants, Infrastructure Providers, regional economic development agencies, and the community. A record of consultation undertaken in the development of Proposed Change 6 is provided in Appendix 2.

#### 5.1.1 Iwi and hapū

Iwi and hapū, particularly those whose *rohe* include urban environments, have been consulted through several online and face-to-face hui as summarised in Appendix 2.

The NPS UD emphasises the existing requirements in the RMA to take into account the principles of the Treaty of Waitangi in urban development and ensure iwi/Māori are engaged in the processes to prepare plans and strategies that shape urban environments. In response new Policy 22B is substantially wider than the policy it replaces that focused on papakāinga.

In accordance with s32(4A) of the RMA iwi authorities of the region have been consulted via the hui summarised in Appendix 2 and the wording of the provisions was discussed.

The key changes made in response to comments/advice received from tangata whenua are summarised in chronological order as follows:

#### **Cultural Heritage Offsetting**

On Friday 12 November 2021 email comments were received from Des Heke who is an iwi representative for Ngāti Ranginui and Ngāti He hapū. Mr Heke sought provisions to provide for cultural heritage offsetting. In particular Mr Heke sought provisions to recognise and provide for offsetting the cultural impacts of urban development on the relationship of tangata whenua with sites, areas or natural features of cultural significance or value. Mr Heke's comments state *'methods of assessment by both archaeologists and tangata whenua can assist on deriving on matters of offset. For example, if a development destroys a wetland of 1 ha then 3 ha of new wetland must be created within the area. This example and use of mitigation has been widely accepted and utilised for over five years now and has shown with the natural character of wetlands being a matter of national importance and duly recognised and provided for.'*

*Provisions of cultural heritage offset from urban development allow tangata whenua to have a system to mitigate these needs in rules and objectives.'*

A cultural heritage offset research project is being progressed through the SmartGrowth Combined Tangata Whenua Forum of which Mr Heke is currently the deputy Chair. That research project seeks to identify potential planning and non-planning tools (plan provisions, education and advocacy) to offset adverse effects on Māori cultural heritage.

In response to Mr Heke's request the project team agreed to amend Te Tiriti o Waitangi Principles Policy UG 22B explanation text to recognise cultural offsetting as a potential means of giving effect to Te Tiriti o Waitangi Principles through methods developed in conjunction with tangata whenua to offset the impacts of urban development on cultural significant values, sites or areas. The amendment recognises cultural offsetting as a concept is still novel to most people and a supporting framework is yet to be developed, tested, consulted on and refined.

The reference to cultural offsetting received a lot of interest at subsequent Councillors workshops and hui with tangata whenua representative komiti namely Te Kahui Mana Whenua o Tauranga Moana (Western Bay of Plenty District Council, 27 April 2022), Te Ihu o te Waka o Te Arawa (Western Bay of Plenty District Council, 11 May 2022) and Te Rangapu (Tauranga City Council, 13 May 2022). Tangata whenua members and Councillors all sought more information on what cultural offsetting involved, how it would work in practice and how it would affect Māori. Following the various hui project team members passed on the comments received and names of tangata whenua representatives interested in the cultural offsetting research project to Mr Heke.

### **Streamlined Planning Process v Schedule 1 process**

When attending various consultation hui Project team members sought feedback on Regional Council's proposed intent to use the Streamlined Planning Process (SPP). Earlier comment was sought from iwi Māori specifically on Council's proposed use of the SPP during August and November 2021 and again in March 2022. The first definitive statement received from iwi Māori on use of the process was received at the SmartGrowth Combined Tangata Whenua Forum on 12 April 2022. At that hui staff were advised that iwi and hapū members of Te Rangapu oppose in principle use of the SPP because it removes the ability for submitters to appeal Council's decisions. This was a position Te Rangapu members previously made in relation to Tauranga City Council's proposal to use the SPP for their priority city plan changes. Further opposition from iwi and hapū members was received at subsequent meetings with Western Bay of Plenty District Council's iwi and hapū representative komiti Te Kahui Mana Whenua o Tauranga Moana (27 April 2022). Consequently, at its meeting on 4 May 2022 Regional Council's Strategy and Policy Committee resolved to rescind its earlier decision of 16 February 2021 to use the SPP for Proposed Change 6. Regional Council's decision was made in response to iwi opposition to use of the SPP.

### **Policy UG 22B Te Tiriti o Waitangi Policies**

Project team members attended Tauranga City Council's Te Rangapu Mana Whenua o Tauranga Moana special workshop on Friday 13 May 2022. Policy UG 22B was discussed in some detail. In response to discussion on draft Policy UG 22B 'Te Tiriti o Waitangi Principles' further refinements to the policy were made as follows. The draft text amended is highlighted yellow. Text to be deleted is ~~struckthrough~~. Text to be added is underlined.

#### **Policy UG 22B: Te Tiriti o Waitangi Principles**

Ensure ~~urban~~ planning decisions provide for te Tiriti o Waitangi principles by:

- (a) Enabling Māori ~~to develop their land development~~, including ~~but not limited to~~ papakāinga housing, marae and community facilities;
- (b) Providing for tikanga Māori and opportunities for Māori involvement in Council's decision-making processes, including the preparation of RMA planning documents and Future Development Strategies;
- (c) Enabling early and ongoing engagement with iwi, hapū and affected Māori land trusts;
- (d) Identifying and protecting culturally significant areas and view shafts;

- (e) Protecting Marae and papakāinga from incompatible uses or development and reverse sensitivity effects; and
- (f) Demonstrating how Māori values and aspirations identified during consultation in (c) have been recognised and provided for.

### **Explanation**

Objective 5 and Policy 9 of the National Policy Statement on Urban Development 2020 seeks to ensure planning decisions relating to urban environments take into account te Tiriti o Waitangi principles and Treaty settlement outcomes. This policy extends those principles to all urban-Māori development. Local authorities must consider iwi and hapū values and aspirations for urban development and provide opportunities for hapū and iwi involvement in decision making.

These amendments have been adopted in the final version of Policy UG 22B.

Whilst Proposed Change 6 is concerned with urban development, the Tiriti o Waitangi Principles policy is directly linked to two key operative RPS resource management issues of significance to iwi authorities 2.6.10.5 and 2.6.10.1 respectively being:

*‘Difficulties developing Māori land – Legislative provisions, lack of infrastructure and prior planning and resource allocation means multiple owned Māori land is often more difficult to develop than general land.’*

*‘Kaitiakitanga, the Māori environmental resource management system and Te Tiriti o Waitangi principles are not always recognised, considered and provided for in resource management decision-making processes.’*

These issues are broader than Māori land development in urban environments and needs to apply equally to rural areas. The policy preamble was consequently amended to delete ‘urban’. Refinements to paragraph (a) were also made in response to discussion to clarify the policy is concerned with enabling Māori to develop their land rather than Māori development generally and clarifying the examples are not limited to Papakāinga housing, marae, and community facilities.

## **5.1.2 SmartGrowth Combined Tangata Whenua Forum**

The forum plays an important role in the development of SmartGrowth. They provide input into implementation pathways and help with monitoring the impact of SmartGrowth. The hui with the Forum is noted in 5.1.1 above.

## **5.1.3 Territorial Authorities**

The NPS UD requirements apply to all local authorities, however, some objectives, policies, and provisions in Parts 3 and 4 only apply to Tier 1, 2 or 3 local authorities. PC 6 enables local authorities to fulfil their obligations under the NPS UD 2020.

Western Bay of Plenty District Council, Tauranga City Council, Rotorua Lakes Council, Whakatāne District Council (Tier 1, 2 and 3 local authorities)

Kawerau District Council, Ōpōtiki District Council and Taupō District Council are other local authorities in the region.

## **5.1.4 Ministry of Housing and Urban Development**

Ministry of Housing and Urban Development (HUD) leads New Zealand's housing and urban development work programme. It is responsible for strategy, policy, funding, monitoring and regulation of New Zealand's housing and urban development system.

### 5.1.5 Kāinga Ora

Kāinga Ora—Homes and Communities (Kāinga Ora) is a new Crown agency established to transform housing and urban development throughout New Zealand. Kāinga Ora has two key roles – continuing to be a public housing landlord, and a new role to work in partnership to enable, facilitate, and deliver urban development projects.

### 5.1.6 Development community and regional consultants

Development of commercially viable, quality development is the focus of the SmartGrowth Property Developers Forum. Collaboration with strategy partners provides private sector input into the wide range of challenges faced in the western Bay of Plenty and wider region.

### 5.1.7 Infrastructure providers

Infrastructure providers provide transport, energy, water, telecommunications and social infrastructure for the region through public and private sector collaboration. Involvement in the planning process provides an early indication of pending changes and ensures better infrastructure planning.

### 5.1.8 Economic development agencies

Bay of Plenty economic development agencies aim to grow the economy of the region. They work with local authorities to ensure local government and business needs and aspirations are aligned.

### 5.1.9 Bay of Plenty community

In July 2021, information about draft Change 6 was uploaded to the Bay of Plenty Regional Council website along with contact details for further information.

The website will be updated regularly through until PC6 is operative. Like all changes to the RPS all information will remain on the website following completion of the consultation process.

## 5.2 Summary of consultation

Staff concentrated on seeking initial feedback from iwi and hapū, territorial authorities and relevant central government agencies in mid-2021. This was to inform development of a draft proposed RPS Change 6 document for discussion at the Council workshop on 21 September 2021.

At the Strategy and Policy Committee workshop on 21 September 2021 a further draft of PC 6 was endorsed for the next round of consultation. Between September 2021 and April 2022 further consultation was undertaken with:

- Local authorities; Tauranga City Council, Western Bay of Plenty District Council, Rotorua Lakes Council, Kawerau District Council and Whakatāne District Council.
- SmartGrowth Developers Forum and Managers Forum.
- Iwi Māori with particular focus on those with *rohe* in urban areas.

As a result, further amendments were made to draft PC 6. Key feedback that led to changes in PC 6 was:

- Simplify the responsiveness policy so that it only gives effect to Policy 8 and clause 3.8 of the NPS UD by focusing on the criteria to 'add significantly to development capacity'.
- Delete peripheral criteria that are more relevant to local authorities' assessment of development proposals.
- Include guidance as to what large scale means.
- Ensure small-scale 'tidy-ups' of zone boundaries often implemented by submissions on District Plans are not captured by the policy.
- Emphasise that all other parts of the RPS apply to development proposals, but do not repeat them.
- Limit the intensification policy to the key elements of Policies 3 and 5 of the NPS UD rather than paraphrasing them.
- Te Tiriti o Waitangi Policy UG 22B and its associated Explanation was expanded in response to feedback from iwi/Māori as set out in 5.1.1 above to include both rural and urban land.

Overall, the consultation process resulted in simpler versions of the policies, focussed only on the requirements of the NPS UD, and supported with more detailed explanations. A full record of the consultation is included in Appendix 2.

# Part 6:

## Strategic context and growth challenges

### 6.1 SmartGrowth

SmartGrowth provides a vision for developing the western Bay of Plenty into a great place to live, learn, work and play.

The SmartGrowth Leadership Group is a governance group responsible for prioritising, reviewing and monitoring the implementation of the SmartGrowth Strategy 2051.

#### *Membership*

Membership is made up of representatives from the three partner councils (Tauranga City Council, Western Bay District Council and Bay of Plenty Regional Council), tangata whenua, the Ministers for Local Government and Housing, the NZ Transport Agency, and the Bay of Plenty District Health Board.

The SmartGrowth Strategy identifies opportunities for building the community, taking into account a range of environmental, social, economic and cultural factors. It is the spatial plan for the western Bay of Plenty sub-region. Launched in 2004 and reviewed in 2013 and 2016, it sets the strategic vision and direction for growth, infrastructure planning and development across the sub-region. It is focused on key issues relating to social, environmental, economic and cultural planning.

SmartGrowth developed an evidenced based settlement pattern focusing on:

- growth projections and demographic analysis,
- staged development,
- residential land supply,
- business land supply,
- sub-regional infrastructure, and
- transport.

The SmartGrowth Settlement Pattern is set within a corridor approach where integration is sought between the transport network, land use, the supply of land for urban development, infrastructure delivery, infrastructure funding and the consideration of the commercial viability of development. Refer Figure 1.

The SmartGrowth Settlement Pattern has been given effect to in a number of ways, including through the RPS by way of urban limits and growth areas in the Operative RPS.

Currently, the RPS urban limits identify land within the limits able to be developed for urban purposes. The original urban limits identified required land to 2051 to accommodate expected population growth and demand for land for housing and business purposes. Land outside of the urban limits was not intended to be urbanised. On 30 October in 2018, Change 4 (Tauriko West Urban Limit) to the RPS incorporated the Tauriko West area in the operative RPS urban limit area.

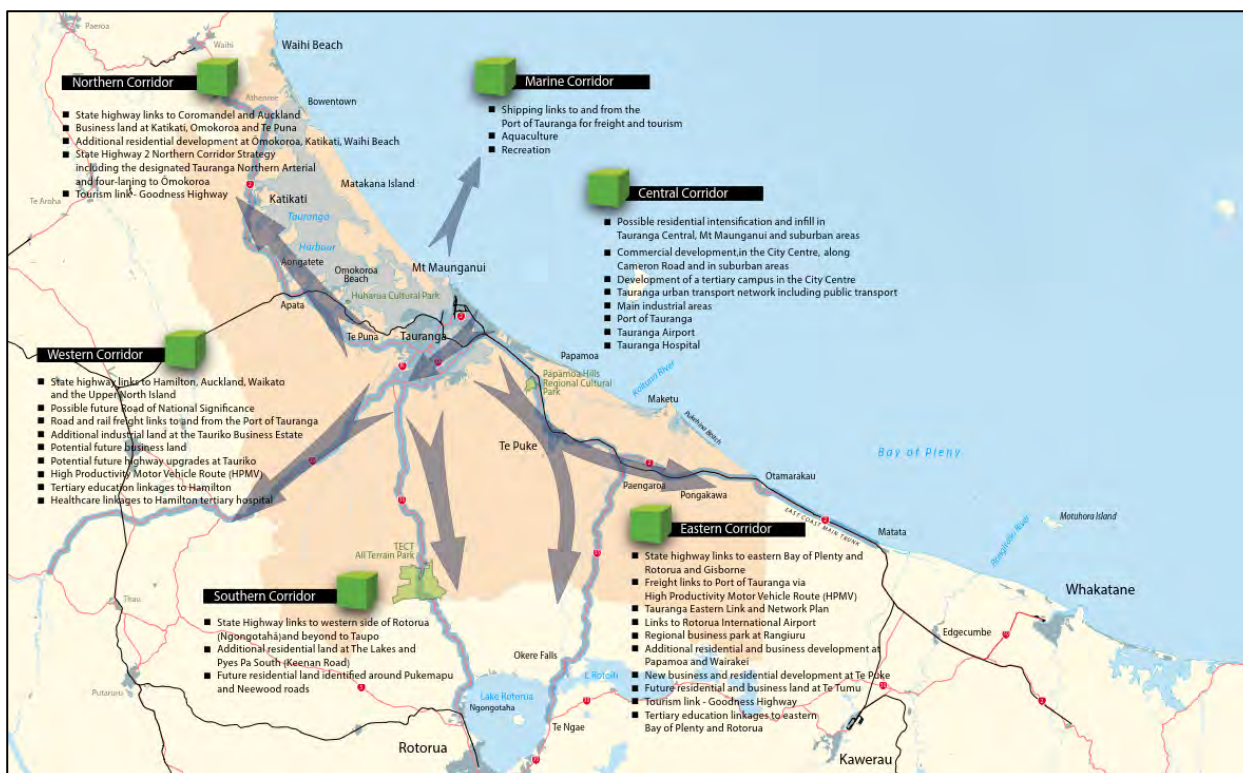


Figure 1 SmartGrowth settlement pattern corridors

## 6.2 Urban Form and Transport Initiative

The Urban Form and Transport Initiative (UFTI) is a collaboration between SmartGrowth and Waka Kotahi NZ Transport Agency formed in 2019, aimed at unlocking much-needed capacity for housing development and resolving transport issues in the sub-region.

Urban Form and Transport Initiative's task was to develop a long-term, integrated masterplan for urban development and transport in the western Bay of Plenty, that is fully aligned with the Government's transport policy statement and urban growth agenda.

The Connected Centres programme, released in July 2020, was chosen as it offers the best outcome for people to live and move around the sub-region and connect to the upper North Island in the future. The programme articulates two main concepts:

- increasing the number of houses in existing urban and new growth areas, to maximise use of available land and support a well-functioning transport system, and
- enable everyone to access local social and economic opportunities within a 15-minute journey time, and sub-regional social and economic opportunities within 30-45 minutes.

These concepts encourage strong local centres and connected neighbourhoods. On the ground this would translate to:

- Creating four high frequency public transport routes in the existing North, East, West and Central corridors which better link people to their place of living, work, and recreational locations.
- Further developing urban communities around Ōmokoroa, Matua/Otūmoetai, Arataki, Pāpāmoa, Wairakei, and around wider Te Puke, which will also be connected by safe and accessible walking and cycling facilities.

The release of the Connected Centres programme business case concluded the work of UFTI, and was received by all SmartGrowth partners, Waka Kotahi, Kāinga Ora and the Ministry of Housing and Urban Development.

## 6.2.1 Delivering the UFTI programme

It is intended that the programme will be integrated into the SmartGrowth joint draft spatial plan which will be consulted on before being finalised. It will be delivered over time via the partner councils' Long-Term Plans, the Regional Land Transport Plan, and the National Land Transport Programme, along with land use planning initiatives.

The programme creates opportunity for central and local government to work together, along with the private sector and tangata whenua partners, to ensure the programme can be delivered.

Waka Kotahi NZTA, Bay of Plenty Regional Council, Western Bay of Plenty District Council and Tauranga City Council are working together to implement the transport component of the programme. The 30-year Western Bay of Plenty Transport System Plan (TSP) outlines a transport system that supports future 'up and out' development and connects existing and new urban centres in a way that makes it easy to move around to work, learn, live and play in the western Bay.

The overview map below, provides a summary of the Connected Centres programme.

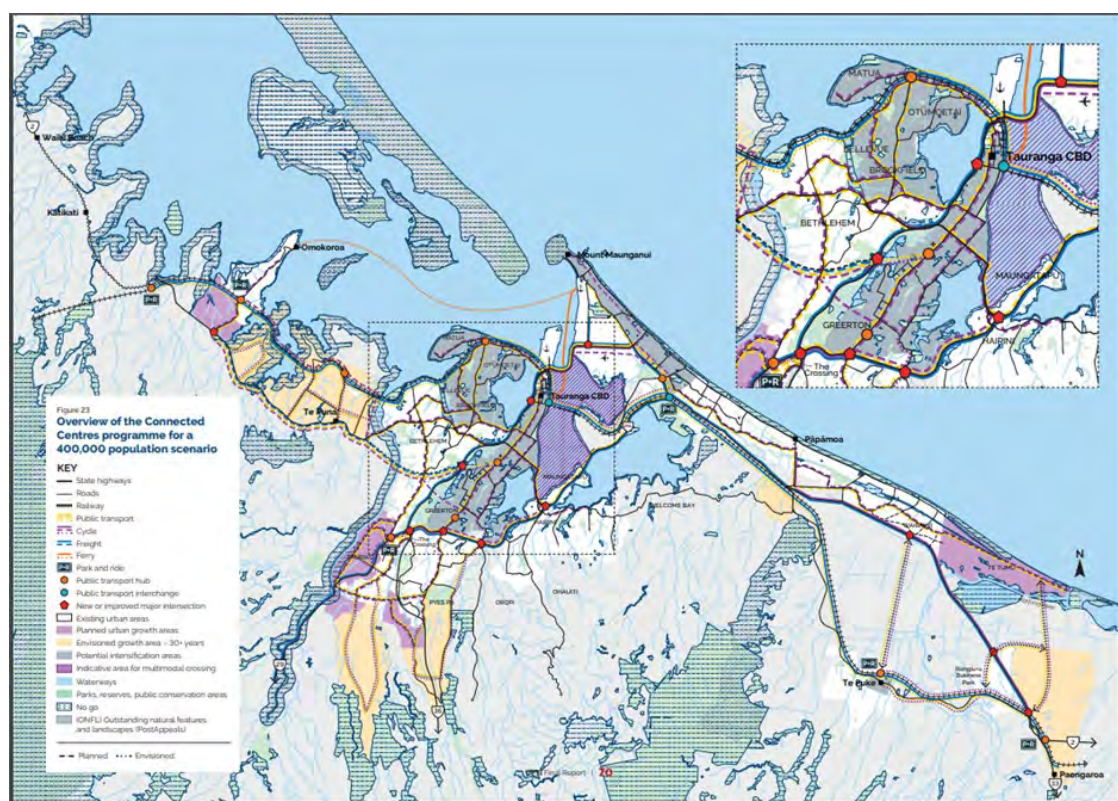


Figure 2 UFTI Connected Centres Programme Opportunities and decisions for the development of Māori land and treaty settlement land, will continue to be retained by Iwi and Hapū, and supported by the SmartGrowth Partners.

One of the most significant changes of the Connected Centres programme is how we move around. As demand increases so will vehicle congestion on key routes. The increase in demand and resulting congestion is simply a result of population and economic growth along with the increasing volume of goods going through the Port of Tauranga.

Without transformational change, congestion will get worse. The sub-region is already experiencing delays on the network during peak periods, and these delays will increase significantly particularly at key intersections if there is continued reliance on private vehicles.

## **6.3 Development capacity**

### **6.3.1 National Policy Statement on Urban Development 2020**

The NPS UD is designed to improve the responsiveness and competitiveness of land and development markets. In particular, it requires local authorities to open up more development capacity, so more homes can be built in response to demand. The NPS UD provides direction to make sure capacity is provided in accessible places, helping New Zealanders build homes in the places they want – close to jobs, community services, public transport, and other amenities our communities enjoy. Potential benefits of more flexible urban growth policy include higher productivity and wages, shorter commute times, lower housing costs, social inclusion, and more competitive urban land markets.

According to the cost-benefit analysis completed by PricewaterhouseCoopers<sup>3</sup>, lower socio-economic groups and future generations will benefit most from greater land-use flexibility (increasing options for how landowners can develop their land). New Zealand's cities will also be better equipped to respond to many urban problems, such as changing patterns of wealth inequality, housing unaffordability and climate change.

Most of the NPS UD's provisions contribute to more competitive land markets in some form, but three are key.

- The intensification policies (Policies 3, and 5) seek to improve land-use flexibility in the areas of highest demand – areas with good access to the things people want and need, such as jobs and community services, and good public transport services. These factors are indicators of the best areas for development, and there is strong evidence to demonstrate that reducing constraints on development in these locations would have the biggest impact.
- The responsive planning policy (Policy 8) seeks to improve land-use flexibility generally by ensuring local authorities are responsive to plan proposals that would add significantly to development capacity as they arise.
- The removal of minimum parking rates in district plans (Policy 11) seeks to improve land use flexibility in urban environments. It will allow more housing and commercial developments, particularly in higher density areas where people do not necessarily need a car to access jobs, services or amenities. Urban space can then be used for higher value purposes than car parking. Developers will still provide car parking in many areas, and must still provide accessible car parking, but the number of car parks will be driven by market demand.

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<sup>4</sup> Auckland Unitary Plan Independent Hearing Panel decision 2016

The NPS UD is also intended to:

- Improve accessibility for all people between housing, jobs, opportunities for social interaction, services, and public open space, including by way of public and active transport (Policy 1).
- Improve the evidence used by decision-makers in planning decisions (Objective 7, subpart 3 of Part 3).
- Provide direction on minimum requirements for local authorities in taking into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) in relation to urban environments (Policy 9).
- Ensure zones have provisions that individually and cumulatively support the purpose of the zone (Policy 3, subpart 7 of Part 3).
- Support reductions in greenhouse gas emissions (Objective 8, Policy 1).

In achieving these outcomes, the NPS UD will contribute to the UGA's objectives, and address unnecessarily restrictive RMA planning instruments and practices. Ultimately, it will help local authorities allow more urban development and housing through their plans, to better meet the different housing needs and preferences of New Zealanders.

### 6.3.2 Tauranga City and western Bay of Plenty development capacity

At present, Tauranga City Council's land supply falls short of that required under the NPS UD.

On 2 September 2021, Tauranga City Council (TCC), as required by the NPS UD, formally notified the Minister for the Environment, that Tauranga City has insufficient development capacity to comply with the relevant provisions of the NPS UD.

The 2021 HBA for Tauranga and the western Bay of Plenty outlines a similar shortfall to that previously communicated by TCC to all SmartGrowth partners. The HBA table below summarises the situation with numbers in the red cells indicating a shortage.

*Table 5 Tauranga City and western Bay of Plenty development capacity*

	<b>Short Term 0-3 years</b>	<b>Medium Term 4-10 years</b>	<b>Long Term 10-30 years</b>	<b>Total 0-30 years</b>
Housing Demand	3,589	7,882	15,062	26,533
<b>Total Housing Demand (including margin)</b>	<b>4,307</b>	<b>9,458</b>	<b>17,321</b>	<b>31,087</b>
Supply - Infill/ Intensification	718	2,838	7,230	10,785
Supply - Greenfield UGA's	2,470	6,245	9,949	18,664
<b>Total Supply</b>	<b>3,188</b>	<b>9,083</b>	<b>17,179</b>	<b>29,449</b>
Demand / Supply (Shortfall) Surplus	(401)	1,201	2,117	2,916
Demand incl. Margin / Supply	(1,119)	(376)	(143)	(1,637)

### 6.3.3 Tauranga City Council and Western Bay of Plenty District Council action to address insufficiency

Significant action is underway to address capacity shortages. In respect of zoned development capacity, the following is underway:

- TCC Plan Change 26 Housing Choice was being prepared to give effect to NPS UD intensification provisions. However, this has been overtaken by the requirements of the RMA (Enabling Housing Supply and Other Matters) Amendment Act 2021(Enabling Housing Act).
- TCC Plan Change 33 is currently being prepared to implement the Enabling Housing Act and to enable the city to grow up and out. It is to be notified in August 2022.
- Partnership with Kāinga Ora and other government agencies in the development of a significant Council-owned property in Bethlehem (Parau Farms) and exploring other possible opportunities on another site. These developments will have a significant focus on social and affordable housing outcomes.
- Proposed divestment of the majority of Council's elder housing portfolio to Kāinga Ora for redevelopment.
- Structure planning and rezoning of the Te Tumu and Tauriko West greenfield growth areas, followed by the Keenan Road and Ohauti South areas. These projects have a strong focus on live/work/learn/play outcomes, multi-modal transport systems, increased residential density and a wider mix of housing typologies as well as more sustainable outcomes (including in relation to carbon emissions).
- Undertaking spatial planning for intensification of Te Papa, commencement of spatial planning for the greater Otūmoetai area and subsequent to that Mount Maunganui areas to refocus growth 'up' instead of primarily 'outwards'.
- Master planning for regeneration of the Gate Pa and Merivale suburbs in Te Papa alongside Accessible Properties and Kāinga Ora. Again, these projects will have significant focus on social and affordable housing outcomes.
- Refreshing the City Centre masterplan with a strengthened focus on residential development.
- Consideration of future development options, including the possibility of high-density master planned housing on the Crown-owned racecourse and golf course site in Te Papa.
- Supporting papakāinga development and wider development aspirations on Māori land noting there is significant untapped potential in this space that will be able to be assisted by recent government funding announcements.

### 6.3.4 In respect of infrastructure funding and delivery

- The adopted TCC 2021-31 Long Term Plan (LTP) includes all of the necessary infrastructure investment to enable development of Te Papa, Tauriko West and Te Tumu across the transport, three waters, reserves and community infrastructure areas. The total level of capital investment has increased from the 2018-28 LTP of \$2.6 billion almost doubling to \$4.6 billion over the 2021-31 LTP period.
- The LTP includes significant increases to rates, development contributions and debt to fund and finance growth.
- Further work is underway to secure alternative financing and funding arrangements through the Housing Infrastructure Fund (HIF), tolling, Infrastructure Acceleration Fund, IFF levies and direct developer funding and delivery of infrastructure. The purpose is to enable development to proceed at pace.

- Revised HIF application currently with MHUD for the Papamoa East Interchange and associated projects would enable development of a significant mixed-use town centre with 1,500 medium and high-density homes. Once fully built out there will be 10,000 people living within a 1 km walking catchment of the town centre supporting active modes and transport self-containment.
- Further work is also underway across the three councils in the SmartGrowth Partnership to assess wider infrastructure funding options.

### 6.3.5 Risks and uncertainties

The above work programme provides a pathway to address development and funding constraints over time however there remains significant risks to achieving this within a timely manner. Some of the key risks include:

#### *City-Wide*

- Recent freshwater reforms have created significant risk for many proposed housing developments. For instance, in both Tauriko West and Te Tumu the existence of wetlands potentially compromises around 40% of developable area.
- Insufficient funding and financing tools for growth-related infrastructure are a major concern, particularly in the transport space.
- Planning processes to rezone land for development are complex, expensive, resource hungry and sometimes not fit for purpose, therefore, TCC are proposing to use the streamlined plan change process for both Te Tumu and Tauriko West and have started to prepare applications. WBOPDC also proposed a streamlined planning process for their Ōmokoroa plan change but have recently decided to include it in their Enabling Housing Act plan change to be notified in August 2022.

#### *Tauriko West (3,000-4,000+ homes)*

- Initial transport investment will only enable approximately half of Tauriko West to be developed (2,000 homes). Significant investment by Waka Kotahi is required to enable the full delivery of Tauriko West (as well as the Tauriko Business Estate extension and Keenan Road). There are significant planning, business case, designation and funding processes to be completed. TCC are committed to working with Waka Kotahi to progress this work and deliver the right balance of transport solutions for the future, in particular high-quality public transport options and an efficient inter-regional freight corridor. This investment will enable over 4,000 homes and 100 hectares of business land over the next one to two decades. TCC are hopeful that it can be delivered in a timely manner that does not compromise the timing of development and are open to new and innovative funding approaches to make this happen such as tolling or road pricing.

#### *Te Tumu (6,000+ homes)*

- The biggest challenge for Te Tumu is securing access and servicing corridors through multiple owned Māori land. Specifically, infrastructure corridors are required through the Te Tumu Kaituna 14 (TK14) 240-hectare block which spans from the Pacific Ocean to the Kaituna River. Development cannot commence unless this occurs. The block has over 4,000 beneficial owners and certain owners have opposed the Trustees approach to progressing development aspirations. This has resulted in a number of court hearings, including most recently in the Court of Appeal. TCC is not directly involved in these matters but are supporting Trustees with resourcing, and advice to progress resolution of these matters.

- There is potential for Māori land issues to spill over to the upcoming rezoning process for Te Tumu.

### *Intensification*

- Intensification is coming off a low base in Tauranga. As such it is important that the public sector takes a strong lead in this space to demonstrate outcomes to the community and private sector developers. Projects like redevelopment of Accessible Property owned social housing stock, development of Kāinga Ora land acquired on Cameron Road, future options for the racecourse/golf course, redevelopment of elder housing stock, the city centre, and the Parau opportunities are central to this occurring.
- The coastal strip from Mount Maunganui to Papamoa is a highly desirable area to live and develop with significant intensification opportunity. However, it is currently constrained by regional rules around liquefaction management. The Regional Council and Tauranga City Council are working together to review the current natural hazard planning framework that may enable development opportunity in this area in a manner that still delivers natural hazard resilience. The Mount Maunganui spatial plan is currently on hold pending resolution of this matter.

The risks of not meeting development capacity targets are significant, as shown in the development capacity shortfalls identified earlier in this section. Capacity shortfalls could increase to 4,000 - 5,000 homes, should there be further delay in releasing supply in Tauriko and Te Tumu. Similarly, if intensification estimates are not achieved the shortfall will be greater. While risks around Te Tumu are largely outside councils' control, in Tauriko and Te Papa constraints relating to resolving current challenges are less.

Even if TCC is successful in delivering sufficient development capacity, the other area of concern is whether or not supply will be at prices that residents can afford. With median house prices in the city of approximately \$1m and the high-cost structure for both intensification and greenfield development this is a major concern. Given the lack of tools available TCC plan to focus on negotiating affordability outcomes directly with developers in lieu of the benefits they receive from zoning and infrastructure provision.

### *Summary*

In summary Tauranga City and the Western Bay of Plenty subregion have a significant challenge delivering sufficient development capacity to meet current and future growth rates, and the requirements of the NPS UD.

As outlined, much work is underway to address the issues posed, but the majority of issues are outside the control of the Council and alternative growth options simply do not exist in the city.

## **6.3.6 Rotorua Lakes development capacity**

The HBA for Rotorua Lakes Council found that the District Plan enables substantial capacity for housing growth across the urban environment, particularly for standalone dwellings. The majority of the capacity is in the form of infill or redevelopment opportunities on underutilised land, although there have been limited signs of uptake to date. There is a moderate amount of plan-enabled greenfield land.

However only about 31% of the plan enabled capacity is estimated to be commercially feasible to develop with the leasehold nature of large areas of residential zoned land (whenua Māori) not achieving the required profit margin under a typical commercial development model. Capacity is also constrained by current and planned infrastructure, particularly three waters infrastructure.

The HBA estimates there is 'reasonably expected to be realised' capacity for 1,700 dwellings in the short term (to 2023), 4,800 dwellings in the medium term (to 2030) and increasing to 9,400 dwellings in the long term (to 2050).

This capacity is not sufficient to meet all projected urban dwelling demand, taking into account the required competitiveness margins of 20% (short and medium term) and 15% (long term).

The following shortfalls are estimated:

- Short term; 1,900 dwellings
- Medium term; 1,400 dwellings
- Long term; 320 dwellings.

Therefore, Rotorua is also facing locality-specific difficulties in delivering urban growth. Again, it is essential that higher level policy instruments such as the RPS provide support to overcome those obstacles and are not a barrier.

## **6.4 Spatial and urban development planning**

### **6.4.1 Western Bay of Plenty - SmartGrowth**

In relation to the western Bay of Plenty sub-region, PC 6 helps implement the outcomes of the agreed SmartGrowth settlement pattern and the continuation of the live-work-play-learn principle.

### **6.4.2 Western Bay Joint Spatial Plan (2021)**

Development of a joint spatial plan is a requirement of the SmartGrowth urban growth partnership with Central Government. It collates work to date (including UFTI) as a first step towards an update of the SmartGrowth Strategy in 2023.

The Western Bay Joint Spatial Plan (JSP 2021) aims to provide the blueprint for delivering on a well-planned and well-functioning urban environment and wider sub-region. The 2021 version represents the first phase of the Joint Spatial Plan. It is currently at draft stage. The next phase will occur in 2023 and will include the NPS UD requirements such as the Future Development Strategy and a more in-depth Tangata Whenua Spatial Planning. It will also aim to be a wider review of the SmartGrowth Strategy and as such will undertake a full public consultation process.

The iwi spatial layer in the JSP 2021 provides base information (including Marae, Māori land, cultural elements, etc). A Tangata Whenua Spatial Planning project is being developed over 2022-2023, which will provide an understanding of tangata whenua values and aspirations.

The JSP 2021 does not affect Change 6. The second phase in 2023, which will include a Future Development Strategy (FDS) and Tangata Whenua Spatial Planning, may lead to a need for further change to the RPS to implement the FDS outcomes.

### 6.4.3 SmartGrowth Housing Action Plan

The SmartGrowth Housing Action Plan brings together key housing information for Tauranga and the western Bay of Plenty, identifies gaps, and lays out an Action Plan to improve the housing system in the sub-region, now and into the future. It is intended that the Action Plan will be monitored by SmartGrowth Partners and regularly updated.

The Action Plan will be used to inform the SmartGrowth Joint Spatial Plan, and the Priority Development Areas taskforce. Given their importance, many of the actions laid out in the plan will proceed independently of the Joint Spatial Plan.

There are several trends that need to improve to support overarching housing objectives:

- Average dwelling densities (intensification and new growth areas) in the sub-region
- Change in housing typology in the sub-region (type, # of bedrooms, m2)
- Average and median household income (gross) in western Bay of Plenty
- Average housing/rent prices
- Number of clients on Kāinga Ora housing waiting lists
- Number of people in various forms of emergency housing.

The SmartGrowth housing working group will take responsibility for measuring these trends. Most of this data is available. Housing supply targets will be picked up through the housing bottom line requirements in the NPS UD and now included in the RPS.

The Housing Action Plan will be reviewed annually, and progress will be reported in terms of key moves, KPIs and trends. The Plan will be updated if circumstances change, or significant new information and tools are available.

There are no direct implications from the Housing Action Plan on Change 6. The Housing Action Plan is about delivering housing within existing and planned urban areas by the relevant agencies. Change 6 is about responsive planning for new urban proposals.

### 6.4.4 Rotorua urban development planning

Rotorua Lakes Council (RLC) are exploring a number of ways to improve urban development planning. This includes a Plan Change, focusing on enabling greater infill, intensification, and housing choice. The plan change process will involve a gap analysis assessment of the District Plan's objectives, policies, and provisions in terms of enabling intensification. This plan change will incorporate the Medium Density Residential Standards in the Enabling Housing Act and is to be notified in August 2022 at the same time as the region's other plan changes directed by the NPS UD. There will also be a workstream to consider flooding and associated issues.

### 6.4.5 Eastern Bay spatial planning and urban development planning

The scope of Eastern Bay spatial planning work is currently being finalised. The work is likely to be similar to the Western Bay Joint Spatial Plan. The Whakatāne-Kawerau-Matātā area is the current focus for new urban development planning.

Eastern Bay spatial planning does not affect Change 6. Outcomes from the Whakatāne to Kawerau urban development planning may lead to a further change to the RPS to implement if necessary.

## 6.5 GPS Housing

The Government Policy Statement- Housing and Urban Development (GPS HUD) is intended to provide a shared vision and direction across housing and urban development, to guide and inform the actions of all those who contribute. It sets out how Government and other parts of the housing and urban development system will work together.

The GPS HUD will shape future:

- government policy,
- investment, and
- programmes of work.

### *Developing an implementation plan*

Government will work alongside stakeholders across the system, including with local government, iwi and Māori, industry, non-government organisations, and communities to develop and test the implementation plan.

Given the nature of the implementation plan, it is expected that it will be updated more regularly than the GPS HUD. The first is to be published in the first quarter of 2022.

## 6.6 Summary of growth context

In summary, this growth context demonstrates that the local authorities in the region are actively addressing their urban growth issues through a range of initiatives based on their local issues. A coordinated and comprehensive approach across all levels of government is needed in order to ensure the purpose of the NPS UD is achieved. The RPS is a key document in the hierarchy of planning instruments that influences this growth context. Therefore, it is important that the RPS does not place barriers in the way of well-planned urban growth, but rather provides a flexible policy framework for innovative solutions and high-quality urban outcomes.

# Part 7:

## Evaluation

### 7.1 Options considered

Proposed Change 6 (NPS UD) is to implement the requirements of the NPS UD. The evaluation has been divided into the three topics: Responsiveness Planning, Intensification and Te Tiriti o Waitangi.

The 'do nothing' option has not been considered further because the RPS is inconsistent with the requirements of the NPDS UD under these three topic headings, and it directs that the RPS be amended to give effect to it as soon as practicable.

The following options have been considered for each of the three topics.

*Table 6 Options – Topic – Responsive Planning (Policy 8 NPS UD)*

Option	Topic – Responsive Planning (Policy 8 NPS UD)	Option	
1A	Add responsive planning policy that is limited to the requirements of NPS UD, and avoid repeating RPS provisions that already apply to TAs and developers	1B	Retain urban limits but extend and update mapping of urban growth areas in the RPS to include Western Bay of Plenty, Rotorua and Whakatāne, and include a responsiveness policy that allows for development outside urban limits subject to criteria, including other RPS criteria to guide plan changes. Include UFTI growth mapping.
2A	Apply the policy to submissions on plan changes and plan reviews as well as private plan changes and exclude resource consent applications.	2B	Limit the policy to private plan changes only.
3A	Define 'anticipated' development proposals as those that are included in Future Development Strategies, growth strategies, LTPs and 30-year infrastructure strategies, in addition to RMA plans	3B	Define 'anticipated' development as applying to RMA plans only
4A	Set a minimum scale for development proposals but allow for flexibility for smaller urban environments.	4B	Do not set any minimum scale for development proposals
5	Use 'hard' urban limit (current approach in western Bay include retaining existing RPS Appendix E (maps), and including new urban limits for Rotorua and Whakatāne		

6	Update the sequencing and prioritisation of urban growth areas (i.e., including retain existing RPS Appendix C and D)		
7	Include policy on housing affordability		

*Table 7 Options – Topic - Intensification*

Option	Topic – Intensification (Policies 3 and 5 NPS UD)	Option	
1A	Include new high-level policy	1B	Include new policy on intensification, including detail on implementation of Policies 3 and 5.

*Table 8 Options – Topic – Te Tiriti o Waitangi*

Option	Topic – Te Tiriti o Waitangi principles (Objective 5 and Policy 9 NPS UD)	Option	
1A	Include new policy replacing UG 22B, expanding beyond papakāinga	1B	Include new policy replacing UG 22B, expanding beyond papakāinga and beyond Māori land

## 7.2 Options rejected

### Topic – Responsive Planning (Policy 8 NPS UD)

Options 5, 6 and 7 in Table 6 are not considered reasonably practicable options. They have been assessed and rejected for the following reasons:

**Option 5: Use ‘hard’ urban limits (current approach in western Bay include retaining existing RPS Appendix E maps), and include new urban limits for Rotorua and Whakatāne**

The current hard urban limits that apply in the western Bay of Plenty were developed as a result of the SmartGrowth subregional growth strategy that was initially prepared in 2009 and updated in 2013. It provided a firm basis for coordination between the local authorities and infrastructure providers such as Waka Kotahi. It resulted in agreement on a spatial growth plan focused on greenfields land on the outskirts of Tauranga City and within western Bay of Plenty District.

The hard urban limits have proven inflexible, particularly in the face of delays due to unexpected constraints within some of the identified growth areas such as land ownership. They have become outdated. There has not been a flexible alternative pathway for urban growth outside the urban limits.

The hard urban limits are inconsistent with the NPS UD thrust of responsiveness and flexibility that encourages opportunities for alternative urban growth proposals to be considered on their merits.

### **Option 6: Update the sequencing and prioritisation of urban growth areas (i.e., including retain existing RPS Appendix C and D)**

Sequencing is not the role of the RPS as it is not a spatial plan. Sequencing and/or prioritising is achieved through the 'plan enabled' and 'infrastructure ready' provisions of the NPS UD (including territorial authority plans).

This work overlaps with the role of Future Development Strategies and the role of territorial authority district/city plans, LTPs and 30-year infrastructure plans.

In addition, like the urban limits, time has revealed that RPS Appendix C and D have become outdated and have not been effective.

### **Option 7: Include policy on housing affordability**

Under the NPS UD and the RMA, the RPS role in housing affordability is to support competitive land and development markets (i.e., land supply), not to attempt to directly set prices. This approach was confirmed by the Independent Hearing Panel in the Auckland Unitary Plan decisions when they said:

*"In the Panel's view the Resource Management Act 1991 and plans promulgated pursuant to it are not intended to include general price-control mechanisms..."*

*"...the most appropriate way for the Plan to address housing affordability in the region is by enabling a significant increase in residential development capacity and a greater range of housing sizes and types..."*

*"...the Panel considers that housing affordability is best addressed in the Plan as primarily housing supply and housing choice issues."<sup>4</sup>*

These comments are equally applicable to the RPS. While housing affordability is a critical issue in the Bay of Plenty the RPS cannot directly influence prices.

## **7.3 Objectives**

The evaluation revealed that as the RPS objectives relating to urban development are high level they did not require amendment, except for minor consequential wording changes to Objective 25 to reflect the responsiveness directions of the NPS UD and the wider ambit of urban growth policies, beyond just the western Bay of Plenty. All of the policy alternatives considered were consistent with the objectives. Therefore, consistency with RPS objectives is a neutral consideration in this evaluation.

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<sup>4</sup> Auckland Unitary Plan Independent Hearing Panel decision 2016

### 7.3.1 Evaluation of Options 1A and 1B; Responsiveness

Table 9 Analysis of options 1A and 1B

	<b>Option 1A (Preferred)</b> Add responsive planning policy that is limited to the requirements of the NPS UD and avoids repeating NPS UD provisions that already apply to TAs and developers.	<b>Option 1B (Not preferred)</b> Retain urban limits but extend and update mapping of urban growth areas in the RPS to include Western Bay of Plenty, Rotorua and Whakatāne, and include a responsiveness policy that allows for development outside urban limits subject to criteria, including other RPS criteria to guide plan changes. Include UFTI growth mapping.
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values</p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values appreciated by other people,</p>

	<p><i>appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>'. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>	<p><i>communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>'. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>
<p>Social benefits and costs</p>	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development as it contributes to additional capacity which in turn leads to greater range of housing, better meeting market demand and supporting affordability. Well-planned and located urban growth is more likely to support social benefits of a well-functioning urban environment such as access to social and community infrastructure and transport choice.</p> <p>By providing a simple policy that is well-matched to the NPS UD purposes it is more likely to efficiently provide for these social benefits.</p> <p>Social benefits and costs will also be assessed in detail as part of structure planning and plan change processes.</p>	<p>This alternative relies on inclusion of urban limits and growth areas in the planning documents which in turn relies on accurate information from landowners, councils, and stakeholders such as infrastructure-providers and tangata whenua. The complexity of this information and the need to keep it up to date works against a flexible approach that is more likely to deliver urban development and its social benefits more quickly and simply. A combination of urban limits and criteria through which to develop outside them ('soft urban limits') would be unnecessarily complex and unwieldy. Experience in the western Bay of Plenty shows that carefully planned growth areas are still subject to unexpected influences such as land ownership or new government legislation that can undermine the planning.</p>
<p>Economic benefits and costs</p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Employment growth</li> </ul>	<p>There are administrative costs to Regional Council from amending the RPS associated with public notification, coordinating submissions, hearing, deliberations, and Council's decisions.</p> <p>A simple policy that is understandable and closely matched to the NPS UD</p>	<p>There are administrative costs to Regional Council from amending the RPS associated with public notification, coordinating submissions, hearing, deliberations, and Council's decisions.</p> <p>This more complex policy approach that is not as closely matched to the NPS UD</p>

	<p>requirements is more likely to be implemented at a lower compliance cost and more quickly. These lower costs and timeliness benefits mean that the benefits of urban growth are realised more quickly and at a lower cost. This is more likely to support employment growth and economic growth than other alternatives that are more complex and have higher compliance costs.</p> <p>There will likely be economic benefits to individual landowners as a result of land use change opportunities associated with urban zoning provisions.</p>	<p>requirements as Option 1A is more likely to involve higher compliance cost and take more time. Very detailed information on the location of urban limits would be required. This means that the benefits of urban growth are realised more slowly and at a higher cost. The barriers to entry are high and are likely to discourage growth leading to reduced opportunities for economic and employment growth.</p> <p>There will likely be economic benefits to individual landowners as a result of land use change opportunities associated with urban zoning provisions.</p>
Cultural benefits and costs	There are no identified cultural benefits or costs associated with this alternative.	There are no identified cultural benefits or costs associated with this alternative.
Efficiency/Effectiveness	<p>This alternative is legally robust as it closely follows the NPS UD requirements and does not include extraneous material. It is also consistent with MfE guidance material for responsive planning which specifies that 'hard urban limits' are likely to be inconsistent with the NPS UD<sup>5</sup>. Therefore, it is effective by being directed towards achieving the objectives of the NPS UD.</p> <p>As a result of the simplicity of approach it is also efficient as the only matters that will be the subject of submissions and decision making are those related to implementation of the NPS UD. This is expected to limit the complexity of the subsequent RMA planning process to implement the policy.</p>	<p>This alternative is less legally robust and less effective as it still includes urban limits. Urban limits and allocated growth areas are overly prescriptive as they assume that the best planning outcome can be defined ahead of time. Experience shows they can become dated.</p> <p>Even with policy provisions that allow for them to be extended they are likely to be inefficient. The spatial areas and boundaries are likely to be the subject of submissions detracting from the core purpose which is implementation of the NPS UD responsive plan provisions. The change will be more complex than option 1A.</p>
Consistency with RPS Objectives	This alternative is consistent with relevant RPS objectives.	This alternative is consistent with relevant RPS objectives.

<sup>5</sup> Understanding and implementing the responsive planning policies, Ministry for the Environment, September 2020

Risk of acting or not acting	<p>The risk of not acting is high as the current RPS is inconsistent with the NPS UD responsive planning policies. The risk would be realised through legal challenge, damage to reputation and damage to relationships with central government.</p> <p>There is minimal risk of acting as option 1A is closely aligned with the NPD UD.</p>	<p>The risk of not acting is high as the current RPS is inconsistent with the NPS UD responsive planning policies. The risk would be realised through legal challenge, damage to reputation and damage to relationships with central government.</p> <p>There is a small risk of acting as option 1B does not implement the NPS UD as clearly or as closely as option 1A.</p>
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### 7.3.2 Evaluation of Options 2A and 2B; Responsiveness

Table 10 Analysis of options 2A and 2B

	<b>Option 2A (Preferred)</b> Apply the policy to submissions on plan changes and plan reviews as well as private plan changes and exclude resource consent applications.	<b>Option 2B (Not preferred)</b> Limit the policy to private plan changes only
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p>

	<p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘., <i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>	<p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘., <i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>
Social benefits and costs	<p>The social benefits associated with additional urban development capacity will generally be increased if a wider range of planning processes are enabled. Private plan changes can only be lodged on operative district plans. Therefore, as soon as a proposed district plan review is notified that option becomes unavailable. District plan reviews can take several years to move from proposed to operative.</p> <p>The clear purpose of NPS UD Policy 8 is to give proper weight to unexpected or unanticipated development opportunities, and to exclude them for several years by limiting the policy to plan changes is inconsistent with that. Submissions on District Plan reviews or plan changes are the method typically used to advance unanticipated development when a proposed district plan has been notified. There is no reason to distinguish submissions on a plan from plan changes.</p>	<p>Private plan changes can only be lodged on operative district plans. Therefore, as soon as a proposed district plan review is notified that option becomes unavailable. District plan reviews can take several years to move from proposed to operative.</p> <p>The clear purpose of NPS UD Policy 8 is to give proper weight to unexpected or unanticipated development opportunities, and to exclude them for several years by limiting the policy to plan changes is inconsistent with that purpose. Submissions on District Plan reviews or plan changes are the method typically used to advance unanticipated development when a proposed district plan has been notified. There is no reason to distinguish submissions on a plan from plan changes, when giving effect to the NPS UD.</p>
Economic benefits and costs	<p>The economic benefits of additional urban land capacity are more likely to be realised if capacity can be released in a timely manner. By including submissions on plan changes and plan reviews in the policy Option 2A avoids the hiatus</p>	<p>By limiting the policy to private plan changes the hiatus on private plan changes brought about by notification of a district plan review will create lengthy delays in advancing proposals for additional urban land capacity. It also leads to</p>

	on private plan changes brought about by notification of a district plan review. By clearly including them in the policy it also avoids a debate about what the NPS UD intended, again saving time.	debate about what the NPS UD intended, resulting in longer timeframes.
Cultural benefits and costs	There are no identified cultural benefits or costs associated with this alternative.	There are no identified cultural benefits or costs associated with this alternative.
Efficiency/Effectiveness	<p>Option 2A is efficient and effective because it provides a path for unanticipated or out of sequence urban development regardless of the status of the district plan.</p> <p>Resource consents should be excluded from the policy because they are not subject to the rigorous analysis of benefits and costs and effectiveness/efficiency that plan-making processes are. Plan-making processes, including submissions on plans, are subject to s32 RMA. Resource consents must also have a lapse period so that if they are not implemented, they expire, creating uncertainty over long term land use.</p>	<p>Option 2B is less efficient and effective as it only provides a path for unanticipated or out of sequence urban development if a district plan is operative. There are typically several years when a proposed plan has been notified but not made operative, when private plan changes are not an available option.</p>
Consistency with RPS Objectives	Option 2A is neutral in relation to RPS objectives as it relates to a process issue that is not specifically addressed.	Option 2B is neutral in relation to RPS objectives as it relates to a process issue that is not specifically addressed.
Risk of acting or not acting	<p>The risk of not acting is high, as it would lead to inefficiency and ineffectiveness due to the policy not covering the situation when a proposed plan review has been notified.</p> <p>There is no risk of acting as the policy covers all relevant situations.</p>	<p>The risk of acting is high, as it would lead to inefficiency and ineffectiveness due to the policy not covering the situation when a proposed plan review has been notified.</p> <p>There is no risk of not acting.</p>

### 7.3.3 Evaluation of Options 3A and 3B; Responsiveness

Table 11 Analysis of options 3A and 3B

	<b>Option 3A (Preferred)</b> Define 'anticipated' development proposals as those that are included in adopted Future Development Strategies, growth strategies, LTPs and 30-year infrastructure strategies, in addition to RMA plans	<b>Option 3B (Not preferred)</b> Limit the policy to RMA plans only
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes '<i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied</i></p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes '<i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied</i></p>

	<p><i>housing types and densities...and are not of themselves an adverse effect</i>'. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>	<p><i>housing types and densities...and are not of themselves an adverse effect</i>'. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>
Social benefits and costs	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development as it contributes to additional capacity which in turn leads to greater range of housing, better meeting market demand and supporting affordability. Well-planned and located urban growth is more likely to support social benefits of a well-functioning urban environment such as access to social and community infrastructure and transport choice.</p> <p>Taking a broad approach to planning documents that represent 'planned development' is appropriate as urban growth planning methods have evolved and matured since the RMA became operative in 1991. They now typically include growth strategies and infrastructure strategies and Long-Term Plans prepared under the Local Government Act. These documents have often proven to be a better fit for urban growth planning than the RMA.</p> <p>As they are prepared by the relevant local authorities using well-established policy development and consultation processes, they represent 'planned and anticipated' urban development. By widening the range of planning documents beyond the narrower 'unanticipated by RMA planning documents' terminology used in Policy 8(a) of the NPS UD, the need to apply the responsiveness policies in the RPS will be reduced, meaning a simpler</p>	<p>This alternative relies on the wording of Policy 8(a) of the NPS UD which requires that local authority decisions affecting urban environments are responsive to plan changes that are 'unanticipated by RMA planning documents'. While RMA planning documents are one of the main methods of providing for urban growth, they are not the only ones. They now typically include growth strategies and infrastructure strategies and Long-Term Plans prepared under the Local Government Act. These documents have often been a better fit for urban growth planning than the RMA.</p> <p>Limiting the policy to RMA plans is unnecessarily restrictive and does not give effect to the overall purpose of the NPS UD to the full extent.</p>

	<p>and more straightforward approach to urban growth planning that does not rely as much on the RPS. This is likely to deliver the social benefits of urban growth more quickly.</p> <p>Social benefits and costs will still be assessed in detail as part of structure planning and plan change processes.</p>	
<p>Economic benefits and costs</p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Employment growth</li> </ul>	<p>Economic benefits from urban development accrue earlier and at lower cost the better-planned and coordinated urban growth areas are. The wider scope of planning documents provided by Option 3A means that the need to assess urban growth projects against the responsiveness policies of the RPS is reduced, thereby simplifying the process.</p> <p>There will likely be economic benefits to individual landowners as a result of land use change opportunities associated with urban zoning provisions.</p>	<p>The economic benefits of urban growth will not be as readily or quickly realised as Option 3A because the RPS responsiveness policies will need to be satisfied unless the project is contained in an RMA planning document. This would add an unnecessary additional step if the growth area is planned using other well-accepted planning methods.</p>
Cultural benefits and costs	There are no identified cultural benefits or costs associated with this alternative	There are no identified cultural benefits or costs associated with this alternative.
Efficiency/Effectiveness	<p>This option is efficient as it utilises a wider range of planning documents to meet the 'anticipated' test thereby reducing the need to engage the RPS responsiveness policies. It also maximises use of planning documents that local authorities have invested resources in.</p> <p>It is also effective as it reduces the complexity of planning processes by not needing to apply the RPS unnecessarily. This is expected to limit the complexity of the subsequent RMA planning process to implement the policy.</p>	<p>This option is not as efficient or effective as Option 3A because it is limited to RMA planning documents. This means the RPS responsiveness policies will be engaged more often, adding complexity and time to the process.</p>
Consistency with RPS Objectives	This alternative is consistent with relevant RPS objectives.	This alternative is consistent with relevant RPS objectives.
Risk of acting or not acting	The risk of not acting is moderate as the policy would still be consistent with the NPS UD even if limited to RMA planning documents.	The risk of acting or not acting is moderate as option 3B is also consistent with the NPS UD but it

	There is minimal risk of acting as option 3A is closely aligned with the overall purpose of the NPS UD of encouraging appropriate areas of urban growth.	would be a lost opportunity compared to Option 3A.
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### 7.3.4 Evaluation of Options 4A and 4B; Responsiveness

Table 12 Analysis of options 4A and 4B

	<b>Option 4A (Preferred)</b> Set a minimum scale for development proposals	<b>Option 4B (Not preferred)</b> Do not set any minimum scale for development proposals
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will also be a period of environmental effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although</p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be a period of environmental effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects such as construction effects may be.</p>

	individual environmental effects such as construction effects may be.	
Social benefits and costs	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development as it contributes to additional capacity which in turn leads to greater range of housing, better meeting market demand and supporting affordability. The benefits are more likely to be realised for urban development at larger scale, so setting a minimum scale would better support social benefits.</p> <p>Social benefits and costs will also be assessed in detail as part of structure planning and plan change processes.</p>	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development as it contributes to additional capacity which in turn leads to greater range of housing, better meeting market demand and supporting affordability. However, small scale developments have minimal impact on achieving those benefits.</p> <p>Social benefits and costs will also be assessed in detail as part of structure planning and plan change processes</p>
<p>Economic benefits and costs</p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Employment growth</li> </ul>	<p>Setting a minimum scale of urban development supports the achievement of economic benefits as the costs of urban development, including the RMA process costs, can be spread across a larger area. There are administrative costs to Regional Council from amending the RPS associated with public notification, coordinating submissions, hearing, deliberations and Council's decisions.</p> <p>For small areas the process costs may make projects unviable.</p> <p>There will likely be economic benefits to individual landowners as a result of land use change opportunities associated with urban zoning provisions.</p>	<p>There are administrative costs to Regional Council from amending the RPS associated with public notification, coordinating submissions, hearing, deliberations, and Council's decisions. If a minimum scale is not specified there is a risk that multiple small scale processes undermine the economic benefits of urban development.</p>
Cultural benefits and costs	There are no identified cultural benefits or costs associated with this alternative	There are no identified cultural benefits or costs associated with this alternative.
Efficiency/Effectiveness	This alternative is efficient and effective by concentrating both private sector and Council resources on urban development that can deliver large enough areas to contribute substantially to	This alternative is less efficient and effective as it would spread private sector and Council resources across small development areas. Small scale areas are less able to provide key elements of well-

	<p>creating well-functioning urban environments. Development at scale is essential to support aspects such as high levels of public transport use and variety of sites and housing forms.</p> <p>The minimum size is consistent with the definition of 'large scale' in the RPS which is also the trigger for structure planning in Method 18.</p> <p>Flexibility is built in to allow smaller scale developments to be considered for smaller urban environments. This is efficient by recognising the range of urban environments in the region.</p>	functioning urban environments such as variety of houses and support for public transport.
Consistency with RPS Objectives	This alternative is consistent with relevant RPS objectives.	This alternative is consistent with relevant RPS objectives.
Risk of acting or not acting	<p>The risk of not acting is moderate as it would be inefficient to be dealing with multiple small-scale developments, that are not large enough to fully contribute to well-functioning urban environments. This is provided that the policy is sufficiently flexible to recognise the needs of smaller urban environments.</p> <p>There is minimal risk of acting as option 4A is closely aligned with the NPS UD and with Method 18 of the RPS that requires structure planning of land areas of over 5ha.</p>	<p>The risk of not acting is low, as a more appropriate approach is to specify a minimum scale.</p> <p>There is a moderate risk of acting as option 1B is not as efficient as Option 1A.</p>

### 7.3.5 Evaluation of Options 1A and 1B; Intensification

Table 13 Analysis of options 1A and 1B

	<b>Option 1A (Preferred)</b>	<b>Option 1B (Not preferred)</b>
	Include an intensification policy that is limited to implementation of NPS UD Policies 3 and 5	Include an intensification policy that provides more detailed direction as to how NPS UD Policies 3 and 5 are to be achieved
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the intensification policy proceeds.</p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the intensification policy proceeds.</p>

	<p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>There are broad environmental benefits of intensification of urban areas, by reducing the need for urban expansion on the periphery of cities and reducing greenhouse gas emissions.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, <i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>	<p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. There will also be a period of effects associated with the construction phase of urban development including dust, visual effects, noise, light glare, vibration etc.</p> <p>There are broad environmental benefits of intensification of urban areas, by reducing the need for urban expansion on the periphery of cities and reducing greenhouse gas emissions.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, <i>may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect</i>’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy, although individual environmental effects may be.</p>
Social benefits and costs	<p>There is a social benefit in enabling intensification of urban development as it contributes to additional capacity which in turn leads to greater range of housing, better meeting market demand and supporting affordability. Well-planned and located urban growth is more likely to support social benefits of a well-functioning urban environment such as access to</p>	<p>NPS UD Policies 3 and 5 provide detailed direction on the location and nature of higher density development with urban environments. Those aspects are local authority matters, outside the scope of the RPS. Therefore, inclusion of more detailed policies, cutting across local authority responsibilities is likely to cause confusion and difficulty in</p>

	<p>social and community infrastructure and transport choice.</p> <p>By providing a simple policy that is well-matched to the NPS UD purposes it is more likely to readily provide for these social benefits.</p> <p>Social benefits and costs will also be assessed in detail as part of any plan change processes.</p>	<p>implementing the policy, thereby potentially delaying, or impacting the realisation of the social benefits of intensification.</p> <p>Social benefits and costs will also be assessed in detail as part of any plan change processes.</p>
<p>Economic benefits and costs</p> <ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Employment growth</li> </ul>	<p>A simple policy that is understandable and closely matched to the NPS UD requirements is more likely to be implemented at a lower compliance cost and more quickly. These lower costs and timeliness benefits mean that the benefits of intensification are realised more quickly and at a lower cost. This is more likely to support employment growth and economic growth than other alternatives that are more complex and have higher compliance costs.</p> <p>There will likely be economic benefits to individual landowners because of land use change opportunities associated with upzoning.</p>	<p>A more complex policy approach that is not as closely matched to the NPS UD requirements as Option 1A is more likely to involve higher compliance cost and take more time. This policy would create uncertainty in terms of the jurisdiction of the regional council. This means that the benefits of intensification are likely realised more slowly and at a higher cost.</p> <p>There will likely be economic benefits to individual landowners as a result of land use change opportunities associated with upzoning.</p>
Cultural benefits and costs	There are no identified cultural benefits or costs associated with this alternative	There are no identified cultural benefits or costs associated with this alternative.
Efficiency/Effectiveness	<p>This alternative is legally robust as it closely follows the NPS UD requirements and does not include any extraneous material. Therefore, it is effective by being directed towards achieving the objectives of the NPS UD.</p> <p>Policies 3 and 5 of the NPS UD are complex and cover matters of building height and density that are the responsibility of local authorities. As a result of the simplicity of approach it is also efficient as the only matters that will be the subject of submissions and decision making are those related to implementation of the NPS UD. This is expected to limit the complexity of the</p>	<p>This alternative is less legally robust and less effective as it potentially covers matters within the jurisdiction of local authorities and would create confusion as to the respective roles of the councils.</p> <p>The change will be more complex than Option 1A and is likely to attract more opposition through submissions.</p>

	subsequent RMA planning process to implement the policy.	
Consistency with RPS Objectives	This alternative is consistent with relevant RPS objectives.	This alternative is consistent with relevant RPS objectives.
Risk of acting or not acting	<p>The risk of not acting is high as the current RPS is silent on intensification. It therefore does not provide high level support for the more detailed intensification policies that must be introduced by local authorities.</p> <p>There is minimal risk of acting as option 1A is closely aligned with the NPD UD.</p>	<p>The risk of not acting is minimal, as the policy intent of the NPS UD can be achieved through a simpler policy approach that does not cross over into local authority responsibilities.</p> <p>There is a high risk of acting as option 1B does not implement the NPS UD as clearly or as closely as option 1A and is open to challenge in terms of jurisdiction of the respective councils.</p>

### 7.3.6 Evaluation of Options 1A and 1B; Te Tiriti o Waitangi

Table 14 Analysis of options 1A and 1B

	<b>Option 1A (Preferred)</b> Include new policy replacing UG 22B, expanding beyond papakāinga and beyond Māori land	<b>Option 1B (Not preferred)</b> Include new policy replacing UG 22B, expanding beyond papakāinga only
Environmental benefits and costs	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual</p>	<p>There are no specific direct environmental benefits and costs resulting from amending the RPS. Specific environmental benefits and costs will only arise when development that has been enabled by the responsiveness policy proceeds.</p> <p>Those environmental benefits and costs will be subject to evaluation in accordance with s32 at the time of the future plan changes.</p> <p>There will be environmental costs to existing landowners/ residents associated with development. For example, landowners or residents who value and wish to preserve a rural outlook and lifestyle on the city fringes will be adversely affected if development takes place on bordering land. There will also be a period of effects associated with the construction phase of urban development including dust, visual</p>

	<p>effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy from papakāinga or other forms of Māori development, although individual environmental effects may be.</p>	<p>effects, noise, light glare, vibration etc.</p> <p>Policy 6 of the NPS UD specifies that the planned urban built form in RMA planning documents may involve significant changes to an area, and those changes ‘, may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities and future generations, including by providing increased and varied housing types and densities...and are not of themselves an adverse effect’. This policy effectively means that overall effects on amenity values are not relevant to urban change under this policy from papakāinga or other forms of Māori development, although individual environmental effects may be.</p>
Social benefits and costs	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development including for papakāinga and other Māori-led development as it contributes to a greater range of housing, better meeting market demand and supporting affordability. Well-planned and located urban growth is more likely to support social benefits of a well-functioning urban environment such as access to social and community infrastructure and transport choice. Papakāinga are defined in the RPS as being on ancestral land, but not being limited to residential development. By extending the policy beyond papakāinga and Māori land the potential social benefits are expanded.</p> <p>Social benefits and costs will also be assessed in detail as part of any plan change processes.</p>	<p>There is a social benefit in enabling additional land areas for greenfield and brownfield urban development including for papakāinga and other Māori-led development as it contributes to a greater range of housing, better meeting market demand and supporting affordability. However, this alternative does not deliver the same benefits as option 1A as it is limited to Māori land. With extensive changes in land tenure and iwi/Māori having capacity to implement housing and other development programmes regardless of land tenure, this option is unnecessarily restrictive and therefore does not deliver social benefits as effectively.</p>
Economic benefits and costs	There are administrative costs to Regional Council from amending	There are administrative costs to Regional Council from amending

<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Employment growth</li> </ul>	<p>the RPS associated with public notification, coordinating submissions, hearing, deliberations, and Council's decisions.</p> <p>A wide policy that captures as many development opportunities as possible for iwi/Māori is most likely to deliver economic benefits.</p>	<p>the RPS associated with public notification, coordinating submissions, hearing, deliberations, and Council's decisions.</p> <p>A more restrictive approach that is limited to Māori land is unlikely to deliver as many economic benefits as option 1A.</p>
Cultural benefits and costs	There are significant cultural benefits associated with this alternative, by supporting tino rangatiratanga, self-determination and economic development.	There are significant cultural benefits associated with this alternative, by supporting tino rangatiratanga, self-determination and economic development, but it is restricted by being limited to Māori land.
Efficiency/Effectiveness	This alternative is efficient and effective by setting out a high-level direction that is consistent with the NPS UD.	This alternative is efficient and effective by setting out a high-level direction that is consistent with the NPS UD
Consistency with RPS Objectives	This alternative is consistent with relevant RPS objectives.	This alternative is consistent with relevant RPS objectives.
Risk of acting or not acting	<p>The risk of not acting is high as the current RPS is narrow in its approach to Māori aspirations for urban development.</p> <p>There is minimal risk of acting as option 1A is closely aligned with the NPD UD.</p>	<p>The risk of not acting is high as the current RPS is narrow in its approach to Māori aspirations for urban development.</p> <p>There is a moderate risk of acting as option 1B is more restrictive than option 1A.</p>

# Part 8:

## Conclusion

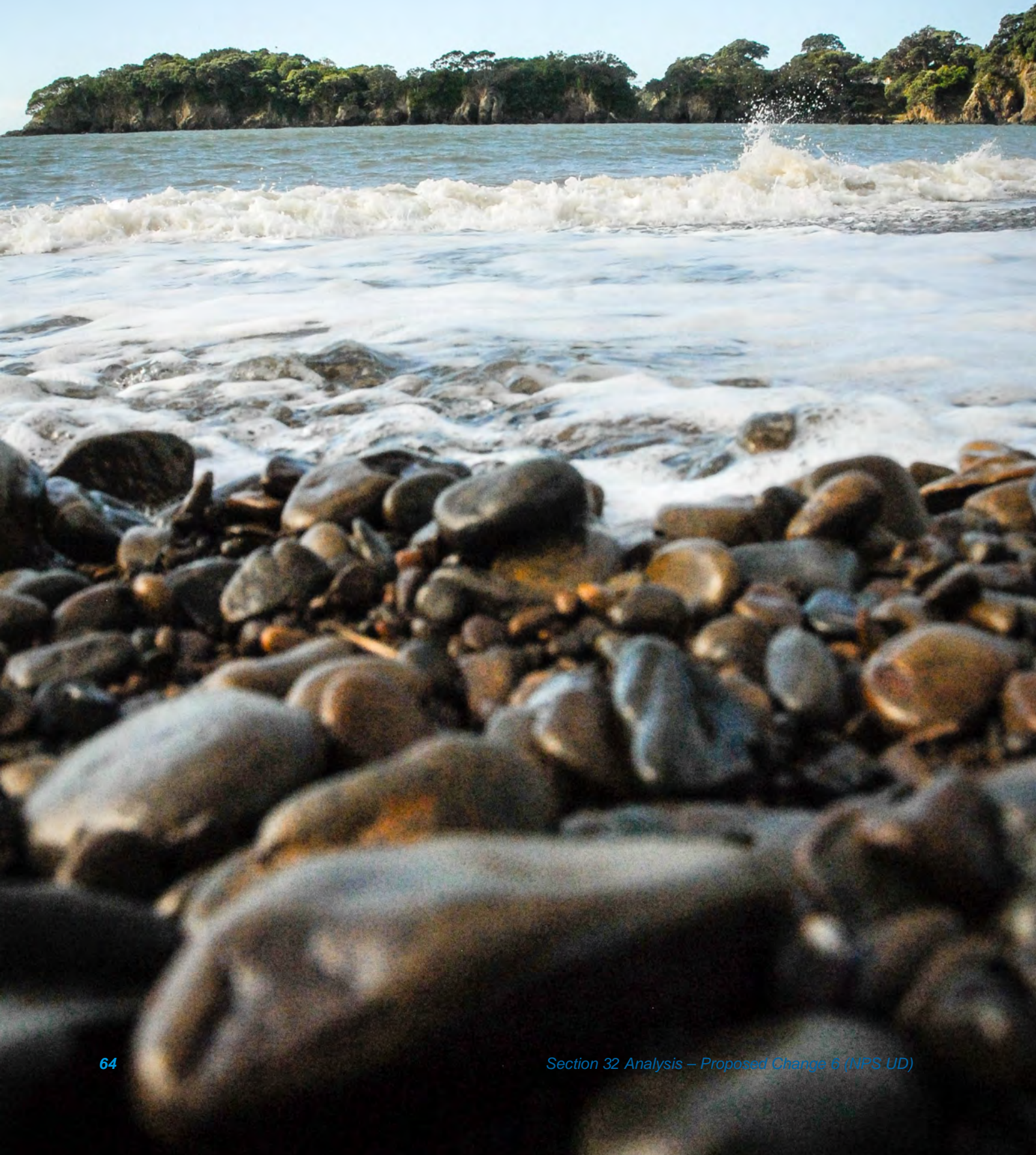
The NPS UD directs that the RPS be amended to implement national policies on responsive planning, intensification of urban areas and implementation of Te Tiriti o Waitangi in the urban planning context. These policies assist in addressing problems of restrictive planning instruments and practices creating inefficient land use that in turn generates difficulties with releasing land for urban development which contribute to lack of housing choice, unaffordability, and homelessness. Examples of these problems are found in the Bay of Plenty's urban environments. The HBAs for the western Bay of Plenty and Rotorua identify shortfalls of residential capacity.

PC 6 is a relatively narrowly focused plan change, designed to implement the directives of the NPS UD simply and quickly so the benefits of improved urban outcomes can be realised as soon as possible.

It is an important plan change as it forms part of the hierarchy of planning instruments that will provide the framework for delivery of the objectives of the NPS UD. The RPS needs to support, and not be a barrier to, the various initiatives being undertaken by urban local authorities to give effect to the NPS UD and the Enabling Housing Act.

Having considered a range of alternatives, and consulted widely with stakeholders, PC 6 gives effect to the NPS UD and more widely on the sustainable management purpose of the RMA.

# Appendices



# **Appendix 1a**

## **Technical Reports considered during the development of this report**

Housing and Development Capacity Assessment for Tauranga and the Western Bay of Plenty: July 2021.



# Housing Development Capacity Assessment for Tauranga and the Western Bay of Plenty

July 2021



**SmartGrowth**

Building our futures together



**Western Bay of Plenty  
District Council**



**Tauranga City**



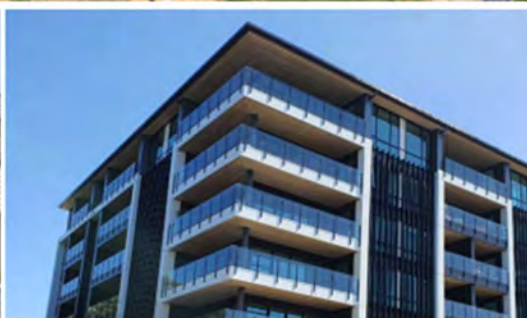
**BAY OF PLENTY  
REGIONAL COUNCIL  
TOI MOANA**

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2.2	16 July 2021	Updated draft incorporating Technical Working Group feedback
2.3	23 July 2021	Updated draft incorporating Project Team and SmartGrowth partner feedback
3.0	31 July 2021	Final Draft HBA housing assessment submitted to Ministry for the Environment and Ministry of Housing and Urban Development



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## Executive Summary

Tauranga City Council, Western Bay of Plenty District Council and Bay of Plenty Regional Council – Toi Moana are required to undertake a Housing and Business Development Capacity Assessment (HBA) as part of their response to the National Policy Statement on Urban Development 2020 (NPS-UD). This assessment sets out the housing component required for the Tauranga Tier 1 urban environment, which cover the urban areas of Tauranga City and the Western Bay of Plenty District.

The assessment is referred to as the SmartGrowth HBA Housing Assessment and addresses housing demand, development capacity (supply) and sufficiency.

### Overview

Housing demand, supply and sufficiency for the western Bay of Plenty subregion (Tauranga City and the Western Bay of Plenty District) is summarised in the table below, for the short (2020-2023), medium (2023-2030) and longer-term (2030-2050).

	short	medium	long	Total
Housing Demand	4,899	10,382	17,612	<b>32,893</b>
Housing Demand incl margin	<b>5,879</b>	<b>12,458</b>	<b>20,254</b>	<b>38,591</b>

	Short term	Medium term	Long term	Total
Infill/ Intensification	718	2,838	7,230	<b>10,785</b>
Rural, Lifestyle, Small Settlement	378	311	40	<b>729</b>
UGA	3,656	8,933	15,569	<b>28,158</b>
Total	<b>4,752</b>	<b>12,082</b>	<b>22,839</b>	<b>39,672</b>

	Short term	Medium term	Long term	Total
Supply-Demand	-147	1,700	5,187	<b>6,739</b>
Supply-Demand incl. Margin	-1,127	-377	2,545	<b>1,041</b>

It is estimated that an additional 38,700 new homes will need to be built over the next 30 years within the western Bay of Plenty subregion to meet housing demand, comprising a mix of detached and attached dwellings. Tauranga City will require another 31,100 new houses and Western Bay of Plenty District another 7,600 new houses for its future population.

A housing insufficiency has been determined for the sub-region in the short-term (next 3 years), which reflects the delay in being able to bring to market crucial new development areas due to infrastructure and national policy hurdles, and the greater uptake on current greenfield urban growth areas reducing available capacity.

In order to unlock greenfield opportunities and support the redevelopment and intensification of existing urban areas, significant investment is required in infrastructure.

### Housing Demand

Greater demand for housing is making houses cost more to own and rent, placing greater strain on social housing or meaning some people can't afford to live in Tauranga. Housing affordability is key to ensuring we have diverse and connected communities made up of people from all age groups. As at July 2021, the median house price in Tauranga City is \$1,000,000 and for the Western Bay of Plenty District is \$970,000.

A range of housing demand scenarios were considered, as set out in Part 3 of the report. In accordance with the NPS-UD this report adopts one set of numbers as our current assessment of the most likely demand outcome. However, we note there is significant uncertainty around demand, especially in the longer term.

As at July 2020, there were 58,820 dwellings in Tauranga City and 22,950 dwellings in the Western Bay of Plenty District. For the chosen scenario, the dwellings are expected to grow over the next thirty years at 1.3% each year, across Tauranga City and 1.2% in Western Bay of Plenty District (2020 to 2050, compounded) reaching the following totals:

Period	Tauranga City	Western Bay of Plenty District	Subregion Total
<b>Short term</b> to 2023	62,400 (+3,590)	24,260 (+1,310)	86,660 (+4,900)
<b>Medium term</b> to 2030	70,290 (+7,880)	26,760 (+2,500)	97,050 (+10,380)
<b>Long term</b> to 2050	85,350(+15,060)	29,300 (+2,540)	114,650 (+17,600)
<b>Total</b> Additional dwellings	(+26,530)	(+6,350)	(+32,880)

By 2050, under the current growth scenario the number of dwellings in Tauranga City is expected to be around 45% above current levels and in the Western Bay of Plenty could be up by 28%. Should the assumptions underlying growth change then a greater or lesser housing demand will eventuate, given the significant uncertainties with predicting demand into the future, particularly in the longer-term.

The household outlook for Tauranga City and the Western Bay of Plenty District is summarised in the table below:

Theme/s	Tauranga	Western Bay of Plenty
<b>Household numbers</b>	Household numbers expected to increase with a shift towards smaller households as the population ageing takes place.	Total household numbers expected to continue to increase but slightly lower than Tauranga's figures. Ageing will play an important role in the growth with single and couple households in the aged cohorts growing considerably.
<b>Affordability</b>	The smaller households tend to earn less (and are retired) meaning that there will be implications for affordability. This will be especially acute for households that do not own their accommodation.	Households with income below \$50,000 will increase as a share of all households (to 41%) with clear implications for affordability. A large share of these households will be smaller households. The shift in age structures and affordability will have wider social implications.
<b>Growth</b>	Most of the growth is in lower income households	Growth in the households with the reference person under 65 years will be diverse – with some cohorts expanding and others contracting. The net change is +655 households. The 30-39 years households will drive growth in the under 65 cohort. 71% of this increase is from families with children.
<b>Demographic relative to household typology</b>	Over half of household growth will be in +75 year age cohorts. Households with children will still be a key part of the demand landscape over the medium to long term. This segment will continue to grow in absolute terms but will be less important in percentage terms.	Households with children are an important component of the growth outlook in the Western Bay of Plenty context and the demand generated by these households should not be overlooked due to the pressures associated with other structural shifts.
<b>Typology</b>	More attached houses that are rental properties, reflecting demand from lower income households	More attached houses that are rental properties, reflected demand from lower income households

## Development Capacity

The capacity assessment for housing indicates that the short and medium term development capacity will be insufficient, for Tauranga City unless the areas of Te Tumu and Tauriko West are brought online as per the current SmartGrowth settlement pattern. Similarly, for the Western Bay of Plenty District the current settlement pattern will provide sufficient development capacity in the short and medium terms provided that the Generation 4 growth areas for Ōmokoroa are brought online.

In the long term, the Western Bay of Plenty District will have sufficient capacity, with the continued growth of Ōmokoroa accounting for around 70% of available development capacity. Opening up the Generation 4 areas in Te Puke and Waihi Beach, as already signalled in the Regional Policy Statement, will also ensure that there is sufficient capacity in all four townships to meet demand.

Tauranga City faces a more fluid set of challenges in the long term. In terms of balancing the location of future greenfield urban growth areas, a strategic alignment between the location of housing and employment is desirable. This would suggest that growth in the eastern and western corridors is preferable to the southern corridor – although further growth in the southern corridor may facilitate better provision of business activity and community facilities serving that catchment.

Tauranga also faces a significant challenge in terms of balancing growth in greenfield areas with intensification of the existing urban area. Both UFTI and the SmartGrowth Housing Acton Plan sets a strategic direction that seeks to increase the proportion of growth that is accommodated within the existing urban area. The demand profile for housing into the long term paints a challenging picture in terms of providing more smaller homes and improving housing affordability. Different urban form outcomes, including the balance between greenfield growth and intensification, will deliver different benefits in terms of typology, location and price point of housing to serve a rapidly changing demographic profile.

## Housing Sufficiency

### Tauranga City

For Tauranga City the calculated housing sufficiency has determined a shortfall between demand and capacity over the next 3 years only, without adding in the 20% competitive margin. This is based on the realisation of development and timing within development areas, release of additional Greenfield UGA capacity in the medium to longer term, and likely uptake of intensification opportunities. It relies on Proposed Plan Change 26 (Housing Choice) becoming operative largely in its current form.

	short	medium	long	Total
Housing Demand	3,589	7,882	15,062	<b>26,533</b>
Housing Demand incl margin	4,307	9,458	17,321	<b>31,087</b>

	Short term	Medium term	Long term	Total
Housing Supply				
Infill/ Intensification	718	2,838	7,230	<b>10,785</b>
Greenfield UGA's	2,470	6,245	9,949	<b>18,664</b>
Total	<b>3,188</b>	<b>9,083</b>	<b>17,179</b>	<b>29,449</b>

	Short term	Medium term	Long term	Total
Supply-Demand	-401	1,201	2,117	<b>2,916</b>
Supply-Demand incl. Margin	-1,119	-376	-143	<b>-1,637</b>

While the medium term housing supply appears to be sufficient where the competitiveness margin is not applied, a slowdown in housing uptake is anticipated out to 2025/26 as most operative Greenfield UGA's near capacity. From 2025/26 to 2030/31 higher than projected growth is expected as further Greenfield UGA's are assumed to be released (Te Tumu and Tauriko West) and higher levels of residential intensification realised, enabled and encouraged by Proposed Plan Change 26: Housing Choice to the Tauranga City Plan and Te Papa and Otumoetai spatial planning, to provide for pent-up demand. Changes have been made to the Tauranga City 2021-2031 LTP growth projections to account for this assumed housing slow down followed by a period of recovery out to 2031.

### Western Bay of Plenty District

In Western Bay of Plenty District there is sufficient capacity for the short, medium and long term. When the competitive margins are taken into account a small shortfall can occur and this will mean that some of the infrastructure and or new areas need to be brought forward. The Generation 4 areas in Te Puke, Katikati and Waihi Beach are identified but not yet plan-enabled. The likelihood for the development of the Generation 4 areas in Katikati and Waihi Beach needs to be investigated due to possible high infrastructure cost and natural hazards.

	short	medium	long	Total
Housing Demand	1,310	2,500	2,550	<b>6,360</b>
Housing Demand incl margin	1,572	3,000	2,933	<b>7,505</b>

	Short term	Medium term	Long term	Total
Housing Supply				
Rural/ Lifestyle/ Small Settlements	378	311	40	<b>729</b>
Greenfield UGA's	1,186	2,688	5,580	<b>9,454</b>
Total	<b>1,564</b>	<b>2,999</b>	<b>5,620</b>	<b>10,183</b>

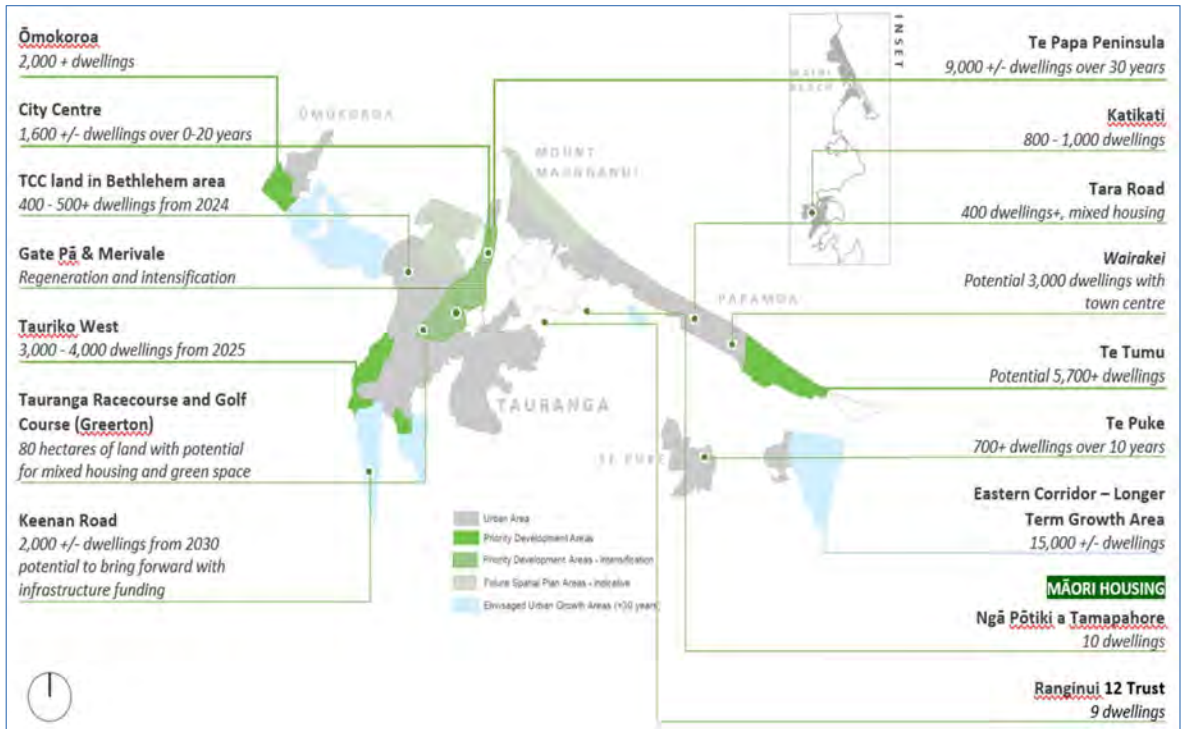
	Short term	Medium term	Long term	Total
Supply-Demand	254	499	3,070	<b>3,823</b>
Supply-Demand incl. Margin	-8	-1	2,688	<b>2,679</b>

Western Bay is strongly influenced by what happens in Tauranga City and planning has been done jointly to identify the urban form and transport network that will be delivered in the sub-region. Both Councils are progressing work that will see an increase in plan enabled, infrastructure ready and feasible land available in the market.

### **Planning Response**

The map below shows where development is underway or planned to realise the required development capacity for the western Bay of Plenty sub-region.

In July 2021, the SmartGrowth Housing Action Plan for the subregion was adopted by the SmartGrowth partnership of local government, tangata whenua and central government. The Housing Action Plan records that there will be a shortfall should new planned growth areas, such as Tauriko and Te Tumu not proceed, or uptake of intensification with existing areas of Tauranga City, including Te Papa, is delayed.



# Part 1 – Introduction

## Purpose

The purpose of this report is to meet the National Policy Statement on Urban Development 2020 (NPS-UD) requirements to complete the housing portion of the Housing and Business Development Capacity Assessment (HBA) by 31 July 2021.

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 HBA estimates the demand for houses and business land and the supply of development capacity to meet that demand in order to determine whether there is sufficient capacity to meet need. The NPS-UD came into effect on 1 August 2020 and involves a step change in the way local authorities provide for and respond to growth, and the evidence and monitoring required to support planning decisions. The NPS-UD provides national direction to local government on making provision for urban development. The NPS-UD identifies Tauranga as a Tier 1 urban environment. This HBA covers all of the Tauranga City territorial area and the Western Bay of Plenty District.

HBAs are designed to provide local authorities with a robust evidence base for housing and business land markets, to inform plans, planning decisions, and related strategies (such as Future Development Strategies (FDSs)). The NPS-UD states where and how the HBA evidence should be used, including:

- informing long-term plans and infrastructure plans
- improving the quality and timing of evidence supporting planning decisions
- more explicit requirements to use this evidence in section 32 (Resource Management Act 1991 (RMA)) reporting.

## Tauranga Urban Environment

The Tauranga 'urban environment'<sup>1</sup> is one of New Zealand's significant urban areas and it is in a key economic production area that is often referred to as a part of the 'golden triangle' which encompasses greater Auckland, the Waikato and the western Bay of Plenty sub-region. Looking to the future, around two-thirds of New Zealand's household growth will occur across the golden triangle. Tauranga has captured a portion of spill-over growth coming from Auckland and coming out of the Global Financial Crisis, the city attracted business investment and growth. Attributes like readily available industrial land, a liveable city and affordable housing underpinned the growth. Over time, pressures on infrastructure, especially transport, and a mismatch between demand and supply factors has changed the relative competitiveness and attractiveness of the subregion. This manifests through the increasing property prices and low business property vacancy rate (and increasing rents).

The western Bay of Plenty subregion has seen strong growth and is responding to pressures in the residential marketplace. Both Tauranga City Council and Western Bay of Plenty District Council are exploring different planning options as part of its response, including progressing a plan change to the Tauranga City Plan to ensure that it supports higher density housing growth within existing urban areas (Proposed Plan Change 26 – Housing Choice).

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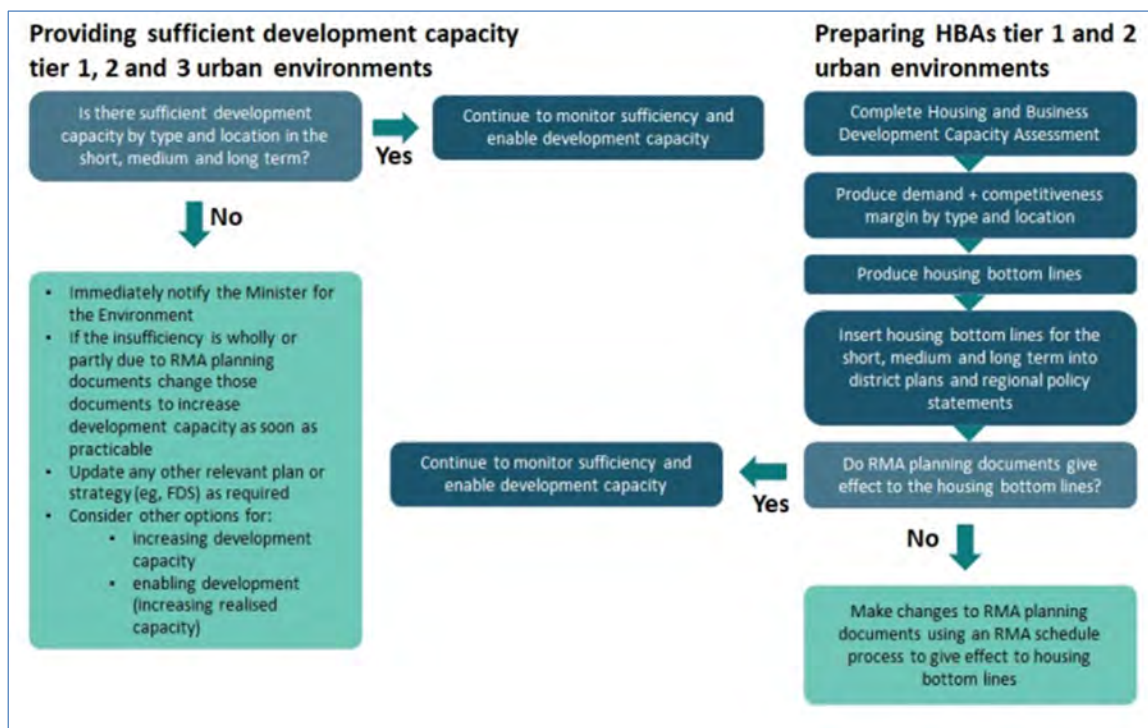
<sup>1</sup> The term 'urban environment' under the NPS-UD means any area of land (regardless of size, and irrespective of local authority or statistical boundaries) that: (a) is, or is intended to be, predominantly urban in character; and (b) is, or is intended to be, part of a housing and labour market of at least 10,000 people.

## National Policy Statement on Urban Development 2020

The previous SmartGrowth HBA was prepared in 2017 under the National Policy Statement on Urban Development Capacity 2016. The NPS-UD came into effect on 20 August 2020 and replaces the NPS-UDC.

The objectives of the NPS-UD seek to achieve the following:

- a) Well-functioning urban environment that enable people to provide for their social, economic and cultural well-being, and for their health and safety, now and into the future;
- b) Planning decisions that improve housing affordability;
- c) Enable more people to live in areas of an urban environment that are near centres, employment, well served by public transport or there is a high demand for housing;
- d) Recognition that urban environments and amenity values change overtime;
- e) Planning decisions take into the principles of the Treaty of Waitangi;
- f) Decisions on urban development are integrated with infrastructure and planning decisions, strategic over the medium and long term, and responsive;
- g) Local authorities have robust and up to date information about their urban environments and use it to inform planning decisions;
- h) Urban environments support reductions in greenhouse gases and are resilient to the effects of climate change.



**Figure 1-1:** Requirement for preparing HBA under the National Policy Statement on Urban Development<sup>2</sup>

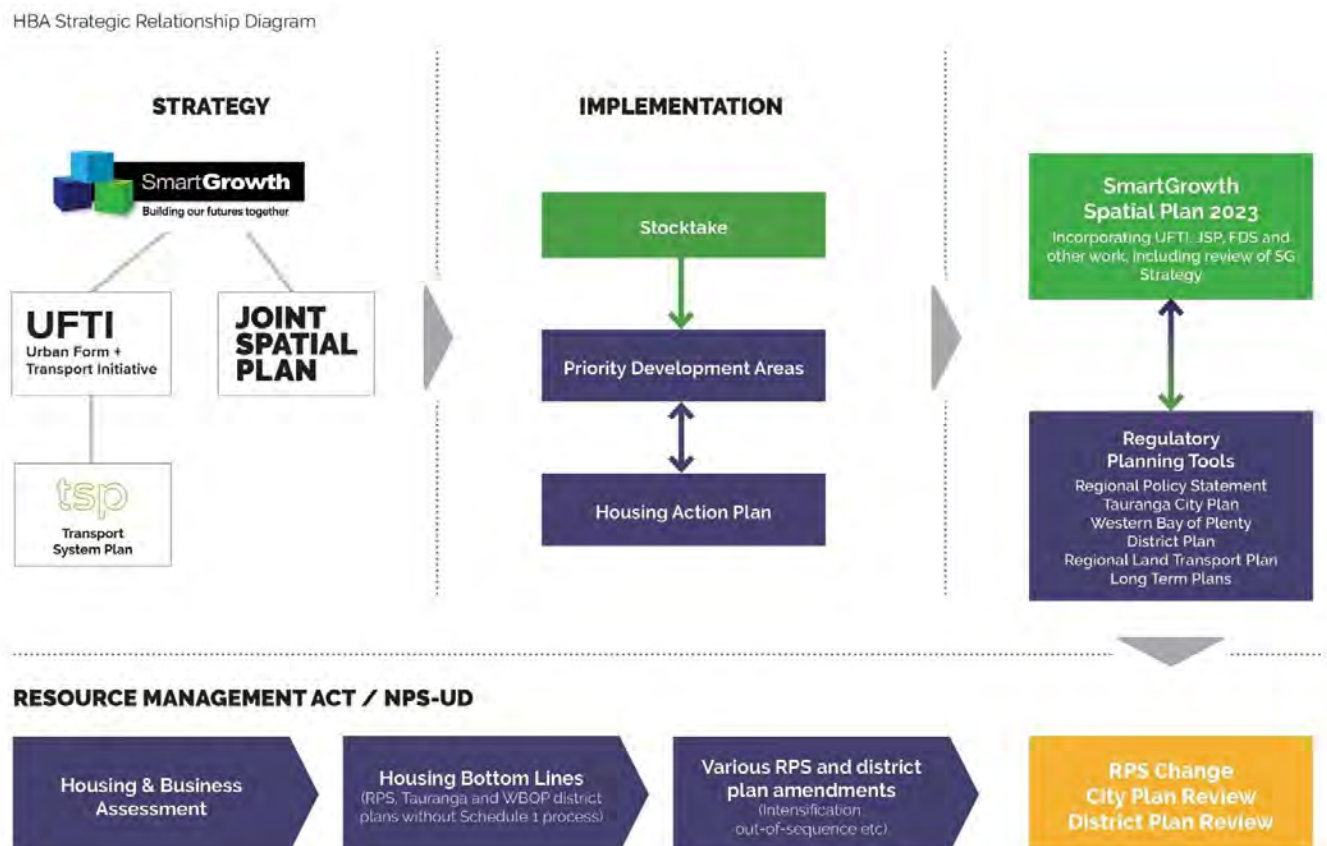
<sup>2</sup> Refer <https://environment.govt.nz/publications/guidance-on-housing-and-business-development-capacity-assessments-hbas-under-the-national-policy-statement-on-urban-development/>

The NPS-UD identifies Tauranga as a tier 1 urban environment. This HBA covers all of the Tauranga City territorial area and the urban areas within the Western Bay of Plenty District.

The role of the HBA under the NPS-UD is set out in Figure 1-1 above.

## Strategic Context

The HBA is a key component of the NPS-UD and intended as a mechanism for managing growth within the western Bay of Plenty sub-region. The relationship of the HBA to other important aspects of the SmartGrowth programme is shown in the Figure 1-2 below.



**Figure 1-2:** HBA Strategic Relationship Diagram

## Stakeholder Engagement

The SmartGrowth HBA has been prepared by a Technical Working Group under the guidance of the SmartGrowth Senior Managers Group, whose membership includes representatives from the following partners:

- Tangata Whenua
- Tauranga City Council
- Western Bay of Plenty District Council
- Bay of Plenty Regional Council
- Waka Kotahi

- Kāinga Ora
- Ministry of Housing and Urban Development.

Stakeholder engagement and the views of the development sector and community has occurred through:

- An assessment of Priority Development Areas across the sub-region (led by MHUD, July 2021)
- Stocktake of current delivery approaches for each growth and development area (Dean Kimpton, July 2021)
- Analysis of Housing Opportunities (Veros Property Solutions, October 2019 and updated 2021)
- Survey of development organisations (Key Research, January 2021).

There has also been significant engagement across a number a major investment and planning projects that have involved extensive engagement with key stakeholders as well as the public, including:

- SmartGrowth Housing Action Plan (July 2021)
- Urban Form and Transport Initiative (July 2020) and implementation of the 'Connected centres' business programme
- Development of transport network improvement within the northern, central and western corridors.
- Structure planning for the Te Tumu, Tauriko West and Ōmokoroa medium term growth areas.
- Te Papa spatial plan and Proposed Plan Change 26 (Housing Choice)
- Ōmokoroa Stage 3 and Stage 4, including Town Centre concept plans.

## Assumptions and Limitations

The SmartGrowth HBA is based on the following high-level assumptions:

- The HBA is part of a wider suite of SmartGrowth and other partner documents, in particular the SmartGrowth Strategy 2013 and associated documents.
- It reflects the evidence base available at the time.
- Further work is required on an ongoing basis in relation to infrastructure and development feasibility, especially in respect of brownfields intensification.

### Funding

- That planned and committed investment from central government and other national infrastructure providers will occur, for example State highways, the rail network, schools, healthcare, energy and telecommunications.
- That the SmartGrowth partner councils will be able to provide and fund infrastructure in a timely manner.
- All funding opportunities will be investigated and explored.

### Growth Management

- It is important that development occurs in a logical and staged manner while being flexible enough to respond to changes in circumstances and new opportunities, in particular the emerging Government urban development authority toolkit and development funding reforms.
- Increased residential densities are an essential part of managing urban development.

- A comprehensive approach is taken to development and whole areas are considered so that sufficient scale is achieved to ensure that infrastructure and services are efficient and cost effective.
- That Proposed Plan Change 26: Housing Choice will be made operative enabling and encouraging greater levels of residential intensification within Tauranga City.
- That Future Tauriko West and Te Tumu Greenfield UGA's will be released for development in the medium term (from around 2025) and future Keenan Road and Ohauiti South UGA's in the longer term, and development of these areas will occur at expected uptake rates<sup>3</sup>.
- That freshwater and wetland issues identified in future Greenfield UGA's can be resolved to enable these projects to proceed.

## Growth Drivers

There are a number of factors that influence development capacity and uptake which are beyond the control of the SmartGrowth partners. These include:

- Demographic changes including migration rates
- Financial interest rates and lending criteria
- The influence of Auckland and surrounding regions and any displacement of growth into the western Bay of Plenty sub-region
- The impact of significant infrastructure (e.g. State highway upgrades, any future rail initiatives).

The HBA will be a key input into the Future Development Strategy as part of the SmartGrowth spatial plan due to be prepared in 2024.

## Subregional Context

The western Bay of Plenty sub-region has been an area of rapid population growth since the 1950s with very strong growth since 1990 in particular. The total population of the sub-region is around 211,150 people as at 30 June 2021. It is projected to reach around 281,960 by 2050 (the timeframe relevant to the SmartGrowth HBA 2021). Over this 30-year period around 32,880 new dwellings will be required. The growth drivers for the sub-region are:

- Part of the golden triangle of Auckland, the Waikato and the Bay of Plenty – there is significant population and economic growth in this area
- An ageing population and decreasing size of households
- A sunbelt destination with high migration into the area
- Seasonal increases in population due to horticultural workers and holiday makers
- The influence of the Port of Tauranga.

The sub-region has a number of key pieces of infrastructure, including social facilities:

- The Port of Tauranga
- Tauranga Eastern Link
- The designated Tauranga Northern Arterial and 4-laning to Ōmokoroa as a potential future piece of infrastructure (Stage 1 - Bethlehem to Te Puna only funded)
- Significant State highway networks, e.g. State Highway 2 and State Highway 29
- East Coast Main Trunk Railway

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<sup>3</sup> Note there are identified risks with the release and housing yield of these areas which may impact HBA supply and sufficiency calculations if not resolved. It is anticipated that housing densities assumed in these areas may be materially higher than currently estimated providing more development capacity.

- Tauranga urban transport network
- Tauranga Airport
- Tauranga Hospital
- Toi Ohomai Institute of Technology, University of Waikato - Tauranga Campus and Te Wānanga o Aotearoa
- Bay Oval, Tauranga (Wharepai) Domain, Mount Maunganui beach, Baypark and Bay Arena hosting national and international sporting events and concerts.

## The Growth Challenge

Tauranga City and the Western Bay of Plenty have seen a rapid and sustained increase in population, with Tauranga City experiencing the bulk of this growth, its population doubling in the past 30 years to over 150,000 residents and 58,000 dwellings. This trend is expected to continue with the sub-region's population expected to increase to 281,960 in the next 30 years. In addition, future growth estimates also identify a likely change in household structure, with a significant increase in single and two-person households, and in the proportion of the population aged over 80.

While this rapid growth continues, Tauranga City remains the fourth smallest territorial authority by land area, with 135km<sup>2</sup> and the fifth highest city population in New Zealand. In January 2021 areas at Tauriko West, Keenan Road and Tara Road moved from the Western Bay of Plenty District into the Tauranga City local authority area through the Local Government Commission. This recognises the continued rapid growth and expansion of Tauranga, constrained by geography and the need to preserve significant cultural and natural areas, as well as areas constrained by natural hazard risk.

This presents a challenge in accommodating future population growth in a sustainable way. There is limited greenfield land to accommodate population growth, and constraints exist in the cost and delivery of infrastructure to service that land and meet National Policy Statement requirements, while trying to balance affordable housing opportunities. This introduces a further issue in the finite nature of the land that can be efficiently serviced with infrastructure, and an inherent need to maximise the use of the land resource.

Population growth and land resource constraints create a number of housing issues, including:

- a) A declining stock of properties in the price range that entrants to the market can afford to finance
- b) Existing housing does not adequately cater for the changing demographic profile
- c) Housing supply and section size are not reflective of an affordable profile in the city
- d) A significant increase in underlying land value in recent years
- e) The costs of providing and funding urban infrastructure.

The ongoing rapid population growth and challenges of delivering urban growth have created a substantial residential development challenge in Tauranga. Significant delays in developing urban growth areas – due to the planning time required to prepare and implement zoning, landform and infrastructure – have largely been created by issues outside TCC's direct control (e.g. Waka Kotahi NZ Transport Agency [NZTA] planning and funding, issues in accessing Maori land and changing government planning requirements – especially in the freshwater space).

As a result, a residential development capacity shortfall is projected across the city. This shortfall will have significant impacts on the housing market in Tauranga. This has been independently confirmed by NZIER in 2020. NZIER assessed the shortage would increase

median house prices in the short term by \$40,000 to \$60,000 per annum and over the medium term a loss of construction GDP of over \$100 million (up to \$240 million on high-end shortfall projections).

## Key Growth Issues

Strong and sustained growth for the Bay of Plenty brings several benefits to the sub-region, in particular GDP growth. However, for Tauranga City, the economic benefit is not proportionate to the cost of enabling this growth. The sheer pace of growth creates significant challenges for the city in delivering infrastructure to support it, along with funding and financing the costs of growth. Put simply, growth does not pay for growth. Tauranga's key growth issues are summarised below.

### Infrastructure

- The existing transport system is inadequate to address current needs and future growth. Significant investment is required to unlock development potential and support future urban form ambitions and much of the investment is required on the State Highway network.
- Significant investment and upgrades are required in the three waters networks to support future growth. These are largely underway or complete.
- To create good community outcomes, parks, community infrastructure such as libraries and aquatic facilities, as well as other public facilities like schools, are required. These often come later than is ideal or, are down-scaled or not provided at all due to funding constraints. In particular, the city lacks city-wide amenities like a museum, convention centre and multi-purpose outdoor stadium.

### Finance

- In order to unlock greenfield opportunities and support intensification, significant investment is required in infrastructure. Tauranga City's balance sheet is constrained by debt-to-revenue limits, combined with escalating infrastructure costs. It is beyond the city's ability to fund all of the infrastructure investment required to support growth. This is compounded by the limited rates, development contributions and other funding options available.
- Significant coordinated investment is also required by other entities (e.g. Waka Kotahi and the Ministry of Education). Waka Kotahi in particular has significant funding constraints and is presently unable to invest in a timely manner to support the city's growth.

### Residential and Business Land

- The sheer scale of growth creates a significant demand for housing and commercial land. Residential growth has traditionally occurred through greenfield development, with standard infill occurring in existing urban areas. A key challenge for the city is how to provide the supporting investment and facilities required to achieve a more-balanced urban form, with more development going 'up' rather than 'out'.
- The timeframe, urban planning requirements and investment required to ensure sufficient housing and business land supply and capacity to accommodate growth, while ensuring affordable options are available for our community, are significant and ongoing challenges.

## Urban Planning

- Planning and implementing an appropriate urban form for the western Bay of Plenty subregion in a timely manner with an increasingly complex planning environment where achieving the outcomes of multiple National Policy Statements is required. Along with protecting and enhancing our environment, our cultural history and our people as we continue to grow.
- Planning for resilience and natural hazards in a coastal environment, where growth is a priority, but a stringent Regional Policy Statement is in place which requires low levels of natural hazard risk to be achieved is complex and limits development yield.

## Growth Management - Key Partnerships

### Strategic Growth Partnership

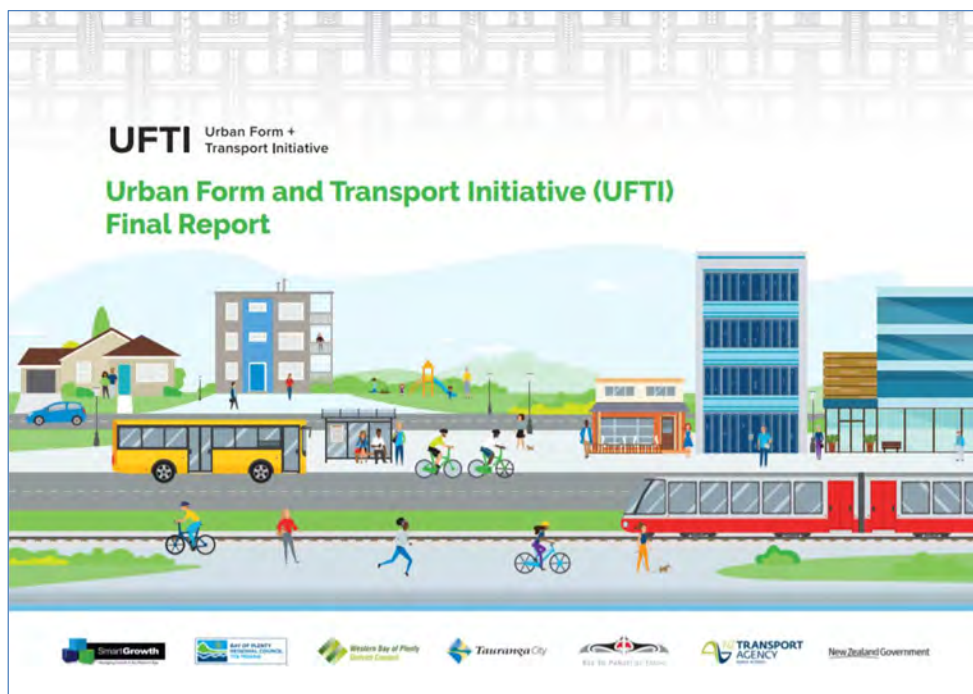
As a sub-region, the growth challenge has been recognised for some time, and in the early 2000s the SmartGrowth partnership was established. Its purpose was to deliver an integrated approach to sub-regional growth management pressures, with a collaborative cross-boundary approach. The partnership includes Tangata Whenua, Tauranga City Council, Bay of Plenty Regional Council, Waka Kotahi (NZTA) and the Western Bay of Plenty District Council. More recently, the Government has formally joined the SmartGrowth Partnership with two Ministers members of the Smart Growth Leadership Group.



This partnership from the outset, established a live, learn, work, play philosophy for growth management and sought to develop a settlement pattern based around growth corridors for the north (Katikati, Ōmokoroa, Waihi Beach), west (Tauriko West, Tauriko Business Estate), central (City intensification) and east (Te Tumu, Te Puke, Rangioru).

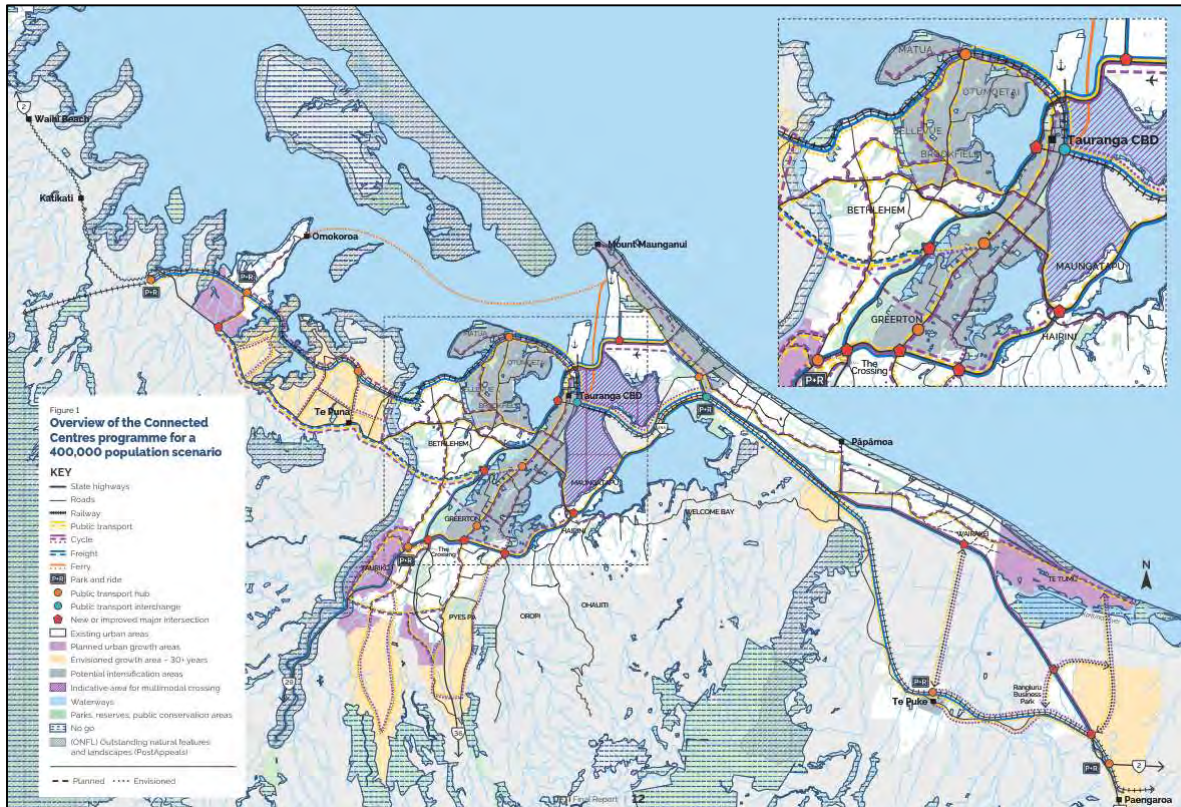
## Urban Form and Transport Initiative

The Urban Form and Transport Initiative (UFTI) is a collaborative project led by SmartGrowth and Waka Kotahi (NZ Transport Agency), and involves Western Bay of Plenty District Council, Tauranga City Council, Bay of Plenty Regional Council – Toi Moana, Tangata Whenua, and Central Government.



The UFTI final report was approved by the partner Councils in July 2020 and approved by the Waka Kotahi NZ Transport Agency Board in August 2020. This report sets out an integrated land use and transport programme called 'Connected Centres'. This will cater for approximately 200,000 additional people, 95,000 new homes over the next 30-70 years. The Connected Centres programme will guide future investment decisions and will be incorporated into a sub-regional joint spatial plan. Over time, this programme will deliver greater housing and transport choices, improve and enable safe access to the sub-region's many social and economic opportunities, help reduce transport related greenhouse gas emissions, move goods efficiently and reliably, contribute to more social and affordable housing, and manage environmental and cultural impacts often associated with unplanned growth. There are two core concepts critical to the Connected Centres programme. The first is increasing the number of dwellings by intensifying our existing urban and new growth areas. This is to maximise the land available for development and support a well-functioning multimodal transport system. The second is being able to access local social and economic opportunities within a 15-minute journey time, and sub-regional social and economic opportunities within 30–45 minutes. These concepts encourage strong local centres and connected neighbourhoods.

An overview of the connected centres programme for a 400,000 population scenario is provided in Figure 1.3 below:



**Figure 1-3:** Urban Form and Transport Initiative – Overview map of Connected Centres Programme for a future 400,00 population scenario for the western Bay of Plenty subregion.

## Western Bay of Plenty Transport System Plan

The Western Bay of Plenty Transport System Plan (TSP) was developed over 2020 by Tauranga City Council, Western Bay of Plenty District Council, Waka Kotahi NZ Transport Agency, Bay of Plenty Regional Council, Tangata Whenua, Port of Tauranga, Priority One and KiwiRail.

The TSP supports UFTI and its Connected Centre Programme. In so doing, it focuses on generating a noticeable shift from cars onto public transport, improving safety, providing reliable travel times including freight journeys, and creating better walking and cycling connections. This is needed to support the planned growth of the City in places like Te Papa, Tauriko and Te Tumu and in the western Bay of Plenty at Ōmokoroa. The activities will include public transport priority (e.g. on key routes like Cameron Road to Tauriko), improved and more connected walking and cycling networks (e.g. within suburbs and between key parts of the City) and new roading infrastructure (e.g. accesses into growth areas) to enable planned growth. It will also involve the development of an improved policy framework (e.g. Travel Demand Management; Parking Policy) that supports urban form and transport outcomes identified by UFTI and the TSP.

To deliver UFTI's Connected Centres Vision, the TSP will:

- Support quality urban growth by improving access to social and economic opportunities like schools, GP clinics, shops etc. using different transport modes (walking, cycling, buses, vehicles)

- Increase use of public transport, cycling and walking to help reduce transport-related greenhouse gas emissions
- Maintain off-peak travel time predictability for freight via road and rail
- Contribute to a reduction road accident fatalities and serious injuries.

The recommended programme of activities to achieve these outcomes was considered and supported by elected members of Bay of Plenty Regional Council, Western Bay of Plenty District Council and Tauranga City Council in October 2020. The TSP programme, the Shared Tactical Implementation Plan (STIP) forms the basis of each of the transport partners' submissions to the Regional Land Transport Plan 2021-2031 and the National Land Transport Programme 2021-24, and the Council partners Long Term Plan 2021-2031 development.

The level of investment required to deliver the TSP is considerable. When agreed in October 2020 the estimated 10-year cost of the TSP across the partners was approximately \$2.3 billion with a total 30-year cost of approximately \$7.1 billion. Over the 10-year period the estimated cost distribution between partners was 10% BoPRC, 31% TCC and 77% Waka Kotahi (including 13% direct State highway investment and 46% investment via the Funding Assistance Rate).

The c.\$1.06 billion transport investment in the TCC LTP is greater than disclosed in the TSP documentation endorsed by SmartGrowth in October 2020 due to two main factors (arising mainly from the pace of the project in the last phases):

- Cost escalation and pricing review completed as part of the LTP process (noting this will continue to be ongoing as projects continue to develop and more accurate costing work is able to be undertaken); and
- Specific projects within identified TSP business case and growth areas (e.g. some Te Papa Spatial Plan activities) included in a more comprehensive more detailed way).

The affordability and deliverability of the TSP programme within the timeframes the STIP identifies are key issues for all the partners. At a programme level the TSP costs and distribution of these across partners will continue to be refined as projects get further developed and understood (e.g. key business cases like the Combined Public Transport Services & Infrastructure business case or the SH2/Hewletts Road sub-area business cases are developed and preferred options which identify detailed solutions are developed).

## SmartGrowth and related spatial planning

The SmartGrowth Strategy is a 50 year spatial plan for the western Bay of Plenty sub-region. SmartGrowth is a partnership between the Tauranga City Council, Western Bay of Plenty District Council, Bay of Plenty Regional Council, tāngata whenua and Central Government, as well as Waka Kotahi - NZ Transport Agency and Bay of Plenty District Health Board as implementation partners.

SmartGrowth sets the strategic vision and direction for the growth and development of the western Bay of Plenty sub-region, on key issues across the spectrum of social, environmental, economic and cultural objectives. A cornerstone of the SmartGrowth Strategy is the settlement pattern. The SmartGrowth settlement pattern has been anchored in the Bay of Plenty Regional Policy Statement, District Plans, Regional Land Transport Strategy and long-term plans.

The SmartGrowth Settlement Pattern has been reviewed and updated as part of UFTI and has been incorporated into the Joint Spatial Plan currently being worked on. This HBA will inform the Joint Spatial Plan.

The NPS-UD requires that an FDS be prepared for the SmartGrowth sub-region in time to inform 2024 long-term plans. The FDS will be incorporated into the SmartGrowth Spatial Plan in 2023/24.

The SmartGrowth HBA, along with other NPS-UD work, has been undertaken in accordance with the outcomes and principles for the settlement pattern contained in Part C of the SmartGrowth Strategy. The overarching outcome is as follows: "We all work from the same long-term planning blueprint which incorporates planning for land use, transport and other infrastructure in an efficient, and affordable way".

This work also takes account of the SmartGrowth Strategy pillars of partnership, collaborative leadership, integration, evidence-based and the live/learn/work/play approach. The relevant principles are:

- A more compact urban form and opportunities for live/learn/work/play are actively promoted.
- New settlements start when agreed population thresholds have been reached and land supply is monitored and actively managed.
- Defined urban limits are maintained.
- Business land is provided for a range of activities along with the ability to adapt to changing circumstances over time.
- Continual efforts are made to improve the transport system, including the road network, rail, public transport, walking and cycling.
- A diverse range of innovative, safe, efficient and effective infrastructure and funding solutions are encouraged.
- Areas severely constrained by hazard effects are mitigated or avoided and the community is kept well informed of hazard risks.
- The transport system is optimised in association with other infrastructure networks.

The Te Papa Spatial Planning Programme seeks to increase the urban density of the Te Papa peninsula (Tauranga CBD to Greerton) in a way that creates better places to live and improved outcomes for communities. This is being implemented through Proposed Plan Change 26 (Housing Choice) which was notified in November 2020.

Detailed structure planning has been undertaken for Ōmokoroa and a proposed plan change for Ōmokoroa Stage 4 due to be notified in July 2021.

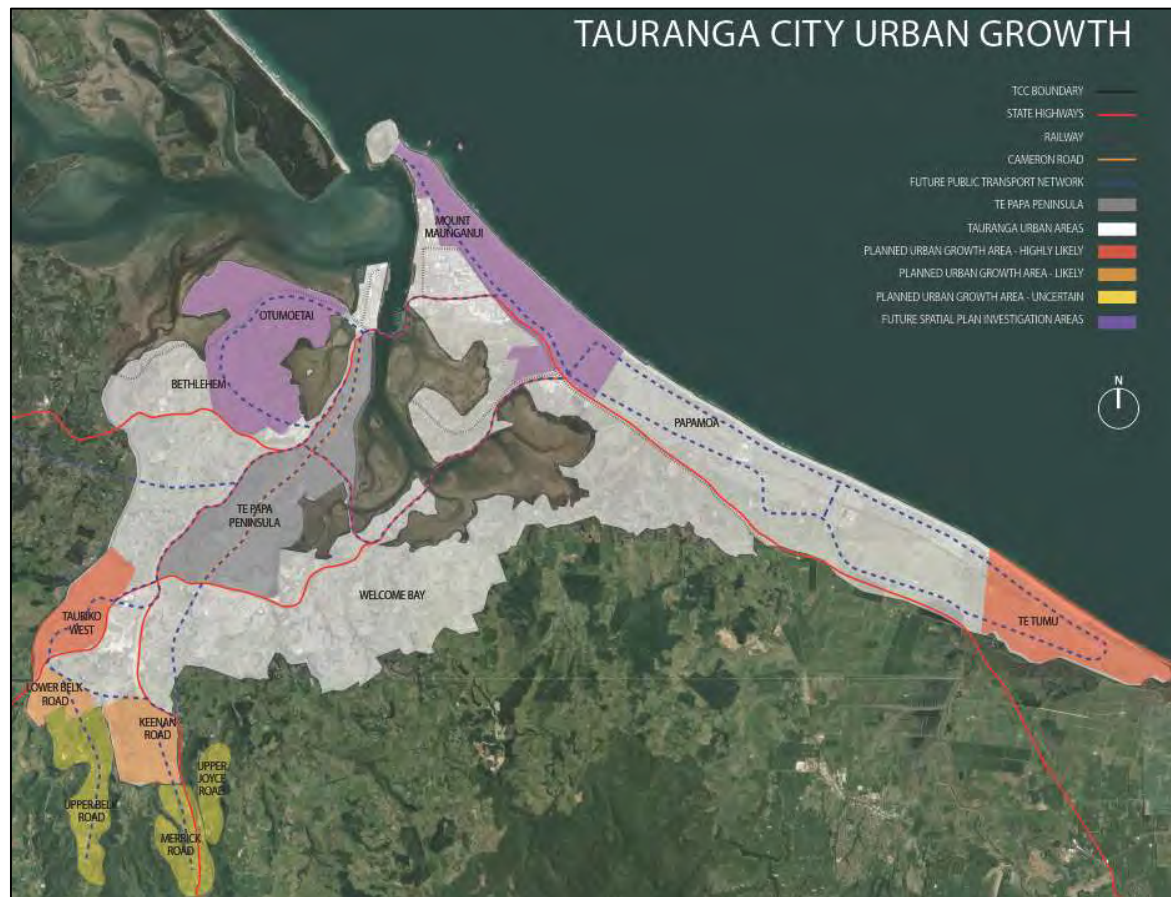
## Urban Growth Response - Priority Development Areas

In order to respond to the sub-region's challenges and implement the strategic transport and land use vision confirmed through SmartGrowth and UFTI, a partnership for priority development areas has been established to ensure better collaboration and improve alignment, integration and coordination between central and local government. The Urban Growth Partnership programme has established joint central and local government agency 'task groups' for priority development areas.

Task groups are not involved in BAU planning, service or infrastructure delivery by any council, iwi or Crown agency or other entity, or undertake tāngata whenua, community or stakeholder engagement. Rather, their role is to ensure there is a high degree of alignment, integration and coordination between the various government and council agencies. In particular, they aim to seek out innovative ways iwi, private sector and

public sector developments can be supported, at pace and scale, and ensure key challenges are addressed and overcome.

Within Tauranga City, identified priority development areas include the greenfield growth areas of Tauriko West and Te Tumu, along with redevelopment and intensification of the Te Papa Peninsula (refer Figure 1-4 below).

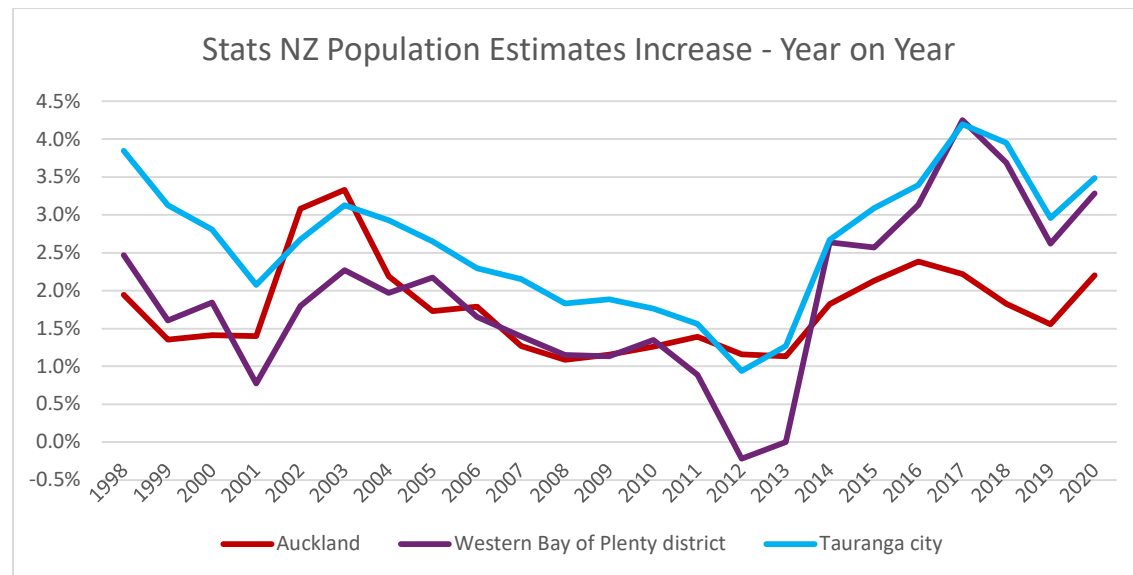


**Figure 1-4:** Priority development areas to accommodate growth within the Tauranga urban environment.

## Part 2 – The Housing Situation in the SmartGrowth sub-region

### Population Growth

The western Bay of Plenty subregion is one of the fastest growing in Aotearoa New Zealand, with population growth currently at 3.4% per year.



### Housing Stock

The current housing stock in both Tauranga City and Western Bay of Plenty is not well aligned to the changing demographics and the prices at which people can afford to rent or purchase a home.

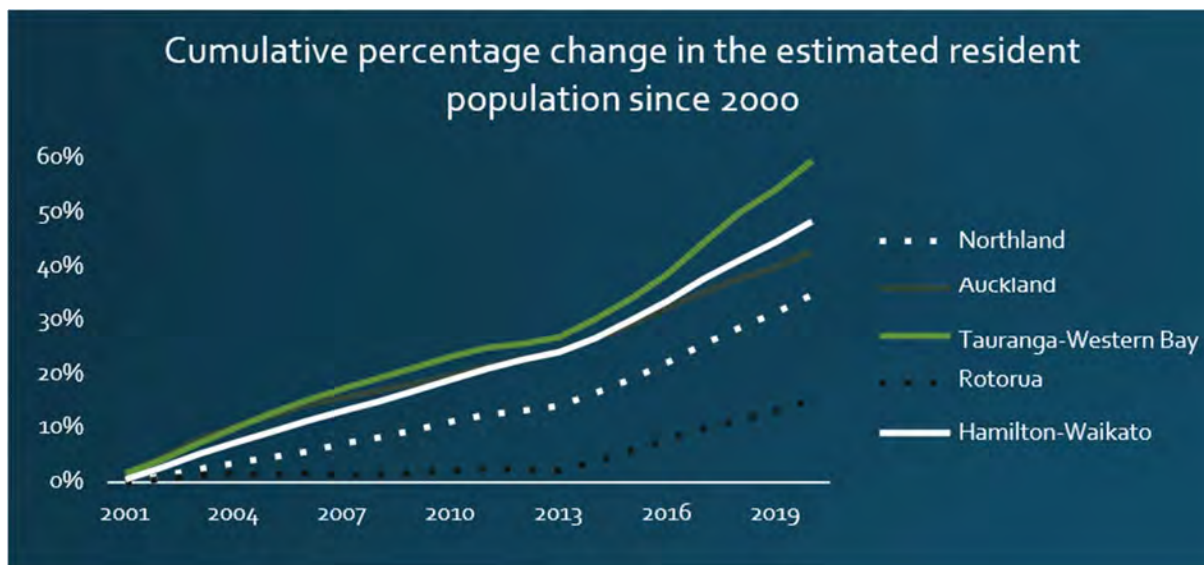
In Tauranga city, 9.5% of the current stock has a value of less than \$450,000<sup>4</sup>. In the Western Bay of Plenty, dwellings valued at less than \$450,000 accounts for 9% of the total stock. The number of non-owner households that can afford to buy homes in this price bracket is more than half of all non-owners (57%) in Tauranga City, and 61% of all non-owner in the Western Bay. At the opposite end of the spectrum, current dwellings valued between \$900,000 and \$1.2 million account for 11% of the total stock, with 9% of households able to afford homes in this price bracket.

The majority of homes being built are 3 and 4-bedroom dwellings, and are detached. However, the evidence suggests there is a shift happening towards higher density housing, in response to shifting demand and supply characteristics.

### Growth Context

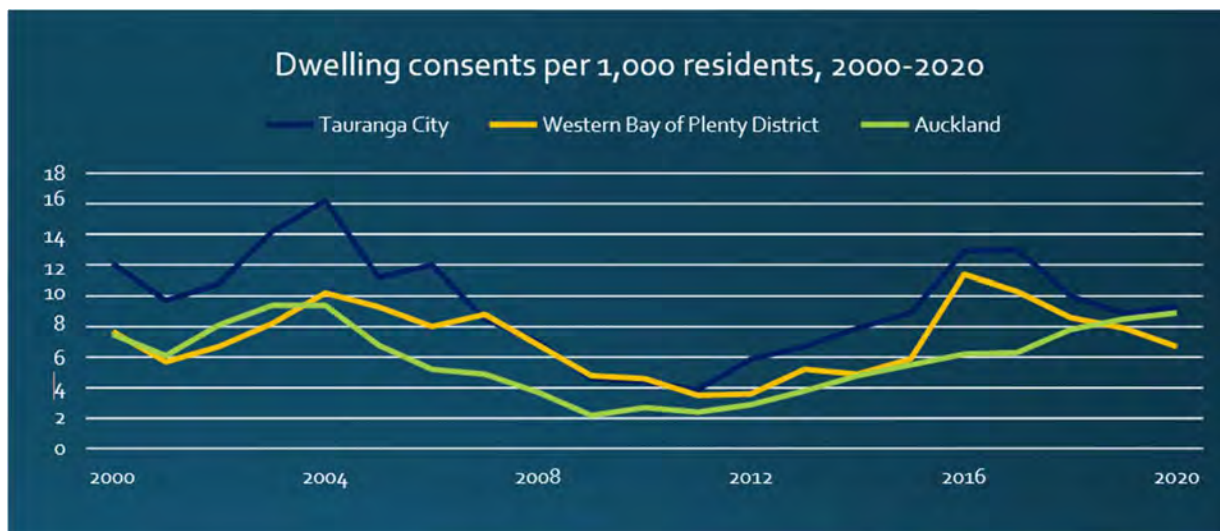
Tauranga and the Western Bay has grown exceptionally quickly, outpaced only by Queenstown in terms of percentage population growth since 2000.

<sup>4</sup> This figure is based on Council valuations which may not account for the rapid rise in house prices over 2020/21.



**Figure 2-1:** Cumulative percentage change in estimated resident population since 2000.

Construction activity in Tauranga-Western Bay has been strong for several decades relative to the rest of the country but is slowing. Opportunities for further development are constrained.



**Figure 2-2:** Dwelling consents per 1,000 residents, 2000-2020 for Tauranga City, Western Bay of Plenty District and Auckland (for comparison).

The values of existing properties are almost equal to those of new builds. New builds should be favourable investments, but the cost of supply is too high to be affordable for many households.



**Figure 2-3:** Value of new builds versus existing properties in Tauranga City as at May 2021.

## Projected Growth

A range of housing demand projections are required to be considered under the HBA with the “most likely” projection to be identified in the short, medium and long term, and key assumptions and reasons for its selection outlined.

Population projections, along with other variables such as household size and occupancy, are one of the key assumptions underlying the calculation of housing demand projections. Tauranga City Council and Western BOP District councils updated its population and dwelling projections for the 2021-2031 Long Term Plans (LTP's) following 2018 Census, and revisited these projections following the release of updated Stats NZ population projections on 31 March 2021. These revised LTP projections are currently considered by Council staff to be the “most likely” projections for planning purposes.

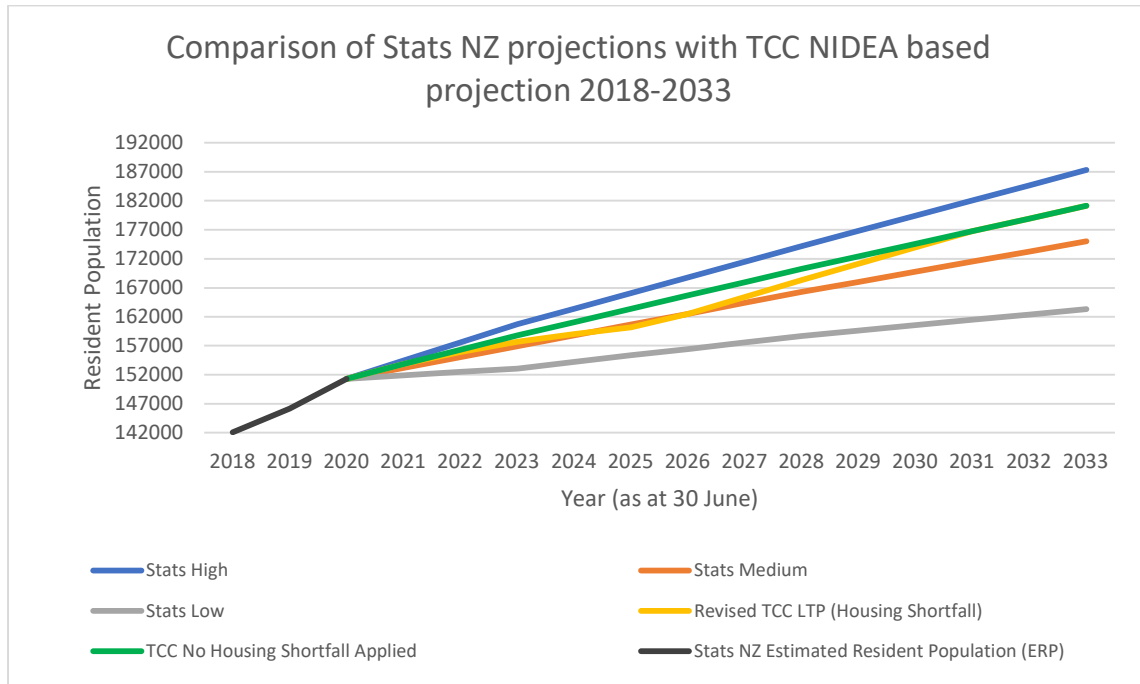
The current LTP projections, while rebased to Stats NZ 2020 resident population estimates, remain National Institute of Demographic and Economic Analysis (NIDEA) based.

### Tauranga City projection scenarios

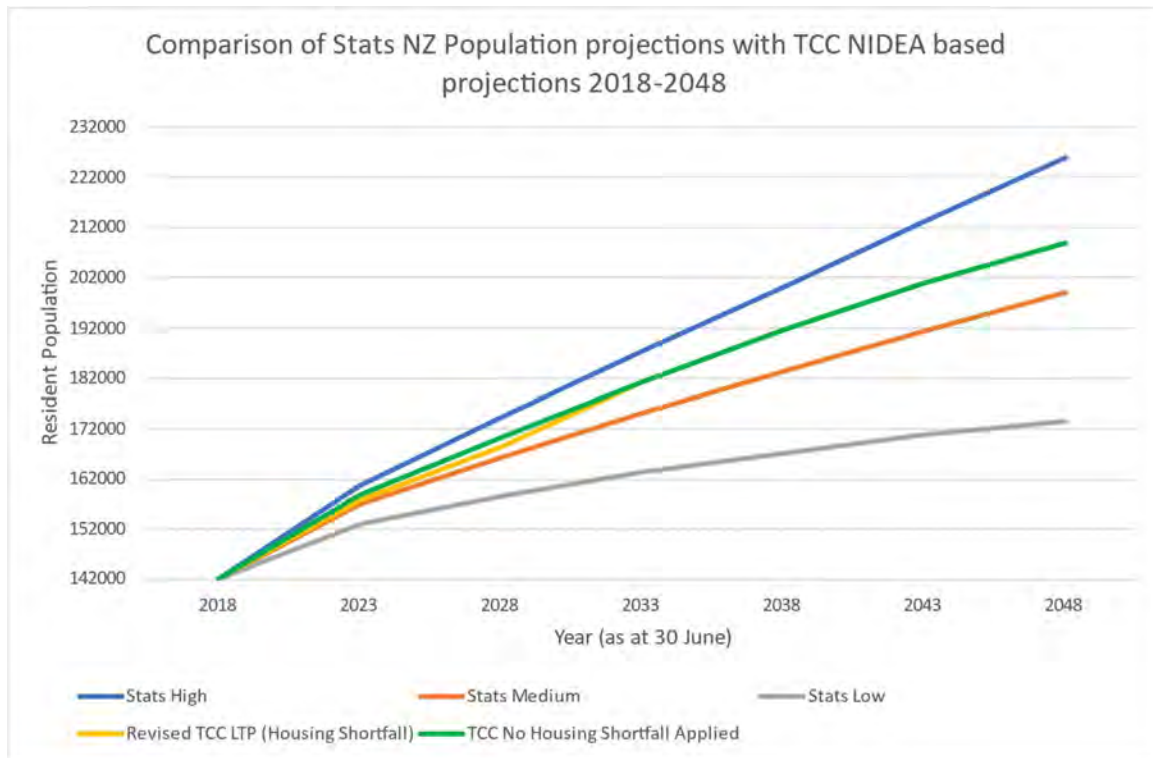
The NIDEA based population projections for Tauranga City were revised in response to Stats NZ projections. The TCC NIDEA based projection runs between the Stats high and medium projection (see Figure 1-3b below). It is noted that population growth in Tauranga City has typically exceeded past Stats NZ medium population projections<sup>5</sup>.

The first graph (see Figure 1-3a) with annual increments from 2018 to 2033 shows the expected impact of applying a housing shortfall constraint with a slow down in population growth starting from mid 2022 and increasing to mid 2025 anticipated. With the planned release of additional Greenfield land from 2025, along with increasing levels of residential intensification enabled and encouraged through revised City plan provisions and spatial planning, population and dwelling growth is expected to be back at projected levels by 2031. Higher growth over the 2026 to 2031 period is expected due to pent up demand to offset slower short to medium term growth.

<sup>5</sup> Population growth between 2013 and 2018 Census exceeded both Stats NZ and NIDEA population projections. As 2018 Stats NZ used administration data to fill gaps in Census collection it is not clear whether this resulted in higher population counts than previous Census. Stats NZ projections typically underestimate migration for Tauranga City.



**Figure 1-3a:** Comparison of Tauranga City 2021-2031 LTP Population projections with Statistics NZ projections for 15-year period from 2018 to 2033.



**Figure 1-3b:** Comparison of Tauranga City 2021-2031 LTP Population projections with Statistics NZ projections for 30-year period from 2018 to 2048.

The differences between the Revised housing demand and LTP housing demand projections for HBA timeframes are tabled below (Table 1-1). For the HBA housing bottom lines the Revised Housing Demand projection is adopted as it presents a more accurate

representation of housing demand. The LTP Housing Demand projection responds to identified housing supply constraints, anticipates that not all demand can be accommodated in the short term and makes adjustments for this.

As the Revised housing demand projection runs between the Stats NZ high and medium population projection, these projections were used as high and low scenario's in the M.E demand assessment work for the HBA and households calculated from these<sup>6</sup>.

**Table 1-1: Revised housing demand – Tauranga City, July 2021**

**Revised Housing Demand**

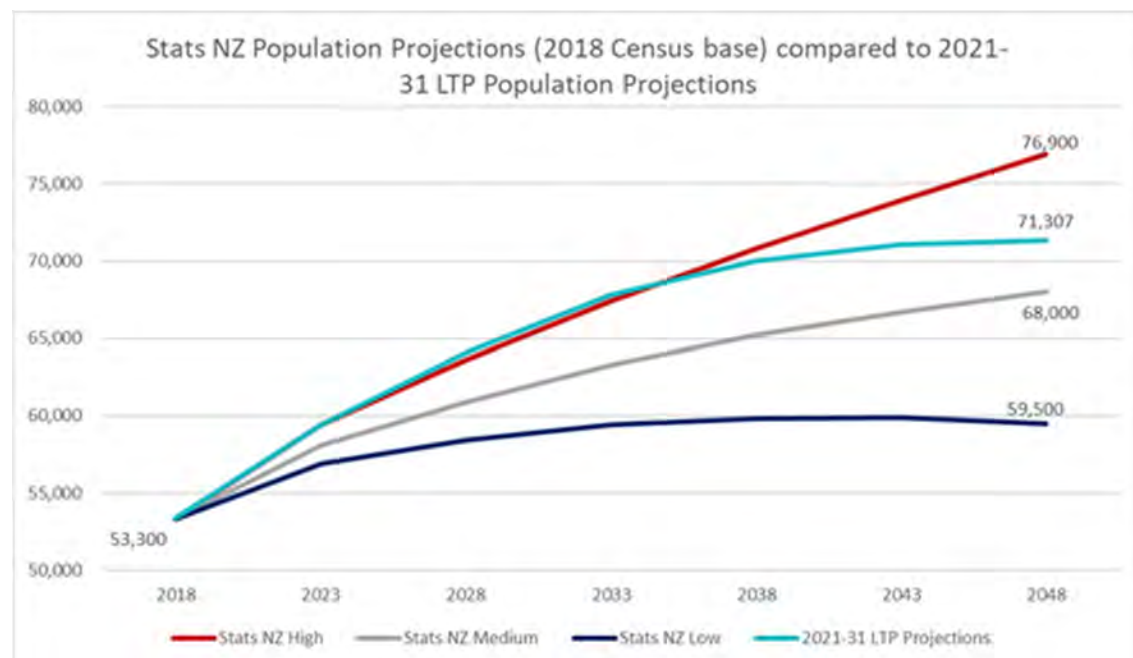
	short	medium	long	Total
Housing Demand	3,589	7,882	15,062	<b>26,533</b>
Housing Demand incl. margin	4,307	9,458	17,321	<b>31,087</b>

**LTP Housing Demand**

	short	medium	long	Total
Housing Demand	3,051	8,111	15,372	<b>26,533</b>
Housing Demand incl. margin	3,661	9,733	17,677	<b>31,072</b>

**Western Bay of Plenty District projection scenarios**

In response to the release of the estimated resident population and the population projections from Stats NZ, Western Bay of Plenty District Council (WBOPDC) revised the NIDEA based population projections. The revised population projections run closer to the Stats NZ high projections up to 2033 of at which time the population growth will slow down (see Figure 1-4).



**Figure 1-4: Comparison of Western Bay of Plenty District 2021-31 LTP Population projections with Statistics NZ projections.**

<sup>6</sup> Noted that the ME Demand assessment work adopted the LTP "occupied dwelling" projection, while the HBA sufficiency calculation adopts the TCC Revised Housing Demand bottom line which are "total dwelling" projections.

Higher population growth is expected in the short/ medium term for WBOPD due to the housing shortfall constraints in Tauranga City while there will be sufficient capacity in the Western Bay urban areas (Ōmokoroa and Te Puke) for the projected growth.

## Housing Affordability

### Ratio of Dwelling Sales Prices to Rent

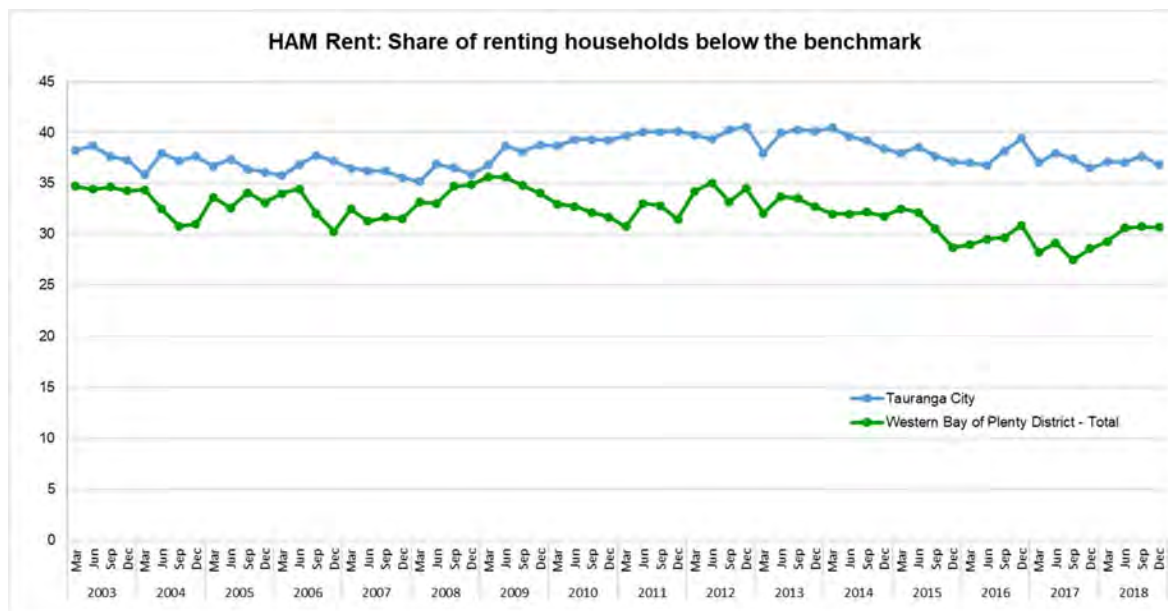
Figure 1-5 shows the ratio between house prices to mean annual rent. The house prices to rent ratio in the sub-region has increased in the last 20 years, with house prices now over 30 times higher than the mean annual rent. It is more affordable to rent than to purchase a house at present.



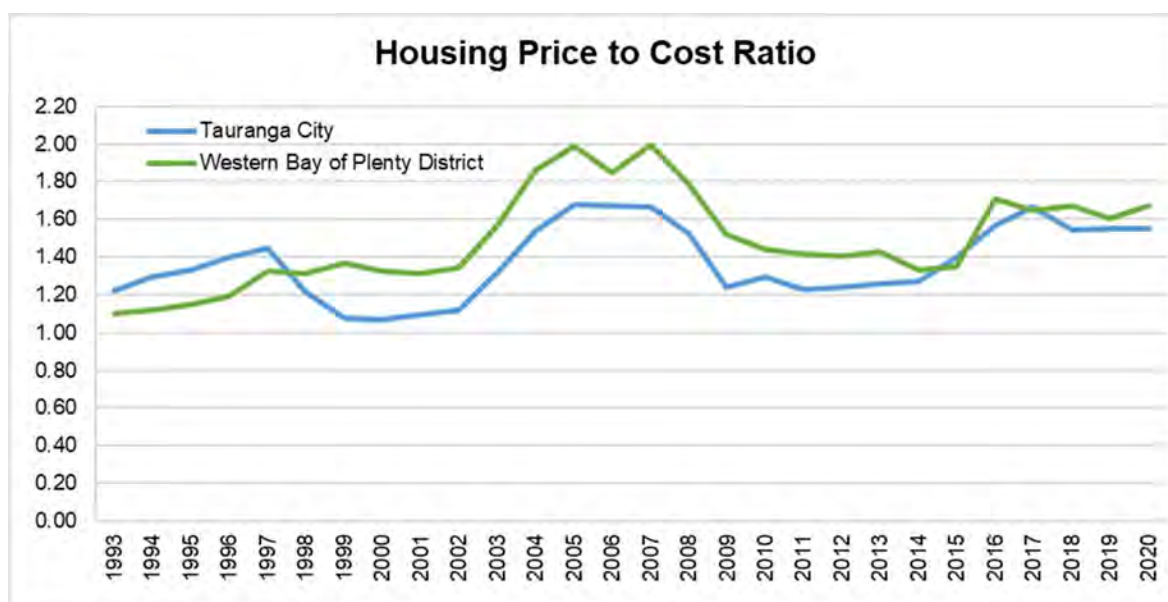
**Figure 2-4:** Ratio of house prices to mean annual rent 2001 to 2021 for Tga City and WBOP District.

The rent version of the Housing Percent Measure (Housing Percent Rent) identifies the proportion of renters in an area (region, territorial authority and Auckland wards) whose rent is more than 30 percent of their household income. Housing Percent Rent helps us to understand housing affordability pressures experienced by renters in local areas around New Zealand and whether these are improving or not.

The buy version of the Housing Percent Measure (Housing Percent Buy) looks at the same incomes of the same renters. Housing Percent Buy is an estimate of how many renters would spend more than 30 percent of their income if they bought a lower quartile house with the same number of bedrooms as their current house, in the area that they currently live in. Housing Percent Buy helps us to understand whether many renters can afford to buy a home in their area.



**Figure 2-5:** Share of renting household below benchmark from March 2003 to December 2018 for Tauranga City and the Western Bay of Plenty District (from MHUD website indicators)



**Figure 2-6:** House price to cost ratio from 1993 to December 2020 for Tauranga City and the Western Bay of Plenty District (from MHUD website indicators)

## Part 3 – Housing Demand

### Introduction

Demand is assessed in terms of numbers of households, while structure is examined in terms of:

- household types,
- dwelling types,
- dwelling tenure, and
- household incomes (as one important determinant of housing affordability).

Across both Tauranga and WBoP, the demand is identified in terms of numbers of resident households, allowing for one dwelling per household<sup>7</sup>. Projected future demand for housing is based on the growth outlooks prepared by Tauranga City Council (TCC) and Western Bay of Plenty District Council (WBoPDC)<sup>8</sup> and these are broken down into demand for housing among different segments in the community. The segments are informed by an analysis of available information covering City/district levels and/or Statistical Area Two (SA2) levels.

The housing demand from the different segments are then further examined according to:

- Dwelling tenure:
  - Owners, and
  - Renters.
- Type of dwelling:
  - Detached, and
  - Attached.

The above breakdown enables reporting that complies with the NPS-UD requirements to consider 'different groups in the community'. Assessment of different socio-economic attributes provides an ability to assess housing affordability, primarily for non-owner households, from a demand-side perspective.

Overall, the assessment uses the Councils' household projections as a starting point for the household base and outlook. It then examines the current attributes of households before using the Councils' growth projections and applying the household attributes (spatially) to provide a breakdown of demand by location. The analysis accounts for shifts in the demographic, like population ageing and shifts in household structures.

### Information and data

Several different sources were used in undertaking this assessment. The following list summarises the key sources:

- Stats NZ – this includes several different datasets, including Census 2018 data, population and household projections, as well as information about ethnicity by location.
- The TCC and WBoP Council rating data sets were used to explain the current housing estates' features, specifically the relationships between land values, value of improvements and capital values, across different locations,

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<sup>7</sup> As per NPS-UD 3.34(4)

<sup>8</sup> Projections used were prepared for the two Council's LTP 2021-2031 processes.

- Review of internet webs-sites (like BookABach) to inform selected parts of the assessment,
- Published reports, and
- Other secondary data sources.

## Assessment Area

Appendix 1 contains the Statistical Area 2 maps for both TCC and the WBoP local authority areas, defined at the 2018 Census. A sub-unit growth map for Tauranga City is also provided that classifies the City by growth type<sup>9</sup> (see Appendix 4b). A portion of WBoP is rural and these areas accommodate residents. These areas are included in the summary tables to provide a complete picture, but they are not analysed in any detail. Currently, the rural areas in WBoP accommodate 16% of the sub-regions dwellings. This includes areas like Pukehina Beach, Maketu, Te Puna and Minden.

A close relationship exists between households and dwellings. Generally, the relationship is one-to-one with one additional household representing demand for one additional dwelling. Household growth is a function of population growth and household size. These vary between, and across, locations and have a temporal dimension i.e. they change over time. The demographic features impact, and are influenced by, how house prices respond to macro-economic drivers and global pressures. The ability of the local economy to respond to shifts in housing demand and supply factors is another factor impacting the relationship between the community and housing. Other aspects that are not related to local demographics also impact the overall residential demand. These include matters like out-of-area people participating in the housing market (like people purchasing holiday homes) and so forth.

This section has two main parts. Firstly, the projected household demography is discussed and is then followed by the projected housing demand. Tauranga City and Western Bay of Plenty district are dealt with separately.

## Projected Household Demography

### Projected Household Demography – Tauranga City

The projected household demand estimates are based on TCC's projections. The headline (total) level estimates<sup>10</sup> are the most relevant and are the set used to inform Long Term Plan (LTP) activities. These headline estimates reflect aspects like COVID-19, and existing patterns in the local market but they have not been allocated spatially. For our purpose, earlier spatial distributions (Meshblock and Census Area Unit/ Statistical Area 2) were used to inform the distribution across the city. Table 3-1 summarises the outlook for households in terms of the household type and income bands.

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<sup>9</sup> The Sub Unit maps shows the location and spatial extent of the Te Papa, Tauranga West (Otumoetai) and Mount Maunganui Intensification Areas (IA's), and infill/ intensification within the established parts of the City outside the IA's, rural infill, and Greenfield UGA's (operative, future, potential future). With the exception of "Ohauiti South" the potential future greenfield areas are not assumed to be released within the 30 year HBA period.

<sup>10</sup> As at February 2021.

**Table 3-1: Breakdown of housing demand outlook – Tauranga City.**

	Household Type	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total
2020	One Person	6,960	2,470	1,530	940	370	220	12,490	13%	5%	3%	2%	1%	0%	23%
	Couple	1,090	3,700	2,770	3,080	3,660	2,480	16,780	2%	7%	5%	6%	7%	5%	31%
	2 Parents 1-2chn	260	660	1,270	2,480	4,050	3,080	11,800	0%	1%	2%	5%	8%	6%	22%
	2 Parents 3+chn	90	190	370	730	870	810	3,060	0%	0%	1%	1%	2%	2%	6%
	1 Parent Family	1,500	1,360	1,100	900	550	190	5,600	3%	3%	2%	2%	1%	0%	10%
	Multi-Family Hhlds	10	40	100	190	400	630	1,370	0%	0%	0%	0%	1%	1%	3%
	Non-Family Hhlds	190	440	450	440	560	290	2,370	0%	1%	1%	1%	1%	1%	4%
	<b>Total Households</b>	<b>10,100</b>	<b>8,860</b>	<b>7,590</b>	<b>8,760</b>	<b>10,460</b>	<b>7,700</b>	<b>53,470</b>	<b>19%</b>	<b>17%</b>	<b>14%</b>	<b>16%</b>	<b>20%</b>	<b>14%</b>	<b>100%</b>
2023	One Person	7,500	2,630	1,600	980	390	230	13,340	13%	5%	3%	2%	1%	0%	24%
	Couple	1,170	4,040	2,970	3,260	3,850	2,610	17,890	2%	7%	5%	6%	7%	5%	32%
	2 Parents 1-2chn	270	700	1,330	2,580	4,180	3,170	12,230	0%	1%	2%	5%	7%	6%	22%
	2 Parents 3+chn	90	200	390	760	890	830	3,160	0%	0%	1%	1%	2%	1%	6%
	1 Parent Family	1,550	1,400	1,120	920	570	200	5,760	3%	2%	2%	2%	1%	0%	10%
	Multi-Family Hhlds	10	40	110	200	420	650	1,430	0%	0%	0%	0%	1%	1%	3%
	Non-Family Hhlds	200	460	470	450	570	300	2,460	0%	1%	1%	1%	1%	1%	4%
	<b>Total Households</b>	<b>10,790</b>	<b>9,470</b>	<b>7,990</b>	<b>9,150</b>	<b>10,870</b>	<b>7,990</b>	<b>56,270</b>	<b>19%</b>	<b>17%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>	<b>14%</b>	<b>100%</b>
2030	One Person	8,930	3,020	1,780	1,070	430	250	15,500	14%	5%	3%	2%	1%	0%	24%
	Couple	1,390	4,930	3,480	3,670	4,240	2,850	20,570	2%	8%	5%	6%	7%	4%	32%
	2 Parents 1-2chn	300	760	1,470	2,870	4,620	3,500	13,520	0%	1%	2%	5%	7%	5%	21%
	2 Parents 3+chn	110	230	440	860	1,000	920	3,560	0%	0%	1%	1%	2%	1%	6%
	1 Parent Family	1,690	1,530	1,220	1,000	610	210	6,270	3%	2%	2%	2%	1%	0%	10%
	Multi-Family Hhlds	20	50	120	220	470	710	1,580	0%	0%	0%	0%	1%	1%	2%
	Non-Family Hhlds	220	530	530	500	620	330	2,720	0%	1%	1%	1%	1%	1%	4%
	<b>Total Households</b>	<b>12,660</b>	<b>11,050</b>	<b>9,040</b>	<b>10,190</b>	<b>11,990</b>	<b>8,770</b>	<b>63,720</b>	<b>20%</b>	<b>17%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>	<b>14%</b>	<b>100%</b>
2050	One Person	11,700	3,790	2,130	1,260	520	310	19,720	15%	5%	3%	2%	1%	0%	25%
	Couple	1,840	6,680	4,350	4,330	4,970	3,290	25,460	2%	9%	6%	6%	6%	4%	33%
	2 Parents 1-2chn	350	890	1,740	3,420	5,560	4,260	16,220	0%	1%	2%	4%	7%	5%	21%
	2 Parents 3+chn	120	260	510	1,030	1,230	1,160	4,310	0%	0%	1%	1%	2%	1%	6%
	1 Parent Family	1,910	1,750	1,400	1,140	700	230	7,120	2%	2%	2%	1%	1%	0%	9%
	Multi-Family Hhlds	20	60	130	250	570	830	1,860	0%	0%	0%	0%	1%	1%	2%
	Non-Family Hhlds	260	650	620	550	660	380	3,130	0%	1%	1%	1%	1%	0%	4%
	<b>Total Households</b>	<b>16,200</b>	<b>14,080</b>	<b>10,880</b>	<b>11,980</b>	<b>14,210</b>	<b>10,460</b>	<b>77,820</b>	<b>21%</b>	<b>18%</b>	<b>14%</b>	<b>15%</b>	<b>18%</b>	<b>13%</b>	<b>100%</b>

The analysis points to several important observations:

- The total number of households is expected to increase by 24,350 over the next three decades. This will take the number of households from 53,470 in 2020, to 77,820 in 2050.
- The relative distribution of households, across household types and income bands, is expected to shift. For example, the number of one person households, earning below \$30,000 per year is expected to increase from 13% of all households, to around 15% by 2050. This is partially explained by the nature of one person households (i.e. they are associated with the retirement community). In a similar vein, the share of households with incomes falling below the \$50,000 bracket is expected to move from 36% of all households to 39% by 2050. The smaller households (one-person and couples) form the bulk of these households, in 2020, that is around 27% of all households, increasing to 31% by 2050. This concentration has implications for housing and social policy.
- In terms of the distribution of growth, most growth is expected in low-income households. One-person households are expected to account for 30% of the growth (2020-2050). This is slightly less than the change in couple households, that are expected to account for 35% of growth. A closer look at these two groups reveals the effect of the ageing population. One person households with income levels below \$50,000 are projected to increase by 6,060 (25% of Tauranga's growth).
- Looking forward the ageing population will have a marked impact on the household demography. Between 2020 and 2050, almost half (44%) of the growth in households will be associated with households aged 75 and over. Importantly, the assessment focuses on income and therefore does not reflect households that are 'asset rich, but cash poor'. So, the implications of growth in aged households with low income must be interpreted with some caution. Nevertheless, the social pressures associated with this growth should be kept in mind and will remain acute for the foreseeable future.
- The shift in the income structure is concerning. It needs to be translated and put in number terms to get a better sense of the number of households across segments.
  - The shift in one-person and couple households is material, with some 1,960 additional households in this type over the next three years. That is, around 70% of Tauranga's overall short-term growth. However, the share of growth coming from this group declines down to 65% over the long term. It is necessary to look beyond the change in percentage contribution and note the continued increase in the number of households in these two cohorts. The shift is expected to sum to 4,840 additional households between 2023 and 2030, and another 9,110 between 2030 and 2050.
  - Households with children<sup>11</sup> form a key part of the overall household structure and will remain a part of the growth outlook. Over the short term (2020-2023) a quarter (24%) of the growth is expected in these households. That is equal to 670 households. Over the medium and long term, a slightly larger share (30%) of total growth is expected to come from these households. Between 2023 and 2030, an additional 2,210 households are expected. A similar share of long-term growth (2030-2050) will come from

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<sup>11</sup> This includes 2 parent (1-2 and 3+ children) and 1 parent families.

these households (30%). In absolute terms, this is an additional 4,300 households by 2050. Family households will see a strong increase in the overall numbers over the long term, up by 7,190 even though the total share declines from 38% in 2020 to 36% by 2050. These families tend to be concentrated in the higher income bands, relative to the other household types. It is likely that these households will continue to be a potential driver for the private sector to continue supplying this market segment because it is associated with high(er) margin standalone dwellings.

- The remaining household types, multi-family and non-family households, are relatively small and account for around 7% of households. This share is expected to decrease over the long term, dropping down to around 6% by 2050. In number terms, these households are expected to grow from 3,740 in 2020 to 4,990 – a net gain of 1,250 over the long term.

Both the relative changes in the household structure, as well as the change in absolute terms, are important. In summary, the main points are:

- A strong shift towards smaller and older households,
- The ongoing importance of the 'family with children' household types.

### **Projected Household Demography – Western Bay of Plenty**

The projected household demography for WBoP reflects the shifts in household numbers, based on the WBoP District Council's projections<sup>12</sup>. We understand that the projections are broadly consistent with Stats NZ work as well as other projections prepared for the wider SmartGrowth area. Table 3-2 provides a breakdown of the data and follows the same structure/logic as the discussion of Tauranga's household demographic outlook.

The main patterns associated with the WBoP housing demography are summarised below.

- WBoP is expected to continue to see growth in households and the number is expected to increase by 6,620 over the long term (2050). This expansion will see households increase from 20,800, to 22,530 in three years, and then add another 2,110 by 2030. In the next two decades (2030 to 2050) the households will grow to 27,020.
- The household composition is expected to change with the relative importance of different household types moving around. The proportion of one-person households with an income less than \$30,000 per year currently represents 11% of households. This household-type and income level combination is expected to rise to around 14% by 2050. A driver of the shift is the underlying nature of one-person households, i.e. the link with the retirement community. In the same context, the share of households represented in the income cohorts below \$50,000 is projected to increase from 35% of all households in 2020 to 41% by 2050. Most of these households are classified as one person and couples, representing around 27% of all households in 2020 and increasing to 33% by 2050. This concentration will have important implications for housing and social policy.

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<sup>12</sup> As informing the Long-term Plan process.

**Table 3-2: Breakdown of household demand outlook – Western Bay of Plenty District.**

	Household Type	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total
2020	One Person	2,350	980	550	270	110	80	<b>4,350</b>	11%	5%	3%	1%	1%	0%	21%
	Couple	550	1,830	1,300	1,390	1,590	1,210	<b>7,870</b>	3%	9%	6%	7%	8%	6%	38%
	2 Parents 1-2chn	120	260	520	920	1,320	1,170	<b>4,310</b>	1%	1%	3%	4%	6%	6%	21%
	2 Parents 3+chn	40	70	170	310	380	350	<b>1,320</b>	0%	0%	1%	1%	2%	2%	6%
	1 Parent Family	420	410	310	260	160	60	<b>1,620</b>	2%	2%	1%	1%	1%	0%	8%
	Multi-Family Hhlds	10	30	30	120	230	340	<b>760</b>	0%	0%	0%	1%	1%	2%	4%
	Non-Family Hhlds	40	150	130	120	60	70	<b>570</b>	0%	1%	1%	1%	0%	0%	3%
	<b>SUM</b>	<b>3,530</b>	<b>3,730</b>	<b>3,010</b>	<b>3,390</b>	<b>3,850</b>	<b>3,280</b>	<b>20,800</b>	<b>17%</b>	<b>18%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>	<b>16%</b>	<b>100%</b>
2023	One Person	2,610	1,070	600	290	120	90	<b>4,790</b>	12%	5%	3%	1%	1%	0%	21%
	Couple	610	2,030	1,420	1,500	1,700	1,310	<b>8,570</b>	3%	9%	6%	7%	8%	6%	38%
	2 Parents 1-2chn	130	270	570	990	1,410	1,230	<b>4,600</b>	1%	1%	3%	4%	6%	5%	20%
	2 Parents 3+chn	40	70	180	330	410	370	<b>1,400</b>	0%	0%	1%	1%	2%	2%	6%
	1 Parent Family	440	440	330	280	170	70	<b>1,730</b>	2%	2%	1%	1%	1%	0%	8%
	Multi-Family Hhlds	10	30	30	130	250	360	<b>820</b>	0%	0%	0%	1%	1%	2%	4%
	Non-Family Hhlds	40	170	140	130	70	70	<b>620</b>	0%	1%	1%	1%	0%	0%	3%
	<b>SUM</b>	<b>3,880</b>	<b>4,080</b>	<b>3,270</b>	<b>3,650</b>	<b>4,130</b>	<b>3,500</b>	<b>22,530</b>	<b>17%</b>	<b>18%</b>	<b>15%</b>	<b>16%</b>	<b>18%</b>	<b>16%</b>	<b>100%</b>
2030	One Person	3,070	1,200	670	320	140	110	<b>5,490</b>	12%	5%	3%	1%	1%	0%	22%
	Couple	700	2,380	1,590	1,610	1,810	1,400	<b>9,490</b>	3%	10%	6%	7%	7%	6%	39%
	2 Parents 1-2chn	140	290	610	1,070	1,480	1,220	<b>4,810</b>	1%	1%	2%	4%	6%	5%	20%
	2 Parents 3+chn	40	80	200	360	430	360	<b>1,460</b>	0%	0%	1%	1%	2%	1%	6%
	1 Parent Family	460	480	340	300	180	70	<b>1,820</b>	2%	2%	1%	1%	1%	0%	7%
	Multi-Family Hhlds	10	30	30	150	270	370	<b>870</b>	0%	0%	0%	1%	1%	2%	4%
	Non-Family Hhlds	40	220	180	140	60	70	<b>700</b>	0%	1%	1%	1%	0%	0%	3%
	<b>SUM</b>	<b>4,460</b>	<b>4,680</b>	<b>3,620</b>	<b>3,950</b>	<b>4,370</b>	<b>3,600</b>	<b>24,640</b>	<b>18%</b>	<b>19%</b>	<b>15%</b>	<b>16%</b>	<b>18%</b>	<b>15%</b>	<b>100%</b>
2050	One Person	3,800	1,370	760	330	150	170	<b>6,580</b>	14%	5%	3%	1%	1%	1%	24%
	Couple	860	2,930	1,760	1,650	1,880	1,430	<b>10,500</b>	3%	11%	7%	6%	7%	5%	39%
	2 Parents 1-2chn	160	300	630	1,160	1,450	1,050	<b>4,740</b>	1%	1%	2%	4%	5%	4%	18%
	2 Parents 3+chn	40	80	200	380	420	320	<b>1,440</b>	0%	0%	1%	1%	2%	1%	5%
	1 Parent Family	450	520	320	300	160	70	<b>1,830</b>	2%	2%	1%	1%	1%	0%	7%
	Multi-Family Hhlds	-	20	20	180	300	350	<b>880</b>	0%	0%	0%	1%	1%	1%	3%
	Non-Family Hhlds	40	440	330	150	50	40	<b>1,050</b>	0%	2%	1%	1%	0%	0%	4%
	<b>SUM</b>	<b>5,350</b>	<b>5,660</b>	<b>4,020</b>	<b>4,150</b>	<b>4,410</b>	<b>3,430</b>	<b>27,020</b>	<b>20%</b>	<b>21%</b>	<b>15%</b>	<b>15%</b>	<b>16%</b>	<b>13%</b>	<b>100%</b>

- Over the next three decades or so, the ageing population will have a significant impact on the household demography. In 2050, around 30% of households will be associated with households aged 75 and over, up from 13% in 2020.
- The projected growth for households *under* 65 years is very diverse when considering different age cohorts. Overall, the number of households aged less than 65 years, is projected to increase by a total of 655 households. This increase is despite contractions across all age cohorts except the cohort with the reference person being aged between 30 years and 39 years. This cohort is projected to grow by 3,720 households over the long term, but this growth is almost reversed by declines in the other groups. These declines are associated with population ageing and structural changes. In fact, 71% of this increase is from families with children.
- A review of the changes in income levels revealed a significant shift in the income structure. Lower income households are expected to see a large increase – growing by more than half (54%) between 2020 and 2050. Further, this growth accounts for 30% of the overall growth. In comparison, for households with incomes between \$50,000 - \$100,000 and +\$100,000, the shares of growth are 29% and 17% respectively. However, with more households over retirement age, incomes are likely to decrease, shifting the income profile down.
- The shift in one-person and couple households is a key aspect of the household demography outlook, with some 1,240 additional households in these two types over the next three years. This provides around two thirds (66%) of short-term household growth for WBoP. The share of growth coming from this group continues to increase, to 73% from 2023 to 2030, and up to 76% for the next twenty years towards 2050. The shift is expected to sum to 2,160 additional households between 2023 and 2030, and another 3,920 between 2030 and 2050.
- Households with children<sup>13</sup> are an important component of the overall household structure and the growth outlook. An increase of 520 households, accounting for 28% of the total growth, is expected in these households over the short term (2020-2023). For the medium and long term, a smaller share of total growth is expected to come from these households. Between 2023 and 2030, these households will account for 20% of all growth, with an additional 600 new households. The share of long-term growth (2030-2050) will continue to decline to 13%, with 660 additional households. Over the next thirty years, family households will see an overall increase of 1,780 households, even though the total share declines from 35% in 2020 to 30% by 2050.
- The remaining household types, multi-family and non-family households, are relatively small and account for 6% of households. This share is expected to increase slightly over the long term to 7% by 2050. On a number basis, these households are expected to grow by 880 households, from 1,450 in 2020 to 2,330 in 2050.

While the WBoP has a distinct population with its own set of demographic drivers, the general patterns identified mirror those identified in Tauranga. The relative changes in the household structure as well as the change in absolute terms are important. Again, the main points are:

- The strong shift towards smaller and older households,

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<sup>13</sup> This includes 2 parent (1-2 and 3+ children) and 1 parent families.

- The number of young households is expected to increase but the change does not erase structural (population) shifts.

The projected housing demand section uses the shifts in household types to estimate the housing demand for Tauranga and WBoP separately.

## Projected housing demand

When looking forward, the overall total as well as the change in numbers (per category) are important. Further, the rate of change is expected to vary over time. Therefore, the short-, medium- and long-term movements are considered.

The estimated dwelling figures prepared by TCC (and as used in the assessment) reflect a high level of analysis and Market Economics did not have any visibility of the underlying demographic models. Available information about population and the household sector, the changes and evolutions over time were derived from Stats NZ data, and applied in the modelling. This ensured that the household projections, and therefore the housing demand estimates, reflect demographic shifts and the consequences of those shifts. For example, younger persons normally leave their family homes to form their own households, and often transitioning from non-family households in renting situations, to become couples and parents with families. In the same way, dwelling tenure patterns and the dwelling estate itself will continue to change and evolve. Dwellings age and depreciate, commonly with improvement values falling or being static in real terms, even as land values characteristically rise as urban economies grow.

All these factors mean that the future situation cannot be assessed simply by considering the net changes from the present, and assuming those net changes can accurately represent demand for additional housing.

### Projected Housing Demand - Tauranga

The current and projected *household* patterns provide a foundation for estimating the future demand for *housing* across Tauranga. These patterns form over a long period and take time to shift. Therefore, the broader context and structure of Tauranga's housing demand is likely to remain aligned with the patterns identified within the household trends. Accordingly, this analysis covers both the total situation and the net changes for assessing housing needs.

Table 3-3 presents the projected housing demand for Tauranga and segments the estimated demand in terms of household types as well as household income bands (first two horizontal bands). Next, the relative share of demand (in each year) is shown (two horizontal bands) and this is followed by the change in demand between the periods.

Total demand for housing is expected to increase by<sup>14</sup>:

- 2020-2023 2,800,
- 2023-2030 7,440, and
- 2030-2050 14,100.

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<sup>14</sup> This includes future growth in areas that are associated with Tauranga but that are currently still in WBoP.

**Table 3-3: Projected housing demand – Tauranga**

Household Type	2020			Short Term (2023)			Medium Term (2030)			Long Term (2050)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One Person	8,420	4,070	12,490	8,910	4,430	13,340	10,090	5,410	15,500	12,030	7,690	19,720
Couple	14,320	2,460	16,780	15,150	2,750	17,900	17,040	3,530	20,570	19,890	5,570	25,460
2 Parents 1-2chn	11,090	710	11,800	11,390	830	12,220	12,380	1,140	13,520	14,130	2,090	16,220
2 Parents 3+chn	2,900	160	3,060	2,980	170	3,150	3,300	250	3,550	3,810	500	4,310
1 Parent Family	4,860	730	5,600	4,970	790	5,760	5,310	960	6,270	5,730	1,390	7,120
Multi-Family Hhlds	1,240	130	1,370	1,290	140	1,430	1,400	180	1,580	1,570	290	1,860
Non-Family Hhlds	2,050	320	2,370	2,140	320	2,460	2,320	400	2,720	2,540	590	3,130
<b>TOTAL</b>	<b>44,890</b>	<b>8,590</b>	<b>53,480</b>	<b>46,830</b>	<b>9,440</b>	<b>56,280</b>	<b>51,850</b>	<b>11,870</b>	<b>63,720</b>	<b>59,690</b>	<b>18,130</b>	<b>77,820</b>
<\$30,000	7,110	3,000	10,110	7,530	3,280	10,810	8,590	4,070	12,660	10,290	5,920	16,210
\$30-50,000	7,050	1,810	8,860	7,470	2,000	9,470	8,530	2,520	11,050	10,220	3,850	14,070
\$50-70,000	6,360	1,230	7,590	6,650	1,340	7,990	7,370	1,660	9,040	8,410	2,480	10,890
\$70-100,000	7,750	1,000	8,750	8,050	1,100	9,150	8,810	1,380	10,190	9,840	2,150	11,990
\$100-150,000	9,530	940	10,470	9,840	1,040	10,880	10,660	1,340	12,000	12,000	2,200	14,200
\$150,000+	7,080	620	7,700	7,300	690	7,980	7,880	900	8,780	8,950	1,520	10,470
<b>TOTAL</b>	<b>44,890</b>	<b>8,590</b>	<b>53,480</b>	<b>46,830</b>	<b>18,890</b>	<b>56,280</b>	<b>51,850</b>	<b>23,740</b>	<b>63,720</b>	<b>59,690</b>	<b>36,260</b>	<b>77,820</b>
<b>Share %</b>												
One Person	16%	8%	23%	16%	8%	24%	16%	8%	24%	15%	10%	25%
Couple	27%	5%	31%	27%	5%	32%	27%	6%	32%	26%	7%	33%
2 Parents 1-2chn	21%	1%	22%	20%	1%	22%	19%	2%	21%	18%	3%	21%
2 Parents 3+chn	5%	0%	6%	5%	0%	6%	5%	0%	6%	5%	1%	6%
1 Parent Family	9%	1%	10%	9%	1%	10%	8%	2%	10%	7%	2%	9%
Multi-Family Hhlds	2%	0%	3%	2%	0%	3%	2%	0%	2%	2%	0%	2%
Non-Family Hhlds	4%	1%	4%	4%	1%	4%	4%	1%	4%	3%	1%	4%
<b>TOTAL</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>	<b>83%</b>	<b>17%</b>	<b>100%</b>	<b>81%</b>	<b>19%</b>	<b>100%</b>	<b>77%</b>	<b>23%</b>	<b>100%</b>
<\$30,000	13%	6%	19%	13%	6%	19%	13%	6%	20%	13%	8%	21%
\$30-50,000	13%	3%	17%	13%	4%	17%	13%	4%	17%	13%	5%	18%
\$50-70,000	12%	2%	14%	12%	2%	14%	12%	3%	14%	11%	3%	14%
\$70-100,000	14%	2%	16%	14%	2%	16%	14%	2%	16%	13%	3%	15%
\$100-150,000	18%	2%	20%	17%	2%	19%	17%	2%	19%	15%	3%	18%
\$150,000+	13%	1%	14%	13%	1%	14%	12%	1%	14%	12%	2%	13%
<b>TOTAL</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>	<b>83%</b>	<b>34%</b>	<b>100%</b>	<b>81%</b>	<b>37%</b>	<b>100%</b>	<b>77%</b>	<b>47%</b>	<b>100%</b>

Change between periods				2020-2023			2023-2030			2030-2050		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One Person	490	360	850	1,180	980	2,160	1,940	2,280	4,220			
Couple	830	290	1,120	1,890	780	2,670	2,850	2,040	4,890			
2 Parents 1-2chn	300	120	420	990	310	1,300	1,750	950	2,700			
2 Parents 3+chn	80	10	90	320	80	400	510	250	760			
1 Parent Family	110	60	160	340	170	510	420	430	850			
Multi-Family Hhlds	50	10	60	110	40	150	170	110	280			
Non-Family Hhlds	90	-	90	180	80	260	220	190	410			
<b>TOTAL</b>	<b>1,940</b>	<b>850</b>	<b>2,800</b>	<b>5,020</b>	<b>2,430</b>	<b>7,440</b>	<b>7,840</b>	<b>6,260</b>	<b>14,100</b>			
<\$30,000	420	280	700	1,060	790	1,850	1,700	1,850	3,550			
\$30-50,000	420	190	610	1,060	520	1,580	1,690	1,330	3,020			
\$50-70,000	290	110	400	720	320	1,050	1,040	820	1,850			
\$70-100,000	300	100	400	760	280	1,040	1,030	770	1,800			
\$100-150,000	310	100	410	820	300	1,120	1,340	860	2,200			
\$150,000+	220	70	280	580	210	800	1,070	620	1,690			
<b>TOTAL</b>	<b>1,960</b>	<b>850</b>	<b>2,800</b>	<b>5,000</b>	<b>2,420</b>	<b>7,440</b>	<b>7,870</b>	<b>6,250</b>	<b>14,110</b>			

The relative mix of dwelling types (detached vs attached) is expected to show a slow shift away from detached dwellings towards attached. Over the short term, 84% of the expected dwelling demand is for detached dwellings, shifting down to 77% over the long term. While there is a noticeable shift in dwelling preference to higher density, attached dwellings, the bulk of long-term growth for detached dwellings is materially higher than that for attached dwellings. In number terms, the relativities between detached and attached dwellings are:

- 2020-2023    0.4 (attached dwellings for every 1 detached dwelling),
- 2023-2030    0.5 (attached dwellings for every 1 detached dwelling), and
- 2030-2050    0.8 (attached dwellings for every 1 detached dwelling).

In terms of the household types, the demand patterns align with the identified demographic shifts. The demand shifts are evident over the different household types and income bands. These shifts align with observed patterns as dictated by affordability, where households make trade-offs between dwelling type<sup>15</sup> and ability to service a mortgage (i.e. affordability considerations) when looking to enter and stay in the property market.

<sup>15</sup> This includes a wide array of different property attributes, like size, location, number of rooms and so forth.

Looking at the long-term trend across the different income levels points to an intensification of housing affordability issues. This is addressed to some extent by the shift towards higher density dwellings (attached), but the scale is important. The share of growth arising from lower income households (<\$50,000) is expected to account for around 46% of the growth. In number terms, this is:

- 1,310 households between 2020 and 2023,
- 3,430 households between 2023 and 2030, and
- 6,570 households between 2030 and 2050.

On an annual basis, the rate of growth is expected to decline over the long term. This is a function of the growth pathway as identified/projected by TCC<sup>16</sup>.

The shift in demand from detached to attached dwellings is expected across all income and household types, but the largest shifts are expected for the smaller (one person and couple) households, followed by families (both one and two parent families).

### **Projected Housing Demand – Western Bay of Plenty**

The housing demand outlook for WBoP is summarised in Table 3-4 below..

The total dwelling demand in WBoP is expected to show strong growth over the short, medium and long term. The WBoP dwelling estimates are adjusted to reflect unoccupied dwellings (i.e. baches and holiday homes), to remove this segment from the projections and translate the dwelling information in household terms. Based on the current estimates (as prepared by WBoP), the total number of households is projected to increase:

- From an estimated 20,800 (2020) to 22,530 by 2023. This equates to growth of 1,730 households in this period.
- The growth is then expected to continue between 2023 and 2030, with an additional 2,110 households.
- Over the long term, from 2030 to 2050, the WBoP is expected to see further growth in the form of an additional 2,380 households. Achieving this growth will see the total number of households increase to 27,020.

These figures suggest that over the entire period (2020-2050), the WBoP will see an additional 6,220 households (not dwellings) in the district – this corresponds to a 30% increase. However, when disaggregating the change in demand, it appears the demand for dwellings by some household types decreases over the long term. This is evident in the multi-family households, non-family households as well as some family households. However, it is likely that this demand would be taken up by other household types, or other groups, such as seasonal workers, holiday makers, etc. The modelling figures might be masking some of what is occurring 'on the ground' and the potential shifts in how the local labour market interacts with the dwellings. This is likely to be the case in non-family households that will seek ways to minimise costs while maintaining mobility.

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<sup>16</sup> This is consistent with growth patterns prepared for earlier projects by independent agencies like NIDEA.

**Table 3-4: Projected housing demand – Western Bay of Plenty District**

Household Type	2020			Short Term (2023)			Medium Term (2030)			Long Term (2050)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One Person	3,550	800	4,350	3,880	910	4,790	4,360	1,130	5,490	4,930	1,650	6,580
Couple	7,200	670	7,870	7,800	760	8,560	8,470	1,020	9,490	8,860	1,640	10,500
2 Parents 1-2chn	3,990	320	4,310	4,240	360	4,600	4,350	460	4,810	4,070	660	4,730
2 Parents 3+chn	1,180	140	1,320	1,260	140	1,400	1,290	170	1,460	1,210	230	1,440
1 Parent Family	1,410	200	1,620	1,510	220	1,730	1,560	250	1,810	1,500	330	1,830
Multi-Family Hhlds	640	120	760	700	120	820	730	140	870	700	170	870
Non-Family Hhlds	570	-	570	620	-	620	690	20	710	970	80	1,050
	18,550	2,250	20,800	20,010	2,520	22,530	21,450	3,190	24,640	22,260	4,760	27,020
<\$30,000	2,900	630	3,520	3,170	710	3,880	3,570	890	4,460	4,050	1,300	5,350
\$30-50,000	3,290	430	3,720	3,600	500	4,090	4,040	640	4,680	4,650	1,010	5,660
\$50-70,000	2,720	290	3,020	2,950	330	3,270	3,180	420	3,600	3,390	650	4,040
\$70-100,000	3,090	290	3,390	3,320	330	3,650	3,510	420	3,930	3,510	630	4,150
\$100-150,000	3,520	340	3,860	3,780	360	4,130	3,920	450	4,360	3,740	660	4,400
\$150,000+	3,020	270	3,290	3,200	290	3,500	3,230	360	3,600	2,920	510	3,430
	18,550	2,250	20,800	20,010	2,520	22,530	21,450	3,190	24,640	22,260	4,760	27,020
<b>Share %</b>												
One Person	17%	4%	21%	17%	4%	21%	18%	5%	22%	18%	6%	24%
Couple	35%	3%	38%	35%	3%	38%	34%	4%	39%	33%	6%	39%
2 Parents 1-2chn	19%	2%	21%	19%	2%	20%	18%	2%	20%	15%	2%	18%
2 Parents 3+chn	6%	1%	6%	6%	1%	6%	5%	1%	6%	4%	1%	5%
1 Parent Family	7%	1%	8%	7%	1%	8%	6%	1%	7%	6%	1%	7%
Multi-Family Hhlds	3%	1%	4%	3%	1%	4%	3%	1%	4%	3%	1%	3%
Non-Family Hhlds	3%	0%	3%	3%	0%	3%	3%	0%	3%	4%	0%	4%
	89%	11%	100%	89%	11%	100%	87%	13%	100%	82%	18%	100%
<\$30,000	14%	3%	17%	14%	3%	17%	14%	4%	18%	15%	5%	20%
\$30-50,000	16%	2%	18%	16%	2%	18%	16%	3%	19%	17%	4%	21%
\$50-70,000	13%	1%	15%	13%	1%	15%	13%	2%	15%	13%	2%	15%
\$70-100,000	15%	1%	16%	15%	1%	16%	14%	2%	16%	13%	2%	15%
\$100-150,000	17%	2%	19%	17%	2%	18%	16%	2%	18%	14%	2%	16%
\$150,000+	15%	1%	16%	14%	1%	16%	13%	1%	15%	11%	2%	13%
	89%	11%	100%	89%	11%	100%	87%	13%	100%	82%	18%	100%
<b>Change between periods</b>												
	2020-2023			2023-2030			2030-2050					
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One Person	330	110	440	480	220	700	570	520	1,090			
Couple	600	90	690	670	260	930	390	620	1,010			
2 Parents 1-2chn	250	40	290	110	100	210	280	200	80			
2 Parents 3+chn	80	-	80	30	30	60	80	60	20			
1 Parent Family	100	20	110	50	30	80	60	80	20			
Multi-Family Hhlds	60	-	60	30	20	50	30	30	-			
Non-Family Hhlds	50	-	50	70	20	90	280	60	340			
<b>TOTAL</b>	<b>1,460</b>	<b>270</b>	<b>1,730</b>	<b>1,440</b>	<b>670</b>	<b>2,110</b>	<b>810</b>	<b>1,570</b>	<b>2,380</b>			
<\$30,000	270	80	360	400	180	580	480	410	890			
\$30-50,000	310	70	370	440	140	590	610	370	980			
\$50-70,000	230	40	250	230	90	330	210	230	440			
\$70-100,000	230	40	260	190	90	280	-	210	220			
\$100-150,000	260	20	270	140	90	230	180	210	40			
\$150,000+	180	20	210	30	70	100	310	150	170			
<b>TOTAL</b>	<b>1,460</b>	<b>270</b>	<b>1,730</b>	<b>1,440</b>	<b>670</b>	<b>2,110</b>	<b>810</b>	<b>1,570</b>	<b>2,380</b>			

The current housing densities in Western Bay of Plenty District are around 12-15 houses per hectare with a 20/80 split of attached to detached houses. At the end of the short term and in the medium term, housing densities in the Greenfield areas of Ōmokoroa and Te Puke, will increase to around 20-30 houses per hectare with a 40/60 split of attached to detached houses.

Mirroring the patterns observed in Tauranga, an increase is expected for smaller household types, as well as those at the lower end of the income spectrum. Overall, these patterns are consistent with moves towards higher density dwellings, as well as the affordability benefits that higher density developments tend to deliver. Given the nature of the WBoP, with several urban areas and a large rural area, it is not surprising that the shift is not as pronounced as in Tauranga.

While the shift to attached dwellings is noticeable, the overall size of demand for detached dwellings will remain a central feature. This demand is spread across all household types and income bands. Between 2020-2023, demand for (new) detached dwellings is concentrated in small households (couples and one-person households), with these cohorts accounting for 64% (930) of the growth in detached dwellings. Family-based households account for 430 dwellings (demand) or 29% of demand for detached dwellings. Over the medium term (2030), small households are associated with 80% (1,150) of additional detached dwellings. This relative importance continues over the long term (2050), with demand for an additional 960 dwellings. Although the modelling suggests the demand for detached housing (by some cohorts) will soften

over the long term, it is more likely that substitution will take place, and moves between detached and attached dwelling options will be exercised.

The shift in demand towards attached dwellings is evident across the income bands but is especially pronounced for the mid-income bands. The level of demand of detached vs attached dwellings and different income bands are projected to shift as follows:

- For households in the <\$50,000 income band, the number of attached dwellings per (1) detached dwelling moves from around 0.3 to 0.7 by 2050.
- In the higher income cohorts (+\$100,000) demand for detached dwellings falls<sup>17</sup> away and shifts to attached dwellings. The driver of this change is the ageing population and flat growth over the long(er) term as well as preference shifts associated with affordability considerations.

It is important to note that the long-term trends are influenced by the slowing population growth rates (population not growing as fast as historically and getting closer to zero growth levels) and population ageing.

### Other parts of the housing market

In addition to the local demographic drivers of housing demand, other sources of demand exist. These include the holiday house market. Several sources were consulted to estimate the number of holiday homes that might be present in Tauranga City and WBoP. The different sources give a range of outcomes meaning that the size of the holiday market, as a share of the total housing market, is presented as a range. The range and how the results were obtained are discussed below.

**Rating data:** Council rating datasets were analysed, and the number of properties tagged 'Bach' were identified. Approximately 138 properties within the boundaries of Tauranga City are identified in the rating data as a holiday home. Combining this with other information in the rating data (e.g. units of use), suggests there are 160 dwellings identified as a 'bach' or holiday home. This is less than 0.5% of the current stock. It is unlikely that this is a true reflection of the number of holiday homes in the City and reflects the fact that the classification is likely to be a legacy code. Furthermore, considering that the Mt Manganui area has a large share of holiday homes and comparing this location with the rating data shows that most properties in this general location are coded as 'residential', means that using the land use codes to identify holiday homes, is unlikely to yield a good account of the actual situation.

**Census 2018:** provides some useful information regarding dwelling occupancy. Table 3-5 summarises the information for Tauranga City. According to Stats NZ definitions of occupancy status, unoccupied baches or holiday homes are also defined as empty dwellings.

The Tauranga data suggests that there are 56,250 private dwellings and 220 non-private dwellings. Of the private dwellings, most (90%) were recorded as occupied at Census 2018, with another 6% (4,880 dwellings) indicated as residents being temporarily absent. Based on the Stats NZ definitions for occupied, and unoccupied dwellings, the data suggests that holiday homes in Tauranga are included in the 1,700 empty dwelling count on census night. However, it is unlikely all of these were holiday homes, but there is no simple way to separate out holiday, or other, homes which are empty due to other

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<sup>17</sup> As mentioned previously, it is likely that the demand will be taken up by other groups.

reasons. Empty dwellings account for around 3% of Tauranga's private dwellings. That implies up to 4% were not usually occupied.

**Table 3-5: Housing Occupancy at Census 2018 – Tauranga City**

Census 2018	Private Dwellings	Private Dwellings %	NZ Average	Non-Private Dwellings	Non-Private Dwellings %	NZ Average	Total Dwellings	Total Dwellings %	NZ Average
Private Dwellings	56,250	99.6%		220	0.4%		56,470	100%	
Occupied	50,740	90%	89%	175	81%	66%	50,920	90%	89%
Unoccupied	4,880	9%	10%	40	18%	33%	4,920	9%	10%
Owners Away	3,190	6%	5%	20	8%	8%	3,200	6%	5%
Empty Dwelling	1,700	3%	5%	20	10%	25%	1,720	3%	5%
Under Construction	630	1%	1%	5	1%	1%	630	1%	1%
Usually Occupied	53,930	96%	94%	195	89%	74%	54,120	96%	94%
Usually Unoccupied	2,330	4%	6%	25	11%	26%	2,350	4%	6%
Compare Resident Households (2018)							51,140		
Difference (n)							- 2,980		
Difference %							-5.5%		

Source: Census 2018, Stats NZ

The presence of non-private dwellings in Tauranga is very small (<0.5%). When comparing the estimate of occupied dwellings with the number of usually resident households in Tauranga (2018), there is around 5.5% variance.

Table 3-6 shows similar information for the Western Bay of Plenty District.

**Table 3-6: Housing Occupancy at Census 2018 - Western Bay of Plenty**

Census 2018	Private Dwellings	Private Dwellings %	NZ Average	Non-Private Dwellings	Non-Private Dwellings %	NZ Average	Total Dwellings	Total Dwellings %	NZ Average
Private Dwellings	22,180	99%		125	1%		22,310	100%	
Occupied	18,600	84%	89%	70	57%	66%	18,670	84%	89%
Unoccupied	3,440	16%	10%	50	40%	33%	3,500	16%	10%
Owners Away	1,790	8%	5%	10	10%	8%	1,810	8%	5%
Empty Dwelling	1,650	7%	5%	40	31%	25%	1,690	8%	5%
Under Construction	140	1%	1%	-	0%	1%	140	1%	1%
Usually Occupied	20,400	92%	94%	85	67%	74%	20,480	92%	94%
Usually Unoccupied	1,790	8%	6%	40	33%	26%	1,830	8%	6%
Compare Resident Households (2018)							20,400		
Difference (n)							- 80		
Difference %							-0.4%		

Source: Census 2018, Stats NZ

Of the private dwellings most (84%) were recorded as occupied at Census 2018, with 8% (1,790 dwellings) indicated as residents being temporarily absent. The share of occupied dwellings is somewhat lower than the national average (89%), and it is also lower than in Tauranga (90%).

Up to 8% of dwellings in WBoP were usually unoccupied (empty dwellings plus dwellings under construction). The presence of non-private dwellings is very small (<1%).

Empty dwellings account for 7% (1,650 dwellings) of private dwellings, which is higher than the national average (5%). It is also higher than Tauranga in percentage terms, but similar in count (1,700 dwellings).

Studies by Stats NZ have shown that, in some main cities, commonly between 0.55 and 1.0% of dwellings are usually unoccupied, a smaller figure than the Census 2018 snapshot. The situation is complicated in large cities where tourism is an important part of the economy. These cities usually have an above-average share of holiday homes (that are often operated via platforms like AirBnB). Non-private dwellings account for 1% of the total dwellings.

## Alternative Growth Scenarios (High)

As part of the analysis, the demand outlook was also estimated using high and low scenarios for Tauranga City and WBoP. These scenarios are based on the difference between the recently released population projections (from Stats NZ) and the Councils' projections. The Stats NZ projections were reviewed and linked to the dwelling and population estimates as put forward by the two Councils. The following patterns were observed:

- **Tauranga**
  - Council's projections sit between Stats NZ's medium and high series. Over the short and medium term, Council's projections are close to (around 1% difference) the high series before the estimated growth slows relative to the high series. Over the long term (by 2050) the TCC projections are less than 10% below the high series. The Stats NZ medium scenario is below the TCC projections with the difference sitting at round 1%-3% over the short and medium term, and ending at 4% lower than the TCC estimates, by 2050.
  - When referring to the Tauranga Low scenario, it relates to Stats NZ's medium series for Tauranga.
- **Western Bay of Plenty**
  - WBOPDC estimates align with Stats NZ high growth scenario in the short to medium term. This reflects the increased residential subdivision activity that has been evidenced post-Covid, in Te Puke and Ōmokoroa. This increased activity has been driven by overall increases in activity post-Covid in the residential subdivision and construction sectors, along with the tightening land supply in Tauranga creating more focus on urban centres in the Western Bay.
  - From 2035 onwards it is expected that the growth will flatten somewhat, however the projections continue to track higher than the Stats NZ medium growth scenario out to 2050.
  - Stats NZ's low and high series are distributed around the medium series and the difference in growth pathways are generally even. The low scenario tracks a lower growth path and over the long term, the difference leads to it being 11% lower than Council's projections. The high scenario follows a higher growth pathway and over the long term, the difference is up to +15%.

In terms of modelling the effects of alternative growth pathways, limited options were available because the assessment relies on the headline household totals in Tauranga and the Western Bay of Plenty. The relative change in households was considered and the flow on effects of such shifts were modelled. However, the modelling does not reflect aspects like different population structures (e.g. greater/faster ageing) or spatial distributions that might occur if more refined population modelling is undertaken.

The main points relate to the absolute (number) change relative to the Council projections, and include:

- The low and high series provide an indication of the potential spread of outcomes.
- Comparing the Low series against Councils' projections highlight:
  - In Tauranga, low growth scenario (i.e. Stats NZ's medium projection series) is expected to result in 2,860 fewer households in the City (relative to Council projections). The main difference is in the one person and couple households, down by 720 and 930 respectively over the long term.
  - With reference to the WBoP area, the change is also concentrated in these household types. One person and couple persons will see lower growth compared to Council's projections (in line with the Stats NZ low series being lower) and the change is expected to be 700 and 1,110 less households, respectively, for the two categories. These two categories share 63% of the overall change.
- With reference to the High series relative to the Councils' projections:
  - For Tauranga City, the change is in-line with the SNZ shifts, but because Council's projections are close to the Stats NZ projections, the change is only expected to show up over the long term. Over the long term the difference is put at 7,280 households, with 58% of the variance accounted for by difference in the one person and couple households. Families with children form another important part and are expected to be 2,580 greater under the high growth pathway.
  - In WBoP, the overall change is some 4,280 greater under the High series vs the Council projections. Again, the change is distributed in the same method as used in the overall assessment and this means that 63% of the difference is associated with one person and couple households.

To provide more nuanced views of the Low and High series relative to the base Council projections, a full assessment of the demographic shifts would be needed. However, in the absence of such modelling, using the relationships across the available datasets offers useful insights in the absolute changes across households.

## Revealed patterns

As part of the analysis, a range of aspects associated with dwelling demand were considered. Not all of these aspects are necessarily drivers of residential demand or are inputs into the process followed to consider the demand outlook. In fact, some aspects influence, and are influenced by, shifts in the housing market. Take vulnerability, for example. Household vulnerability is a function of access to (suitable) housing, but this is impacted by household income level, housing affordability and availability. The shift in household demographics change the profile of housing (dwelling) demand. This section starts to clarify the scale of some of those issues and highlights the anticipated outlook going forward.

The section starts with a summary of ethnicity patterns before discussing vulnerability, overcrowding and recent development trends using consents.

## Spatial distributions

Spatial distributions of the different household types, by age and by income were determined at Growth Areas or Statistical Area 2 (SA2)<sup>18</sup> level. Tables 3-7a and 3-7b show the results on a household income basis.

- In Tauranga, the growth areas with a relatively high share of households with incomes cohorts below \$50,000, include:
  - Tauranga Central Intensification Area (45%),
  - Mt Maunganui Intensification Area (36%),
  - Tauranga West Intensification Area (34%) and
  - Pyes Pa, Bethlehem, and Wairakei UGAs (34%),
- Tauranga Central Intensification Area has the highest proportion under \$30,000 at 27%,
- In Tauranga, the growth areas with the highest concentration of high income (+\$100,000) households are:
  - Welcome Bay and Pyes Pa West UGAs (47%), and
  - Ohauiti UGA (41%).
- For the Western Bay of Plenty, the SA2s with high shares of households with income levels below \$50,000 are:
  - Katikati (58%), and
  - Waihi Beach-Bowentown/ Athenree (42%).
- The GAs/ SA2s with the highest proportions of households at the low and high end of income distribution, do not necessarily have the most (count of) high/low income households. After adjusting the GAs/ SA2s for size, Papamoa UGA, all Tauranga infill intensification areas and Western Bay of Plenty rural areas accommodate more households in all income brackets due to their size and the high number of households they accommodate.

When comparing Greenfield UGA's with Infill/ Intensification areas in Tauranga City, the Greenfield UGA's have:

- Lower proportion of households in <\$30K income bracket, and slightly lower in \$50-100K income brackets
- Higher proportion of households in \$100K to \$150K income brackets.

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<sup>18</sup> Statistical Area 2 (SA2) replaced Census Area Units (CAU) at 2018 Census. For Tauranga City the information has been collated into "Growth Areas" (Greenfield UGA's and Established Infill/ Intensification Areas) to better align with spatial growth planning.

**Table 3-7a: Tauranga City - Household income 2020**

Growth Areas	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total
Tauranga West Intensification Area	1,710	1,450	1,430	1,600	1,890	1,360	9,420
Tauranga Central Intensification Area	2,430	1,650	1,340	1,460	1,320	760	8,980
Mt Maunganui Intensification Area	1,570	1,230	980	1,160	1,500	1,440	7,880
Infill/ intensification outside IA	910	880	880	1,020	1,140	620	5,430
<b>Infill/ intensification Subtotal</b>	<b>6,620</b>	<b>5,210</b>	<b>4,630</b>	<b>5,240</b>	<b>5,850</b>	<b>4,180</b>	<b>31,710</b>
Welcome Bay UGA	120	120	150	240	350	200	1,160
Wairakei UGA	320	290	220	310	450	230	1,820
Pyes Pa West UGA	220	200	220	300	500	350	1,790
Pyes Pa UGA	430	390	290	390	490	440	2,440
Papamoa UGA	1,540	1,740	1,410	1,650	2,060	1,460	9,880
Ohauiti UGA	200	180	180	200	300	230	1,280
Bethlehem UGA	520	620	480	460	580	670	3,340
<b>UGA Subtotal</b>	<b>3,350</b>	<b>3,540</b>	<b>2,950</b>	<b>3,550</b>	<b>4,730</b>	<b>3,580</b>	<b>21,710</b>
<b>Total</b>	<b>9,970</b>	<b>8,750</b>	<b>7,580</b>	<b>8,790</b>	<b>10,580</b>	<b>7,760</b>	<b>53,420</b>

	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+
Tauranga West Intensification Area	18%	15%	15%	17%	20%	14%
Tauranga Central Intensification Area	27%	18%	15%	16%	15%	8%
Mt Maunganui Intensification Area	20%	16%	12%	15%	19%	18%
Infill/ intensification outside IA	17%	16%	16%	19%	21%	11%
<b>Infill/ intensification Subtotal</b>	<b>21%</b>	<b>16%</b>	<b>15%</b>	<b>17%</b>	<b>18%</b>	<b>13%</b>
Welcome Bay UGA	10%	10%	13%	21%	30%	17%
Wairakei UGA	18%	16%	12%	17%	25%	13%
Pyes Pa West UGA	12%	11%	12%	17%	28%	20%
Pyes Pa UGA	18%	16%	12%	16%	20%	18%
Papamoa UGA	16%	18%	14%	17%	21%	15%
Ohauiti UGA	16%	14%	14%	16%	23%	18%
Bethlehem UGA	16%	19%	14%	14%	17%	20%
<b>UGA Subtotal</b>	<b>15%</b>	<b>16%</b>	<b>14%</b>	<b>16%</b>	<b>22%</b>	<b>16%</b>
<b>Total</b>	<b>19%</b>	<b>16%</b>	<b>14%</b>	<b>16%</b>	<b>20%</b>	<b>15%</b>

**Table 3-7b:** Western Bay of Plenty District - Household income 2020

Western Bay of Plenty District	Occupied Dwellings						
SA2	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+	Total
WB-Bowentown/ Athenree	620	530	380	430	400	340	2,710
Katikati	600	600	330	240	220	80	2,060
Omok+Rural	270	390	270	240	250	210	1,660
Te Puke	570	450	410	540	510	300	2,780
All Rural	1,400	1,700	1,630	1,940	2,530	2,450	11,610
TOTAL	3,460	3,670	3,020	3,390	3,910	3,380	20,820

Area (SA2)	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-150,000	\$150,000+
WB-Bowentown/ Athenree	23%	20%	14%	16%	15%	13%
Katikati	29%	29%	16%	12%	11%	4%
Omok+Rural	16%	23%	16%	14%	15%	13%
Te Puke	21%	16%	15%	19%	18%	11%
All Rural	12%	15%	14%	17%	22%	21%

Examining the distribution of household types across the different GAs/ SA2s also the same broad categories and patterns described above. Table 3-8 reports the household type distributions.

The following points are evident when considering the table:

- The average proportion of 'family with children' households across Tauranga City GAs is 39%. The GAs/ SA2s with the highest proportion of 'family with children' households are:
  - Welcome Bay UGA (52%),
  - Pyes Pa West UGA (46%), and
  - Wairakei (43%).
- The areas with the lowest proportions are:
  - Waihi Beach-Bowentown/ Athenree (26%)
  - Katikati (28%), and
  - Ōmokoroa (30%).
- SA2s with relatively high concentrations of one-person and couple households include:
  - Waihi Beach-Bowentown/ Athenree (72%),
  - Ōmokoroa (69%) and
  - Katikati (65%).

When comparing Greenfield UGA's with Infill/ Intensification areas in Tauranga City, the Greenfield UGA's have:

- Lower proportion of "one person" households, "1 parent families", and "Non-family" households.
- Higher proportion of "couple", and "2 parent" with children household types.

**Table 3-8a:** Tauranga City Growth Areas household type 2020

Growth Areas	One Person	Couple	2 Parents 1-2 chn	2 Parents 3+ chn	1 Parent Family	Multi-Family HH	Non-Family HH	Total
Tauranga West Intensification Area	2,220	2,700	2,160	580	1,130	240	370	9,420
Tauranga Central Intensification Area	2,840	2,200	1,460	400	1,180	230	640	8,980
Mt Maunganui Intensification Area	2,200	2,440	1,360	360	780	120	610	7,880
Infill/ intensification outside IA	1,130	1,680	1,230	350	680	190	210	5,430
<b>Infill/ intensification Subtotal</b>	<b>8,390</b>	<b>9,020</b>	<b>6,210</b>	<b>1,690</b>	<b>3,770</b>	<b>780</b>	<b>1,830</b>	<b>31,710</b>
Welcome Bay UGA	130	380	390	90	120	30	40	1,160
Wairakei UGA	330	640	520	130	130	30	40	1,820
Pyes Pa West UGA	250	620	580	120	130	50	50	1,790
Pyes Pa UGA	460	790	670	170	180	100	50	2,440
Papamoa UGA	1,870	3,320	2,500	620	1,020	240	320	9,880
Ohauiti UGA	210	500	340	80	80	30	40	1,280
Bethlehem UGA	660	1,360	740	210	230	100	40	3,340
<b>UGA Subtotal</b>	<b>3,910</b>	<b>7,610</b>	<b>5,740</b>	<b>1,420</b>	<b>1,890</b>	<b>580</b>	<b>580</b>	<b>21,710</b>
<b>Total</b>	<b>12,300</b>	<b>16,630</b>	<b>11,950</b>	<b>3,110</b>	<b>5,660</b>	<b>1,360</b>	<b>2,410</b>	<b>53,420</b>

	One Person	Couple	2 Parents 1-2 chn	2 Parents 3+ chn	1 Parent Family	Multi-Family HH	Non-Family HH
Tauranga West Intensification Area	24%	29%	23%	6%	12%	3%	4%
Tauranga Central Intensification Area	32%	24%	16%	4%	13%	3%	7%
Mt Maunganui Intensification Area	28%	31%	17%	5%	10%	2%	8%
Infill/ intensification outside IA	21%	31%	23%	6%	13%	3%	4%
<b>Infill/ intensification Subtotal</b>	<b>26%</b>	<b>28%</b>	<b>20%</b>	<b>5%</b>	<b>12%</b>	<b>2%</b>	<b>6%</b>
Welcome Bay UGA	11%	33%	34%	8%	10%	3%	3%
Wairakei UGA	18%	35%	29%	7%	7%	2%	2%
Pyes Pa West UGA	14%	35%	32%	7%	7%	3%	3%
Pyes Pa UGA	19%	32%	27%	7%	7%	4%	2%
Papamoa UGA	19%	34%	25%	6%	10%	2%	3%
Ohauiti UGA	16%	39%	27%	6%	6%	2%	3%
Bethlehem UGA	20%	41%	22%	6%	7%	3%	1%
<b>UGA Subtotal</b>	<b>18%</b>	<b>35%</b>	<b>26%</b>	<b>7%</b>	<b>9%</b>	<b>3%</b>	<b>3%</b>
<b>Total</b>	<b>23%</b>	<b>31%</b>	<b>22%</b>	<b>6%</b>	<b>11%</b>	<b>3%</b>	<b>5%</b>

**Table 3-8b:** Western Bay of Plenty Growth Areas household type 2020

	One Person HH*	Couple Only	2-parent families 1-2 children	2-parent families 3+ children	One parent family	Multi Family HH	Non-Family HH	Total
<b>WB-Bowentown/Athenree</b>	770	1,180	440	90	170	30	50	2,710
<b>Katikati</b>	560	770	290	80	210	70	80	2,060
<b>Ōmokoroa</b>	330	810	310	90	90	20	10	1,660
<b>Te Puke</b>	610	690	530	210	360	190	180	2,780
<b>All Rural</b>	2,020	4,380	2,820	870	820	470	240	11,610
<b>*Household</b>								
	One Person HH*	Couple Only	2-parent families 1-2 children	2-parent families 3+ children	One parent family	Multi Family HH	Non-Family HH	
<b>WB-Bowentown/Athenree</b>	28%	44%	16%	3%	6%	1%	2%	
<b>Katikati</b>	27%	37%	14%	4%	10%	3%	4%	
<b>Ōmokoroa</b>	20%	49%	19%	5%	5%	1%	1%	
<b>Te Puke</b>	22%	25%	19%	8%	13%	7%	6%	
<b>All Rural</b>	17%	38%	24%	7%	7%	4%	2%	

After adjusting the SA2s for size<sup>19</sup> and then comparing the distribution of households across SA2s, shows that most SA2s are diverse in the mix of households they accommodate. Apart from SA2s mentioned already mentioned, the following features were identified:

- SA2s like Te Puke are overrepresented in larger households, particularly multi- and non-family households, when compared with the assessment area (Tauranga City and Western Bay of Plenty District). Te Puke is also underrepresented in couple households, i.e. 25% of Te Puke's households are couples, while couple households make up 36% of the total in the assessment area.
- Similar patterns are observed for the Welcome Bay and Pyes Pa West UGAs, with high proportions of parent(s) with children household types.

## Ethnicity

This section sets out the distribution of household types across five<sup>20</sup> ethnicity groups and the relation to housing demand. Patterns are identified using the relationships observed in Census 2018. Crucially, it is acknowledged that ethnicity estimates are underpinned by several caveats. One of the main ones (for this work) is that respondents can identify with more than one ethnicity. This means that the ethnicity figures do not sum to 100%, i.e., the results show an 'over count' relative to other population figures. To adjust for the over-count, all figures were pro-rated down to match the household figures. This also suggests that some totals do not triangulate entirely with the data points in earlier tables. Nevertheless, the difference is less than 2% and unlikely to have a material

<sup>19</sup> This adjustment considers the relative mix within a GA and how that mix compares against the mix (distribution) identified in the overall area.

<sup>20</sup> The four largest groups (nationally) are reported separately, with the balance reported as 'Other'.

impact on the outcome of the assessment. Table 3-9 shows the estimated distribution of household types across five ethnicity groups in Tauranga City.

**Table 3-9: Count of Households by Ethnicity (2020) – Tauranga City**

Household Type	European	Māori	Pacific	Asian	Other	Total
One Person	10,960	945	75	235	125	12,340
Couple	14,610	1,065	115	525	335	16,655
2 Parents 1-2chn	8,205	1,110	175	845	325	10,655
2 Parents 3+chn	2,080	515	100	170	25	2,895
1 Parent Family	4,610	1,410	150	310	75	6,555
Multi-Family Hhlds	910	320	40	230	15	1,505
Non-Family Hhlds	2,210	395	40	210	25	2,875
<b>Total Households</b>	<b>43,585</b>	<b>5,760</b>	<b>690</b>	<b>2,520</b>	<b>925</b>	<b>53,480</b>
One Person	20%	2%	0%	0%	0%	23%
Couple	27%	2%	0%	1%	1%	31%
2 Parents 1-2chn	15%	2%	0%	2%	1%	20%
2 Parents 3+chn	4%	1%	0%	0%	0%	5%
1 Parent Family	9%	3%	0%	1%	0%	12%
Multi-Family Hhlds	2%	1%	0%	0%	0%	3%
Non-Family Hhlds	4%	1%	0%	0%	0%	5%
<b>Total Households</b>	<b>81%</b>	<b>11%</b>	<b>1%</b>	<b>5%</b>	<b>2%</b>	<b>100%</b>

Households of European ethnicity make up by far the largest share of households in Tauranga (81%), followed by Māori (11%) and Asian households (5%). There is a relatively small number of Pacific households living in the City (1%). The balance (2%) is made up of other ethnicities.

European households are concentrated in the one person and couple household segments, a pattern generally consistent with their older average ages. Households of Māori ethnicity are relatively evenly spread across different household types, with a marginally stronger incidence across family households with children, both 2 parent and 1 parent (6% of all households).

It is also key to view the growth in these ethnic groups over time, as the relationship between household demand and ethnicity is explored.

Table 3-10 shows the projected growth in households of different ethnic groups over different timeframes.

**Table 3-10: Projected Household Count by Ethnicity -Tauranga City**

Household Type	2020	2023	2030	2050	2020-50 (n)	2020-50 (%)
European	43,580	45,910	52,070	63,770	20,180	46%
Māori	5,760	6,030	6,780	8,180	2,420	42%
Pacific	690	720	810	980	290	42%
Asian	2,520	2,640	2,960	3,550	1,030	41%
MELAA*	380	390	440	530	150	39%
Other	550	580	650	810	260	47%
<b>Total Households</b>	<b>53,480</b>	<b>56,280</b>	<b>63,720</b>	<b>77,820</b>	<b>24,340</b>	
European	81%	82%	82%	82%	83%	
Māori	11%	11%	11%	11%	10%	
Pacific	1%	1%	1%	1%	1%	
Asian	5%	5%	5%	5%	4%	
MELAA*	1%	1%	1%	1%	1%	
Other	1%	1%	1%	1%	1%	
<b>Total Households</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
*Middle Eastern, Latin American and African						

Overall, growth is dominated by households of European ethnicity, accounting for 83% of the increase in households over the next 30 years. Ethnic groups are expected to grow at very similar rates over the next 30 years, with European households increasing by the greatest number (+20,180 households).

Table 3-11 reflects the relationships between household ethnicity and dwelling type and tenure. Overall, detached dwellings are the dominant dwelling type across Tauranga City and account for a substantially higher share of the overall housing stock - 84% of households in detached dwellings versus 16% in attached dwellings. This pattern is evident across all ethnicities, for both owned and rented (not owned) dwellings.

European households show higher incidence of dwelling ownership (70% owned vs 30% not owned), for both detached and attached dwellings. Households of Māori ethnicity show higher incidence in rented dwellings (45% owned vs 55% non-owned). Households identifying as 'pacific people' have the lowest ownership rates with 43% owned (57% non-owned).

**Table 3-11: Household Ethnicity and Dwelling Tenure 2020 – Tauranga City**

Household Type	Owned or Trust			Not Owned			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
European	26,780	3,860	30,640	9,580	3,365	12,945	36,360	7,225	43,585
Maori	2,350	220	2,570	2,665	520	3,190	5,015	740	5,760
Pacific Peoples	260	35	295	350	45	395	610	80	690
Asian	1,090	125	1,215	1,100	210	1,310	2,190	330	2,520
MELAA	170	15	185	165	30	190	335	45	375
Other	330	40	370	140	35	175	470	75	545
<b>Total</b>	<b>30,980</b>	<b>4,290</b>	<b>35,270</b>	<b>14,000</b>	<b>4,205</b>	<b>18,205</b>	<b>44,980</b>	<b>8,495</b>	<b>53,480</b>
<b>Share %</b>									
European	50%	7%	57%	18%	6%	24%	68%	14%	81%
Maori	4%	0%	5%	5%	1%	6%	9%	1%	11%
Pacific Peoples	0%	0%	1%	1%	0%	1%	1%	0%	1%
Asian	2%	0%	2%	2%	0%	2%	4%	1%	5%
MELAA	0%	0%	0%	0%	0%	0%	1%	0%	1%
Other	1%	0%	1%	0%	0%	0%	1%	0%	1%
	58%	8%	66%	26%	8%	34%	84%	16%	100%

Table 3-12 shows distribution of household types across five ethnicity groups in Western Bay of Plenty. Like Tauranga, European households make up the largest share of households in WBoP (82%), with Māori accounting for 12% of households, followed by Asian households (4%).

**Table 3-12: Count of Households by Ethnicity (2020) – Western Bay of Plenty**

Household Type	European	Maori	Pacific	Asian	Other	Total
One Person	3,850	470	30	40	60	4,445
Couple	6,625	520	50	205	150	7,550
2 Parents 1-2chn	3,395	470	60	245	60	4,235
2 Parents 3+chn	935	225	35	55	-	1,250
1 Parent Family	1,385	465	30	50	-	1,935
Multi-Family Hhlds	370	125	25	85	-	600
Non-Family Hhlds	590	135	-	70	-	790
<b>Total Households</b>	<b>17,145</b>	<b>2,410</b>	<b>230</b>	<b>740</b>	<b>270</b>	<b>20,800</b>
One Person	19%	2%	0%	0%	0%	21%
Couple	32%	3%	0%	1%	1%	36%
2 Parents 1-2chn	16%	2%	0%	1%	0%	20%
2 Parents 3+chn	4%	1%	0%	0%	0%	6%
1 Parent Family	7%	2%	0%	0%	0%	9%
Multi-Family Hhlds	2%	1%	0%	0%	0%	3%
Non-Family Hhlds	3%	1%	0%	0%	0%	4%
<b>Total Households</b>	<b>82%</b>	<b>12%</b>	<b>1%</b>	<b>4%</b>	<b>1%</b>	<b>100%</b>

European, one person and couple households account for half of total households, i.e. 10,475 households. Households of Māori ethnicity are relatively evenly spread across different household types, with a similar share of couple and one person households to family households with children (both 2 parent and 1 parent), i.e. each representing around 5% of all households across the district.

Table 3- presents the projected count of households by different ethnicities for the Western Bay of Plenty District, over the next 30 years, showing the change in households over the long term, across different ethnic groups.

**Table 3-13: Projected Household Count by Ethnicity -Western Bay of Plenty**

Household Type	2020	2023	2030	2050	2020-50 (n)	2020-50 (%)
European	17,140	18,590	20,360	22,370	5,220	30%
Māori	2,410	2,600	2,850	3,110	700	29%
Pacific	230	250	270	280	50	22%
Asian	740	800	860	920	180	24%
MELAA*	50	50	50	60	10	20%
Other	230	240	260	290	60	26%
<b>Total Households</b>	<b>20,800</b>	<b>22,530</b>	<b>24,640</b>	<b>27,020</b>	<b>6,220</b>	
European	82%	83%	83%	83%	84%	
Māori	12%	12%	12%	12%	11%	
Pacific	1%	1%	1%	1%	1%	
Asian	4%	4%	3%	3%	3%	
MELAA*	0%	0%	0%	0%	0%	
Other	1%	1%	1%	1%	1%	
<b>Total Households</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

\*Middle Eastern, Latin American and African

Household growth in WBoP is dominated by households of European ethnicity, accounting for 84% of the increase in households over the next 30 years. Māori households account for the second largest share of growth, at 11%. Households in these two ethnic groups are expected to grow by about 30% over the next 30 years (percentage terms, not compounded growth). European households are expected to grow the fastest (30% increase), followed closely by Māori households, expected to increase by 29%. However, because Māori households are growing off a smaller base (2,410 households compared with 17,140 European households), the actual increase in absolute terms, is considerably greater for European households (+5,220) compared with Māori (+700 households) between 2020 and 2050.

The relationships between households' ethnicity and dwelling type and tenure (WBoP) are reflected in Table 3-14.

**Table 3-14: Household Ethnicity and Dwelling Tenure 2020 - Western Bay of Plenty**

Household Type	Owned or Trust			Not Owned			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
European	12,435	770	13,205	3,345	590	3,940	15,780	1,360	17,145
Maori	1,315	80	1,395	910	100	1,015	2,225	185	2,410
Pacific Peoples	120	5	125	100	5	105	220	10	230
Asian	365	25	390	310	40	355	680	65	740
MELAA	35	-	40	5	-	5	45	5	45
Other	160	10	170	50	10	60	205	20	225
<b>Total</b>	<b>14,430</b>	<b>895</b>	<b>15,325</b>	<b>4,725</b>	<b>750</b>	<b>5,475</b>	<b>19,155</b>	<b>1,645</b>	<b>20,800</b>
<b>Share %</b>									
European	60%	4%	63%	16%	3%	19%	76%	7%	82%
Maori	6%	0%	7%	4%	0%	5%	11%	1%	12%
Pacific Peoples	1%	0%	1%	0%	0%	1%	1%	0%	1%
Asian	2%	0%	2%	1%	0%	2%	3%	0%	4%
MELAA	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	1%	0%	1%	0%	0%	0%	1%	0%	1%
	69%	4%	74%	23%	4%	26%	92%	8%	100%

Nearly three quarters (74%) of households in WBoP occupy homes that they own (or are kept in trust). The largest share of this is accounted for by European households (63%<sup>21</sup>). There is a clear preference for detached housing in WBoP, with 92% of households occupying detached housing, compared with 8% occupying attached dwellings. This is not unexpected, given the rural character of the district. This pattern is evident across all ethnicities, for both owned and rented (not owned) dwellings.

Households of European ethnicity show higher incidence of dwelling ownership (63% owned vs 19% not owned; and percentages are relative to all households), for both detached and attached dwellings. This is also the case for households of Māori ethnicity, with households showing higher preferences for owned dwellings (7% owned vs 5% not owned when compared against total households; looking at the Māori component shows that 58% of Maori households own the dwellings compared to 77% for European households), again for both detached and attached typologies. This is contrary to Tauranga, where Māori households are more likely to rent.

<sup>21</sup> 63% of all households.

## Vulnerability and resilience

Household vulnerability is an important measure of how resilient local communities will be in the face of external shocks and disruptions. The role of housing/accommodation in vulnerability cannot be underplayed. Accommodation costs are likely to become an even more important factor impacting household resilience.

Assessments of resilience/vulnerability have to consider factors like age, household income, household size and so forth. Using publicly available data, M.E constructed a spatial dataset with 294 different household- segments. These segments align with the household types applied in the demand assessment. Nine different categories have been defined, showing a spectrum on which households can sit. Table 3-15 lists the categories and provides a summary of the criteria associated with each.

**Table 3-1: Vulnerability framework**

Category	Social demographic criteria
<b>Vulnerable ++</b>	Family households (parent(s) with children) in the lowest income band (\$30,000 or less), who are expected to have the least flexibility to cope with additional costs
<b>Vulnerable +</b>	Other households in the lowest income band, who are expected to have limited flexibility to cope with additional costs; This group includes low-income single people, low-medium income couples and low-medium income non-family households
<b>Vulnerable</b>	Family households with an income between \$30,000 and \$70,000 annually
<b>Average -</b>	Other households in the second lowest income band (\$30,000-\$50,000)
<b>Average</b>	Family and other households in the middle-income band (\$50,000 to \$70,000)
<b>Average +</b>	Family households in the second highest income band (\$70,000 to \$100,000); this group also includes single parent families with an income between \$50,000 and \$70,000
<b>Resilient</b>	Other households in the second highest income band (\$70,000 to \$100,000)
<b>Resilient +</b>	Family households in the top income band (\$100,000 or over)
<b>Resilient ++</b>	Other households in the highest income band (\$100,000 or over)

At a city and district wide level, the household distribution suggests that the Tauranga and WBoP communities are reasonably resilient with more than half of households classified as 'Average+' or higher. Over the short, medium and long term, the communities (Tauranga and WBoP) are expected to see a shift away from the resilience side of the spectrum, moving down towards becoming more vulnerable. A large portion of this shift can be attributed to the changing household types, i.e. ageing population with smaller households with lower incomes.

In Tauranga (2020), there are 26,840 households falling into the 'Average' and below categories, with 2,950 of these falling in the 'Vulnerable ++' category. At the other end of the spectrum, the city has 26,640 households categorised as 'Average +' or higher. Some 6,070 households fall in the 'Resilient ++' category. For the WBoP, around half of households (10,400) fall in the 'Average' and below categories, with the other half in the 'Average+' and above groups.

However, over the long term to 2050, the overall community resilience is expected to decrease with the balance shifting towards the vulnerable end of the scale, in both Tauranga and WBoP.

In terms of households, the shift will see substantial increase across the 'Vulnerable+' and 'Vulnerable' group for both Tauranga and WBoP (Table 3-16).

**Table 3-16: Vulnerable Households: Change Over Time**

	<b>Tauranga</b>			<b>WBoP</b>		
	Vulnerable ++	Vulnerable +	Vulnerable	Vulnerable ++	Vulnerable +	Vulnerable
<b>2018-2020</b>	130	510	310	20	110	90
<b>2018-2023</b>	270	1,150	720	120	430	350
<b>2018-2030</b>	680	2,820	1,830	240	940	780
<b>2018-2050</b>	1,420	6,020	3,950	400	1,720	1,530

The shifts in the vulnerability of households will have important implications from social, inclusiveness, health, and housings angles.

## Crowding

There are several different ways to measure 'crowding'. Stats NZ uses the Canadian National Occupancy Standard (CNOS) which calculates the number of bedrooms needed based on the demographic composition of the household<sup>22</sup>. This approach assesses the bedroom requirements of a household based on the following criteria:

- There should be no more than two persons per bedroom,
- Children less than 5 years of age of different sexes may reasonably share a bedroom,
- Children 5 years of age or older of opposite sex should have separate bedrooms,
- Children less than 18 years of age and of the same sex may reasonably share a bedroom; and
- Single household members 18 years or older should have a separate bedroom, as should parents or couples.

Using this measure, households that require at least one additional bedroom are considered to experience some degree of crowding. CNOS is said to be the best measure in the NZ context, both for data quality and for cultural norms.

Kāinga Ora use similar, but slightly different, guidelines<sup>23</sup> to identify crowding in the home. The main difference being the age at which children of different genders could reasonably share a room. If a household does not meet any of the criteria below, it will be crowded:

- there will be no more than two people per bedroom,
- children of a different gender 10 years of age or older should not share a bedroom, and
- household members 18 years old or over should have a separate bedroom, unless they are a couple.

Census 2013 reported 10.1% of all respondents (nationally) are living in a crowded house, i.e. needing one or two additional bedrooms. This increased to 10.8% in Census 2018, with one in nine people living in crowded conditions. For Māori and Pasifika, the ratio is much higher, with 1 in 5 Māori experiencing crowding and 4 in 10 Pasifika people living in a crowded house. In Tauranga City, 7.5% of people live in crowded or severely<sup>24</sup> crowded households, and in WBoP this share is 9.2%.

<sup>22</sup> Statistics NZ, April 2020. <https://www.stats.govt.nz/news/almost-1-in-9-people-live-in-a-crowded-house>

<sup>23</sup> <https://kaingaora.govt.nz/assets/Publications/OIAs-Official-Information-Requests/March-2019/OIA-13-March-2019-HNZ-properties-in-Paeroa.pdf>

<sup>24</sup> A severely crowded dwelling is defined as a dwelling with a deficit of two or more bedrooms, according to CNOS.

Table 3-17 shows the spatial distribution across Tauranga City and Western Bay of Plenty, of people living in crowded households. The figures are presented at a Growth Area and Statistical Area 2 (SA2) level.

**Table 3-17: Crowded households in the western Bay of Plenty subregion (Census 2018 data)**

Growth Areas	Crowded (%)*		% of crowded houses**	
	All People	Māori	All People	Māori
Tauranga West Intensification Area	7%	19%	1%	2%
Tauranga Central Intensification Area	12%	24%	2%	2%
Mt Maunganui Intensification Area	7%	20%	1%	1%
Infill/ intensification outside IA	14%	27%	2%	2%
<b>Infill/ intensification Subtotal</b>	<b>10%</b>	<b>23%</b>	<b>2%</b>	<b>2%</b>
Welcome Bay UGA	6%	17%	1%	1%
Wairakei UGA	3%	8%	1%	1%
Pyes Pa West UGA	2%	0%	0%	0%
Pyes Pa UGA	4%	10%	1%	0%
Papamoa UGA	6%	14%	1%	1%
Ohauiti UGA	3%	7%	1%	0%
Bethlehem UGA	3%	12%	1%	1%
<b>UGA Subtotal</b>	<b>5%</b>	<b>14%</b>	<b>1%</b>	<b>1%</b>
<b>Total</b>	<b>9%</b>	<b>20%</b>	<b>1%</b>	<b>2%</b>

Western Bay of Plenty District	Crowded (% in the SA2)*		SA2's % of crowded houses**	
	All People	Māori	All People	Māori
<b>SA2</b>				
WB-Bowentown/ Athenree	4%	18%	0%	1%
Katikati	9%	20%	3%	2%
Ōmokoroa	6%	19%	1%	0%
Te Puke	19%	29%	5%	4%
All Rural	10%	22%	1%	1%

\*Share of population in the SA2 living in crowded conditions

\*\*SA2's share of crowded houses in the District

Māori households are over represented in crowding statistics. Based on Census information, 43% of the people living in crowded dwellings are Māori.

The spatial distribution of crowded dwellings is concentrated in several GAs and SA2s. Households living in crowded conditions are located in the following growth areas:

- Te Puke 19%
- Infill/ intensification outside IA, 14%
- Tauranga Central Intensification Area 12% and
- WBOP Rural 10%.

In terms of Māori households living in crowded houses, the distribution across the GAs and SA2s are uneven and the relative concentration mirrors the above points, with high concentrations in the following urban growth areas:

- Te Puke 29%
- Infill/ intensification outside IA 27%,
- Tauranga Central Intensification Area 24%, and
- All Rural Areas 22%

A large share of the crowded dwellings are in rural areas (WBoP), suggesting that crowding is not a purely an urban issue.

## Housing Affordability

This section examines the affordability of dwellings by focusing on the numbers of non-owner households and their household incomes to estimate what level of value (dwelling price) households can afford<sup>25</sup>. The number of households that fit these criteria (i.e. price level that can be afforded) is then compared with the number of dwellings in the current estate within the price range. For this assessment, the capital value of dwellings was used as a proxy for the value (price) of the dwelling. Importantly, council valuations might not account for the rapid rise in house prices recently observed in Tauranga, and to some extent in the WBoP. Therefore, the current value (price) of the current estate is likely to be understated. Consequently, the degree of mismatch between what non-owner households can afford and what is available on the market, could be misstated with the actual affordability levels being understated. This is especially relevant given the strong house price growth recorded over the past 3-5 years.

Table 3-18 presents a count of non-owner households in Tauranga that may be able to afford to purchase homes in various price brackets, based on their income level. This is presented alongside a count of dwellings across different dwelling value (price) bands.

**Table 3-18: Affordability of current dwelling stock for non-owner households – Tauranga City**

Household Income Bands	Non-owner Households	Upper limit of affordability*	Dwelling Price bands	Tauranga Current Estate**		
				Detached	Attached	Total
<\$70k	10,180	\$ 445,000	<\$445k	3,460	2,000	5,460
\$70-80k	1,090	\$ 510,000	\$445-510k	4,710	1,410	6,120
\$80-90k	990	\$ 580,000	\$511-580k	6,080	1,300	7,380
\$90-100k	920	\$ 650,000	\$581-650k	6,950	670	7,620
\$100-120k	1,600	\$ 750,000	\$651-750k	9,430	740	10,170
\$120-150k	1,310	\$ 920,000	\$751-920k	8,480	760	9,240
\$150+	1,670	\$1.2m	\$921-1.2m	5,370	760	6,130
		\$1.2m+	\$1.2m+	3,920	870	4,790
	<b>17,750</b>			<b>48,400</b>	<b>8,500</b>	<b>56,900</b>
*based on 20% deposit and 5%pa interest over 30 year term.						
**Count of dwellings with Capital Value in this band.						

Dwellings below the \$450,000 threshold account for 9.5% of the current stock, yet the number of non-owner households that can afford homes in this segment, account for more than half (57%) of non-owners (i.e. the total number of non-owner households). This implies significant competition in this value bracket. It is also possible that the

<sup>25</sup> Based on 20% deposit and 5% per annum interest rate over a 30-year term.

competition in this bracket will drive up prices, excluding some households from ownership altogether. This will then increase demand for rental properties, driving up prices in the rental market. While detached dwellings account for the vast majority of Tauranga's current dwelling stock, it is likely that this could shift in the future at a faster rate than expected, driven by affordability considerations. Another complicating factor is that home buyers in the lower income cohorts will be competing against households owning properties, i.e., against people with equity. In these situations, the risk preferences of lenders are likely to favour the households with equity, reducing non-owners' ability to compete.

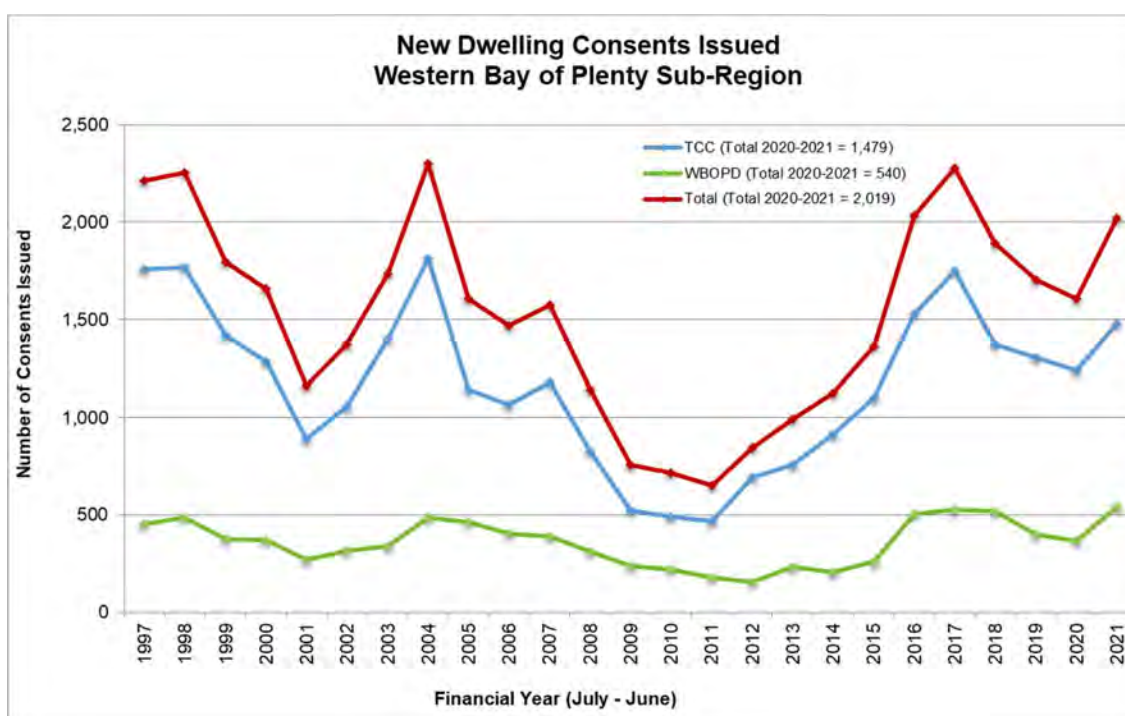
On the opposite side of the spectrum, current dwellings valued between \$920,000 and \$1.2m, account for 11% of the current stock, with 9% of households able to afford homes in this price bracket. Another 8% of dwellings are valued above \$1,200,000<sup>26</sup>.

**Table 3-19: Affordability of current dwelling stock for non-owner households – Western Bay of Plenty District**

Household Income Bands	Non-owner Households	Upper limit of affordability*	Dwelling Price bands	WBoP Current Estate**		
				Detached	Attached	Total
<\$70k	3,320	\$ 445,000	<\$445k	1,380	220	1,600
\$70-80k	300	\$ 510,000	\$445-510k	1,410	110	1,520
\$80-90k	270	\$ 580,000	\$511-580k	1,620	90	1,710
\$90-100k	250	\$ 650,000	\$581-650k	1,590	50	1,640
\$100-120k	440	\$ 750,000	\$651-750k	2,210	50	2,260
\$120-150k	360	\$ 920,000	\$751-920k	3,180	80	3,260
\$150+	510	\$1.2m	\$921-1.2m	3,070	50	3,120
	This provide	\$1.2m+	\$1.2m+	2,540	40	2,580
	<b>5,460</b>			<b>17,000</b>	<b>690</b>	<b>17,690</b>

\*based on 20% deposit and 5%pa interest over 30 year term.  
 \*\*Count of dwellings with Capital Value in this band.

<sup>26</sup> The median house price has continued to increase, which will correspondingly result in increases to the proportion of dwellings in the higher price brackets.



**Figure 3-1:** New dwelling consent issued for Western Bay of Plenty sub-region 1997 to 2021

A similar pattern emerges in WBoP, but the mismatch seems to be even more acute (Table 3-19), but the absolute numbers are smaller. Dwellings valued at less than \$450,000 account for only 9% of the current stock, while households that can afford homes in this bracket, make up nearly two thirds (61%) of non-owner households. Conversely, households with higher incomes (+\$100,000) account for almost a quarter (24%) of non-owner households, but homes they can afford (\$650,000 to \$1.2m) account for nearly half of the stock (49%).

## Tauranga City

Table 3-20 presents a summary of residential consents for Tauranga City over the last decade showing characteristics of consents.

**Table 3-20:** Residential consents five- and ten-year averages (2010-2020) – Tauranga City

	2010-2020		2015-2020		2019 & 2020	
	Detached	Attached	Detached	Attached	Detached	Attached
No. units consented (Av/y)	929	239	1,166	352	987	425
Ave building value (\$)	350,000	285,000	365,000	310,000	390,000	360,000
\$/sqm	1,860	2,038	2,079	2,364	2,346	2,958
Ave unit size (sqm)	186	121	178	128	166	122

For Tauranga City, on average over the last 10 years, 929 detached dwellings and 239 attached dwellings were consented<sup>27</sup>. More recently, the total number of consented dwellings has declined (2019 and 2020), reflecting the impacts of COVID-19 on the economy and the construction pipeline. Although the average number of attached dwellings has increased over the last two decades, the proportion of detached

<sup>27</sup> This is the average value every year.

dwellings being consented is still greater than attached dwellings. Detached dwellings accounted for 69% (2020) of residential consents but this share has been trending down over the past decade (especially since the GFC). Put differently, for every attached dwelling consented, 2.2 detached dwellings are consented. The long-term average (since 2000) has been 7.2, underlining the move towards higher density housing in response to shifting demand and supply characteristics.

The average unit size for detached dwellings (as consented) has decreased from 186m<sup>2</sup> between 2010 and 2020 to 178m<sup>2</sup> between 2015 and 2020. The short-term movements continue to decline with the 2019-2020 values returning an average size of 166 m<sup>2</sup>. The average unit size for attached dwelling has remained relatively constant over these periods varying between 120m<sup>2</sup> and 130m<sup>2</sup>. Other key observations are:

- The average building value for detached dwellings has been tracking up – from \$350,000 to \$390,000 (building only and excluding land). Construction costs have moved up from \$1,860/sqm over the past decade, to \$2,346/sqm over the past two years.
- For attached dwellings, the increase has been even more pronounced, with the average \$/sqm increasing to \$2,958/m. This increase also shows up in the overall (total) value of dwellings – increasing from around \$285,000 to \$360,000. This increase is despite the average size remaining stable. A possible reason for this increase could be a move towards multiple level buildings (but this assertion cannot be confirmed based on the consent data).
- The consent data suggests that a shift in typology, towards attached dwellings, is taking place with attached dwellings taking a larger share of overall development. This share has moved from around 20% (average over 2010-2020) to 30% in the last two years.

## Western Bay of Plenty District

Residential consents for WBoP are presented in Table 3-21. For WBoP, on average over the last 10 years, 267 detached dwellings and 41 attached dwellings were consented (each year). The average number of attached dwellings consented is significantly less than Tauranga and reflects Tauranga's role in the sub-regional economy and WBoP's largely rural context. The average unit size for both detached and attached dwellings has remained consistent over the five- and ten- year periods. But the last two years have seen the size coming down, especially for attached dwellings. Importantly, the number of attached dwellings is down (potentially related to COVID-19) meaning the drop in size could be related to a small sample during 2019/20.

**Table 3-21: Residential consents five- and ten-year averages (2010-2020) – Western Bay of Plenty**

	2010-2020		2015-2020		2019 & 2020	
	Detached	Attached	Detached	Attached	Detached	Attached
No. units consented	267	41	355	63	373	36
Ave building value (\$)	360,000	170,000	385,000	180,000	400,000	225,000
\$/sqm	1,761	1,482	2,001	1,838	2,245	2,445
Ave unit size	194	105	194	104	179	88

- The average building value for detached dwellings has remained relatively stable around the \$360,000-\$400,000 mark. The average \$/sqm value increased noticeably over the period, increasing from \$1,761 to over \$2,245.
- The average number of attached dwellings consented each year, was greater over the last five- year period, at 63 (2015-2020)<sup>28</sup>, compared to the 2010-2020 period (41 units).
- The relative share of attached dwellings being consented is lower than in the Tauranga context. In WBoP, attached dwelling consents accounted for 13% (on average between 2010 and 2020) of the total, increasing to 15% (between 2015 and 2020). However, in the last two years this share dropped back to 9%. A possible reason for this could be the impacts of COVID-19 and a tightening of financial requirements (e.g. banking collateral) for higher density (attached) dwelling developments.

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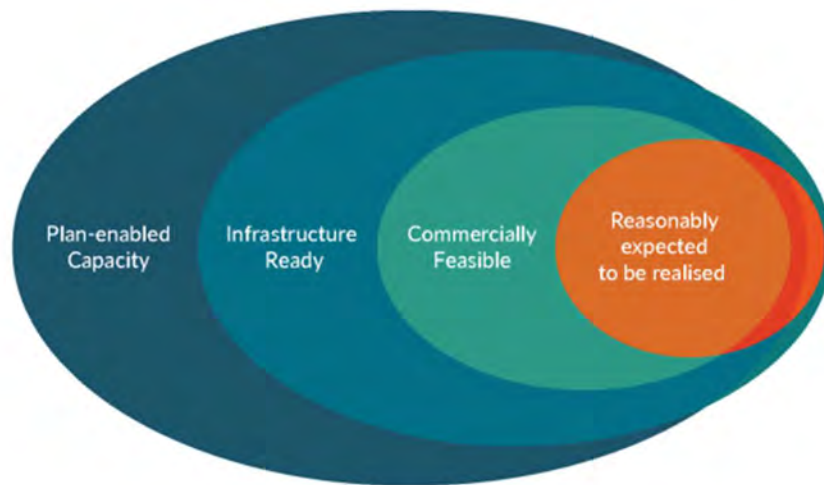
<sup>28</sup> This corresponds with high levels of investment in retirement villages in the 2015 and 2019 periods.

## Part 4 – Development Capacity

### Introduction

Modelling has been undertaken to estimate the development capacity for housing across the western Bay of Plenty subregion. The NPS-UC requires an assessment of development capacity at four distinct levels:

- i. **Plan enabled capacity** – the dwelling capacity that is enabled by land zoning within the relevant district plan or spatial plan.
- ii. **Infrastructure serviced capacity** – the dwelling capacity that is served by infrastructure at each assessment point in time. In this assessment, this is a sub-set of the plan enabled capacity and is labelled as plan enabled infrastructure served capacity.
- iii. **Commercially feasible capacity** – the infrastructure served, plan enabled capacity where it is feasible for a commercial developer to construct a dwelling.
- iv. **Reasonably expected to be realised capacity** – this is measured as a sub-set of the commercially feasible capacity that could reasonably be realised to accommodate future dwellings.



The 2020/2021 analysis builds upon the 2017 development capacity assessment and the model developed by Tauranga City Council under the NPS-UDC to calculate the potential capacity for dwellings upon each property parcel by growth area.

This section provides an overview of the key stages of the assessment approach. Further detailed technical information on the structure of the models is contained in the supporting technical documents to the 2017 HBA assessment. Capacity is calculated within each SA2 area both within the existing urban areas (infill/intensification) and within greenfield growth areas.

## Housing Capacity Assessment - Tauranga City

Tauranga City has predominantly provided for development capacity for growth in greenfield UGA's on the periphery of the existing urban area. This has occurred in four key corridors – north (Bethlehem), east (Papamoa, Wairakei), south (Welcome Bay, Ohauiti) and west (Pyes Pa, Pyes Pa West). The Tauranga City territorial area is one of the smallest in the country and in the near horizon the contiguous growth of the City has spilled over into the Western Bay of Plenty District. Boundary adjustments were made in the western corridor to include Pyes Pa West UGA, and more recently to include the balance of the future Tauriko West UGA and the future Keenan Road UGA in Tauranga City. To the north, contiguous growth of the urban area is curtailed by the Wairoa River. Likewise, to the east development of the future Te Tumu UGA will take the City to the Kaituna River – and the eastern City boundary - in the long term.

The rate of intensification in the existing urban area had been low relative to other major New Zealand cities prior to the 2017 HBA at around 15% of total growth. The last 5 year average to 30 June 2021 was 20% though this increase was largely influenced by several significant mixed use developments in and around the Tauranga CBD, with 31% of dwelling consents in the 12 month period to 30 June 2021 located in the established infill/ intensification areas of the City. Proposed Plan Change 26 Housing Choice<sup>29</sup> to the Operative Tauranga City Plan seeks to significantly increase the share of growth via intensification.

The housing capacity assessment for Tauranga City is approached differently for the "Greenfield UGAs" and for the established "infill/ intensification areas" of the City. The variance in approach recognises that development of vacant Greenfield land, typically characterised by the release of large new subdivisions, is quite different from infill/ intensification development where sites are typically redeveloped to provide for mixed use and/or attached housing typologies such as terrace houses and apartments. A further important consideration is that the majority of Greenfield UGA developments released from the 1990's are subject to land covenants limiting additional dwellings and/or further subdivision.

The infill intensification assessment is based on a housing capacity assessment completed by Market Economics Ltd (M.E) in 2020<sup>30</sup> (the M.E capacity assessment) as part of the background analysis to support and inform Proposed Plan Change 26: Housing Choice.

The Greenfield UGA assessment is based on site analysis and monitoring over an extended period to understand remaining tracts of land and expected yield and timing of uptake. This approach has been supported by an independent review of residential capacity undertaken by Veros in 2019<sup>31</sup>

As outlined in Part 6 of this report, there has been other recent work to quantify remaining capacity across the City which also serve to inform the development of the 2021 HBA. In addition to the Veros capacity assessment in 2019, Key Research were commissioned to assess the pipeline of housing supply and the impact of Covid-19, and

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<sup>29</sup> Proposed Plan Change 26 was notified for submission in November 2020, with further submissions closing in June 2021. A hearing will be scheduled in 2021.

<sup>30</sup> See Appendix 2 for link

<sup>31</sup> See Appendix 2 for link

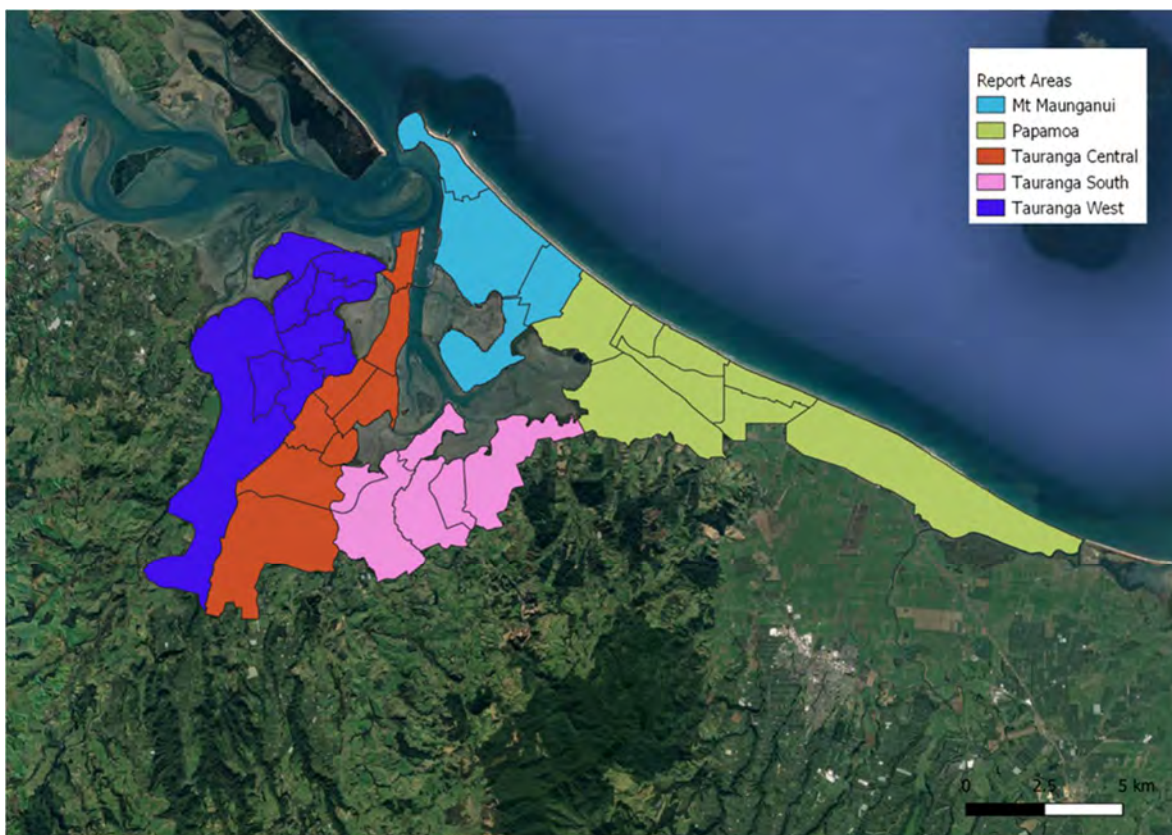
NZIER to assess the potential economic impacts of a housing shortage on Tauranga City in response to the Veros capacity assessment findings<sup>32</sup>

## The Infill/Intensification assessment

The development capacity assessment assessed four scenarios for infill/intensification:

- Scenario 1: Business as Usual (current – plan enabled capacity),
- Scenario 2 – Intensification in the area associated with the Te Papa Housing Overlay and Suburban Residential Zone across rest of Tauranga;
- Scenario 3 – Intensification across the city by enabling duplexes and terrace housing across the Suburban Residential Zone (SRZ, across the city); and
- Scenario 4 – Intensification through the proposed Te Papa Housing Overlay (and no change across the remainder of the suburban residential zone).

Key findings from the M.E capacity report for Scenario 1 and Scenario 2 are provided below. The detailed methodology and results are available in the linked report<sup>33</sup>.



**Figure 4-1:** Map of development capacity assessment areas within Tauranga City.

<sup>32</sup> See Appendix 2 link to "Western Bay Sub-region Residential Development Capacity Review", Veros Property services, May 2019.

"Residential Supply and Demand Pipeline for Tauranga City Assessment", Key research Ltd, January 2021.

"Impact of Housing Shortage, Assessing the effects for Tauranga City, NZIER Report to Priority One, 27 February 2020.

<sup>33</sup> See Appendix 2 link to "Residential Growth – Assessment of Options and Capacity Analysis for Tauranga City Council", 5 August 2020, Market Economics (M.E) Ltd.

## Residential development capacity

Both the plan enabled capacity, as well as the commercially feasible capacity were assessed. The enabled capacity under the Operative City Plan, sets a benchmark against which to assess the alternative options (scenarios). The capacity assessment considered:

- Redevelopment capacity,
- Infill capacity, and
- Vacant capacity.

The analysis suggested that the Operative City Plan could enable 20,810 apartments if residential parcels were redeveloped up to the maximum, or up to 16,730 single dwellings. From an infill perspective, the capacity is more muted. Capacity of 2,860 single dwellings can be accommodated via infill. Vacant capacity is considerably higher across the three typologies and locations. The vacant capacity is estimated at between 9,050 and 26,590 for single dwelling and apartments, respectively. The spread of capacity reflects alternative land-use intensities/densities associated with the different typologies. The plan enabled (and subsequent feasible) capacity covers all planning zones that can accommodate<sup>34</sup> residential activity, but the focus is on the residential suburban zone because most of the capacity is associated with this zone.

**Table 4-1:** Plan Enabled Capacity table under Current Plan.

			Redevelopment			Infill			Vacant		
		Report Area	Single Dwelling	Attached dwellings	Aptmt/Tice houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tice houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tice houses (CDD)
Scenario 1 Current Plan		Tauranga Central	2,910	750	3,550	510	20	30	1,920	890	2,390
		Tauranga West	6,020	-	-	1,420	-	-	1,550	20	70
		Tauranga South	3,800	-	-	800	-	-	2,610	-	-
		Mt Maunganui	1,570	80	1,200	40	-	100	450	30	90
		Papamoa	2,440	1,460	16,060	90	-	-	2,520	5,220	24,040
		Other	-	-	-	-	-	-	-	-	-
		TOTAL	16,730	2,290	20,810	2,860	20	130	9,050	6,160	26,590
		Commercial	+2,945 and 4,600 (plan enabled capacity)								

\* Rounded – includes Greenfield UGA's

Estimating the residential capacity that exists in the commercial areas is complex because the level of commercial (business area) activity is the main activity that is associated with the commercial zones. The residential activity is subject to the commercial activity and the level of development. Notwithstanding these challenges, the assessment suggests that the potential capacity for small, attached independent dwelling units across the commercial zone to be between 2,945 and 4,600, depending on the minimum size standard that is used. The higher value is based on 40m<sup>2</sup> dwelling size and the lower end is based on 80m<sup>2</sup>.

In addition to the plan enabled capacity, the feasible development capacity is also considered. That is, the relationships between sales prices and development costs (and

<sup>34</sup> Up to Restricted Discretionary Activity (RDA) status.

developers margins) were included. When assessed in 2020 feasible capacity associated with redevelopment was relatively low, 100 single dwelling being identified as having redevelopment capacity (potential). Similarly, the redevelopment capacity for attached dwellings and apartments was limited<sup>35</sup>. In terms of infill, the assessment revealed commercially feasible capacity of some 1,520 single dwellings and 30 apartments. The bulk of the capacity is associated with vacant land – the analysis suggested that there is capacity for around 7,130 single dwellings (on vacant land) across Tauranga. For the higher density typologies, the capacity was lower because these are limited in terms of where the development can take place (i.e. not as widespread across Tauranga). The feasible capacity is estimated at 5,670 for attached dwellings (duplexes), and 6,430 for apartments.

**Table 4-2: Plan enabled capacity table for 2019, 2029 and 2049 by area, Tauranga City.**

		Redevelopment Additional			Infill			Vacant		
Report Area		Single Dwelling	Attached dwellings	Aptmt/Trce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Trce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Trce houses (CDD)
2019	Tauranga Central	0	0	0	140	0	30	1,400	820	1,220
	Tauranga West	1	0	0	760	0	0	1,360	0	70
	Tauranga South	100	0	0	610	0	0	2,080	0	0
	Mt Maunganui	2	0	0	10	0	0	230	0	60
	Papamoa	0	0	0	0	0	0	2,060	4,850	5,090
	Total	100	0	0	1,520	0	30	7,130	5,670	6,430
2022	Tauranga Cntl	5	70	60	160	0	30	1,600	840	1,530
	Tauranga West	370	0	0	1,140	0	0	1,370	20	70
	Tauranga South	1,260	0	0	710	0	0	2,410	0	0
	Mt Maunganui	5	0	0	30	0	0	290	0	60
	Papamoa	0	0	13,900	0	0	0	2,080	4,870	5,090
	Total	1,640	70	13,960	2,040	0	30	7,750	5,740	6,750
2029	Tauranga Cntl	270	260	2,800	360	0	30	1,780	870	1,530
	Tauranga West	3,550	0	0	1,400	0	0	1,490	20	70
	Tauranga South	2,870	0	0	800	0	0	2,470	0	0
	Mt Maunganui	1,300	0	40	40	0	100	320	0	60
	Papamoa	0	360	16,670	0	0	0	2,090	5,220	5,640
	Total	7,980	630	19,500	2,600	0	130	8,150	6,110	7,310
2049	Tauranga Cntl	2,900	750	3,550	510	20	30	1,890	890	2,390
	Tauranga West	5,980	0	0	1,410	0	0	1,510	20	70
	Tauranga South	3,800	0	0	800	0	0	2,580	0	0
	Mt Maunganui	1,530	0	570	40	0	100	340	0	60
	Papamoa	0	1,540	16,690	10	0	0	2,170	5,220	7,020
	Total	14,210	2,290	20,810	2,770	20	130	8,500	6,140	9,540

\*Rounded. Excludes plan enabled capacity associated with commercial areas (+ 2,945 – 4,600)

In addition to the currently feasible capacity, over time more capacity will become feasible as the relationship between costs and sales prices change. Over the long term, redevelopment capacity increases considerably, up to 14,210 for single dwellings and 20,810 for apartments. The infill capacity increases to 2,770 for single dwellings and 130 for apartments. Again, most of the capacity is associated with vacant land with single dwellings seeing a 19% increase in capacity, compared to 8% and 48% for attached dwellings (duplexes) and apartments respectively.

<sup>35</sup> This excludes any that are already in the pipeline. It also excludes unique, developer lead development where the developer already owns the land/property.

## Residential capacity under different scenarios

Three alternative scenarios were modelled and compared against the current situation (Operative Plan) – Scenario 1. The three additional scenarios<sup>36</sup> modelled were:

- Scenario 2 – Intensification in the area associated with the Te Papa Housing Overlay and Suburban Residential Zone across rest of Tauranga, change of activity status in Commercial Zone<sup>37</sup>;
- Scenario 3 – Intensification across the city by enabling duplexes and terrace housing across the Suburban Residential Zone (SRZ, across the city), and
- Scenario 4 – Intensification through the proposed Te Papa Housing Overlay (and no change across the remainder of the Suburban Residential Zone).

The plan enabled capacity that is reported shows the total enabled capacity as well as the change relative to the current situation.

**Table 4-3:** Plan enabled capacity under modelled scenarios for intensification

Scenario	Report Area	Redevelopment			Infill			Vacant		
		Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)
Sc 1	Tauranga Central	2,910	750	3,550	510	20	30	1,920	890	2,390
	Tauranga West	6,020	-	-	1,420	-	-	1,550	20	70
	Tauranga South	3,800	-	-	800	-	-	2,610	-	-
	Mt Maunganui	1,570	80	1,200	40	-	100	450	30	90
	Papamoa	2,440	1,460	16,060	90	-	-	2,520	5,220	24,040
Sc 2	Tauranga Central	2,200	14,040	64,980	380	850	3,010	1,750	2,800	5,810
	Tauranga West	6,020	21,770	133,400	1,420	2,440	9,510	1,550	2,090	6,680
	Tauranga South	3,800	12,980	69,760	800	1,350	5,000	2,610	3,950	8,820
	Mt Maunganui	1,570	8,500	40,220	40	70	150	450	520	1,230
	Papamoa	2,440	13,580	44,220	90	150	410	2,520	6,480	24,910
SUM	Scenario 1	16,730	2,290	20,810	2,860	20	130	9,050	6,160	26,590
	Scenario 2	16,020	70,860	352,570	2,730	4,860	18,080	8,880	15,850	47,440
Commercial		+2,945 and 4,600 (plan enabled capacity)								

Scenario 2 delivers large capacity increases across Tauranga with the largest lifts across the higher density options, but this comes at the expense of single dwellings. The plan enabled capacity for redevelopment increases to 70,860 for attached dwellings (duplexes) and over 352,100 for apartments for Scenarios 2. The infill and vacant

<sup>36</sup> Scenario 1 is the current situation and the modelling work reflects the change.

<sup>37</sup> Residential activity changes from being a Permitted Activity to a Restricted Discretionary Activity, in the Commercial Zone. This does not change the capacity that is enabled.

capacity (plan enabled) also see large increases under these scenarios with increase to 4,860 and 18,080 for attached dwellings (duplexes) and apartments under infill. Regarding vacant capacity, the capacity increases are again sizable under Scenario 2. Attached dwellings (duplexes) increase to 15,850 and apartments increase to 47,440. The capacity associated with single dwellings is smaller than under the Operative Plan. As mentioned earlier, the plan enabled capacity can be regarded as a theoretical maximum and it must be tempered by the feasible capacity.

Scenario 2 increase in capacity with 351,580 apartments becoming feasible over the medium and long term. This is associated with the redevelopment capacity, and reflects the shift in land value relative to development cost and sales prices. Around half (50%) of the feasible capacity (for apartments in redevelopment) is expected to come online over the short term, with the balance over the medium and long term. In terms of infill and vacant capacity, 20,520 attached (duplex) dwellings or 44,610 apartments are expected to become feasible over the next 30 years.

It is however difficult to see such widespread uptake of the redevelopment opportunity. The feasible capacity must be considered against the value bands (i.e. price points).

**Table 4-4: Feasible Capacity by area, Tauranga City**

Scenario	Report Area	Redevelopment			Infill			Vacant		
		Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)	Single Dwelling	Attached dwellings	Aptmt/Tyce houses (CDD)
Scenario 1	Tauranga Central	0	0	0	140	0	30	1,400	820	1,220
	Tauranga West	1	0	0	760	0	0	1,360	0	70
	Tauranga South	100	0	0	610	0	0	2,080	0	0
	Mt Maunganui	2	0	0	10	0	0	230	0	60
	Papamoa	0	0	0	0	0	0	2,060	4,850	5,090
	Other	0	0	0	0	0	0	0	0	0
Scenario 2	Tauranga Central	0	70	50	110	0	3,010	1,280	2,160	4,630
	Tauranga West	1	0	60	760	0	4,050	1,360	1,540	5,110
	Tauranga South	100	810	10	610	8	3,420	2,080	2,520	4,050
	Mt Maunganui	2	0	190	10	0	150	230	160	930
	Papamoa	0	0	290	0	0	410	2,060	5,840	6,230
	Other	0	0	0	0	0	0	0	0	0
TOTAL	Scenario 1	100	0	0	1,520	0	30	7,130	5,670	6,430
	Scenario 2	100	880	610	1,490	8	11,040	7,010	12,230	20,940
	Commercial	+2,945 and 4,600 (plan enabled capacity)								

## Challenges

Two issues complicate the Market Economics capacity assessment – natural hazards and covenants associated with some properties. The capacity assessment report notes that approximately 16,000 properties are at risk from natural hazards. How the risks are managed, and if the properties are developable, or excluded from further development, would have a bearing on the overall scale and location of the plan enabled capacity. These implications should be assessed as the approach to hazard management is progressed.

Single dwelling covenants cover a number of properties in the Suburban Residential Zone across the city, mostly in the UGAs. These covenants limit further subdivision of parcels where those parcels have already been subdivided to an urban scale. The covenants also limit construction of multiple dwelling units. In terms of the covenants, the M.E capacity assessment estimates that the feasible capacity (under BAU) could reduce by between 980<sup>38</sup> and 3,610 for standalone dwellings. If duplex or apartments were to be considered, covenants would prevent between 620 and 4,840 apartments or between 320 and 630 duplexes. The lower limit represents infill and vacant capacity, and the upper limit refers to redevelopment capacity.

## Sensitivity Analysis

A sensitivity analysis was completed by Market Economics to reflect uncertainty and to get a sense of how responsive the modelling is to changing key input assumptions. The cost and sales rates are the main variables, and these were adjusted:

- Development costs were increased by 5%,
- Sale price growth was reduced 1.5% per annum.

The quantum of feasible capacity is relatively sensitive to an increase in cost in the short term, but less so over the medium and long term. The growth in sales prices likely overshadow the initial increase in cost. Looking at the short term and with the higher costs base (+5%), the key observations are:

- The increase in development cost has a substantial effect on the current (and short term) feasible capacity but the effect is muted over the long term. In fact, there is not much of the long-term feasible capacity that is 'lost' because of the 5% cost increase. For example, over the long term, the total feasible capacity remains relatively stable even if the construction cost component increases by 5%.
- Currently, redevelopment capacity of 100-800 dwellings<sup>39</sup> is feasible. Increasing the cost by 5% removes all the current feasible redevelopment capacity. This implies most dwellings pass the 20% 'profit' test by a margin less than 5%. In other words, the redevelopment market is finely balanced between risk and return and the opportunities for wide-spread redevelopment is limited. Over the short term (2022), this continues to be the case, with less than 10% of the redevelopment capacity being identified as feasible if development cost is increased by 5%. Over the long term, the effect of the higher costs is not as pronounced, with the overall reduction in capacity (relative to the unadjusted figures) being relatively small at between 1% and 3% down on the unadjusted figures.

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<sup>38</sup> 80 standalone dwellings through infill and 900 on vacant parcels.

<sup>39</sup> The lower bound relates to standalone houses under all scenarios, and the upper bound is duplexes enabled under Scenarios 2 and 3. 610 apartments are feasible under Scenarios 2 and 3

- In terms of infill capacity, around half of plan enabled capacity for single dwellings, is currently feasible under all scenarios. Under a higher cost setting, this decreases to between 18% and 19% over the short term. It increases over time to around 80% of infill capacity for single dwellings being feasible over the medium term. Over the long term, this share of plan-enabled capacity increases to 96% meaning that the long-term feasibility is relatively insensitive to the price change, considering that sale prices also increase.
- Feasible vacant capacity for different dwelling types varies across the different typologies with the variations attributed to the different scenarios. Using the higher cost base (+5%), reduces the overall feasible capacity. The drops are as follows:
  - Standalone dwellings 60%-75% (down from 80%-90%)
  - Attached (duplexes) 60%-90% (down from 85%-99%)
  - Apartments 20%-40% (down from 30%-45%)
- Feasibility increases over time, and by 2049 between 93% and 100% of the plan enabled capacity associated with standalone and attached (duplex) homes, on vacant land, are expected to be feasible. The share of plan enabled capacity that would be feasible for apartments, is lower than the other typologies, with around 40% under BAU, and 60% of apartments under Scenario 2 feasible on vacant land.

As expected, slower sales prices growth results in properties taking longer to become feasible, as the relative difference in growth between development cost and sales price is smaller. Most of the impact on feasible capacity is observed in the earlier years, i.e. short to medium term. The key observations are:

- The current feasibility (2019) is unaffected by the shift (as expected), but over the short term (2022), the effects manifest. Across all 4 scenarios, about half (44% - 56%) of the redevelopment capacity cross the necessary thresholds. This suggest that over the short term, (upward) shifts in market values are needed to enable properties to be developable and between 2019 and 2021 this has occurred in the property market. Attached (duplex) dwellings have the smallest drop under Scenario 4, i.e. -33% compared to the base (higher) growth rate. The effect on vacant capacity is subdued, and the analysis suggests this adjustment removes between 1% and 5% of capacity compared to a 2% growth rate situation. In terms of infill capacity, 15% of single dwellings that were previously feasible, would no longer meet the threshold. Under Scenarios 2, 5% (600) of apartments would no longer be feasible when compared to higher sales price growth.
- Over the medium term (2029) the number of standalone houses (feasible redevelopment capacity) decreases to 3,200 dwellings under a lower (1.5%) sales price growth. It is down from 8,000 under the 2% price growth setting. Attached (duplex) dwellings decreases from 29,440 to 8,560 (Scenarios 2). The largest decrease in feasible redevelopment capacity is under Scenario 2, with this capacity for apartments decreasing by about 77,000 units. The impact of the lower sales price growth rate is not as prominent in infill and vacant capacity.
- Over the long term (2049) the effect of the lower growth rate is relatively small for vacant capacity. The capacity most affected is associated with redevelopment<sup>40</sup>:
  - Standalone houses average -17%;
  - Duplexes average -30%, and

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<sup>40</sup> The values reflect the average shift across the scenarios.

- Infill capacity for duplexes -65%

## Comparing demand with supply

The future demand out 30 years is estimated at an additional 26,500 dwellings and of this, close to 39% will be for standalone dwellings. The demand is compared to the feasible capacity of scenarios 1 and 2 against the future demand and the value band information is also used to show the link to different property types. Under the BAU, over the short term, there is a mismatch between the value bands where dwellings are demanded, (\$400,000-700,000) and the threshold where properties are feasible (+\$800,000). This remains the case over the medium and long term.

Under Scenario 2, a large share of the feasible capacity comes in the form of apartments. While a preference shift is expected over time, the supply of apartments will still be much greater than the expected demand, over the short, medium and long term. Under scenario 2, the commercially feasible capacity is again at the higher end of the value band over the short, medium and long term.

A sensitivity analysis was conducted to assess the movements in results under different settings. The main drivers that impact feasibility are sales prices and development costs. Based on the sensitivity analysis, the short to medium term feasible capacity is sensitive to adverse shifts in prices and costs. But, these long term feasibility is less sensitivity to such shifts. While according to the Market Economics assessment this suggests that in the short term, widespread uptake of the redevelopment or infill opportunities is unlikely, this has not been the recent trend. Instead, a number of infill intensification opportunities are being realised with numerous intensification projects (both small and large) being planned and delivered, with further resource consent applications and proposals indicating this trend is set to continue.

The capacity needs to be viewed in light of infrastructure availability. Council has commissioned several reports investigating the potential implications of different intensification scenarios. While these scenarios do not align entirely with the scenarios assessed in this report, they do provide high-level insights into the available capacity. The cost to address water supply issues is marginally greater than a business as usual approach (4%) and is within the margin of error. Similarly, the cost of providing wastewater is around 2% up on the business as usual approach. The assessment states that the trunk network (water supply and wastewater) is already stressed and regardless of the location or timing of population growth, further funding will be required to enhance network capacity. In terms of roading, a recent report by Stantec (for Council) indicated the result of intensification will be a general shift in transport demands from more distant areas onto local urban roads and indicated there is 'surplus capacity to accommodate it'.

## Likely uptake

While it is difficult to quantify the probability of uptake over time, comparing the feasible capacity with demand for dwellings (across different value bands) provide some insight into the potential uptake. If current dwelling preference patterns hold, the Market Economics capacity assessment estimates there will be demand for 19,840 additional detached dwellings across Tauranga over the next 30 years. It is estimated under the Operative City Plan, more than half (56%) of the demand for detached dwellings, can be met through infill and vacant capacity.

In addition to standalone dwellings, it is estimated 5,640 attached dwellings<sup>41</sup> would be required over the next 30 years. Under the current Operative Plan, the feasible capacity on vacant land is estimated at 6,130 duplexes or up to 9,553 apartments, over the long term (30 years). At an aggregate level, this suggests between 60% and 90% of feasible capacity would be taken up. Importantly, this headline figure does not account for different value bands. The analysis suggests a mismatch between the sales prices at which capacity becomes feasible, relative to the value bands (price points) at which dwellings are demanded.

Under Scenario 2, between 12% and 27% of the (feasible) vacant and infill capacity for the higher density typologies (duplexes and apartments) is expected to be taken up.

Aligning the typologies and value bands of developments to the value bands of demand will provide a mechanism to improve the match between housing demand and supply (across different value bands).

## Conclusion

The capacity assessment illustrates that there is capacity available across the city and changing the planning rules via Proposed Plan Change 26 Housing Choice will unlock a range of new development opportunities by increasing densities. It is however important to realise that the feasible capacity does not mean that all of it will be taken up. It will be important to reconcile the feasible capacity with the expected trends and movements like:

- The envisaged future greenfield developments and the share of total dwelling demand that will be accommodated in those locations,
- The shift in households' dwelling preferences and the affordability of different dwelling typologies,
- The urban form effects, and the city-wide enablement of higher density developments, relative to a more targeted approach that considers the character and features at a finer, suburb level.

The analysis shows that a large share of the future feasible capacity will become available over the medium term. There is some uncertainty around the timing of this capacity as it is directly related to sales patterns (and prices) and development costs. Several macro-economic factors are currently impacting the residential market development (construction) as well as the population and communities. The Covid-19 pandemic is the leading cause of the economic downswing, impacting market confidence, population growth (through lower migration) and lower property sales (due to job insecurity and losses). Combined, this means that there is considerable uncertainty over the short-term estimates. Similarly, the medium-term estimates are also uncertain and subject to the downside risks. Therefore, M.E suggests treating the feasible capacity as an upper limit for the current market conditions and to monitor the market movements over the immediate short term, to get better insights on the near-term impacts.

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<sup>41</sup> To align the years in which demand and supply (i.e. feasible capacity) is compared, demand was adjusted by one year's growth, reflecting additional demand in 2022, 2029 and 2049, relative to 2019. The numbers differ marginally from those reported in Section 2.

## Applying capacity assessment findings

The Market Economics capacity assessment was completed in 2020 using data and horizon years 2019 2022 2029 and 2049. The 2021 HBA has adopted horizon years of 2020 (base), 2023 (short) 2030 (medium) and 2050 (long term). While the different year horizons are minor, the change in market conditions to June 2021 has been quite significant with house prices continuing to rise, and cost of construction also rising. Recently a lack of available building materials has presented challenges for the construction industry which are anticipated to intensify in the short term until resolved which may further increase construction costs. These matters together with COVID-19 and short to medium term housing supply constraints identified via recent market assessments (Veros, Key research), create further uncertainty for short term housing demand and supply in particular.

For the established infill/ intensification areas of Tauranga City a percentage increase has been applied to estimate uptake of realisable dwelling yield informed by the M.E capacity assessment, development trends data (including consented and proposed developments), capacity monitoring, and market conditions. The assumed percentage share of housing demand increases over the projection periods recognising the feasibility increase over time and higher dwelling yield that is expected to be realised. The capacity assessment shows that with the changes proposed via Proposed Plan Change 26 Housing Choice, that greater levels of residential intensification will be enabled across the City but particularly in the infill/ intensification parts of the City generally unencumbered by land covenants limiting further subdivision or multi-unit developments. The Te Papa Spatial Plan work, and the Otumoetai Spatial Plan project which is programmed to commence shortly, is expected to further support and encourage an uplift in residential intensification.

**Table 4-5: Total Additional dwellings projected for Tauranga City**

	short	medium	long	Total
Total dwelling demand	3,590	7,880	15,060	26,530
Including competitiveness margin	<b>4,310</b>	<b>9,460</b>	<b>17,320</b>	<b>31,080</b>

The recommended percentage increases, and number of additional dwellings generated, to be accommodated in the established infill/ intensification areas of the City, is provided in Table 4-6 below.

**Table 4-6: Total additional dwellings projected for Tauranga City in short, medium and long term from infill/intensification**

	short	medium	long	Total
% of housing demand	20%	36%	48%	<b>41%</b>
% of housing demand with competitiveness margin	17%	30%	42%	<b>35%</b>
Number of additional dwellings	720	2,840	7,230	<b>10,790</b>

Overall, 10,790 dwellings are estimated to be accommodated within the established infill/ intensification areas of Tauranga city over the 30-year period from 30 June 2020 to 30 June 2050.

Over the last 3 years to 30 June 2021 962 dwellings have been consented in the established infill intensification areas of the City accounting for 24% of overall dwelling consents. It is noted that these figures have been inflated in the last 12 months to 30 June 2021 by several significant developments including the Farmers redevelopment in the CBD, Fourth Avenue apartment developments, and the Sanctuary Point development in Poike which are yet to be completed. Comparing the figures in Table 4-7a as at 30 June 2021 with Table 4-7b as at 30 June 2020 shows the impact of these large developments with the last 5 year average increasing from 16% to 20%.

**Table 4-7a: Consented dwelling numbers, Tauranga City, as at 30 June 2021**

		<b>2020/2021</b>	<b>Last 3 Year</b>	<b>Last 5 Years</b>
<b>Greenfield UGA's</b>	Dwellings Consented	1,026	3061	5,741
	% of total dwellings Consented	69%	76%	80%
<b>Established Infill/ intensification areas</b>	Dwellings Consented	453	962	1,394
	% of total dwellings Consented	31%	24%	20%
		<b>1,479</b>	<b>4,023</b>	<b>7,135</b>

**Table 4-7b: Consented dwelling numbers, Tauranga City, as at 30 June 2020**

		<b>2019/2020</b>	<b>Last 3 Year</b>	<b>Last 5 Years</b>
<b>Greenfield UGA's</b>	Dwellings Consented	1,070	3,191	6,032
	% of total dwellings Consented	86%	81%	84%
<b>Established Infill/ intensification areas</b>	Dwellings Consented	169	728	1,154
	% of total dwellings Consented	14%	19%	16%
		<b>1,239</b>	<b>3,919</b>	<b>7,186</b>

It is noted that uptake will be regularly monitored as per the requirements of the NPS-UD with opportunities within the NPS-UD provisions to adjust housing expectations at regular intervals.

## Greenfield Urban Growth Area Capacity Assessment

While the M.E Capacity Assessment included operative Greenfield UGA's, it required adjustment to account for the impact of land covenants limiting subdivision and multi unit developments in particular.

Tauranga City has monitored uptake in its Greenfield UGA's since release of its Generation 3 areas in the 1990's<sup>42</sup>. A geospatial capacity viewer has been created to enable uptake and remaining capacity to be more accurately monitored. Each site has been classified rated on the likelihood of being developed within the 30 Year period (high, medium, low), and on the likely timing of uptake - Short (1-3 years) Medium (4-10 years) Long (10+ years).

Other categories that can be extracted from the site data (along with general site information) include:

- Site type (dwelling(s) remaining capacity, vacant section, vacant land),
- Development type (new section, new infill, retirement village, mixed use, other)
- Ownership (private, cross lease, unit title, multiply owned Maori, TCC, Govt)
- Constraints (type, extent, impact (moderate – significant))

For each site with remaining capacity, commentary around base assumptions and considerations is provided, including resource/ subdivision consent, proposals that have not reached consenting and/or other information of relevance. As land is developed sites are reclassified and site data updated accordingly.

A map series has been produced as part of the annual Development Trends reporting under the NPS-UD monitoring by Tauranga City Council and Western Bay of Plenty District Council, which identifies completed, consented and proposed development for each UGA<sup>43</sup>. This map series calculates housing densities being achieved in each area and assists in estimating remaining capacity and likely uptake more accurately.

Outputs from the geo spatial viewer, resource and dwelling consent information and the UGA density map series in particular, along with engagement with the development community and landowners, inform assumptions around remaining capacity and likely timing of its development and release for housing. Assumed uptake is provided in the short, medium and long-term capacity tables below, and published in the SmartGrowth Development Trends report annually<sup>44</sup>.

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<sup>42</sup> Bethlehem, Pyes Pa, Ohauiti, Welcome Bay and Papamoa Greenfield UGA's.

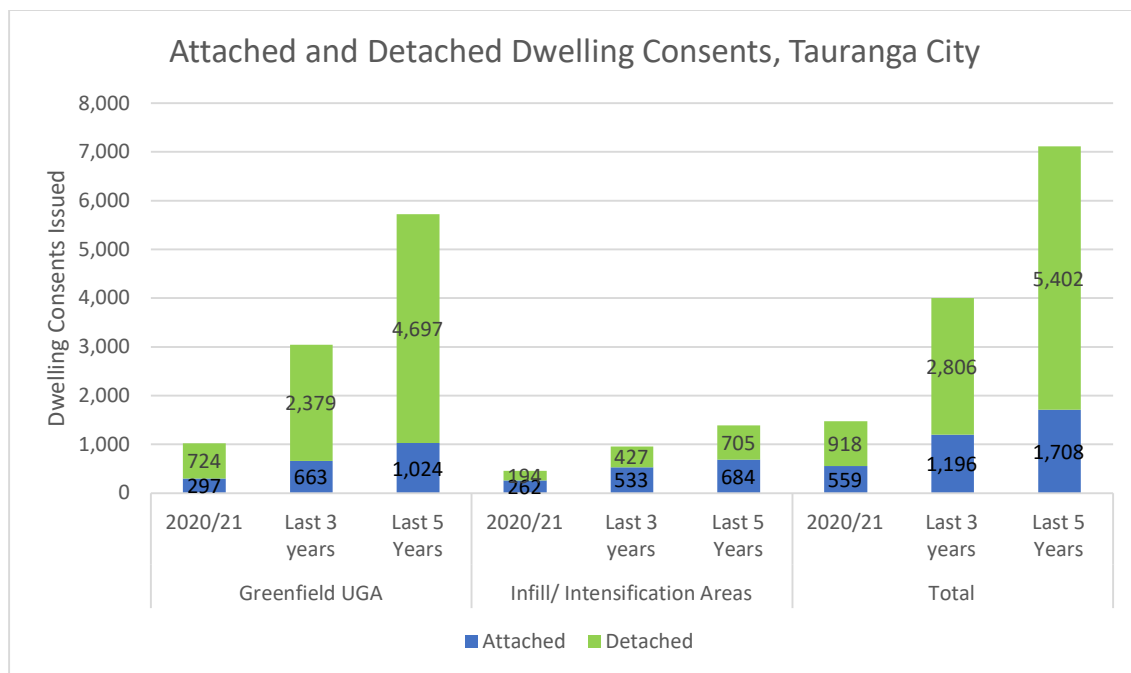
<sup>43</sup> See SmartGrowth Development Trends report, Appendix 7 at <https://www.tauranga.govt.nz/council/council-documents/strategies-plans-and-reports/reports/development-trends-report> or <https://www.westernbay.govt.nz/council/supporting-growth/development-trend-report>

<sup>44</sup> See Table 6. SmartGrowth Development Trends Technical Report 2020, SmartGrowth Partners, March 2021.

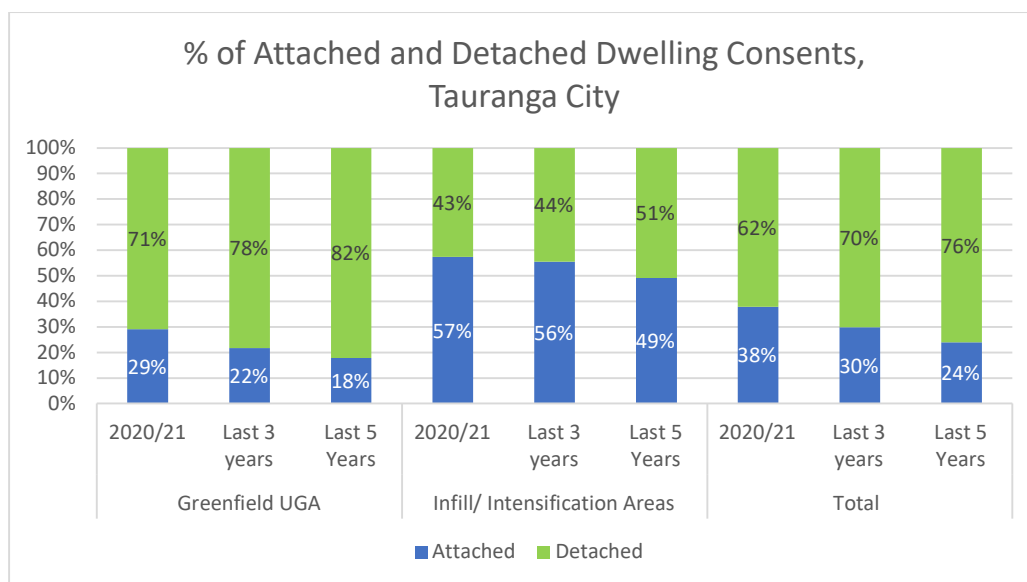
## Attached and Detached dwellings

The demand assessment estimates demand for around 10,000 attached dwellings, accounting for 39% of dwelling demand for Tauranga City.

Recent dwelling consent information, shown in Figure 4-2 and Figure 4-3 below, shows that in the past 12 months to 30 June 2021 38% of dwelling consents issued for Tauranga City were for attached dwellings. There was variation between Greenfield UGA results (29% attached) and established infill/ intensification areas (57% attached).



**Figure 4-2:** Numbers of attached versus detached dwelling consents, Tauranga City



**Figure 4-3:** Percentage of attached versus detached dwelling consents, Tauranga City

From resource consent monitoring, plan enabling provisions (such as proposed Plan Change 26), and discussion with the development community it is expected that proportion of attached dwellings will continue to increase over time.

There are a number of significant attached housing developments proposed, consented or under construction in Te Papa and Otumoetai areas, along with Bethlehem, Papamoa, and Wairakei UGA's. Preliminary assessment work undertaken for the future Te Tumu UGA estimates that attached dwellings may account for around 80% of new housing stock (approximately 4,800 attached dwellings), with initial density scenarios estimating that 64% of the population may be accommodated in townhouses, and 16% in apartments.

## Short Term Capacity – Tauranga City - June 2020 – June 2023

Development capacity is assessed for the short term in terms of currently zoned and serviced vacant greenfield land in the areas, as well as accounting for the current and assumed rate of infill intensification occurring in the existing urban and rural areas. Allocations for growth in the respective greenfield areas - and capacities remaining - are shown in Table 4-8.

**Table 4-8: Short Term Capacity Table – Tauranga City**

Urban Growth Area	Estimated Yield – Total Dwellings <sup>1</sup>	June 2020 total dwellings (existing and consented)	Remaining capacity at June 2020 <sup>2</sup>	% remaining at June 2020	Projected uptake June 2020 – June 2023 <sup>3</sup>	Estimated remaining capacity at June 2023 <sup>2</sup>	% Remaining at June 2023
Bethlehem	4,700	3,658	1,042	22%	200	842	18%
Pyes Pa	2,750	2,592	158	6%	70	88	3%
Pyes Pa West	2,500	1,999	501	20%	400	101	4%
Ohauiti	1,800	1,465	335	19%	200	135	8%
Welcome Bay	2,150	1,933	217	10%	100	117	5%
Papamoa	11,900	10,442	1,458	12%	500	958	8%
Wairakei	5,500	2,247	3,253	59%	1,000	2,253	41%
<b>Greenfields Sub-Total</b>	31,300	24,336	6,964	22%	2,470	4,494	14%
Rural infill	-	-	-		35	(1% of total growth)-	
Residential Infill/ Intensification		-			720	(20% of total growth)-	

<sup>1</sup> Plan enabled, infrastructure ready and feasible total yield.

<sup>2</sup> Remaining plan enabled, infrastructure ready and feasible capacity

<sup>3</sup> Plan enabled, infrastructure ready and feasible and reasonably expected to be realised.

## Medium Term Capacity – Tauranga City - June 2023 – June 2030

In the medium term, the areas of Te Tumu and Tauriko West are scheduled to become available for housing development from around 2025/2026. These areas are in the eastern and western corridors respectively and represent contiguous expansion of the existing urban areas which are underway. Necessary infrastructure elements to serve these new growth areas have been included in the 2021-31 Long Term Plan, and 30-year Infrastructure Strategy. Cost share arrangements for the necessary infrastructure are required to be developed between the relevant parties to fund the required infrastructure to, and within, each growth area. A summary of the infrastructure sequencing required, and high order costings, is shown in Table 4-9. Also identified is the need for city-wide capacity upgrades for water and wastewater, required in part to service growth in the new urban growth areas.

**Table 4-9: Indicative Infrastructure Requirements for Te Tumu and Tauriko West**

Area	Council Infrastructure	Other Infrastructure (including Waka Kotahi funded)	City -Wide and Corridor Level Council Infrastructure
<b>Te Tumu</b>	<p>Extensions Te Okuroa Drive (to boundary of Growth Area ).</p> <p>Note: The Boulevard is developer funded)</p> <p>Trunk water and wastewater mains (to boundary of Growth Area)</p> <p>Kaituna stormwater overflow</p> <p>Public transport facilities (in Wairakei)</p> <p>Cost Estimate (all infrastructure in and around Te Tumu over next 10 years (excl community facilities) \$426M</p>	<p>All internal infrastructure developer funded (excluding Kaituna stormwater overflow)</p> <p>Papamoa East Interchange from Tauranga Eastern Link</p> <p>Schools – All levels (by Ministry of Education/ private provider)</p>	<p><b>For Both Corridors</b></p> <p>Active Reserve</p> <p>Indoor Sports Facility</p> <p>Aquatic facility</p> <p>Library</p> <p>Community Centre</p> <p>Destination Playground</p> <p>Cost Estimate: \$119M</p>

<p><b>Tauriko West</b></p>	<p>Water and wastewater infrastructure (to boundary)</p> <p>Public transport facilities (outside of growth area)</p> <p>Interim access from State Highway 29 (northern and southern connections) with Cambridge Road upgrades, and associated stormwater (EWP)</p> <p>Cost Estimate (all infrastructure in and around Tauriko West over next 10 years (excl community facilities)): \$213M (includes estimated contribution to State Highway 29 project).</p>	<p>All internal infrastructure developer funded</p> <p>Interim access from State Highway 29 (northern and southern connections) with Cambridge Road upgrades, and associated stormwater (EWP)</p> <p>State Highway 29/29A improvements</p> <p>Schools – All levels (by Ministry of Education/private provider)</p>	<p><b>City -Wide Waters</b></p> <p>Southern Pipeline Cost Estimate: \$100m+</p> <p>Te Maunga Wastewater Treatment Plant Upgrade Cost Estimate: \$100m+</p> <p>Waiari Water Scheme Cost Estimate: \$100m+</p>
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Both Te Tumu and Tauriko West are within the Tauranga City jurisdictional boundary and are provided for in the Regional Policy Statement Urban Limits Line (post 2021). Te Tumu is presently zoned 'Future Urban' and Tauriko West zoned Rural under both the operative Tauranga City and Western Bay of Plenty District Plans.

An adjustment has recently been completed to include the entirety of the Tauriko West, the future Keenan Road Urban Growth Area and Tauriko Business Estate (Stage 4) within the Tauranga jurisdictional boundary. Accordingly, future Tauriko West and Keenan Road UGA's are assessed as contributing to development capacity in Tauranga City for this analysis.

Plan changes to the operative Tauranga City Plan (or other planning mechanism (i.e. consenting)) for both Te Tumu and Tauriko West are required to bring these growth areas online for development. Structure planning for both future Te Tumu and Tauriko West have been developed, with infrastructure modelling/testing underway to complete the Structure Plans needed to support the plan changes required.

Feasibility analyses undertaken for Te Tumu and Tauriko West indicate that delivery of dwellings at a minimum of 21 dwellings/ha of nett developable area is feasible; accounting for anticipated costs of infrastructure servicing; land development costs; and the current market price of residential sections in similar greenfield contexts. There is an aspiration for higher densities in Te Tumu and Tauriko West than is not currently prevalent across older growth areas, to deliver on the Urban Form and Transport Initiative aspirations. The estimated capacity of dwellings in Table 5-10 represents average densities of 25 dwellings/ha (Te Tumu) and 18.5 dwellings/ha Tauriko West). The lower average density provided for in Tauriko West is due to currently identified topographical challenges; i.e. there will be a combination of lower density

development around geotechnically/topographically constrained land integrated with much increased density areas of housing where this is possible. Further work will be undertaken to improve density and housing typology outcomes, noting the difference in density yield is attributable to the differing potential for medium rise apartment living due to the scale of the town centre proposed for Te Tumu (located within the adjoining Wairakei area) and the market feasibility for denser typologies better supported where there is close proximity to coastal and public amenities and nature of the landform.

**Table 4.10: Medium Term Capacity Table – Tauranga City**

Urban Growth Area	Estimated Yield – Total Dwellings <sup>1</sup>	June 2023 total dwellings (estimated)	Remaining capacity at June 2023 <sup>2</sup>	% remaining at June 2023	Projected uptake June 2023 – June 2030 <sup>3</sup>	Estimated remaining capacity at June 2030 <sup>2</sup>	% Remaining at June 2030
Bethlehem	4,700	3,858	842	18%	600	242	5%
Pyes Pa	2,750	2,662	88	3%	80	8	0%
Pyes Pa West	2,500	2,399	101	4%	80	21	1%
Ohauiti	1,800	1,665	135	8%	85	50	3%
Welcome Bay	2,150	2,033	117	5%	100	17	1%
Papamoa	11,900	10,942	958	8%	900	58	0%
Wairakei	5,500	3,247	2,253	41%	1,400	853	16%
Te Tumu (post-2025)	6,000				1,500	4,500	75%
Tauriko West (post-2025)	3,000				1,500	1,500	50%
Keenan Road (post-2030)	2,000				0	2,000	100%
Ohauiti South (post 2030)	700					700	100%
Rural infill					80		
Residential Infill/ Intensification					2,840		

**Note:** Te Tumu, Tauriko West, Ohauiti South and Keenan Road are highlighted in Table 4.10 to indicate they need to be enabled for development through City Plan changes and infrastructure investment to strictly comply with the NPS-UD definition of development capacity for the medium term.

<sup>1</sup> Plan enabled, infrastructure ready and feasible total yield.

<sup>2</sup> Remaining plan enabled, infrastructure ready and feasible capacity

<sup>3</sup> Plan enabled, infrastructure ready and feasible and reasonably expected to be realised.

With regard to development within the existing urban area, it is anticipated that the proportion of total growth delivered through infill (standalone dwellings on remaining vacant land) and intensification (site redevelopment for multi-unit housing typologies) will increase. The rate of infill will reduce marginally as vacant land opportunities reduce over time – in turn intensification is projected to increase based on a range of factors<sup>45</sup>,

<sup>45</sup> e.g. Improving development feasibility, social housing redevelopment, trends in multi-unit vs. standalone.

more than offsetting the reducing rate of infill. Importantly, the theoretical capacity for intensification is very high, but the actual development capacity that will be taken up has been estimated based on trend analysis, the M.E capacity assessment findings, and a city-wide assessment of development feasibility.

It is expected that Proposed Plan Change 26 Housing Choice will enable and encourage higher rates of intensification in the medium term. The Te Papa Spatial Plan, and the Otumoetai Spatial Plan to be developed, will further support greater dwelling uptake in these established parts of the City.

The medium term capacity assessment indicates that there may be a year of capacity remaining at the end of the medium term period. However once the 20% competitiveness margin is added there is a shortfall of approximately 400 dwellings in the medium term, in addition is the 1,100 dwelling shortfall identified in the short term. Further, if less uptake in the infill/ intensification areas and operative Greenfield areas of the City is realised than expected and/or there are delays to the release of the future Te Tumu and/ or Tauriko West UGA's assumed to be released from 2025, the medium term shortfall will increase.

## Long Term Capacity – Tauranga City - June 2030 – June 2050

In the long term there are a range of options considered in the SmartGrowth strategic document set<sup>46</sup> for potential further development capacity in the sense of both planning status and investment signals for enabling infrastructure. These are described below in respect of both greenfield and intensification opportunities. The greenfield growth opportunities are largely limited to the western and southern corridors, noting that substantial capacity in the eastern corridor will still remain due to the rezoning of Te Tumu in the medium term. The intensification opportunities are expected to increase as more becomes feasible over time. These options for long term development capacity are outlined below in turn.

There are several potential future greenfield urban growth areas on the periphery of the City in the southern and western corridors. These are outlined below relevant to the 30-year time horizon.

### Western Corridor Greenfield Urban Growth Areas

The area of Keenan Road is already identified in the Regional Policy Statement as a future urban growth area and agreed by the SmartGrowth partners to follow Tauriko West in the western corridor. The area will yield around 2,000 dwellings, this reflecting a dwelling density of around 15 dwellings/ha of nett developable area. Beyond Keenan Road there are no further areas identified for urban growth in the Regional Policy Statement for the western corridor.

In updating the SmartGrowth settlement pattern in 2016, strategic investigation of the western corridor indicated there could be significant further capacity to expand the western corridor in the long term beyond the current settlement pattern. For the purposes of long-term infrastructure planning (e.g. Southern Pipeline Project, Tauranga Transport Programme) further uptake in the western corridor beyond Keenan Road has been used for capacity modelling to future-proof these significant infrastructure investments. The potential future urban growth areas in the western corridor are broadly

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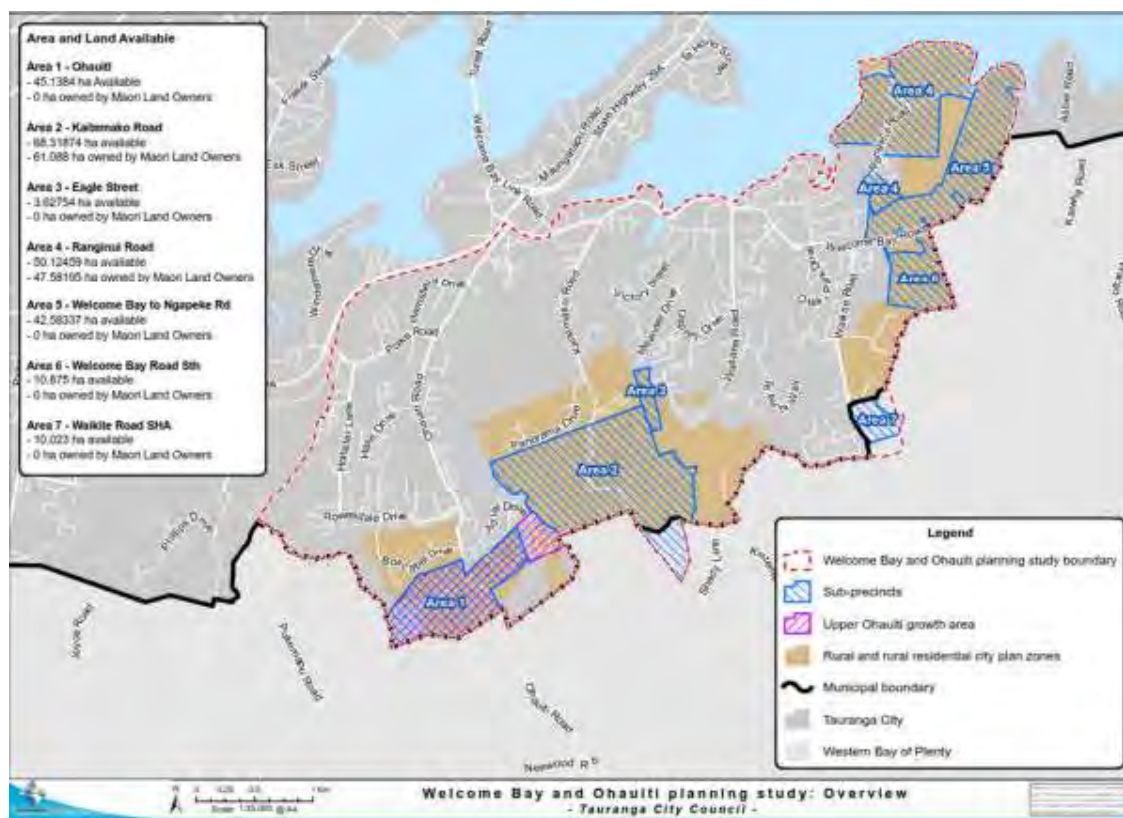
<sup>46</sup> The 'SmartGrowth strategic document set' includes the Regional Policy Statement, SmartGrowth Strategy 2013, and the reports associated with the 2016 update to the settlement pattern – including the Western Corridor Strategic Study.

indicated on the Tauranga Subunit Growth Map (see Appendix 4), though currently assumed as potential future urban growth areas outside the 30-year HBA planning period, and not included in the calculation of sufficiency.

## Southern Corridor Greenfield Urban Growth Areas

While there were a number of potential future urban growth areas identified in earlier SmartGrowth settlement patterns, Upper Ohauiti (Ohauiti South) is the only area anticipated for release within the long term HBA period to 2050<sup>47</sup>. Development of this area was recommended through the Welcome Bay and Ohauiti Planning Study<sup>48</sup>. Potential future Ohauiti South UGA is already within the Tauranga City jurisdictional boundary, though is zoned mainly “Rural” under the operative Tauranga City Plan and therefore is not currently plan enabled.

The Welcome Bay and Ohauiti Planning Study investigated 231 hectares of land as to feasibility for future development. The findings from the study indicated that although most of the necessary infrastructure could provide for a moderate growth scenario (to provide approximately 3,000 additional dwellings across the area), there was a fatal flaw in the transport network. The study recommended that Council progress investigations into the Upper Ohauiti sub-precinct (see Area 1, Figure 4-4). The six other potentially developable sub-precincts were more constrained by their reliance on Welcome Bay Road for transport movements and utility provision.



**Figure 4-4:** Sub Precincts, Ohauiti and Welcome Bay Planning Study.

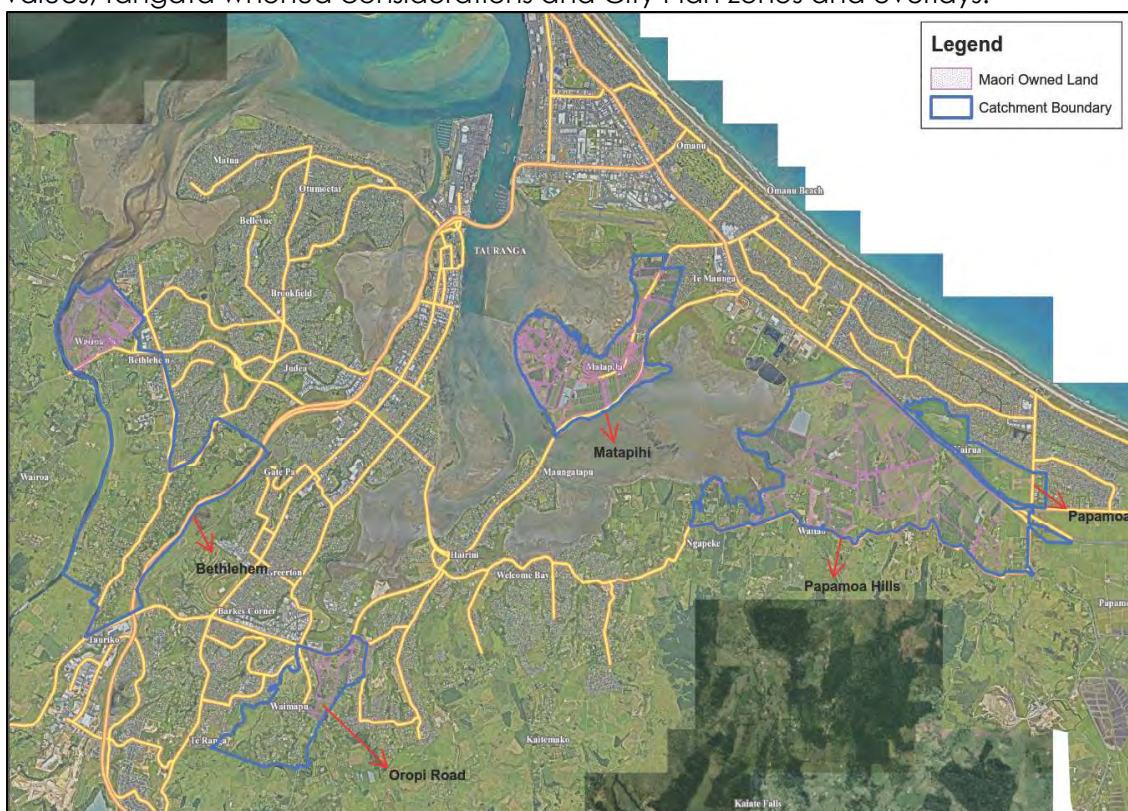
<sup>47</sup> the Southern Corridor potential Generation 4 urban growth areas included Pukemapu, Neewood, Upper Ohauiti (Ohauiti South) and Kaitemako.

<sup>48</sup> Welcome Bay of and Ohauiti Planning Study, City Planning Team, Tauranga City, October 2020

## Rural Capacity

There are a few remaining rural areas within Tauranga City that are not currently earmarked for urbanisation. A strategic investigation has been undertaken to identify whether there are opportunities for further urbanisation<sup>49</sup>. The area subject to this investigation are shown in Figure 4-5. The combined area of this remaining rural land is around 2,500 hectares.

The strategic investigation identified pockets within the study area which could be suitable for future development as well as development constraints which hinder future urbanisation of the catchments outright. The study assessed a range of factors such as flood and liquefaction risks, topographical constraints, infrastructure capacity, land values, tangata whenua considerations and City Plan zones and overlays.



**Figure 4-5:** Rural Capacity Study Areas for potential future housing supply.

Key findings and recommendations from the strategic investigation for each catchment is provided below.

The Bethlehem South and Oropi Road catchments are not considered suitable for urbanisation due to the fragmented nature of the developable land, which would make it economically unfeasible to develop pockets in these areas, as well as the collective natural hazard risks affecting the catchments. However, there are very limited areas in Oropi that could be considered for some development.

The Papamoa and part of Papamoa Hills catchments have retained their rural zoning because the land blocks are located on peat land. Both areas are within the

<sup>49</sup> Rural Land Study, Tauranga City Council, 2019

widespread liquefaction zone and an earthquake could cause extensive liquefaction and significant ground damage. It is recommended that further investigation should be undertaken to quantify the extent of damage that could occur, especially regarding new infrastructure. Mitigation measures should be identified before embarking on future urbanisation of these areas. The financial feasibility of developing in these areas to overcome the ground conditions and ensure a resilient community also need to be understood.

The Matapihi and Papamoa Hills catchments are both largely made up of multiply-owned Maori land. While both areas have natural hazard constraints, it is considered feasible to develop land in Matapihi and Papamoa Hills in a comprehensive manner. Any new development in these catchments can be integrated and connected with existing urban areas and the amenities and services they provide including access to multi-modal transport options, reducing the need to travel by private motor vehicles. Future engagement should be carried out with the landowners to understand aspirations and opportunities in these areas.

The strategic investigation concluded that further work could be undertaken in the following areas; Matapihi, Papamoa Hills, and Papamoa.

It should also be noted that these areas are outside the urban limits specified by the RPS and therefore consultation with BOPRC regarding the urban limits and implementation of the RPS is required.

For the purposes of this HBA the current rate of uptake (less than 1% of total growth) is anticipated to continue in these rural areas, which represents around 200 dwellings over the next 30 years. This includes papakainga development on multiply-owned Māori land by local iwi/hapu.

### **Infill and Intensification**

The current rate of housing uptake in the established infill/ intensification parts of the City typically represents around 20% of total growth, though did account for 31% of City growth in the last 12 months to June 2021 with consenting of several significant projects including the "Farmers" redevelopment on Elizabeth Street. This is a relatively low proportion when compared to other major urban centres in New Zealand.

The Te Papa Spatial Plan was finalised in September 2020. It sets out the strategic direction of growth management to meet future needs, opportunities and challenges in Te Papa, which extends from Tauranga central to Greerton, over the next 30 years. The Te Papa plan is strongly linked to several other projects including the Urban Form and Transport Initiative (UFTI) and Tauranga City's Plan Change 26 for Housing Choice. Together these projects set a strategic imperative for increasing the density of housing.

UFTI is focussed on supporting liveable community outcomes in the Western Bay of Plenty – finding answers for housing capacity and choice, multi-modal transport (such as public transport and cycleways) and network capacity. UFTI provides a long-term, integrated masterplan for urban development and transport that is fully aligned with the Government's new transport policy statement and urban growth agenda. Within the UFTI context and direction, Te Papa is identified as a key growth area and gateway to the city centre.

Plan Change 26 proposes to make changes to Council's Suburban Residential, City Living and Commercial zones within the Operative Tauranga City Plan to allow a variety of more compact types of homes in Tauranga to be built, such as duplexes, terraced houses, townhouses and apartments. It will build upon and assist to implement the outcomes outlined within the Te Papa Spatial Plan.

The pre-eminence of the city centre is a key strategic driver for Tauranga City as well as the wider sub-region. There is already a highly enabling planning framework in the City Centre Zone and surrounds for redevelopment of sites for medium and high density residential activity, as well as business activity and community facilities/amenities. The recent completion of Latitude Apartments, the construction of the Farmers major redevelopment on Elizabeth Street, and apartments on Fourth Avenue, along with a number of other multi-unit developments recently consented or proposed indicate this opportunity is starting to be taken up.

A programme of planning and investment work is underway with local and central government agencies to deliver on the UFTI and Te Papa project outcomes, which will assist to expand opportunities for medium and higher density intensification and is anticipated to enable and encourage a higher proportion of growth through intensification in the existing urban area. Planning and investment actions will occur through the short and medium terms. Success of these measures will be reflected in future reviews of the HBA, and NPS-UD development monitoring.

## Long Term Sufficiency of Development Capacity for Tauranga City

In terms of sufficiency of supply, the projected demand for dwellings is around 15,000 dwellings (or 17,300 dwellings when a 15% margin is applied as intensification is also given, effectively ranging from 40% of total growth up to around 60%.

What can be seen from the table is that while the sufficiency calculation estimates a specific housing yield the projected supply of development capacity for dwellings in the long term may be above or below the longer-term requirement. The Future Development Strategy will identify a range of potential (and identify the preferred) scenarios that will provide sufficient development capacity for the long term.

**Table 4-11: Potential Areas for Long-Term Development Capacity for Tauranga City.**

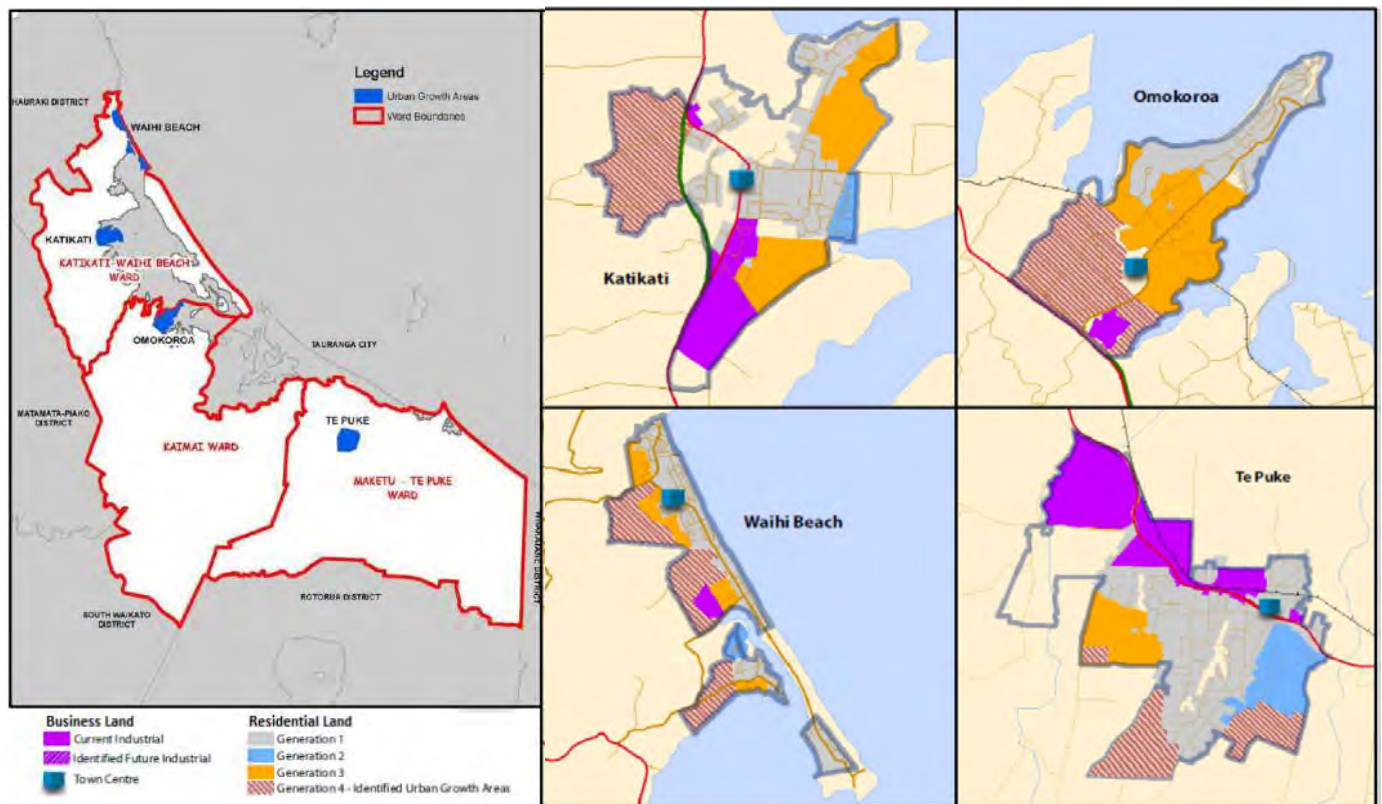
Growth Area	Potential Additional Capacity	Potential Future Urban Growth Areas (Indicative Sequencing)
<b>Remaining Capacity in Existing and approved future Urban Growth Areas</b> (includes Te Tumu Tauriko West, Keenan Road)	~9,200 dwellings	-
<b>Western Corridor</b>	Up to 10,500 dwellings*	Merrick Road Upper Joyce Road Upper Belk Road
<b>Southern Corridor</b>	Up to 700 dwellings	Ohauti South
<b>Infill/Intensification</b>	6,000 – 9,000 dwellings (40% - 60% of total growth)	Intensification Areas (Te Papa, Tauranga West, Mount Maunganui) Intensification of established areas outside Intensification Areas
<b>Total</b>	<b>15,900 – 18,900 dwellings</b> (29,400 dwellings including potential Western Corridor areas)	

\*The potential additional capacity for dwellings for the western corridor is based on allocations used in long term modelling by Tauranga City Council for the purposes of infrastructure planning (beyond the 2020- 2050 HBA planning period).

## Housing Capacity Assessment - Western Bay of Plenty District

The development capacity dynamic is distinctly different for the Western Bay of Plenty District compared to Tauranga City. There are four main towns that provide around two-thirds of the development capacity for housing over the next 30 years. These areas are shown in Figure 4-6.

Generations 1 – 3 of residential land are all zoned and serviced in these urban growth areas, including the residential zoned Park Road dairy farm and Tetley Road orchard in Katikati (not included in 2017 HBA). The Generation 4 areas for each urban growth area represent the further areas for growth that may be enabled for development through the necessary plan changes and infrastructure provision.



**Figure 4-6:** Western Bay of Plenty District Growth Areas

## Short Term Capacity – Western Bay of Plenty District - June 2020 – June 2023

Development capacity is assessed for the short term to account for currently zoned and serviced vacant greenfield land in the areas shown as Generations 1 - 3 in Figure 4-6, as well as accounting for the current rate of development in the rural, lifestyle and small settlement areas<sup>50</sup> that make up the balance of the district.

Allocations for growth in the respective greenfield areas - and capacities remaining - are shown in Table 4-12 for the short term. These levels of allocation account for provision of housing at densities of around 15 dwellings/ha which is assessed as currently market feasible in all the greenfield areas and confirmed by the rate of uptake and nature of development in recent years. This equates broadly to an 80/20 split of stand-alone vs. multi-unit housing typologies.

All the areas in the short term are plan enabled, infrastructure ready and commercially feasible. Ōmokoroa has the largest capacity remaining with 50% in the short term followed by Katikati with 39% remaining. Infrastructure development in Te Puke Structure Plan 3 will commence in 2021, with a projected uptake of 264 dwellings in the short term.

**Table 4-12:** Short term capacity table Western Bay of Plenty District

Urban Growth Area	Estimated Yield – Total Dwellings	June 2020 Total dwellings (existing and consented)	Remaining capacity at June 2020	Protected uptake July 2020 – June 2023	Estimated remaining capacity at June 2023	% Remaining at June 2023
Waihi Beach	3,553	2,980	573	172	401	11%
Katikati*	3,988	2,288	1,700	138	1,562	39%
Ōmokoroa**	5,385	2,068	3,317	612	2,705	50%
Te Puke***	4,387	3,067	1,320	264	1,056	24%
<b>Sub-Total (Greenfield UGAs)</b>	<b>17,313</b>	<b>10,403</b>	<b>6,910</b>	<b>1,186</b>	<b>5,724</b>	<b>33%</b>
Rural/Lifestyle/ Small Settlements	-	-	-	378	-	

\*Katikati capacity calculation includes the Park Road dairy farm and Tetley Road orchard.

\*\*Ōmokoroa – Total includes Stage 1, 2 and 3

\*\*\*Te Puke includes Stage 3 Structure Plan and Future Urban Areas

<sup>50</sup> Small settlements are scattered around largely harbour locations with some rural settlements in the eastern corridor.

## Medium Term Capacity – Western Bay of Plenty District - June 2023 – June 2030

In the medium term, additional development capacity is expected to be released for the Ōmokoroa, Katikati and Te Puke areas. The required infrastructure elements to serve these new growth areas are being included in the 2021-2031 Long Term Plan. Ōmokoroa Stage 3 Structure Plan will commence at the end of the short term with parts of the infrastructure done by 2023. The infrastructure requirements for these areas are shown indicatively in Table 4-13.

All the areas in the medium term are plan enabled and infrastructure ready.

**Table 4-13:** Indicative Infrastructure Requirements for Ōmokoroa, Te Puke and Katikati (Generation 3 and 4) Growth Areas

Area	Council Infrastructure	Other Infrastructure
<b>Ōmokoroa – Generation 3</b>	Wastewater trunk main extension Water supply bore, reservoir and water main extension. Stormwater ponds Rural roads upgrades Public transport facilities  Cost estimate: \$50m	Internal infrastructure developer funded  State Highway 2 intersection upgrade Active reserve Passive recreation amenities Destination playground Indoor sports facility Library Community centre
<b>Te Puke Generation 3 and 4</b>	Wastewater trunk main extension Water supply bore, reservoir and water main extension. Stormwater ponds  Cost estimate: \$30m (to check)	Internal infrastructure developer funded
<b>Katikati – Generation 4</b>	Wastewater upgrade Watermain Rural road upgrades  Cost estimate: \$20m	Internal infrastructure developer funded  Active reserve Passive recreation amenities Destination playground

With regard to development within the rural, lifestyle and small settlement areas of the district, it is anticipated that the proportion of total growth attributed to these areas will reduce significantly over time – from around 24% currently to around less than 5% in the long term time period. This is attributed to the lifestyle areas filling up and a continuation of the controls for creating new lifestyle sections in the general rural area that were introduced through the 2<sup>nd</sup> Generation District Plan taking hold.

Accounting for the factors outlined above, Table 4-14 provides the estimated uptake in the medium term.

**Table 4-14: Medium Term Capacity Table – Western Bay of Plenty District**

Urban Growth Area	Estimated Yield – Total Dwellings	June 2023 total dwellings (estimated)	Remaining capacity at June 2023	Protected uptake July 2023 – June 2030	Estimated remaining capacity at June 2030	% Remaining at June 2030
Waihi Beach	3,553	3,152	401	102	299	8%
Katikati*	3,988	2,426	1,562	288	1,274	32%
Ōmokoroa**	5,385	2,680	2,705	1,416	1,289	24%
Te Puke***	4,387	3,331	1,056	882	174	4%
<b>Sub-Total (Greenfield UGAs)</b>	<b>17,313</b>	<b>11,589</b>	<b>5,724</b>	<b>2,688</b>	<b>3,036</b>	<b>18%</b>
Rural/Lifestyle/ Small Settlements				311		

\* Katikati capacity calculation include the Park Road dairy farm and Tetley Road orchard.

\*\* Ōmokoroa – Total includes Stage 1,2 and 3

\*\*\* Te Puke include Stage 3 Structure Plan and Future Urban Areas

The medium term capacity assessment indicates that in the aggregate there will be several years capacity remaining at the end of the medium term period for Katikati (with 32% remaining) and Ōmokoroa (with 24% remaining). This equates to significantly more than the 20% margin required by the NPS-UD. In the medium term the housing densities will increase to around 20-25 dwellings/ha which equates to broadly to a 60/40 split of stand-alone vs. multi-unit housing typologies.

Development capacity in the Waihi Beach town reduces to a very low level by the end of the medium term. This signals that to meet demand it is likely that new development capacity will need to be provided for Waihi Beach early in the long-term time period if it is decided that the area continues to grow from a demand point of view and is feasible.

This will require lead-in work to commence within the medium term, including structure planning in preparation for rezoning the next generation of growth areas. This HBA signals that this should be a consideration for the Future Development Strategy in 2024.

Most of the uptake of the Generation 3 capacity in Te Puke will be completed during the medium term, with 5 years left in the long term. Beyond this, future capacity in the Eastern Corridor will be in the new eastern town and more work to be done in the Structure Plan, to look at intensification/ infill opportunities in Te Puke.

## Long Term Capacity – Western Bay of Plenty District - June 2030 – June 2050

This HBA housing assessment indicates that Western Bay of Plenty District will need to consider further capacity in different areas with the Ōmokoroa urban area reaching full capacity in 2045<sup>51</sup> while Katikati will have enough capacity after 2050. This long-term capacity scenario is outlined in Table 4-15.

### Long Term Sufficiency of Development Capacity for Western Bay of Plenty District

The demand projections for the Western Bay of Plenty District indicate that development capacity is required for around 2,550 dwellings (~2,950 with 15% margin required by the NPS-UD) during the long-term time period. Table 4-15 indicates that there will be sufficient total development capacity to cater for this demand. The Western Bay of Plenty Council will also be responsive to town specific capacity requirements through release of Generation 4 areas in Waihi Beach, Katikati and Te Puke.

The Generation 4 growth areas are highlighted to indicate they need to be enabled for development through plan changes and infrastructure provision in order to strictly comply with the NPS-UD definition of development capacity for the long term. The likelihood for the development of the Generation 4 areas in Katikati and Waihi Beach need to be investigated due to possible high infrastructure cost and natural hazards.

**Table 4-15: Potential Areas for Long-Term Development Capacity for Western Bay of Plenty District**

Growth Area	Potential Additional Household Capacity	Potential Future Urban Growth Areas (Indicative Sequencing)
<b>Remaining Capacity in Urban Growth Areas</b>	1,270 dwellings 1,290 dwellings	Katikati (Generation 3) Ōmokoroa (Generation 3 and 4)
<b>Northern</b>	300 dwellings ~ 1,100 dwellings ~ 500 dwellings	Waihi Beach Katikati (Generation 4) Waihi Beach (Generation 4)
<b>Eastern</b>	170 dwellings ~ 1,500 dwellings	Te Puke Te Puke (Generation 4)
<b>Rural/Lifestyle/Small Settlements</b>	40 dwellings	Rural Lifestyle Zones Small Settlements
<b>Total</b>	<b>3,070 dwellings</b>	

<sup>51</sup> As per 2021-2031 Long Term Plan projections

## Housing Capacity Assessment - Sub-region Overview

The capacity assessment for housing indicates that the short and medium term development capacity will be insufficient, for Tauranga City unless the areas of Te Tumu and Tauriko West are brought online as per the current SmartGrowth settlement pattern<sup>52</sup>. Similarly, for the Western Bay of Plenty District the current settlement pattern will provide sufficient development capacity in the short and medium terms provided that the Generation 4 growth areas for Katikati and Ōmokoroa are brought online.

In the long term, the Western Bay of Plenty District will have sufficient capacity, with the continued growth of Ōmokoroa accounting for around 70% of available development capacity. Opening up the Generation 4 areas in Te Puke and Waihi Beach, as already signalled in the Regional Policy Statement, will also ensure that there is sufficient capacity in all four townships to meet demand.

Tauranga City faces a more fluid set of challenges in the long term. In terms of balancing the location of future greenfield urban growth areas, a strategic alignment between the location of housing and employment is desirable. This would suggest that growth in the eastern and western corridors is preferable to the southern corridor – although further growth in the southern corridor may facilitate better provision of business activity and community facilities serving that catchment.

Tauranga also faces a significant challenge in terms of balancing growth in greenfield areas with intensification of the existing urban area. Both UFTI and the SmartGrowth Housing Acton Plan sets a strategic direction that seeks to increase the proportion of growth that is accommodated within the existing urban area. The demand profile for housing into the long term paints a challenging picture in terms of providing more smaller homes and improving housing affordability. Different urban form outcomes, including the balance between greenfield growth and intensification, will deliver different benefits in terms of typology, location and price point of housing to serve a rapidly changing demographic profile.

A summary of the capacity assessment for housing for the sub-region is provided below.

**Table 4.16:** Summary of Housing Capacity for the western Bay of Plenty sub-region.

	<b>Short Term Housing Capacity</b> <i>June 2020 – June 2023</i>	<b>Medium Term Housing Capacity</b> <i>June 2023 – June 2030</i>	<b>Long Term Housing Capacity</b> <i>June 2030 – June 2050</i>
<b>Tauranga City</b>	<b>Projected Short Term Demand (+20%):</b> 3,590 dwellings (4,310 dwellings)	<b>Projected Medium Term Demand (+20%):</b> 7,880 dwellings (9,450 dwellings)	<b>Projected Long Term Demand (+15%):</b> 15,060 dwellings (17,320 dwellings)
	Projected uptake of zoned and serviced greenfield areas: 2,470 dwellings	Projected uptake of capacity of zoned and serviced greenfield areas: 3,245 dwellings	Remaining capacity of zoned and serviced greenfield areas (June 2050): 1,250 dwellings
	Projected infill/intensification uptake (20% of total growth):	<b>Additional Areas</b>	<b>Additional Area remaining capacity (June 2030)</b>

<sup>52</sup> Noting that Tauriko West was introduced to the SmartGrowth settlement pattern via the August 2016 update.

	720 dwellings	Te Tumu: 1,500 dwellings	Te Tumu: 4,500 dwellings
		Tauriko West: 1,500 dwellings	Tauriko West: 1,500 dwellings Keenan Road: 2,000 dwellings Ohauti South: 700 dwellings
		Projected infill/intensification uptake (36% of total growth):  2,840 dwellings	Projected infill/intensification uptake (40% - 60% of total growth):  6,000 – 9,000 dwellings
	<b>Total Short Term Capacity</b>  3,190 dwellings	<b>Total Medium Term Capacity</b>  9,085 dwellings	<b>Total Longer Term Capacity</b>  15,950 – 18,950 dwellings
Western Bay of Plenty	<b>Projected Short Term Demand (+20%):</b>  1,310 dwellings (1,570 dwellings)	<b>Projected Medium Term Demand (+20%):</b>  2,500 dwellings (3,000 dwellings)	<b>Projected Long Term Demand (+15%):</b>  2,550 dwellings (3,000 dwellings)
	Projected uptake of zoned and serviced greenfield areas: 1,190 dwellings	Projected uptake of zoned and serviced greenfield areas: 2,690 dwellings	Projected uptake of zoned and serviced greenfield areas: 2,480 dwellings
			Eastern Corridor: 1,500 dwellings (Te Puke) Northern Corridor: Up to 1,100 dwellings (Katikati) Up to 500 dwellings (Waihi Beach)
	Projected uptake of rural/lifestyle and small settlements (24% of total growth): 380 dwellings	Projected uptake of rural/lifestyle and small settlements (10% of total growth): 310 dwellings	Projected uptake of rural/lifestyle and small settlements (less than 5% of total growth): 40 dwellings
	<b>Total Short Term Capacity</b>  1,560 dwellings	<b>Total Medium Term Capacity</b>  3,000 dwellings	<b>Total Longer Term Capacity</b>  2,520 - 5,620 dwellings
Total Capacity	<b>Projected Short Term Demand (+20%)</b>  4,900 dwellings (5,880 dwellings)	<b>Projected Medium Term Demand (+20%):</b>  10,380 dwellings (12,450 dwellings)	<b>Projected Longer Term Demand (+15%):</b>  17,610 dwellings (20,320 dwellings)
	<b>Total Short Term Capacity</b>  4,750 dwellings	<b>Total Medium Term Capacity</b>  12,085 dwellings	<b>Total Longer Term Capacity</b>  18,470 - 24,570 dwellings

As noted in the UFTI Final Report, longer-term greenfield growth within the subregion in the Eastern Corridor is proposed to be considered first to ensure there is balanced

growth across east and west. UFTI sets out that a new centre in the Eastern Corridor will be provided for ahead of sequencing of new development in the Northern and Western Corridors, which have greater challenges to resolve. Master planning for Te Puna has a timing of 20-30 years, with urbanisation in the Western Corridor beyond Tauriko West (including Upper Belk, Merrick and Joyce Roads) a timing of 10-20 years.

## Assessment of Sufficient Development Capacity for Housing

Table 4.17 below summarises housing sufficiency for Tauranga City in the short, medium and long term.

**Table 4.17: Housing sufficiency short, medium and long term, Tauranga City.**

<b>Tauranga City</b>				
	short	medium	long	Total
Housing Demand	3,589	7,882	15,062	<b>26,533</b>
Housing Demand incl margin	4,307	9,458	17,321	<b>31,087</b>
Housing Supply	Short term	Medium term	Long term	Total
Infill/ Intensification	718	2,838	7,230	<b>10,785</b>
Greenfield UGA's	2,470	6,245	9,949	<b>18,664</b>
Total	<b>3,188</b>	<b>9,083</b>	<b>17,179</b>	<b>29,449</b>
	Short term	Medium term	Long term	Total
Supply-Demand	-401	1,201	2,117	<b>2,916</b>
Supply-Demand incl. Margin	-1,119	-376	-143	<b>-1,637</b>

For Tauranga City the calculated housing sufficiency has determined a shortfall between demand and capacity over the next 3 years only, without adding in the competitive margin. This is based on an assumption as to the realisation of development and timing within development areas, release of additional Greenfield UGA capacity in the medium to longer term, and likely uptake of intensification opportunities. It relies on Proposed Plan Change 26 (Housing Choice) becoming operative largely in its current form.

While the medium term housing supply appears to be sufficient where the competitiveness margin is not applied, a slowdown in housing uptake is anticipated out to 2025/26 as most operative Greenfield UGA's near capacity. From 2025/26 higher than projected growth is expected as further Greenfield UGA's are assumed to be released (Te Tumu and Tauriko West) and higher levels of residential intensification realised, enabled and encouraged by City Plan Change 26: Housing Choice and Te Papa and Otumoetai spatial planning, to provide for pent-up demand. Changes have been made to the Tauranga City 2021-2031 LTP growth projections to account for this assumed housing slow down followed by a period of recovery out to 2031.

Table 4.18 below summarises housing sufficiency for Western Bay of Plenty District in the short, medium and long-term.

**Table 4.18:** Housing sufficiency short, medium and long term, Western Bay of Plenty District.

**Western Bay of Plenty District**

	short	medium	long	Total
Housing Demand	1,310	2,500	2,550	<b>6,360</b>
Housing Demand incl margin	<b>1,572</b>	<b>3,000</b>	<b>2,933</b>	<b>7,505</b>
Housing Supply	Short term	Medium term	Long term	Total
Rural/ Lifestyle/ Small Settlements	378	311	40	<b>729</b>
Greenfield UGA's	1,186	2,688	5,580	<b>9,454</b>
Total	<b>1,564</b>	<b>2,999</b>	<b>5,620</b>	<b>10,183</b>
	Short term	Medium term	Long term	Total
Supply-Demand	254	499	3,070	<b>3,823</b>
Supply-Demand incl. Margin	-8	-1	2,688	<b>2,679</b>

In Western Bay of Plenty District there is sufficient capacity for the short, medium and long term. When the competitive margins are taken into account a shortfall can occur and this will mean that some of the infrastructure and or new areas need to be brought forward.

There is sufficient capacity in the long term if Generation 4 areas are plan-enabled. Western Bay is strongly influenced by what happens in Tauranga City and planning has been done jointly to identify the urban form and transport network that will be delivered in the sub-region. Both Councils are progressing work that will see an increase in plan enabled, infrastructure ready and feasible land available in the market.

**Table 4.19:** Housing sufficiency short, medium and long term, Western Bay of Plenty sub-region.

**Western Bay of Plenty subregion**

	short	medium	long	Total
Housing Demand	4,899	10,382	17,612	<b>32,893</b>
Housing Demand incl margin	<b>5,879</b>	<b>12,458</b>	<b>20,254</b>	<b>38,591</b>
	Short term	Medium term	Long term	Total
Infill/ Intensification	718	2,838	7,230	<b>10,785</b>
Rural, Lifestyle, Small Settlement	378	311	40	<b>729</b>
UGA	3,656	8,933	15,569	<b>28,158</b>
Total	<b>4,752</b>	<b>12,082</b>	<b>22,839</b>	<b>39,672</b>
	Short term	Medium term	Long term	Total
Supply-Demand	-147	1,700	5,187	<b>6,739</b>
Supply-Demand incl. Margin	-1,127	-377	2,545	<b>1,041</b>

## Part 5 – Housing Bottom Lines

### Introduction

The National Policy Statement on Urban Development 2020 (NPS-UD) requires short-medium term and long term housing bottom lines to be set for.

Housing bottom lines must state the amount of development capacity that is sufficient to meet expected housing demand in tier 1 and tier 2 urban environments. Housing bottom lines are the development capacity for housing that is reasonably expected to be realised. For the Tauranga urban environment the housing bottom lines are presented in Table 5-1 below.

The short-medium and long-term housing bottom lines reflect the development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin.

These housing bottom lines must be based on the most recent housing and business development capacity assessments (HBAs). HBAs must be prepared every three years to ensure planning decisions are well-informed and in time to inform long-term plans.

These housing bottom lines represent the development that Tauranga City Council and Western Bay of Plenty District Council shall enable through their district plans, structure plans, growth and infrastructure strategies.

The NPS-UD requires that short-medium term housing bottom lines must be 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 and medium terms.

Long-term housing bottom lines must be the amount of feasible, reasonably expected to be realised development capacity that must be enabled to meet demand, along with the competitiveness margin.

**Table 5-1:** Housing Bottom Lines for Tauranga City and the Western Bay of Plenty District comprising the Tauranga urban environment.

Geographical Area	Housing bottom lines (additional number of new houses needed)		
	Short-medium term 2020-2030	Long-term 2020- 2050	30 Year-Total 2020 – 2050
<b>Tauranga City</b>	13,800	17,300	31,100
<b>Western Bay of Plenty District</b>	4,600	2,900	7,500
<b>Total for sub-region</b>	<b>18,400</b>	<b>20,200</b>	<b>38,600</b>

Policy 7 of the NPS UD 2020 requires that:

*Tier 1 and 2 local authorities set housing bottom lines for the short-medium term and the long term in their regional policy statements and district plans. Clause 3.6 provides further detail on how Policy 7 will be given effect to including that housing bottom lines must be based on information in the most recent publicly available HBA and the elements the various short-medium and long term must comprise.*

## Housing Bottom Lines Assessment

The housing bottom lines are less than the 2017 HBA assessment. Principally this reflects the 2018 Census and the increase in the number of persons per household. In other words, although the population expected in the short-medium term and longer-term is similar, less houses are needed for that same population.

The numbers include the competitiveness margins required by the NPS-UD.

The total from the 2017 HBA was 42,000 for Tga City and 10,000 for Western BOP District, including the 20% and 15% margins.

The decrease in the number of houses needed now compared with three years ago is due to the updated population projections (demand) and the Census increase in people per dwelling.

Specifically:

- The assumption around people per dwelling in response to the 2018 census, which reversed the trend from previous census (where this was decreasing) increasing to around 2.7 people per dwelling for Tga City.
- People per dwelling for the Western BOP District increased from 2013 (2.18) to 2018 (2.32).
- The 2018 Census showed less “unoccupancy” so assumptions around the level of occupancy has been amended, meaning less houses are needed as less will be unoccupied.
- The other was moving three years forward which moved us into the 2048-2053 projection period where the dwelling projection falls away significantly, and for Tauranga City excluding the recent relatively high dwelling growth to June 2020, with the balance of the 5 year projection period to June 2023 lower as a result.

# Part 6 - Analysis of Housing Market and Impact of Planning

## Introduction

Local authorities are required by the NPS-UD to analyse a range of housing market indicators, to increase their awareness of the effects of planning and infrastructure decisions. Two high-level pieces of analysis are required by this clause; the first focuses on how planning decisions and infrastructure affect the affordability and competitiveness of the local housing market (clause 3.23(1)); the second focuses on understanding how well the housing demands of different community groups are met by planning and infrastructure decisions (clause 3.23(2)).

The NPS-UD clause 3.23 requires:

*Understanding how planning decisions and the provision of infrastructure affect the affordability and competitiveness of the local housing market.*

Clause 3.23 (2) sets out that:

*"This analysis must include an assessment of how well the current and likely future demands for housing by Maori and different groups in the community are met, including the demand for different types and forms of housing."*

The most direct effect of planning on housing supply and prices is through the amount and location of land supply, together with the plan provisions for what is enabled on the land.

Other effects of local planning decisions include:

- Costs of providing housing which are affected by requirements such as building standards, site coverage, building height and bulk and location criteria
- Volume of housing supply, affected by zoned and serviced land
- Location and timing of capacity, which is affected by zoning and the provision of infrastructure.

The housing capacity assessment identifies how much land is plan enabled, infrastructure- ready, commercially feasible and reasonably expected to be realised.

For Tauranga City the analysis identifies a shortfall in capacity in the short term. For Western Bay of Plenty there is no immediate shortfall – however the Western Bay is strongly influenced by what happens in Tauranga City and planning has been done jointly to identify the urban form and transport network that will be delivered in the sub-region. Both Councils are progressing work that will see an increase in plan enabled, infrastructure ready and feasible land available in the market.

The extent to which this will address current and future demands for housing for Maori and other groups in the community is set out in the following sections. This analysis is undertaken in the context set out above regarding the primary effects of planning decisions and the provision of infrastructure on affordability and competitiveness.

Council's planning decisions influence housing because they are local regulations. District and City Plans and Regional Policy Statements can enable, restrict, or prevent land development for housing. They also have some influence over the typology of housing that is delivered. The impact of regulation is one factor in housing affordability

and competitiveness in the market. It is worth noting there are wider regional and national influences that are key determinants of housing affordability.

The provision of infrastructure also enables, restricts or prevents land development. It may also have an influence on housing typology. For example, good transport connections, schools and public amenities may support higher density housing. The provision of infrastructure is again only one factor in the affordability and competitiveness of the market at the local level.

Nature, scale and location of land use are key to the efficiency and sustainability of that economy, and planning has a key role in enabling where and when activity may occur. Constraints on capacity typically place upward pressure on the price of land and other resources, with obvious negative effects on affordability.

Planning also has a core role in minimising or avoiding externalities, minimising of avoiding transaction cost (especially the costs of movement of people and goods), enabling economies of scale and scope which are essential for efficient urban economies, and seeking efficient use of infrastructure.

Effects on urban efficiency go well beyond competitive commercial markets. Planning can act to set some of the wider parameters, within which the commercial market can operate, and it can manage the externalities and efficiencies that the commercial market alone cannot manage.

A competitive land market is one where there is choice for development, where land price is not artificially inflated through scarcity.

A well planned market means infrastructure and land use provision are aligned.

Well regulated means positive and negative external effects of land and resource use are considered in decision-making, and the costs of regulation are minimised and are commensurate to the benefits. Positive effects are productivity gains from economies of scale, and the benefits of proximity and access to urban amenities.

## Maori Housing

### Households

Across the Western Bay, 11-12% of households identify as Maori.<sup>53</sup> There are 5760 households that identify as Maori in Tauranga, and 2410 in the Western Bay<sup>54</sup>. The total number of Maori households is expected to increase to 8180 in Tauranga City (2420 more households) by 2050, and to 3110 (700 more households) in the Western Bay by 2050.

Households of Maori ethnicity are fairly evenly spread across the household types, with a marginally higher number of Maori households that are families with children, both two parent and single parent.

As a percentage of total households within each household type, there is a higher proportion of Maori households that are one parent and multi-family. 21% of all 1 parent households are Maori, and 21% of all multi-family households are Maori. This contrasts with single-person households where only 7% of all single-person households are Maori, and with couple-only households where 6.3% of total households are Maori.

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<sup>53</sup> 11% in Tauranga City, and 12% in the wider Western Bay of Plenty.

<sup>54</sup> As at June 2020.

## **Owned homes and rented homes**

In Tauranga more Maori households live in rented accommodation than in owned homes (45 % owned vs 55% non-owned). In the wider Western Bay, more Maori households live in homes they own (58% owned vs 42% non-owned). In both Tauranga and the Western Bay of Plenty the rate of home ownership for Maori households is significantly lower than for European households. This reflects the national trend of lower home ownership rates for Maori.

Older Maori are currently more likely to own their own homes. But given declining home ownership rates for younger generations it is likely that over time the proportion of older Maori households in rental accommodation will increase. While this is also the case for European households, the change is likely to be more pronounced for Maori as the percentage decline in home ownership has been higher for Maori than for European households.

Previous research has identified that when considering trends in home ownership, factors such as age of the key householders, household composition, and location need to be considered along with household income. Ethnicity alone is not a statistically significant variable. Personal and household incomes, however, do have a significant impact on housing outcomes. These are explored further in the following sections.

## **Likely Future demands for housing for Maori households**

The evidence suggests an increased demand for rental accommodation, along with potentially more demand for stock that can suit multi-family and parent/ children households.

While not directly related to planning decisions, Councils are cognisant of the need to understand the negative impacts of overcrowding.

Further research and analysis is needed to understand housing demand and preferences for Maori households.

## **Impacts of Planning**

### **Development of land that is in Trust ownership or multiply-owned**

Across the sub-region there have been several successful developments of land that is in Trust ownership or multiply-owned. This includes development of papakāinga, as well as more traditional residential subdivision with leasehold and shared equity arrangements in place. Both the district and city Plans currently include flexible policies for the development of papakāinga.

Both TCC and WBOPDC are considering their approaches to supporting the development of papakāinga through the reviews of District and City Plans. Along with Plans that enable development, funding for infrastructure is a significant constraint. Both Councils are also considering how policies for development contributions / financial contributions can cater for papakāinga. This could be through specific assessment of demands on infrastructure capacity, or targeted reductions or waivers to support project delivery.

Development of an Iwi Spatial Plan has also been funded and resourced to be carried out over the next two years. This should provide more detailed information on housing needs and opportunities.

## **Provision of rental accommodation**

Council planning decisions do not generally have a direct impact on whether dwellings are owned or rented, however the extent to which house prices drive demand for rental accommodation is something Councils need to be cognisant of. If fewer households are able to afford to purchase a home, more rental accommodation will be needed.

## **Low Income Households**

As the total number of households in Tauranga and the Western Bay increases, the proportion of total households earning less than \$50,000 per year is also projected to increase.

### **Tauranga**

The number of one-person households earning below \$30,000 per year is expected to increase from 13% to around 15% of all households. The share of households with incomes below \$50,000 is expected to increase from 36% to 39% of all households. Smaller households make up the bulk of the lower income households, increasing from 27% of all households now, to 31% of all households by 2050.

Most of the total growth in households is expected in lower-income households. One-person households are projected to account for 30% of the growth, and couple-only households will account for a further 35% of the growth. This change is significant. In the short term (to 2023) it equates to an additional 1960 households.

These changes are mainly driven by the impacts of an ageing population, which changes household demography. Between 2020 and 2050, 44% of the growth in households will be associated with households aged 75 years and over.

It must be noted that assessments of household income do not account for assets, so it doesn't factor in households that are 'asset rich, but cash poor'. However even taking this into account the changes are still concerning, in particular if declining rates of home ownership mean a relative reduction in households that are 'asset rich'.

### **Western Bay of Plenty**

The Western Bay follows a similar pattern to Tauranga City. The share of households with incomes below \$50,000 is even more pronounced, increasing from 35% of all households to 41% of all households by 2050.

66% of short term household growth (to 2023) in the Western Bay of Plenty is projected to be one-person and couple only households. This equates to an additional 1240 households. In the long term this growth will continue, with single-person and couple-only households accounting for 73% of all household growth to 2030, and 76% of all household growth to 2050.

## **Seasonal workers**

The Western Bay of Plenty economy uses a significant number of seasonal workers, mainly in the kiwifruit sector. Research carried out by the Institute for Business Research at the University of Waikato assessed that in 2015/16 the industry directly employed 5156 FTEs in the Bay of Plenty. This is projected to increase to 12,131 FTEs by 2029/30 – an average annual increase of 498 FTEs.

A significant proportion of these are seasonal workers. Analysis completed in 2016 for Western Bay of Plenty District Council estimated that companies used around 700 offsite beds to accommodate seasonal workers. This includes 85 properties that were owned or leased directly by companies, and a further 173 houses that companies found for seasonal workers. This equates to around 260 private dwellings being used for seasonal worker accommodation.

63% of the Bay of Plenty kiwifruit harvest is from Te Puke, and a further 16.5% are in Katikati, with 20.5% in the Tauranga area (likely to be Kaimai and Apata).

If the split in harvest is used to determine where private residences are likely to be used for seasonal worker accommodation, that would equate to 160 homes being used in Te Puke, 53 in Tauranga and 43 in the Katikati area.

The impact of this is felt most in Te Puke, where dwellings being used for seasonal worker accommodation could equate to around 5% of the total dwelling stock. Given the growth FTE's in the kiwifruit this could increase over the next 10 years.

### **Planning implications**

Local authorities do not have a direct influence on the provision of rental accommodation, however in partnership with central government and the industry, accommodation can be planned for.

Central government has introduced restrictions on the use of residential homes to accommodate RSE (Recognised Seasonal Employer) workers. The intention is for the sector to provide more purpose-built accommodation for RSE workers.

WBOPDC already has a post-harvest zone within the rural zone in the District Plan, which permits the establishment of large-scale seasonal worker accommodation. A balance is sought in the District Plan between enabling accommodation and ensuring that infrastructure is available to provide the additional capacity that is needed to cater for large scale accommodation.

Future planning for Te Puke and surrounds will consider the impact of seasonal workers on local accommodation and dwellings.

# Development Sector Views

## Introduction

Key Research was commissioned by Tauranga City Council in 2020 to engage with key residential land developers, high volume house builders and retirement village operators to assess the residential supply and demand pipeline for Tauranga City. The assessment was to provide commentary and collated data on market demand, supply and key trends (current and 3-5 years future outlook).

The Key Research assessment was completed in January 2021.

## Methodology

The methodology used to undertake the assessment included:

- ✓ Qualitative assessment: interviews with representatives of the Large-Scale House Building Companies, Land Developers and Retirement Villages Operators, who do business in Tauranga.
- ✓ Quantitative assessment: analysis of data provided by the Council regarding the number of consents and assessing it against the quantitative data collected through the interviews.
- ✓ Literature review: review of relevant reports and building market trends based on these and other publicly available data

For qualitative assessment 30 interviews were conducted across the industry:

- 14 interviews with Large-Scale House Building Companies
- 9 interviews with Residential Land Developers
- 7 interviews with Retirement Village Operators

## Key Findings

Below are the high-level findings that were derived through the assessment. The detailed results and recommendations can be found in the relevant sections of the report.

### Industry experience in the last 12 months

As was concluded by the independent assessment of residential capacity undertaken by Veros in 2019\* the overarching view of all surveyed is that there is insufficient development capacity to meet current and projected growth rates for housing development in Tauranga.

Further exacerbating the situation this year are:

- The demand for residential housing in Tauranga has increased in the last 12 months due to:
  - ✓ Continued population growth in Tauranga. Tauranga's location within the 'Golden Triangle'. Many New Zealanders are attracted to Tauranga for lifestyle choices as well as employment opportunities.
  - ✓ COVID-19 influencing large numbers of New Zealand citizens and residents who usually live overseas to return to the country.
  - ✓ Record low home loan interest rates enabling people to purchase property.

- COVID-19 affecting the market:

✓ During lockdown Retirement Village Operators were restricted from moving people into villages. At the same time there was an increase in the demand for Retirement Village living due to the benefits of safety and care provided for residents.

✓ During lockdown construction was halted. This caused delays in building development and obtaining consents, both of which are affecting businesses ability to reach targets this year.

✓ While economists predicted a potential downturn in the housing market, all businesses surveyed reported a positive year-to-date.

✓ Several smaller businesses surveyed downsized due to COVID-19 in order to sustain their current level of business. Many larger businesses were in a stable position.

### **Short term outlook**

- Findings in this report match those of Veros Report from 2019, stating there was an expected capacity of land for subdivision up to 2022 with the supply to be constrained from 2022 onwards. There is a strong demand for housing and a lessening supply, this would impact market prices, which are expected to continue to increase in the short term.

- As the next large Greenfields development is estimated to begin in 2025/2026 (Te Tumu and Tauriko West), the expectation is that prices will not decline as a result.

- Land developers, Retirement Village Operators and Large-Scale Housebuilders believe they will be able to meet their short-term targets with the remaining land that they own.

- It has been reported, that even though House Builders, Land Developers and Retirement Village Operators will reach their current sales' targets, they could be selling more if there was more land available. This indicates the growing demand and the lack of supply. However, as the pressure on supply and demand also impacts land and building costs, it was noted that the smaller developers could be outpriced.

### **Medium term outlook**

- It was difficult to gauge where the housing market would be in 3 to 5 years' time. The larger House Building companies believe they will be okay. However, smaller companies said it would depend on the land that becomes available.

- When the Te Tumu and Tauriko West projects start, there is a belief that things will pick up, however, until then the market is very uncertain. Developers are suggesting that intensification within the Te Papa Peninsula is where the focus should be. While House Builders agree, this is considered more expensive than greenfield development.

- Some builders believe there is a need for cheaper land/house and land packages due to a shortage of affordable housing and that the first home buyer's threshold to qualify for a first home welcome grant is too low for the area (currently \$550K). As a result, many potential first home buyers are being pushed out of the market and are moving elsewhere.

- With little to no new land available for purchase and development medium term, more land is being secured outside of Tauranga, in areas such as Te Puke, wider Western Bay of Plenty and the Waikato.

- Retirement Village Operators are preparing for a strong demand as Baby Boomers reach the age where they will consider moving into Retirement Villages.

### **Greenfields development**

- Greenfields development remains the key focus for both House Builders and Land Developers due to affordability and a high demand for all areas within Tauranga. The businesses that took part in the assessment stated that there are several reasons for the shortage of land available within greenfield areas.
- Potential development areas lack the required infrastructure / need better infrastructure such as roading and water (stormwater, supply and sewage).
- Issues were also noted concerning lengthy and inconsistent consent processes whereby Council is taking too long to release the land or releasing land in small amounts.

### **Infill / Intensification**

- The demand for residential housing in the areas of intensification has been rated between 8/10 and 10/10, however it is considered that Infill land is costly and at the higher end of the market. While demand is not as high as for standalone houses, attached houses such as duplexes and terraced houses are garnering more interest in areas such as Bethlehem.
- Due to the shortage of greenfield land for development, some developers and housebuilders are suggesting more intensification projects through the Te Papa peninsula such as apartment buildings, terraced housing and multi unit dwellings are required.

### **Retirement Villages**

- Demand for apartments and semi-detached units, as well as standalone houses in lifestyle communities, has increased exponentially in the last 12 months. The main reasons for increased demand are:

✓ More people aged 55+ wanting to move to the area due to soft climate, available infrastructure and reasonable pricing. Tauranga sits in the 'Golden Triangle' with good access to Auckland, Hamilton, the beach and other facilities making it an ideal place to retire.

✓ COVID-19 and fears related to personal and community safety and well-being have caused enquiry rates and demand for Retirement Villages to increase, not only in Tauranga but across the country due to the level of care and security associated with these types of homes.

✓ Prices of Retirement Village units and standalone houses within lifestyle communities are well below the market price for a house in the same area, while providing more benefits, including medical staff on site, community facilities and leisure activities.

- Operators are looking to re-develop existing sites to satisfy demand. Retirement Villages in the area follow the 'pre-sale' approach and create more housing as more demand comes in. Although the Retirement Village industry is 'well set' for the short term, with our respondents reporting they can meet their targets with the land they have currently available, Retirement Village Operators see a strong need in the medium term to acquire more land to open more sites and meet the demand.

## Building Companies

- Smaller scale builders that rely on the medium to high range of the market often build for clients who already have land, either through subdividing existing sections, or rebuilding on a section where a house has been removed. These builders believe that the demand for these sorts of builds will continue regardless of the land shortage.
- Affordable housing is becoming harder to build mainly due to land prices increasing. At the lower end of market houses / house and land packages are starting at around \$650,000 which is above the first home buyer's subsidy threshold of \$550,000.
- There is general sentiment that towards the end of 2021 house builders will struggle to find affordable land for building; available land is being bought quickly by the larger companies that are in a better financial position. Smaller businesses risk significant loss of business if they fail to purchase more land for the short to medium term.
- There is a view that Council has not done enough to ensure infrastructure and planning support growth at the required rate. Many find the consenting process a struggle to work with stating it takes too long to bring land to the market and there is difficulty getting land rezoned.

### Land developers

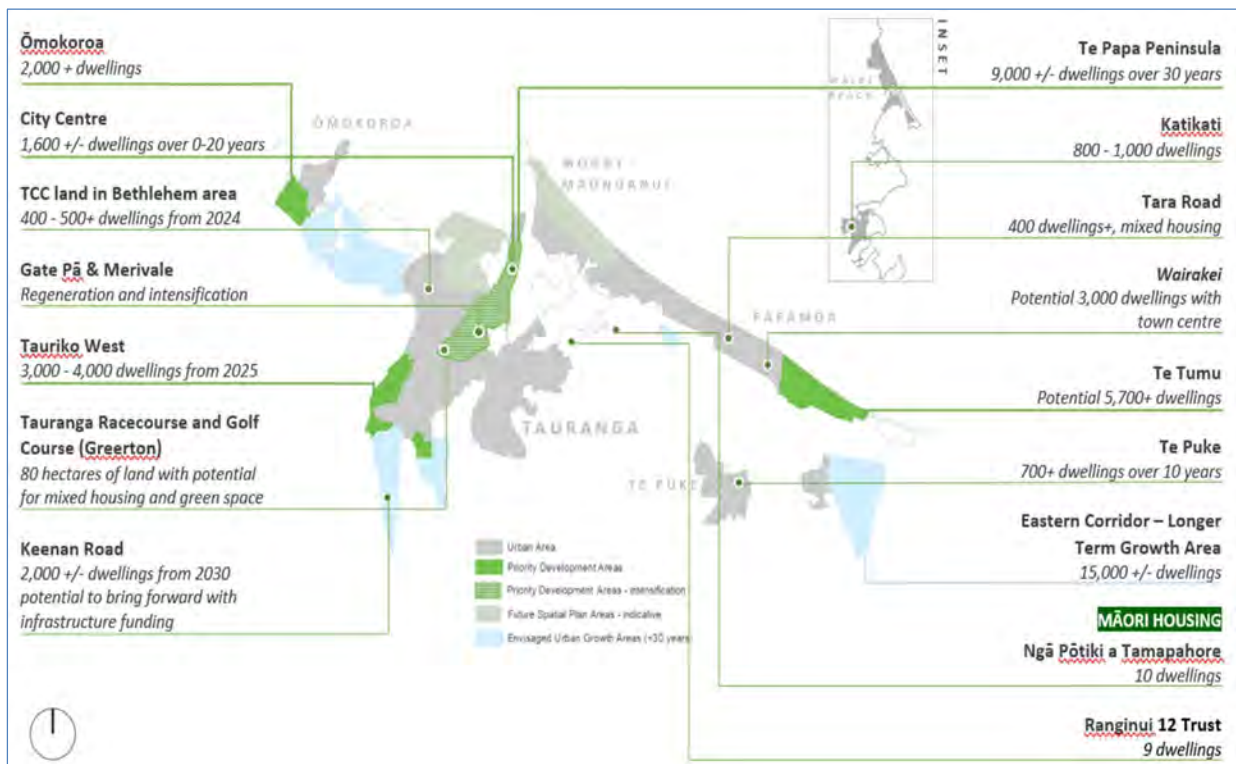
- Some companies that solely do land development have no more land to develop and have been, or are looking, to move their business to other areas such as the Western Bay of Plenty, Waikato or Hawkes Bay or move into commercial development.
- The sentiment is shared by many developers that the level of required infrastructure, such as roading and water, is not in place.
- Developers have been aware of the shortage of supply for some time.
- Many developers feel that Council has mismanaged the release of land.
- Some are concerned about the release of land to single developers creating a monopoly on the development in areas where competition could drive the development of competitive pricing.
- Where development land is scarce, vendors can charge a premium. When demand is less, land developers often rely on house building companies to sell sections as house and land packages. However, in the current market, demand is high enough that developers can sell without assistance.

## Response to Housing Demand

The most direct influence councils have is in using plan provisions for what is enabled to be developed. Council's structure plans set out projected densities and are working on delivering a range of typologies. Both Councils are anticipating that the changing household demographics and sizes will see an increased demand for one and two-bedroom dwellings, in particular where these are in locations that have good transport connections and public amenities. This is being addressed in structure plans for Greenfield urban growth areas and through brownfields development of existing urban areas (intensification). Both Councils are working on intensifying existing areas and delivering a range of typologies in greenfields areas, which may support delivery of typologies that are more suited to single-person and couple-only households that are of an older demographic.

In order to unlock greenfield opportunities and support intensification, significant investment is required in infrastructure. Tauranga City's balance sheet in particular is constrained by debt-to-revenue limits, combined with escalating infrastructure costs. It is beyond the ability of local government to fund all of the infrastructure investment required to support growth. This is compounded by the limited rates, development contributions and other funding options available.

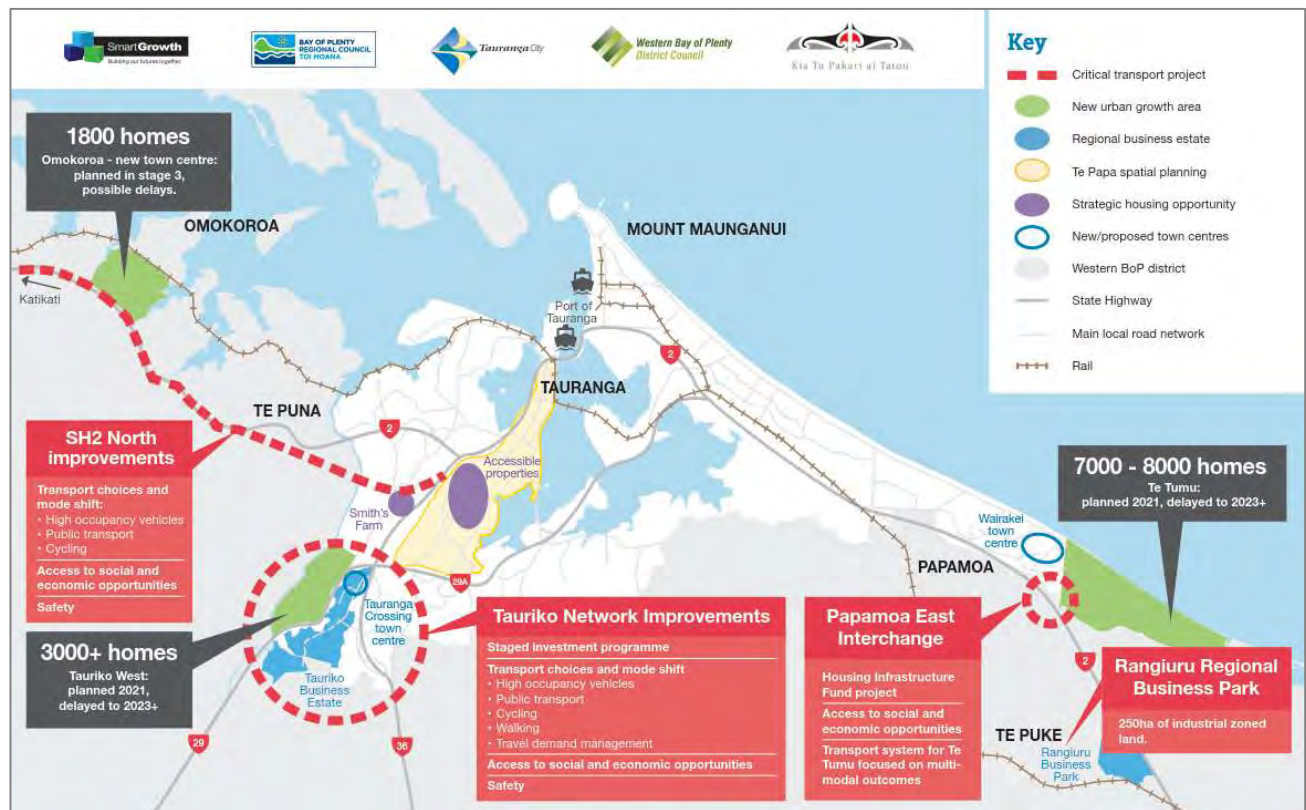
Figure 6-1 shows where development is underway or planned to realise the required development capacity for the western Bay of Plenty sub-region.



**Figure 6-1:** Map showing the stocktake of the Priority Development Areas, land development, market and affordable housing initiatives and that are underway or planned in the western Bay of Plenty sub-region from the SmartGrowth Housing Action Plan, July 2021 (see Appendix 5 for more details)

Significant coordinated infrastructure investment is required from local and central government to support growth in the subregion (e.g. Waka Kotahi and the Ministry of

Education). Waka Kotahi in particular has significant funding constraints and is presently unable to invest in a timely manner to support the western Bay of Plenty sub-region's growth. In particular the construction of the Northern arterial Road and State Highway 29 realignment and upgrading of arterial connections required for new greenfield growth areas (refer Figure 6-2).



**Figure 6-2:** Overview map of critical transport infrastructure needed to assist in unlocking urban growth areas in the western bay of Plenty sub-region.

Both Tauranga City Council and Western Bay of Plenty District Council are continuing to invest heavily in infrastructure and this is confirmed in their adopted 2021-2031 Long-term plans.

The sheer scale of growth creates a significant demand for housing. Residential growth has traditionally occurred through greenfield development, with standard infill occurring in existing urban areas. Greater yield in greenfield areas, such as Ōmokoroa, Te Puke, Wairakei and Kaitikati, is being achieved and is expected for future planned greenfield areas, such as Tauriko West, Te Tumu and Ōmokoroa Generation 4. Regulatory interventions through Resource Management Act planning process, such as Plan Change 26 (Housing Choice) currently being undertaken to enable higher density housing types, will see greater residential intensification being achieved in the medium to longer-term within existing urban areas of Tauranga City, in particular Te Papa.

The timeframe, urban planning requirements and investment required to ensure sufficient housing and business land supply and capacity to accommodate growth, while ensuring affordable options are available for our community, are significant and ongoing challenges.

Recent projects through the SmartGrowth partnership that are relevant to the planning response for the western Bay of Plenty subregion include the identification of Priority Development Areas (led by the Ministry of Housing and Development) and a Stocktake of significant growth areas, as to requirements to achieve realisable capacity and deliver built housing over the next 30 years.

In July 2021, the SmartGrowth Housing Action Plan<sup>55</sup> for the subregion was adopted by the SmartGrowth partnership of local government, tangata whenua and central government. The Housing Action Plan records that there will be a shortfall should new planned growth areas, such as Tauriko and Te Tumu not proceed, or uptake of intensification with Te Papa is delayed.

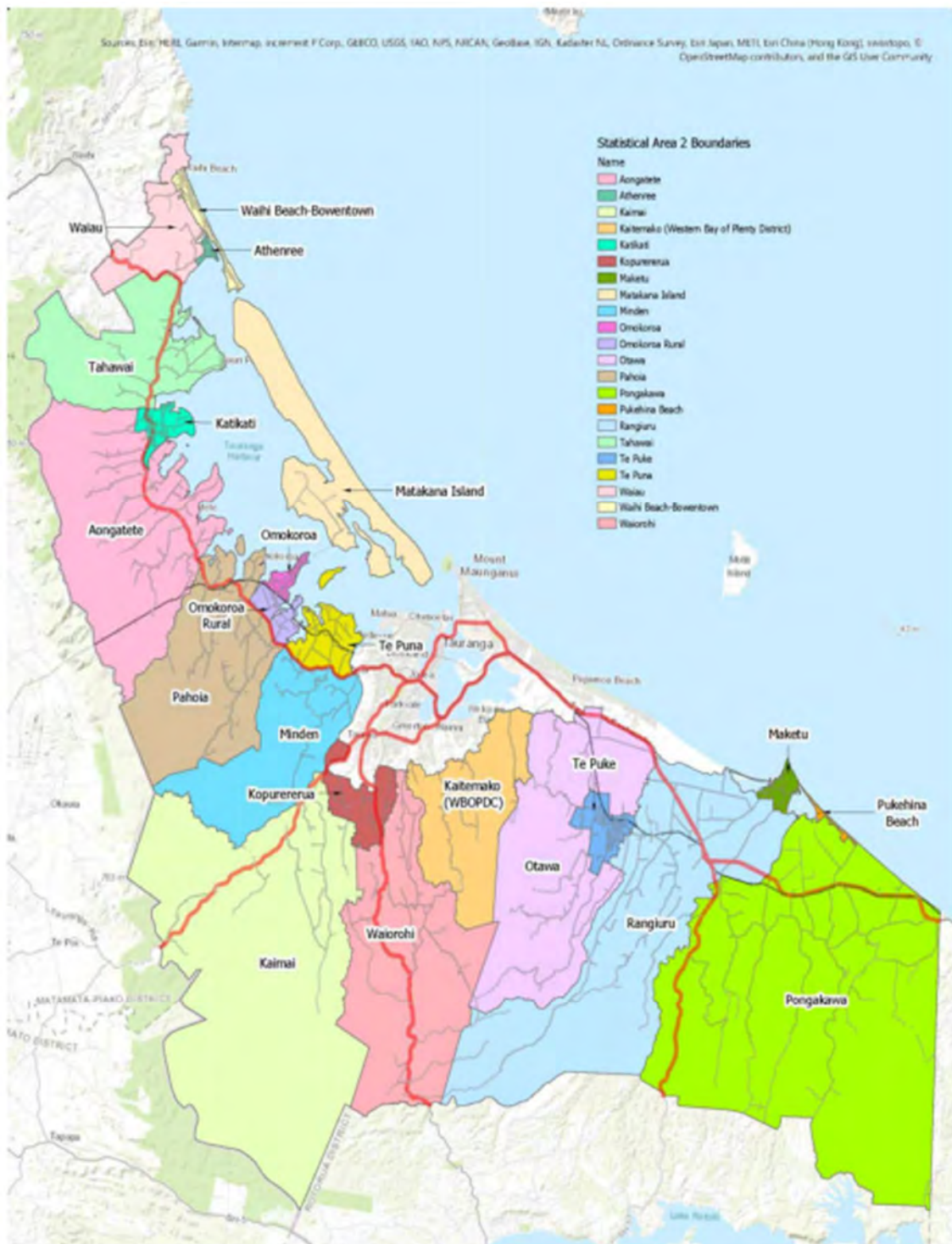
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<sup>55</sup> <https://smartgrowthbop.org.nz/>

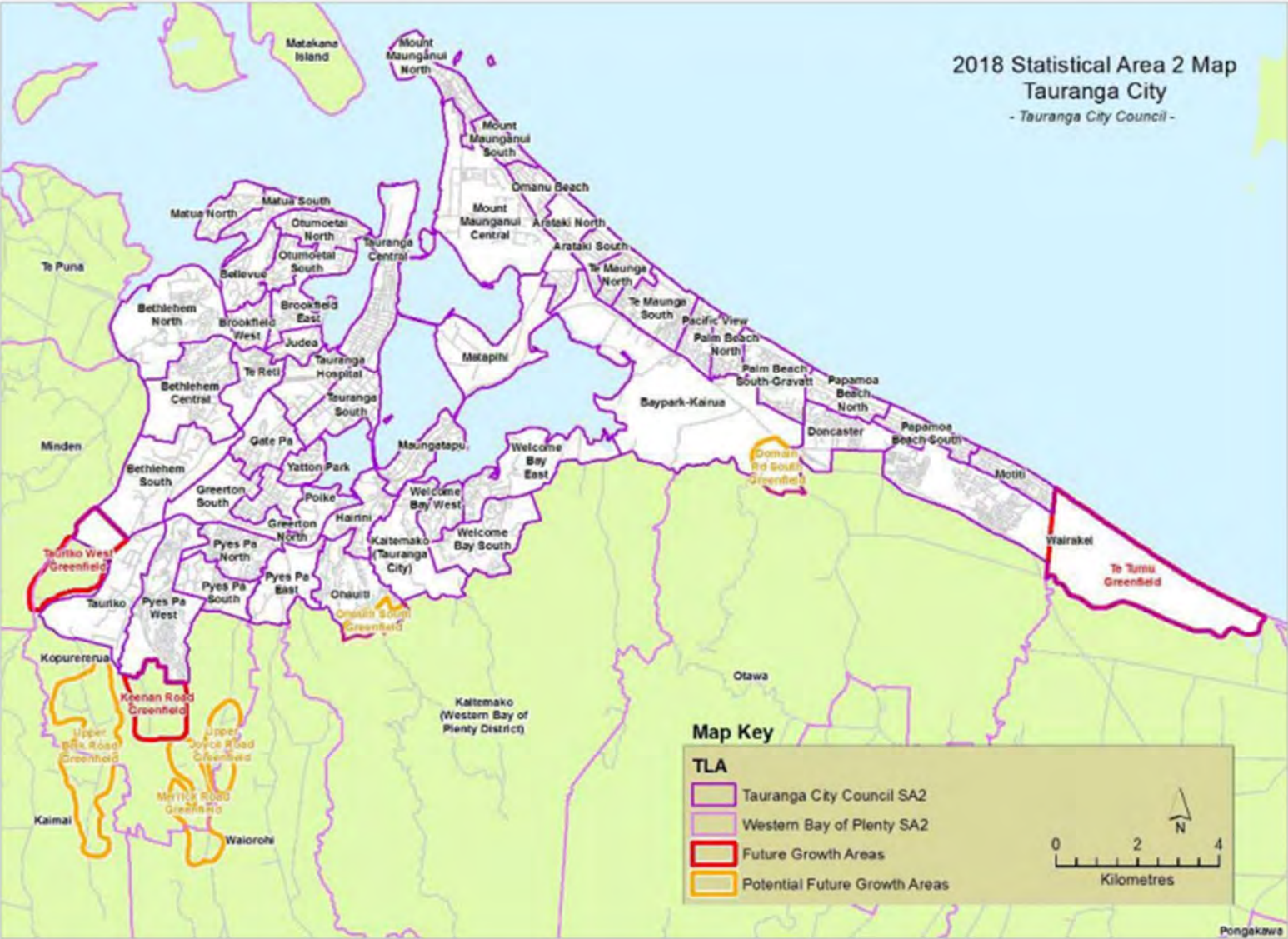
## Appendices

# Appendix 1: Western Bay of Plenty District and Tauranga City Statistical Area 2 maps

## Western Bay of Plenty District Statistical Area 2 Map



Tauranga City Statistical Area 2 Map



## Appendix 2: Key Information and Inputs

### Information Sources

Various information sources have been used to compile the SmartGrowth HBA housing assessment report.

Key information sources include:

- Housing Demand Assessment report for Kainga Ora, by Market Economics, 2 May 2021
- Residential Growth – Assessment of Options and Capacity Analysis, by Market Economics, 5 August 2020
- UFTI technical work, including Tangata Whenua Perspectives on Growth
- MHUD Dashboard
- SmartGrowth Stocktake
- Priority Development Areas.

Those information sources and available hyperlinks are provided in the table below.

Document title	HTML hyperlink reference
National documents	
National Policy Statement on Urban Development	<a href="https://environment.govt.nz/publications/national-policy-statement-on-urban-development-2020/">https://environment.govt.nz/publications/national-policy-statement-on-urban-development-2020/</a>
Guidance on Housing and Business Development Capacity Assessments (HBAs) under the National Policy Statement on Urban Development	<a href="https://environment.govt.nz/publications/guidance-on-housing-and-business-development-capacity-assessments-hbas-under-the-national-policy-statement-on-urban-development/">https://environment.govt.nz/publications/guidance-on-housing-and-business-development-capacity-assessments-hbas-under-the-national-policy-statement-on-urban-development/</a>
Regional documents	
Bay of Plenty Regional Policy Statement	<a href="https://www.boprc.govt.nz/your-council/plans-and-policies/policies/regional-policy-statement">https://www.boprc.govt.nz/your-council/plans-and-policies/policies/regional-policy-statement</a>
Sub-regional documents	
SmartGrowth 2013 Strategy	<a href="http://www.smartgrowthbop.org.nz/strategy/2013-strategy/">http://www.smartgrowthbop.org.nz/strategy/2013-strategy/</a>
Urban Form and Transport Initiative	<a href="https://ufti.org.nz/reports/">https://ufti.org.nz/reports/</a>
Housing Demand Assessment for Tauranga City and Western Bay of Plenty, May 2021	<a href="http://www.smartgrowthbop.org.nz/reports">http://www.smartgrowthbop.org.nz/reports</a>
Priority Development Areas (PDAs) assessment	<a href="http://www.smartgrowthbop.org.nz/reports">http://www.smartgrowthbop.org.nz/reports</a>
SmartGrowth Stocktake of Growth Areas	<a href="http://www.smartgrowthbop.org.nz/reports">http://www.smartgrowthbop.org.nz/reports</a>
SmartGrowth Housing Action Plan	<a href="http://www.smartgrowthbop.org.nz/reports">http://www.smartgrowthbop.org.nz/reports</a>

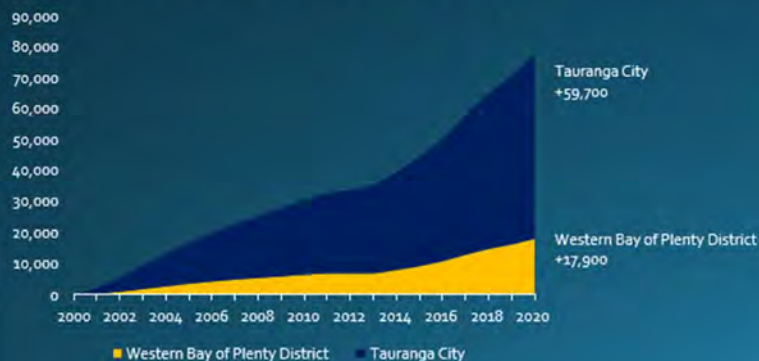
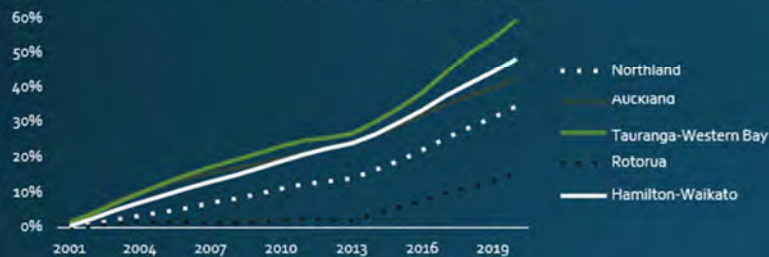
Western Bay of Plenty Housing Action Plan 2018	<a href="https://www.westernbay.govt.nz/repository/libraries/id:25p4fe6mo17q9stw0v5w/hierarchy/rules-regulations-licenses/bylaws-and-policies/documents/Housing%20Action%20Plan%20October%202018.pdf">https://www.westernbay.govt.nz/repository/libraries/id:25p4fe6mo17q9stw0v5w/hierarchy/rules-regulations-licenses/bylaws-and-policies/documents/Housing%20Action%20Plan%20October%202018.pdf</a>
Housing Capacity Assessment Tauranga City Residential Growth – Assessment of Options and Capacity Analysis, August 2021	<a href="https://www.tauranga.govt.nz/Portals/0/data/future/growth/housing-choice/files/pc26-appendix5.pdf">https://www.tauranga.govt.nz/Portals/0/data/future/growth/housing-choice/files/pc26-appendix5.pdf</a>
TCC City Centre Strategy 2012	<a href="https://www.tauranga.govt.nz/Portals/0/data/council/strategies/files/city_centre_strategy_full.pdf">https://www.tauranga.govt.nz/Portals/0/data/council/strategies/files/city_centre_strategy_full.pdf</a>
TCC Te Papa Spatial Plan 2020-2050	<a href="https://www.tauranga.govt.nz/Portals/0/data/future/te_papa/files/te-papa-spatial-plan-2020-2050.pdf">https://www.tauranga.govt.nz/Portals/0/data/future/te_papa/files/te-papa-spatial-plan-2020-2050.pdf</a>
Western Bay of Plenty homelessness strategy	<a href="https://www.tauranga.govt.nz/Portals/0/data/community/homelessness/homelessness-strategy.pdf">https://www.tauranga.govt.nz/Portals/0/data/community/homelessness/homelessness-strategy.pdf</a>
Draft Tauranga Urban Strategy 2018	<a href="#">Tauranga Urban strategy - Tauranga City Council</a>
Proposed SmartGrowth Future Development Strategy 2018	<a href="#">Future Development Strategy   SmartGrowth (smartgrowthbop.org.nz)</a>
<b>Research and Technical Reports</b>	
Residential supply and demand pipeline for Tauranga City, prepared for Tauranga City Council by Key Research, January 2021	<a href="https://www.tauranga.govt.nz/Portals/0/data/council/comissioners/files/key-research-housing-report.pdf">https://www.tauranga.govt.nz/Portals/0/data/council/comissioners/files/key-research-housing-report.pdf</a>
Tauranga/Western Bay of Plenty Housing Affordability Stress Outcomes, prepared for Accessible Properties Ltd by Livingstone and Associates, July 2020	<a href="https://www.tauranga.govt.nz/Portals/0/data/council/comissioners/files/key-research-housing-report.pdf">https://www.tauranga.govt.nz/Portals/0/data/council/comissioners/files/key-research-housing-report.pdf</a>
Population Projections, Tauranga City, April 2021	<a href="https://www.tauranga.govt.nz/Portals/0/data/council/reports/population-household-review-2021.pdf">https://www.tauranga.govt.nz/Portals/0/data/council/reports/population-household-review-2021.pdf</a>
Population Projections, Western Bay of Plenty District, May 2021	<a href="https://www.westernbay.govt.nz/repository/libraries/id:25p4fe6mo17q9stw0v5w/hierarchy/council/plans-and-strategies/Longtermplan2021-2031/Final_LTP_2021-2031/Chapter%20Two/Strategic%20Assumptions%202021-2031.pdf">https://www.westernbay.govt.nz/repository/libraries/id:25p4fe6mo17q9stw0v5w/hierarchy/council/plans-and-strategies/Longtermplan2021-2031/Final_LTP_2021-2031/Chapter%20Two/Strategic%20Assumptions%202021-2031.pdf</a>

## Appendix 3: The Housing Situation in Tauranga and the Western Bay of Plenty

### APPENDIX: The Housing Situation in Tauranga-Western Bay

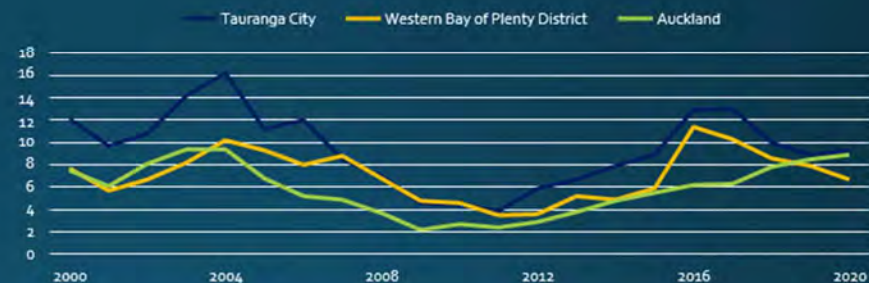
Tauranga-Western Bay has grown exceptionally quickly, outpaced only by Queenstown in terms of percentage population growth since 2000.

Cumulative percentage change in the estimated resident population since 2000

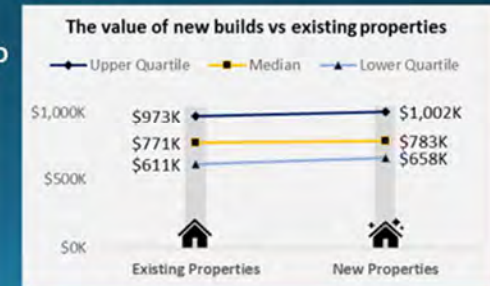


Construction activity in Tauranga-Western Bay has been strong for several decades relative to the rest of the country but is slowing. Opportunities for further development are constrained (more on this later).

Dwelling consents per 1,000 residents, 2000-2020



The values of existing properties are almost equal to those of new builds. New builds should be favourable investments but the cost of supply is still far too high to be affordable for many households.



# The Housing Situation in Tauranga-Western Bay

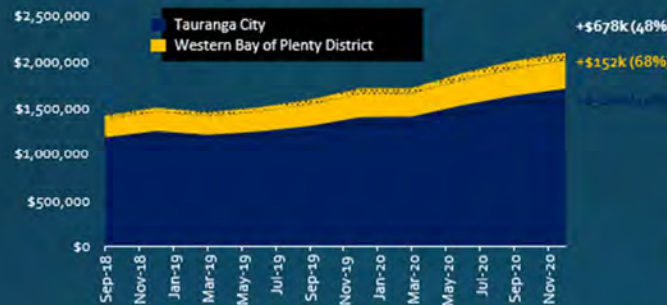
Median rents have grown by \$70 (15%) in Tauranga and \$100 (25%) in Western Bay since Jan 2019.

There are signs that many households in Tauranga are struggling to keep up with rising housing costs, although the extent of deprivation is not yet as marked as some other cities.

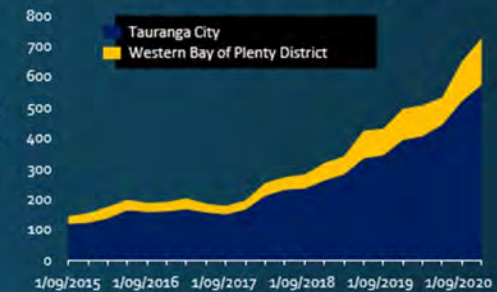
New housing supply at the high market rates shown earlier will do little to alleviate the housing stress faced by lower income households.

These people need cheaper housing than what the market can deliver.

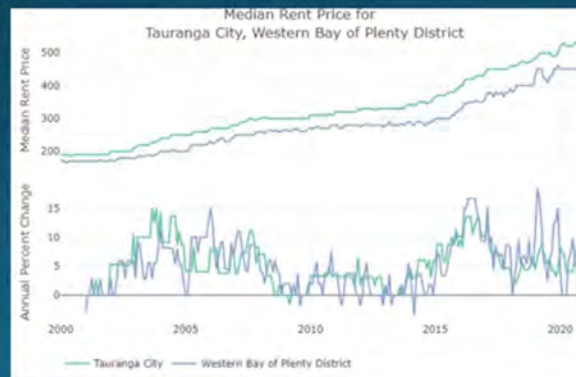
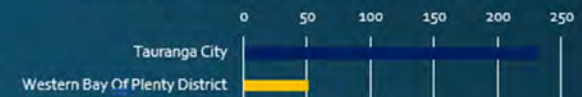
Growth in weekly accommodation supplement and temporary additional support spend since Sep 2018



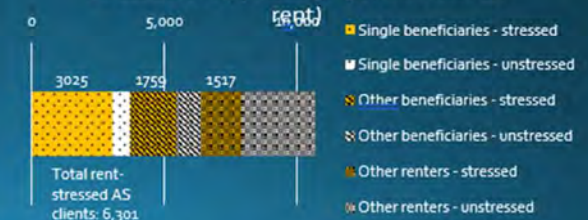
Public Housing Register, 2015-2020



Emergency Housing Grant Clients Q4 2020



Renting Accommodation Supplement clients by client characteristics and rent stress status (spending >50% income on rent)

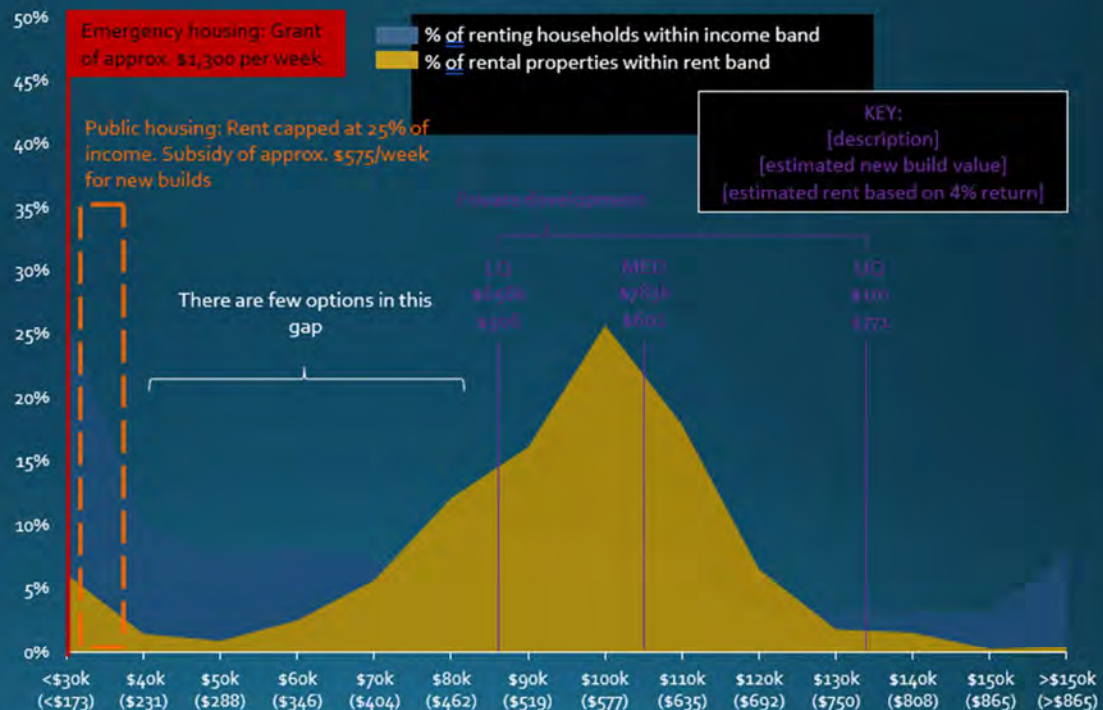


## The Housing Situation in Tauranga-Western Bay

There is a growing gap between the incomes of Tauranga's residents and the cost of housing the market is supplying. This leaves an ever growing group of households who must rely on government support to meet basic housing needs.

The graph to the right shows the proportion of private rental units lodged in 2020 at the upper threshold of affordability (30% of income) for different income brackets.

This shows that almost all recently tenanted market rental units are priced in the range of affordability for households earning above \$70k. There are relatively few rental options for the estimated 52% of households earning under \$70k. **This reveals a large gap between what the market is delivering and what people can afford.** This gap was not nearly so large seven years ago.



This axis shows the income threshold (top) and the corresponding affordable rent thresholds (bottom, in brackets). The height of the shaded area above each point on the axis shows the percentage of renters or rentals within that interval. For example, 6% of renting households earn \$90k-\$100k and 26% of rentals cost between \$519-\$577.

# Appendix 4a: Maximum Feasible Capacity

The table below presents the maximum feasible capacity in Subunit Growth Areas using the residential capacity assessment undertaken by Market Economics for Tauranga City (August 2019).

	2019					
	SngDwl	SngDwl	Duplex	Duplex	Apartment	Apartment
Subunit Growth Area	Redev	Infill + Vacant	Redevelopment	Infill + Vacant	Redev	Infill + Vacant
Tauranga West Intensification Area	-	1,380	-	930	60	7,245
Tauranga Central Intensification Area	-	605	70	830	50	6,450
Mt Maunganui Intensification Area	-	240	-	315	200	1,435
Infill/ intensification outside Intensification Area	25	1,395	425	1,440	10	2,895
Infill/ intensification Subtotal	25	3,620	495	3,515	320	18,025
Welcome Bay UGA	60	715	180	380	-	2,805
Pyes Pa & Pyes Pa West UGA **	-	940	-	1,335	-	1,180
Papamoa & Wairakei UGA **	-	1,865	-	5,685	285	6,335
Ohauti UGA & Hairini Infill (outside IA) **	10	775	205	715	-	1,775
Bethlehem UGA	-	735	-	605	-	1,915
UGA Subtotal	70	5,030	385	8,720	285	14,010
Total	95	8,650	880	12,235	605	32,035

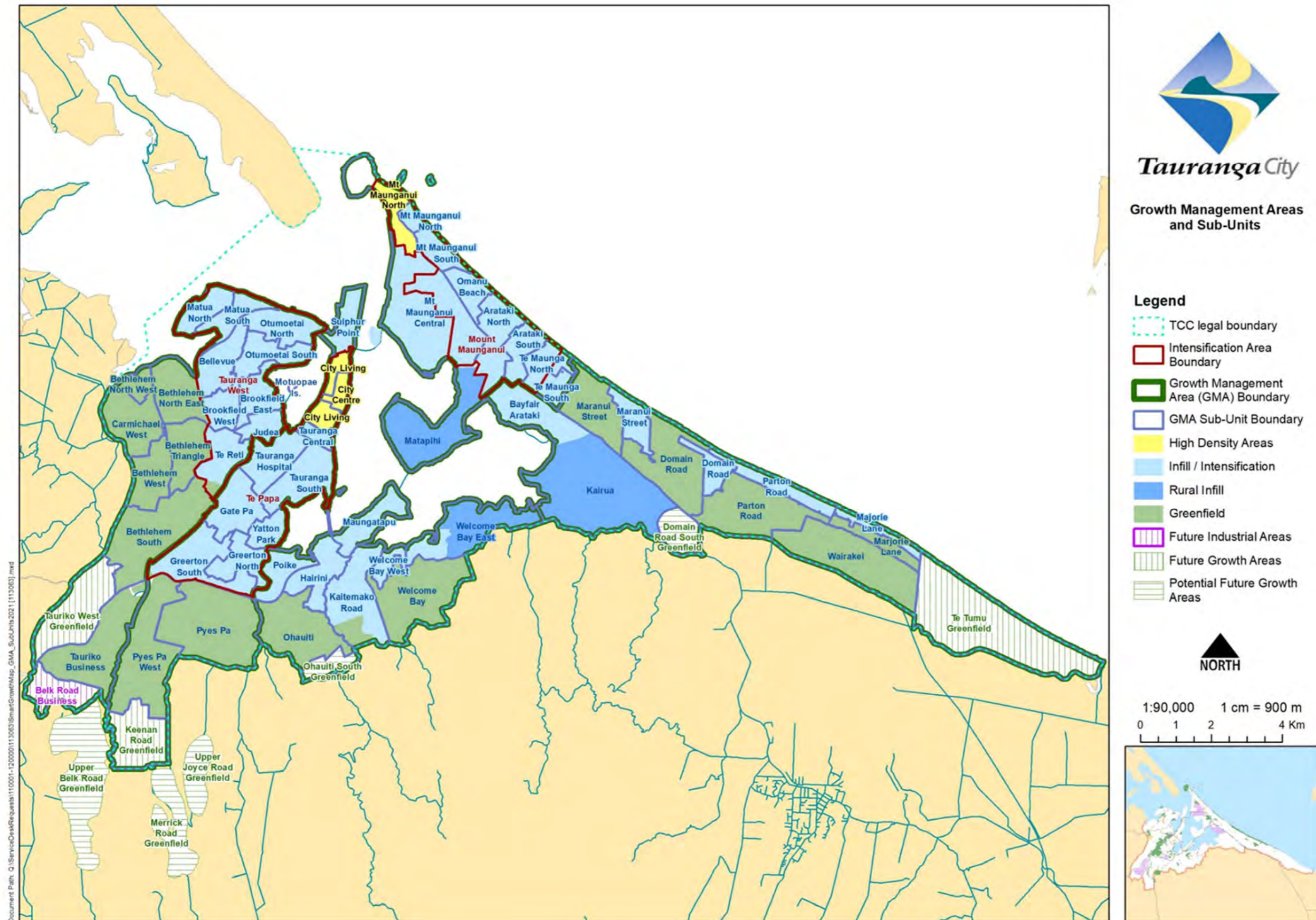
2022					
SngDwl	SngDwl	Duplex	Duplex	Apartment	Apartment
Redev	Infill + Vacant	Redev	Infill + Vacant	Redev	Infill + Vacant
365	1,730	-	940	55,355	7,715
5	625	1,595	835	40,370	6,450
5	320	10	325	28,860	1,445
385	1,430	1,210	1,495	13,345	3,405
760	4,105	2,815	3,595	137,930	19,015
540	790	620	820	4,890	3,030
-	1,135	40	1,535	-	1,495
-	1,875	495	5,805	31,900	6,335
330	1,100	665	1,425	2,880	1,780
-	790	-	650	195	2,055
870	5,690	1,820	10,235	39,865	14,695
1,630	9,795	4,635	13,830	177,795	33,710

2029					
SngDwl	SngDwl	Duplex	Duplex	Apartment	Apartment
Redev	Infill + Vacant	Redev	Infill + Vacant	Redev	Infill + Vacant
3,195	1,900	2,255	1,030	103,680	8,780
260	820	6,680	935	61,240	6,455
1,295	365	115	335	32,095	1,545
860	1,460	2,725	1,695	22,685	3,690
5,610	4,545	11,775	3,995	219,700	20,470
1,410	820	4,380	1,080	34,200	3,390
10	1,320	1,975	1,800	2,465	1,495
-	1,885	7,645	6,435	44,145	6,890
595	1,190	3,540	1,630	12,310	1,970
355	985	115	690	26,975	2,210
2,370	6,200	17,655	11,635	120,095	15,955
7,980	10,745	29,430	15,630	339,795	36,425

2030		
SngDwl	SngDwl	Duplex
Redeve	Infill + Vacant	Redev
4,485	1,920	16,935
1,800	985	9,265
1,530	385	8,500
995	1,500	3,425
8,810	4,790	38,125
1,515	890	5,275
1,100	1,415	4,765
-	1,965	13,570
1,295	1,200	4,280
1,485	1,005	4,640
5,395	6,475	32,530
14,205	11,265	70,655

\*\* The base information for the capacity assessment was at Census Area Unit which meant that several Greenfield UGA's and an Infill/ Intensification area could not be split out from the information.

## Appendix 4b: Tauranga City Subunit Growth Area Map



# Appendix 5: Western Bay of Plenty sub-region summary of expected housing opportunities by timeframe, location and type.

(from SmartGrowth Housing Action Plan, July 2021 – Appendix III)

HIGH CERTAINTY			MEDIUM CERTAINTY			LOW CERTAINTY						
Location	Years 0 – 3			Years 4 - 6			Years 7 - 10			Year 11 - 30	Year 30 +	Total
	Private	Social / Affordable	Total Yrs 0 - 3	Private	Social / Affordable	Total Yrs 4 – 6	Private	Social / Affordable	Total Yrs 7 – 10			
Te Papa – City Centre	Yes	Possible	200	Yes	Possible	200	Yes	Possible	200	1000+		1,600+
Te Papa and existing urban areas: Gate Pa / Pukehinahina Merivale Greerton Racecourse Elder Housing Throughout Te Papa corridor General intensification in suburban residential zone via PC 26	Yes	Yes	300	Yes	Yes	400	Yes	Yes	700	4000-11,000		5,400-12,400
Otumoetai & Mt Maunganui	Yes	Yes	TBD	Yes	Yes	TBD	Yes	Yes	TBD	TBD		TBD
Parau Farm (refer note below *)	-	-	-	Yes	Yes	165 - 250	Yes	Yes	335 - 500	0		500 - 750
Smith Farm (refer note below *)	-	-	-	Yes	Yes	50	Yes	Yes	210 - 250	0		260 - 300
Tauriko West			-	Yes	Possible	450	Yes	Possible	1,000	1,550 – 2,550		3000 – 4,000
Keenan Road	-	-	-	-	-	-	Yes	Possible	100	1,900		2,100
Upper Belk, Merrick, Joyce											10,000+	10,000+
Land adjoining Rowsdale	Yes	Possible	50 - 75	Yes	Possible	150 - 225	-	-	-	0		200 - 300
Ohauiti South	Yes	Possible	25 - 50	Yes	Possible	75 - 100	Yes	Possible	300 - 450	0		400 - 600
Wairakei & Wairakei Town Centre	Yes	Possible	600	Yes	Possible	650	Yes	Possible	850	900		3,000
Te Tumu			0	Yes	Possible	450	Yes	Possible	1,000	4,550 – 5,550		6,000 – 7,000
Tara Road				Yes	Yes	200	Yes	Yes	200			400
Bell Road							Yes	Possible	500	1500		2,000
Te Puke Social Housing		13+	13+									13+
Te Rūnanga o Ngāi te Rangi - Tangata Whenua social housing		Yes	8									
Ranginui 12 Trust papakāinga		Yes	9									
Ngā Pōtiki a Tamapahore affordable rentals		Yes	10									
Te Puke Structure Plan Area 3	Yes		350	Yes		350	Yes		350			700
Te Puke Future Urban Area							Yes		350			350
Te Puke Harris Street Extension				yes	possible	TBD						TBD
East new town – Paengaroa / Rangioru											10,000+	10,000+
Maketu – Te Arawa Lakes							300+		300+			300+
Katikati – Papakainga development								70	70			70
Katikati – elder housing		6 - 17										6 - 17
Katikati – Abbeyfield Trust		14	14									14
Moore Park Development		13	13									13
Katikati Residential									555			555

Ōmokoroa : Kaimai Terraces affordable housing development		25	25									25
Ōmokoroa Stage 3	Yes		280			290			400	1,030		2200
<b>Total</b>		<b>71 – 80+</b>	<b>1897 – 2,147+</b>			<b>3,430 – 3,615</b>		<b>70</b>	<b>5,890 – 6,145+</b>	<b>16,430 – 25,430+</b>	<b>20,000+</b>	

**\*(High certainty of one of Parau or Smiths proceeding)**

The table above summarises the housing delivery by timeframe and by level of certainty. In determining the certainty, the following factors have been considered:

<p><b>HIGH CERTAINTY:</b></p> <ul style="list-style-type: none"> <li>Land is zoned residential, or has high likelihood of being zoned within the next 2 years to enable the development</li> <li>Land is included in current capacity assessments – but has the ability for uptake to be accelerated.</li> <li>No significant ownership challenges and likelihood of willing landowner to progress development</li> <li>Infrastructure either in place or provided for in 2021 – 31 LTP</li> <li>Projects identified are assumed to have no significant barriers to progressing.</li> </ul>	<p><b>MEDIUM CERTAINTY:</b></p> <ul style="list-style-type: none"> <li>Zoning preparation (including structure planning) is well progressed and on track to proceed through formal processes</li> <li>Infrastructure investment is included in the 2021 – 31 LTP</li> <li>Barriers to development may exist but can be worked through with positive progress being made</li> </ul>	<p><b>LOW CERTAINTY:</b></p> <ul style="list-style-type: none"> <li>Zoning preparation not commenced or in very early stages</li> <li>Identified risks and unknown if these can be addressed (e.g. compliance with NPS's, RPS)</li> <li>Ownership challenges</li> </ul>
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## **Appendix 1b**

# **Technical Reports considered during the development of this report**

Rotorua Housing and Business Development Capacity Assessment, ME Consulting, 3 February 2022.



# Rotorua Housing and Business Development Capacity Assessment 2021

3 February 2022 – Final

m.e  
consulting

**ROTORUA**  
**LAKES COUNCIL**  
Te kaunihera o ngā roto o Rotorua



# Rotorua Housing and Business Development Capacity Assessment

Prepared for

Rotorua Lakes Council

Document reference: ROT007.20/HBA 2021/Report/Rotorua HBA 2021 Main Report FINAL

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Director approval: Natalie Hampson (3 February 2022)

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# Executive Summary

This report has been prepared by Market Economics (“M.E”) in collaboration with Rotorua Lakes Council to provide a robust assessment of Rotorua’s housing and business market in accordance with the requirements of the National Policy Statement on Urban Development 2020 (“NPS-UD”). It includes a detailed analysis of housing and business demand and supply patterns, including recent trends and future projections of demand over the short, medium, and long term (2020-2050). It quantifies capacity for additional housing and business development that is commercially feasible, serviced by infrastructure and reasonably expected to be realised. It addresses the sufficiency of that capacity to meet projected future demand for additional dwellings and business growth and it discusses the impact of Council planning and infrastructure on housing affordability and the competitiveness of the housing market as well as sufficiency of urban business zone capacity. A number of recommendations are provided to assist Council with future planning and decision making.

## Housing Demand and Supply

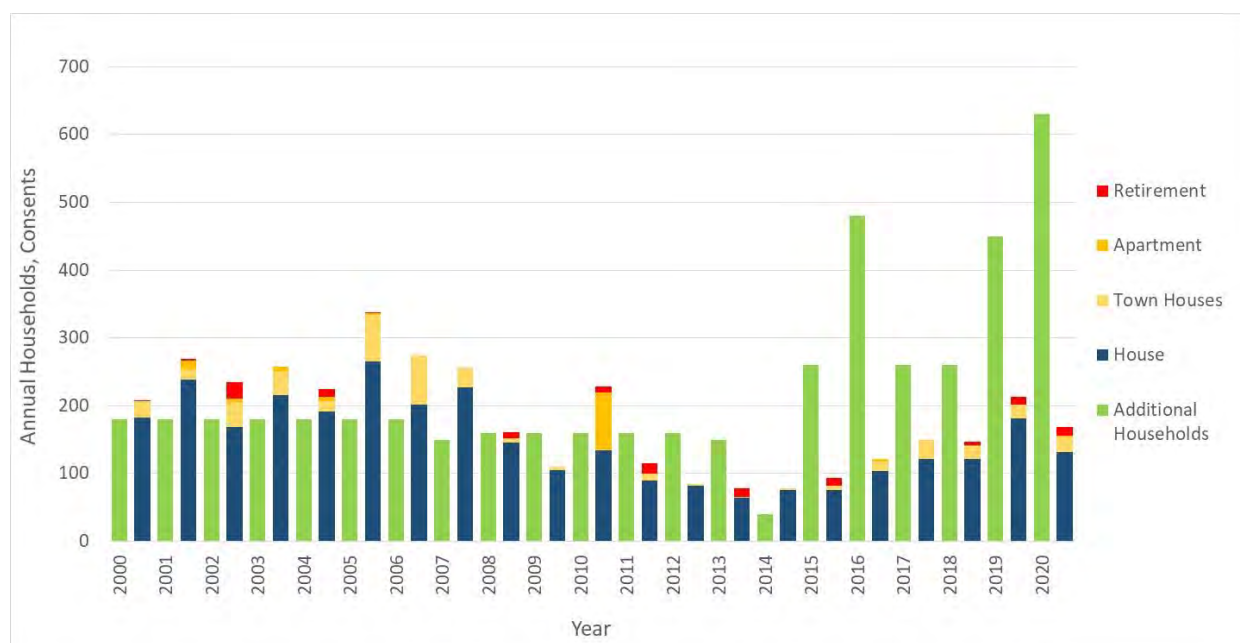
The current (2020) resident population of Rotorua District is estimated at 76,190, making up 29,000 resident households. Approximately 31% of the current population is of Māori ethnicity. The district is characterised by slightly lower than average household incomes. An estimated 37% of all households have incomes less than \$50,000 per annum compared to 34% nationally and while 20% of households have incomes above \$120,000 per annum, this too is lower than the national average (at just under 26%).

Dwelling ownership rates are higher for households of European ethnicity at nearly 70% overall compared with the Rotorua average of 63%. It is substantially higher than for households of Māori ethnicity (47%), Pacific ethnicity (41%) and Asian ethnicity (45%). Overall, 37% of resident houses in the district are rented and there is strong demand for public housing.

The total dwelling count of the district is estimated at 29,950, which provides for both resident households, private holiday homes and dwellings units used for short term accommodation. According to previous research though, there is a current housing shortfall (“latent demand”) of around 1,500 houses in the district (with upper estimates putting the shortfall at closer to 1,750). Many residents are being housed temporarily in motel units and Kāinga Ora have a long waiting list for households needing transitional and public housing in the district.

The escalation of a housing shortage is clear when comparing annual household growth with growth in residential dwelling consents over the past 20 years (Figure A). While there was substantial supply of new dwellings in Rotorua between 2000-2008 (around 250 consents per annum and well ahead of household growth), the number of consents fell dramatically following the GFC. The 2012-2015 period saw only 80-90 new consents issued annually. Dwelling consents have increased again in the last five years to around 150-200 per annum but this has been outstripped by strong annual household growth since 2015 – hence the local housing crisis.

Figure A – Annual Residential Building Consents Issued Compared to Household Growth in Rotorua District (Year Ending June)



Across the district, an estimated 88% of resident houses in 2020 are standalone (detached) dwellings and 12% are attached.<sup>1</sup> The attached dwellings occupied by resident households are mainly single storey and more than half of all attached dwellings are rental properties. When looking at dwelling consents issued in recent years, there has been very limited diversity in the typologies of houses being supplied in Rotorua, including almost no apartment dwelling units (despite being enabled by the plan) and relatively few retirement dwellings. Rotorua is lagging behind the national shift towards attached housing despite increasing demand for smaller and cheaper housing.

Since 2016, average new dwelling size has decreased by 10% but this is driven by slightly smaller standalone dwellings rather than an increase in attached housing consents. Correspondingly, average price per sqm for new dwellings has increased since 2016 by 30% in real terms, meaning a continuation of housing price rises in Rotorua with limited mitigation through changing housing typologies.

Kāinga Ora are well underway with their housing strategy to increase the supply of dwelling units (with a focus on more 1-2 bedroom dwellings) in urban Rotorua, with 50 new public houses recently completed, and at the time of drafting, around 190 more in the construction or early planning stages. This strategy is focussed on providing for the current waiting list and addressing a lack of emergency and transitional housing. Like the private housing development sector though, they are finding it challenging to deliver more attached housing in Rotorua under the current District Plan. This is discussed further below.

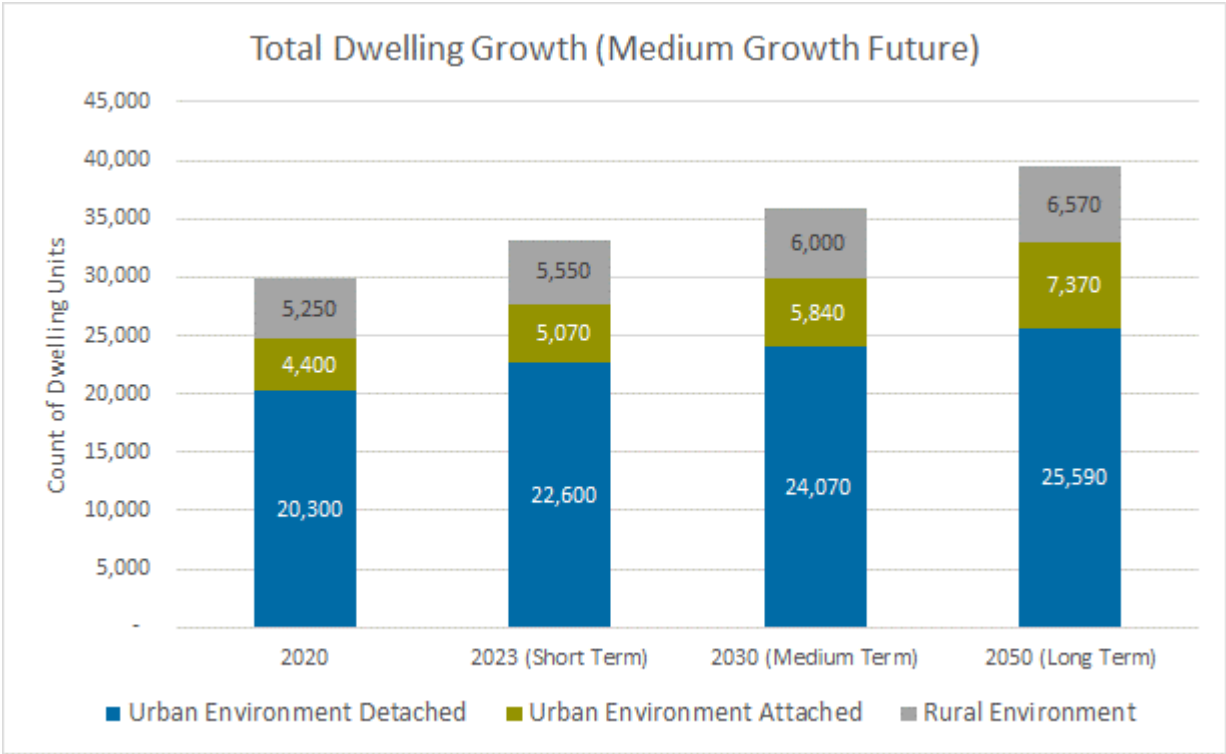
Over the next 30 years, the district is projected to have 14,400 more people or 7,800 more households. Like the rest of New Zealand, Rotorua is projected to have an ageing population. Couple and single person households are anticipated to account for over three quarters of housing growth over the long term which means changing demands for dwelling types and sizes. Those with lower incomes can be expected to make up a larger share of resident households in the long term than they do now, so delivering more affordable

<sup>1</sup> In the urban environment, attached housing makes up an estimated 14% of total dwellings.

housing will be increasingly important. With many Te Arawa people returning home to Rotorua the need for housing and in particular Papakāinga and Kōeke (“elder”) housing is also increasing.

Across the district, there is projected total demand for 9,570 additional dwellings by 2050, which includes the current latent demand (1,500 dwelling shortfall). Dwelling demand in the urban environment is expected to increase by 8,250 between 2020-2050 to meet resident and non-resident growth.

Figure B – Projected Growth in Total District and Urban Dwellings 2020-2050

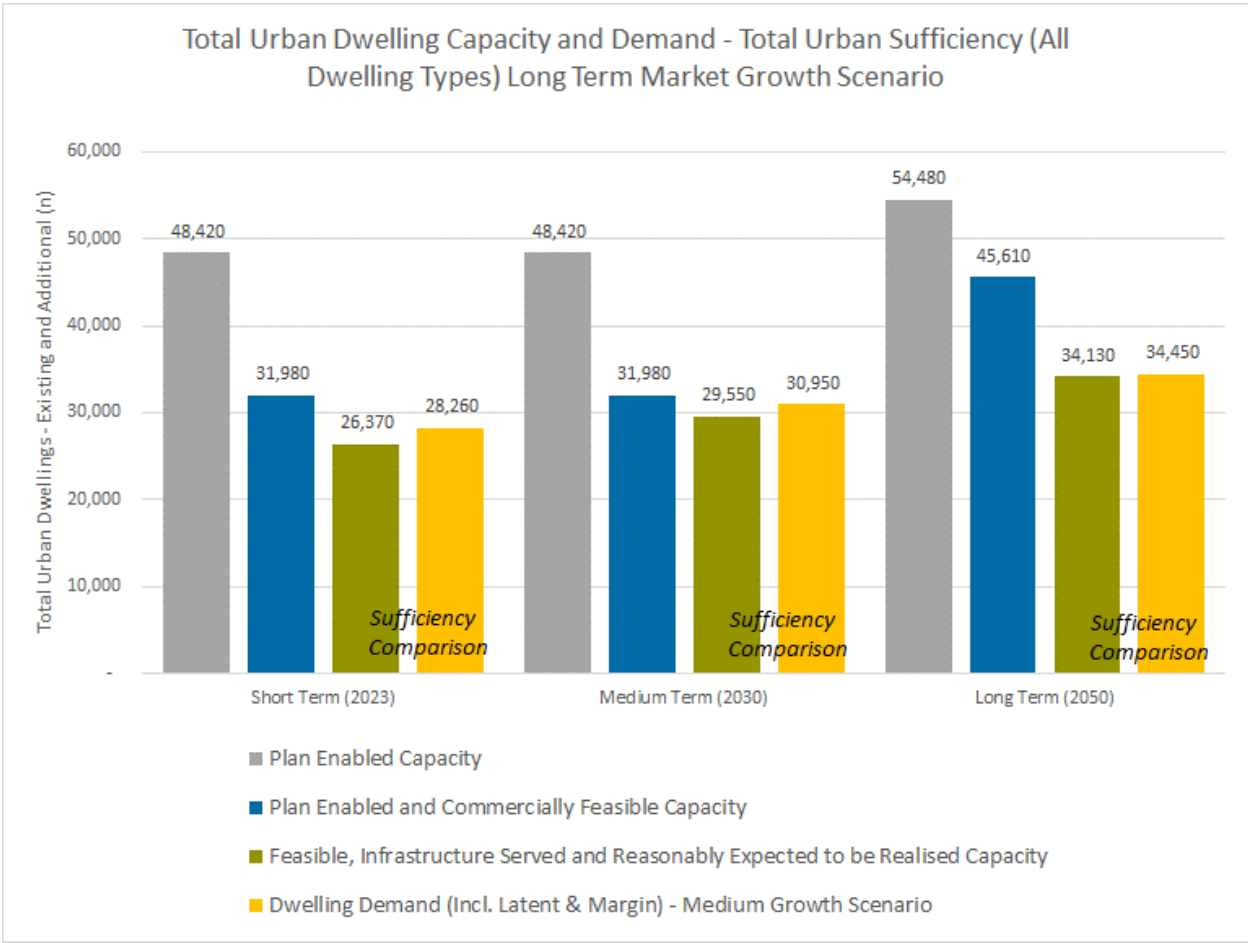


This includes projected demand for an additional 2,640 attached and 5,610 detached (standalone) urban dwellings to meet future community needs (and the current shortfall). The assumed shift in housing preferences towards more attached housing is a gradual one that could see attached housing in the urban area increase from an 14% share of total urban dwellings to an estimated 19% by 2050. The assumption reflects the low starting point of attached housing in 2020 and recent supply trends. If there is a material shift in the supply of attached housing in the next few years, this assumption would be reviewed for future HBAs and a stronger shift in preferences might be justified. In the meantime, current demand assumptions by housing type would not alter conclusions that current planning is constraining the development of attached housing in the Rotorua market. This is discussed further below.

**Housing Capacity and Sufficiency**

A key question for this HBA is whether the District Plan, combined with the 2018 Spatial Plan provides at least sufficient capacity to meet the projected housing demand in the urban environment, including by dwelling type and location. The HBA capacity assessment is summarised in Figure C which shows the results for the total urban environment (and all dwelling types) in the short, medium and long term, and is discussed further below.

Figure C – Urban Environment Dwelling Capacity Assessment Compared with Dwelling Demand



It was found that the District Plan *does* enable substantial capacity for housing growth across the urban environment, particularly for standalone dwellings due to the prevalence of the Residential 1 – low density housing zone.<sup>2</sup> The majority of that plan enabled capacity is in the existing urban areas in the form of infill or redevelopment capacity, including on under-utilised zoned land. It also includes significant capacity for apartment development in the central urban area (which has shown no signs of uptake in recent years). A moderate amount of plan enabled capacity for housing growth is in greenfield areas, with the Spatial Plan adding further greenfield capacity in the long term.

A key feature of the NPS-UD is the requirement to filter that plan enabled capacity (shown as the grey bars in Figure C) by what is commercially feasible to develop, infrastructure ready and reasonably expected to be realised by the market in the short, medium and long term. This filtering provides some valuable insights in the Rotorua context, although it is noted that the assessment must adhere to a strict approach as guided by the NPS-UD, including a need to assess feasibility according to current (2020) prices in the short to medium term (i.e., out to 2030), and in order for short term capacity to be infrastructure served, infrastructure must already be ‘in the ground’, with signalled investment in the next three years not qualifying as ‘infrastructure ready’ (this counts for the medium term only).

<sup>2</sup> While technically the Plan enables duplex housing in the Residential 1 Zone as a restricted discretionary activity, this often requires a notified consent which has been a significant deterrent. As such, the HBA assumes only detached housing is enabled in this zone.



Firstly, only 31% of plan enabled capacity in the short and medium term is estimated to be commercially feasible to develop (based on a combination of greenfield capacity and the maximum of either infill or redevelopment capacity). This is shown in the blue bars in Figure C. In the long term (i.e., by 2050), an estimated 70% of plan enabled capacity is estimated to be commercially feasible. This improved market performance arises because projected price rises in the long term assessment mean that a greater share of development options become feasible, and because indicative zone changes in the long term increase the amount of feasible capacity (particularly on greenfield land in Ngongotahā).

However, the key limiting factor for what capacity is likely to be commercially feasible in each time period is the leasehold nature of large areas of zoned residential land (whenua Māori) which does not achieve the required profit margin under a typical commercial development model due to lower sales prices. This is particularly relevant in reducing the long term residential growth potential in Eastern Rotorua where the Spatial Plan identifies a large area of whenua Māori for urban expansion.<sup>3</sup>

Current and planned development infrastructure further constrain what plan enabled and commercially feasible capacity is available to meet demand over time in Rotorua. This HBA focusses on the provision of three waters infrastructure<sup>4</sup>. Additional infrastructure (including community infrastructure such as parks, schools and community facilities, as well as power and telecommunications networks) has been considered and it is anticipated that it will be made available commensurate with future demand and not constrain future growth in Rotorua.

With regard to three waters infrastructure, the storm water network is known to be inadequate across parts of the urban environment and is something that Council are unable to resolve without external funding support (which they are actively seeking). As there are options to manage stormwater on-site, albeit at a cost to landowners through incorporation of retention ponds at the subdivision stage, or retention tanks at an individual property level, the HBA approach has been to account for stormwater management during the commercial feasibility modelling stage (discussed above), with the infrastructure ready capacity assessment focussed on the timing and capacity of wastewater and water supply infrastructure.

At a catchment level, the Council's infrastructure planning provides substantial capacity for residential (and employment) growth in the urban environment, although this is not to the full extent of what capacity is plan enabled. This catchment level capacity is achieved through planned water storage investments (in combination with water take consents) as well as upgrades to the wastewater treatment plan.

At a localised level however, the expansion of the three waters network to service current and indicative long term greenfield growth areas is not well aligned with the time frames being assessed in this HBA. This has a significant impact on what commercially feasible greenfield capacity in the short term can be considered infrastructure ready and reasonably expected to be realised in accordance with the NPS-UD. It essentially means that none of the greenfield capacity in the Pukehāngi Plan Change area or Upper Eastside

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<sup>3</sup> While there is potential for whenua Māori to be developed for housing, this would need to occur under different commercial and non-commercial arrangements than those captured in the HBA's commercial feasibility model.

<sup>4</sup> It is intended that future HBA updates will incorporate land transport infrastructure as another 'filter' of infrastructure ready capacity modelling.



can be counted in the short term assessment (when in reality, network expansion is planned within the short term (i.e., next three years)<sup>5</sup>.

In the long term, the greenfield capacity identified in the Spatial Plan for Ngongotahā would not be serviced by network infrastructure according to the current Infrastructure Strategy, so again, this otherwise feasible capacity is discounted from the assessment.

It is important to recognise that the HBA assessment applies a very black and white approach to what can and cannot be included in the capacity assessment in the short, medium and long term and that there is a degree of flexibility for Council to re-prioritise where localised network infrastructure expansion occurs to ensure that development of zoned land is not unduly constrained (particularly when there are no constraints with the overall capacity of the infrastructure network at a catchment level). The HBA is one tool to help Council calibrate and refine the timing of local level infrastructure projects going forward. Regular communication with land developers on their timing and intentions will always be important.

The last ‘filter’ of what capacity in the District Plan (and Spatial Plan) can provide for projected dwelling growth, is what capacity can reasonably be expected to be realised (“RER”) in each time period. This is shown in the green bars of Figure C. This estimate of final dwelling capacity is a scenario developed for this HBA that considers not only what plan enabled capacity is commercially feasible and infrastructure served in each location of the urban environment, but also recent supply trends projected forward. Care has been taken to consider the supply patterns (and revealed densities) occurring in greenfield areas relative to existing urban areas (i.e., the incidence of infill and redevelopment).

A key assumption of the RER scenario is that much of the capacity for apartments in the central urban area is unlikely to be realised, despite growing demand for attached housing in Rotorua. It is considered that demand for attached housing will be weighted more towards medium density attached housing (such as terraced and duplex housing) and not higher density apartment buildings.

It is considered that assuming that large numbers of apartments will be taken up by the community would significantly overstate the growth capacity of Rotorua given that there is a very limited apartment market presently, almost none have been consented in recent years, and the local development sector has no local expertise in delivering apartment builds in Rotorua (although may have had experience elsewhere in New Zealand). A further consideration is that the CBD is experiencing high levels of vacancies and feedback from developers is that there is a resistance to invest in the CBD which will hamper the potential for apartments to be realised through redevelopment. As such, only a modest share of feasible and serviced apartment capacity is included in the RER scenario.

It is acknowledged that a thirty year horizon is a long time to assume suppressed take-up of apartment capacity. Within that period, housing preferences may change to the extent that an apartment market develops in Rotorua. This HBA has taken a conservative approach, based on what can reasonably be assumed from existing trends. Future HBA updates will reassess this (and all other) assumptions based on the data available at that time.

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<sup>5</sup> The timing of Council’s network expansion in the Pukehāngi Plan Change area was planned to coincide with the developer’s own site works and would not therefore be holding up development.

The final RER dwelling capacity is summarised in Table 1 below and in Figure C. Based on the assessment requirements set out in the NPS-UD and the RER scenario that has been developed, it is estimated that there is RER capacity for 1,700 additional dwellings in the short term (to 2023), increasing to 4,800 dwellings in the medium term (to 2030) and increasing again to 9,400 dwellings in the long term (under a scenario where prices are projected to rise and influence feasibility).

*Table 1 – Reasonably Expected to be Realised Urban Residential Development Capacity Scenario*

Time Period	Area Type	RER Dwelling Capacity		
		Detached	Attached	Total
<b>Short-Term</b>	Greenfield and Underutilised Urban Land	700	90	800
	Existing Urban Brownfield	600	200	800
	<b>Total</b>	<b>1,300</b>	<b>300</b>	<b>1,700</b>
<b>Medium-Term</b>	Greenfield and Underutilised Urban Land	3,600	90	3,700
	Existing Urban Brownfield	700	500	1,200
	<b>Total</b>	<b>4,300</b>	<b>600</b>	<b>4,800</b>
<b>Long-Term: Current Prices Scenario</b>	Greenfield and Underutilised Urban Land	4,300	90	4,400
	Existing Urban Brownfield	900	800	1,700
	<b>Total</b>	<b>5,200</b>	<b>900</b>	<b>6,100</b>
<b>Long-Term: Market Growth Scenario</b>	Greenfield and Underutilised Urban Land	5,100	90	5,200
	Existing Urban Brownfield	2,700	1,500	4,200
	<b>Total</b>	<b>7,800</b>	<b>1,600</b>	<b>9,400</b>

*Source: M.E RLDC Capacity Model 2021.*

This capacity is not sufficient to meet all projected urban dwelling demand (inclusive of the required competitiveness margin of an additional 20% in the short and medium term and 15% in the long term (from 2031-2050)). The shortfalls in capacity are highlighted in Figure D. In the short term, the total shortfall is nearly 1,900 dwellings, with insufficient RER capacity for all detached and attached dwelling demand. This short term result is exacerbated by the inclusion of latent demand of 1,500 dwellings. Nonetheless, capacity to address this existing shortfall needs to be provided for on top of net additional housing growth.

In the medium term, the total shortfall is estimated at 1,400 dwellings. The shortfall for detached dwellings is small, but the shortfall of capacity for attached housing demand is more significant at nearly 1,000 dwellings.

In the long term (and assuming market growth), the net shortfall is significantly reduced. However, this is influenced by a surplus of detached housing capacity and a significant shortfall of capacity for attached housing.

Figure E shows how the RER capacity and demand (inclusive of the competitiveness margin) compares at the location<sup>6</sup> level across the urban environment in the long term. There is a substantial shortfall of capacity to meet demand in the central urban area, and this shortfall is for both detached and attached housing. In the western urban area, there is a net surplus of just 20 dwellings in the long term, but this is made up of a significant surplus of detached housing capacity and a significant shortfall of attached housing capacity. A similar situation applies in the eastern urban area where there is a net surplus of capacity of over 1,300

<sup>6</sup> Figure 1.3 of this report shows location boundaries.



dwelling capacity. In Ngongotahā, there is a minor net shortfall created by a surplus of detached housing but a slightly greater shortfall of attached housing capacity.

Figure D – Summary of Estimated Residential Capacity Shortfalls in the Urban Environment

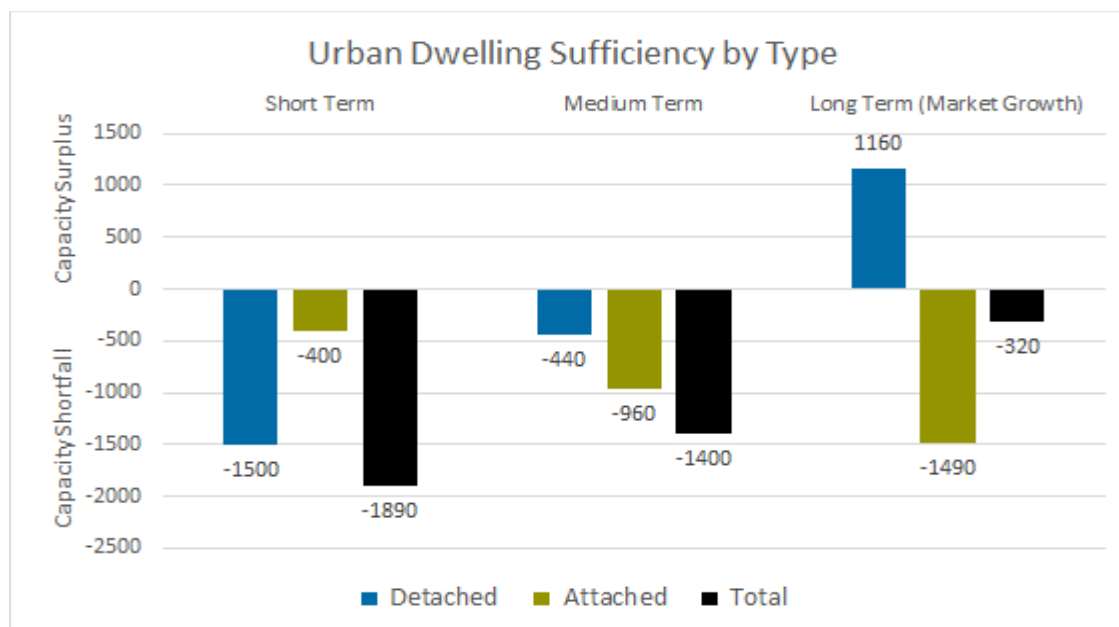
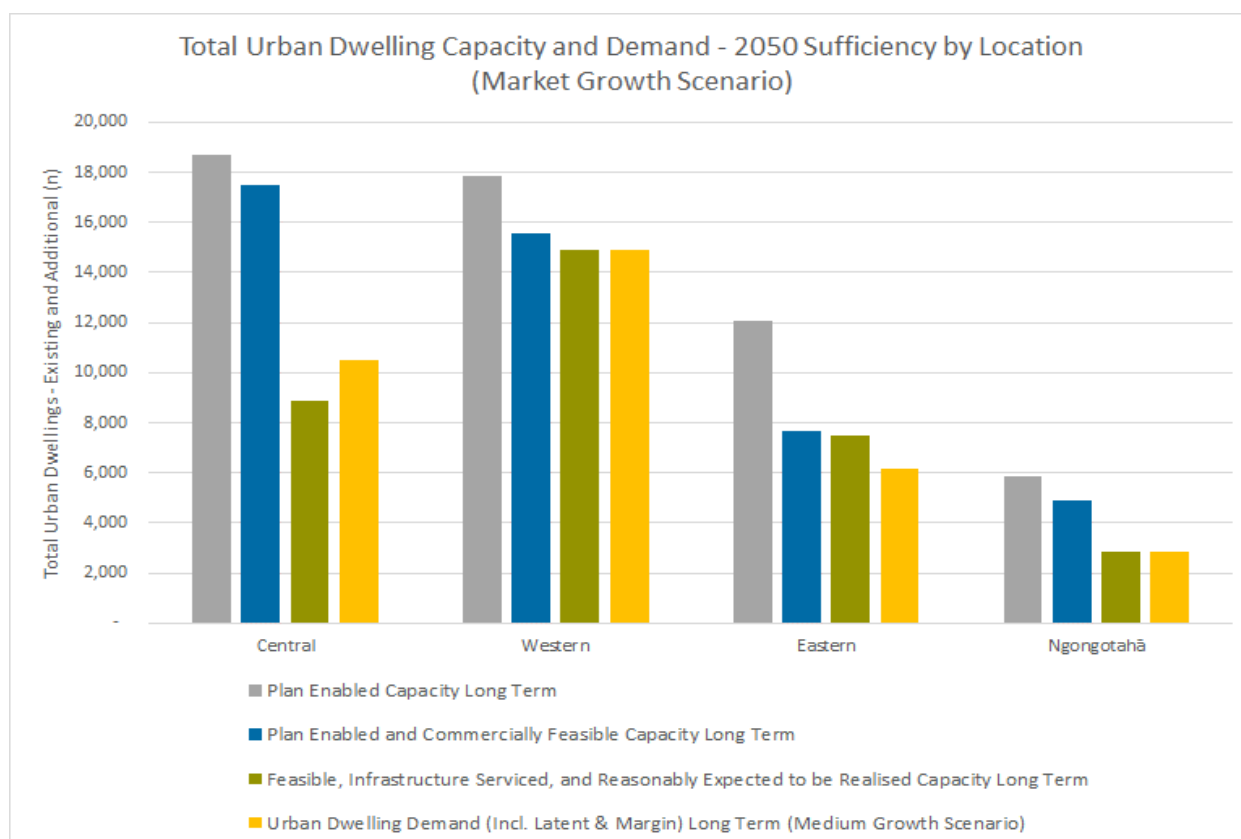



Figure E - Summary of Long Term Sufficiency of Urban Dwelling Capacity (All Types) by Location





While there is potential for some substitution of capacity across locations – where a shortfall in one location may be able to be met by a surplus in another location, this can only be achieved if those alternative locations are equally affordable. There are also indirect consequences, where people may end up living further from their jobs or social networks. There is however no ability to substitute locations for attached housing as all locations demonstrate a shortfall of capacity in the short to medium term, and the very minor surplus of 40 attached dwellings relative to demand in the Central area offers little help for the combined shortfall of -1,530 attached dwellings elsewhere in the urban environment.<sup>7</sup>

### **Housing Prices and Affordability**

Rotorua's residential dwelling values (and prices) are significantly lower than the national average (30-50% lower depending on the dwelling type).<sup>8</sup> Prices have increased at a slightly slower rate than the national average over the last 20 years (an average of 4.9% per annum cp 5.5% per annum respectively, inflation adjusted), although price rises have been closer to the national trend in the last year.

For this assessment, housing affordability has been estimated in terms of ownership affordability, for first home purchasers<sup>9</sup>. It is important to recognise that the first home buyer perspective does not represent the whole housing market. Households which already own a dwelling are generally much better placed than a first home buyer to purchase a second or subsequent dwelling, as they typically have reasonable equity in their existing dwelling, and the initial step into ownership is typically substantially greater than subsequent steps through the market to purchase a more valuable dwelling(s). This is supported by feedback from the local development sector who indicated that most buyers of new dwellings in Rotorua are not first home buyers.

It is estimated that 37% of resident households in 2020 (10,700 households) are in the non-owner category. Their ability to purchase a dwelling in Rotorua District has been assessed (irrespective of whether it is their intention to own a home or not). Simply, where household incomes rise faster than housing prices, then affordability improves. Where incomes lag behind housing price rises, then affordability declines.

The affordability modelling considers the whole housing estate over the long term (i.e., the 2020 estate and how these dwelling values are expected to change over time, as well as the incremental addition of new houses each year and their value changes over time). In terms of whether there is (or would be) sufficient feasible, serviced and reasonably expected to be realised housing capacity in price bands affordable for non-owner resident households to buy, the current situation is that there is a shortfall of housing in price bands below \$400,000 (-3,550 affordable dwellings in 2020, with the majority of these households in rental accommodation) (Figure F).

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<sup>7</sup> The net shortfall of attached dwelling capacity in the long term in the urban environment (market growth scenario) is -1,490.

<sup>8</sup> Although Rotorua's lifestyle properties are closer to the national average, but still lower at -20%.

<sup>9</sup> Rental affordability is also assessed in this HBA but is not summarised here.

Figure F - Current (2020) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District

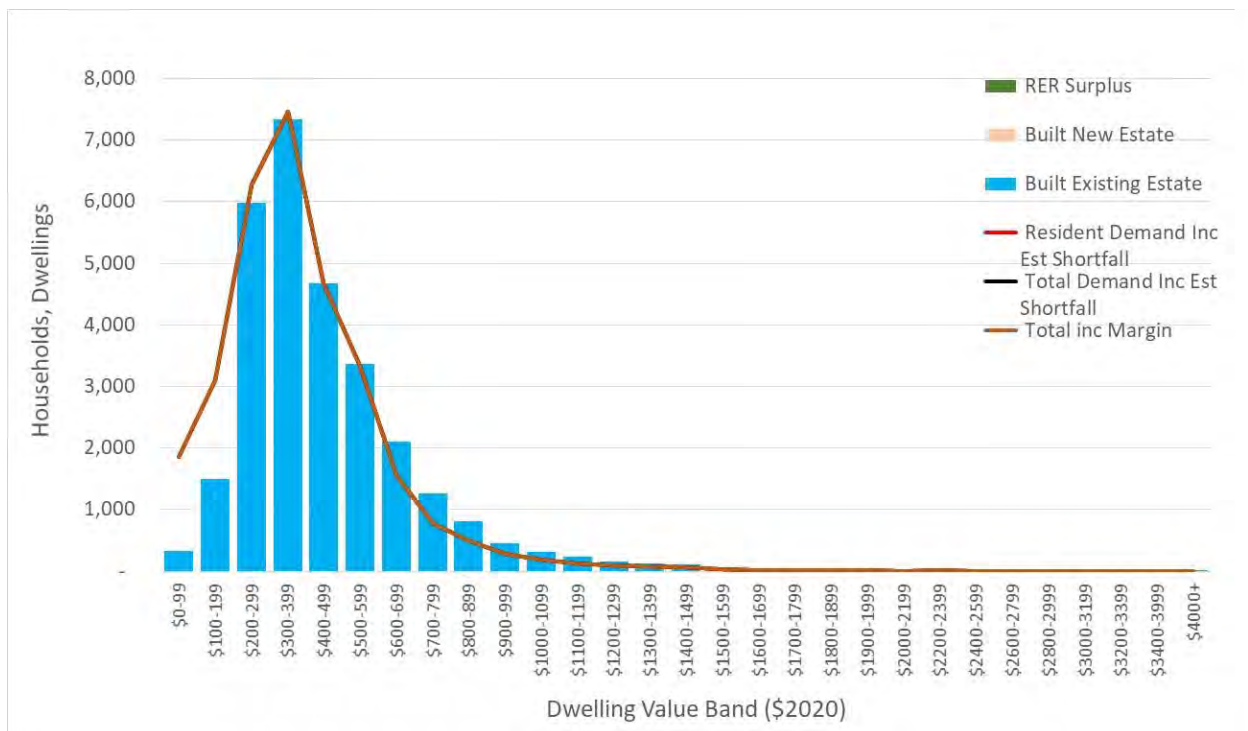
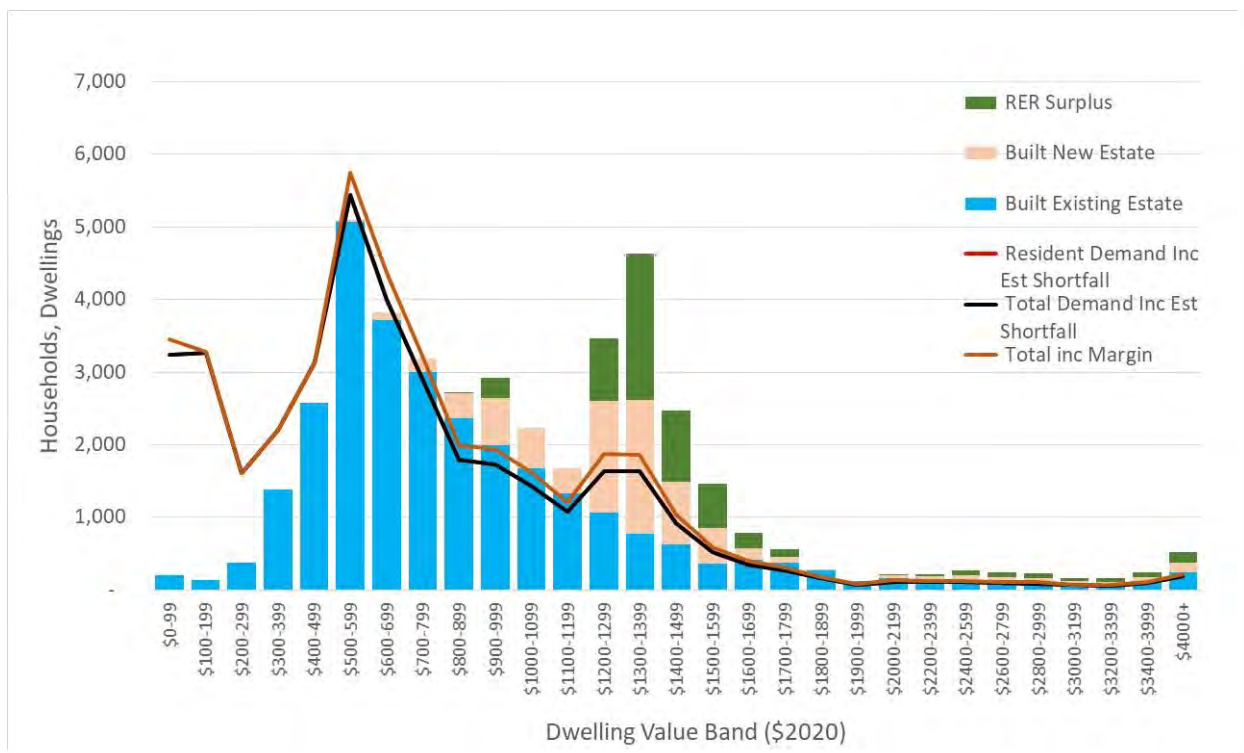



Figure G - Long Term (2050) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District - Allowance for Faster Land Price Growth



Over time, house price growth is expected to be faster than growth in real incomes in the district and driven up further due to a shortfall of capacity. As a result, housing affordability is projected to decline over the



long term, potentially to a shortfall of 9,960 affordable dwellings by 2050 for non-owner resident households. While over the long term new dwellings expected to be built occur in some price bands affordable to non-owner resident households (namely for those on higher incomes), there is a still insufficient feasible and infrastructure ready capacity expected to be realised in the lowest price bands. This is particularly in price bands up to \$500,000<sup>10</sup> but also includes small-moderate shortfalls of dwelling for those that could afford to pay up to \$800,000 (Figure G). Many of these resident households with lower incomes that could not afford to buy in the district in the future would be expected rent, as they do now.<sup>11</sup>

### **Demand for Urban Business Zones**

The HBA assessment also considers demand for urban business zoned land in Rotorua. An estimated 68% of all current (2020) jobs in the district occur within urban business zones. Based on Council's employment projections, jobs anticipated to seek a location in these zones are estimated to increase by 28% or 6,840 by 2050. When translated into developable land requirements, this equates to an estimated 15ha of additional zoned land in the short term, increasing to 39ha in the medium term and 80ha in the long term. Over the long term, the majority of this demand is for land that provides for commercial activities (excluding retail and tourist accommodation), followed by land that provides for industrial activities. However, in the short-medium term, the demand is greatest for industrial zoned land.

A key assumption of the business modelling is that all employment growth requires net additional land and cannot be accommodated (at least partially) in existing businesses, in vacant premises or in capacity generated through more intensive redevelopment of existing sites. There are however relatively high vacancy rates in the CBD which could absorb some future retail and commercial employment growth and redevelopment is also likely to provide opportunities for more commercial and/or tourist accommodation activities. Redevelopment tends not to facilitate net additional space for industrial activities and retail activities, which commonly occur at ground level. These additional mechanisms for accommodating employment growth are not modelled but are taken into account in terms of business assessment conclusions and recommendations.

### **Capacity of Urban Business Zones**

Based on a survey of vacant sites in urban business zones, it was estimated that there was 54.8ha of vacant land based on operative zoning to provide for future growth, although it is noted that 12% of this is currently under construction so is not anticipated to be vacant in the near future. Nonetheless, this capacity applies to the short and medium term assessment in the HBA. When business growth areas identified in the Spatial Plan are included, the long term vacant land area increases to 107.3ha. An estimated 74% of this long term vacant capacity falls within three zone types – the Eastgate Business Zone (existing and indicative), Light Industrial Zone and City Entranceway Mixed Use Zone (existing and indicative). There was minimal vacant land in existing shopping centres across the urban environment, although there is provision for new local centres in residential growth areas (applicable to Pukehāngi and the Eastern growth areas).

When examining the planning provisions for those vacant sites, the capacity can be attributed to future land uses: commercial, retail, industrial or accommodation development. Demand is also aggregated to

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<sup>10</sup> Shown by the large gaps in existing and expected future built supply (bars) below the resident demand line to the left of the graph, with these gaps much larger than in 2020.

<sup>11</sup> Figures F and G do not show rental affordability, or affordability for those already in the housing market.

these same land use categories, allowing demand and capacity to be directly compared. The HBA considered three scenarios for categorising vacant land in each zone. The Maximum Capacity Scenario adheres to the planning provisions which, in some zones, provide for two or more categories of land use on a vacant site. This scenario double, or triple counts the capacity of the site across the land use categories so has the effect of overstating vacant capacity.

The preferred scenario is the Alternative Capacity Scenario which removes the overlap and assigns vacant land proportionally to the categories reasonable expected to be realised in each location. The allocation assumptions are based on analysis of current business patterns in each zone and location. A third scenario is presented to take a conservative approach to business zone capacity. This is based on the Alternative Capacity Scenario but excludes vacant sites that are on whenua Māori. This scenario acknowledges that there are a number of barriers for developing Māori land, and while there are examples of business land being developed successfully in Rotorua, not all owners of Māori land have the necessary equity or experience to bring their land to market.

Table 2 summarises total vacant business zone capacity by category and scenario. The degree of development flexibility in some zones is evident in the Maximum Capacity Scenario when compared to the Alternative Capacity Scenario which removes the overlap. The share of vacant business land that is on Whenua Māori is also evident – significantly reducing vacant land area if limited to just freehold/fee simple land. Most of this vacant land is considered suitable for the development intended by its zoning and can be expected to be developed in time. However, some vacant sites were considered (from a commercial development perspective) to be in relatively less suitable locations, and this tended to include the Whenua Māori sites, but also sites that had limited exposure, congestion on the surrounding road network, limited nearby catchments or parking, or were more distant from key attractions (to name a few constraints). Care is therefore needed in relying on sites estimated to be less suitable to help provide for future employment growth over the long term.

*Table 2 – Current Snap-Shot of Vacant Land in Urban Business Zones by Scenario and Land Use Category*

Scenario	Vacant Developable Land Area (ha)			
	Commercial	Retail	Industrial	Accommodation
<b>Short and Medium Term</b>				
Maximum Capacity Scenario	49.8	49.8	39.0	10.3
Alternative Capacity Scenario *	14.3	8.0	28.4	8.2
Alternative Conservative Capacity Scenario *	8.1	1.9	16.6	8.0
<b>Long Term</b>				
Maximum Capacity Scenario	104.2	99.4	90.4	10.3
Alternative Capacity Scenario *	37.2	13.3	57.2	7.3
Alternative Conservative Capacity Scenario *	19.5	5.5	20.6	7.2

\* Minor overlap remains to allow for different activities on ground and upper floors on some vacant sites.

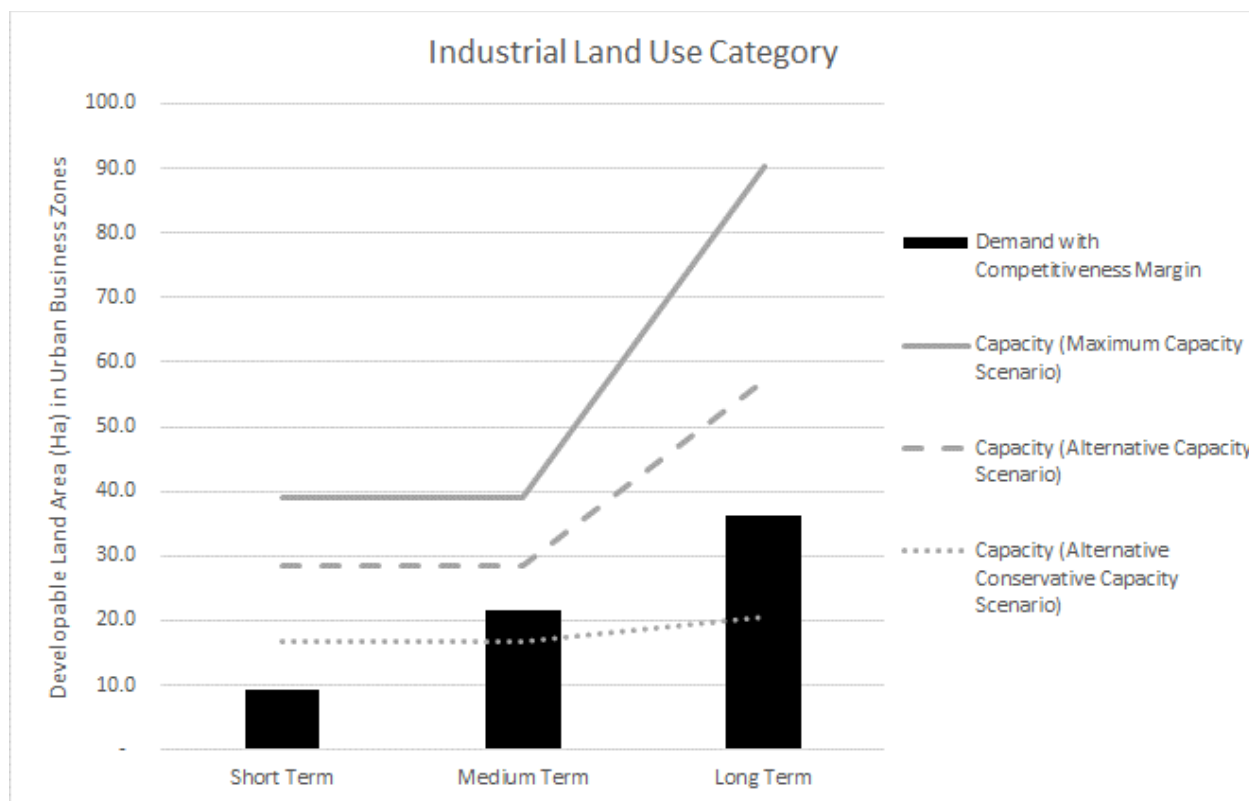
## Sufficiency of Urban Business Zones

The HBA assessment showed that when demand is compared with capacity in urban business zones, that there is likely to be at least sufficient urban business zone capacity in the short term in Rotorua. However, it is considered likely that there will be a shortfall of land for light industrial activities in the medium term (increasing in the long term) because vacant Heavy Industrial Zone land is included in the capacity but is



not where demand is focussed, and also because of the risk that Māori land may not be brought to market. The sufficiency results for industrial demand and capacity are summarised in Figure H.

Figure H – Total Industrial Land Use Demand and Capacity by Scenario in Urban Rotorua



There may also be insufficient capacity in the medium term (increasing in the long term) if vacant Māori land that enables retail and commercial activities does not get developed although redevelopment and vacant premises may help reduce those shortfalls over time. Commercial development stakeholders did however indicate that the CBD – which has the most vacancies and redevelopment potential – is facing a range of issues that are deterring businesses and investment in new developments. This included very fragmented ownership as well as the presence of rough sleepers. The current District Plan, including indicative long term zone changes, is expected to provide at least sufficient capacity for tourist accommodation demand growth over the long term.

### Conclusions and Impact of Planning and Infrastructure

The assessment has found that there are several planning and infrastructure factors that are likely to be contributing to the projected shortfalls in housing capacity in the short, medium and long term. While house price growth is inevitable and will be driven by a range of wider economic factors that sit outside Council's influence through planning and infrastructure provision, the shortage of capacity (supply constraints) are expected to have put upwards pressure on house prices in the urban area and have contributed to current housing affordability issues.



The key planning constraint is on density across much of the general suburban area. Planning restrictions in relation to the Residential 1 Zone that effectively<sup>12</sup> require full sites with a single dwelling at 450m<sup>2</sup> reduces both plan enabled and feasible capacity (particularly within the central urban area). This is because it is less feasible to develop relatively large sites with only one dwelling and reduces the ability of the market to deliver a greater number of smaller (attached) dwellings on smaller sites, particularly duplex and terrace housing which is considered the typology most aligned to projected attached housing demand. The inability for the market to deliver smaller, cheaper dwellings is also impacting housing affordability. This same point was raised by stakeholders in the residential development sector who indicated that there was a greater appetite for attached housing than they were able to supply.

A large proportion of the additional greenfield land that is identified within the long term in the Spatial Plan is on leasehold land (in the eastern urban area), which is not projected to be commercially feasible. This has a significant impact on what residential capacity can be relied on to accommodate growth in the urban environment. This same issue applies in urban business zones in the short term and the long term.

The infrastructure assessment has shown that infrastructure is not likely to be a constraint at the catchment level. However, the timing of extensions of infrastructure networks within feasible greenfield areas is having a compounding impact on residential capacity shortfalls (in accordance with the way that capacity must be assessed under the NPS-UD). This applies to the recently zoned and feasible Pukehāngi Plan Change area and some of the long term greenfield land in Ngongotahā that is feasible under the Market Growth Scenario but does not have infrastructure supply identified in the Infrastructure Strategy. Although there is only a small shortfall in Ngongotahā in the long term, additional supply in this area may be able to meet some of the shortfall occurring within other areas, although under current indicative zoning provisions, would perpetuate the supply of standalone dwellings. As discussed though, the timing of geographical extensions to greenfield areas may be something that Council can resolve.

With regard to the impact of planning and infrastructure on the future development of business zones, it is considered that greenfield zoning for light industrial activities in particular has not kept far enough ahead of supply growth. Much of the current and indicative future vacant capacity is on Māori land and there is a high level of uncertainty as to whether this can and will be developed.

The Spatial Plan provides a degree of solution, particularly south of Ngongotahā where some freehold land suitable for City Entranceway Mixed Use zoning has been identified, but the HBA must treat that as long term capacity. Realistically, that land could be considered for zoning sooner rather than later (ensuring it can also be serviced with network infrastructure). Overall, it is considered that the Spatial Plan did not include enough land for greenfield expansion of business land, in enough locations that could be tested in the HBA. The Council's Future Development Strategy (required under the NPS-UD) does however provide an opportunity to build on the Spatial Plan work and identify more suitable options for medium and long term business (and residential) growth.

Several recommendations for future planning and decision making are informed by this research. In the first instance, the priority is a plan change that provides for intensification of residential housing in appropriate locations (including but not limited to around centres and transport corridors) so that more attached and affordable housing can be supplied to meet market demand. At a broader level, it is recommended that Council focus on identifying more options for feasible greenfield residential and

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<sup>12</sup> See Footnote 2.



business expansion and exploring opportunities to encourage investment and redevelopment in the CBD so that it can effectively provide for growth.

The NPS-UD requires that Council monitor market indicators on a quarterly basis so that progress on issues identified in this HBA can be measured. An update of this HBA in three years' time will also provide a more detailed assessment of what changes have occurred in demand, capacity and supply relative to the 2020 baseline.



# 1 Introduction

This report is the Housing and Business Development Capacity Assessment (“HBA”) 2021 for Rotorua District. The requirement for this three-yearly report is set out in the National Policy Statement for Urban Development 2020 (“NPS-UD”). The report complies with the requirement for Tier 2 territorial authorities to assess the demand for housing and business land in urban environments, and the development capacity that is sufficient to meet that demand in its district in the short, medium, and long term.

## 1.1 Growth in Rotorua – Key Issues and Policy Context

### 1.1.1 Background

On the 25<sup>th</sup> of November 1880 the Rotorua Township Agreement was signed between Ngāti Whakaue and the Crown, gifting the lands on which the city of Rotorua now stands. Streets, parks and sites for hospitals and schools were laid out and key streets were named after important chiefs and leaders of Te Arawa. In essence this was Rotorua’s first spatial plan. Today Te Arawa continues to have a major interest in the way the city and the district develops.

While the district straddles two regional boundaries, most of Rotorua is within the Bay of Plenty. Rotorua is just 60km south of Tauranga, 80km north of Taupō, 105km east of Hamilton and 230km southeast of Auckland. This proximity (in terms of both travel distance and travel time) and accessibility to other major centres strengthens Rotorua’s desirability as a place to live, work and visit.

State highways 5, 30 and 36 connect south of the city centre and run up the western and eastern sides of Lake Rotorua respectively, providing the key transport spines through urban Rotorua. All state highways are critical to the district’s growth and development.


From 1996 to 2013, Rotorua’s average population growth rate was 0.2% per annum, but from 2013 to 2020 the growth rate had risen to 1.8% per annum and in 2020 the district population exceeded 77,300.

### 1.1.2 Implications for growth and urban development?

The Rotorua ‘urban environment’ is one of the sub-region’s significant urban areas and is recognised by the NPS-UD as a Tier 2 urban environment along with Whangārei, New Plymouth, Napier-Hastings, Palmerston North, Nelson Tasman, Queenstown and Dunedin. Much of the urban environment is subject to constraints that limit its development potential, for example, natural hazards, infrastructure and land tenure. In addition, low density zoning provisions affect the overall capacity and affordability associated with new development.

### 1.1.3 What sort of development and growth are we seeing?

The number of houses built in the district has been increasing steadily from a low growth point in 2015.



The majority of houses and subdivisions align with or exceed the minimum density requirements of the District Plan however, in recent years Council has started to see more applications for one or two storey dwellings on smaller lot sizes. These small dwellings have been primarily associated with lifestyle/retirement villages or public housing. There is however an emerging interest in smaller housing typologies from some developers in relation to the provision of affordable housing.

In terms of greenfield locations, land is starting to be developed within the Wharenuī block to the north-east of the city centre and 160ha of rural land has been rezoned to enable residential development at Pukehāngi.

#### **1.1.4 How the District Plan Provides for Development?**

The majority of the Urban Area is zoned to enable traditional low density development with small areas zoned to enable medium density development close to the CBD. The Māori Villages at Whakarewarewa, Ōhinemutu and Ngāpuna have a specific zoning recognising the special character of these areas.

Within the CBD, the plan allows for the development of apartments. This is however, limited by the performance standards within the Plan such as minimum unit size and overall limits on the heights of buildings.

The Commercial zones includes two zones specifically focused on tourist activities and accommodation. The remainder of the commercial areas are characterised by neighbourhood and local shops.

The location of the industrial zones within the Rotorua district reflect historic industrial activities often in close proximity to residential areas. One key aspect of the current District Plan is the provision for business parks within the Business and Innovation zone. In particular, the Scion Business Park which has a focus on forestry research.

The District Plan was developed during a period of low-growth (and before the Covid-19 virus outbreak). To address the growing need for a more sustainable delivery of housing that will also meet a changing household structure, consideration is being given to developing a more fit-for-purpose District Plan through a series of plan changes. Following the development of the HBA, plan changes focusing on intensification and the rezoning of greenfield land will not only enable more housing but a greater housing choice to meet the needs of a changing community through enabling smaller housing typologies. A plan change focussing on flooding caused by intense rainfall events will be progressed alongside the intensification plan change to ensure that as Council enables intensification it is not increasing risk to people and the potential damage to property.

These plan changes will therefore aim to ensure that Council increases the community's resilience to the effects of climate change as the urban environment grows. The plan changes will also ensure a well-functioning urban environment that will improve the ability for Rotorua's citizens to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.



## 1.1.5 Key Constraints to Development

### Natural Hazards

- The management of stormwater and risks associated with flooding is a significant natural hazard for Rotorua. Council has sought Infrastructure Acceleration Funding (“IAF”) to help upgrade the stormwater network to address this issue.
- There are also geotechnical constraints associated with development with the majority of Rotorua’s flat land being historical lakebed. This results in issues in some areas such as unstable soils at depth and also high water tables. Geotechnical reports are required for the majority of new buildings.
- There are also geothermal constraints, notably hot ground and gas, in some areas including parts of the CBD and areas to the south of the city.

### Infrastructure


- Significant investment and upgrades are required in the three waters networks and particularly in the stormwater network to support future growth. The nitrogen limit on the discharge from the wastewater treatment plant could in future be a constraint on development.
- To create good community outcomes as housing intensifies, parks, community infrastructure such as libraries and aquatic facilities, as well as other public facilities like schools, are required.

### Finance

- In order to unlock greenfield opportunities and support intensification, significant investment is required in infrastructure. Rotorua’s balance sheet like those of other Council’s is constrained by debt-to-revenue limits, combined with escalating infrastructure costs. It is beyond the city’s ability to fund all the stormwater infrastructure investment required to support growth.

### Land Development

- There is a strong desire from Whenua Māori owners to develop their land (especially for papakāinga). However, they face not only the ordinary barriers to development (i.e., barriers faced by owners of general land), but also additional barriers because of the nature of Whenua Māori tenure, discussed in more detail in the supporting Technical Report. While this is an opportunity for the district and for Te Arawa, it requires a distinct work programme (supported by Council and other agencies) to enable and unlock development of Whenua Māori.
- Remaining larger lot, zoned land is held by a small number of land owners.
- There is capacity for infill development, however, this is limited by the relatively large minimum site size requirements across most of Rotorua’s general suburban area.



## Planning and Consenting

- Developers indicate that the consenting process is problematic, stating that it takes too long to bring land to the market and the process is complex.
- Planning for resilience and natural hazards associated with growth and intensification is a priority. However, modelling and assumptions required to support decision making can be problematic.
- The planning framework is currently limited in its ability to enable a greater range of housing typologies such as town houses and terraced housing due to density and height standards.

### 1.1.6 Council's Approach to Future Planning and Strategy

#### The Long Term Plan 2021-2031

The Long Term Plan ("LTP") is a document which sets the direction for the district and is formally reviewed and updated every three years. It describes the activities of Council and shows how the activities are managed, delivered, and funded. A commitment was made in the LTP to unlock land for housing and commercial development and the investment in core infrastructure, while ensuring the prudent use of debt to initiate projects. Approximately \$60m of growth projects were planned to be implemented over the next 10 years of the LTP. These include roading and three waters infrastructure to cater for growth in key areas of the district such as Wharenui in the east and Pukehāngi in the west.

The LTP also signalled the introduction of a Development Contributions Policy to help fund growth.

There were however a few of the growth projects that could not be budgeted for in the LTP and therefore their delivery falls outside the LTP 10 year timeframe:

- A new 5,000m<sup>3</sup> water storage tank in Wharenui Road for additional drinking water capacity to service growth.
- Eastern<sup>13</sup> growth enabling stormwater upgrades. However, \$15m Crown Infrastructure Partner (CIP) funding has been provided for the first 3 years and will be reviewed to reflect rate of actual development for succeeding years.
- Western<sup>14</sup> growth enabling stormwater upgrades (\$7.5m central government funding for the first 3 years and will be reviewed to reflect rate of actual development for succeeding years).

As discussed above, some funding for unfunded stormwater projects has been sought through the Infrastructure Acceleration Fund ("IAF") in July 2021.

The total budget for infrastructure growth projects following year 10 (2031) in the LTP is \$54m. These infrastructure growth projects are associated with the 3 waters. Roding is generally funded by Waka Kotahi (NZTA).

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<sup>13</sup> Refer map in Figure 1.3.

<sup>14</sup> Ibid.



## Infrastructure Acceleration Fund (IAF)

In March 2021, Central Government announced the \$3.8bn Housing Acceleration Fund (“HAF”) to help increase the supply of houses and improve affordability for home buyers and renters. A key component of the fund is the IAF. The IAF aims to increase the pace and scale of housing delivery by helping to fund critical infrastructure needed for developments. RLC will hear later in 2022 whether the applications in relation to the central and western stormwater networks have been successful:

### *Central Proposal (IAF Funding Sought = \$29m)*

The proposal is to significantly upgrade the stormwater infrastructure in the central area (Figure 1.3). This includes redirecting water to towards the east (away from the Utuhina Stream) by upgrading Tilsley Road pump station and increasing the stormwater pipe and drain capacity.

### *Western Proposal (IAF Funding Sought = \$62m)*

The proposal is to further progress stormwater upgrades and expansion in the western suburbs (Figure 1.3). This includes construction of four major stormwater detention ponds / basins with wetlands and upgrades to existing pipes and drains.

## Spatial Planning (2018)

The Spatial Plan was developed to outline how the district will grow, develop and change over thirty years to deliver Rotorua’s 2030 vision and goals.


The aim of the Spatial Plan was to:

- Provide one picture of where the district is heading and highlight key areas for growth and change.
- Provide a guide for investment decisions at a local, regional and central government level.
- Identify the key issues facing the district and the priorities that need to be advanced to address these.

Following the completion of the HBA, the RLC will develop a Future Development Strategy (“FDS”). The FDS forms the basis for integrated, strategic and long-term planning. A FDS will help RLC set the high-level vision for accommodating urban growth over the long term, and will identify strategic priorities to inform other development-related decisions, such as:

- District Plan zoning and related plan changes (e.g., greenfield and intensification plan changes)
- priority outcomes in long-term plans and infrastructure strategies, including decisions on funding and financing
- priorities and decisions in regional land transport plans.

The FDS will respond to the findings of the HBA about demand for and supply of housing and business land, and how much ‘development capacity’ is sufficient to meet expected demand. The FDS will spatially



identifies where long term growth should occur, considering other inputs like constraints on development. RLC will use the FDS to:

- set a high-level approach for achieving well-functioning urban environments.
- specify how and where Council will provide sufficient development capacity to meet future growth needs over the next 30 years.
- set out the development infrastructure and additional infrastructure required and how to integrate planning decisions with infrastructure and funding decisions.

### **1.1.7 Regional Policy Statement and Implications for Planning and Development**

The Regional Policy Statement (“RPS”) provides an overarching framework to sustainably manage urban growth in the region and to enable development of a sustainable regional urban and rural form. The RPS seeks to direct and maintain compact, well-designed, and strongly connected urban areas to effectively and efficiently accommodate growth. Intensive urban development is recognised as being necessary to accommodate growth but with potential for adverse amenity, social, economic, cultural and transport effects.

#### **Implementation of the NPS-UD**

RPS Change 6 is to implement the requirements of the NPS-UD. As at December 2021 it is in draft form, and expected to be publicly notified by August 2022. The NPS-UD requires the RPS to be amended to be responsive to plan changes for unanticipated or out-of-sequence urban developments that add significantly to development capacity and contribute to well-functioning urban environments. New policy will be included to assess plan changes and reviews against specific criteria. A key criterion will be that the development makes a significant contribution to the housing or business needs identified in the respective HBA for the urban environment.


#### **Natural Hazards**

The RPS takes a risk management approach to managing the development of land in relation to natural hazards. This requires risk assessments to be undertaken in relation to larger resource consent applications, when land is rezoned and when District Plans are reviewed. Developments are required to achieve a low level of risk within the development site without increasing risk outside of the development site.

### **1.1.8 What Challenges Does the Council Have to Deal With?**

Council’s key role in facilitating growth is to provide much of the public infrastructure supporting development (roads, three waters, community facilities and reserves), the zoning of land to allow for development, and a regulatory framework to manage this development. The increased demand for growth requires significant additional funding to upgrade infrastructure; and increased resourcing to manage and design projects, rezone land and process consents.

Central government has in recent times provided significant investment through a number of funds. However, there is still significant work to be undertaken to unlock development, and resourcing is an



ongoing issue for Council. It is important to note that legislative reform and increased standards and requirements although important, create challenges.

There are a number of factors that influence development capacity and uptake which are beyond the control of Council. These are issues like:

- Demographic changes including migration rates.
- External economic shocks on employment e.g., the impact of Covid on the Tourism sector.
- Financial interest rates and lending criteria,
- Household incomes, and
- The influence of Tauranga and other regional centres on growth and employment, and the impact of significant infrastructure projects (e.g., State highway upgrades).

These external or wider economic factors, and how they influence housing price rises and future affordability are discussed later in this HBA.

## 1.2 HBA Objectives

The objectives of this report<sup>15</sup> are to:

- Provide robust information on the demand and supply and capacity of housing and business land in Rotorua;
- Quantify the development capacity that is sufficient to meet expected demand for housing and business land in the urban environment in the short, medium and long term;
- Incorporate information and feedback from the housing and business development sectors;
- Provide information on the likely impact of Council planning and infrastructure decisions on future affordability and competitiveness of the housing market; and
- Inform housing bottom lines, Resource Management Act (“RMA”) planning documents and decision making, the Future Development Strategy (“FDS”) and the Ten Year Plan (“LTP”).

## 1.3 Approach Summary

The approach to this HBA (2021) has been designed to meet the requirements of the NPS-UD for a Tier 2 local authority – which Rotorua Lakes Council (“RLC”) and Bay of Plenty Regional Council (“BOPRC”) are now classified as a result of Rotorua being identified as a Tier 2 urban environment in the NPS-UD Appendix 2. The following is a high-level summary of the adopted approach. Further detail is provided throughout this report and in the supporting Technical Report.

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<sup>15</sup> As set out in clause 3.20 of the NPS-UD.



The housing market and demand assessment builds on detailed information of district level customised and standard Census 2018 data, other Statistics NZ (“SNZ”) data including, but not limited to, dwelling consent data, data purchased from CoreLogic on housing values, sale prices and purchaser patterns, and Council’s household growth projections. This data is used to build a comprehensive profile of current housing demand as at June 2020 (the base year of this HBA), housing supply, future housing demand and housing affordability. It provides specific insight on how the current and likely future demands for housing by different groups in the community are met, including the demand for different types and forms of housing. It also estimates future demand for housing by location within the urban environment (discussed below) and by attached and standalone dwelling types, as well as future dwelling demand by price band for the urban environment and district as a whole.

The business market and demand assessment is driven by Council’s projections of ‘jobs filled’ (employment) by detailed industry for the total district, SNZ data on current employment by those same detailed industries at a detailed spatial level, and national level research on land and floorspace ratios per person employed by industry. Combined, this data provides insight on how the current and likely future demand for business land and floorspace relates to current and proposed business zones in the urban environment.

The HBA draws on capacity modelling developed to comply with the scope set out in the NPS-UD and applied to Rotorua District’s urban environment. Specifically, it identifies housing and business development capacity that is plan enabled in the following ways:

- Short term (2020 – 2023) – land zoned for housing and business in the Operative District Plan (“ODP”).<sup>16</sup> This excludes any operative Future Urban Zones.
- Medium term (2023 – 2030) – as above plus land that is zoned for housing in a Proposed District Plan (“PDP”). As there is no PDP at this time, and no notified plan changes pending decision, the medium term capacity is the same as in the short term.
- Long term (2030 – 2050) – as above plus land that is identified for future urban use or urban intensification in the Rotorua Lakes Spatial Plan (2018),<sup>17</sup>. These areas, and the zones assigned to them are indicative only for the purpose of the HBA. Future Urban Zones identified in the ODP are also included within long term capacity.

The assessment of plan enabled capacity in the urban environment in the short, medium, and long term is a parcel level analysis that relies on the relevant development rules/standards of the zone in which it is located to quantify net additional dwelling potential for attached and standalone dwelling types and/or potential new business floorspace. The analysis takes into consideration any sub-zones, precincts or sub-areas that apply to each parcel that may impact on future dwelling or business floorspace potential.

The modelling considers potential for:

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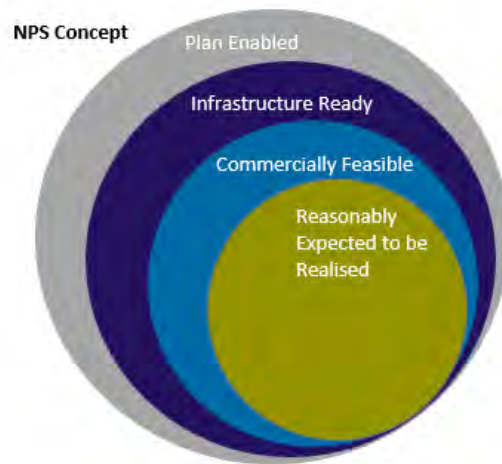
<sup>16</sup> Refer clause 3.4(2) of the NPS-UD. Zoned means residential dwellings and business activities have a permitted, controlled, or restricted discretionary activity status.

<sup>17</sup> The NPS-UD specifies long term plan enabled capacity can include land identified for future urban use or urban intensification in an FDS or other relevant plan or strategy where this supersedes either the ODP or the PDP. Council is not required to have an FDS until 2024.

- infill development (i.e., where subdivided sections are vacant or where existing residential sections can be further subdivided to accommodate one or more additional dwellings),
- greenfield development (applicable only to land that has not yet been subdivided for urban development), and
- for housing only, net additional capacity through redevelopment (i.e., where any existing dwellings are theoretically removed, and existing residential sections are developed to their maximum density).<sup>18</sup>

The NPS-UD requires that Council provides at least sufficient development capacity in its urban environment to meet expected demand for housing and business growth in each time period. This is not limited to plan enabled capacity. In order to be sufficient, the development capacity must be plan enabled, infrastructure ready, and feasible and reasonably expected to be realised (or 'suitable' in the case of business capacity). The NPS-UD guidance sets out the indicative relationship between these four aspects of capacity (as they pertain to housing development capacity), replicated in Figure 1.1 (note, the circles are not to scale). As indicated in the image, the guidance assumes that not all plan enabled capacity is likely to be infrastructure ready and/or commercially feasible (i.e., feasible to a developer). And less development capacity again is likely to be reasonably expected. Analysis for this HBA has shown that generally, Rotorua's housing capacity closely follows the relativities shown in this conceptual model.<sup>19</sup>

Figure 1.1 – Development Capacity Model – NPS-UD Concept v Rotorua Reality



The approach taken in this HBA to model and discuss development capacity in Part 2 (housing) and Part 3 (business) of this report follows this guidance, although commercial feasibility of residential capacity is assessed independent of infrastructure ready capacity, as well as dependent of infrastructure ready capacity in order to provide more clarity on the potential impact of Council planning as distinct to Council infrastructure on housing market competitiveness and affordability.

<sup>18</sup> This HBA considers only redevelopment potential based on existing parcel boundaries and does not test outcomes if parcel boundaries are adjusted or adjoining parcels are aggregated.

<sup>19</sup> See Figure 9.1 later in this report.



As such, plan enabled dwelling capacity in the short, medium, and long term is firstly assessed through the lens of what is commercially feasible. At a broad level, this modelling considers the costs of delivering housing to the market (i.e., build costs by type) relative to the potential sales price of those dwellings (influenced by location in the urban environment) to determine if they are commercially feasible (profitable) to develop.

Plan enabled capacity in the urban environment in the short, medium, and long term is also assessed through the lens of what is infrastructure served in each time period in terms of overall capacity at the infrastructure catchment level.<sup>20</sup> That is, already serviced by adequate development infrastructure in the short term, will be serviced by infrastructure identified for funding in the LTP in the medium term, or will be serviced by infrastructure identified in the Council's Infrastructure Strategy (2021-2031) in the long term.<sup>21</sup> The HBA relies on data supplied by Council on the quantum of dwelling (and/or employment) growth that is, or will be, infrastructure ready in regards to three waters infrastructure (although focussed on water supply and wastewater capacity). The capacity of additional infrastructure<sup>22</sup> to service development capacity over time is also considered at a high-level.

Finally, feasible plan enabled and infrastructure served dwelling capacity in the short, medium and long term is assessed through the lens of what is reasonably expected to be realised.<sup>23</sup> This considers what quantum and type of dwellings may be expected to be delivered once commercial feasibility, infrastructure constraints (including the timing of planned network extensions to service greenfield growth areas), development/site constraints and market/developer preferences (based on recent trends and anticipated shifts) are factored in, given that zoning provisions enable the maximum development outcomes and what may be reasonably expected to be developed in some locations can be an outcome less than the maximum yield. Information and commentary from stakeholders in the residential development market of the district has been incorporated in this assessment via a targeted online survey.<sup>24</sup> Where practical, this feedback has been used to validate or adjust modelling assumptions specifically around commercial feasibility and reasonably expected to be realised development capacity.

For business development capacity, plan enabled capacity is also assessed by what is infrastructure ready using the same data as the housing assessment, although applied through a different modelling framework. Feasibility and reasonably expected to be realised assessment is substituted for a Multi Criteria Assessment ("MCA") approach, in keeping with NPS-UD guidance. This too relied on input and feedback from stakeholders in the local commercial development market.

The HBA concludes with an assessment of the sufficiency of development capacity for housing and business demand growth in the urban environment in the short, medium, and long term. This compares demand for dwellings by type and location in the urban environment and demand for business land and floorspace in urban environment business enabled zones, inclusive of a competitive margin of an additional 20% in the short and medium term and an additional 15% in the long term, with development capacity that is plan

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<sup>20</sup> Infrastructure service catchments align with reporting areas in this HBA.

<sup>21</sup> Refer clause 3.4(3) of the NPS-UD.

<sup>22</sup> Refer Glossary.

<sup>23</sup> Refer clause 3.26 of the NPS-UD.

<sup>24</sup> See the supporting Technical Report for detailed results.



enabled, infrastructure ready, commercially feasible and reasonably expected to be realised (or suitable) by type and location.

Sufficiency of total dwelling capacity (all types) in the district by price band is also assessed relative to total dwelling demand by non-owner households (plus a competitiveness margin) based on the price band they can afford in the short, medium, and long term.

The final step in the HBA approach is to provide a discussion on the impact of council planning and the provision of infrastructure on the operation of the housing and business land market, and where possible the affordability of housing that may be constructed on that land.

### 1.3.1 Business as Usual Platform

It is important to recognise that this assessment is based as much as possible on a 'Business as Usual' ("BAU") base case, in which the current revealed housing preferences<sup>25</sup> and capabilities for each socio-demographic group are assumed to continue into the medium and long term.


This is because one key purpose of the HBA is to identify the potential effects of planning provisions and infrastructure on future housing provision, with a particular focus on housing affordability. However, affordability is affected by a wide range of factors, including dwelling typology and size, income trends, economic conditions, migration and so on, which are outside the control or influence of the Council as well as by factors where Council does have close influence – notably the sufficiency of plan enabled and estimated feasible capacity, including provision of infrastructure.

In order to understand the likely effect of those Council controlled or influenced factors, it is preferable to hold other influences as continuing at the current situation or trend, at least in the first instance. This becomes especially important for understanding the parameters of housing affordability in the future. Accordingly:

1. Population and households are estimated from current and projected demographic trends incorporated into the projection series developed for RLC by Infometrics, to reflect shifts in population size and age structure, and the numbers of households of each type expected in the district over time.
2. For future household incomes, in the first instance, the current (2020) household income distribution for households of each age and type are assumed to continue over the long term. This allows for overall household incomes and distributions (i.e., budget for housing controlling affordability) to shift according to the Treasury's national-level projections, and to Rotorua's demographic changes only, in the base situation.
3. New housing typology, particularly the detached:attached split is assumed to follow the current trend based on consents over the past 7 years. This allows for the expected mix of additional dwellings to reflect more recent trends (again reflecting revealed preferences, but also potentially

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<sup>25</sup> It is acknowledged that the current 'revealed preferences' of housing may not necessarily align to household's underlying preferences. I.e., they assume that households are living where they prefer, and in the dwelling they prefer. This does not reflect the trade-offs that may have been made by some households. In the absence of better data, this HBA assumes that current patterns are the revealed preferences.



influenced by planning and infrastructure parameters over that) where attached dwellings account for around one-sixth of new dwellings consented, which remains close to the current overall situation where detached dwellings account for approximately 88% of the total estate. This means the additional dwellings to accommodate the larger population are estimated according to the typology-and-value mix of current additions, or the typology-and-value mix of dwellings identified in the feasibility analysis. The nature of the mix has direct implications for the expected price of new dwellings as detached dwellings are generally higher priced largely due to the cost of the land underlying them and the ratio of floorspace to land area possible.

4. For housing tenure, the starting assumption is that the owned vs not-owned split for each household group (household type and income) persists into the future. This is on the basis that households in each group will achieve the same levels of ownership in the future as the equivalent group in 2020. It is recognised that those future households will have had a different history and path to dwelling ownership or otherwise from the current households. However, rather than speculate how the mix of economic and other circumstances might see higher or lower levels of ownership in the future, the most useful starting point is simple projection of the status quo for each group.

In particular, that provides a starting estimate of the numbers of future households in each group who would be non-owners, for the assessment of future affordability. Otherwise, there is potential to cloud the affordability assessment with assumptions about changing ownership levels.

This approach is to provide a basis for assessing the impacts of planning and infrastructure which is as clean as possible. These matters are addressed in Section 10.

### 1.3.2 Future Outcomes

The HBA is necessarily forward-looking, into the long term future, and housing and business outcomes in Rotorua will be driven by a wide range of influences - some having effect at the national level, some at the Bay of Plenty regional level, others at the local Rotorua level. The requirement to project forward and examine outcomes over 30 years requires multi-faceted analysis including household growth, demographic change, land supply and development, housing demands, household incomes, housing costs, land value trends, built improvement trends, and others. These are all inter-related aspects of the economy, with their own growth and change trends going forward. Importantly too, economies are characterised by cycles as well as trends, with both upward and downward shifts occurring over time, to temper the effects of short term surges.

The future outlook for each, and their combined influence on housing outcomes, needs to be informed by actual trends to date, and assumptions as to future trends. This is nothing new for future projections. However, it is important to understand that many aspects need to be examined in combination and over a long time period with effects which are cumulative and often compounding. This means that even small and apparently conservative assumptions about change and growth may have significant effects, especially on the medium and long term futures which the HBA requires to be estimated.

M.E have been careful to draw on reliable external sources where available and adopt a generally conservative line. However, an important caveat is to state that the projected outcomes and findings in this report are very sensitive to the assumptions which are applied to the analysis and projections.

## 1.4 Urban Environment

An HBA is an assessment of the demand for housing and business land in urban environments, and the development capacity that is sufficient to meet that demand in the short, medium, and long term. In accordance with the NPS-UD, an urban environment means any area of land that is, or is intended to be, predominantly urban in character, and that is, or is intended to be, part of a housing and labour market of at least 10,000 people. This definition allows areas identified<sup>26</sup> or zoned for future urban development to be included in the defined urban environment. It also allows discrete locations of urban land that have a functional relationship with each other in terms of a housing and labour market to be part of the urban environment, even when they are not contiguous.

According to SNZ the Rotorua urban area population as at June 2020 was 63,710 making up 82.4% of the Rotorua district population (**Error! Reference source not found.**).

Table 1.1 - Rotorua District Population Estimates by Urban-Rural Area (June 2020)

Urban-Rural Name (2018)	Urban-Rural Type	Population at June 2020	% of District Population
Rotorua	Large urban area	58,500	75.7%
Ngongotaha	Small urban area	5,210	6.7%
Sub-Total Urban Area		63,710	82.4%
Hamurana	Rural settlement	1,080	1.4%
Mamaku	Rural settlement	900	1.2%
Tikitere	Rural settlement	750	1.0%
Rotoiti	Rural settlement	540	0.7%
Lake Okareka	Rural settlement	520	0.7%
Mourea	Rural settlement	420	0.5%
Kaingaroa	Rural settlement	420	0.5%
Okere Falls	Rural settlement	410	0.5%
Lake Tarawera	Rural settlement	280	0.4%
Rotoma	Rural settlement	270	0.3%
Other rural Rotorua District	Rural other	8,020	10.4%
Total Rotorua District		77,320	100.0%

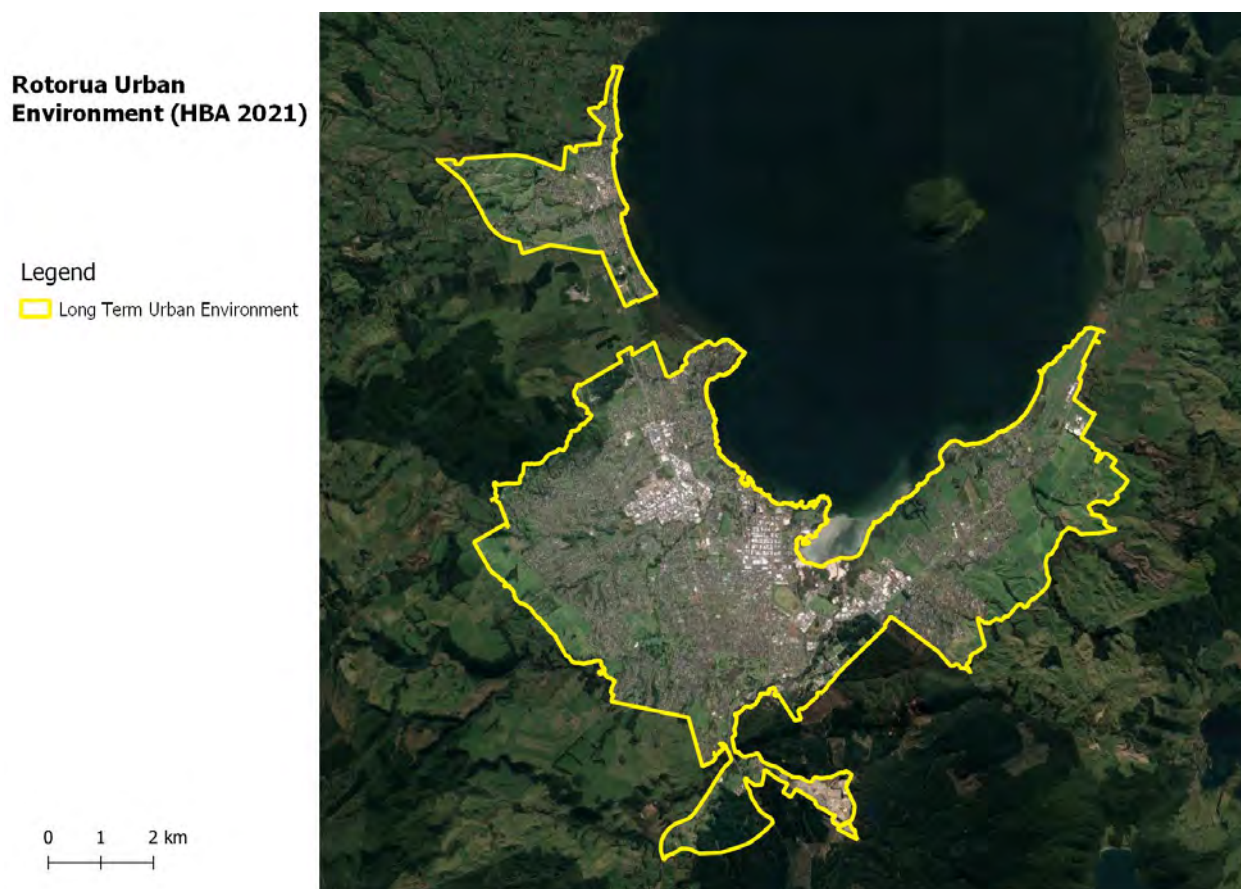
Source: SNZ

The urban environment of Rotorua has been defined in collaboration with Council and is illustrated in Figure 1.2. It was determined by overlaying the urban areas of Rotorua as defined in the SNZ Urban Rural Geography classification (**Error! Reference source not found.**) with urban zones, with the ODP providing a clear distinction between urban and rural zone types. The urban environment makes up a moderate share of the total district area, which is dominated by rural land including substantial exotic and indigenous forest areas.<sup>27</sup>

<sup>26</sup> I.e., in a growth strategy, spatial plan or FDS.

<sup>27</sup> Refer the supporting Technical Report for a map of the urban environment in the context of district boundaries.

Figure 1.2 – Map of Urban Environment for Rotorua District



In terms of zoning, the urban environment includes Residential Zones 1, 2, 3, and 5 and the Future Residential 1 zone, as well as the Transitional (Residential to Light Industrial) Zone.<sup>28</sup> A number of urban zones provide for both housing and business activity. These include the City Centre 1 and 3 zones, and Commercial 1-4 zones. In relation to the Commercial 4 zone along Fenton Street, the assessment anticipates a change to an indicative mixed use zone (Fenton Street Entranceway Residential, Visitor Accommodation, Commercial Zone). This applies only in the long term modelling for the HBA.

Other urban zones provide only for business activity. These include the Light and Heavy Industrial zones, Business & Innovation zones (x3), City Centre 2 Zone, Commercial 5 and 6 zones, City Entranceway Mixed Use Zone, and Destination Reserves and Community Asset Reserves zoned within the extent of the urban environment boundary.

The urban environment also takes a long term perspective – including indicative areas of future urban expansion as identified in the Spatial Plan (2018). These are located in the Eastern and Ngongotahā areas of the urban environment (discussed below) and are assigned ODP zones for the purpose of the HBA.

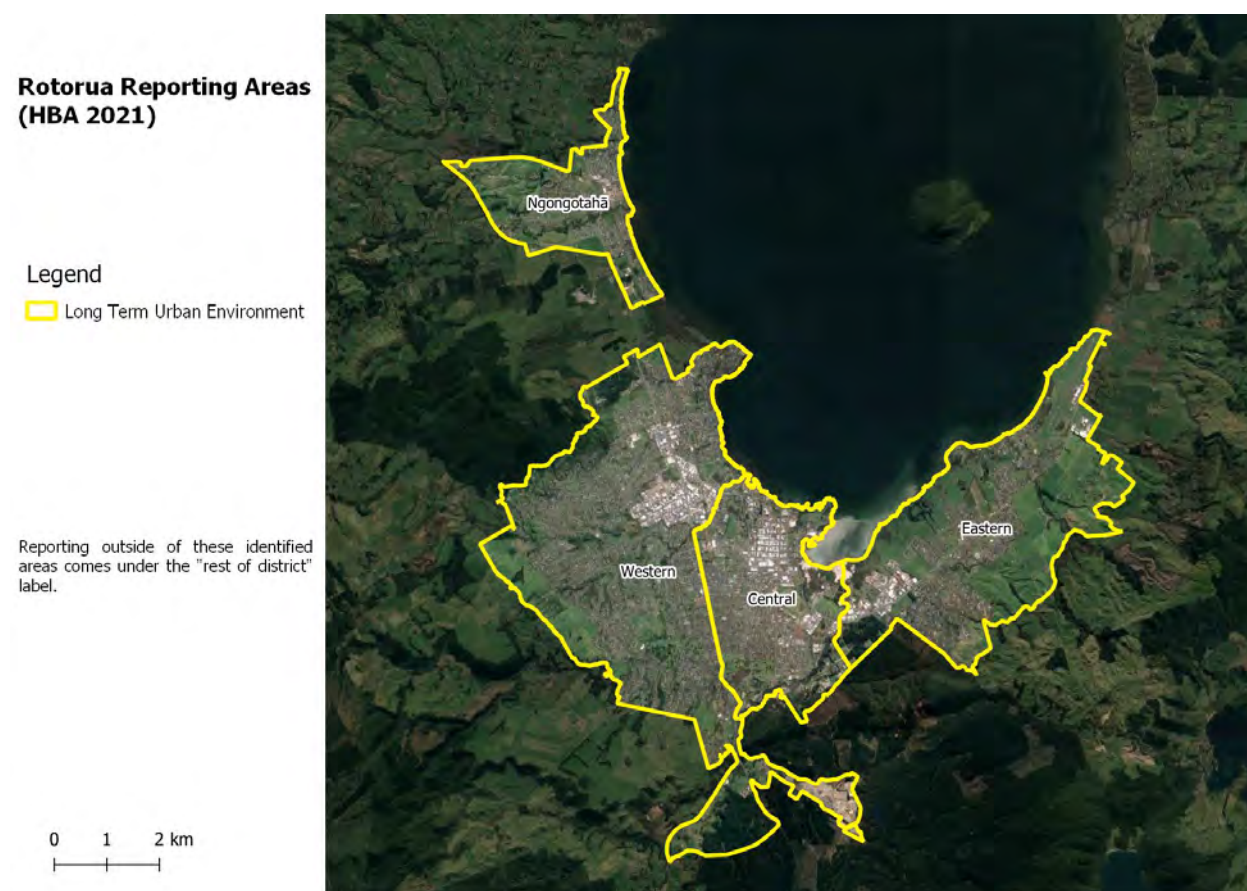
The rest of the district area (outside of the defined urban environment) is the 'rural environment' for the purpose of this HBA. The HBA is focussed primarily on the urban environment but includes analysis at the

<sup>28</sup> The Pukehangi greenfield growth area is zoned Residential 1 in the District Plan.

total district level and rural environment level where appropriate. This approach satisfies the requirements of the NPS-UD.

**Error! Reference source not found.** illustrates the locations adopted to report demand (and later capacity and sufficiency) of housing in Rotorua's urban environment. The four locations are Eastern, Central, Western and Ngongotahā. The business assessment applies to business enabled zones within the total urban environment and does not report results by location.

Figure 1.3 – HBA 2021 Urban Location (Reporting Area) Boundaries




## 1.5 Report Structure

The report is organised into four parts:

1. Housing market assessment.<sup>29</sup> This also includes the housing demand, supply, and current affordability assessment.<sup>30</sup>

<sup>29</sup> This responds to clause 3.23 of the NPS-UD.

<sup>30</sup> This responds to clause 3.24 of the NPS-UD.

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2. Housing development capacity assessment,<sup>31</sup> sufficiency of housing capacity,<sup>32</sup> housing bottom lines,<sup>33</sup> a discussion on future affordability and the impacts of planning and infrastructure.<sup>34</sup>
  3. Business demand and capacity assessment,<sup>35</sup> suitability of business capacity,<sup>36</sup> sufficiency of business capacity and further discussion on the impacts of planning and infrastructure.<sup>37</sup>
  4. Conclusions and recommendations.

Appendix A contains a glossary of commonly used terms. This report is supported by a Technical Report that provides further detail on certain aspects of the methodology, additional analysis tables, as well as analysis based on Council's alternative growth projections (that is, projections other than Council's preferred growth outlook for planning purposes).<sup>38</sup> The Technical Report functions as a series of appendices for this Main Report and is not a standalone document.

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<sup>31</sup> This responds to clause 3.25 and 3.27 of the NPS-UD.

<sup>32</sup> This responds to clause 3.27 of the NPS-UD.

<sup>33</sup> This responds to policy 7 and clause 3.6 of the NPS-UD.

<sup>34</sup> This responds to clause 3.23 of the NPS-UD.

<sup>35</sup> This responds to clause 3.28 and 3.29 of the NPS-UD.

<sup>36</sup> This responds to clause 3.29(1)(b)(iii) and 3.29(2) of the NPS-UD.

<sup>37</sup> This responds to clause 3.30 of the NPS-UD.

<sup>38</sup> Growth projections are discussed further in Part 1 of this report.

# PART 1 – HOUSING MARKET ASSESSMENT





## 2 Housing Demand

The section presents estimates of demand for housing in Rotorua District in the short, medium and long term. It takes account of expected growth in household numbers, and the socio-demography of household growth, to identify total and additional demand for housing within the district, in relation to dwelling types, and locations within the urban environment.

A high level summary of the approach to modelling housing demand is contained in the supporting Technical Report.

The NPS-UD identifies affordability as an issue and includes requirements of how well future demands will be met for “Māori and different groups in the community”. It provides a non-exhaustive list of household types – those of Māori ethnicity (including demand for Papakāinga housing), older households, renters and homeowners, low-income households, seasonal workers, visitors and student accommodation. The guidance is clear that the assessment should cover at least these types.

All of those groups are counted within the usually resident households of an area, except for visitors, who are either residents of other parts of New Zealand or overseas visitors temporarily in a city or district and if present are captured in the Census night population (a Tuesday in March). If seasonal workers are present at the time of the Census they are counted, though there are not specific statistics on seasonal workers at a fine-grained level and household scale outside this time.

The following analysis provides key summary information on these groups (with the exception of visitors) within the Rotorua community to the extent that they are captured in the available data. This assessment identifies households of Māori ethnicity and other main ethnicity groups, and identifies older households, those in the 65-74 years and 75 years and over age groups. It also differentiates households according to dwelling tenure (including those with and without mortgages, or dwellings owned by a trust), and differentiates among households according to income, since income is one of the major influences on housing affordability, the other aspect being price.

Since the NPS-UD focus is on housing affordability, these matters are examined in more detail in Section 4 with assessment of dwelling tenure and housing affordability, including detail on tenure, incomes, and affordability for each ethnic group in the community (Section 4.2).

In relation to seasonal workers, it is noted that there is very limited information from which to identify numbers or socio-demographic characteristics, or dwelling tenure. Since they are most commonly short to medium term visitors for employment purposes, this group is characterised by relatively lower or middle to low incomes, and most are likely to be tenants (renters) rather than owners of dwellings. To that extent, seasonal workers – if they are counted at Census time as being part of the usually resident population – are most frequently included in the lower income and non-owner segments within the total population. This means they are likely to be generally counted within those identified segments, though given the timing of the Census in March are not counted specifically within the analysis and are likely to be undercounted relative to peak seasonal demands.



## 2.1 Population and Households

The starting point for assessing future housing demand is the outlook for population and household numbers. The NPS-UD specifies that future demand for housing be assessed on the basis of one dwelling per net additional household.

RLD has adopted as the basis for its planning the population and household projections developed by Infometrics Ltd (2020).<sup>39</sup> These projections include three scenarios of future growth: low, medium and high.

Assessment in this HBA is based primarily on Council's medium growth scenario (being the preferred scenario), with some alternative assessment based on the high growth scenario (including in the supporting Technical Report). For brevity, this HBA does not include detailed assessment of the Council's low growth scenario.

### 2.1.1 Total Population

Those projections are set out in Table 2.1, with the medium projection indicating population growth of 4% in the short term, 11% in the medium term, and 19% in the long term. That would see an additional 14,399 persons by 2050, with the district population at 90,593 compared with 76,194 in 2020. The high projection would see an additional 11,148 persons over the decade to 2030 (+15%) and an additional 27,943 (+37%) by 2050.

For comparison, Table 2.1 also shows the most recent Statistics NZ (SNZ) projections (March 2021) for Rotorua. The SNZ series indicates slower population growth than the Infometrics projections, the medium variant showing an increase of 3% in the short term, 6% in the medium term, and 11% in the long term. The most recent SNZ projections allow for substantially more growth than earlier projected by SNZ. For this assessment, the Infometrics series has been adopted, in line with Council's position.

The focus is on the medium growth future, which is prudent as more capacity (plan enabled and the infrastructure to support it) would be required than in the low growth future. It is noted that any projections of future growth are subject to uncertainties, and unforeseen events. That said, there is a considerable science base for demographic projections based on statistics on mortality and birth rates and supported by information on migration flows both within New Zealand, and to and from overseas countries.

Further, the spread of demographic projections offers scope to cover a range of outcomes. The SNZ series does not indicate probability of particular outcomes, though does indicate that the low population can be expected to be equalled or exceeded in 95% of future combinations (scenarios), the medium projection equalled or exceeded in 50% of scenarios, and the high outcome equalled or exceeded in 5% of scenarios. Equivalent indications are not available for the Infometrics series. That said, the Infometrics series represents a slightly more cautious approach for Council in the long term, given the NPS-UD requirement to provide for at least sufficient capacity for growth. Adopting a relatively strong rate of growth (relative to the SNZ medium future) reduces the prospect of under-estimating future housing needs. Importantly, projections are not forecasts. Projections are commonly used to indicate a range of possible outcomes, so

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<sup>39</sup> Further discussion on the development of the Council's 2020 projections, and why the medium scenario is preferred can be found in the supporting Technical Report.

that their implications and differences may be understood, without tying analysis to a specific forecast of what will or is most likely to happen.

Table 2.1 – Population Growth Outlook – Short, Medium and Long Term

Projection	Current	Short Term			Medium Term			Long Term		
	2020	2023	2020-23	2020-23 %	2030	2020-30	2020-30 %	2050	2020-50	2020-50 %
<b>Infometrics</b>										
High	76,327	80,299	3,972	5%	87,475	11,148	15%	104,270	27,942	37%
Medium	76,194	79,265	3,071	4%	84,593	8,399	11%	90,593	14,399	19%
Low	76,075	78,356	2,281	3%	82,233	6,158	8%	80,273	4,198	6%
<b>StatsNZ</b>										
High	77,100	80,800	3,700	5%	86,000	8,900	12%	99,100	22,000	29%
Medium	76,400	78,900	2,500	3%	81,300	4,900	6%	85,000	8,600	11%
Low	75,700	77,100	1,400	2%	76,800	1,100	1%	71,600	- 4,100	-5%

Source: ME Housing Demand Model 2021: Infometrics 2020

## 2.1.2 Population Ageing

Similar to most areas of New Zealand, the Rotorua District population is expected to gradually age (the average age increases) over time. This means that children and younger age groups become relatively less important, as shares of the population, while the share in mature and older age groups increases.

Importantly, that does not mean that the population in younger age groups actually decreases, with the change driven by the increased longevity of people, and the well-recognised demographic ‘bump’ of the post-War baby boom. The changes in the medium and long terms for each age cohort are detailed in Table 2.2, and illustrated in Figure 2.1. The tables show that for most age cohorts, numbers increase in the medium and longer term futures.

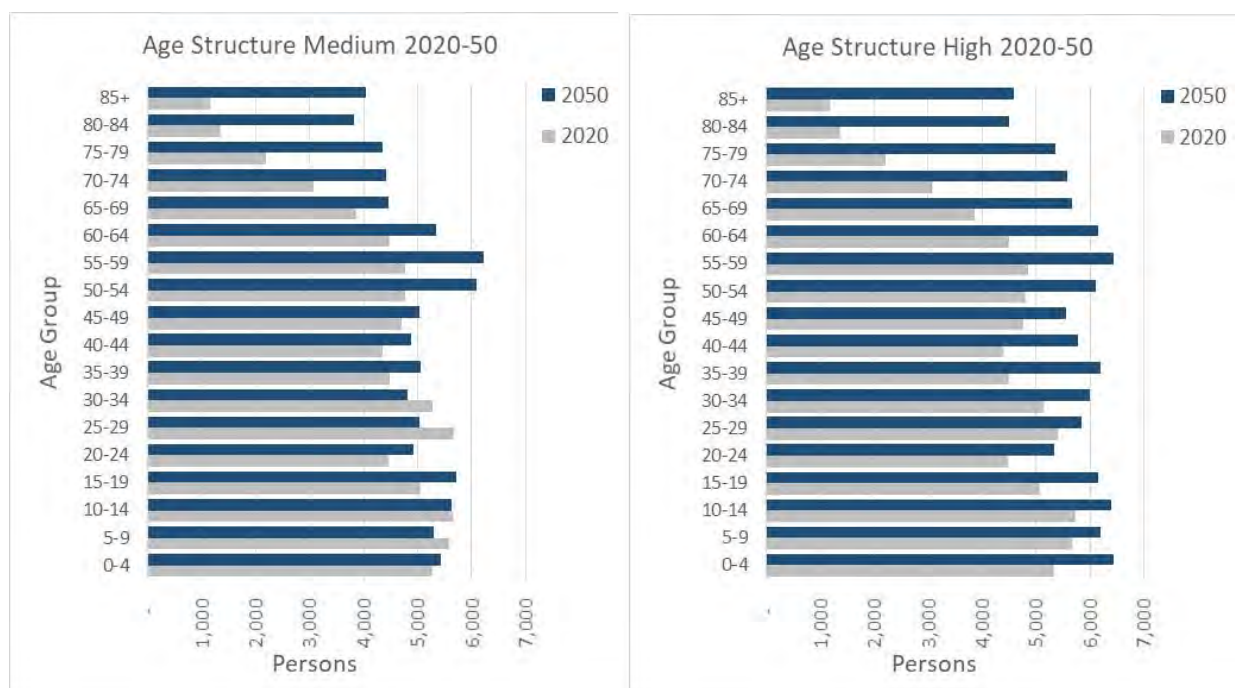
Table 2.2 – Population Growth Outlook (Medium & High Future) by Age Cohort

Age Cohort	Medium Projection					High Projection				
	2020	2030	2020-30 %	2050	2020-50 %	2020	2030	2020-30 %	2050	2020-50 %
0-4yrs	5,276	6,391	21%	5,434	3%	5,340	6,192	16%	6,432	20%
5-9yrs	5,585	5,650	1%	5,304	-5%	5,660	5,896	4%	6,204	10%
10-14yrs	5,644	5,172	-8%	5,631	0%	5,733	5,708	0%	6,401	12%
15-19yrs	5,048	5,066	0%	5,714	13%	5,070	5,532	9%	6,158	21%
20-24yrs	4,466	4,332	-3%	4,936	11%	4,484	4,620	3%	5,331	19%
25-29yrs	5,675	5,069	-11%	5,040	-11%	5,401	5,056	-6%	5,837	8%
30-34yrs	5,280	6,428	22%	4,811	-9%	5,139	5,991	17%	5,995	17%
35-39yrs	4,493	6,641	48%	5,065	13%	4,499	6,274	39%	6,205	38%
40-44yrs	4,342	5,405	24%	4,876	12%	4,395	5,453	24%	5,772	31%
45-49yrs	4,706	4,316	-8%	5,036	7%	4,758	4,616	-3%	5,555	17%
50-54yrs	4,766	4,135	-13%	6,092	28%	4,807	4,482	-7%	6,101	27%
55-59yrs	4,780	4,502	-6%	6,229	30%	4,853	4,916	1%	6,440	33%
60-64yrs	4,488	4,783	7%	5,335	19%	4,498	5,224	16%	6,150	37%
65-69yrs	3,858	4,956	28%	4,457	16%	3,858	5,271	37%	5,674	47%
70-74yrs	3,085	4,523	47%	4,416	43%	3,074	4,682	52%	5,573	81%
75-79yrs	2,185	3,453	58%	4,360	100%	2,206	3,563	62%	5,357	143%
80-84yrs	1,361	2,210	62%	3,815	180%	1,376	2,300	67%	4,500	227%
85-89yrs	1,158	1,560	35%	4,040	249%	1,179	1,698	44%	4,586	289%
Total	76,194	84,593	11%	90,593	19%	76,327	87,475	15%	104,270	37%

Source: Infometrics for Rotorua District 2020

That said, the population structure in the long term is expected to be significantly different from currently, with a more even distribution of population across the age cohorts (Figure 2.1).

Figure 2.1 –Population Age Structure 2020-50 (Medium (left) and High Futures (right))



### 2.1.3 Population Ethnicity Trends

The growth projections also indicate trends in ethnicity into the long term. Nationally, the expected trend is for increases in the shares of the population of Māori, Pacific and Asian ethnicities, and a corresponding decrease in the share of those of European and other ethnicities.<sup>40</sup> Total population of all ethnicities will also increase, but the rate at which they increase is the key driver of the proportional changes.

The SNZ ethnicity projections by ethnicity come with caveats because the Census 2018 records all ethnicities identified by respondents, and many specify two or more ethnicities. Accordingly, the SNZ ethnicity-based projections recognise two (or more) ethnicities, and so the base populations and the future projections sum to more than the counts and projections for the total population. To adjust for the over-projection, for this assessment each ethnicity-based projection has been factored down, so that the sum of the ethnicity-based projections matches the total projection. That is, it is assumed that the degree of over-count applies *pro rata* to each ethnicity.

The Rotorua District projections indicate a long term increase in the share of European ethnicity, growing from the current 57% to reach 60% by 2050 in both the medium and high projections (Table 2.3). The share of Māori ethnicity is projected to decrease, from the current 31% to 29%. The projected shares of Pacific, Asian and other ethnicities show minimal change. The projections indicate a different path for Rotorua compared with the national pattern, where medium and long term the European share of the total population is expected to decrease, while Māori, Pacific and Asian ethnicity shares are expected to increase.

Table 2.3 – Population Growth Outlook by Ethnicity Medium and Long Term

Ethnicity	Medium Projection					High Projection				
	2020	2023	2030	2050	2020-50 %	2020	2023	2030	2050	2020-50 %
European	43,500	45,480	49,190	54,220	25%	43,610	46,140	51,010	62,580	43%
Māori	23,870	24,630	25,840	26,640	12%	23,910	24,940	26,650	30,510	28%
Pacific	3,200	3,290	3,440	3,500	9%	3,210	3,330	3,550	4,010	25%
Asian	4,160	4,350	4,480	4,550	9%	4,140	4,340	4,570	5,210	26%
MELAA	360	370	400	390	8%	360	380	410	450	25%
Other	1,100	1,150	1,240	1,300	18%	1,100	1,170	1,280	1,510	37%
<b>Total</b>	<b>76,190</b>	<b>79,270</b>	<b>84,590</b>	<b>90,600</b>	<b>19%</b>	<b>76,330</b>	<b>80,300</b>	<b>87,470</b>	<b>104,270</b>	<b>37%</b>
<b>Share %</b>										
European	57%	57%	58%	60%		57%	57%	58%	60%	
Māori	31%	31%	31%	29%		31%	31%	30%	29%	
Pacific	4%	4%	4%	4%		4%	4%	4%	4%	
Asian	5%	5%	5%	5%		5%	5%	5%	5%	
MELAA	0%	0%	0%	0%		0%	0%	0%	0%	
Other	1%	1%	1%	1%		1%	1%	1%	1%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

Source: Infometrics for Rotorua District 2020; adjusted for ethnicity double-count

<sup>40</sup> <http://nzdotstat.stats.govt.nz/wbos/Index.aspx>



## 2.2 Household Socio-demography 2020

The key driver of housing demand is the number of resident households, while the socio-demographic characteristics of households are important influences on the nature of housing demand, and the affordability of housing. There is considerable detail from Census 2018 and other sources about Rotorua households which gives scope for analysis in some detail. That said, this section focuses on the major household characteristics known to influence housing demand and affordability – household type, especially as between one-person and couple households, and family households; household age, since stage in the life cycle is the other key driver of housing need; household ethnicity, also influencing housing preferences; and household income as the main influence on ability to pay for housing, and therefore housing affordability. These aspects are examined as two-way combinations, with household type as the common factor.

As at 2020, Rotorua has an estimated 29,000 households, an increase of 1,200 over the 2018 Census figure<sup>41</sup>.

The survey of residential development sector stakeholders showed that most of the demand for new dwellings was from existing households moving within the Rotorua housing market. Demand from people moving to Rotorua from elsewhere in New Zealand the second largest purchase group and when combined with demand from people moving to the district from overseas, showed that overall, in-migration is a key drive of demand for housing in Rotorua. There is also some market demand from investors (within and outside of the market), and from holiday home purchasers outside of the market. There was little evidence from the survey that speculative section buyers and house builders was a feature of the Rotorua housing market at this time. In places like Queenstown, sections can often change hands several times before being purchased by the future occupant as buyers/investors seek to capitalise on the rapid growth in land values due to high demand.

### 2.2.1 Household Type and Income

The current household structure is shown in Table 2.4. Couple households are the most numerous (9,170) accounting for nearly 31.6% of the total. Family households account for 41% of the total, with 8,250 2-parent families (including 1,940 larger families with 3 or more children, 6.7%) and the 3,760 1-parent families accounting for 13.0% of the total. One-person households make up a substantial share, at 6,670 in total (23.0%). The balance are multi-family households (420, 1.4%) and non-family households typically flatting situations (730, 2.5%).

There is a wide spread of household incomes. Some 20% of households (5,850) have incomes of \$30,000 or less<sup>42</sup>, and another 16.7% (4,840) have incomes in the \$30,000 to \$50,000 range. This means 37% of all households have incomes of less than \$50,000, a higher share than the national pattern (34%). At the other end of the spectrum, there are an estimated 5,850 households (20.1%) with incomes of \$120,000 or higher. This compares with 25.6% in that band at the national level.

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<sup>41</sup> Infometrics 2020

<sup>42</sup> These are the Census 2018 income bands.

The largest share of households (43.0%) lies in the mid-income bands between \$50,000 and \$120,000 per year. SNZ income data suggests that household incomes in the Bay of Plenty region increased by 0.6% between 2018 and 2020. Relatively large segments in the lower income bands include single person households (many of them retired persons) and 1-parent families, both in the relatively vulnerable categories for non-owner households.

Table 2.4 – Households by Type and Income Band 2020

Household Type	<\$30,000	\$30-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000+	Total
One Person household	3,110	1,650	950	580	200	80	100	6,670
Couple household	810	1,340	1,470	1,890	1,180	1,010	1,470	9,170
2 Parents 1-2 children	300	560	870	1,470	930	880	1,300	6,310
2 Parents 3+ children	110	200	320	490	280	220	320	1,940
1 Parent Family	1,370	910	650	470	180	80	100	3,760
Multi-family household	20	40	50	80	50	70	110	420
Non-family household	130	140	130	140	80	50	60	730
<b>Total Households</b>	<b>5,850</b>	<b>4,840</b>	<b>4,440</b>	<b>5,120</b>	<b>2,900</b>	<b>2,390</b>	<b>3,460</b>	<b>29,000</b>
One Person household	10.7%	5.7%	3.3%	2.0%	0.7%	0.3%	0.3%	23.0%
Couple household	2.8%	4.6%	5.1%	6.5%	4.1%	3.5%	5.1%	31.6%
2 Parents 1-2 children	1.0%	1.9%	3.0%	5.1%	3.2%	3.0%	4.5%	21.8%
2 Parents 3+ children	0.4%	0.7%	1.1%	1.7%	1.0%	0.8%	1.1%	6.7%
1 Parent Family	4.7%	3.1%	2.2%	1.6%	0.6%	0.3%	0.3%	13.0%
Multi-family household	0.1%	0.1%	0.2%	0.3%	0.2%	0.2%	0.4%	1.4%
Non-family household	0.4%	0.5%	0.4%	0.5%	0.3%	0.2%	0.2%	2.5%
<b>Total Households</b>	<b>20.2%</b>	<b>16.7%</b>	<b>15.3%</b>	<b>17.7%</b>	<b>10.0%</b>	<b>8.2%</b>	<b>11.9%</b>	<b>100%</b>
<b>Relative Concentration</b>								
One Person household	2.31	1.48	0.93	0.49	0.30	0.15	0.13	
Couple household	0.44	0.88	1.05	1.17	1.29	1.34	1.34	
2 Parents 1-2 children	0.24	0.53	0.90	1.32	1.47	1.69	1.73	
2 Parents 3+ children	0.28	0.62	1.08	1.43	1.44	1.38	1.38	
1 Parent Family	1.81	1.45	1.13	0.71	0.48	0.26	0.22	
Multi-family household	0.24	0.57	0.78	1.08	1.19	2.02	2.20	
Non-family household	0.88	1.15	1.16	1.09	1.10	0.83	0.69	

Source: ME Housing Demand Model 2021

To illustrate the important relationships between household types and income levels, the lower part of the table indicates the relative concentration of each type by income segment within the community. Values shaded blue show higher than just *pro rata* incidence<sup>43</sup>. For example, one person households are strongly represented in the lowest income band, as are 1 Parent families. Couple households and 2 Parent families with children have a relatively high incidence in the middle and upper income bands.

## 2.2.2 Household Age

Table 2.5 shows the distribution of household types across the age cohorts. As expected, in the younger age cohorts, families with children dominate, whereas in the older age cohorts, single person households and couples dominate.

This pattern is as expected given the changes as households progress through the life stages, and families with children then give way to “empty nester” couples and singles later in life. That said, the affordability

<sup>43</sup> This is in effect a ‘location quotient’ where values greater than 1.0 show higher than *pro rata* incidence.

issue often becomes progressively more important for non-owner households in the middle and later years, as remaining lifetime earning potential reduces, and ability to access housing finance often reduces.

The relative concentration ratio shows more one person and couple households in the older age cohorts, and families with children relatively grouped into the younger age bands, consistent with their respective place and movement through the life stages.

Table 2.5 – Households by Type and Age 2020

Household Type	15-29	30-39	40-49	50-64	65-74	75+	Total
One Person household	750	510	590	1,450	1,390	2,030	6,720
Couple household	1,570	530	580	2,620	2,260	1,570	9,130
2 Parents 1-2 children	1,630	1,670	1,560	1,080	230	110	6,280
2 Parents 3+ children	400	840	580	120	20	10	1,970
1 Parent Family	1,170	800	780	600	170	220	3,740
Multi-family household	110	50	90	130	40	10	430
Non-family household	350	60	60	120	90	50	730
<b>Total Households</b>	<b>5,980</b>	<b>4,460</b>	<b>4,240</b>	<b>6,120</b>	<b>4,200</b>	<b>4,000</b>	<b>29,000</b>
One Person household	2.6%	1.8%	2.0%	5.0%	4.8%	7.0%	23.2%
Couple household	5.4%	1.8%	2.0%	9.0%	7.8%	5.4%	31.5%
2 Parents 1-2 children	5.6%	5.8%	5.4%	3.7%	0.8%	0.4%	21.7%
2 Parents 3+ children	1.4%	2.9%	2.0%	0.4%	0.1%	0.0%	6.8%
1 Parent Family	4.0%	2.8%	2.7%	2.1%	0.6%	0.8%	12.9%
Multi-family household	0.4%	0.2%	0.3%	0.4%	0.1%	0.0%	1.5%
Non-family household	1.2%	0.2%	0.2%	0.4%	0.3%	0.2%	2.5%
<b>Total Households</b>	<b>20.6%</b>	<b>15.4%</b>	<b>14.6%</b>	<b>21.1%</b>	<b>14.5%</b>	<b>13.8%</b>	<b>100.0%</b>
<b>Relative Concentration</b>							
One Person household	0.54	0.49	0.60	1.02	1.43	2.19	
Couple household	0.83	0.38	0.43	1.36	1.71	1.25	
2 Parents 1-2 children	1.26	1.73	1.70	0.81	0.25	0.13	
2 Parents 3+ children	0.98	2.77	2.01	0.29	0.07	0.04	
1 Parent Family	1.52	1.39	1.43	0.76	0.31	0.43	
Multi-family household	1.24	0.76	1.43	1.43	0.64	0.17	
Non-family household	2.33	0.53	0.56	0.78	0.85	0.50	

Source: ME Housing Demand Model 2021

## 2.2.3 Household Ethnicity

Table 2.6 shows the estimated distribution of household types across the ethnicity groups. Households of European ethnicity are relatively concentrated in the one person and couple household segments, a pattern generally consistent with their older average ages. Households of Māori, Pacific and Asian ethnicities show relatively stronger incidence across family households with children, both 2 parent and 1 parent.

Table 2.6 – Households by Type and Ethnicity 2020

Household Type	European	Māori	Pacific	Asian	Total
One Person household	4,660	1,420	170	480	6,730
Couple household	6,030	2,150	270	690	9,140
2 Parents 1-2 children	3,400	1,910	260	720	6,290
2 Parents 3+ children	1,020	610	80	250	1,960
1 Parent Family	2,060	1,130	160	400	3,750
Multi-family household	250	120	10	40	420
Non-family household	400	220	30	60	710
<b>Total Households</b>	<b>17,820</b>	<b>7,560</b>	<b>980</b>	<b>2,640</b>	<b>29,000</b>
One Person household	16.1%	4.9%	0.6%	1.7%	23.2%
Couple household	20.8%	7.4%	0.9%	2.4%	31.5%
2 Parents 1-2 children	11.7%	6.6%	0.9%	2.5%	21.7%
2 Parents 3+ children	3.5%	2.1%	0.3%	0.9%	6.8%
1 Parent Family	7.1%	3.9%	0.6%	1.4%	12.9%
Multi-family household	0.9%	0.4%	0.0%	0.1%	1.4%
Non-family household	1.4%	0.8%	0.1%	0.2%	2.4%
<b>Total Households</b>	<b>61.4%</b>	<b>26.1%</b>	<b>3.4%</b>	<b>9.1%</b>	<b>100.0%</b>
<b>Relative Concentration</b>					
One Person household	<b>1.13</b>	0.81	0.75	0.78	
Couple household	<b>1.07</b>	0.90	0.87	0.83	
2 Parents 1-2 children	0.88	<b>1.16</b>	<b>1.22</b>	<b>1.26</b>	
2 Parents 3+ children	0.85	<b>1.19</b>	<b>1.21</b>	<b>1.40</b>	
1 Parent Family	0.89	<b>1.16</b>	<b>1.26</b>	<b>1.17</b>	
Multi-family household	0.97	<b>1.10</b>	0.70	<b>1.05</b>	
Non-family household	0.92	<b>1.19</b>	<b>1.25</b>	0.93	

Source: ME Housing Demand Model 2021

(note European includes other ethnicities)

## 2.3 Household Growth

The population growth underpins the growth in household numbers. Generally, household numbers tend to increase slightly ahead of population growth. There are a number of reasons for this, notably because the ageing of the population sees higher shares in the adult age groups with potential to form their own households, while social trends have seen higher shares of one-person households.

This section addresses overall household growth at the district level, and projected changes in key factors influencing housing demand, notably household type, and household incomes. The household projections are derived from Infometrics – further detail is provided in the supporting Technical Report.

### 2.3.1 Total Households

Estimated future household numbers are set out in Table 2.7.<sup>44</sup> In the medium projection, household numbers are projected to increase from the current 29,000 households (June 2020) by 6% (1,700 households) in the short term, then 15% (4,300 households) in the medium term, and 27% (7,800 households) in the long term. The annual increase would be some 580 in the short term, 430 over the next

<sup>44</sup> See also the supporting Technical Report for a graph of these projections from 2020-2050.

decade, and 260 over the long term. This future would see 33,300 resident households in the district by 2030, and 37,100 by 2050.

Table 2.7 – Household Growth Outlook Medium and High Futures

Future	2020	2023	2028	2030	2033	2038	2043	2048	2050
High Projection	29,000	30,900	33,600	34,300	35,500	37,300	39,500	41,700	42,600
Change		1,900	4,600	5,300	6,500	8,300	10,500	12,700	13,600
Change %		7%	16%	18%	22%	29%	36%	44%	47%
Change %pa		2.1%	1.9%	1.7%	1.6%	1.4%	1.4%	1.3%	1.3%
Medium Projection	29,000	30,700	32,800	33,300	34,000	34,700	35,600	36,500	36,800
Change		1,700	3,800	4,300	5,000	5,700	6,600	7,500	7,800
Change %		6%	13%	15%	17%	20%	23%	26%	27%
Change %pa		1.9%	1.6%	1.4%	1.2%	1.0%	0.9%	0.8%	0.8%

Source: ME Housing Demand Model 2021

Infometrics 2020

Totals rounded to nearest 100

## 2.3.2 Household Demography and Income

As well as growth in household numbers, considerable change is anticipated in the composition of the household sector. The general trend is for the ageing of the population to see the greatest increases in one person households and couple households, with significantly smaller net increases in family households with children (Table 2.8).<sup>45</sup>

Table 2.8 – Household Growth Outlook by Type – Short, Medium and Long Term (Medium Future)

Household Type	Current	Short Term			Medium Term			Long Term		
	2020	2023	2020-23	2020-23	2030	2020-30	2020-30	2050	2020-50	2020-50
One Person household	6,670	7,080	410	6%	7,940	1,270	19%	9,780	3,110	47%
Couple household	9,170	9,920	750	8%	10,750	1,580	17%	12,120	2,950	32%
2 Parents 1-2 children	6,310	6,580	270	4%	7,130	820	13%	7,150	840	13%
2 Parents 3+ children	1,940	2,040	100	5%	2,220	280	14%	2,210	270	14%
1 Parent Family	3,760	3,880	120	3%	4,050	290	8%	4,320	560	15%
Multi-family household	440	460	20	5%	450	10	2%	450	10	2%
Non-family household	720	760	40	6%	780	60	8%	810	90	13%
Total	29,000	30,700	1,700	6%	33,300	4,300	15%	36,800	7,800	27%

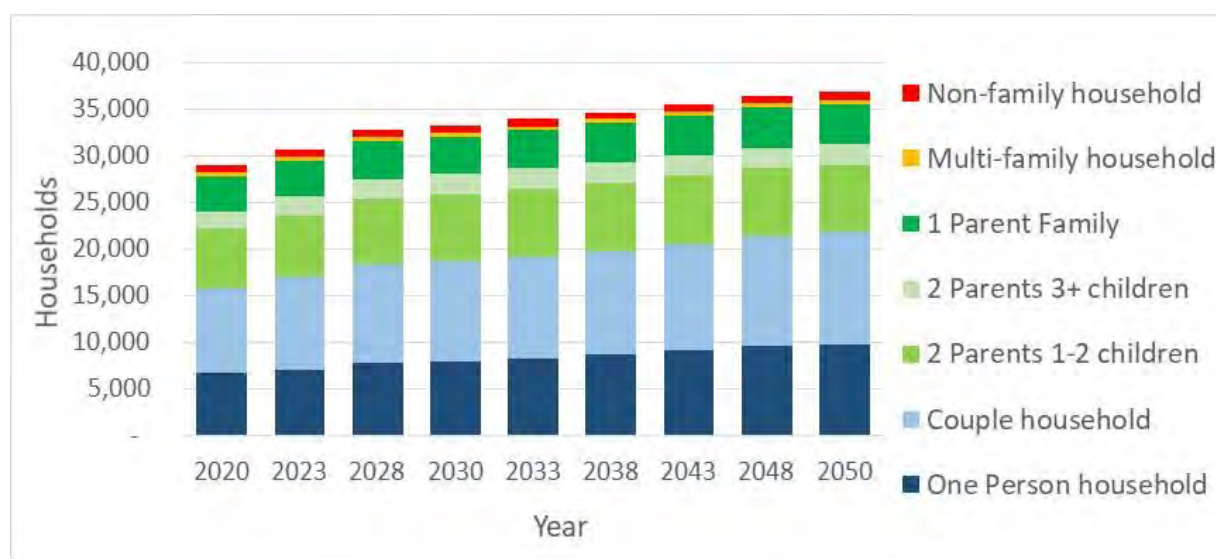
Source: ME Housing Demand Model 2021

Totals rounded to nearest 10

This medium future would see one person and couple households accounting for around two-thirds of the total household growth in the medium term, and over three-quarters of the increase in the long term. Nevertheless, the socio-demographic structure of the household sector is expected to shift relatively slowly over time. This is shown in Figure 2.2.

<sup>45</sup> Refer the supporting Technical Report for the equivalent analysis of the Council's high growth projections.

Figure 2.2 – Projected Households Rotorua District – Medium Growth Future



The changes in household demography are likely to be associated with shifts in household incomes. As a starting point, the current relationships between household demography and household income are expected to persist into the medium term. The projected patterns in the medium future are shown in Table 2.9.

Table 2.9 – Household Growth Outlook by Income – Short, Medium and Long Term (Medium Future)

Household Income Band	Current	Short Term			Medium Term			Long Term		
	2020	2023	2020-23	2020-23 %	2030	2020-30	2020-30 %	2050	2020-50	2020-50 %
Under \$30,000	5,880	6,260	380	6%	7,030	1,150	20%	8,420	2,540	43%
\$30-50,000	4,840	5,160	320	7%	5,730	890	18%	6,650	1,810	37%
\$50-70,000	4,440	4,730	290	7%	5,150	710	16%	5,660	1,220	27%
\$70-100,000	5,120	5,400	280	5%	5,750	630	12%	6,000	880	17%
\$100-120,000	2,900	3,060	160	6%	3,240	340	12%	3,340	440	15%
\$120-150,000	2,380	2,490	110	5%	2,620	240	10%	2,760	380	16%
\$150,000+	3,460	3,630	170	5%	3,810	350	10%	4,010	550	16%
Total	29,000	30,700	1,680	6%	33,300	4,280	15%	36,800	7,780	27%

Source: ME Housing Demand Model 2021

Totals rounded to nearest 10

## 2.4 Current Housing Demand 2020

### 2.4.1 Dwelling Pattern 2018

Table 2.10 provides a summary of the Rotorua District housing supply and occupancy as at Census 2018. It shows 28,563 private dwellings and 315 non-private dwellings. The non-private dwellings are shown for completeness and include dwellings described as providing communal types of accommodation - these dwellings provide for a proportion of demand, particularly temporary or transitory demand from visitors - some of these dwellings however provide temporary accommodations for residents while they are in hospital or prison so are in addition to private housing demand. Of the private dwellings 25,236 (88%) were recorded as occupied at the Census with another 7% indicated as residents being temporarily absent. That indicated up to 5% were not usually occupied. Including non-private dwellings, just under 27,400 were

indicated as occupied, with 1,383 (5%) not usually occupied. The estimate of occupied dwellings concords quite well with the number of usually resident households as at 2018.

Table 2.10 – Housing Supply Situation at Census 2018

Census 2018	Private Dwellings	Private Dwellings %	NZ Average	Non-Private Dwellings	Non-Private Dwellings %	NZ Average	Total Dwellings	Total Dwellings %	NZ Average
Private Dwellings	28,563	100%		315	100%		28,875	100%	
Occupied	25,236	88%	89%	225	71%	66%	25,461	88%	89%
Unoccupied	3,228	11%	10%	93	30%	33%	3,318	11%	10%
Owners Away	1,914	7%	5%	24	8%	8%	1,935	7%	5%
Empty Dwelling	1,314	5%	5%	69	22%	25%	1,383	5%	5%
Under Construction	99	0%	1%	-	0%	1%	99	0%	1%
Usually Occupied	27,150	95%	94%	249	79%	74%	27,396	95%	94%
Usually Unoccupied	1,413	5%	6%	66	21%	26%	1,479	5%	6%
Compare Resident Households (2018)							27,830		
Difference (n)							434		
Difference %							1.6%		

Source: Census 2018

It is noted that Census figures can over-state the numbers of usually unoccupied dwellings, especially because of the difficulty of identifying usual residents who are absent at Census time. Studies by SNZ in some main cities have shown that commonly between 0.5% and 1.0% of dwellings are usually unoccupied, in most instances a smaller figure than the Census snapshot. The situation is complicated in cities such as Rotorua where tourism is an important part of the economy, and a higher share than average of the total estate is holiday dwellings, owned by residents of other areas.

As discussed above, the NPS-UD seeks assessment for “different types and forms of housing (such as for lower-cost housing, papakāinga, and seasonal worker or student accommodation.” The analysis for this HBA focuses on housing for the resident population, and it includes housing by price point which covers the “lower cost housing” category.

However, there is no Census information available on worker or student accommodation, which may be differentiated within the general non-private dwelling category, or other comprehensive data available. Nor is there specific detail on papakāinga to show the current situation or future outlook. It is assumed papakāinga are included in the private dwellings statistics but are not differentiated as such. Some commentary on demand for papakāinga and kaumatua housing is provided in Section 2.6 below.

## 2.4.2 Resident Housing Demand and Tenure 2020

Table 2.11 provides detail of the overall dwelling tenure patterns and dwelling types for 2020. These estimates are based on the patterns identified from Census 2018, factored up according to estimated growth in resident household numbers between 2018 and 2020 (based on Infometrics projections). It is assumed that the relationships between dwelling tenure and dwelling type evident in 2018 have endured across the two years, and these have been applied *pro rata* according to numbers of resident households for 2020.

As at 2020, some 88% of dwellings occupied by resident households were separate houses, with a further 3,630 attached dwellings (12%). The attached dwellings are predominantly 1-storey buildings (according to Census data), with around one-fifth of attached dwellings in building of 2 or 3 storeys.

Table 2.11 – Resident Dwelling Tenure and Dwelling Types 2020

Dwelling Tenure 2020	Detached	Attached					Total
	Separate House	Joined 1 Storey	Joined 2-3 Storey	Joined 4+ Storey	Total Attached	Other Dwelling	Total Dwellings
Owned with mortgage	7,880	370	110	-	480	-	8,360
Owned without mortgage	6,170	600	100	-	700	-	6,870
Owned by Trust	2,830	170	50	-	220	-	3,050
Total Owned or in Trust	16,880	1,140	260	-	1,400	-	18,280
Not Owned	8,580	1,640	420	20	2,080	60	10,720
Not elsewhere included	-	-	-	-	-	-	-
Total Housing	25,460	2,780	680	20	3,480	60	29,000
Owned with mortgage	27%	1%	0%	0%	2%	0%	29%
Owned without mortgage	21%	2%	0%	0%	2%	0%	24%
Owned by Trust	10%	1%	0%	0%	1%	0%	11%
Total Owned or in Trust	58%	4%	1%	0%	5%	0%	63%
Not Owned	30%	6%	1%	0%	7%	0%	37%
Not elsewhere included	0%	0%	0%	0%	0%	0%	0%
Total Housing	88%	10%	2%	0%	12%	0%	100%

Source: ME Housing Demand Model 2021

Note - includes rounding

The table also shows the tenure pattern across Rotorua District. Overall, some 63% of dwellings are owned or in a trust, with 37% rented. Of those owned, more than half are either owned without a mortgage (24%) or held in a trust. The other owned dwellings (29% of the total) are owned with a mortgage.

The ownership rates are higher for separate houses than for attached dwellings. The estate includes some 16,880 owned separate houses (two thirds of all separate houses), and 1,400 owned attached dwellings, or 18,280 overall. In contrast, ownership rates are lower for attached dwellings with more than half of these rented.

This base pattern is important in relation to projected growth in household numbers and implied demand for additional dwellings, especially as to considerations of dwelling affordability and future ownership and rental rates.

## 2.4.3 Household Type and Tenure 2020

Table 2.12 provides detail of the overall dwelling tenure patterns among different types of households. Dwellings are differentiated by detached and attached only, and the 'Not Owned' category includes a small number of dwellings for which tenure is not specified. The overall pattern reflects the household structure in the Rotorua community.

However, there are important differences between household types in terms of the dwellings occupied, and dwelling tenure. To show this, the lower part of the table indicates the relative concentration or incidence within the community, with blue shading showing higher than just *pro rata* incidence. The relative concentration ratios show that:

- Couple households have a high incidence of living in detached dwellings which they own.

- For one person households there is relatively high concentration into attached dwellings, both owned and rented.
- 2 Parent families show higher concentration into detached dwellings, especially larger families with 3 or more children.
- 1 Parent families have relatively low incidence of dwelling ownership and are especially concentrated into detached rental dwellings.
- Multi-family households and non-family households are relatively concentrated in rental detached dwellings.
- The reverse obviously applies where relative incidence is less than 1.0.

Table 2.12 – Household Types and Dwelling Tenure 2020

Household Type 2020	Owned or Trust			Not Owned <sup>1</sup>			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One Person household	3,290	620	3,910	1,750	950	2,700	5,040	1,570	6,610
Couple household	6,700	440	7,140	1,610	430	2,040	8,310	870	9,180
2 Parents 1-2 children	3,940	200	4,140	1,820	360	2,180	5,760	560	6,320
2 Parents 3+ children	1,090	20	1,110	780	50	830	1,870	70	1,940
1 Parent Family	1,320	100	1,420	2,050	290	2,340	3,370	390	3,760
Multi-family household	240	10	250	160	20	180	400	30	430
Non-family household	290	-	290	410	30	440	700	30	730
<b>Total Households</b>	<b>16,900</b>	<b>1,400</b>	<b>18,300</b>	<b>8,600</b>	<b>2,100</b>	<b>10,700</b>	<b>25,500</b>	<b>3,500</b>	<b>29,000</b>
One Person household	11%	2%	13%	6%	3%	9%	17%	5%	23%
Couple household	23%	2%	25%	6%	1%	7%	29%	3%	32%
2 Parents 1-2 children	14%	1%	14%	6%	1%	8%	20%	2%	22%
2 Parents 3+ children	4%	0%	4%	3%	0%	3%	6%	0%	7%
1 Parent Family	5%	0%	5%	7%	1%	8%	12%	1%	13%
Multi-family household	1%	0%	1%	1%	0%	1%	1%	0%	1%
Non-family household	1%	0%	1%	1%	0%	2%	2%	0%	3%
<b>Total Households</b>	<b>58%</b>	<b>5%</b>	<b>63%</b>	<b>30%</b>	<b>7%</b>	<b>37%</b>	<b>88%</b>	<b>12%</b>	<b>100%</b>
<b>Relative Concentration</b>									
One Person household	0.85	1.94	0.94	0.89	1.98	1.11	0.87	1.97	
Couple household	1.25	0.99	1.23	0.59	0.65	0.60	1.03	0.79	
2 Parents 1-2 children	1.07	0.66	1.04	0.97	0.79	0.93	1.04	0.73	
2 Parents 3+ children	0.96	0.21	0.91	1.36	0.36	1.16	1.10	0.30	
1 Parent Family	0.60	0.55	0.60	1.84	1.07	1.69	1.02	0.86	
Multi-family household	0.96	0.48	0.92	1.25	0.64	1.13	1.06	0.58	
Non-family household	0.68	-	0.63	1.89	0.57	1.63	1.09	0.34	

<sup>1</sup> Not Owned includes NEI

Note - includes rounding

These patterns offer simple but important guidance as to future housing needs and preferences, particularly because different segments within the community are expected to grow at different rates into the future. Future housing demand by type is discussed further in Section 2.5.

That said, the concentration ratios are guidance, and not absolute measures. There are substantial numbers of households across both detached and attached dwellings, and both ownership and rental (as shown in the simple number count in the upper part of Table 2.12).

## 2.4.4 Household Income and Tenure 2020

The relationships between household income and dwelling type and tenure also show clear patterns (Table 2.13). Middle and lower income households show relatively high incidence in rented dwellings, both detached and attached. When dwellings are owned, there is relatively strong concentration on attached dwellings.

The pattern is rather different for middle to higher income households. These show relatively high incidence of ownership, rather than rental, and ownership of detached rather than attached dwellings. Again, the caveat is that there are substantial numbers of households in each income band across both detached and attached dwellings, and both ownership and rental.

Table 2.13 – Household Income and Dwelling Tenure 2020

Household Income	Owned or Trust			Not Owned <sup>1</sup>			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Under \$30,000	2,170	370	2,540	2,370	920	3,290	4,540	1,290	5,830
\$30-50,000	2,410	260	2,670	1,730	430	2,160	4,140	690	4,830
\$50-70,000	2,430	210	2,640	1,470	320	1,790	3,900	530	4,430
\$70-100,000	3,200	190	3,390	1,500	230	1,730	4,700	420	5,120
\$100-120,000	2,100	130	2,230	600	90	690	2,700	220	2,920
\$120-150,000	1,780	100	1,880	440	60	500	2,220	160	2,380
\$150,000+	2,790	140	2,930	460	80	540	3,250	220	3,470
Total Households	16,900	1,400	18,300	8,600	2,100	10,700	25,500	3,500	29,000
Under \$30,000	7%	1%	9%	8%	3%	11%	16%	4%	20%
\$30-50,000	8%	1%	9%	6%	1%	7%	14%	2%	17%
\$50-70,000	8%	1%	9%	5%	1%	6%	13%	2%	15%
\$70-100,000	11%	1%	12%	5%	1%	6%	16%	1%	18%
\$100-120,000	7%	0%	8%	2%	0%	2%	9%	1%	10%
\$120-150,000	6%	0%	6%	2%	0%	2%	8%	1%	8%
\$150,000+	10%	0%	10%	2%	0%	2%	11%	1%	12%
Total Households	58%	5%	63%	30%	7%	37%	88%	12%	100%
<b>Relative Concentration</b>									
Under \$30,000	0.64	1.31	0.69	1.37	2.18	1.53	0.89	1.83	
\$30-50,000	0.86	1.12	0.88	1.21	1.23	1.21	0.97	1.18	
\$50-70,000	0.94	0.98	0.94	1.12	1.00	1.10	1.00	0.99	
\$70-100,000	1.07	0.77	1.05	0.99	0.62	0.92	1.04	0.68	
\$100-120,000	1.23	0.92	1.21	0.69	0.43	0.64	1.05	0.62	
\$120-150,000	1.28	0.87	1.25	0.62	0.35	0.57	1.06	0.56	
\$150,000+	1.38	0.84	1.34	0.45	0.32	0.42	1.07	0.53	

Source: ME Housing Demand Model 2021

1 Not Owned includes NEI

Note - includes rounding

These patterns imply a strong correlation between household income and tenure, and household income and type. This implies that higher income people 'prefer' or at least are able to purchase standalone houses than rent attached ones. It also highlights that lower income people 'prefer' (or have a higher incidence of) choosing to live in rented and or attached housing. These patterns are not entirely surprising given the strong correlation between type, tenure and cost, with owning (particularly the saving of a deposit in addition to paying rent) being more expensive than renting, and attached dwellings generally being less expensive (at least on a weekly-outgoings basis) to buy (or rent) than detached dwellings.

## 2.4.5 Tenure and Dwelling Type by Ethnicity

The relationships between household ethnicity and dwelling type and tenure show equally clear patterns (Table 2.14). Households of European and other ethnicity show higher incidence of dwelling ownership, for both detached and attached dwellings. Households of Māori, Pacific and Asian<sup>46</sup> ethnicities show higher incidence in rented dwellings, again for both detached and attached typologies.

Dwelling ownership rates are higher for households of European ethnicity at nearly 70% overall compared with the Rotorua average of 63%. It is substantially higher than for households of Māori ethnicity (47%), Pacific ethnicity (41%) and Asian ethnicity (45%). However, the occupation of detached dwellings is high across all ethnicities, at 88% overall.

Table 2.14 – Household Ethnicity and Dwelling Tenure 2020

Household Ethnicity	Owned or Trust			Not Owned <sup>1</sup>			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
European	11,600	1,090	12,690	3,730	1,070	4,800	15,330	2,160	17,490
Māori	3,630	240	3,870	3,240	710	3,950	6,870	950	7,820
Pacific	450	-	450	520	40	560	970	40	1,010
Asian	1,200	70	1,270	1,100	320	1,420	2,300	390	2,690
<b>Total</b>	<b>16,900</b>	<b>1,400</b>	<b>18,300</b>	<b>8,600</b>	<b>2,100</b>	<b>10,700</b>	<b>25,500</b>	<b>3,500</b>	<b>29,000</b>
European	40%	4%	44%	13%	4%	17%	53%	7%	60%
Māori	13%	1%	13%	11%	2%	14%	24%	3%	27%
Pacific	2%	0%	2%	2%	0%	2%	3%	0%	3%
Asian	4%	0%	4%	4%	1%	5%	8%	1%	9%
<b>Total</b>	<b>58%</b>	<b>5%</b>	<b>63%</b>	<b>30%</b>	<b>7%</b>	<b>37%</b>	<b>88%</b>	<b>12%</b>	<b>100%</b>
<b>Relative Concentration</b>									
European	1.14	1.29	1.15	0.72	0.84	0.74	1.00	1.02	
Māori	0.80	0.64	0.78	1.40	1.25	1.37	1.00	1.01	
Pacific	0.76	-	0.71	1.74	0.55	1.50	1.09	0.33	
Asian	0.77	0.54	0.75	1.38	1.64	1.43	0.97	1.20	

Source: ME Housing Demand Model 2021

1 Not Owned includes NEI


Note: includes rounding to 10

## 2.4.6 Kāinga Ora's Role

Kāinga Ora is the main supplier of public housing in New Zealand, and they are also now a key driver and agent of urban renewal, development and residential intensification, particularly in the larger cities. A key feature of Kāinga Ora's housing development approach is collaboration, partnership, and community involvement.

Nationally, a large share of the Kāinga Ora housing estate is old, low density and not well aligned with current tenant demands/demography. This has created an opportunity to redevelop individual or adjoining low density public housing properties into new small-medium-scale developments, or when combined with

<sup>46</sup> The definition of 'Asian' used in New Zealand is based on the categories used in the census, developed by Statistics New Zealand in 1996 (SNZ) (4). This group is made up of people with origins in the Asian continent from Afghanistan in the west to Japan in the east and from China in the north to Indonesia in the south.



land acquisition, amalgamate multiple clusters and individual public housing lots and redevelop whole communities as large-scale housing projects. The objective of these redevelopment projects is to:

- replace or retrofit<sup>47</sup> old public housing with warm, dry modern homes,
- increase the number of public houses (by using the land more efficiently),
- diversify the types and sizes of public housing offered (including a mix of standalone, attached/terraced, and apartment dwelling units), and where suitable,
- facilitate affordable housing (including KiwiBuild and other financial tools that reduce the barriers to home ownership) and delivery of market housing.

Outside of the large cities, Kāinga Ora is also undertaking development at a range of scales, including redevelopment and retrofitting of existing Kāinga Ora sites, acquiring new sites and looking for partnership opportunities with iwi.

This is directly applicable to Rotorua, where Kāinga Ora currently own/manage around 770 lettable public houses<sup>48</sup>, the significant majority of which were built before the 1970s<sup>49</sup> and mostly (around 80%) comprise of standalone houses<sup>50</sup> predominantly (but not exclusively) in the Residential Living Zone. At the time of drafting this report, Kāinga Ora had completed 50 new homes, have 11 under construction, 6 contracted and 137 in procurement and a further 30-50 new homes are in planning stages across Rotorua.

A key focus for Kāinga Ora in Rotorua is:

- to continue to redevelop and increase the supply of public housing using their existing portfolio of properties (which is concentrated in Central and Western Rotorua, followed by a small share in the Eastside and very little supply in Ngongotahā),
- to look for opportunities to increase supply on land purchased (or leased) from other landowners, and
- urgently address demand for transitional (short-term) public housing. Due to a shortage of short term accommodation available, a large number of households in need of emergency housing are currently living in motels.

Kāinga Ora are aiming to substantially increase the supply of public and transitional housing in Rotorua over the next 4 years<sup>51</sup>. This ambitious plan is needed primarily to address the waiting list rather than cater for

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<sup>47</sup> <https://kaingaora.govt.nz/developments-and-programmes/our-approach-to-building/kainga-ora-retrofit-programme/>

<sup>48</sup> <https://kaingaora.govt.nz/assets/Publications/Managed-stock/Managed-Stock-TLA-Dec-2020.pdf>

<sup>49</sup> <https://kaingaora.govt.nz/assets/Publications/OIAs-Official-Information-Requests/October-2018/OIA-29-October-2018-age-of-housing-stock.pdf> (assuming consistency with national trends).

<sup>50</sup> <https://kaingaora.govt.nz/assets/Publications/OIAs-Official-Information-Requests/February-2020/18-feb-2020-tenanted-state-houses-statistics.pdf>

<sup>51</sup> For context, Council's growth projections of households in public housing and/or receiving the accommodation supplement estimated growth of 535 households in the next four years (2020-2024) (sourced from Infometrics). This implies that Kāinga Ora could cater for a large share of growth in demand (the share of households just in public housing will be higher again, but that sub-set of demand is not specified in the projections).



a projected increase in demand. In the medium and longer term, further increases in the supply of public housing can be expected to help keep pace with projected demand.

Kāinga Ora have a strong focus on developing more 1 and 2 bedroom dwellings to better match their current and future tenant base. While they will intensify their properties in the Residential Living Zone as much as possible within the rules of the District Plan (noting that they still have demand for standalone dwellings including some large family homes in this zone), their housing strategy seeks opportunities to increase density and locate a range of housing typologies close to shops, social infrastructure and employment, including in the Medium Density Zone and Town Centre zones.

The Kāinga Ora client base is an important component of the Rotorua housing scene, with approximately 690 households in Kāinga Ora properties. These households represent around 2.4% of total resident households, and some 6.2% of the total demand for rental dwellings.

## 2.5 Future Resident Housing Demand

The descriptions of the 2020 household and resident housing situation provide important base material for assessing future housing demands in Rotorua. The current patterns have been established over many years of growth and change. While the demographic and ethnic structure of the population is expected to change, and directly affect the mix of households as well as numbers, the established socio-demographic parameters can be expected to change relatively slowly, and systematically over time. We note that the assessment is based on the Census 2018 data on Rotorua households and dwellings as at 2018, and updated to 2020.

In the first instance, this assessment does not include 'latent' demand which is not being met by private or non-private dwellings, as beyond an estimate of a total shortfall in dwelling supply, there is very limited information on the key parameters of that demand (see also Section 2.7.1).

This means that several important patterns within overall resident housing demand in Rotorua are clear in the 'big picture' which is described by household demography, income and ethnicity.

Further, for the resident housing assessment it is very important to cover the total household and housing patterns in the short, medium and long term, and not focus on just the changes from 2020. This is because the resident population and the household sector changes and evolves over time. Most of the households identified in the medium term projections are already in the 2020 household structure, albeit 10 years younger than they will be in 2030. The same applies in the long term to 2050. At the same time, new household formations, child-bearing and rearing, and ageing and passing on see the population structure steadily changing. Many households who are currently non-owners will become dwelling owners in the medium term and longer term. At the same time, many younger persons will leave their family home in their later teens or early twenties, often to form their own households, and often transitioning from non-family households in renting situations to become couples and parents with families.

In the same way, dwelling tenure patterns and the dwelling estate itself will continue to change and evolve. Dwellings age and depreciate, commonly with improvement values falling or being static in real terms, even as land values characteristically rise as urban economies grow. A significant proportion of dwelling construction in the district is also likely to involve replacement either on a like for like basis (one old dwelling



replaced with one new dwelling) or from redevelopment - one old dwelling replaced with 2 or more new dwellings. This means that total dwelling consents would need to be greater than population driven growth in order to keep up with resident housing demand.

All of these factors mean that the future situation cannot be assessed simply by considering the net changes from the present, and assuming those net changes can accurately represent demand for additional housing. Accordingly, this analysis covers both the total situation and the net changes for assessing resident housing needs based on the Council's preferred growth future.

The Infometrics population projections have been used as the basis for estimating numbers of future households, taking into account demography and trends in household size over time.

### 2.5.1 Short Term - Medium Growth Future

In the short term to 2023, the projected resident housing demand is for an additional 1,700 to 1,750 dwellings, an increase of around 6%.

Table 2.15 shows the projected change over the period by dwelling type and tenure. This assumes that current ownership patterns for each household type persist into the future, as between owned and rented dwellings, with changes reflecting the changing mix of household types. For the dwelling mix, allowance is made for both the changing mix of households and a long term trend away from detached dwellings toward attached dwellings<sup>52</sup>.

There are two reasons. First, shifts in ownership are driven by a number of factors, including demographic change, access to finance and dwelling affordability. Attempting to project or model ownership changes is a demanding technical assessment, beyond the scope of the HBA structure. The second reason is that much of the focus of the HBA analysis is housing affordability, and the possible effects on that of planning and infrastructure. Affordability is a key driver of ownership levels. The logical path for evaluation is to start from the current levels of ownership and use the assessment of affordability to offer comment on the likelihood of ownership level improving or declining in the future. This helps isolate the effects of planning and infrastructure from the range of other factors which affect affordability and ownership levels.

The situation is more straightforward for shifts in dwelling typology. The long term trends are generally more stable and obvious, are evident nationally and are clear within Rotorua itself. For the dwelling mix, allowance is made for both the changing mix of households and a small long term trend away from detached dwellings toward attached dwellings.

This assumption is consistent with feedback from the local housing development sector: There is an appetite for higher density housing within the Rotorua market according to survey findings. Residential development stakeholders would like to deliver more attached dwellings on smaller sites if possible although noted a lack of suitable land on which to do this. They are currently limited by the existing District Plan provisions and Council resource consenting constraints. Ten out of 12 consultants working in the

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<sup>52</sup> Dwelling consent statistics for Rotorua District show that over the Dec 2016 to Dec 2020 period, 83% of all consents were for detached dwellings, with 13% for townhouses apartment or flats, 4% for retirement units, and 1% for apartments. The current trend is for minimal change in the dwelling typology.

residential construction sector in Rotorua indicated in the survey that they thought their developer clients would supply more attached housing if the zoning was changed to be more flexible.

Table 2.15 – Resident Dwelling Tenure and Dwelling Types 2023 Medium Future

Dwelling Tenure : Medium Projection Future	2020			2023			2020-23		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Owned with mortgage	7,880	480	8,360	8,280	540	8,820	400	60	460
Owned without mortgage	6,170	700	6,870	6,510	750	7,260	340	50	390
Owned by Trust	2,830	220	3,050	3,020	270	3,290	190	40	240
Total Owned or in Trust	16,880	1,400	18,280	17,810	1,560	19,370	930	150	1,090
Not Owned	8,580	2,140	10,720	8,980	2,360	11,340	400	200	620
Total Housing	25,460	3,540	29,000	26,800	3,900	30,700	1,330	350	1,710
<b>Shares %</b>									
Owned with mortgage	27%	2%	29%	27%	2%	29%	-0.2%	0.1%	-0.1%
Owned without mortgage	21%	2%	24%	21%	2%	24%	-0.1%	0.0%	0.0%
Owned by Trust	10%	1%	11%	10%	1%	11%	0.1%	0.1%	0.2%
Total Owned or in Trust	58%	5%	63%	58%	5%	63%	-0.2%	0.3%	0.1%
Not Owned	30%	7%	37%	29%	8%	37%	-0.3%	0.3%	0.0%
Total Housing	88%	12%	100%	87%	13%	100%	-0.5%	0.5%	0.0%

Source: ME Housing Demand Model 2021

Note - includes rounding

In the short term, only small changes are indicated in the overall dwelling and ownership structure. The base case would see the bulk of housing growth as detached dwellings, and demand predominantly for owned dwellings.

Table 2.16 shows the projected growth in demand by household type over the period, again by dwelling type and tenure. The same allowance is made for the current ownership patterns of each household type to persist, so that changes reflect shifts in the mix of household types. For the dwellings, allowance is made for a long term trend away from detached and toward attached dwellings.

In the short term to 2023, only small changes are indicated in the base case. Demand for additional dwellings is mainly from one person (26%) and couple households (43%), with a substantial share also from 2 parent families with children (21%). The orientation toward owned detached dwellings (three fifths of the net increase) is expected to continue in the short term, and rental demand is also expected to be mostly (two-thirds) for detached dwellings.

Table 2.16 – Household Types and Dwelling Tenure 2023 Medium Future

Household Type 2023 Medium Projection Future	Total Demand			Additional Demand 2020-23			Additional Demand 2020-23 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
One Person household	3,500	710	4,210	210	90	300	12%	5%	18%
Couple household	7,220	520	7,740	520	80	600	31%	5%	35%
2 Parents 1-2 children	4,050	190	4,240	110	- 10	100	6%	-1%	6%
2 Parents 3+ children	1,130	30	1,160	40	10	50	2%	1%	3%
1 Parent Family	1,360	110	1,470	40	10	50	2%	1%	3%
Multi-family household	240	10	250	-	-	-	0%	0%	0%
Non-family household	310	-	310	20	-	20	1%	0%	1%
<b>Total Owned or Trust</b>	<b>17,800</b>	<b>1,600</b>	<b>19,400</b>	<b>940</b>	<b>180</b>	<b>1,100</b>	<b>55%</b>	<b>11%</b>	<b>65%</b>
<b>Not Owned</b>									
One Person household	1,810	1,060	2,870	60	110	170	4%	6%	10%
Couple household	1,700	490	2,190	90	60	150	5%	4%	9%
2 Parents 1-2 children	1,950	390	2,340	130	30	160	8%	2%	9%
2 Parents 3+ children	820	50	870	40	-	40	2%	0%	2%
1 Parent Family	2,090	320	2,410	40	30	70	2%	2%	4%
Multi-family household	170	20	190	10	-	10	1%	0%	1%
Non-family household	430	30	460	20	-	20	1%	0%	1%
<b>Total Not Owned</b>	<b>9,000</b>	<b>2,400</b>	<b>11,300</b>	<b>390</b>	<b>230</b>	<b>600</b>	<b>23%</b>	<b>14%</b>	<b>35%</b>
<b>Total</b>	<b>26,800</b>	<b>4,000</b>	<b>30,700</b>	<b>1,330</b>	<b>410</b>	<b>1,700</b>	<b>78%</b>	<b>24%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

<sup>1</sup> Attached includes NEI

Note - includes rounding

Table 2.17 shows the projected growth in demand by household income over the period, by dwelling type and tenure, with allowance for households' current tenure patterns to continue, as well as the minor long term trend toward attached dwellings.

Table 2.17 – Household Income and Dwelling Tenure 2023 Medium Future

Household Income 2023 Medium Projection Future	Total Demand			Additional Demand 2020-23			Additional Demand 2020-23 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
Under \$30,000	2,320	440	2,760	150	70	220	9%	4%	13%
\$30-50,000	2,590	300	2,890	180	40	220	11%	2%	13%
\$50-70,000	2,590	250	2,840	160	40	200	9%	2%	12%
\$70-100,000	3,370	220	3,590	170	30	200	10%	2%	12%
\$100-120,000	2,190	140	2,330	90	10	100	5%	1%	6%
\$120-150,000	1,850	110	1,960	70	10	80	4%	1%	5%
\$150,000+	2,880	120	3,000	90	- 20	70	5%	-1%	4%
<b>Total Owned or Trust</b>	<b>17,800</b>	<b>1,600</b>	<b>19,400</b>	<b>910</b>	<b>180</b>	<b>1,090</b>	<b>53%</b>	<b>11%</b>	<b>64%</b>
<b>Not Owned</b>									
Under \$30,000	2,470	1,030	3,500	100	110	210	6%	6%	12%
\$30-50,000	1,790	470	2,260	60	40	100	4%	2%	6%
\$50-70,000	1,530	360	1,890	60	40	100	4%	2%	6%
\$70-100,000	1,560	250	1,810	60	20	80	4%	1%	5%
\$100-120,000	630	90	720	30	-	30	2%	0%	2%
\$120-150,000	460	60	520	20	-	20	1%	0%	1%
\$150,000+	540	80	620	80	-	80	5%	0%	5%
<b>Total Not Owned</b>	<b>9,000</b>	<b>2,300</b>	<b>11,300</b>	<b>410</b>	<b>210</b>	<b>620</b>	<b>24%</b>	<b>12%</b>	<b>36%</b>
<b>Total</b>	<b>26,800</b>	<b>3,900</b>	<b>30,700</b>	<b>1,320</b>	<b>390</b>	<b>1,710</b>	<b>77%</b>	<b>23%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

<sup>1</sup> Attached includes NEI

Note - includes rounding

Demand for additional dwellings is spread quite broadly across household income bands, though with the largest share (25%) from lower income households. That is consistent with the higher shares from one

person and couple households (above). More than half of the net increase is indicated for households with incomes of \$50,000 or more, and nearly a quarter is from households earning \$100,000 or more.

Table 2.18 shows the projected growth in demand by households of major ethnic groups over the short term. Overall growth in demand is dominated by households of European ethnicity (60%), which is further apparent in the high proportions for detached and owned dwellings (68%). Māori ethnicity accounts for 26% of total short term projected growth, including 21% of detached and owned dwelling growth. Additional demand from households of other ethnicities is also linked with larger shares for rented dwellings than owned dwellings, and the somewhat higher propensity for attached dwellings.

Table 2.18 – Household Ethnicity and Dwelling Tenure 2023 Medium Future

Household Ethnicity 2023 Medium Projection Future	Total Demand			Additional Demand 2020-23			Additional Demand 2020-23 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b><i>Owned or Trust</i></b>									
European	12,350	1,170	13,520	670	60	730	40%	4%	44%
Māori	3,840	240	4,080	210	10	220	13%	1%	13%
Pacific	470	-	470	40	-	40	2%	0%	2%
Asian	1,200	70	1,270	60	-	60	4%	0%	4%
<b>Total Owned or Trust</b>	<b>17,800</b>	<b>1,600</b>	<b>19,400</b>	<b>980</b>	<b>70</b>	<b>1,050</b>	<b>59%</b>	<b>4%</b>	<b>63%</b>
<b><i>Not Owned</i></b>									
European	4,010	1,140	5,150	220	60	280	13%	4%	17%
Māori	3,430	750	4,180	180	40	220	11%	2%	13%
Pacific	550	40	590	40	-	40	2%	0%	2%
Asian	1,090	320	1,410	60	20	80	4%	1%	5%
<b>Total Not Owned</b>	<b>9,000</b>	<b>2,400</b>	<b>11,300</b>	<b>500</b>	<b>120</b>	<b>620</b>	<b>30%</b>	<b>7%</b>	<b>37%</b>
<b>Total</b>	<b>26,800</b>	<b>4,000</b>	<b>30,700</b>	<b>1,480</b>	<b>190</b>	<b>1,670</b>	<b>89%</b>	<b>11%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

1 Attached includes NEI

Note - includes rounding

## 2.5.2 Medium Term - Medium Growth Future

In the medium term, the projected resident housing demand is for an additional 4,300 dwellings, an increase of around 15%.

Table 2.19 shows the projected change over the period by dwelling type and tenure. Consistent with the short term, the base case assumes current ownership patterns for each household type will by and large persist into the future, though reflecting also the changing mix of household types. Allowance is again made for a long term trend away from detached dwellings toward attached dwellings.

Table 2.19 – Resident Dwelling Tenure and Dwelling Types 2030 Medium Future

Dwelling Tenure : Medium Projection Future	2020			2030			2020-30		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Owned with mortgage	7,880	480	8,360	8,690	620	9,310	810	140	950
Owned without mortgage	6,170	700	6,870	7,290	960	8,250	1,120	260	1,380
Owned by Trust	2,830	220	3,050	3,310	310	3,620	480	90	570
Total Owned or in Trust	16,880	1,400	18,280	19,290	1,890	21,180	2,410	490	2,900
Not Owned	8,580	2,140	10,720	9,430	2,730	12,160	850	570	1,440
Total Housing	25,460	3,540	29,000	28,700	4,600	33,300	3,260	1,060	4,300
<b>Shares %</b>									
Owned with mortgage	27%	2%	29%	26%	2%	28%	-1.1%	0.2%	-0.9%
Owned without mortgage	21%	2%	24%	22%	3%	25%	0.6%	0.5%	1.1%
Owned by Trust	10%	1%	11%	10%	1%	11%	0.2%	0.2%	0.4%
Total Owned or in Trust	58%	5%	63%	58%	6%	64%	-0.3%	0.8%	0.6%
Not Owned	30%	7%	37%	28%	8%	37%	-1.3%	0.8%	-0.4%
Total Housing	88%	12%	100%	86%	14%	100%	-1.6%	1.6%	0.0%

Source: ME Housing Demand Model 2021

<sup>1</sup> Not Owned includes NEI

Note - includes rounding

In the medium term, limited changes are indicated in the overall dwelling and ownership structure. The base case would see the bulk of housing growth (75%) as detached dwellings, and demand still predominantly for owned dwellings. The potential for intentions to own being manifest as actual ownership is discussed in the section on housing affordability.

Table 2.20 shows the projected growth in demand by household type over the period, again by dwelling type and tenure. The same allowance is made for the current ownership patterns of each household type to persist, so that changes reflect shifts in the mix of household types. For the dwellings, allowance is made for a long term trend away from detached and toward attached dwellings.

In the medium term to 2030, the changes would still be limited. Demand for additional dwellings is mainly from one person (31%) and couple households (36%), with a substantial share still from 2 parent families with children (23%). The orientation toward owned detached dwellings (nearly three fifths of the net increase) is expected to continue in the short term. The growth and shifting household typology indicates still just more than one-fifth of demand for attached dwellings, about half of those rented.

Table 2.20 – Household Types and Dwelling Tenure 2030 Medium Future

Household Type 2030 Medium Projection Future	Total Demand			Additional Demand 2020-30			Additional Demand 2020-30 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
One Person household	3,900	900	4,800	610	280	890	14%	7%	21%
Couple household	7,790	620	8,410	1,090	180	1,270	25%	4%	30%
2 Parents 1-2 children	4,370	220	4,590	430	20	450	10%	0%	10%
2 Parents 3+ children	1,230	30	1,260	140	10	150	3%	0%	3%
1 Parent Family	1,430	120	1,550	110	20	130	3%	0%	3%
Multi-family household	250	10	260	10	-	10	0%	0%	0%
Non-family household	320	-	320	30	-	30	1%	0%	1%
<b>Total Owned or Trust</b>	<b>19,300</b>	<b>1,900</b>	<b>21,200</b>	<b>2,420</b>	<b>510</b>	<b>2,900</b>	<b>56%</b>	<b>12%</b>	<b>67%</b>
<b>Not Owned</b>									
One Person household	1,900	1,240	3,140	150	290	440	3%	7%	10%
Couple household	1,790	560	2,350	180	130	310	4%	3%	7%
2 Parents 1-2 children	2,080	450	2,530	260	90	350	6%	2%	8%
2 Parents 3+ children	880	60	940	100	10	110	2%	0%	3%
1 Parent Family	2,160	350	2,510	110	60	170	3%	1%	4%
Multi-family household	170	20	190	10	-	10	0%	0%	0%
Non-family household	430	40	470	20	10	30	0%	0%	1%
<b>Total Not Owned</b>	<b>9,400</b>	<b>2,700</b>	<b>12,100</b>	<b>830</b>	<b>590</b>	<b>1,400</b>	<b>19%</b>	<b>14%</b>	<b>33%</b>
<b>Total</b>	<b>28,700</b>	<b>4,600</b>	<b>33,300</b>	<b>3,250</b>	<b>1,100</b>	<b>4,300</b>	<b>76%</b>	<b>26%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

<sup>1</sup> Attached includes NEI

Note - includes rounding

Table 2.21 showing projected growth in demand by household income has demand spread quite broadly across household income bands. However, over time a higher share (29% compared with 25% in the short term) is anticipated to be lower income households (\$30,000 or under). The shift is consistent with the ageing of the population, and higher shares of overall demand being from one person and couple households. Around half of the net increase is indicated for households with incomes of \$50,000 or more, and 20% would be from households earning \$100,000 or more.

Table 2.21 – Household Income and Dwelling Tenure 2030 Medium Future

Household Income 2030 Medium Projection Future	Total Demand			Additional Demand 2020-30			Additional Demand 2020-30 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
Under \$30,000	2,650	580	3,230	480	210	690	11%	5%	16%
\$30-50,000	2,940	380	3,320	530	120	650	12%	3%	15%
\$50-70,000	2,840	290	3,130	410	80	490	9%	2%	11%
\$70-100,000	3,580	240	3,820	380	50	430	9%	1%	10%
\$100-120,000	2,310	160	2,470	210	30	240	5%	1%	6%
\$120-150,000	1,940	130	2,070	160	30	190	4%	1%	4%
\$150,000+	3,020	130	3,150	230	10	220	5%	0%	5%
<b>Total Owned or Trust</b>	<b>19,300</b>	<b>1,900</b>	<b>21,200</b>	<b>2,400</b>	<b>510</b>	<b>2,910</b>	<b>55%</b>	<b>12%</b>	<b>67%</b>
<b>Not Owned</b>									
Under \$30,000	2,600	1,200	3,800	230	280	510	5%	6%	12%
\$30-50,000	1,870	550	2,420	140	120	260	3%	3%	6%
\$50-70,000	1,610	410	2,020	140	90	230	3%	2%	5%
\$70-100,000	1,630	290	1,920	130	60	190	3%	1%	4%
\$100-120,000	660	110	770	60	20	80	1%	0%	2%
\$120-150,000	490	80	570	50	20	70	1%	0%	2%
\$150,000+	560	90	650	100	10	110	2%	0%	3%
<b>Total Not Owned</b>	<b>9,400</b>	<b>2,700</b>	<b>12,200</b>	<b>850</b>	<b>600</b>	<b>1,450</b>	<b>19%</b>	<b>14%</b>	<b>33%</b>
<b>Total</b>	<b>28,700</b>	<b>4,600</b>	<b>33,400</b>	<b>3,250</b>	<b>1,110</b>	<b>4,360</b>	<b>75%</b>	<b>25%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

1 Attached includes NEI

Note - includes rounding

Table 2.22 showing projected growth in demand by the major ethnic groups again highlights that demand would be dominated by households of European ethnicity (68%), followed by Māori at 24% consistent with the population projections applied. That is again apparent in high proportions of the additional demand being indicated for detached and owned dwellings (European ethnicity making up 75% of medium term growth and Māori ethnicity making up 19%). The structure of demand from households of other ethnicities is similar to the short term with a slightly larger shares for rented dwellings than owned dwellings, and higher propensity for attached dwellings still. Of note. Māori households make up 35% of the rental demand (but only 19% of the demand for owned homes).

Table 2.22 – Household Ethnicity and Dwelling Tenure 2030 Medium Future

Household Ethnicity 2030 Medium Projection Future	Total Demand			Additional Demand 2020-30			Additional Demand 2020-30 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
European	13,620	1,290	14,910	1,940	180	2,120	45%	4%	49%
Māori	4,120	260	4,380	490	30	520	11%	1%	12%
Pacific	490	-	490	60	-	60	1%	0%	1%
Asian	1,230	80	1,310	90	10	100	2%	0%	2%
<b>Total Owned or Trust</b>	<b>19,300</b>	<b>1,900</b>	<b>21,200</b>	<b>2,580</b>	<b>220</b>	<b>2,800</b>	<b>60%</b>	<b>5%</b>	<b>65%</b>
<b>Not Owned</b>									
European	4,420	1,260	5,680	630	180	810	15%	4%	19%
Māori	3,690	810	4,500	440	100	540	10%	2%	12%
Pacific	580	50	630	70	10	80	2%	0%	2%
Asian	1,110	320	1,430	80	20	100	2%	0%	2%
<b>Total Not Owned</b>	<b>9,400</b>	<b>2,700</b>	<b>12,100</b>	<b>1,220</b>	<b>310</b>	<b>1,530</b>	<b>28%</b>	<b>7%</b>	<b>35%</b>
<b>Total</b>	<b>28,700</b>	<b>4,600</b>	<b>33,300</b>	<b>3,800</b>	<b>530</b>	<b>4,330</b>	<b>88%</b>	<b>12%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

1 Attached includes NEI

Note - includes rounding

### 2.5.3 Long Term - Medium Growth Future

In the long term, the projected housing demand is for another 7,900 dwellings to house the resident population, an increase of some 27%.

Table 2.23 shows the projected change over the period by dwelling type and tenure. Consistent with the medium term projection, the base case assumes that current ownership patterns for each household type will persist into the future, with changes in demand driven by the changing mix of household types. Allowance is made for a long term trend away from detached dwellings toward attached dwellings.

Table 2.23 – Resident Dwelling Tenure and Dwelling Types 2050 Medium Future

Dwelling Tenure : Medium Projection Future	2020			2050			2020-50		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Owned with mortgage	7,880	480	8,360	8,980	790	9,770	1,100	310	1,410
Owned without mortgage	6,170	700	6,870	8,590	1,480	10,070	2,420	780	3,200
Owned by Trust	2,830	220	3,050	3,670	430	4,100	840	210	1,050
Total Owned or in Trust	16,880	1,400	18,280	21,240	2,700	23,940	4,360	1,300	5,660
Not Owned	8,580	2,140	10,720	9,520	3,370	12,890	940	1,200	2,170
Total Housing	25,460	3,540	29,000	30,800	6,100	36,800	5,300	2,500	7,800
<b>Shares %</b>									
Owned with mortgage	27%	2%	29%	24%	2%	27%	-2.8%	0.5%	-2.3%
Owned without mortgage	21%	2%	24%	23%	4%	27%	2.1%	1.6%	3.7%
Owned by Trust	10%	1%	11%	10%	1%	11%	0.2%	0.4%	0.6%
Total Owned or in Trust	58%	5%	63%	58%	7%	65%	-0.5%	2.5%	2.0%
Not Owned	30%	7%	37%	26%	9%	35%	-3.7%	1.8%	-1.9%
Total Housing	88%	12%	100%	84%	17%	100%	-4.1%	4.4%	0.0%

Source: ME Housing Demand Model 2021

<sup>1</sup> Not Owned includes NEI

Note - includes rounding

In the long term, more substantial changes are indicated in the district's dwelling and ownership structure. The base case would see a somewhat reduced share of the net additional housing as detached dwellings, at 68% compared with 75% in the medium term. Expected demand is still predominantly (72%) for owned dwellings.

Table 2.24 shows the projected growth in demand by household type by dwelling type and tenure, with the standard allowances as to ownership patterns of each household type, and the long term trend toward attached dwellings.

In the long term to 2050, the changes would be more substantial. The net increase in demand for dwellings would be heavily weighted toward from one person households at 40% of the total. Couple households would account for a further 40%, so that over four-fifths of the net additional demand is from one and two-person households. The share of the increase for 2 parent families with children would be substantially less at 15%. One parent families and multi- and non-family households would account for only around 9% of the growth. The focus on owned detached dwellings would be somewhat less, though still around two-thirds of the net change.

Table 2.24 – Household Types and Dwelling Tenure 2050 Medium Future

Household Type 2050 Medium Projection Future	Total Demand			Additional Demand 2020-50			Additional Demand 2020-50 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
One Person household	4,740	1,380	6,120	1,450	760	2,210	18%	10%	28%
Couple household	8,650	870	9,520	1,950	430	2,380	25%	5%	30%
2 Parents 1-2 children	4,410	260	4,670	470	60	530	6%	1%	7%
2 Parents 3+ children	1,270	40	1,310	180	20	200	2%	0%	3%
1 Parent Family	1,570	150	1,720	250	50	300	3%	1%	4%
Multi-family household	240	20	260	-	10	10	0%	0%	0%
Non-family household	330	-	330	40	-	40	1%	0%	1%
<b>Total Owned or Trust</b>	<b>21,200</b>	<b>2,700</b>	<b>23,900</b>	<b>4,340</b>	<b>1,330</b>	<b>5,700</b>	<b>55%</b>	<b>17%</b>	<b>72%</b>
<b>Not Owned</b>									
One Person household	2,020	1,650	3,670	270	700	970	3%	9%	12%
Couple household	1,900	680	2,580	290	250	540	4%	3%	7%
2 Parents 1-2 children	1,980	500	2,480	160	140	300	2%	2%	4%
2 Parents 3+ children	840	70	910	60	20	80	1%	0%	1%
1 Parent Family	2,180	400	2,580	130	110	240	2%	1%	3%
Multi-family household	160	30	190	-	10	10	0%	0%	0%
Non-family household	440	40	480	30	10	40	0%	0%	1%
<b>Total Not Owned</b>	<b>9,500</b>	<b>3,400</b>	<b>12,900</b>	<b>940</b>	<b>1,240</b>	<b>2,200</b>	<b>12%</b>	<b>16%</b>	<b>28%</b>
<b>Total</b>	<b>30,700</b>	<b>6,100</b>	<b>36,800</b>	<b>5,280</b>	<b>2,570</b>	<b>7,900</b>	<b>67%</b>	<b>33%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

<sup>1</sup> Attached includes NEI

Note - includes rounding

Table 2.25 showing projected growth by household income illustrates this. Additional demand is spread quite broadly across household income bands. Over time a higher share (33% compared with 25% in the short term) is anticipated to be lower income households. That is consistent with the population ageing and more one person and couple households. Only around 44% of the net growth is households with incomes of \$50,000 or more, and only 17% would be from households earning \$100,000 or more.

Table 2.25 – Household Income and Dwelling Tenure 2050 Medium Future

Household Income 2050 Medium Projection Future	Total Demand			Additional Demand 2020-50			Additional Demand 2020-50 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
Under \$30,000	3,270	940	4,210	1,100	570	1,670	14%	7%	21%
\$30-50,000	3,510	570	4,080	1,100	310	1,410	14%	4%	18%
\$50-70,000	3,160	400	3,560	730	190	920	9%	2%	12%
\$70-100,000	3,770	280	4,050	570	90	660	7%	1%	8%
\$100-120,000	2,350	200	2,550	250	70	320	3%	1%	4%
\$120-150,000	2,020	160	2,180	240	60	300	3%	1%	4%
\$150,000+	3,160	160	3,320	370	20	390	5%	0%	5%
<b>Total Owned or Trust</b>	<b>21,200</b>	<b>2,700</b>	<b>23,950</b>	<b>4,360</b>	<b>1,310</b>	<b>5,670</b>	<b>55%</b>	<b>17%</b>	<b>72%</b>
<b>Not Owned</b>									
Under \$30,000	2,690	1,530	4,220	320	610	930	4%	8%	12%
\$30-50,000	1,900	670	2,570	170	240	410	2%	3%	5%
\$50-70,000	1,620	490	2,110	150	170	320	2%	2%	4%
\$70-100,000	1,600	340	1,940	100	110	210	1%	1%	3%
\$100-120,000	660	130	790	60	40	100	1%	1%	1%
\$120-150,000	500	90	590	60	30	90	1%	0%	1%
\$150,000+	560	110	670	100	30	130	1%	0%	2%
<b>Total Not Owned</b>	<b>9,500</b>	<b>3,400</b>	<b>12,890</b>	<b>960</b>	<b>1,230</b>	<b>2,190</b>	<b>12%</b>	<b>16%</b>	<b>28%</b>
<b>Total</b>	<b>30,700</b>	<b>6,100</b>	<b>36,800</b>	<b>5,320</b>	<b>2,540</b>	<b>7,860</b>	<b>68%</b>	<b>32%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

<sup>1</sup> Attached includes NEI

Note - includes rounding

Table 2.26 showing projected growth in demand by the major ethnic groups is very similar to the outcomes for the short and medium terms. Demand would be dominated by households of European ethnicity (75%), followed by Māori on 20%, with their high proportions of additional European demand indicated for detached and owned dwellings (81%), followed by Māori at just 15%. The structure of demand from households of other ethnicities is consistent throughout the planning horizon. Of note. Māori households make up 30% of the rental demand growth over the long term.

Table 2.26 – Household Ethnicity and Dwelling Tenure 2050 Medium Future

Household Ethnicity 2050 Medium Projection Future	Total Demand			Additional Demand 2020-50			Additional Demand 2020-50 %		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<b>Owned or Trust</b>									
European	15,570	1,480	17,050	3,890	370	4,260	50%	5%	54%
Māori	4,350	280	4,630	720	50	770	9%	1%	10%
Pacific	520	-	520	90	-	90	1%	0%	1%
Asian	1,230	80	1,310	90	10	100	1%	0%	1%
<b>Total Owned or Trust</b>	<b>21,100</b>	<b>2,800</b>	<b>23,900</b>	<b>4,790</b>	<b>430</b>	<b>5,220</b>	<b>61%</b>	<b>5%</b>	<b>67%</b>
<b>Not Owned</b>									
European	5,050	1,440	6,490	1,260	360	1,620	16%	5%	21%
Māori	3,890	850	4,740	640	140	780	8%	2%	10%
Pacific	610	50	660	100	10	110	1%	0%	1%
Asian	1,110	320	1,430	80	20	100	1%	0%	1%
<b>Total Not Owned</b>	<b>9,500</b>	<b>3,500</b>	<b>12,900</b>	<b>2,080</b>	<b>530</b>	<b>2,610</b>	<b>27%</b>	<b>7%</b>	<b>33%</b>
<b>Total</b>	<b>30,600</b>	<b>6,300</b>	<b>36,800</b>	<b>6,870</b>	<b>960</b>	<b>7,830</b>	<b>88%</b>	<b>12%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021

1 Attached includes NEI

Note - includes rounding


## 2.5.4 Implications

The gradual shift toward greater shares of demand being from medium and especially lower income households suggests *a priori* an increasing challenge to housing affordability. However, the situation is more complex than that, because over time households currently renting can be expected to transition to dwelling ownership, just as new households forming over the next decade are likely to commence in rented dwellings. Similarly, the greater numbers of households in the lower income bands will include older households including those retiring, but who may already be dwelling owners. That shift in the balance may see ownership rates among the lower income households increase over time.

Those shares (above) relate to net growth, not total demand. That said, the shifts do mean the overall market structure will be different in the long term. One person households will represent 35% of total housing demand (23% currently). Couple households will represent a larger share (36% compared with 32%). The 2 parent and 1 parent families will account for some 26% (currently 41%), while in future multi- and non-family households will be similar to the current 3%.

This means that the increase in the size of demand is probably the most important change. Every segment of the housing market will be larger in the medium and long terms than it is currently. Simply, there will be more households in every segment who will require housing.

Moreover, there is more limited change in the overall structure of the market in terms of household incomes. In the long term, lower income households are expected to be 29% of the total, compared with 20% currently. Households earning more than \$50,000 would be 50% of the total, compared with 63% in



2020. Households earning more than \$100,000 would be 21%, compared with 30% now. These long term shifts are important, though not huge.

### 2.5.5 Caveat

It is important to recognise that assessment of future resident housing demand is based largely on a “Business as Usual” or BAU base case, in which the current housing preferences shift only gradually towards more attached housing (in line with national trends) and capabilities for each socio-demographic group are assumed to continue into the medium and long term. That means that dwelling ownership levels for each household segment will be more or less the same in 10 and 30 years’ time, for the segments which are around then. For example, 73% of 2 parent households in the 40-49 age band with incomes of over \$120,000 resided in their own dwelling, another 10% lived in a dwelling owned by a trust. The BAU future assumes that households with those characteristics in 10 or 30 years’ time will have the same ownership patterns. In a relatively stable economy and community like Rotorua, where current patterns have developed over a long period, the BAU assumption is generally the most appropriate starting point.

In particular, it provides a basis for assessing future affordability. However, the BAU demand future does not seek to model macro-economic matters, beyond the established trends in household income levels. This is considered further in relation to housing affordability.

## 2.6 Demand for Papakāinga and Kaumātua Housing

The Rotorua district has a relatively high proportion of Māori land retained in Te Arawa ownership. A distinctive feature of the Rotorua district is the extent of Māori traditional kāinga (settlements) that remain thriving centres of hapū and whānau community living. Uniquely, those traditional kāinga are in the urban and rural area (urban kāinga include Ngāpuna, Whakarewarewa and Ōhinemutu).


The existing District Plan provides a specific rule framework for Papakāinga and Kaumātua housing that is more enabling than is otherwise provided for. The rule framework enables activities such as Kaumātua housing on Māori land adjoining a Marae to occur without resource consent. While for larger applications, a simplified consent process is provided. However, to date, there have been no successful applications to establish papakāinga under the existing District Plan rules.

With many Te Arawa people returning home to Rotorua the need for housing and in particular Papakāinga and Kōeke<sup>53</sup> housing is increasing. The RLC has recognised this and with the assistance of key stakeholders is currently seeking to help enable more Papakāinga and Kōeke housing development throughout the district.

As noted in the Rotorua Housing Strategy - “He Papakāinga, He Hapori Taurikua - A Strategy for Homes and Thriving Communities” traditionally, the literal meaning of Papakāinga housing is, ‘a nurturing place to return to’. Colonial settlement and the discriminatory policies of successive governments have challenged Māori connections to whenua and kāinga. Today, home ownership rates for Māori are well below the national average and Māori are over-represented in the statistics of sub-standard housing. Papakāinga is a

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<sup>53</sup> Te Arawa dialect prefers kōeke (elder) rather than kaumātua.



form of housing development for a hapū or whānau community which occurs on multiply-owned Māori or ancestral land.<sup>54</sup>

Papakāinga and Kōeke housing was identified as a key focus area as part of this Strategy. A work program has been identified that will seek to ensure significant development of Papakāinga in the Rotorua District.

The following actions have been identified:

Develop a papakāinga framework including:

1. Establishing a Te Arawa papakāinga development company to build capacity and capability
2. Provide development expertise to assist landowners to achieve their papakāinga goals
3. Develop three papakāinga master plans
4. Identify funding and financing mechanisms for papakāinga development

From the above actions it is intended that there will be:

1. 50 new papakāinga homes built on Māori freehold land within three years
2. Increased range of housing options for Māori to live within their iwi rohe
3. Increase in homes designed for multi-generation households
4. Increase in kōeke housing available
5. Increase in home ownership by Māori
6. Increased measures of Te Arawa connectedness including participation in kōhanga and kura kaupapa, participation in cultural activities e.g., kapa haka , sports, mahinga kai and visual arts, attendance at marae
7. Increased proportion of Te Reo speakers in the Rotorua district

## 2.7 Total Housing Demand by Location


The above detailed analysis of resident housing demand has been for the district as a whole. In accordance with clause 3.24 of the NPS-UD, the HBA must also estimate demand for additional housing in the urban environment, and in different locations within that urban environment by dwelling type. This is not limited to resident dwellings. Total urban dwelling demand is required to assess the sufficiency of residential capacity against where households and other dwelling purchasers typically seek to locate within the district and urban environment.

The Council's (Infometrics) growth projections cover household growth at a district level. Assuming one household per dwelling, this provides us with estimated resident dwellings,<sup>55</sup> but does not provide insight

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<sup>54</sup> He Papakāinga, He Hāpori Taurikura - A Strategy for Homes and Thriving Communities, Rotorua Homes and Thriving Communities 2020

<sup>55</sup> Previously discussed as private usually occupied dwellings.



on non-resident dwellings, which will include holiday homes, dwellings used for short term accommodation (i.e., unhosted, whole house or apartment dwellings available for booking via Airbnb, Bookabach and other homeshare platforms), and also vacant dwellings.<sup>56</sup>

The Council's growth projections also do not assist with understanding how many total dwellings or resident dwellings fall within the defined long term urban environment as opposed to the rest of the district (i.e., the rural environment). It is noted that demand attributed to the rural environment does not necessarily mean it is demand for rural-type properties as there are a range of zones in the rural environment that deliver urban densities (including the Rural Village Zone and Lakeside Settlements Zone).

The supporting Technical Report contains M.E's approach and assumptions for estimating total dwellings in the district in 2020 and splitting those dwellings into the rural and urban environment, including allocation across locations within the urban environment and by attached and detached dwelling types. It also includes the approach to projecting that demand structure forward over the short, medium and long term (while reconciling with Council's resident dwelling (household) projections at the district level).

### 2.7.1 Latent Housing Demand

Rotorua has a current housing shortage. The scale of this shortfall is estimated as at the end of 2019 at around 1,500 – 1,750 homes needed to meet the needs of the current community. This estimate was calculated by MHUD who carried out a place-based assessment of Rotorua's housing demand and supply (March 2020). This shortfall of dwellings has since been acknowledged in The Homes and Thriving Communities Strategic Framework (2020).

Calculating shortfall of dwellings is not straightforward and while there are indicators available on the number of dwellings that would be needed to move residents out of motels and into dedicated emergency, transitional and social housing, there are many multi-family or multi-person households in Rotorua who are currently housed, but who would occupy more dwellings if they were available. These living situations may be causing over-crowding in their current shared dwellings. It is also difficult to estimate if the household formation rate in Rotorua is being suppressed due to a lack of housing. MHUD have cautioned that the estimate of 1,500-1,750 is indicative only.

Council and M.E consider it appropriate that latent demand for housing in Rotorua be captured in the HBA.

M.E have adopted (with Council's agreement) the lower end of the MHUD range (1,500) to include in the HBA modelling. This was based on consideration of the number of total dwellings estimated in the district from the rating database, Infometrics estimates of 2020 district resident households (which, by definition, reflect occupied dwellings based on the way that SNZ collects household and dwelling data during the Census), the number of multi-family households estimated in 2020, and high level estimates of current non-residential dwellings (including anecdotal evidence of a portion of short term accommodation dwellings being made available for long term rentals due to reduced visitor demand). It was felt that on balance, these high level figures converged more towards 1,500 than 1,750<sup>57</sup>.

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<sup>56</sup> Completely empty and unused dwellings are expected to make up a very minor share of total non-resident dwellings.

<sup>57</sup> This is not to say that the shortfall could not be as high as 1,750. M.E has not carried out detailed analysis to independently estimate the current dwelling shortfall. Given that the MHUD figure has been relied on for other Council strategies, it was considered appropriate to use the MHUD range for consistency.

The latent demand for 1,500 additional dwellings to meet current community needs has therefore been added to the future growth in housing sustained by net additions to resident households and estimated increased demand for non-residential dwellings over the short, medium and long term.<sup>58</sup> The assumption has been made to attribute all 1,500 additional dwellings to the urban environment, spread across the four reporting areas pro-rata the underlying projected dwelling growth in each time period. It has also been assumed that given the significant size of the shortfall relative to otherwise projected dwelling growth, that the competitiveness margin should also apply to the dwelling shortfall included in future demand.

The implication of including latent demand of 1,500 homes is that urban housing development capacity will need to be sufficient to at least cover projected new demand for dwellings as well as the demand that has not been supplied in the years leading up to 2020.

## 2.7.2 Total Housing Demand – Medium Growth Future

M.E estimates a total of 29,950 dwellings in Rotorua District in 2020, 82.5% or 24,700 of those within the defined urban environment (refer Figure 1.2) and 5,250 (17.5%) in the rural environment (Table 2.27). This is according to the medium growth future.<sup>59</sup> By 2050 (the long term), total district dwellings are projected to reach 39,520, with 32,950 in the urban environment. The urban-rural structure remains broadly similar over time, with a slightly greater share in the urban environment by 2050, due to a slightly faster projected growth rate and inclusion of latent demand within urban reporting areas.

Table 2.27 - Total Dwellings Projections by Location 2020-50 (Medium Growth Future)

Reporting Area	Count of Total Dwellings (n)				Distribution of Total Dwellings (n)			
	2020	2023	2030	2050	2020	2023	2030	2050
Central	7,150	8,030	8,760	9,990	23.9%	24.2%	24.4%	25.3%
Western	11,430	12,730	13,580	14,360	38.2%	38.3%	37.8%	36.3%
Eastern	4,160	4,700	5,140	5,850	13.9%	14.1%	14.3%	14.8%
Ngongotahā	1,960	2,210	2,430	2,740	6.5%	6.7%	6.8%	6.9%
Total Urban Environment	24,700	27,670	29,910	32,950	82.5%	83.3%	83.3%	83.4%
Rural Environment	5,250	5,550	6,000	6,570	17.5%	16.7%	16.7%	16.6%
District Total	29,950	33,220	35,910	39,520	100%	100%	100%	100%

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model. Figures rounded to nearest 10.

Projections assume non-resident dwellings growth proportionate to resident dwellings and rural environment dwellings increase at 90% of the urban environment dwelling growth rate. \* Includes holiday homes, vacant dwellings and whole dwelling units used for short term accommodation (i.e. Airbnb)

### Medium Growth Future

Figure 2.3 summarises estimated total urban environment housing growth projections (including resident houses and holiday homes) by location/reporting area (refer Figure 1.3) over the 2020-2050 period (medium growth future) as well as the estimated total rural environment housing growth. Currently, the Western area accounts for an estimated 38.2% of district dwellings and 46% of total urban dwellings (2020). This is followed by the Central area with 23.9% of district housing (29% of urban housing), then the Eastern

<sup>58</sup> The latent demand has been included in full in the short term and not spread over time. This has a significant impact on short term dwelling demand.

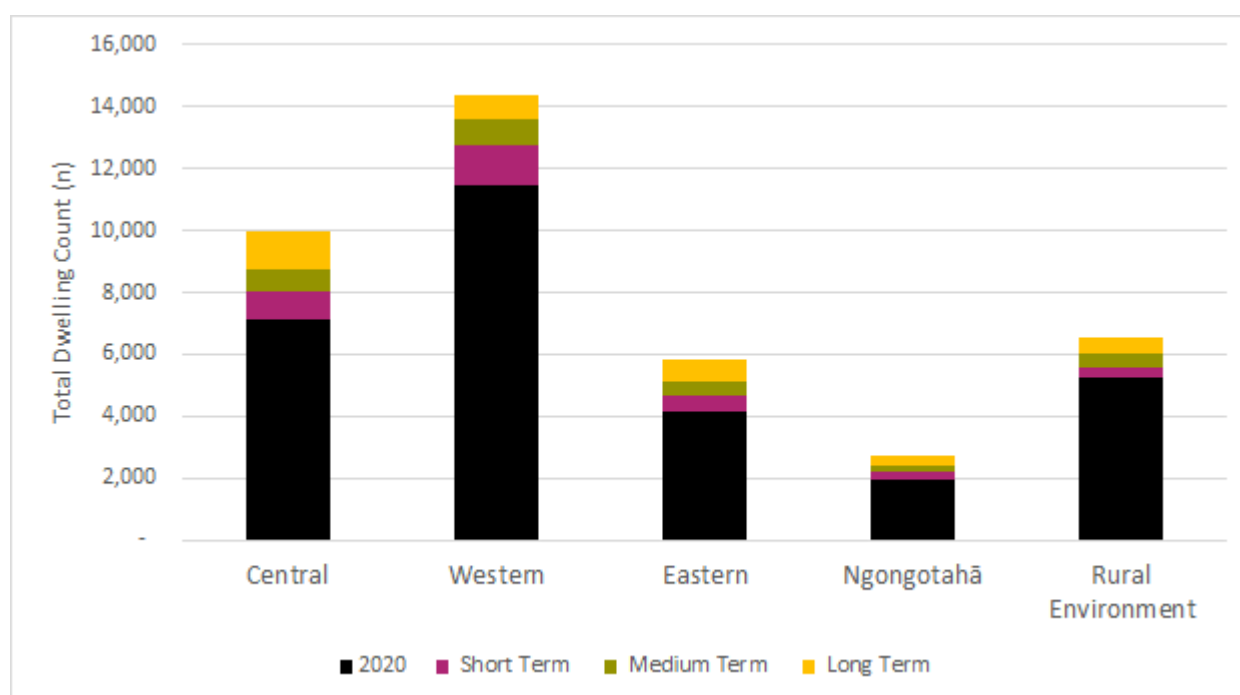
<sup>59</sup> The tables in this report section are replicated in the Technical Report for the Council's high growth future.



area (13.9% of district housing and 17% of urban housing) and lastly Ngongotahā (6.5% of district housing and 8% of urban housing) (Table 2.27).

Over time, the Central, Eastern and Ngongotahā areas are projected to capture an increasing percentage share of district dwelling growth, while the Western area and the rural environment, are projected to capture a reducing percentage share across the time periods. In terms of dwelling counts, the Western Area dominates housing growth in the short and medium term, but by 2050, the Central area is projected to have experienced the greatest demand growth.

Figure 2.3 – Total Dwellings by Urban and Rural Environment 2020-50 (Medium Growth Future)



The supporting Technical Report also contains tables which show a breakdown of current and projected housing by resident dwellings (i.e., those occupied by resident households) and non-resident dwellings over time. The resident dwelling growth reflects the Infometrics projections at the district level plus estimates of latent demand. M.E estimate that 23,930 out of 29,010 resident dwellings are located in the urban environment (82%) in 2020. In addition, there are an estimated 770 non-resident dwellings in the urban environment and 940 in the district overall. Resident dwellings account for 97% of all houses, and the projections assume this structure remains relatively steady over time.

In the urban environment, there is projected demand for 2,970 additional houses in the short term, 5,200 additional houses in the medium term and 8,250 additional houses in the long term, driven by projected household growth and addressing the current shortfall in housing.

In the Central area, dwelling demand is projected to grow from 7,150 in 2020 to 9,990 in 2050 (growth of 2,840). The Western area is projected to have strong growth in the short term (demand for 1,300 additional dwellings by 2023) and reach 14,360 total houses in the long term (up from 11,430 in 2020). The total growth projected in the Eastern area is 1,690 (with the number of total houses increasing from 4,160 to 5,850 in 2050). Growth projected in Ngongotahā is more modest (although above average in percentage

terms), with the number of houses increasing by 780 over the next 30 years. All this demand growth assumes no constraints on capacity or supply.

Table 2.28 and 2.29 provide a breakdown of dwelling projections by attached and detached dwelling type in the urban environment by reporting area. Some key trends are as follows:

Table 2.28 – Total Dwellings by Location and Type 2020-2050 (Medium Growth Future)

Reporting Area	2020			2023			2030			2050		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	4,660	2,500	7,150	5,190	2,840	8,030	5,580	3,180	8,760	6,160	3,830	9,990
Western	10,650	780	11,430	11,770	960	12,730	12,400	1,180	13,580	12,750	1,610	14,360
Eastern	4,030	130	4,160	4,520	180	4,700	4,890	250	5,140	5,420	440	5,850
Ngongotahā	1,830	130	1,960	2,050	160	2,210	2,220	200	2,430	2,440	300	2,740
<b>Total Urban Environment</b>	<b>21,170</b>	<b>3,540</b>	<b>24,700</b>	<b>23,530</b>	<b>4,140</b>	<b>27,670</b>	<b>25,090</b>	<b>4,810</b>	<b>29,910</b>	<b>26,770</b>	<b>6,180</b>	<b>32,940</b>
Rural Environment			5,250			5,550			6,000			6,570
<b>District Total</b>			<b>29,950</b>			<b>33,220</b>			<b>35,910</b>			<b>39,510</b>
	Detached %	Attached %	Total %	Detached %	Attached %	Total %	Detached %	Attached %	Total %	Detached %	Attached %	Total %
Central	65%	35%	100%	65%	35%	100%	64%	36%	100%	62%	38%	100%
Western	93%	7%	100%	92%	8%	100%	91%	9%	100%	89%	11%	100%
Eastern	97%	3%	100%	96%	4%	100%	95%	5%	100%	92%	8%	100%
Ngongotahā	93%	7%	100%	93%	7%	100%	92%	8%	100%	89%	11%	100%
<b>Total Urban Environment</b>	<b>86%</b>	<b>14%</b>	<b>100%</b>	<b>85%</b>	<b>15%</b>	<b>100%</b>	<b>84%</b>	<b>16%</b>	<b>100%</b>	<b>81%</b>	<b>19%</b>	<b>100%</b>

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model. Figures rounded to nearest 10.

**Medium Growth Future**

Projections assume non-resident dwellings growth proportionate to resident dwellings and rural environment dwellings increase at 90% of the urban environment dwelling growth rate.

\* Includes holiday homes, vacant dwellings and whole dwelling units used for short term accommodation (i.e. Airbnb)

Table 2.29 – Growth in Total Dwellings by Location and Type 2020-2050 (Medium Growth Future)

Reporting Area	Detached			Attached			Total		
	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
Central	530	930	1,510	350	680	1,330	880	1,610	2,840
Western	1,120	1,760	2,100	180	390	830	1,300	2,150	2,930
Eastern	490	860	1,390	40	120	300	540	980	1,690
Ngongotahā	220	390	610	30	70	170	250	470	780
<b>Total Urban Environment</b>	<b>2,370</b>	<b>3,940</b>	<b>5,610</b>	<b>600</b>	<b>1,270</b>	<b>2,640</b>	<b>2,970</b>	<b>5,200</b>	<b>8,250</b>
Rural Environment							300	760	1,320
<b>District Total</b>							<b>3,270</b>	<b>5,960</b>	<b>9,570</b>

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model. Figures rounded to nearest 10. **Medium Growth Future**

Projections assume non-resident dwellings growth proportionate to resident dwellings and rural environment dwellings increase at 90% of the urban environment dwelling growth rate.

\* Includes holiday homes, vacant dwellings and whole dwelling units used for short term accommodation (i.e. Airbnb)

- Overall, an estimated 86% of current dwellings in the urban environment are detached or standalone dwellings (2020). This equates to an estimated 21,170 houses. Just over half of these can be found in the Western area, with around a fifth in Central and Eastern areas and just under 10% in Ngongotahā.
- The balance of urban houses are attached (duplex, terraced or apartments). There are an estimated 3,540 in the urban environment in 2020, with 71% located within the Central area. This is driven by the presence of the Residential 2 – Medium Density zone (found nowhere else in the urban area) as well as the central city zones. Just over a fifth of attached dwellings (22%) are within the Western area and around 4% each in Eastern and Ngongotahā areas.

- This structure can be expected to prevail in the long term, with only gradual shifts projected. Demand for attached housing is expected to grow at a slightly faster rate than detached housing, so that by the medium term, attached housing increases by 1,270 dwellings and makes up an estimated 16% of urban housing stock (compared to 14% in 2020). At the same time, detached dwellings are projected to increase by 3,940.
- In the long term, attached dwellings are projected to increase by 2,640 (if unconstrained) and would make up 19% of the urban housing stock. By 2050, detached housing is projected to have grown by 5,610 additional dwellings.
- By 2050, the Central area could be comprised of 62% detached dwellings and 38% attached dwellings. Attached housing could make up 11% of housing in the Western area, 8% in the Eastern area and 11% in Ngongotahā in the long term (compared to 7%, 3% and 7% respectively today). This is driven by changes in demography as well as a modelled minor shift in dwelling preferences to reflect national trends.
- Table 2.30 summarises the share of growth by dwelling type in each time period. In the short term, detached housing is projected to make up 80% of housing growth across the urban environment. In all areas excluding the Central area, this share is however much higher (between 86-91% of growth 2020-2023).
- By 2030, detached housing makes up slightly less of total dwelling growth in the urban environment (76%) and between 82-83% of growth in non-Central locations. By 2050, detached housing makes up 68% of total urban housing growth (and between 72-82% of growth in non-Central locations). In other words, if unconstrained, attached housing is projected to account for 32% of all housing growth in Rotorua's urban environment over the long term in response to changing household demography and housing preferences. This demand growth is spread throughout the urban environment.

Table 2.30 – Share of Growth in Total Dwellings by Location and Type 2020-2050 (Medium Growth Future)


Reporting Area	Detached			Attached		
	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
Central	60%	58%	53%	40%	42%	47%
Western	86%	82%	72%	14%	18%	28%
Eastern	91%	88%	82%	9%	12%	18%
Ngongotahā	88%	83%	78%	12%	17%	22%
<b>Total Urban Environment</b>	<b>80%</b>	<b>76%</b>	<b>68%</b>	<b>20%</b>	<b>24%</b>	<b>32%</b>

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model.

**Medium Growth Future**

## 2.7.3 Competitiveness Margin Applied to Urban Dwelling Demand

Clause 3.22 of the NPS-UD requires that a competitiveness margin of 20% in the short and medium term and 15% in the long-term be added to projected demand for assessing capacity requirements in Tier 1 and Tier 2 urban environments.



The purpose of the margin is to support choice and competitiveness in housing and business land markets by ensuring that Council enables at least 15-20% more land capacity than would be required to meet expected demand.

It is important to recognise that the competitiveness margin is in effect provision for additional land for feasible housing capacity and the infrastructure to support it, but it is not anticipated additional dwelling supply as at 2023, 2030 or 2050. The core reason for the additional land capacity is to provide a land supply buffer in case housing demand is higher than anticipated, with a view also to place downward pressure on land prices.

The preceding housing projections identify the number of dwellings expected to be required to accommodate Rotorua's future population (including current latent demand) and non-resident dwelling demand. From that base, the Council is required to provide for sufficient plan-enabled and serviced land to accommodate that growth, and up to 20% more for the competitiveness margin in the short and medium terms. The short term margin applies as an additional 7 months' capacity over and above the 36 month growth outlook, so that at any point in time there should be 43 or so months of plan enabled and serviced land capacity, constantly moving forward.

Within that, it is important to differentiate between provision for housing capacity, which is done by ensuring sufficient plan enabled and infrastructure serviced land supply for anticipated needs - within the power of councils - and actual construction and final delivery of that housing capacity (or "take up"), which is for the most part by private sector developers and builders.

Construction of housing capacity is undertaken largely by private interests in the case of most land development and dwelling construction, apart from historically limited public sector involvement in social housing. Efforts by community housing providers and not for profit developments supported by local and central government are also expected to increase over time. Despite this, the supply of new dwellings has, and is expected to remain predominantly a private sector activity, where private developers and builders purchase and develop land and build dwellings in expectation of sale on the open market, often with the security of contractual arrangements with an intending purchaser (pre-sale), although also in anticipation of sale during or after the dwelling construction (spec-build). Completion of new dwellings occurs predominantly in the last months and weeks of a development sequence taking 2-4 years from land acquisition through structure planning, site development, provision of local infrastructure, to dwelling construction and sale. This means provision for land capacity by councils can generally be expected to manifest as built housing capacity approximately 2-4 years later, at the earliest.

**The key point is that the provision for the competitiveness margin should not give rise to expectation that the new housing capacity itself would be completed and be ready for sale 43 months or so in advance of its expected uptake. In terms of meeting the NPS-UD requirements, then, the competitiveness margin applies to provision for sufficient land, and not to the final delivery of built housing capacity.**

Table 2.31 and 2.32 show medium growth dwelling projections in the urban environment by location inclusive of the competitiveness margin. Total growth in the short term is 3,560 dwellings, increasing to 6,240 in the medium term and 9,740 in the long term. Again, the equivalent tables for the Council's high growth future are included in the supporting Technical Report. It is these dwelling projections (with the margin included) that form the basis of the sufficiency assessment, discussed later in Section 10.

Table 2.31 – Total Urban Dwellings by Location and Type Including Margin (Medium Growth Future)

Reporting Area	2020			2023			2030			2050		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	4,660	2,500	7,150	5,300	2,910	8,210	5,770	3,320	9,090	6,430	4,070	10,500
Western	10,650	780	11,430	11,990	1,000	12,990	12,750	1,250	14,010	13,150	1,760	14,910
Eastern	4,030	130	4,160	4,620	190	4,810	5,060	270	5,330	5,670	490	6,160
Ngongotahā	1,830	130	1,960	2,090	170	2,260	2,300	220	2,520	2,550	330	2,880
<b>Total Urban Environment</b>	<b>21,170</b>	<b>3,540</b>	<b>24,700</b>	<b>24,000</b>	<b>4,270</b>	<b>28,270</b>	<b>25,880</b>	<b>5,060</b>	<b>30,950</b>	<b>27,800</b>	<b>6,650</b>	<b>34,450</b>

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model. Figures rounded to nearest 10.

**Medium Growth Future**

Projections assume non-resident dwellings growth proportionate to resident dwellings and rural environment dwellings increase at 90% of the urban environment dwelling growth rate. \* Includes holiday homes, vacant dwellings and whole dwelling units used for short term accommodation (i.e. Airbnb)

Table 2.32 – Growth in Total Urban Dwellings by Location and Type Including Margin (Medium Growth Future)

Reporting Area	Detached			Attached			Total		
	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
Central	640	1,110	1,780	410	820	1,570	1,050	1,930	3,350
Western	1,340	2,110	2,510	220	470	970	1,560	2,580	3,480
Eastern	590	1,030	1,640	50	140	360	650	1,170	1,990
Ngongotahā	260	470	720	40	90	200	300	560	920
<b>Total Urban Environment</b>	<b>2,830</b>	<b>4,720</b>	<b>6,650</b>	<b>720</b>	<b>1,520</b>	<b>3,100</b>	<b>3,560</b>	<b>6,240</b>	<b>9,740</b>

Source: RLC/Infometrics Household Projections 2020. M.E 2021 Rotorua Dwelling Projection Model. Figures rounded to nearest 10.

**Medium Growth Future**

Projections assume non-resident dwellings growth proportionate to resident dwellings and rural environment dwellings increase at 90% of the urban environment dwelling growth rate. \* Includes holiday homes, vacant dwellings and whole dwelling units used for short term accommodation (i.e. Airbnb)

## 2.8 Housing Bottom Lines

Clause 3.6(1) of the NPS-UD requires that “the amount of development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin” in the short-medium and in the long term is clearly stated in each district of a tier 2 urban environment. The Housing Bottom Line is to be based on the amount of “feasible, reasonably expected to be realised development capacity that must be enabled to meet demand, along with the competitiveness margin”. Once determined, the Housing Bottom Lines must be inserted into the District Plan and Regional Policy Statement.

The following are the calculated Housing Bottom Lines for the Rotorua urban environment for the short, medium and long term. They are based on the analysis set out above in Section 2.7, and specifically 2.7.3 above, and are driven by Council’s preferred medium growth future. Sufficient zoned and infrastructure-served, feasible development capacity is required to meet demand to accommodate the following number of projected additional dwellings in each time period:<sup>60</sup>

- i. Short Term (3 years, 2020-2023): an additional 3,560 dwellings.
- ii. Medium Term (10 years, 2020-2030): an additional 6,240 dwellings.
- iii. Long Term (30 years, 2020-2050): an additional 9,740 dwellings.

<sup>60</sup> It is important to note that if Council’s growth projections are updated, that these Housing Bottom Lines would also need to be updated, as would this HBA.

## 3 Housing Supply

This section examines the Rotorua residential property estate, to identify the current dwelling mix and property values. The focus is on the housing for the resident population. It includes analysis of the additions to housing supply in the recent past from consents and estimated land values, then considers the likely future dwelling estate, taking account of the current estate, and potential additions to that estate, in the context of different trends in land values and improvements values, and how these affect dwelling values and prices. A high level summary of the approach to modelling housing supply is contained in the supporting Technical Report<sup>61</sup>.

### 3.1 Current Dwelling Estate

Table 3.1 provides a summary of the Rotorua District residential property estate as at 2020 (June). The Corelogic dataset does not match directly with the Census descriptions of dwelling types, and it includes dwellings utilised by usually resident households, and also visiting households (such as holiday homes). However, it offers very useful detail for understanding affordability issues.

Table 3.1 – Residential Property Estate Rotorua District 2020

Property Category	Count	Land Value (\$m)	Improved Value (\$m)	Capital Value (\$m)	Mean LV (\$000)	Mean IV (\$000)	Mean CV (\$000)	LV as % CV
Residential Dwelling	24,000	\$ 4,800	\$ 4,845	\$ 9,646	\$ 200	\$ 202	\$ 402	50%
Residential Home & Income	360	\$ 87	\$ 98	\$ 185	\$ 242	\$ 272	\$ 514	47%
Residential Apartments	1,950	\$ 306	\$ 388	\$ 693	\$ 157	\$ 199	\$ 356	44%
Residential Rental flats	230	\$ 62	\$ 77	\$ 139	\$ 269	\$ 336	\$ 605	44%
Residential Convert Flats	10	\$ 3	\$ 2	\$ 5	\$ 289	\$ 237	\$ 526	55%
Sub-total Residential	26,550	\$ 5,258	\$ 5,411	\$ 10,669	\$ 198	\$ 204	\$ 402	49%
Lifestyle Improvement	2,570	\$ 928	\$ 939	\$ 1,867	\$ 361	\$ 365	\$ 726	50%
Total	29,120	\$ 6,186	\$ 6,349	\$ 12,536	\$ 212	\$ 218	\$ 430	49%

Source: ME 2020; Corelogic 2020

The table shows some 29,120 residential properties in total, which concords well with the Census-based estimate of 29,000 resident households in occupied dwellings for June 2020.

The Corelogic data identifies a total property value (capital value or “CV”) of \$12,536m, including \$6,168m of land value (“LV”), and \$6,349m of improvement value (“IV”). Across the estate, land values account for just under half the total capital value.

The main residential types are shown as a group, and these generally represent urban residential properties, with the ‘Residential Dwelling’ and ‘Residential Apartments’ the dominant categories.

<sup>61</sup> For clarity, note that the report refers to resident households (those living in the district on a permanent basis, as distinct from those visiting for a short period). The residential property estate is the land and buildings which provide capacity for resident households and for visitors including holiday dwellings. Demand for dwellings is focussed on resident households.

Table 3.2 shows how the mean values in Rotorua District compare with the New Zealand pattern. Rotorua values (and prices) for the residential types are significantly lower than the New Zealand average for LV, IV (predominantly the built dwelling), and overall CV. For the main residential types, Rotorua values are 50% to 70% of the national figure (Rotorua values are -30% to -50% below the national average). For Lifestyle properties, the Rotorua estate is much closer to the New Zealand average values, though it is still around 20% lower.

**Table 3.2 – Residential Property Parameters - Rotorua District and New Zealand 2020**

Property Category	Count	Mean LV (\$000)	Mean IV (\$000)	Mean CV (\$000)	LV as % CV	Mean LV as % NZ	Mean IV as % NZ	Mean CV as % NZ
Residential Dwelling	24,000	\$ 200	\$ 202	\$ 402	50%	49%	71%	58%
Residential Home & Income	360	\$ 242	\$ 272	\$ 514	47%	37%	65%	48%
Residential Apartments	1,950	\$ 157	\$ 199	\$ 356	44%	53%	73%	63%
Residential Rental flats	230	\$ 269	\$ 336	\$ 605	44%	54%	81%	67%
Residential Convert Flats	10	\$ 289	\$ 237	\$ 526	55%	44%	77%	55%
Sub-total Residential	26,550	\$ 198	\$ 204	\$ 402	49%	50%	71%	59%
Lifestyle Improvement	2,570	\$ 361	\$ 365	\$ 726	50%	80%	84%	82%
Total	29,120	\$ 212	\$ 218	\$ 430	49%	53%	73%	62%

Source: ME 2020; Corelogic 2020

Table 3.3 provides further indication, comparing median value and the 20<sup>th</sup> to 80<sup>th</sup> percentiles. The lower percentile values are important in relation to housing affordability and can provide a more accurate indication of affordability than the blunter median values and median incomes comparators, since new owners entering the housing market often purchase dwellings in the lower value bands because that is the entry point which is affordable.

**Table 3.3 – Residential Property Percentiles - Rotorua District and New Zealand 2020**

Property Value Indicator (\$000)	Rotorua District (\$000)	New Zealand (\$000)	Rotorua District as % NZ
Median Value	\$ 350	\$ 575	61%
20th percentile	\$ 250	\$ 350	71%
40th percentile	\$ 313	\$ 500	63%
60th percentile	\$ 400	\$ 675	59%
80th percentile	\$ 525	\$ 950	55%

Source: ME 2020; Corelogic 2020

Figure 3.1 shows the current distribution of residential property values in Rotorua, with strong grouping evident in the lower value bands (less than \$600,000). This contrasts with the New Zealand distribution (Figure 3.2), which shows much lower incidence in the lower value bands, and a broader spread across middle value bands especially over \$800,000.

Figure 3.1 – Distribution of Rotorua Residential Property Values 2020

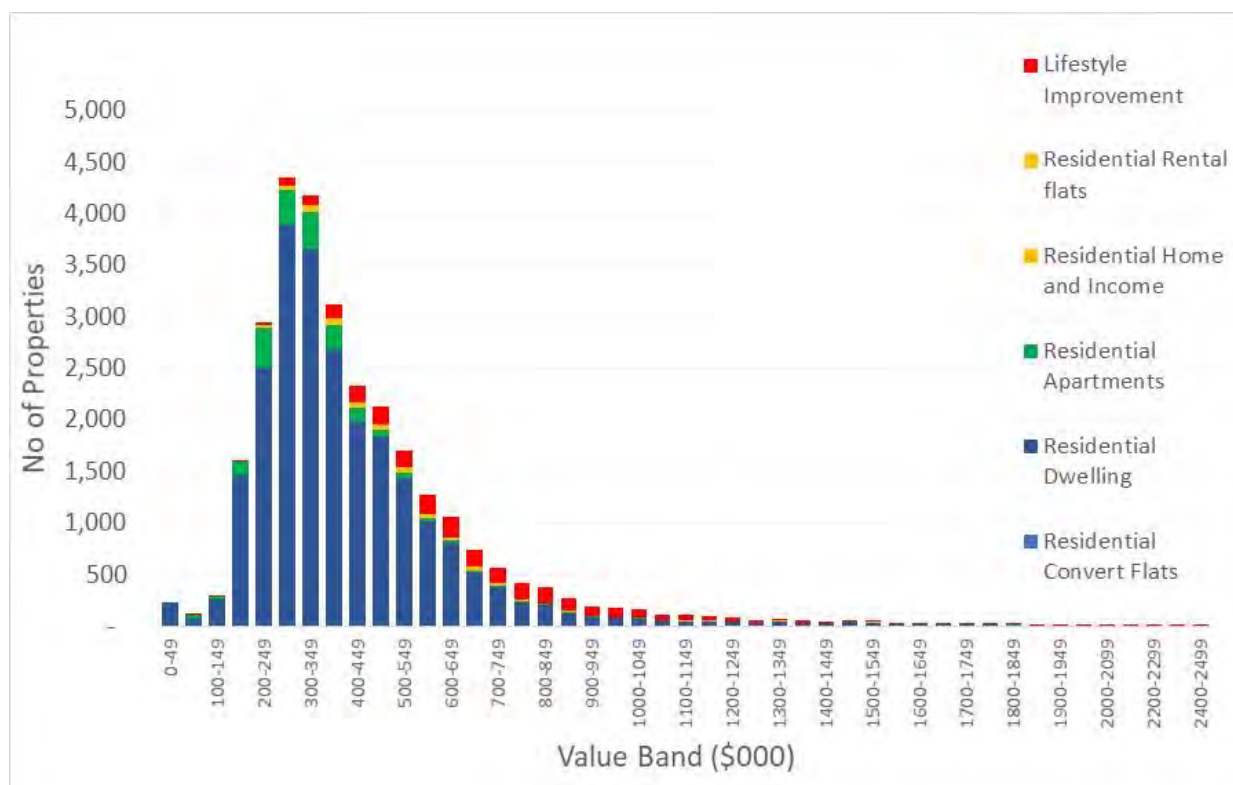


Figure 3.2 – Distribution of Rotorua and New Zealand Residential Property Values 2020

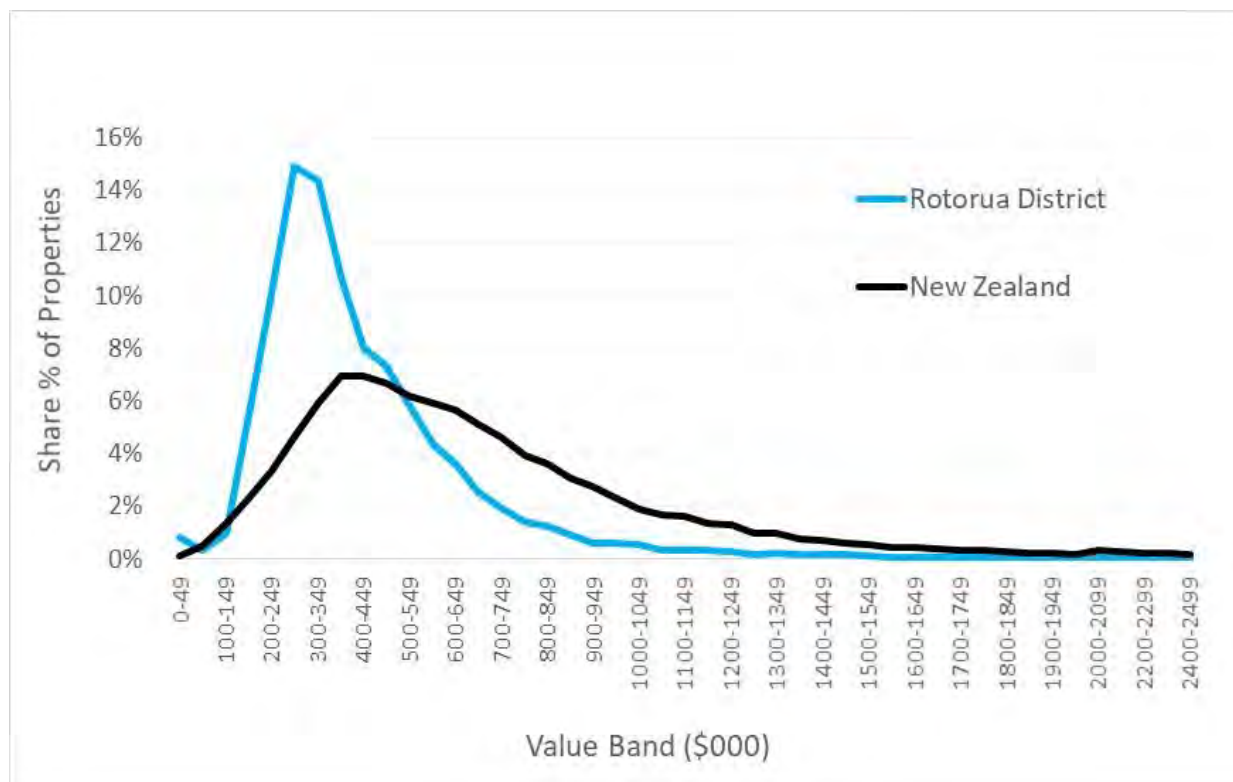


Figure 3.3 shows the mean property values at each ventile (every 5<sup>th</sup> percentile) for the district, with LV and IV. The pattern indicates a fairly stable property estate. Across the property value bands, the LV component is fairly consistent at around half of the total value. This consistency is in tune with an economy

showing moderate growth, and a residential property estate where expansion has been predominantly via greenfield development and infill, rather than intensification of lots. Over time, the land value share of total property value tends to increase, as the built improvements age.

Figure 3.3 – Rotorua Residential Property Land and Improvement Values 2020



### 3.2 Dwelling Value Trends

Housing prices are commonly the focus of market assessments. Since 2001, residential property values have increased significantly throughout New Zealand. This has been driven by a number of factors, including the ease of accessing finance, high consumer confidence (especially in the lead-up to the GFC), constraints on construction capacity, supply shortfalls, strong inward migration, overseas investment in New Zealand’s housing market (until 2018), interest rates (currently very low) and the taxation environment. While the increase has been evident across all cities and districts, the incidence of value and price growth has varied by region and at different times.

Mean housing values in Rotorua District have been identified from the Corelogic residential property index, which offers monthly data across 125 locations. The key changes over the two decades to 2020 are summarised in Table 3.4, which shows mean values in both nominal (dollars of the day) and real terms (CPI-adjusted showing values in \$2020). Notable features are:

- a) In nominal terms, Rotorua prices increased by 361% (3.61 times) over the 20 years, an average annual rate of 7.0%.
- b) This was slower than the New Zealand average (408%, 7.7%pa)
- c) In real terms, Rotorua’s 246% increase equated to 4.9%pa.
- d) Over the same period, average household incomes in the Bay of Plenty Region increased by 53%, or 2.2%pa, less than half the rate of housing values.

- e) Following the significant growth in the lead-up to the GFC in 2008, Rotorua values decreased, and by 2015 were around 16% lower than the GFC peak.
- f) However, since 2015 Rotorua values have increased by around 79% in real terms, and by 19% in the last two years, more than double the national average.
- g) That said, the mean Rotorua value in 2020 is around 30% lower than the national average.

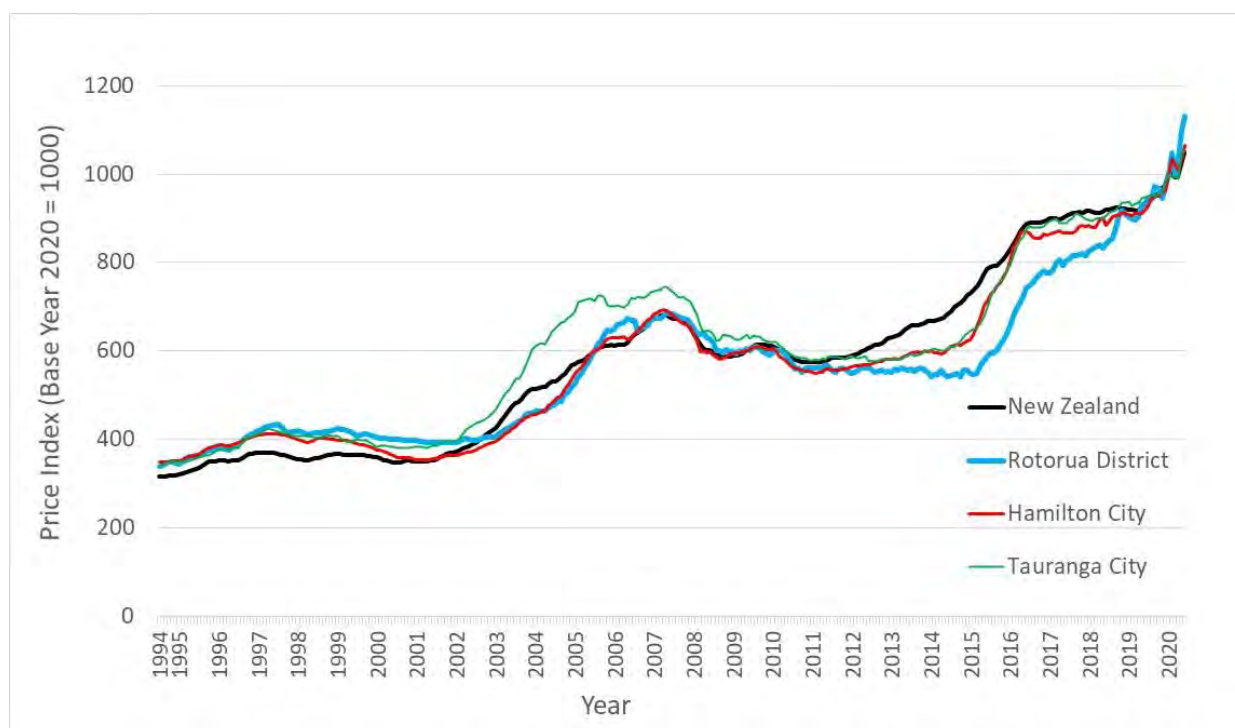
The longer term pattern (starting in 1994) and showing all years is shown in Figure 3.4 where the Rotorua pattern is graphed alongside New Zealand, and also two comparator cities in Hamilton and Tauranga. While Rotorua values were substantially below the national and other regional trend by 2015, since then it has caught up to the national pattern, and over the last year has been close to the national trend.

Table 3.4 – Residential Property Value Trends - Rotorua District and New Zealand 2001-2020

Location	Indicator	Mean Property Value (\$000)							Value Change since:				
		June 2001	June 2008	June 2012	June 2015	June 2018	June 2019	June 2020	2001-20 (%)	2001-20 (%) pa	Last 5 Yrs (%)	Last 2 Yrs (%)	Last Year (%)
Rotorua District	Nominal Value	144	287	265	273	425	472	520	361%	7.0%	90%	22%	10%
	Real (CPI adj)	211	347	291	291	438	479	520	246%	4.9%	79%	19%	9%
New Zealand	Nominal Value	181	402	408	518	674	687	738	408%	7.7%	42%	9%	7%
	Real (CPI adj)	265	487	448	554	695	697	738	278%	5.5%	33%	6%	6%
Hamilton City	Nominal Value	158	346	335	382	559	585	628	397%	7.5%	64%	12%	7%
	Real (CPI adj)	232	418	368	408	576	594	628	271%	5.4%	54%	9%	6%
Tauranga City	Nominal Value	211	463	431	486	700	744	794	376%	7.2%	63%	13%	7%
	Real (CPI adj)	309	560	474	519	722	755	794	257%	5.1%	53%	10%	5%

Source: Corelogic all Residential Index 2021; Values in \$000

Figure 3.4 – Rotorua and Comparator City Residential Property Values 1994-2020



These patterns are addressed further in the examination of housing affordability, and consideration of the role of planning in the operation of land and development markets.



### 3.3 “New” Dwellings – Additions to the Estate

It is important to understand current trends in additions to the Rotorua dwelling estate. Construction activity provides several important indicators for the housing market. Dwelling consents<sup>62</sup> issued is a key indicator of the scale, value and typologies of those additions, as the majority of consents issued do manifest as new dwellings within the following 12-24 months from issue.<sup>63</sup>

When residential development stakeholders were asked what sort of development they do most of in Rotorua, nearly 50% worked mainly on greenfield development and a third worked mainly on infill development. However, when all rankings were taken into account, there was little separating greenfield from infill activity. It is considered that this result reflects an absence of a ready supply of greenfield development opportunities in Rotorua in recent years, which has allowed more infill development opportunities to be realised. It is anticipated that this result may differ in the future if more greenfield development is enabled (with an associated market shift towards greenfield opportunities), although any changes to the District Plan that allows greater intensification might also see infill housing activity remain strong (or redevelopment activity increase). Ongoing monitoring of these trends will reveal any shifts.

The number and value of consents indicates the built improvements, and it is also critical to consider the land component, since the total (capital) value of properties obviously includes land and dwelling. For this, we have estimated the land component of new dwellings, drawing on analysis of the observed relationships between improvement value and land value for some 23,000 new residential properties in regional cities and districts constructed over the 2013 to 2017 period<sup>64</sup>.

The analysis is able to draw on the observed relationships between consent values, which account for most of the IV of new residential properties, and final property capital values taking also into account land values.

The consent and LV information is used here to understand recent trends in consents, as well as expected future trends, to indicate the future supply of new dwellings (“new” defined as being 2020 and later) over the short, medium and long terms. The initial high-level approach bases projected numbers on current trends and dwelling mix, applied to the total indicated land supply including greenfield and infill estimates. Note that this provides a first approximation of new dwelling supply, because it does not include detailed analysis of feasibility of new dwellings on greenfield and infill land. The recent trends in consenting are taken as a general indicator of feasibility, recognising that in most council areas a very high proportion of consented builds progress to completions, and that indicates general feasibility especially when considered over the medium term.

#### 3.3.1 Dwelling Consents 2000-2020

The scale and nature of new dwelling consents in Rotorua District since 1996 is shown in Figure 3.5. Following substantial consenting and building activity in the 2000-08 period at around 250 annually, the

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<sup>62</sup> These relate to building consents, as distinct from resource consents.

<sup>63</sup> The residential consent data does not provide any visibility (detail) on the end use of the dwelling unit. It may be owned and occupied by a resident household, built for long term rental, built as a holiday home, or used for short term residential visitor accommodation. There is however lots of flexibility to switch from one use to another.

<sup>64</sup> This analysis of Corelogic datasets covered Hamilton City, Tauranga City, and New Plymouth, Whangarei, Western Bay of Plenty, Waikato, Waipa, Queenstown Lakes, Waimakariri and Selwyn districts.

number of consents fell dramatically in the generally depressed economic conditions following the GFC. The 2012-15 period saw only 80-90 consents issued annually, although the number has subsequently increased to 150-200 over the last 5 years since 2016.

Figure 3.5 – Rotorua Dwelling Consents 1996-2020

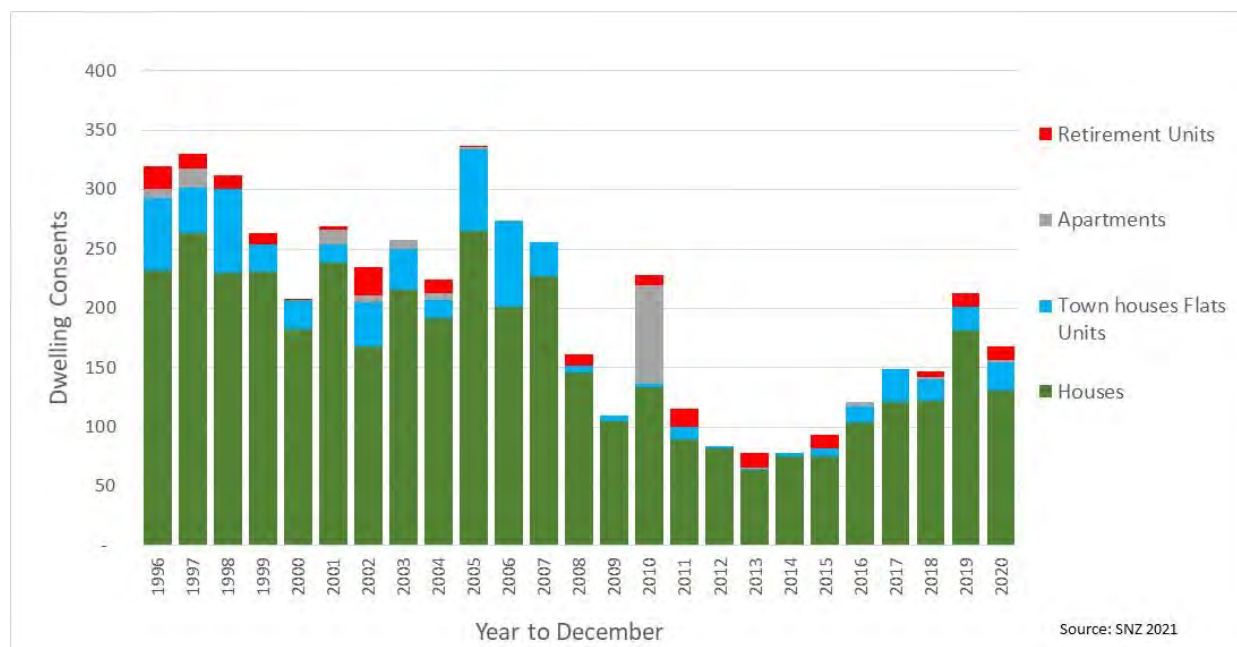


Table 3.5 – Dwelling Consent Summary Rotorua - Total 2016-2020

Parameter	Houses	Town houses Flats Units	Apartments	Retirement Units	Dwellings
<b>2016-2020 Period</b>					
Number of Consents	659	103	7	29	798
Total Value (\$m)	\$ 241	\$ 16	\$ 0	\$ 8	\$ 266
Total Value (Real \$m) 2020	\$ 248	\$ 16	\$ 0	\$ 8	\$ 273
Floor Area of Consents (sqm)	121,423	8,724	460	2,973	133,580
Mean Value (\$000)	\$ 361	\$ 155	\$ 23	\$ 186	\$ 328
Mean Real Value (\$000)	\$ 373	\$ 159	\$ 24	\$ 189	\$ 338
Mean Floor Area (sqm)	185	87	43	61	168
Mean Value \$ per Sqm	\$ 1,966	\$ 1,752	\$ 380	\$ 1,881	\$ 1,960
Mean Real Value \$2020 per Sqm	\$ 2,027	\$ 1,807	\$ 397	\$ 1,918	\$ 2,021

Source: Statistics NZ 2021

The 2016-20 period has seen nearly 800 consents issued, with a total value of \$273m in \$2020 terms (Table 3.5). Mean dwelling size is currently 168m<sup>2</sup>, with houses at 185m<sup>2</sup>, and apartments, retirement units and townhouses substantially smaller. Mean value per m<sup>2</sup> is just over \$2,020, in current terms. A comparison of the 2016 and 2020 situations (December years) is shown in Table 3.6 for basic parameters, including annual value of consents (up 62%), mean value (up 17% in real terms), mean floor area (down by -10%), and mean value per m<sup>2</sup> (up by 30% in real terms).

Table 3.6 – Dwelling Consent Parameters – Key Changes in Rotorua 2016 to 2020

Time Period	Houses	Town houses Flats Units	Apartments	Retirement Units	Dwellings	Residential Buildings
<b>N of Consents</b>						
2016	104	13	4	-	121	121
2020	131	24	1	12	168	168
2016-2020	27	11	3	12	47	47
Change 2016-2020 %	26%	85%	-75%	0%	39%	39%
Change 2016-2020 %pa	5.9%	16.6%	-29.3%	0.0%	8.6%	8.6%
<b>Value of Consents (\$m)</b>						
2016	\$ 32	\$ 2	\$ 0	\$ -	\$ 34	\$ 34
2020	\$ 49	\$ 6	\$ 0	\$ 3	\$ 58	\$ 58
2016-2020	\$ 18	\$ 4	\$ 0	\$ 3	\$ 25	\$ 25
Change 2016-2020 %	56%	229%	-88%	0%	74%	74%
Change 2016-2020 %pa	11.8%	34.6%	-41.7%	0.0%	14.8%	14.8%
<b>Value of Consents (Real \$m) 2020</b>						
2016	\$ 34	\$ 2	\$ 0	\$ -	\$ 36	\$ 36
2020	\$ 49	\$ 6	\$ 0	\$ 3	\$ 58	\$ 58
2016-2020	\$ 16	\$ 4	\$ 0	\$ 3	\$ 22	\$ 22
Change 2016-2020 %	46%	207%	-89%	0%	62%	62%
Change 2016-2020 %pa	9.9%	32.4%	-42.7%	0.0%	12.9%	12.9%
<b>Mean Value of consents (\$000)</b>						
2016	\$ 304	\$ 146	\$ 33	\$ -	\$ 278	\$ 278
2020	\$ 377	\$ 260	\$ 15	\$ 230	\$ 348	\$ 348
2016-2020	\$ 73	\$ 114	\$ 18	\$ 230	\$ 70	\$ 70
Change 2016-2020 %	24%	78%	-54%	0%	25%	25%
Change 2016-2020 %pa	5.5%	15.5%	-17.6%	0.0%	5.7%	5.7%
<b>Mean Real Value of Consents (\$000)</b>						
2016	\$ 325	\$ 156	\$ 35	\$ -	\$ 297	\$ 297
2020	\$ 377	\$ 260	\$ 15	\$ 230	\$ 348	\$ 348
2016-2020	\$ 52	\$ 104	\$ 20	\$ 230	\$ 50	\$ 50
Change 2016-2020 %	16%	66%	-57%	0%	17%	17%
Change 2016-2020 %pa	3.8%	13.6%	-19.0%	0.0%	4.0%	4.0%
<b>Mean Floor Area of Consents (sqm)</b>						
2016	195	90	32	-	178	178
2020	172	123	35	112	160	160
2016-2020	-23	34	3	112	-18	-18
Change 2016-2020 %	-12%	38%	9%	0%	-10%	-10%
Change 2016-2020 %pa	-3.1%	8.3%	2.3%	0.0%	-2.6%	-2.6%
<b>Mean Real Value \$2020 sqm of Consents</b>						
2016	\$ 1,667	\$ 1,740	\$ 1,086	\$ -	\$ 1,667	\$ 1,667
2020	\$ 2,188	\$ 2,104	\$ 429	\$ 2,051	\$ 2,169	\$ 2,169
2016-2020	\$ 521	\$ 363	\$ 658	\$ 2,051	\$ 502	\$ 502
Change 2016-2020 %	31%	21%	-61%	0%	30%	30%
Change 2016-2020 %pa	7.0%	4.9%	-20.7%	0.0%	6.8%	6.8%

Source: Statistics NZ 2021

### 3.3.2 Consent Size Trends 2000-2020

The distribution of sizes (sqm) of consents is shown in Figure 3.6 for houses, and for townhouses, flats and units in Figure 3.7.<sup>65</sup> Importantly, the shift toward more smaller dwellings has been in detached dwellings, as distinct from a shift towards townhouses, terrace houses and apartments. While the average size of a

<sup>65</sup> The y axis has been kept constant between graphs to highlight the relative scale of the two dwelling groups.



house decreased by -12%, in 2020 houses accounted for 78% of consents, down only somewhat from the 86% share seen in 2016.

The residential construction sector stakeholder survey also showed that development in Rotorua is heavily focused on delivering single level standalone dwellings on full sites, with very few respondents delivering duplexes and even fewer delivering terraced homes in the last two years (no respondents had delivered apartments in the two years prior to the survey).

- This is a well-established development pattern across the Rotorua market.
- The typology is driven by relatively large District Plan site size requirements, making standalone dwellings the only viable option for these larger sites. Larger site sizes create no space scarcity incentive to build multiple storeys as adequately sized dwellings can be achieved in a single level.
- Second storey development is limited by the build cost increases, with a higher return relative to dwelling size for single-level dwellings.
- Dual level development is primarily limited to more central, higher value locations that are likely to generate the return on the increased build cost.
- Demand patterns also favour this typology due to lower cost and greater accessibility.

The increases in housing prices have seen efforts to make new dwellings more affordable by construction of medium-sized and smaller dwellings. Over the last 5 years, there is evidence of more dwellings in the middle and smaller dwelling sizes, notably the 60-100sqm, 100-140sqm and 140-180sqm bands. That has seen the average consent size across all residential buildings some -10% lower by 2020 compared with 2016.

Figure 3.6 – Rotorua House Dwelling Consents by Size (sqm) 2000-2020

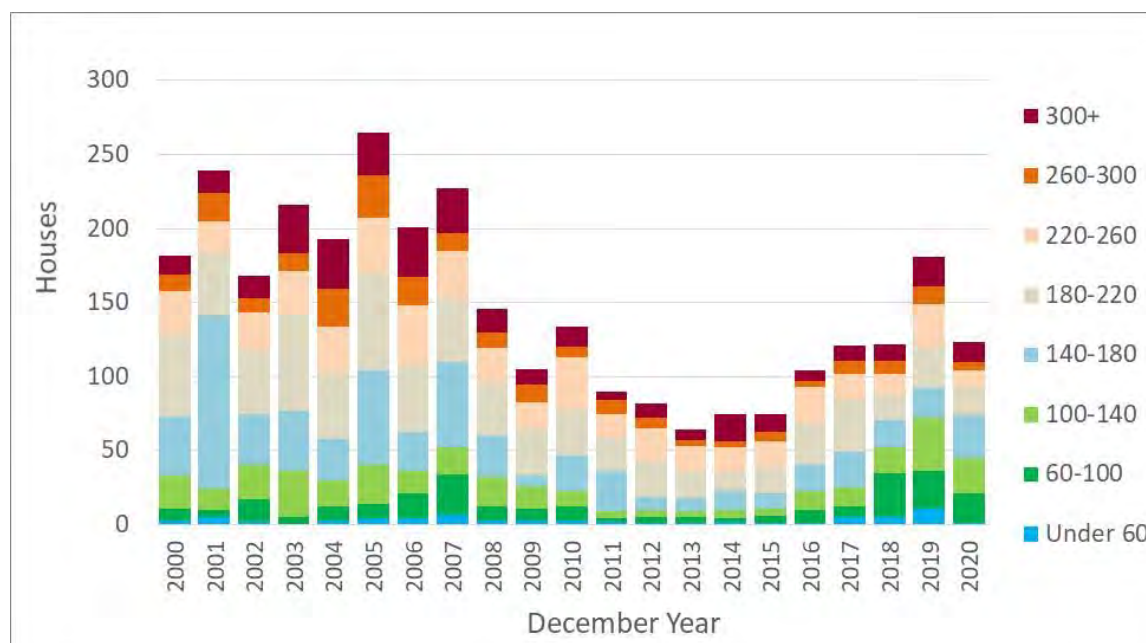
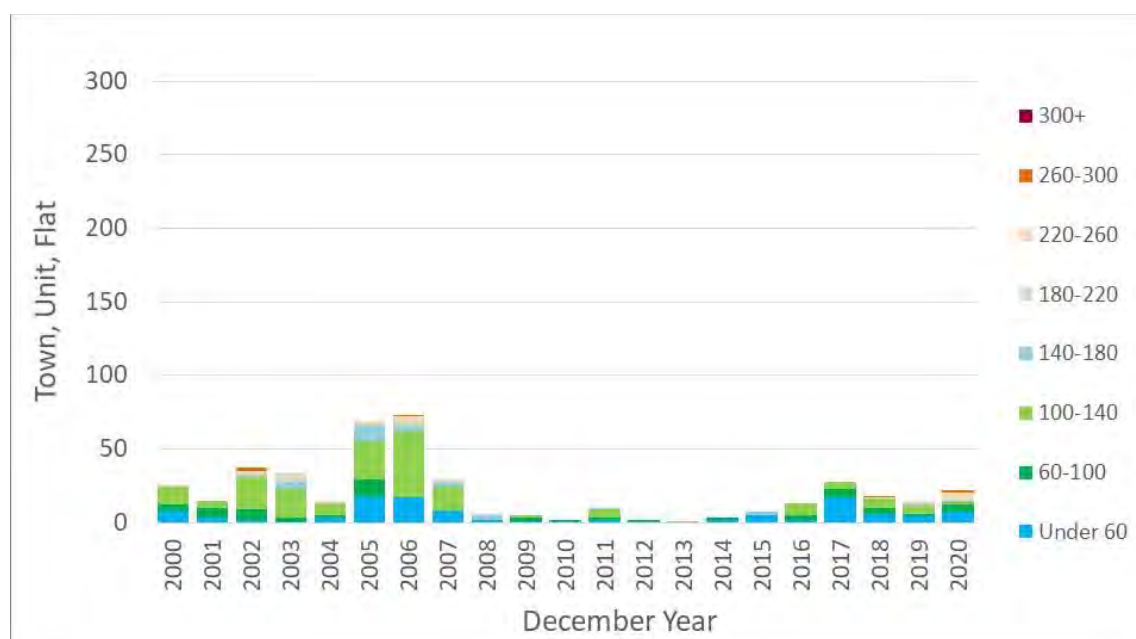


Figure 3.7 – Rotorua Unit Flat and Townhouse Dwelling Consents by Size 2000-2020



Compared with the New Zealand pattern, Rotorua shows a lower share of consents in the smaller size bands (less than 100 m<sup>2</sup>) and in the middle size bands (100-180m<sup>2</sup>), and correspondingly higher shares in the larger sizes. To a considerable degree this is because a high share of Rotorua consents are still for detached dwellings. Within the detached dwelling typology, Rotorua has a higher than average proportion in the small (less than 100m<sup>2</sup>) band.

### 3.3.3 Consent Value of Works Trends 2000-2020

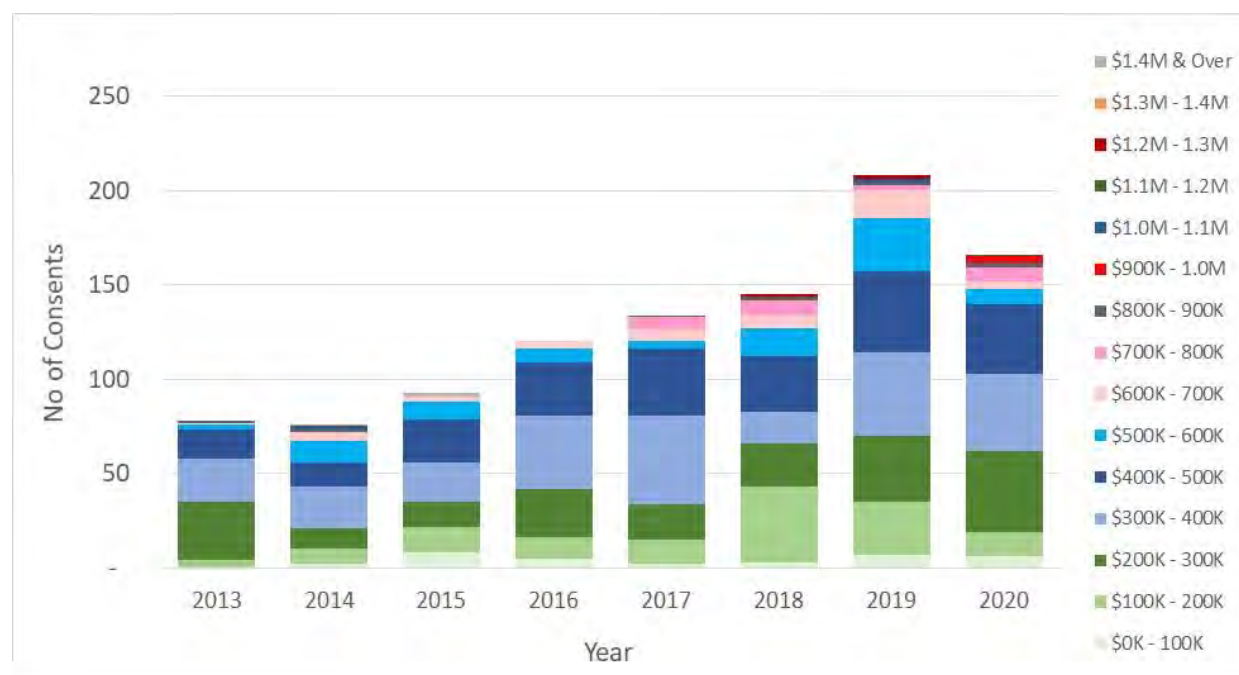
Data in this section reflects 'value of works' from building consent applications to RLC. This includes the applicants pre-start estimated cost of works shown in the consent documentation (including professional building related fees, constructions costs including material and labour) and does not include land, lawyer's fees, consent fees, finance, or profit margins for developers. However, the construction cost of building houses is a major determinant of the final cost profile and is relevant to consideration of the potential feasibility of future development and final sale prices.

There has been some minor shift toward a larger share of medium to lower value dwellings, as shown in Table 3.7. In 2020, some 38% of consents were valued at \$300,000 or less, slightly more than the 35% of 2016 and 25% of 2017. The latest year shows 85% of consents were at values of less than \$600,000, a similar share to what has been seen since around 2016. The distribution of consents in each broad value band for each year is shown in Figure 3.8.

Table 3.7 – Share of Dwelling Consents by Value of Works (\$2020) – Rotorua 2013 to 2020

Value Band	2013	2014	2015	2016	2017	2018	2019	2020
\$0K - 100K	0%	3%	9%	4%	1%	2%	3%	4%
\$100K - 200K	5%	11%	15%	9%	10%	28%	13%	8%
\$200K - 300K	40%	14%	14%	22%	14%	16%	17%	26%
\$300K - 400K	29%	29%	23%	33%	35%	12%	21%	25%
\$400K - 500K	19%	17%	25%	23%	26%	20%	21%	22%
\$500K - 600K	4%	14%	10%	6%	3%	10%	13%	5%
\$600K - 700K	1%	7%	3%	3%	5%	5%	7%	2%
\$700K - 800K	0%	0%	0%	0%	4%	6%	1%	4%
\$800K - 900K	1%	1%	0%	0%	1%	1%	0%	2%
\$900K - 1.0M	0%	0%	0%	0%	0%	0%	0%	2%
\$1.0M - 1.1M	0%	3%	0%	0%	0%	0%	1%	0%
\$1.1M - 1.2M	0%	0%	0%	0%	0%	1%	0%	1%
\$1.2M - 1.3M	0%	0%	0%	0%	0%	1%	1%	0%
\$1.3M - 1.4M	0%	1%	0%	0%	0%	0%	0%	0%
\$1.4M & Over	0%	0%	2%	0%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Figure 3.8 – Rotorua Dwelling Consents by Value of Works Band 2013-2020



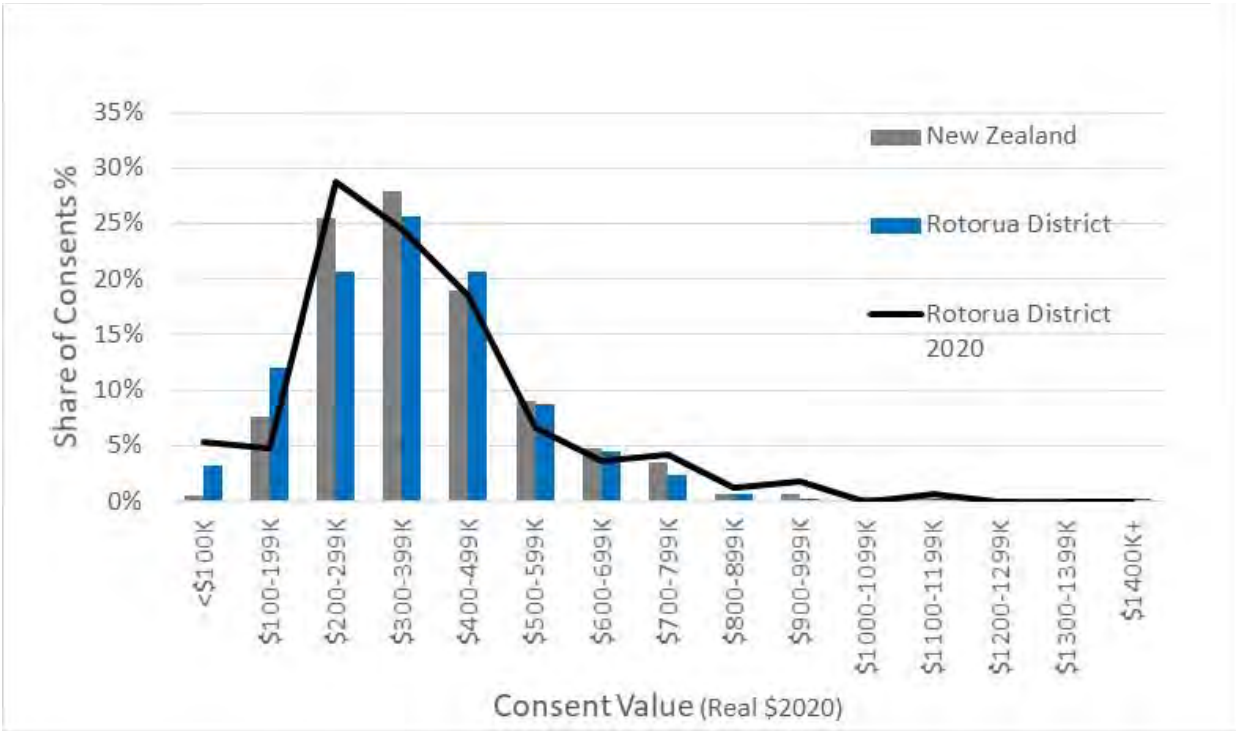
The distribution of consents by dwelling type in each value band for each year is shown in Table 3.8. Obviously detached houses dominate, and some 60% of all consents lie within the \$250,000 to \$499,000 bands (all values in constant \$2020 terms). Townhouses units and flats and other smaller dwelling typologies show a relatively greater concentration in the lower value bands. The Rotorua District and New Zealand distributions by value for all consents is shown in Figure 3.9. Rotorua shows a higher incidence of lower value of works consents (less than \$200,000), and a smaller share in the \$200,000 to \$400,000 band.

Table 3.8 – Dwelling Consents by Value of Works (\$2020) – Rotorua 2016 to 2020

Consent Value Band	Houses	Apartments	Retirement Units	Townhouse Unit Flat	Total Dwellings	Houses	Apartments	Retirement Units	Townhouse Unit Flat	Total Dwellings
Under \$50K	-	-	-	-	-	0%	0%	0%	0%	0%
\$50-99K	10	4	-	17	31	1%	0%	0%	2%	4%
\$100-149K	28	2	11	15	56	3%	0%	1%	2%	6%
\$150-199K	48	-	-	15	63	6%	0%	0%	2%	7%
\$200-249K	36	-	-	23	59	4%	0%	0%	3%	7%
\$250-299K	77	-	12	11	100	9%	0%	1%	1%	12%
\$300-349K	89	-	12	-	101	10%	0%	1%	0%	12%
\$350-399K	108	-	-	-	108	12%	0%	0%	0%	12%
\$400-449K	103	-	-	-	103	12%	0%	0%	0%	12%
\$450-499K	82	-	5	5	92	9%	0%	1%	1%	11%
\$500-549K	54	-	-	-	54	6%	0%	0%	0%	6%
\$550-599K	16	-	-	1	17	2%	0%	0%	0%	2%
\$600-649K	23	-	-	3	26	3%	0%	0%	0%	3%
\$650-699K	12	-	-	2	14	1%	0%	0%	0%	2%
\$700-749K	19	-	-	-	19	2%	0%	0%	0%	2%
\$750-799K	5	-	-	-	5	1%	0%	0%	0%	1%
\$800-849K	2	-	-	-	2	0%	0%	0%	0%	0%
\$850-899K	4	-	-	-	4	0%	0%	0%	0%	0%
\$900-949K	-	-	-	-	-	0%	0%	0%	0%	0%
\$950-999K	3	-	-	-	3	0%	0%	0%	0%	0%
\$1000-1049K	-	-	-	-	-	0%	0%	0%	0%	0%
\$1050-1099K	2	-	-	-	2	0%	0%	0%	0%	0%
\$1100-1149K	1	-	-	-	1	0%	0%	0%	0%	0%
\$1150-1199K	1	-	-	-	1	0%	0%	0%	0%	0%
\$1200-1249K	1	-	-	-	1	0%	0%	0%	0%	0%
\$1250-1299K	2	-	-	-	2	0%	0%	0%	0%	0%
\$1300-1349K	-	-	-	-	-	0%	0%	0%	0%	0%
\$1350-1399K	-	-	-	-	-	0%	0%	0%	0%	0%
\$1400-1449K	2	-	-	-	2	0%	0%	0%	0%	0%
\$1450-1499K	-	-	-	-	-	0%	0%	0%	0%	0%
\$1500K+	-	-	-	-	-	0%	0%	0%	0%	0%
<b>TOTAL</b>	<b>728</b>	<b>6</b>	<b>40</b>	<b>92</b>	<b>866</b>	<b>84%</b>	<b>1%</b>	<b>5%</b>	<b>11%</b>	<b>100%</b>

Source: ME Housing Demand Model 2021; Statistics NZ 2021

Figure 3.9 – Rotorua Dwelling Consents by Value vs New Zealand 2013-2020



Residential land and dwelling developers in Rotorua were asked if pre-fabricated housing could (or should) play a greater role in Rotorua, as it is a means to lower construction costs. Generally, the response was no, with responses citing a perceived lack of quality with pre-fabricated housing (and a desire for Rotorua to have more quality homes). Interestingly, consultants working in the residential development sector in Rotorua overwhelmingly thought that pre-fabricated housing could have a greater role, although noted some conditions that may reduce its effectiveness in the district including a lack of flat land and ground issues (which would not be solved by pre-fabrication).

### 3.3.4 Total New Dwelling Value

However, the consent data shows only the estimated value of the dwellings to be built. It does not show the value of other built improvements to the land, nor does it show the value of the land itself. The distribution of the total values of new dwellings including land is shown in Table 3.9 and it shows a wide range of values for new dwellings entering the Rotorua property estate<sup>66</sup>. The estimates draw from an analysis of detailed data on some 27,800 new dwellings across Tier 1 and Tier 2 territorial authorities, to identify LV as a share of total CV for dwellings in each (capital) value band, and for each dwelling type. For Rotorua, the LV to CV relationship evident in regional cities and districts has been applied. In contrast, in Auckland and Christchurch (large metropolitan markets), the LV component is a generally higher share of CV than is the case in the other cities.

<sup>66</sup> Note that the estimates in Table 3.9 show the same number of dwellings built as consents issued. Not all of the new dwelling consents which are issued end up as new dwellings constructed (there is some attrition). However, it is useful for the purposes of this analysis to assume that all are 'built' so that the comparison of consent values and final dwelling values is as clear as possible, and not further complicated by making allowances for that attrition.

Table 3.9 –New Dwellings by Estimated Total Value Band – Rotorua 2016 to 2020

Value Band	Houses	Apartments	Retirement Units	Townhouse Unit Flat	Total Dwellings	Houses	Apartments	Retirement Units	Townhouse Unit Flat	Total Dwellings
Under \$50K	-	1	-	6	7	0%	0%	0%	1%	1%
\$50-99K	-	1	-	6	7	0%	0%	0%	1%	1%
\$100-149K	2	1	2	7	12	0%	0%	0%	1%	1%
\$150-199K	9	1	2	10	22	1%	0%	0%	1%	2%
\$200-249K	9	1	2	14	26	1%	0%	0%	1%	3%
\$250-299K	20	-	2	11	33	2%	0%	0%	1%	3%
\$300-349K	26	-	5	10	41	3%	0%	0%	1%	4%
\$350-399K	45	-	7	10	62	4%	0%	1%	1%	6%
\$400-449K	61	-	7	7	75	6%	0%	1%	1%	7%
\$450-499K	61	-	7	2	70	6%	0%	1%	0%	7%
\$500-549K	77	-	7	2	86	8%	0%	1%	0%	9%
\$550-599K	68	-	3	1	72	7%	0%	0%	0%	7%
\$600-649K	72	-	1	1	74	7%	0%	0%	0%	7%
\$650-699K	69	-	1	1	71	7%	0%	0%	0%	7%
\$700-749K	69	-	1	1	71	7%	0%	0%	0%	7%
\$750-799K	54	-	1	2	57	5%	0%	0%	0%	6%
\$800-849K	54	-	-	1	55	5%	0%	0%	0%	5%
\$850-899K	35	-	-	1	36	3%	0%	0%	0%	4%
\$900-949K	22	-	-	1	23	2%	0%	0%	0%	2%
\$950-999K	22	-	-	1	23	2%	0%	0%	0%	2%
\$1000-1049K	13	-	-	-	13	1%	0%	0%	0%	1%
\$1050-1099K	13	-	-	-	13	1%	0%	0%	0%	1%
\$1100-1149K	12	-	-	-	12	1%	0%	0%	0%	1%
\$1150-1199K	6	-	-	-	6	1%	0%	0%	0%	1%
\$1200-1249K	7	-	-	-	7	1%	0%	0%	0%	1%
\$1250-1299K	5	-	-	-	5	0%	0%	0%	0%	0%
\$1300-1349K	5	-	-	-	5	0%	0%	0%	0%	0%
\$1350-1399K	3	-	-	-	3	0%	0%	0%	0%	0%
\$1400-1449K	6	-	-	-	6	1%	0%	0%	0%	1%
\$1450-1499K	6	-	-	-	6	1%	0%	0%	0%	1%
\$1500K+	8	-	-	-	8	1%	0%	0%	0%	1%
TOTAL	859	5	48	95	1,007	85%	0%	5%	9%	100%

Source: ME Housing Demand Model 2021

The distribution of consent values and total residential property values is shown in Figure 3.10 for all dwellings, and in Figure 3.11 for houses only. For new houses in most value bands, land accounts for 38-42% of total CV. For apartments and townhouses, the LV component is smaller, in the range of 28-33% reflecting the greater dwelling to land ratios efficiencies possible - however making use of this ratio efficiency is only justified by relatively higher land values.

In the graphs, the difference between the lines showing value of consents and total property value reflects the land component of new dwellings. It is noted that the LV share for new dwellings is in most instances substantially less than for the established dwelling estate. This reflects the fact that new builds are generally to a greater level of intensity (i.e., less land area per dwelling) than the urban average<sup>67</sup>.

<sup>67</sup> This is one key reason why the Price Cost Ratio (PCR) methodology is not well suited for any assessment of urban economies and housing land markets (see Section 10.6.1).

Figure 3.10 – All New Dwellings Consent Value and Final Property Value : Rotorua 2016 – 2020

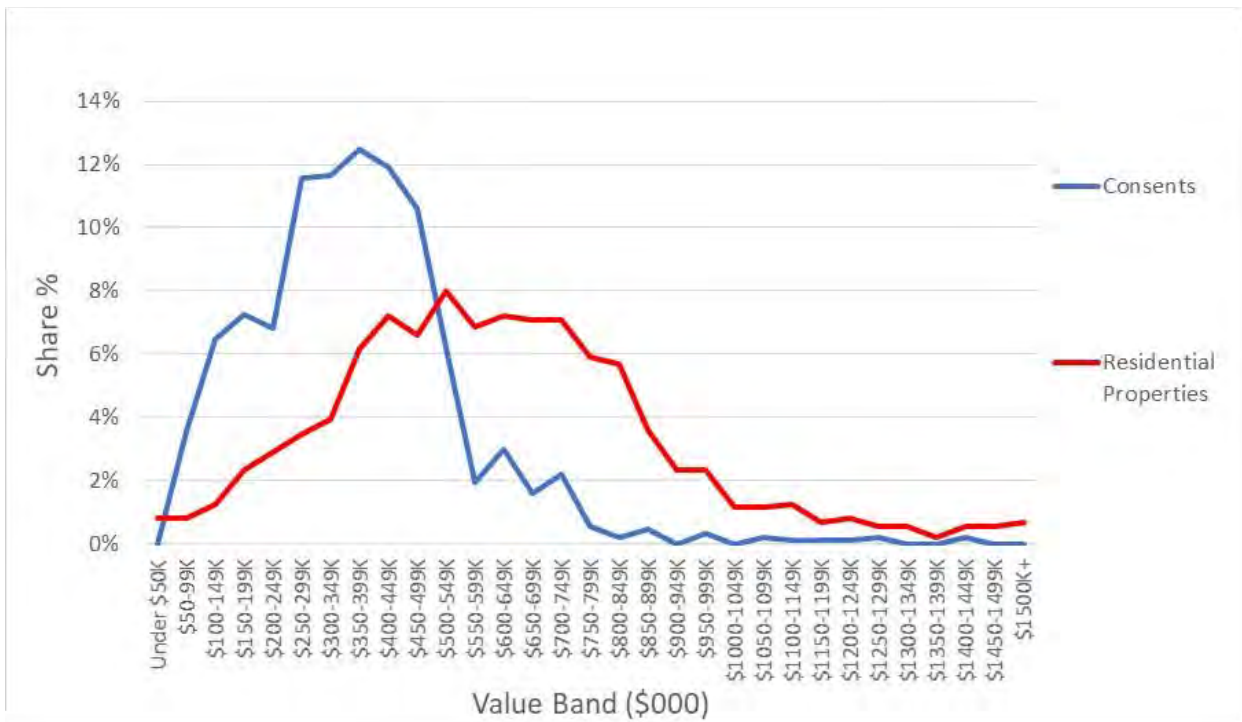
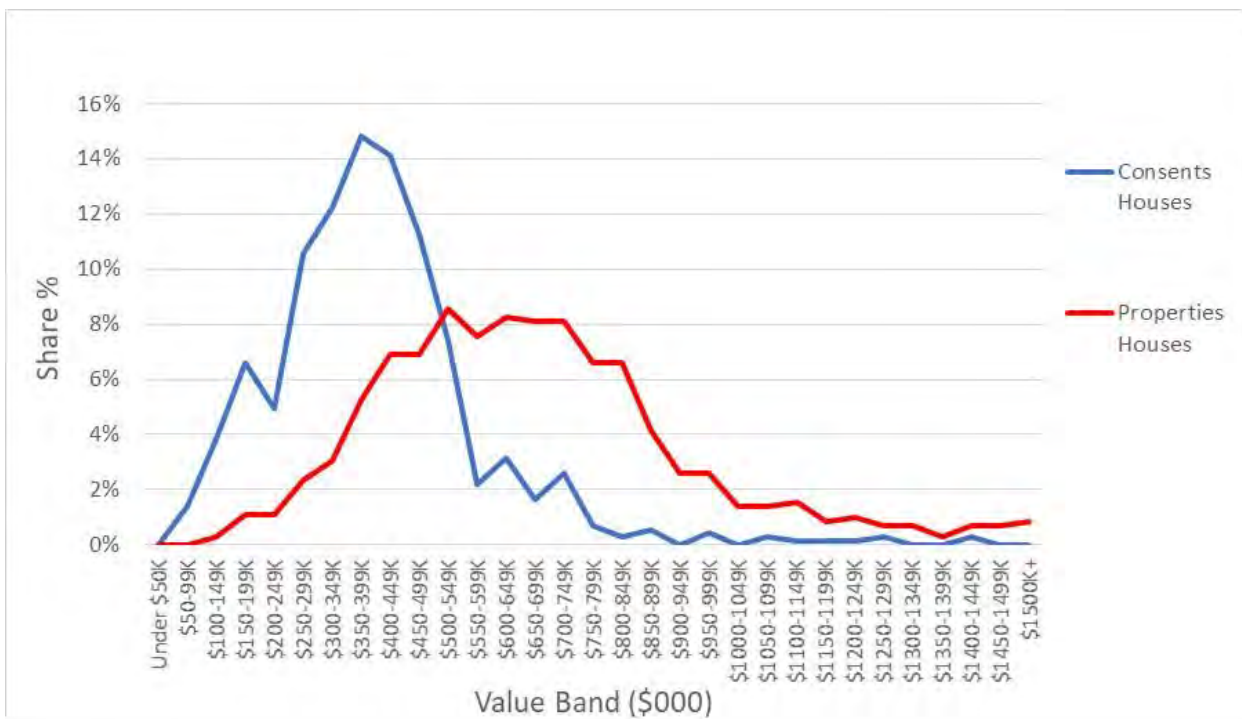



Figure 3.11 – New House Consent Value and Final Property Value : Rotorua 2016 – 2020



### 3.4 Future Dwelling Estate

Rotorua's expected future dwelling estate is estimated according to the current estate, and estimated additional dwellings required to accommodate additional households in the district. In accordance with the NPS-UD provisions, allowance is made for one additional dwelling for every additional household.



This approach<sup>68</sup> takes account of the existing dwelling estate, and the projected “new” dwellings, to provide estimates of the future estate by dwelling types and value bands. This is important for assessing future housing affordability.

### 3.4.1 Property Value Trends

A key requirement is to understand likely changes in the property values of both the existing and new estates, over the NPS-UD time periods. The long run evidence in New Zealand, covering periods of economic boom and bust, population growth and decline, and periods of relative housing under and over supply, points to LV generally increasing at a faster rate than the IV (the value of everything else permanently built on or attached to the land) of individual sites.

Land value increase is generally driven mainly by growth in market size as cities expand, a key reason why mean land values in larger cities are substantially higher than smaller cities and towns. Other influences include the rate of growth, with faster economies generally showing more rapid increase in land values than slower growing economies, and the available land and housing supply relative to demand. Final consumer demand is predominantly for residential properties including land and improvements (dwellings), which means that constraints on supply of housing in an area may be expected to affect the value of the land component as well as the improvements. As well as localised influences, several exogenous influences are important, including home loan interest rates, loan to value ratios (“LVRs”) and the availability of finance for house purchases, which commonly have effect at the national level and local level, including by setting expectations about future prices.

To reflect actual changes, the analysis draws on observed trends in property values over the last two decades in Tier 1 urban environments across New Zealand.<sup>69</sup> Corelogic datasets have been analysed to show the relative shifts in land values and improvement values over time<sup>70</sup>. This analysis has identified that LV in Tier 1 economies changes at a different rate from IV, in almost every city. LV typically grows faster because the value of land is generally driven by growth in the size of an urban economy, though also drop faster than IV in periods of economic downturn.

The value of improvements on the land – mainly a dwelling – typically shows a different pattern of change, increasing at a slower rate than LV, and often remaining static or decreasing in real terms, as built improvements depreciate. This slower growth reflects that built structures age and depreciate, with their technology becoming increasingly outdated over time. This ongoing depreciation is also offset by additions and alterations, renovation and maintenance, and the inherent use value of existing structures.

This means that in urban economies, while LV has generally shown positive growth, the IV component of property value has also shown positive growth but grows more slowly and may decline in real (inflation-adjusted) terms. Whether the rate of increase is fast or slow or negative is less important than the overall differential whereby the rate of change in LV is greater than IV, leading to impetus for eventual redevelopment to a ‘higher and better use’, typically more intensive (higher total value per site, not

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<sup>68</sup> ME *Housing Supply Model 2021*

<sup>69</sup> Auckland, Hamilton, Tauranga, Wellington and Christchurch.

<sup>70</sup> A consistent, no-change dataset of 5,000 urban properties has been used to examine the effects of land value and improvement value change where there has not been any significant change to the dwelling (including replacement). That is to remove the effect on improvement values of replacement dwellings or major upgrades which could distort the pattern.



necessarily more expensive per dwelling) reflecting the current economy (as opposed to the economy at the time of the original development).

The overall pattern for Tier 1 cities is shown in Figure 3.12, where land values rose substantially ahead of improvement values in the 2001-2007 period, then declined 2008-2011 (affected by the GFC-related downturn in economic conditions), then remained ahead of improvement values through the 2012-2018 period.

Similar patterns are evident in the cities closest to Rotorua district, for Tauranga City (Figure 3.13) and Hamilton City (Figure 3.14) across the last two decades.

Figure 3.12 – Tier 1 Residential Property – Land and Improvement Value Trends (Real) 2000-2018



Figure 3.13 – Residential Land and Improvement Value Trends (Real) Tauranga City 2000-2018



Figure 3.14 – Residential Land and Improvement Value Trends (Real) Hamilton City 2000-2018

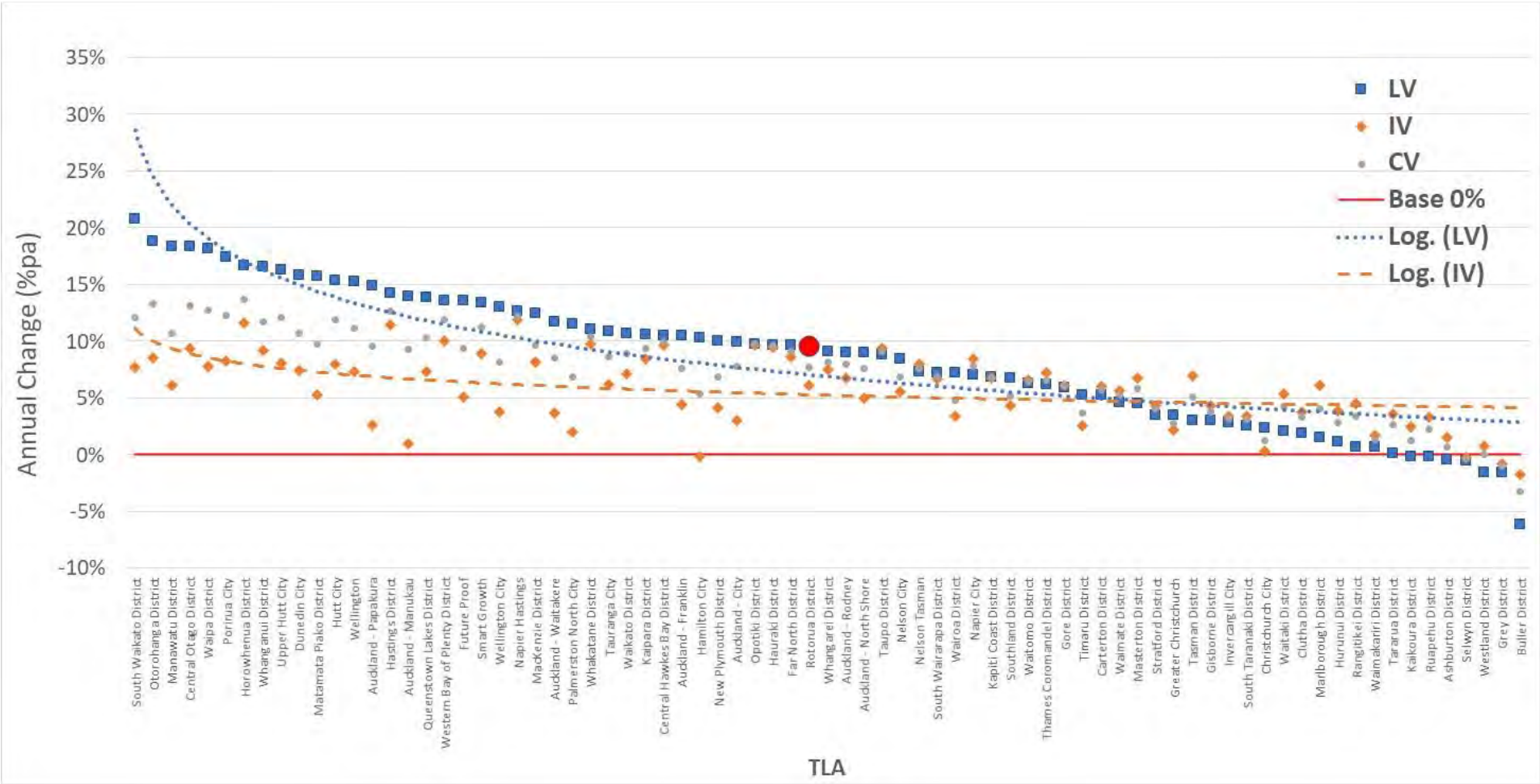


These patterns are evident throughout New Zealand. Figure 3.15 shows the recent pattern across all TLAs<sup>71</sup>, over the 2016-2020 period. The key feature of the graph is that for most TLAs, the annual change in average LV per residential property has stayed ahead of the shifts in IV per property. In this instance, while detail for all TLAs is available, the relatively short (4-year) time period and the fact that the 2020 includes properties added since 2016 means that the big picture pattern – LV generally increases faster than IV - is the key indicator. Rotorua’s position is shown by the red circle. This evidence base has been drawn on for the assessment of property values in Rotorua district (as a Tier 2 urban environment), over the 2020-2050 period for the NPS-UD.

<sup>71</sup> Territorial Local Authorities.



Figure 3.15 – Residential Land and Improvement Value Trends (Real) by TLA 2016-2020



### 3.4.2 Current Estate : Values 2020-2050

The distribution of property values in the existing estate has been identified for the 2020 base year from the Corelogic property counts and estimated for future years allowing for expected trends in LV and IV over the short, medium and long term. This is on the basis that one household equates with one dwelling, as required by the NPS-UD, such that projected future dwellings equate with projected future households.

The estimates of future value take account of expected changes in land and improvement values over time, which is expressed as annual % changes in LV and IV, assuming a constant (compounding) rate over time. This draws on analysis of past trends, as well as future expectations, and it also allows for patterns of change to be slower or faster than the Base Case (to differentiate from medium or high growth rates in the Rotorua District population). The projected changes for the Base Case, High and Low change futures are shown in Table 3.10. Note that for clarity the text, tables and graphs focus on the Base Case, and cover this for medium growth future.

The Base Case future allows for annual change of +2.9% in land values, and 0.7% in improvement values (both in real inflation adjusted terms). This is consistent with the broader pattern where land values have growth at around 3-4 times the rate of improvement values in real terms.

Table 3.10 – Projected Real Changes in Property Values (%pa) 2020-2050

Indicator	Base Case	National Outlook	High	Low
LV Trend	2.9%	3.1%	3.2%	2.6%
IV Trend	0.7%	0.8%	0.8%	0.7%
Construction Cost Trend	0.9%	0.9%	1.0%	0.8%
Household Income Trend	1.8%	1.5%	2.0%	1.6%

Source: ME Housing Demand Model 2021

The indicated shifts in property values in the existing dwelling estate (under the Base Case) are summarised in Table 3.11. This shows the number of dwellings in each value band (in real \$2020 terms) currently, and in the short, medium and long terms. The ongoing increases in LV, together with the more modest changes in IV for the current dwelling estate, would see important shifts in the medium and long terms. That is to be expected, given the outlook for land values to continue to grow.

Currently (2020) most of the dwelling estate is in values of less than \$400,000 (52%) and in the \$400-600,000 range (28%). Another 12% of dwellings are in the \$600-800,000 band, with around 8% valued at \$800,000 or higher.

There would be limited change to 2023, when around 75% of the total district estate would be in value bands of \$600,000 or less, and only 11% in bands of \$800,000 or more.

There would be more substantial change in the medium term, although by 2030 at the projected rates of change some 68% of dwellings (19,900) would remain in the \$600,000 or less value band, with the \$800,000 and over band by then accounting for 14% of the total district estate (some 4,300 dwellings). However, in the long term dwelling numbers in the \$600,000 and under bands would account for only 41% of the total district estate (11,740 dwellings) and some 35% (10,400 dwellings) would be in the \$800,000 and over bands.

The table shows changes in the value patterns of only the existing dwelling estate, at the assumed rates of property price escalation. Importantly, the projections allow for some continued increase in the value of the already built dwellings, when longer term the built estate is subject to depreciation and a growing 'technology gap'.

When applied over the medium and long term, the compounding rates of change would generate substantial price increases in real terms (though without allowance at this point for parallel increases in household incomes). Importantly, they are a representation of the recent past projected into the future, to indicate the potential extent of change in housing prices. They are not a forecast of price changes. They are intended to represent the effects of long term changes in the property market as LVs continued to increase, and IVs increased but more slowly. A faster rate of change in market conditions for both land values and improvement values would see somewhat greater shifts in the medium term, though it is again only in the long term that the existing dwelling estate would show substantially different value patterns from the current. A slower rate of change, including a future where improvement values showed a drop in real terms, would see quite limited changes in the value patterns for the existing estate.

Table 3.11 – Total Current Estate by Value Band –2020 to 2050 (Base Case)

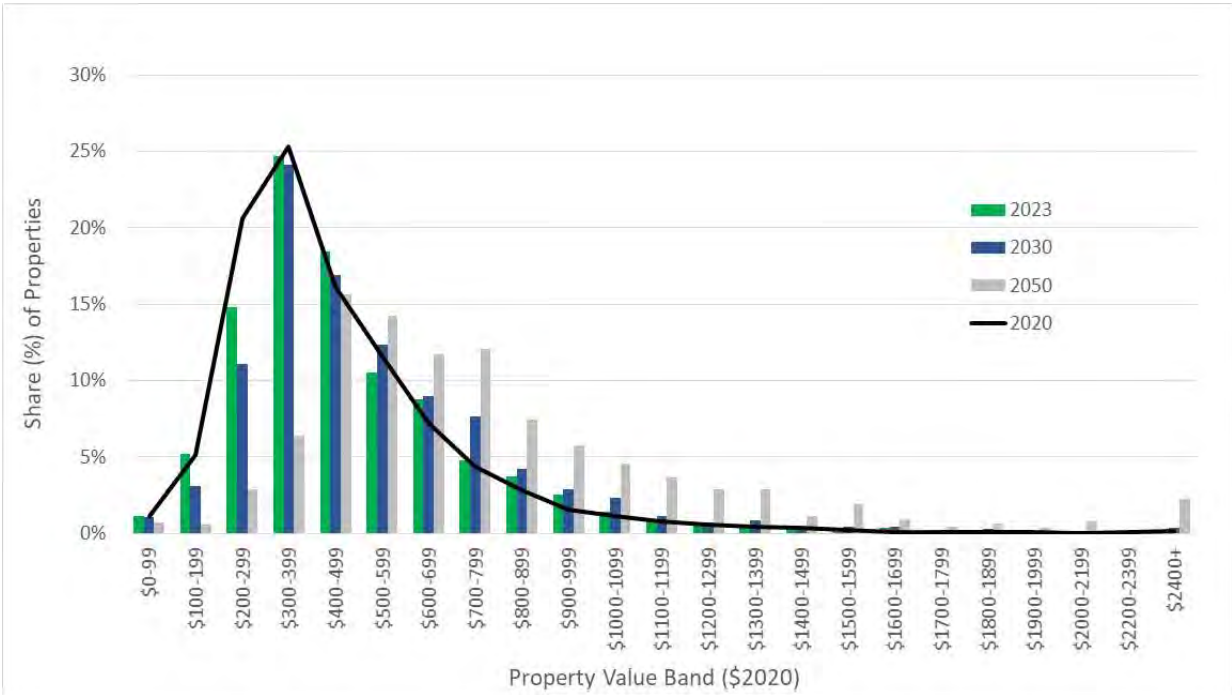
Rotorua District		All Growth Futures				Includes Lifestyle		
Value Band (\$000, \$2020)	LV Trend	2.9%	IV Trend	0.7%			(all %pa)	
	2020	2023	2030	2050	2020-23	2020-30	2020-50	
\$0-99	330	330	310	210	-	- 20	- 120	
\$100-199	1,490	1,510	890	160	20	- 600	- 1,330	
\$200-299	5,980	4,300	3,220	840	- 1,680	- 2,760	- 5,140	
\$300-399	7,340	7,170	7,000	1,860	- 170	- 340	- 5,480	
\$400-499	4,680	5,360	4,900	4,540	680	220	- 140	
\$500-599	3,360	3,060	3,580	4,130	- 300	220	770	
\$600-699	2,110	2,540	2,600	3,400	430	490	1,290	
\$700-799	1,260	1,380	2,230	3,500	120	970	2,240	
\$800-899	810	1,090	1,230	2,170	280	420	1,360	
\$900-999	460	730	840	1,680	270	380	1,220	
\$1000-1099	320	420	680	1,330	100	360	1,010	
\$1100-1199	230	240	340	1,060	10	110	830	
\$1200-1299	160	180	210	830	20	50	670	
\$1300-1399	130	170	240	840	40	110	710	
\$1400-1499	110	110	120	330	-	10	220	
\$1500-1599	70	90	130	560	20	60	490	
\$1600-1699	30	100	130	260	70	100	230	
\$1700-1799	30	60	70	120	30	40	90	
\$1800-1899	30	30	80	180	-	50	150	
\$1900-1999	20	30	50	110	10	30	90	
\$2000-2199	10	20	40	220	10	30	210	
\$2200-2399	20	20	30	40	-	10	20	
\$2400+	40	60	100	650	20	60	610	
Total	29,000	29,000	29,000	29,000	-	-	-	
Under \$400K	52%	46%	39%	11%				
\$400-599K	28%	29%	29%	30%				
\$600-799K	12%	14%	17%	24%				
\$800-999K	4%	6%	7%	13%				
\$1000-1499K	3%	4%	5%	15%				
Over \$1500K	1%	1%	2%	7%				

Source: ME Housing Demand Model 2021

The Base Case outlook is shown in Figure 3.16 with the current distribution indicated by the black line, and then the bars for the short, medium and long terms showing the relatively gradual shift in property values over time.

The pattern is important in regard to housing affordability. In the medium growth future, the existing estate will account for around 93-94% of total dwellings in 2023, and 85-87% in 2030 (assuming limited replacement of existing dwellings). Even in the long term, the 28,900 or so dwellings which are currently there will still represent 70-78% of the total housing stock (assuming 10-15% will have been replaced by then), with new dwellings yet to be built accounting for around 22% of the total.

Figure 3.16 – Properties by Value 2020-2050 – Existing Estate (Base Case)



### 3.4.3 “New” Estate Values over time

The balance of the Rotorua residential estate will be dwellings which are yet to be built, to be constructed in response to growth in demand for housing primarily from growth in the resident population. There will also be some demand from outside the district for holiday dwellings or short term visitor accommodation.

This analysis focuses on demand from the resident population. Understanding that new estate is again important in relation to future affordability, as construction cost trends, LV trends, and IV trends will influence the prices of dwellings in the future and the quantity, rate, and location of new builds. We note that the projected growth in households is based on the Infometrics projections as to the net increases over each period and does not allow for any catch-up to accommodate latent demand in additional dwellings<sup>72</sup>.

<sup>72</sup> The projections are based on established relationships between persons, households of each type, income and dwellings as at Census 2018. This allows the future projections to reflect the underlying demographics. The latent demand is a single estimate of a number of households, undifferentiated according to type or housing requirements.

Most residential construction sector stakeholders surveyed reported that households purchasing their subsequent or second dwelling form their key market (for new dwellings) rather than first home buyers. These households generally have higher existing equity within their initial dwelling, meaning they can afford to pay higher prices for new dwellings.

As noted above, the mix of dwelling values and types for the new estate is based initially on the observed patterns in Rotorua's new dwelling consents over the past 6 years, with allowance for the land component according to Corelogic datasets.

It is noted that a common approach for the NPS- UDC, and other studies including more recently for the NPS-UD, has been to examine new dwelling price trends for land and construction costs, and project those forward across the total new estate to estimate future values in the short, medium and long term futures. Some studies have indicated substantial increases in future new dwelling prices. That approach has tended to over-state the future values of housing, and accordingly over-state the negative impacts on housing affordability - in some instances quite substantially.

It is important to recognise that Rotorua's new estate will be built progressively over time, as it is in any market. The "new" estate in the medium term (2030) will not be dwellings all constructed in 2030 at 2030 prices<sup>73</sup>. Rather it will be dwellings which were new in 2021 built at 2021 prices (and by 2030 some 9 years old), plus some new in 2022 and built at 2022 prices (and 8 years old) and so on. Hence, the M.E model allows for the future additions to be progressively built over the period, and with their values in 2030 and 2050 reflecting the initial cost when built and the age of the dwelling itself, together with the underlying growth in land values expected over the period.

The estimated values of the new dwelling estate are shown in Table 3.12.<sup>74</sup> In the short term, the expected additional 1,700 dwellings would be mostly (64%) in the under \$800,000 value bands, though with substantial shares in the higher value brackets – consistent with dwelling consent trends.

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<sup>73</sup> It is noted that one approach for the NPS-UDC and other studies has been to apply new dwelling price trends for land and construction costs, and simply compound those forward across the total new estate to estimate future values in the short, medium and long term futures. Some studies have indicated substantial increases in future new dwelling prices because they in effect assume that all new dwellings are built in the final year of the planning horizon, at final year prices.

<sup>74</sup> Refer to the supporting Technical Report for the equivalent analysis for the high growth future.

Table 3.12 – New Estate by Value Band – Rotorua 2020 to 2050 Medium Growth

Rotorua District	Medium Projection Growth Future		
Value Band (\$000)(\$2020)	LV Trend & IV	2.9%	0.7%
	2020-23	2020-30	2020-50
\$0-99	10	30	10
\$100-199	60	60	100
\$200-299	60	170	200
\$300-399	120	240	190
\$400-499	190	320	300
\$500-599	240	550	460
\$600-699	220	470	500
\$700-799	180	440	780
\$800-899	210	540	590
\$900-999	160	410	760
\$1000-1099	60	320	740
\$1100-1199	50	200	550
\$1200-1299	40	110	520
\$1300-1399	40	80	620
\$1400-1499	40	100	360
\$1500-1599	30	80	200
\$1600-1699	10	70	170
\$1700-1799	-	70	90
\$1800-1899	-	10	130
\$1900-1999	-	-	110
\$2000-2199	-	-	130
\$2200-2399	-	-	130
\$2400+	-	-	140
<b>Total</b>	<b>1,700</b>	<b>4,300</b>	<b>7,800</b>
Under \$400K	15%	12%	6%
\$400-599K	25%	20%	10%
\$600-799K	24%	21%	16%
\$800-999K	22%	22%	17%
\$1000-1499K	14%	19%	36%
Over \$1500K	2%	5%	14%

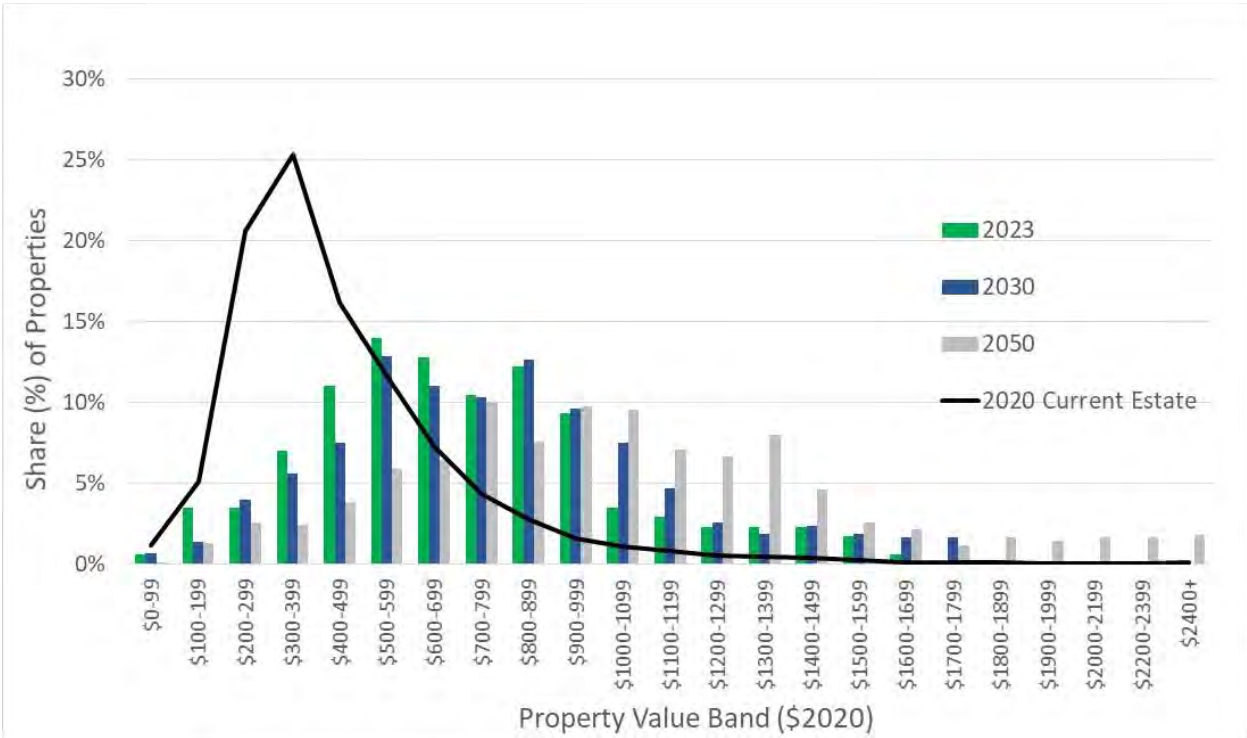
Source: ME Housing Demand Model 2021

In the medium term, there would be an additional 2,600 dwellings for 4,300 in total, with their value distribution reflecting the combined effects of new dwellings being built at prevailing prices in the year of construction, plus the ageing of new dwellings once built and the value of those improvements changing in line with the overall trend (around 0.7%pa), while the land value component of the new estate would change also at the district average (2.9%pa). In the medium term, around 53% of dwellings added since 2020 would be under the \$800,000 mark, and 24% (around 1,000) over the \$1m mark.

In the long term, the additional 7,800 dwellings would be weighted toward the middle and higher value bands, with only around 32% in the under \$800,000 bands.

The Base Case outlook is shown in Figure 3.17. The contrast with the current dwelling estate is very clear, with new properties showing a broader distribution initially and over time, and higher proportions in the higher value bands.

Figure 3.17 – Properties by Value 2020-2050 – New Estate Medium Growth (Base Case)



3.4.4 Total Future Dwelling Estate

The total future district dwelling estate will be the existing estate, plus the new estate. The overall pattern for the medium growth future (Base Case) is shown in Table 3.13. The value structure is dominated in the short and medium term by the existing estate, and the assumed moderate rate of value change among those properties.

In the medium growth future (Base Case) there would be limited change to 2023, by which time around 73% of the total future estate would be in value bands of \$600,000 or less, with 14% in the \$600-800,000 band, and around 12% in bands of \$800,000 or more. Only 5% of all dwellings would be valued at \$1m or higher.

There would be more substantial change in the medium term. By 2030 at the projected rates of change together with ageing of the estate and additions from new dwellings would see some 64% of dwellings in the \$600,000 or less value band, another 17% in the \$600-800,000 band, with 19% in the \$800,000 and over band. Around 10% would be in the \$1m or more bands.

In the long term the number of dwellings in the lower to middle value bands would still account for 58% of the total estate, including 36% in the \$600,000 and under bands and 22% in the \$600-800,000 bands. By that stage in the medium growth future, dwellings over \$800,000 would account for 43% of the total (compared with 8% currently), and there would be around 29% of dwellings at \$1m or more.

While the long term numbers show substantial change, it is very important to recognise that the changes would occur progressively over 30 years. The largest effect would be the expected long term increase in land values, which is driven largely by growth in the economy and economic conditions, and applies to all sites, irrespective of the age and size of the dwelling and other built improvements, though the amount of

uplift for any given site will be a function of demand, and the amenities (e.g., slope, views, proximity to desirable facilities and features, etc). Over the long term, allowance is made for LV to more than double in real terms, accounting for well over three-quarters of the total value increase across the Rotorua property estate.

It is also important to recognise that household incomes will also rise into the long term, with future affordability mainly relating to both prices and incomes. The pattern in the past 20 years has been for incomes to rise more slowly than dwelling prices. This matter is addressed further in Section 11.

Table 3.13 – Total Future Estate by Value Band – Rotorua 2020 to 2050 Medium Growth

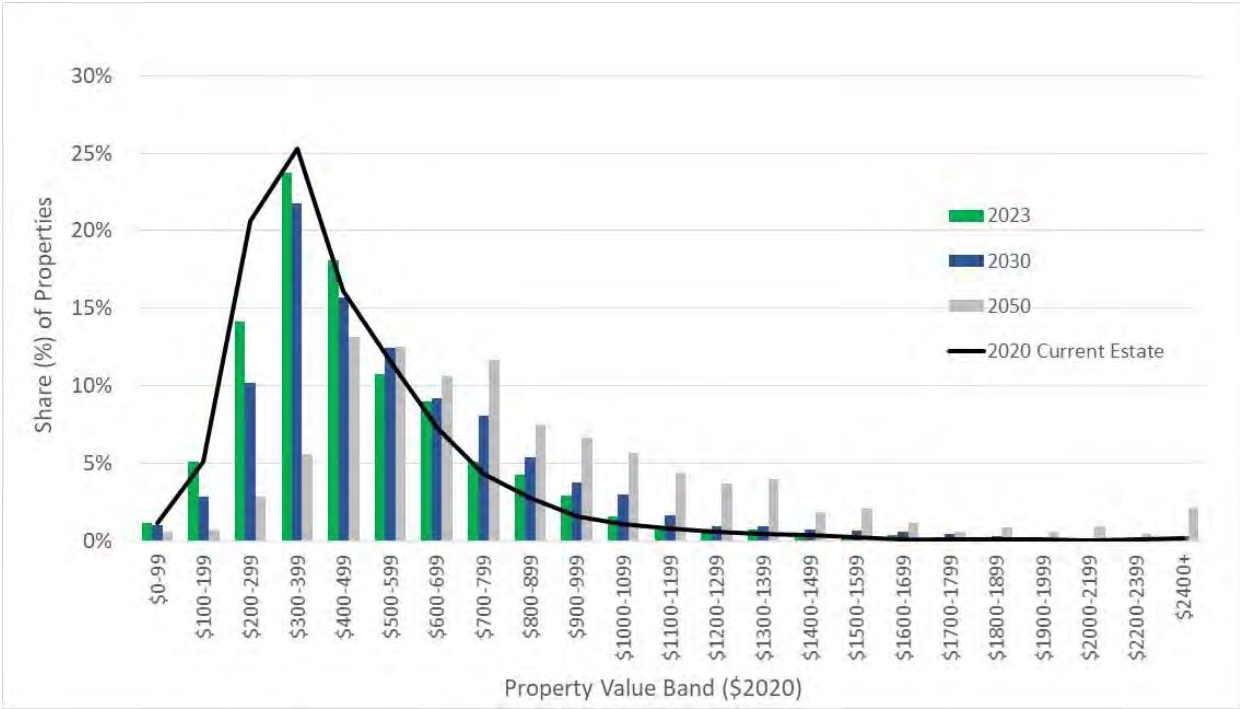
Rotorua District		Medium Projection Growth Future				Includes Lifestyle		
Value Band	LV Trend	2.9%	IV Trend	0.7%	Construction	0.9%	(all %pa)	
(\$000)(\$2020)	2020	2023	2030	2050	2020-23	2020-30	2020-50	
\$0-99	330	350	330	220	20	-	-	110
\$100-199	1,480	1,560	950	260	80	-	530	- 1,220
\$200-299	5,980	4,350	3,390	1,050	-	1,630	- 2,590	- 4,930
\$300-399	7,340	7,290	7,240	2,050	-	50	- 100	- 5,290
\$400-499	4,680	5,550	5,220	4,830	870	540		150
\$500-599	3,360	3,310	4,130	4,590	-	50	770	1,230
\$600-699	2,110	2,770	3,060	3,890	660	950		1,780
\$700-799	1,260	1,560	2,680	4,280	300	1,420		3,020
\$800-899	810	1,300	1,780	2,750	490	970		1,940
\$900-999	460	890	1,250	2,450	430	790		1,990
\$1000-1099	320	480	1,000	2,080	160	680		1,760
\$1100-1199	230	290	550	1,620	60	320		1,390
\$1200-1299	160	220	310	1,350	60	150		1,190
\$1300-1399	130	220	310	1,460	90	180		1,330
\$1400-1499	110	150	230	690	40	120		580
\$1500-1599	70	120	210	750	50	140		680
\$1600-1699	30	110	200	430	80	170		400
\$1700-1799	30	60	140	210	30	110		180
\$1800-1899	30	30	90	320	-	60		290
\$1900-1999	20	30	50	220	10	30		200
\$2000-2199	10	20	40	350	10	30		340
\$2200-2399	20	20	30	160	-	10		140
\$2400+	40	60	100	790	20	60		750
<b>Total</b>	<b>29,000</b>	<b>30,700</b>	<b>33,300</b>	<b>36,800</b>	<b>1,700</b>	<b>4,300</b>	<b>7,800</b>	
Under \$400K	52%	44%	36%	10%				
\$400-599K	28%	29%	28%	26%				
\$600-799K	12%	14%	17%	22%				
\$800-999K	4%	7%	9%	14%				
\$1000-1499K	3%	4%	7%	20%				
Over \$1500K	1%	1%	3%	9%				

Source: ME Housing Demand Model 2021

A faster rate of change in market conditions for both land values and improvement values would see somewhat greater shifts in the medium term, though it is again only in the long term that the existing dwelling estate would show substantially different value patterns from the current. A slower rate of change, including a future where improvement values showed a drop in real terms, would see quite limited changes in the value patterns for the existing estate.

The Base Case outlook for the total estate for the medium growth future is shown in Figure 3.18. The structure shows the strong influence of the existing estate into the medium term, with the real growth in values most evident over the long term.

Figure 3.18 – Properties by Value 2020-2050 – Total Future Estate Medium Growth (Base Case)



## 4 Current Housing Affordability

This section examines current housing affordability in the district, taking account of overall demand for housing from key segments in the community. The assessment also considers the affordability of rental housing. The estimates of future affordability are set out in Part 2, as they need to draw on the assessment of feasible capacity and sufficiency of capacity and take into account possible trends in conditions in the wider economy, all of which will influence households' ability to be dwelling owners.

For a brief discussion on understanding housing affordability generally and in the context of this HBA, refer to the supporting Technical Report.

### 4.1 Housing Affordability 2020

The focus of the housing affordability assessment is on non-owner households, on the basis that those households which already own a dwelling are reasonably well placed to afford ownership – particularly given the uplift value evident in the last 12-18 months and more which has accrued to existing owners.

In Rotorua there are an estimated 10,750 non-owner households, who are predominantly renting in the private market (Table 4.1). Kāinga Ora data indicates there are 770 households renting from this state provider, representing around 7% of the total rental sector.

Table 4.1 – Overall Dwelling Tenure by Household Income Rotorua District 2020

Income Band	Owner House holds	Non-Owner House holds	Total	Owner House holds %	Non-Owner House holds %
<\$20,000	1,100	1,620	2,720	40%	60%
\$20-30,000	1,600	1,330	2,930	55%	45%
\$30-40,000	1,450	1,050	2,500	58%	42%
\$40-50,000	1,450	1,050	2,500	58%	42%
\$50-70,000	2,650	1,910	4,560	58%	42%
\$70-100,000	3,370	1,860	5,230	64%	36%
\$100-120,000	2,170	740	2,910	75%	25%
\$120-150,000	1,820	600	2,420	75%	25%
\$150,000+	2,700	550	3,250	83%	17%
Total	18,300	10,700	29,000	63%	37%

Source: ME Housing Demand Model 2021

#### 4.1.1 Ownership Affordability 2020

For this assessment, affordability has been estimated in terms of ownership affordability, for first home purchasers. Affordability is calculated for a first home purchaser with a 20% deposit, who will seek to finance a dwelling over a 30-year term, at a mortgage interest rate of 5% per annum. This assumed rate is

higher than current mortgage rates, however affordability is assessed over the whole mortgage term, and it is likely that interest rates will be higher in the future.

It is important to recognise that the first home buyer perspective does not represent the whole housing market. Households which already own a dwelling are generally much better placed than a first home buyer to purchase a second or subsequent dwelling, as they typically have reasonable equity in their existing dwelling, and the initial step into ownership is typically substantially greater than subsequent steps through the market to purchase a more valuable dwelling(s).

To illustrate this, the 20<sup>th</sup> percentile dwelling value in Rotorua is around \$250,000, which means a first home buyer would need a mortgage of around \$200,000 to purchase such a dwelling, assuming a 20% deposit. The 40<sup>th</sup> percentile dwelling is around \$350,000. This means an existing owner seeking to move up from the 20<sup>th</sup> to the 40<sup>th</sup> percentile value band could do so with an increase in an existing mortgage by of around \$100,000. That lift in indebtedness for the existing owner is about half that required for the step from non-owner to owner. Moreover, the recent lifts in housing prices have accrued as increases in equity to existing owners, placing them in a generally better position for an upward move in the housing market.

This is an important consideration, because around 64% of Rotorua households own a dwelling, and for the most part their equity position will have improved over the last 24 months – according to Corelogic data, the median value increased by around \$106,000 between 2018 and 2020, and by \$258,000 between 2015 and 2020. In the future, the value of increases in housing prices will also accrue predominantly to existing owners. With housing loans predominantly structured to see 3-4% of principal repaid annually, their combined effects will enhance affordability for existing owners in the future, making movement to higher value dwellings more feasible. Although the value of existing built improvements may increase relatively slowly or decline in real terms, the key driver of property value increase remains the relatively steady real increase in land values.

Accordingly, the appropriate focus of current affordability in the Rotorua market is based on what first home buyers in each income band would be able to afford, based on the loan parameters above, applied to the distribution of dwelling values in the district. Both are assessed here in current \$2020 terms. This approach allows for closer examination of the market and offers a more nuanced view of affordability than do the gross indicators such as median income level compared with median dwelling price (the median multiple approach). Since median incomes include all households whether owners or non-owners, and median dwelling price represents only the mid-point of the market, the median-multiple approach can disguise the affordability of lower value dwellings to non-owner households in the middle and lower income bands. Moreover, that approach is of little use in understanding affordability for owner households who have substantial equity in their dwellings, for whom the relationship between dwelling price and income is of little relevance. The median multiple is potentially useful for some comparison at the urban area level, or for tracking over time, but assists little in understanding finer-grained household level affordability. The key indicator – for both owner and non-owner households – is the debt to income ratio, not the dwelling price to income ratio.

Key parameters of the current affordability situation in the Rotorua market are set out in Table 4.2. This table shows:

- i. The household income band in \$2020 terms, and the number of households in each band (detail on the household types is in Table 4.1 above);

- ii. The dwelling value percentile which would be affordable for a household on this income band. For example, at the current price structure for housing, households earning \$20-30,000 would be able to afford a dwelling up to the 4<sup>th</sup> percentile (the lowest 4% of dwellings by value) or in the order of \$200,000.
- iii. The fourth column (*'No. of Dwellings Can Afford'*) shows the number of dwellings which households in this income band could potentially afford. This includes the dwellings in this percentile band plus all lower value bands. For the household earning \$20-30,000 there are around 1,800 dwellings in value bands which are potentially affordable.
- iv. The final column (*'Share % of Dwellings Required'*) shows the share of dwellings in this value band which would be required to enable all households in this income band to become owners. This is a very simple calculation, where non-owner households are shown as a percentage of the dwellings they could afford. For the 1,740 households in the \$20-30,000 income band, there are at most 1,800 dwellings which they could afford. In other words, even if all 1,800 dwellings in that band came on to the market, that would be just enough dwellings to enable all 1,740 households to become owners (even if they wanted to).
- v. However, non-owner households in the \$40-50,000 income band would be able to afford dwellings up to the 40th percentile (around \$350,000) and there are some 11,670 such dwellings. In broad terms, if all of those non-owner households opted to become owners, then their demand would represent some 9% of total dwelling supply up to that value band. Obviously, the ownership options are wider for households in the higher income bands.

**Table 4.2 – Dwelling Affordability Parameters Rotorua District 2020**

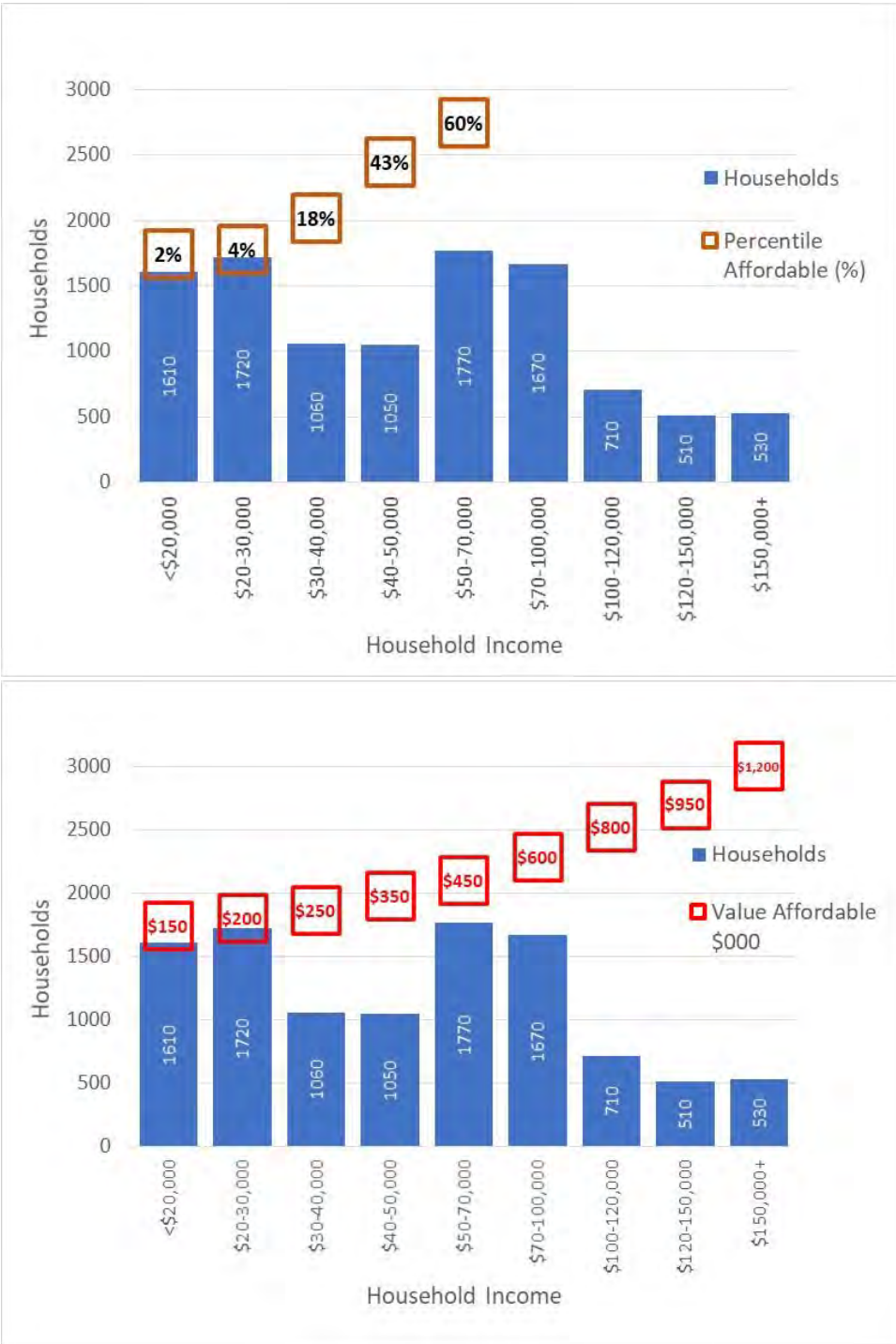
Household Income	2020				
	Non-Owner Households	Dwelling Percentile Value Affordable (%)	Dwelling Value Affordable (\$000)	No. of Dwellings Can be Afforded	Share % of Dwellings Required
<\$20,000(1)	1,574	2%	\$ 150	570	100+%
\$20-30,000	1,740	6%	\$ 200	1,800	97%
\$30-40,000	1,091	14%	\$ 250	4,180	26%
\$40-50,000	1,078	40%	\$ 350	11,670	9%
\$50-70,000	1,795	61%	\$ 450	17,600	10%
\$70-100,000	1,721	80%	\$ 600	23,030	7%
\$100-120,000	720	91%	\$ 800	26,380	3%
\$120-150,000	515	95%	\$ 950	27,450	2%
\$150,000+	546	98%	\$ 1,200	28,180	2%

Source: ME Housing Demand Model 2021

(1) includes 729 Kainga Ora client households

The situation for 2020 is set out graphically in Figure 4.1. The top graph shows the number of households in each income band (bars) and the dwelling value percentile which those households can afford. The bottom graph shows the numbers of households, and the dwelling value band (\$000).

Figure 4.1 – Housing Affordability by Percentile and Value Band Rotorua District 2020



4.1.2 Rental Affordability 2020

The NPS-UD requires detail on rental patterns and rental affordability. This assessment draws on information from MBIE (2021) on rental levels by council area. It is noted that the MBIE data is based on tenancy numbers and bond information, and shorter term rentals (less than 90 days) are not covered. The total number of rental tenancies will therefore be greater than the MBIE totals. Nevertheless, the MBIE data provides reasonably robust information on long term tenancies, relevant to the usually resident population of Rotorua. All values are in dollars of the day (i.e., not inflation adjusted).

Table 4.3 shows the mean dwelling rental levels for Rotorua across the last two decades. Over the long term, rental prices increased steadily, at 5%pa overall. The average annual growth was slower than the increases in dwelling values (7%), especially in the last 5-6 years (rental +9%pa, dwellings +14%pa). Average rentals by 2020 reached \$427 per week, including \$460 for houses. By 2021, average rentals have risen further to \$446 per week across all dwelling types, and \$492 for houses.

The trends in property mean rentals by category are shown in Figure 4.2.

Table 4.3 – Mean Rentals by Dwelling Type Rotorua District 2000-2021

Year	House	Flat	Apartment	Total	Mean Dwelling (\$000)
2000	\$ 177	\$ 135	na	\$ 163	\$ 143
2005	\$ 215	\$ 169	\$ 173	\$ 202	\$ 191
2010	\$ 275	\$ 175	\$ 200	\$ 248	\$ 277
2015	\$ 291	\$ 205	\$ 290	\$ 271	\$ 271
2016	\$ 316	\$ 182	\$ 358	\$ 287	\$ 295
2017	\$ 348	\$ 259	\$ 288	\$ 326	\$ 380
2018	\$ 389	\$ 279	\$ 330	\$ 362	\$ 417
2019	\$ 388	\$ 280	\$ 339	\$ 361	\$ 445
2020	\$ 460	\$ 309	\$ 363	\$ 427	\$ 500
2021	\$ 492	\$ 284	\$ 349	\$ 446	\$ 601
2000-21	5%	4%		5%	7%
2010-21	5%	4%	5%	5%	7%
2015-21	9%	6%	3%	9%	14%
2010-19	4%	5%	6%	4%	5%
2019-21	8%	1%	2%	7%	13%
2020-21	7%	-8%	-4%	4%	20%

Source: ME Housing Demand Model 2021; MBIE 2021; Corelogic 2021

Figure 4.2 – Rental Trends by Dwelling Type RLC 1993-2021

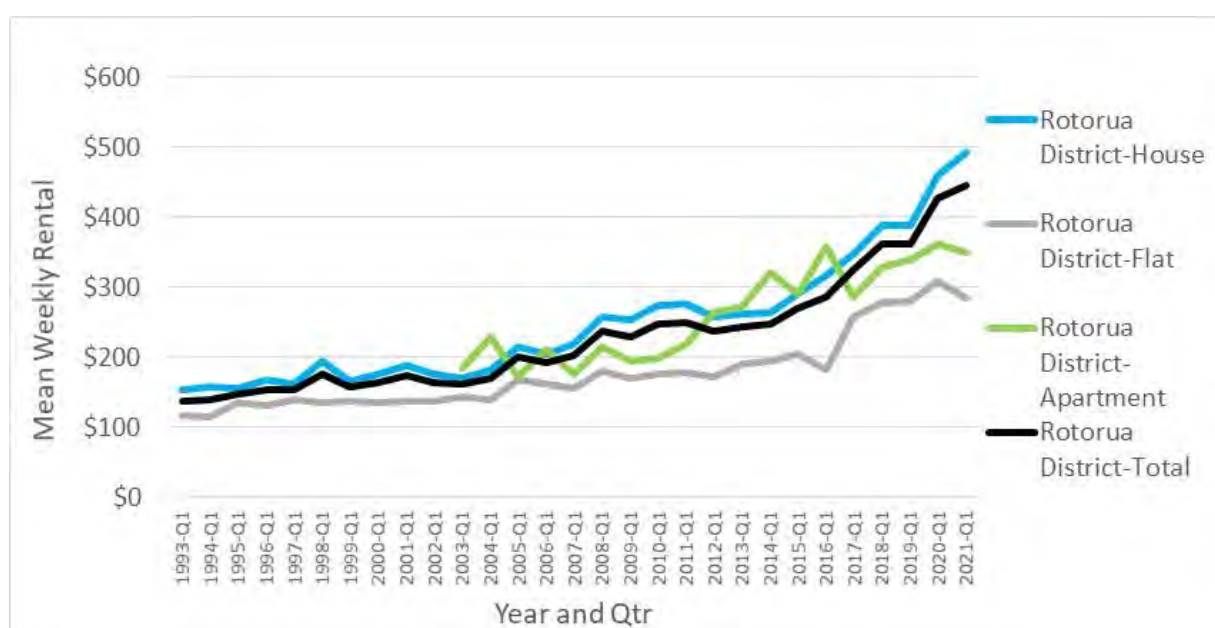


Table 4.4 Table 4.4 – Rental Tenancies by Dwelling Type Rotorua District 2000-2021

shows the numbers of recorded tenancies in Rotorua since 2000. The number of tenancies has been relatively steady in the 5,600-6,000 range in the last 6 years since 2015. However, the number of rental tenancies per 100 private dwellings was lower in 2021 than the peak in 2015<sup>75</sup>. In total, the MBIE data shows 5,607 tenancies in the district as at March 2021, up slightly from the 2020 figure. The share of tenancies identified as “houses” has increased slightly since 2015, and there has been a corresponding small increase in the share identified as “apartments”<sup>76</sup>.

Table 4.4 – Rental Tenancies by Dwelling Type Rotorua District 2000-2021

Year	House	Flat	Apartment	Total	Rentals per 100 Private Dwellings
2000	2,358	1,092	-	3,450	13.8
2005	3,012	1,182	48	4,242	16.2
2010	3,789	1,383	57	5,229	19.4
2015	4,464	1,428	108	6,000	21.6
2016	4,431	1,272	90	5,793	20.6
2017	4,386	1,371	120	5,877	20.8
2018	4,284	1,365	144	5,793	20.3
2019	4,134	1,326	144	5,604	19.5
2020	4,191	1,077	159	5,427	18.8
2021	4,311	1,119	177	5,607	19.4

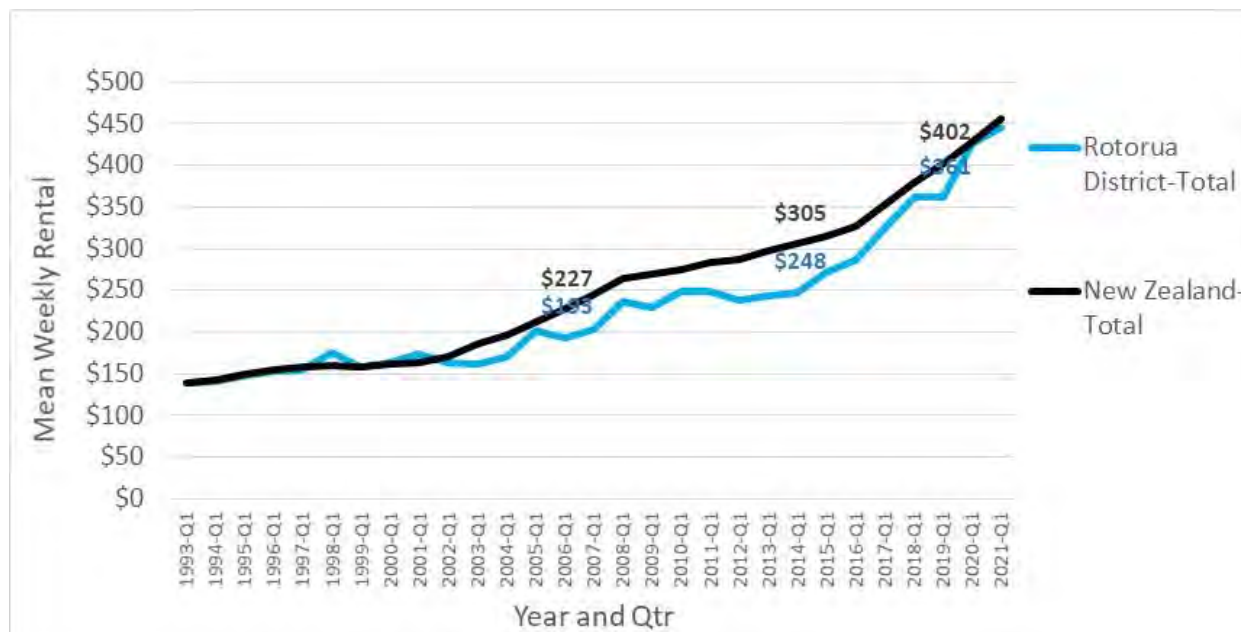
Source: ME Housing Demand Model 2021; MBIE 2021

Rental levels in the district are now close to the New Zealand average, after being 8% to 14% lower than the national figure since the early 2000s. Figure 4.3 shows the trend since 1993, for average rentals in the March quarter of each year.

<sup>75</sup> The number of tenancies does not necessarily represent the number of properties which are rented, as there may be several tenancies in one built dwelling. Accordingly, tenancies per 100 private dwellings is an appropriate indicator.

<sup>76</sup> The MBIE property categories do not necessarily concord with Census or Corelogic property definitions, however there is believed to be quite close concordance.

Figure 4.3 – Rental Trends Compared to New Zealand : Rotorua 1993-2021



The district rental levels relative to New Zealand as a whole are shown in Table 4.5.

Table 4.5 – Rotorua Weekly Rentals as % New Zealand Average 2000-2021

Year	House	Flat	Apartment	Total
2000	103%	93%		101%
2005	97%	92%	59%	95%
2010	96%	80%	58%	90%
2015	91%	78%	72%	86%
2016	95%	67%	89%	88%
2017	97%	84%	68%	92%
2018	101%	86%	74%	96%
2019	95%	81%	74%	90%
2020	105%	84%	77%	100%
2021	106%	71%	70%	98%

Source: ME Housing Demand Model 2021; MBIE 2021

## 4.2 Dwelling Tenure and Affordability Patterns 2020

It is important to set the assessment of housing affordability in context. The NPS-UD requires detail on housing tenure and affordability for the community overall, and for important segments within the community, especially in terms of incomes, ethnicity and age group.

Maintaining the focus on non-owner households and ownership affordability, the following sections provide important detail on ownership and affordability for key segments within Rotorua District as at 2020.

## 4.2.1 Ownership by Household Type and Income

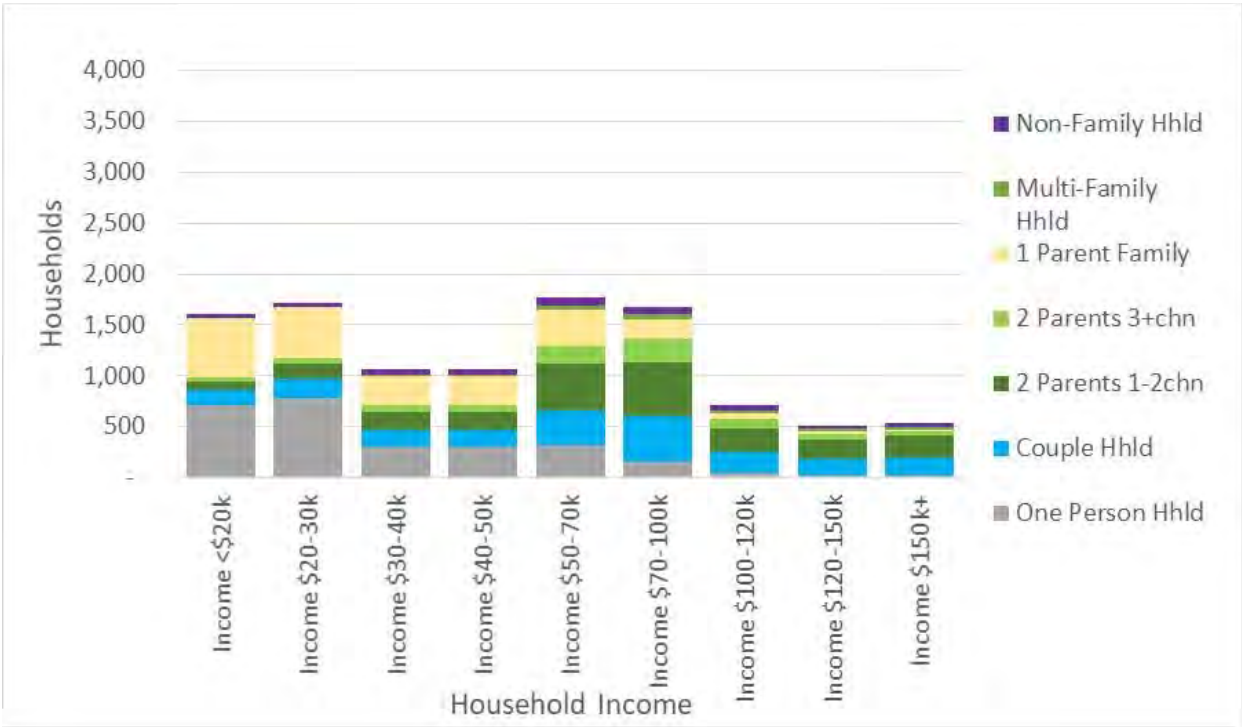
First, dwelling ownership varies according to household type and household income. The estimated numbers of non-owner households of each type and in each income band are shown in Table 4.6. Households in the lower and lower-middle income bands (\$70,000 and below) are less likely to be owners, more likely to be renters. Of the 10,700 non-owner households, some 36% have incomes of \$40,000 or less. Another 28% have incomes of 40,000 to \$70,000. Only 18% of non-owner households have incomes of \$100,000 or higher. Some 25% of non-owner households are single persons, the great majority with incomes of \$70,000 or less. Another 22% are 1-parent families, again with most earning \$70,000 or less. This pattern is shown in Figure 4.4.

Table 4.6 – Non-Owner Households by Type and Income 2020

Household Type	Household income Band									Total
	<\$20,000	\$20-30,000	\$30-40,000	\$40-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000+	
One Person Hhld	776	684	327	327	352	171	28	10	24	2,700
Couple Hhld	88	95	174	174	388	527	237	201	152	2,040
2 Parents 1-2chn	42	68	134	134	476	614	249	235	228	2,180
2 Parents 3+chn	15	23	46	46	184	251	105	84	70	820
1 Parent Family	546	408	313	313	414	214	77	32	22	2,340
Multi-Family Hhld	2	2	7	7	28	42	20	29	36	170
Non-Family Hhld	34	23	46	46	109	80	43	25	34	440
Total	1,500	1,300	1,050	1,050	1,950	1,900	760	620	570	10,700
One Person Hhld	7%	6%	3%	3%	3%	2%	0%	0%	0%	25%
Couple Hhld	1%	1%	2%	2%	4%	5%	2%	2%	1%	19%
2 Parents 1-2chn	0%	1%	1%	1%	4%	6%	2%	2%	2%	20%
2 Parents 3+chn	0%	0%	0%	0%	2%	2%	1%	1%	1%	8%
1 Parent Family	5%	4%	3%	3%	4%	2%	1%	0%	0%	22%
Multi-Family Hhld	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%
Non-Family Hhld	0%	0%	0%	0%	1%	1%	0%	0%	0%	4%
Total	14%	12%	10%	10%	18%	18%	7%	6%	5%	100%

Source: ME Housing Demand Model 2021

Figure 4.4 – Non-Owner Households by Type and Income Rotorua District 2020



The general characteristics of owner households are quite different, as shown in Table 4.7. Of the 18,300 owner households, only 20% have incomes of \$40,000 or less (compared with 36% of non-owners). Another 22% have incomes of 40,000 to \$70,000 (28% for non-owners). Around 37% of owner households have incomes of \$100,000 or higher (18% for non-owners).

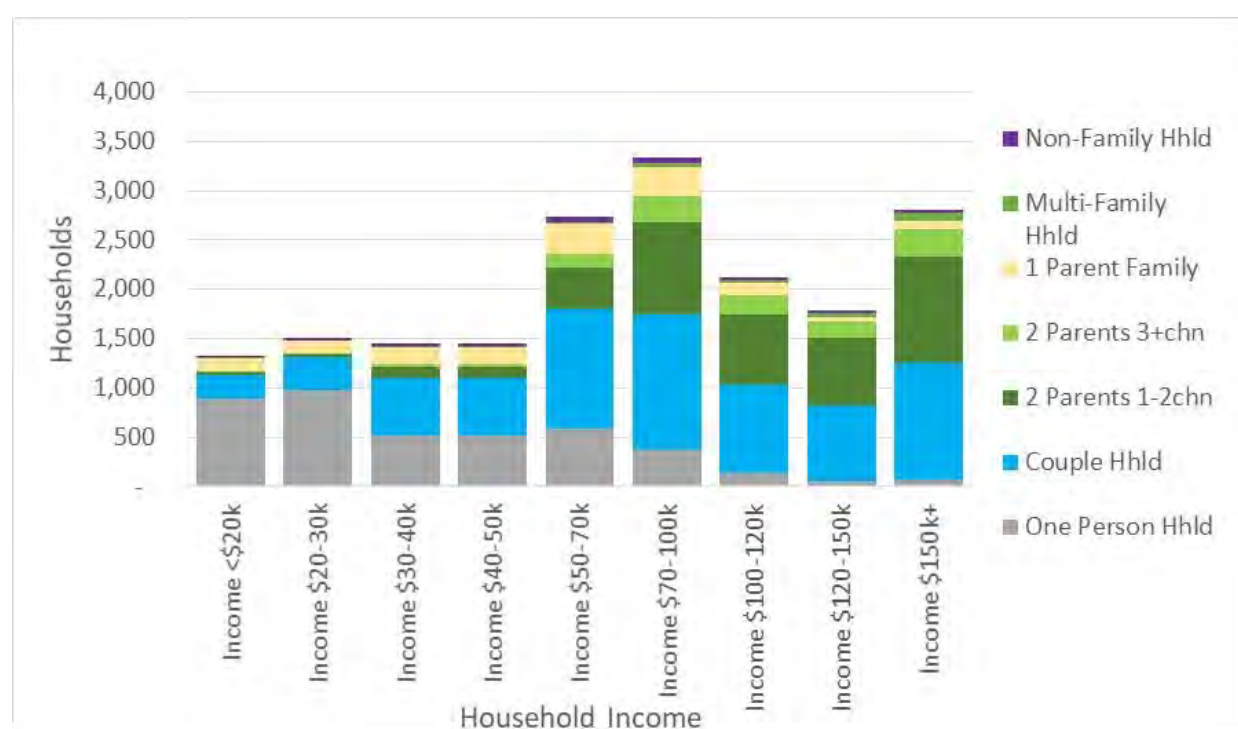
Single person households are an important segment, accounting for 21% of owner households. Importantly, many of these households are in the lower income bands, reflecting the significant numbers of older single-person households, often retired. Substantial numbers of couple households are dwelling owners, at 39% of the total, especially those in the middle to higher income bands. There is a similar incidence of 2-parent family households who are owners (a 29% share and mostly in the middle to higher income bands compared with 28% of non-owners), but a low incidence of 1-parent families (8% compared with a 22% share for non-owners). This pattern is shown in Figure 4.5.

Table 4.7 – Owner Households by Type and Income 2020

Household Type	Household income Band									Total
	<\$20,000	\$20-30,000	\$30-40,000	\$40-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000+	
One Person Hhld	661	1,126	449	449	642	422	71	28	60	3,910
Couple Hhld	112	178	605	605	1,099	1,468	1,055	901	1,112	7,140
2 Parents 1-2chn	25	44	88	88	418	925	725	688	1,144	4,150
2 Parents 3+chn	10	16	25	25	127	267	204	159	278	1,110
1 Parent Family	115	121	162	162	351	280	121	50	60	1,420
Multi-Family Hhld	1	2	3	3	12	37	31	44	113	250
Non-Family Hhld	20	15	32	32	52	73	29	17	24	290
Total	940	1,500	1,360	1,360	2,700	3,470	2,240	1,890	2,790	18,300
One Person Hhld	4%	6%	2%	2%	4%	2%	0%	0%	0%	21%
Couple Hhld	1%	1%	3%	3%	6%	8%	6%	5%	6%	39%
2 Parents 1-2chn	0%	0%	0%	0%	2%	5%	4%	4%	6%	23%
2 Parents 3+chn	0%	0%	0%	0%	1%	1%	1%	1%	2%	6%
1 Parent Family	1%	1%	1%	1%	2%	2%	1%	0%	0%	8%
Multi-Family Hhld	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%
Non-Family Hhld	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%
Total	5%	8%	7%	7%	15%	19%	12%	10%	15%	100%

Source: ME Housing Demand Model 2021

Figure 4.5 – Owner Households by Type and Income Rotorua District 2020



The ownership rates of households of each type and income are shown in Table 4.8. Ownership rates (percentage of households who are owners) are highest in the middle and higher income bands, as well as for couple households and smaller 2-parent families (1-2 children). Rates are lower in the lower and lower middle income bands, and for 1-parent families and non-family households.

Table 4.8 – Dwelling Ownership by Household Type and Income – All Ethnicities 2020

Household Type	Household income Band									Total
	<\$20,000	\$20-30,000	\$30-40,000	\$40-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000+	
One Person Hhld	53%	53%	59%	59%	64%	71%	74%	77%	77%	59%
Couple Hhld	61%	62%	76%	76%	76%	74%	81%	82%	88%	77%
2 Parents 1-2chn	20%	20%	39%	39%	47%	64%	76%	79%	83%	65%
2 Parents 3+chn	18%	19%	35%	34%	43%	53%	67%	72%	85%	57%
1 Parent Family	19%	19%	35%	35%	46%	60%	66%	67%	86%	38%
Multi-Family Hhld	90%	86%	14%	17%	31%	43%	60%	64%	81%	57%
Non-Family Hhld	30%	29%	40%	39%	38%	48%	40%	40%	39%	39%
Total	42%	45%	55%	55%	59%	66%	75%	78%	84%	63%

Source: ME Housing Demand Model 2021

The relative incidence of dwelling ownership is shown in Table 4.9, the shaded cells highlighting the much higher incidence among higher income households, and couple households in particular.

Table 4.9 – Relative Incidence of Dwelling Ownership by Household Type and Income 2020

Household Type	Household income Band									Total
	<\$20,000	\$20-30,000	\$30-40,000	\$40-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000+	
One Person Hhld	0.73	0.99	0.92	0.92	1.02	1.13	1.14	1.17	1.13	0.94
Couple Hhld	0.89	1.03	1.23	1.23	1.17	1.17	1.29	1.30	1.39	1.23
2 Parents 1-2chn	0.59	0.62	0.63	0.63	0.74	0.95	1.18	1.18	1.32	1.04
2 Parents 3+chn	0.63	0.65	0.56	0.56	0.65	0.82	1.05	1.04	1.27	0.91
1 Parent Family	0.28	0.36	0.54	0.54	0.73	0.90	0.97	0.97	1.16	0.60
Multi-Family Hhld	0.53	0.79	0.48	0.48	0.48	0.74	0.96	0.96	1.20	0.94
Non-Family Hhld	0.59	0.63	0.65	0.65	0.51	0.76	0.64	0.64	0.66	0.63
Total	0.61	0.85	0.89	0.89	0.92	1.02	1.18	1.19	1.32	1.00

Source: ME Housing Demand Model 2021

These patterns are not surprising, given the close link between household income and dwelling affordability, and the generally lower household costs for couples compared with families with children. Nonetheless, it is important to understand the dimensions and characteristics of non-owner households.

## 4.2.2 Ownership by Household Income and Ethnicity

Dwelling ownership also varies significantly by household ethnicity. The estimated distribution of non-owner households by ethnicity, household type, and income is shown in Table 4.10<sup>77</sup>. While the numbers of non-owner households show a broad spread across the community, there is relatively higher incidence among households of Māori ethnicity (24% of all households, 37% of non-owner households) and Pacifica ethnicity (2.6% of all households, 5% of non-owner households) when compared with the overall pattern. There is relatively higher incidence among households of Asian ethnicity (6.8% of all households, 13% of non-owner households).

<sup>77</sup> Census data does not offer complete tabulation across households and ethnicities and income levels, as there are inevitably gaps in data and responses which cannot be reliably coded and shown as “Other” or “Not Specified” and so on. Consequently, some estimation is necessary, in most instances by assuming that missing data can be represented pro rata according to available data.

Table 4.10 – Estimated Non-owner Households by Ethnicity, Type and Income Rotorua 2020

Household Type	Household income Band									Total
	<\$20,000	\$20-30,000	\$30-40,000	\$40-50,000	\$50-70,000	\$70-100,000	\$100-120,000	\$120-150,000	\$150,000 +	
<b>European and Other</b>										
One Person Hhld	367	392	175	175	207	90	15	6	14	1,440
Couple Hhld	32	41	97	97	178	276	133	114	89	1,060
2 Parents 1-2chn	20	22	39	39	182	272	116	110	135	940
2 Parents 3+chn	4	8	13	13	65	91	36	29	31	290
1 Parent Family	168	136	121	121	144	66	27	12	8	800
Multi-Family Hhld	-	1	2	2	8	8	6	8	16	50
Non-Family Hhld	12	9	18	18	44	29	19	11	20	180
<b>Total</b>	<b>600</b>	<b>610</b>	<b>470</b>	<b>470</b>	<b>830</b>	<b>830</b>	<b>350</b>	<b>290</b>	<b>310</b>	<b>4,760</b>
Share %	6%	6%	4%	4%	8%	8%	3%	3%	3%	44%
<b>Maori</b>										
One Person Hhld	322	218	107	107	96	48	8	3	6	920
Couple Hhld	22	29	33	33	94	115	53	44	25	450
2 Parents 1-2chn	11	22	49	49	143	155	86	82	47	640
2 Parents 3+chn	6	15	25	25	91	127	49	39	20	400
1 Parent Family	328	236	161	161	221	119	39	16	13	1,290
Multi-Family Hhld	3	1	4	4	16	27	10	14	12	90
Non-Family Hhld	15	12	20	20	45	29	12	7	9	170
<b>Total</b>	<b>680</b>	<b>510</b>	<b>370</b>	<b>370</b>	<b>630</b>	<b>550</b>	<b>220</b>	<b>180</b>	<b>110</b>	<b>3,960</b>
Share %	6%	5%	3%	3%	6%	5%	2%	2%	1%	37%
<b>Pacific</b>										
One Person Hhld	29	19	8	8	9	9	-	-	-	80
Couple Hhld	-	-	7	7	7	15	7	6	5	50
2 Parents 1-2chn	-	-	7	7	25	46	13	11	13	120
2 Parents 3+chn	3	-	4	4	12	18	15	12	15	80
1 Parent Family	43	30	20	20	38	18	12	5	-	190
Multi-Family Hhld	-	-	-	-	-	5	-	2	3	10
Non-Family Hhld	-	-	4	4	14	-	-	-	-	20
<b>Total</b>	<b>60</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>80</b>	<b>80</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>550</b>
Share %	1%	0%	0%	0%	1%	1%	0%	0%	0%	5.1%
<b>Asian</b>										
One Person Hhld	43	20	26	26	21	20	4	1	4	170
Couple Hhld	40	26	34	34	117	117	37	31	28	460
2 Parents 1-2chn	11	29	49	49	147	156	33	30	24	530
2 Parents 3+chn	3	-	5	5	20	20	8	6	5	70
1 Parent Family	19	12	12	12	17	17	-	-	-	90
Multi-Family Hhld	-	-	2	2	5	5	5	6	6	30
Non-Family Hhld	9	1	6	6	7	25	13	7	4	80
<b>Total</b>	<b>100</b>	<b>70</b>	<b>100</b>	<b>100</b>	<b>250</b>	<b>270</b>	<b>80</b>	<b>60</b>	<b>50</b>	<b>1,430</b>
Share %	1%	1%	1%	1%	2%	3%	1%	1%	0%	13.4%
<b>Total All Ethnicities</b>	<b>1,440</b>	<b>1,230</b>	<b>980</b>	<b>980</b>	<b>1,790</b>	<b>1,730</b>	<b>680</b>	<b>560</b>	<b>500</b>	<b>10,700</b>
One Person Hhld	13%	11%	9%	9%	17%	16%	6%	5%	5%	100%

Source: ME Housing Demand Model 2021

The supporting Technical Report contains more detailed tables that offer a closer view of dwelling ownership for each ethnic group, and from that, patterns of housing affordability.

The dwelling ownership rates for the four ethnicity groups are summarised in Figure 4.6 for each household income band. Figure 4.7 shows the pattern by ethnicity and household type.

Figure 4.6 – Dwelling Ownership by Income and Ethnicity 2020

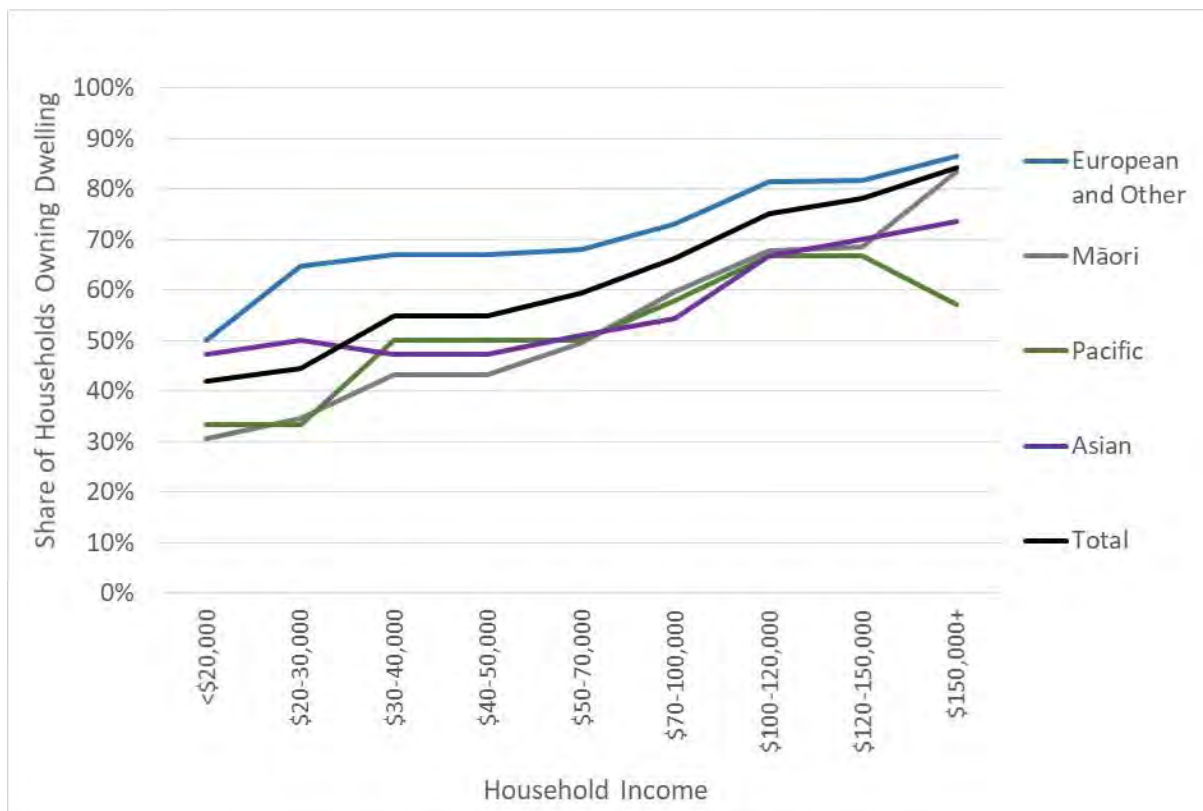
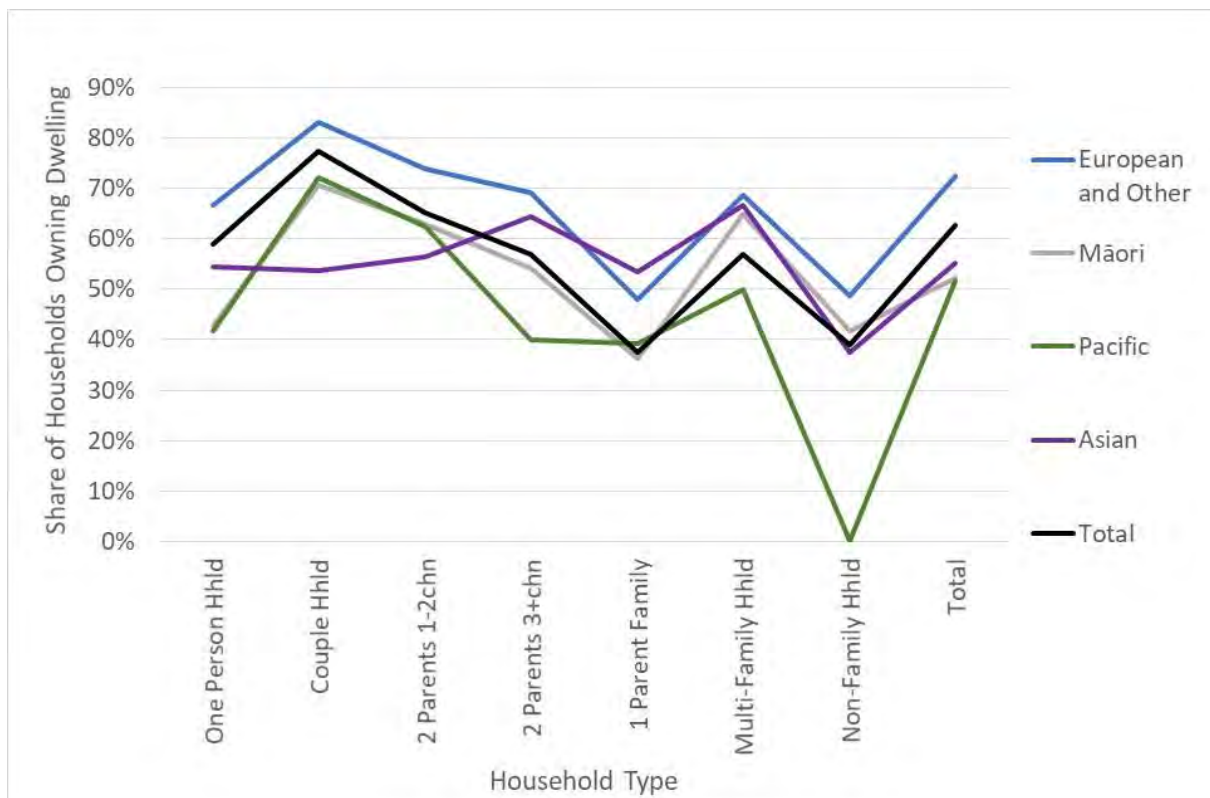


Figure 4.7 – Dwelling Ownership by Household Type and Ethnicity 2020



## PART 2 – HOUSING CAPACITY ASSESSMENT



## 5 Plan Enabled Capacity

This section quantifies the maximum zoned dwelling capacity that is provided under the planning framework. It includes the capacity provided under the ODP (Short to Medium Term) and the selected future growth areas from the 2018 Spatial Plan (Long Term). M.E's Plan Enabled Capacity Model (2021) estimates infill and redevelopment capacity in existing urban areas as well as capacity in areas classified as greenfield land. Capacity in some greenfield areas has been provided by associated Structure Plans and combined with the parcel level modelling results. The plan enabled capacity reflects the zoned capacity without the application of infrastructure constraints. Areas of zoned opportunity that are excluded from development by other requirements of the Plan have been removed from the capacity identified within this section.

A detailed discussion on the approach used to quantify plan enabled capacity in the urban environment is contained in the supporting Technical Report.

### 5.1 Short and Medium Term Plan Enabled Capacity

The following short term plan enabled capacity results relate to the areas classified as Residential Only (blue) or Business and Residential (orange) in Figure 5.1.<sup>78</sup> These areas represent the zones in the defined urban environment that enable housing in the ODP.<sup>79</sup>

Table 5.1 shows that there is a total plan enabled capacity for an additional 23,700 dwellings within the RLC urban environment. The total additional urban environment plan enabled capacity amounts to a similar size to the existing urban household base. Capacity within the existing urban area amounts to around 84% of the existing urban household base, meaning that the existing urban area could theoretically accommodate nearly double the number of existing households under the Plan. Nearly all of this would need to occur through redevelopment of the existing household stock, with infill potential amounting to around 26% of the existing household base. The zoned greenfield capacity amounts to only around 15% of the existing base. However, this zoned opportunity does not take into account infrastructure constraints or the commercial feasibility of capacity.

Nearly all (20,100 dwellings; 85%) of the plan enabled capacity is within the existing urban environment. Most (17,600 dwellings; 88%) of this is within developed areas of the urban environment, with a portion (2,500 dwellings; 12%) on underutilised urban land within the existing urban area. Greenfield areas of urban expansion account for only 15% of the plan enabled capacity within the short to medium-term.

Standalone dwellings account for nearly all of the infill and greenfield capacity (5,500 and 3,500 dwellings respectively), which reflects the predominant patterns of residential dwelling development that have

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<sup>78</sup> Areas shaded grey are within the urban environment but do not enable housing at all, or withing this time period.

<sup>79</sup> Excludes the Future Residential 1 Zone (only applies to the long term). The Transitional Residential to Light Industrial Zone is included as housing capacity in the short and medium term only.

occurred across much of Rotorua. Nearly all of the standalone dwelling capacity occurs within the Residential 1 Zone, which covers the bulk of Rotorua's suburban residential area.

A small share of the infill and greenfield capacity is in higher density dwelling typologies of duplex/terraced houses (100 dwellings) or apartments (650 dwellings). The Residential 2 Zone is the only suburban residential zone that provides for higher density dwelling typologies with higher density planning provisions for these types of developments.

The higher density dwelling typologies account for a much larger share of the redevelopment capacity. Apartments are provided for within the ODP within the commercial zones, including the City Centre as well as other smaller commercial centres across the suburban area. Most of the apartment development capacity occurs as redevelopment capacity as many of these areas are already developed, with limited infill potential.

In total, the ODP provides for up to around 8,600 apartment dwellings through redevelopment within the commercial zones. There is also a small amount of capacity (1,350 dwellings) for duplex/terraced housing within the Residential 2 zone.

The largest share of plan enabled capacity occurs within the Central reporting area. It contains 43% of the capacity overall (10,100 dwellings). Nearly all of this capacity occurs on brownfield land, with only a small share on underutilised urban land and no greenfield capacity. Capacity in the central area is primarily made up of apartment dwellings within commercial zones, and is focused toward redevelopment capacity. A large share of this occurs within the City Centre 1 and 3 zones. These account for around two-thirds (6,500 dwellings) of the Central areas' capacity, and one-third of the capacity in Rotorua's existing urban area overall. Significant areas of apartment development capacity also occur within the Commercial 4 Zone along Fenton Street within the Central area.

Around one-quarter of capacity is contained in each of the Western and Eastern areas (6,400 and 5,700 dwellings respectively). Nearly all of the capacity within these areas is of standalone dwellings and is less concentrated toward redevelopment capacity than the Central area (although redevelopment capacity is higher than infill-only capacity). Significant amounts of the existing urban area capacity within these reporting areas occurs on underutilised urban land, particularly within the Eastern area, where around half (1,700 dwellings; 49%) of the existing urban capacity is on these areas.

The Eastern and Western areas contain the city's short to medium-term greenfield expansion areas. In total, there is capacity for an additional 3,600 dwellings within these greenfield areas, amounting to 30% of the total plan enabled capacity across these areas. There is an estimated plan enabled capacity for around 2,200 additional dwellings within the Eastern area, amounting to around 60% of Rotorua's total greenfield capacity. A proportion of this capacity occurs on leasehold land, which will be assessed further in Section 6. The remainder of the greenfield capacity (1,500 dwellings) occurs within the Western area, and is located on the western urban edge, including the Pukehāngi Plan Change area.

The remainder (1,600 dwellings; 7%) of the capacity occurs within the Ngongotahā reporting area. This capacity all occurs within the existing urban area, with no greenfield urban expansion areas within the short to medium-term. Capacity in Ngongotahā is heavily dominated by standalone dwellings, with a small amount of apartments (90 dwellings) through redevelopment capacity within the Commercial 1 zone of Ngongotahā main centre.

Figure 5.1 – Short and Medium Term Land Zoned for Housing in Rotorua’s Urban Environment

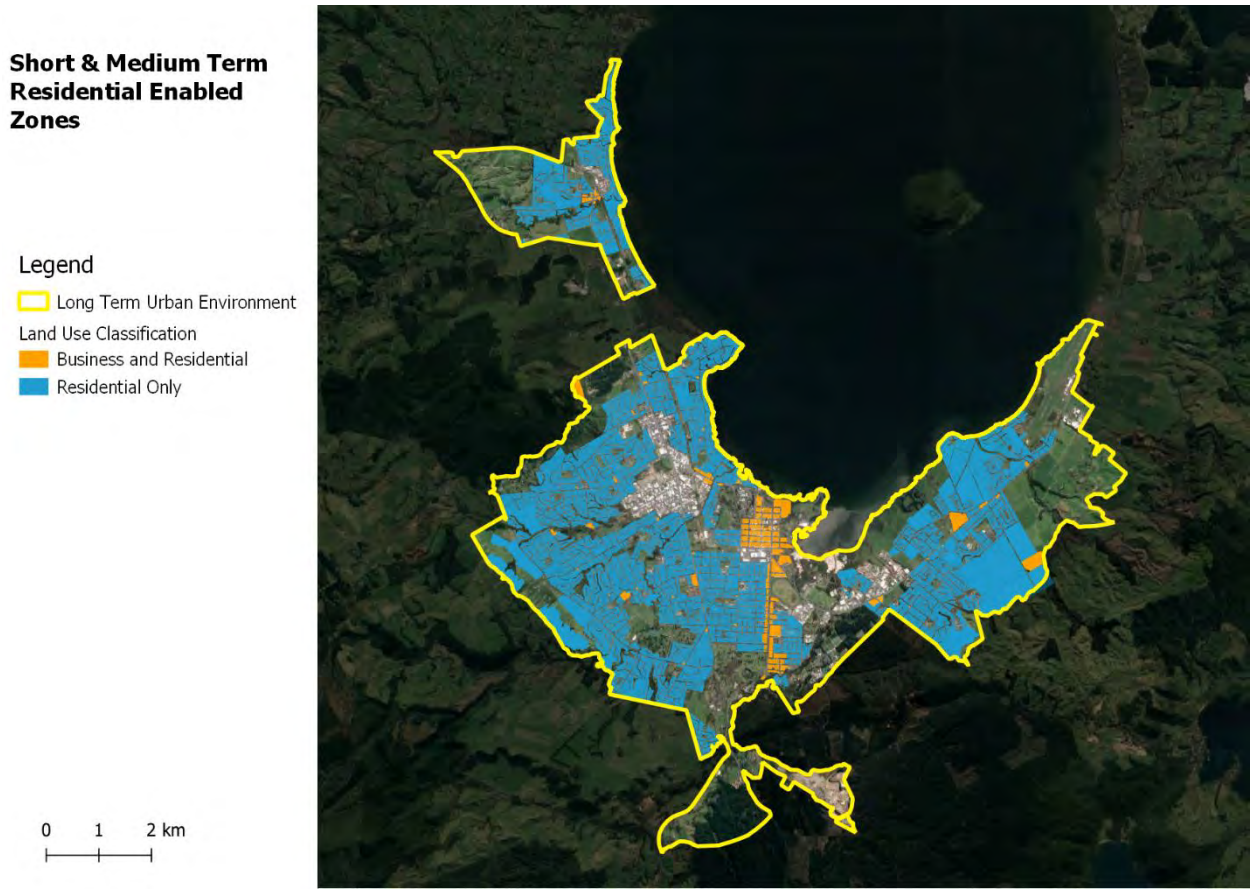


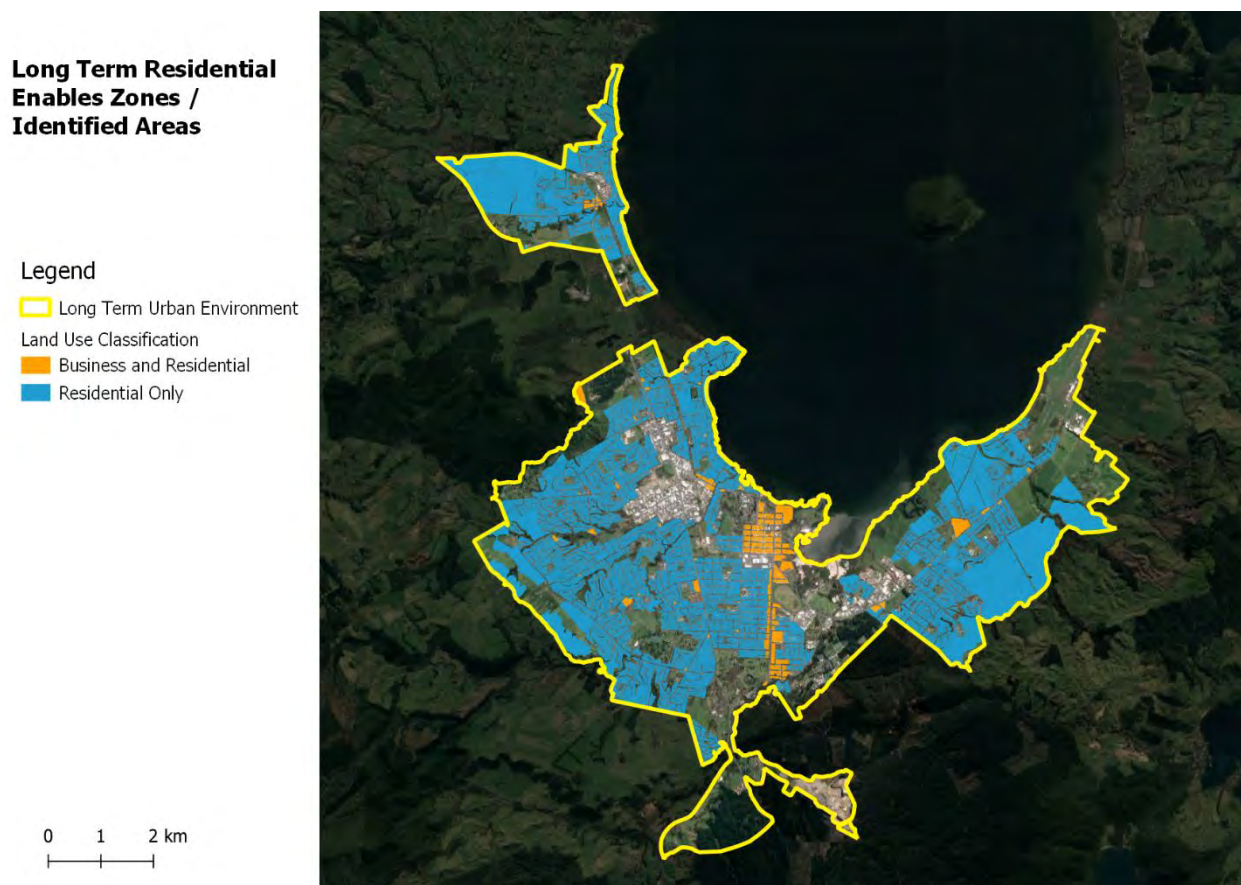
Table 5.1 – Short to Medium Term Plan Enabled Dwelling Capacity in the Rotorua Lakes District Urban Environment

		Plan Enabled Capacity													
		Infill				Redevelopment				Max Infill or Redevelop ment	Greenfield				Combined Total
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill
Eastern	Brownfield	800	-	-	800	1,800	-	10	1,800	1,800	-	-	-	800	1,800
Eastern	Underutilised Urban Land	1,300	-	-	1,300	1,700	-	-	1,700	1,700	-	-	-	1,300	1,700
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	2,100	-	70	2,200	2,200
Eastern	Total	2,100	-	-	2,100	3,500	-	10	3,500	3,500	2,100	-	70	4,200	5,700
Central	Brownfield	300	10	600	900	800	1,300	8,100	10,000	10,000	-	-	-	900	10,000
Central	Underutilised Urban Land	40	90	-	90	40	90	-	90	90	-	-	-	90	90
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	300	100	600	1,000	800	1,300	8,100	10,100	10,100	-	-	-	1,000	10,100
Western	Brownfield	1,900	-	-	1,900	3,900	-	300	4,300	4,500	-	-	-	1,900	4,500
Western	Underutilised Urban Land	400	-	-	400	400	-	-	400	400	-	-	-	400	400
Western	Greenfield	-	-	-	-	-	-	-	-	-	1,500	-	1,500	1,500	1,500
Western	Total	2,300	-	-	2,300	4,400	-	300	4,700	4,900	1,500	-	1,500	3,800	6,400
Ngongotahā	Brownfield	600	-	-	600	1,200	-	90	1,300	1,300	-	-	-	600	1,300
Ngongotahā	Underutilised Urban Land	300	-	-	300	300	-	-	300	300	-	-	-	300	300
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotaha	Total	800	-	-	800	1,500	-	90	1,500	1,600	-	-	-	800	1,600
TOTAL Urban Env.	Existing Urban	3,600	10	600	4,200	7,600	1,300	8,600	17,300	17,600	-	-	-	4,200	17,600
TOTAL Urban Env.	Underutilised Urban Land	2,000	90	-	2,000	2,400	90	-	2,500	2,500	-	-	-	2,000	2,500
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	3,500	-	70	3,600	3,600
TOTAL Urban Env.	Total	5,500	100	600	6,200	10,100	1,300	8,600	19,800	20,100	3,500	-	70	9,800	23,700

Source: M.E RLDC Capacity Model 2021.

## 5.2 Long Term Plan Enabled Capacity

The following long term plan enabled capacity results relate to the areas classified as Residential Only (blue) or Business and Residential (orange) in Figure 5.2 – Long Term Land Zoned for Housing in Rotorua’s Urban Environment



. These areas represent the zones in the defined urban environment that enable housing in the ODP in the long term (including the Future Residential 1 Zone but excluding the Transitional Residential to Light Industrial Zone in the Western reporting area) and selected future growth areas from the 2018 Spatial Plan. The spatial extent of the land area able to be considered for plan enabled capacity in the long term is larger than in the short or medium term due to the addition of the Spatial Plan future urban expansion areas.

Council has identified areas within the spatial plan that could provide future capacity for housing and commercial development. These include Ngongotahā and areas within the Eastern Suburbs comprised mainly of land administered by Ngati Whakaue Tribal Lands (NWTL). Indicative zoning for the Eastern Suburbs has also been signalled through the Eastside Community Wellness Plan.

Within the existing urban area, the residential zoning patterns predominantly remain the same between the short to medium-term ODP and the long term. However, Council has identified the Fenton Street Commercial 4 Zone as an area that could be rezoned to better enable mixed use activities being both residential, commercial and tourist accommodation activities (including higher densities of development) that would support the surrounding residential community. For the long term plan enabled capacity this



report has assessed these future indicative zoning scenarios, however it is to be noted these are indicative only and are yet to be tested through the formal Resource Management Act process.

Table 5.2 and Table 5.3 show that the total plan enabled capacity is estimated to increase by 26% (+6,100 dwellings) between the short to medium and long-term to reach a total capacity of 29,800 additional dwellings. Nearly all of the increase in capacity occurs within the greenfield areas where additional greenfield capacity is provided in the long-term. The total long-term capacity amounts to around 124% of the existing urban household base.

The inclusion of the Spatial Plan future growth areas over doubles the greenfield capacity in the long-term (+130%). It increases the total greenfield plan enabled capacity to an additional 8,300 dwellings. This equates to around one-third (34%) of the existing urban household base. It increases the share of additional capacity within greenfield areas from 15% in the short to medium-term to 28% in the long-term. Capacity within these areas is dominated by standalone dwellings.

The net increase in greenfield capacity is split relatively evenly across the Eastern and Ngongotahā reporting areas, with a small increase in the Western reporting area. Greenfield capacity of around 2,300 dwellings is added to the Ngongotahā reporting area in the long-term, increasing overall capacity in this reporting area by 148%. In the long-term, Ngongotahā is estimated to contain 28% of the city's greenfield capacity, and 13% of capacity overall.

A further 2,200 dwelling capacity is added to the Eastern reporting area greenfield capacity in the long-term, making it the largest greenfield area in the city. The area is estimated to contain over half (53%; 4,400 dwellings) of the city's greenfield dwelling capacity in the long-term. Increases in the plan enabled capacity within this area have occurred through a combination of up-zoning existing greenfield areas (from Residential 5 to Residential 1), as well as the geographic expansion of the greenfield areas. Up-zoning the existing greenfield areas accounts for around one-third of the plan enabled capacity increases, with the remainder occurring through the expansion of the zoned area. Almost all of the long-term additional greenfield land in the Eastern area is on leasehold land.

Additional capacity is also provided within the long-term within the existing urban area through limited areas of zoning changes. The Commercial 4 zoned area along Fenton Street is up-zoned to Mixed Use Zone in the long-term, increasing the plan-enabled capacity in the Central reporting area by 1,400 additional dwellings. This occurs through the additional height provided in this area from the planned change in zoning.

The spatial structure of the city's capacity changes between the short to medium and long-term. The addition of greenfield capacity means that the share of capacity within the outer urban reporting areas (Ngongotahā and Eastern reporting areas) has increased from 30% in the short to medium term, to 40% in the long-term. The share of capacity in the central urban area (Central and Western reporting areas) correspondingly decreases from 70% to 60%.

Figure 5.2 – Long Term Land Zoned for Housing in Rotorua’s Urban Environment

**Long Term Residential  
Enables Zones /  
Identified Areas**

**Legend**

Long Term Urban Environment

Land Use Classification

Business and Residential

Residential Only

0 1 2 km

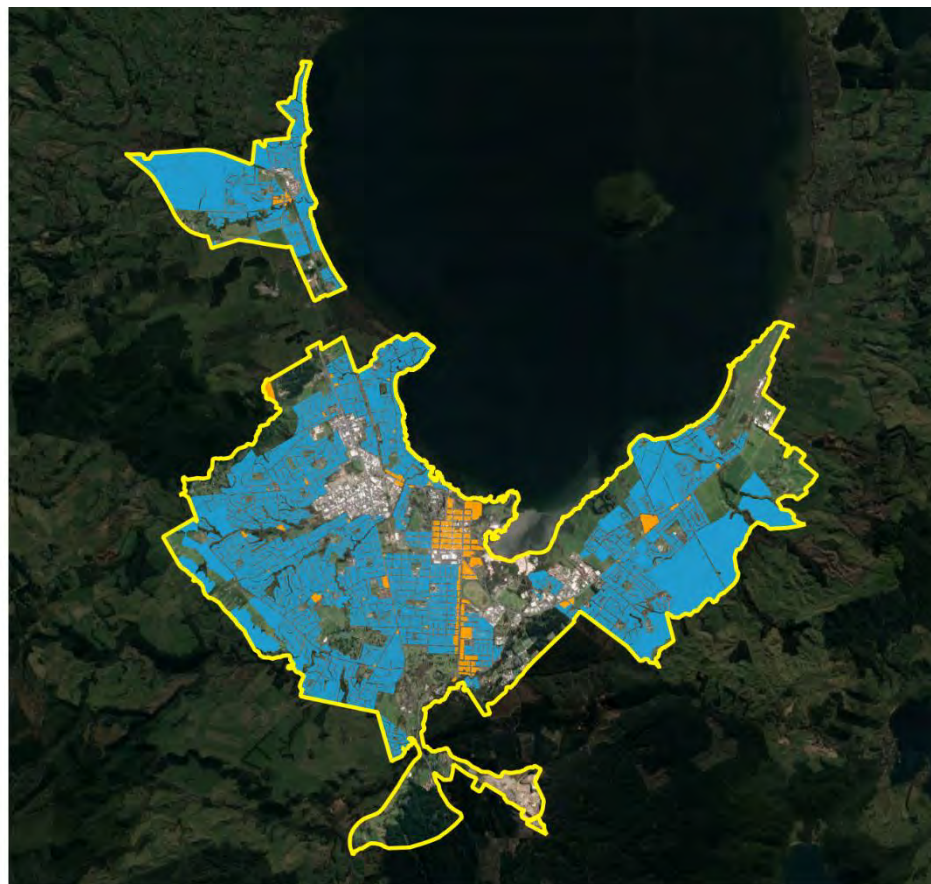


Table 5.2 – Long Term Plan Enabled Dwelling Capacity in the Rotorua Lakes District Urban Environment

		Plan Enabled Capacity														
		Infill				Redevelopment				Max Infill or Redevelopment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX			Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill
Eastern	Brownfield	800	-	-	800	1,800	-	10	1,800	1,800	-	-	-	-	800	1,800
Eastern	Underutilised Urban Land	1,300	-	-	1,300	1,700	-	-	1,700	1,700	-	-	-	-	1,300	1,700
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	4,400	-	-	4,400	4,400	4,400
Eastern	Total	2,100	-	-	2,100	3,500	-	10	3,500	3,500	4,400	-	-	4,400	6,500	7,900
Central	Brownfield	300	10	700	1,000	800	1,300	9,600	11,400	11,400	-	-	-	-	1,000	11,400
Central	Underutilised Urban Land	40	90	-	90	40	90	-	90	90	-	-	-	-	90	90
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	300	100	700	1,100	800	1,300	9,600	11,500	11,500	-	-	-	-	1,100	11,500
Western	Brownfield	1,900	-	-	1,900	3,900	-	300	4,300	4,500	-	-	-	-	1,900	4,500
Western	Underutilised Urban Land	400	-	-	400	400	-	-	400	400	-	-	-	-	400	400
Western	Greenfield	-	-	-	-	-	-	-	-	-	1,600	-	-	1,600	1,600	1,600
Western	Total	2,300	-	-	2,300	4,300	-	300	4,700	4,900	1,600	-	-	1,600	3,900	6,400
Ngongotahā	Brownfield	600	-	-	600	1,200	-	90	1,300	1,300	-	-	-	-	600	1,300
Ngongotahā	Underutilised Urban Land	300	-	-	300	300	-	-	300	300	-	-	-	-	300	300
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	2,300	-	-	2,300	2,300	2,300
Ngongotaha	Total	800	-	-	800	1,500	-	90	1,500	1,600	2,300	-	-	2,300	3,200	3,900
TOTAL Urban Env.	Existing Urban	3,600	10	700	4,300	7,600	1,300	10,000	18,700	19,000	-	-	-	-	4,300	19,000
TOTAL Urban Env.	Underutilised Urban Land	2,000	90	-	2,000	2,400	90	-	2,500	2,500	-	-	-	-	2,000	2,500
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	8,300	-	-	8,300	8,300	8,300
TOTAL Urban Env.	Total	5,500	100	700	6,300	10,000	1,300	10,000	21,200	21,500	8,300	-	-	8,300	14,600	29,800

Source: M.E RLDC Capacity Model 2021.

Table 5.3 – Changes to Short-Medium to Long Term Plan Enabled Urban Dwelling Capacity

		Plan Enabled Capacity													
		Infill				Redevelopment				Max Infill or Redevelop- ment	Greenfield				Combined Total
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill
Eastern	Brownfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eastern	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	2,300	-	- 70	2,200	2,200
Eastern	Total	-	-	-	-	-	-	-	-	-	2,300	-	- 70	2,200	2,300
Central	Brownfield	-	-	100	100	-	-	1,400	1,400	1,400	-	-	-	-	100
Central	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	-	-	100	100	-	-	1,400	1,400	1,400	-	-	-	-	100
Western	Brownfield	-	-	-	-	- 30	-	-	- 30	- 30	-	-	-	-	- 30
Western	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western	Greenfield	-	-	-	-	-	-	-	-	-	100	-	-	100	100
Western	Total	-	-	-	-	- 30	-	-	- 30	- 30	100	-	-	100	70
Ngongotahā	Brownfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotahā	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	2,300	-	-	2,300	2,300
Ngongotaha	Total	-	-	-	-	-	-	-	-	-	2,300	-	-	2,300	2,300
TOTAL Urban Env.	Existing Urban	-	-	100	100	- 30	-	1,400	1,400	1,400	-	-	-	-	100
TOTAL Urban Env.	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	4,800	-	- 70	4,700	4,700
TOTAL Urban Env.	Total	-	-	100	100	- 30	-	1,400	1,400	1,400	4,800	-	- 70	4,700	6,100

Source: M.E RLDC Capacity Model 2021.



## 5.3 Plan Enabled Urban Environment Capacity Summary

The modelling has found that Rotorua has substantial plan enabled capacity overall, but substantial shares of this capacity are through development pathways that differ to long-established development patterns within the Rotorua market. The overall size of the zoned greenfield opportunity within the short to medium-term is relatively limited in comparison to the existing urban household base (around 15% of the existing base). Some of the greenfield development opportunities are underway within the eastern and western urban edges, although a portion of the Eastern reporting area capacity is on leasehold land.

There is a reasonable amount of infill and redevelopment options across much of the general suburban areas of the city. A significant share of this capacity is on underutilised urban land, particularly within the Eastern reporting area. However, a large share of the Eastern reporting area underutilised urban land capacity is on leasehold land, which may constrain development opportunities.

There is significant redevelopment opportunity across much of the city's suburban residential areas, with sizeable opportunity provided under the Plan for redevelopment of standalone dwellings. However, redevelopment is not yet well established within the Rotorua market and is unlikely to represent a significant development pathway for the commercial sector within the short-term.

Much of the plan enabled capacity across the general suburban and greenfield areas is characterised by standalone dwellings on full sites. There is limited opportunity for higher density development within these areas, with most of the higher density typology development opportunities provided as apartment development within commercial zone areas. There are only limited areas within the suburban areas for higher density duplex/terraced housing developments that could occur on smaller sites.

A large share of the total capacity is concentrated into the Central reporting area. It accounts for nearly half (43%) of the short to medium-term capacity. Capacity within this area is heavily dominated by apartment capacity within commercial zones, with around one-third of the city's total existing urban capacity occurring within the City Centre.

Additional plan enabled greenfield capacity is provided in the long-term in Rotorua. Further urban expansion is provided for in the outer areas of the city (Ngongotahā and Eastern reporting areas). However, all of the long-term additional greenfield capacity in the Eastern area (half of the total additional greenfield capacity) is on leasehold land.

There is very limited changes to capacity within Rotorua's existing urban area in the long-term. Increases in capacity are largely limited to increases in the height limits through up-zoning of the commercial area along Fenton Street, which provides for apartment development.

This section has identified the zoned opportunity for development provided by the Plan. It takes into account specific areas of zoned capacity that are excluded for development under the Plan, which are set out within the supporting Technical Report. Plan enabled assessment is critical to understand whether there are likely to be any constraints in the level of zoned opportunity. However, this stage of the assessment does not take into account infrastructure constraints or feasibility assessment. The following sections identifies the feasibility of this urban capacity and the effect of infrastructure constraints on capacity.



## 6 Commercially Feasible Capacity

This section quantifies the plan enabled capacity that is commercially feasible to develop for a commercial developer. It shows the range of plan enabled capacity available to the market that is estimated to be commercially feasible to construct. Importantly, it shows the range of development opportunities available, a share of which are likely to be taken up by the market.

At a high level, the approach calculates the cost to construct the dwellings on each land parcel, then compares this to the likely dwelling sales price. If a sufficient profit margin is achieved, then the capacity is regarded as commercially feasible. In accordance with the NPS-UD, the assessment is based on current costs and prices within the 2020 market<sup>80</sup> for the short to medium term. Additional scenarios are provided for the long term, that allow a gradual level of growth within the market through time.

A detailed discussion on the approach used to model commercial feasibility capacity is contained in the supporting Technical Report. Stakeholders in the residential construction sector were also questioned on a range of factors influencing feasibility of development in Rotorua. Full details are included in the Technical Report, but a summary of key points is included below, and have been taken into consideration in the modelling and wider conclusions.


Stakeholders had varied feedback on appropriate profit margins for residential development within Rotorua. Most respondents considered that the initial modelled margin of 20% or lower margins were appropriate.

- Respondents identified a range of factors that potentially affect profit margins. The main factors include:
- The scale and type of development where larger scale creates efficiency and greater profit, but does involve higher risk.
- Higher value locations, including those in central, more accessible areas, generate higher margins. Lower value locations achieve insufficient prices.
- Consenting timeframes and uncertainty have adversely affected profit margins, but are part of a wider market trend.
- A large proportion of Rotorua's land is Māori owned land.

Two thirds of survey respondents considered that construction prices (material and labour) had a large or very large effect on development feasibility. This may reflect a situation whereby they are having trouble passing these costs onto buyers.

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<sup>80</sup> Increases in prices through time, in response to growth in demand, are an important driver of feasibility. As demand increases for a location, a greater range of development options generally become feasible. This includes increased dwelling density typologies, redevelopment to further intensity already urbanised sites, as well as outward expansion of the existing urban edge. A baseline scenario of current prices shows the level of feasibility of capacity if prices remained constant, with further scenarios able to show the additional level of capacity that is likely to become feasible through time.



Geotechnical constraints are a key factor affecting the feasibility of development across many areas of Rotorua. A number of stakeholders surveyed reported that these can increase development costs by up to 20%.

All survey respondents agreed that Council processes (i.e., developers' access to clear information, Council's responsiveness, communication, consent timing and decision making) had at least a minor effect on feasibility. More than half (56%) felt it had a very large effect on feasibility and a further 31% felt it had a large effect. Of all the factors included in the survey, Council processes had the highest response rate for 'very large effect' meaning that this has a significant impact on commercially feasible development in Rotorua relative to other factors, and that it affects developers across the board (i.e., those involved in land development, through construction only and consultants acting on behalf of developers). It was one of only two factors where there were no responses who were unsure about this factor. It was applicable to everyone that responded.

A number of residential development sector stakeholders considered that the construction of smaller dwellings on smaller lot sizes would be feasible if they were provided for under the District Plan. These would align well with the demand for lower cost dwellings as they would be cheaper to provide.

There were mixed views from residential development stakeholders on what would be the optimal number of storeys to make multi-storey apartment or mixed-use buildings in Rotorua viable/feasible. Answers ranged from 2-6 storeys (with most in the 2-3 range), while other respondents were less interested in developing apartments and preferred terraced attached housing (i.e., horizontally attached rather than vertically stacked).

Commercially feasible capacity has been calculated across the total urban plan enabled zoned opportunity. This is important because infrastructure constraints can apply to different areas within the city at the wider catchment scale. Infrastructure is able to support certain levels of growth occurring across each catchment in aggregate, rather than constraining specific areas within the catchment. The assessment identifies the range of development opportunities within the wider infrastructure catchments that are likely to be feasible to develop if infrastructure were supplied.

An assessment of the commercially feasible capacity that is served by infrastructure is contained in Section 8. The sequencing of the infrastructure assessment is important because the infrastructure constraints can apply at the catchment level that include both areas that are already urbanised as well as areas for potential future urban expansion. The infrastructure constraint (where applicable) correspondingly occurs through a combination of intensification within existing areas together with urban expansion rather than only an assessment of the future urban areas served by infrastructure. It is therefore appropriate to apply any infrastructure constraint to capacity once the combined levels of development have been estimated through the reasonably expected to be realised capacity as the infrastructure ready capacity of each area is dependent upon the level of take up across the catchment overall.

## 6.1 Short & Medium Term Commercially Feasible Capacity

The following short term commercially feasible capacity results relate to the urban environment short term plan enabled capacity results contained in Section 5.1. Table 6.1 and Table 6.2 show that around one-third (31%) of the short to medium-term plan enabled capacity is estimated to currently represent commercially



feasible development opportunities for the market. The total feasible capacity amounts to an estimated commercially feasible capacity of an additional 7,200 dwellings across the urban environment. This equates to around 30% of the existing urban household base.

Greenfield areas account for around 41% of the feasible development capacity (2,900 additional dwellings). The level of feasibility within greenfield areas is higher than within the existing urban areas, reflecting the easier nature of this development option within the Rotorua market. Over four-fifths (82%) of the existing plan enabled capacity within the greenfield areas is estimated to represent commercially feasible development options, compared to around only one-fifth (21%) of the capacity within the existing urban area.

Nearly all of the greenfield capacity within the Western reporting area is estimated to be currently commercially feasible. There is an estimated 1,400 dwelling capacity currently feasible within this area. This includes the Pukehāngi Plan Change area where a large scale greenfield development has recently been zoned.

High shares of the greenfield development capacity are also estimated to represent currently commercially feasible development options within the Eastern reporting area. Over two-thirds (69%; 1,400 dwellings) of the plan enabled capacity is estimated to be commercially feasible development options. A share of the plan enabled capacity (500 dwellings) is on leasehold land<sup>81</sup>, which is estimated to not represent feasible development options.

It is estimated there is a feasible development capacity of around 4,300 dwellings across Rotorua's existing urban area. Within the existing urban area, the estimated feasible development options are relatively concentrated into the Central reporting area. This area contains over half (58%; 2,500 dwellings) of the city's feasible dwellings within the existing urban area. These are mainly apartment redevelopment options within the City Centre, and higher density duplex/terraced housing redevelopment options within the Residential 2 Zone (through Comprehensive Residential Development Plans). However, higher density apartment development patterns are not yet well established within the Rotorua market and may only meet a minor share of the dwelling construction activity in the short to medium term.

Feasible development options across other parts of the general suburban area of Rotorua's existing urban area are predominantly standalone dwellings. This reflects the zoning provisions, where there is limited provision for higher density development within the general suburban areas. Higher shares of the plan enabled capacity in higher value areas is feasible, with smaller shares in lower value areas. Higher value areas can achieve higher sales prices, which increase the feasibility of development in these locations.

In total, there is feasible capacity for an additional 1,800 dwellings in the existing urban area across the Eastern, Western and Ngongotahā reporting areas. All of this capacity is within standalone dwellings, with no apartments estimated to be currently feasible in the smaller commercial centres within these general suburban areas. It is important to note that capacity within the Ngongotahā reporting area may be affected by flooding constraints. There was insufficient information on these constraints in Ngongotahā to include their effect within the modelling. Therefore, capacity within Ngongotahā may be less than the modelled capacity identified through this assessment (in all time periods).

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<sup>81</sup> In the short-medium term, this includes a strip of Whenua Māori within the Wharenui Road Development Area.

Table 6.1 – Short to Medium Term Commercially Feasible Dwelling Capacity in the Rotorua Lakes District Urban Environment

		Commercially Feasible														
		Infill				Redevelopment				Max Infill or Redevelopment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelopment
Eastern	Brownfield	100	-	-	100	100	-	-	100	200	-	-	-	-	100	200
Eastern	Underutilised Urban Land	300	-	-	300	300	-	-	300	300	-	-	-	-	300	300
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	1,500	-	70	1,500	1,500	1,500
Eastern	Total	400	-	-	400	400	-	-	400	500	1,500	-	70	1,500	1,900	2,000
Central	Brownfield	80	10	400	500	20	800	1,500	2,400	2,400	-	-	-	-	500	2,400
Central	Underutilised Urban Land	40	-	-	40	-	90	-	90	90	-	-	-	-	40	90
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	100	10	400	600	20	900	1,500	2,500	2,500	-	-	-	-	600	2,500
Western	Brownfield	500	-	-	500	400	-	-	400	700	-	-	-	-	500	700
Western	Underutilised Urban Land	200	-	-	200	100	-	-	100	200	-	-	-	-	200	200
Western	Greenfield	-	-	-	-	-	-	-	-	-	1,400	-	-	1,400	1,400	1,400
Western	Total	700	-	-	700	500	-	-	500	900	1,400	-	-	1,400	2,100	2,300
Ngongotahā	Brownfield	100	-	-	100	100	-	-	100	200	-	-	-	-	100	200
Ngongotahā	Underutilised Urban Land	200	-	-	200	40	-	-	40	200	-	-	-	-	200	200
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotaha	Total	300	-	-	300	100	-	-	100	400	-	-	-	-	300	400
TOTAL Urban Env.	Existing Urban	800	10	400	1,200	700	800	1,500	3,000	3,500	-	-	-	-	1,200	3,500
TOTAL Urban Env.	Underutilised Urban Land	700	-	-	700	400	90	-	500	800	-	-	-	-	700	800
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	2,900	-	70	3,000	3,000	3,000
TOTAL Urban Env.	Total	1,500	10	400	1,900	1,100	900	1,500	3,500	4,300	2,900	-	70	3,000	4,900	7,300

Source: M.E RLDC Capacity Model 2021.

Table 6.2 – Short to Medium-Term Commercially Feasible Capacity as a Share of Plan Enabled Capacity

		Commercially Feasible														
		Infill				Redevelopment				Max Infill or Redevelopment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelopment
Eastern	Brownfield	15%	0%	0%	15%	8%	0%	0%	8%	13%	0%	0%	0%	0%	15%	13%
Eastern	Underutilised Urban Land	21%	0%	0%	21%	16%	0%	0%	16%	16%	0%	0%	0%	0%	21%	16%
Eastern	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	70%	0%	100%	71%	71%	71%
<b>Eastern</b>	<b>Total</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>	<b>19%</b>	<b>12%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>14%</b>	<b>70%</b>	<b>0%</b>	<b>100%</b>	<b>71%</b>	<b>45%</b>	<b>36%</b>
Central	Brownfield	30%	100%	74%	60%	3%	65%	19%	24%	24%	0%	0%	0%	0%	60%	24%
Central	Underutilised Urban Land	95%	0%	0%	42%	0%	100%	0%	98%	98%	0%	0%	0%	0%	42%	98%
Central	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Central</b>	<b>Total</b>	<b>38%</b>	<b>6%</b>	<b>74%</b>	<b>58%</b>	<b>3%</b>	<b>67%</b>	<b>19%</b>	<b>24%</b>	<b>25%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>58%</b>	<b>25%</b>
Western	Brownfield	25%	0%	0%	25%	10%	0%	0%	9%	16%	0%	0%	0%	0%	25%	16%
Western	Underutilised Urban Land	42%	0%	0%	42%	32%	0%	0%	32%	42%	0%	0%	0%	0%	42%	42%
Western	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	99%	0%	0%	99%	99%	99%
<b>Western</b>	<b>Total</b>	<b>28%</b>	<b>0%</b>	<b>0%</b>	<b>28%</b>	<b>12%</b>	<b>0%</b>	<b>0%</b>	<b>11%</b>	<b>18%</b>	<b>99%</b>	<b>0%</b>	<b>0%</b>	<b>99%</b>	<b>55%</b>	<b>37%</b>
Ngongotahā	Brownfield	18%	0%	0%	18%	8%	0%	0%	8%	13%	0%	0%	0%	0%	18%	13%
Ngongotahā	Underutilised Urban Land	87%	0%	0%	87%	14%	0%	0%	14%	76%	0%	0%	0%	0%	87%	76%
Ngongotahā	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Ngongotaha</b>	<b>Total</b>	<b>39%</b>	<b>0%</b>	<b>0%</b>	<b>39%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>	<b>9%</b>	<b>25%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>39%</b>	<b>25%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban</b>	<b>22%</b>	<b>100%</b>	<b>74%</b>	<b>29%</b>	<b>9%</b>	<b>65%</b>	<b>18%</b>	<b>17%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>29%</b>	<b>20%</b>
<b>TOTAL Urban Env.</b>	<b>Underutilised Urban Land</b>	<b>36%</b>	<b>0%</b>	<b>0%</b>	<b>35%</b>	<b>18%</b>	<b>100%</b>	<b>0%</b>	<b>21%</b>	<b>30%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>35%</b>	<b>30%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>82%</b>	<b>0%</b>	<b>100%</b>	<b>82%</b>	<b>82%</b>	<b>82%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>27%</b>	<b>6%</b>	<b>74%</b>	<b>31%</b>	<b>11%</b>	<b>67%</b>	<b>18%</b>	<b>18%</b>	<b>21%</b>	<b>82%</b>	<b>0%</b>	<b>100%</b>	<b>82%</b>	<b>50%</b>	<b>31%</b>

Source: M.E RLDC Capacity Model 2021.



## 6.2 Long Term Commercially Feasible Capacity

The following long term commercially feasible capacity results relate to the urban environment long term plan enabled capacity results contained in Section 5.2. They show the portion of the long term plan enabled capacity that is estimated to represent potentially feasible development options for commercial developers.

Two scenarios of feasible capacity have been provided for Rotorua's urban environment for the long term. In accordance with the NPS-UD requirements, the first scenario shows the capacity enabled by the Plan in the long term that is estimated to be feasible in today's market – the 'Current Prices Scenario'. To do this, the model applies the current prices within the market (in relation to dwelling sales and land prices, and development process costs) to the long term planning zoned areas. This scenario therefore holds prices constant through time and does not allow for any dwelling price or construction cost growth through time.

In alignment with the NPS-UD, a further scenario – 'Market Growth Scenario' - has been developed to assess long term capacity. This scenario better reflects the observed changes in the market through time. It assumes a level of growth in the market, where costs and prices gradually change through time as demand grows. Market growth is an important driver of feasibility within urban economies where development opportunities correspondingly change as demand increases for dwellings and different development types.

Under the Market Growth Scenario, an annual growth rate of 2.5% has been applied to dwelling sales prices and land prices. All other costs have been grown by an annual average rate of 1.5%. Growth rates are based on the national outlook from the New Zealand Treasury Half Year Economic Update, factored for the long-term difference between the Bay of Plenty Region and New Zealand trends.

The first part of this section contains the estimated feasible capacity within the Current Prices Scenario, while the Market Growth Scenario is in the latter part of the section.

### 6.2.1 Current Prices Scenario

Table 6.3 shows that there is an estimated commercially feasible capacity of around 9,000 dwellings under the Current Prices Scenario in the long-term in Rotorua's urban environment. This is an increase of around 1,800 dwellings from the estimated feasible capacity of the short to medium-term.

Under the Current Prices Scenario changes in feasibility can only occur as a result of changes in the underlying zoning structure as the market is otherwise held constant. Consequently, the increases in feasible capacity development options reflect the changes in plan enabled capacity through the expansion and up-zoning of greenfield areas and the limited up-zoning (predominantly along Fenton Street) within the existing urban area. No change in the feasibility of capacity is expected to occur across most of the existing urban area and the existing greenfield areas where up-zoning has not occurred.

Almost all of the increase in the estimated feasible development opportunities occurs within the greenfield areas (with new greenfield areas identified in the long term in the Spatial Plan). There is an increase of around 1,700 additional feasible dwelling development options across the greenfield areas, resulting in an estimated total feasible 4,700 dwellings development options. The largest increase occurs in Ngongotahā,



with the addition of around 1,100 feasible dwellings, through the provision of greenfield areas of urban expansion in the long term. Under the Current Prices Scenario, it is estimated that around half (47%) of the greenfield capacity in Ngongotahā currently represents commercially feasible development options. However, if an alternative development model occurred, where the feasibility was assessed for a commercial developer to construct a dwelling on a section already purchased by a household, then a much greater share of the greenfield area is estimated to be feasible. This may reflect previous development patterns within Ngongotahā where land has been subdivided and served with local infrastructure, but only gradually developed with dwellings incrementally through time.

Increases in feasible greenfield capacity in the long term also occur in the Eastern reporting area. It has an estimated increase in feasible development options of around 500 dwellings, resulting in a total feasible dwelling capacity of around 2,000 dwellings. The feasible dwelling increase is made up of an increase in around 600 feasible standalone dwellings, but a decrease of around 70 apartment dwellings due to the absence of the Commercial 3 Zone in the long-term.<sup>82</sup> Most of the increase in feasible capacity occurs on the short term plan enabled land through an up-zoning from Residential 5 to Residential 1.

Almost all of the additional greenfield land supplied in the long term in the Eastern reporting area is estimated to not represent feasible development opportunities. This is predominantly due to its leasehold status, which affects the likely sales prices and therefore the feasibility for a commercial developer. The zoned provision expansion, that is not feasible, decreases the share of plan enabled capacity that is feasible, despite the overall increases in the feasible capacity (Table 6.4).


The survey of stakeholders in the Rotorua residential development sector asked if they felt there was demand for leasehold residential property in Rotorua. There was no clear trend in the response with similar numbers indicating there was demand as indicating that there was not, or not knowing. Those seeing potential demand based this on the large shortfall of housing and said that people just wanted affordable houses in safe neighbourhoods and that that was more important than whether it was leasehold or freehold if developed under suitable terms. Those that thought that there would not be demand for a leasehold product cited issues with lending, preferences to own the land and the house and have long term surety.

When asked if commercial developers generally (although not necessarily themselves) could take up development opportunities on leasehold land, a quarter said yes, and a further third said it might be a possibility depending on the terms. Few ruled the possibility out completely. Specific feedback on how this might or might not be feasible included:

- “Scale may make it more practical”
- “Probably only with pre-sales or a lease to an entity like a retirement village operator in place to cover risk.”
- “With long lease terms, say 50 years minimum being the design life minimum of a house to be built.”

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<sup>82</sup> This operative zone included at least 2.5ha within the Commercial 3 zone extent for medium density housing. In the long term, this zone is excluded, and two alternative neighbourhood centres may be anticipated if a structure plan approach to the Upper Eastside were pursued. These would likely take a more traditional zoning approach with any residential development limited to residential zoning outside the commercial centre zone, rather than within it (notwithstanding any above ground floor apartments that are enabled in the Commercial 3 zone).

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- “It will come down to the appetite of leasehold landowners wanting to have their land developed. Multiple owners make it hard to get consensus to go down this path.”
  - “Provided the financial terms were favourable.”
  - “These blocks of land are hard to obtain on reasonable terms.”

However, when asked if they would take up such opportunities on leasehold land in the future in Rotorua, 50% of stakeholders said that they would not, although two were exploring options.

The feasible development capacity within the existing urban area is limited to areas of zoning changes as the market is held constant under this scenario. As there is only limited change in the zoning provisions, there is correspondingly only a small change in the estimated feasible development capacity within the existing urban area. In total, there is a net increase of around 60 dwellings, bringing the total estimated feasible development options to 4,400 dwellings within the existing urban area. The net increase occurs along Fenton Street within the Central reporting area, where the height limits are proposed to increase in the long term with an indicative shift to a Mixed Use Zone (this is an indicative zoning scenario for the purpose of this HBA).

Table 6.3 – Long Term Commercially Feasible Dwelling Capacity in the Rotorua Lakes District Urban Environment: Current Prices Scenario

		Commercially Feasible														
		Infill				Redevelopment				Max Infill or Redevelop- ment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelop- ment
Eastern	Brownfield	100	-	-	100	100	-	-	100	200	-	-	-	-	100	200
Eastern	Underutilised Urban Land	300	-	-	300	300	-	-	300	300	-	-	-	-	300	300
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	2,000	-	-	2,000	2,000	2,000
<b>Eastern</b>	<b>Total</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>500</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,400</b>	<b>2,500</b>
Central	Brownfield	80	10	400	500	20	800	1,600	2,400	2,500	-	-	-	-	500	2,500
Central	Underutilised Urban Land	40	-	-	40	-	90	-	90	90	-	-	-	-	40	90
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Central</b>	<b>Total</b>	<b>100</b>	<b>10</b>	<b>400</b>	<b>600</b>	<b>20</b>	<b>900</b>	<b>1,600</b>	<b>2,500</b>	<b>2,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>2,600</b>
Western	Brownfield	500	-	-	500	400	-	-	400	700	-	-	-	-	500	700
Western	Underutilised Urban Land	200	-	-	200	100	-	-	100	200	-	-	-	-	200	200
Western	Greenfield	-	-	-	-	-	-	-	-	-	1,500	-	-	1,500	1,500	1,500
<b>Western</b>	<b>Total</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>900</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>2,200</b>	<b>2,400</b>
Ngongotahā	Brownfield	100	-	-	100	100	-	-	100	200	-	-	-	-	100	200
Ngongotahā	Underutilised Urban Land	200	-	-	200	40	-	-	40	200	-	-	-	-	200	200
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	1,100	-	-	1,100	1,100	1,100
<b>Ngongotahā</b>	<b>Total</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>400</b>	<b>1,100</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>1,400</b>	<b>1,500</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban</b>	<b>800</b>	<b>10</b>	<b>400</b>	<b>1,200</b>	<b>700</b>	<b>800</b>	<b>1,600</b>	<b>3,100</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>3,600</b>
<b>TOTAL Urban Env.</b>	<b>Underutilised Urban Land</b>	<b>700</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>400</b>	<b>90</b>	<b>-</b>	<b>500</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>800</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,700</b>	<b>-</b>	<b>-</b>	<b>4,700</b>	<b>4,700</b>	<b>4,700</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>1,500</b>	<b>10</b>	<b>400</b>	<b>1,900</b>	<b>1,100</b>	<b>900</b>	<b>1,600</b>	<b>3,600</b>	<b>4,400</b>	<b>4,700</b>	<b>-</b>	<b>-</b>	<b>4,700</b>	<b>6,600</b>	<b>9,000</b>

Source: M.E RLDC Capacity Model 2021.

Table 6.4 – Long Term Commercially Feasible Capacity as a Share of Plan Enabled Capacity: Current Prices Scenario

		Commercially Feasible														
		Infill				Redevelopment				Max Infill or Redevelopment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelopment
Eastern	Brownfield	15%	0%	0%	15%	8%	0%	0%	8%	13%	0%	0%	0%	0%	15%	13%
Eastern	Underutilised Urban Land	21%	0%	0%	21%	16%	0%	0%	16%	16%	0%	0%	0%	0%	21%	16%
Eastern	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	46%	0%	0%	46%	46%	46%
<b>Eastern</b>	<b>Total</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>	<b>19%</b>	<b>12%</b>	<b>0%</b>	<b>0%</b>	<b>12%</b>	<b>14%</b>	<b>46%</b>	<b>0%</b>	<b>0%</b>	<b>46%</b>	<b>37%</b>	<b>32%</b>
Central	Brownfield	30%	100%	61%	52%	3%	65%	17%	21%	22%	0%	0%	0%	0%	52%	22%
Central	Underutilised Urban Land	95%	0%	0%	42%	0%	100%	0%	98%	98%	0%	0%	0%	0%	42%	98%
Central	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Central</b>	<b>Total</b>	<b>38%</b>	<b>6%</b>	<b>61%</b>	<b>51%</b>	<b>3%</b>	<b>67%</b>	<b>17%</b>	<b>22%</b>	<b>22%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>51%</b>	<b>22%</b>
Western	Brownfield	25%	0%	0%	25%	10%	0%	0%	9%	16%	0%	0%	0%	0%	25%	16%
Western	Underutilised Urban Land	42%	0%	0%	42%	32%	0%	0%	32%	42%	0%	0%	0%	0%	42%	42%
Western	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	99%	0%	0%	99%	99%	99%
<b>Western</b>	<b>Total</b>	<b>28%</b>	<b>0%</b>	<b>0%</b>	<b>28%</b>	<b>12%</b>	<b>0%</b>	<b>0%</b>	<b>11%</b>	<b>19%</b>	<b>99%</b>	<b>0%</b>	<b>0%</b>	<b>99%</b>	<b>56%</b>	<b>38%</b>
Ngongotahā	Brownfield	18%	0%	0%	18%	8%	0%	0%	8%	13%	0%	0%	0%	0%	18%	13%
Ngongotahā	Underutilised Urban Land	87%	0%	0%	87%	14%	0%	0%	14%	76%	0%	0%	0%	0%	87%	76%
Ngongotahā	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	47%	0%	0%	47%	47%	47%
<b>Ngongotaha</b>	<b>Total</b>	<b>39%</b>	<b>0%</b>	<b>0%</b>	<b>39%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>	<b>9%</b>	<b>25%</b>	<b>47%</b>	<b>0%</b>	<b>0%</b>	<b>47%</b>	<b>45%</b>	<b>38%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban</b>	<b>22%</b>	<b>100%</b>	<b>61%</b>	<b>28%</b>	<b>9%</b>	<b>65%</b>	<b>16%</b>	<b>16%</b>	<b>19%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>28%</b>	<b>19%</b>
<b>TOTAL Urban Env.</b>	<b>Underutilised Urban Land</b>	<b>36%</b>	<b>0%</b>	<b>0%</b>	<b>35%</b>	<b>18%</b>	<b>100%</b>	<b>0%</b>	<b>21%</b>	<b>30%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>35%</b>	<b>30%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>56%</b>	<b>0%</b>	<b>0%</b>	<b>56%</b>	<b>56%</b>	<b>56%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>27%</b>	<b>6%</b>	<b>61%</b>	<b>30%</b>	<b>11%</b>	<b>67%</b>	<b>16%</b>	<b>17%</b>	<b>20%</b>	<b>56%</b>	<b>0%</b>	<b>0%</b>	<b>56%</b>	<b>45%</b>	<b>30%</b>

Source: M.E RLDC Capacity Model 2021.

Table 6.5 - Changes to Short-Medium to Long Term Commercially Feasible Urban Dwelling Capacity: Current Prices Scenario

		Commercially Feasible													
		Infill				Redevelopment				Max Infill or Redevelop- ment	Greenfield				Combined Total
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX		Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill
Eastern	Brownfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eastern	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eastern	Greenfield	-	-	-	-	-	-	-	-	600	-	-	70	500	500
Eastern	Total	-	-	-	-	-	-	-	-	600	-	-	70	500	500
Central	Brownfield	-	-	-	-	-	-	60	-	60	-	-	-	-	60
Central	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	-	-	-	-	-	-	60	60	60	-	-	-	-	60
Western	Brownfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western	Greenfield	-	-	-	-	-	-	-	-	100	-	-	100	100	100
Western	Total	-	-	-	-	-	-	-	-	100	-	-	100	100	100
Ngongotahā	Brownfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotahā	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	1,100	-	-	1,100	1,100	1,100
Ngongotaha	Total	-	-	-	-	-	-	-	-	1,100	-	-	1,100	1,100	1,100
TOTAL Urban Env.	Existing Urban	-	-	-	-	-	-	60	60	60	-	-	-	-	60
TOTAL Urban Env.	Underutilised Urban Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	1,800	-	-	70	1,700	1,700
TOTAL Urban Env.	Total	-	-	-	-	-	-	60	60	60	1,800	-	-	70	1,800

Source: M.E RLDC Capacity Model 2021.



## 6.2.2 Market Growth Scenario

Table 6.6 shows that there is an estimated commercially feasible capacity for an additional 20,900 dwellings under the Market Growth Scenario. This is nearly two and a half times the estimated feasible capacity within the Current Prices Scenario, and an additional 13,600 feasible dwellings from the short to medium-term modelling (Table 6.8). Table 6.7 shows that under this scenario, around 70% to 74% of the plan enabled capacity is estimated to represent commercially feasible development options.

When an allowance is made for growth in the market, a greater range of development options become feasible through time. Under this scenario, a wider range of development options within the existing urban area become feasible, with the largest increases in higher density redevelopment options. This suggests that demand, and therefore achievable prices, may increase in the long-term for these higher density options, increasing their feasibility. Under this scenario, nearly three-quarters (72%; 14,900 dwellings) of the feasible capacity is within the existing urban area.

Most of the existing urban area feasible capacity increase occurs within the Central reporting area, where there are large increases in the commercially feasible redevelopment options for apartments. Under this scenario, feasible redevelopment options for apartments occur within the City Centre 1 (5,100 dwellings), Mixed Use (2,000 dwellings), City Centre 3 (1,100 dwellings) and Commercial 2 (750 dwellings) zones. There are also a significant number of higher density duplex/terraced housing feasible options (1,100 dwellings) within the Residential 2 Zone, although most of these are already estimated to represent commercially feasible development options under the Current Prices Scenario.

A greater range of the plan enabled capacity across the wider general suburban area also represents commercially feasible development options under the Market Growth Scenario. Larger numbers of standalone dwellings are estimated to represent feasible infill or redevelopment options. In total, there are an estimated 4,000 feasible infill standalone dwelling development options, and 2,500 feasible redevelopment standalone dwellings (although this capacity is not additive).

The largest proportional increases occur within the Western reporting area. Currently, much of the plan enabled capacity within the general suburban areas of this reporting area is not feasible due to the lower potential sales prices. However, the modelling shows that if the prices gradually rise through time with demand growth, then a larger share of the capacity within this area is likely to become feasible.

Under the Market Growth Scenario, there are also increases in feasible development options within the greenfield areas. Allowing for market growth increases the feasible capacity by an additional 1,300 dwellings (in comparison to the Current Prices Scenario), bringing the total feasible capacity to an estimated 6,000 dwellings within the greenfield areas.

The increase in feasible greenfield capacity (from the Current Prices Scenario) occurs predominantly within the Ngongotahā reporting area. Capacity within this area increases by around 1,000 dwellings, to a total of 2,100 dwellings. Increases in feasible greenfield capacity in other areas are smaller, where nearly all of the greenfield capacity within the Western reporting area already represents feasible development options.

Table 6.6 - Long Term Commercially Feasible Dwelling Capacity in the Rotorua Lakes District Urban Environment: Market Growth Scenario

		Commercially Feasible														
		Infill				Redevelopment				Max Infill or Redevelopment	Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX			Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill
Eastern	Brownfield	600	-	-	600	200	-	-	200	700	-	-	-	-	600	700
Eastern	Underutilised Urban Land	400	-	-	400	500	-	-	500	500	-	-	-	-	400	500
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	2,300	-	-	2,300	2,300	2,300
Eastern	Total	1,000	-	-	1,000	700	-	-	700	1,200	2,300	-	-	2,300	3,300	3,500
Central	Brownfield	200	10	700	900	50	1,000	9,000	10,100	10,200	-	-	-	-	900	10,200
Central	Underutilised Urban Land	40	90	-	90	40	90	-	90	90	-	-	-	-	90	90
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	200	100	700	1,000	90	1,100	9,000	10,200	10,300	-	-	-	-	1,000	10,300
Western	Brownfield	1,800	-	-	1,800	700	-	-	700	2,200	-	-	-	-	1,800	2,200
Western	Underutilised Urban Land	400	-	-	400	400	-	-	400	400	-	-	-	-	400	400
Western	Greenfield	-	-	-	-	-	-	-	-	-	1,500	-	-	1,500	1,500	1,500
Western	Total	2,200	-	-	2,200	1,100	-	-	1,100	2,600	1,500	-	-	1,500	3,700	4,100
Ngongotahā	Brownfield	400	-	-	400	300	-	20	300	600	-	-	-	-	400	600
Ngongotahā	Underutilised Urban Land	200	-	-	200	300	-	-	300	300	-	-	-	-	200	300
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	2,100	-	-	2,100	2,100	2,100
Ngongotaha	Total	600	-	-	600	600	-	20	600	900	2,100	-	-	2,100	2,700	3,000
TOTAL Urban Env.	Existing Urban	2,900	10	700	3,700	1,300	1,000	9,000	11,400	13,700	-	-	-	-	3,700	13,700
TOTAL Urban Env.	Underutilised Urban Land	1,100	90	-	1,100	1,200	90	-	1,200	1,300	-	-	-	-	1,100	1,300
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	6,000	-	-	6,000	6,000	6,000
TOTAL Urban Env.	Total	4,000	100	700	4,800	2,500	1,100	9,000	12,600	14,900	6,000	-	-	6,000	10,700	20,900

Source: M.E RLDC Capacity Model 2021.

Table 6.7 - Long Term Commercially Feasible Capacity as a Share of Plan Enabled Capacity: Market Growth Scenario


		Commercially Feasible														
		Infill				Redevelopment					Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX	Max Infill or Redevelopment	Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelopment
Eastern	Brownfield	71%	0%	0%	71%	14%	0%	0%	14%	40%	0%	0%	0%	0%	71%	40%
Eastern	Underutilised Urban Land	32%	0%	0%	32%	28%	0%	0%	28%	28%	0%	0%	0%	0%	32%	28%
Eastern	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	52%	0%	0%	52%	52%	52%
Eastern	Total	47%	0%	0%	47%	21%	0%	0%	21%	34%	52%	0%	0%	52%	51%	44%
Central	Brownfield	71%	100%	100%	92%	6%	82%	94%	88%	89%	0%	0%	0%	0%	92%	89%
Central	Underutilised Urban Land	100%	100%	0%	100%	95%	100%	0%	98%	100%	0%	0%	0%	0%	100%	100%
Central	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Central	Total	75%	100%	100%	93%	11%	83%	94%	88%	90%	0%	0%	0%	0%	93%	90%
Western	Brownfield	93%	0%	0%	93%	19%	0%	1%	17%	48%	0%	0%	0%	0%	93%	48%
Western	Underutilised Urban Land	100%	0%	0%	100%	89%	0%	0%	89%	100%	0%	0%	0%	0%	100%	100%
Western	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	100%	100%	100%
Western	Total	94%	0%	0%	94%	26%	0%	1%	24%	53%	100%	0%	0%	100%	96%	64%
Ngongotahā	Brownfield	68%	0%	0%	68%	26%	0%	18%	25%	45%	0%	0%	0%	0%	68%	45%
Ngongotahā	Underutilised Urban Land	93%	0%	0%	93%	92%	0%	0%	92%	92%	0%	0%	0%	0%	93%	92%
Ngongotahā	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	90%	0%	0%	90%	90%	90%
Ngongotaha	Total	75%	0%	0%	75%	39%	0%	18%	38%	54%	90%	0%	0%	90%	86%	76%
TOTAL Urban Env.	Existing Urban	82%	100%	100%	85%	18%	82%	90%	61%	72%	0%	0%	0%	0%	85%	72%
TOTAL Urban Env.	Underutilised Urban Land	55%	100%	0%	56%	47%	100%	0%	48%	50%	0%	0%	0%	0%	56%	50%
TOTAL Urban Env.	Greenfield	0%	0%	0%	0%	0%	0%	0%	0%	0%	72%	0%	0%	72%	72%	72%
TOTAL Urban Env.	Total	73%	100%	100%	76%	25%	83%	90%	59%	70%	72%	0%	0%	72%	74%	70%

Source: M.E RLDC Capacity Model 2021.

Table 6.8 - Changes to Short-Medium to Long Term Commercially Feasible Urban Dwelling Capacity: Market Growth Scenario

		Commercially Feasible														
		Infill				Redevelopment					Greenfield				Combined Total	
Reporting Area	Area Type	Standalone House	Duplex / Terrace	Apartments	MAX	Standalone House	Duplex / Terrace	Apartments	MAX	Max Infill or Redevelopment	Standalone House	Duplex / Terrace	Apartments	MAX	Greenfield and Max Infill	Greenfield and Max Infill or Redevelopment
Eastern	Brownfield	500	-	-	500	100	-	-	100	500	-	-	-	-	500	500
Eastern	Underutilised Urban Land	100	-	-	100	200	-	-	200	200	-	-	-	-	100	200
Eastern	Greenfield	-	-	-	-	-	-	-	-	-	800	-	-	70	800	800
Eastern	Total	600	-	-	600	300	-	-	300	700	800	-	-	70	1,300	1,500
Central	Brownfield	100	-	300	400	30	200	7,500	7,700	7,800	-	-	-	-	400	7,800
Central	Underutilised Urban Land	-	90	-	50	40	-	-	-	-	-	-	-	-	50	-
Central	Greenfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central	Total	100	90	300	400	60	200	7,500	7,700	7,800	-	-	-	-	400	7,800
Western	Brownfield	1,300	-	-	1,300	300	-	-	300	1,400	-	-	-	-	1,300	1,400
Western	Underutilised Urban Land	200	-	-	200	200	-	-	200	200	-	-	-	-	200	200
Western	Greenfield	-	-	-	-	-	-	-	-	-	100	-	-	100	100	100
Western	Total	1,500	-	-	1,500	600	-	-	600	1,700	100	-	-	100	1,700	1,800
Ngongotahā	Brownfield	300	-	-	300	200	-	20	200	400	-	-	-	-	300	400
Ngongotahā	Underutilised Urban Land	20	-	-	20	200	-	-	200	50	-	-	-	-	20	50
Ngongotahā	Greenfield	-	-	-	-	-	-	-	-	-	2,100	-	-	2,100	2,100	2,100
Ngongotaha	Total	300	-	-	300	400	-	20	400	500	2,100	-	-	2,100	2,400	2,600
TOTAL Urban Env.	Existing Urban	2,200	-	300	2,400	700	200	7,500	8,400	10,100	-	-	-	-	2,400	10,100
TOTAL Urban Env.	Underutilised Urban Land	400	90	-	400	700	-	-	700	500	-	-	-	-	400	500
TOTAL Urban Env.	Greenfield	-	-	-	-	-	-	-	-	-	3,100	-	-	70	3,000	3,000
TOTAL Urban Env.	Total	2,500	90	300	2,900	1,400	200	7,500	9,100	10,600	3,100	-	-	70	5,900	13,600

Source: M.E RLDC Capacity Model 2021.



Additional plan enabled greenfield capacity within the Eastern reporting area is not modelled to be feasible under this market growth scenario. The achievable prices of dwellings on leasehold land would require much larger price growth to represent feasible development options for commercial developers under a house and land package sale model.

## 6.3 Commercially Feasible Capacity Summary

The commercially feasible capacity modelling has found that a share of the plan enabled capacity is likely to represent commercially feasible development options for developers in Rotorua's urban environment.

In the short to medium term, just under one-third of the overall plan enabled capacity is estimated to represent feasible development options. A larger share of the capacity within the greenfields areas is estimated to be commercially feasible, excluding the areas on leasehold land.

The largest amounts of feasible capacity within the existing urban area are estimated to occur within the Central reporting area, a large share of which is higher density apartment developments. The main areas of feasible greenfield capacity occur on the outer eastern and western urban edges of the city and Ngongotahā.

Greater shares of the plan enabled capacity within higher value areas of the existing general suburban area are estimated to represent commercially feasible development options. Higher achievable prices within these areas mean that greater shares of development are likely to be feasible. Price growth in the long term means that increased shares of the lower value areas are also likely to become feasible in the long term. This means that, while not currently feasible, some of the lower value areas within the Western and Eastern reporting areas are likely to potentially represent feasible development options within the long term. However, patterns of take up may still favour higher value locations due to the higher prices and margins likely to occur within these areas.

Under the Current Prices Scenario, where the market is held constant with no growth, the only changes to feasible capacity in the long term occur through changes to the zoning provisions. There are some increases in feasible capacity within the greenfield area where additional zoned area is provided within Ngongotahā and due to up-zoning of existing greenfield areas within the Eastern reporting area.

Almost all of the additional greenfield area provided in the long term within the Eastern reporting area (beyond that zoned within the short to medium term) is estimated to not be commercially feasible for a house and land package development option. This is because it is on Whenua Māori (leasehold land), resulting in achievable sales prices that are lower than that required for the development to be commercially feasible. Capacity on leasehold land is also not estimated to represent feasible house and land package development options for commercial developers under the modelled Market Growth Scenario in this assessment. As a result, developing Whenua Māori for housing is likely to mean lower profit margins (but that is likely acceptable to Whenua Māori owners given their broader social and cultural objectives). Nevertheless, to be feasible, housing development on Whenua Māori will require non-traditional funding models and technical/project support to meet gaps in capacity and experience.

If a level of market growth is applied under the Market Growth Scenario, then a larger share of the plan enabled capacity is estimated to become feasible in the long term. In total, it is estimated that around 70%



of the total long term plan enabled capacity potentially represents commercially feasible development options.

With market demand growth, a greater range of development options become feasible through time, with increasing shares of the capacity become feasible within the existing urban area. This particularly occurs within the Central reporting area where a significant share of the apartment redevelopment capacity is estimated to represent feasible development options.

There is some estimated increase in the feasibility of infill and redevelopment across the rest of Rotorua's general suburban area with market growth through time. However, this is largely limited to standalone dwellings where the Plan provides only limited opportunity for higher density dwelling development within these areas.

An increased share of the capacity on underutilised urban land is estimated to become commercially feasible to develop with market growth through time. However, the feasibility of this capacity continues to be restricted within the Eastern reporting area due to a substantial share of this land being leasehold.

The feasibility modelling generally suggests that a proportion of the plan enabled capacity is likely to represent feasible development options. There are a range of feasible options available to the market. Although the feasible capacity modelling does not take into account potential constraints of infrastructure (which are analysed within the following section), it is an important step in the analysis. It is important to understand though the feasibility of capacity irrespective of infrastructure because:

- i. It assesses the range of options available to the market.
- ii. Assists in distinguishing whether any potential constraint relates to the zoned provision (i.e., planning), or the supply of infrastructure.

The former is critical because infrastructure constraints are applied at a catchment wide level as a function of total growth across the catchment, rather than being tightly tied to a specific area of zoned land. It is therefore important to identify whether there is flexibility through the range of feasible development options across the catchment for growth to occur within the infrastructure limit. The following section considers potential for infrastructure constraints.



## 7 Infrastructure Ready Capacity

This section examines what amount of dwelling growth is estimated to be infrastructure ready. This element of the NPS-UD is central to the requirement for well-planned urban environments whereby infrastructure and land use provision are to be aligned, and the provision of infrastructure is timely so to avoid unnecessary costs. Quantifying urban housing capacity that is infrastructure ready also helps to determine the impact that planning and infrastructure is having on the capacity for growth and the affordability and competitiveness of the Rotorua housing market.

Clause 3.4(3) of the NPS-UD states that development capacity is infrastructure ready if:

- a) In relation to the short term, there is adequate existing development infrastructure to support the development of land.
- b) In relation to the medium term, either paragraph (a) applies, or funding for adequate infrastructure to support development of the land is identified in a LTP.
- c) In relation to the long term, either paragraph (b) applies, or the development infrastructure to support the development capacity is identified in the local authority's infrastructure strategy (as required as part of its LTP).

Clause 3.5 of the NPS-UD states that local authorities must be 'satisfied' that the additional infrastructure to service the development capacity is likely to be available.

### 7.1 Overview of Development and Additional Infrastructure

Development infrastructure refers to network infrastructure for water supply, wastewater and stormwater (referred to here as 'three waters infrastructure') and land transport controlled by a local authority or council-controlled organisation. In the case of Rotorua, three waters infrastructure is controlled by RLC and public land transport infrastructure is controlled by RLC, with BOPRC controlling public transport services. Additional infrastructure means public open space, community infrastructure, social infrastructure like schools and healthcare facilities, telecommunication, electricity and gas networks, and land transport that is not controlled by local authorities. The latter includes private roads, and land transport infrastructure controlled by Waka Kotahi – New Zealand Land Transport Agency ("NZTA").

Ensuring existing infrastructure networks and services are well-maintained, safe, and compliant is Council's core infrastructure business.

The key strategic priorities for RLC in relation to the three waters are to:

- Provide safe and healthy water
- Protect and enhance the environment
- Promote efficiency and resilience for three waters infrastructure

- Enable sustainable and timely growth of the district

While in relation to transport, road safety, sustainable funding of roading infrastructure, ensuring an efficient road network, changing mode demand and improved resilience are key drivers. Enabling housing is important for Rotorua and infrastructure is vital for supporting this strategic priority for both Te Arawa and Council.

RLC operates in a financially constrained environment which requires regular trade-offs to be made between competing priorities. Council struggles to achieve the key priorities associated with the pressing issues within its means, needing to fund deferred maintenance and renewals of its infrastructure assets, and fund its growth and development plans. These plans are pivotal in ensuring the development of a well-functioning urban environment that meets future housing demand, enables future employment, and ensures greater prosperity for the district community. It is however a challenge for Council to balance strategic priorities, core infrastructure service needs and regulatory requirements.

Given the socio-economic composition of the district community it is important to keep rates affordable. Many within the community are already under financial pressure, which is exacerbated by the impact of Covid-19. Council must find other ways to generate revenue such as entering partnerships to increase investment in the development of the district. Central government is also providing financial assistance in relation to core infrastructure projects supporting housing.

### 7.1.1 Three Waters Infrastructure


Three waters infrastructure is comprised of water supply, wastewater, and stormwater. Key considerations in relation to the management of Council's core infrastructure includes the following:

- The three waters reform will impact on how RLC delivers water services to its community
- The need to ensure there is an enduring partnership with iwi so cultural values are embedded into the way infrastructure is managed
- The impact of climate change with both increase in extreme rainfall events and drought duration
- The resilience of infrastructure to natural hazards
- Enabling growth to support quality housing
- The need for greater energy efficiency and reduced greenhouse gas emissions
- Sustainably funding investment in infrastructure

To help address these challenges Master Plans have been developed for both Water Supply and Wastewater while a Stormwater Master Plan is currently in development.

#### Water Supply

A Water Supply Master Plan (2020) has been developed as an overarching framework to consider interrelated issues including consent requirements, resilience, demand management and growth. The Master Plan anticipates that the central and eastern areas are where most development and growth are forecast to occur. Water supply from the Central Area is forecast to accommodate this additional demand



if the existing consented take is rolled over and Council's proposed demand management programme is implemented. This will mean that no new water source will be required until 2051 for the Central Area. The two springs (Waipā and Hemo) that supply the Eastern Area have sufficient capacity to accommodate this additional demand if the existing consented takes are rolled over.

## **Wastewater**

A key challenge for Council is managing the discharge from Rotorua Wastewater Treatment Plant. Te Arawa Lakes Trust, CNI Iwi Holdings and Council are working together towards a new long term solution for the discharge of wai tātari (recovered wastewater) from the Rotorua Waste Water Treatment Plant ("WWTP"). The parties have agreed to a sustainable forest approach that will include the upgrading of the Council's wastewater treatment plant, and the short to medium term continuation of discharging treated wastewater in Whakarewarewa Forest.

In addition, the Nitrogen limit on the discharge from the Wastewater Treatment Plant has the potential to limit future residential growth if it is not appropriately managed or offset. Council is investigating options that could be used to offset the increasing load of nitrogen in the treatment plant discharge as the population and community grow.

Capital works are also scheduled over the next few years to expand the capacity of the existing Rotorua WWTP. A Wastewater Treatment Solution for Tarawera is expected to be completed in 2024.

## **Stormwater**

A significant issue for the future growth of the City is the capacity of the stormwater system to cope with heavy rainfall events especially when additional hard surfacing associated with anticipated growth and climate change are taken into consideration. A Stormwater Master Plan is being developed which focuses on community based storage solutions to address these issues in part. The first upgrades associated with this work are scheduled to start in late 2021 with upgrades to the Linton Park Dam.

The ability to take forward stormwater projects is dependent on funding. There is funding within the LTP which has been supplemented by central government funding (CIP and DIA). In addition, as previously outlined, Council has recently applied for Infrastructure Acceleration Funding to facilitate growth related projects.

### **7.1.2 Land Transport Infrastructure**

Council owns and manages land transport assets including over 1,000km of roads (sealed and unsealed), 82 road bridges, 385km of footpaths, 43km of shared paths, 5,061 streetlights and 10,555 signs. Rotorua has key routes that connect primary industry with the Port of Tauranga, is a tourist destination, and provides tourism links to Taupo, Waikato and Auckland. Rotorua Airport is regionally significant and serves both the district's tourism and business sectors.

- The issues for land transport include:
- Maintaining long term investment in both the maintenance and renewal of the land transport network
- Adverse impacts from forestry vehicles on road condition

- Achieving greater mode shift from cars to public transport, walking and cycling
- Meeting legislation (including upcoming changes) including Road to Zero Strategy, Zero Carbon Act and the new Government Policy Statement on Land Transport (2021)
- Ensuring the road network is resilient to natural hazards.

Key projects include holistic development of an urban cycleway, upgrading of footpaths to cater for a range of users, resealing roads, replacing culverts and strengthening bridges.

### 7.1.3 Additional Infrastructure

Additional infrastructure is critical to the creation of well-functioning urban environments. In recent years, Council has actively worked with Waka Kotahi to align transport planning with urban growth planning.

There are four State Highways traversing the district. Waka Kotahi (NZTA) work in the roading network involves upgrades to State Highways, supporting Council in achieving modal shift through improved walking and cycling networks along with subsidising funding of the wider road network.

Currently Waka Kotahi is undertaking significant upgrades on both SH5 at Ngongotahā and SH30 along Te Ngae Road. The overall Waka Kotahi work programme aligns well with the work being undertaken by RLC to support growth.

There are 40 schools within the district. The majority are decile 1 – 4 schools. The Ministry of Education has been actively involved in recent growth planning.

There is relatively good access to open space in many parts of the city and wider district. However, the quality of the open space varies greatly across the district with some exceptional open spaces such as Government Gardens, contrasted with some of the smaller parks often in low socio-economic areas which tend to be of a much lower standard. There is also a deficit in quality sports fields.

Council is commencing a process to develop a Play, Active Recreation and Sport Strategy to identify priorities and guide future provision of play, active recreation and sport facilities across the Rotorua District.

## 7.2 Approach for Infrastructure Ready Capacity

The following sets out how data has been prepared by Council and considered by M.E for this HBA, including key assumptions, to inform infrastructure ready housing capacity in Rotorua's urban environment.

### 7.2.1 Land Transport Infrastructure

The major growth projects for roading are included in the Waka Kotahi Programme. While land transport infrastructure data is available, RLC have decided to exclude Council and Waka Kotahi controlled land transport infrastructure from infrastructure ready capacity assessment in this first HBA in order to focus on the information requirements for assessing three waters infrastructure. The aim is to include land transport infrastructure in future HBA updates.



## 7.2.2 Three Waters Development Infrastructure

Infrastructure master plans for each of the three waters were developed from two key inputs; the Infometrics 30 year projections and expected development areas. From this information infrastructure upgrade requirements to enable the corresponding growth were identified for the capital works programme which informs the infrastructure strategy.

Once funding levels and timing are confirmed as part of the LTP, the infrastructure ready capacity for each of the three waters can be calculated by working back from network expansion funding to the development areas and additional capacity that they provide.

The key outputs from the RLC supplied three waters infrastructure information estimated the total number of residential and non-residential connections served across Rotorua City. The connections capacity information contained capacity limits that occurred across each catchment area (Central (which includes Western), Eastern and Ngongotahā) as well as capacity limits that occurred at the total city level (in relation to the WWTP and water take consent). The information also showed the timing at which infrastructure would be extended geographically to each of the greenfield areas.

M.E have applied/tested Council's infrastructure information against the capacity assessment in several key stages to limit the capacity within each area to that which is able to be supported by the existing and planned future infrastructure networks. It is noted that stormwater infrastructure constraints have been applied in the form of additional costs within the model as these are able to be mitigated, at additional cost, within the property or subdivision. The approach to stormwater costs are described in Section 7.3.6 of the Technical Report.


M.E have undertaken additional high-level calculations on the water supply and wastewater infrastructure data supplied by Council to translate the amount of serviced capacity into potential additional dwellings able to be serviced by water supply and/or wastewater in each year, as a cross-check for the RER capacity assessment. Key steps for the water supply network included:

1. **Estimate the total potential unmetered connections<sup>83</sup> able to be sustained within each catchment.** The total potential number of unmetered (residential) connections were estimated within each water supply catchment in relation to the total potential capacity of the reservoir and network. The maximum potential water use was calculated from the minimum of the consented water take and the reservoir capacity (i.e., the aspect with the greatest constraint). The projected use (from Council's projections, which includes the effect of water demand management plans) was subtracted from these limits to identify the spare capacity. The spare volumetric capacity was converted to potential unmetered connections based on the average use of the projected connections. Together, these formed the total potential unmetered connections.
2. **Convert potential connections to estimated dwelling capacity.** The existing 2020 base year relationship between total dwellings and total unmetered connections<sup>84</sup> within each catchment

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<sup>83</sup> Unmetered connections also include business connections. These have been assumed to remain a constant proportion of connections through time and are therefore implicitly captured in the projected future capacity.

<sup>84</sup> The number of dwellings may exceed the number of unmetered connections as some connections serve multiple dwellings.



was identified through comparing the unmetered connections with our estimates of existing dwellings. These ratios were applied to the potential future connections to convert them into potential dwellings.

3. **Calculation of net additional dwellings.** The existing dwellings were subtracted from the potential future dwellings to calculate the potential net additional dwellings within each catchment that could be supplied with water. This includes any existing surplus capacity within the networks as well as any further capacity added through future infrastructure investment included within the data.

Rotorua's WWTP serves the total urban environment and would therefore represent a potential constraint at the city level. High-level analysis was undertaken to estimate whether capacity within the WWTP would exceed the water supply capacity limits (estimated above) and therefore form a city level constraint to be applied within the modelling – with only the lesser of the two water infrastructures needing to be applied in the RER capacity assessment.

The WWTP serves both household and business demand and demand arising from processing water from environmental events (e.g., flooding). The approach identified the level of demand generated from projected household use to understand the level of remaining capacity. Data on observed total wastewater processed was compared to data on total water used across the 2018 to 2020 period. This provided an estimate of the share of total water supplied that would be returned for treatment at the WWTP. This share was applied to the projected total water use to estimate the future household WWTP demand.

In the short to medium term (to 2026), household and business<sup>85</sup> demand is projected to amount to less than half of the WWTP capacity. Significant investment is planned for 2027, increasing the capacity by around two thirds. Projected household demand would amount to around one-third of the total WWTP capacity from 2027 to 2050 by M.E/Council estimates.

The remainder of the capacity is available to manage environmental demand that exceeds average daily demands such as flooding events. The WWTP has the dual function of serving demand from urban activity as well as having the requirement to have spare capacity to manage peak environmental events. Previous data shows that this demand is highly concentrated into peak events, with very large variability relative to baseline average urban activity demand. There have been a few instances where these have exceeded the WWTP's capacity, resulting in the planned additional capacity being supplied in 2027.

Based on the above assessment, capacity within the WWTP has not been applied as a constraint in this HBA, to a greater extent than the water supply capacity limits, to future dwelling growth (meaning that water supply capacity limits need only be considered for RER capacity). Large WWTP capacity increases planned in 2027 mean future capacity beyond that required for urban activity demand will exceed the previous peak flow demand from environmental events generated over the past 8 year data period.

Prior to 2027, the change in the level of demand from projected urban growth is of a much smaller magnitude than the variability from environmental events. If the events of the same size as those creating a previous overflow occurred in this time period, the overflows would still occur irrespective of urban

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<sup>85</sup> WWTP data includes business wastewater output. It has been assumed the ratio between household and business demand remains relatively constant through time and therefore business demand will grow at a similar rate to projected future household demand.



growth. For the purposes of the assessment, it has not been applied as a constraint prior to the upgrade as the plant capacity is able to process urban activity demand.

In addition to the total catchment servicing limits (based on water supply infrastructure capacity), constraints were applied within the modelling to reflect the timing at which infrastructure networks (wastewater and water supply) are geographically extended to the boundary of greenfield areas. The time at which each greenfield area was served (at the boundary) by both wastewater and water supply was identified within the model from spatial infrastructure extension timing data supplied by Council. These were applied as limits within the model to determine when greenfield areas could contribute to RER capacity. If a greenfield area was estimated to be feasible in the current market, but not currently served by infrastructure, then it would not be able to contribute to RER capacity estimates until the year at which it is planned to be served by both water infrastructures.<sup>86</sup>

The above approach provided estimated capacity limits (where applicable) that were applied to the commercially feasible and plan enabled dwelling capacity in the subsequent estimation of the share that is reasonably expected to be realised (RER capacity – Section 8). The following section shows the direct effect of the timing of network extensions to service greenfield areas as an interim step to RER modelling.

## 7.3 Infrastructure Serviced Greenfield Capacity

As discussed above, capacity within each area has been limited by the timing of the geographical extensions of infrastructure networks to the boundary of greenfield areas. Table 7.1 **Error! Reference source not found.** shows the proportion of estimated plan enabled and commercially feasible capacity within greenfield areas that is within the geographic extent of current or planned future infrastructure networks<sup>87</sup>, independent of any catchment wide water supply limits that may or may not apply.

The table shows that there is currently an estimated feasible capacity of nearly 3,000 dwellings across the city's greenfield areas (refer Section 6). However, only an area with capacity for 80 dwelling is currently covered by existing ("in the ground") infrastructure networks. In the medium term, infrastructure networks are planned to expand to cover most of the commercially feasible greenfield area (2,900 dwellings).

In the long term, further zoned greenfield land is provided within the eastern and Ngongotahā catchment areas. The additional greenfield area is estimated to be commercially feasible within Ngongotahā. However, most of this additional area does not currently have planned infrastructure coverage in the long term, hence capacity there is significantly impacted by infrastructure according to the way in which infrastructure ready capacity must be determined under the NPS-UD.

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<sup>86</sup> Note, this HBA does not take into account the timing of when on-site infrastructure is completed by the land developer. Only Council development infrastructure responsibilities is considered.

<sup>87</sup> Existing urban areas, including underutilised urban land, are within the extent of the existing infrastructure networks.

Table 7.1 – Proportion of Estimated Commercially Feasible Capacity in Greenfield Areas within the Geographical Extent of Current and Planned Future Infrastructure Networks

Reporting Area	Short-Term (Current)	Medium-Term	Long-Term (Current Prices Scenario)	Long-Term (Market Growth Scenario)
	Commercially Feasible Capacity			
Central	-	-	-	-
Western	1,440	1,440	1,540	1,550
Eastern	1,530	1,530	2,020	2,300
Ngongotahā	-	-	1,100	2,110
<b>Total Urban Environment</b>	<b>2,970</b>	<b>2,970</b>	<b>4,660</b>	<b>5,960</b>
	Commercially Feasible Capacity with Infrastructure Coverage			
Central	-	-	-	-
Western	80	1,440	1,440	1,440
Eastern	-	1,460	2,020	2,300
Ngongotahā	-	-	160	190
<b>Total Urban Environment</b>	<b>80</b>	<b>2,900</b>	<b>3,620</b>	<b>3,930</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.

The effect of the above capacity limits depends on the demand projected for those locations and whether any shortfalls in reasonably expected to be realised and infrastructure ready capacity can be met by surpluses in other nearby locations (and at an affordable price). The estimated infrastructure limits above have been applied within the analysis of reasonable expected to be realised capacity at both the spatial scale of areas covered by the extent of the network (greenfield and existing urban areas) as well as the application of catchment-wide capacity limits. This is discussed below.



## 8 Serviced, Feasible & Reasonably Expected Capacity

This section contains the results of infrastructure serviced, feasible and reasonably expected to be realised dwelling capacity estimates in the short, medium, and long term, collectively referred to here as “RER” capacity. The results estimate the amount of commercially feasible capacity (calculated in Section 6) that is likely to represent RER capacity across each time period within each of the reporting areas. They take into account the infrastructure constraints across the urban environment outlined in Section 7 as well as the likely development patterns across the district’s urban environment.

A detailed discussion on the approach used to model RER is contained in the supporting Technical Report. The approach estimates the commercially feasible development options that are likely to represent RER capacity. A detailed analysis of title formation and building consent data was undertaken to establish the recent patterns and relative proportions of development activity occurring across the district’s existing and greenfield urban environment. Levels of development were then limited by infrastructure constraints within each area as set out in Section 7. The RER capacity reflects the likely yields in the commercially feasible greenfield areas, and the corresponding levels of development across different parts of the existing urban environment. It is not an estimate of up-take of capacity as this is driven by demand projections by dwelling type, location, and price band (discussed already in Section 2.6).

The following outlines estimated RER capacity within each time period across the district’s urban environment. These form the inputs into the subsequent sufficiency assessment in Section 9 of this HBA.

### 8.1 Short Term Serviced, Feasible & RER Capacity

The estimated RER capacity in the short term is shown in **Error! Reference source not found.**. There is an estimated, infrastructure-served, commercially feasible RER capacity of around 1,700 additional dwellings in the short term.

Half (50%; 800 dwellings) of the short term RER capacity is within areas of underutilised urban land<sup>88</sup>, and a small amount in greenfield areas. These areas typically involve larger scale development across multiple lots or dwelling units. RER capacity within the underutilised urban land is spread over the main suburban areas of the City across the Eastern, Western and Ngongotahā reporting areas. Capacity in these areas is all in detached dwellings due to the current District Plan site size requirements, meaning that only standalone dwellings are feasible to construct with a full site.

While there is an estimated feasible capacity of nearly 3,000 dwellings within the greenfield areas, only a small portion is currently served by infrastructure and can therefore be included as RER capacity in the short term. This is located within the Western reporting area, with capacity for an additional 80 dwellings.

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<sup>88</sup> Refer Figure 6.4 of the Technical Report for a map of residential land by development type.

The rest of the RER capacity is within the brownfield areas of the existing urban area. Approximately three-quarters (76%) of this capacity is located within the central suburban areas of the Western and Central reporting areas. The remaining brownfield RER capacity is located within the Eastern (100 dwellings) and Ngongotahā (80 dwellings) reporting areas.

The RER capacity within Rotorua is heavily weighted toward standalone dwellings on full sites, largely due to the planning minimum site size requirements across the Residential 1 Zone. While this form of development is well established within the Rotorua market, there is limited ability for the market to move toward smaller, higher density dwellings due to these planning requirements across most of the general suburban area. There is likely to be demand among developers to construct smaller, cheaper dwellings, but these are not feasible to construct on larger sites.

The assessment has found that brownfield RER capacity is limited within the Central reporting area due to limitations in the feasibility of capacity. A lower share of the plan enabled detached dwellings are feasible within the Central area than other reporting areas, flowing through into lower rates of RER. Feasibility is somewhat limited by the larger site size requirements across this area. It is likely that feasibility would improve with smaller site sizes where higher returns could occur through developing these more central sites at a greater density with more dwellings.

Most of the RER capacity within the Central reporting area occurs as attached dwellings. This includes a mixture of lower density attached dwellings within the Residential 2 (medium density) Zone, and apartment dwellings within the City Centre. It is likely that, in the short term, a greater share of this will occur as lower density duplex/terraced housing within the Residential 2 Zone as the apartment market is not well established within Rotorua.

Table 8.1 – Short Term Serviced, Feasible and RER Urban Dwelling Capacity

Reporting Area	Area Type	RER Dwelling Capacity		
		Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	300	-	300
Eastern	Existing Urban Brownfield	100	-	100
<b>Eastern</b>	<b>Total</b>	<b>400</b>	<b>-</b>	<b>400</b>
Central	Greenfield and Underutilised Urban Land	-	90	90
Central	Existing Urban Brownfield	30	200	300
<b>Central</b>	<b>Total</b>	<b>30</b>	<b>300</b>	<b>400</b>
Western	Greenfield and Underutilised Urban Land	300	-	300
Western	Existing Urban Brownfield	400	-	400
<b>Western</b>	<b>Total</b>	<b>600</b>	<b>-</b>	<b>600</b>
Ngongotaha	Greenfield and Underutilised Urban Land	200	-	200
Ngongotaha	Existing Urban Brownfield	80	-	80
<b>Ngongotaha</b>	<b>Total</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>700</b>	<b>90</b>	<b>800</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>600</b>	<b>200</b>	<b>800</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>1,300</b>	<b>300</b>	<b>1,700</b>

Source: M.E RLDC Capacity Model 2021.

Table 8.2 shows that nearly one-quarter (23%) of the commercially feasible capacity and 7% of the plan enabled capacity is RER and infrastructure-served in the short term. The share of commercially feasible greenfield capacity that is RER is lower as only a small portion is currently served by network infrastructure.

Within the brownfield areas, around 50% of the feasible detached dwellings are estimated to be RER, amounting to 8% of the plan enabled capacity. Lower shares of the feasible brownfield attached dwellings are RER due to the higher density nature of these typologies within the plan (i.e., apartments) and the limited establishment of this form of development within the Rotorua market. Overall, only 10% of the feasible attached dwellings are estimated to be RER, and 2% of the plan enabled dwellings. Although a reasonable proportion of these dwellings are feasible, it is less likely they will be taken up due to the limited operation of the apartment dwelling market.

A key finding of testing within the RER model is that the estimated capacity of catchment level water supply infrastructure (and estimated city-wide capacity of the WWTP) is not constraining RER dwelling capacity in the short term within the urban environment, with only the timing of network extensions to the boundary of greenfield areas having an effect in this period (as discussed above).

**Table 8.2 – Share of Plan Enabled and Commercially Feasible Capacity that is Infrastructure Served and RER: Short Term**

Reporting Area	Area Type	RER as share of Commercially Feasible			RER as share of PEC		
		Detached	Attached	Total	Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	16%	0%	15%	7%	0%	7%
Eastern	Existing Urban Brownfield	50%	0%	50%	6%	0%	6%
<b>Eastern</b>	<b>Total</b>	<b>20%</b>	<b>0%</b>	<b>19%</b>	<b>7%</b>	<b>0%</b>	<b>7%</b>
Central	Greenfield and Underutilised Urban Land	0%	100%	100%	0%	100%	98%
Central	Existing Urban Brownfield	41%	10%	11%	4%	3%	3%
<b>Central</b>	<b>Total</b>	<b>41%</b>	<b>13%</b>	<b>14%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>
Western	Greenfield and Underutilised Urban Land	15%	0%	15%	13%	0%	13%
Western	Existing Urban Brownfield	51%	0%	51%	9%	0%	8%
<b>Western</b>	<b>Total</b>	<b>26%</b>	<b>0%</b>	<b>26%</b>	<b>10%</b>	<b>0%</b>	<b>10%</b>
Ngongotaha	Greenfield and Underutilised Urban Land	100%	0%	100%	76%	0%	76%
Ngongotaha	Existing Urban Brownfield	50%	0%	50%	7%	0%	7%
<b>Ngongotaha</b>	<b>Total</b>	<b>78%</b>	<b>0%</b>	<b>78%</b>	<b>21%</b>	<b>0%</b>	<b>19%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>21%</b>	<b>55%</b>	<b>22%</b>	<b>13%</b>	<b>55%</b>	<b>14%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>50%</b>	<b>10%</b>	<b>23%</b>	<b>8%</b>	<b>2%</b>	<b>5%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>28%</b>	<b>13%</b>	<b>23%</b>	<b>10%</b>	<b>3%</b>	<b>7%</b>

Source: M.E RLDC Capacity Model 2021.

## 8.2 Medium Term Serviced, Feasible and RER Capacity

There is an estimated plan enabled, commercially feasible, infrastructure served RER capacity of around 4,800 additional dwellings estimated across Rotorua's urban environment in the medium term (Table 8.3). Overall, this equates to around 20% of the plan enabled capacity being RER, and two-thirds (67%) of the commercially feasible capacity (Table 8.4).

Around three-quarters (76%; 3,700 dwellings) of the RER capacity is estimated to occur within the greenfield areas and areas of underutilised urban land. The largest areas of these are within the Eastern and Western reporting areas, which contain the city's main areas of infrastructure-served greenfield expansion. The large share of greenfield capacity within these reporting areas means that they are projected to contain the dominant share (81%) of Rotorua's RER capacity in the medium term.

In the medium term, nearly all of the projected feasible greenfield areas are served by infrastructure, resulting in a high share of the feasible capacity as RER. With the exception of the underutilised Residential 2 Zone land within the Central reporting area, all other areas of this capacity are projected to contain detached dwellings.

The remaining RER capacity of an additional 1,200 dwellings is projected to occur within the brownfield areas of the existing urban area. The largest shares of these are located within the Central and Western reporting areas. Brownfield RER capacity within the Western area consists of detached dwellings on full sites, while RER capacity within the Central area is nearly all in attached dwellings. There are smaller amounts of brownfield RER capacity within the Eastern (100 dwellings) and Ngongotahā (100 dwellings) reporting areas.

Table 8.4 shows that overall, around two-thirds of the commercially feasible capacity is projected to be RER in the medium term, and 20% of the plan enabled capacity. Within this, much lower shares of the brownfield capacity is projected to be RER. In part, this is due to the application of current prices within the feasibility modelling (due to the NPS-UD requirements), meaning a lower share of the plan enabled capacity is projected to be feasible.

The modelling estimates that only small shares of the higher density attached dwellings are likely to be RER capacity within the medium-term. This is because a high share of this capacity is within higher density apartment dwellings, which are not yet well-established within the Rotorua market. The brownfield attached dwellings RER capacity within the Central Reporting Area amounts to 20% of commercially feasible capacity, and 5% of the plan enabled capacity.

Table 8.3 – Medium Term Serviced, Feasible and RER Urban Dwelling Capacity

Reporting Area	Area Type	RER Dwelling Capacity		
		Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	1,700	-	1,700
Eastern	Existing Urban Brownfield	100	-	100
<b>Eastern</b>	<b>Total</b>	<b>1,900</b>	<b>-</b>	<b>1,900</b>
Central	Greenfield and Underutilised Urban Land	-	90	90
Central	Existing Urban Brownfield	30	500	500
<b>Central</b>	<b>Total</b>	<b>30</b>	<b>600</b>	<b>600</b>
Western	Greenfield and Underutilised Urban Land	1,600	-	1,600
Western	Existing Urban Brownfield	400	-	400
<b>Western</b>	<b>Total</b>	<b>2,100</b>	<b>-</b>	<b>2,100</b>
Ngongotaha	Greenfield and Underutilised Urban Land	200	-	200
Ngongotaha	Existing Urban Brownfield	100	-	100
<b>Ngongotaha</b>	<b>Total</b>	<b>300</b>	<b>-</b>	<b>300</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>3,600</b>	<b>90</b>	<b>3,700</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>700</b>	<b>500</b>	<b>1,200</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>4,300</b>	<b>600</b>	<b>4,800</b>

Source: M.E RLDC Capacity Model 2021.

Table 8.4 – Share of Plan Enabled and Commercially Feasible Capacity that is Infrastructure Served and RER: Medium Term

Reporting Area	Area Type	RER as share of Commercially Feasible			RER as share of PEC		
		Detached	Attached	Total	Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	100%	0%	96%	46%	0%	45%
Eastern	Existing Urban Brownfield	60%	0%	60%	8%	0%	8%
<b>Eastern</b>	<b>Total</b>	<b>95%</b>	<b>0%</b>	<b>92%</b>	<b>34%</b>	<b>0%</b>	<b>33%</b>
Central	Greenfield and Underutilised Urban Land	0%	100%	100%	0%	100%	98%
Central	Existing Urban Brownfield	49%	20%	21%	5%	5%	5%
<b>Central</b>	<b>Total</b>	<b>49%</b>	<b>23%</b>	<b>24%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>
Western	Greenfield and Underutilised Urban Land	100%	0%	100%	86%	0%	86%
Western	Existing Urban Brownfield	61%	0%	61%	11%	0%	10%
<b>Western</b>	<b>Total</b>	<b>88%</b>	<b>0%</b>	<b>88%</b>	<b>34%</b>	<b>0%</b>	<b>32%</b>
Ngongotaha	Greenfield and Underutilised Urban Land	100%	0%	100%	76%	0%	76%
Ngongotaha	Existing Urban Brownfield	60%	0%	60%	8%	0%	8%
<b>Ngongotaha</b>	<b>Total</b>	<b>83%</b>	<b>0%</b>	<b>83%</b>	<b>22%</b>	<b>0%</b>	<b>20%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>100%</b>	<b>55%</b>	<b>98%</b>	<b>60%</b>	<b>55%</b>	<b>60%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>60%</b>	<b>20%</b>	<b>33%</b>	<b>9%</b>	<b>5%</b>	<b>7%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>90%</b>	<b>22%</b>	<b>67%</b>	<b>31%</b>	<b>6%</b>	<b>20%</b>

Source: M.E RLDC Capacity Model 2021.

A key finding of testing within the RER model is that the estimated capacity of catchment level water supply infrastructure (and estimated city-wide capacity of the WWTP) is not constraining RER dwelling capacity in the medium term within the urban environment. The timing of network extensions to the boundary of greenfield areas also has only a minor effect of reducing RER dwelling capacity in this period.

## 8.3 Long Term Serviced, Feasible & RER Capacity

This section contains the RER capacity in the long term for the Current Prices and Market Growth Scenarios (as discussed in Section 6). The RER capacity differs under the scenarios due to the differences in commercial feasibility of capacity when allowance is made for market growth.

Again, a key finding of testing within the RER model is that the estimated capacity of catchment level water supply infrastructure (and estimated city-wide capacity of the WWTP) is not constraining RER dwelling capacity in the long term within the urban environment for either scenario. The timing of network extensions to the boundary of greenfield areas has a moderate effect of reducing RER dwelling capacity in this period (although given that infrastructure investment in this period need only be identified in the Infrastructure Strategy, is a minor issue that Council is likely to be able to resolve for future HBA updates).

### 8.3.1 Current Prices Scenario

Table 8.5 shows the estimated RER capacity in the long term by location within Rotorua's urban environment. In total, there is an estimated RER capacity of around 6,100 additional dwellings. Around three-quarters (76%; 4,600 dwellings) of this capacity is within the Eastern and Western reporting areas as they contain the city's main areas of infrastructure-served greenfield capacity. RER capacity in these areas is entirely made up of detached dwellings due to the underlying planning minimum site size requirements encouraging the delivery of standalone dwellings.

Under the Current Prices Scenario, greenfield areas and underutilised urban land account for nearly three-quarters (72%; 4,400 dwellings) of RER capacity. The remaining capacity (1,700 dwellings) occurs within brownfield areas. Approximately half of the brownfield capacity is in attached dwellings within the Central

reporting area. These are likely to be a mixture of medium density duplex/terraced housing and higher density apartment dwellings. However, under the Current Prices Scenario, long term uptake of apartment dwellings is limited by the application of 2020 market conditions where these are not well established.

The level of RER within the existing urban area is limited under the Current Prices Scenario by no changes in commercial feasibility of existing capacity over the long term. Changes within the RER capacity occur through increased levels of uptake of currently feasible development options. These are limited by other factors that may prevent these development options becoming available to the market and therefore forming part of the RER capacity. As such, RER capacity within the brownfield areas amounts to around half of the commercially feasible capacity. Within detached dwellings, it is limited to 75% of the feasible dwellings. Within attached dwellings, RER capacity amounts to 35% of feasible capacity and 8% of plan enabled capacity, taking into consideration the current level of market activity within higher density development options.

In total, Table 8.6 shows that around two-thirds of the commercially feasible capacity in the urban environment is estimated to be RER, and 21% of the plan enabled capacity. Within this, there is a decrease in the shares of greenfield commercially feasible and plan enabled capacity that is projected to be RER in comparison to the medium term. This is due to the addition of further zoned capacity that is either feasible and not served by infrastructure (i.e., within Ngongotahā) or not feasible due to being leasehold land (i.e., within the Eastern reporting area).

Table 8.5 – Long Term Serviced, Feasible and RER Urban Dwelling Capacity: Current Prices Scenario

Reporting Area	Area Type	RER Dwelling Capacity		
		Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	2,300	-	2,300
Eastern	Existing Urban Brownfield	200	-	200
<b>Eastern</b>	<b>Total</b>	<b>2,500</b>	<b>-</b>	<b>2,500</b>
Central	Greenfield and Underutilised Urban Land	-	90	90
Central	Existing Urban Brownfield	40	800	900
<b>Central</b>	<b>Total</b>	<b>40</b>	<b>900</b>	<b>1,000</b>
Western	Greenfield and Underutilised Urban Land	1,600	-	1,600
Western	Existing Urban Brownfield	600	-	600
<b>Western</b>	<b>Total</b>	<b>2,200</b>	<b>-</b>	<b>2,200</b>
Ngongotaha	Greenfield and Underutilised Urban Land	400	-	400
Ngongotaha	Existing Urban Brownfield	100	-	100
<b>Ngongotaha</b>	<b>Total</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>4,300</b>	<b>90</b>	<b>4,400</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>900</b>	<b>800</b>	<b>1,700</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>5,200</b>	<b>900</b>	<b>6,100</b>

Source: M.E RLDC Capacity Model 2021.

Table 8.6 – Share of Plan Enabled and Commercially Feasible Capacity that is Infrastructure Served and RER: Long Term Current Prices Scenario

Reporting Area	Area Type	RER as share of Commercially Feasible			RER as share of PEC		
		Detached	Attached	Total	Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	100%	0%	100%	38%	0%	38%
Eastern	Existing Urban Brownfield	75%	0%	75%	9%	0%	9%
<b>Eastern</b>	<b>Total</b>	<b>98%</b>	<b>0%</b>	<b>98%</b>	<b>31%</b>	<b>0%</b>	<b>31%</b>
Central	Greenfield and Underutilised Urban Land	0%	100%	100%	0%	100%	98%
Central	Existing Urban Brownfield	62%	35%	36%	7%	8%	8%
<b>Central</b>	<b>Total</b>	<b>62%</b>	<b>37%</b>	<b>38%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>
Western	Greenfield and Underutilised Urban Land	94%	0%	94%	82%	0%	82%
Western	Existing Urban Brownfield	76%	0%	76%	14%	0%	12%
<b>Western</b>	<b>Total</b>	<b>89%</b>	<b>0%</b>	<b>89%</b>	<b>36%</b>	<b>0%</b>	<b>34%</b>
Ngongotaha	Greenfield and Underutilised Urban Land	29%	0%	29%	14%	0%	14%
Ngongotaha	Existing Urban Brownfield	75%	0%	75%	11%	0%	10%
<b>Ngongotaha</b>	<b>Total</b>	<b>34%</b>	<b>0%</b>	<b>34%</b>	<b>13%</b>	<b>0%</b>	<b>13%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>81%</b>	<b>100%</b>	<b>81%</b>	<b>40%</b>	<b>100%</b>	<b>41%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>75%</b>	<b>35%</b>	<b>48%</b>	<b>12%</b>	<b>8%</b>	<b>9%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>80%</b>	<b>37%</b>	<b>68%</b>	<b>28%</b>	<b>8%</b>	<b>21%</b>

Source: M.E RLDC Capacity Model 2021.

### 8.3.2 Market Growth Scenario

The RER capacity increases to 9,400 additional dwellings in the long term under the Market Growth Scenario (Table 8.7). The largest increase in capacity between the two scenarios occurs within the brownfield capacity as a much greater range of development options are projected to become commercially feasible through time with market growth. Increases in greenfield RER also occur, but to a lesser extent as high shares of the greenfield capacity are already feasible under the Current Prices Scenario.

Under the Market Growth Scenario, 55% of the RER capacity (5,200 dwellings) is projected to occur within the greenfield areas and underutilised urban land, and 45% within the existing urban brownfield areas (4,200 dwellings). An additional 500 dwelling greenfield capacity within the Eastern reporting area is projected to become feasible and form part of the RER. Additional greenfield capacity is also projected to become feasible within the Ngongotahā reporting area, however, most of this is not planned to be served by infrastructure and therefore excluded from the RER capacity.

Increases in capacity within the brownfield area occur under the Market Growth Scenario as a greater range of the plan enabled capacity is projected to become feasible with market growth. The largest increase is projected to occur within the Western reporting area, with smaller increases in the Eastern and Ngongotahā reporting areas. Overall, the Western reporting area contains the largest amount of RER brownfield capacity, all of which is projected to be in detached dwellings.

Brownfield capacity within the Central reporting area is still limited under this scenario due the minimum site size planning provisions that occur across most of the suburban area. The feasibility of capacity within these central areas would be likely to increase through providing for smaller site sizes so higher returns could be achieved through developing a greater number of higher density dwellings within these areas. Currently, the plan enabled capacity for higher density dwellings is largely concentrated into the commercial zones in the form of apartments, with a limited Residential 2 Zone area providing for duplex/terraced housing. The RER capacity of apartments, albeit higher under the Market Growth Scenario, is still likely to provide limited RER capacity due to the very limited nature of this market within the Rotorua commercial developer sector (even with allowance for some supply shifts over the long term).

Under the Market Growth Scenario, it is projected that around 45% of commercially feasible capacity is likely to be RER and around one-third (32%) of plan enabled capacity (Table 8.8). These shares are lower within the existing urban brownfield areas. Under the current planning provisions, it is unlikely that the RER within the existing urban area would increase significantly beyond these levels. RER capacity within the brownfield detached dwellings amounts to 75% of feasible capacity. It is unlikely to approach 100% of feasible capacity due to the presence of other factors that would result in these development opportunities not becoming available to the market.

Although the RER share of feasible brownfield attached dwellings is lower, at 15%, this is also unlikely to substantially increase due to the composition of this capacity. The modelling has shown that around 90% of the feasible attached dwelling capacity is in the form of apartments. There is a feasible capacity of around 1,200 duplex/terraced housing dwellings, which are much more likely to get developed. If around three quarters of this feasible capacity were developed, then this would still result in around 600 apartment dwellings. Any further increases in the share of feasible attached dwellings as RER capacity would necessarily require the uptake of further apartment dwellings. This is considered unlikely to occur as this market is not well established and would require a large market shift over the long term.

Table 8.7 - Long Term Serviced, Feasible and RER Urban Dwelling Capacity: Market Growth Scenario

Reporting Area	Area Type	RER Dwelling Capacity		
		Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	2,800	-	2,800
Eastern	Existing Urban Brownfield	500	-	500
<b>Eastern</b>	<b>Total</b>	<b>3,300</b>	<b>-</b>	<b>3,300</b>
Central	Greenfield and Underutilised Urban Land	-	90	90
Central	Existing Urban Brownfield	100	1,500	1,600
<b>Central</b>	<b>Total</b>	<b>100</b>	<b>1,600</b>	<b>1,700</b>
Western	Greenfield and Underutilised Urban Land	1,900	-	1,900
Western	Existing Urban Brownfield	1,600	-	1,600
<b>Western</b>	<b>Total</b>	<b>3,500</b>	<b>-</b>	<b>3,500</b>
Ngongotaha	Greenfield and Underutilised Urban Land	500	-	500
Ngongotaha	Existing Urban Brownfield	400	-	400
<b>Ngongotaha</b>	<b>Total</b>	<b>900</b>	<b>-</b>	<b>900</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>5,100</b>	<b>90</b>	<b>5,200</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>2,700</b>	<b>1,500</b>	<b>4,200</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>7,800</b>	<b>1,600</b>	<b>9,400</b>

Source: M.E RLDC Capacity Model 2021.

Table 8.8 - Share of Plan Enabled and Commercially Feasible Capacity that is Infrastructure Served and RER: Long Term Market Growth Scenario

Reporting Area	Area Type	RER as share of Commercially Feasible			RER as share of PEC		
		Detached	Attached	Total	Detached	Attached	Total
Eastern	Greenfield and Underutilised Urban Land	100%	0%	100%	45%	0%	45%
Eastern	Existing Urban Brownfield	75%	0%	75%	30%	0%	30%
<b>Eastern</b>	<b>Total</b>	<b>95%</b>	<b>0%</b>	<b>95%</b>	<b>42%</b>	<b>0%</b>	<b>42%</b>
Central	Greenfield and Underutilised Urban Land	0%	100%	98%	0%	100%	98%
Central	Existing Urban Brownfield	64%	15%	16%	19%	14%	14%
<b>Central</b>	<b>Total</b>	<b>64%</b>	<b>16%</b>	<b>17%</b>	<b>19%</b>	<b>15%</b>	<b>15%</b>
Western	Greenfield and Underutilised Urban Land	95%	0%	95%	95%	0%	95%
Western	Existing Urban Brownfield	76%	15%	76%	40%	0%	37%
<b>Western</b>	<b>Total</b>	<b>85%</b>	<b>15%</b>	<b>85%</b>	<b>57%</b>	<b>0%</b>	<b>54%</b>
Ngongotaha	Greenfield and Underutilised Urban Land	19%	0%	19%	18%	0%	18%
Ngongotaha	Existing Urban Brownfield	75%	15%	73%	36%	3%	33%
<b>Ngongotaha</b>	<b>Total</b>	<b>30%</b>	<b>15%</b>	<b>30%</b>	<b>23%</b>	<b>3%</b>	<b>23%</b>
<b>TOTAL Urban Env.</b>	<b>Greenfield and Underutilised Urban Land</b>	<b>72%</b>	<b>100%</b>	<b>72%</b>	<b>48%</b>	<b>100%</b>	<b>48%</b>
<b>TOTAL Urban Env.</b>	<b>Existing Urban Brownfield</b>	<b>75%</b>	<b>15%</b>	<b>31%</b>	<b>35%</b>	<b>14%</b>	<b>22%</b>
<b>TOTAL Urban Env.</b>	<b>Total</b>	<b>73%</b>	<b>16%</b>	<b>45%</b>	<b>42%</b>	<b>14%</b>	<b>32%</b>

Source: M.E RLDC Capacity Model 2021.


## 8.4 Serviced, Feasible & RER Capacity Summary

The modelling within this section has estimated the future patterns of RER capacity across Rotorua's urban environment. The estimates of RER capacity take into account the zoned potential, the commercial feasibility of development, the infrastructure capacity by location and the likely patterns of development across existing urban areas and greenfield urban expansion.

The assessment has found that RER increases through time, from a total of 1,700 additional dwellings in the short term, to 4,800 dwellings in the medium term, to 9,400 dwellings in the long term. Changes in the RER occur as infrastructure networks are extended out to greenfield growth areas, and further zoned provision is made, with corresponding increases in uptake within the existing urban area. More capacity becomes feasible through time in the long term Market Growth Scenario, increasing the RER capacity.

In the short term, there are higher shares of RER occurring within the existing urban area due to the limited infrastructure provision within greenfield areas and is a continuation of recent development patterns across the city. Most of the existing urban area RER is projected to occur in detached housing due to planning provisions and established market patterns. Attached housing RER is largely focused on duplex or terraced housing, with only small uptake within apartments. This is constrained by the small extent of the zoned area that effectively provides for the duplex/terraced housing, and the limited operation of the apartment market within Rotorua. RER within the Central reporting area is constrained by the lower feasibility of capacity, which is focussed on standalone dwellings on larger sites. The feasibility would be likely to increase in this area with an expanded provision for smaller non-apartment attached dwellings (e.g., duplexes/terraced housing) on smaller site sizes.

RER capacity is modelled to increase in the medium term as more infrastructure is supplied to the feasible greenfield areas. There is a decrease in the share of RER occurring within the existing urban area as a result of greater greenfield supply, but also due to the increased level of absorption of currently feasible capacity where easier development options get taken up first. The medium term modelling does not allow for market growth, meaning the commercially feasible options available to RER reflect only what is currently feasible within the market.



Within the long term, there are further increases to RER. Some additional greenfield land is supplied together with further increases to the infrastructure networks. However, a significant proportion of the additional greenfield land is not projected to be feasible due to the leasehold status (in the Eastern reporting area) or served by infrastructure (in the Ngongotahā reporting area).

In the long term, the level of RER capacity within the existing urban area depends significantly on the modelled growth scenario. Existing urban RER capacity is limited under the Current Prices Scenario as the commercially feasible capacity is constrained to include only capacity that is currently feasible. The uptake is therefore limited as saturation of the detached dwelling capacity option is reached. Attached dwelling RER is also limited by the current market conditions, where uptake is mainly limited to the currently feasible typologies (i.e., duplexes/terraced housing). There is only small RER within the higher density apartment capacity as this market is not currently established within Rotorua.

Higher levels of RER capacity occur in the long term within the existing urban area under the Market Growth Scenario. Greater shares of the plan enabled capacity become feasible through time, with market growth, meaning that greater rates of uptake can occur as RER capacity. This scenario also allows for some growth in the apartment market. However, this is limited to a reasonable extent (relative to the projected market demand shift required) and reflects only a small share of the total plan enabled development options.

Overall, RER in Rotorua is limited by the level of infrastructure-served, feasible greenfield land, but not the capacity of water supply and wastewater treatment infrastructure at the catchment or city level based on Council and M.E estimates. The limits to greenfield capacity occur across all three time periods but is particularly constraining within the short term.

RER is also limited within the existing urban area due to the existing planning provisions that apply across most of the general suburban areas. A relatively large minimum site size requirement prevents the delivery of smaller dwellings, such as duplexes or terraced housing, across much of the urban area. This constrains the feasibility of sites within the Central reporting area where the development of standalone dwellings on full sites would generate lower returns than developing sites in these Central areas to contain a greater number of dwellings. The minimum site size requirement is also likely to lower the potential RER that could occur across other parts of the district's suburban areas where smaller dwellings on smaller sites are likely to be feasible and better align with demand for cheaper dwellings.

While the overall capacity for additional dwellings within the existing urban environment is relatively large in comparison to demand, a high share of this capacity is for apartment dwellings. This market is not well established within Rotorua and is unlikely to make a sizeable contribution to meeting demand. The RER within the existing urban environment is limited by reasonable levels of uptake within the higher density apartment capacity to avoid over-reliance on this capacity.



## 9 Sufficiency of Housing Capacity

This section assesses the sufficiency of capacity to meet future urban dwelling demand across the district's urban environment. It compares the level of RER capacity estimated in Section 8 with the demand for urban dwellings in Section **Error! Reference source not found**.6. Our approach to the sufficiency assessment and the sufficiency results by dwelling type and location across the district's urban environment in the short, medium, and long term are contained in the sub-sections below.

### 9.1 Approach

Clause 3.2 of the NPS-UD specifies that RLC must provide at least sufficient development capacity in its urban environment “to meet expected demand for housing: (a) in existing and new urban areas; and (b) for both standalone dwellings and attached dwellings; and (c) in the short term, medium term, and long term”. That development capacity must be plan enabled, infrastructure ready, feasible and reasonably expected to be realised and include the appropriate competitiveness margin. The requirement to assessment sufficiency for housing development capacity is also set out in clause 3.27 of the NPS-UD.

To test whether the Rotorua urban environment provides at least sufficient capacity to meet projected demand, M.E has used the outputs from the RER assessment (in Section 8). These identify the RER dwelling capacity that is feasible, expected to be realised and unconstrained by infrastructure limitations. This is then compared to the net additional demand (using the medium growth scenario), including a margin, for the dwellings within the urban environment. The demand includes a 20% margin in the short and medium term and a 15% margin in the long term. The supporting Technical Report contains additional sufficiency assessment tables for the high demand growth scenario.

Sufficiency is assessed by dwelling type (detached vs. attached) by each location across the urban environment. An assessment of sufficiency by dwelling value band is contained within the Impact of Planning and Infrastructure on Future Housing Affordability section (Section 10.3) and not here. It is a more nuanced model of sufficiency that differs from the assessments below which compare total demand with total capacity, irrespective of price and whether the dwelling is for resident households or holiday homes or is owned or un-owned. The assessment in Section 10.3 considers the demand by non-owner households for dwellings at different prices based on what they can afford, compared to current and projected future dwelling supply by price band.

### 9.2 Urban Environment Sufficiency by Type and Location

The following sub-sections contain the sufficiency assessment results by dwelling type and location in the urban environment in the short, medium, and long term. The first section of each table shows the projected future demand for detached and attached dwellings within each location. This includes the competitiveness margin on demand, which is applied to the net increase in demand across the assessment time period. The



middle section of each table then shows the potential future dwelling estate. This includes the existing dwelling estate together with the RER capacity estimated in Section 8.

The final section of the table contains the sufficiency analysis. It shows the net difference in the potential future estate to the future demand (with a margin). Net differences greater than zero suggest a surplus in capacity, while negative net differences indicate a potential shortfall in capacity.

### 9.2.1 Short Term Sufficiency

Table 9.1 contains the sufficiency assessment for Rotorua's urban environment in the short term (2020-2023). In total, it shows that there is a total demand for 28,260 future urban dwellings. This includes the existing dwelling demand (including the latent demand) and the projected future demand (including a demand margin). There is a total projected future dwelling estate of 26,370 urban dwellings, including existing and potential future dwellings. This equates to a projected total shortfall of 1,890 dwellings within the short term.

Table 9.1 shows that the projected shortfall occurs across the extent of Rotorua's main urban area to include the Central, Western and Eastern reporting areas. The largest shortfalls occur within the Western (-940 dwellings) and Central (-700 dwellings) reporting areas, with a smaller shortfall of 260 dwellings in the Eastern reporting area. The projected future dwelling estate matches the projected demand in Ngongotahā, resulting in no surplus or shortfall.

Shortfalls are projected to occur across both the detached and attached dwelling typologies. The largest shortfalls are projected for detached dwellings due to the higher shares of demand for this typology. Shortfalls are also projected to occur across the attached dwelling typologies and are due to the RER constraints in the type of attached dwelling capacity demanded.

Within the short term, the shortfalls are predominantly due to limitations in the level of infrastructure provision within greenfield land. There is only an infrastructure-served feasible capacity for around 80 dwellings within Rotorua's greenfield areas (located within the Western reporting area), with sizeable areas of feasible greenfield land not currently served by infrastructure<sup>89</sup>. However, underutilised urban land (which is also commercially feasible) is currently served by infrastructure, and can meet some of this demand (as included within the assessment).

Minimum site size planning requirements are also likely to contribute to the short term shortfall within the existing urban area. This particularly occurs within attached dwellings where demand is likely to be concentrated into medium density dwellings such as duplexes and terraced housing, which are less feasible within the current provisions.

The inclusion of a latent demand for an additional 1,500 dwellings contributes to the projected shortfall within the short term. However, even if this was excluded, the shortfall would still be projected to occur, albeit at a smaller scale.

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<sup>89</sup> The NPS-UD requires all short term RER capacity to be currently served by infrastructure. Additional areas of greenfield land are projected to be served by infrastructure by 2023, however, this can only be included within the medium term sufficiency assessment.

Table 9.1 – Short Term Sufficiency of RER Dwelling Capacity - Rotorua Urban Environment

Reporting Area	Future Urban Demand (Incl. Latent Demand & Margin)			Potential Future Urban Dwelling Estate (RER Capacity + Existing Estate) *			Sufficiency (Potential Dwellings)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	5,300	2,910	8,210	4,680	2,820	7,510	- 610	- 90	- 700
Western	11,990	1,000	12,990	11,270	780	12,050	- 720	- 220	- 940
Eastern	4,620	190	4,810	4,420	130	4,550	- 200	- 50	- 260
Ngongotahā	2,090	170	2,260	2,130	130	2,260	40	40	-
<b>Total Urban Environment</b>	<b>24,000</b>	<b>4,270</b>	<b>28,260</b>	<b>22,500</b>	<b>3,870</b>	<b>26,370</b>	<b>- 1,500</b>	<b>- 400</b>	<b>- 1,890</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.

\* Based on Greenfield and Maximum Infill or Redevelopment Capacity. Medium Growth Future. Current Prices Scenario.

## 9.2.2 Medium Term Sufficiency

Table 9.2~~Error! Reference source not found.~~ contains the sufficiency assessment for Rotorua's urban environment in the medium term (2020-2030). It shows that there is a projected total demand for 30,950 future urban dwellings. This includes the existing dwelling demand (including the latent demand) and the projected future demand (including a demand margin). There is a total projected future dwelling estate of 29,550 urban dwellings, including existing and potential future dwellings. This equates to a projected total shortfall of 1,400 dwellings within the medium term.

There are projected shortfalls across most reporting areas, with the exception of the Eastern reporting area, where there is a projected surplus of around 700 dwellings. This is composed of a surplus of 840 detached dwellings and a shortfall of 140 attached dwellings. There are projected shortfalls across most other combinations of dwelling typologies and locations.

The projected shortfall is smaller in the medium term primarily due to the additional infrastructure provision within feasible greenfield areas. In the medium term, RER capacity within the feasible greenfield areas increases by around 2,800 additional dwellings from infrastructure extensions in the Western and Eastern reporting areas.

Limitations of RER within the existing urban area are likely to be contributing to the projected shortfalls in capacity. Constraints in the delivery of smaller dwellings due to minimum site size requirements are likely to reduce RER capacity, contributing to shortfalls. This can be seen through the larger projected shortfalls for attached dwellings, as well as the largest shortfalls within the Central reporting area. Minimum site size requirements are likely to be affecting the commercial feasibility of capacity within this area, where feasibility is likely to increase through greater dwelling yields and increased density. Although the modelling shows there are feasible apartment options within this area, the apartment market is not well established within Rotorua and is therefore considered unlikely to contribute substantially to meeting the shortfall in attached dwellings even in the medium term.

It is important to note however, that this scenario does not allow for any market growth due to the NPS-UD requirement to use current prices in the medium term. If growth were allowed, then more capacity would become feasible (and therefore become RER), but it is unlikely that this would completely eliminate the shortfall.

Table 9.2 – Medium Term Sufficiency of RER Dwelling Capacity - Rotorua Urban Environment

Reporting Area	Future Urban Demand (Incl. Latent Demand & Margin)			Potential Future Urban Dwelling Estate (RER Capacity + Existing Estate) *			Sufficiency (Potential Dwellings)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	5,770	3,320	9,090	4,690	3,060	7,750	- 1,080	- 260	- 1,340
Western	12,750	1,250	14,010	12,700	780	13,490	- 50	- 470	- 520
Eastern	5,060	270	5,330	5,900	130	6,030	840	140	700
Ngongotahā	2,300	220	2,520	2,150	130	2,280	- 150	- 90	- 240
<b>Total Urban Environment</b>	<b>25,880</b>	<b>5,060</b>	<b>30,950</b>	<b>25,440</b>	<b>4,110</b>	<b>29,550</b>	<b>- 440</b>	<b>- 960</b>	<b>- 1,400</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.

\* Based on Greenfield and Maximum Infill or Redevelopment Capacity. Medium Growth Future

### 9.2.3 Long Term Sufficiency

The long term (2020-2050) sufficiency assessment for Rotorua's urban environment is contained in Table 9.3 for the Current Prices Scenario and Table 9.4 for the Market Growth Scenario. There is a projected demand for 34,450 dwellings under both scenarios, although the sufficiency differs due to differences in the projected future dwelling estate.

Under the Current Prices Scenario, there is a projected future dwelling estate of 30,820 dwellings, including existing and future potential (RER) dwellings. When compared to the projected demand, this equates to a shortfall of around 3,630 dwellings.

Similar to the medium term, there is a projected shortfall across nearly all dwelling types and locations. The exception is the Eastern reporting area, where an overall surplus of 470 dwellings is due to a surplus of 830 detached dwellings. The largest shortfall is projected to occur within the Central reporting area (-2,370 dwellings) where the largest shortfall occurs in detached dwellings. The next largest shortfall (-1,310 dwellings) is projected to occur within the Western reporting area, meaning that the shortfalls are centred around Rotorua's central suburban areas.

Table 9.3 – Long Term Sufficiency of RER Dwelling Capacity - Rotorua Urban Environment: Current Prices Scenario

Reporting Area	Future Urban Demand (Incl. Latent Demand & Margin)			Potential Future Urban Dwelling Estate (RER Capacity + Existing Estate) *			Sufficiency (Potential Dwellings)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	6,430	4,070	10,500	4,700	3,430	8,130	- 1,740	- 630	- 2,370
Western	13,150	1,760	14,910	12,820	780	13,600	- 340	- 970	- 1,310
Eastern	5,670	490	6,160	6,500	130	6,630	830	360	470
Ngongotahā	2,550	330	2,880	2,330	130	2,460	- 220	- 200	- 420
<b>Total Urban Environment</b>	<b>27,800</b>	<b>6,650</b>	<b>34,450</b>	<b>26,340</b>	<b>4,480</b>	<b>30,820</b>	<b>- 1,460</b>	<b>- 2,170</b>	<b>- 3,630</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.

\* Based on Greenfield and Maximum Infill or Redevelopment Capacity. Medium Growth Future. Current Prices Scenario.

The long term projected shortfall decreases to only 320 dwellings within the Market Growth Scenario. This is mainly due to the increased feasibility of development within the existing urban area, with some increases in feasible, infrastructure served capacity within greenfield areas.

Under the Market Growth Scenario, the Central reporting area is the only area with a sizeable total projected shortfall (-1,620 dwellings). The feasibility of detached dwellings within the Central area is the main contributor to this shortfall. The overall shortfall is smaller than the Current Prices Scenario due to the reduction in the attached dwellings shortfall (and returning a minor surplus). This occurs through the market growth increasing the feasibility and therefore gradual growth in the uptake of higher density apartment dwellings.

The RER capacity in the long term has around 850-1,500 apartments within the Central reporting area. This is at the upper end of the range which is considered likely to be reasonable as the apartment market would require a reasonably large market shift for demand to be accommodated in this way. Although Rotorua has a long term demand for more attached dwellings, these are much more likely to be in lower density forms, such as duplexes or terraced housing. The upper end of this RER range (under the Market Growth Scenario) at 1,500 RER apartments, relies on a market shift within the attached dwelling demand towards apartments.

While all other reporting areas (excluding Central) have no sizeable shortfalls in total, all of these other areas have projected shortfalls in attached dwellings.

Table 9.4 – Long Term Sufficiency of RER Dwelling Capacity - Rotorua Urban Environment: Market Growth Scenario

Reporting Area	Future Urban Demand (Incl. Latent Demand & Margin)			Potential Future Urban Dwelling Estate (RER Capacity + Existing Estate) *			Sufficiency (Potential Dwellings)		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Central	6,430	4,070	10,500	4,770	4,110	8,880	- 1,660	40	- 1,620
Western	13,150	1,760	14,910	14,140	780	14,930	990	- 970	20
Eastern	5,670	490	6,160	7,340	130	7,480	1,670	- 360	1,320
Ngongotahā	2,550	330	2,880	2,710	130	2,840	160	- 200	40
<b>Total Urban Environment</b>	<b>27,800</b>	<b>6,650</b>	<b>34,450</b>	<b>28,970</b>	<b>5,160</b>	<b>34,130</b>	<b>1,160</b>	<b>- 1,490</b>	<b>320</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.

\* Based on Greenfield and Maximum Infill or Redevelopment Capacity. Medium Growth Future. Market Growth Scenario.

- The assessment has found that there are several factors that are likely to be contributing to the long term projected shortfalls. These include:
- Planning restrictions in relation to the Residential 1 zone that require full sites with a single dwelling at 450m<sup>2</sup>. This reduces both plan enabled and feasible capacity (particularly within the Central reporting area) as it is less feasible to develop relatively large sites with only one dwelling. It reduces the ability of the market to deliver a greater number of smaller (attached) dwellings on smaller sites.
- The provision of greenfield land. A large proportion of the additional greenfield land that is identified within the long term is on leasehold land (which is in the Eastern reporting area), which is not projected to be commercially feasible.

- The extension of infrastructure networks within feasible greenfield areas. Some of the greenfield land in Ngongotahā is feasible under the Market Growth Scenario but does not have infrastructure supply identified in the Infrastructure Strategy. Although there is only a small shortfall in Ngongotahā, additional supply in this area may be able to meet some of the shortfall occurring within other areas.

## 9.2.4 Summary of Sufficiency within the Urban Environment

The sufficiency of capacity is summarised by location in Rotorua's urban environment across the short, medium, and long term in Table 9.5, and displayed graphically in Figure 9.1 for the total urban environment. As well as showing the sufficiency of RER capacity (which is constrained by infrastructure limits), the table also shows the sufficiency assessment using plan enabled and commercially feasible capacity (without infrastructure constraints). This is important because it shows the level of zoned and/or feasible development opportunity available to the market in the absence of infrastructure constraints, which is a core aspect of understanding whether there is sufficient zoned development capacity.

Table 9.5 – Summary of Sufficiency – Plan Enabled, Commercially Feasible and RER Capacity by Urban Reporting Area

Reporting Area	Short Term Sufficiency			Medium Term Sufficiency			Long Term Sufficiency (Current Prices Scenario)			Long Term Sufficiency (Market Growth Scenario)		
	Plan Enabled	Commercially Feasible	RER	Plan Enabled	Commercially Feasible	RER	Plan Enabled	Commercially Feasible	RER	Plan Enabled	Commercially Feasible	RER
Central	9,070	1,460	700	8,190	580	1,340	8,190	770	2,370	8,190	6,980	1,620
Western	4,800	790	940	3,780	230	520	2,940	1,040	1,310	2,940	640	20
Eastern	5,010	1,390	260	4,480	860	700	5,910	530	470	5,910	1,500	1,320
Ngongotahā	1,270	90	-	1,010	170	240	2,990	560	420	2,990	2,040	40
<b>Total Urban Environment</b>	<b>20,150</b>	<b>3,720</b>	<b>1,890</b>	<b>17,470</b>	<b>1,030</b>	<b>1,400</b>	<b>20,030</b>	<b>720</b>	<b>3,630</b>	<b>20,030</b>	<b>11,160</b>	<b>320</b>

Source: M.E 2021 Rotorua Dwelling Projection Model and M.E Rotorua Capacity Model 2021. Figures rounded to nearest 10.  
Capacity based on Greenfield and Maximum Infill or Redevelopment Capacity, Medium Growth Future.

The sufficiency assessment has shown that there are projected shortfalls in RER capacity across all three time periods. These are largest in the short term and in the long term under the Current Prices Scenario. However, the projected shortfall decreases to only 320 dwellings in the long term under the Market Growth Scenario.

The largest shortfalls are projected to occur across Rotorua's main central areas of the Central and Western reporting areas. The Western reporting area shortfalls are projected to resolve in the long term under the Market Growth Scenario as greater amounts of the plan enabled capacity within the existing urban area is projected to become feasible and therefore available to RER capacity.

The shortfalls in RER in Rotorua are due to a combination of the provision of greenfield land (with infrastructure constraints in the short term), as well as the ability of the existing urban area to accommodate the remaining required level of growth. The latter is largely due to planning restrictions in the minimum site size requirements, with limited ability (i.e., only within the Residential 2 Zone, which covers a small area) to deliver attached dwellings at a lower density than apartments (i.e., duplexes or terraced housing). This is a constraint as there is market demand for this already. It is also likely to adversely affect housing affordability. Currently, the capacity relies on quite a large uptake of apartment dwellings within Rotorua, which is less likely as this market is not well established.

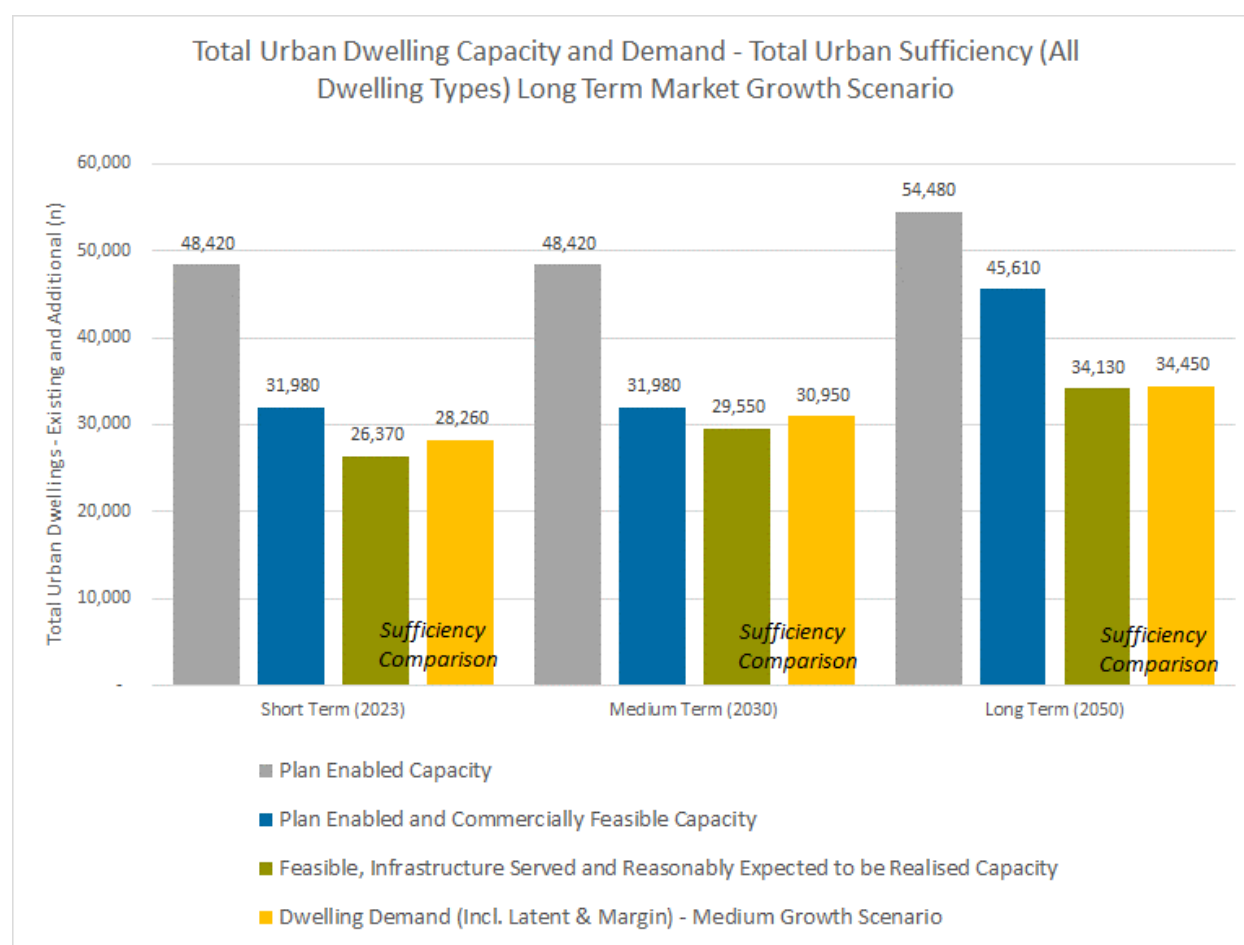


The middle column within each time period in Table 9.5 shows that many of the projected shortfalls do not occur if demand is instead compared to the commercially feasible capacity. This shows that there are feasible development opportunities beyond the RER capacity. However, a significant share of this capacity, particularly within the short term and in Ngongotahā in the long term, occurs in feasible greenfield areas that do not have modelled infrastructure extensions within the time period.

The infrastructure assessment has shown that infrastructure is not likely to be a constraint at the catchment level. It is only a constraint in relation to the timing of geographical extensions to greenfield areas which may be something that Council can resolve. This is particularly the case in the short term.

A significant share of the commercially feasible capacity within the Central reporting area is also within apartments. This market is not well established within Rotorua and is therefore unlikely to represent significant RER capacity development options. This assumption will need to be monitored over time in case the market shifts faster than estimated.

Figure 9.1 - Summary of Sufficiency – Full Capacity Assessment vs Demand (Includes Existing Estate) – Total Urban Environment



To test the effect of this, the modelling considered what would be required within the existing urban environment to accommodate the required growth (medium + latent demand + margin) for there to be no shortfall. In the absence of additional greenfield land supply or relaxation of minimum site size



requirements, this would require a very high level of apartment uptake, which is currently considered unrealistic in that time period. For example, if it were assumed that 75%-100% of feasible detached dwellings were taken up (also an unrealistic assumption), then it would require 1,500 to 1,800 apartments in the short term, 1,400 to 1,700 apartments in the medium term, and 900 to 2,400 apartments in the long term.



# 10 Impact of Planning and Infrastructure

This section builds on the analyses of housing demand and feasibility and sufficiency of capacity to provide the assessment of how RLC's planning decisions and provision of infrastructure is likely to affect the affordability and competitiveness of the local housing market, as required in clause 3.23 of the NPS-UD. Underpinning this section is a discussion of the concept of 'competitive land markets' which is central to the NPS-UD's focus on housing affordability. It then considers how Council's planning decisions and provision of infrastructure may impact on housing affordability in the future and competitiveness of the housing market.

That assessment takes account of the current situation with regard to the patterns of Rotorua growth and the evolution of the land and development market over the last two decades. Understanding the key influences evident in Rotorua over that period is important to distinguish between the effects of planning and infrastructure provision by Council and the effects of other influences on housing affordability and development.

## 10.1 Approach to s3.23


Clause 3.23 is a core requirement of the NPS-UD. It requires councils to analyse “..how ... *planning decisions and provision of infrastructure affects the affordability and competitiveness of the local housing market.*” This analysis “..must be informed by .. *market indicators, including .. housing affordability, housing demand, and housing supply; and information about household incomes, housing prices, and rents; and price efficiency indicators.*”

*Prima facie*, this is a demanding economic analysis, especially at the local authority level. A key issue is that affordability and competitiveness are influenced by many factors, local and national, which are outside the ambit of council planning decisions and infrastructure. Separating the role of different factors in the past has been extremely difficult at the national level, let alone the district council level.

The assessment for this HBA is necessarily forward looking – while planning decisions and the provision of infrastructure have affected market conditions in the past, none of that can be changed now. At issue is how, from the current situation and moving forward, planning decisions and infrastructure can be expected to influence affordability into the future.

To minimise the complexity arising from a need to examine the long term outlook for key aspects of the national economy and each regional economy, the focus here is on housing affordability and competitiveness and the influence of planning decisions and infrastructure – but it is only on those matters. Ideally, all the other key influences on affordability and competitiveness would be held constant, to be able to address the question:

*“What is the likely effect on affordability and competitiveness of planning and infrastructure decisions in and of themselves.”*



Otherwise, the impacts of planning and infrastructure will inevitably become conflated, as other core influences including interest rates, availability of finance, investment from overseas, migration, labour supply, materials costs, central government regulations and so on will inevitably have significant influence on housing prices.

Much of the analysis required for clause 3.23 is therefore addressed in the assessment of sufficiency of capacity (refer Section 10). As identified in the Randerson Review<sup>90</sup>, the main impact of planning is through ‘regulatory stringency’ if the supply of housing to meet market demands is constrained by planning provisions. The most common paths are first, where there has not been sufficient land area provided for in appropriate locations and at appropriate times – predominantly through not zoning enough infrastructure ready land in suitable locations in time for its release and development to provide enough opportunity for the construction sector to produce housing capacity in time to meet demands – and second, where zoning provisions for the land are not sufficiently encompassing to enable the range of dwelling typologies and sizes which the housing market demands.

*If* the assessment of sufficiency does show that there is or will be sufficient capacity for housing growth, including the provision for additional land for the competitiveness margins, then *a priori* it is to be expected that the key planning decisions – provision for sufficient land area serviced by infrastructure, and provision for a range of dwelling typologies and size – will have a largely neutral or net positive impact on housing affordability and competitiveness of the land market.


In this regard, one key indicator of the potential effect of planning on affordability is the level of price increase which is required for there to be sufficient feasible and reasonably expected to be realised capacity to meet future housing needs. In conditions where there is sufficient land area provided for, and sufficient range of dwelling typology and size enabled in the Plan (including the LTP, Infrastructure Strategy and long term urban growth strategies), then such future price increase would indicate the maximum or upper limit of the effect of planning and infrastructure by itself on future affordability. This approach is appropriate to help ensure that planning decisions and infrastructure do not materially reduce housing affordability and market competitiveness.

There is also potential for planning decisions and infrastructure to have a positive impact on affordability. This is predominantly where the Plan provides for dwellings which are relatively land-efficient, including smaller site sizes or land area per dwelling, leading to potentially lower land values per dwelling, and where dwelling sizes may be smaller and less costly than the average in the current market.

That said, it is important also to not expect that planning decisions and provision of infrastructure will necessarily bring material improvement to the established housing affordability and competitiveness conditions in Rotorua. That is because the current affordability conditions have arisen from a range of influences, including national and international economic conditions and trends, which are likely to have had significantly greater impact on housing prices than have planning decisions and infrastructure. While there is some literature which advances the view that planning and regulation have been a principal or even *the* principal cause of the growth in housing prices world-wide, and in New Zealand, there is also substantial research to show the effects of planning have been much less than has been promoted – including in studies relating to the development of the NPS- UDC.

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<sup>90</sup> <https://environment.govt.nz/publications/new-directions-for-resource-management-in-new-zealand/>



Consequently, there is not a requirement to demonstrate that RLC planning decisions and infrastructure provision will **by themselves** have sufficient influence to offset those accumulated effects.

The appropriate focus is to ensure that planning decisions and infrastructure provision going forward are unlikely to have negative impacts on affordability and competitiveness.

An important aspect is to examine the concept of the Competitive land Market (“CLM”), or as it is being referred to in relation to Resource Management reforms, the Competitive Urban Land Market (“CULM”), and to consider how planning decisions may have impact on this. That consideration is to help identify a suitable evaluation framework (Section 10.2.3), to show whether negative impacts on affordability and competitiveness are likely. These matters are considered further also in the supporting Technical Report.

## 10.2 Competitive Land and Development Markets (CULM)

### 10.2.1 NPS-UD Provisions

A fundamental part of the NPS-UD is to support and contribute to “*competitive land and development markets*”. That is set out at objective and policy level, and is referenced in various clauses:

***Objective 2:** Planning decisions improve housing affordability by supporting competitive land and development markets.*

***Policy 1:** Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:*

*d. support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets;*


These aspects underpin the requirements set out in **clause 3.23 Analysis of housing market and impact of planning**, under which:

*1. Every HBA must include analysis of how the relevant local authority’s planning decisions and provision of infrastructure affects the affordability and competitiveness of the local housing market.*

*3. The analysis must be informed by:*

- a. market indicators, including:*
  - i. indicators of housing affordability, housing demand, and housing supply; and*
  - ii. information about household incomes, housing prices, and rents; and*
- b. price efficiency indicators.*

Objective 2 sits at the highest level and has two main elements – the expectation that planning decisions can contribute to improving the affordability of housing, and the related expectation that this will be through supporting land and development markets to be “competitive”. The NPS-UD wording appears to



imply that the main apparent route through which planning decisions may improve housing affordability is by supporting<sup>91</sup> markets to be competitive.

However, as noted there are many influences on housing affordability, which include but are not limited to competition within the market.

### 10.2.2 Defining a Competitive Urban Land Market (CULM)

The NPS-UD itself does not contain a definition of competitive land markets, nor is there definition in the documents which support the NPS. However, the review of the Resource Management Act (the Randerson Review) does offer a useful definition, as follows:

#### *Defining a competitive urban land market*

*126. Competitive land markets should not be thought of as a laissez-faire regulatory approach to urban areas. In our view, a competitive urban land market is a well-planned and well-regulated built environment:*

- *by ‘competitive’, we mean there is ample supply of alternative opportunities for development with the result that the price of land is not artificially inflated through scarcity*
- *by ‘well-planned’ we mean that infrastructure and land use provision is aligned and timely provision of infrastructure avoids unnecessary costs*
- *by ‘well-regulated’ we mean that the positive and negative external effects of land and resource use are considered in decision-making, and the costs of regulation are minimised and commensurate with the benefits. Positive effects include economies of agglomeration\*, and the benefits of proximity and access to urban amenities. Negative effects include pollution and effects from industry, effects of development on heritage and character features, traffic congestion, and infrastructure costs (where they are not covered by development or user charges).*

*\*This concept of agglomeration relates to the productivity gains of economies of scale, clustering and network effects.*


We have examined carefully the definition in the Randerson review, and we consider that it offers a sound basis for this HBA. That definition is adopted here for the assessment.

That Review acknowledges generally how urban economies function, and how council planning may affect competition within the market, and that this is appropriate where the benefits of doing so are articulated and exceed the costs. Of particular note, it acknowledges that competition within markets is an important aspect, but it does not seek to place reliance for urban planning on the operation of competitive markets alone<sup>92</sup>.

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<sup>91</sup> The term supporting is not defined, although it presumably equates with ‘contributing positively to’, or ‘having a positive effect on’.

<sup>92</sup> The Randerson Review acknowledges there are some key challenges for the NPS-UD around competitive markets, noting (para 134) that it “...addresses these issues to some extent. In our view, this work should be further developed and refined through national direction under our proposed Natural and Built Environments Act.” (p354)



Importantly, it offers a straightforward definition of the term competitive - “by ‘competitive’, we mean there is ample supply of alternative opportunities for development with the result that the price of land is not artificially inflated through scarcity.” That indicates the key condition to be met – “..ample supply of alternative opportunities for development..” – and the key effect to be avoided – “..the price of land is not artificially inflated through scarcity.”

The Review also offers guidance on how councils’ planning and infrastructure are most likely to have direct effect on housing and land prices, which it identifies as “regulatory stringency”.

*“Data and analysis of land prices can be used to measure the extent to which local regulations impact the type of development that is occurring. This is sometimes referred to in urban economics as regulatory stringency.”<sup>93</sup>*

While somewhat simplified, since it can be difficult to separate out the effects of regulatory stringency from other effects on supply and development, that approach offers a useful and practical basis for meeting the requirements of clause 3.23. It allows focus on the extent to which regulations affect the type and scale of housing development, and land prices are seen as an indication of this. And it helps place attention on local (district level) conditions within the control (or potential influence) of the Council in the first instance.

Importantly, the definition in the Randerson Review is consistent with the Cabinet Minute on Objectives for the housing market<sup>94</sup> which confirm the government’s overarching objectives for the housing market include to:

*“4.3 Create a housing and urban land market that credibly responds to population growth and changing house preferences, that is competitive and affordable for renters, and homeowners, and is well planned and well-regulated.”*

These documents impose a more nuanced view of competitive land markets than has been evident in earlier reports such as the *Signals of Under Capacity* report which was very influential in the evolution of the NPS-UDC and indicated a closer adherence to perfectly competitive markets.

A key feature of the definitions in both the Randerson Review and the Cabinet Minute is the expectation of well-planned and well-regulated markets, within which the competitive aspects of land markets would function.

### 10.2.3 Framework for Assessing Competitive Markets


Drawing from the above guidance, we may identify the two main arms of the CULM requirement:

1. first, that there is “..ample supply of alternative opportunities for development..”; and
2. second, that “..the price of land is not artificially inflated through scarcity.”

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<sup>93</sup> Randerson Report, para 130, p353.

<sup>94</sup> CAB-21-MIN-0045



The first arm is informed by the assessment of sufficiency, to show whether there is adequate feasible capacity for future growth with the substantial margins which are built in as the Competitiveness Margin (which increases the estimated demand) and the RER concept (which reduced the estimated supply).

The second arm can be informed by both sufficiency and the degree of choice in the market. If the assessment shows there is sufficient capacity, and it further demonstrates that the sufficient capacity includes a range of choices as to location and to dwelling type and to dwelling value, then it may be concluded that the price of land is unlikely to be *"artificially inflated through scarcity"* which can be attributed to planning decisions or infrastructure. In this, it is important to consider the effects of the Competitiveness Margin which builds in a 2-year margin in the medium term (20% of 10 years) and a 3 year margin in the long term (15% of the final 20 year period); and the RER filter which in most instances adds a buffer of at least those margins again. Taking account of the time lag between identifying land for urbanisation, and having it serviced and development ready, demonstration of sufficiency is taken here to show that the price of land will not be *"..artificially inflated through scarcity."*

We note that there are potentially other conditions which may contribute to scarcity which lie outside matters which Council can influence – for example, constraints in construction capacity or labour, or landowners' or developers' decisions on land release.

It is also important to note that competitive conditions vary through time, as the urban economy develops, and some opportunities become fully taken up and others emerge (especially more land for development). At the same time, the level of active demand also varies through time as new households arrive as incremental growth, their demands for housing arising and being met progressively. Moreover, the housing market includes existing and new dwellings, with already resident households and new arrivals having choice across both aspects.

On that basis, the assessment here is informed primarily by those two arms identified in the Randerson definition.

## 10.3 Impact of Planning and Infrastructure on Future Housing Affordability

In this section, the assessment draws together the analysis set out in previous sections covering the current and projected values of residential properties and dwelling tenure patterns, and dwelling feasibility, and adds in the other major influence on housing affordability – the possible future trends in household incomes. In combination, these aspects will influence households' ability to be dwelling owners in the short, medium, and long term in Rotorua. This provides insight on the sufficiency of RER capacity by price band to meet the demand of resident non-owner households in the short, medium, and long term and helps determine the impact of council planning and infrastructure on housing affordability as required in clause 3.23 of the NPS-UD.

### 10.3.1 Approach

As identified in Section 4, Rotorua's expected future dwelling estate is estimated from the current estate, and the estimated additional dwellings required to accommodate the net increase in households in the



district. It also takes account of the apparent existing shortfall in dwelling supply, estimated at 1,500 dwellings for this assessment. The focus is on the number of dwellings likely to be developed in each value band, as a key indicator of the opportunity for non-owner households to become owner households.

Estimating the affordability of housing is relatively straightforward as a calculation, in terms of the using information on what households can afford to pay to compile deposits and meet mortgage commitments. From that, it is not difficult to calculate the price/value of dwelling which a non-owner household in each income band can afford to purchase – assuming that these households have access to finance. This method is relatively robust, in that it reflects very closely the process which most households go through to secure finance from a bank or other financial institution in order to purchase a dwelling. That process is replicated all over the country each year as households purchase their first dwelling or seek to purchase a higher value dwelling. The financing perspective focuses on the debt-to-income ratio (rather than the dwelling price to income ratio) and the lender's comfort as to the security of the income streams on which the households rely.

The more challenging aspects of this assessment relate to the key assumptions which must be made to inform the modelling, particularly the likely rate of increase (or decrease) in household incomes over time, as well as the future changes in the values of dwellings in the existing estate, and the new dwellings whose prices/values are subject to trends in land value and construction costs.

## Household Incomes

A key influence on future affordability is the likely real growth in household income levels. This presents some challenge, because household incomes are not influenced strongly by council planning or the provision of infrastructure. However, it is important to allow for some change in household incomes because the strongest influence on affordability arises from the combined effects of housing price levels and income levels. Simply, where household incomes rise faster than housing prices, then affordability improves. Where incomes lag behind housing price rises, then affordability declines. Moreover, planning decisions affect mainly the prices of new housing since the direct path is through providing for sufficient land and the plan provisions which affect the cost of the housing itself.

The base position for the assessment is that Rotorua household incomes will change in line with anticipated real growth at the national level, and with the regional effect identified from SNZ time series. Over the period since 2000, incomes in the Bay of Plenty region have increased by 2.2% per annum in real terms, which is faster than the New Zealand pattern (1.6% per annum).

The latest Treasury HYEUFU<sup>95</sup> (June 2021) indicates an increase in real consumption per capita of 1.5% per annum in the period to 2025. Allowing for longer term income growth of that order of magnitude at the national level, the base case projection for the affordability assessment is for income growth of 1.8% per annum compounding.

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<sup>95</sup> Half Year Economics and Fiscal Update.



## Housing Costs

The projected increase in the cost of new dwellings is based on feasibility analysis and sufficiency assessment, according to the increase in prices needed for enough development to be feasible, and expected to be realised, to meet housing demand into the long term.

However, the assessment above (Section 9) shows that there is unlikely to be sufficient feasible capacity in Rotorua's urban environment. This is because there is not sufficient RER capacity provided for. While new dwelling development is commercially feasible at current cost levels and current prices, the assessment shows there is unlikely to be enough capacity for dwellings (of appropriate types) to meet growth in housing demand, including to offset the current shortfall in dwelling supply.

Part of the issue is an anticipated shortfall in infrastructure capacity to enable sufficient additional dwellings. Another important aspect is the provisions in the Plan which currently limit the opportunity to develop more than one dwelling on a lot, when there is likely to be substantial demand for duplex and terrace house style dwellings going forward.

There is clear evidence of growth in housing prices in the last 2-3 years especially, with population and household growth estimates indicating a clear shortfall between demand for housing (in terms of dwelling numbers) and the numbers of new dwellings being consented.

On that basis, planning provisions and infrastructure are shown to have placed upward pressure on housing prices, including through land prices for new dwellings. We have not sought to model the relationship, including because the recent price growth has occurred over a relatively short time period, and has coincided with price increases throughout New Zealand – with consequent difficulty in distinguishing local impacts from national effects.

### 10.3.2 Implications for Affordability

This circumstance where only a portion of additional RER capacity is feasible without price increase, indicates that planning and the provision of infrastructure is likely to have a negative impact on housing affordability in Rotorua, until there is sufficient capacity to mean there is no supply capacity constraint impacting on housing prices.

This means that on the basis of planning and infrastructure alone, housing affordability may be expected to decline in Rotorua. This is because housing land and other costs are likely to be pushed up by supply constraints, even though household incomes are expected to continue to grow in line with income trends at the national level, and the increasing size of the Rotorua, including any associated increase in employment opportunities.

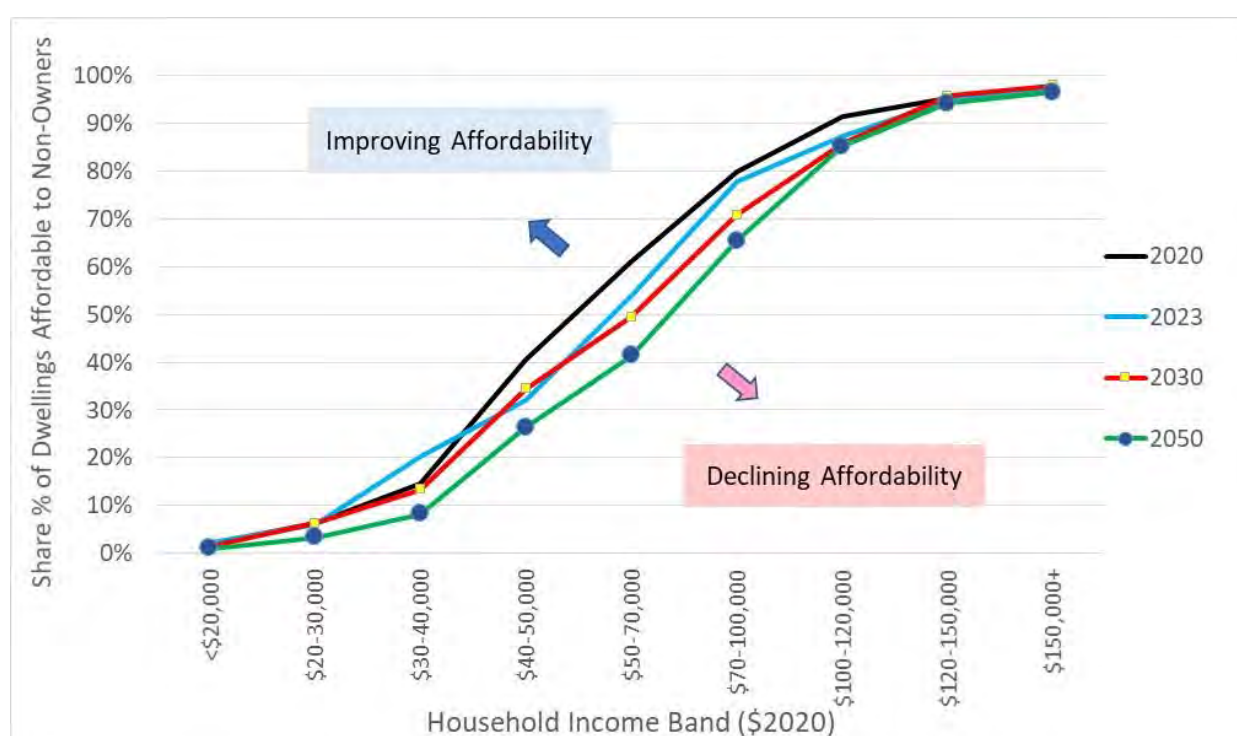
Over time, without planning and infrastructure response, housing affordability in Rotorua would decline. This is portrayed in Figure 10.1, where the affordability curve is shown to move progressively to the right, indicating reducing affordability, as household income growth does not keep pace with housing costs.

Table 10.1 shows the indicated shortfall in housing by dwelling value band into the short, medium, and long terms for the total district. In the table, a shortfall is indicated where the number of non-owner resident households who could afford to own a dwelling in that value band is greater than the number of dwellings expected in the same value band. For example, there are an estimated 770 households who would be able

to afford (if they were non-owners) a dwelling in the \$0-99,000 value band, if there were sufficient dwellings in 2020 (but there are not). In the higher value bands, the model indicates there are more dwellings in Rotorua than the resident non-owner population demands and could pay for.

Note that the analysis is based on projected dwelling numbers in each period. These do not include a margin of additional dwellings. The Competitiveness Margin applies an additional 20% and 15% to projected demand for housing, and this is translated to feasible capacity and RER on the basis that land would be available for the extra dwellings, and if there was demand then the dwellings could be feasibly built.

Figure 10.1 – Total District Resident Housing Affordability Trends 2020-2050 – Medium Growth Future - Planning and Infrastructure Cost Only



*Note: The above graph only includes planning and infrastructure cost and doesn't allow for other variables including growth in the economy, costs of labour and construction materials, migration, investment from overseas, consumer confidence, and availability of finance which also affect housing prices (refer Figure 10.2 and discussed below).*

However, the comparison here examines projected demand for housing on the basis that each additional resident household would demand one dwelling. While the Competitiveness Margin is assumed to be in place as potentially available land to help keep down the price of housing, the demand projections assume that the projected increase in households is the actual increase, and it is not assumed that additional dwellings would be constructed for the notional 15% or 20% additional households.

The value bands which show a shortfall do not indicate that households are homeless. Rather, it shows that for the Rotorua dwelling estate, those households for which there are not sufficient dwellings that they could afford are (predominantly) in private rental accommodation (or social/public housing). A significant number of households are non-owners, primarily in rental accommodation (around 10,700 households

currently, 37% of total district resident houses) and a moderate number of dwellings owned by absentee owners (as holiday dwellings or short term accommodation).

Table 10.1 indicates that there are current shortfalls of dwellings in price bands less than \$400,000 to meet the demands of non-owner resident households. This equates to a gross shortfall of 3,550 dwellings in those price bands relative to a gross surplus of 2,060 dwellings in price bands greater than or equal to \$400,000. This indicates a net deficit of approximately 1,500 dwellings, which corresponds to the current shortfall estimated by MHUD adopted for this HBA. The net shortfall is similar into the long term, on the basis that the current indicated shortfall remains. Note that this analysis focuses on shifts in affordability and does not take account of estimated shortfall in supply due to capacity constraints.

**Table 10.1 – Indicated Total District Resident Housing Shortfall by Value Band – Planning and Infrastructure Cost Only**

Dwelling Value Band (\$'000)	2020	2023	2030	2050
\$0-99	- 1,530	- 2,660	- 2,800	- 2,790
\$100-199	- 1,610	- 1,190	- 1,150	- 2,880
\$200-299	- 300	- 620	- 440	- 1,020
\$300-399	- 110	- 160	- 240	- 650
\$400-499	10	10	- 50	- 480
\$500-599	30	30	40	- 250
\$600-699	560	900	80	- 130
\$700-799	480	630	230	100
\$800-899	320	580	890	970
\$900-999	190	390	690	760
\$1000-1099	130	190	510	890
\$1100-1199	100	100	200	960
\$1200-1299	60	70	90	780
\$1300-1399	50	80	100	770
\$1400-1499	50	50	50	240
\$1500-1599	30	40	50	260
\$1600-1699	10	40	60	110
\$1700-1799	10	30	30	50
\$1800-1899	10	10	40	80
\$1900-1999	10	10	30	80
\$2000-2199	-	10	20	110
\$2200-2399	10	10	10	40
\$2400+	-	-	10	70
<b>Net Outcome</b>	<b>- 1,480</b>	<b>- 1,430</b>	<b>- 1,520</b>	<b>- 1,510</b>
Shortfall	- 3,550	- 4,630	- 4,680	- 8,200
Surplus	2,060	3,180	3,130	6,270

*Note: Includes 2020 estimated shortfall*

*Source: ME Housing Demand Model 2021*

As noted, the shortfalls relate to dwelling ownership. Most households unable to afford to purchase a dwelling will rent a dwelling to live in (or seek government assistance to do so). The projected numbers show usually resident households in the district, on the basis that all households are in a dwelling, whether as owner-occupiers or tenants (renters). The key implication of the table is that the dwelling shortfall shows progressive change and increases faster than resident population growth over time.

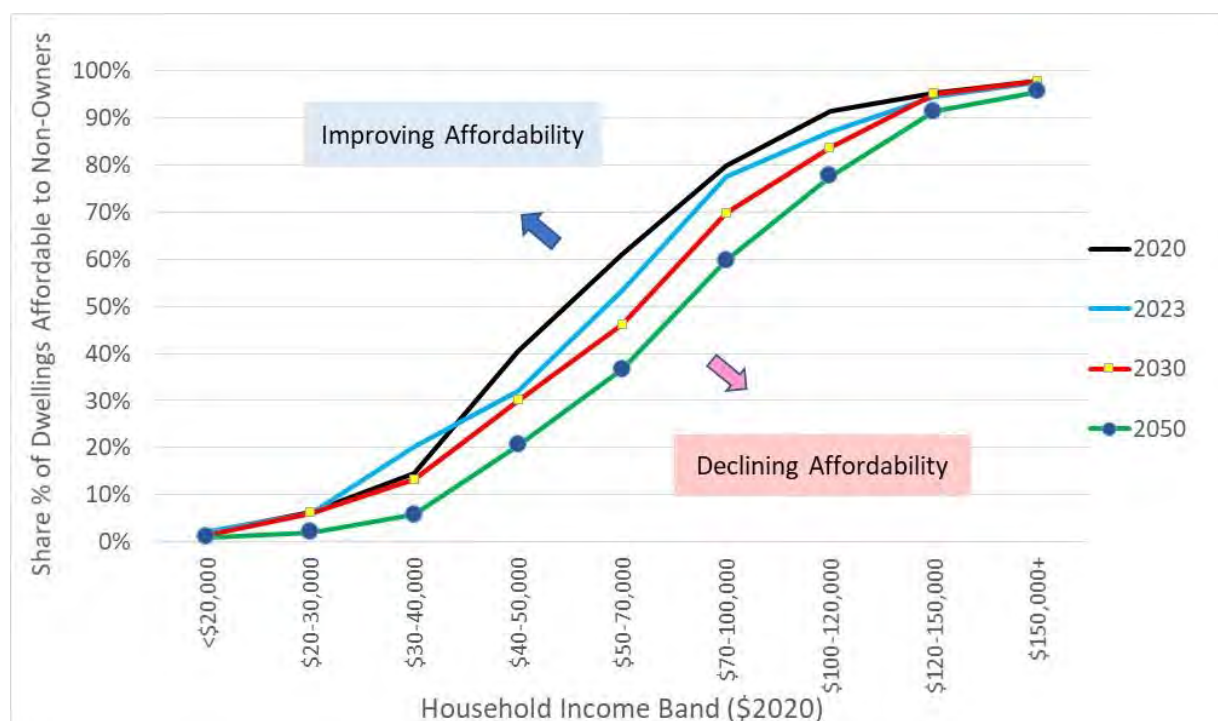
This indicates that with growth in household incomes, and likely upward pressure on prices attributable to planning and infrastructure, that would contribute to a worsening of housing affordability in Rotorua. Note also that the assessment relates to Rotorua District resident households only, it excludes non-resident households.

### 10.3.3 Future Outcome with Housing Price Growth

Nevertheless, it is important to place this indication in perspective. Figure 10.1 and Table 10.1 above show the indicated change where the only two influences on housing affordability are income growth, and the effects of planning and infrastructure (i.e., RER capacity). That is important, as it indicates that the Rotorua plan context is likely to contribute to a decline in affordability.

Moreover, when the other influences on housing prices and affordability are taken into account, the future outcome would likely be somewhat worse. Over time, it is to be expected that Rotorua housing prices *will* continue to increase for a range of other reasons, including from growth in the Rotorua economy, growth in population, growth in employment opportunity, changes in interest rates and the availability of finance, and in rising construction materials costs (something that local stakeholders in the residential development sector have identified). Commonly, urban land values increase at least in line with the growth of the economy.

Figure 10.2 – Total District Resident Housing Affordability Trends 2020-2050 – Allowance for Faster Land Price Growth



Accordingly, over time unless household incomes in Rotorua increase at a faster rate than the price of housing then housing affordability for non-owner households in the district can be expected to decline over the long term. The outcome depicted in Figure 10.2 indicates a future where land prices rise faster in Rotorua as a result of supply constraints, modelled at 3.6% per annum compounding, compared with 2.9%

per annum in the Base Case<sup>96</sup> (a price change faster than the growth in real incomes). This scenario can arise from higher price growth and/or higher demand for housing – both would act to increase the shortfall over time.

The indicated shortfall in affordable housing by dwelling value band over time is shown in Table 10.2 and Figure 10.3 for the total district. The difference from the previous table is clear, as housing prices would grow faster than household incomes, and the indicated shortfall in each value band would increase.

**Table 10.2 – Indicated Total District Resident Housing Shortfall – Allowance for Faster Land Price Growth**

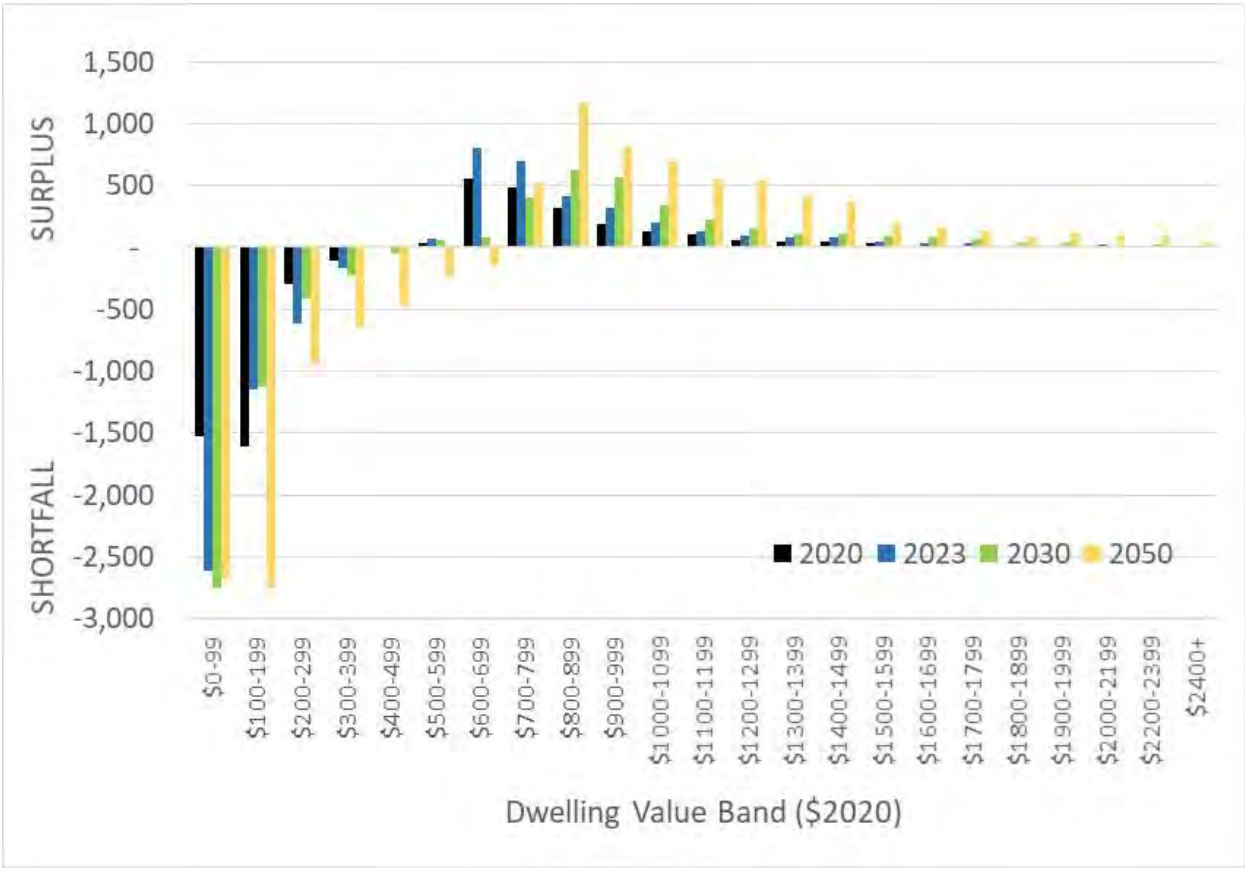
Dwelling Value Band (\$000)	2020	2023	2030	2050
\$0-99	- 1,530	- 2,660	- 2,880	- 3,330
\$100-199	- 1,610	- 1,210	- 1,220	- 3,420
\$200-299	- 300	- 630	- 410	- 1,220
\$300-399	- 110	- 170	- 260	- 840
\$400-499	10	-	- 40	- 590
\$500-599	30	30	20	- 280
\$600-699	560	850	90	- 190
\$700-799	480	610	310	- 90
\$800-899	320	510	650	1,450
\$900-999	190	360	660	1,140
\$1000-1099	130	180	420	870
\$1100-1199	100	130	260	760
\$1200-1299	60	110	190	840
\$1300-1399	50	90	120	530
\$1400-1499	50	60	90	610
\$1500-1599	30	70	110	440
\$1600-1699	10	50	80	350
\$1700-1799	10	30	80	230
\$1800-1899	10	20	60	110
\$1900-1999	10	10	30	180
\$2000-2199	-	20	30	110
\$2200-2399	10	10	10	140
\$2400+	-	-	10	100
<b>Net Outcome</b>	<b>- 1,480</b>	<b>- 1,510</b>	<b>- 1,570</b>	<b>- 1,550</b>
Shortfall	- 3,550	- 4,670	- 4,810	- 9,960
Surplus	2,060	3,140	3,220	7,860

*Note: Includes 2020 estimated shortfall*

*Source: ME Housing Demand Model 2021*

<sup>96</sup> 3.6% is slightly higher than the High scenario in Table 3.10 to account for the compounding effect of a shortfall of capacity in Rotorua.

Figure 10.3 - Indicated Total District Resident Housing Shortfall – Allowance for Faster Land Price Growth



The urban dwelling sufficiency by price band results for resident households in Table 10.2 is further detailed in Figure 10.4 to Figure 10.7 for the current situation and the short, medium and long term respectively.

The graphs relate to the total district and include demand (lines) for resident houses and total dwellings (inclusive of the competitiveness margin). These include the estimated current shortfall, which for assessment we have assumed is weighted heavily (80%) to the under \$400,000 value bands. The bars show the existing dwelling estate (supply) by price band and how this is projected to change over time, together with new dwellings that are RER and assumed to be built to meet district household growth in each period. Any remaining RER (surplus) not required to meet that demand is assumed to be not built. Supply and potential supply are distributed by price band based on recent and expected supply trends, and value changes over time. The graphs show that the price band profile of expected future supply does not necessarily match the price band profile of expected future demand (based on what would be affordable for resident first time buyers). Hence where the indicated capacity bars (built dwellings) are below the 'lines' of demand, that represents a shortfall of dwellings that can be afforded in each time period.

In 2020, the shortfall of dwellings affordable for non-owner resident households is estimated at 3,550 dwellings. These lie within price bands of less than (and including) \$400,000 in current (2020) prices. While there is some RER (feasible and infrastructure ready) capacity in these lower price bands, it has not been delivered by the development market. For those non-owner households that can afford dwellings in higher price bands, there is a surplus of dwellings potentially available in the market (estimated above in Table 10.2 at around 2,060 dwellings over and above demand) (Figure 10.4).

Figure 10.4 – Current (2020) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District

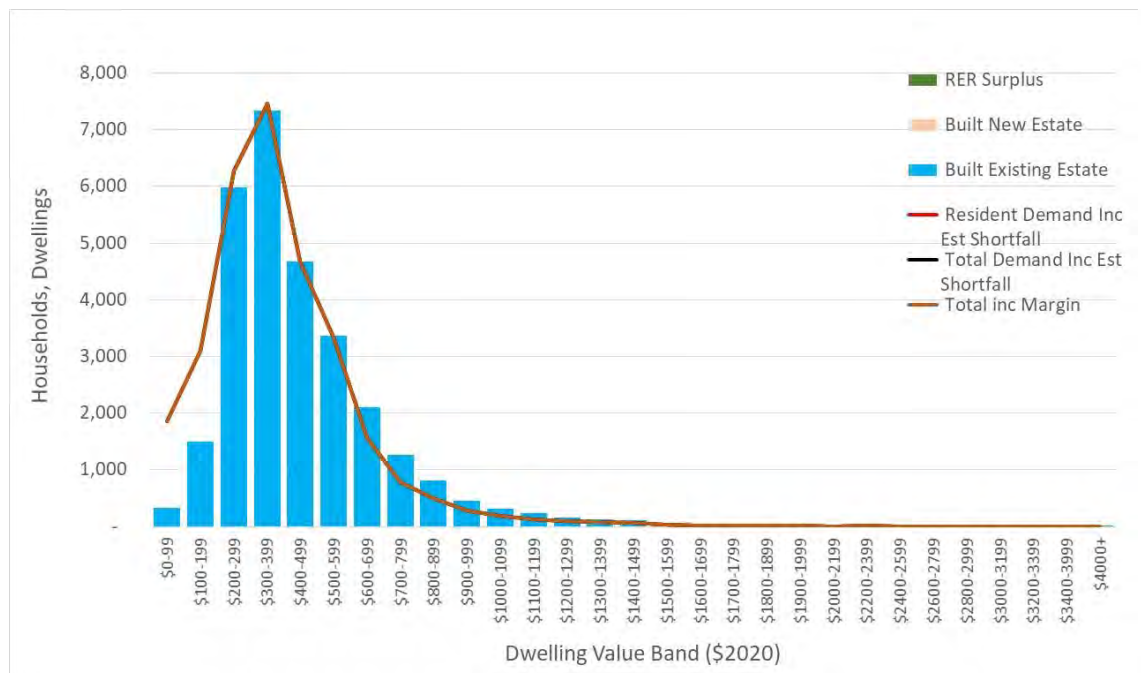
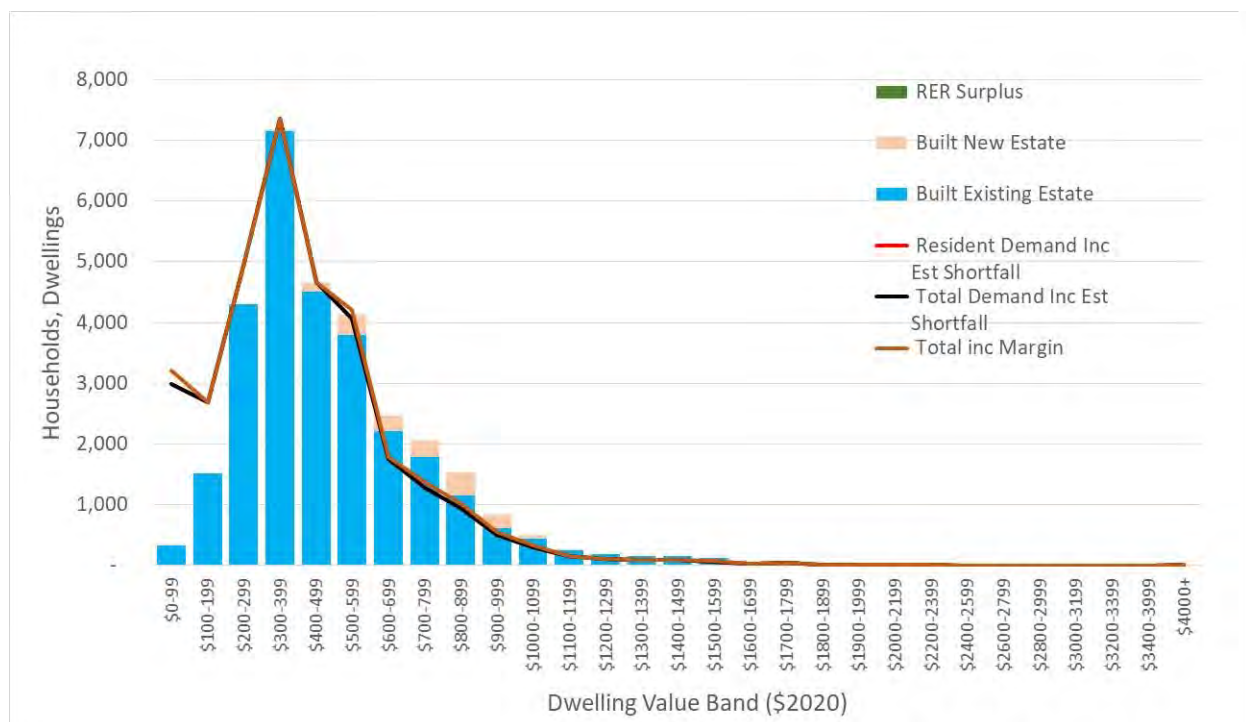


Figure 10.5 – Short Term (2023) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District, Allowance for Faster Land Price Growth

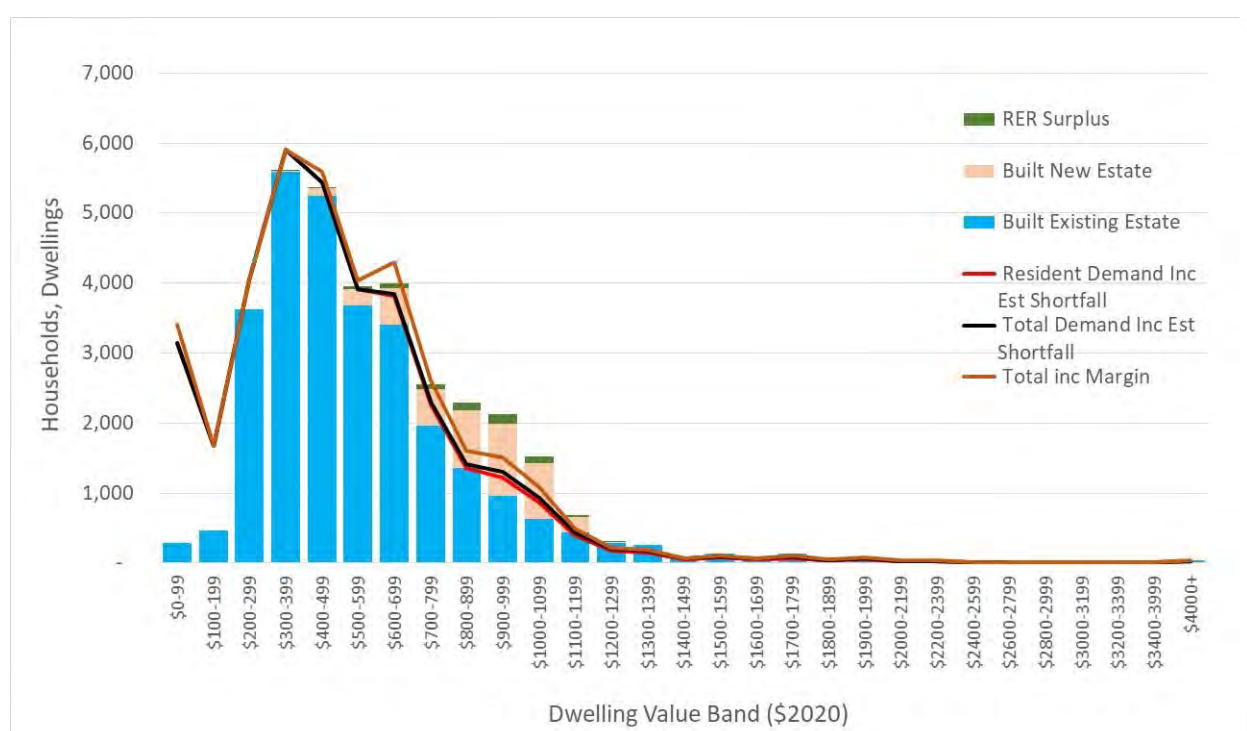


By 2023, the shortfall of affordable dwellings for non-owner resident households increases to 4,670 for dwellings priced up and including \$400,000 (Table 10.2 and Figure 10.5). Again, while there is RER capacity estimated in these price bands, not all of it is expected to be delivered, with some supply instead targeted

at dwellings in higher price bands (i.e., higher than non-owner residents could afford in 2023 but potentially affordable for existing homeowners (not graphed) and for holiday home/investor demand).<sup>97</sup>

In the medium term (to 2030), the shortfall increases to 4,810 also for dwellings, including some priced up to and including \$500,000 (Table 10.2 and Figure 10.6). This is despite a significant share of expected new supply being built in price bands more affordable to non-owner resident households. There is, however, very little RER capacity in the lowest price bands, and the small amount that is not expected to be delivered would not be sufficient to offset the expected shortfall of affordable dwellings in any case.

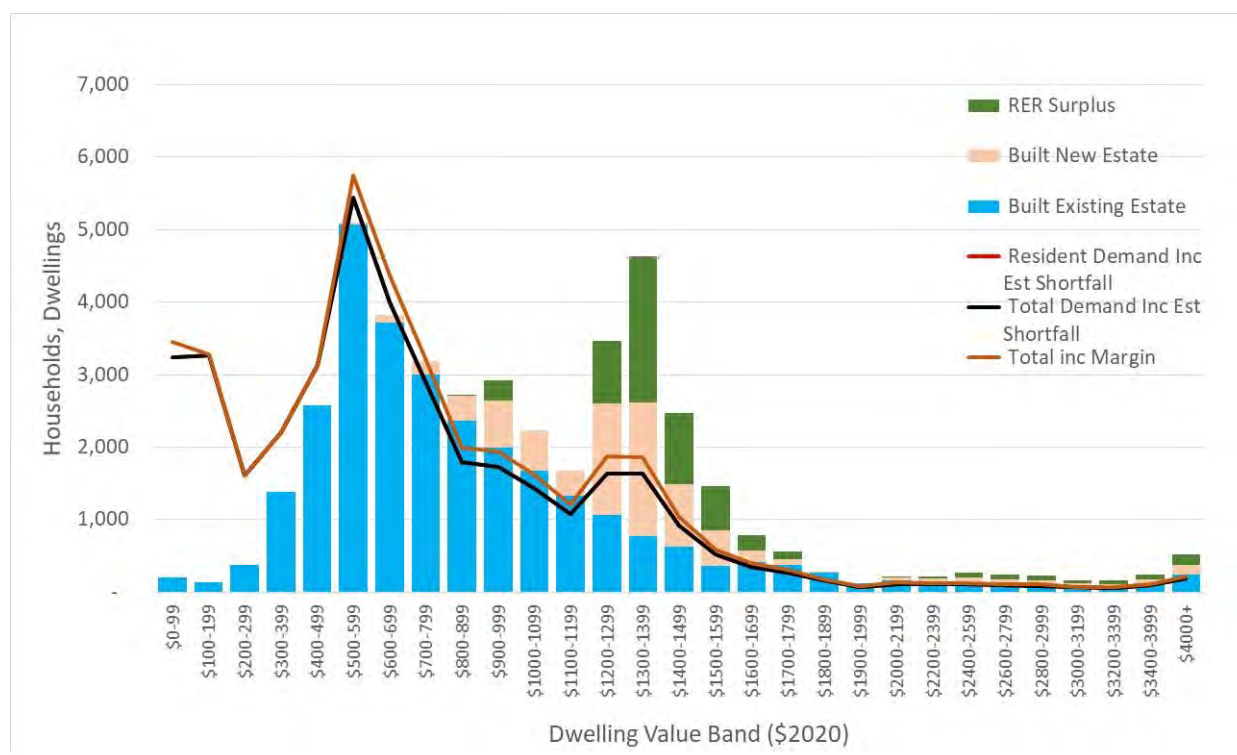
Figure 10.6 – Medium Term (2030) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District - Allowance for Faster Land Price Growth



By 2050, the shortfall is larger (in keeping with growth in demand) and equates to an estimated shortfall of 9,960 dwellings which would be affordable for non-owner resident households. The indicated shortfall is mainly in the lower value bands but includes shortfalls of dwellings priced over \$500,000 (Table 10.2 and Figure 10.7). The most significant shortfalls, as expected, fall into the price bands less than \$400,000. The effect of the increasing value of the existing estate is clear in the long term. Positively, the new estate expected to be built shows higher incidence in price bands more affordable to many non-owner residents, but again, there is insufficient RER in the lowest price bands (even if all was delivered) to cater for projected future demand.

<sup>97</sup> The demand accounts for all district resident and total dwellings, but shows demand based on owning a dwelling, and that cost of owning is based on first home buyers across all income brackets. The graphs therefore represent the maximum / worst case gap between demand and supply and do not represent what is affordable to second home buyers, investors or what is affordable to rent.

Figure 10.7 – Long Term (2050) Shortfall of Dwellings Affordable to Resident Non-Owner Households – Total District - Allowance for Faster Land Price Growth



### 10.3.4 Affordability for Owner Households

It is also relevant to consider housing affordability for owner households. Although the focus of affordability assessment is firmly on non-owners, owner households have a significant role in the housing market, and in the further development of the dwelling estate.

This is because households which do own a dwelling are generally able to afford that dwelling and, in many cases, could afford a higher value dwelling. A key reason is that with housing price rises, the value uplift accrues to the dwelling owner. With price inflation acting to increase their equity, many current dwelling owners are in a position where they could afford to shift to a more valuable dwelling. That includes new dwellings. Since new dwellings are generally more expensive than existing dwellings on a like-for-like basis, upgrades by existing owners are an important driver of new housing. This is supported by the survey of local residential developers, where more respondents ranked 'second home buyers' first as their most common/targeted buyer, and fewer ranking 'first home buyers' as their most comment buyer.<sup>98</sup> One consequence of housing price growth is the greater incentive for developers and builders to add to the estate, at the same time as there is greater ability for existing owners to be able to afford those new dwellings.

<sup>98</sup> Refer Section 9 of the supporting Technical Report for survey findings.



## 10.4 Impact of Planning and Infrastructure on Competitiveness in the Housing Market

In this section, we draw on the analysis above and the framework defined, to present findings about the impacts of planning and infrastructure on competitiveness in the RLC housing market.

As identified above (section 10.2.3) we have drawn on the Randerson guidance to identify the two arms of assessment of competitive urban land markets.

The first arm, whether there is “*..ample supply of alternative opportunities for development..*” is informed by the sufficiency assessment (Section 9). That shows Rotorua District does not have adequate feasible capacity, with the Competitiveness Margin and the RER included. On that basis, we conclude the first arm is not satisfied.

The second arm is the evidence to show “*..the price of land is not artificially inflated through scarcity.*” The analysis detailed above shows that in Rotorua there is not sufficient capacity. While there is capacity in a range of locations, offering some choices as to location and to dwelling type and to dwelling value, at the aggregate level the assessment indicates that the Rotorua housing market is likely to see the price of land artificially inflated through scarcity which is at least in part attributable to council planning and infrastructure. On that basis, we conclude that the second arm is not satisfied.

## 10.5 Other Effects on the Rotorua Market

It is also important to consider the wider market conditions which are likely to have impacted on prices and competitiveness in Rotorua and will likely continue to do so. For this, we have examined the competitive situation in other parts of the housing sector, including the land development and housing construction industry where opportunity may have been affected by regulatory stringency; and the development patterns evident in housing construction, which may indicate the opportunity to develop a range of dwelling typologies and dwelling sizes and dwelling values. It is also relevant to consider the overall volumes of dwelling sales in the district, given that new dwellings are one component of the market, a significant number of sales are of existing rather than new dwellings, and purchasers have the option to draw from either part of the market.

### 10.5.1 Residential Development Sector

The Rotorua residential construction sector is substantial (Table 10.3). There are some 779 entities engaged in construction, with 2,017 persons engaged (MECs). In residential construction specifically there are 229 entities (581 persons), in land development and subdivision 163 entities (410 persons) and in other housing construction and finishing some 387 entities (1,026 persons). The table shows the sector has been substantial throughout the last two decades at least, and the large number of entities indicates a highly competitive sector in the district.

This is especially the case because the average business size is small, which suggests that there has been extensive choice among providers of construction services.

Table 10.3 – Residential Construction Sector Rotorua District 2001-2020

Activity	Entities (Geos)			Employment		
	2001	2010	2020	2001	2010	2020
Water & Waste & Drainage	6	6	4	76	50	15
Waste Collection	3	3	16	20	27	25
Waste treatment	8	14	14	28	81	72
Residential building construction	147	192	229	279	396	581
Other Building	21	26	26	153	111	85
Roading & Civil	32	29	45	290	446	641
Land Development & Subdivision & Preparation	42	47	71	78	149	183
Concreting & Bricklaying & Roofing & Steelwork	45	41	57	134	109	149
Plumbing & Electrical & AirCon & Fire & Other	151	173	193	524	609	595
Plaster Carpentry Paint Tiling Glazing	117	100	138	282	291	283
Landscape and Other	38	52	92	77	119	227
Construction Total	593	660	849	1,816	2,229	2,743
Construction & Utilities	610	683	883	1,940	2,387	2,855
Residential construction	147	192	229	279	396	581
Land Development and Subdivision	80	99	163	155	268	410
Other Housing Construction and Finishing	313	314	387	940	1,009	1,026
Mainstream Housing and Development	540	605	779	1,374	1,673	2,017

Source: SNZ Business Frame 2021

Based on information collected in the survey of residential construction stakeholders, many of the market players are developers that have broader operations across the wider mid north island area, with a small portion of their activity within Rotorua.


Development activities in Rotorua were often small scale, with some survey respondents delivering less than 10 lots/dwelling per annum on average, and some moderately sized operations in Rotorua delivering between 20 and 50 on average per annum. A small share delivered 50 or more lots/dwellings on average per annum in Rotorua.

The stakeholder survey results showed that no respondents were land developers only. It is not certain if this is representative of the current sector in Rotorua or not (it may be a result of the sample who were sent the survey invite (although Council identified as many contacts as they were aware of), or simply those that chose to respond). The Wharenui Road Development Area is a large greenfield residential development that got underway recently in the Eastern Reporting area, and it is understood that the landowner (Ngati Whakaue) is just doing the land development aspect and early stages are being marketed to group home builders.

It is noted that in other districts where greenfield development is a key focus for residential growth (such as in Queenstown), and the areas where greenfield development is enabled are large in scale, that it is more likely to find stakeholders that viably operate as just the land developer. In Rotorua, the survey respondents were both land developer and dwelling construction companies, which may reflect the smaller scale of greenfield development to date, or were just building companies. By far the majority of survey respondents were consultants in the residential construction sector (58%).

### 10.5.2 Housing Price Trends

Housing prices are a critical aspect of affordability. The analysis of Rotorua housing prices (Section 3.2) identifies how the trends in the district adhered quite closely to the national patterns, albeit with a



significant lag after 2012 before a catchup from 2016. That indicates Rotorua prices during most of the last two decades have been driven primarily by national-level influences.

That said, the most recent shifts have seen Rotorua prices rising faster than the national trend, and at the same time the number of new dwellings consented has lagged significantly behind household growth since at least 2016 (see 10.5.5 below). That indicates local upward pressure on housing prices, as supply is currently lagging behind demand growth.

### 10.5.3 Rent Price Trends

Rotorua rent trends have been examined in Section 4.1.2. The rental sector is substantial in Rotorua. The usually resident households seeking longer term accommodation face some competition from holiday visitors seeking shorter term tenancies, and who are generally able to afford higher rentals as a consequence. The incidence of holiday dwellings is higher than average in Rotorua, although in the long term the city's well established commercial accommodation sector, especially motels, has handled most of the visitor demand.

Rotorua rental rates were consistently lower than the New Zealand average, throughout the period from 2000 to 2019, and only recently have they approached the national average rentals.

Given that Rotorua is an established regional city, we would expect mean rental levels to remain somewhat below the national average. The recent increase in rentals is very likely related to the increase in housing prices, most especially the recent pattern of new dwellings lagging behind the increase in resident households, indicating a supply shortfall.

### 10.5.4 New Consents and Construction Activity

The consent and new dwelling data for the past 5 years (at least) shows that the Rotorua housing construction sector is delivering a range of values and typologies and has a value range which is quite close to the New Zealand pattern (as detailed in Section 3.3). That diversity and range over an extended period indicates that conditions are generally competitive, with the market able to serve a range of housing needs. The range of values and dwelling typologies is evident in every year, indicating that construction in each point of the market continues to be viable.

Importantly, there is no clear concentration of new dwellings into the middle and higher value bands, and away from the lower bands. One feature of new housing markets where supply is constrained is for land prices to rise and the construction sector focuses on delivering on higher value dwellings, to justify the higher land prices and maximise return for the consequently higher cost<sup>99</sup>.

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<sup>99</sup> Such a pattern was evident in the Auckland market in the years leading up to the GFC, when high consumer confidence and easy access to finance combined to push property values significantly higher. When revaluations occurred, the value uplift was attributed predominantly to the land, as for the great majority of properties the dwelling (improvement value) had not changed since the previous valuation. Significantly higher land values, combined with high incidence of single house zoning, saw the house construction sector focus heavily on larger, more expensive new dwellings in order to make contracts of land plus dwelling packages viable. The number of small and medium sized new dwellings fell away dramatically after 2005. Even though the housing price inflation in Auckland was slower than for every other region in that period, the land values as a share of total value were already relatively high, a consequence of the greater value of lots in a large urban market. When the Unitary Plan became operative in 2016, its more permissive provisions enabled a wider range of dwelling sizes and values. That saw a substantial increase in smaller



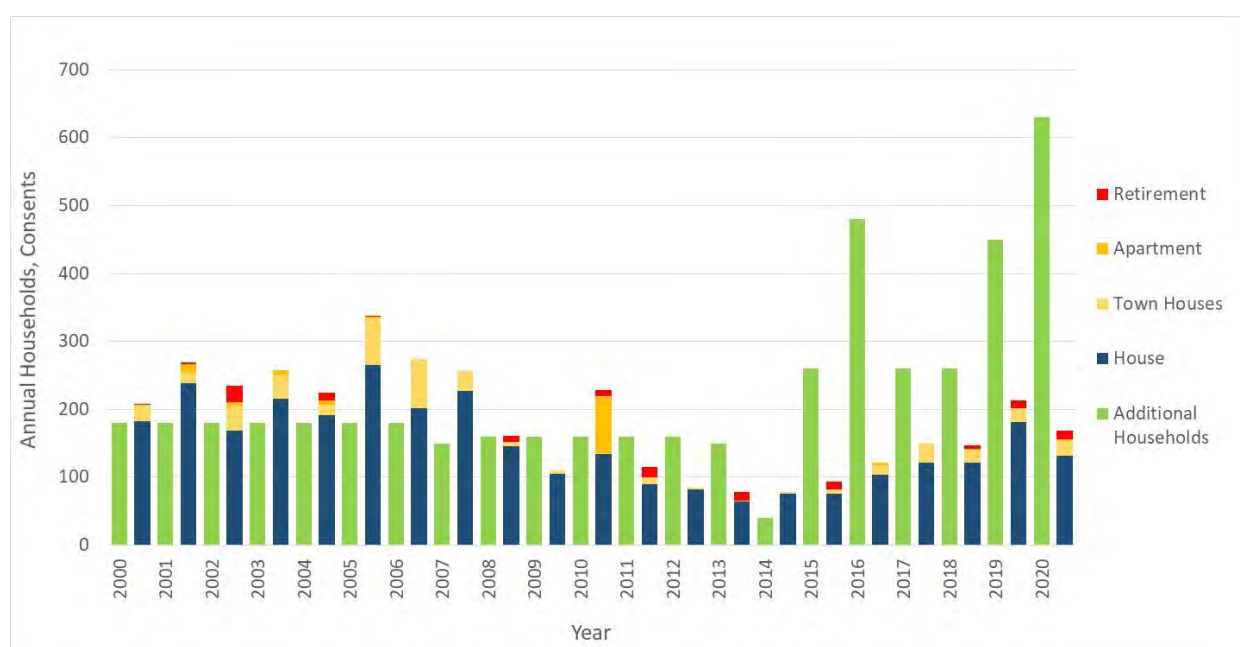
However, the increasing margin between household growth and new dwelling consents, together with the uplifts in housing prices and in rental levels at the same time, points to a shortfall in supply. Since the new supply has been predominantly detached dwellings, that indicates a relative shortfall in attached dwellings, with Rotorua lagging behind the national shift in this trend and reflecting the limited opportunity for more intensive housing development in the Plan provisions.

### 10.5.5 Household Growth, Housing Growth, and Prices

A further key indicator is the relationship between household growth and the changes in housing capacity over time. This helps inform the second arm of the competitiveness question, as to whether there is evidence of constraints in the supply of land and housing which may have led to “*..the price of land being artificially inflated..*” The number of dwellings built is relevant, since construction depends on the availability of land.

Figure 10.8 shows the pattern of dwelling consents issued each year, and the indicated additional resident households in the district, over the 2000-2020 period. While new dwelling consents numbers were well ahead of household growth in the 2000-2010 period, since then household growth has outstripped the supply of new dwellings (new consents). This has been particularly the case since 2015, when household numbers began to increase significantly. Over the past 6 years, there has been an increase of some 2,300 households, while new dwelling consents have totalled just under 900. Currently, total consents are lagging the growth in resident households.

Figure 10.8 – Rotorua Household Growth and New Dwelling Consents by Type 2000-2020



The graph also shows the limited diversity in dwelling typology over the period, with detached dwellings accounting for well over 80% of new growth.

and lower value dwellings, generally additional to the existing trends in medium and large sized dwellings. It also saw a period of stability in Auckland housing prices.



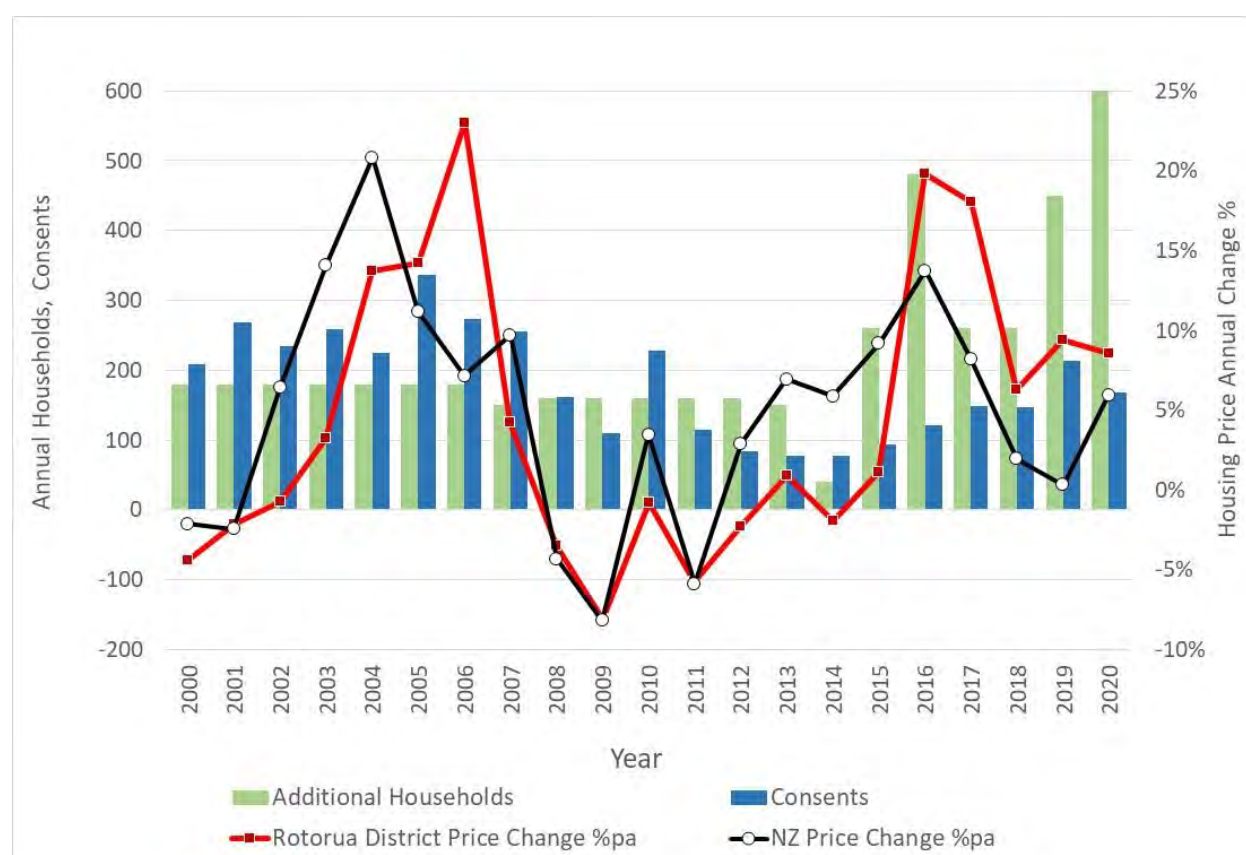
The pattern of annual household growth, dwelling growth and housing price inflation is shown in Figure 10.9. This graph draws together information on housing demand vs housing supply, and the changes in prices. The period 2000 to 2008 shows the lead up to the GFC, and the increase in prices in Rotorua and nationally (discussed in Section 3.2). The number of consents was then well ahead of the growth in households, indicating that housing supply kept well ahead of population change.

In the period to 2012, consent numbers dropped substantially, and at the same time there was negative growth in housing prices. This pattern is expected, as consenting and building activity is closely influenced by housing prices (rising prices generally stimulate increases in supply).

However, since the GFC Rotorua consent numbers have lagged behind household growth. In the period to 2014, the difference was relatively small, and some of the shortfall may have been picked up by previously consented dwellings being constructed.


However, from 2015 onwards, the shortfall has been quite clear. As noted, this period has seen significant growth in housing prices. Since 2015, Rotorua prices increased by around 90% in nominal terms, and 79% in real terms, well ahead of the New Zealand average (42% nominal, 33% real).

Figure 10.9 – Rotorua District Household Growth, Consents and Price Changes 2000-2020



The patterns are as would be expected in the conditions:

- The changes in Rotorua District's housing prices have remained fairly close to the national patterns, indicating that national-level influences have been the main driver of price growth (see also Figure 3.4).

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- b. The supply response with the slow-down in consent numbers across the 2009-13 period is consistent with the downturn following the GFC, where consent numbers throughout New Zealand remained subdued.
  - c. After 2012, Rotorua housing prices did not follow the national uplift. However, in 2016 and 2017 there were substantial price increases, ahead of the national trend. At the same time, there was quite strong growth in household numbers, a change not matched by the number of new dwelling consents, and additional housing supply.
  - d. Since 2016, household numbers grew by an estimated 2,080. However, over the same period, there have been only 798 dwellings consented, which shows a substantial shortfall. For the last 2 years, that indicated shortfall has increased, and Rotorua's housing prices increased by around 9% in both 2018-19 and 2019-20.
  - e. This pattern is consistent with the anecdotal evidence and consultation among developers of supply constraints in Rotorua, directly affecting price levels.

## 10.5.6 Housing Market Sales Activity

The Rotorua housing market shows substantial activity. The Ministry of Housing and Urban Development ("MHUD") Housing Market Indicators Dashboard indicates 180-250 dwellings currently being sold per quarter, equating to a rate of around 1.8-2.0% per annum (dwellings sold per 100 dwellings). The trend in Rotorua follows generally that for Waikato-Bay of Plenty, however the rates are substantially below those seen in Hamilton and Tauranga, and well below the most recent peak of 3% in 2017.

This indicates a reasonable level of competition in the housing market between owners offering existing dwellings, and the construction sector offering new dwellings to the market.

## 10.6 Price Efficiency Indicators

Finally, we consider the Price Efficiency indicators on the MHUD Dashboard, which is a requirement of clause 3.23(3)(b). The Dashboard offers three price efficiency indicators relevant to housing assessment (housing price cost ratio, rural-urban differential, and land concentration control).

### 10.6.1 Price Cost Ratio

The first indicator is the Price Cost Ratio<sup>100</sup> ("PCR"). This is closely linked to the land value share indicator (discussed already in Section 3.4.1). The rationale for the PCR is that land value should represent no more than  $33\frac{1}{3}\%$  of total property value, which would produce a PCR of 1.50 (simply,  $PCR = 1/(1-LV\%)$ ). If a market has an average PCR of more than 1.50, then it is deemed according to the Dashboard to be not performing efficiently. A PCR above this 1.5 threshold indicates *"..it appears there are constraints on the supply of infrastructure-serviced sections relative to demand."* – generally interpreted as showing a planning constraint.

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<sup>100</sup> [National Policy Statement on Urban Development Capacity - Price efficiency indicators technical report: Price-cost ratios \(hud.govt.nz\)](https://www.hud.govt.nz/national-policy-statement-on-urban-development-capacity-price-efficiency-indicators-technical-report-price-cost-ratios/)



The PCR for Rotorua in 2021 is 1.82, up from 1.25 in 2018, and its low of 0.97 in 2014. According to the NPS-UD guidance, this would indicate a supply constraint of new sections.

However, the PCR has significant limitations as an overall indicator of urban markets<sup>101</sup>. One key issue is the selection of 33<sup>1/3</sup> % as some ideal or norm. Also, as a measure of just the land value to total value relationship, its main utility is to assess new housing, to show the relative contributions of land and built improvements to the property estate. That indicates whether the latest additions are more or less intensive (lower land value share) than for new developments in previous periods.

However, when the measure is applied across whole towns or cities, then the results are dominated by residential properties which were developed and improved many years ago<sup>102</sup>. Even if a city is growing by 2% per annum, its current estate will have 78+% of properties developed more than a decade ago, and well over half the estate developed more than 20 years ago. The general trend has been for housing to become more intensive over time, as plan provisions and market preferences trended toward smaller lot sizes and larger dwelling sizes. This means that analysis of the whole estate includes a cross-section of older properties with higher PCR values, and newer properties with lower PCRs. The average PCR, even with CPI adjustments to estimate the replacement cost of existing dwellings, must reflect that city-wide average. Tracking the PCR value year to year must inevitably show very small change to the average, because in the course of a year or 5 years, the number of new dwellings is too small to indicate a material change. The study for Auckland Council (2018) found it could be used to compare the relative land efficiency of new dwellings added to the estate each year, though not the total estate.

Moreover, the PCR is dominated by overall shifts in the market, and not by the land efficiency of new dwellings. This is clear in the substantial changes in PCR values contained in the Dashboard. The shifts from year to year are much greater than could have been generated by new properties entering the market.

To illustrate, the PCR calculated for Rotorua was 1.25 in 2018, which means on average that land accounted for around 20% of total property value. By 2020, the value was 1.80, with land accounting for around 45% of property value. In that time, the number of residential properties (dwellings) increased by less than 2%<sup>103</sup>. The Rotorua change could not have been due to the effects of new properties, instead it arose from an estimated district-wide shift in the relative values of land and built improvements. This means that any PCR change over time is likely to reflect predominantly trends in valuation and revaluation, which are influenced by much more than current planning provisions. There are wider limitations to this PCR method<sup>104</sup>, and for these reasons we consider the PCR approach does not offer a robust basis for interpreting urban markets.

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<sup>101</sup> Market Economics Ltd. Land Efficiency of Auckland's New Housing 2013-17. Report for Auckland Council, November 2018.

<sup>102</sup> JDM Fairgray; Unaffordable Housing: the case against land use planning. [October 2021 : New Zealand Planning Institute](#)

<sup>103</sup> Based on the RDC projections.

<sup>104</sup> There are other significant limitations to this PCR method, including its core assumption of some 'ideal' land value share, but more fundamentally from its built in assumptions that the current dwelling accounts for all of the value of land, and therefore that the current dwelling must represent the maximum development intensity possible on the land (otherwise there would be other factors, including potential for intensification which would influence land value. The consequent assumption that every residential lot in a city is already developed to its maximum potential causes substantial distortions, especially in relation to a city's growth potential if all growth must be greenfield. The research experience in New Zealand including for HBA work shows instead that well over 80% of already developed sites have potential for intensification.



Even when applied to examine only new residential properties, the PCR indicator has to be applied with care. This is because market preferences may see new dwellings added which have relatively high PCR values, even though the Plan provisions enable developments with much lower PCRs. For example, construction of standalone dwellings on larger lots sizes means the land value share may be around 40% of the final property value (PCR of 1.67). If standalone dwellings are being constructed on lots that are above the minimum size / implied density enabled in the Plan, and if a high share of the dwelling sales price is land (with the enabled densities adequately supported by local amenity/infrastructure), then this would indicate the land value share (and PCR) is higher as a result of factors outside of planning.

On the other hand, if new dwellings are being constructed at the highest densities enabled by the Plan, and the final land value share is deemed above the benchmark indicated by the PCR, and there is demand for smaller lots and/or higher built intensity, then this could indicate a planning constraint, which would directly affect dwelling prices.

However, a more fundamental matter is that where the PCR is high for an individual lot – the land value component of a residential lot is high compared with the improvement value – that generally indicates potential for redevelopment or intensification. This is because the market confers value on land according to its use potential, and if a property has potential to be utilised more intensively than currently, its land value share of total value will be relatively high – hence a high PCR.

In any case, the calculation of a housing PCR depends on the residential lot being already improved with a dwelling. The indicator is not appropriate for undeveloped lots (the PCR will approach infinity).

Accordingly, where the average PCR value is relatively high for a city, that is an indicator that its already developed sites have relatively high potential for further intensification. One important aspect is that land value is influenced directly by a site's development potential, so that zoning provisions which enable intensification can be expected to result in higher valuation for the land component of properties. In contrast, where developed land has limited potential for further intensification, this will also affect the property valuation, with land valued relatively lower if there is limited potential to intensify.


This means that while the Price Efficiency indicators contend that a high PCR value is an indicator of under-supply, the opposite is likely to be the case. Zone provisions which enable intensification can be expected to put upward pressure on the PCR indicator, such that a higher PCR indicates not a shortfall in supply, but rather a relatively high potential for more dwelling capacity through intensification. Hence our concerns about the use of the PCR at all, and about how the PCR indicator should be interpreted.

## 10.6.2 Rural Urban Differential

The MHUD Dashboard contains an indicator on the differential in land prices on either side of the rural-urban boundary. For this indicator, the Dashboard compares land prices of standalone dwellings within Rotorua's urban area<sup>105</sup> within 2 kilometres of the rural urban boundary with those of rural residential (lifestyle) properties outside, but within 2 kilometres, of the urban edge. The land values on a per m<sup>2</sup> basis of these two groups were compared to produce a differential between the land values. Some adjustment has been made for distance to amenity and the charged (development contributions) infrastructure costs.

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<sup>105</sup> Not necessarily the same as the urban environment defined for this HBA.



However, in an urban economy a substantial price differential is to be expected between urban land and non-urban land. Such a differential does not indicate any planning constraint. It arises because urban land is much more valuable on a per m<sup>2</sup> or per ha basis as it can be utilised much more intensively than non-urban land. That higher intensity of use and consequent higher land value is enabled by infrastructure. Its higher intensity of use means it may generate higher returns per hectare, with the higher land values reflecting that higher return. The most obvious difference is in residential land, since urban land can carry many more dwellings per hectare than non-urban land.

The common pattern for cities and towns is for the highest land values to occur in the centre – the central place – with values decreasing as distance from the central place increases. Higher value uses – commerce and retail – typically command the most accessible – most central – locations. Housing generates lower returns per hectare than commerce, so it commands the areas outside the centre. The infrastructure necessary for urban intensity levels has high scale economies, with networks focused on the centre (as the first location developed). This means that the urban intensity can generally be sustained only to the extent of the infrastructure, which is determined by the size of the economy. Accordingly, there is a substantial decrease in intensity at the urban/infrastructure edge. There is a corresponding significant drop in land value at the urban edge, as evidenced in all of the land value profiles provided in the MHUD datasets.

This pattern is directly consistent with the dynamics of cities, where the benefits of co-location and concentration are greatest in the centre, and decrease with distance from that centre, while the intensity enabled by infrastructure is needed to best secure those benefits. One important implication is that a sharp differential in land value at the urban edge is indicative of an efficient urban form, where the maximum urban activity is sustained within the minimum urban land area, and the differential in intensity of land use is also sharp. In the urbanised area, a significant share of the developed land area (typically around 30% to 40%) is taken up for roads and reserves.

Outside of the urbanised area – usually coinciding with the end of the urban zoning and the edge of the infrastructure-serviced area – the land value profile would show a sharp drop but a further gradient, as the non-urban land closest to the edge has greater value than that further away because its potential for early urbanisation is greater. Beyond the current urban edge, land is most commonly in rural lifestyle properties, characterised by significantly larger land area per dwelling, limited infrastructure, and lower intensity of use. Land values per ha reflect this lower potential, even though individual lots are commonly of much higher value than smaller urban lots. The average property size, development yields and infrastructure costs that arise from these land use gradients account for a large share of any differential. The MHUD methodology controls for some effects, but it does not account for the major difference arising from intensity of use. Genuine rural production uses are more common as distance from the urban edge increases, with lower land values per ha than lifestyle lots, though commonly larger holdings.

Importantly, the relationship between parcel size and land value shows only a weak linearity. This is because much of the value of an urban lot arises simply from its ability to accommodate a dwelling. Larger lots are more valuable, but the key matter is whether a lot is large enough to accommodate a dwelling. This is evident from analysis of land price curves (from the Ratings Database) from the feasibility modelling assessment. Urban lots typically have much higher values per m<sup>2</sup> than lifestyle lots, hence the clear value differential between urban and lifestyle land.



Accordingly, the Rural Urban Differential indicates that the Rotorua land market is performing relatively efficiently.

We note that the Rural Urban Differential is no longer listed on the MHUD Dashboard as a Price Efficiency indicator (from October 2021)

### 10.6.3 Residential Land Concentration

This MHUD Dashboard indicator of Land Concentration control showed substantial potential for residential development in the district. However, the Ministry's website no longer provides this information.

## 10.7 Summary of the Impact of Planning and Infrastructure

The foregoing analysis has provided comprehensive assessment of the housing and land markets in Rotorua, and demand for housing from the Rotorua population. It covers all of the key aspects which the NPS-UD sets out.

It shows in the current and anticipated conditions for Rotorua that Council planning and infrastructure are expected to have adverse impact on housing affordability and competitive aspects of the market in the short-medium term. The Plan does not yet provide for sufficient capacity for growth, even though there are opportunities in a range of locations in the district, and that is expected to place upward pressure on prices.


The survey of residential construction sector stakeholders provided feedback on the impact of planning and infrastructure that has backed up the modelling and analysis findings of this HBA. The feedback extends to feedback on wider Council processes and how this impacts the development sector. Full details are contained in the Technical Report, but a summary of key stakeholder commentary is included below:

#### Impact of Planning and Council Processes:

Consistent feedback from the survey of residential development sector stakeholders was that there is a significant shortage of available (feasible) land to purchase and/or develop. Some confirmed this was a historical problem that had not been resolved.

Further feedback was that the Council was restricting the delivery of more intensive housing. The survey highlighted the large minimum site size requirements of the District Plan Residential 1 zone as impacting on the ability to deliver higher density housing. The large site sizes prevent the construction of smaller dwellings, channelling the market into the continuation of standalone single dwellings on full sites. Stakeholders felt that housing affordability in Rotorua was being adversely affected by the District Planning requirements that hinder the delivery of smaller dwellings on smaller sites despite demand within the market for smaller, cheaper dwellings.

Specifically, they raised out of date performance standards, restrictive lot area rules, lack of flood modelling, lack of city-wide seismic assessment, bylaws related to building in close proximity to council pipes that are more restrictive than other main centres, lack of standards for dealing with geothermal conditions, and height limits being too tight.



Developers have reported that Council resource consenting processes have limited the ability to deliver higher density attached dwellings. The consenting pathway for this typology is not well established and there is reported limited experience in Council in dealing with applications of this nature. These factors generate extended timeframes and high uncertainty for this typology, reducing its viability.

Some residential development stakeholders said while it was not common for anticipated residential developments to be cancelled, they were often delayed which meant that fewer dwellings could be delivered in any year. Key causes of the delays were consenting issues and changes, planning hold-ups and development engineering hold-ups.

Of the factors that stood out in the survey of residential construction stakeholders on what impacted development and commercial feasibility, the most significant planning factors reported were council processes (but not council fees), provision of stormwater infrastructure, planning provisions, quantity of zoned land and provision of wastewater infrastructure. Significant non-planning factors included cost of zoned land, construction costs, uncertainty of ground conditions and availability of skilled labour.

#### Impact of Infrastructure:

Developers report infrastructure as a key issue affecting both the feasibility of development on sites and the presence of viable sites for development. 81% of the stakeholders surveyed reported that the cost of providing for stormwater infrastructure on site had a large or very large effect on commercial feasibility, commenting that “the potential inability to deal with downstream effects of stormwater and the loss of valuable useable land to stormwater infrastructure uses, is a big concern”. This was second only to the effect of council processes on feasibility).

- The additional cost associated with stormwater management requirements, and in some cases, wastewater, decreases the feasibility of development through increasing costs.
- Many sites are physically constrained through their accessibility to infrastructure networks and the required setback areas from infrastructure utilities.

Stakeholders also noted that infrastructure issues in the district are having an adverse effect on housing affordability. The lack of subdivided land means there is nowhere to build. If existing home-owners can't upgrade this means that they are not selling older homes that would allow first home buyers to get into the market.

## PART 3 – BUSINESS DEMAND & CAPACITY





# 11 Business Demand

This section provides an analysis of future demand for business land and floorspace in Rotorua's urban business enabled zones. That is, zones that anticipate business activity, including in mixed use zones where housing is also anticipated by the District Plan. It begins with Council's employment projections and an analysis of projected trends. It focusses on the portion of employment that is expected to occur in the urban environment over the long term future and then within urban business zones. That employment growth is converted into estimates of business land and floorspace demand using average ratios of space requirements per worker.

## 11.1 Employment Projections

### 11.1.1 Total District Employment Projection

This report is informed by Council's district-level 'base' employment projections (developed by Infometrics) for the period 2020 to 2050 by industry/sector.<sup>106</sup> These projections assume there are no constraints to growth, and there is adequate land available to accommodate business growth, particularly those that require an urban business enabled zone. Figure 11.1 shows total current 'jobs filled'<sup>107</sup> equates to just over 36,000 in 2020.

This is projected to rise strongly in the short-medium term before slowing somewhat in the long term. An estimated 1,670 additional filled jobs are projected between 2020 and 2023 (growth of 5% or close to 560 additional jobs per annum). By 2030 (the medium term), an additional 4,550 filled jobs are projected (total growth of 13% of an annual average growth rate of just under 460 per annum. By 2050, the number of jobs filled in the district is projected to reach just over 45,320 (total growth of around 9,320 or 26% and a long run average of around 310 jobs per annum).

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<sup>106</sup> Refer Technical Report for a summary of Council's district employment projections by 48 economic sectors.

<sup>107</sup> Includes employees and those that are self-employed.

Figure 11.1 – Estimated Total Rotorua District Employment Growth (Preferred Scenario)

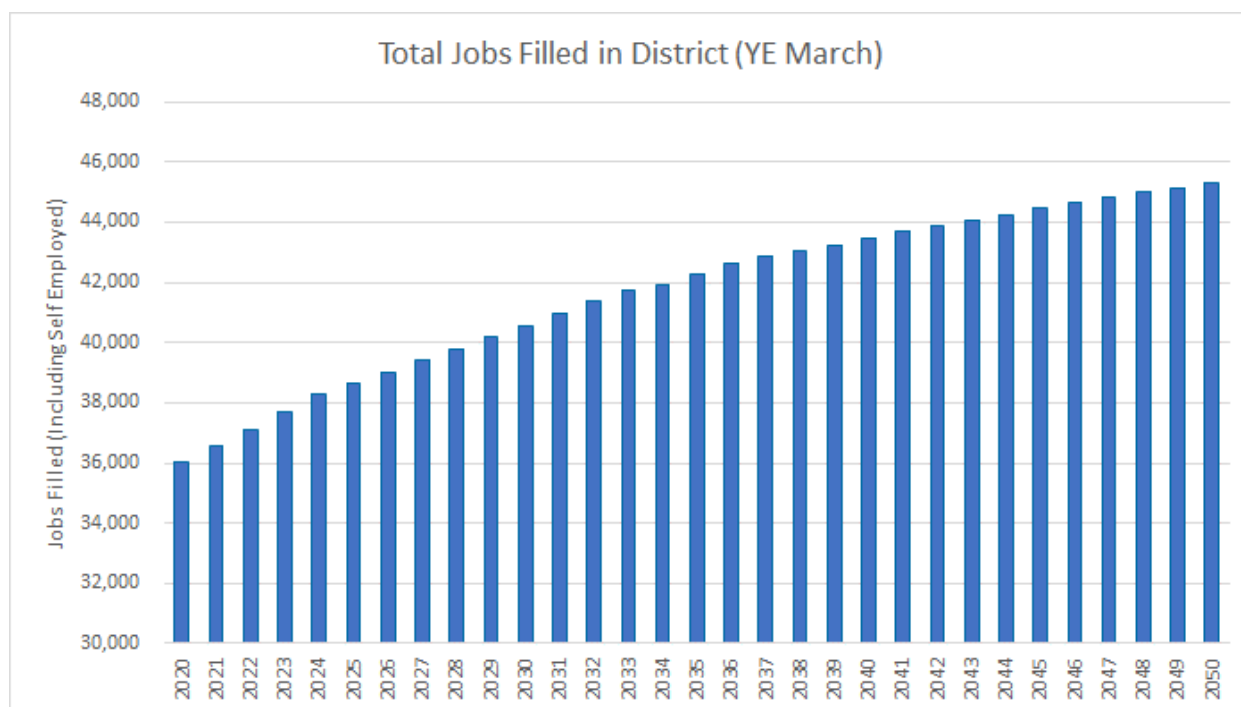


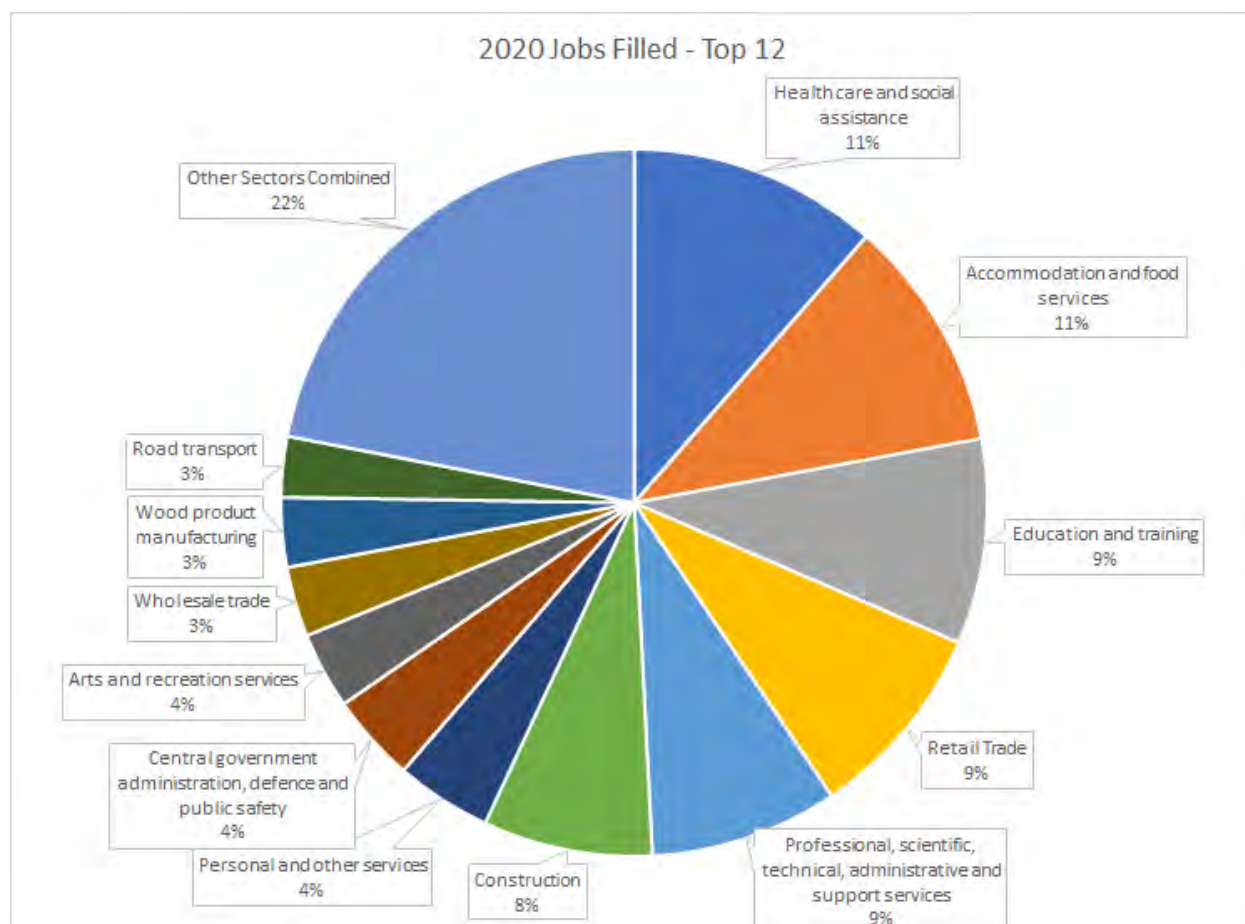
Figure 11.2 shows that the top 12 of 48 economic sectors make up 78% of jobs filled in the district in 2020. By 2050, the top 12 sectors are projected to make up 81% of total district employment, with Agriculture, Forestry and Fishing Support Services moving into 12<sup>th</sup> spot (displacing Road Transport down to 13<sup>th</sup>). The somewhat larger sectors expected to have an increasing percentage share of employment over time (because they are projected to grow at a faster rate compared to other sectors and/or because some (17) sectors are projected to contract and have fewer workers in the long term) include:

- Health Care and Social Assistance,
- Education and Training,
- Personal and Other Services,
- Central Government Administration & Public Safety,
- Local Government,
- Machinery and Equipment Manufacturing,
- Fabricated Metal Product Manufacturing,
- Transport Equipment Manufacturing,
- Other Food Manufacturing and
- Finance.

So, while there is growth overall in employment, which will put greater pressure on capacity in business enabled zones, the structure of the economy is projected to change slightly, which gives an indication of the types of zones where growth pressure will be directed. The growth sectors are a mix of sectors responding to the growth of households and also manufacturing and forestry. However, with some sectors

requiring less room and some requiring more in the future, it is the net growth in land demand in each time period that is important.

Figure 11.2 – Top 12 of 48 Economic Sectors by Jobs Filled, Rotorua District 2020 (Infometrics)




### 11.1.2 Urban Environment Employment Projection

Given the key purpose of the NPS-UD to assess demand and capacity in the urban environment, estimates have been made on the share of district employment by sector that is located in the urban environment (as defined in Figure 1.2).

M.E has relied on the SNZ Business Directory (“BD”) which contains annual employment estimates for 2020, also by 6D ANZSIC. While broadly compatible with the LEED data, the results differ slightly in some sectors. However, the advantage of the BD data is that it is broken down to relatively small geographic areas. M.E aggregated Statistical Areas 1 (“SA1s”) to approximate the urban environment boundary to estimate that percentage share of total district employment that falls within the urban environment, and the share that falls in the rural environment (rest of district). This percentage structure has been applied to the Infometrics employment projections.

The analysis shows that in 2020, an estimated 87% of district employment is based in the main urban environment of Ngongotahā, Central, Western and Eastern. Just 13% of district employment is currently based in the rural environment. As would be expected, the sectors which have only a low share of



employment in the urban environment are the primary production sectors (agriculture, forestry, mining/quarrying) and beverage product manufacturing.

### 11.1.3 Urban Business Zones

The next step in the demand analysis is to convert Council's urban level employment projections into projections of demand for combined urban business enabled zoned land for the period 2020 to 2050. This step is important so as to focus on the employment and business growth that would seek a business zone in the urban environment, rather than seek a location in an urban residential zone<sup>108</sup>. This is because the NPS-UD requires that Council provide at least sufficient capacity to provide for urban business demand, and this occurs primarily through the appropriate zoning of urban business land (including the provisions within those zones). The amount of zoned land combined with the type of zoning and its location are all relevant to meeting demand in a way that supports a well-functioning urban environment.

In accordance with the NPS-UD (clause 3.4(2)) only land where business use is a "*permitted, controlled or restricted discretionary activity on that land*" is that land 'zoned' for business. The supporting Technical Report provides a list of the business zones included in this HBA. They are a mix of business only zones (where residential housing is not provided for) and mixed-use business zones (where residential housing is also provided for). This classification of the business zones is mapped in Figure 11.3. These combined areas define the extent of urban business zones.

There are some minor changes in business zoning between the short-medium term and the long term. Notably, in the Eastern reporting area, there is greenfield Commercial 3 (neighbourhood centre) zone on Wharenui Road in the Wharenui Development Plan Area. This operative zone is included in the short-medium term spatial framework, but the decision was made to exclude it from the long term spatial framework of the HBA and instead replace it with two alternative neighbourhood centres that could be more strategically located should extensive residential zoning occur on the rural land east of Te Ngae Road (as indicated by the 2018 Spatial Plan)<sup>109</sup>. As the location of those potential future centres is not known, they are not shown in the long term map in Figure 11.3, but are still taken into the account in the capacity assessment (Section 12).

Relatedly, within that same Eastern indicative Spatial Plan urban growth area, is a potential extension of the Eastgate Business Park zoning. This applies in the long term only (as only operative zones can be included in the short term).

Also in the long term, the Spatial Plan indicates an area of new business zoning south of Ngongotahā. For this HBA, that is assigned a City Entranceway Mixed Use zoning. The Future Community Asset Reserve zoning in Pukehāngi would also only qualify as enabling business development in the long term under the NPS-UD.<sup>110</sup> Last, the Transitional – Residential to Light Industrial Zone is treated as a Light Industrial Zone in the long term but is not a business zone in the short term (where it remains residential capacity). All other business zones do not change in extent between the short and the long term.

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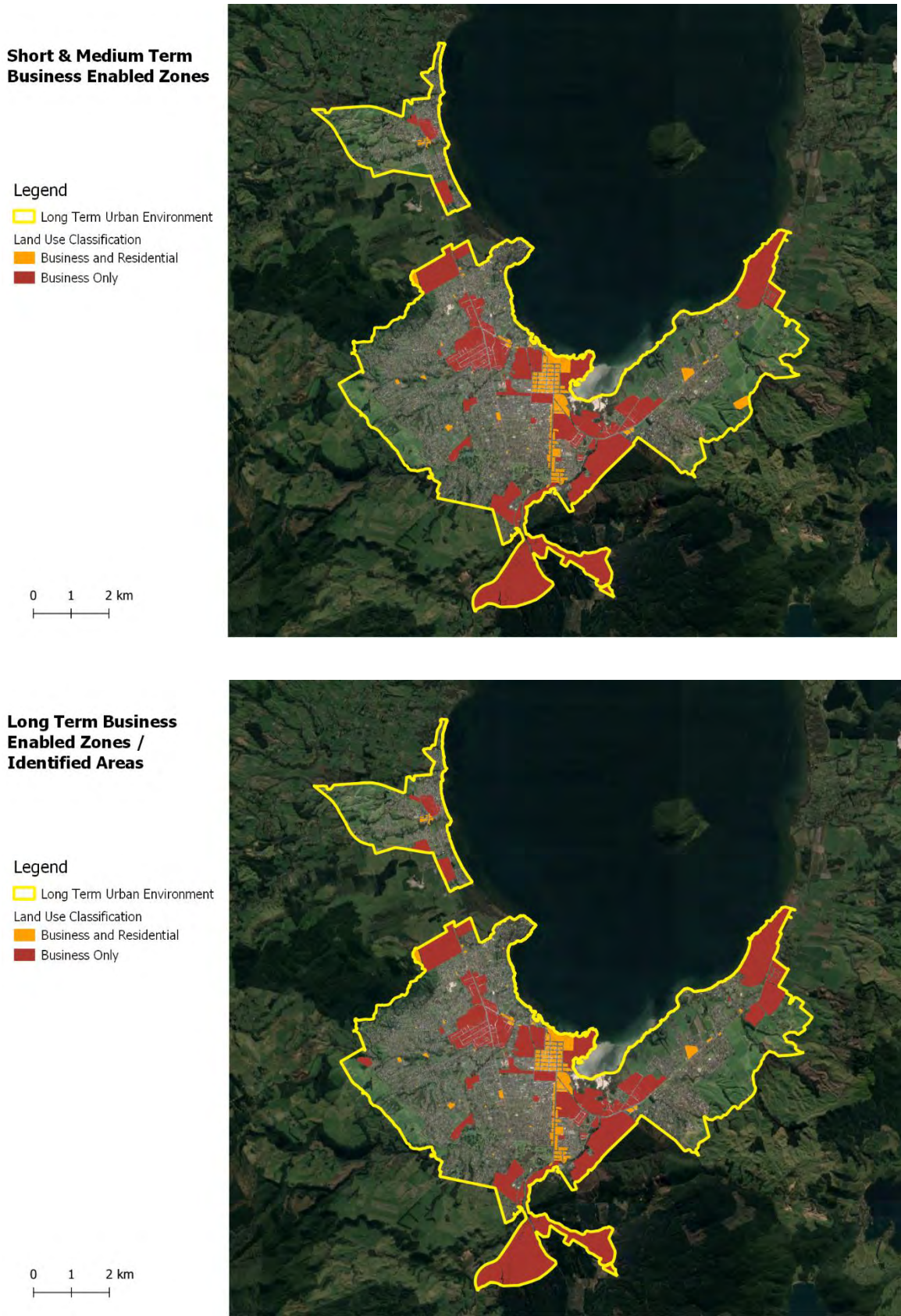
<sup>108</sup> This mainly covers businesses that operate from a residential address. This includes a large share of the construction sector for example, with self-employed trades people administering their business from home but working throughout the district on a daily basis.

<sup>109</sup> This greenfield area is included as a long term residential growth area in the housing capacity assessment.

<sup>110</sup> Council note that a consent has been sought for a retirement village within this area which is not anticipated by the Plan.



Figure 11.3 – Short and Long Term Land Zoned for Business in Rotorua’s Urban Environment





#### 11.1.4 Urban Business Zone Employment Projection

The business enabled zones mapped above follow property and other boundaries. SNZ BD employment data is only available (at its finest level of resolution) at SA1 boundaries. In order to estimate the share of urban environment employment that falls within the combined urban business zones, M.E has selected the SA1s that most closely align with the zoned extent. The Technical Report includes a map showing the overlap of SA1s to the urban business zone extent and briefly discusses some of the limitations of using this approach. Overall, the approach is likely to be slightly conservative in terms of ensuring sufficient business zone capacity as it may slightly overstate the share of employment located in urban business zones in 2020. This is considered more appropriate than underestimating future business zone demand to inform future planning decisions.

Based on this approach, an estimated 68% of total district employment in 2020 is based in business enabled zones in that urban environment, with an estimated 19% located in other zones in the main urban environment (primarily in residential zones). This means that just within the urban environment, 78% of employment is located in business zones.<sup>111</sup>

Some economic sectors have an above average propensity to locate in an urban business zone as opposed to other locations in the district. Sectors which have demonstrated (2020) a high propensity to locate in an urban business zone include:

- most manufacturing sectors;
- Water, Sewerage, Drainage & Waste Services;
- Wholesale Trade;
- Retail Trade;
- Finance & Insurance;
- Accommodation;
- Food Services;
- Local and Central Government administration and services;
- Professional Services; and
- Health and Social Services.

An estimated 37% of construction sector employment is in urban residential zones, compared to 49% in urban business zones and 14% in the rest of the district (refer the 48 sector summary in the Technical Report). This trend is common to all districts and reflects those trades people that are self-employed/contractors and have registered their businesses to their home address.

The following demand assessment focusses just on the 68% of district employment in urban business zones. This is the portion of demand that Council needs to ensure is sufficiently provided for in terms of zoned

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<sup>111</sup> I.e., 68% as a share of 87% urban environment share.



capacity within the urban environment. This share is applied to the Infometrics district employment projections.

The model assumes that the share of district employment in urban business zones by sector remains constant over time, based on 2020 trends. This assumption potentially masks changing preferences in some sectors as to where they locate but is considered appropriate for the purpose of this analysis.

Figure 11.4 – Estimated Urban Business Zone Employment Projections (M.E, Infometrics)

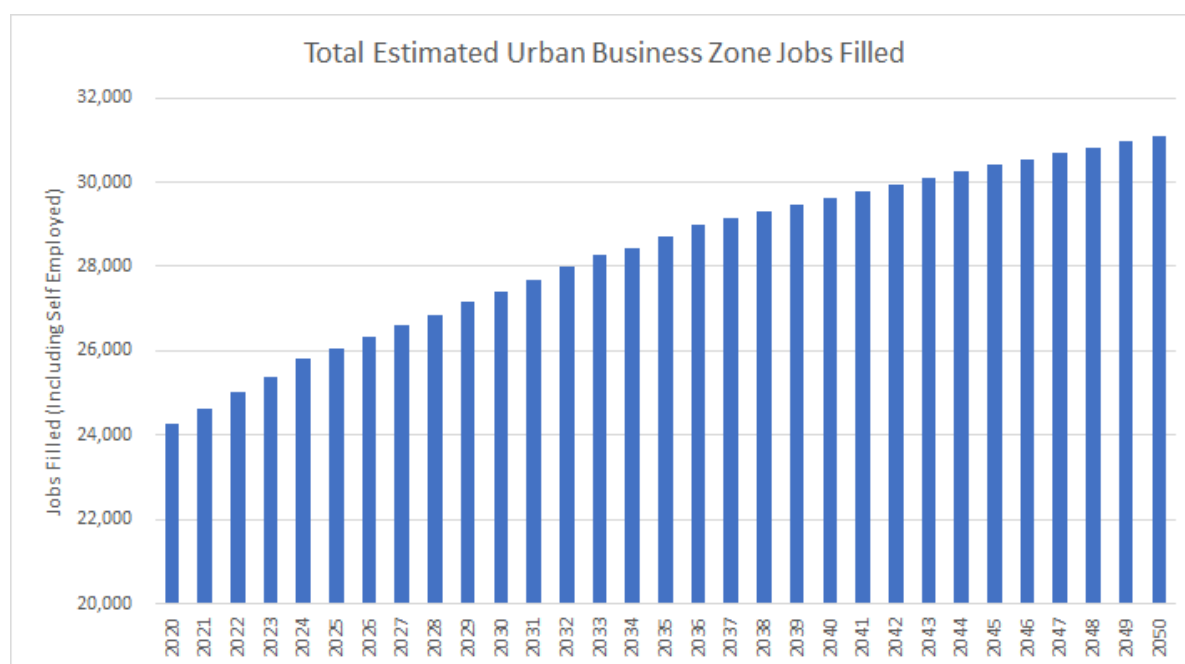


Figure 11.4 shows the estimated employment growth projections seeking an urban business zone location increasing from approximately 24,260 in 2020 to approximately 31,100 in 2050. An estimated 1,140 additional filled jobs are projected between 2020 and 2023 (growth of 5% or close to 380 additional jobs on average per annum). By 2030 (the medium term), an additional 3,130 filled jobs are projected (total growth of 13% of an annual average growth rate of just over 310 per annum). By 2050, the total growth of urban business zone jobs is projected at 6,840 or a 28% increase over 2020 (230 annual average growth over the long term).

The Technical Report contains a full breakdown of projected urban business zone employment by 48 economic sectors over the short, medium and long term. There are some sectors expected to have declining employment according the Infometrics projections (across the district generally).<sup>112</sup> These include significant reduction of the Meat and Meat Product Manufacturing sector employment (which while only a small sector compared to many, all but disappears in urban business zones by 2050); moderate reduction in Wood Product Manufacturing (with the decline projected to occur between the medium and long term only); decline in insurance related sectors, Road Transport (again after the medium term) and others.

<sup>112</sup> Employment decline can be attributable to a contracting sector and/or the effects of increased automation.

The big growth sectors in urban business zones include Non-Metallic Mineral Product Manufacturing (growth of 186% over the long term, although a net change of 150 jobs); Central Government Administration and Public Safety (1,530 additional jobs to 2050); Healthcare and Social Services (1,790 additional jobs to 2050), as well as strong growth in retail, accommodation and hospitality. The nature of growth by sector gives a strong indication of the sorts of zones and locations that will be in demand in Rotorua's urban business zones over time.

## 11.2 Likely Future Demand for Urban Business Zone Land

M.E has distributed these urban business zone employment projections across 14 different types of land uses or building typologies based on prior M.E research<sup>113</sup>. That research looked at the trends in building types or land uses across the country occupied by businesses, examined at the detailed 6-digit ANZSIC level. M.E has calibrated the distribution to Rotorua's economic structure (2020) and then summarised it at 48 economic sectors, as shown in supporting Technical Report. This percentage allocation is also assumed to hold constant over time.

Table 11.1 shows the result of applying that land use/building typology structure to projected urban business zone employment. There is strong demand for shops, commercial offices and other types of commercial buildings, and moderately strong demand for factories, warehouses, food and beverage outlets, and education/training buildings.

Table 11.1 - Estimated Urban Business Zone Employment Projections by Land Use Typology 2020-2050

Category	Land Use / Building Type	Urban Business Enabled Zones Jobs 2020	Jobs Growth (n)			Jobs Growth (%)		
			2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
			Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	Shops---Commercial	4,304	265	714	1,322	6%	17%	31%
	Shops---Food and Beverage	1,625	57	167	304	3%	10%	19%
Commercial	Office---Commercial	4,926	190	511	1,353	4%	10%	27%
	Office---Retail	140	6	18	43	4%	13%	30%
	Yard---Commercial	114	7	14	18	6%	13%	16%
	Other Built---Commercial	3,287	223	706	1,973	7%	21%	60%
	Education	848	49	165	373	6%	19%	44%
	Outdoor---Commercial	297	29	60	117	10%	20%	40%
Accommodation	Accommodation	1,398	49	143	262	3%	10%	19%
Industrial	Warehouse	2,745	107	246	318	4%	9%	12%
	Factory	2,296	69	177	494	3%	8%	22%
	Yard---Industrial	1,583	64	148	223	4%	9%	14%
	Other Built---Industrial	628	31	68	48	5%	11%	8%
	Outdoor---Industrial	67	1	4	10	-1%	-5%	-15%
Total Urban Business Zone Demand Growth (jobs filled)		24,258	1,144	3,133	6,837	5%	13%	28%

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), Infometrics/RLC. Preferred Growth Scenario.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

<sup>113</sup> These typologies should not be confused with 'activities' defined in the District Plan, although there are similarities and activities in the Plan have been matched to the typologies as part of the capacity assessment.

Table 11.2 further summarises projected urban business zone employment by land use category. Currently demand for commercial land/building types dominates the employment structure (2020). This category is also expected to have above average employment growth in urban Rotorua over the long term.

Table 11.2 - Estimated Urban Business Zone Employment Projections by Category 2020-2050

Category	Urban Business Enabled Zones Jobs 2020	Jobs Growth (n)			Jobs Growth (%)		
		2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
		Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	5,929	322	881	1,626	5%	15%	27%
Commercial	9,612	503	1,474	3,877	5%	15%	40%
Accommodation	1,398	49	143	262	3%	10%	19%
Industrial	7,319	270	635	1,072	4%	9%	15%
<b>Total</b>	<b>24,258</b>	<b>1,144</b>	<b>3,133</b>	<b>6,837</b>	<b>5%</b>	<b>13%</b>	<b>28%</b>

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), Infometrics/RLC. Preferred Growth Scenario.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Some businesses will require more land area and built space than others, and this has obvious implications for development capacity. For example, on average industrial activities are likely to require more land area than retail shops for a given number of workers. To assess land area and floorspace requirements for projected employment growth, employment is translated into likely building floorspace and developable land area<sup>114</sup> demand using estimated ratios per worker in each building typology/land use. This is derived from the same national research discussed above. The ratios are set out in the supporting Technical Report.

Relying on national average ratios and typology-sector relationships is a limitation of this analysis as it does not necessarily reflect the land development trends occurring in Rotorua – where businesses in any one sector may be of above or below the national average size in employment terms and/or tend to occupy greater or lesser site areas compared to the national average.<sup>115</sup> Nonetheless, we consider this approach suitable for the purpose of this report.<sup>116</sup>

### 11.2.1 Results by Building/Land Use Type and Category

Having applied the ratios of land area/worker to the employment distributed over building typology / land use in urban business zones, Table 11.3 and Figure 11.5 show the detailed results. Strong demand in the short to medium term is estimated for urban business zone land, slowing over the long term, in keeping with the location and structure of district employment projections.

Between 2020 and 2050, M.E estimates that around 80.2ha of developable zoned land will be required to accommodate employment growth seeking an urban business zone. Nearly half of this zoned land demand

<sup>114</sup> This is the area of already subdivided sites and for larger greenfield sites, excludes 30% of gross site area for roads and open space/reserves.

<sup>115</sup> In future updates, a Rotorua specific matrix could be developed. This would establish a more accurate relationship between local business activity and development/land use patterns.

<sup>116</sup> The same methodology has been applied in HBAs for other Tier 1 and Tier 2 local authorities. The same assumptions are used on both the demand and capacity side of the assessment, so this provides consistency.

(39.3ha) occurs in the next 10 years. When the competitiveness margin is added<sup>117</sup>, long term developable land demand in urban business zones increases to 94.1ha (2050) (Table 11.3).

Table 11.3 - Projected Land Demand in Urban Business Zones by Land Use Typology 2020-2050

Category	Land Use / Building Type	Developable Land Demand (ha)					
		Cumulative			Cumulative with Competitiveness Margin		
		2020-2023 Short Term	2020-2030 Medium Term	2020-2050 Long Term	2020-2023 Short Term	2020-2030 Medium Term	2020-2050 Long Term
Retail	Shops-Commercial	1.3	3.6	6.6	1.6	4.3	7.8
	Shops-Food and Beverage	0.5	1.4	2.6	0.6	1.7	3.0
Commercial	Office-Commercial	0.6	1.5	4.1	0.7	1.8	4.7
	Office-Retail	0.0	0.1	0.2	0.0	0.1	0.2
	Yard-Commercial	0.1	0.3	0.3	0.1	0.3	0.4
	Other Built-Commercial	2.7	8.5	23.7	3.2	10.2	27.6
	Education	0.8	2.8	6.2	1.0	3.3	7.3
	Outdoor-Commercial	0.1	0.3	0.6	0.2	0.4	0.7
Accommodation	Accommodation	1.0	2.9	5.2	1.2	3.4	6.2
Industrial	Warehouse	3.7	8.6	11.1	4.5	10.3	13.2
	Factory	1.8	4.7	13.1	2.2	5.6	15.3
	Yard-Industrial	1.7	3.9	5.9	2.0	4.7	7.0
	Other Built-Industrial	0.4	0.8	0.6	0.4	1.0	0.7
	Outdoor-Industrial	-	0.0	-	0.0	-	0.1
Total Urban Business Zone Demand Growth (ha)		14.8	39.3	80.2	17.7	47.1	94.1

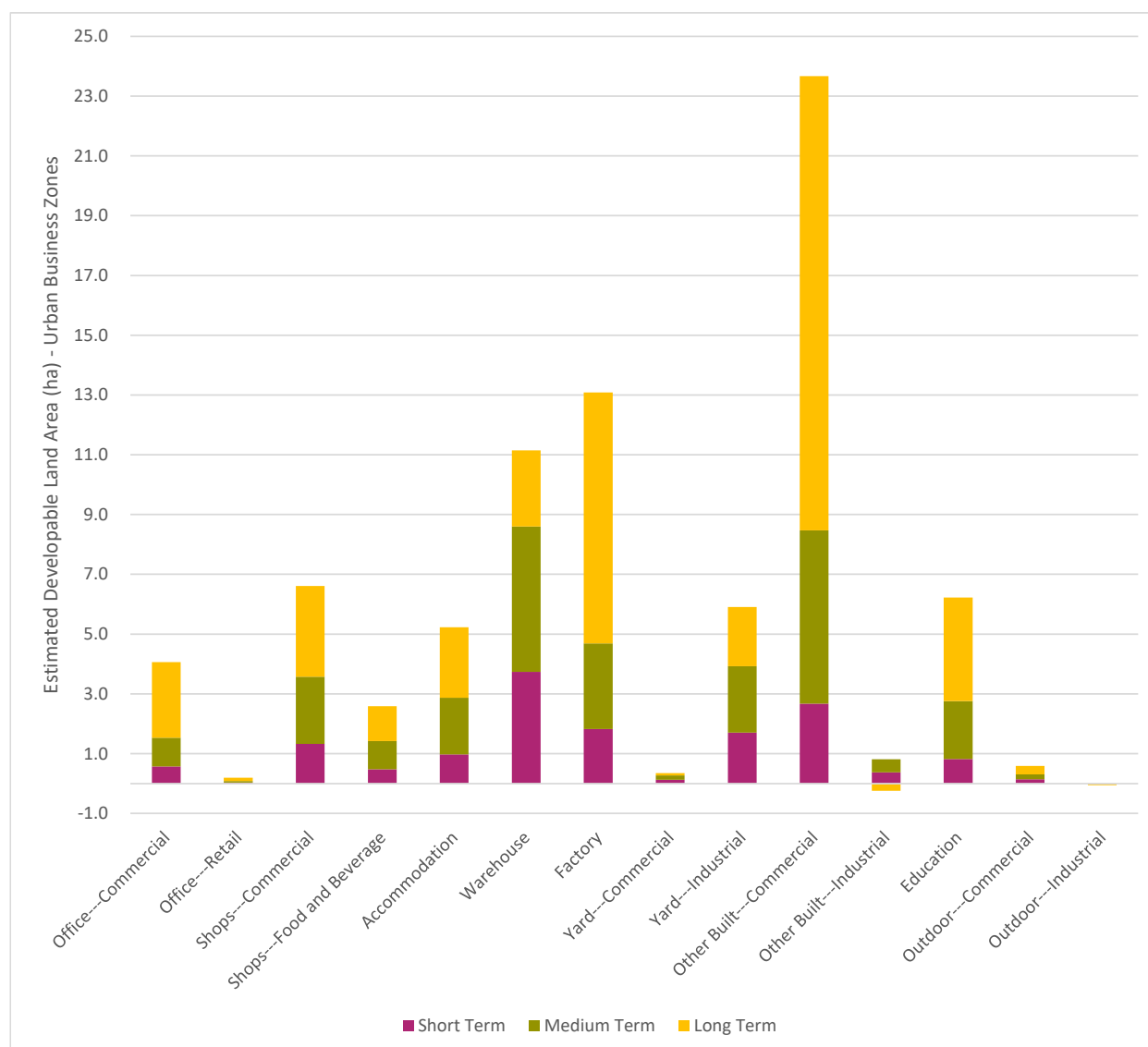
Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021)

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

According to the model, the building typology / land use showing the greatest demand (23.7ha) over the long term is 'Other' commercial buildings. These are neither offices, schools, or commercial yards, but in the case of Rotorua, include demand for activities like police stations/facilities, fire stations, district courts, security, hospitals, ambulance services, churches and funeral services. These industries are driven strongly by household growth projected in the district.

<sup>117</sup> Clause 3.22 of the NPS-UD.

Figure 11.5 - Projected Land Demand in Urban Business Zones by Land Use Typology (Excl. Margin)



The building typology / land use that is projected to need the most land in the short term (i.e. to 2023) is warehouse space. It is estimated that 3.7ha of developable land in urban business zones is needed to accommodate growth in warehouse type developments (large utilitarian buildings) and around 8.6ha is needed by 2030, but relatively little after that out to 2050. Demand for land to accommodate industrial factories is larger overall compared to demand for warehouses, but that demand is weighted more towards the long term rather than the short to medium term. Demand for industrial yard based land is however more evenly spread over the time periods (although noting that the time periods themselves have increasing lengths, hence a gradual reduction in the annual average demand over time).

The combined demand for zoned land to accommodate growth of retail shop space in the urban environment is estimated at 9.2ha over the long term<sup>118</sup> excluding the competitiveness margin, as shown in the category summary of Table 11.4 and Figure 11.6. Demand for land to accommodate growth in all

<sup>118</sup> The 'retail' category results in this model do not supersede specific retail demand modelling - it is a high level, total urban business area model that does not distinguish retail store types, sizes or centre functions.

types of commercial activity is 35.1ha by 2050 (excluding the margin), followed closely to total industrial land use demand of 30.7ha.

Table 11.4 - Projected Land Demand in Urban Business Zones by Land Use Category 2020-2050

Category	Developable Land Demand (ha)					
	Cumulative			Cumulative with Competitiveness Margin		
	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	1.8	5.0	9.2	2.2	6.0	10.8
Commercial	4.4	13.4	35.1	5.2	16.1	41.0
Accommodation	1.0	2.9	5.2	1.2	3.4	6.2
Industrial	7.6	18.0	30.7	9.2	21.6	36.2
<b>Total</b>	<b>14.8</b>	<b>39.3</b>	<b>80.2</b>	<b>17.7</b>	<b>47.1</b>	<b>94.1</b>

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021)

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Figure 11.6 - Projected Land Demand in Urban Business Zones by Land Use Category (Excl. Margin)

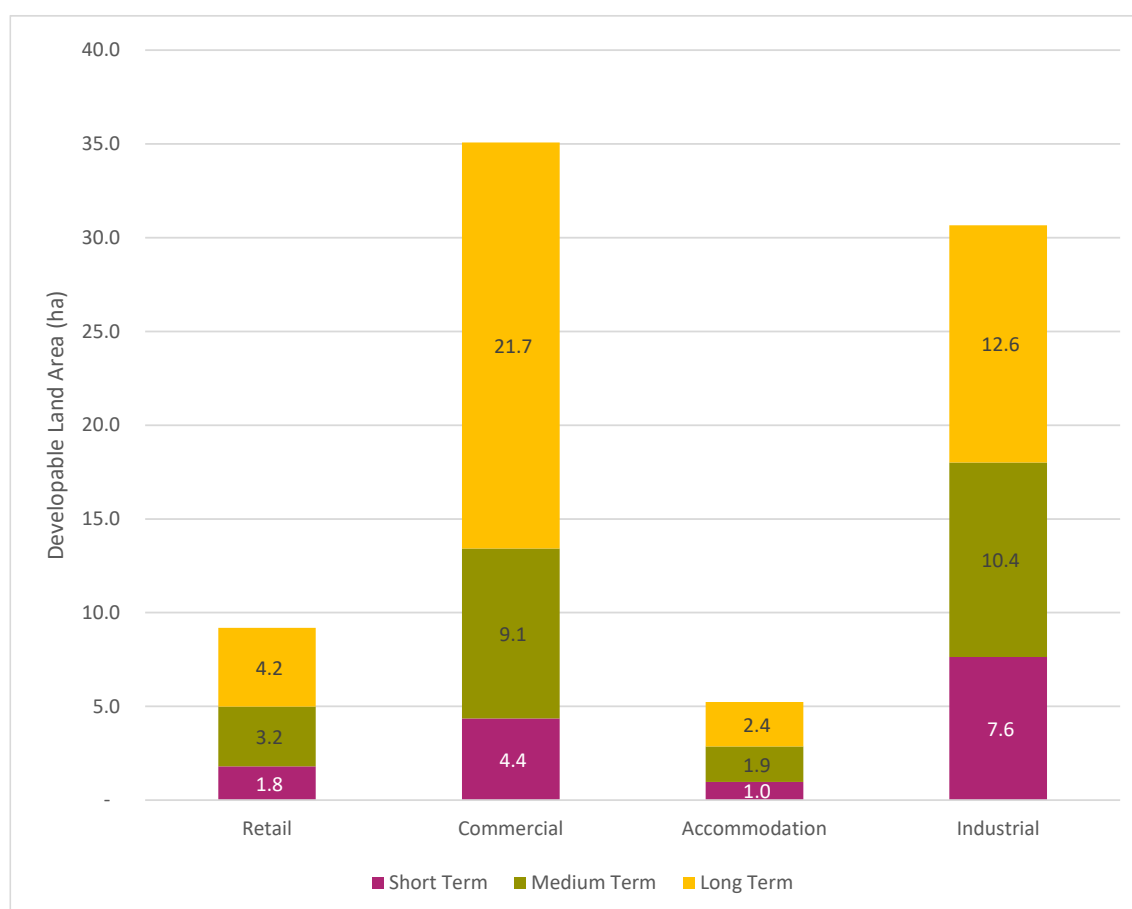
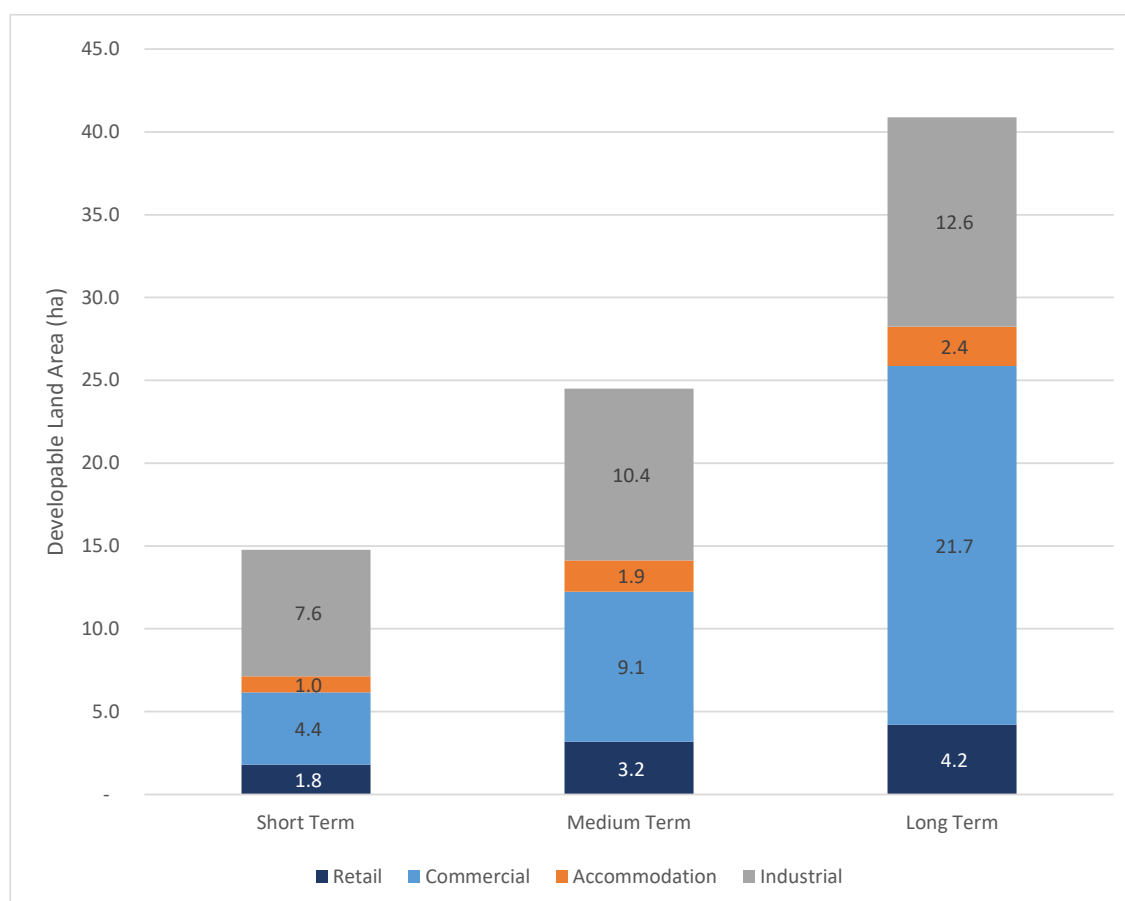




Figure 11.7 highlights where the demand is focussed in the short, medium and long term in Rotorua's urban business zones, with industrial land being of greatest demand in the short term, industrial and commercial land being of greatest demand in the medium term and commercial land being the greatest overall demand in the long term.

Figure 11.7 - Projected Land Demand in Urban Business Zones by Time Period (Excl. Margin)



For brevity, the equivalent analysis expressed in terms of sqm of GFA (floorspace) demand projected for urban business zones is set out and discussed in the supporting Technical Report. The results show the same trends and broad order of magnitude between categories and over time as for land demand projections.

## 11.3 Discussion

The demands for additional business land area should be considered in terms of developable zone area and not gross zone area as the ratios applied relate to site coverage and exclude public land (roads and landscape/reserve areas). This is particularly relevant as new zone area is often (but not always) created as greenfield land in what was previously rural zoning. When planning for new business zoning to help meet projected demand, Council must consider that developable land area equates to around 70% of gross zone if the land has not already undergone land development.



The measure of additional land demand is considered more relevant for future planning for industrial growth as industrial activities are more land extensive and not easily accommodated in mixed-use buildings. The measure of additional land demand is also likely to be more relevant for future planning for retail growth as retail activities are generally limited to the ground floor. However, the measure of additional floorspace is most relevant for future planning of commercial and tourist accommodation growth (particularly commercial office) as the bulk of these activities is more easily located above ground (with lobbies often limited to the ground floor) and in conjunction with retail activities. This is particularly so in CBD zones. However, as some resorts and commercial activities (including commercial yards) are reliant on land area more than built space, the land demand results still need to be considered.

It is important to note that this demand analysis does not dictate specifically which zones are needed to accommodate projected demand. Across the business enabled zones in the urban environment there are options available to accommodate a mix of building typologies / land uses depending on the rules of the District Plan and the nexus between activities and the typologies used in M.E's model. This is discussed further in section 12 with regard to business capacity.


Feedback from Rotorua property stakeholders sought prior to commencing the HBA was that the greatest demand in the urban area is for industrial land and premises – this was the area of greatest current shortfall. They indicated a real shortage of good industrial land close to the CBD on both main streets and side streets. That demand was for conventional industrial land for industrial service workshops, engineering companies (and their suppliers), forestry related machinery manufacturing, servicing and sale etc.

Any small piece of industrial land that has come up for sale recently has been snapped up. Anything up to 2ha is being taken. Vacancy rates in industrial zones have been going down for the last 7 years and are now less than 4% vacancy according to Telfer Young (a new low). This low vacancy rate is said to be constraining business growth, with businesses having little or no options to expand or move so are having to stay put even when they have out-grown their premises or site.

This feedback is consistent with the demand projections developed for this HBA where there is (continued) strong demand in the short-medium term for industrial type development. This feedback is discussed again in terms of the sufficiency findings of Part 3.

Feedback gathered specifically for this HBA agreed that more industrial capacity was needed to meet demand. They also provided some insight on a potential new source of demand for business zoned land in Rotorua that may not be anticipated by the Infometrics employment projections. One key developer felt that Rotorua has a lot going for it and they were expecting to see strong migration of businesses out of Auckland in the near future. Auckland was becoming very vulnerable (as a result of Covid-19, or whatever comes next) in their view, and this is creating major issues for supply chains and logistics (particularly for things like building supplies where wholesalers and retailers are struggling to get stock from Auckland based manufacturers and distributors).

Rotorua and Tauranga are well placed to capture some of that demand according to this local developer. They think Rotorua will see the bigger corporations changing the way that they hold and distribute stock – developing large distribution centres outside of Auckland where they can store stock and distribute with less disruption (as they do in Europe). They felt this would translate into more demand for vacant capacity. Specifically large sites in strategic locations for good transport accessibility.



Should this market prediction play out, and if this demand growth is not captured in the employment projections relied on for this HBA, demand for industrial land in particular could be higher than modelled, particularly in the short to medium term. That said, if the capacity isn't available, that market demand will look elsewhere. It therefore represents an opportunity for further economic growth if sufficient and suitable capacity can be provided in a timely manner.



## 12 Business Capacity

This section assesses the business land and floorspace capacity that is plan enabled<sup>119</sup> in Rotorua's urban business zones. This is based on planning rules applied to vacant parcels that have been identified in those zones through a ground survey. It is this vacant capacity that provides an important pathway for future business growth.<sup>120</sup> This analysis does not consider the amount or timing of land that will actually be developed (take-up of vacant capacity will be tracked through Council monitoring) and makes no call as to the developability of the capacity identified. That aspect is discussed in section 13.

### 12.1 Vacant Land Identified

Land parcels that were vacant<sup>121</sup> as at June 2021 in Rotorua's urban business enabled zones were initially identified using a desktop analysis of building footprints combined with parcel boundaries and aerial imagery. These parcels were mapped and formed the basis of a field survey where each parcel was physically inspected (where practical), validating if the parcels were indeed vacant or not. Refer to the supporting Technical Report for assumptions applied to identify vacant sites. Care was taken to also identify any vacant sites that did not get identified through the desktop process due to out of date or inconclusive data or recent changes (including demolished buildings). Given that the database of vacant sites is central to the HBA business modelling and also becomes the baseline for future monitoring, care was taken to ensure the results were robust. The mapping and ground truthing was an iterative process, with Council providing cross checks against their own in-house data in order to finalise.

Figures 12.1 and 12.2 map the final vacant land parcels in Rotorua's urban business zones as at June 2021 according to short and long term zoning. In a small number of cases, only a portion of the site is considered vacant, although the map shows the total parcel.

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<sup>119</sup> Refer Section 1 discussion of what qualifies as plan enabled under the NPS-UD.

<sup>120</sup> Growth of employment in existing business premises, utilisation of vacant premises by new businesses and redevelopment being other ways in which demand can be accommodated. These aspects are discussed further in this section.

<sup>121</sup> Not to be confused with unoccupied (vacant) premises.



Figure 12.1 – Map of Short and Medium Term Vacant Sites by Zone

**Vacant Parcels - Short Term**

**Legend**

 Vacant Parcels - Short Term

**Short Term Zones**

-  City Entranceway Accommodation
-  City Entranceway Mixed Use
-  City Entranceway Tourism
-  Compact Commercial Centres
-  Eastgate Business Park
-  Heavy Industrial
-  Light Industrial
-  Mid City
-  Neighbourhood Centres
-  Ngongotahā Centre
-  Northern Edge
-  Ohinemutu, Whakarewarewa, Ngapuna
-  Residential to Light Industrial
-  Scion Innovation Park
-  Southern City
-  Southern Edge Commercial Centre
-  Waipa Business Park

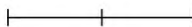
0 1 2 km  




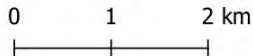


Figure 12.2 – Map of Long Term Vacant Sites by Zone

**Vacant Parcels - Long Term**

**Legend**

-  Vacant Parcels - Long Term
- Long Term Zones
  -  City Entranceway Accommodation
  -  City Entranceway Mixed Use
  -  City Entranceway Tourism
  -  Compact Commercial Centres
  -  Eastgate Business Park
  -  Fenton Entranceway Residential, Visitor Accommodation, Commercial
  -  Heavy Industrial
  -  Light Industrial
  -  Mid City
  -  Neighbourhood Centres
  -  Ngongotaha Centre
  -  Northern Edge
  -  Ohinemutu, Whakarewarewa, Ngapuna
  -  Residential to Light Industrial
  -  Scion Innovation Park
  -  Southern City
  -  Southern Edge Commercial Centre
  -  Waipa Business Park





### 12.1.1 Vacant Land by Zone and Location

The total area of parcels confirmed as vacant business capacity was 54.8ha in the short term (based on operative zoning excluding Future Urban Zones) and 107.3ha in the long term (based on operative zoning and identified future growth areas) (Table 12.1). This is the developable land area and takes into account not only the vacant share of the parcel determined by the ground survey, but that some parcels in greenfield areas were large in size and had no or limited internal roads. This means that the gross vacant parcel area would over-estimate the likely developable area (once the land is fully subdivided). In order to bring all vacant parcels to a consistent net developable area, 30% of parcel area was excluded from selected large parcels to accommodate likely final road and open space areas.<sup>122</sup>

Table 12.1 shows the final estimates of developable vacant land capacity in Rotorua's urban environment by business zone. In the short term, 29% of the vacant developable land area is in the Light Industrial Zone and 17% is in the Heavy Industrial Zone. A further 13% is in the City Entranceway Mixed Use Zone and Eastgate Business Park respectively. Approximately 10% is in the Northern Edge of the CBD, in the Neighbourhood Centre Zone and the City Entranceway Accommodation Zone. The commercial precincts in the Pukehāngi Plan Change Structure Plan make up just 1% of short term vacant land capacity. This quantum and structure of vacant developable land also applies for the medium term.

Under long term (indicative) zoning, an additional 52.5ha of vacant business land is created. This increase is attributable to the new area of City Entranceway Mixed Use zone indicated south of Ngongotahā (approximately 8.6ha of net developable land area estimated), the extension of the Eastgate Business Park zoning (+41.4ha of net developable land area), the inclusion of the Future Community Asset Reserve Zone in Pukehāngi and the Light Industrial change in the Transitional Zone. There is a net reduction in Neighbourhood Centre vacant capacity, reflecting the change from the large zone area in the Wharenui Road Development Plan area to two more tightly zoned potential centres elsewhere (but nearby).

Under long term zoning, the Eastgate Business Park (existing and indicative) accounts for 45% of total vacant developable land area, followed by the Light Industrial Zone which drops to a 15% share of the total (but no change in vacant land extent). The City Entranceway Mixed Use zone also makes up 14% of the long term total. Combined these three zones make up 74% of vacant capacity.

Importantly, there are several urban business zones that have no current vacant capacity, with none also provided for in the long term. These 'fully occupied' zones include (but are not limited to) the City Entranceway Tourism Zone,<sup>123</sup> Ngongotahā Centre Zone, Southern City Zone, and Southern Edge Commercial Centre Zone. The Mid City Zone has just one small vacant lot.

Refer to the Technical Report for a summary of vacant developable land area by reporting area. In the short and medium term, 43% is located within the Western area, followed by 41% in the Eastern area. Just 15% is available in the Central Area and less than 1% in Ngongotahā. In the long term, the Eastern area

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<sup>122</sup> While some sites in the Heavy Industrial zone were large and had not undergone land development, no deduction was made in this zone given the nature of development anticipated.

<sup>123</sup> This zone is relatively unique. This HBA acknowledges that there may be potential to further intensify these zones, as they are predominantly occupied by outdoor activities. This will be down to individual land/business owners and is not easily captured through this modelling approach.

dominates vacant capacity (56% of the total). The Western area accounts for 28% and the Central and Ngongotahā areas 8% each.

Table 12.1 – Developable Vacant Land Area by Status – Short-Long Term by Zone

Zone	Developable Land Area Demand (Ha)											
	Vacant Unconsented			Vacant & Consented** Not Under Construction			Vacant & Under Construction			Total Vacant ****		
	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050	2020-2023	2020-2030	2020-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
City Entranceway Accommodation	4.9	4.9	3.2	-	-	-	0.1	0.1	-	5.0	5.0	3.2
City Entranceway Mixed Use	6.1	6.1	14.7	-	-	-	0.8	0.8	0.8	6.9	6.9	15.5
City Entranceway Tourism	-	-	-	-	-	-	-	-	-	-	-	-
Community Asset Reserve *	-	-	-	-	-	-	-	-	-	-	-	-
Compact Commercial Centres	0.1	0.1	0.1	-	-	-	-	-	-	0.1	0.1	0.1
Destination Reserve *	-	-	-	-	-	-	-	-	-	-	-	-
Eastgate Business Park	5.6	5.6	47.0	1.6	1.6	1.6	-	-	-	7.2	7.2	48.5
Fenton Entranceway Residential, Visitor Accommodation, Commercial **	-	-	1.7	-	-	-	-	-	0.1	-	-	1.8
Future Community Asset Reserve **	-	-	4.7	-	-	-	-	-	-	-	-	4.7
Heavy Industrial	9.1	9.1	9.1	-	-	-	-	-	-	9.1	9.1	9.1
Light Industrial	14.9	14.9	14.9	0.1	0.1	0.1	0.7	0.7	0.7	15.7	15.7	15.7
Mid City	0.1	0.1	0.1	-	-	-	-	-	-	0.1	0.1	0.1
Neighbourhood Centres	4.7	4.7	1.1	-	-	-	-	-	-	4.7	4.7	1.1
Ngongotahā Centre	-	-	-	-	-	-	-	-	-	-	-	-
Northern Edge	-	-	-	-	-	-	5.2	5.2	5.2	5.2	5.2	5.2
PC 2 Commercial Precincts	0.8	0.8	0.8	-	-	-	-	-	-	0.8	0.8	0.8
Residential to Light Industrial **	-	-	1.4	-	-	-	-	-	-	-	-	1.4
Scion Innovation Park *	-	-	-	-	-	-	-	-	-	-	-	-
Southern City	-	-	-	-	-	-	-	-	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-	-	-	-	-	-	-	-	-
Waipa Business Park *	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>46.3</b>	<b>46.3</b>	<b>98.8</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>6.8</b>	<b>6.8</b>	<b>6.8</b>	<b>54.8</b>	<b>54.8</b>	<b>107.3</b>

Source: M.E Business Capacity Model 2021. \*\*\*\* Vacant includes sites under construction on the basis that they do not absorb employment demand until occupied. \*\* Active Consent

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Table 12.1 provides a breakdown of developable vacant business land area according to its status as at June 2021. It shows the amount that is already under construction – and hence not likely to be vacant in the next 6-12 months (depending on the scale and stage of construction). 6.8ha or 12% of short term vacant capacity is under construction spread over 4 locations.<sup>124</sup> While still treated as vacant for the purpose of this HBA, this is the sort of change that would show up through regular monitoring (with vacant capacity decreasing if there was no further change to overall zoning).

A further 1.7ha of vacant developable area has an active consent, but was not under construction as at June 2021. This includes sites in the Eastgate Business Park and the Light Industrial Zone. This too might change status to being under construction if regular monitoring takes place. 46.5ha or 84% of short term vacant developable land is however unconsented meaning that there are no immediate plans for development.

<sup>124</sup> The area of City Entranceway Accommodation Zone along Fenton Street (extending to Hemo Road) changes to the Fenton Entranceway Residential, Visitor Accommodation, Commercial Zone (a.k.a. Mixed Use Zone) in the long term.



## 12.2 Estimating Plan Enabled Building GFA

The NPS-UD requires that vacant business capacity also be expressed in floorspace terms. To calculate the building envelope on each vacant business site, Council provided data from the district plan on site coverage and building height rules by zone. These two parameters were applied to the developable vacant site area to estimate the ground floor GFA and the number of storeys (upper floor GFA<sup>125</sup>) enabled by the plan in the short and the long term. A number of exceptions applied and were taken account of in the modelling. These are discussed further in the Technical Report.

### 12.2.1 Cross over with Housing Capacity

Many of the district's business enabled zones also provide for residential activity (namely apartments). Generally, this is limited to above ground floors. Council and M.E have agreed on estimates for the share of 'likely' building storeys in mixed business zones that are estimated to be taken up by residential apartments. These storeys are deducted from the likely building envelope. This was necessary to avoid over estimating business capacity. The model reduced the number of storeys available for business capacity by subtracting the estimated residential floor take-up.

The same estimates were used to ensure that residential capacity was not over-stated in mixed business zones (i.e., the share of total enabled building envelopes that was likely to be occupied by business activity (including visitor accommodation) was removed. Through this process, double counting of capacity between the housing and business capacity modelling is avoided.

### 12.2.2 Vacant Land GFA by Zone and Location

Table 12.2 shows the final estimates of maximum building floorspace on developable vacant land in Rotorua's urban business zones (as at June 2021), having applied the relevant development parameters. In total, the urban business zones have remaining vacant capacity for a maximum of 434,400sqm GFA in the short term, increasing to 1.166 million sqm GFA under long term zoning.

In the short and medium term, 27% each of the maximum building floorspace is located in the Eastgate Business Park and Light Industrial Zone. A further 16% is in the Northern Edge, and 10% each in the City Entranceway Mixed Use and City Entranceway Accommodation zones. Other zones have minor shares. In the long term, the Eastgate Business Park accounts for 68% of vacant site floorspace capacity, with the other zones dropping shares pro-rata.

The Technical Report contains a table showing the distribution of maximum building floorspace by reporting area. Eastern dominates in the short term (49%) and long term (74%), with Western and Central areas with less than a third each in the short term, and a reduced share of the total in the long term (although an increase in capacity in real (GFA) terms).

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<sup>125</sup> An average of 3m was applied to calculate storeys from building height provisions. Upper floor GFA was calculated as ground floor area multiplied by the number of above ground storeys.

Table 12.2 – Maximum Building Envelope on Vacant Land Area by Zone – Short-Long Term

Zone	Maximum Building Envelope on Developable Vacant Land		
	2020-2023	2020-2030	2020-2050
	Short Term	Medium Term	Long Term
City Entranceway Accommodation	44,800	44,800	28,400
City Entranceway Mixed Use	44,300	44,300	91,400
City Entranceway Tourism	-	-	-
Community Asset Reserve *	-	-	-
Compact Commercial Centres	500	500	500
Destination Reserve *	-	-	-
Eastgate Business Park	116,200	116,200	788,400
Fenton Entranceway Residential, Visitor Accommodation, Commercial **	-	-	18,200
Future Community Asset Reserve **	-	-	19,200
Heavy Industrial	13,000	13,000	13,000
Light Industrial	116,800	116,800	116,800
Mid City	1,500	1,500	1,500
Neighbourhood Centres	23,600	23,600	5,700
Ngongotahā Centre	-	-	-
Northern Edge	68,100	68,100	68,100
PC 2 Commercial Precincts	5,600	5,600	5,600
Residential to Light Industrial **	-	-	9,200
Scion Innovation Park *	-	-	-
Southern City	-	-	-
Southern Edge Commercial Centre	-	-	-
Waipa Business Park *	-	-	-
<b>Total</b>	<b>434,400</b>	<b>434,400</b>	<b>1,166,000</b>

Source: M.E Business Capacity Model 2021.

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

## 12.3 Allocating Vacant Land/GFA to Land Use/Building Typologies

Using the same land uses / building typologies identified to place business demand ‘on the ground’ (section 11.2), a matrix that approximately aligns these space types with the activities that are permitted, controlled or restricted discretion status in each of the business zones has been developed by M.E.

The supporting Technical Report contains a copy of the final matrix. A ‘1’ denotes that a particular land use /building typology is enabled in the zone and a ‘0’ means that it is not enabled. That same table shows a category summary of land uses enabled.<sup>126</sup> So long as one land use in a category is enabled, that category applies. This approach shows that 6 zone-sub-zone combinations (9%) are associated with just one category of land use (i.e., are more specialist zones), 36 zone-sub-zone combinations (56%) are associated

<sup>126</sup> The categories are Retail, Commercial, Tourist Accommodation and Industrial.



with 2 categories of land use, 22 (34%) are associated with three categories (i.e., are more mixed use) and none anticipate all four categories.

At a parcel level, the vacant developable land area identified and calculated ground floor and upper floor GFA capacity is attributed to each land use / building typology that is coded '1' according to the zone or sub-zone it is located within. The results (described in the following sections) are vacant land and GFA area by enabled space types – an output compatible with the demand modelling outputs.

Importantly, because there are many cases where multiple uses are allowed on one piece of land (discussed above), vacant land and floorspace capacities are not additive. The allocation of land/GFA to commercial land uses may mean that the land cannot be used for opposing/different land use types, for example. In other words, allocating vacant land for the development of an office block would remove the land as a potential hotel site, and vice versa. Therefore, the vacant land and GFA capacity in the following sections should not simply be summed (and accordingly totals are not shown across the space types).

## 12.4 Results – Maximum Capacity Scenario

### 12.4.1 Vacant Land by Land Use Category

Table 12.3 contains the vacant land capacity outputs for the Maximum Capacity Scenario in the short and medium term, summarised by Commercial, Retail, Tourist Accommodation and Industrial land uses. The assessment shows the maximum potential capacity – regardless of use and the amount available to each of the four broad categories. As discussed above, out of necessity, zone provisions in the plans are often broad, meaning that most parcels identified as vacant are able to meet a relatively wide range of needs. This means that capacity may not be exclusively sheeted back to one space type/category or another.

At the category level, only the City Entranceway Accommodation Zone is exclusively enabled for Accommodation land uses according to model assumptions ( 5.0ha).<sup>127</sup> In total however, there is a maximum of 10.3ha potentially available for Accommodation development in Rotorua's urban business zones. There is a maximum of 49.8ha of vacant developable land available for Commercial development, although this same land is potentially available for retail development. As discussed above, up-take by one category could exclude up-take the other, although there is potential for Commercial to occur on upper floors above Retail in some zones, so some overlap is still feasible. This is discussed further in terms of floorspace capacity.

There is also a maximum of 39.0ha of vacant developable land available for Industrial development in the short and medium term. All of this occurs in zones that also enable some forms of Retail and Commercial development – so Industrial is likely to compete for the vacant land that is available.

Table 12.3 shows that the Light Industrial Zone, Heavy Industrial Zone and Eastgate Business Park zone contribute most to maximum vacant capacity for Commercial, Retail and Industrial development, with the City Entranceway Mixed Use Zone the next largest. The Northern Edge provides 5.2ha of vacant

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<sup>127</sup> While the zone enables ancillary retail and office activities, this is intended to be in conjunction with tourist accommodation activities.

developable land potential for Commercial, Retail and Accommodation (although much of this is already consented for Commercial development).

The Technical Report contains a summary of short-medium term maximum vacant land capacity by reporting area. Commercial, Retail and Industrial capacity is potentially available in all four areas of the urban environment, although the amount potentially available in the Central area and Ngongotahā is very minor, particularly for Industrial. The Accommodation capacity is in Western and Central reporting areas only.

**Table 12.3 – Short & Medium Term Business Land Capacity by Category & Zone (ha) – Maximum Capacity Scenario**

Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	5.0
City Entranceway Mixed Use	6.9	6.9	6.9	-
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	0.1	0.1	0.1	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	7.2	7.2	7.2	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial **	-	-	-	-
Future Community Asset Reserve **	-	-	-	-
Heavy Industrial	9.1	9.1	9.1	-
Light Industrial	15.7	15.7	15.7	-
Mid City	0.1	0.1	-	0.1
Neighbourhood Centres	4.7	4.7	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	5.2	5.2	-	5.2
PC 2 Commercial Precincts	0.8	0.8	-	-
Residential to Light Industrial **	-	-	-	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>49.8</b>	<b>49.8</b>	<b>39.0</b>	<b>10.3</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Maximum Capacity Scenario (Includes Overlap of Capacity Between Enabled Categories)

Table 12.4 contains the maximum vacant land capacity outputs according to identified long term zoning by category. The maximum vacant capacity for Commercial, Retail and Industrial development increases significantly compared to the short/medium term due to the indicative future Eastgate Business Park Zone which enables activities in all three categories. The maximum capacity for Commercial development is slightly higher at 104.2ha due to the inclusion of the Future Community Asset Reserve which is available solely for commercial (i.e., education) development.<sup>128</sup> The maximum capacity for Retail development is

<sup>128</sup> It is noted that at the time of drafting, a consent had been lodged for a retirement village on this site. If granted, the capacity of this long term zone for employment growth would be reduced (as retirement villages fall under residential capacity).

99.4ha of land and Industrial is 90.4ha. The maximum vacant land capacity for Accommodation does not change in the long term (and sits at up to 10.3ha).

Table 12.4 – Long Term Business Land Capacity by Category & Zone (ha) – Maximum Capacity Scenario

Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	3.2
City Entranceway Mixed Use	15.5	15.5	15.5	-
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	0.1	0.1	0.1	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	48.5	48.5	48.5	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial **	1.8	1.8	-	1.8
Future Community Asset Reserve **	4.7	-	-	-
Heavy Industrial	9.1	9.1	9.1	-
Light Industrial	15.7	15.7	15.7	-
Mid City	0.1	0.1	-	0.1
Neighbourhood Centres	1.1	1.1	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	5.2	5.2	-	5.2
PC 2 Commercial Precincts	0.8	0.8	-	-
Residential to Light Industrial **	1.4	1.4	1.4	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>104.2</b>	<b>99.4</b>	<b>90.4</b>	<b>10.3</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Maximum Capacity Scenario (Includes Overlap of Capacity Between Enabled Categories)

The Technical Report contains a summary of long term maximum vacant land capacity by reporting area. The spread is the same as in the short term, but the distribution is more concentrated in the Eastern reporting area.

The Technical Report also provides further discussion on how floorspace on vacant developable land is attributed to ground and upper floor capacity in the model as well as the results by zone and reporting area according to maximum floorspace capacity in the short/medium and long term.

In summary, there is maximum capacity for up to 390,000sqm GFA of Commercial floorspace in the short-medium term on plan enabled vacant land, increasing up to 1.34 million sqm GFA in the long term. For all forms of Retail development, there is up to 210,000sqm GFA of floorspace capacity in the short-medium term, increasing up to nearly 506,000sqm GFA in the long term. For all forms of Industrial development, there is up to 148,100sqm GFA of floorspace capacity in the short-medium term, increasing up to 455,00sqm GFA in the long term. Finally, there is up to 114,000sqm GFA for Tourist Accommodation development in the short term, changing only slightly (due to indicative building height rule change) to a maximum of 116,200sqm in the long term.



## 12.5 Discussion

### 12.5.1 Timing of Ground Survey

A minor limitation of the business capacity modelling is that the ground survey of vacant sites was conducted in June 2021, but the base year of demand (which it gets compared against) is March 2020 (i.e., the year end of the Infometrics employment projections). This difference in the baseline was unavoidable for this first HBA under the NPS-UD, but in future HBAs, might be able to be aligned (or aligned more closely) if Council conducts regular monitoring of vacant sites. For this HBA however, we do not consider that the difference in timing will materially impact on the analysis findings, as the zoning has not materially changed (only the addition of Plan Change 2 (Pukehāngi) that is now operative, but which contained a very small area of vacant business land) and because the vast majority of the vacant sites have no active consents for development as at June 2021, which means that they were also not consented back in March 2020. This gives us confidence that there would have been limited change in current estimates of vacant sites. Council have confirmed this assumption based on their knowledge or recent developments in in business zones.

### 12.5.2 Unoccupied Premises

When undertaking ground truthing checks across the urban business zones, it was noted that there exist some developed – but unoccupied – premises. Council also collects data on vacant tenancies on a regular basis through a third party supplier (Telfer Young Rotorua). The Rotorua Business Capacity Model does not take these unoccupied premises into account in terms of capacity, due to the difficulty required to isolate these sites and distinguish them from other developed (but occupied) sites in a format consistent with the HBA modelling. Adding to this, the number and size of unoccupied premises are often in flux, with occupation and relocation of businesses. This essentially means that there may be some extra capacity available for new businesses to occupy, but these are unable to be modelled effectively.

By excluding this from the assessment, the report presents a conservative picture with respect to capacity. The Council is keen to include vacant tenancy data in future HBA updates.

Telfer Young's January 2020 survey results showed:

- Commercial Office: "The Rotorua commercial office leasing market is in two distinct tiers. Good quality prime new space is sought after, and rental rates have established a new level. The secondary office leasing market is static with limited demand only. Sales activity is limited due to a shortage of supply."
- Industrial: "The industrial market has been buoyant for an extended period in Rotorua. Vacancy levels remain at an all-time low level and development land is scarce. Rental levels are increasing across the board and yields are continuing to firm."
- Retail: "The Rotorua CBD retail leasing market has slowed in recent months and vacancy rates appear to be slowly increasing. Rental rates are still very inconsistent. There is strong demand for well tenanted investment properties, however sales activity is limited due to properties being tightly held."<sup>129</sup>

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<sup>129</sup> <https://www.telferyoung.com/news-item/rotorua-market-insights>



### 12.5.3 Redevelopment Capacity

There will be some capacity available through the redevelopment process. Redevelopment occurs when a piece of already occupied land is purchased and additional development occurs to either change its usage, or to increase the amount of use that is made of it currently.

One way to estimate the amount of additional capacity potentially available in an area is to look at the average level of development intensity (number of storeys or floor area ratios) achieved across the entire area, then look at the level of intensity on sites that are significantly lower than the average. These may be sites that have redevelopment potential to bring them closer to the revealed development intensity of the balance of the area.

This can be done across commercial centres and industrial areas. However, there are issues with redevelopment capacity that arise when the type and nature of business land use is not taken into consideration. For example, it may be that through an analysis of an industrial area, a number of seemingly under-utilised sites are identified that may represent capacity. However, they may exist as important parts of the production process either as turning bays for trucks or as storage areas for completed or partially completed goods.

In this study a conservative stance has been adopted and it has been assumed that the only capacity that is truly available is **vacant capacity**. This is an area that could be investigated further by RLC if they wished to understand the depth of true capacity within the district's urban business zones.

As a general guide, if the existing business zones prove to have provided for sufficient capacity by simply providing for vacant capacity, then redevelopment capacity is not required. Conversely, if it proves insufficient, the redevelopment capacity becomes more relevant. Also, the amount of redevelopment capacity that is taken up over the short, medium and long-term will obviously have an effect on (reduce) the take up of vacant capacity. It is recommended that Council monitor this.

### 12.5.4 Business Capacity in the Rural Environment

As discussed in Section 11.1.2 there are business enabled zones outside the defined urban environment. Vacant capacity has not been modelled or identified in those zones. It is assumed that any vacant capacity in those locations will be utilised for demand attributed to the rural environment.

### 12.5.5 Alternative Vacant Capacity Outcomes – Removing the Overlap

The approach adopted in the previous sections by M.E to demonstrate vacant land (and GFA) capacity for future business development in Rotorua's urban environment reflects the flexibility of some district plan zones to enable a range of potential land uses. Hence the overlap of capacity. The approach does not assume a development outcome on any particular vacant parcel as this is unknown (except if it is under construction). However, it is possible to develop a potential "scenario" of development that reflects recent trends, potential market pressures, including maximising investment returns in particular parts of the district, as well as known development outcomes on those vacant sites that are under construction.

M.E has developed a single, alternative scenario that removes the overlap of capacity in those zones where flexibility is enabled between Retail, Commercial, Tourist Accommodation and/or Industrial activity. The

scenario is **indicative only** – monitoring of vacant land uptake will indicate how accurate this scenario may or may not be in the future. The scenario is based on a series of allocation rules (set out the supporting Technical Report) which apply to vacant parcels in each zone.

Table 12.5 presents the results of the Alternative Capacity Scenario for vacant land area capacity in urban business zones in the short and medium term. Under these allocation assumptions, it is estimated that there is currently 14.3ha of vacant land capacity available for Commercial development (out of a maximum plan enabled capacity of 49.8ha), 8.0ha for Retail development (out of a maximum capacity of 49.8ha), 28.4ha for Industrial development (out of a maximum capacity of 39.0ha) and 8.2ha for Tourist Accommodation development (out of a maximum of 10.3ha). The Technical Report provides a summary of this land capacity by reporting area. These significant deductions once double/triple counting is removed highlights the rationale of the Alternative Capacity Scenario and the risk of relying on a Maximum Capacity Scenario approach for understanding sufficiency of business zoning.

**Table 12.5 – Short & Medium Term Business Land Capacity by Category & Zone (ha) – Alternative Capacity Scenario**

Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	5.0
City Entranceway Mixed Use	4.3	2.0	2.0	0.6
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	0.1	0.1	-	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	1.7	0.6	4.9	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial	-	-	-	-
Future Community Asset Reserve **	-	-	-	-
Heavy Industrial	-	-	9.1	-
Light Industrial	1.9	1.5	12.3	-
Mid City	0.0	0.0	-	0.1
Neighbourhood Centres	1.4	3.3	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	4.2	-	-	2.6
PC 2 Commercial Precincts	0.8	0.5	-	-
Residential to Light Industrial **	-	-	-	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>14.3</b>	<b>8.0</b>	<b>28.4</b>	<b>8.2</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Alternative Capacity Scenario (Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

Table 12.6 presents the results of the Alternative Capacity Scenario for vacant land area capacity in urban business zones in the long term. Under these allocation assumptions, it is estimated that there could be 37.2ha of vacant land capacity available for Commercial development (a large increase due to the

estimated share of the identified future Eastgate Business Park and City Entranceway Mixed Use zones taken up by Commercial activities), 13.3ha for Retail development (a relatively small change compared to the short term), 57.2ha for Industrial development (a large increase attributable to the industrial capacity apportioned to the indicative future Eastgate Business Zone), and 7.3ha for Tourist Accommodation development. The latter decreases slightly in the long term because the vacant sites along Fenton Street to Hemo Road in the short term City Entranceway Accommodation Zone compete with retail and commercial development in the long term with the change to a more mixed use zoning. The Technical Report provides a summary of this long term land capacity by reporting area as well as the tables for floorspace capacity results in the short and long term under the Alternative Capacity Scenario. Again, the estimated capacity likely to be available for each land use is significantly less than what is plan enabled in the Maximum Capacity Scenario.

Table 12.6 – Long Term Business Land Capacity by Category & Zone (ha) – Alternative Capacity Scenario


Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	3.2
City Entranceway Mixed Use	10.0	4.9	4.9	0.6
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	0.1	0.1	-	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	14.1	4.7	29.7	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial	0.9	0.6	-	0.9
Future Community Asset Reserve **	4.7	-	-	-
Heavy Industrial	-	-	9.1	-
Light Industrial	1.9	1.5	12.3	-
Mid City	0.0	0.0	-	0.1
Neighbourhood Centres	0.3	0.8	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	4.2	-	-	2.6
PC 2 Commercial Precincts	0.8	0.5	-	-
Residential to Light Industrial **	0.1	0.1	1.1	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>37.2</b>	<b>13.3</b>	<b>57.2</b>	<b>7.3</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Alternative Capacity Scenario (Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

While only a scenario of possible uptake of vacant capacity in urban business zones, and subject to a number of assumptions and a limited number of known outcomes for those sites under construction, M.E considers that more weight should be given to the results of the Alternative Capacity Scenario for the purpose of sufficiency analysis and to inform future planning and decision making in this HBA. This is because the Maximum Capacity Scenario – while adhering to NPS-UD guidance – does not work well when zones provide for a range of activities that span different categories of land use. M.E considers the



Maximum Capacity Scenario to have more limitations and potentially greater risk for plan making and decision making if relied upon to represent capacity.

### 12.5.6 Alternative Conservative Capacity Scenario – Excluding Whenua Māori

That said, there is another relevant issue to assessing vacant capacity in urban business zones in Rotorua that needs to be acknowledged. That is the relatively significant presence of whenua Māori with those zones.

Feedback from one commercial developer who has been in business for 20-25 years and now is solely focussed on developing retail, commercial, industrial and tourist accommodation properties in Rotorua primarily for national clients says that their policy is not to invest in any Whenua Māori. Their development model is based on purchasing and holding freehold land so that they can respond to client enquires and offer a design-build-lease development. Freehold land is critical to their commercial feasibility. According to this developer, national clients (i.e., those that have a presence across New Zealand) only want to be on freehold land. It was their view that Māori land will be a constraint for development in Rotorua in terms of current zoning.

Conversely, another one of Rotorua's key commercial sector developers is a Māori economic entity (the Pukeroa Oruawhata Trust). Their mandate is to realise the economic potential of Crown land returned to the iwi in and around the central city and have been involved in that development for the last 20-25 years. Some of Rotorua's most high profile retail developments are theirs including Rotorua's Central Mall and Trade Central. They are currently developing a hot springs and spa resort on the lake front (northern edge of the CBD) and in future have plans for further commercial and residential development on that site.

Their success (with the Ngati Whakaue Education Endowment Trust commercial development in the CBD another good example) shows that when iwi are well resourced and have (or can generate) capital, that development of leasehold land can be commercially feasible (under a cash return model). Pukeroa's developments have focussed on design-build and lease model as opposed to selling of ground leases and they think this how development of Whenua Māori is best delivered (i.e., when iwi are the developers and building owners). Building on scale is also important in their experience (several buildings not just one) as this reduces the risk of losing a tenant and therefore income, and banks can be more confident lending against the projected income if not the asset itself. However, they indicate that lack of capital, experience, connections for less experienced Māori land blocks is holding back the development of more Whenua Māori. Having the equity to get started is just the first hurdle.

Based on the location of Māori land parcels relative to short term business zoning in the urban environment, it is calculated that on average 44% or 6.2ha of the vacant developable land estimated to be available for future Commercial development in the Alternative Capacity Scenario is Māori leasehold land. Most of this leasehold land (4.3ha) occurs in the Eastern area (where it makes up 70% of vacant capacity likely to be available for Commercial development). In the long term, leasehold land makes up an average of 48% of likely Commercial land capacity, including a significant 90% share within the Eastern Area.

Of the vacant developable land assumed to be available for Retail development in urban business zones, an average of 76% (6.1ha) falls on Māori leasehold land in the short term. In the Eastern area, the leasehold share is 87% and in the Western area it is 52% of the estimated Retail total (Alternative Capacity Scenario). Under long term zoning, the amount of vacant zoned leasehold land likely to be available for Retail



development increases to 7.8ha. This accounts for 59% (on average) of the total in that time period, but in the Eastern area, the leasehold share increases to 90% of that vacant and likely Retail capacity.

Of the vacant developable land assumed to be available for Industrial development in urban business zones, an average of 41% (11.7ha) falls on Māori leasehold land in the short term. In the Eastern area, the leasehold share is 50% and in the Western area it is 37% of the estimated Industrial total (Alternative Capacity Scenario). Under long term zoning, the amount of vacant zoned leasehold land likely to be available for Industrial development increases to 36.6ha. This accounts for 64% (on average) of the total in that time period, but in the Eastern area, the leasehold share increases to 84% of that vacant and likely Industrial capacity.

Vacant developable land assumed to be available for Tourist Accommodation development in the Alternative Capacity Scenario is almost all on freehold land, with just 0.2ha Māori leasehold land (2%). This decreases in the long term to just 0.1ha (1% of the assumed total).

M.E has tested the effect of removing all Māori leasehold business land that is not already under construction from available vacant capacity to form an 'Alternative Conservative Capacity Scenario'. This is a worst case scenario and is not intended to imply that vacant Māori leasehold land parcels in urban business zones will never be developed. There is evidence that Māori leasehold land can be successfully developed in Rotorua's business zones, particularly in the CBD and CBD fringe when those landowners have the capital and capability to do so. There is also evidence elsewhere in New Zealand where leasehold land has been taken up by commercial and industrial development.<sup>130</sup> There are known barriers to developing Māori land, and stakeholder feedback indicates that the general commercial development sector (i.e., those that need to source land for development) are highly unlikely to choose to invest and develop on leasehold land (unless some form of partnership development model can be agreed that is commercially feasible for both parties).

It is considered prudent to include this Alternative Conservative Capacity Scenario in the HBA to highlight the degree to which Council (through the District Plan and Spatial Plan) is reliant on the development of Māori leasehold land to cater for future business growth. It helps to identify the potential planning risks associated with relying on that Māori land in the context of obligations under the NPS-UD to ensure at least sufficient plan enabled, infrastructure ready and suitable (commercially feasible) capacity to meet demand in the short, medium, and long term. It also helps to clarify the importance of providing assistance to enable the development of Whenua Māori and to remove barriers.

The scenario represents the lower bound of estimated vacant development capacity (land and GFA) in Rotorua's urban business zones, with the Alternative Capacity Scenario forming an estimated upper bound. The reality is that vacant capacity is likely to be somewhere within this range.

Table 12.7 shows that under the Alternative Conservative Capacity Scenario, there is 8.1ha of vacant developable land area for Commercial development in the short term. In addition, there is 1.9ha of Retail land capacity, 16.6ha of Industrial land capacity (with 6.2ha of that in the Heavy Industrial Zone), and 8.0ha of Accommodation capacity.

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<sup>130</sup> Industrial land near the port is Napier for example.

In the long term (Table 12.8), Commercial capacity (excluding Māori leasehold land not currently under construction) increases to 19.5ha. Retail capacity increases to 5.5ha and Industrial capacity increases only modestly to 20.6ha. Accommodation land capacity decreases slightly to 7.2ha in the long term (as discussed above, this is driven by indicative changes to zoning along Fenton Street). The Technical Report contains the summary of vacant land capacity for the Alternative Conservative Capacity Scenario by reporting area in the short and long term, as well as the detailed analysis of floorspace capacity on vacant land.

Table 12.7 – Short & Medium Term Business Land Capacity by Category & Zone (ha) – Alternative Conservative Capacity Scenario

Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	4.8
City Entranceway Mixed Use	0.3	0.1	0.1	0.6
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	-	-	-	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	1.7	0.6	4.9	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial	-	-	-	-
Future Community Asset Reserve **	-	-	-	-
Heavy Industrial	-	-	6.2	-
Light Industrial	1.0	0.7	5.4	-
Mid City	0.0	0.0	-	0.1
Neighbourhood Centres	0.0	0.1	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	4.2	-	-	2.6
PC 2 Commercial Precincts	0.8	0.5	-	-
Residential to Light Industrial **	-	-	-	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>8.1</b>	<b>1.9</b>	<b>16.6</b>	<b>8.0</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Alternative Conservative Capacity Scenario (Excludes vacant Maori Land. Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

Table 12.8 – Long Term Business Land Capacity by Category & Zone (ha) – Alternative Conservative Capacity Scenario

Zone	Vacant Developable Land by Land Use Category (Ha)			
	Commercial	Retail	Industrial	Accommodation
City Entranceway Accommodation	-	-	-	3.2
City Entranceway Mixed Use	6.1	2.9	2.9	0.6
City Entranceway Tourism	-	-	-	-
Community Asset Reserve *	-	-	-	-
Compact Commercial Centres	-	-	-	-
Destination Reserve *	-	-	-	-
Eastgate Business Park	1.7	0.6	4.9	-
Fenton Entranceway Residential, Visitor Accommodation, Commercial	0.8	0.5	-	0.8
Future Community Asset Reserve **	4.7	-	-	-
Heavy Industrial	-	-	6.2	-
Light Industrial	1.0	0.7	5.4	-
Mid City	0.0	0.0	-	0.1
Neighbourhood Centres	0.0	0.1	-	-
Ngongotahā Centre	-	-	-	-
Northern Edge	4.2	-	-	2.6
PC 2 Commercial Precincts	0.8	0.5	-	-
Residential to Light Industrial **	0.1	0.1	1.1	-
Scion Innovation Park *	-	-	-	-
Southern City	-	-	-	-
Southern Edge Commercial Centre	-	-	-	-
Waipa Business Park *	-	-	-	-
<b>Total Urban Environment</b>	<b>19.5</b>	<b>5.5</b>	<b>20.6</b>	<b>7.2</b>

Source: M.E Business Capacity Model 2021

\* Assumed no vacant capacity for purpose of HBA. \*\* Long term capacity only.

Alternative Conservative Capacity Scenario (Excludes vacant Maori Land. Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)



## 13 Suitability of Capacity

This section examines the suitability of vacant land capacity in Rotorua’s urban business zones from a development or developer perspective. The NPS-UD provides flexibility on how ‘suitability’ is determined, but at a minimum, must include suitability in terms of location and site size. This HBA adopts a Multi Criteria Analysis (“MCA”) approach in keeping with the guidance under the earlier NPS-UDC. This section sets out the general MCA approach, feedback from stakeholders in Rotorua’s non-residential development market, infrastructure constraints and final MCA results.

### 13.1 Approach – Multi Criteria Analysis

Section 12 above focuses on establishing plan-enabled capacity, and various scenarios of that capacity by land use category. However, identified capacity may not translate to actual business properties available to the market unless it is “feasible” to develop. Feasible means commercially viable for a developer to develop given current costs, revenues and yield. However, for business land the situation is complex. The type and nature of business development is far more varied than residential – retail and commercial clients have a wide range of development types that might be suitable for a single piece of land. Ownership models differ widely as will appetite for debt and risk profiles. A developer willing to occupy a site for a lifetime may be able to amortise costs across a very long timeframe, so is motivated differently from a developer looking to build more generic tilt slab industrial units for rapid sale.

Because of these complexities a residual land value type model is not appropriate for business land assessments. The MCA approach has been used because it allows Council and other stakeholders to identify the key metrics that are important in the selection and development process for the land. MCA provides a way for Councils to frame the development opportunities within their district by scoring them against a set of agreed criteria. Each criterion plays a large or small role in the development and locational decision, so is given a large or small share of the total decision making score.

Each business zone location (refer maps in the supporting Technical Report) is then scored against the criteria and the ratings added up to provide an overall score. That scoring focusses on the relative differences between locations for a given development category (anticipated activities). The scoring is based on the current situation – in future there may be changes that could see the same location get a higher or lower score (i.e., if infrastructure is improved or if congestion gets worse).

Comparisons can then be made between where the plan enabled capacity resides (Section 12) and the MCA score (ranking) for those areas. If capacity is provided in the zone locations that score/rank highly in the MCA, Councils can be confident that development is likely to proceed so long as there is demand. Conversely, if capacity is provided in zone locations that score poorly against the decision making criteria, it is likely to be a low priority for development relative to better options elsewhere in the district (or outside of the district), and in some cases may not be taken up if the constraints to the location are significant.



An MCA framework has been set up for Commercial, Retail, Industrial and Tourist Accommodation development potential, consistent with the demand and capacity analysis. Zone locations are assigned to each MCA framework based on the nexus between activities enabled by the District Plan and the land/building typologies used throughout this business assessment (subsequently grouped to land use categories). Given the flexibility of many zones to provide for different types of activities (discussed in Section 12 with regards to the Maximum Capacity Scenario), most zone locations are in the Commercial and Retail MCA, with somewhat less in the Industrial MCA. Very few zone-locations are however assessed in the Accommodation MCA.

A limitation of the MCA is that within each land use category there are a range of different forms of development – with each likely to have slightly different site requirements. For example, in the Retail category, there are different site requirements for small format retail versus large format retail. Similarly, within Commercial land use, there is everything from offices to tourist attractions to schools to contend with, just as in Industrial, there is both light and heavy industries that may require different types of development sites. It is difficult to cater for all possible development outcomes, so each framework necessarily assesses location suitability at a general level. To aid in this though, the scoring took into consideration the sort of commercial, retail etc activities that were anticipated in that zone, so scored them relative to their intended role.<sup>131</sup>

## 13.2 Final Criteria and Weighting

Table 13.1 summarises the final criteria and weighting assigned to each MCA framework. There is a mixture of unique and shared criterion. ‘Access to major transport routes’ and ‘exposure/visibility’, for example, are common to all development activities. ‘Distance to the port of Tauranga’ is a criterion important just for Industrial development/investment, and ‘proximity to the lakeside/lake views’ is a criterion important just to Tourist Accommodation development.


Many of these criteria have been developed for MCAs carried out in other districts (including for HBAs) by M.E, however care has been taken to ensure that the four MCA frameworks are relevant for Rotorua. As such, some criteria used in past studies have been removed and others added specifically for the Rotorua context.

The criteria and weighting has been discussed in detail with two prominent non-residential developers in Rotorua. This was a key process in refining what criteria were relevant and what were not, and also to adjust the weighting to reflect the key investment considerations applicable in Rotorua.

While ‘natural hazards’ such as geothermal, stormwater management and geotechnical constraints are key issues in parts of Rotorua, it was considered likely to be reflected in the price of the business land (especially when the issues are known). It was reported that to be treated properly on site, such issues can add significant cost to a development. For example, the new St Johns facility required a large rubber ‘seal’ to be put in place under the building which was expensive. If the land price is reduced, these additional costs can be met without affecting overall feasibility.

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<sup>131</sup> Most criteria are however about the location and not the activity itself.



‘Access to geothermal resources’ is also a criterion included in the MCA. Despite being active in industrial development, one stakeholder had had no experience with industrial clients wanting to make use of the geothermal resource in urban Rotorua, so it was considered a geotechnical disadvantage rather than a benefit. However, it was considered potentially beneficial for commercial visitor accommodation and facilities like hospitals (which have large scale heating requirements). The stakeholder’s company does not go out of their way to invest in sites with geothermal potential unless a client has a specific need for it. The criterion was limited to the Commercial and Accommodation MCA frameworks in response to this feedback.

‘Ownership structure’ was given a higher weighting than provisionally estimated because of the significant preference by experienced private developers for freehold land (and the prevalence of Māori Land in some zones). One developer indicated that his national clients (which span commercial, retail, accommodation and industrial chains) would not want to be on Māori land, and as such the developer has a policy to only invest in freehold land). On the other hand, significant investment by Māori landowners themselves has and is occurring (an example of this is Trade Central and the Central Mall). The MCA therefore scores zone locations that have a high coverage of Māori land low (least suitable within that criterion) and zone locations with a high coverage of freehold land high (most suitable within that criterion). The MCA does not deem any location entirely unsuitable because of being Māori land, despite the very binary approach taken by one developer. If barriers can be removed there are significant opportunities to develop Māori land that are feasible, and the MCA approach takes that into account (this issue is also addressed in the capacity assessment discussed above in Section 12).

Proximity to labour was agreed by stakeholders to only have limited weighting on site selection decisions given that the overall size of Rotorua is relatively small and compact – with all locations relatively accessible to the labour force. While not captured in the MCA, feedback was that getting residential accommodation for staff brought in from other districts was a bigger issue for the operators that they develop for.

The weighting for ‘exposure/profile’ was also increased for the Industrial MCA based on stakeholder feedback. While already weighted higher for Retail and Commercial, one stakeholder indicated that Industrial operators (particularly those that operate nation-wide) were also particularly focussed on high profile sites, irrespective of whether they were public facing businesses.

‘Parking availability’ was given a lower weighting based on feedback. Both stakeholders indicated that there was not an issue with parking supply in Rotorua, but that there was an issue with parking behaviour – with staff unnecessarily taking up customer parking rather than parking slightly further away.

A final example of the changes recommended by the stakeholders was to decrease the weighting for ‘proximity to tourist activities’ in the Accommodation MCA and increase the weighting for ‘proximity to the lake or lake views.’ It was considered that all tourist activities are relatively accessible from hotels/motels in Rotorua, with specific mention of the cycle ways that allow visitors to bike to various bike attractions with relative ease. On the contrary, sites with a lake view were highly sought after, particularly for some of the higher end hotel operators.

Table 13.1 – Matrix of Rotorua MCA Criteria and Weighting

Criteria (Site Attributes for Investment / Development Decision Making)	Commercial	Retail	Industrial	Accommodation
Ability to buffer adverse effects from residential and sensitive activities, distance from sensitive land uses			15%	
Ability to develop a range of space types including multi-storey buildings	8%			7%
Ability to utilise geothermal energy/ resource	4%			3%
Access to major Road / transport routes; good transport access, especially road/motorway	12%	14%	15%	14%
Co-location or clustering with complementary business activities	8%	14%	11%	
Distance to Port of Tauranga			4%	
Existing or proposed public transport	4%	5%		3%
Exposure / profile / visibility	8%	10%	7%	10%
Flat land, large land parcel, contiguous sites (functional location)			7%	
Low level of traffic congestion in vicinity	4%	5%	7%	
Natural Hazards (i.e. flood, geotechnical issues, stormwater management)	8%	10%	7%	7%
Ownership structure (tenure i.e. predominantly freehold land)	12%		11%	10%
Parking availability	12%	10%		
Potential for co-location or clustering with complementary businesses				7%
Proximity to CBD				14%
Proximity to labour			4%	
Proximity to Lakeside amenities, including water views				10%
Proximity to market - dense employment in walkable catchment		5%		
Proximity to market - dense resident or tourist population in walkable catchment	8%			
Proximity to market - dense resident population in walkable catchment		10%		
Proximity to market - tourist accommodation and attractions		5%		
Proximity to Rotorua Airport - transport to and from hotels				3%
Proximity to tourist activities (including bike parks)				3%
Service infrastructure in place	12%	14%	11%	7%
Total Consideration/Decision Making	100%	100%	100%	100%

Source: M.E: Rotorua HBA 2021 MCA

## 13.3 Infrastructure

‘Service Infrastructure in place’ (freshwater, wastewater, roading, power, high speed internet) is a criterion included in the MCA (with it being a particularly important consideration for Commercial and Industrial development decision making). This is a high level approach to capturing infrastructure constraints within the MCA, but the issue warrants further discussion.

Generally roading infrastructure was not considered a constraint for business development in Rotorua (and for this reason has not been included in the assessment of Infrastructure Ready housing capacity in Part 2 of this report). There are some roading infrastructure projects underway at present to help improve service



levels and accommodate growth, including around Ngongotahā, but the only constraint associated with these capital projects is the short term traffic congestion they are causing – captured in a criterion specifically on localised congestion.

Similarly, there was no perceived constraint with accessing high-speed fibre internet in Rotorua’s urban business zones.

Feedback from stakeholders highlighted that there was only one power network company operating in Rotorua (Unison). Their experience is that Unison have an aggressive approach, requiring new developments to fund upgrades to the network which adds additional costs that may not have been required when doing a similar development in other parts of the country. The feedback was that the network was not well maintained, with little reinvestment (and with the high sulphur content causing corrosion, particularly in the main geothermal field). This was stated as having flow-on effects for investors wanting surety on power supply and associated infrastructure in Rotorua. To account for this in the MCA, slightly lower scores were given to zone-locations within the main geothermal field where additional costs were considered more likely.

The Council’s LTP and Infrastructure Strategy provides sufficient water supply (reservoir and/or consented water take limits) and wastewater capacity (WWTP processing capacity) to cover anticipated long term employment growth in addition to anticipated housing growth in each reporting area. There is expected surplus capacity in the current infrastructure to cater for growth in the short term, and part of the medium term. Reservoir and WWTP investment will see additional capacity scheduled to come on-line in 2027 to cater for medium and long term growth. Timing of network extensions into greenfield growth areas will however need to wait for those scheduled capital works projects in some locations (especially in the Eastern area). The MCA gives a lower score to those locations that are not serviced by wastewater and water supply infrastructure today (but will be in the future) relative to those locations already serviced.

The approach to stormwater infrastructure in this HBA is to treat it as a constraint to development that drives up cost rather than a constraint that prevents development all together. This issue is discussed further in Section 1 and Section 7 of this Report and the MCA includes stormwater as part of the ‘natural hazards/geotechnical constraints’ criterion rather than the ‘infrastructure’ criterion.

That said, feedback from one stakeholder is that lack of stormwater infrastructure has meant that they have not been able to develop a vacant site they own in Ngāpuna because the cost of dealing with stormwater on-site is cost prohibitive. The site is prime arterial land which the developer had planned for a large scale industrial building. The site has no stormwater infrastructure and they stated that the Council just expects developers to fund that (i.e., large underground detention tanks etc). The site is not considered commercially feasible by the developer in the current market and will remain vacant for the time being.

The MCA takes a softer approach and has not deemed any zone-location entirely unsuitable for development because of a lack of stormwater infrastructure. It is noted that Council’s Land Development Team are aware of the affected sites and have been in discussion with developers in this regard. This is also considered in the sufficiency discussion in Section 14.



## 13.4 Results

The MCA analysis showed that there are no zone locations that ‘tick all the boxes’ (i.e., achieve the perfect score) in terms of what an investor or developer may be looking for in Rotorua, although this is rare in any market. The supporting Technical Report contains copies of the score assigned to each location and criterion. The scores are based on local insight and consideration of the total extent of each zone location – and reflect a current snap-shot. The highest ranked locations when scored against the criteria achieve between 85-87% of the maximum possible score. The criteria that consistently prevent locations from reaching the maximum score in Rotorua include:

- ‘Natural Hazards (i.e., flood, geotechnical issues, stormwater management)’. This criterion is given moderate weight in development decisions making – while important, it does not get a higher weighting because, in theory, the constraints on the site are anticipated to be reflected in the price of the land which is a mitigating factor. Every location in urban business zones in Rotorua is impacted by hazards to some degree. Hence the highest score achieved for this criterion is 5 out of 10, with a few locations scoring as low as 1 out of 10 (i.e., those that face many hazards). In future, if Council’s stormwater infrastructure can be addressed (funded), this might help elevate these scores, other hazards notwithstanding.
- ‘Existing or proposed public transport’. While given relatively low weight in development decision making in Rotorua, the significant majority of zone locations have only limited penetration by public bus services. Most locations score just 2 out of 5, with just a handful of locations scoring 4 or 5. These are in or near the CBD.
- ‘Parking availability’. This criterion is given a relatively high weighting in commercial development decision making, and a moderate weighting in retail development decision making. The scoring for this criterion considered opportunities for generous on-site parking, or otherwise, is mainly based on the ability for adequate and convenient off-site (roadside or parking building) parking for staff and customers. Just four zone locations achieved maximum points with the majority of other zone locations providing only limited access to parking (including in nearby residential streets). The City Entranceway Mixed Use Zone and Light Industrial Zone in particular score low for parking.

The top-ranking locations for Commercial development (keeping in mind that the types of commercial activities plan enabled in each zone differ and are not necessarily comparable) are:

- the Westend Shopping Centre. This Compact Centre Zone is located on a state highway so provides good access and exposure/profile. It has a relatively dense residential population within walking distance, is wholly freehold land, provides good parking if one considers adjoining residential streets and the supermarket carpark, and as a suburban centre, could provide for a good mix of complementary business activities. While lacking in recent investment, the zone in theory offers good potential for commercial activities anticipated in the zone (including health services, childcare facilities, community facilities and indoor recreation).
- The other Compact Centre Zone locations (Te Ngae, Owkata, City Centre Blocks 32-34) score highly for similar reasons, with some variation on some criteria. These high ranks suggest that these suburban centres are in good locations for their intended commercial role.


- The Southern Edge Zone (Trade Central) is the second highest ranked location for commercial development, noting that the zone enables indoor and outdoor recreation, health services, childcare facilities and community facilities.
- Mid City Zone – This zone provides for the greatest range of commercial activity types. As it also enables a range of retail activities, it scores highly in terms of co-location/clustering of complementary activities. It scores relatively highly for car parking availability, exposure/visibility and scores highly for low traffic congestion and public transport services. With its higher building height and site coverages, it also provides a high degree of flexibility for commercial development and could provide for geothermal heating due to being in the main geothermal field. There are some areas of leasehold land in the zone, but relative to the overall zone area, this has only a limited impact on the ownership criterion.
- In the long term, if the City Entranceway Accommodation Zone along Fenton Street and through to Hemo Road changes to a mixed use zone as proposed for the purpose of this HBA, these locations would also, in theory, score highly in terms of suitability for commercial office development, health services and childcare facilities.

The top-ranking locations for Retail development are:

- The Southern Edge Zone (Trade Central) is the highest ranked retail development location (albeit that anticipated retail is limited to trade retail, service stations, garden centres, takeaways and drive throughs and not all core retail or hospitality). It scores particularly high on access, exposure/visibility, parking and lack of traffic congestion. It also has a lot of market demand in close proximity to the zone.
- City Entranceway Mixed Use – Fairy Springs, South and Mangakakahi-Koutu both score highly. This zone provides for a similar mix of retail activities as the Southern Edge Zone, but also anticipates supermarket development. They score highly across the criteria and benefit from a lot of employment in the vicinity as well as nearby residential households for parts of the zones. Parking availability was considered better in Fairy Springs.
- Mid City Zone and Southern City Zone. These zones enable a full range of retail activities which makes them excellent locations for cross shopping and multi-purpose shopping trips (in conjunction with commercial activities). The Southern City scored slightly better for parking and exposure, while Mid City scored better for public transport services across the zoned extent.
- The Compact Commercial Centres (including Ngongotahā Centre) also scored highly in terms of an ability to deliver their retail role.

It is important to note feedback from non-residential developers in Rotorua on the current state of the CBD. They highlighted a key issue with rough sleepers which is detracting from the amenity of the CBD (i.e. Mid City Zone) to the extent that it is constraining investment and redevelopment. One developer indicated that businesses are looking at options to move out of the CBD because they want to be somewhere with better amenity and safety for their customers and staff.

Another developer said that while they own a number of previously developed and fully leased retail and commercial properties in the CBD and plan to retain these, and that there were several sites that could be purchased with redevelopment opportunities in mind, due to the amenity issues facing the CBD, they are



no longer investing in this location. They expressed no “confidence” in the CBD as a place to invest. In their view, nobody is going to want to buy and apartment or lease an office that has homeless people sleeping on the doorstep. That developer did not preclude purchasing a site in the CBD if they had a client that specifically wanted to be in the CBD, but said that they would not invest their own money in the CBD until this issue was resolved and the perceptions of the CBD improved.

The top-ranking locations for Industrial development are:

- City Entranceway Mixed Use Zone in the Fairy Springs, South location, Airport location and Mangahakahi-Koutu location. At the Airport location, the land is flat and there is potential for large land parcels. By comparison, the other two locations are highly fragmented now, meaning they scored relatively lower on that aspect. Conversely, the smaller size and isolated location means that the Airport location for this zone scored lower on agglomeration benefits/clustering, while the other two older and established areas scored the maximum on this criterion. Otherwise, these locations have good access to main transport routes, are wholly or largely freehold land, are serviced with infrastructure and offer good exposure/visibility for new businesses. The Airport location offered a slightly shorter travel distance to the Port of Tauranga.
- Eastgate Business Park - Like the Airport location of the City Entranceway Mixed Use Zone, this Business Park zone scored highly on most criteria. It was considered relatively more suitable in terms of functionality and parcel sizes but scored slightly lower on visibility/exposure (due only to the depth of the zone away from the main road means that not all businesses can achieve a high profile site).

The top-ranking locations for Accommodation development are:

- Mid City Zone – With much of this zone set back from the main transport corridor, this zone location did not score as high as say Fenton Street’s City Entranceway Zone on accessibility or exposure/profile but ranked highly because of being the CBD and the building heights and high site coverages that are associated with that. It also achieved the maximum score for colocation with complementary retail and commercial activities. It provides relatively few hazards, potential for geothermal resource access and public transport.
- Northern Edge Zone – While similar to the adjoining Mid City Zone, this zone location achieved the maximum score for proximity to lakeside amenity and views, but as a result is affected slightly more by flood potential.


In terms of the range of overall suitability scores, only 35 points separated the top Retail development location from the bottom ranked location.<sup>132</sup> The range across locations with some form of Industrial potential was slightly broader (39 points).<sup>133</sup> The scores were more diverse for Commercial development locations (50 points between top and bottom ranked locations).<sup>134</sup> However, the greatest range was across the locations that enable Tourist Accommodation. While most locations scored relatively well, one location (City Entranceway Accommodation – Aorangi Peak (Mountain Road) scored 74 points less than the most

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<sup>132</sup> The least suitable site scored 54 out of a potential 105 points.

<sup>133</sup> The least suitable site scored 79 out of a potential 135 points.

<sup>134</sup> The least suitable site scored 56 out of a potential 125 points.



suitable site.<sup>135</sup> Located on the urban-rural fringe well away from the CBD, this location is considered less suitable for motel and hotel development, although is likely to be suitable for lodge type development opportunities.

It is noted that while some zone locations score relatively low within a particular land use category, this can signal that while that particular land use is enabled in the Plan, it is more likely to be taken up by other 'more suitable' land uses. This aligns with the Alternative Capacity Scenario approach discussed in Section 12.5.5. An example of this is the Heavy Industrial Zone in Waipa. This zone location is assessed for suitability for Retail (although limited to takeaways) where it ranks 68<sup>th</sup> out of 70 zone locations that provide for Retail development. On the contrary, it ranks 10<sup>th</sup> for Industrial development suitability (out of 29 zone locations). It is only when zone locations demonstrate poor suitability across all anticipated land use categories that the zoning is likely to experience limited or no development uptake or result in inefficient land use outcomes. Scarcity, however, can result in less suitable locations being developed when there is no alternative, and businesses need to be located in Rotorua.

The following graphs compare the desirability/suitability of zone locations across the urban environment (based on their total MCA score, in descending order) against the maximum potential vacant land capacity in those same areas (Maximum Capacity Scenario).<sup>136</sup>

### 13.4.1 Suitability of Commercial or Retail Capacity

The MCA analysis shows that the most suitable areas that enable Retail or Commercial development contain very little vacant land capacity (with only small vacant areas available in the City Entranceway Mixed Use zone in the short-long term). This is a positive outcome when looking back on District Plan zoning, as it suggests that the zoning in those locations has been both efficient and effective. In terms of providing for future growth though, the most desirable locations are constrained. However, these same areas would be expected to provide redevelopment opportunities in the short, medium and long term as a means of creating more capacity for employment growth – particularly on the older blocks/sites where buildings are nearing the end of their useful lifespan.

A portion of the maximum vacant land capacity for Retail and Commercial development is in locations considered moderately suitable (in a relative sense) and much of the maximum vacant land capacity is in zone locations considered least suitable for Retail and Commercial development/investment. As discussed above, this includes the two Heavy Industrial Zone locations – which is not concerning given that they are relatively better suited for Industrial development in any case.

In the Retail MCA, the Eastgate Business Park has some vacant land capacity at present, and the proposed Future Eastgate Business Park has considerable vacant land capacity in the long term, but this zone location is considered relatively less suitable for Retail land use.<sup>137</sup> It is for this reason that in the Alternative Capacity Scenario, 100% of the existing zone capacity is estimated to be taken up by Industrial development and only 10% of the long term zone is estimated to be taken up by Retail development.

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<sup>135</sup> The least suitable site scored 51 out of a potential 145 points.

<sup>136</sup> Refer the supporting Technical Report for the equivalent graphs based on the Alternative Capacity Scenario.

<sup>137</sup> Limited to restaurants, cafes, drive throughs, convenience retail, service stations and trade retail.



It is relevant to note that the existing vacant retail centre precincts in the Pukehāngi Plan Change area and the Neighbourhood Centre Zone in the Wharenui Road area, and the indicative alternative long term retail centre zones in the Upper Eastside, all score relatively poorly for Retail development at present. The Pukehāngi and long term zone locations are impacted by natural hazards (particularly a lack of current stormwater infrastructure). They are also set back from main roads, so this means that they will be reliant on their immediate residential catchments only to be commercially viable as opposed to benefiting from some pass-by customers as many other Neighbourhood Centres do.

In the Commercial MCA, it is notable that the indicative long term City Entranceway Mixed Use zone in Ngongotahā South scores moderately well for Commercial development (as it does for Retail and Industrial). This indicates that a mixed use zone is likely to be appropriate in that location. Some of the small vacant land areas within the Light Industrial Zone in Fairy Springs South and Fenton Park are also moderately suitable for Commercial development.<sup>138</sup>

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<sup>138</sup> These findings are consistent with the approach taken in the Alternative Capacity Scenario.



Figure 13.1 – MCA Results – Suitability of Rotorua Retail Enabled Zone Locations vs. Maximum Retail Capacity

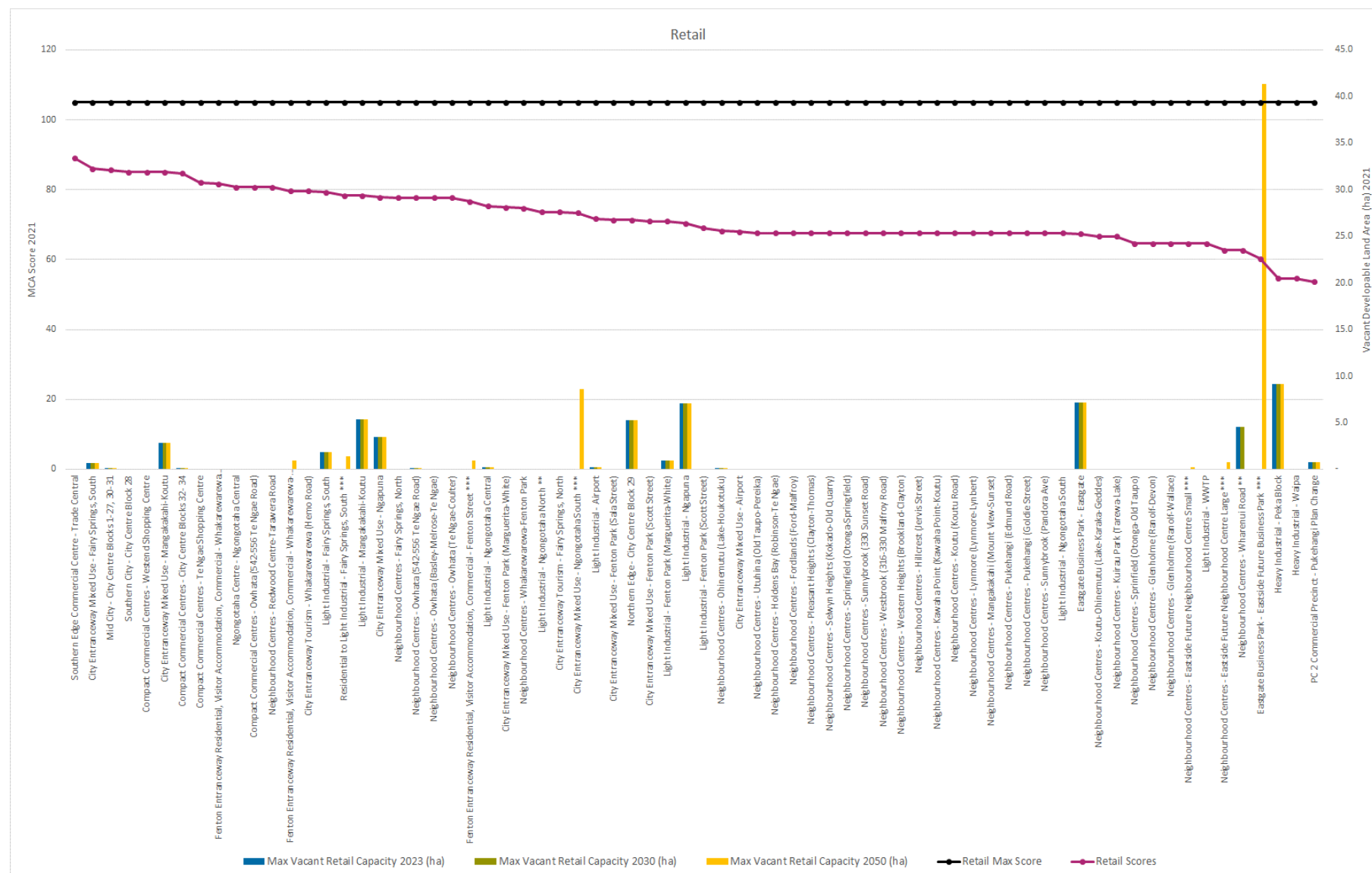
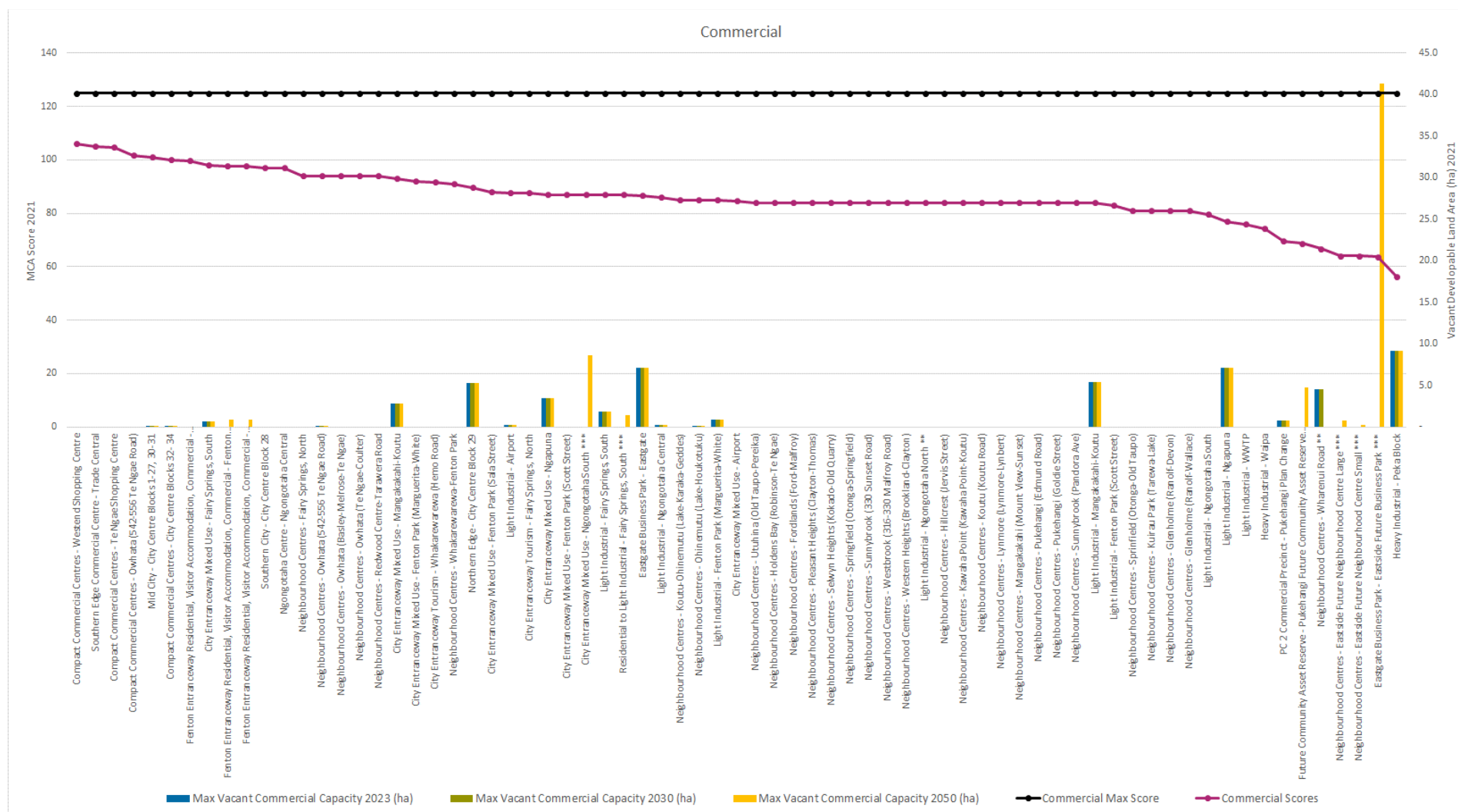



Figure 13.2 – MCA Results – Suitability of Rotorua Commercial Enabled Zone Locations vs. Maximum Commercial Capacity





Of those zone locations that score relatively less in terms of suitability for Commercial development, little weight should be given to the scores given to vacant capacity in the Light Industrial Zones, as these locations score better for Industrial development in any case. The four zone locations in the Upper Eastside (including Future Eastgate Business Park) score poorly as a result of being un-serviced by stormwater infrastructure at present<sup>139</sup> and being Māori Land – which for the general development market, is likely to be a deterrent relative to alternative freehold locations.<sup>140</sup>

### 13.4.2 Suitability of Industrial Capacity

There is some vacant land capacity in the most suitable/desirable Industrial zone locations and Council can be reasonably confident that this zoning is appropriate in terms of location and the nature of the land zoned (particularly the freehold land). The City Entranceway Mixed Use zones have tended to show relatively greater suitability for Industrial development compared to the Light Industrial zone locations and exposure/profile is a key reason for this (with the Light Industrial Zone tending to be zoned behind the mixed use zone which sleeves the main transport corridors). There is however limited capacity left in the mixed use zones in the short to medium term. The indicative City Entranceway Mixed Use zone in Ngongotahā South scores moderately well for Industrial suitability and would appear appropriate to zone (sooner rather than later).

There are several areas where development of remaining vacant land capacity may be constrained in terms of market acceptance of product. This includes the Heavy Industrial Zone in the Peka Block location, and Light Industrial Zone in the Ngāpuna and Mangakakahi-Koutu locations.

The Peka Block scores relatively well in terms of accessibility, large flat land parcels, infrastructure serviced, low levels of traffic congestion and an ability to buffer adverse effects from residential and sensitive activities. But, has lower suitability (for anticipated industrial activities) due to areas of Māori land tenure, limited clustering of complementary/supporting businesses, low visibility/exposure and a slightly longer trip to the Port of Tauranga.

Both the Light Industrial locations with vacant capacity are already heavily or moderately fragmented, have limited appeal to businesses looking for good exposure (high profile sites), contain only a portion of Māori land (although this is concentrated into the remaining vacant sites), and the Ngāpuna location is impacted by local congestion along Te Ngae Road in peak periods. In addition, Ngāpuna hapu have indicated that because it is a traditional village, they wish to reduce industrial activity. These sites may struggle to attract investment while other options are still available.

Based on the MCA, the small area of long term capacity assumed to be available in the Transitional Residential to Light Industrial Zone, scores relatively low for Industrial development, but relatively high for Retail development (as anticipated in the Light Industrial Zone), and moderately well for commercial development that is plan enabled. A key factor in these results is that the sites face residential land use, which is beneficial for retail and commercial activities serving household demand but is a constraint for light industrial activities with noise, heavy vehicle or dust effects.

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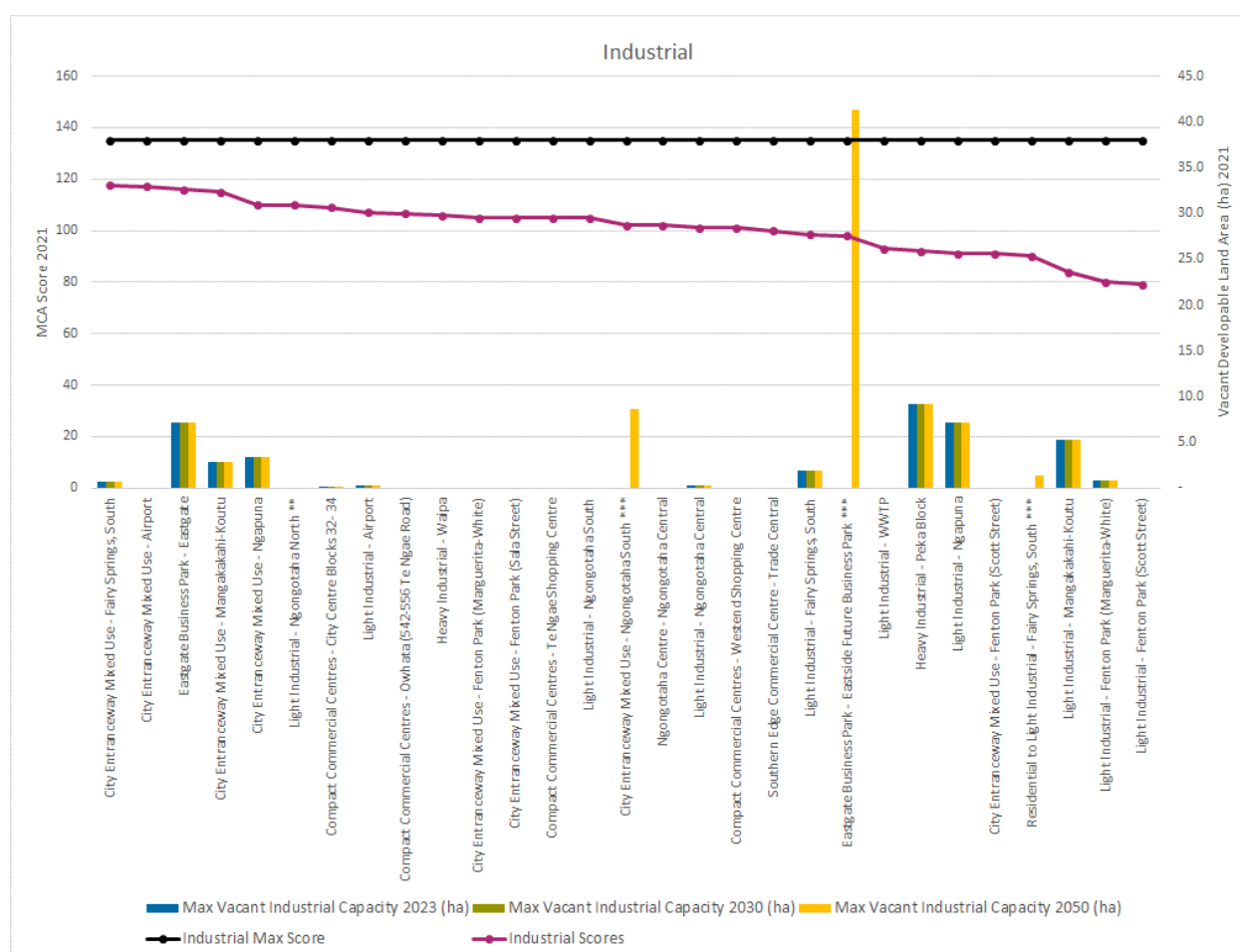
<sup>139</sup> If future funding is secured for stormwater infrastructure, these zone locations could score better in future updates.

<sup>140</sup> This does not preclude the landowners (Ngati Whakaue) from developing these business zones (i.e., build and lease model).

Last, the indicative future Eastgate Business Park provides the potential for significant vacant land capacity for Industrial development in the long term, but this also shows relatively low suitability from a development perspective. Compared to the operative Eastgate Business Park, it shares many positive locational attributes including accessibility, large flat sites, relatively few constraints from sensitive land uses, low levels of traffic congestion and relatively high exposure/profile on many sites. It scores relatively better in terms of ability to co-locate with complementary business activities because of its size (and therefore future critical mass).

However, it scores lower on infrastructure (including stormwater management) and land ownership – which is key. It is Māori land which, in the current and foreseeable market, is likely to deter most developers from investing in this location. Because of its other positive attributes, it may still be an attractive location in the long term for businesses prepared to lease land/premises, but this is most likely to come about with the landowners being the developers. Unless support is provided to the landowners, caution is therefore advised in relying on this large indicative business zone to attract development and therefore provide suitable capacity to meet future demand growth.

Figure 13.3 – MCA Results – Suitability of Rotorua Industrial Enabled Zone Locations vs. Maximum Industrial Capacity

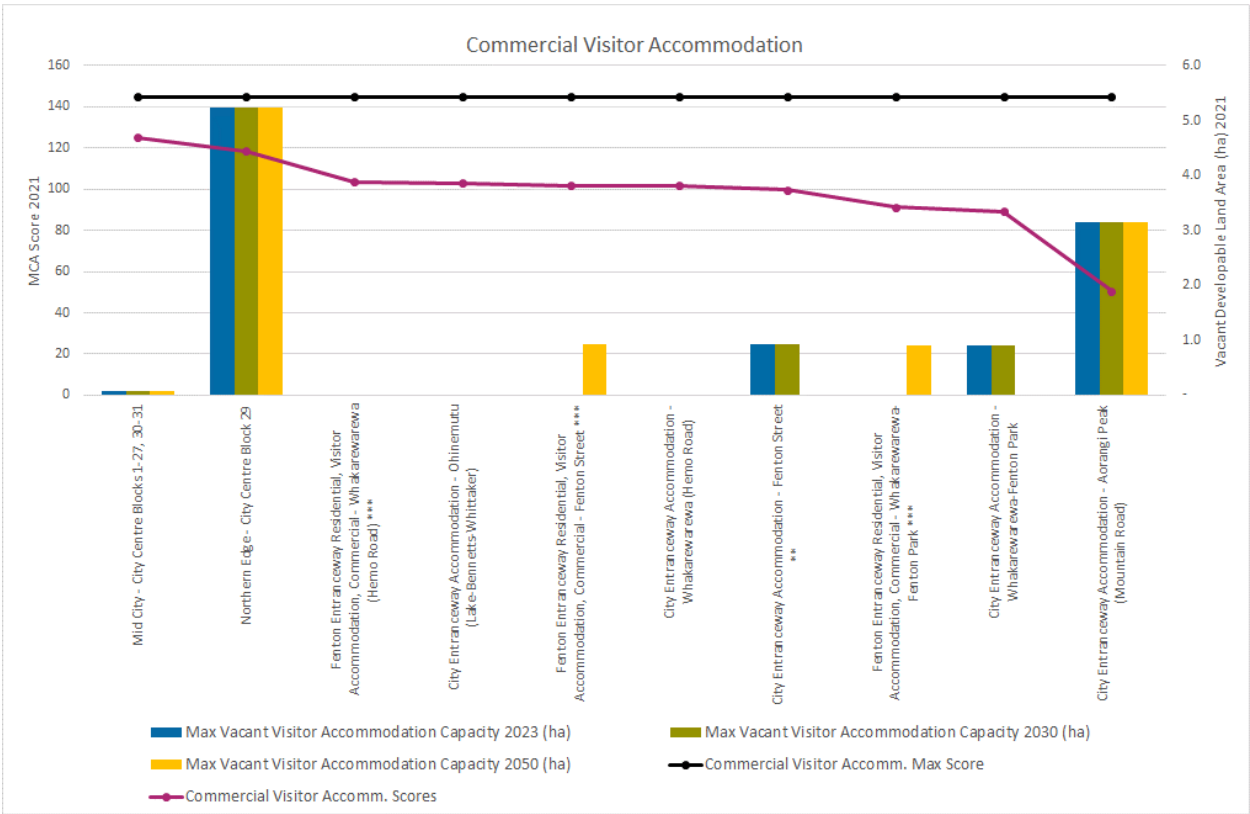


### 13.4.3 Suitability of Tourist Accommodation Capacity

The largest area of vacant land capacity available for Tourist Accommodation development is in the Northern Edge Zone, which is considered highly suitable for that development purpose (although also scores relatively well for Commercial development). With construction already underway (for a tourist focussed commercial activity), much of this land will not be ‘vacant’ in the near future. The next largest area of vacant land capacity is in the least suitable zone location (Mountain Road) and it is considered that this has a low probability of attracting motel or hotel development in the future (but may attract other forms of tourist accommodation). There is a small amount of vacant capacity in Fenton Street, although it scores marginally higher in the long term under a mixed use zoning than it does currently as City Entranceway Accommodation zone. This comes down to an indicative higher building height rule which would allow for more flexibility to develop accommodation (including in mixed use buildings).

After Fenton Street, the Whakarewarewa-Fenton Park vacant capacity is considered the next most suitable for Accommodation development, with the change in zoning provisions again likely to improve its suitability (although it would increase the competition for vacant land with retail and commercial activities).

Figure 13.4 – MCA Results – Suitability of Rotorua Accommodation Enabled Zone Locations vs. Maximum Accommodation Capacity



### 13.4.4 Summary of Suitability

Overall, the significant majority of plan enabled capacity provided in Rotorua’s urban business zones is considered suitable to develop. Some areas are more suitable than others for a particular land use, and



some areas are more suitable for one land use than they are for another (which supports the rationale of the Alternative Capacity Scenario adopted for this HBA).

In terms of vacant developable land capacity to help cater for future employment demand growth (in addition to redevelopment and use of vacant premises), a portion does fall within zone locations determined to be relatively less suitable for commercial development and this tends to include the vacant land that is Whenua Māori. In particular, it is recommended that care is taken in assuming that the capacity provided in the Heavy Industrial Zone – Peka Block and indicative future Eastgate Business Park (which could provide capacity for a mix of industrial, commercial and retail activities) will help cater for business growth in urban Rotorua. The inclusion of these zones may overstate capacity – this is considered further in the following Sufficiency section.

Based on the suitability assessment, priority should be given to zoning (and servicing) the City Entranceway Mixed Use Zone indicated in the Spatial Plan for Ngongotahā South as opposed to the business land in the Upper Eastside. As with other locations with this zone type, it is expected (based on the assumptions made and notwithstanding the limitations of the MCA to reflect actual developer investment decisions) to be suitable for a mix of industrial, commercial, and retail businesses.



# 14 Sufficiency of Capacity

In this section the results of the demand and capacity assessments are brought together to provide a quantitative comparison to determine the sufficiency of capacity provided for in Rotorua's urban business zones in the short, medium, and long term. The suitability of capacity determined by the MCA as well as infrastructure capacity is also considered in the overall assessment.

Clause 3.30 of the NPS-UD specifies that RLC "must clearly identify, for the short term, medium term and long term, whether there is sufficient development capacity to meet demand for business land". That development capacity must be plan enabled, infrastructure ready, and suitable. Demand must include the appropriate competitiveness margin. The following sections provide the results by land use category for total urban environment business zones according to the single scenario of demand and the three scenarios of capacity.

## 14.1 Sufficiency Results

### 14.1.1 Maximum Capacity Scenario

As discussed in Section 12, less weight is given to the Maximum Capacity Scenario for the purpose of determining sufficiency. This is because it can grossly over-estimate capacity by double counting vacant developable land across two or sometimes three different land use outcomes according to the approach adopted for this HBA.

For completeness, the sufficiency results for the Maximum Capacity Scenario are included in the supporting Technical Report, but we do not discuss them in any detail. However, under this capacity scenario, the modelling shows that based on what is plan enabled in the short-medium term and identified in the Spatial Plan in the long term, that there is at least sufficient vacant land capacity (including potential floorspace capacity on that land) to cater for projected demand for urban business zones (inclusive of the margin) out to 2050. Ngongotahā However, if the least suitable capacity is removed – particularly vacant Māori land including but not limited to within the Heavy Industrial Zone – Peka Block and long term future Eastgate Business Park Zone, then Rotorua may have a shortfall of developable industrial land in the urban environment in the medium and long term. It is considered that the Alternative Capacity Scenario provides a more accurate assessment of this potential outcome.

### 14.1.2 Alternative Capacity Scenario

This section compares the demand for urban business zone land by category against vacant developable land capacity (and associated building floorspace) according to the Alternative Capacity Scenario which removes overlap of capacity between the four categories of land use (based on assumptions set out in the Technical Report). This scenario captures some key findings of the MCA – particularly results that showed that some zone locations were better suited for some land uses but not others that may be enabled by the Plan.

Table 14.1 and Figure 14.1 show that in the short term, there is at least sufficient vacant land capacity (including potential floorspace capacity on that land) to cater for projected demand for urban business zones (inclusive of the margin) out to 2023. The same applies when considered in floorspace terms (Table 14.4). In the medium term (to 2030), there would be at least sufficient vacant land capacity (including potential floorspace capacity on that land) to cater for projected demand for urban business zones (inclusive of the margin) for Retail, Industrial and Tourist Accommodation growth. However, there would be a shortfall of vacant land capacity for Commercial development (reaching -1.8ha by 2030, with the shortfall itself becoming apparent around 2028-2029).

When looking at demand in terms of floorspace however (Table 14.2), the model indicates that there is at least sufficient capacity for Commercial development demand out to 2030. This is because Commercial development can occur on ground and upper floors, meaning that floorspace capacity can meet demand vertically (particularly for office based activities) rather than through the provision of more land. Care is however needed, because the Commercial category includes a range of activity types, and some will be more driven by a need for sites (land) and others will be more driven by a need for floorspace.

Table 14.1 – Plan Enabled Business Land Sufficiency by Category (Ha) – Alternative Capacity Scenario

Category	Developable Land Demand and Capacity (ha)											
	Demand with Competitiveness Margin			Capacity (Alternative Capacity Scenario)			Sufficiency (n)			Sufficiency		
	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	2.2	6.0	10.8	8.0	8.0	13.3	5.9	2.1	2.5	Sufficient	Sufficient	Sufficient
Commercial	5.2	16.1	41.0	14.3	14.3	37.2	9.1	- 1.8	- 3.8	Sufficient	Insufficient	Insufficient
Accommodation	1.2	3.4	6.2	8.2	8.2	7.3	7.1	4.8	1.2	Sufficient	Sufficient	Sufficient
Industrial	9.2	21.6	36.2	28.4	28.4	57.2	19.2	6.7	21.0	Sufficient	Sufficient	Sufficient
<b>Total</b>	<b>17.7</b>	<b>47.1</b>	<b>94.1</b>									

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), M.E Business Capacity Model 2021.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Alternative Capacity Scenario (Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

The Alternative Capacity Scenario is sensitive to assumptions around the future take-up of zoned vacant land and floorspace (particularly in the City Entranceway Mixed Use Zone).<sup>141</sup> On the basis that there is an estimated surplus of Retail land in this scenario in the medium term (+2.1ha), and that this could cater for the shortfall estimated for Commercial land (-1.8ha), M.E consider that it is likely that Commercial demand out to 2030 can be catered for with existing vacant land capacity (and assuming no further constraints associated with land tenure – discussed in the following section).

While the modelling shows a surplus of industrial land capacity to meet demand in the medium term (+6.7ha), the floorspace sufficiency model (Table 14.2) shows a very minor shortfall of just 500sqm . This is considered within the margin of error but is potentially relevant.

The reason that the floorspace result shows a different outcome from the land result for Industrial development is that the demand is likely to be weighted towards industrial activities that have relatively

<sup>141</sup> Although, the assumptions made are supported by the findings of the MCA.

higher site coverages (i.e., warehouses and workshops), and a portion of the industrial land capacity available provides for only low site coverages for buildings according to the assumptions made – this is in the Heavy Industrial Zone. This signals that the inclusion of the Heavy Industrial Zone capacity in the Peka Block (around 8ha) is masking a shortfall of vacant land capacity suitable for light industrial demand in the medium term.

Figure 14.1 - Plan Enabled Business Land Sufficiency by Category (Ha) – Alternative Capacity Scenario

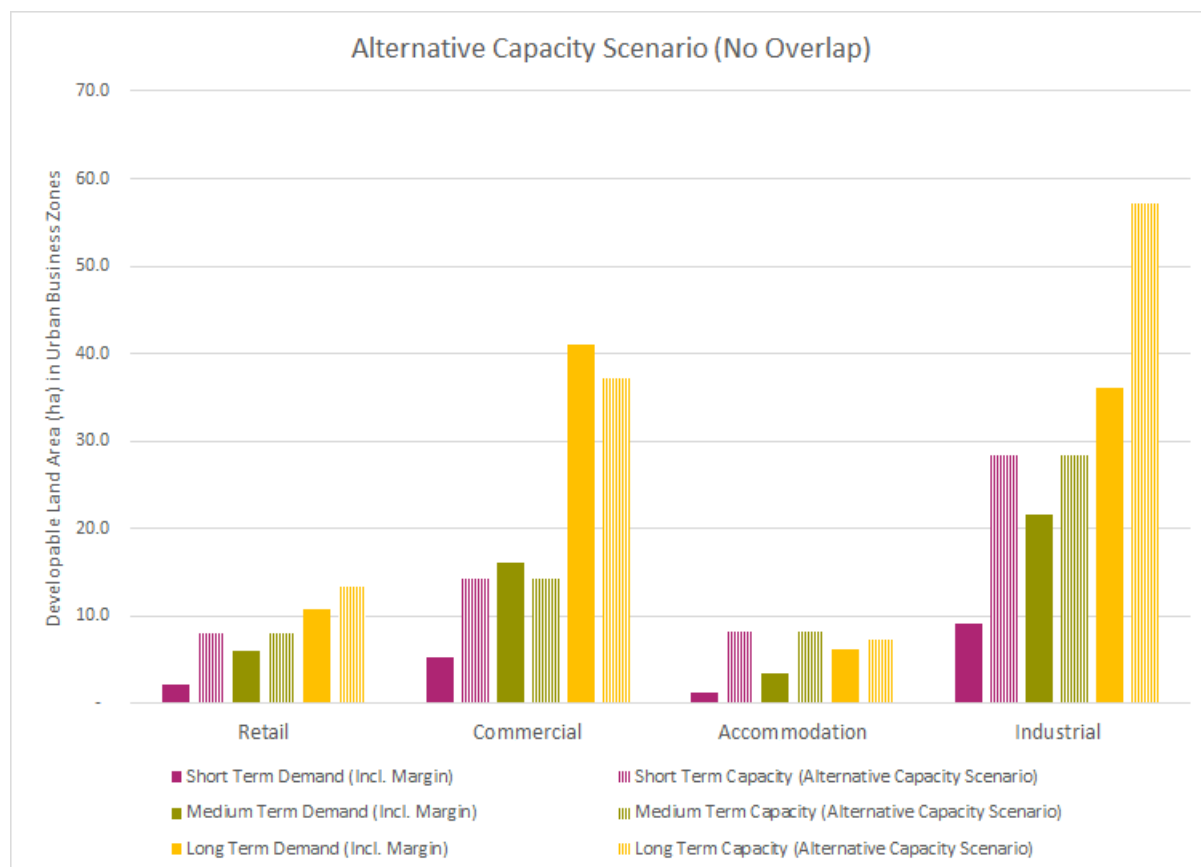


Table 14.2 – Plan Enabled Business Floorspace Sufficiency by Category (sqm GFA) – Alternative Capacity Scenario

Category	Floorspace Demand and Capacity (sqm GFA)											
	Demand with Competitiveness Margin			Capacity (Alternative Capacity Scenario)			Sufficiency (n)			Sufficiency		
	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	11,800	32,400	58,800	37,300	37,300	65,200	25,500	4,900	6,400	Sufficient	Sufficient	Sufficient
Commercial	25,900	78,400	202,000	126,900	126,900	412,700	101,000	48,500	210,700	Sufficient	Sufficient	Sufficient
Accommodation	5,900	17,200	30,900	73,500	73,500	65,000	67,600	56,300	34,100	Sufficient	Sufficient	Sufficient
Industrial	42,800	101,100	172,500	100,600	100,600	277,200	57,800	-	500	Sufficient	Insufficient	Sufficient
<b>Total</b>	<b>86,400</b>	<b>229,100</b>	<b>464,200</b>									

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), M.E Business Capacity Model 2021.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Alternative Capacity Scenario (Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)



In the long term under the Alternative Capacity Scenario, the analysis shows that there would be ample land and floorspace capacity to cater for long term demand for Retail, Industrial and Accommodation land uses in urban business zones (assuming no tenure and other suitability implications). Given an assessed lower suitability for the City Entranceway Accommodation zone location in Aorangi Peak (around 3ha) for motel and hotel development, a long term shortfall for Accommodation demand may still eventuate (and is not shown in Table 14.1).<sup>142</sup>

It is estimated that there would be a shortfall of Commercial land between 2030 and 2050, in the order of -3.8ha. As per the medium term, this shortfall is not apparent in floorspace terms, but that result should be considered with caution. Unlike in the medium term, any transfer of surplus land capacity indicatively allocated to Retail development could not offset the shortfall of Commercial land in the long term (i.e., it may reduce it, but will not totally resolve the shortfall).

### 14.1.3 Alternative Conservative Capacity Scenario

As discussed in Section 12.5.6, the Alternative Conservative Capacity Scenario provides the lower range of likely vacant business capacity to accommodate future growth, by excluding all zoned vacant Māori land. This capacity scenario also aligns with the finding of the MCA, particularly those results which showed that leasehold land was often relatively less suitable from a development perspective, particularly in light/heavy industrial zones and the indicative future Eastgate Business Park.

Table 14.3 and Figure 14.4 show that in the short term, when all vacant Māori land is excluded, there is an estimated minor shortfall of vacant Retail land capacity (including potential floorspace capacity on that land) to cater for projected demand for urban business zones (inclusive of the margin) out to 2023. This shortfall is estimated at around -0.2ha or just -1,700sqm GFA. This is not considered material in the wider context and is unlikely to leave any communities without access to convenience or core retail stores (and can likely be addressed through increased productivities in existing stores).

In the medium term however (to 2030), if all capacity on Māori land was excluded from the analysis, there is an estimated shortfall of vacant land capacity for Retail, Commercial and Industrial demand growth (plus a margin). The same applies when considered in floorspace terms (Table 14.4), but only for Industrial and Retail demand (with both land uses assumed to be limited to ground floor premises). In the long term (to 2050), the same results are evident. While there is additional capacity on freehold land identified in the long term, it is not sufficient to meet long term demand plus the margin for Retail, Commercial and Industrial development if Māori land does not contribute to capacity. The Industrial land shortfall is estimated at -15.5ha, the Retail land shortfall is estimated at -5.3ha, and the Commercial shortfall is estimated at -21.5ha by 2050. Floorspace sufficiency assessment shows the same result, including this time, for Commercial land use.

Only sufficiency for Accommodation development demand growth is unaffected by land tenure, with there being at least sufficient land and floorspace to meet anticipated demand plus the margin over the long term. Again though, when suitability is factored in, a long term shortfall may become apparent.

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<sup>142</sup> It is possible that home-share accommodation could grow to meet long term demand not met by the commercial sector, although this has implications on the availability of dwellings for household growth.

Table 14.3 – Plan Enabled Business Land Sufficiency by Category (Ha) – Alternative Conservative Capacity Scenario

Category	Developable Land Demand and Capacity (ha)											
	Demand with Competitiveness Margin			Capacity (Alternative Capacity Scenario)			Sufficiency (n)			Sufficiency		
	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	2.2	6.0	10.8	1.9	1.9	5.5	-	0.2	-	4.0	-	5.3
Commercial	5.2	16.1	41.0	8.1	8.1	19.5	2.8	-	8.0	-	21.5	-
Accommodation	1.2	3.4	6.2	8.0	8.0	7.2	6.9	4.6	1.1	Sufficient	Sufficient	Sufficient
Industrial	9.2	21.6	36.2	16.6	16.6	20.6	7.5	-	5.0	-	15.5	-
Total	17.7	47.1	94.1									

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), M.E Business Capacity Model 2021.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Alternative Conservative Capacity Scenario (Excludes vacant Maori Land. Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

Figure 14.2 - Plan Enabled Business Land Sufficiency by Category (Ha) – Alternative Conservative Capacity Scenario

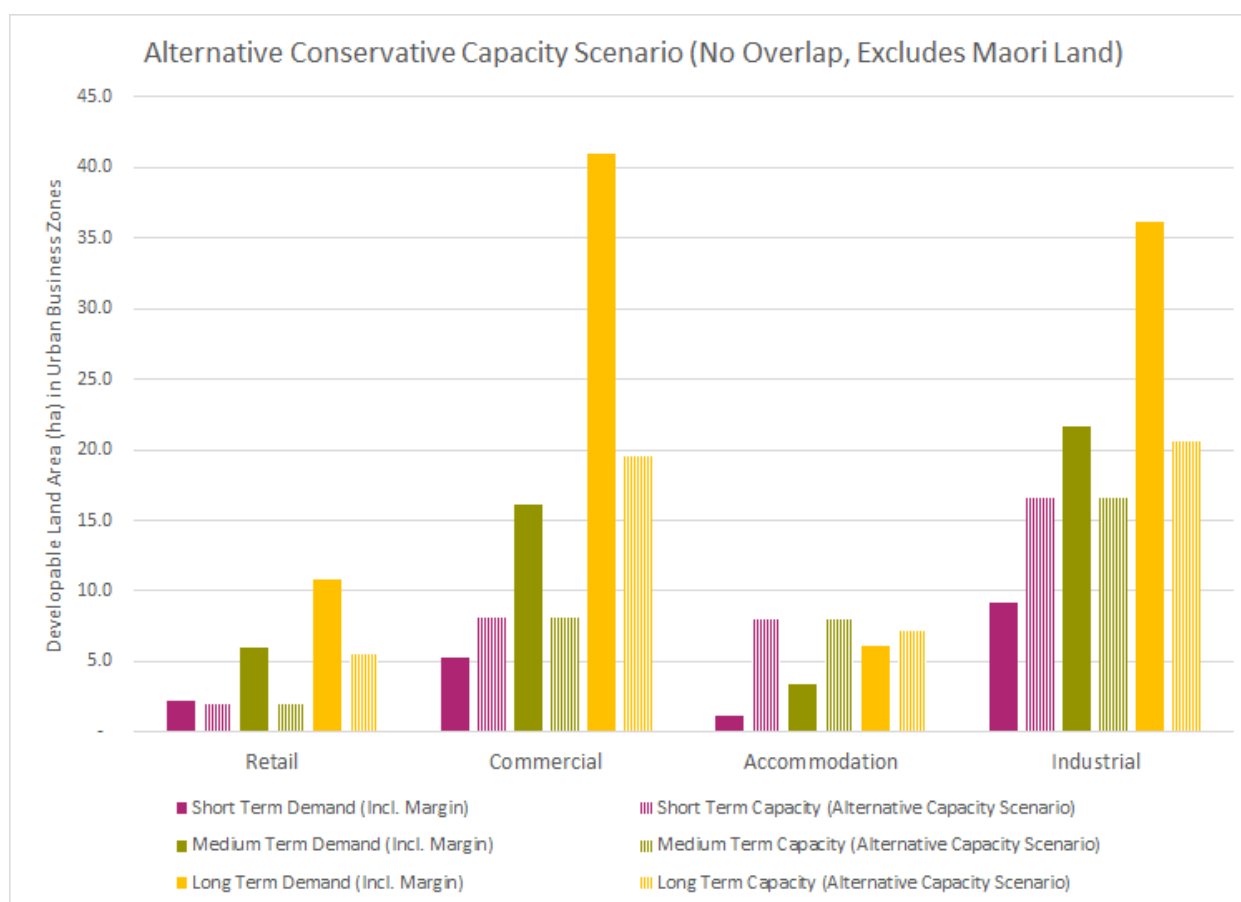


Table 14.4 – Plan Enabled Business Floorspace Sufficiency by Category (sqm GFA) – Alternative Conservative Capacity Scenario

Category	Floorspace Demand and Capacity (sqm GFA)											
	Demand with Competitiveness Margin			Capacity (Alternative Capacity Scenario)			Sufficiency (n)			Sufficiency		
	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050	2020-2023	2020-2030	2020-2050	2020-2023	2024-2030	2031-2050
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
Retail	11,800	32,400	58,800	10,100	10,100	23,400	- 1,700	- 22,300	- 35,400	Insufficient	Insufficient	Insufficient
Commercial	25,900	78,400	202,000	92,700	92,700	141,000	66,800	14,300	- 61,000	Sufficient	Sufficient	Insufficient
Accommodation	5,900	17,200	30,900	71,700	71,700	64,100	65,800	54,500	33,200	Sufficient	Sufficient	Sufficient
Industrial	42,800	101,100	172,500	61,200	61,200	76,500	18,400	- 39,900	- 96,000	Sufficient	Insufficient	Insufficient
<b>Total</b>	<b>86,400</b>	<b>229,100</b>	<b>464,200</b>									

Source: M.E Rotorua Urban Business Land Demand Model (HBA 2021), M.E Business Capacity Model 2021.

Projected demand within business enabled zones in defined urban environment only (as defined by SA1 2018)

Alternative Conservative Capacity Scenario (Excludes vacant Maori Land. Excludes floorspace overlap of capacity between enabled categories. Includes some land area overlap in certain zones to account for a change of likely use on upper floors)

## 14.2 Discussion

The following graphs help consolidate the findings of the sufficiency assessment for urban business zones (focussed on vacant land demand and capacity results). Based on the range of results generated by the Alternative Capacity Scenario (high end or best case outcome) and Alternative Conservative Capacity Scenario (low end or worst case outcome), Rotorua is likely to have a least sufficient capacity for business demand growth in the short term.

In the medium term, there may be insufficient capacity if vacant Māori land that enables Retail and Commercial activities does not get developed (Figures 14.3 and 14.4 respectively). If Council were to take a precautionary approach, they would plan for this potential shortfall.<sup>143</sup>

While Figure 14.5 shows potential sufficiency under the best case outcome for Industrial demand growth, this result is influenced by the vacant capacity in the Heavy Industrial Zone, which is not necessarily where demand is concentrated. As such, it is considered that there is likely to be a shortfall of appropriate land for Industrial demand growth in the medium term (particularly for light industrial activities that may be looking for space in the Light Industrial Zone, City Entranceway Mixed Use Zone or Business Park zones). This shortfall will be exacerbated (and more certain) if zoned and vacant Māori land is not developed. Planning for this shortfall should be a priority for Council.

In the long term, it would be appropriate to plan for a shortfall in Commercial development capacity (Figure 4.4). This may be only minor (and redevelopment could certainly help mitigate this if it could be facilitated). Alternatively, it could be a more significant shortfall if Māori land does not contribute to realised capacity.

If Council is keen to concentrate growth of Accommodation sector demand into business enabled zones over the long term, then a potential long term shortfall for this land use should also be planned for – particularly capacity suitable for motels and hotels. Again, more intensive redevelopment (particularly in

<sup>143</sup> This may include working with Māori landowners to see how Council can help this zoned capacity to be realised.



the Mid City Zone and along Fenton Street) could help provide for expected long term demand if provisions are enabling.

In the long term, Māori land capacity makes a significant difference as to whether there is a surplus of Industrial development capacity or a significant shortfall (Figure 4.5). It is considered that relying on the future Eastgate Business Park to help meet Industrial demand growth in the urban environment carries moderate risk and that other options for freehold zoning suitable for light industrial businesses (and not already included in the modelling) should be identified, particularly if any planning solutions focussed on addressing a medium term shortfall will only be effective in meeting medium term demand.

Similarly, in the long term, Māori land capacity makes a significant difference as to whether there is a surplus of Retail development capacity or a significant shortfall (Figure 4.3). It is considered that relying on the future Eastgate Business Park to help meet a portion of Retail demand growth in the urban environment carries moderate risk and that other options for freehold zoning suitable for trade retail or bulk goods retail businesses (and not already included in the modelling) should be identified, particularly if any planning solutions focussed on addressing a medium term Retail land shortfall will only be effective in meeting medium term (or local shopping centre) demand.

Figure 14.3 – Summary of Sufficiency Results by Scenario – Retail Land Use Category

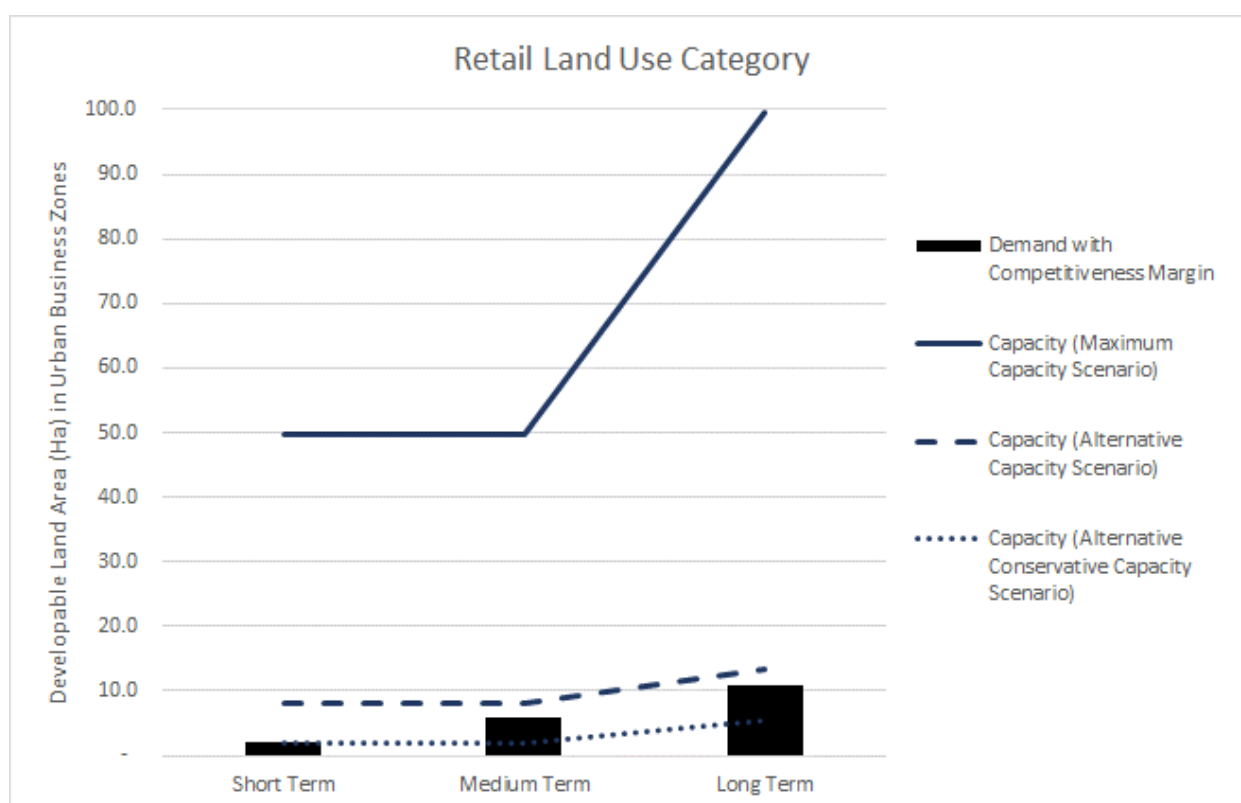




Figure 14.4 – Summary of Sufficiency Results by Scenario – Commercial Land Use Category

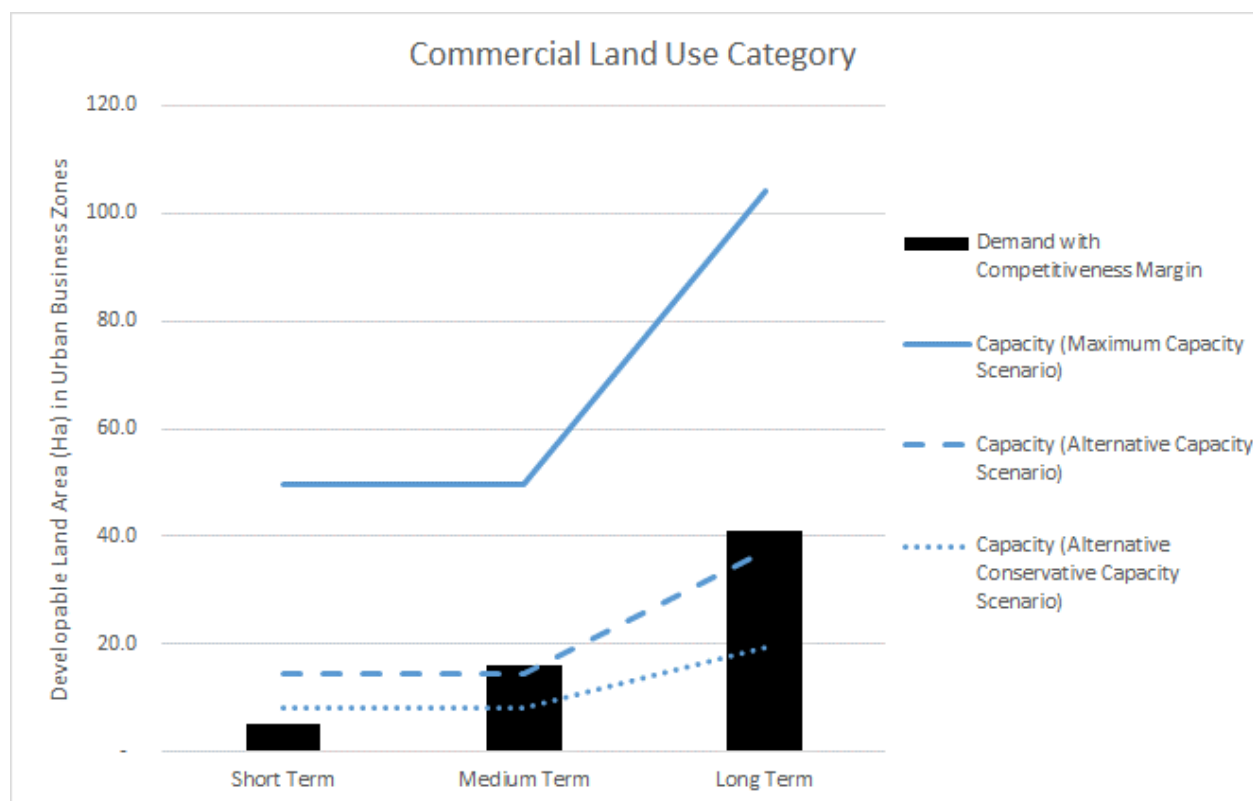


Figure 14.5 – Summary of Sufficiency Results by Scenario – Industrial Land Use Category

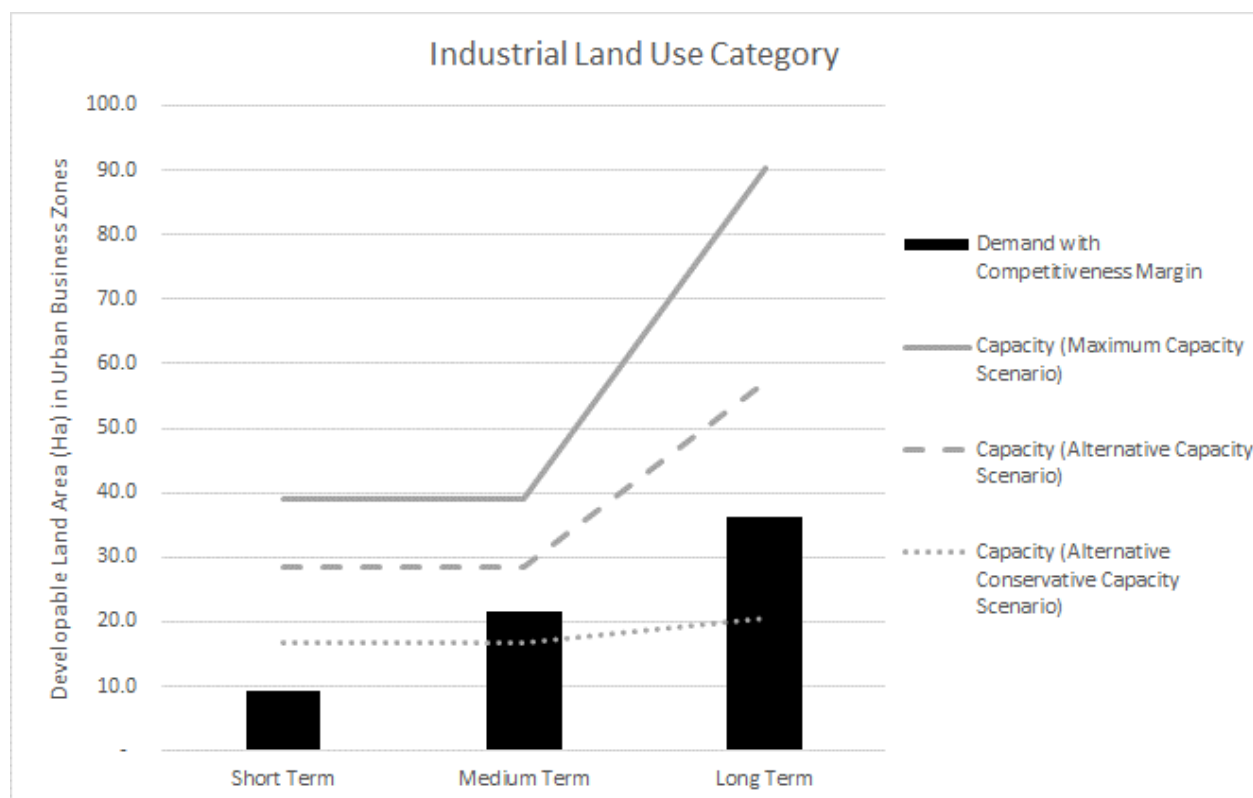
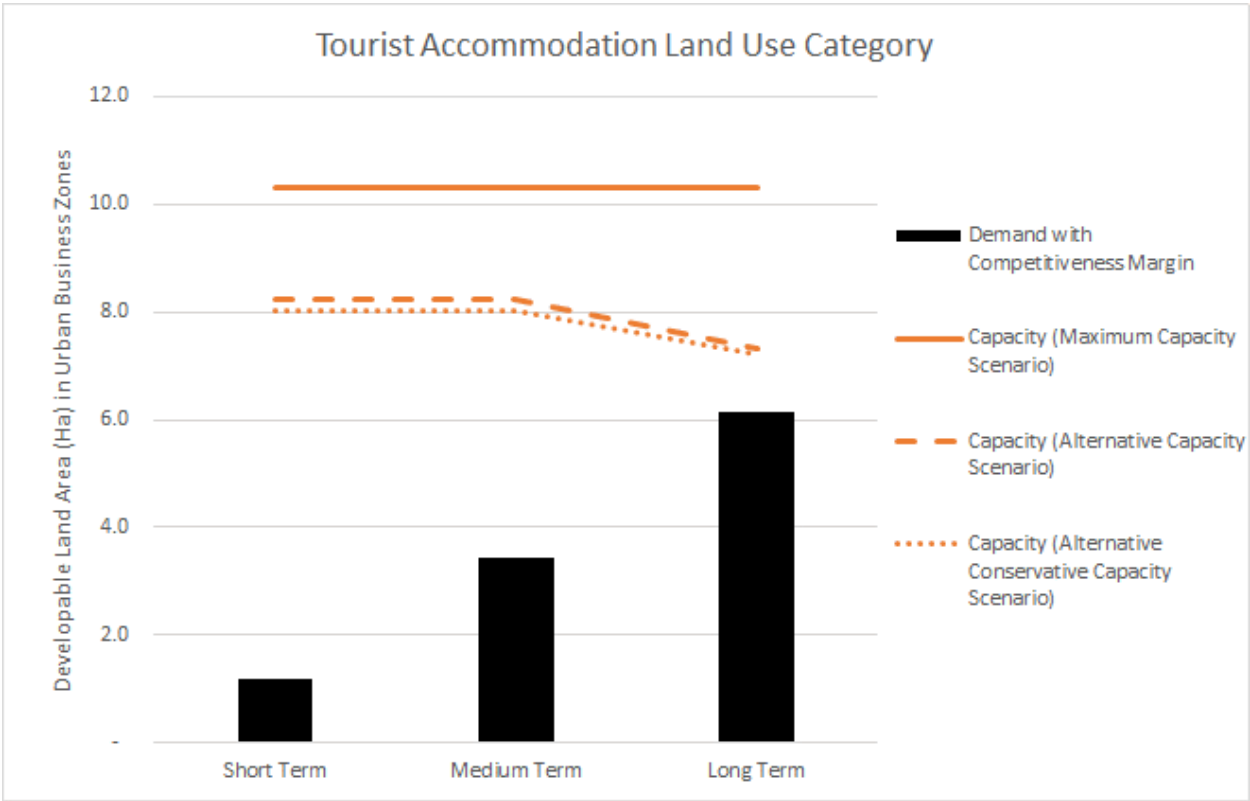


Figure 14.6 – Summary of Sufficiency Results by Scenario – Accommodation Land Use Category



The sufficiency assessment has not taken in account any latent demand, for which previous stakeholder feedback has indicated is an issue for Industrial land. This HBA analysis has shown sufficient capacity to meet Industrial demand out to 2023 (even if Heavy Industrial Zone capacity and Māori land is excluded). This would suggest that there is no evidence of a current shortfall. However, the feedback was directed at a shortfall of high quality industrial land in central locations. It is clear that most of the vacant capacity available today is not in central zone locations. It falls within Eastgate, the Airport, Ngongotahā, Fairy Springs and the Peka Block, with some also in Ngāpuna (where the Light Industrial Zone has been shown to be relatively less suitable than other locations at this time).

Zoning more Industrial development capacity in central locations is not possible and it is realistic that growth requiring vacant sites is directed increasingly to the zone locations on the periphery of the urban environment in the future (even if they would have preferred a more central location). By way of example, despite a period of relatively slow uptake, recent consent data shows that Eastgate Business Park is now attracting new demand, and there are no known constraints to the zone location that would suggest that it won't be fully developed in time. As such, it is not considered that Council need to take into account (anecdotal) latent Industrial demand in addition to the future demand growth assessed in this HBA. Council can instead focus on providing additional business zone capacity to meet medium and long term demand as discussed above.

While vacant premises can help accommodate future growth, this HBA has not collected data to substantiate that vacancy rates are notably above those found in regional cities (whereby a small amount of vacant premises is beneficial in the market to allow for churn). Some vacancies are likely to be a



consequence of Covid-19 and the impact this has had on international tourism. Demand for these premises may return if international travel returns to pre-Covid levels. Overall, it is not considered that inclusion of vacant premises data would materially affect the conclusions on sufficiency of urban business land in the medium and long term, although this has been identified as a potential improvement in future updates and something that could be monitored regularly.

Last, high level consideration has been given to the effect of redevelopment to help mitigate or reduce the shortfalls modelled. This is most relevant to Commercial and Accommodation development capacity and is likely to be focussed on central locations. While Council is keen to promote brownfields redevelopment opportunities (including to consolidate the CBD and intensify CBD and CBD fringe land), opportunities for large scale (transformational) redevelopment are often difficult to realise and may require Council/Crown partnerships to unlock potential and show the way for other developers to follow (i.e., create a snow-ball effect).

## 14.3 Causes and Contributions to Insufficiency


The key cause of the projected medium and long term insufficiency in urban business zones is planning not being commensurate with the scale or timing of growth. Greenfield zoning for light industrial activities in particular has not kept ahead of supply growth and given the lead in times needed to enable more development capacity, a lack of forward planning will soon be constraining growth (with some suggesting it is already constrained).

A large amount of current development capacity is Whenua Māori. This gives the appearance of plenty of zoned land to cater for growth in the short to medium term, but in industrial and mixed use zones, there is limited evidence that development is taking place. The constraints to developing this land are significant for most (but not necessarily all) iwi and those constraints are unlikely to change in near future unless Council and central government provide assistance. Reluctance of commercial developers to invest in Whenua Māori (where they are not already the landowner) is a further contributor to future insufficiencies.

While the 2018 Spatial Plan has identified some indicative areas for future business zoning, this relies on the development of more Whenua Māori in the Eastern reporting area or has potential infrastructure constraints (Ngongotahā). It is considered that Council's long term planning has not included enough land for greenfield expansion of business land, in enough locations (i.e., different options) in order to satisfy the NPS-UD requirement of providing at least sufficient development capacity to meet long term demand while also minimising the risk of one (or more) long term options not being suitable or realised.

A lack of stormwater infrastructure is also contributing to some existing vacant capacity not being developed and is preventing the efficient use of zoned business land in some locations. When these costs are pushed onto landowners/developers, this can influence whether a site is feasible to develop or not. Council is aware of these issues and have been in discussion with the owners of affected sites.

There was also feedback from stakeholders that Council approval processes are holding up non-residential development and adding costs. A number of suggestions were made on how to help resolve these issues including implement a bond system for developers – to get fast resource consents off the ground; having an approved developer panel for the purpose of consent applications where proven developers could get a more streamlined process; separating non-residential from resident consent processing with staff



dedicated to commercial, retail, industrial etc applications so that residential consents do not 'clog up processing capacity'; having dedicated non-residential building inspectors with specific expertise in non-residential developments; and for high frequency or approved consent applicants (developers), shift to a monthly invoice process to allow consents to be released in advance of payment.

Last, while this HBA has not modelled redevelopment, there was further feedback from stakeholders on the state of the CBD that is considered relevant, given that a CBD plays a significant role in an urban economy, including in terms of supporting a functional and effective urban form. Feedback suggested that the CBD was in a "death spiral". Causes of a lack of development/redevelopment included the 1960s-70s style footprint, fragmented ownership and a loss of amenity. Changes in the retail market towards large format retail have contributed, but so too has decision making that has allowed office development to occur outside of the CBD according to one stakeholder.

Stakeholders agreed that the CBD needed to be consolidated and that it would be impossible to save the whole CBD (and that this would be futile). They felt that Council needed to think bigger/bolder in terms of re-imagining the CBD. It was considered that redevelopment initiatives need to have a critical mass to start a snowball effect of investment. Developing one or two buildings in an otherwise poor city block will not be effective.

## PART 4 – CONCLUSIONS





# 15 Conclusions and Recommendations

This section draws together key findings and conclusions from the HBA report, including the housing market analysis, housing and business capacity assessments, sufficiency assessments, and impact of planning and infrastructure evaluations. It includes several recommendations for RLC to help guide future planning and decision making.

## 15.1 Key Findings and Conclusions

The descriptions of the 2020 household and resident housing analysis provide important base material for assessing future housing demands in Rotorua. The current patterns have been established over many years of growth and change. While the demographic and ethnic structure of the population is expected to change, and directly affect the mix of households as well as numbers, the established socio-demographic parameters can be expected to change relatively slowly, and systematically over time.

The analysis assumes that current ownership patterns for each household type persist into the future, as between owned and rented dwellings, with changes reflecting the changing mix of household types. For the dwelling mix, allowance is made for both the changing mix of households and a long term trend away from detached dwellings toward attached dwellings.

Within the urban environment, demand for detached housing is estimated at 2,370 net additional dwellings in the short term (i.e., by 2023), increasing to 3,940 in the medium term (by 2030) and 5,610 in the long term (by 2050). At the same time, net additional demand for attached dwellings is estimated at 600 in the short term, increasing to 1,270 in the medium term and 2,640 in the long term. This gives a combined dwelling demand in the short term of 2,970 dwellings, increasing to 5,200 in the medium term and 8,250 in the long term.<sup>144</sup>

Attached housing would account for 32% of long term housing growth, and while focussed on the Central Reporting area, there is demand for attached housing in all reporting areas. This finding is important and a relevant consideration for Council in their upcoming (2022) intensification plan change required under the NPS-UD.

These dwelling projections are based on Council's medium growth resident household projections, with assumptions applied on the share of current and future households that will be based in the urban environment. Added to this is estimated growth in demand for non-residential dwellings in the urban environment. The dwelling projections include a current shortfall (latent demand) of 1,500 resident houses.

It is noted that both Council's projections and the estimates of latent housing demand were developed pre-Covid-19. This HBA has not considered what effect the pandemic has already had on housing and

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<sup>144</sup> Under the Council's high growth projections, long term dwelling growth in the urban environment is estimated at 13,160 additional dwellings.



employment growth (or the housing shortfall), and how this might affect demand,<sup>145</sup> particularly in the short term future. It is expected that such effects would be identified through on-going monitoring under the NPS-UD and would be taken into account in future updates of Council growth projections.

The housing capacity assessment found that there is a sizeable amount of plan enabled capacity relative to dwelling demand. In the short to medium term, the current planning provisions provide for around 23,700 additional dwellings across the urban environment. In the long term, additional zoned greenfield areas and limited identified up-zoning within the existing urban area increase the plan enabled capacity to a total of 29,800 additional dwellings.

While there is a sizeable amount of plan enabled capacity, further assessment shows that much of the capacity is unlikely to be developed into dwellings by the commercial development sector due to a lack of feasibility. A substantial share of the greenfield capacity and underutilised urban land capacity (within the Eastern reporting area) is leasehold land and is therefore less likely to be feasible for commercial developers, although may be feasible for some forms of development if led by (or in partnership with) iwi/hapu owners and with active support from Council and Government agencies. Forms of residential and business development that are likely to be more feasible than others on leasehold land include (but are not limited to) retirement villages and aged care facilities; rental properties and short-term residential visitor accommodation; design, build and lease commercial buildings; Papakāinga and Kōeke housing; emergency, transitional and public housing, and community and recreational facilities.

The commercial feasibility of significant shares of Rotorua's plan enabled capacity is also adversely affected by a number of technical constraints across portions of the city's urban area. These increase the cost and complexity of development, therefore reducing the margin able to be achieved through the development. These include geotechnical constraints, additional costs to manage stormwater on-site and flooding hazards.

A high share of the feasible housing capacity within the existing urban area (within the Central reporting area and as a share of total capacity overall) is in the form of higher density apartments. In the short and medium term this capacity equates to up to 400 apartments in the Central area through infill development or up to 1,500 apartments through redevelopment if prioritised over other dwelling typologies. In the long term (and under the Market Growth Scenario), this could increase up to 700 feasible apartments through infill development or up to 9,000 apartments through redevelopment by 2050.

Despite their current feasibility, an apartment market has not established in Rotorua. Only 18% of urban dwellings are attached in 2020, and these are mainly single storey duplex or terrace houses/flats. Based on the data available, it is considered unlikely that any substantial share of this feasible apartment capacity will be realised by the market, with attached housing demand expected to be focussed more at the duplex and terraced end of the spectrum, at least in the short-medium term.

It is important to note that this assumption, which influences the Reasonably Expected to be Realised capacity scenario over the long term (and therefore sufficiency), is based on what can confidently be projected today, while also ensuring a conservative approach (as overstating capacity risks masking the

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<sup>145</sup> Feedback from one commercial developer considered that Rotorua might experience increased demand for industrial land as a result of Covid-19, particularly if manufacturers based in Auckland look to minimise future disruption by locating distribution plants in regional centres outside, but near Auckland.



potential extent of capacity shortfalls, meaning that Council's planning response will be less effective in addressing housing issues). It may only take one or two exemplar apartment developments in the next few years to start to change market perceptions and developer supply patterns. In which case, future updates of this HBA may reach different assumptions on long term apartment capacity up-take.

The assessment has found that the current planning provisions are also affecting the development of housing capacity. As discussed above, planning provisions for attached dwellings in Rotorua are largely limited to higher density apartments within the city centre and commercial zones. With the exception of the small area of Residential 2 (Medium Density) Zone, there is limited provision for other types of attached dwellings across most of the city's general suburban area.<sup>146</sup>

The extensive Residential 1 (Low Density) Zone has a relatively large minimum site size of 450sqm. While duplex development is a restricted discretionary activity (and therefore 'enabled' according to the NPS-UD definitions), this opportunity has not been taken up by the market to any material degree.

Feedback provided to Council indicates that the risk of a notified consent is discouraging applications for this type of housing despite a market appetite for more attached dwellings. This includes Kāinga Ora who are looking at ways to redevelop existing public housing properties (and newly acquired land) more intensively to better meet the needs of their current and future tenant base but are finding this difficult under current planning provisions.

The Residential 1 Zone also enables minor dwellings to be added to a site as a controlled activity. Similarly, Council are not seeing much evidence of this occurring. As such, the capacity assessment in the Residential 1 Zone assumed that sites down to 450sqm will continue to be developed with single standalone dwellings as has been the trend to date. This is what is reasonably expected to be realised in this zone and is supported by stakeholder feedback. Some locations were however found to require development at a higher yield than single dwellings on full sites to achieve commercially feasible development outcomes.

These planning provisions reduce the overall capacity for housing across most of the suburban area, as well as constrain the ability of the market to deliver smaller, cheaper dwellings that align with a large share of future demand.

In addition to feasibility constraints, the likely development of housing capacity within greenfield areas currently outside the existing water and wastewater utilities service areas (which includes the Pukehāngi Plan Change area in the west and Wharenui Development Plan Area in the east in the short term), is limited by the timing of planned infrastructure network extensions. While there is sufficient capacity within the networks to cater for long term growth at the catchment level, the infrastructure network extensions are not always planned or timed to cover all greenfield areas. This is especially apparent in the short term because the NPS-UD requires that development infrastructure be in the ground already in order to be considered 'infrastructure ready' in the period 2020-2023. In reality, the Council works to connect the boundary of the Pukehāngi Plan Change area to the water supply network, which is planned within the short term period, is not holding up development of that greenfield area. The timing of Council investment

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<sup>146</sup> The structure plan for the recent Pukehāngi Plan Change included small pockets of medium density housing, although the underlying zoning is low density (Residential 1 Zone).



was linked to landowner timing (estimated at that time), with the landowner yet to begin their physical land development works, including on-site infrastructure.

The Plan, along with indicative long term re-zoning, enables the development of 8,290 dwellings within the greenfield areas in the long term. It is projected that around three-quarters (71%; 5,950 dwellings) of these are on areas that are projected to be commercially feasible to develop (with the remainder largely on leasehold land, and therefore, not likely to be commercially feasible). However, the planned infrastructure networks only cover around two-thirds of the feasible developable areas, which amount to less than half of the overall plan enabled greenfield areas. The greenfield housing areas that are projected to be commercially feasible to develop and covered by infrastructure networks (in accordance with NPS-UD definitions) have an estimated yield of 3,930 dwellings.

Network expansions are planned in the Long Term Plan/Infrastructure Strategy Capital Programme, so some of these greenfield areas will be development ready in the near future. Further, in the medium and long term, Council has the ability to re-prioritise network expansion projects to where demand is focussed. This will help mitigate the potential of Council constraining development at a local level so that more greenfield capacity can be realised.

Overall, the total reasonably expected to be realised housing capacity within the greenfield areas, together with the underutilised urban land which would enable larger scale development, has a projected long term yield of 5,180 dwellings. This amounts to around half (53%) of the long term dwelling demand for the urban area. This means that if all long term urban dwelling demand were to be met, then nearly half would need to be met through intensification of already developed areas (including vacant parcels) within the existing urban environment. This is a high share of growth to be met through urban intensification within an urban economy such as Rotorua and sufficiency assessment suggests it cannot be achieved under current planning rules. This finding does however indicate that effort will be required to ensure more of the existing and identified greenfield land is able to be realised than currently expected, and/or that more greenfield land is likely to be required to increase feasible greenfield capacity.

Taking the above factors into account, the assessment has projected the reasonably expected to be realised capacity across the total urban area (greenfield, underutilised urban and urban intensification under current planning provisions) to be around 1,670 dwellings in the short term and around 4,840 dwellings in the medium term. In the long term, the reasonably expected to be realised capacity is projected to increase to between 6,120 dwellings if the current feasibility picture is held constant, or around 9,420 dwellings if allowance is made for market growth.

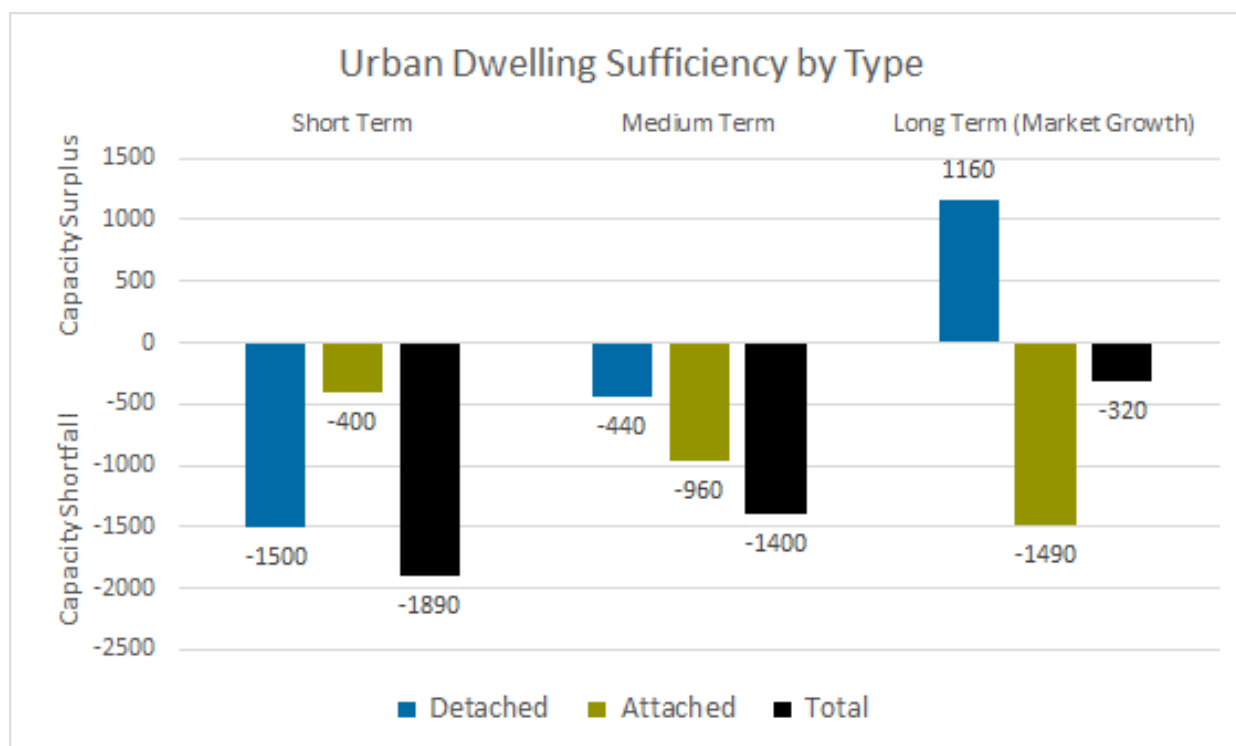
The projected levels of realisable capacity mean that there are likely to be shortfalls in capacity across the urban environment across all three time periods (Figure 15.1). In the short term, the projected shortfall is 1,890 dwellings, which includes the latent demand for 1,500 dwellings. Shortfalls in the short term are due to a combination of infrastructure network extensions not being 'in the ground' as required by the NPS-UD for greenfield areas and planning constraints which are restricting the development of more duplex and terrace housing across much of the urban area.

In the medium term, the projected shortfall is projected to amount to 1,400 dwellings. This includes the latent demand, meaning that the shortfall would not occur if this were excluded. Shortfalls in the medium term are due to the limitations to take-up within the existing urban area. Constraints in the delivery of smaller dwellings due to minimum site size requirements are likely to reduce feasibility and therefore



reasonably expected capacity, contributing to shortfalls. It is important to note however, that the NPS-UD requires the application of current prices in the medium term, which produces a lower feasibility (and therefore realisable capacity) than is likely to occur.


Figure 15.1 – Summary of Rotorua’s Urban Housing Capacity Sufficiency Results (Shortfalls)



In the long-term, the projected shortfall is 320 dwellings when allowance is made for market growth (and around -3,630 dwellings if the current market situation is applied 30 years into the future). The assessment has found that the limited supply of feasible and infrastructure-served long term greenfield land contributes to this shortfall, together with the constraints from planning provisions in relation to the required minimum site sizes (and limited provision for duplex/terraced housing) across much of Rotorua’s general suburban area.

The net shortfalls tell only part of the story. Figure 15.1 shows the effect of current planning provisions on shortfalls in capacity for attached housing. If supply continues according to the status quo, by 2050, there will be an estimated surplus of 1,160 standalone dwellings and an estimated shortfall of 1,490 attached housing. While it may seem reasonable for those preferring an attached dwelling to instead occupy a standalone dwelling, the trade-off is not so straight forward. The geographic location of standalone dwellings would not be the same as expected for attached housing (which tends to provide greater accessibility to shops, services, community facilities and places of employment). The maintenance of a standalone dwellings on full sites can be more onerous. Most importantly, the cost of standalone dwellings is typically higher.

While house prices are projected to continue to rise faster than household incomes, and much of this is driven by economic factors outside of Council’s sphere of influence, both the net scarcity of urban capacity to provide for growth combined with current planning provisions that constrain the ability of the market to deliver smaller, cheaper housing, is contributing to further reductions in housing affordability for non-



owner households (for purchase and rental). Currently, there is an estimated shortfall of around 3,500 dwellings in price bands affordable to non-owner resident households to buy. This is expected to worsen over the long term, particularly as new dwelling supply is unlikely to be feasible in lower price bands under current planning provisions.

Council planning is also expected to impact on business growth over the long term. A considerable portion of current vacant business land in the urban environment is whenua Māori, as is the majority of identified future business land. While there are some exemplars of commercial development occurring on leasehold land in central Rotorua, this has been for retail and commercial development in desirable locations. There is little evidence of leasehold land in industrial and mixed use zones being developed and the commercial feasibility of development in these locations is less certain. Relying on that leasehold capacity to provide for expected employment growth therefore presents some risks for Council should it not be developed commensurate with demand.

This is likely to affect capacity for light industrial activities the most in the medium to long term, although could also impact on retail and commercial capacity in that time frame. It is considered that more feasible options for light industrial and mixed use business development need to be identified (over and above those identified in the Spatial Plan) to provide Council with more flexibility and a clear and sufficient pathway to manage growth over the long term. Some of these identified growth areas (such as south of Ngongotahā) may need to be live zoned (and serviced with infrastructure) in the short-medium term to ensure that capacity is at least sufficient to meet projected demand.

It is important to acknowledge that these housing and business sufficiency results reflect the way in which demand and capacity are required to be assessed under the NPS-UD. The sufficiency assessment requires that a competitiveness margin of 20% in the short-medium term (2020-2030) and 15% in the long term (2031-2050) be added to dwelling and business land/floorspace demand projections. Further, capacity assessment (i.e., capacity that is plan enabled, feasible, infrastructure served and reasonably expected to be realised) is based on what is in the Operative District Plan in the short term, or further modified by the Spatial Plan in the long term. As there is no proposed District Plan (or plan changes) in Rotorua at the time of drafting, this does not apply in the medium term, and the short term capacity is also adopted for that period.

A key objective of the HBA is to demonstrate how current planning and decision making is performing with respect to providing for growth and supporting competitiveness in the housing market and housing affordability (to the extent that Council can influence these outcomes). Council can respond to the issues identified (and is required to), but this HBA cannot anticipate those responses. Those responses include the ability to zone more greenfield land (whether council initiated or in response to private plan change requests), change the plan to provide for intensification, secure additional funding to accelerate infrastructure projects, re-prioritise capital investment in infrastructure to match locations of demand, identify new long term growth areas/options and implement other non-statutory strategies, initiatives and development incentives. Any changes that *are* made to planning documents in the near future can and will be captured in future HBA updates.



## 15.2 Recommendations

1. Progress the intensification plan change under the NPS-UD. The HBA shows that this is a critical issue for urban Rotorua. It is recommended that this plan change:
  - a. Reviews the Residential 2 (Medium Density) Zone to ensure that it is enabling feasible duplex and terrace housing development (i.e., is effective) and achieving a density of development that uses zoned land more efficiently and supports a well-functioning urban environment.
  - b. Applies the Residential 2 Zone to appropriate locations throughout the urban environment as demand for attached housing is not limited to the Central reporting area. It is recommended that at a minimum, medium density housing is considered on the fringe of all Compact Commercial Centres (including the Ngongotahā Centre). Consideration should be given to whether Residential 2 Zoning would also be appropriate around some (larger) Neighbourhood Centre Zones, along key transport corridors and near other locations of high demand/amenity.
  - c. Reviews the Residential 1 (Low Density) Zone to ensure that it is more enabling of a range of dwelling types and sizes while still providing for an average density/urban form distinguishable from the Residential 2 Zone. This may include consideration of a smaller minimum lot size.
  - d. Takes into consideration the implications of intensification on three waters and land transport infrastructure capacity.
  - e. Retains capacity for apartments (particularly above ground floor) in central city and commercial centre zones.
2. Pursue options to rezone Fenton Street to a more intensive mixed use zoning. It is recommended that provisions enable terrace housing and low rise apartment buildings, although options to concentrate/limit apartments to sites closer to the CBD could be considered. Mixed use zoning would provide additional capacity for retail, commercial and tourist accommodation activities, but care is needed not to undermine the redevelopment potential of the CBD.
3. Ensure that the Spatial Plan growth areas in Ngongotahā are included in three waters network expansion planning.
4. Continue to seek funding that will help alleviate stormwater constraints and allow more development capacity to be realised.
5. Consider zoning the land identified in Ngongotahā South for City Entranceway Mixed Use (or Light Industrial) so that it can provide for demand in the short-medium term.
6. identify additional feasible (freehold) greenfield land to increase development capacity and help meet medium and long term demand.
7. Continue to support iwi/hapu to develop their residential and business zoned whenua Māori so that existing zoned land is used efficiently.



8. Continue to consider/zone Whenua Māori where it provides an appropriate location for future urban expansion. Enabling greater opportunities to develop the land helps provide for the economic, social and cultural wellbeing of tangata whenua.
9. Improve the attractiveness of the CBD as a place to invest, work, shop and live to help reduce vacancies and improve the feasibility of redevelopment. Specific recommendations include (but are not limited to):
  - a. continue to facilitate the reduction of rough sleeping in the CBD,
  - b. investigate ways to better manage/minimise parking demand by workers in the CBD,
  - c. consider opportunities (or incentives) to increase the height of buildings being proposed (relative to planning limits) where this would increase the feasibility of developing more mixed use buildings.
  - d. explore opportunities for transformational projects that could revitalise a more compact and vibrant core.

## Appendix A - Glossary of Terms


Additional Infrastructure	In accordance with the NPS-UD, additional infrastructure means public open space, community infrastructure, land transport not controlled by local authorities, social infrastructure such as schools and healthcare facilities, telecommunications networks, gas, and electricity networks.
Attached Housing	Where two or more dwellings are joined horizontally with a shared wall (i.e., duplexes or terrace housing) or vertically (i.e., apartments).
Capital Value	The value (\$) of land value and improvement value combined. It is the total value of a property, as recorded in the Council's rating database.
Commercially Feasible	Means commercially viable to a developer based on the relationship between costs and revenue (i.e., is profitable)
Commercially Feasible Capacity	The share of plan enabled capacity that would be commercially viable to a developer based on the relationship between costs and revenue.
Competitiveness Margin	A margin of development capacity, over and above the expected demand that tier 1 and 2 local authorities are required to provide, that is required in order to support choice and competitiveness in housing and business land markets. The margins are 20% for the short term, 20% for the medium term and 15% for the long term.
Detached Housing	Means standalone dwelling units, not attached to other dwelling units.
Development Infrastructure	In accordance with the NPS-UD, development infrastructure means network infrastructure for water supply, wastewater, or stormwater and land transport, both of which are controlled by a local authority or council controlled organisation.
Dwelling Estate / Built Estate	Total dwellings in the district (total dwelling stock)
General Land	General land is fee-simple land that can be bought and sold by owners.
Greenfield Capacity	The yield of large, yet to be subdivided parcels of zoned land, once allowance is made for required roading, access, open space, landscaping areas (set at 30% of the gross site area for Rotorua based on feedback from Council). Greenfield capacity is located at the urban-rural boundary.
HBA	Housing and Business Development Capacity Assessment, as set out in the NPS-UD.
Improvement Value	The value (\$) of any physical structures or features of a property, including buildings, fencing, landscaping, as recorded in the Council's rating database.
Infill Capacity	Development that can occur in the existing urban area on vacant subdivided lots or within existing developed lots that could be further subdivided to the meet the District Plan zone rules, without needing to remove or shift the existing dwelling/buildings. I.e., add one or more dwellings at the rear or front of the existing dwelling.
Infrastructure Ready	Refers to plan enabled capacity for housing or business development that is already serviced by infrastructure in the short term, has the necessary infrastructure planned for (with funding allocated) in the long term plan in the medium term, and has the necessary infrastructure identified in an infrastructure strategy in the long term.
Kāinga Ora	Officially Kāinga Ora – Homes and Communities, is a Crown agency that provides rental housing for New Zealanders in need. It has Crown entity status under the Kāinga Ora–Homes and Communities Act 2019.



Kaumātua Housing	Kaumātua / kōeke housing <sup>147</sup> is specifically for the accommodation of elders and is often part of a papakāinga development. Kaumātua housing has also been built in close proximity to many marae so that kaumātua can support the activities that take place on the marae. See papakāinga housing.
Land Value	The value (\$) of the land (section) excluding the value of any improvements or structures on that land, as recorded in the Council's rating database.
Long Term	Between 10 and 30 years.
Medium Term	Between 3 and 10 years.
Non-owner Households	Households that do not already own a residential dwelling and may be renting a dwelling.
NPS-UD	National Policy Statement for Urban Development (2020) – national direction under the Resource Management Act.
Owner Households	Households that already own a residential dwelling (with or without a mortgage).
Papakāinga Housing	The term papakāinga can have different meanings depending on the context. For the purpose of this HBA, a papakāinga refers to a group of houses, of three or more, on whenua Māori as a 'community' which may include broader support and occupant involvement. Forms of papakāinga can include: Affordable rental housing (for rūpū Māori who wish to own and provide affordable rental housing for whānau) or Owner-occupied housing (for whānau who wish to live in a papakāinga where the homes will be owned and occupied by whānau, generally with a Māori Land Court registered Licence to Occupy. Whānau will borrow/finance the house construction themselves).
Plan Enabled Capacity	The maximum count, type, density and location of development that can occur if the District Plan rules were applied. I.e., the yield if all lots were developed at the site minimums and all apartment buildings were developed at the building height maximums etc.
Reasonably expected to be realised (RER)	The amount, type, density, and location of housing that can be expected to be developed based on recent trends and within the bounds of what is plan enabled. This may include a tendency to deliver larger sections than the zone minimums, a particular type of dwelling where choices are enabled, a different height of apartment buildings than the maximum building height etc.
Redevelopment Capacity	The net additional yield of a subdivided lot in the existing urban environment if existing dwellings were removed and the site was redeveloped using the site minimums for the zone. Implies further subdivision of the existing lot to smaller lots sizes enabled by the Plan.
Reporting Area	Aggregations of geographic areas across Rotorua's urban environment, used to summarise and report results in this HBA.
Rural Environment	Means the rest of the district, excluding the urban environment.
Short Term	Within the next 3 years.
Sufficiency	In the context of this HBA, refers to the comparison between demand and capacity. Can result in a surplus or a shortfall.
Three Waters Infrastructure	A collective term for water supply, wastewater, and stormwater infrastructure.

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147 **kōeke** is Te Arawa dialect for elder



Transitional Housing	Temporary accommodation and support for individuals or families who are in urgent need of housing.
Underutilised urban land	Large, yet to be subdivided parcels of land within the existing urban environment which have no dwellings or business buildings (excluding parks and reserves). Underutilised means from a perspective of what would typically be expected for type and intensity of use of land in an urban environment.
Urban Environment	In accordance with the NPS-UD, means any area of land (regardless of size and irrespective of local authority or statistical boundaries) that is, or is intended to be, predominantly urban in character and is, or is intended to be, part of a housing and labour market of at least 10,000 people.
Whenua Māori	Whenua Māori is land administered under the Te Ture Whenua Māori Act 1993 (or Māori Land Act 1993). A feature of Whenua Māori, important in the context of this HBA, is that Whenua Māori cannot be (or is very unlikely to be) sold.

## **Appendix 2**

# **Proposed Change 6 (NPS UD) to the Bay of Plenty Regional Policy Statement - Consultation Record**

**Proposed Change 6 (NPS UD) to the Bay of Plenty  
Regional Policy Statement  
Consultation Record**

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## Tauranga City Council and Western Bay of Plenty District Council

17 March 2021

In person meeting with:

- Philip Martelli – WBOPDC
- Janine Speedy – TCC

Early consultation meeting with key stakeholders to seek input on policy options for the scope of draft Proposed Change 6 (NPS UD) to the RPS.

BOPRC staff in attendance Ruth Feist, Adam Fort, and Rebekah Waltham.

### **Key issues / questions raised and discussed:**

- Early discussion and thought regarding NPS UD requirements and responsive planning criteria.
- Policy framework options explored (earlier whiteboard session used).
- Maps discussed and possible updates to consider – LGC changes, UFTI 10 yr focus. TAs to check maps and flag any areas of concern.
- Changes/criteria to be region wide.
- Strategy and Policy Committee agreed in principle to use RMA Streamlined Planning Process for Change 6 (12 February Committee meeting).
- Further workshop to be scheduled with TCC and WBOPDC.

## Tauranga City Council and Western Bay of Plenty District Council

13 April 2021

In person meeting with:

- Philip Martelli – WBOPDC
- Janine Speedy – TCC

Early consultation meeting with key stakeholders to seek input on policy options for Strategy and Policy Committee report regarding the scope of draft Proposed Change 6 (NPS UD) to the RPS.

BOPRC staff in attendance Ruth Feist and Rebekah Waltham.

### **Key issues / questions raised and discussed:**

- Consider retaining the urban limits to assist with UFTI implementation and infrastructure planning. Preference at this stage is to retain and update appendix C maps.
- Responsive Planning criteria to consider - SmartGrowth criteria already developed, UFTI, infrastructure requirements, financial implications, out of sequence commercial, upcoming HBAs and NPS HPL, placemaking, industrial need, Housing and Business Capacity Assessments (July), structure planning requirements.
- Need to work with MHUD and Kainga Ora.
- Criteria developed must work for all of BOP, not just western Bay of Plenty

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- Maps should have a 10 year focus, changes to include LGC changes – also to think about areas currently outside the urban limits, clarity required re Keenan Rd, Katikati and Te Puke.
- Criteria for ‘non-residential’ may need to be tighter.
- Appendices C and D probably not required anymore.
- Criteria needs to consider areas straddling the current boundary.
- Target early consultation to key stakeholders, then consult further via the RMA Streamlined Planning process.

## RPS and District/City Plan Reviews meeting – RPS Change 6 (NPS UD) - Presentation

19 May 2021

In person meeting – RPS Change 6 (NPS UD) item on RPS and District/City Plan Review meeting with:

- Philip Martelli – WBOPDC
- Janine Speedy – TCC
- Natalie Rutland – WBOPDC
- David Phizacklea – Phizacklea Consulting
- Nathan Te Pairi – BOPRC
- Sharlene Pardy – BOPRC

Apologies: Philip Martelli

Early consultation meeting with key stakeholders to seek feedback on draft Proposed Change 6 (NPS UD) to the RPS.

BOPRC (RPS Change 6) staff in attendance Ruth Feist, Nassah Rolleston-Steed and Rebekah Waltham, Elaine Nolan.

### Key issues / questions raised and discussed:

- Key principles behind Change 6 outlined in presentation.
- Maps discussed - reminder to be aware of ‘consequential amendments’ if making changes to language. Questions around what would happen if delete policies but still have maps. Maps give indication of where we are. Maps provide direction for TAs – those areas that are planned. We as a region are committed to working in those areas. If anyone wants to go outside that (TA or developer) that’s when criteria kicks in.
- As a councils/TAs we are not bound in terms of infrastructure it’s not in our LTP, not part of existing and planned infrastructure. Infrastructure must be fit for purpose.
- Irrelevant if proposal inside or outside maps – in the case of a piece of rural land have to step through policy to justify development.
- Discussed possibility of remove policy 7A and replace with 14B and apply to all urban ‘activities’. Still requires sequencing, and infrastructure provisions (important to TAs)
- Clarification needed around where responsive planning criteria apply. Important for fringe groups, e.g. Tauriko (shown to be urban limits) vs Tara Road. Where is certainty for landowner and TAs to be able to progress.
- Discussed if Policy 14B should apply to consents and plan changes – both at this stage.

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- Amend policy UG 25B (HBA) proposed wording acceptable.
- General conversation around Urban Limit and whether it is still necessary
- If going outside maps need to make sure 'place making' is taken into consideration for the area as well.
- TAs need to determine if criteria has been satisfied as they are approving the sub division and taking over infrastructure.
- In terms of natural hazards – no different to what it has been – BOPRC feed into natural hazards, storm water, TCC is decision maker at end of day.
- Further sessions required on criteria

## Kainga ora and Ministry for Housing and Urban Development

2 June 2021

MS Teams meeting with:

- Kainga Ora Brendon Liggett, and
- MHUD Mike Hurley (apologies Oscar Damerham)

Early consultation meeting with key stakeholders to seek feedback on draft Proposed Change 6 (NPS UD) to the RPS.

BOPRC staff in attendance Ruth Feist (presenting), Nassah Rolleston-Steed, and Rebekah Waltham

### **Key issues / questions raised and discussed:**

- Verbal feedback provided by Brendon and Mike at the meeting (summarised below)
- Both Brendon and Mike will provide written feedback on the draft by 8 June
- Request from Mike and Brendon for multi-agency meeting to discuss reoccurring/common implementation issues (e.g Natural Hazards)
- Natural Hazards criteria needs more consideration – maybe focus on 'managing' risk rather than 'avoiding'
- What is the process for planned developments that are brought forward (e.g somewhere like Rangiora)
- Current draft wording/deletions seem to be removing reference to any benefits of intensification. Changes should be promoting it and encouraging it in greenfield areas.
- Need to consider implication of other NPSs
- Need to think about what 'significant' means – possibly link to HBAs
- If Policy UG4A is to be deleted sentence re benefits of intensification should still be retained somewhere. Possibly replace with a policy that encourages intensive urban development where feasible. Benefits of intensification need to be clearly identified and all new significant residential development areas should be encouraged to intensively develop.
- MHUD – support removal of Policies UG 3A, 5A, and 6A.
- Consider combining infrastructure policies UG 6A and 9B
- Policy UG 10B also needs to reflect the development capacity requirements of the NPS UD.
- Test criteria against small and large scale developments for achievability.
- Consider deleting Policy UG 17B.
- Make sure provisions don't differ from the NPS HPL approach.

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- Remember to review methods against new policy approach.

## Tauranga City Council and Western Bay of Plenty District Council

3 June 2021

In person meeting with:

- Philip Martelli – WBOPDC
- Janine Speedy – TCC
- Natalie Rutland – WBOPDC
- David Phizacklea – Phizacklea Consulting
- Campbell Larking – TCC
- Andrew Mead – TCC
- Nichola Lennard – Ken Tremaine Consulting

Early consultation meeting to discuss feedback on draft Proposed Change 6 (NPSUD) to the RPS.

BOPRC (RPS Change 6) staff in attendance Ruth Feist, Nassah Rolleston-Steed and Rebekah Waltham, Elaine Nolan.

### Key issues / questions raised and discussed:

- Policy UG 25B wording ok.
- HBA Policy should be taken to SmartGrowth once HBAs have been completed and figures available.
- General discussion regarding application of Policy UG 9B and Method 18 to large scale developments
- Clarification required regarding application of criteria and whether it applies to both plan changes and consents.
- Policy explanations should be used to show intent of policies.
- Insensitive urban development is about protecting the future under the NPS UD not existing amenity.
- Replace Policy UG 22B and broaden scope to address NPS UD Policy 9.
- TCC & WBOPDC propose deleting policy UG 4B, 5A.
- TCC agree with proposed amendments to UG 6A and deletion UG7A
- WBOPDC Delete UG 15B
- TCC retain and amend UG 16B
- TCC UG 22B requires deleting/amending, suggest a new policy to enable the provisions of papakainga/housing on Maori land.
- Delete Method 14 – NPS UD sets out capacity
- Delete Method 16
- Amend definitions for 'existing urban area'
- TCC need definition to provide direction on what the scale of 'significant development capacity' means rather than the outcome needed to be achieved.
- TCC – want to discuss 'urban limits' definition and how to provide for the balance between certainty and flexibility for future development. One option is to define and map planned

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and sequenced growth vs unplanned sequenced growth and provide policies to support this. WBOPDC comfortable with change – willing to discuss further.

- BOPRC – No additions proposed to Appendix E WBOP growth areas – Policy UG 14B intended to provide ability to consider whether urban development proposals will add significantly to development capacity.

## Eastern Bay Taupo Planners Forum - RPS Change 6 (NPS UD) - Presentation

10 June 2021

In person meeting with:

- KDC Tracy Hayson (Hayson Knell Consultants)
- ODC: Katherine Hall, Yvette Shirley
- TDC: Nick Carroll, Kendall Goode
- WDC: Deborah Ganley (Chair), Glenda Spackman, Stephen Allerby

BOPRC attended this meeting to seek early feedback and discuss on draft Proposed Change 6 (NPSUD) to the RPS.

BOPRC (RPS Change 6) staff in attendance, Nassah Rolleston-Steed, Rebekah Waltham, and Elaine Nolan.

### **Key issues / questions raised and discussed:**

- Nassah and Rebekah gave the presentation
- General discussion around provisions
- Concern if more land is opened up intensification is less likely
- Understanding that PC6 seems to be focused around the WBOP. Eastern BOP is just starting joint spatial plan in Kawarau, looking at future growth opportunities in Bay of Plenty. No plans per se at the moment, but these are coming so PC6 needs to enable that to be incorporated at some time. Every community is working at pace as all of these issues begin to pick up speed.
- WDC have capacity in transport but it's about other infrastructure e.g. new pipes going in that are larger than required at the time of planning. Don't have the land available - can't just grow and keep expanding.
- TDC area has more people wanting land opened up for 'life style blocks' at the moment.

## BOPRC/Rotorua Lakes Council Urban Development Working Group - RPS Change 6 (NPS UD) - Presentation

11 June 2021

Zoom meeting with:

- RLC: Kate Dahm, Damon Mathfield

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Early consultation meeting to discuss feedback on draft Proposed Change 6 (NPSUD) to the RPS.

BOPRC (RPS Change 6) staff in attendance Ruth Feist, Nassah Rolleston-Steed and Rebekah Waltham, Elaine Nolan.

**Key issues / questions raised and discussed:**

- Questions re implications of amending 'versatile land' to 'highly productive land' in anticipation of pending NPS HPL
- General discussion around removing urban limits and increasing flexibility.
- RLC - NPS-UD gives reasonable guidance for looking at amenities but need thought on 'hazards' from a planning perspective. RLC is looking at heat mapping hazards re climate change, to get a sense of /marry up with heat map of opportunities.
- A lot of greenfield land in Rotorua is Māori land.
- Discussion around potential issues around access to aggregate.
- Discussion around intensification suitability mapping exercise following HBA process to define where RLC will likely see intensification.

## Multi-agency hui on RPS Change 6 (NPS UD)

8 July 2021

Zoom and in person meeting with:

- Kainga Ora – Brendon Liggett
- WBOPDC – Phillip Martelli
- TCC – Simon Banks, Andrew Mead

BOPRC Attendees: Nassah Rolleston-Steed, Rebekah Waltham (notes), Ruth Feist, Elaine Nolan

Multi-agency workshop to further explore options for addressing issues raised in consultation to date.

**Key issues / questions raised and discussed:**

- TCC/WBOPDC ok with rewording of Issue 2.8.1
- TCC – policies need to consider existing use rights.
- WBOPDC – UG 5B – Don't use word 'enable' just means they won't do it. 'Enable' no good change to 'promote' or 'require'; TCC – we can't do anymore than enable, can't tell people what to do; Kainga Ora – NPS says enable. If we use 'require' then we need an out clause and it gets too long; WBOPDC – ok if it says 'enable'
- TCC need to be clearer around what applies to brown/greenfield.
- TCC & WBOPDC – clarity needed around what applies to urban and commercial? mixed use could be limiting could leave this to district plans.
- Discussion around 'significance test'
- General confusion between draft UG7B and 14B; agreed there should be a link to structure planning for developments greater than 5ha, just for anything that requires structure planning.
- General Qs re NPSs HPL and IB and impact on proposed change.
- General discussion about the maps

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- Kainga Ora – Q should it be limited to plan changes and not include resource consents? ;agreed another meeting necessary to continue the discussion. BOPRC to rework policies, provide clear copy, and key agreements.

## Proposed Change 6 (NPS UD) to RPS

16 July 2021

Zoom and in person meeting with:

- ODC: Katherine Hall
- TDC: Nick Carroll
- RLC: Kate Dahm, Damon Mathfield

Additional meeting to the multi-agency workshop held on Thursday 8 July to further explore options for addressing issues raised in consultation to date.

Key recommended amendments include:

1. Replace Policy UG 22B *‘Providing for papakāinga’* with a new *‘Te Tiriti o Waitangi Principles’* Policy UG 4B and widen scope to address equivalent NPS UD Policy 9.
2. Insert new Policy UF 5A *‘Enable higher-density urban intensification’* in response to MHUD concerns about lack of policy enabling intensification. Also inserted additional text into Policies UG 13B and UG 14B to provide for high density urban intensification.
3. Insert new Policy UG 7A *‘Providing for significant development capacity’* with criteria for determining what unanticipated or out-of-sequence developments will be treated as adding significant development capacity. This is the approach taken to address NPSUD clause 3.8(3). No definition is proposed for ‘significant development capacity’ as requested by TCC.
4. Amendments to Policy UG 13B to have specific regard to the benefits of higher density urban intensification and accompanying explanation text to provide for feedback from MHUD and address intensification provisions of NPS-UD.
5. Amendments to Policy UG 14B in line with suggestions from MHUD to better clarify policy intent and provide for high density urban intensification (para b) (as alluded above). A key change is lowering the bar from all the criteria having to be met to needing to ‘fundamentally meet the criteria’. In the western Bay of Plenty sub-region this is the key policy for considering urban development outside existing and plan urban zoned areas in Appendix E.
6. Inserted TCC and WBOPDC HBA figures into Housing Bottom Lines Policy UG 25B. Pending RLC figures to finalise policy.

7. Removed amendments to replace all references to 'versatile land' with 'highly productive land' which were made in anticipation of the NPS HPL. We'll review this again once the NPS HPL is gazetted.

BOPRC (RPS Change 6) staff in attendance Nassah Rolleston-Steed and Rebekah Waltham

**Key issues / questions raised and discussed:**

- Nassah ran through presentation
- General discussion about density and the impracticality of applying WBOP targets to other parts of the region.
- Questions about application of criteria plan changes and/or consents?
- Discussion around application of criteria to papakainga and Maori land; only really applies to areas serviced by 3 waters, new policy 22B has been developed to consider papakainga and Maori land development.
- Concern regarding planning v reality with intensification, e.g. market could be fractured
- Criteria needs to be considered region wide. There is a limit on what multimodal and transport links can enable in smaller areas.
- Discussion around 'walkable catchments'.
- High density isn't appropriate for smaller areas.
- Concern that 'unanticipated' and 'out of sequence' might not meet compact urban form.
- Urban Growth issue 2.8.1 should consider lack of choice/typology

## Multi-agency hui on RPS Change 6 (NPS UD)

22 July 2021

Zoom and in person meeting with:

- TCC Cam Larking, Janine Speedy,
- RLC Kate Dahm,
- MHUD Mike Hurley,
- WDC Nicholas Woodley
- WBOPDC Phillip Martelli, Natalie Rutland
- Kainga Ora Brendon Ligget

Additional meeting to the multi-agency workshop held on Thursday 8 July to further explore options for addressing issues raised in consultation to date.

Key recommended amendments include:

1. Replace Policy UG 22B '*Providing for papakāinga*' with a new '*Te Tiriti o Waitangi Principles*' Policy UG 4B and widen scope to address equivalent NPS UD Policy 9.
2. Insert new Policy UF 5A '*Enable higher-density urban intensification*' in response to MHUD concerns about lack of policy enabling intensification. Also inserted additional text into Policies UG 13B and UG 14B to provide for high density urban intensification.

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3. Insert new Policy UG 7A '*Providing for significant development capacity*' with criteria for determining what unanticipated or out-of-sequence developments will be treated as adding significant development capacity. This is the approach taken to address NPSUD clause 3.8(3). No definition is proposed for 'significant development capacity' as requested by TCC.
4. Amendments to Policy UG 13B to have specific regard to the benefits of higher density urban intensification and accompanying explanation text to provide for feedback from MHUD and address intensification provisions of NPS-UD.
5. Amendments to Policy UG 14B in line with suggestions from MHUD to better clarify policy intent and provide for high density urban intensification (para b) (as alluded above). A key change is lowering the bar from all the criteria having to be met to needing to 'fundamentally meet the criteria'. In the western Bay of Plenty sub-region this is the key policy for considering urban development outside existing and plan urban zoned areas in Appendix E.
6. Inserted TCC and WBOPDC HBA figures into Housing Bottom Lines Policy UG 25B. Pending RLC figures to finalise policy.
7. Removed amendments to replace all references to 'versatile land' with 'highly productive land' which were made in anticipation of the NPS HPL. We'll review this again once the NPS HPL is gazetted.

BOPRC (RPS Change 6) staff in attendance Nassah Rolleston-Steed and Rebekah Waltham

**Key issues / questions raised and discussed:**

- General discussion about changes to draft policies following feedback to date.
- Discussion around culturally significant areas/view shafts, SLAs, Maori land and what is required by NPS Policy 5
- UG 7B needs to consider context of development proposals.
- General discussion around application of policies in reality, fragmentation and unintended consequences,
- Policy UG 7B needs to meet NPS UD Pol 3.8 (2) (a)-(c). The heart of the policy is defining what significant criteria is; 7B is a leg up, the test is can you be seen as a development that adds to development capacity; concern that policy only applies to urban not commercial.
- Should this apply to both Plan changes and consents if being responsive? TCC - Plan Changes ok, consents not. Applications will be non complying to start with. TCC is nearly at the boundary so most applications will go to western Bay.
- The Plan change application process is set out in the RMA SCH 1, S25. (4) is where a local authority may reject the request in whole or in part, but only on the grounds listed.
- Too much crossover between 7B and 14B as written
- 7B and 14B to be extracted and circulated for feedback – due one week.

## SmartGrowth Combined Tangata Whenua Forum

11 August 2021

In person meeting at WBOPC

See meeting minutes for list of attendance. <http://www.smartgrowthbop.org.nz/media/2357/2021-08-11-combined-tangata-whenua-forum-minutes-final.pdf>

BOPRC (RPS Change 6) staff in attendance Ruth Feist, and Rebekah Waltham.

### **Key issues / questions raised and discussed:**

- Ruth presented on draft Plan Change 6 to the Regional Policy Statement. Advising BOPRC is happy to meet with anyone about the Policy Statement and the plan is only in the engagement process currently.
- Kevin Tohiariki asked, who defines what Papakāinga is? BOPRC – using existing RPS definition
- Matemoana McDonald noted, the definition in the Regional Policy Statement says that no one other than Māori can define Māori matters.
- Keren Paekau noted, there needs to be stronger wording on Māori engagement in the planning.
- Members would like to submit on Proposed Change 6.
- Maori need to define 'no go areas' in their submissions e.g. of TCC wanting to develop Te Tumu but being stopped by the RPS.
- Concern regarding reference to English or Maori version to TOW in policy as they mean different things and it needs to be right.

## Tauranga City Council

7 September 2021

MS Teams meeting with:

- TCC Cam Larking, Janine Speedy, Andrew Mead

Meeting to discuss key matters:

- Defining 'out of sequence'
- Work through 'twin' policies re: comment on Policy UG 7A
- Comments on Policy UG 7Ax.
- What provisions may be un-implementable? (check against changes made to Policy)

BOPRC (RPS Change 6) staff in attendance Ruth Feist, and Rebekah Waltham.

### **Key issues / questions raised and discussed:**

- General discussion around application of criteria to various areas – 'testing criteria'.
- Still concern around application of criteria to business and what is 'significant'.
- Leave 'out of sequence' exercise to the TAs (TCC sending suggested text to BOPRC).
- Would like twin policies for business land and residential and they should be consistent.

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- Need to show that there is capacity within the infrastructure to cater for the development.
- Setting yields is unrealistic given constraints.
- Delete Appendix E (maps).

## Tauranga City Council

10 September 2021

MS Teams meeting with:

- TCC Cam Larking, Janine Speedy, Andrew Mead

Meeting to discuss and seek further comment on explanation text for 'out of sequence' in Policy UG 7Ax being:

Unanticipated or out-of-sequence urban development is urban development not identified in a Council approved future development strategy, spatial strategy, is district or city plan enabled (i.e. live zoned) and infrastructure enabled (i.e. in a Long Term Plan or 30 year infrastructure strategy).

Also, to continue working through implications of Policy UG 7A for Business land.

BOPRC (RPS Change 6) staff in attendance Ruth Feist, and Rebekah Waltham.

### **Key issues / questions raised and discussed:**

- Business - Plan changes only – providing for new business zone; don't amend for business land/zone as HBAs don't cover business land this rotation, but will be picked up in 2023
- New criteria covers above concerns and future HBA could be used within new criteria.
- Add new criteria for residential that doesn't under-mine existing or planned business land. Show there is a need for new business zone, and at the selected location; and substantial contribution to economic and employment to the urban environment:
  - There are viable options for the delivery, funding and financing of development infrastructure;
  - The proposal avoids locations where natural hazard risk cannot be practicably managed.
  - The development provides for multi-modal transport options;
- From UG 7A - for the expansion of existing zoned business land, not able to be accommodated within existing business zoned land:
  - Avoid, remedy or mitigate effects on rural production activities;
  - Not compromise access to identified regionally significant aggregate and other mineral resources; and
  - Not adversely affect existing, consented, designated or programmed regionally significant network utilities and infrastructure.

## Consultants Feedback Session on Proposed Change 6 to the Bay of Plenty Regional Policy Statement

24 November 2021

BOPRC ID: A3782945

Zoom meeting with:

- James Mathieson (Harrison Grierson)
- Tyler Tabak (Soho Group)
- Louise Baker (Vitruvius)
- Mark Batchelor (CKL)
- Claire Steele (Aurecon)
- Richard Hallam (Vitruvius)
- Richard Coles (Momentum Planning and Design Limited)

Session to share and discuss any feedback on Proposed Change 6 to the Bay of Plenty Regional Policy Statement v 1.11.

BOPRC (RPS Change 6) staff in attendance: Lorraine Cheyne, Nassah Rolleston-Steed, Ruth Feist, Rebekah Waltham, Elaine Nolan, and John Oliver (Consultant – BBO)

**Key issues / questions raised and discussed:**

- Ruth and John gave presentation
- John spoke to proposed use of SPP process and asked how members viewed the option. Some support was provided, no opposition was raised.
- General discussion around meaning and application of 'significant'. Understood that application will be region wide
- Desire for councils to provide advice early on applications.
- Clarification provided regarding using evidence base to meet criteria and support application, e.g. HBAs and their equivalent for areas where they are not available.
- Clarification re mixed use applications and which criteria should be met.
- Further feedback and comments welcomed.

## Des Heke – Cultural Offsetting Policy Request

1/2 December 2021, 1.30 pm – 3.30 pm via zoom

**Ruth Feist, Nassah Rolleston-Steed, Mark Batchelor (CKL), Destiny Leaf, Des Heke to discuss his comments seeking policy on cultural offsetting**

- Des comments received 16 November 2021
- Refer objective reference to email is A3974071
- Written comments summarized as:  
Concerned with effects of urban development on sites of cultural significance
- Cultural values must be measured to provide basis to offset the loss where activity can't avoid a site of cultural significance
- Development can affect a pa site, historical village or waahi tapu or other significant sites
- The applicant or consent holder must measure and assess the loss and offset that as part of any application for resource consent.

**Key issues / questions raised and discussed:**

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- Des gave an overview of proposal for cultural off set concept (refer to Objective reference above for link to earlier comments for context). Iwi have lost a number of culturally significant sites in Tauranga City through development. Many sites were previously identified as Significant Maori Areas (SMAs) in the Proposed Tauranga City Plan but were removed through Schedule 1 process in response to opposing submissions by landowners. Subsequent development of those sites has confirmed their presence including uncovering koiwi and other cultural artefacts during earthworks. While many sites may be known some may not as the korero/narrative has been lost since land has been confiscated.

A brief has been developed for the SmartGrowth Combined Tangata Whenua Forum (CTWF) for a specific Cultural Offsetting research project. Des is the project lead. The project is not underway yet awaiting CTWF sign off.

Hairini bypass project at Maungatapu used as a local example of cultural offsetting. Cultural off set is akin to a development contribution. It could take the form of financial contribution or some other form of mitigation. If provided by a development contribution developers would pay into an offset development fund in the form of a heritage loss contribution. That fund would be used to fund development on Maori land, or obtaining alternative land for replacement of the lost land or asset or some other mitigations. Contributions paid into a district wide fund and would be used by whomever is ready to proceed so potentially may benefit other tangata whenua not affected by the development. Application of the mitigation according to the Rohe was also discussed as this would apply the mitigation to the iwi affected.

Time for change needed. Developers benefiting from Pouhere Taonga heritage authority process. Development results in a net loss of cultural heritage. Development proceeds subject to discovery protocol and Pouhere Taonga approval. Have observed ongoing cumulative loss of cultural heritage values, small site by small site, small on a site basis but significant cumulatively with no net benefit. Ecological offsetting is a common practice now widely accepted. Offsetting will avoid side deals occurring with developers because process will be open and transparent by being administered by the consent authority. Cultural offsetting will better recognise and provide for increasing recognition of cultural heritage values as an asset alongside land and other components of the community such as amenity being seen as an asset.

Those who have been involved in development involving ecological offsetting or net loss assessments have accepted that and there hasn't been much resistance. It's been seen as a means of providing opportunity for development and mitigating its effects. And where there is resistance there has been willingness to work it out.

Cultural and historical values will be identified. The WBOPDC have a transferable development rights (TDRS) system. This is a type of offset system. Has included TDRs for the protection of pa sites, SNAs including wetlands.

Cultural offsets should be a last resort when go to mitigation and no options left. Situation happens often in subdivision. We may know a site is there but it's not visible and the only fall back is accidental discovery and not recorded in the NZ Arch records. In these situations, there is a net loss, not a net gain.

Cultural offsets will open up a lot more opportunity for Maori to be more proactive in the planning space at the planning and decision making and consenting stages to provide the cultural and historical material and effects so they are not a surprise to development. Where compensation could apply resourced by offsetting. Resources accumulated can be other forms of assets including but not limited to cultural recognitions such as what has occurred in Lakes.

- Mark. Have observed these situations arise with his clients across the region. Typically as part of a development proposal an archaeological examination of a site is undertaken then in process of developing some artefacts are uncovered recorded then the site is eventually destroyed. Could have a multi-tiered process. First a land compensation approach and if that doesn't work a development contribution. By going through a transparent process will avoiding cynicism by developers, Maori and Council and similar cynical attitude and behavior. Biodiversity offset guidance includes requirement for ~~is~~ alternative offset sites need to be close to the site adversely affected. Referred to the McHarg Technique. Originates from 1968 Design with Nature book. Ian McHarg developed a process of designing with nature that considers earth's natural and human systems to help conclude proposed alternative locations of land and water activities. Involves identifying different layers of physical, biological and cultural components and could in NZ context include iwi interests and ecological interests/values and get an understanding of where development activities might be more appropriate. This will allow need for mitigative offsetting decisions to be identified and made at the early stages of planning for development. Then Maori can become a positive and productive part of the planning process rather than a hurdle to be got over in resource consent procedures at a later stage in the manner RM consent application is practiced.
- Lorraine – process does require sites to be identified. Expect that won't be able to identify all culturally significant sites. Some tangata whenua may be sensitive about identifying sites of significance to them.
- Mark. Those non identified sites will be covered by accidental discovery protocol. Cultural offsetting methods could include mitigation on additional sites and financial compensation where alternative land cannot be found. Would have higher requirements first and lesser value outcomes last as a basis for decision making processes. Biodiversity offsetting originally came out of left field. There is no reason why cultural offsetting can't become a valid mechanism despite also coming from 'left field'. RPS has a role for promoting a cultural offset process and Proposed Change 6 could include specific provision for this matter. Could develop a submission or paper that describes a cultural offset process in more detail.

- Mark. Used Carrus Firestorm development as example where cultural offset involve creation of an easement in gross across a portion of private land to a significant pa site. This cultural offset involved preserving access to a culturally significant pa site.
- Des. Agreed cultural access is a good example particularly for mahinga kai areas (e.g. watercress resource area) if structures are built to a certain standard and water quality is maintained. Working on this at 3 creeks and Hairini wetlands. No iwi spatial plans developed and put on the table yet. Can't wait for that process to be undertaken, its not working. There's been a lack of development of Maori land as a result of SmartGrowth. Reference was made to this being provided for in the WBOPDC Plan for Papakainga.
- Des. Mentioned two yellow polygon areas marked in Omokoroa and Te Tumu growth areas as cultural heritage overlays. Development would result in a net loss for these identified cultural sites. Have discussed concept with Tiki Bluegum and he thinks it could be relevant and apply in Katikati area. A cultural offset system should give recognition to iwi or hapu protocols. Urban development is also causing reverse sensitivity effects on Maori land.
- Ruth. Each iwi may have different preferences, some may endorse a cultural offsetting approach, others may not.
- Mark. Donald Design v Wellington City. City Plan has waivers and dispensations (under TCPA 1977). Court said you cannot rely on something general in the Act. The Act and reinforced by Donald Design decision says you need to think about the reasons for saying yes or no. In this regard we need to be specific on how a proposal might be able mitigate cultural effects in a strategic manner and provide for this in policy and rules.
- Nassah comments:
  - Cultural offsetting is a novel approach that needs further research/refining to develop consistent transparent methodology and broader iwi Maori consultation
  - Cultural offset concept should be approached with caution. Risk normalising the destruction of cultural heritage
  - Management regime should avoid as first-priority. Then consider options to remedy and mitigate if avoidance not possible.
  - Consider offset loss contributions paid for the destruction of a site should benefit tangata whenua adversely affected by the development.
  - PC6 will be notified in August 2022. Cultural offset concept will take time to develop and consult on. Timing lends itself to RPS review due in 2024. Sufficient time to work in with CTWF research project which is anticipated will develop initial framework and methodology to be fine-tuned and consulted on.
  - Consider developing a precautionary framework that provides more accountability, robust standards and enforceable processes that is capable of measurement and evaluation
  - Cultural offset requirements should be premised on an objective of net enhancement of heritage values
  - Should identify no go sites for cultural offsets because of unique or intangible values

- Should ensure cultural heritage offset arrangements are rigorously monitored and enforced for effectiveness
  - RPS Policy IW 2B requires only tangata whenua can identify and evidentially substantiate sites of cultural significance and their values. Assumption follows they are most appropriate to measure and identify offset mechanism/quantum
  - Anticipate offset system will mostly rely on city and district councils to implement as they control land use and subdivision
- Des. Important we find a way forward for cultural offsetting. Experience to date is better to deal with WBOPDC. TCC is more concerned with providing for housing.

**Action 1:** Nassah to provide summary of key points from today's meeting and draft suggested RPS wording to introduce concept of cultural offsetting to be further developed for consideration as a planning mechanism.

**Action 2:** Des and Mark to review hui summary and provide comment/feedback on draft RPS provision

- **Action 3:** Des to provide Nassah with copy of Cultural Offset project brief

Action 1 - Draft RPS Policy:

#### ***Develop cultural offsetting framework***

*Work with tangata whenua to develop a cultural offset framework for assessing, measuring and implementing a range of planning mechanisms for offsetting the loss or destruction of culturally significant sites.*

#### ***Explanation (Notes of matters to consider in policy explanation)***

*A cultural offset is the concept that introduces a range of techniques for mitigating effects from development which will result in the destruction or loss of culturally significant values, sites or areas.*

*Cultural offsetting should be a last resort and only considered where avoidance is not achievable.*

*Aim to achieve a net cultural benefit. A range of mechanisms may be applicable but will need to be assessed on a case-by-case basis and in collaboration with tangata whenua.*

*as a last resort with the intent that such a cultural off setting framework is implemented in regional and district plans and consents processes.*

Policy will be linked to Methods 1, 2 and 3 (i.e. regional and district plans and resource consents processes).

## SmartGrowth Property Developers Forum

2 December 2021

### **MS Teams meeting**

BOPRC ID: A3782945

- Jeff Fletcher (Chair)
- Grant Downing (Element IMF)
- Nathan York (Bluehaven)
- Andrew Mead (TCC)
- Scott Adams (Carrus)
- Andrew Collins (Harrison Grierson)
- Matthew Lagerberg (Classic Group)
- Philip Martelli (WBOPDC)
- Sean Haynes (Veros)
- Sean Grace (Boffa Miskell)
- Belinda Messenger (Maven)

BOPRC (RPS Change 6) staff in attendance: Lorraine Cheyne, Nassah Rolleston-Steed, Ruth Feist, John Oliver (Consultant – BBO), Elaine Nolan.

RPS Change 6 staff joined first half hour of the SMG Property Developers Forum to run through presentation objective reference A3964365 and discuss any feedback.

**Key issues / questions raised and discussed:**

- Ruth delivered presentation
- SPP process:
  - Sean Grace asked why we think it will take 5 – 6 months
  - John Oliver advised met with MfE officials who said actual process of applying and gazetting would take 5 – 6 months once accepted or 7 – 8 months if including all lead up discussions and further information requests
- Additional RPS Criteria:
  - Nathan York – sought clarification on the meaning of *efficiently* (i.e., ‘Required infrastructure can be provided *efficiently*’) and ‘Doesn’t adversely affect regionally significant network utilities and infrastructure’. A separate meeting with Nathan and team will be set up.
  - Nathan questioned whether requirements for versatile land will be retained and how they are affected by the NPS HPL.
  - Nassah – still expect NPS HPL to be released next year – definition of HPL and Versatile Land are consistent and cover LUCs classes 1 – 3 with additional criteria. Regional Council required to identify HPL in region. Will still need to consider impacts of urban growth on HPL and weight up loss if affected by urban growth
  - Nathan - question regarding regionally significant infrastructure – what are the effects on the policy and urban growth?
  - Nassah – gave examples of what definition covers – urban development proposals will need to be assessed on a case-by-case basis as to whether they impact those assets. Advised considering expanding definition to include regional councils flood protection assets.
- Intensification:
  - Scott Adams – Policy 7A business expansion – will that be retained?
  - Nassah – has been amended as in current operative RPS only provision to expand outside the UL is for business activities

- Scott - questioned whether retaining density yields in Policy UG 4A.
- Nassah – confirmed Policy UG 4A deleted and all references to UL
- John – commented that RPS is highest level document authorities need to give effect to NPS-UD. This plan change gets rid of a lot of key aspects that were barriers but it's still up to local authorities to support whatever growth planning is going on.
- Ruth – a lot of initial work is done at FDS level around promoting long term strategic planning.
- Scott – will there be any changes to Structure Plan Method 18?
- Nassah – described changes to method to remove link to Policy UG 4A and change sequencing to efficient infrastructure servicing in para (o).
- Forum members were encouraged to email further feedback to the project team. Team email address rpschange6@boprc.govt.nz was sent to meeting organiser for circulation to Forum participants.
- Copy of v.1.11 of draft Change 6 (Objective ref: A3964528) was emailed to the meeting organiser for circulation to Forum participants

## Meeting with Bluehaven and Cogito Consulting

14 December 2021

### MS Teams meeting

- Nathan York (Bluehaven)
- Craig Batchelar (Cogito Consulting)

BOPRC (RPS Change 6) staff in attendance: Nassah Rolleston-Steed, John Oliver (Consultant – BBO), Lorraine Cheyne, Elaine Nolan (notes).

Meeting set up at the request of Bluehaven to further explore issues raised at SMG Developers Forum of 2<sup>nd</sup> December 2021.

Document referred to: v1.11 Proposed Change 6 (Objective ref: A3964528) – circulated ahead of meeting.

### Key issues / questions raised and discussed:

- Nathan asked if boundary changes such as the shift of Tara road and Tauriko from WBOP to TCC would still be required under PC6 to the RPS
- Nassah – explained that local government boundary adjustments would still need to happen. PC6 replaces hard line with set of principles and criteria; MfE guidance – a 'hard urban limit' line would not meet responsive planning requirements.
- Unanticipated or out of sequence development:
  - Craig asked how development can be *unanticipated* if there are no anticipated spatial areas on any map in the RPS
  - John – explained that this is applicable to the local authority level - responsible for spatial planning, rely on extent of infrastructure plans, structure plans, district plans, growth management strategies, LTP

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- Craig asked whether FDS as a multi-agency document does this instead, i.e. integrate multi spatial planning, create regional framework
- John – mentioned that there is a lot of emphasis on the FDS in the NPS-UD
- Nassah – confirmed RPS PC6 Policy UG7A references out of sequence urban growth.
- Nathan asked if there are no boundaries whether that was a contradiction with *unanticipated*
- John - explained that there is anticipated development in some other documents but not in the RPS
- Craig asked whether doing something inconsistent with FDS would you mean having to demonstrate consistency with RPS
- John – explained that if RPS says ‘provision for unanticipated or out of sequence’ that wouldn’t limit what the FDS does - FDS goes down a level.
- **Housing and Business Development Capacity Assessment:**
  - Nathan sought clarification on implications of assumptions made about supply/delivery of that supply based on HBAs i.e. if these are compromised, at what point in time is it possible to reflect on that changing environment. For example, if PDAs such as Te Tumu, Te Papa don’t occur at the speed and scale as forecast in SMG at what point in time should a ‘reforecast’ be considered?
  - John – agreed that a lot of weight and store is placed on robustness of HBA. Qualities of HBAs are variable and things change fast - there is an issue there. NPS-UD puts a lot of weight on HBAs. If it’s likely that HBAs are not going to be valid in a couple of years’ time, what do we use as our touch point to ascertain a shortfall?
  - Craig – queried how often HBA is re-run. If an HBA is wrong, would need to be able to consider needs subsequent to HBA being done.
  - Lorraine – explained HBAs re-run every 3 years, however, new medium density residential standards legislation is due to be passed before the end of this year.
  - John – summarised that we need to use HBAs as a starting point but should incorporate reference along the lines of ‘if no HBA, introduce other measures of demand’
- ***Required infrastructure can be provided efficiently:***
  - Nathan sought clarification on exact meaning (current wording open to interpretation) and whether infrastructure refers to three waters and roading
  - John - read out wording of relevant criteria in RPS. Gave example of inefficient - undertaking infrastructure that reduced capacity of another development
  - Nathan – sought clarification around the following hypothetical example: Te Tumu planned as an urban growth area but growth rate declining (e.g. due to liquefaction, natural hazards) are capacity targets dropped? If so, is the capacity planned for Te Tumu going to sit in the ground or at what point of time do you access it?
  - Nassah – commented that this was a question for TAs as it links back to 30-year plan.
  - Nathan – wanted to know where PC6 as a ‘higher order’ document sits. May plan infrastructure capacity in Te Papa but how much will actually be realised.
  - Nassah – explained that a lot of policy principles and requirements are already in the RPS urban growth management provisions
  - John – explained that at the moment TCC are saying they can’t do anything as they are stuck with RPS urban limits and the capacity issues, constraints in an area that weren’t recognised

at the time. At least at the highest level PC6 would 'open the door'. Still leaves TAs to deal with capacity but at least 'you get past first base'.

- *Avoids, remedies or mitigates effects on rural production activities:*
  - Nathan – queried if *rural production activities* referred to elite soil grading or blanket 'rural production'
  - Nassah – explained that the avoid, remedy, mitigate hierarchy has always been in the RPS for the protection of rural production activities. Call needs to be made if looking to develop highly productive land (term used in NPS-UD - similar to versatile land). Emphasis on thorough assessment but doesn't shut the gate on using highly productive land. If can't avoid it, need to mitigate.
  - Nathan – Mentioned that there is a difference within the highly productive criteria e.g. low-producing dry stock and milk.
  - Nassah – referred the meeting attendees to LUC Classes 1 to 3 in draft NPS Highly Productive Land.
- Referencing other documents:
  - Craig – queried whether PC6 will reference other RPS policies (e.g. natural hazards provisions) or be a stand-alone set of criteria. Commented that if the principle and criteria is dealt with somewhere else, it is best to cross reference it - wording needs to be closely aligned to avoid confusion around intent/outcome due to different report writing styles.
  - Nassah – explained that BORPC's Natural Hazards team will fine tune the wording for consistency.
  - John, Nassah – Agreed with suggestion for more cross referencing of 'generic set of criteria'; stronger linkage to other connected policies.
  - Craig – queried whether there is a process for heavy referencing of other documents. Commented that whereas there is an element of consultation on some documents there isn't on the HBA – no transparency or stakeholder engagement.
  - John – confirmed there is a separate process for referencing other, external documents.
- Clarity around programme ahead:
  - Nassah – explained the intention to follow the SPP process. MfE have given us 7-9 month timeframe before we can expect to receive a decision on whether they will agree to run the plan change through the SPP process.
  - John – explained that MfE set out basic process for SPP but allow us to amend it to fit the circumstances. When a decision is made after a hearing they allow parties to comment whereas under schedule 1 can only appeal. We are going to recommend the Minister approve a couple of weeks post hearing for feedback on the draft decision.
- Intensification:
  - Nathan – sought clarity on *Enabling higher density development in TGA* bullet point on slide presented at SMG Developers Forum on 9<sup>th</sup> December (Obj ref. A3964365) and reference to TGA if there are no boundaries?
  - Nassah – explained that this only applies to Tier 1 and 2; TGA is the tier 1 urban environment.
  - Lorraine – Includes Omokoroa and Te Puke but not Katikati or Waihi Beach.

- Nathan – enabling higher density to what extent?
- Lorraine – more of an issue for the TAs.
- Nathan – mentioned that figures bandied about in the market refer to 30 houses per hectare as a generic number - ambiguous. Sought clarity on PC6 text.
- Nassah – 30 houses per ha originates from Ufti report
- John – Agreed with the need for further explanation.

Nathan commented that he will document specific suggestions, discussion points, examples and send to the PC6 project team (January 2022).

## Meeting with Des Heke and Mark Batchelor

14 January 2022

### Face-to-face meeting

BOPRC (RPS Change 6) staff in attendance: Nassah Rolleston-Steed

Met at Palmers Garden Centre on corner of Welcome Bay and Ohauiti Road, then drove to various sites up Kaitemako Road.

### Key issues / questions raised and discussed:

- Various sites of cultural significance in the Ngāti He rohe that should be protected
- Subdivision developments undertaken or are underway and the effects these have had
- Examples of iwi/Māori land trusts historical grievances with Tauranga City Council (e.g. water reservoir on Māori land for farmers on general land only and not available for benefit of Māori land owners)
- Inability for whānau to connect to City Council infrastructure despite those services being in close proximity to their lands
- Whānau establishing buildings on Māori land without land trust permission
- How cultural offsetting could similarly be applied to the development examples discussed
- How the Transferable Development Rights (WBOPDC) system is an example of how cultural offsetting could work
- There are two types of sites of cultural significance, those where the area and values are widely known and others where a site is known to exist but there is uncertainty about the exact location and values
- Where a site of cultural significance is destroyed by development those iwi Māori or land trustees adversely affected should dictate the terms of and solely benefit from the cultural offsetting proposal
- Opportunities exist to normalise cultural offset methods developed. Examples of offset and development contributions is a direct impact like for like scenario to be developed and which could be simple to do.
- Information on spatial planning plans to date (i.e. tangata whenua spatial layers – Te Taiao and Ngā Tangata) are not equipped enough for informed decision making on the Taiao.
- The tangata whenua spatial layers need reviewing as information is missing including on Maori land blocks.
- The UFTI planned future urban growth areas are where a net loss of cultural heritage at large will occur as the dynamics of this landscape change and sites are destroyed or modified including view shafts and cultural landscapes and tangata whenua cultural relationships and

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traditions with sites of cultural significance (i.e. waterways for eeling, mahinga kai, te mana o te wai national objectives framework)

- As urban development occurs on land not zoned for urban development, or if it is zoned for urban development the NPS-UD may result in changes to the development provisions applicable to that land. These procedures present potential for effects on known or unknown cultural and historical landscapes and locations.
- If cultural offsetting is generally referred to in policy as one of the means by which Maori historical and cultural interests might be responded to, this will provide a basis for applicants, Maori and the Council to include consideration of opportunities for use of cultural offsetting methods as part of mitigation of effects.
- Inclusion of a requirement in the RPS for cultural offsetting to be provided for as a potential mitigation, remedy or avoidance method in regional and district plans provides a basis for ensuring it is considered at the time of zoning for and consenting of urban development.
- Detailed assessment and identification of specific locations and sites and approaches can be left to a later date when the RPS review is undertaken in 2024 as this will provide the time resource needed for that work. In the interim however, there is an opportunity to provide for recognition of the issue and encouragement of it to be considered and used as a means to respond to effects alongside other methods used in development, and in applications and in conditions of resource consent.
- The importance of the initial general policy is to raise cultural offsetting as a method in the conscience of the planners and applicants so it is considered as a possibility. If it's not thought about or recognised even conceptually, the Treaty references will not result in it being considered as one of the means of responding to effects.
- The idea/concept of cultural offsetting needs to be introduced/socialised before it will be discovered and thought about and explored. Like any new product or service, it will not be purchased if not known about or being upfront of mind in the intellectual tool box.
- There is provision in the Act to support this approach as a means of mitigating effects. It just needs policy in regional and district plans to provide for and direct its use.
- The initial general policy would not have specific references to specific sites or localities as that would come out of the 2024 work.
- Metaphorically, this as illustrated by jumping over-board from a sinking boat without a life jacket due to no knowing they are on board or exist as a possibility. The life jacket recognises the event of the past, boat sinking, and provides protection for the future opportunities of survival.
- The 2024 full RPS review will allow time for the detailed cultural offsetting policy to be developed, but in the interim, in recognition of continuing effects and cumulative loss occurring until then, inclusion of the general policy without specifics would still be useful to avoid loss of historical and cultural asset and resource that would never be regained. This would provide opportunity for the Councils and applicants to be told about the possibility of this approach being available and thus being able to choose to explore how it can be used on a case by case basis.

Points Nassah noted include:

- Proposed Change 6 purpose is to give effect to the National Policy Statement for Urban Development which applies to urban environments only
- The Tiriti o Waitangi policy is broadly able to accommodate the concept of cultural offsetting although at this stage staff propose referring to such in the explanation text only

- The full Regional Policy Statement review commencing in 2024 is a better option for seeking a cultural offsetting policy as it will be open to all topics including Iwi Resource Management not solely urban development
- Timing wise it will enable the Cultural Offsetting project being progressed under the Combined Tangata Whenua banner to be completed and then be consulted on more widely with other iwi/hapū, stakeholders, developers and local authorities
- Acknowledged that shouldn't be a reason why the opportunity to consider it between now and then in planning and consenting decisions is lost or not used. The general policy approach referred to above would provide for this.
- Tangata whenua will have opportunity to make formal submission when Proposed Change 6 is publicly notified
- Council has applied to the Minister for the Environment to use the [Streamlined Planning Process](#) (SPP). The SPP has limited appeals rights.
- Council is seeking feedback on the SPP application, if you have views we welcome your feedback. I have attached a copy of the letter to iwi Māori on Friday 12 November where we have invited feedback on the SPP.
- The iwi spatial plan is an opportunity for iwi Māori to proactively identify sites of cultural significance, their extent, areas of Māori land that tangata whenua want to be able to develop and for what purpose (i.e. residential, commercial, rural production)
- Consultation with Tauranga City Council and Western Bay of Plenty District Council is necessary as they are responsible for subdivision and land use where most cultural offsetting opportunities are likely to prevail
- The general policy suggestion will provide a starting point for this discussion. RPS and regional plans are important as the initiators of many TLA policy and regulatory (planning and consenting) responses.
- Local authorities may be hesitant about progressing development on Māori land because of recent Māori land court decisions where although the majority of shareholders may support a proposal, a minority in opposition can derail a proposal from occurring
- The identification of sites of cultural significance in iwi and hapū resource management plans is a preferable option and should be a priority as iwi/hapū have their own autonomy over these documents rather than leaving them to local authorities to dictate the process
- Inclusion of these in TLA plans provides for the integrated consideration of them and provides for the regulatory position needed to be considered alongside all the other matters referred to in policy in TLA plans compared with that applied to iwi and hapū resource management plans

## Meeting with Tauranga City Council, Western Bay of Plenty District Council, Whakatane District Council

15 March 2022

### MS Teams meeting

Attendees:

- Tauranga City Council: Andrew Mead (AM), Simon Banks (SB)
- Western Bay of Plenty District Council: Phillip Martelli (PM)
- Whakatane District Council: Nicholas Woodley (NW)
- BOPRC: Nassah Rolleston-Steed (NRS), Ruth Feist (RF), John Oliver (JO) (Consultant – BBO), Barbara-Ann Overwater (BAO), Elaine Nolan (notes).

Meeting purpose: Discussion on the latest version of the draft RPS Change 6.

Document referred to: v01.13 Proposed Change 6 (Objective ref: A4053388), (circulated ahead of meeting).

### Key issues / questions raised and discussed:

- RF - explained that v01.13 incorporates changes made to two key policies on the back of feedback received from TCC and Bluehaven: *Policy UG7A Providing for unanticipated or out-of-sequence urban growth – urban environments* and *UG7Ax Enable higher-density urban development intensification policy*.

### Policy UG 7A: Providing for unanticipated or out-of-sequence urban growth – urban environments

- JO - explained that the key takeaway from the feedback received was suggestion to pull policy back to being directly focussed on what the NPS-UD says to do. Peripheral text from previous versions has been removed, e.g., with regards to how to assess once going through the planning process (for example suitability, natural hazards) - done later in the process. The new policy is high-level, “door is open” provided preconditions to satisfy local authorities are met.

### Private plan change

- NW - asked whether a private plan change adopted by council would trigger this.
- JO - commented that in terms of private plan changes, the criteria would help councils assess whether to adopt and move forward. Majority of private plan changes are initiated by the likes of developers and the NPS-UD is designed to capture those. If a council decides to adopt a plan change then it fits into “planned and anticipated” rather than “unanticipated” BOPRC will work on making this clear in the documents.
- PM - gave a scenario where his council may support a plan change as they don’t have the resources to do it themselves - council stays neutral (don’t adopt as their own) but “blurring of lines”.
- JO - commented that instances of councils adopting private plan changes are rare and done through exception; adoption is a big call for councils to take on.

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- AM - pointed out that in the current environment with people wanting to use SPP, councils have to adopt.

Reference to *submissions on plan reviews* (first paragraph of policy):

- AM - current ability to “tidy up zonings” will no longer meet thresholds under this policy.
- JO – confirmed that it is not intended to capture “tidy ups”. BOPRC need to work out a way around that.
- SB - suggested the policy would be used as an initial screening / “gateway” practical test to weed out what not to throw resource at.
- JO - commented that a council-initiated plan change is not captured by this.
- AM – commented that it may be unanticipated and out of sequence and not supported by SMG partners.
- NW - not sure if this is a “gateway” for council to decide whether to pick it up - this comes back to NPS-UD to enable out-of-sequence subject to criteria.
- AM – gave hypothetical scenario of a submission requesting 1,000 m<sup>2</sup> to be zoned – scenario wouldn’t satisfy this criteria so council couldn’t do it when in reality it makes sense for it to be done.
- SB – elaborated that it would be a “gateway” if you know plan change request doesn’t meet this policy, why bother going through whole plan change process and hearing.
- PM – replied that we have to go through the whole plan process – there are very limited grounds for rejection.
- JO – commented that it is a “gateway” in terms of when you receive a request e.g. submission for 100 hectares, part of the case the applicant would need to make to council is that it satisfies this criteria. Council considers the case when it first receives it and again as part of substantive consideration down the track.
- RF – summarised by commenting that BOPRC need to clarify how this policy works – needs rewording.

Council-initiated plan changes that might also be out of sequence:

- SB – Queried how it applies to council-initiated plan changes that might also be out of sequence - need to make this crystal clear in the explanation.
- PM – Gave hypothetical scenario where a council decides to double the size of e.g. Paengaroa – this would be considered “anticipated” but not be included in any growth strategies.
- JO – replied that the council would get through this first “gateway” but other parties (e.g. BOPRC and SmartGrowth) would have to consider the merits further down the track.

**Policy UG 7Ax: Enable higher-density urban development intensification policy:**

- JO - explained that this has been stripped back to generic support. Points (a) to (c) of policy pick up core items in NPS-UD.
- AM – Commented that the wording of Point (c) “... *and active or public transport*” doesn’t come into play when determining intensification around centres – may have poor public transport but “we still have to zone for intensification”. Recommended BOPRC check this for accuracy.

- NW – queried whether “higher-density” is defined anywhere.
- JO – explained that it means “higher than currently” but is not defined. Consistent with NPS-UD; not trying to make everything the same – sub regional differences make it necessary to adapt to whatever the situation is. Commented that BOPRC need to clarify the meaning of higher-density.
- SB - suggested using “*increased-density*” rather than “*higher-density*” - suggestion was met with approval from the attendees.

### **Policy UG 13B: Promoting the integration of land use and transportation**

- PM – suggested adding “and services such as schools” to Clause C, as don’t want urban development on the fringes which would lead to children having to commute to school.
- JO - stated that the draft will refer to “community services” in line with NPS-UD terminology.
- PM – queried whether “*and support intensification*” refers to just brownfield
- JO - confirmed it applies to brownfield and greenfield. Summarised that BOPRC need to make this this clear wherever “intensification” is referred to.

### **Policy UG 17B Urban growth management outside urban environments**

#### Discussion around “outside urban environments”

- PM – asked how we manage areas such as Ohope, Paengaroa which are likely to be faced by the same growth pressures.
- JO – commented that the change in wording is consequential on taking out urban limits. Comparatively we would say areas *outside* though “adjacent to” could be quite different. BOPRC needs to revisit the wording.
- PM – asked whether if someone comes to e.g. Pukehina, wants to add 10 hectares through private plan change, would this allow them to do it
- JO – explained that they would have to get through the responsiveness gateway and satisfy the criteria - difficult if “left-field”.
- NW – Gave example of Matatā which could come under growth pressure if proposed wastewater system goes ahead.
- PM – we need to come from view that “actually we’d rather it’s not” a growth area.
- JO – need clarity around small township development and where that fits into the process. e.g. if council is leading the development of Matatā, it would match the responsiveness criteria – planned and anticipated – and that’s the key policy directing where urban development is going to land.
- PM – asked what happens if you don’t provide for it, not in the plan at all.
- NRS – queried that since we have got rid of policies in the Draft and made a number of consequential amendments, does what is left in the document aid good resource management?
- PM – commented that BOPRC need to decide whether if that policy were not there, how would you treat it? JO – commented that it would then go back up to UG 7A and need to satisfy criteria - servicing, accessibility.
- PM - asked whether policy UG 17B is necessary.
- JO – said maybe UG 17B is redundant.

- SB – agreed as those criteria are things you would need to consider anyway in a substantive plan change.

### **Policy UG 19B: Providing for rural lifestyle activities**

Discussion around first paragraph: *Require that the productive potential of versatile land is not compromised when providing for rural lifestyle activities outside existing and planned urban areas:*

- PM – commented that rural lifestyle activities can also be “inside” existing and planned urban areas (example of Keenan Road) – don’t want people to further subdivide for lifestyle purposes. Suggestion to delete “outside” from the text.
- SB – gave example of Cambridge Road - would not want to have to consider productive land if move to fully urbanised.
- NRS – explained that in the RPS, outside the urban limits, protection of versatile land is a priority. When planning for expansion of urban areas, a call is made if to prioritise urban use above rural production. Need to distinguish between what’s *inside* planned urban growth areas vs what’s *outside*.
- PM - commented that we don’t want lifestyle development inside planned urban areas as it compromises urban development.
- JO – commented that lifestyle development taking place inside an urban area indicates there’s something unusual about it - not going to be versatile land, that’s why the change was made to the wording.
- PM – ended the discussion by stating that the wording was “not a major issue for us [WBOPDC]”.

### **Policy UG 22B: Te Tiriti o Waitangi Principles**

Discussion around point (a): *Enabling development, including papakāinga housing, on multiple-owned Māori land consistent with Policy IW 1B:*

- PM – queried why papakāinga is restricted to “multiple-owned Māori land”
- NRS – explained that it is a historical thing. BOPRC have bundled several RPS policies into a single policy. Solution is to remove “multiple-owned Māori land”.
- PM – asked what policy iW1B refers to
- NRS – explained that it covers *enabling development on multiple-owned Māori land*.
- NW – commented that WDC define papakāinga as “housing on Māori land”.
- NRS – explained that Policy iW1B is broader than the scope of the NPS-UD. Commented that “multiple-owned” could be removed from Policy 22B, however, it links back to Policy iW1B.
- RF – commented that at a recent meeting with mana whenua reps – papakāinga was referred to as development on “any land”
- NRS – read out the definition of papakāinga – doesn’t link it back to ‘Māori Land Act’.
- JO – commented that this would enable us to get rid of “multiple-owned Māori land”. The meeting attendees agreed.

### **Policy UG 6A: Efficient use of land and infrastructure for urban growth and development**

- PM - commented that points (a), (b) and (c) say the same thing.
- JO – agreed there is a bit of repetition between a) and c) - need wordsmithing.

## Meeting with iwi/hapu

17 March 2022

### MS Teams meeting

#### Attendees:

- Colleen Arihana Skerrett-White
- Des Heke - Ngati Ranginui (Ngati Ranginui Iwi Society Inc)
- Gabrielle Rolleston
- Joseph Tahana - Ngati Pikiao (Ngāti Pikiao Iwi Trust)
- Matire Duncan - Te Rangapū Mana Whenua o Tauranga Moana
- Nathan James - Ngati Kuku Hapu
- Noelene ?
- Raewyn Bennett - Ngati Pikiao ki Tai (Maketu)
- Taiao - Ngati Rangiwehewhi (Te Maru o Ngati Rangiwehewhi Iwi Authority)
- Te Paori Newton - Tapuika Iwi Authority
- Whitiora Mcleod - Ngati Kaahu

#### Attendees BOPRC:

- Nassah Rolleston-Steed (NRS), Ruth Feist (RF), John Oliver (Consultant), Barbara-Ann Overwater, Elaine Nolan (notes).

Meeting purpose: Discussion on the latest version of the draft RPS Change 6.

#### Documents referred to

- *01.13 Proposed Change 6 (NPS-UD) to the RPS Version 1.13 – copy for consultation* (Objective ref: A4053388), (circulated ahead of meeting)
- *Presentation - RPS Change 6 – zui – 17 March 2022* (Objective ref: A4052540)

#### Key issues / questions raised and discussed:

- RF – Ran through the presentation beginning with a brief overview of the background to Change 6:
  - BOPRC need to amend the Regional Policy Statement (RPS) in order to implement the National Policy Statement on Urban Development (NPS-UD) which was released in 2020.
  - Mainly applies to private plans, greenfield, going denser in urban environments.
  - Not a spatial plan, nor “where or when urban development can take place” – this is the remit of district or city councils; future development strategies (SmartGrowth and Rotorua doing these); other urban growth strategies will identify where urban growth is going.

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- Some policies only apply to “urban environments” – defined as those with a population of 10,000 inhabitants or more, e.g. Rotorua including Ngongotaha, Whakatāne including Ōhope
- Progress to date: Ongoing development of Change 6; ensuring interested stakeholders are aware of what we are doing and given the opportunity to engage.
- Next steps: Submit application to use the Streamlined Planning Process (SPP) in late April; expect to receive a decision from Minister in September; then Council to approve notification of PC6; SPP submissions, hearings, etc.

#### Streamlined Planning Process (SPP)

- RF - explained the key differences from the RMA Schedule 1 process being lots of engagement in drafting phase; mandatory independent hearing panel - would include a Māori commissioner (panel not yet set); no appeal rights under SPP.

In response to questions:

- BOPRC will provide draft RPS Change 6 to the Minister who will consider the scope and issues raised before making a decision on whether the SPP process can be used.
- If the SPP application is approved Regional Council must follow its directions
- The Hearings panel will make recommendations on submissions to Change 6 which the Minister must sign off on.
- Incorporation of cultural heritage offsets into the process:
  - NRS commented that there is still a lot of work to be done to develop the cultural heritage offsetting framework and how it would be applied in the resource management process, whereas with Change 6 we are at the point of deciding whether to proceed via SPP or normal RMA schedule 1. At this point it is proposed to use the SPP process. The Minister will consider this along with feedback from iwi and decide if BOPRC can use SPP, along with the requirements around this, otherwise we will use the normal RMA schedule 1 process.
- Change 6 takes into account Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021.

Key comments:

- There was some reservation from attendees about the proposed use of the SPP. In response staff encouraged iwi/hapū to make specific comment on the SPP proposal so that could be submitted with the application.

#### Te Tiriti o Waitangi principles – urban development

- RF – spoke to “Te Tiriti” slide: BOPRC propose replacing *Policy UG 22A – Papakāinga* with a broader policy enabling Māori development on any land - not just papakāinga and not just multiple-owned Māori land.

Key comments:

- Provision for cultural offsetting already included in Clause 104 (1), (a), (b) . There is provision to offset and compensate here, in line with Te Tiriti. If you look at transferable development

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rights (TDRs) this seems to float on the market and iwi do not benefit. Cultural offsetting framework is “stuck in SmartGrowth agenda items” – maybe need a subgroup to expedite.

- Concerns over councils accepting plan changes for development of houses resulting in loss of pā sites. Waiting for full review of RMA in 2024 to incorporate cultural offsetting “won’t work” - need to expedite.
- BOPRC need to recognise that papakāinga is not only housing – also incorporates health, social, economic aspirations.
- With respect to “providing for tikanga Māori ...’ BOPRC need to keep in mind that, to Māori, land is what is “handed on to each other and will never sell” - no capital value in land.
- Issue of BOPRC and for example RLC not being synchronised. In principle BOPRC’s definition of papakāinga would enable iwi to build on ancestral land, whereas the district plan(s) limits development to “only build next to the marae”. Big area that needs to be addressed immediately; whole thing needs to be addressed together (i.e., BOPRC to speak to RLC, etc). The problem is that building “not next to a marae” falls under the resource consent application process. Anecdotally, iwi developers are hearing “that’s too far out for you people” if development is proposed not next to a marae.

In response to questions:

- NSR – noted there are issues with how district plans have different rules to address Māori led development; the Rotorua District Plan has a marae protection overlay around existing marae to protect them from reverse sensitivity effects; planning rules don’t necessarily enable development without needing to go through resource consenting (time consuming and expensive); seeing a step change urban to rural migration movement now, especially in the Ōpōtiki district with a constant stream of consents for new homes on Māori land; different district plans have different planning provisions for development on Māori land.
- NRS – explained that papakāinga occurs within and outside urban areas. Change 6 attempts to give effect to Tiriti provision in the NPS-UD by broadening the scope of Policy UG 22A to address a variety of land development issues significant to Māori that are particularly relevant in the context of urban development.
- NRS – read out the definition of papakāinga from the RPS which includes “general title land that is owned by Māori” so not limited to multiple-owned Māori land.
- NRS – re cultural offsetting, commented that BOPRC are aware of the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 and are also talking to territorial authorities. There is provision in the Act to consider offsetting more broadly and on a case-by-case basis. Explained that Change 6 is being done in order to give effect to the NPS-UD and BOPRC are obliged to notify by August 2022. Re timing of cultural offsetting framework project, we expect this to span several months before we have certainty of how it works in practice. Will need to be given effect primarily in district and city plans. Suggested that a full review of the RPS scheduled for 2024 would be a more appropriate time to provide for cultural offsetting framework (given that by that time the framework will be finalised and have been through high level consultation with territorial authorities, Māori) – opportunity to look at it as it applies to all resource management themes not just urban development.
- NRS - suggested using a plan change for a greenfield development as a case study for developing and applying the cultural offset framework.

## Responsive planning

- *Responsive planning policy* slide: RF – ran through bullet points re New policy (UG 7A). Commented that it doesn't stop all private plan changes, for example a small change may come through that the district/city council thinks is worth doing even though it's small.
- *Responsive Planning – Western Bay* slide: RF explained urban limits for western Bay will be deleted (there are none of these in Rotorua or Whakatāne).
- *Responsive Planning – Criteria* slide: RF ran through criteria. Commented that BOPRC don't want this policy to impact papakāinga, taking on board that if tangata whenua want to develop out of it, it's for them to decide.

### Key comments:

- Land trusts are in the RMA space – suggestion to look at land trusts as developers.
- Market forces are ahead of the game in terms of insight around strategic planning - hasn't serviced Māori well in terms of protecting land. With these changes/amendments the urban environment supply issue is going to be affected. Urban development pressures are coming upon us here in Tauranga into areas that we thought were sacrosanct - coast, ancient battlefields – everything expedited through intensification policies. There are Maori planners but it's not reflected here in Tauranga – lack of Tiriti principles and co-governance; needs of Tangata whenua not being met; the economics are the problem.
- We are losing wāhi tapu through all this development. When that is gone there's no more.
- The future of local government could be a unitary council. A lot of initiatives in terms of active protection have come from regional councils. District/city councils' stance is to look at "where can we go" and where they can't go, "they still find a way".
- Although there are "how to set up papakāinga" kits, "our people still find it difficult". Councils across the board need to work together on a "quantum papakāinga application". Straight away this would cut out red tape. Need to do something innovative in this system.
- Ability to make a submission opposing development of sites of cultural significance is weak – "developers don't care, iwi have to educate them".

### In response to questions:

- NRS – acknowledged the issues raised in relation to cultural effects of urban development and difficulties developing Māori land, these are well documented in iwi and hapū resource management plans and identified in the RPS. While there are RPS policies to address these issues the solutions are broader than the RM system. Needs active trusts to manage Māori land, removing barriers with lending institutions and funding constraints to resource development. The solution requires a multi-faceted approach.
- NRS – confirmed that urban limits in western Bay will be dropped. They don't give effect to the NPS-UD so will be deleted along with appendices that don't provide for residential urban growth outside urban limits – this only applies to Tauranga and the western Bay. District plans will have areas that are zoned but don't have limits.
- NRS – commented that the Tauriko urban limit has been expanded out to Belk Road to enable urban development. Urban limits go all the way to Kaituna River mouth. Should a developer want to develop a greenfield site would need to go through plan change process. This only determines if a proposed plan change adds significant development capacity, if it does then district and city councils would need to prioritise and resource the plan change.

- RF – commented that the proposal would also need to comply with other relevant RPS provisions e.g. natural hazards, matters of national importance
- NSR – commented that Change 6 does not give developers an undue advantage over iwi; gives them an avenue to seek plan change to do urban development if it's outside the urban limits. RMA requirements still apply - applications should still be required to prepare a cultural impact assessment.
- NRS – explained that the policy replacing *Policy UG 22A Papakāinga* incorporates “identification and protection of culturally significant areas and view shafts”. Elements of this policy originally came from work undertaken by the Combined Tangata Whenua Forum.
- RF – explained that when a district/city council is looking at a plan to change to have medium density residential standards, they're not able to apply them when “qualifying matters”, such as culturally significant sites are present.

## Meeting with Kawerau District Council, Rotorua Lakes Council

25 March 2022

### MS Teams meeting

Attendees:

- Kawerau District Council: Michaela Glaspey, Tracy Hayson (TH)
- Rotorua Lakes Council: Damon Mathfield (DM), Simon Thurston, Rachel Morgan (RM) (contractor)
- BOPRC: Ruth Feist (RF), Lorraine Cheyne, Nassah Rolleston-Steed (NRS), John Oliver (JO) (Consultant), Barbara-Ann Overwater, Elaine Nolan (notes)

Meeting purpose: Discussion on the latest version of the draft RPS Change 6.

Documents referred to:

- “01.13 Proposed Change 6 (NPS-UD) ...” (Objective ref: A4053388) - circulated to this group ahead of the meeting.
- “01.13 Proposed Change 6 (NPS-UD) ... - includes comments from TA meetings March 2022” (Objective ref: A4056870)

### Key issues / questions raised and discussed:

#### Policy UG 7A

- RF – explained this is a new policy around responsive planning; honed down to MfE’s guidance; linked to HBAs that are coming through - in the absence of HBA (e.g. Whakatane, Kawerau) then some sort of additional evidence is required.
- JO – explained that this policy is the key focus for urban growth around the Bay of Plenty. Earlier versions have drifted too much into the assessment criteria of implementing a plan change (end of the process), whereas this is more of a “gateway” test - if you tick this box, you then have to go through the respective local authority’s process and satisfy those criteria. Criteria that were already in or repeated in the RPS have been stripped out.
- JO – commented that this has been tested with local authorities. If territorial authorities are doing good spatial planning, looking at land use 20-30 years out, then this policy won’t be triggered. “unanticipated” refers to development not already identified in some other growth plan. There is significant growth planning already being done. 30-year infrastructure strategy wouldn’t need to go through this process.
- JO – explained that BOPRC have pushed wider than ‘responsiveness’. Was intended to apply to private plans but not to local authority plans that are anticipated. It has been made clear in this policy that it’s more than private plan changes.
- TH – posed the scenario of large proposals where developer wants resource consent - not captured in this policy.
- JO – responded that the idea is to push them towards a rezoning process rather than resource consent as the tests are more rigorous. Added that the structure of the NPS-UD in the responsiveness area is more towards capturing rezoning.

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- TH – queried whether the opposite applies, i.e., by omission of resource consents does that mean there is no support for resource consents that aren’t anticipated.
- JO – confirmed, and agreed there needs to be a comment in the text that makes this clear. Commented that we need to stick to NPS-UD Policy 8 – can’t go outside it.
- RM – Re Clause (b) and the significance scale, suggested having a look at the 5 hectare reference and make it more general, e.g. there may be less than 5 ha that could add specifically to housing supply.
- TH – expressed support for this idea; especially relevant for Kawerau – small, constrained area, not a lot of land.
- RM – commented that “significance” is relative to the size of the town in question; supported linking it back to HBAs.
- JO – agreed. Commented that it provides flexibility for smaller areas to demonstrate there’s a need. Explained that feedback received from other local authorities was to provide more certainty around the 5 ha so that’s why it has been added.
- RM – suggestion to make language around 5 ha more general, e.g. “as a guide” and weave in explanation that the scale, and significance of that scale, will depend on the context – demonstrable need.
- TH – supported making it more flexible as it will enable councils to require structure planning for smaller developments, to avoid a poor pattern of infrastructure unfolding “5 hectares is not the only time you need structure planning”.
- NSR – commented that “large scale” in the RPS is defined as 5 hectares.
- RM – queried whether there should be reference to iwi/hapū development aspirations in here.
- RF – explained that BOPRC had explored this with other territorial authorities who expressed that for them, rural papakāinga come through the consent processing.
- RM – explained that for RLC there are two components – papakāinga and a commercial arm.
- TH – commented that it was the same for KDC - there are mana whenua looking at settlement for business/industrial development, not just papakainga. Would be good to have some support through the RPS.
- NRS – explained that the definition of papakāinga in the RPS is wider than just housing - could include commercial and social needs.
- RM – commented there was a need for specific reference to that in this “responsive planning policy” for councils to turn their mind to in terms of developments by iwi/hapū that are large scale and potentially out of sequence.
- JO – commented that the way to do this would be to cross reference whether UG 7A picks up the points in UG 22B

#### Policy UG 22B: Te Tiriti o Waitangi Principles

- JO – explained that the policy has been widened to enable development which is consistent with UG 7A.
- NRS – commented that the key question is around “what is Māori development”.
- RF – noted that at a recent meeting of mana whenua reps they spoke about “multiple owned and freehold land that mana whenua may be involved in in some way”.
- NRS – suggested using “enabling development on Māori-owned land”.

- DM – suggested keeping it as broad as possible.
- RM – commented that NPS-UD Policy 9B talks about “taking into account aspirations to iwi/hapu development” - suggested striving for wording consistent with this intent.
- RF – asked attendees to send suggestions for wording to BOPRC.
- RM – asked that suggestions for wording be linked to the “responsive planning policy”.
- JO – agreed that could be done – possibly by including it in the wording of the “explanation”.

#### Policy UG 7Ax

- RF – explained that the “higher density policy” has been kept in as MHUD want a policy in the RPS to recognise higher density.
- RM – asked for clarity around what “higher” means.
- JO – commented that “high density” varies between different urban environments, therefore “increased density urban development”, over whatever was there, is what BOPRC are looking at.
- RF – added that working through FDS and intensification project plans will consider heights, etc.
- TH – expressed support for “increased” - gives councils the ability to interpret for their respective urban environments.
- RM – commented that NPS-UD Policy 1 talks about “housing choices”. Suggested fleshing out idea of encouraging “the most density, in the most accessible areas, and areas where there is most demand”. District plan, zoning scaled to determine what those heights and densities are. Suggestion to be more explicit around “accessibility”. Also need some explanation in policy as to what a “well-functioning urban environment” means in this region. NPS-UD Policy 1 talks about what that means but can Policy UG 7Ax draw out what this means to the region?
- TH – commented that the more detail you put in the harder it becomes to satisfy that. Especially in the Bay of Plenty with such a range of urban environments.
- RM – commented that things like for example NPS-UD Policy 1 support a reduction in greenhouse gas emissions, another policy can mention how urban form/density can do that.
- JO – replied that BOPRC have covered the benefits of increased density in Policy UG 7Ax. Including them in separate policies would then just be repeating what’s in the NPS-UD.
- RF – commented that these should be left alone for respective FDS to interpret and define spatially where to develop up and out. This allows local communities to have a contribution. Added that BOPRC will add commentary around FDS.
- RM – agreed to share ROT’s plan with the BOPRC team so they can identify gaps.
- DM – commented that in terms of “well-functioning” demand won’t always be clearly identified. Suggested “looser wording”.
- JO – explained that in terms of demand for denser housing, not additional, there are different housing typologies. Commented that BOPRC may need to refine this definition.
- RM – commented that NPS-UD Policy 5 covering enabling height and form refers to “.... or relative demand” whereas in UG 7Ax it’s “and” – suggested BOPRC need to check this as there may be locations which are not accessible but have high demand – “that’s what Policy 5 is getting at”.

- RM – suggested reviewing policy in more detail. She will send examples of well-functioning urban environments from their policies.
- RF – commented that the solution is to cross reference to FDS.
- RF – shared the following timeline for Change 6:
  - S&P workshop on Tuesday to work through major changes to responsive planning and intensification
  - Produce v1.14 of draft
  - Lodge application with ministry for SPP ~5-6 months to get application signed off, e.g. September.
  - Formally adopt for notification - council to adopt Change 6 later this year or early 2023

#### AOB

- DM – highlighted an error in the text: page 12, objective 25 is “still confined to western Bay of Plenty” and needs to be changed.

## SmartGrowth Developers Forum Thursday 31 March 2022

### MS Teams meeting

Attendees:

Name	Organisation
Jeff Fletcher	Bconn (Chair)
Aaron Collier	Collier Consultants
Daniel Rugaas	Tuatahi First Fibre
Carle Barrack	Stevenson Aggregates Quarry
Peter Moodie	Lysaght Consultants
Jeff Hextell	ECO Ltd
Grant Downing	Element IMF
Janine Speedy	Tauranga City Council
John Olliver	BBO Consultants
Barbara Ann-Overwater	Bay of Plenty Regional Council
Nassah Rolleston-Steed	Bay of Plenty Regional Council
Ruth Feist	Bay of Plenty Regional Council
Nathan York	Bluehaven Group
Tristan Shannon	Barrett Homes
Scott Adams	Carrus Corp
Phillip Martelli	Western Bay of Plenty District Council
<b>Support</b>	
Kelvin Norgrove	SmartGrowth Advisor
Valeria Torella	SmartGrowth Support

Attendees BOPRC: Ruth Feist, Nassah Rolleston-Steed (notes), John Oliver (Consultant), Barbara-Ann Overwater

Meeting purpose: Discussion on the latest version of the draft RPS Change 6.

Document(s) referred to:

- *2022-03-31 Presentation – RPS Change 6 (NPS-UD) SmartGrowth Property Developers Forum – 31 March 2022 (Objective ID A4062540)*

### Key matters/points to note:

Ruth presented PowerPoint; Nassah, John Oliver and Barbara-Ann in support.

1. Last update in December 2021
2. Focus on changes made since last update
3. Responsive planning criteria
  - a. 2 policies now merged into 1
  - b. Focus on knitting and guidance from MfE
  - c. Policy UG 7A – gateway test

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- d. Doesn't exclude need to consider other RPS natural hazards policies etc
  - e. If meets gateway test then TA needs to prioritise and resource the plan change process
  - f. Developer will progress development quickly and not land bank
  - g. Efficient infrastructure provision
4. Scott Adams – how do you ensure the development gets prioritised given all the other consents that will be required to be applied
  5. John Oliver – more a TA issue but will emphasise a need to move quickly that's the intention
  6. Scott Adams – thought there might be targets imposed on developer – developer doesn't need motivation to move/progress
  7. Ruth – not being more explicit
  8. Aaron Collier – why 5 ha threshold – there may be other areas smaller but accept most will be large scale
  9. Ruth – came from discussions with TAs (WBOPD/TCC)
  10. John Oliver – kick back from WDC/KDC/RLC – policy amended to allow for smaller scale (as result of S&P Committee workshop)
  11. Aaron – there are parts of WBOPDC where smaller than 5 ha may be suitable, concern is tweaks to zone boundaries, been now a while since Council made tweaks to boundaries, would prefer that 5ha not being included
  12. Nathan York – always interested in what efficient infrastructure provision means – and what about intent of not compromising infrastructure delivery already planned for
  13. John Oliver – again high level policy no black and white answer – provided people understand the purpose of it – than guides discussions with infrastructure providers – don't want fragmented provision of infrastructure
  14. Nathan York – want something to happen quickly it will affect provision already planned
  15. John Oliver – don't think that will necessarily be the case – intent is to have development completed earlier – need to have it in there to bring everyone to the table to address how do you make this development happen quickly – happy to receive suggested wording as tricky to develop policy
  16. Ruth – moved onto Policy UG 7Ax 'Intensification' – general support for higher density urban development – applies through all urban environments Whakatāne, RLC and TCC/WBOPDC –
  17. No questions on Policy UG 7Ax
  18. Ruth – moved onto timing and process – SPP now to be applied for in May – will take time to get decision from Minister
  19. Jeff Fletcher – challenges Phillip said with getting commitment from Minister – have we had any engagement with the Minister
  20. John – discussions late last year – MfE happy to work collaboratively on SPP application so it meets the requirements so goes forward in straightforward manner – but from formal lodgement Minister will take 5-6 months to make its decision – used to be quicker – PC6 is simply plan change not complex
  21. Jeff – in next short period can persons still provide comment
  22. No further questions or comments

## Meeting with SmartGrowth Combined Tangata Whenua Forum

12 April 2022

### MS Teams meeting

Attendees:

- Matemoana McDonald (Chair), Whitiara McLeod (WM), Hayden Henry (HH), Keren Paekau (KP), Geoff Rice (GR), Des Heke (DH)
- Full list of attendees available [here](#)

Attendees BOPRC:

- Nassah Rolleston-Steed (NRS), Elaine Nolan (notes).

Meeting purpose: Update the CTWF on the latest version of the draft RPS Change 6. The project team last presented to the Forum in August 2021

Documents referred to:

- *Presentation – RPS Change 6 – SmartGrowth CTWF – 12 April 2022* (Objective ID: A4067437)

### Key issues / questions raised and discussed:

NSR ran through the presentation:

- Explained reasons why we are making RPS Change 6 (PC6): Strong drive by central government, for housing intensification - the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act passed into law on 20 December 2021. As a result, TCC, WBOPDC are preparing priority plan changes and BOPRC is amending the RPS via PC6.
- BOPRC need to remove barriers that limit development by removing the urban limits that act as a ring fence around areas such as Te Puke, Katikati, Omokoroa and the wider Tauranga City area. Proposed urban development outside the urban limits is currently constrained under the current- urban limits regime – removing them provides a gateway to consider unanticipated urban development outside the urban limits that is not currently provided for by existing district plans, spatial plans, infrastructure plans, LTPs and growth strategies.
- Urban Growth management – other things happening in this area: TCC and WBOPDC have funding available to provide resource to review iwi/hapu resource management plans.
- Explained that only three policies have been changed since last August: *Policy UG 22B - Te Tiriti o Waitangi* - have acknowledged cultural offsetting work underway; *Policy UG 7A – responsive planning criteria* - distilled to MfE guidance; *Policy UG 7Ax – increased density*
- Main change is the introduction of “responsive planning criteria” which allows for a private developer to propose an urban growth area that is currently outside planned urban areas in district plans as long as they satisfy the criteria. The relevant territorial authority (TA) will assess the proposal against the criteria and if it meets the “significant development capacity” criteria then the TA need to resource the proposal.

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- The criteria act as the first “gateway test” as to whether or not they are deemed to be “significant development capacity”.
- Explained that PC6 will be notified later this year or early next pending BOPRC’s application to Ministry for the Environment to use the streamlined planning process (SPP) as an alternative to the Schedule 1 process for changing a regional policy statement. The Minister will consider the application and further consultation may be needed to determine if there is any opposition to the use of the SPP. The SPP differs from Schedule 1 as it limits appeal rights - lots of emphasis on consultation at the front end of process, but it removes the ability for submitters to appeal decisions that come out of the plan change.
- Explained that we are nearing the end of the informal consultation period before we lodge the SPP application. There is another meeting with council in May, then we lodge the SPP application. In the meantime, BOPRC are still open to meeting and consulting, however, once we lodge an application with the MfE, our ability to make changes to the document are restricted. The Minister will come back with direction (likely to take 7 months before BOPRC receive direction) and is likely to require further consultation. BOPRC will then need to implement and adhere to the direction and notify the plan change.

#### Key comments

- WM – Concerned that due to issues with capacity and capability Maori land trusts won’t be as well-equipped as commercial developers to develop land out of sequence. Commented that Maori land doesn’t have the necessary infrastructure to be able to take advantage of this. Explained that he is advocating hard for a Maori land trust forum so that they can upskill and start to input into “documents”.
- NSR – agreed infrastructure is a key part of the process. Commented that one of the criteria mentions “good accessibility to infrastructure ...” - delivery, funding, and financing. Informed the group that future city plan/district plan reviews could be an opportunity for Maori land trusts to request the issue of infrastructure on their land be addressed. Opportunity through city plan review to change the elements that apply to the zoning and infrastructure – city planners decide if they will make it available and they need to fund it as well. Commented that this issue is acknowledged in the RPS “governance and admin’ of Maori land blocks... can be difficult to contact”.
- HH – commented on the “uniqueness of Matapihi” which has had infrastructure “imposed”. Concerned re wording i.e., “provide for”. Commented that whilst “Te Tiriti is not being changed, we are getting imposed lot of changes through these documents”.
- NSR – explained that BOPRC are trying to provide for and recognise iwi and hapu resource management plans, Maori led development and the general aspirations of iwi/hapu expressed in their own planning documents.
- KP – mentioned that Te Rangapū wanted a workshop last year with BOPRC’s PC6 project team but the summer holiday season interfered with this - would like to revisit the idea. Commented that Te Rangapū have issues with the SPP – not a preferred option given that there are no appeals; relies on robust engagement process so that tangata whenua are really comfortable with it so they won’t want to appeal. Concerns around Maori land trusts and “their ability” and the fact that they “are not at this table to appeal these decisions”.
- NSR – explained that BOPRC need to share feedback from iwi-hapu with the MfE and if there is clear opposition then that needs to be made known to the Minister as well. Added that BOPRC had decided to follow the SPP due to timescales (given that other plan changes have

dragged on), the relatively small scale of PC6 (not big in the bigger scheme of things) and the fact that the changes BOPRC need to make are fairly explicit and have been imposed by central government.

- GR – commented that he wants to hear “in layman terms how these changes will advantage us so our people can pick up on it”. Added that “Te Ihu o Te Waka o Te Arawa” would love to meet on this”.
- Chair – asked that CTWF members who have further meetings with the BOPRC PC6 project team share feedback with the wider Forum.
- DH – Shared with the Forum that he had met with BOPRC to discuss urban plan change and cultural offsetting and compensation. A project team has been put together to look at a framework for cultural offsetting. Commented that contribution fees and tradition associated with sites needs to be addressed in city planning as well as regional planning – need to “get cultural offsetting and compensation on the list of tools for planning”. Also commented that iwi spatial planning is important – want to get more effective at spatial planning.
- Chair – Asked Des to share the information he has on cultural offsetting project with Te Rangipu and western bay iwi Maori forums; collate any comments on PC6 that come out of these for CTWF to decide if a combined response on PC6 is necessary.

## Meeting with Te Kāhui Mana Whenua o Tauranga Moana

27 April 2022

### **Via Zoom and in person**

Attendees WBOPDC\*: Mayor Webber, Crs M Dean, M Grainger, M Murray-Benge, D Thwaites, J Denyer, A Henry, A Sole. Staff: Chris Nepia, Julie Shepherd, John Holyoake, Rachel Davie

Mana Whenua Attendees\*: Buddy Mikaere, Bob Leef, Hineria Hamiora, Riki Nelson, Te Uta Rolleston, Nessie Kuka, Peri Kohu.

*\*Note: Full list of attendees can be sourced from WBOPDC*

Attendees BOPRC: Nassah Rolleston-Steed (NRS), Ruth Feist (RF), Elaine Nolan (notes).

Meeting purpose:

- Seek members feedback on PC6 and application to use SPP;
- Result of hui with SmartGrowth Combined Tangata Whenua Forum on 12 April where members from Te Rangapu expressed opposition in principle for the use of the SPP as it removes the ability for submitters to appeals Council's decisions.

Documents referred to:

- *Presentation to Te Kahu Mana Wheanua o Tauranga Moana Wednesday 27 April 2022* (Objective ID A4085599)
- *01.14 Proposed Change 6 (NPS-UD) to the RPS* (Objective ID: A4075322)

### **Key issues / questions raised and discussed:**

NRS – opening mihi

RF - spoke to the presentation:

- Why Change 6 (PC6) – because we have to implement NPS-UD
- Key Policy UG 7A provides a gateway test for out of sequence or unanticipated urban development proposals - have amended policy to only include criteria aligned with MfE guidance
- Intensification Policy UG 7Ax provides for “up and out” - consistent with intent of NPS-UD
- Only applies to urban environments which are urban areas comprising 10,000 persons or more so doesn't include urban areas like Katikati and Waihi Beach
- In terms of where RPS Change 6 sits in relation to wider scope of urban development, it applies to private plan changes seeking new urban growth development. If a proposal is deemed to comply with criteria for adding significant development capacity then must still apply other relevant RPS and district plan provisions including natural hazards and structure planning requirements.

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- Acknowledge spatial planning underway presently – forward planning – e.g., through SmartGrowth. If a developer proposes urban development outside existing planned urban areas than PC6 provisions must be applied and Policy UG 7A gateway is most important.
- If proposal meets all the gateway test criteria in Policy UG 7A then TA is expected to prioritise and resource the plan change to progress through planning process.
- BOPRC have produced several versions of PC6 since August last year in response to discussions and feedback from TAs, developers and iwi.
- Process slide – Policy is intended to work in line with Intensification Planning Instrument plan changes which WBOPDC are doing around urban intensification, e.g., Te Puke review and Omokoroa plan change being led by Philip Martelli's team.
- BOPRC are looking at using the Streamlined Planning Process (SPP)s. Lodging with MfE for late May. Explained SPP is short cut through RMA process – key difference is no appeal rights at the end.
- NRS – CTWF, especially Te Rangapu expressed concerns re using SPP given no appeal rights so that's why we asked to speak to you today. We want to hear mana whenua views on use of SPP as need to feed back to MfE - they place a lot of emphasis on views of tangata whenua re use of SPP. Under NPS-UD need to notify to give effect to NPS-UD by August this year. If we follow SPP we won't be able to notify until early next year – elections, new council structures. Want to hear views on the proposed use of the SPP. Have informal workshop on plan change with our councillors tomorrow - they will consider the use of SPP in light of feedback from CTWF and experience of WBOPDC re Omokoroa plan change.

#### **Key comments:**

NRS - All the consultation with WBOPDC to date has been at a staff level – policy arm. Have sent out v1.14 to this group.

NRS - RPS currently has urban limits – which is contrary to intent of NPS-UD so we are removing urban limit ring fence. Once change goes through, it will give private developers the ability to lodge private plan changes with council for development outside planned urban areas in DP, LTP or infrastructure plans. If private development deemed to meet criteria and meets significant development capacity based on HBA then district council is required to actively resource the development. We are keen to hear views from mana whenua members given feedback from Te Rangapu.

Cr M Dean - Concerned that does away with protection of productive rural land. No right to prevent land being swallowed up in urban development. Nassah – Not correct; strong policy in RPS for providing for protection of versatile land for rural production activities. If a proposal is put through that is over versatile land, needs to be robust assessment as to why development of that locality is preferred over less versatile land. "NPS on highly productive land" will be presented this year – high level policy for councils to consider development proposals. When "highly productive land NPS" comes out we may need to give effect to the policy.

Ricky Nelson - Concerned re greenfields development and sustainability – need medium density with greenfields. Cited Papamoa – making houses smaller - need to look at multiple duplexes and setting aside a percentage for affordable housing. Ruth – Replied that in terms of medium density issues, there's the "enabling housing supply Act" that WBOOPDC need to adhere to in Te Puke and Omokoroa. You can apply higher density close to shopping and amenities. Re price points and different types of housing – we do have proposal needs to meet housing bottom lines and housing

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typologies and price points that are relevant to the particular community via the HBAs that are assessed every 3 years.

John Holyoake - Developing a price point, not sure how this delivers for more traditional ways of living – large families. Ruth – Agree; only so much we can achieve in RPS; lot of work needs to be done via Kainga Ora. John – don't think it will be delivered that far down the food chain.

Ricky Nelson re Cultural offset – what is this?

NRS – Genesis of this was SGCTWF. BOPRC had discussions with Des Heke last year. We have provided for the concept to be acknowledged in the Te Tiriti policy. There is a project underway to develop the framework being led by Des Heke through SGCTWF. In high growth urban areas many sites of cultural significance were removed through the plan change process because they didn't have the level of assessment/info to satisfy decision makers. Subsequent development confirmed their presence, and sites were subsequently destroyed. Offsetting like you do for wetlands – if a development destroys sites of cultural significance there should be means of offsetting and providing benefit back to the tangata whenua, e.g., contribution towards Maori land and housing. Ultimately needs to be given effect by city and district plans. Framework needs to be designed tested and consulted on then BOPRC will look at it as part of the formal RPS review. Ricky – seems like work in progress, urban growth construct. Nassah – WBOPDC and TCC have offered resourcing to further investigate sites of cultural significance to be added to city and district plans. Best means of protection is to have these areas/sites recorded and identified spatially in city and district plans.

Chris Nepia – Would be good for our team to work alongside BOPRC on the work.

NRS – It's not a BOPRC project; it's a SGCTWF project led by Des Heke. Have suggested to Des to consult with TAs early on in the project and set up a team. Nassah will feed comment through to Des.

Bob Leef - Ngati Taka re SPP – When was the “ok” given by tangata whenua at Omokoroa?

NRS – Opened PC6 up for consultation with iwi-hapu twice last year and again earlier this year and we were clear about proposed use of SPP. Only recently heard opposition from Te Rangapu. We are still open to having korero. Hui tomorrow with our councilors and will discuss if we continue to proceed with SPP.

Rachel Davie – In answer to Ngati Taka's comment. There is a partnership engagement agreement in place with Pirirakau, “you have been around the table from the start re SPP”. Re BOPRC and its proposal to use SPP for PC6, I'm assuming that concern from Te Rangapu is around the rights of iwi-hapu to appeal being removed. There is an obligation on the Regional Council to get around the table with whomever has got concerns with the process. From WBOPDC's experience, SPP process is anything but streamlined. Need to work with iwi-hapu from the word go and this has been done from the get- go with the Omokoroa plan change process.

Bob Leef – Concern Ngati Taka have not been involved in Omokoroa Plan change consultation.

Rachel Davie – WBOPDC are very clear who the mana whenua are in the Omokoroa area.

Maru Tapsell – Agree we have concerns around whether RMA consultation requirements have been met and changes proposed to give effect to the NPS-UD. Concerns around gaps from Maori Land Court and making use of our own Maori land without interference from bureaucrats - using our own

architects, etc. We intend to build affordable units on customary land not papakainga. Will this process have an effect on us? We want to go straight to the Maori Land Court.

NRS – RPS is high level policy re urban growth. Te Tiriti policy provides for protecting existing marae from reverse sensitivity effect. Intended to provide policy support for issues you’ve raised. Issues have been in existence for number of decades. This policy proposes to replace previous that provided for “papakainga in rural areas”, given they exist in urban areas as well. We have provided for NPS-UD direction and incorporated number of different strands of Maori culture. We have a number of situations where housing on Maori land is proposed to be developed with infrastructure on road adjacent but because land has a rural or papakainga zone the council won’t allow access to infrastructure. Gave example of Waimapu marae and road. Access to infrastructure is contingent on zone change and LTP provision for such land being connected. This would better enable the type of housing that mana whenua are looking for. Key opportunity for mana whenua = district plan review.

Rachel Davie – Added that WBOPDC district plan review happening now. Korero already on housing for Maori. “If you want to continue conversations, then time is now”.

NRS – Philip Martelli looking at investigating zoning on Manoeka Road. Speak to him

Cr Denyer – Will this drive a coach and horses through our district plan which decides what developments happen where? If this simultaneously allows private plan changes outside urban limits then that seems to undermine district plan quite a lot.

Rachel Davie – That’s a district plan policy korero that we need to have. District plan already has enabling provisions for papakainga vs ability to subdivide in rural zones.

NRS – One of the key criteria in Policy UG 7A is ensuring that unanticipated or out of sequence urban development proposals can’t undermine existing commitments to development investment infrastructure.

Cr Murray-Benge – Agree need more social housing. Likes the thought of Maori being able to develop on their own land. Issue of affordable housing needs to be front and centre. We do have to build houses and get people into them. Looking at district scheme review and how to speed things up is paramount – speed is the essence.

Cr Henry – Referred back to Land March 1975 “not one more acre is to be taken”. Why do we need cultural offset plan hasn’t this already been provided for? Re streamlining process “when Minister makes a decision, that’s it, we need to do what we’re told” – this is ok if everyone has had their say. Sites of cultural significance – shouldn’t need cultural offsetting as plans and decisions should be providing protection. Housing – we should be housing our own before others coming into the area. Need to involve everyone at every step. When Minister provides comment, are we going to go out to stakeholders and talk about these changes?

Nessy Kuka – Represent Matakana Island. Agree with concerns of Te Rangapu. We don’t support SPP until we know more about implications of PC6.

Riki Nelson – Priority is housing our own: They need assistance including whanau coming back from larger urban areas to BoP. We need to be aware of that. Also agree with concerns about ongoing effects of development on places of cultural significance.

Chris Nepia - Summarised - views on SPP particularly what has come through from Te Rangapu and CTWF, - “no definitive sense from this group. This group want to hear more before we go down that route”.

## Meeting with Te Ihu o te Waka o Te Arawa

11 May 2022

Venue: Te Puke War Memorial Hall

Attendees\*: Darlene Dinsdale, Geoff Rice, Manu Wihapi (Chair), Rawiri Biel, Maru Tapsell, Cr Kevin Marsh, Cr Grant Dally, Mayor Garry Webber

*\*Note: Full list of attendees can be sourced from WBOPDC*

Attendees BOPRC: Nassah Rolleston-Steed (notes), Ruth Feist

Documents referred to:

- *Presentation – RPS Change 6 – Te Ihu o te Waka o Te Arawa hui – 11 May* (Objective ID A4086836)

### **Key issues / questions raised and discussed:**

Nassah opened by greeting and acknowledging members and the Chair and thanking them for giving us opportunity to speak at their meeting.

Ruth presented PowerPoint discussing why Toi Moana are doing PC6, what it seeks to achieve, the process of development thus far, specific changes being introduced

Questions from members included:

Maru Tapsell: Have we considered Tauranga Tomorrow and other founding documents for SmartGrowth? Answer: No

Cr Dally: Queried reference to urban limits? Answer: Yes removing urban limits line in Appendices as contrary to what NPS-UD guidance.

Manu Pene: Queried what cultural offsetting was? Answer: Provided examples of what cultural offsetting could involve but acknowledged concept is novel, research is being led by Des Heke under the umbrella of CTWF and suggested he is best person to speak to that kaupapa.

Geoff Rice: Concerned what benefit PC6 will have for Māori. The key matter is enabling Māori development, including Papakāinga. Answer: explained the intent of Tiriti o Waitangi policy but otherwise changes are minimum required to give effect to direction in NPSUD

BOPRC ID: A3782945

Manu Pene: Queried timing of PC6 and lack of iwi consultation. Why had Te Arawa collective not been consulted before. Answer: Advised had done 3 rounds of consultation regionally. Toi Moana staff have contact those iwi/hapu who have replied to invitations to consult and only written comments received from iwi were from Des Heke and cultural offsetting concept has been recognised in Policy UG 22B.

Maru Tapsell: Statement about impacts of policy on Māori economy. Mentioned CNI holdings entrusted for iwi and the Treaty claims settled and still underway. Concern that development is still progressing at pace and iwi concerns are often given secondary consideration or are an afterthought.

Note: Nassah subsequently spoke to Des Heke and gave him feedback from the hui and encouraged him to touch base with Chris Nepia to get on next Arawa collective hui agenda.

## Meeting with Te Rangapū Mana Whenua o Tauranga Moana

13 May 2022

### In person and MS Teams

Attendees\*: Carlo Ellis, Hayden Henry, Irene, Keren Paekau, Mokera, Ngati Kuku, Ngati Ruahine/e Wakaiti, Nikaelah Tukaki, Pare, Pine McLeod, Puhirake, Rawiri Biel, Veronica Seddon, Matire Duncan (Chair), Des Heke, Darlene Dinsdale, Cynthia Hamel, Tane Brott

*\*Note: Full list of attendees can be sourced from TCC/Te Rangapu*

Attendees BOPRC: Nassah Rolleston-Steed (NRS), Ruth Feist (RF), Elaine Nolan (notes).

Meeting purpose: Follow up from SmartGrowth Combined Tangata Whenua Forum (CTWF) 12 April 2022. Opportunity to listen to mana whenua views on RPS Change 6 and change to RMA Schedule 1 process.

Document(s) referred to:

- Presentation – RPS Change 6 – Te Rangapu hui – 13 May 2022 (Objective ID: A4091340)
- Proposed Change 6 (NPS-UD) Version 1.14

### Key issues / questions raised and discussed:

Nassah

- Explained the purpose of today's meeting: most have already heard from us at CTWF. At that meeting, BOPRC noted its proposal to use SPP. CTWF members opposed this in principle – as there is no right to appeal in SPP. BOPRC gave this feedback to our Council and they rescinded earlier decision to use the SPP and resolved to change to the normal Schedule 1 process (allows lodgment of appeals).

BOPRC ID: A3782945

- Why Change 6? One of the requirements under NPS-UD is to have policy in the RPS for out-of-sequence or unanticipated growth (i.e. responsive planning policy). RPS contains urban limits – no urban development outside of these – but these don't accord with the NPS-UD. BOPRC propose to remove these and include policies around how private plan changes for unanticipated developments will be considered and provided for, and include a new Te Tiriti policy concerning enabling Maori development.
- Proposing to notify in August 2022

### **Key comments:**

Ruth ran through slides

- urban development proposal still needs to comply with other “RPS policy” such as natural hazards, and district/city plan policies such as significant cultural values, and consider iwi management plans.
- New policies in RPS Change 6 don't apply to developments identified in Future Development Strategies (FDS) as those developments are planned (i.e. anticipated).
- RPS must allow for up (intensification) and out (unanticipated or out of sequence development).

Question from Des Heke: Looks like a lot of policy and planning is going to be regionalised. Any thought of transitioning to regionalised planning? Ruth – at the moment we operate under the RMA. RMA reform package and natural and built environments act will drop later this year – that's when we will know what the next evolution of the planning system is. There will be regional spatial planning strategy; not sure what happens to future development strategies at this stage.

### Key changes slide:

Ruth - increased density and urban areas - complements the work TCC are doing

### Policy UG22B

Nassah –replaces existing policy that essentially provides for papakainga in urban areas only. Expanded policy scope to better address the issue of difficulties developing Maori land in the region, identification and protection of culturally significant areas, view shafts. Intends to provide for the myriad of issues that we have seen tangata whenua encounter across the region.

Question from Des Heke – treatment of developer who doesn't feel it's necessary to provide for tangata whenua? Nassah – District/city plan changes have to give effect to the RPS. Iwi can use these provisions to support your submissions and appeals if the applicant hasn't.

Question from Whiti McLeod– 90% of Maori land is rural. Policy UG22B slide mentions “ensure *urban* planning” but doesn't say anything about rural or Maori land. Nassah – this policy is intended to apply to urban and rural environments in line with the overall intent of the chapter being ‘Urban and Rural Growth Management’. BOPRC to amend policy preamble wording and delete ‘urban’ as a minor amendment.

BOPRC ID: A3782945

Comment from Matire Duncan – During your presentation you mentioned Te Rangapu’s comment at CTWF – “I’m the Chair and don’t remember this”. Nassah – At the CTWF meeting Keren said Te Rangapu opposed in principle the SPP process. Members of WBOPDC Tauranga Moana forum also opposed SPP. That’s why BOPRC have rescinded their earlier decision.

Irene - reference to “community facility” does this include kohanga reo, hauora? Nassah – yes it does; wording is meant to be broad and all encompassing. Also intended to cover Treaty settlement lands, Maori trust lands in general title and multiple owned Maori land.

Irene – when we come to these meetings we need to be consistent that we are talking about refers to “all lands and all development on Maori land”.

Nassah – now is good time for tangata whenua to broach zoning issues with district councils given district plan reviews. Opportunity for Maori land trusts to look at benefits of being linked into infrastructure of those councils. Rates is a key consideration. If land gets benefits of infrastructure access you can intensify and allow for significantly more whanau to be accommodated on those lands. District plan reviews don’t come around often. Irene – your scenario re zoning changes is ‘on the button’.

11:36] Cynthia Hamel via Teams

Can I suggest the following wording: "Enabling Māori to develop their land, including but not limited to papakāinga housing, marae and community facilities."

Hayden Henry – this plan change is going to be a big plan change. We need to be part of these documents.

Nathan? Ngati Kuku/Whareroa – comment on Policy UG 22A c, d, e, f: If that’s the bottom line then BOPRC are well below it. We’ve been affected for the last 50 years by industrial development at Whareroa Marae and it’s only now being considered. Nassah – that’s why it’s there because of examples like Whareroa Marae and industrial development surrounding other marae in the region impacting on the ability to undertake normal cultural activities on them.

Des Heke – Te Tiriti policy is cultural redress. Is there background to these principles? NRS – there are other iwi resource management policies under RPS not affected by this change, these policies are intended to specifically give effect to the NPS-UD, this was added in as an opportunity. Essentially Change 6 is 3 new policies and consequential changes to others to remove terms like ‘urban limits and growth sequencing’.

Whiti McLeod - 90% of the unplanned development is going to occur on Maori land’ – some trusts don’t even have a concept plan: Ruth – good point (showed slide with diagram) explained that if Maori development is included through FDS and identified as potential urban or maybe papakainga then it’s ‘planned’ and not subject to this gateway test.

Irene – does it take into consideration existing homes of Maori who had to Europeanise their land?. Nassah – depends if land blocks plan to be part of the planned urban areas. If they’re zoned as urban no need to apply but outside in rural areas then generally speaking you won’t have access to

infrastructure, could still be papakainga but could change nature of the zoning to give access to infrastructure services.

Irene – possible to group Maori homes with individual titles who are trying to retain their land?  
“Here we have papakainga with separate title” Nassah – Te Turi Whenua Maori Land Act is another layer on top of complications of zones. If looking to build on Maori land the relevant territorial authority will still require proof from Maori Land Court that you have been given exclusive occupation rights – Change 6 is not going to change those issues.

Ruth re process and timeframes: We have changed from an SPP to the Schedule 1 process; Public notification mid-late August, submissions Sep-Oct after which the project team will assess submissions and make any changes.

## **Appendix 3**

### **Proposed Change 6 (NPS UD) to the Bay of Plenty Regional Policy Statement**



# **Proposed Change 6 (NPS-Urban Development) to the Bay of Plenty Regional Policy Statement**

Bay of Plenty Regional Council  
PO Box 364  
Whakatāne 3158  
New Zealand

## Note to Reader (not part of Change)

### What this Change does

The following pages are proposed to be amended in the Bay of Plenty Regional Policy Statement. Provisions to be inserted are underlined and shaded; provisions to be deleted are ~~struck through~~ and shaded. Provisions that have been moved are double-underlined.

Change 6 note – Policy and method numbers are not shown as updated in Proposed Change 6 (NPS Urban Development) Version 4.0. Numbering will be updated when Change 6 becomes operative.

### Key terms

For the purpose of this Change the terms defined or otherwise used in the Bay of Plenty Regional Policy Statement apply. For ease of reference these include the following:

**Act:** Unless the context otherwise requires, “Act” means the Resource Management Act 1991 and any amendments to it.

**Anticipated environmental result:** An expected effect on the environment of implementing the policies and methods. Because of the complex nature of environmental systems, not all the effects of implementing policies and methods are foreseeable.

**Policy:** Policies define the boundaries within which decision can be made, and they guide the development of courses of action directed towards the accomplishment of objectives. Policies are guides

**The Statement:** refers to the Bay of Plenty Regional Policy Statement of which this change will form a part.

# Part two

## **Resource management issues, objectives and summary of policies and methods to achieve the objectives of the Regional Policy Statement**

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Part two provides an overview of the regionally significant resource management issues, (including the issues of significance to iwi authorities) addressed by the Regional Policy Statement. They are addressed under the topic headings:

- Air quality
- Coastal environment
- Energy and infrastructure
- Geothermal resources
- Integrated resource management
- Iwi resource management
- Matters of national importance
- Natural hazards
- Treaty Co-governance
- Urban and rural growth management
- Water quality and land use
- Water quantity

Each topic includes a summary table showing all the objectives that relate to that topic and the titles of the policies and methods to achieve those objectives. The table also includes a reference to other policies that also need to be considered to gain an overview of the issue across the full scope of the Statement.

## 2.8 Urban and rural growth management

An overarching framework is necessary to sustainably manage growth in the region to enable development of a sustainable regional urban and rural form.

Accommodating and managing growth can be a challenge, particularly where different parts of the region have distinct needs and pressures. The aim is to manage growth in a planned, sustainable manner while minimising the impact on existing communities and retaining the characteristics and values of the region.

The Statement seeks to direct and maintain compact, well-designed and strongly connected urban areas to effectively and efficiently accommodate growth. This urban form will ensure both urban and rural communities are physically connected and developed in an integrated, planned manner. Applying the region's high-quality urban design and live-work-play principles is an effective means of ensuring good urban form.

Growth is a regional issue because what occurs in one area will invariably have an effect on other places. Employment provided by business parks and residential activity provided by new suburbs or redeveloped established areas will affect the form and function of towns and transportation. Managed growth intervention recognises the actual or potential effects urban growth can have on people and communities, and the important role that efficient infrastructure (e.g., electricity networks, road, rail, ports, airports, drainage, telecommunications, dams, water and wastewater networks) plays in supporting settlement growth and prosperity. Managed growth intervention also supports efficient and effective servicing in a way that does not compromise the operation, maintenance and upgrading of infrastructure.

The protection and development of the region's strategic transport networks and corridors, including on-going connectivity between communities, are essential for sustainable growth. Such an approach will also support the

development of ports, horticulture, agriculture, forestry, quarrying, tourism and future mining, manufacturing and production industries.

The region's key urban areas are:

- Eastern Bay of Plenty: Whakatāne, Ōpōtiki and Kawerau.
- Western Bay of Plenty: Tauranga City, Te Puke, Ōmokoroa, Waihi Beach and Katikati.
- Central Bay of Plenty: Rotorua City.

Between these urban areas are extensive areas of rural land and smaller settlements.

Management of growth and development within rural areas is also important, particularly given the existing and future importance of primary industries (including agriculture, horticulture, forestry, quarrying and mining) to the region's economy. Rural production activities (including associated processing plants and research facilities) contribute to social and economic wellbeing and are dependent on access to and use of natural and physical resources and need to be protected from constraints introduced by incompatible or sensitive activities.

The Bay of Plenty's population is steadily growing with the western Bay of Plenty sub-region projected to contain most of the population growth to 2021. ~~Growth in the other districts is not expected to exceed 5% (Statistics New Zealand).~~

The western Bay of Plenty sub-region has determined through its 50-year growth management strategy (SmartGrowth Strategy and Implementation Plan, ~~2007~~ 2013) how the pressures of growth will be best managed in a time, resource and cost-effective manner. The districts of Rotorua, Whakatāne, Ōpōtiki and Kawerau have different pressures. Rotorua and Whakatāne District Councils have undertaken their own urban growth strategies.

The management of growth in western Bay of Plenty sub-region has been provided for through policies in this section and through the identification of Growth Management Areas as detailed in Appendices C, D and E. In order to achieve an integrated management approach to urban development in these areas, as required under section 30(1)(a) of the Act, it is appropriate that all relevant objectives and policies shall be considered together to provide for sustainable growth of the sub-region and give effect to this Regional Policy Statement.

## 2.8.1 Regionally significant urban and rural growth management issues

### 1 Un-coordinated growth and development

Sporadic and un-coordinated growth and development can adversely affect urban and rural amenity values, heritage, health and safety, transportation costs, the provision and operation of infrastructure, the use and development of productive rural land and important mineral resources, and access to community, social, employment and commercial facilities.

### 2 Land supply and inefficient patterns of land use

An imbalance of land supply, demand, and uptake can have adverse economic and social effects, yet it is very difficult to plan and predict. Inefficient and low density patterns of land use and ad hoc development, are difficult and costly to service and maintain, and contribute to increasing greenhouse gas emissions. A shortage of developable land and housing supply reduces housing choices and leads to increases in prices. Unplanned growth and inefficient land use also have the potential to adversely affect rural production activities and to reduce the ability of versatile land to be used for a range of productive purposes.

### 3 Fragmentation of rural land

Productive rural land (in particular versatile land) is a valuable finite resource on which rural production activities rely. Those activities are in turn significant contributors to the regional and national economies.

Fragmentation of the rural land resource for purposes unrelated to rural production has the potential to constrain or compromise the ability to use such land for a range of productive purposes.

### 4 Impacts of poor urban design and urban growth on communities

Communities which develop without high quality urban design and appropriate social infrastructure, including that necessary to cater for an aging population, are likely to be less cohesive and to experience reduced amenity. Poor urban design can also lead to reduced physical access and connectivity to facilities and open spaces, and a reduction in people's health and wellbeing. Patterns of urban growth which fail to reflect the aspirations, needs and concerns of existing affected communities are likely to be problematic.

### 5 Effects of urban and rural subdivision on natural features and landscapes

Urban and rural subdivision patterns create pressures that reduce the values of natural features and landscapes to people and communities.

### 6 Operation and growth of rural production activities

The continued operation and growth of rural production activities face competition for natural and physical resources and are vulnerable to constraints arising from sensitive or incompatible activities.

**7 Conflict between incompatible or sensitive activities and rural production activities in rural areas**

The efficient operation and growth of rural production activities in rural areas are at risk from the establishment of sensitive or incompatible non-productive uses (including rural lifestyle activities) through the creation of reverse sensitivity effects which have the potential to unreasonably constrain or inhibit the use and development of, as well as access to, regionally significant natural and physical resources.

**8 Integration of land use and infrastructure**

A lack of integration between land use and infrastructure, including utilities and transport, may result in poor infrastructure investment decisions, public funding pressures and inefficient land-use patterns and may also compromise the operation of existing and proposed transport infrastructure.

**9 Intensive urban development**

More intensive urban development is necessary to accommodate growth but has the potential to:

- Adversely impact on the residential character and amenity values of existing urban areas.
- Create unforeseen social, economic and cultural effects.
- Increase road congestion leading to restricted movement of goods and services to, from, and within the region, and compromising the efficient operation of the transport network, if not undertaken in conjunction with well-planned transport improvements.

Table 8 Urban and rural growth management objectives and titles of policies and methods to achieve the objectives.

Objectives	Policy titles	Page	Method titles	Implementation	Page
<b>Objective 23</b> A compact, well designed and sustainable urban form that effectively and efficiently accommodates the region's urban growth	<u>Policy UG 7A Providing for unanticipated or out-of-sequence urban growth -urban environments</u>		Method 1: District plan implementation	<u>Tier 1, 2 and 3 city and district councils</u>	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	<u>Tier 1, 2 and 3 city and district councils</u>	
			Method 18: Structure plans for land use changes	<u>Tier 1, 2 and 3 city and district councils</u>	
	<u>Policy UG 7Ax: Enable increased-density urban development – urban environments</u>		Method 1: District plan implementation	<u>Tier 1, 2 and 3 city and district councils</u>	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	<u>Tier 1, 2 and 3 city and district councils</u>	
			Method 18: Structure plans for land use changes	<u>Tier 1, 2 and 3 city and district councils</u>	
	Policy UG 8B: Implementing high quality urban design and live-work-play principles		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 4: Bay of Plenty Regional Land Transport Plan implementation	Regional council	
			Method 17: Identify and manage potential effects on infrastructure corridors	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
			Method 58: Investigate and plan for intensification within existing urban areas	City and district councils	
	Policy UG 9B: Co-ordinating new urban development with infrastructure		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 4: Bay of Plenty Regional Land Transport Plan implementation	Regional council	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	

Objectives	Policy titles	Page	Method titles	Implementation	Page
			Method 19: Provision of infrastructure outside of structure plan areas	Regional council, city and district councils	
			Method 50: Inform transportation strategies and funding	Regional council, city and district councils	
			Method 51: Liaise on cross boundary infrastructure issues	Regional council, city and district councils	
	Policy UG 10B: Rezoning and development of urban land – investment and infrastructure considerations		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
	Policy UG 11B: Managing the effects of subdivision, use and development on infrastructure		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
			Method 19: Provision of infrastructure outside of structure plan areas	Regional council, city and district councils	
	Policy UG 12B: Providing quality open spaces		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 67: Support rural structure plans	Regional council, city and district councils	
	<u>Policy UG 17B Urban growth management outside of the western Bay of Plenty sub-region</u> <u>Policy UB 14B Restricting urban activities outside urban environments</u>		Method 1: District plan implementation	City and district councils	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
<b>Objective 24</b> An efficient, sustainable, safe and affordable transport network,	Policy UG 1A: Protecting the national and regional strategic transport network		Method 1: District plan implementation	City and district councils	
			Method 4: Bay of Plenty Regional Land Transport Plan implementation	Regional council	
			Method 1: District plan implementation	City and district councils	

Objectives	Policy titles	Page	Method titles	Implementation	Page
integrated with the region's land use patterns	Policy UG 2A: Identifying a consistent road hierarchy		Method 4: Bay of Plenty Regional Land Transport Plan implementation	Regional council	
			Method 13: Develop a roading hierarchy	City and district councils	
	Policy UG 3A: Promoting travel demand management across the region		Method 1: District plan implementation	City and district councils	
			Method 4: Bay of Plenty Regional Land Transport Plan implementation	Regional council	
			Method 17: Identify and manage potential effects on infrastructure corridors	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
			Method 19: Provision of infrastructure outside of structure plan areas	Regional council, city and district councils	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
<b>Objective 25</b> Urban subdivision use and development, in the western Bay of Plenty is located and staged in a way that integrates with the long term planning and funding mechanisms of local authorities, central government agencies and network utility providers and operators whilst also being responsive having regard to the growth plans of relevant industry sector groups and other development entities.	Policy UG 22B: Providing for papakāinga Te Tiriti o Waitangi Principles		Method 1: District plan implementation	City and district councils	
			Method 2: Regional plan implementation	Regional Council	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Tauranga City Council and Western Bay of Plenty District Council-City and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
	Policy UG 25B: Housing bottom lines – Rotorua and western Bay of Plenty sub-region		Method 1: District plan implementation	City and district councils	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Tauranga City Council, Western Bay of Plenty District Council and Rotorua Lakes Council	
			Method 14: Monitor and review growth – western Bay of Plenty sub-region	Regional Council	

Objectives	Policy titles	Page	Method titles	Implementation	Page
			<del>Method 16: Consider amendments to the urban limits — western Bay of Plenty sub-region</del>	<del>Regional Council, city and district councils</del>	
	Policy UG 21B: Provision for utilisation of mineral resources		Method 1: District plan implementation	City and district councils	
			Method 3: Resource consents, notices of requirement and when changing varying or reviewing plans	Tauranga City Council and Western Bay of Plenty District Council	
			Method 52: Provide for the sustainable management of versatile land	Regional council, city and district councils	
			Method 67: Support rural structure plans	Regional council, city and district councils	
	<del>Policy UG 16B: Providing for new business land — western Bay of Plenty sub-region</del>		<del>Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans</del>	<del>Regional council, Tauranga City Council and Western Bay of Plenty District Council</del>	
			<del>Method 18: Structure plans for land use changes</del>	<del>Regional council, city and district councils</del>	
	Policy UG 15B: Accommodating population growth through greenfield and residential intensification development — western Bay of Plenty sub-region		<del>Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans</del>	<del>Regional council, Tauranga City Council and Western Bay of Plenty District Council</del>	
			<del>Method 14: Monitor and review growth — western Bay of Plenty sub-region</del>	<del>Regional council</del>	
			<del>Method 16: Consider amendments to the urban limits — western Bay of Plenty sub-region</del>	<del>Regional council, city and district councils</del>	
	Policy UG 14B: Restricting urban activities outside <del>urban environments the urban limits</del> — western Bay of Plenty sub-region		<del>Method 1: District plan implementation</del>	<del>City and district councils</del>	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, Tauranga City Council and Western Bay of Plenty District Council City and district councils	
			<del>Method 18: Structure plans for land use changes</del>	<del>Regional council, city and district councils</del>	
	Policy UG 4A: Providing for residential development yields in district plans — western Bay of Plenty sub-region		<del>Method 1: District plan implementation</del>	<del>Tauranga City Council and Western Bay of Plenty District Council</del>	

Objectives	Policy titles	Page	Method titles	Implementation	Page
	<u>Policy UG 6A: Sequencing of Efficient use of land and infrastructure servicing for urban growth and development – western Bay of Plenty sub-region.</u>		Method 1: District plan implementation	<u>Tauranga City Council and Western Bay of Plenty District Council City and district councils</u>	
			Method 18: Structure plans for land use changes	<u>Regional council, Tauranga City Council and Western Bay of Plenty District Council city and district councils</u>	
			Method 50: Inform transportation strategies and funding	<u>Regional council, Tauranga City Council and Western Bay of Plenty District Council</u>	
			Method 51: Liaise on cross boundary infrastructure issues	<u>Regional council, Tauranga City Council and Western Bay of Plenty District Council</u>	
	<u>Policy UG 7A: Providing for the expansion of existing business land – western Bay of Plenty sub-region</u> <u>Policy UG 7A Providing for unanticipated or out-of-sequence urban growth -urban environments</u>		Method 1: District plan implementation	<u>Tauranga City Council and Western Bay of Plenty District Council Tier 1, 2 and 3 city and district councils</u>	
			<u>Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans</u>	<u>Tier 1, 2 and 3 city and district councils</u>	
			<u>Method 18: Structure plans for land use changes</u>	<u>Tier 1, 2 and 3 city and district councils</u>	
			<u>Method 67: Support rural structure plans</u>	<u>Regional council, Tauranga City Council and Western Bay of Plenty District Council</u>	
	<u>Policy UG 7Ax: Enable increased-density urban development – urban environments</u>		<u>Method 1: District plan implementation</u>	<u>Tier 1, 2 and 3 city and district councils</u>	
			<u>Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans</u>	<u>Tier 1, 2 and 3 city and district councils</u>	
			<u>Method 18: Structure plans for land use changes</u>	<u>Tier 1, 2 and 3 city and district councils</u>	

Objectives	Policy titles	Page	Method titles	Implementation	Page
	<del>Policy UG 5A: Establishing urban Limits western Bay of Plenty sub-region</del>		<del>Method 1: District plan implementation</del>	<del>Tauranga City Council and Western Bay of Plenty District Council</del>	
			<del>Method 14: Monitor and review growth western Bay of Plenty sub-region</del>	<del>Regional council</del>	
			<del>Method 16: Consider amendments to the urban limits western Bay of Plenty sub-region</del>	<del>Regional council</del>	
<b>Objective 26</b> The productive potential of the region's rural land resource is sustained and the growth and efficient operation of rural production activities are provided for	<del>Policy UG 17B: Urban growth management outside of the western Bay of Plenty sub-region</del>		Method 1: District plan implementation	City and district councils	
	Policy UG 14B: Restricting urban activities outside urban environments the urban limits western Bay of Plenty sub-region		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
	Policy UG 18B: Managing rural development and protecting versatile land		Method 1: District plan implementation	City and district councils	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 18: Structure plans for land use changes	Regional council, city and district councils	
			Method 52: Provide for the sustainable management of versatile land	Regional council, city and district councils	
			Method 67: Support rural structure plans	Regional council, city and district councils	
	Policy UG 23B: Providing for the operation and growth of rural production activities		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 20: Plan provisions enabling efficient operation and growth of rural production activities.	Regional council, city and district councils	
	Policy UG 19B: Providing for rural lifestyle activities western Bay of Plenty		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 52: Provide for the sustainable management of versatile land	Regional council, city and district councils	

Objectives	Policy titles	Page	Method titles	Implementation	Page
			Method 67: Support rural structure plans	Regional council, city and district councils	
	Policy UG 20B: Managing reverse sensitivity effects on rural production activities and infrastructure in rural areas		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 67: Support rural structure plans	Regional council, city and district councils	
	Policy UG 24B: Managing reverse sensitivity effects on rural production activities in urban areas.		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 20: Plan provisions enabling efficient operation and growth of rural production activities.	Regional council, city and district councils	
	Policy UG 21B: Provision for utilisation of mineral resources		Method 1: District plan implementation	City and district councils	
			Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
			Method 52: Provide for the sustainable management of versatile land	Regional council, city and district councils	
			Method 67: Support rural structure plans	Regional council, city and district councils	
	Policy IR 9B: Taking an integrated approach towards biosecurity		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council, city and district councils	
	Policy WQ 6B: Ensuring water availability		Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans	Regional council	
			Method 30: Research and monitor water allocation and abstraction	Regional Council	
			Method 32: Prepare and provide information to reduce water demand	Regional Council	



# Part three

## Policies and methods

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Part three presents the policies and methods that, when implemented, will achieve the objectives of this Statement and address the regionally significant resource management issues (including the issues of significance to iwi authorities). The resource management issues and objectives are presented in the previous part two under topic headings.

Part three is divided into two sections. The first contains the policies and the second sets out the methods.

Within the first section, policies are grouped according to the topic under which the policy was originally drafted and are identified as follows:

AQ = Air Quality

CE = Coastal Environment

EI = Energy and Infrastructure

GR = Geothermal Resources

IR = Integrated Resource Management

IW = Iwi Resource Management

MN = Matters of National Importance

NH = Natural Hazards

RR = Rangitāiki River

UG = Urban and Rural Growth Management

WL = Water Quality and Land Use

WQ = Water Quantity

Within these topic groups the letter following the policy number further divides policies into four types as outlined below.

(a) Policies giving direction to regional and district plans

Broad policies that must be given effect by regional or district plans (in accordance with sections 67(3) and 75(3)(c) of the Act) as set out in methods of implementation 1 and 2. These policies are identified by the letter A after the main policy number e.g. CE 3A. NB: while these policies are primarily expressed through plans, in some cases 'A' type policies may also be relevant to the assessment of resource consent applications and notices of requirement. The A policies that must be considered in the assessment of resource consent applications and notices of requirement are listed in Method 3.

(b) Specific directive policies for resource consents, regional and district plans, and notices of requirement.

These policies are identified by the letter B after the main policy number e.g. CE 7B. These are specific policies that:

- must be given effect by regional or district plans (in accordance with sections 67(3)(c) and 75(3)(c) of the Act) as set out in methods of implementation 1 and 2,
- consent authorities must have regard to, where relevant, when considering applications for resource consent and any submissions received (in accordance with section 104(1)(b)(iv) of the Act), and
- territorial authorities must have particular regard to, where relevant, when considering requirements for designations or heritage orders and any submissions received (in accordance with sections 171(1)(a)(iii) and 191(1)(d) of the Act).

NB: in some cases, these policies may also be linked to Methods 1 and/or 2 to ensure they are given effect to as soon as practicable by regional and/or district plans.

(c) Policies that allocate responsibilities

These policies allocate the responsibilities for land-use controls for hazardous substances and indigenous biodiversity between the Bay of Plenty Regional Council and the region's city and district councils. These policies are identified by the letter C after the main policy number e.g. IR 7C.

(d) Guiding policies

These are guiding policies that outline actions to help achieve the objectives. These policies are identified by the letter D after the main policy number e.g. IW 8D.

The second section sets out the methods for implementing the policies. There are two main groups of methods:

- Directive methods to implement policies identified above as either #A, #B, or #C.
- Methods that implement the guiding policies (identified above as #D) or that support the delivery of the other policies.

Directive methods used to implement most policies are Methods 1, 2 and 3. Method 3 requires that policies shall be given effect to when preparing, changing, varying, reviewing or replacing a regional or district plan, and had regard to when considering a resource consent or notice of requirement. While Method 3 is most commonly used to implement 'B' type policies, in some cases (where listed in Method 3) it may be linked to 'A' type policies which are applicable to the assessment of resource consent applications and notices of requirement. Similarly, Methods 1 and/or 2 are primarily used to implement 'A' type policies in regional and district plans but, in some cases, (where listed in Methods 1 and 2) these policies may also be linked to 'B' type policies to ensure they are given effect to as soon as practicable by the relevant plans. The policies linked to and intended to be implemented by Methods 1, 2 and 3 are identified in the beginning of Section 3.2.1 'Directive methods'.

A summary table is provided at the beginning of part three in which the policy titles are provided. The titles serve only as a guide, as the policies are not reproduced in full within the summary table.

In a box following each of the policies, is a cross reference to pertinent objectives and methods. These must be read in association with each policy, to appreciate the relationships between these policies and methods.

### 3.1 Policies

Table 11 Policy name and page number.

Policy Title	Page No.
<b>Urban and Rural Growth Management</b>	
<b>Broad directive policies for district and regional plans</b>	
Policy UG 1A: Protecting the national and regional strategic transport network	
Policy UG 2A: Identifying a consistent road hierarchy	
Policy UG 3A: Promoting travel demand management across the region	
<del>Policy UG 4A: Providing for residential development yields in district plans – western Bay of Plenty sub-region</del>	
<del>Policy UG 5A: Establishing urban limits – western Bay of Plenty sub-region</del>	
Policy UG 6A: <del>Sequencing of</del> Efficient use of land and infrastructure for urban growth and development – <del>western Bay of Plenty sub-region</del>	
<del>Policy UG 7A: Providing for the expansion of existing business land – western Bay of Plenty sub-region</del> Policy UG 7A Providing for unanticipated or out-of-sequence urban growth - urban environments	
<del>Policy UG 7Ax Enable increased-density urban development – urban environments</del>	
<b>Specific directive policies for plans and consents</b>	
Policy UG 8B: Implementing high quality urban design and live-work-play principles	
Policy UG 9B: Coordinating new urban development with infrastructure	
Policy UG 10B: Rezoning and development of urban land – investment and infrastructure considerations	
Policy UG 11B: Managing the effects of subdivision, use and development on infrastructure	
Policy UG 12B: Providing quality open spaces	
Policy UG 13B: Promoting the integration of land use and transportation	
<del>Policy UG 14B: Restricting urban activities outside urban environments the urban limits – western Bay of Plenty sub-region</del>	
<del>Policy UG 15B: Accommodating population growth through greenfield and residential intensification development – western Bay of Plenty sub-region</del>	
<del>Policy UG 16B: Providing for new business land – western Bay of Plenty sub-region</del>	
<del>Policy UG 17B Urban growth management outside of the western Bay of Plenty sub-region</del>	
Policy UG 18B: Managing rural development and protecting versatile land	
Policy UG 19B: Providing for rural lifestyle activities – <del>western Bay of Plenty sub-region</del>	
Policy UG 20B: Managing reverse sensitivity effects on rural production activities and infrastructure in rural areas	

Policy Title	Page No.
Policy UG 21B: Provision for utilisation of mineral resources	
Policy UG 22B: <del>Providing for papakāinga</del> <u>Te Tiriti o Waitangi Principles</u>	
Policy UG 23B: Providing for the operation and growth of rural production activities	
Policy UG 24B: Managing reverse sensitivity effects on existing rural production activities in urban areas	
Policy UG 25B: Housing bottom lines – Rotorua and western Bay of Plenty sub-region	

## Urban and Rural Growth Management Policies

### Policy UG 1A: Protecting the national and regional strategic transport network

Identify all existing and proposed nationally or regionally significant transport corridors in the Regional Land Transport Plan and district plans and protect those corridors for regional transport purposes.

#### Explanation

The protection of the region's strategic transport corridors and networks is essential for achieving integration between land use and transport. The strategic transport network supports the growth and development of both the national and regional economies, particularly in supporting and developing the ports and in terms of providing access to markets for horticulture, agriculture, forestry, quarrying, tourism and future manufacturing and production industries.

Table reference: **Objective 24**, Methods 1 and 4

### Policy UG 2A: Identifying a consistent road hierarchy

Identify a consistent road hierarchy including type of road, road function and road definition.

#### Explanation

The identification of a consistent road hierarchy across the region is essential to the strategic integration of land use and transport planning. This promotes network efficiency by ensuring each road performs the function for which it is designed. Use of a consistent road hierarchy across the region also contributes to road safety, and future integrated land use and transport planning, particularly the planning of safe and efficient bus, cycling and walking routes. It will assist with developing a well connected and sustainable urban form and reduce any cross boundary issues arising from districts having different road types, definitions and functions. As a minimum, the road hierarchy will include strategic, primary and secondary arterials, collector and local roads.

Table reference: **Objective 24**, Methods 1, 4 and 13

### Policy UG 3A: Promoting travel demand management across the region

Actively promote travel demand management across the region to:

- (a) Create effective integrated land and travel networks,
- (b) Increase public transport use,
- (c) Address congested transport corridors,
- (d) Reduce use of the private motor vehicle where practicable,
- (e) Encourage the use of alternative renewable transport fuels,
- (f) Reduce emissions from transport, and
- (g) Ensure adequate provision for and increased use of future public transport, walking, cycling networks and corridors, while providing for connectivity.

#### Explanation

Appropriate policies are required to be included in district plans and the Bay of Plenty Regional Land Transport Plan to actively promote travel demand management.

Land use planning is essential in managing the demand for travel. This could include having higher density/mixed use developments close to good public transport links and community facilities and

employment close to where people live (Appendix B – High quality urban design principles). Additionally, future integration of land use and transport planning will need to take into account the need to design and build transport networks that facilitate walking, cycling and public transport (bus, light rail, etc.). Regard should also be given to the policies and targets of any relevant walking and cycling strategies in the region.

Table reference: **Objective 24**, Methods 1, 4, 18, 17 and 19

#### **Policy UG 4A: Providing for residential development yields in district plans – western Bay of Plenty sub-region**

Provide for dwelling yields per hectare of developable land within identified urban areas to be delivered as follows:

(a) Greenfield urban growth areas

An average net yield of 12 dwellings or more per hectare from 1 July 2012, rising progressively to 15 dwellings or more per hectare by 1 July 2037.

(b) Urban intensification areas

An average net yield of 20 dwellings or more per hectare of developable land within each urban intensification area.

#### **Explanation**

The western Bay of Plenty subregion has a growth management strategy (SmartGrowth) which forms the basis of a number of Urban and Rural Growth Management policies.

Greenfield development should ultimately deliver 15 dwellings per hectare across the developable land in the entire growth area shown in Appendix C. Development in urban intensification areas should deliver a yield of at least 20 dwellings per hectare within each identified area.

The policy provides for the yield target for Greenfield urban growth areas to be achieved progressively over time, acknowledging that there may be situations where the ultimate target yield of 15 dwellings per hectare cannot always be achieved.

For the avoidance of doubt, yields below the stated target achieved prior to 1 July 2037 are not required to be off-set by the achievement of yields greater than the stated target after 1 July 2037.

The mechanism of how to achieve the target yields through subdivision and land use development is to be provided in the relevant district plan.

The requirement for new residential development to achieve higher densities than in the past is to promote a more compact urban form and so create vibrant areas for people to live, work and play. Density is important in terms of determining land requirements and influencing urban form.

Increasing the development densities for greenfield development within the urban limits is a means of restraining urban sprawl and the impact that may have on versatile highly productive land. Achievement of a more compact urban form requires a comprehensive planning approach and the provisions of a mix of housing types to appeal to future residents. This applies particularly to the urban intensification areas where significant redevelopment of existing housing stock is expected to achieve the yield target.

Increasing dwelling density is recognised internationally as having a number of benefits, including:

- 1 Increased transport choice and viability of public transport;
- 2 Reduced environmental impacts from slower urban expansion;
- 3 Reduced infrastructure costs;

4 — More walkable neighbourhoods;

5 — Greater housing choice and affordability.

Before rezoning land for urban purposes (large scale land use change of 5 hectares or more) councils are required to ensure that structure plans are put in place (see Policy UG 9B and Method 18).

Table reference: **Objective 25, Method 1**

### **Policy UG 5A: Establishing urban limits – western Bay of Plenty sub-region**

Establish urban limits as provided in Appendix E within which urban activities shall occur up to at least 2051.

#### **Explanation**

In association with the nature of long term urban boundaries provided in Appendix C, Diagram 1 (Appendix D) and Maps 5 to 15 (Appendix E), urban development is enabled with a high degree of long term certainty as to location, yield, sequencing and timing. This assists long term strategic planning and also provides considerable certainty as to the future of land outside the urban limits, providing a strong basis for assuming that such land will have a non-urban future until at least 2051.

Method 14 (Monitor and review growth) provides a strict but comprehensive methodology on how and when amendments to the urban limits may be made, with an assumption that changes will not be made lightly, and will need to be well justified in terms of the outcomes sought across all the western Bay of Plenty sub-region growth management policies.

Table reference: **Objective 25, Methods 1, 14 and 16**

### **Policy UG 6A: Sequencing of Efficient use of land and infrastructure for urban growth and development – western Bay of Plenty sub-region**

Manage urban development within each identified management area in a way that provides for:

- (a) The efficient use of land and infrastructure within the immediately preceding growth area stage before the development of the subsequent growth area stage as shown in Appendix C and Appendix D; and
- (b) The integration of land use and infrastructure provision.
  - (b) Network infrastructure is able to be provided to serve the proposed new growth area, or new infill/intensification areas shown in Appendix C and Appendix D.

Urban growth area development may proceed in a manner other than sequential growth as per (a) where it can be demonstrated that concurrent development of a subsequent growth area stage will provide more efficient use of land and network infrastructure overall and the conditions in (b) are met.

For the purpose of this policy, efficient use of land and infrastructure shall include consideration of the matters referred to in Policy UG 10B.

Appendices C and D are indicative guides for the expected timing and sequencing of growth areas.

#### **Explanation**

The servicing sequencing and timing of urban development within the urban limits for the western Bay of Plenty is critical to achieving integrated and sustainable growth management. Each Large-scale urban growth (greenfield and brownfield) area in Appendix C and Appendix D and shown on Maps 5 to 15 (Appendix E) must be subject to detailed structure planning to address, among other matters, urban design, and provisions and funding of network infrastructure and funding of that infrastructure.

Note that the indicative sequencing and time frames are at a level of detail appropriate for this Statement. They are intentionally indicative given the uncertainties inherent in population forecasts.

Table reference: **Objective 25, Methods 1, 18, 50 and 51**

### **Policy UG 7A: Providing for the expansion of existing business land – western Bay of Plenty sub-region**

Provide for the expansion of existing business activities or existing zoned business land outside the urban limits shown in Appendix E, only if the proposal will:

- (a) For the expansion of existing zoned business land, not be able to be accommodated within existing business zoned land in the western Bay of Plenty sub-region;
- (b) Be contiguous with the site of an existing business activity or existing zoned business land;
- (c) Not require new connections to urban water supply distribution, stormwater or wastewater infrastructure located within the urban limits;
- (d) Avoid, remedy or mitigate effects on rural production activities;
- (e) Not compromise access to identified regionally significant aggregate and other mineral resources; and
- (f) Not adversely affect existing, consented, designated or programmed regionally significant network utilities and infrastructure.

### **Explanation**

Restrictions on the expansion of existing business activities and existing zoned business land outside the urban limits are necessary in order to minimise urban expansion and provide for the efficient use of existing infrastructure. The policy presumes that the expansion of existing business activities and existing business zoned areas outside the urban limits will not be allowed unless all of the listed matters are satisfied.

Table reference: **Objective 25, Methods 1 and 67**

### **Policy UG 7A: Providing for unanticipated or out-of-sequence urban growth – urban environments**

Private plan changes, submissions on plan changes, or submissions on plan reviews providing for development of urban environments and urban growth that forms part of an urban environment, that is unanticipated or out-of-sequence, will add significantly to development capacity based on the extent to which the proposed development satisfies the following criteria:

- (a) The development is of large enough scale to contribute to meeting demand for additional urban land identified through the HBA for the area, including meeting housing bottom lines or meeting needs for specific housing typologies or price points, or business types. Where there is no HBA, there is evidence that there is a need for additional urban land, and
- (b) For Tauranga City and Western Bay of Plenty District urban environments, the development is large scale (5 hectares or more), and sufficient to support multi modal transport options, and
- (c) For all other urban environments, the development is at a scale commensurate with the size of the urban environment and includes a structure plan for the land use change that meets the requirements of Method 18, and
- (d) The development is located with good accessibility between housing, employment, community and other services and open space, and
- (e) The development is likely to be completed earlier than the anticipated urban development and/or land release sequence, and
- (f) Required development infrastructure can be provided efficiently, including the delivery, funding and financing of infrastructure without materially reducing the benefits of other existing or planned development infrastructure, or undermining committed development infrastructure investment.

## **Explanation**

Policy UG 7A implements Policy 8 and Clause 3.8(3) of the National Policy Statement on Urban Development 2020. It requires that the RPS include criteria for determining whether unanticipated or out-of-sequence urban development proposals will add significantly to development capacity.

This policy applies to Māori urban development enabled by Policy UG 22B: Te Tiriti o Waitangi Principles, where that development is unanticipated or out-of-sequence.

This policy does not apply to small scale alterations to urban environments that have minor effects.

In addition to these criteria the development must be well-connected to existing or planned multi modal transport corridors and must contribute to a well-functioning urban environment.

Unanticipated development is urban development (subdivision, use and development) that is not identified as being provided for in an adopted local authority Future Development Strategy, growth strategy, RMA plan, Long Term Plan, or 30-year infrastructure strategy. Out of sequence development is development that is not consistent with the development sequence set out in one or more of those documents.

The criteria apply to private plan changes, submissions on plan changes and submissions on plan reviews seeking additional greenfield or brownfield urban development. Plan changes and plan reviews initiated by local authorities do not fall within this policy, as they are anticipated.

Where urban development satisfies the criteria, local authorities must respond by removing unnecessary constraints and focusing resources and attention to expedite decision making processes.

These criteria do not negate the requirement for urban development to give effect to the RPS as a whole, including all other relevant objectives and policies, satisfying other criteria, and implementing relevant methods.

Policies UG 6A, 9B, 10B and 11B and Method 18 are particularly relevant to ensure proposals are designed so that infrastructure, including transport and three-waters infrastructure, provides for longer-term development

Climate change and natural hazards can have significant impacts on the region's urban growth aspirations and on people, property and infrastructure. Prior to 'live zoning' land for structure planning and development purposes, consideration is to be given to whether a site is significantly constrained by the effects of climate change or natural hazards.

For avoidance of doubt, giving effect to Policy UG 7A does not negate the requirement to prepare a risk assessment (Policy NH 9B) and achieve a low level of risk as required by Policy NH 4B on the development site without increasing risk outside of the development site. Further consideration of hazards and infrastructure related matters are set out in RPS Policies IR 5B, UG 10B and UG 11B.

<p>Table reference: <b>Objective 23 and 25, Methods 1, 3 and 18</b></p>
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## **Policy UG 7Ax: Enable increased-density urban development – urban environments**

Provide for and enable increased-density urban development in urban environments that:

- (a) Contributes to a well-functioning urban environment,
- (b) Encourages increased density in areas of identified demand, and
- (c) Is well served by existing or planned development infrastructure and public transport.

## **Explanation**

Increasing density of urban development has a number of benefits, including:

- 1 Increased transport choice and viability of public transport
- 2 Reduced environmental impacts from reduced need for urban expansion
- 3 Reduced per unit infrastructure costs
- 4 More walkable neighbourhoods, supporting active transport modes
- 5 Reductions in greenhouse gas emissions
- 6 Greater housing choice and therefore affordability.

Increased density refers to development that is higher density than the existing urban form. Increased density development may not be appropriate in some areas and is relative to different urban environments. City and district plans should enable greater building heights and density where there is high housing and business use and demand.

The intention of this policy is to encourage increased density, and compact urban form, but not to set density targets for areas or locations. Density targets and provisions are best set in district or city plans relative to local opportunities and constraints (including infrastructure and transport systems).

This policy does not negate the requirement for increased density urban development to give effect to other relevant provisions in this policy statement and in particular Policy UG 8B Implementing high quality urban design and live-work-play principles set out in Appendix B. Urban development will also be directed by Future Development Strategies, which must achieve well-functioning urban environments in existing and future urban areas. Territorial authorities may develop spatial plans to assist achieving high quality urban design and outcomes.

<p><u>Table reference: <b>Objective 23 and 25</b></u>  <u>Methods 1, 3 and 18</u></p>
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## **Policy UG 8B: Implementing high quality urban design and live-work-play principles**

Demonstrate adherence to the New Zealand Urban Design Protocol (March 2005) key urban design qualities.

In achieving this, territorial authorities shall implement the region's "high quality urban design" and "live-work-play" principles as outlined in Appendix B, and additionally appropriate social infrastructure necessary to cater for an aging population, and include appropriate policies, methods and other techniques in their district plans and strategies.

This policy shall not apply to land use change (such as rural-residential or lifestyle development) within the rural catchments of the Rotorua lakes where such change will result in a significant reduction in nutrient losses from existing rural land uses.

## **Explanation**

Growth and the development of new and existing urban areas across the region ~~(particularly in the western Bay of Plenty)~~ should apply urban design principles for the development of connected communities, an effective transport system and creating desirable places for people to live, work and play.

The high quality urban design and live-work-play principles are key drivers of sustainable growth management. These principles are considered to be critical tools for ensuring that more intensively developed well-functioning urban environments are achieved, along with high quality urban design.

Table reference: **Objective 23**, Methods 3, 4, 17, 18 and 58

## Policy UG 9B: Co-ordinating new urban development with infrastructure

Ensure there is co-ordination between:

- (a) The urban form and layout, location, timing and sequencing of new urban development; and
- (b) The development, funding, implementation and operation of transport and other infrastructure serving the area in question,

so that all infrastructure required to serve new development is available, or is consented, designated or programmed to be available prior to development occurring.

~~For Tauranga City and Western Bay of Plenty District only, in satisfying this policy, regard must be had to the indicative growth area timing shown in Appendix C.~~

### Explanation

#### ~~Region-wide:~~

The policy gives effect to the statutory requirement of regional councils under section 30(1)(gb) of the Act to provide for the strategic integration of land use and infrastructure.

Territorial authorities and most network utility operators plan and budget the provision of services many years in advance of their delivery. When constructed, these works (roads, sewers, water supply, stormwater systems, reserves and other community facilities) need to be used in order to recoup the costs of their provision. Therefore, it is important that before new urban development within or outside of existing or future urban areas is proposed, there is certainty that the infrastructure necessary to service such development will actually be available when required. The efficient and effective operation of regionally significant network utility services that traverse areas of urban growth, but that do not necessarily serve them directly must also be considered. Where appropriate, local authorities should also encourage the co-ordination and co-location of works between network utility operators to minimise environmental and amenity impacts and community concern and disruption.

#### ~~Western Bay of Plenty sub-region:~~

Any ~~urban growth and development within a growth area including an intensification area~~ must recognise the impact of growth on existing infrastructure and provide an equitable funding mechanism for the costs of that infrastructure. Other contributions (e.g., recognising the costs and benefits of public transport) towards achieving environmental sustainability in new developments can be estimated and funding sources determined at the national, regional, city and district levels as part of 10-yearly, three yearly and annual budgeting cycles.

Table reference: **Objective 23**, Methods 3, 4, 18, 19, 50 and 51

## Policy UG 10B: Rezoning and development of urban land – investment and infrastructure considerations

Require the rezoning or other provisions for the urban development of land to take into account:

- (a) Sustainable rates of land uptake,
- (b) Existing or committed public and private sector investments in urban land development and infrastructure,
- (c) Sustainable provision and funding of existing and future infrastructure, and
- (d) Efficient use of local authority and central government financial resources, including prudent local authority debt management.

## Explanation

Because commitments to and investments in urban land use and servicing are often made 20 or more years in advance of delivery, there is potential for both local authority policy changes and ad hoc private market development decisions to result in significant adverse social and economic effects. Policies to address timing and sequencing of development should therefore be designed to ensure, within broad limits, that development proceeds in a way that gives infrastructure service providers time to match demand, and the ability to fund that service delivery. The overall purpose is to provide a broad framework that signals to the market the importance of integrating public and private development decisions.

The focus of Policy UG 10B is on broad investment and infrastructure considerations. More detailed matters are the subject of other RPS policies, for example Policies WQ 6B, WQ 7B and WQ 8B which specifically address water efficiency.

Table reference: **Objective 23**, Methods 3 and 18

## Policy UG 11B: Managing the effects of subdivision, use and development on infrastructure

Manage the design and location of subdivision, use, and development to address potential adverse effects on the operation and upgrading of existing, consented, designated or programmed infrastructure.

## Explanation

The planning and co-ordination of urban development and infrastructure needs to be carefully managed to ensure that potential adverse effects, including reverse sensitivity effects, and effects generated by demand as well as by physical development, are appropriately avoided, remedied or mitigated.

Table reference: **Objective 23**, Methods 3, 18 and 19

## Policy UG 12B: Providing quality open spaces

Provide for open space across the region as a primary consideration in growth management, including urban form and design, to ensure people and communities have access to a variety of quality open space experiences to the extent practicable, having regard to the following factors:

- (a) Open spaces are managed in an integrated and co-ordinated manner to enable improvements to existing open space networks,
- (b) People in urban areas, particularly those with disabilities and reduced mobility, have equitable access to safe open spaces for amenity, sport and recreation close to where they live and work,
- (c) Areas of growth and intensification provide for usable open space for a range of purposes,
- (d) Alternative walking and cycling routes are provided that enable avoidance of safety hazards on high speed congested road corridors,
- (e) Open spaces are linked, including to extend the open space network and to improve proximity and access to natural habitats,
- (f) Over time access to and along the coastal edge and the margins of lakes and rivers is enhanced through connecting and acquiring public reserves and open spaces, and
- (g) Open space areas are accessible to a range of transport modes.

## Explanation

It is important that open spaces are planned and provided for people of all ages with different physical and recreational needs. Open spaces can include larger conservation areas and coastal reserves, as well as neighbourhood and regional parks. Accessibility should be a key consideration in growth management,

including high quality urban design. To ensure all members of the community can enjoy equal use of open spaces, access should not be reliant on cars and be able to be used by people with disabilities and limited mobility.

Table reference: **Objective 23**, Methods 3 and 67

### Policy UG 13B: Promoting the integration of land use and transportation

In promoting the integration of land-use and transport activities, regard should be given to:

- (a) Land use and transport planning being closely linked,
- (b) The land transport system providing opportunities and integrated links for both public and private transportation modes,
- (c) Proximity to commercial centres, places of employment, community services and high amenity are considered in transport planning to support higher density development.
- ~~(c)(d)~~ Demand management is considered in planning, design and transport investment decisions,
- (e) The benefits of increased-density urban intensification.
- ~~(d)(f)~~ Existing and future transport corridors defined and protected, and
- ~~(e)(g)~~ Integrated transport packages for funding are developed.

#### Explanation

Land use and transport systems need to be planned in an integrated manner and support intensification of greenfield and brownfield land. Transport is a key enabler of higher density urban intensification if planned in relation to other enablers like the location of commercial centres, employment areas and areas of high amenity, and community services. Growth management and land use patterns need to support reduced reliance on private motor vehicles and increased accessibility and use of passenger transport, walking and cycling. This can be achieved by planning and providing compact and sustainable urban forms and improving the public transport system.

In high-growth areas and areas of acute housing need, local authorities should enable increased density urban intensification in locations with good access to infrastructure, employment, services and amenities.

Table reference: **Objective 24**, Methods 3 and 18

### Policy UG 14B: Restricting urban activities outside urban environments ~~the urban limits – western Bay of Plenty sub-region~~

~~Except as provided for in Policy 7A urban activities shall not be developed outside the urban limits shown on Maps 5 to 15 (Appendix E).~~

Restrict the growth of urban activities located outside urban environments unless it can be demonstrated that sound resource management principles are achieved, including:

- (a) The efficient development and use of the finite land resource, and
- (b) Providing for the efficient, planned and co-ordinated use and development of infrastructure.

#### Explanation

~~The location and extent of existing and future urban growth to 2051 is provided for by defined urban limits which cover both the Tauranga City and Western Bay of Plenty District. Within the urban limits shown on Maps 5 to 15, are defined greenfield growth areas for residential development and business use. The urban limits also provide for residential infill and intensification of existing urban areas. The term urban activities is~~

defined to allow for rural and lifestyle activities to occur outside of the urban limits. Methods 14 and 16 provide for a review of the urban limits and amendment where necessary as circumstances change.

An appropriate mechanism to manage growth is to provide direction through this Statement on where development may occur. This will enable regional and district plans to give effect to that direction. By confining development within identified areas, development can proceed with certainty while achieving the strategic integration of infrastructure services.

While areas outside urban environments have not been and are unlikely to face the same growth pressures, some urban growth pressures can be expected. Outside of urban environments and urban growth that forms part of an urban environment, new urban areas (or urban zoning) is not desirable as it can create a sporadic settlement pattern and result in an inefficient use of natural and physical resources.

There are however, some limited circumstances where such proposals could be acceptable such as extensions to existing towns that have reticulated water and wastewater services. Therefore, the same overarching growth principles of the National Policy Statement on Urban Development (2020) should apply in other areas to ensure proposals result in an efficient use of land and resources. For the avoidance of doubt, this policy does not enable development in villages and settlements that do not have reticulated water and wastewater services.

There may be other provisions in this Regional Policy Statement to consider in proposals to urbanise land which may mean a particular location is unsuitable. These include, but are not limited to, topographical constraints, natural hazards and natural freshwater features.

Table reference: **Objectives 23, 25 and 26,**  
Methods 1, 3 and 18

### **Policy UG 15B: Accommodating population growth through greenfield and residential intensification development – western Bay of Plenty sub-region**

Population growth within the western Bay of Plenty sub-region out to 2051 shall generally be accommodated as follows:

- (a) By providing for 75% of projected growth within new greenfield development growth areas (e.g., Pāpāmoa East, Ōmokoroa, North-west Bethlehem, Pyes Pa West, Te Puke, Katikati and Waihi Beach); and
- (b) By providing for 25% of projected growth through intensification of residential development within existing urban areas through such techniques as infill development, mixed use zones and specifically identified intensification areas;

at densities which aim to achieve the target yields set out in Policy UG 4A.

### **Explanation**

It is important to make the most efficient use of the available land within the western Bay of Plenty to accommodate expected population growth to 2051, recognising geographical, geotechnical and cultural constraints that prevent urban development in many areas. Research undertaken by the University of Waikato and subsequently Tauranga City Council and Western Bay of Plenty District Council in the development and implementation of the Western Bay of Plenty Sub-region Growth Management Strategy has identified the most appropriate locations for urban development. This has entailed providing for new suburban or greenfield development, while also making efficient use of desirable locations within the existing urban environment of Tauranga City, such as Mount Maunganui and the Tauranga central business district to provide for high density living environments.

Monitoring of development trends will enable the split between greenfield and residential intensification to be revised should circumstances change.

Table reference: **Objective 25, Methods 3, 14 and 16**

### **Policy UG 16B: Providing for new business land – western Bay of Plenty sub-region**

New large-scale business land shall be provided for generally in accordance with Appendix C and only within the urban limits shown on Maps 5 to 15 (Appendix E).

#### **Explanation**

District Plans provide the key zoning tool for different types of activity. Within the urban limits Western Bay of Plenty District Council and Tauranga City Council need to provide for business land in appropriate locations to meet the economic and social growth needs of the sub-region.

Table reference: **Objective 25, Methods 3 and 18**

### **Policy UG 17B: Urban growth management outside of the western Bay of Plenty sub-region**

Manage the growth of urban areas located outside of the western Bay of Plenty sub-region in a manner consistent with sound resource management principles, including:

- (a) The efficient development and use of the finite land resource;
- (b) Setting defined limits of urban development; and
- (c) Providing for the efficient, planned and co-ordinated use and development of infrastructure.

#### **Explanation**

While areas outside of the western Bay of Plenty sub-region have not been and are unlikely to be faced with the same growth pressures as those recently and currently being experienced in that sub-region, the same overarching growth management principles should apply in other areas. There may however be factors in other areas (such as topographical constraints and natural hazards) which create different challenges and may necessitate variations in the approaches taken.

Table reference: **Objectives 23 and 26, Methods 1, 3 and 18**

### **Policy UG 18B: Managing rural development and protecting versatile land**

The productive rural land resource shall be protected for rural production activities by ensuring that to the extent practicable subdivision, use and development in rural areas does not result in versatile land being used for non-productive purposes outside existing and planned urban-zoned areas, or outside the urban limits for the western Bay of Plenty shown in Appendix E, unless it is for regionally significant infrastructure which has a functional, technical or locational need to be located there, or it is urban development that has satisfied the criteria in UG 7A.

Particular regard shall be given to whether the proposal will result in a loss of productivity of the rural area, including loss of versatile land, and cumulative impacts that would reduce the potential for food or other primary production.

In the catchments of the Rotorua Te Arawa Lakes, land-use change to achieve reduced nutrient losses may justify over-riding this policy. Any such changes in land use must however be integrated and co-ordinated with the provision of appropriate infrastructure.

## Explanation

It is important to protect the natural productivity of the region's land. Soil and its life-supporting capacity are a finite resource, which need to be managed and sustained for future generations. Rural production is one of the region's economic drivers and this production is reliant on retaining and protecting rural land and soils.

In areas where rural production activities occur, the protection of finite versatile land primarily for pastoral farming and horticulture is a priority for sustainable management. However, with respect to planned urban development as well as to the legitimate establishment of rural servicing activities in rural areas, it is inevitable that some versatile land will be lost to productive use. The issue then becomes one of ensuring that the extent of such loss is minimised through the efficient use and development of the finite land resource.

In the Rotorua Te Arawa Lakes area, protecting water quality from increased nutrient losses may also be given priority over protection of versatile land. Water quality in Rotorua Te Arawa Lakes' catchments has been degraded mainly by human activities and nutrient losses from pastoral farming and sewage leachate from residential areas.

Reducing nutrient losses into these lakes is a priority. Rotorua District Council, regional councils, central government and Te Arawa Lakes Trust are working together on a range of initiatives designed to mitigate the effects of nutrients into these lakes.

The need to avoid nutrient losses into the receiving waters of some regional catchments at risk may result in rural lifestyle subdivision being a preferred option. However, forward planning and care is needed to prevent the loss of rural character and inefficient land, infrastructure and energy use.

Table reference: **Objective 26**, Methods 1, 3, 18, 52 and 67

## Policy UG 19B: **Providing for rural lifestyle activities** – ~~western Bay of Plenty sub-region~~

Require that the productive potential of versatile land is not compromised when providing for rural lifestyle activities outside ~~existing and planned urban areas the urban limits for the western Bay of Plenty shown on Maps 5 to 15 (Appendix E).~~

In the catchments of the Rotorua Te Arawa Lakes, land-use change to achieve reduced nutrient losses may justify over-riding this policy. Any such changes in land use must meet the nutrient management rules.

## Explanation

Many people across the region (particularly in the western Bay of Plenty sub-region) have chosen to live in rural areas for lifestyle reasons, rather than farming, and this has resulted in fragmentation of productive land through subdivision. In other parts of the region, this pressure may not have been realised as yet and therefore forward planning will prevent these cumulative effects on rural land and versatile land.

It is important to protect the natural productivity of land. Soils and their life-supporting capacity are finite resources, which need to be managed and sustained for future generations. Rural production is one of the region's economic drivers and this production is reliant on retaining and protecting its rural land and soils.

Table reference: **Objective 26**, Methods 3, 52 and 67

## **Policy UG 20B: Managing reverse sensitivity effects on rural production activities and infrastructure in rural areas**

Require that subdivision, use and development of rural areas does not compromise or result in reverse sensitivity effects on:

- (a) Rural production activities, and
- (b) The operation of infrastructure

located beyond ~~the urban limits or~~ existing and planned urban ~~zone~~ areas.

### **Explanation**

Rural production activities are defined in Appendix A.

Geothermal systems are a type of resource that also needs to be protected from incompatible land uses and land use practices.

Unplanned rural lifestyle living and fragmentation of rural land through subdivision has occurred in some areas with reverse sensitivity concerns from these new dwellers resulting in associated adverse effects on the productive capacity of the land and its versatility, as well as on the efficient operation and growth of rural production activities. Many of these rural lifestyle lots are in areas that have poor infrastructure.

Rural farming and horticultural practices can have effects which may affect the wellbeing of people, including spray drift, noise from frost fans, shading from shelterbelts etc. Similarly, quarrying and mining activities have the potential to create adverse landscape, visual, noise, dust and traffic effects. The potential for some of these activities and their associated practices to be constrained has increased due to the growing number of people choosing to live in rural areas but not work in rural occupations. The cumulative effect of unplanned rural subdivision has in some areas led to inefficient use of physical resources and a gradual loss of rural production activities.

*Table reference: **Objective 26**, Methods 3 and 67*

## **Policy UG 21B: Provision for utilisation of mineral resources**

Protect:

- (a) Existing mineral extraction sites and access routes to these sites from reverse sensitivity effects arising from incompatible activities; and
- (b) Access to undeveloped areas of known high value mineral resources, including aggregate, and the present and future availability of mineral extraction from them that may arise from incompatible activities.

### **Explanation**

The Bay of Plenty region contains mineral resources essential for the region's continued economic growth and development. Incompatible activities establishing over or in close proximity to areas of known high value mineral resources and the access routes to them can adversely impact on their future accessibility and use. Examples of such activities include urban expansion and sporadic residential development in rural areas.

*Table reference: **Objectives 25 and 26**, Methods 1, 3, 52 and 67*

## Policy UG 22B: Providing for papakāinga

Outside existing urban areas and the urban limits shown on Maps 5 to 15 (Appendix E), Enable the development of new, and protection of existing, papakāinga including marae-based housing shall be provided for.

### Explanation

Māori housing and associated activities around rural marae have been in existence for many decades. Provision is made for accommodating growth through papakāinga development on ancestral land both within and outside of existing and planned urban areas. The utilisation of multiple owned Māori land for housing is the most affordable option for many whānau in the western Bay of Plenty sub-region papakāinga development is not bound by urban activities being restricted outside the urban limits.

The continuation and expansion of papakāinga and other marae-based activities, subject to relevant statutory processes, gives effect to the requirements of sections 6(e), 7(a) and 8 of the Act and also recognises the statutory provisions in the Te Ture Whenua Māori Act 1993. This policy provides tangata whenua with the potential to meet their housing and economic development requirements.

Table reference: **Objectives 16, 21 and 25,**  
**Method 3**

## Policy UG 22B: Te Tiriti o Waitangi Principles

Ensure planning decisions provide for te Tiriti o Waitangi principles by:

- (a) Enabling Māori to develop their land, including but not limited to papakāinga housing, marae and community facilities;
- (b) Providing for tikanga Māori and opportunities for Māori involvement in Council's decision-making processes, including the preparation of RMA planning documents and Future Development Strategies;
- (c) Enabling early and ongoing engagement with iwi, hapū and affected Māori land trusts;
- (d) Identifying and protecting culturally significant areas and view shafts
- (e) Protecting marae and papakāinga from incompatible uses or development and reverse sensitivity effects; and
- (f) Demonstrating how Māori values and aspirations identified during consultation in (c) have been recognised and provided for.

### Explanation

Objective 5 and Policy 9 of the National Policy Statement on Urban Development 2020 seeks to ensure planning decisions relating to urban environments take into account te Tiriti o Waitangi principles and Treaty settlement outcomes. This policy extends those principles to all Māori development. Local authorities must consider iwi and hapū values and aspirations for urban development and provide opportunities for hapū and iwi involvement in decision making.

Policy UG 7B applies to Māori development where it relates to urban environments and is unanticipated or out of sequence.

The difficulties involved in developing multiple owned Māori land remains a real and significant barrier for many whānau. Loan criteria from lending institutions are stricter than for lending against general title land. Governance structures for Māori land blocks vary and can be difficult to contact and administer. Obtaining formal occupation rights is often time consuming and can generate tension amongst whānau, particularly in relation to those with competing interests.

Local authorities have a role in giving effect to the Crown's Tiriti o Waitangi obligations. Commonly recognised Tiriti o Waitangi principles include but are not limited to partnership, active protection, mutual benefit and rangatiratanga.

One of the means of giving effect to these principles is through methods developed in conjunction with tangata whenua to offset the impacts of urban development on culturally significant values, sites or areas.

Local authorities must also meet their obligations to Māori under other legislation including Te Ture Whenua Māori Act 1993, the Local Government Act 2002, and relevant Treaty settlement legislation.

Opportunities for ensuring tikanga Māori and Māori involvement in decision making processes should be afforded particularly when there are issues or sites of significance to Māori affected. This may involve appointing independent hearing commissioners with Māori cultural expertise or observing kawa (traditional customs) of tangata whenua in a particular area. It could involve holding hearings on marae in proximity to the area of a proposal.

Māori housing and associated activities around marae have been in existence for many decades. Provision is made for accommodating growth through papakāinga development on ancestral land both within and outside of existing and planned urban areas. The utilisation of multiple owned Māori land for housing is the most affordable option for many whānau.

The continuation and expansion of papakāinga and other marae-based activities, subject to relevant statutory processes, gives effect to the requirements of sections 6(e), 7(a) and 8 of the Act and also recognises the statutory provisions in the Te Ture Whenua Māori Act 1993. This policy provides tangata whenua with the potential to meet their housing and economic development requirements.

This policy also seeks to protect marae from reverse sensitivity effects generated by incompatible uses or development occurring in their proximity that could constrain or inhibit cultural activities expected on a marae. Industrial development undertaken around marae that have existed for decades have compromised culturally significant viewshafts and the enjoyment of normal cultural activities. This policy seeks to avoid these outcomes from occurring.

Table reference: **Objective 25, Methods 1,2, 3 and 18**

### **Policy UG 23B: Providing for the operation and growth of rural production activities**

In providing for the operation and growth of rural production activities, regard should be had to:

- (a) Appropriate plan provisions, including zoning of land,
- (b) Access to and use of resources,
- (c) Transportation and infrastructure requirements, and
- (d) Protection from reverse sensitivity effects.

### **Explanation**

The operation and growth of rural production activities in the Bay of Plenty is important to the region's economy. The use of and access to natural resources (such as land, minerals, soil and water), or physical resources (such as transportation infrastructure) are important factors in providing for the operation and growth of these activities.

Rural production activities often have particular locational and functional requirements in terms of access to resources, relationship to support facilities and the management of environmental effects. It is therefore important that resource use is managed in a manner which recognises and provides for those locational and functional requirements.

Table reference: **Objective 26, Methods 3 and 20**

## Policy UG 24B: Managing reverse sensitivity effects on existing rural production activities in urban areas

Manage reverse sensitivity effects on existing rural production activities located within ~~the urban limits or~~ existing and planned urban zoned areas.

### Explanation

Some existing rural production activities are located within ~~existing and planned~~ urban areas ~~or urban limits~~ (as identified in Appendix E). These activities may be impacted by urban expansion and change that may result in reverse sensitivity effects on them.

Table reference: **Objective 26, Methods 3 and 20**

## Policy UG 25B: Housing bottom lines – Rotorua and western Bay of Plenty sub-region

Provide housing bottom lines for the short-medium term and long term in Rotorua and the western Bay of Plenty sub-region as set out in the table below:

Geographical Area	Housing bottom line		
	Short-medium term 2020-2030	Long-term 2030-2050	30 Year Total 2020-2050 additional
<b>Tauranga City</b>	13,800	17,300	31,100
<b>Western Bay of Plenty District</b>	4,600	2,900	7,500
<b>Total for western Bay sub-region</b>	18,400	20,200	38,600
<b>Rotorua</b>	6,240	3,500	9,740

### Explanation

The National Policy Statement on Urban Development 2020 (NPS-UD) requires short-medium term and long term housing bottom lines to be set for Rotorua and the western Bay of Plenty sub-region urban environments.

The term 'housing bottom lines' means the development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin. The competitiveness margins for both housing and business land are 20% for the short and medium terms and 15% for the long term. The short-medium term means the next 10 years, and the long term means between 10 and 30 years.

These housing bottom lines represent the development that Rotorua Lakes Council, Tauranga City Council and Western Bay of Plenty District Council shall enable through their district plans, structure plans, growth and infrastructure strategies.

Housing bottom lines are the amount of feasible, reasonably expected to be realised development capacity that must be enabled to meet demand, along with a competitiveness margin.

Housing bottom lines should be identified in relevant plans and strategies, and the development infrastructure required to service it must be identified in the relevant Infrastructure Strategy required under the Local Government Act 2002.

Table reference: **Objective 25, Methods 1 and 3**

## 3.2 Methods to implement policies

This section contains the methods for implementing the policies set out in section 3.1. It is divided into two main groups of methods: directive methods and guiding methods to implement the policies.

Under each method the key organisations who will implement the methods are identified. An asterisk \* indicates the lead authority responsible for implementation, if this is designated. The delivery and timing of methods is subject to long-term council community planning and annual plan schedules.

Within section 3.2 the methods are presented in numeric order, although in the summary table below, methods are listed under key topics.

Table 13      *Methods to implement policies.*

Section 3.2: Methods to implement policies		Page
<b>3.2.1: Directive methods</b>		
Method 1: District plan implementation		
Method 3: Resource consents, notices of requirement and when changing, varying, reviewing or replacing plans		
Method 4: Bay of Plenty Regional Land Transport Plan implementation		
Method 13: Develop a roading hierarchy		
<del>Method 14: Monitor and review growth – western Bay of Plenty sub-region</del>		
<del>Method 16: Consider amendments to the urban limits – western Bay of Plenty sub-region</del>		
Method 17: Identify and manage potential effects on infrastructure corridors		
Method 18: Structure plans for land use changes		
Method 19: Provision of infrastructure outside of structure plan areas		
Method 20: Plan provisions enabling efficient operation and growth of rural production activities		
<b>3.2.1: Directive methods</b>		
Method 67: Support rural structure plans		

### 3.2.1 Directive methods

Change 6 note – only those Methods that are amended, deleted or added are shown. All other Methods are not changed.

#### **Method 14: Monitor and review**

##### **growth – western Bay of Plenty sub-region**

Growth patterns within the western Bay of Plenty sub-region shall be regularly monitored and this Statement's provisions relating to urban and rural growth management shall be reviewed in the event that monitoring shows that actual sub-regional growth patterns are or are likely to be such as to render the growth strategy (see Section 2.8) inappropriate. Other triggers for review shall include the occurrence of any one of the following:

- (a) — The population predictions in Figure 9 of the Western Bay of Plenty sub-region Growth Management Strategy (3 May 2004) vary by more than 10% from actual Census figures for all of the growth for the relevant Census period;
- (b) — It can be demonstrated that insufficient land exists within all of the Urban Limits shown on Maps 5 to 15 (Appendix E of this document) to cater for growth anticipated to occur within 10 years of the analysis;
- (c) — It can be demonstrated that exceptional circumstances have arisen in one or more of the management areas shown on Maps 5 to 15 (Appendix E) and a review is necessary to achieve the objectives of this part of the Statement;
- (d) — Any review of the Western Bay of Plenty Sub-region Growth Management Strategy amends the strategy to the extent that the urban and rural growth management objectives, policies and methods are in conflict; and
- (e) — As a result of Method 15 an amendments is required.

*Implementation responsibility: Regional council, city and district councils.*

#### **Method 16: Consider amendments to the urban limits – western Bay of Plenty sub-region**

Amendments to the urban limits shown on Maps 5 to 15 (Appendix E) will be considered only where they:

- (a) — Promote and do not compromise an integrated and sustainable use of infrastructure and services and community facilities such as schools, libraries and public open space;
- (b) — Do not compromise the implementation of the development strategy described in Policy UG 4A;
- (c) — Are consistent with the purpose and principles of the Act;
- (d) — Do not adversely affect marae or papakāinga areas nearby;
- (e) — Meet the review conditions of Method 14 for the subject area;
- (f) — Are triggered by a situation where there is insufficient development capacity in other parts of the sub-region;
- (g) — Are prompted by a situation where the development strategy prescribed in Policy UG 4A has failed in its intended purpose; and
- (h) — Reflect territorial authority decisions on plan changes or structure plans that require minor amendments to the urban limits line.

*Implementation responsibility: Regional council*

#### **Method 18: Structure plans for land use changes**

Prepare structure plans for all large-scale land use changes to ensure:

- Coordinated development through the integrated provision of infrastructure; and
- Integrated management of related environmental effects.

Structure plans shall, as appropriate and applicable:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>(a) Identify land which is to be used or developed for urban purposes,</li> <li>(b) Identify intensification areas,</li> <li>(c) Show proposed land uses, including:             <ul style="list-style-type: none"> <li>(i) Arterial and collector roads, rail and network infrastructure</li> <li>(ii) Residential, commercial and business centres</li> <li>(iii) Schools</li> <li>(iv) Parks</li> <li>(v) Land required for recreation</li> <li>(vi) Land to be reserved or otherwise set aside from development for environmental protection purposes</li> <li>(vii) Appropriate infrastructure corridors</li> <li>(i) Community, health and social service facilities, including those necessary to cater for an ageing population.</li> </ul> </li> <li>(d) In respect of proposed land uses (see (c) above), demonstrate the live-work-play principle to development,</li> <li>(e) <del>Show how the target yields set out in Policy UG 4A will be met;</del></li> <li>(f) Identify all existing and consented, designated or programmed infrastructure and infrastructure corridors,</li> <li>(g) Identify infrastructure requirements, including the provision of and responsibility for that infrastructure,</li> <li>(h) Identify all known contaminated sites that land to be used for urban purposes may contain and show how adverse effects from contaminated land are to be avoided, remedied or mitigated,</li> <li>(ha) Identify all known natural hazards that land to be used for urban purposes may be subject to, or contain, and show how low natural hazard risk is to be maintained or achieved,</li> <li>(i) Identify significant cultural, natural and historic heritage features and values and show how they are to</li> </ul> | <ul style="list-style-type: none"> <li>be protected,</li> <li>(j) Identify significant view shafts to be maintained and enhanced through the avoidance of inappropriate development,</li> <li>(k) Show how any adverse effect of increased stormwater runoff is to be mitigated,</li> <li>(l) Show how other adverse effects on the environment and infrastructure are to be avoided, remedied or mitigated,</li> <li>(m) Show how provision has been made for public transport, cycleways and pedestrian connections,</li> <li>(n) Document consultation undertaken with persons (including tangata whenua) affected by or interested in the proposed land uses, and any response to the views of those consulted,</li> <li>(o) Show how <del>efficient infrastructure servicing the sequencing of urban growth requirements detailed in</del> Policy UG 6A will be achieved,</li> <li>(p) Include Urban Design Plans which:             <ul style="list-style-type: none"> <li>(i) Apply and demonstrate adherence to the New Zealand Urban Design Protocol (March 2005) Key Urban Design Qualities,</li> <li>(ii) Outline the urban design objective and rationale,</li> <li>(iii) Provide an analysis of context,</li> <li>(iv) Provide a site analysis, and</li> <li>(v) State design outcomes for the proposed development.</li> </ul> </li> </ul> |
|--|--|
- “As appropriate and applicable” is intended to allow the content of a structure plan to be tailored to the nature and scope of the development proposal to which it relates and, to give effect to this Method, District plans can identify methods for assessing which of the above matters must be addressed, in light of the particular scope of the proposed land use change and its environmental effects.
- Implementation responsibility: Regional council, city and district councils.*

### 3.2.2 Guiding methods

#### Method 67: Support rural structure plans

Support the development of rural structure plans for rural areas outside the urban limits or existing and planned urban zone areas that are subject to growth pressure.

*Implementation: Regional council and city and district councils.*

## Appendix A – Definitions

Change 6 note – only those definitions that are amended, deleted or added are shown. All other definitions are not changed.

Terms are not included if they are:

- defined in the Resource Management Act 1991 or other commonly used Acts,
- the usual dictionary meaning,
- referred to only in the explanatory text, not the policies, and
- referred to in National Policy Statements.

**Business land:** Areas of land used or zoned for commercial or industrial activities and includes areas shown in Appendix C.

...

**Existing urban area:** Those existing developed urban zoned areas reticulated with wastewater and water supply infrastructure that are outside of the greenfield development growth area.

**Urban limits:** The outer extent of the areas (shown on Maps 5 to 15 in Appendix E) which urban activities are located or which are committed for future urban expansion.

## Appendix C – Indicative growth area timing and business land provision

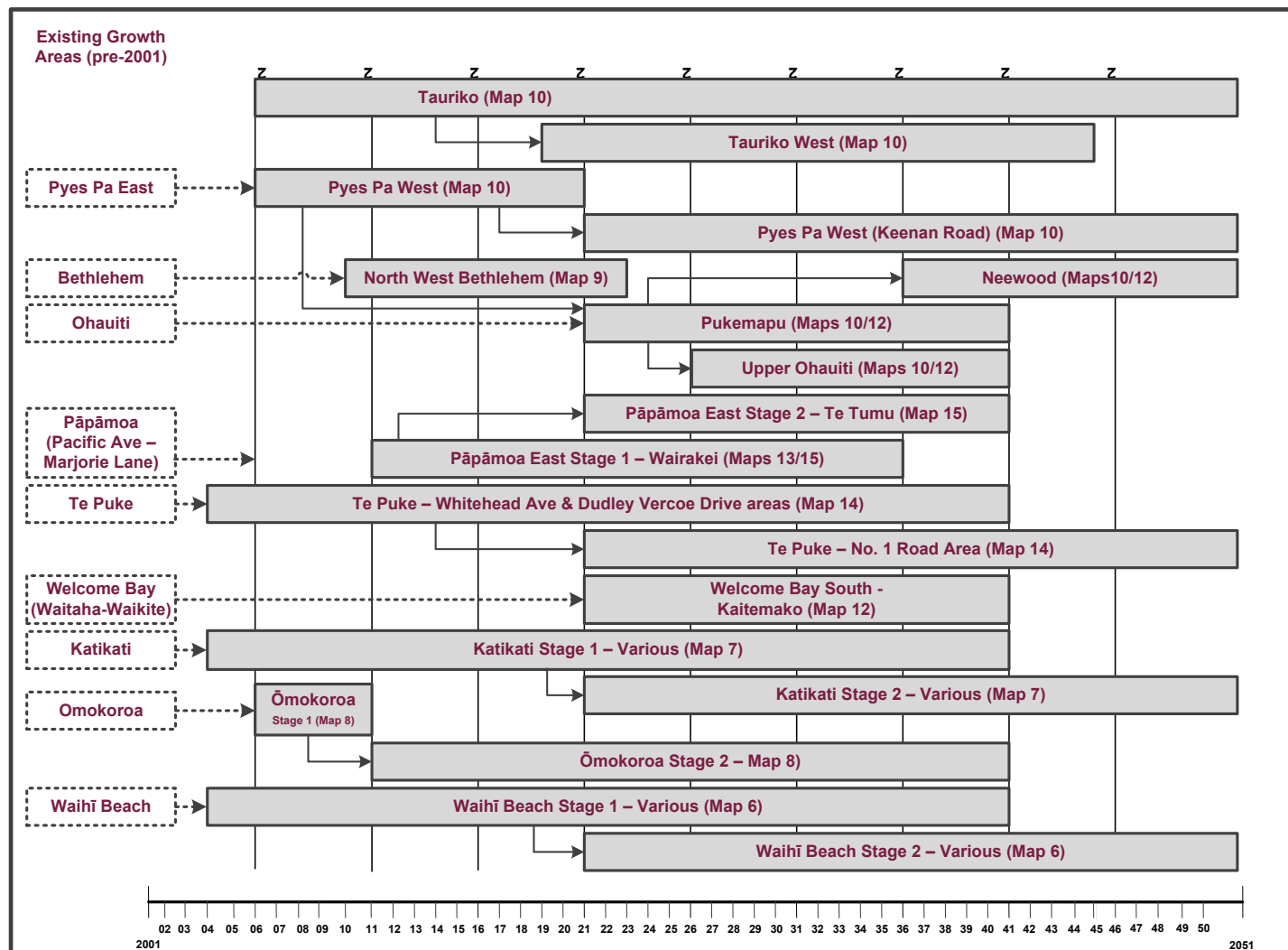
Table 17 – Indicative growth area timing and business land provision table.

Management area	Growth Area	Development begins	For residential growth area development estimated capacity reached by	Provision of approximately 1000 ha not for large-scale business land
Waihi Beach	Stage 1 (various) Stage 2 (various)	Underway 2021	2041	Business land is provided at Waihi Beach through the Emerton Road Industrial Zone.
Katikati	Stage 1 (various) Stage 2 (various)	Underway 2021	2041	Existing business land and developments contiguous to it will provide for the needs of this community.
Ōmokoroa	Stage 1 Stage 2	2006 2011	2011 2041	Business land has been provided as part of Ōmokoroa Stage 2.
Tauranga West	North-west Bethlehem Tauriko Tauriko West	2010 Underway 2019	  2045	New business land is located at Tauriko.
Tauranga Central	Infill/intensification Pyes Pa West Pyes Pa West (Keenan Rd) Pukemapu Neewood	2006 2006 2021 2021 2036	Unknown 2021  2041	Existing business land and developments contiguous to it will serve the Tauranga Central area.
Tauranga South	Welcome Bay South (Kaitemake) Upper Ohauti	2021  2026	2041  2041	
Mount Maunganui	Infill/Intensification	2006	Unknown	
Papāmoa	Pāpāmoa East Stage 1 Pāpāmoa East Stage 2	2011 2021	2036 2041	The start date of 2021 for development in Pāpāmoa East Stage 2 is for residential development only. Developments that are predominantly non-residential in character may start before 2021. Any developments at Pāpāmoa East Stage 2 shall be subject to consideration of Policies UG 6A and UG 10B.
To Puke	Dudley Vercoe Drive and Whitehead Ave areas No. 1 Road area	Underway  2021	2041	Business land will be provided at To Puke to support the local community.
Paengaroa	Rangioru	2007		Rangioru business park.



## Appendix D – Indicative growth area sequencing

**Diagram 1: Indicative growth area sequencing** Change 6 Note - For clarity the box below is deleted





## **Appendix E – Management and Growth areas for the western Bay of Plenty**

**Change 6 Note - For clarity Maps 4A to 15 (inclusive) are deleted**

Map 4A — Management areas

Map 5 — Index to Growth area Maps 6-15

Map 6 — Waihi Beach and Bowentown

Map 7 — Katikati

Map 8 — Ōmokoroa

Map 9 — Bethlehem

Map 10 — Tauranga Central — Pyes Pā

Map 11 — Mount Maunganui

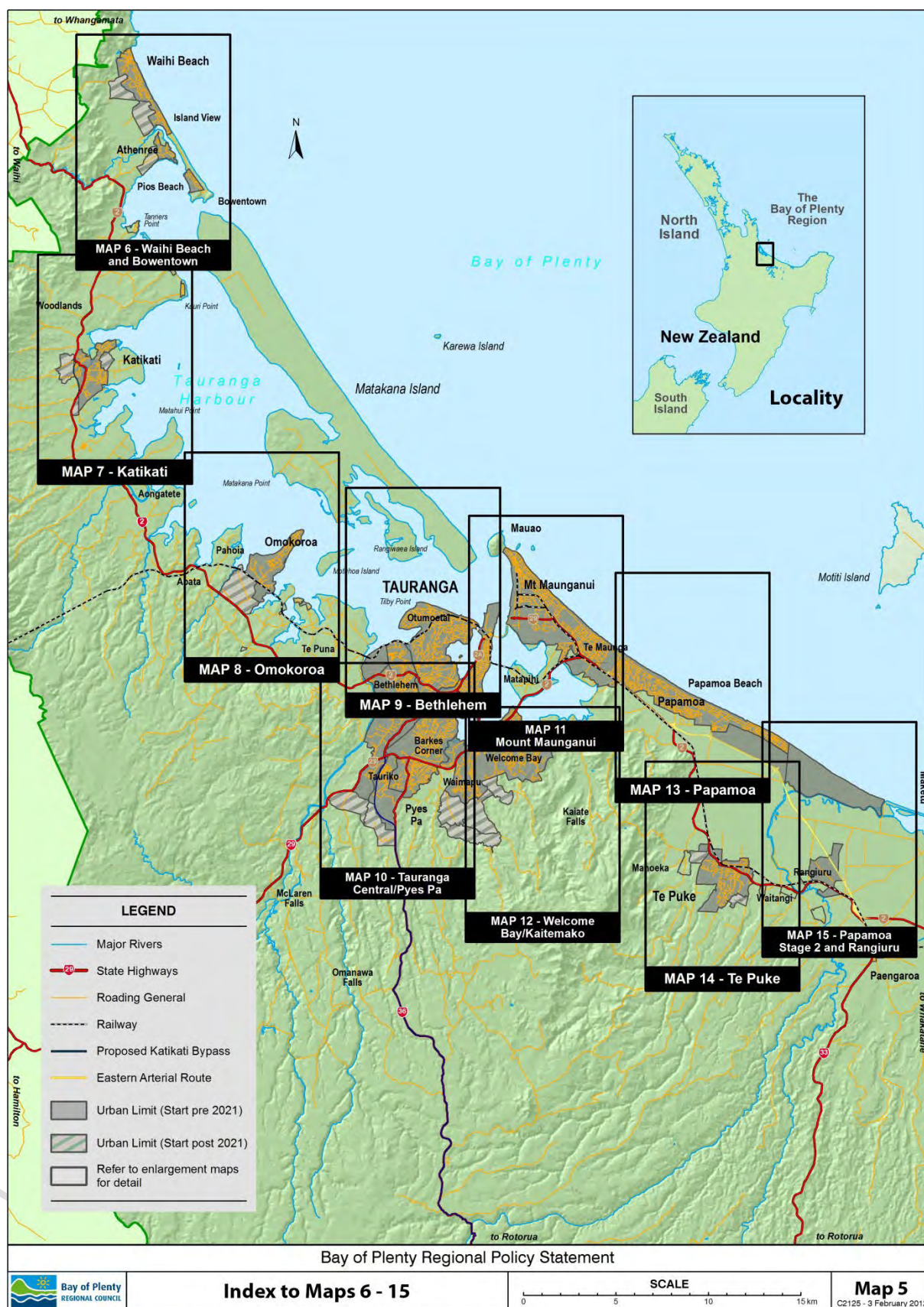
Map 12 — Welcome Bay

Map 13 — Pāpāmoa

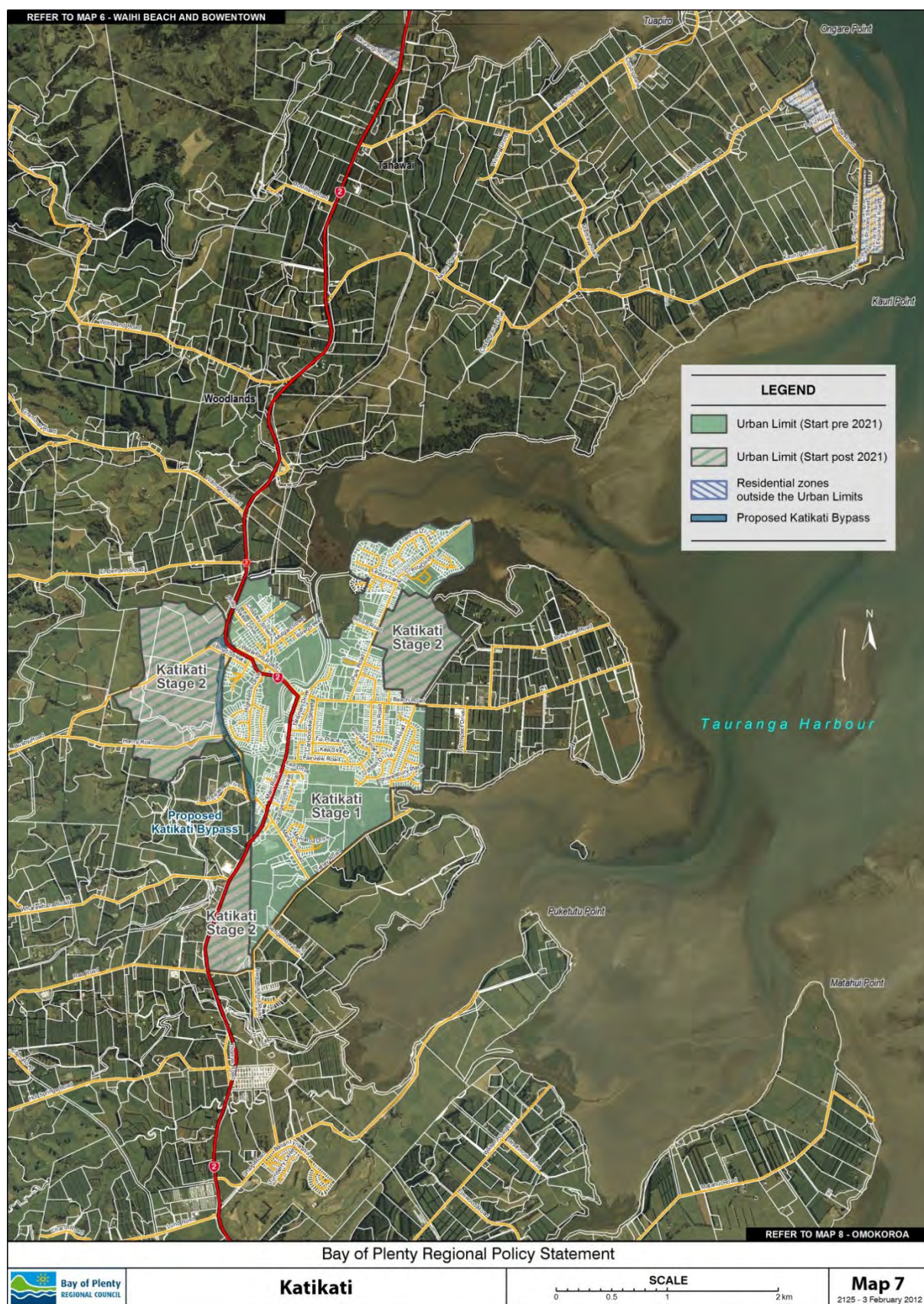
Map 14 — Te Puke

Map 15 — Pāpāmoa Part 2 and Rangiuru



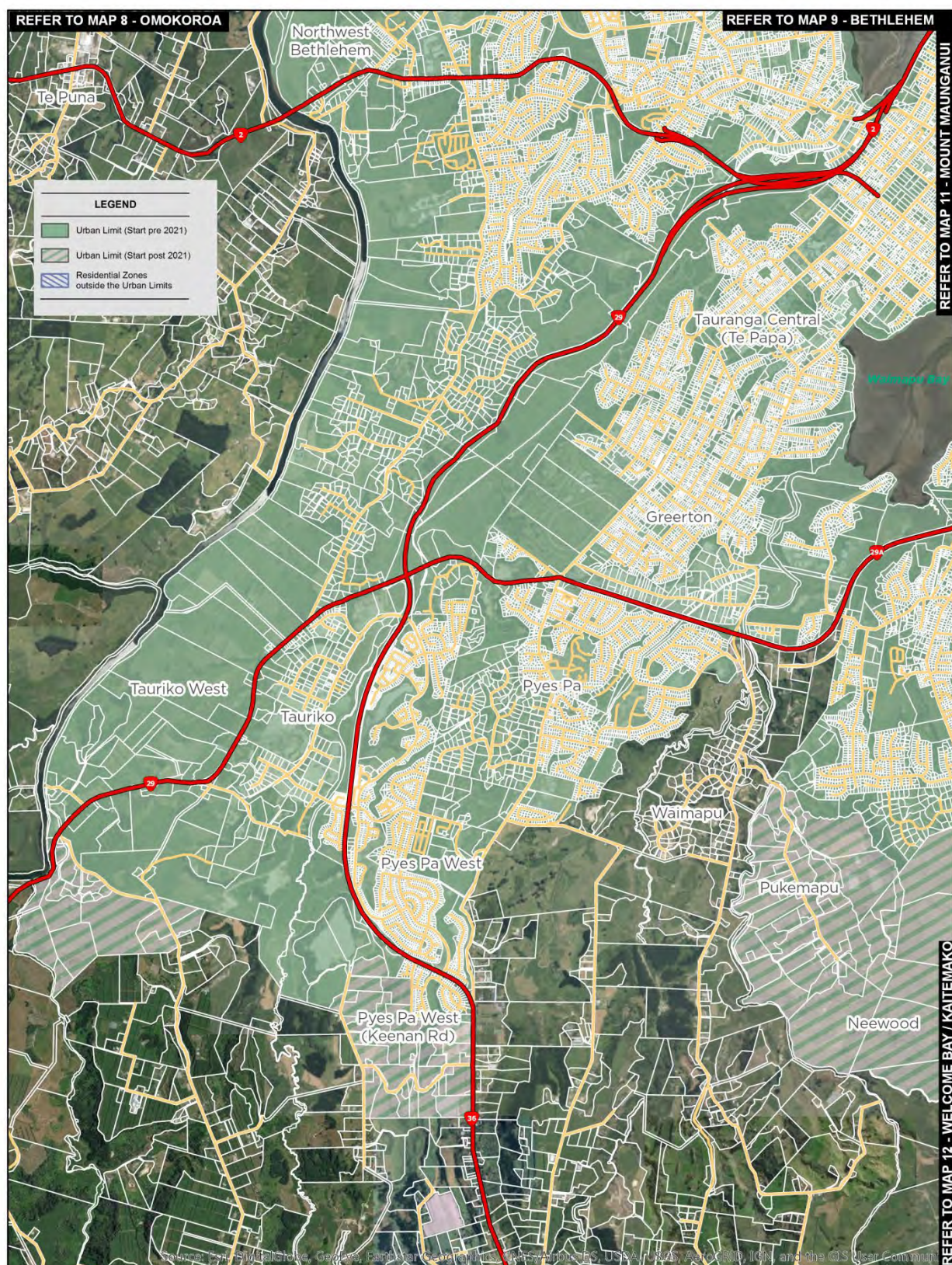




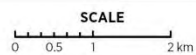








Bay of Plenty Regional Policy Statement

**Tauranga Central - Pyes Pa**

**Map 10**  
C2125 - 23 July 2018



