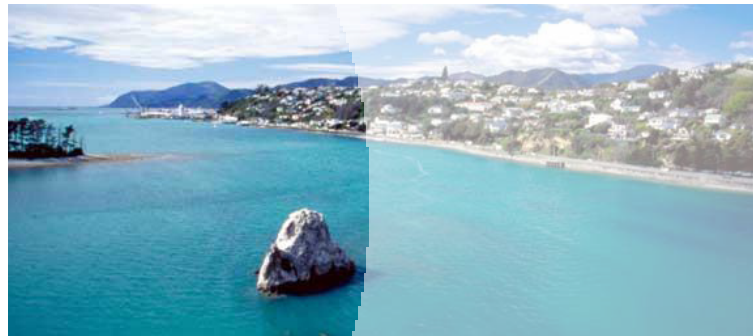




# NELSON PLAN: GROWTH & DEVELOPMENT

PLANNING AND GROWTH MANAGEMENT  
ANALYSIS AND RECOMMENDATIONS



**PREPARED FOR/** NELSON CITY COUNCIL  
**PREPARED BY/** THE PROPERTY GROUP  
**DATE/** NOVEMBER 2014

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# EXECUTIVE SUMMARY



# **EXECUTIVE SUMMARY**

## **INTRODUCTION**

Nelson City Council (“Council”) has engaged The Property Group Limited (“TPG”) to assist with its growth and development workstream. Council is currently drafting its “Nelson Plan”, a second generation resource management plan, and a 30 year infrastructure strategy.

Council’s current growth management strategy – the Nelson Urban Growth Strategy (“NUGS”) – was adopted in 2006 and is now out of date. Since that time Council and neighbouring Tasman District Council (“TDC”) have undertaken a number of urban planning studies and there has also been significant growth and change in both districts. Against this background Council is bringing this work together to create a clear and current context for future planning.

This study undertaken by TPG brings relevant and recent work together into one, easy to read document. It also includes primary research to address identified gaps in the research base. This includes:

- Residential land and dwelling supply and demand factors.
- Refreshing commercial and industrial demand factors.
- High level spatial analysis.
- Assessments of residential development capacity in identified growth areas

## **STUDY FOCUS**

In essence the study comes down to the following:

1. Managing the three major urban land uses:
  - Residential.
  - Commercial.
  - Industrial.
2. Promoting solutions for case study / strategic sites including identifying areas needing specific investigation.
3. Putting the above into a coherent, market responsive planning and growth management framework.

## **NATIONAL PLANNING CONTEXT**

Nationally planning and growth management is going through an interesting phase. This includes:

- Pressures from post GFC financial constraints.
- A drive from central government to deliver “more for less”.
- Emphasis on housing affordability (including newly enacted “housing accords”).
- Increased awareness of natural hazards.
- Reform of the Resource Management Act (“RMA”) and Local Government Act (“LGA”).

## **NELSON DEMOGRAPHIC AND PROPERTY MARKET TRENDS**

Nelson City (and neighbouring Tasman District) are in the fortunate position of having experienced steady population and household growth over recent years. This is forecast to continue and provides Council with an opportunity to shape growth for the benefit of all Nelsonians.

In the period from 2001 to 2013 Nelson City grew by approximately 5,000 people to 46,437, representing an increase of approximately 12%. In the same period neighbouring Tasman District grew by approximately 5,800 people to 47,157, representing an increase of approximately 14%. Taken together the two local authority areas comprise the broader Nelson - Richmond urban area. More recent trends and associated analysis by Statistics New Zealand suggests that Nelson City is likely to grow at a faster rate than Tasman over the short – medium term, though this does not derogate from the need for the two local authorities to work together and plan for growth “regionally”.

The distinguishing feature of Nelson City’s population is that it is older than the New Zealand median age (42.5 years vs 38 years annually). Projections are for a further “bulge” to emerge in the 50 – 70 year age bracket over the next 10 – 15 years.

The City’s residential property market has experienced lower value price growth than the New Zealand average in recent years, though noting that the New Zealand average is somewhat distorted by the Auckland and Christchurch markets. Assuming no “economic shocks” and growth in line with projections long-term, steady price growth trends can be expected to continue. Currently the majority of dwellings sold in the City range between \$350,000 and \$550,000, slightly higher than that for Tasman.

In terms of affordability Nelson’s median house price is 6.4 times the median household income. According to government this places the City in the “severely unaffordable” category alongside the likes of Auckland (8.0), Christchurch City (5.8), Tauranga-Western Bay of Plenty (5.9) and Queenstown Lakes (8.6). For this reason government has expressed an interest in establishing a Housing Accord with Council.

Nelson’s retail market has continued to evolve in line with its population growth, upgrading of infrastructure (particularly transport routes), and availability of development sites. A significant proportion of retail growth has occurred in Stoke and neighbouring Richmond, reflecting the population growth there. Retail growth in Richmond has been particularly vigorous but not to the extent of having a materially detrimental effect on retail provision and viability in Nelson.

In the office and commercial property market Nelson will face challenges similar to other similar sized New Zealand centres. The economic reforms of the 1980s and 90s combined with technological changes and the way businesses operate has reduced demand for office / commercial space. We estimate there is approximately 100,000m<sup>2</sup> of office space in Nelson, with the majority of this located in the central city. Approximately 13,000m<sup>2</sup> (13%) of this is vacant and likely to be concentrated in older buildings requiring strengthening or improvement to modern standards to attract tenants.



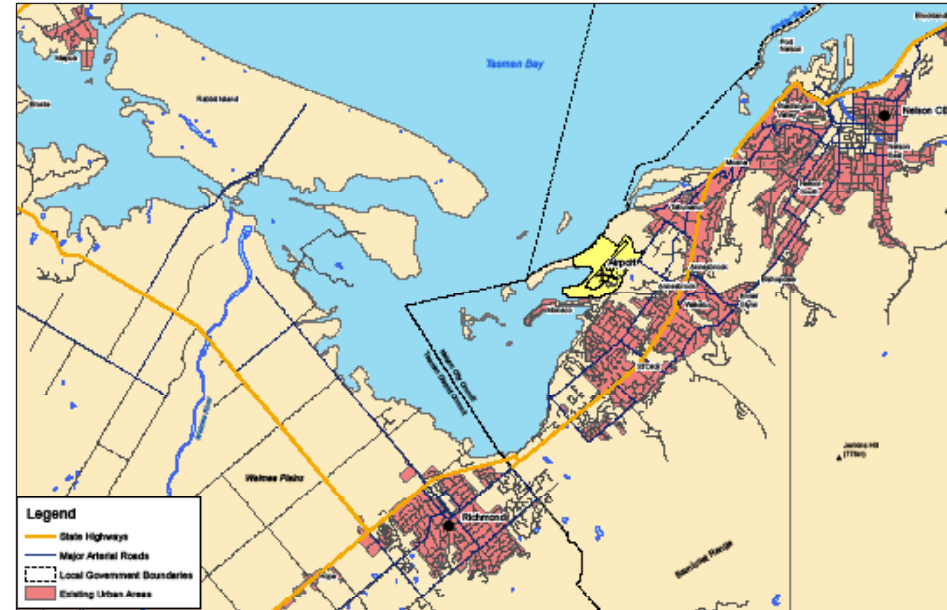
## KEY ISSUES AND CHALLENGES FOR NELSON

**Physical setting** – Nelson sits in a dramatic physical setting between the coastal fringe and ranges. The city has developed in a linear form between these key features and has a rich Māori and European history. Our overall assessment is that the dramatic physical setting allied to its mature, functional settlement pattern and infrastructure present favourable conditions for a vibrant, growing city.

**Coastal and lifestyle factors** – Nelson has long been renowned as a lifestyle destination, combining an enviable climate with its scenic coastal setting. For these reasons Nelson is currently attracting domestic and international inward migration, also a factor in its older population profile.

**Steady growth** - Nelson’s steady household and population growth is documented above. This creates a platform for positive change of the urban environment, in line with the needs of the population over time. This growth should not be taken for granted, many New Zealand urban centres of similar sizes are experiencing population stagnancy or even decline.

**An older and ageing population** – Nelson’s older population is its distinguishing demographic feature. With further growth in the 50 – 70 year age bracket expected in the coming years Council must embrace the challenges this presents. Foremost among these challenges is the need to meet the living requirements of this cohort. Their presence is likely to drive demand for smaller, more compact and lower maintenance housing types and it is important the Council’s planning and policy settings provide for this.



**Managing the relationship with Tasman District Council** – The Nelson urban area stretches over the local body boundary in the southwest and into Tasman District. The Richmond area (Tasman District) forms part of the functional Nelson urban area and therefore a close working relationship with TDC is essential to ensure integrated and effective urban growth management over time. This approach should also apply to current discussions with government and TDC regarding a local Housing Accord.

# **EXECUTIVE SUMMARY**

**Consolidating the urban structure** – Nelson has a sound urban structure and suite of working infrastructure – including the sea port and airport. This creates a firm foundation for future growth. We believe this should have a primary focus on consolidation in response to demographic change and a likely, associated demand for smaller, lower maintenance housing types. Successfully achieving this will require Council to make policy changes and play an active role in urban development in the City, going beyond the passive, market led role that most New Zealand local authorities play.

**Housing choice and affordability** – international research is clear that housing choice and affordability are essential to functioning communities. This is currently a focus for government through its programme of housing accords. Nelson’s housing is currently expensive as gauged by the ratio of household incomes to house prices and the housing stock is dominated by stand alone dwellings on fee simple titles. Maintaining an affordable housing stock in to the future will require a reasonable forward supply of land (so as not to inflate land values) and dynamic planning settings which promote compact, affordable housing. To play a full role in achieving this Council needs to consider the full suite of tools at its disposal including financial levers (e.g. innovative approaches to development contributions); partnership with government through a housing accord; demonstration projects and partnership with the private development sector and land assembly.

**Ensuring greenfield development opportunities remain available** - “easy” greenfield development opportunities in the City have become depleted over time, with flat land relatively scarce. Whilst we see compact housing becoming more prevalent in the City over time, maintaining opportunities for greenfield housing remains important as part

of an overall picture of housing choice. Notwithstanding, greenfield land provision needs to be considered in the wider picture to avoid oversupply - TDC has been active in providing greenfield development opportunities in the Richmond area.

**Creating “real” brownfield and compact housing development opportunities** - brownfield development will play a bigger role in accommodating growth in Nelson into the future. However, brownfield land development is often beset by challenges not experienced in the greenfields including land fragmentation; conservative planning rules; reverse sensitivity and (sometimes) community opposition. Council needs to ensure that these do not present insurmountable obstacles to desirable consolidation of the city and should be considering a broad suite of tools to ensure genuine redevelopment opportunities exist into the future (see housing choice and affordability above).

**Maximising central city potential** – Nelson’s central city is the commercial centre of the region and has significant potential to play an even greater role into the future. However, this will not come without challenges including overcoming issues like fragmented ownership and earthquake prone buildings. We believe that Council has a lead role to play in the central city maximising its potential and that focus should remain on focusing new development (commercial and residential) into the existing zoned area.

## **PLANNING APPROACH**

Council's overall growth management approach needs to be drawn directly from the key issues and challenges identified for the city. We recommend that this approach be underpinned by five key elements:

### **1. Using a full range of levers**

Council has a wide range of "levers" at its disposal to influence urban growth in the City, some of which are often not used. We recommend consideration be given to a more strategic and broad based approach using the following levers:

#### **Regulatory**

- Zoning controls
- Bylaws

#### **Public investment**

- Council infrastructure investment
- Council public realm investment
- Council investment in community facilities

#### **Financial**

- Development contributions (remissions, reductions, deferred payment)
- Rates (remissions, reductions, deferred payment)

## **Development facilitation**

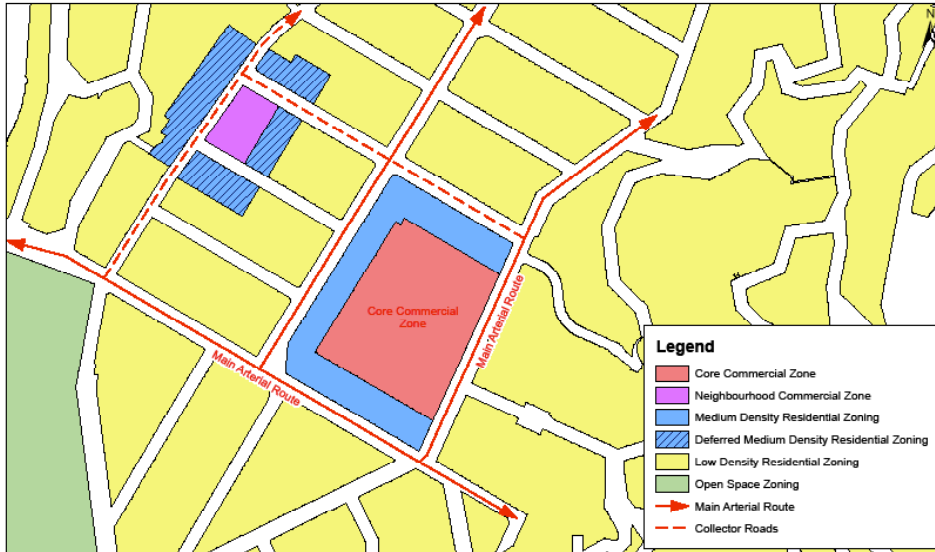
- Development advocacy
- Land assembly
- Council demonstration projects
- Development partnerships
- Streamlined planning processes (including potential Housing Accord)

### **2. Disciplined zoning strategy**

As part of the Nelson Plan development we recommend that Council identify areas for intensification and it is important that these areas also present the right market conditions for intensification to occur as well as sound planning principles (proximity to services and amenity). Essentially this is about aligning planning with the market to promote intensification in areas where it "will actually work". In addition we recommend a second tier of "deferred zonings" where intensification policies and rules will be implemented in 10 – 15 years' time. These deferred zonings will provide a clear signal of Council's future intentions and enable the private development market to begin assembling properties (valuable "lead in" time).



# EXECUTIVE SUMMARY



### 3. Embracing the waterfront

Nelson’s waterfront presents a genuine “point of difference” but its potential is currently underutilised because it is cut off from the main urban area by State Highway 6. We believe a stronger connection from Trafalgar Street to the waterfront / marina and further consideration of the Rocks Road improved cycle / foot path could be effective in improving the city / waterfront connection.

### 4. Diversifying the Central City

Diversifying activity within the central city will play a key role in its future success. The primary opportunity lies in increasing the level of residential activity to breathe “24/7” life into the area and create a stronger demand for more commercial activities.

### 5. Taking an active approach to housing affordability

Consistent with “using a full range of levers” we believe Council can play a critical role in ensuring a forward supply of affordable housing in the city. Key actions could include:

- Planning rules which enable density / economic development yields.
- Maintaining a 10 – 15 year forward supply of developable land.
- Proactively providing infrastructure to ensure that land supply is “real”.
- Strategic remission of development contributions to encourage development.
- Deferral of rates and development contributions levies to ease financial pressures in the development supply chain.
- Land assembly and development partnerships with the private sector.
- Prioritising provision of supporting infrastructure.

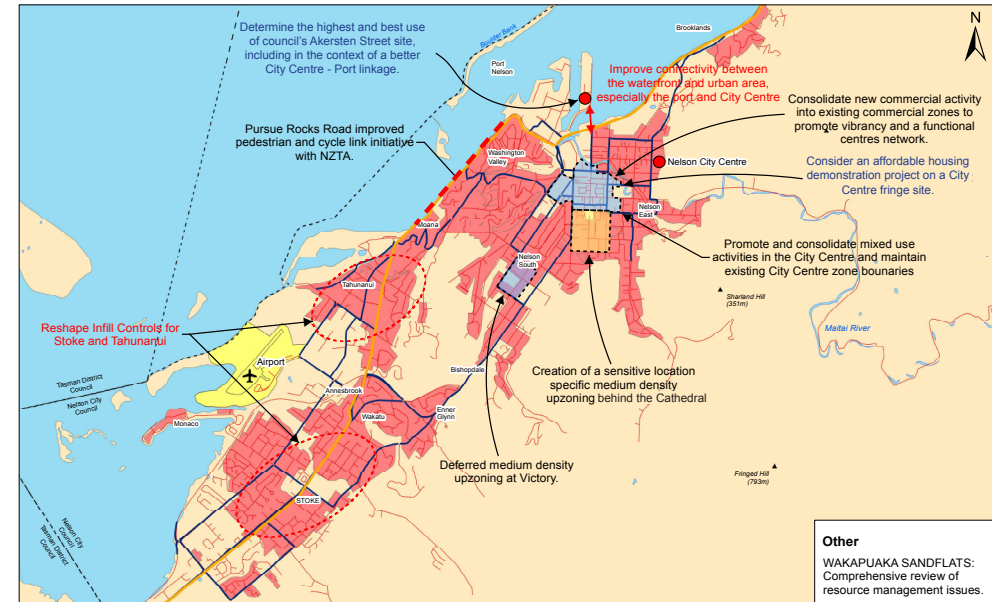
# EXECUTIVE SUMMARY

## CASE STUDIES AND INITIATIVES

This section sets out specific, place based initiatives developed directly from the analysis and as identified by Council.

**Victory** – areas surrounding Victory Square present potential for medium density housing /intensification but this density is not currently provided for in the NRMP rules. There are also other obstacles to development, including land fragmentation and low values. Implementing a deferred zoning would allow Council to monitor market interest over the next 10 – 15 years, and if genuinely interested, Council could stimulate market interest through more active intervention such as development partnership, land assembly and a demonstration project. If a more active approach was pursued by Council we estimate an additional 200 dwellings could be delivered in this area over the next 30 years. This requires further, specific investigation to be validated.

**Lower density area behind the Cathedral** – this area is a desirable, high amenity residential area in close proximity to the Central City. It is characterised by low density development, currently protected by subdivision and density controls in the NRMP. We believe there is potential for meaningful intensification of the area but we are also mindful of the character and amenity of this area, and the likely unique role it plays in providing high-end housing close to the Central City (potentially a valuable resource for attracting professionals to Nelson). For this reason we recommend a fine grained analysis of the area, but based on a conservative approach to intensification, we believe the area could accommodate an additional 250 dwellings over the next 30 years.



**City Centre and Fringe Zones** – we recommend that Council maintains the existing spatial limits of the City Centre and Fringe Zones as a means of concentrating new development into a defined area. We believe expansion of the zones could dilute activity and land values and have a detrimental effect on the area. We see new residential activity as a key contributor to the areas future and believe that an active, broad based Council approach (including appropriate planning policy and development advocacy) could result in excess of 500 new dwellings within the existing zonings over the next 30 years.

**Stoke and Tahunanui** – Stoke and Tahunanui are two of Nelson’s larger suburbs and are projected to accommodate a large proportion of the City’s growth in the medium – long term future (approximately 3,000 new dwellings over the next 30 years). Whilst there is some greenfield land in the Stoke area, much of this development will have to be accommodated in the existing suburban areas and we believe much of this will need to be delivered through infill and intensification, and in this regard we recommend changes to the NRMP to enable this type of development to occur more easily.

**Hira and Wakapuaka Sand Flats** – Council has previously purchased land for reserve purposes at Hira with a view to a future rural satellite village. Consideration should be given to structured disposal of this land to free up capital for other initiatives identified in this report. The Wakapuaka sand flats present a range of resource management issues, including an emerging aquaculture hub; the original reclamation of the estuary; farming activities and ecological restoration initiatives. We recommend that Council considers these matters roundly with a view to establishing an appropriate, area specific resource management framework.

**Akersten Street** – Council owns a strategic site in Akersten Street, Port Nelson, adjoining the marina. There has been various approaches from private sector developers and businesses over the years to purchase the site due to its high profile and amenity characteristics. There are also some constraints to the development of the site including its proximity to operational port activities and associated noise. We believe this site has significant potential to enliven the waterfront and encourage movement between the port and central city. We recommend that Council develop a set of criteria for the site’s development and run a competitive procurement process with a view to identifying a preferred use and partner for the site’s development.

**Trafalgar Street – Port connection** - a direct visual and physical connection along Trafalgar Street connecting with Akersten Street (almost a direct line) in the vicinity of the marina has potential to add vibrancy to the waterfront and is consistent with the approach of Nelson embracing its waterfront. Further, a vibrant node of activity on Akersten Street has the potential to contribute movement back in to the central city (also see our recommendations about Council’s Akersten Street site). Direct visual connection is desirable but may not be possible due to grade separation, however, ease of access will be critical. Although we are not fixed on whether this access would include provision for vehicles we note the success of Wellington’s “city-to-sea” bridge in creating a seamless pedestrian transition between the waterfront and central city (over a major arterial road).

**Affordable housing demonstration projects** - We believe there is benefit in Council being actively involved in an affordable housing demonstration project to demonstrate the development market that compact, functional housing can be developed and delivered to the Nelson market at affordable levels. The financial risks associated with direct involvement can be mitigated through the following means:

- Choosing market attractive locations.
- Maintaining strict commercial disciplines.
- Keeping the delivery of the project at arms’ length from political decision making.
- Procuring a private sector development partner to share the risk of the project.
- Recycling capital and ring-fencing funding through sell down of other assets (e.g. land at Hira, Akerston Street).

We think that a CBD fringe location would be an appropriate location for the first project as it would place the development in close proximity to a broad range of services and adequate underlying land value to make the project financially feasible. With the objective of the project being to demonstrate the benefits and feasibility of affordable housing development in Nelson, we see this project as part of a discrete programme of demonstration projects (probably 2 or 3 maximum).

**Tahunanui** - Tahunanui presents an interesting prospect in terms of medium density zoning around the existing commercial village, which lacks any real clear structure in terms of set out and is constrained by the existing main highway. There is potentially value in taking a structured approach to development of this area and we suggest it be investigated as a discrete project.

**Waterfront ribbon development** - Wakefield Quay is an important access route between the City Centre and Port and is one of Nelson's most highly sought after locations due to its high amenity values and water front views. However, this is complicated by land scarcity and high development costs due to topographical constraints and small building platforms which make any form of development expensive to execute. There is potential for an integrated renewal programme that could include the Rocks Road improved cycle / foot path and planned redevelopment of the existing port buildings held by Council (including a potential EOI process) We believe there is significant potential for residential development similar to that which has already emerged in the area.



SECTION ONE:  
**CONTEXT**





# CONTEXT

## 1. CONTEXT

### 1.1 STUDY BACKGROUND

Nelson City Council ("Council") has engaged The Property Group Limited ("TPG") to assist with its growth and development workstream.

Council is currently drafting a "Nelson Plan" which is a second generation, combined regional policy statement, district, regional and coastal plan. Council's intention is to notify the Nelson Plan by September 2016.

Council is also preparing a 30 year Infrastructure Strategy to inform its asset management, long term planning and development contributions policy, all being concurrently drafted for consultation in early to mid-2015.

The last growth strategy produced for Nelson was the Nelson Urban Growth Strategy ("NUGS") (2006) which is now well out of date. A number of commercial (predominantly retail) and industrial assessments have been undertaken by Council and neighbouring Tasman District Council ("TDC") since that time, and significant development has also occurred in both districts. Council has also undertaken some recent work on population projections and demographics.

This study includes additional work and synthesises this previous work into one, easy to read document. Key focus areas for this study where Council require additional inputs includes:

- Residential supply and demand factors.
- Collate and refresh commercial and industrial demand factors.
- High level spatial analysis to inform the Nelson Plan and Infrastructure Strategy.
- Development capacity in identified growth areas.





## **1.2 OUR METHODOLOGY AND UTILISING COUNCIL'S STUDY LIBRARY**

The studies and strategies developed by Council and TDC in recent years have created a set of “touchstone” documents for understanding urban growth dynamics and planning issues in the Nelson – Richmond urban area. We have drawn on these documents in a deliberate effort to harness benefits of work already completed. Other key tasks and elements in our study methodology have been:

- High level analysis of growth and growth trends.
- High level analysis of residential, commercial and industrial market demand.
- High level spatial analysis of the City.
- Structured feedback from Council staff and local estate agents.
- Broad scale “ground survey” of the City.
- Visits to key sites and Council owned land.
- Application of sound, market informed planning advice to the local Nelson context.

We completed a broad ground survey of the whole city to identify all potential locations for targeted growth. Where growth areas have been identified there is a requirement in some cases to complete specific investigations to fully articulate growth potential and development capacity.

## **1.3 STUDY FOCUS AND OBJECTIVES**

In essence the study comes down to the following:

1. Managing the three major urban land uses:

- Residential;
- Commercial;
- Industrial.

2. Promoting solutions for identified case study/strategic sites including identification of issues and opportunities requiring further investigation.

3. Putting the above into a coherent, market responsive planning and growth management framework.

## 1.4 NATIONAL PLANNING CONTEXT

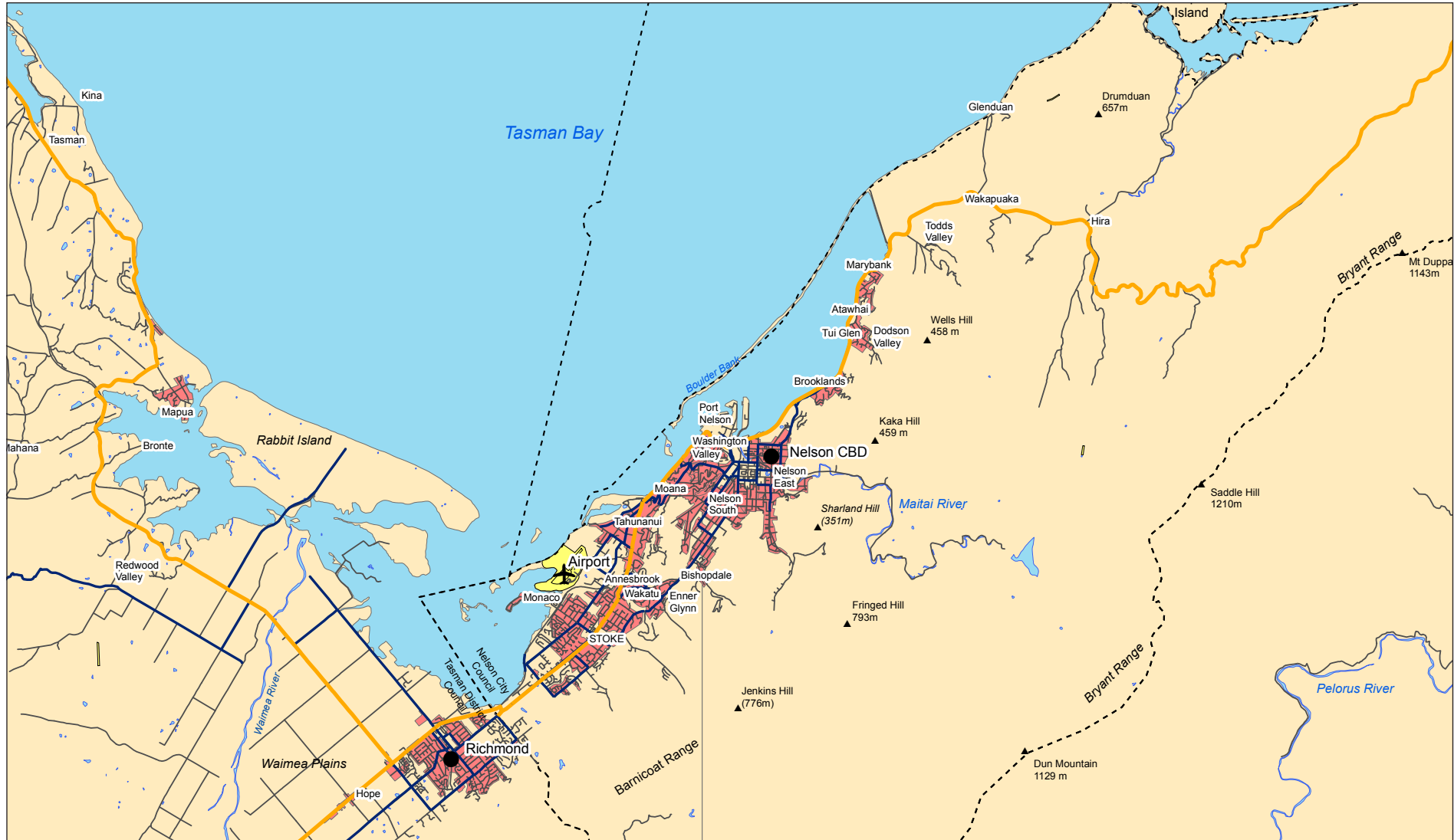
Nationally planning and growth management is at an interesting point in its evolution. Key driving factors include:

- Post GFC financial constraints.
- An associated drive from central government to deliver “more for less”.
- Increased emphasis on housing affordability.
- Increased awareness of natural hazard threats following the Canterbury earthquakes.
- RMA and LGA legislative reform.
- Housing Accords and Special Housing Areas Act (HASHAA) and associated Housing Accords.

It is important to interpret and apply these factors in a Nelson specific manner. National media tends to focus on planning and growth issues in the “main centres” (Auckland, Wellington, Christchurch), and particularly in Auckland. Some of the issues covered are not relevant to smaller urban areas and it is critical to ensure that Nelson’s growth management response corresponds to local issues and positions for Nelson to succeed in an ever changing landscape.



# CONTEXT





SECTION TWO:  
**NELSON DEMOGRAPHIC  
AND PROPERTY MARKET  
TRENDS**





**2. NELSON DEMOGRAPHIC AND PROPERTY MARKET TRENDS**

In this section we set out findings from our high level, primary review of Nelson’s demographic and property market trends. This provides a basis and context for subsequent sections of the report.

**2.1 DEMOGRAPHIC TRENDS AND OUTLOOK**

Nelson and Tasman regions have been among the strongest growing areas of the South Island over the last decade. The area’s population has increased and it has continued to attract inward migration from the Canterbury and Wellington Regions. Table 1 below presents Nelson City’s and Tasman District’s population growth between the 2001 and 2013 censuses.

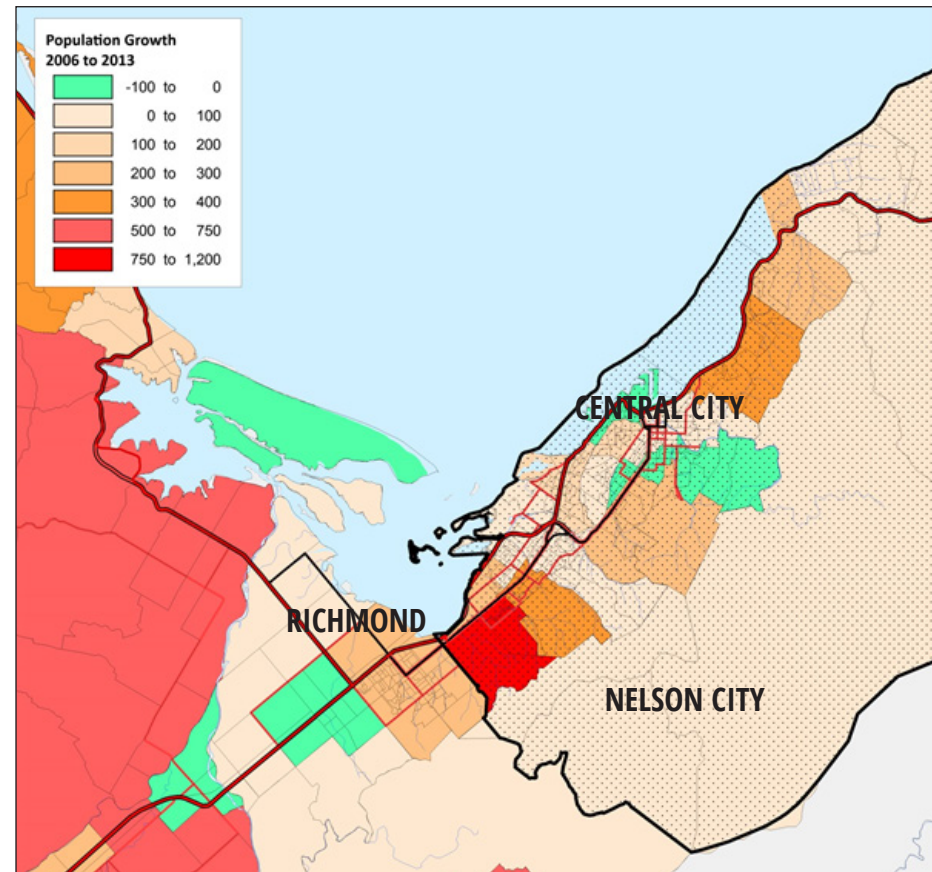
**Table 1:**

	NELSON CITY			TASMAN DISTRICT		
	POPULATION	CHANGE	% CHANGE	POPULATION	CHANGE	% CHANGE
2001	41,568			41,352		
2006	42,888	1,320	3.2%	44,625	3,273	7.9%
2013	46,437	3,549	8.3%	47,157	2,532	5.7%

Source: Statistics New Zealand

Over the last 12 years Nelson’s population has increased by 4,869 (or 12%) and Tasman’s population increased by 5,805 or (14%) over the same time period. The distribution of the growth has not been even. Figure 1 presents the population growth between 2006 and 2013 in Nelson and Tasman by area unit.

**Figure 1.**



The strongest population growth has been in the southern part of Nelson and in Tasman. These areas population is expected to continue to increase.

Table 2 presents Statistics New Zealand’s population projections for Nelson City and Tasman District.

Tasman is expected to grow at a faster rate than Nelson over the next decade. Under the medium growth scenario Nelson’s population is expected to increase by 2,400 between 2011 and 2021 while Tasman’s population is expected to increase by 3,200 over the same time period.

**Clarification:**

Please note Statistics New Zealand has not updated the population projections since the 2013 census. However, it has considered the trends between the 2006 and 2013 census and published advice to assist users of the data. Their advice relating to Nelson is to use the high growth scenario between 2016 and 2021 and medium to high growth between 2021 and 2031. Their advice relating to Tasman is that the medium growth scenario is appropriate between 2016 and 2031.

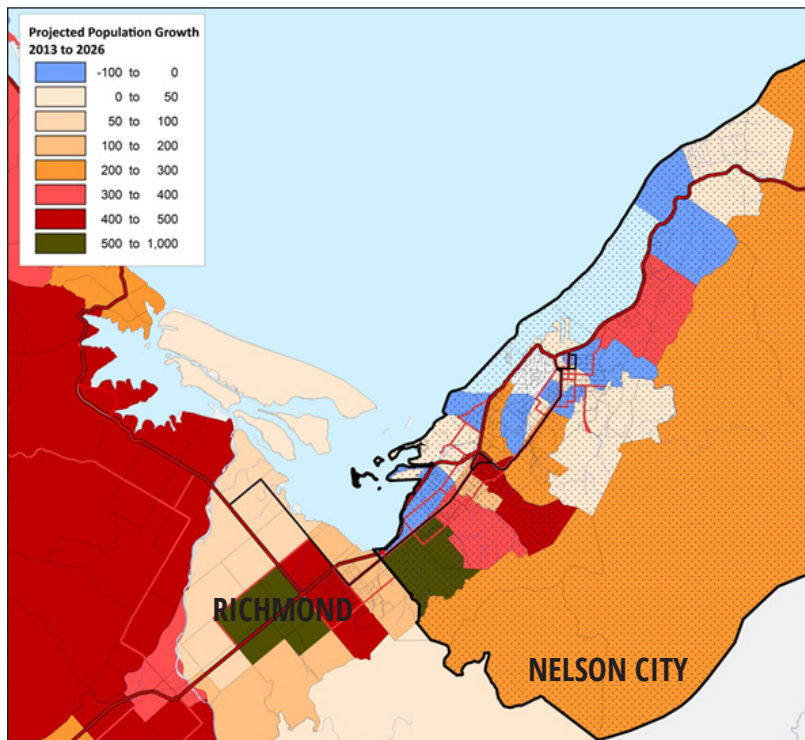
**Table 2: Nelson City and Tasman District Population Projections 2006 to 2013**

	LOW		MEDIUM		HIGH	
	NO	CHGE	NO	CHGE	NO	CHGE
<b>NELSON CITY</b>						
2006	44,300		44,300		44,300	
2011	44,700	400	45,900	1,600	47,100	2,800
2016	44,600	-100	47,200	1,300	49,800	2,700
2021	44,100	-500	48,300	1,100	52,500	2,700
2026	43,300	-800	49,200	900	55,200	2,700
<b>TASMAN</b>						
2006	45,800		45,800		45,800	
2011	46,700	900	47,900	2,100	49,100	3,300
2016	47,100	400	49,600	1,700	52,200	3,100
2021	47,000	-100	51,100	1,500	55,200	3,000
2026	46,600	-400	52,300	1,200	58,200	3,000

Source: Statistics New Zealand



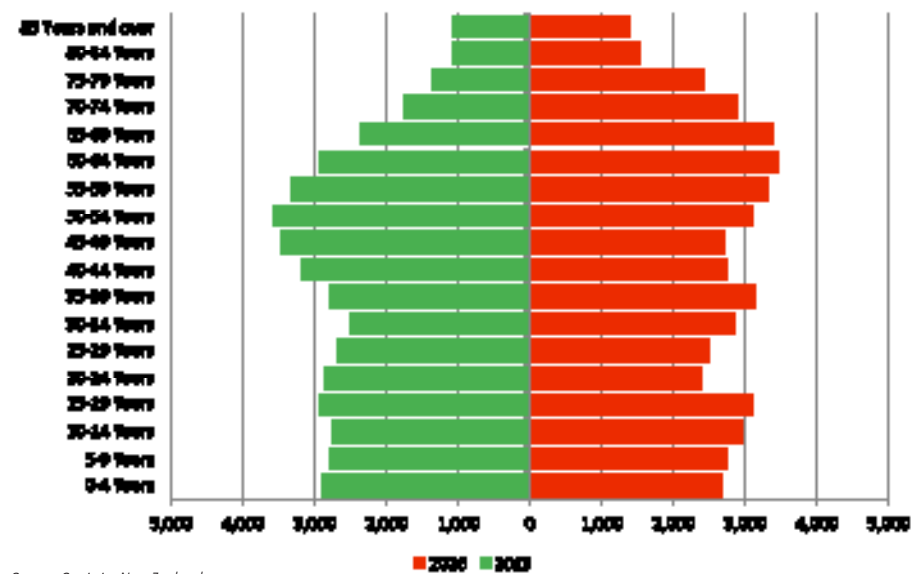
Figure 2 presents the sub regional pattern of projected population growth between 2013 and 2026.



Source: Statistics New Zealand

The majority of Nelson’s population growth is expected to occur in the Southern part of the city whilst the adjoining areas in Tasman are also expected to grow strongly.

Figure 3: Nelson City’s Projected Age Profile 2013 and 2026



Source: Statistics New Zealand

Figure 3 presents Nelson City’s projected population age profile as at 2013 and 2026.

The number of people aged less than 60 years is projected to increase from 11% of the total population to 17% by 2026. This equates to an increase of 3,908 people and reflects a significant shift in the region’s age profile.

Table 3 presents the trend in Nelson City’s and Tasman District’s households dwelling tenure between 2006 and 2013.

**Table 3: Nelson City and Tasman District- Number of Households by Tenure 2006 to 2013**

TENURE	NELSON CITY				TASMAN DISTRICT			
	HOUSEHOLDS		CHANGE		HOUSEHOLDS		CHANGE	
	2006	2013	NUMBER	%	2006	2013	NUMBER	%
RENTER HOUSEHOLDS	5,070	5,601	531	10%	3,864	4,356	492	13%
OWNER OCCUPIED HOUSEHOLDS	11,088	12,093	1,005	9%	12,090	13,044	954	8%
TENURE UNDEFINED	762	849	87	11%	849	864	15	2%
<b>TOTAL:</b>	16,920	18,543	1,623	10%	16,083	18,264	1,461	9%

Source: Statistics New Zealand

The total number of households in Nelson increased by 10% between 2006 and 2013 and the number of renter households also increased by 10%. Renter households increased at a faster rate in Tasman District, growing by 13% over the same time period.

Table 4 presents the trend in Nelson City and Tasman District’s household composition between 2006 and 2013.

**Table 4: Nelson City and Tasman District Household Composition 2006 to 2013**

	2006		2013		CHANGE BETWEEN 2006-2013	
	NO. OF HHLS	AS A % OF TOTAL	NO. OF HHLS	AS A % OF TOTAL	NO. OF HHLS	AS A % OF TOTAL
<b>NELSON CITY</b>						
COUPLE ONLY	5,031	29.7%	5,658	30.6%	627	40.2%
COUPLE WITH CHILDREN	4,239	25.1%	4,509	24.4%	270	17.3%
ONE PARENT WITH CHILDREN	2,052	12.1%	2,061	11.2%	9	0.6%
ONE PERSON	4,341	25.7%	4,848	26.2%	507	32.5%
OTHER HOUSEHOLD TYPES	1,089	6.4%	1,095	5.9%	6	0.4%
HOUSEHOLD COMP UNIDENTIFIABLE	165	1.0%	306	1.7%	141	9.0%
TOTAL	16,917		18,477		1,506	100.0%
<b>TASMAN</b>						
COUPLE ONLY	5,432	32.4%	6,321	34.8%	885	64.0%
COUPLE WITH CHILDREN	5,109	30.4%	5,124	28.2%	15	1.1%
ONE PARENT WITH CHILDREN	1,515	9.0%	1,533	8.4%	18	1.3%
ONE PERSON	3,792	22.6%	4,164	22.9%	372	26.9%
OTHER HOUSEHOLD TYPES	720	4.3%	747	4.1%	27	2.0%
HOUSEHOLD COMP UNIDENTIFIABLE	228	1.4%	294	1.6%	66	4.8%
TOTAL	16,800		18,183		1,383	100.0%

Source: Statistics New Zealand (2006 & 2013 Census Data)

Proportionally, couple only, couple children and one person households increased at a faster rate than other household types between 2006 and 2013.

Table 5 presents the projected growth in the number of households in Nelson and Tasman. These figures are out of date, being based on 2006 census data. We note that rebased projections are due to be released by Statistics New Zealand in 2016. However, in the interim it is important to note that from 2006-2013 Nelson has grown more in line with the high projections.

**Table 5: Projected Household Growth 2006 to 2026**

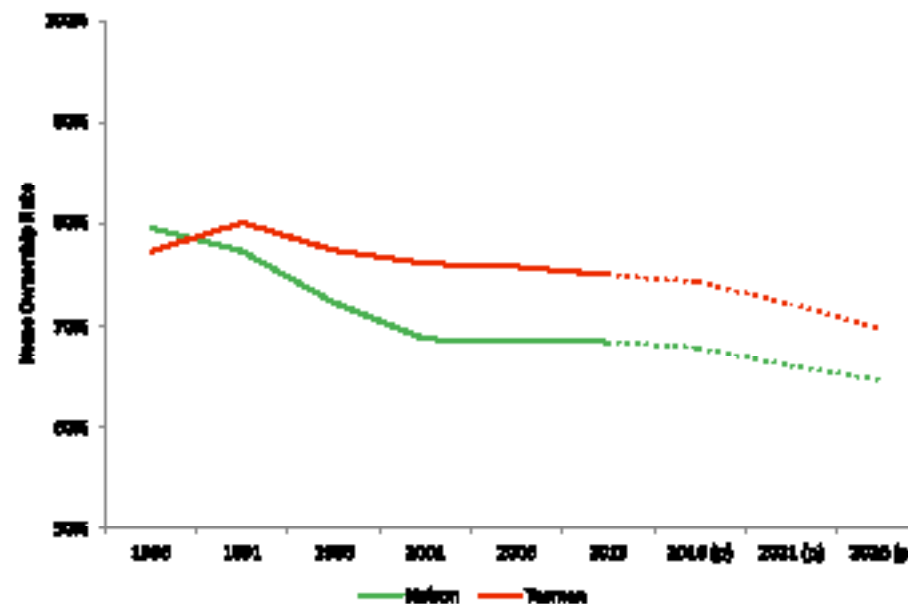
	NELSON CITY			TASMAN		
	LOW	MEDIUM	HIGH	LOW	MEDIUM	HIGH
2006	18,100	18,100	18,100	17,900	17,900	17,900
2011	18,600	19,100	19,600	18,700	19,100	19,600
2016	19,000	20,100	21,100	19,500	20,400	21,300
2021	19,300	20,900	22,500	20,200	21,500	23,000
2026	19,500	21,600	24,000	20,700	22,600	24,700
<b>CHANGE 2011-2026</b>						
TOTAL NO. OF HHLDS	900	2,500	4,400	2,000	3,500	5,100
NO. PER ANNUM	60	167	293	133	233	340
<b>% CHGE 2011-2026</b>						
TOTAL	4.8%	13.1%	22.4%	10.7%	18.3%	26.0%
% PER ANNUM	0.3%	0.8%	1.4%	0.7%	1.1%	1.6%

Source: Statistics New Zealand

Like the population growth projections the regions are expected to experience strong growth in the number of households over the next decade with Tasman growing at a slightly faster rate than Nelson.

Figure 4 presents the historical and projected trend in home ownership rates in Nelson and Tasman.

**Figure 4: Home Ownership Rates**



Source: Statistics New Zealand and Livingston & Associates

The existing rates of home ownership and projected decrease are consistent with similar sized urban areas around New Zealand. Larger metropolitan areas (e.g. Auckland, Wellington) tend to have lower ownership rates and stronger investment markets. For example, over the period from now until 2026 we expect home ownership in Wellington City to drop to about or below 50%.

Nelson and Tasman have some of the highest regional home ownership rates in the country. However like the balance of the country the number of renters relative to the number of owner occupiers has been increasing. Between 2013 and 2026 this trend is expected to continue with Nelson home ownership rates projected to decline from 68.4% in 2013 to 64.6% in 2026 and Tasman's from 75.0% in 2013 to 69.6% in 2026. This trend has implications for the relative growth in renters and owner occupiers.

Table 6 presents the projected growth in the number of households by tenure and age group in Nelson and Tasman between 2013 and 2026.

**Table 6: Projected Household Growth by Tenure and Age Group of the Reference Person 2013 to 2026**

	LESS THAN 40 YRS OLD			40-64 YRS OLD			65 YRS + OLD		
	2013	2021	2026	2013	2021	2026	2013	2021	2026
<b>NELSON</b>									
OWNER OCCUPIERS	790	540	660	7,370	6,850	6,150	4,150	5,530	6,310
RENTERS	3,820	4,340	4,220	2,670	3,020	3,220	950	1,290	1,580
TOTAL	4,610	4,880	4,880	10,040	9,870	9,370	5,100	6,820	7,890
<b>TASMAN DISTRICT</b>									
OWNER OCCUPIERS	790	510	540	8,430	7,690	6,850	4,360	5,890	6,970
RENTERS	2,940	3,570	3,760	2,160	2,500	2,930	810	1,070	1,320
TOTAL	3,730	4,080	4,300	10,590	10,190	9,780	5,170	6,960	8,290

Source: Livingston & Associates and BRANZ

Nearly all the growth in the number of households is for households with people aged 65 years and over with the dominant household types being couples only and one person households. If these demographics flowed directly to housing demand and reflected their housing need rather than their aspirations, the demand would be for smaller compact single level dwellings reflecting the need of an aging population. Overseas research suggests that older households continue to over consume in terms of their housing consumption so these trends may not be replicated in the housing market.

In summary, the majority of the growth in the number of households in Nelson City and Tasman District appears to have been in households:

- With reference people aged over 65 years;
- With a mixture of household compositions including couple only and one person households.

It is interesting to note, that even with decreasing household size (i.e. numbers people per household) Nelson City's average house size has increased significantly since 1996 (approximately 150m<sup>2</sup> in 1996, compared to approximately 200m<sup>2</sup> today).

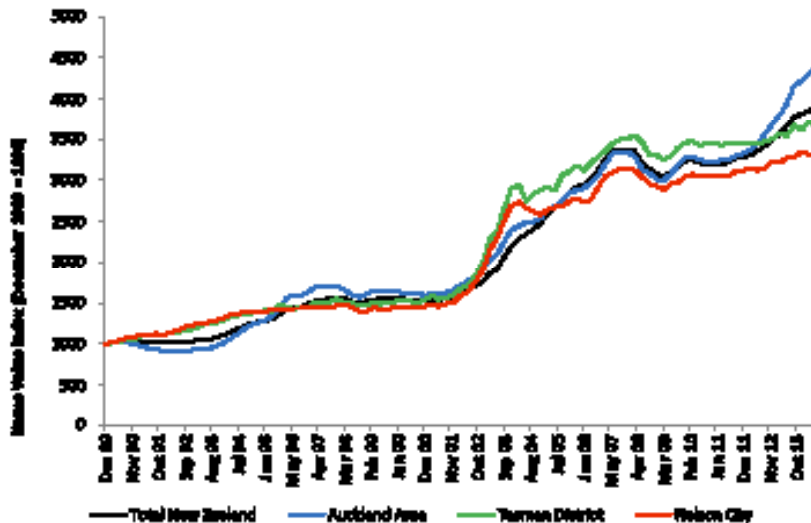
**2.2 RESIDENTIAL PROPERTY MARKET**

The objective of this section is to present analysis on the trend in Nelson and Tasman residential property market including

- :
  - House value trends;
  - Sales activity; and
  - Sale of vacant residential sections.

Figure 5 presents the trend in house values in Nelson and Tasman between 1989 and 2014 and compares these to the national and Auckland Region trend.

**Figure 5: House Value Index**



Source: CoreLogic

House values in Nelson and Tasman have not increased at the same pace as Auckland and the national trend over the last six years.

Table 7 presents the annual average compound house value growth rates in Nelson and Tasman and compares these to Auckland and New Zealand.

**Table 7: Annual Average Compounded House Value Growth Rates**

NO. OF YEARS	TIME PERIOD	NEW ZEALAND	AUCKLAND	TASMAN DISTRICT	NELSON CITY
LAST 12 MONTHS	2013 - 2014	6.8%	11.2%	3.1%	1.3%
LAST 2 YEARS	2012 - 2014	7.9%	12.7%	2.9%	3.1%
LAST 5 YEARS	2009 - 2014	4.7%	7.4%	2.0%	2.3%
LAST 10 YEARS	2004 - 2014	5.2%	5.8%	2.9%	2.2%
LAST 20 YEARS	1994 - 2014	6.4%	7.4%	5.2%	4.6%
LAST 50 YEARS	1989 - 2014	5.7%	6.2%	5.4%	5.0%

Source: CoreLogic

In the long term Tasman and Nelson’s house values have increased at a slightly lower rate than the national average. In addition over the last five years, the rate of value growth has been under half the national growth rate and less than a quarter of the value growth experienced by Auckland.



The outlook for future value growth will be influenced by the rate of population growth, the level of economic growth per capita, the relative movement in interest rates and the ability of the supply side of the market to respond to changes in demand. Assuming there are no shocks to the market and the regions' population and economy continues to grow as expected, it would not be unreasonable to expect the longer term value growth trend to be similar to the growth rates experienced over the last 25 years.

Over the last two years 49% of dwellings sold in Nelson were priced between \$300,000 and \$450,000, and 55% of dwellings sold in Tasman fell in the same price band.

Table 8 presents the sale price distribution for dwellings built post January 2010 for Nelson and Tasman District.

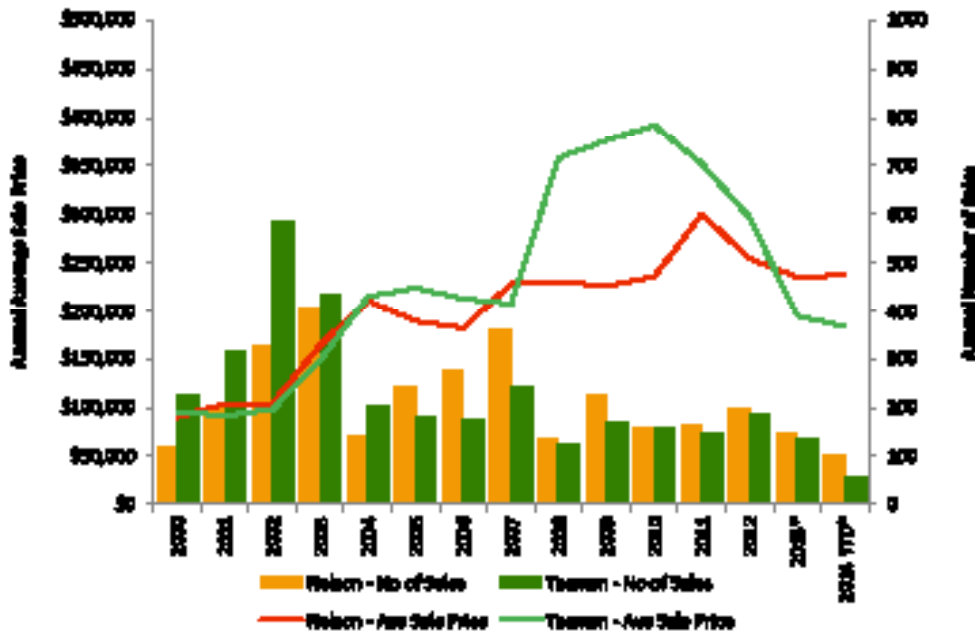
The majority of dwellings sold in Nelson City ranged between \$350,000 and \$550,000. Tasman District had a similar but slightly lower price distribution. In Nelson City 41% of sales were priced less than \$450,000 and 34% were priced between \$450,000 and \$550,000. The comparable figures for Tasman were 53% and 33% respectively.

**Table 8: Sales Distribution for Dwellings Built after 1 January 2010**

PRICE BAND	NELSON CITY		TASMAN DISTRICT	
	NO. OF SALES	% OF TOTAL	NO. OF SALES	% OF TOTAL
LESS THAN \$200,000	1	1%	1	1%
\$200,000 - \$249,999	2	2%	3	4%
\$250,000 - \$299,999	6	6%	3	4%
\$300,000 - \$349,999	5	5%	6	7%
\$350,000 - \$399,999	18	17%	14	16%
\$400,000 - \$449,999	11	10%	18	21%
\$450,000 - \$499,999	15	14%	17	20%
\$500,000 - \$549,999	21	20%	11	13%
\$550,000 - \$599,999	13	12%	5	6%
\$600,000 - \$649,999	7	7%	3	4%
\$650,000 - \$699,999	5	5%	2	2%
\$700,000 - \$749,999	1	1%	1	1%
\$750,000 - \$999,999	2	2%	0	0%
\$1,000,000 AND OVER	0	0%	1	1%

Source: Headway

**Figure 6: Number and Average Section Sale Price in Nelson and Tasman**



Source: Headway

\* Sales volumes are an estimate due to incomplete data

The composition and location of the sections sold has influenced the trends presented above, particularly in Tasman District. Average section prices appear to have stabilised between \$190,000 and 230,000.

Table 9 presents the median section sale price and number of sales for the September quarters (2012, 2013 and 2014) in Nelson and Richmond.

**Table 9: Median Section Sales Prices in Nelson and Richmond**

	NELSON CITY		RICHMOND	
	MEDIAN SALE PRICE	NO. OF SALES	MEDIAN SALE PRICE	NO. OF SALES
SEPT 2012	\$192,000	27	\$195,000	21
SEPT 2013	\$185,000	17	\$220,000	10
SEPT 2014	\$190,000	16	\$254,000	32

Source: Real Estate Institute of New Zealand

Section prices in Richmond have been higher than in Nelson over the last two years.

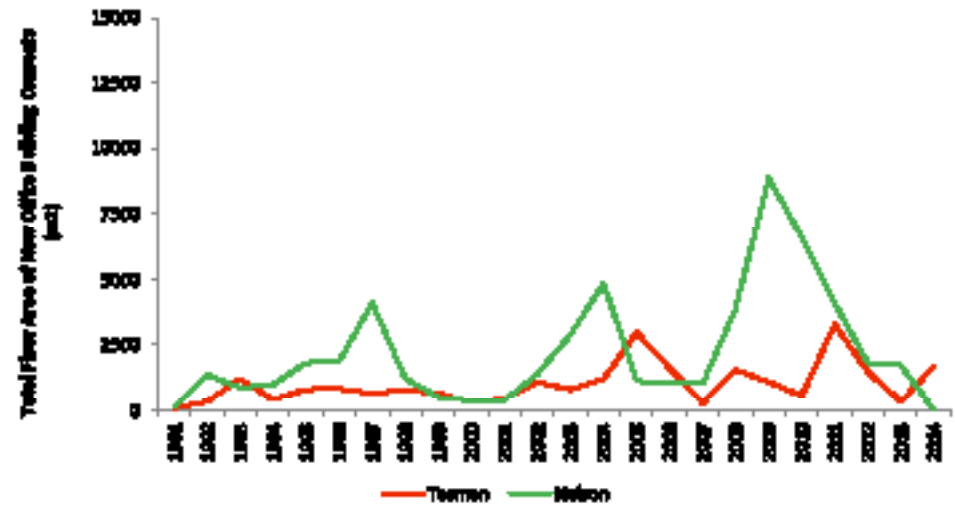
**2.3 COMMERCIAL PROPERTY MARKET**

Nelson’s central city office market is typical of many provincial markets. It has faced and will continue to face a large number of challenges. Since the economic reforms of the 1980s combined with changes in technology and the way in which businesses operate, the amount of space required has declined.

There is no accurate assessment of the total office stock however it is likely to range between 90,000 and 100,000 square metres of office space in the wider Nelson market with the majority of the space located within Nelson’s central city. Nelson’s office market is currently over supplied with space with over 13,000 square metres of vacant space (13.5%). The majority of the space is in older buildings which potentially need strengthening to meet modern building standards.

There has been a limited amount of development activity in the office market over the last decade. Figure 7 presents the number and floor area of office building consents issued in Nelson since 1990.

**Figure 7: Office Building Consents**



Source: Statistics New Zealand

A total of 39,750 square metres of office space has been consented in Nelson since 2000 or 2,850 square metres per annum. It is important to note that consents may be for buildings replacing existing stock or may not have been built. An example of recent development activity is 49 Halifax Street in the central city. This building offers modern space with lift access. Market rents for the vacant space are likely to range between \$240 and \$260 gross effective rent per square metre.

Table 10 presents the current level of market rents.

**Table 10: Current Market Rents**

TYPE OF SPACE	QUALITY	TYPICAL RENT (\$ PER SQUARE METRE)
WALK UP OFFICE SPACE	AVERAGE	\$110 - \$120 (GROSS)
NEW SPACE WITH LIFTS	GOOD	\$240 - \$260 (GROSS)*

\* Operating expenses are likely to be approximately \$30 per square metre

Given current market conditions it is unlikely that rents will increase in the short to medium term.

The key factors driving demand in Nelson include:

- Business desire to locate in modern space which meets current building standards. Offsetting this is the affordability of the space. This is likely to drive some redevelopment and refurbishment activity over the next decade;
- Current rents for walk up space is half the cost of modern space;
- The distribution of commercial activity in the market is evolving and may increase demand for some space in Richmond;

The number of people employed in Nelson has increased 19% over the last 14 years. Office based employment has increased at a faster rate of 40% (or 2.8% per annum over the last 14 years). Table 11 presents the trend in the number of people employed.

**Table 11: Number of People Employed in Tasman District and Nelson City (total employment and office employment)**

	TASMAN DISTRICT			NELSON CITY		
	OFFICE EMPLOYMENT	TOTAL EMPLOYMENT	OFFICE AS A % OF TOTAL	OFFICE EMPLOYMENT	TOTAL EMPLOYMENT	OFFICE AS A % OF TOTAL
2000	1914	15,750	12%	4002	20,880	19%
2001	1951	16,130	12%	4030	21,080	19%
2002	2022	17,330	12%	4158	21,950	19%
2003	1888	17,040	11%	4391	22,780	19%
2004	2286	18,450	12%	4780	24,080	20%
2005	2387	18,250	13%	4993	24,240	21%
2006	2429	18,320	13%	5074	24,400	21%
2007	2504	18,120	14%	5276	25,120	21%
2008	2518	18,520	14%	5418	25,440	21%
2009	2383	18,030	13%	5547	24,920	22%
2010	2469	17,720	14%	5523	24,910	22%
2011	2566	18,140	14%	5584	24,960	22%
2012	2695	18,220	15%	5621	24,870	23%

Source: Statistics New Zealand (Business Demography Data)

Office based employment in Nelson increased by 1652 employees between 2000 and 2013. Off-setting the growth in the number of employees is the work place trend of less space per work station. Total office based employment increased by 40% between 2000 and 2014. Over the same time industry standards for office space per work station /or employee has fallen from over 20 square metres to 15 square metres. This effectively reduced the demand by a quarter. If it is assumed that a space ratio of 20 square metres per person in 2000 and 15 in 2013 total demand for space would have increased from 80,000 square metres in 2000 to 84,800 square in 2013, an increase of 4,800 square metres or 340 square metres per annum.

The market currently has sufficient vacant space to absorb short term growth in demand. In the medium to longer term demand in Nelson is likely to increase, assuming no further structural changes in the market. Over the past 14 years office based employment has increased by 120 people per annum. If it is assumed that a 15 square metres (Gross) per employee, this would imply a longer term requirement for an additional 1,800 to 2,000 square metres per annum. This estimate may be optimistic as organisations continue to use their space more efficiently. It is likely that the majority of development activity is focused on stock renewal and refurbishment of existing buildings to meet modern building standards. The affordability of the space to local businesses is likely to be the major constraint in terms of the level of future refurbishment and development activity.

### Retail Property Trends

Nelson's retail market has continued to evolve over the last decade reflecting the way in which the region has experienced population growth, the development and upgrading of transport routes, and the availability and ownership of suitably zoned development sites.

A significant proportion of recent population growth has occurred in the Stoke/Richmond area. Consequently it is not surprising a significant amount of retail space has been developed in these locations. Richmond has 24% of the combined area's retail stock and offers a wide range of retail outlets and brands that may not be available within the central city. Trends such as these can alter household shopping patterns and consequently the distribution of retail demand.

Table 12 presents an analysis of Nelson and Richmond's retail property stock.

**Table 12: Current Retail Stock**

	NELSON			RICHMOND			COMBINED		
	NO.	M2	% TOT	NO.	M2	%TOT	NO.	M2	%TOT
SUPERMARKETS	6	15,701	8%	2	7,469	4%	8	23,170	11%
FOOD & LIQUOR	34	6,528	3%	8	1,601	1%	42	8,129	4%
CAFES & RESTAURANTS	93	9,530	5%	49	6,292	3%	142	15,822	8%
PUBS, TAVERNS & BARS	28	9,396	5%	4	1,494	1%	32	10,890	5%
CLOTHING, JEWELLERY & PERSONAL	87	11,726	6%	29	3,691	2%	116	15,418	8%
FOOTWEAR	10	2,260	1%	6	1,114	1%	16	3,374	2%
FURNITURE, FLOOR COVERINGS, HOMEWARE & TEXTILES	26	12,803	6%	19	7,283	4%	45	20,086	10%
ELECTRICAL & ELECTRONIC	10	4,057	2%	7	2,114	1%	17	6,171	3%
HARDWARE & BUILDING SUPPLIES	18	29,906	15%	7	1,020	1%	25	30,926	15%
CHEMIST	13	1,920	1%	5	996	0%	18	2,916	1%
DEPARTMENT STORES	5	24,066	12%	1	4,756	2%	6	28,822	14%
RECREATIONAL GOODS	35	11,754	6%	14	2,271	1%	49	14,025	7%
OTHER	39	7,335	4%	37	5,801	3%	76	13,136	6%
VACANT	23	7,297	4%	15	2,358	1%	38	9,655	5%
	<b>427</b>	<b>154,279</b>	<b>76%</b>	<b>203</b>	<b>48,261</b>	<b>24%</b>	<b>630</b>	<b>202,540</b>	<b>100%</b>

Source: Property Economics (2012)



The distribution and quantum of population growth across the Nelson Tasman area will provide opportunities for future growth in the retail stock. Population growth combined with appropriately zoned land will provide developers with the opportunity to formulate development proposals, attract tenants and consequently develop additional retail space. Current retail vacancy levels of 5% are not unusual in a market the size of the Nelson/Richmond market.

The market is likely to continue to evolve with ongoing development of large format retail stores on the fringe of the city, combined with the redevelopment and refurbishment of space within the central city. The mix of retailing is also likely to change over time. Existing retail areas within Nelson are likely to come more service orientated as more large format space is developed on the large sites available outside the central city area. AMP Capital's proposed Junction development is an example of this. Central city retailers on side streets and first floor space are likely to continue to struggle.

The combined catchment has just over two square metres of retail space per person. This is typical of provincial centres. The area's population is expected to grow by over 5,000 people and approximately 4,000 over the next ten years which will assist in driving increased retail spaces growth and consequently create opportunities for developers to provide new retail space. If the current levels of market penetration continue (approximately 6 square metres of retail space per household) there could be demand for an additional 24,000 square metres of space over the next ten years. In addition to the growth in total demand, a proportion of the existing stock is likely to become redundant and be replaced (not necessarily on the

same site) due to its location, building configuration and/or size, and its ease of access relative to other retail locations within the area.

The relative performance of the different retail locations may vary over the next decade as consumers seek locations which are easy to get to along uncongested transport routes, have sufficient car parking, and provide comparative shopping opportunities and an appropriate range of brands. In addition, the location of the population growth and suitably zoned development sites will also influence where additional space is likely to be developed. The most significant development currently being proposed is the Junction Retail Centre currently being promoted by AMP Capital. When fully developed the property would have 30,000 square metres of retail space. Anecdotal market evidence suggests AMP Capital have provisional agreements to lease space to Mitre 10 and WOW. Construction has not yet commenced.

Current market rents typically range between \$850 and \$400 per square metre including operating expenses in prime central city locations for a 90 square metre store. The variation in rent reflects the profile of the site, where it's located on the main street and the shape of the store. The rents in secondary locations are likely to range between \$225 and \$300 per square metre.

A further matter affecting retailers is the growth of internet based shopping. This is causing pressure on some traditional retail sectors.

### Demand for Investment Property

Demand continues to outstrip supply for good quality, well leased buildings in most markets. Table 13 presents the trend in the growth in regional economic activity, regional employment growth, and typical investment yields for good quality well leased property investments in Nelson and compares these to a number of other locations.

**Table 13: Typical Investment Yields**

REGION	ECONOMIC ACTIVITY (%PA)	EMPLOYMENT GROWTH (%PA)	TYPICAL GOOD QUALITY PROPERTY INVESTMENT YIELDS		
			INDUSTRIAL	OFFICE	RETAIL
AUCKLAND	4.2%	+2.9%	6.5% - 7.25%	6.5% - 7.25%	5.0% - 7.5%
WAIKATO	4.6%	-0.7%	7.0% - 8.0%	7.75% - 8.5%	7.0% - 8.0%
BAY OF PLENTY	3.9%	+0.6%	7.0% - 8.0%	8.0% - 8.75%	7.0% - 8.0%
HAWKES BAY	2.8%	+2.1%	7.5% - 8.5%	8.0% - 9.0%	7.0% - 8.0%
WELLINGTON	3.7%	+3.8%	7.0% - 8.0%	7.0% - 8.0%	7.0% - 8.0%
NELSON	3.5%	+2.5%	7.5% - 8.5%	7.75% - 8.75%	7.0% - 8.0%
DUNEDIN	4.8%	+6.0%	8.5% - 8.5%	8.0% - 9.0%	7.5% - 8.5%

Source: Statistics New Zealand and ANZ

Investors in smaller markets appear more cautious of single tenanted office and retail buildings due to the high specific risk associated with the investment due, in part, to a lack of depth in the tenant market. Particularly for retail investments in provincial centres where the strength of the tenant's covenant is particularly important as these business struggle to maintain their profitability in today's market. Other key investment concerns in the smaller provincial markets are the relative strength of the buildings in an earthquake and the cost of upgrading the structures to modern standards.

In summary, the property investment market remains sound with demand for good quality well leased buildings continuing to outstrip the supply of properties coming onto the market. The fortunes of the different markets around the country is likely to ebb and flow with the strength of their regional economies.



SECTION THREE:  
**THE KEY ISSUES  
FOR NELSON**

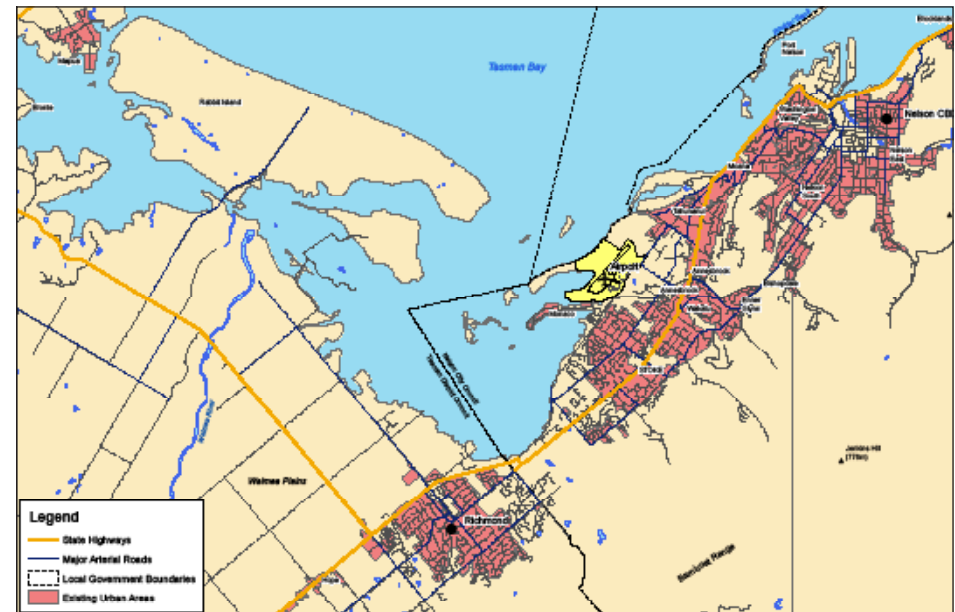


### 3. KEY ISSUES FOR NELSON

#### 3.1 PHYSICAL SETTING

Nelson City sits in a dramatic physical setting at the head of Tasman Bay. Hemmed between the coastal fringe and rising ranges. The main urban area has developed in a linear form with the historic central city located at the north eastern extent of this area, with the local government boundary at the opposite, southwestern end. Immediately beyond this boundary is the growing area of Richmond, part of the same urban conurbation but located in the Tasman District. Beyond to the west extend the Waimea Plains, Motueka and Golden Bay.

Nelson has a rich history with evidence of Māori occupation going back 700 years. The New Zealand Company drove European settlement of the area (from 1841) and Nelson is regarded as the South Island's oldest settled city, and New Zealand's second oldest. The New Zealand Company planned the settlement in a manner typical of the period, bestowing upon the City a mature urban street and settlement pattern. This development pattern forms a key part of Nelson's character and distinguishes it from newer outlying areas, including Richmond. The city also has "good bones", with a busy working port, airport and good road links east and west to hinterland areas.



### 3.2 COASTAL AND LIFESTYLE

Nelson is well known for its excellent climate and attractive coastal setting. These “quality of life” factors have drawn domestic holidaymakers to Nelson for many years and increasing draws overseas immigrants to the district to live. With New Zealand’s population ageing Nelson also represents an attractive destination for retiring domestic migrants. Nelson’s coastal setting has provided a foundation as the export and import hub for the regions primary sector, the home for a strong local fishing industry, including an emerging aquaculture sector. These natural advantages must form part of the City’s thinking regarding future growth and development – protecting them to ensure Nelson’s point of difference is maintained and leveraging them to maximise future prosperity and sustainable growth.

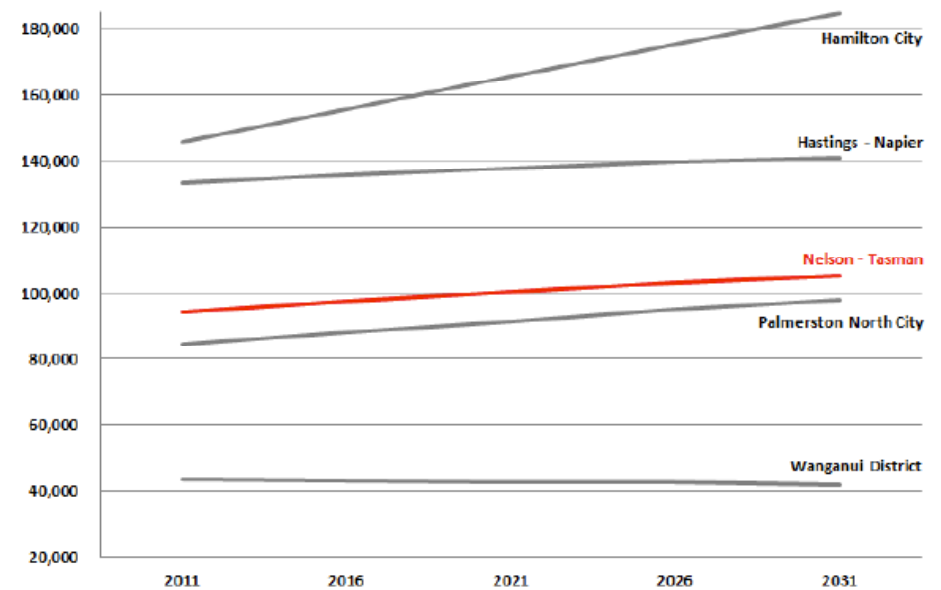




### 3.3 STEADY REGIONAL AND CITY GROWTH

Nelson, and the broader Nelson – Richmond urban area is experiencing steady household and population growth. Results from the 2013 census, the first since 2006, indicate that Nelson’s growth has been higher than expected, even though steady rates of growth had been experienced in the preceding years. New projections have been undertaken based on the 2013 census results which indicate population growth of 0.7% per annum and household growth of 0.8% per annum (on average) until 2045. Household growth being stronger than population growth due to an ageing population and decreasing household size. These figures equate to an additional 10,000 people and 5,000 households (approx.) to 2045, giving Nelson City a strong imperative to plan proactively for growth and ensure development capacity and infrastructure is available in the right places. Similar rates of growth are projected for Richmond, off a smaller base.

Projected Population Growth in Selected New Zealand Urban Areas



Source: Statistics New Zealand



### 3.4 AN OLD AND AGEING POPULATION

Nelson's population is older than the New Zealand average (42.5 years median age vs. 38.0 years nationally) with a growing "bulge" projected to occur in the middle / early retirement age brackets over the next 15 years. In Nelson this is the result of a general ageing trend across New Zealand and the area's attractiveness as a lifestyle / retirement destination. For planning and growth development the ageing population has important implications.

Although there will remain some cultural resistance many people in this cohort will seek out compact, lower maintenance housing types such as townhouses and apartments. Older people will seek serviced living arrangements such as those provided by operators like Ryman and Summerset and Council could expect these sorts of operators to show interest in Nelson over the coming years. Many more older people will face the challenge of aging in place or seeking out alternative accommodation provided by alternative suppliers to the aforementioned.

Policy settings which accurately diagnose demand for such housing and enable its delivery in the right places should be among Council's highest planning priorities. This should include a co-ordinated approach to the delivery of housing, commercial and community services.

Our experience from elsewhere around New Zealand is that in this cohort there is a marked trend towards "ageing in place" (i.e. in new housing within the same suburb). In this regard an effective intervention Council can make is to establish land use and subdivision controls that allow the development of compact, low maintenance housing types favoured by this group. Accurately calculating actual demand over time is difficult in the absence of a housing

preferences survey because people's propensity to "trade down" into more compact housing types is dictated by a complex range of factors, including the location in which they live. However, in general terms, there is a marked trend of trading down in this cohort. Nelson's housing stock is dominated by standalone dwellings on relatively large sections, indicating a potential mismatch between compact housing demand and supply.



### 3.5 MANAGING THE CROSS BOUNDARY RELATIONSHIP

The Nelson – Richmond urban area falls across the Nelson City and Tasman District local government boundaries. Like Nelson, Richmond is experiencing steady population, household and commercial growth and TDC have actively planned for this growth through land release (zoning) and infrastructure provision for residential, commercial and industrial land use. In population and household terms Richmond currently represents around 20% of households and population in the broader Nelson – Richmond urban area, and this is forecast to increase only slightly over the next thirty years – meaning the existing balance of people and activity across the two districts will be broadly maintained.

In general terms this represents a healthy balance, with the “easier” development opportunities existing in flat, greenfield areas around Richmond and the balance in Nelson City through a mixture of greenfield and brownfield development. Brownfield development should be a priority as the population ages, households become smaller, and infrastructure efficiency becomes more challenging. Because development opportunities in Nelson City are more limited, Council will need to plan proactively to ensure development capacity is available to accommodate forecast growth. It also needs to work in genuine partnership with TDC over time to monitor and understand urban growth dynamics and ensure that growth is managed in an even handed way where local government boundaries do not dictate urban form.

This monitoring should include, but not be limited to:

- Up to date calculations of development capacity (brownfield, greenfield, serviced, unserviced).
- Lot and dwelling completions by year.
- Spatial mapping of growth.
- Monitoring of land use and subdivision consents to foresee new development.
- Monitoring of infrastructure capacity to identify emerging areas of infrastructure pressure.
- Regular liaison with the private development sector.

This monitoring is likely to be required by government if Council and TDC enter into a Housing Accord. Even in the absence of a Housing Accord it represents a sound “eyes wide open” approach to growth management. It is likely that Council is undertaking some or all of these activities already, however, packaging them up into an integrated monitoring programme and establishing strict disciplines around the regularity of data collection and information sharing between Council units is likely to be beneficial.

### 3.6 CONSOLIDATING THE EXISTING URBAN STRUCTURE

Previous work undertaken for Council has confirmed that Nelson’s existing urban structure and settlement pattern provides a robust platform for ongoing growth. For example, work completed by Property Economics concluded that the existing network of commercial centres should provide the platform for new retail and commercial activity and the functional base from which Nelson’s community will be provided with commercial and community services over time (i.e. there is no apparent need to open up new commercial nodes). This approach will also have the advantage of consolidating existing infrastructure and transport patterns. Providing opportunities for new development and activity within these areas should therefore be a priority matter for Council, particularly as “brownfield” locations present particular development challenges that cannot always be overcome by a liberal, market based approach where Council plays a passive role .



### 3.7 MAINTAINING HOUSING CHOICE AND AFFORDABILITY

Although standalone dwellings are the dominant dwelling typology in the City, Nelson exhibits a relatively diverse housing stock for its size. This includes waterfront apartments; townhouses; suburban unit development; infill subdivision and units; and some inner city apartment living. As Nelson's population ages and housing affordability becomes an increasing issue the demand for more compact dwelling types is likely to rise, presenting planning and regulatory challenges. Among these challenges are:

- Preserving neighbourhood character and managing community expectations.
- Implementing land use and subdivision rules which respond to these development typologies.
- Identifying brownfield growth areas where compact housing development is physically and financially feasible.

Currently 17% of Nelson's housing stock is attached housing. As the population ages and demand rises for more compact housing types it is important that planning settings do not obstruct its delivery. Taking a pragmatic approach this should provide for a range of solutions including comprehensive redevelopment; infill units and subdivision; minor units and expansion of existing dwellings. The traditional approach of large lots and low site coverage will compromise efficient use of land and delivery of these housing types.

Related to housing choice is housing affordability. If Nelson is to sustain its steady growth and attractiveness as a living destination Council needs to play its part in the housing affordability equation. By ensuring an adequate forward supply of development capacity (greenfield and brownfield land), and by taking a pragmatic approach to 'genuine' affordable housing delivery. Council can avoid a supply constraint that elevates house prices. Efficient regulatory processes, proactive relationships with the development/ affordable housing sector, and innovative use of financial levers can also play a part.

These financial levers could include strategic deferral and remission of development contributions and deferral of rates uplift when developments are completed (until dwellings are sold for example). Our research in other parts of the country indicates that by reducing unnecessary costs to developers and giving them cashflow advantages at key stages in the development process can result in higher rates of housing delivery and more affordable housing can result.

With the enactment of the Housing Accords and Special Housing Areas Act Auckland and Wellington are already seeing the benefits of these methods, and Council could proactively consider the benefits of a Nelson Housing Accord and partnership approach with central government.



We further note that land banking, where land owners hold developable land for capital gain, can work against the timely and cost effective delivery of land and housing to the market. Local authorities can avoid the worst effect of land banking by ensuring that at all times there is a reasonable supply of developable land in different parts of the district. This helps to stimulate land development by ensuring the land resource is held by a range of owners. Housing Accords agreed between government and the Auckland and Wellington City Councils are directed to releasing land for these very reasons. Whilst it is still too early to judge the fundamental impact of these initiatives there are signs in Auckland that the Housing Accord has been effective in increasing land and housing supply and increasing delivery of homes in the “affordable” bracket.





SECTION FOUR:  
**CHALLENGES  
FOR NELSON**





## **4. CHALLENGES FOR NELSON**

### **4.1 PRESENTING GREENFIELD HOUSING OPTIONS TO THE MARKET**

Nelson City's greenfield land resources, at least those in close proximity to the existing urban area, are constrained by topography such that "easy" development opportunities have become scarce. Some greenfield development is occurring in narrow valleys running up into the southern ranges, but development capacity in these areas will remain only in the short-medium term. In this context Council needs to be thinking carefully about providing future greenfield development capacity (for residential development) to ensure that the City continues to provide this housing typology at minimum levels in to the future.

This consideration needs to encompass Hira where Council has previously purchased land for reserve purposes to assist a potential rural village development in the future. It also needs to encompass a desirable balance with greenfield land provision in Tasman District, where TDC have been actively releasing greenfield residential land and providing new infrastructure. It is to be expected that TDC will play a big role in greenfield housing provision in Nelson – Richmond into the future, and this makes sense given the availability of flat land around Richmond, and further greenfield land provision should be approached on a strategic, cross boundary basis. However, there is still a role for Nelson City in providing greenfield housing to maintain housing choice in the City, and this must be proactively planned for.

We believe "traditional Kiwi lots" of 750 – 1,000m<sup>2</sup> would represent an inefficient use of Nelson's limited greenfield land resource into the future. With a smart approach to dwelling layout the benefits of large greenfield lots can be derived from smaller lots whilst simultaneously achieving greater development yields and making the land resource "go further". In the main metropolitan areas (Auckland and Christchurch in particular) new greenfield lots are commonly in the 300 – 400m<sup>2</sup> range. We do not believe it would be

appropriate to require such small lots in the Nelson but an approach with no minimum lot size and a maximum lot size of approximately 600m<sup>2</sup> would likely be effective in promoting more efficient subdivision layouts and densities. We recommend this matter be given specific attention.



#### **4.2 CREATING “REAL” BROWNFIELD DEVELOPMENT OPPORTUNITIES**

Land scarcity, servicing constraints, and an ageing population will together generate demand for brownfield development in Nelson City. Providing adequate development capacity to respond to this demand should be a priority for Council, and if done right, will ensure that Nelson derives maximum benefit from the steady growth predicted over the next thirty years. However, brownfield development is beset by challenges not experienced in greenfield areas, including:

- Land fragmentation meaning large, developable parcels can be hard to come by.
- Planning rules which favour the status quo and seek to protect the amenity of neighbouring land uses to the detriment of redevelopment.
- Planning rules which do not recognise land and market economics and seek to intensify land use (typically for residential activity) in areas where it is uneconomic to do so.
- Infrastructure constraints – roads and network infrastructure are often already operating at and beyond peak capacity placing constraints on intensification.
- Sensitivity and reverse sensitivity – seeking to establish new development into existing environments can create land use tensions (e.g. port noise issues).

Over recent years many New Zealand local authorities have sought to intensify existing urban areas in line with the “compact city” philosophy. Whilst there have been some notable successes, there have been at least as many failures – these have been largely driven by a failure to recognise the challenges listed above.

In many cases local authorities have not identified the right areas to intensify in the first place, but even where they have, they have failed to provide the requisite levels of advocacy and regulatory support to make a success of the initiatives. In Nelson land prices and development drivers are modest compared to New Zealand’s largest urban centres, however there is a ready supply of existing vacant or sub optimal commercial space with redevelopment potential and therefore we believe Council could be considering a full range of regulatory, advocacy and investment levers to create new and “real” brownfield development opportunities and give real confidence to the development sector.

### **4.3 COMMERCIAL - THE REGION'S COMMERCIAL HUB**

Nelson's city centre is the dominant commercial centre within the region and as such provides most of the region's commercial space. Nelson's central city shares common challenges with other New Zealand centres - fragmented ownership structures (often held by investors not developers); a general lack of investment due to relatively low returns; and demand resulting in a little or no redevelopment compounded by a range of earthquake prone building issues. This combined with the advent in many of the larger provincial City centres of bulk retail and mall complexes has seen the gradual decline of many CBDs and commercial nodes as we known them.

Nelson, however, whilst experiencing many of the issues detailed has maintained a strong central city that has remained relatively unaffected by the advent of the large retail developments in Richmond and relatively low levels of competing commercial development in its outer suburbs. We believe this is primarily due to steady growth providing ready demand for new development and a lack of easy, large lot development opportunities in Nelson City.

We believe there is now a need to ensure planning measures and levers are put in place which prevent any dilution of the central city's commercial activities and for Council to actively promote policies that will cement Nelson as the commercial hub for the region and a destination for high value, boutique retail, food and beverage and entertainment activities consistent with the Heart of Nelson strategy.

Key to this will be the implementation 'Compact City' strategies and the introduction of mixed use activities which in term will assist in improving the development economics for medium to long term development in the central city.

Further commercial activities outside of the central city should be constrained to encouraging the development and establishment of existing high amenity 'village' nodes or commercial activities directly attributed to key commercial activities such as the port and fishing industries.

Compact city strategies are predicated around nodal intensification of areas where this can promote infrastructure efficiency; transport efficiency; urban vibrancy; and bring people closer to the goods and services they require.



#### 4.4 INDUSTRIAL

Central to Nelson City's growth as will be the availability of industrial land for key activities such as the port, marine, fishing and aquaculture industries.

Based on the findings of our assessment we believe there is adequate land supply to service the aforementioned activities (with the exception of any port expansion) and Council could seek to consolidate these activities and encourage the creation of precincts around particular industrial uses and activities such as a dedicated marine precinct. These precincts will be achieved through the application of zoning and land use controls and investment in core infrastructure in a structured and planned manner which will make these activities more sustainable in the longer term.

We believe in terms of future provision for industrial land Nelson City will not be in a position to compete with Tasman due to existing availability of readily serviced industrial landholdings at a much lower price point. In terms of highest and best use this is not an area where Council could seek to compete in any case. We would therefore recommend that Council continues to work collaboratively with Tasman to maintain a regional approach to industrial land supply; as any growth in this sector at a regional level will have a significant economic benefit to Nelson as identified in the Property Economics ("PE") Report 2012.

Maintaining good transport connections from industrial areas to the wider Nelson urban area (including Richmond) is essential to the efficient movement of people and freight. Our observation is that access is currently well provided by the network of state highways and main arterial routes.





#### 4.5 CREATING THE RIGHT CONDITIONS FOR COMPACT HOUSING TYPES

As noted above Nelson's ageing population and diminishing greenfield development opportunities will create a growing market for urban intensification, particularly for residential housing, which typically accommodates 75% of a city's urban zoned land. One of Council's strategic priorities in undertaking this study is to identify areas and opportunities for compact housing types.

As a starting point we note the importance of underlying land values and localised market demand in identifying areas for residential intensification. Areas with high land to improvement value ratios have a natural advantage because this is symptomatic of desirable areas where developers can expect to achieve acceptable development margins. For this reason compact housing developments have tended to locate in areas with water views, centralised locations or a high degree of neighbourhood character and amenity.

However, Council interventions can also be successful in massaging and manipulating the market to help deliver compact housing in areas where it will derive the most community benefit. Tools Council has at its disposal to do so include:

- Application of zonings, land use and subdivision controls which facilitate intensification.
- Strategic investment in core infrastructure, the public realm and community facilities.
- Land assembly to consolidate feasible development parcels.
- Financial incentives to reduce development cost and / or cashflow (e.g. rates relief).

These are matters that we explore in greater detail later in this report, but we re-emphasise the importance of choosing areas with natural markets for housing intensification. This is particularly important for Nelson, because these natural markets are generally hard to find in New Zealand outside the three main centres.

In these larger centres high property prices are more readily attainable, meaning developers can achieve the financial margins they require to proceed (property development is a high risk / high return activity so commercial developers will generally not proceed with projects delivering less than a 30% projected financial return). Finding such areas is more difficult in smaller centres such as Nelson, and for this reason we firmly recommend such areas be carefully chosen, particularly where financial incentives and capital works are proposed to support such initiatives.



**4.6 ENSURING AFFORDABLE HOUSING OPTIONS ARE AVAILABLE TO THE MARKET**

Using the widely used method of the “median multiple” (the median house price divided by the median household income) Nelson City records a figure of 6.4, which is regarded as “severely unaffordable” and meets unaffordability criteria likely to generate government attention in the form of a potential “housing accord”. For context we note this figure is higher than that of Christchurch City (5.8), Wellington metropolitan (5.5) and Dunedin City (5.2).

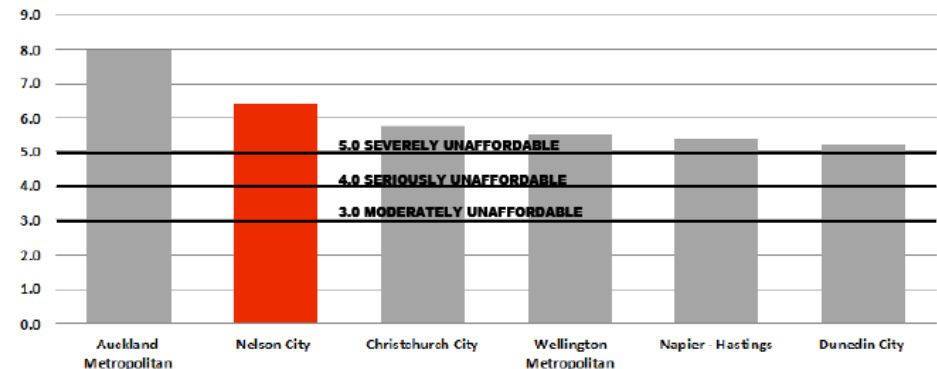
It is important to put this figure into a broader context including Richmond but we were unable to source data to create an “apples with apples” figure for the broader Nelson – Richmond Area. However, the data we have reviewed suggests that a figure for Nelson – Richmond would also be above the threshold of severely unaffordable (5.0), likely in the 5.5 – 6.0 range.

An ongoing lack of affordable housing options can have deleterious impacts on the functioning and growth of urban areas in particular in attracting and retaining essential service workers who are essential to any functioning city. In the Queenstown Lakes District for example rising house prices have made home ownership beyond the reach of essential service workers required to sustain the local hospitality and tourism industry and services required by the City as a whole to sustainably operate. In turn this compromises the ability of an area to attract the workforce required to sustain and grow local industries.

With a median multiple of 6.4 Nelson may risk a similar situation. Queenstown Lakes District Council (“QLDC”) respond to this challenge through a range of lever regulatory and other, the later of the two being the establishment of the Queenstown Lakes Housing Trust.

As we have already noted above in relation to Brownfield development Council could consider all the tools at its disposal and partnership opportunities to contribute to housing affordability in the city over time.

**Housing Affordability by Selected Urban Area**



Source: Demographia (2013), Statistics New Zealand

By way of further comparison Tauranga-Western Bay of Plenty scores 5.9 (severely unaffordable) and Queenstown Lakes scores 8.61 (also severely unaffordable).



#### 4.7 DYNAMIC AND FOCUSED RMA PLANNING SETTINGS

The Operative Nelson Resource Management Plan (NRMP) is due for review and will need to be updated to reflect Council's updated approach to urban growth and development. This is particularly important in relation to residential land use and residential zones where the creation of development capacity needs to be balanced against factors such as neighbourhood character and the amenity of neighbouring properties.

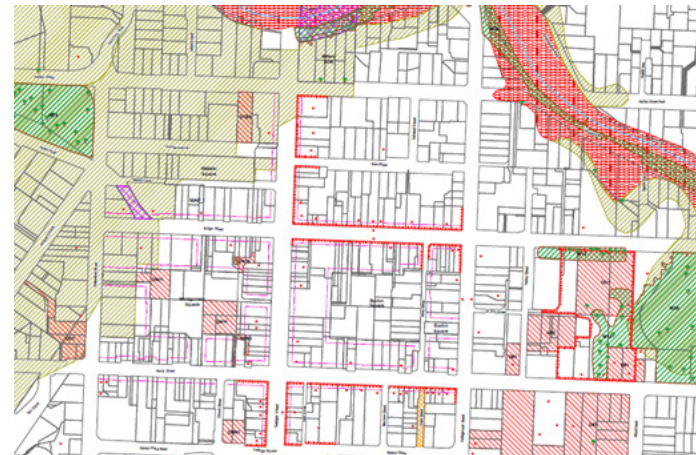
Through our review of the Operative NRMP we note that different residential densities are provided for in different locations ("higher density" and "lower density" areas) though the overall approach is conventional insofar as it promotes a traditionally low density of development across large parts of Nelson.

With the demographic and land scarcity factors described above these settings are unlikely to be responsive to future need, and without change will likely result in insufficient development opportunities to meet demand over time. Focused and dynamic land use and subdivision rules will be required to meet this demand, and whilst this will represent something of a paradigm shift changes will not be required in all areas.

Council needs to carefully identify areas where compact housing is appropriate and likely to solicit a positive market response. We do not recommend widespread application of medium – high density zones because not only do we believe that successful locations will be limited, but that this would also water down Council's signal to the market about where it wants higher density housing to locate.

That said we do recommend an approach of identifying deferred medium – high density residential zones to give the market an early signal to Council's future thinking and allow property investors and developers the opportunity to start assembling land packages for future development – a long "lead in" can assist in making future development more financially viable.

Detailed rule settings in these areas will need to be considered on a case by case basis, but must also be underpinned by a uniform philosophy of meaningfully increasing development capacity and ensuring that the rule regime does not unnecessarily hinder the macro-level supply of new housing over time.





SECTION FIVE:  
**PLANNING  
APPROACH**



## 5. PLANNING APPROACH

### 5.1 INTRODUCTION

Council's overall growth management approach needs to be drawn directly from the key issues identified for the city. This section sets out five key elements in a strategic planning approach. This provides a thematic basis for the specific initiatives outlined in Section 6.

### 5.2 #1: USING A FULL RANGE OF LEVERS

In the immediate aftermath of the RMA "free-market" approach to planning and development has pervaded local authority planning approaches. In essence most local authorities have taken a passive role in growth management by zoning areas for development and regulating their effects through the resource consent process. In recent years there has been a growing recognition (in some quarters at least) that this approach is not always conducive to good planning outcomes and even to economic growth. That is better outcomes and a broader range of benefits can be achieved when local government plays a stronger co-ordinating role and uses a fuller range of levers to provide confidence to the market. These levers include:

#### Regulatory

- Zonings, land use and subdivision controls (regulatory planning instruments)
- Bylaws

#### Public investment

- Council investment in core infrastructure (e.g. roads, network infrastructure)
- Council investment in the public realm (e.g. streetscape improvements)
- Council investment in community facilities

#### Financial

- Development contributions
- Rates

#### Development facilitation

- Development advocacy / enablement
- Land assembly
- Council development / exemplar projects
- Development partnerships
- Streamlined planning processes (including potential "Housing Accord")

#### Financial incentives

- Rates relief, exemptions and holidays
- Development contributions relief, exemptions and holidays

# PLANNING APPROACH

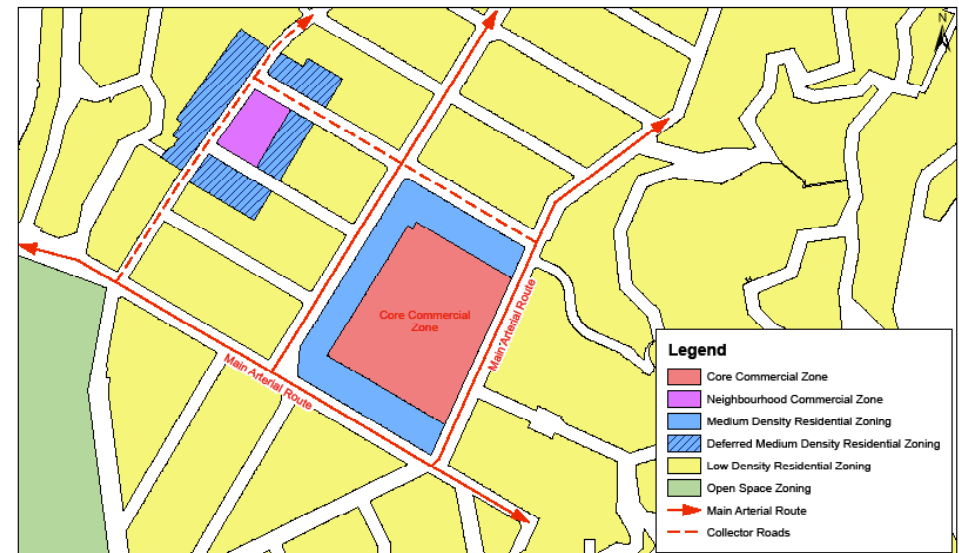
When moving beyond a “business as usual” approach (e.g. undertaking land assembly or targeted development contributions relief) new initiatives must be strategically targeted to support desired development outcomes; avoid distortion of the land development market; and avoid inappropriate exposure of Council finances. It is also important that the use of these tools is strategically aligned (e.g. medium density upzoning supported by infrastructure upgrades and financial incentives). We have made some recommendations about what tools should be applied to individual projects in subsequent sections of this report.

### 5.3 #2: DISCIPLINED ZONING STRATEGY

As part of a strategic approach to growth management we recommend a disciplined zoning strategy that focuses on those areas where meaningful change can be achieved over the next 10 – 15 years. Under this approach upzoning areas (e.g. new medium density areas) will be limited thereby sending clear signals to the market about where Council desires new development. In turn the areas need to be well chosen and responsive to development economics and existing Council investment in infrastructure and urban amenity. Essentially this is about aligning RMA planning settings with the market and promoting plan changes that will actually work.

For longer term planning purposes we recommend use of deferred zonings, alongside a signal that these are seen as the next tranche of new development areas, probably 10 – 15 years out. This “lead in” time will enable the private investment and development market to assemble land holdings in these areas, essential preparation for their eventual development.

Deferred zonings should be subject to land use and subdivision controls which restrict their short-term development in order to protect and prioritise the short-term upzonings (above). However, it is also important that the planning framework has flexibility and appropriate “release valves”. One of those release valves should be to allow the shorter-term development of deferred zonings where growth exceeds projections and development capacity diminishes faster than expected.





Deferred zonings are normally applied in greenfields locations (e.g. Auckland Unitary Plan and Proposed Christchurch District Plan), but, for example, Wellington City Council is currently considering their use in brownfields environments. The advantage of deferred zonings is that they provide a longer term signal of Council's preferred settlement pattern and infrastructure investment enabling the private sector to assemble land holdings for development in the future. This gives an important early signal which can avoid "lumpy" supply of development opportunities to the market in the future. The question is often asked "why not just zone it now", and this is an option. However, too much upzoning at one time means Council's signals are diluted and can also spread demand on Council's finances in the form of infrastructure upgrades.



### **5.4 #3: EMBRACING THE WATERFRONT**

Council's approach to growth management must leverage Nelson's coastal and lifestyle advantages to reinforce a local "point of difference". In our view the key to this is better embracing the Nelson waterfront and working port/ marina area which is dislocated from large parts of the Nelson urban area (including the central city) by State Highway 6. We recognise there is a broad background to this matter including:

- Proposals for an alternative route.
- The Rocks Road improved cycleway / footpath.
- The new Matai walkway.

However, we believe further work is required to truly open up the Nelson waterfront and the associated potentials for the City.

For the purposes of this study we have assumed an alternative route is unlikely to eventuate, but believe there is still potential to create better linkages between the Nelson central city and waterfront. Specific initiatives that we believe warrant further attention include the "clip on" boardwalk and extension of Trafalgar Street to create a more visual and functional connection from the central city and Christ Church to the port and marina area and connecting key waterfront locations such as Wakefield Quay to existing fringe central city locations. These matters are explored further in subsequent sections of this report.

## **5.5 #4: DIVERSIFYING THE CENTRAL CITY**

We endorse the direction set out in the Heart of Nelson Strategy (2009) and believe the continuing diversification of the central city should remain a priority for Nelson. We have observed levels of patronage in the central city and note that these vary significantly from street to street and at different times of the day and week. There is an opportunity to maintain more constant levels of patronage by promoting a variety of activities. We believe introducing more residential activity would be particularly beneficial as this helps to sustain a vibrant hospitality and arts culture which is consistent with a “24/7 CBD” and the City’s cultural identity creating a truly “Living City”. As the uncontested centre of a growing region the central city is ideally placed to achieve this. One means of achieving this is to leverage growing demand for compact housing types – including conversion of existing commercial buildings.

Any reverse sensitivity issues would need to be carefully worked through however we believe based on the current central city setting and scope such opportunities exist.





## 5.6 #5: ACTIVE APPROACH TO HOUSING AFFORDABILITY

Local authorities have a range of responsibilities that are directly linked to housing affordability – this includes land supply, infrastructure provision and financial powers including collection of rates and development levies. Whilst an equally large range of factors outside of Council’s responsibility also influences housing affordability, there is a growing recognition that local authorities must take a holistic approach which recognises the relationship between their policy settings and housing affordability. We recommend that Council explicitly recognise these relationships with a view to avoiding unnecessary costs that flow onto the market price of housing. This should include consideration of the following:

- Regulatory planning rules which enable economic development yields to be achieved.
- Maintaining a 10 – 15 year forward supply of land supply / development capacity for new housing.
- Proactive provision of infrastructure to ensure that zoned land is serviced and hence represents “real” land supply.
- A catchment based approach to development contributions where strategic remissions and exemptions could be applied in areas where infrastructure capacity exists and is already paid for.
- Imposing rates uplift and development contributions when new land / units are occupied rather than upon issue of titles.
- Land assembly and development partnerships with the private sector to deliver affordable housing demonstration project(s).
- Examining partnership opportunities with developers and the affordable housing sector to promote the delivery of affordable housing stock into the market.

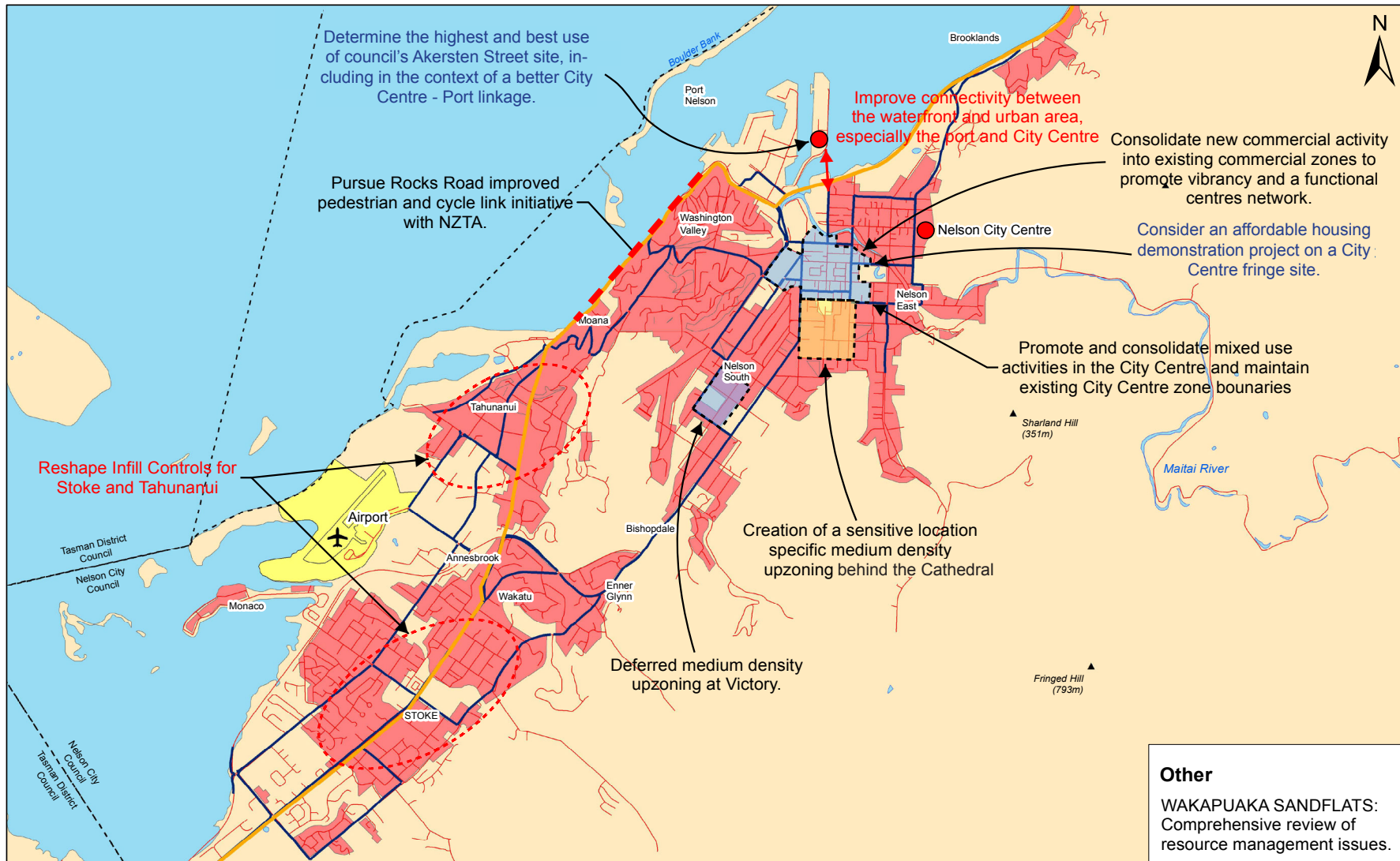
In respect of affordable housing demonstration projects we understand that Council has large holdings of property around the City. Some parcels may be suitable for housing in themselves, whilst strategic disposal and recycling of capital could also be used to purchase suitable parcels. We are also aware that Council has partnered previously with the affordable housing sector on a range of initiatives. This matter and opportunity is explored in more detail later in this report.





SECTION SIX:  
**CASE STUDIES  
& INITIATIVES**







## 6. CASE STUDIES AND INITIATIVES

### 6.1 INTRODUCTION

Council has asked that this study include consideration of some specific sites and issues and these are addressed in individual sections below. In considering these issues we have proposed a number of initiatives and investigations to build up a coherent overall growth framework.

### 6.2 RESIDENTIAL REDEVELOPMENT AT VICTORY

A specific review of residential intensification around Victory Square in Victory has been undertaken. The areas reviewed are shown in red outline in Figure A, chosen for potential to leverage off the amenity provided by the square, current Victory village amenity and employment and services in the broader local area. We agree that this local amenity and service provision could be useful in supporting residential intensification but note the following obstacles over the shorter-term:

- The most market desirable sites are likely to be those facing directly onto Victory Square and these sites are generally already built out and small – medium in size meaning demolition and land assembly will be required to facilitate meaningful redevelopment (unlikely to be financially feasible) .
- Recent sales data suggests land and property prices are too high to assemble land/ develop and post redevelopment values would be too low to support any market led redevelopment response
- Some of the sites along Vanguard Street are subject to topographical constraints which would increase development costs and further undermine development feasibility.

For these reasons we do not believe Victory has the City's best residential intensification potential over the coming 10 – 15 years. However, if Council is committed to pursuing this location because of its location; localised amenity and services then consideration could be given to a deferred zoning which would allow Council time to monitor market interest.

An alternative if Council wished to promote structured development in this area would be through the mobilisation of its own land holdings or an elevated level of intervention using a broad suite of tools. Based on current policy settings and land values, we would expect very little increase in household / dwelling numbers in the foreseeable future. However, with active Council intervention (deferred zoning, active investment and advocacy) an additional 200 dwellings (approx.) may be achievable over 30 years.



FIGURE A.

### 6.3 RESIDENTIAL INTENSIFICATION OF LOWER DENSITY AREA BEHIND THE CATHEDRAL

The area defined in Figure B is a mature residential area immediately south of Trafalgar Square. Currently the NRMP encourages low density residential development in this area underpinned by a 750m<sup>2</sup> minimum lot size. It has a high degree of neighbourhood character, a high proportion of large character homes, and generally high land and property prices. The area benefits from its established, high amenity setting and close proximity to the central city. These qualities (and associated property values) are effective in supporting medium and higher density residential development, and we expect this would be the case for here. On this basis we recommend a specific, finely grained analysis of the area shown in Figure B to identify potential upzoning areas. We do not consider that blanket upzoning of this area is appropriate because of the character qualities of some streets and the likely important role they play in providing large, quality homes for professionals (with families) working in the central city.

Planning/policy settings are likely to be the primary obstacle to intensification of this area at the current time, as land values, amenity and access to the central city all create favourable conditions for intensification. With a sympathetic approach to existing amenity and character an additional 250 dwellings could be added to the area over 30 years.



**FIGURE B.**



### 6.4 CITY CENTRE INNER AND FRINGE ZONES

The city centre inner and fringe zones have the right characteristics to support residential intensification in the form of apartments and town houses, and we note the market has already delivered compact housing types. We are firmly of the belief that this sort of development should be explicitly supported as part of the evolution of the central city and surrounding areas into a genuine “mixed-use” zone through new development and the conversion of existing commercial space into residential housing units. This will need to be supported by policies and rules that seek to prioritise and manage the issues and effects that arise with mixed use (including semi-structured precincts), but on balance we see this transition as positive and inevitable in the face of Nelson’s ongoing growth and demographic trends. Council has an opportunity to harness and manipulate this transition to maximise community benefit.

We note recent developments such as Sussex Mews, demonstrates the level of market receptiveness to City Fringe living in a high density application. This development, whilst having a number of perceived urban design and form constraints, has (from a development perspective) performed extremely well in terms of sell down. This demonstrates that there is a market receptive to high value, high density residential developments on the City Centre fringe and a clear signal to the development community of the type of product and price point that can be sustained.

We believe an uptake of 500 new dwellings could be achieved in the central city over the next 30 years subject to favourable planning settings and Council support.



### 6.5 STOKE AND TAHUNANUI

Whilst the overriding character of Stoke is of standalone dwellings on large lots there has also been a substantial amount of residential infill and unit development. We note that Statistics New Zealand projects Stoke as the largest single growth area in the City over the next thirty years, but this is likely to be attributed to greenfield development which is occurring around the edges of the suburb. Under current market conditions we believe that residential intensification and comprehensive redevelopment is unlikely to be financially feasible on a broad scale across Stoke.

Notwithstanding, we also believe that small scale infill across a large suburb like Stoke can play a material role in Nelson's housing supply over time, and on this basis suggest that Council reconsider land and subdivision controls relating to infill / rear lot subdivision and unit development. We recognise that the existing rules have allowed development of this type to occur over time, but demand may increase into the future and the planning rules need to be dynamic enough to balance the protection of existing character with the broader housing supply equation. We suggest that this specifically consider application of the following:

- Acceptance of smaller infill lot sizes.
- Proactive use of consent notices to control the size of dwellings on infill lots.
- More permissive site coverage allowances subject to yard setback and height recession plane standards being maintained to protected neighbours' amenity.
- Urban design rules which ensure minimum levels of internal amenity through provision of outdoor open space and orientation to daylight and sunlight.

Figures provided to us by Council project an additional 2,660 households in Stoke from 2015-2045 and an additional 530 in Tahunanui. Based on our observations these yields are only likely to be achievable if intensification is facilitated in the manner described.

We believe this approach is also generally appropriate for the broader Tahunanui suburb (see further notes below on nodal development at Tahunanui).

Stoke and Tahunanui are areas which may experience demand from retirement complex development. These typically require large sites (5,000m<sup>2</sup>) and so potential "pressure sites" can be easily identified. However, retirement complexes can locate in a range of residential and commercial locations and impose a range of typical resource management effects (traffic, design, amenity) so we recommend that Council give thought to plan wide provisions in the NRMP aimed at controlling these effects above a certain threshold (e.g. 20 units). This could potentially be broadened to include any multi-unit development (i.e. not just retirement housing).

### **6.6 CENTRAL CITY EXPANSION**

We acknowledge recommendations made in previous planning studies to expand the Central City zoning to provide for new development and activity in current fringe areas. However, we believe that there is still significant development potential within the existing zoned central city area, and further expansion of the zone at this point in time may have the effect of diluting activity and placing downwards pressure on property prices in the existing zoned area, which may undermine the development economics of new projects. However, this is also not a “static” issue and we recommend Council take an active approach in monitoring the need for zone expansion.

In terms of monitoring the need for zone expansion this could include:

- Maintaining a database of new development (no. residential units, commercial floorspace m<sup>2</sup> GFA).
- Maintaining a database of development capacity within the central city (vacant land and undeveloped “airspace”).
- Monitoring rateable values to identify sites where improvement values are low and may encourage redevelopment.
- Monitoring vacancy rates.



### **6.7 AKERSTEN STREET**

Council owns a strategic piece of vacant land at Akersten Street adjacent the marina and port area. We understand that over time various parties, including hotel operators, have approached Council about acquiring and developing this site. To date these approaches have not been taken up and Council is reluctant to introduce uses, including residential and visitor accommodation, that may conflict with operational port activities and industries due to reverse sensitivity issues. We understand that this is to be the subject of further planning work.

Our first impressions of the site is that it has significant potential and will sustain market interest. The location on the waterfront and adjacent the marina presents a high degree of interest and amenity that will remain attractive for residential and hotel developers and others. Whilst we understand that the site may have some geotechnical constraints and reverse sensitivity issues with adjoining land uses namely seafood processing facilities, the location is likely to fetch prices that would mean development of this type remains feasible. Noting Council's concerns around reverse sensitivity effects we wonder whether these could be managed through planning rules.

If residential or visitor accommodation uses are completely "off the table" we recommend that Council go to the market inviting tenders from prospective purchasers. The tender process could list a range of desired development outcomes and potential uses satisfactory to Council (to guide the response). We have turned our mind to potentially feasible industrial and marine activities but determining the highest and best use of a single site is best undertaken by canvassing the market.

We also believe a better functional and visual connection between the central city and port (by improvements to Trafalgar Street) would be an effective initiative in opening up the waterfront, and if Council chooses to pursue this recommendation the future use of the Akersten Street site should take this into account.

We strongly believe there can be and should be a positive interface between Nelson's central city the working port and marina facilities that Nelson so fortunately has on offer. We believe by taking such an approach many of the perceived reverse sensitivity issues will be overcome.





**6.8 WAKAPUAKA SANDFLATS AND HIRA**

The Wakapuaka sandflats area presents a complex set of resource management issues. This includes the original reclamation of the estuary; existing farming activities; emerging commercial aquaculture activities; presence of wastewater treatment ponds; and potential wetland restoration. We firmly recommend that these matters be considered holistically and addressed in a strategic, not ad hoc, basis. It is likely that detailed and specific technical investigations will be required to properly inform this approach.

Council has previously purchased land for reserve purposes at Hira with a view to a potential, future rural village development in the area. We believe that from an urban development point of view Council's capital would be better directed to some of the other initiatives identified in this report and that it should consider structured disposal of its land at Hira. We understand that this will be part of future discussions through the Nelson Plan.





### **6.9 HAZARD PRONE AREAS – MARKET DYNAMICS**

Council has asked us to consider the potential market demand effects of the known hazard prone areas in The Wood, Central City, Tahuna and Monaco. There are now numerous case studies to draw on from around New Zealand following local authority identification of hazard prone areas and recent hazard events (including, for example, the Canterbury earthquakes and coastal hazard events in Hawkes Bay).

Our observation is that the most significant market demand effects arise not in relation to the hazard threat itself, but more in relation to the ability to insure and repair property. At Haumoana in Hawkes Bay for example coastal property prices have declined significantly following new planning rules restricting repair and extension of homes and associated difficulties in obtaining insurance. On the flipside the threat of coastal erosion and inundation has been known for some time but on its own this had a lesser effect on property values. It is also our observation that stigma associated with hazard prone property tends to peak following a hazard event and then diminish with time.

It is also interesting to note that many coastal locations are simultaneously desirable for amenity reasons and vulnerable to hazards (sandy soils, tsunami threat). Likewise many central city areas, being located on flat, low lying areas (e.g. Wellington, Christchurch) are also hazard prone. This creates tension because of ongoing market demand for development and the risk of intensifying hazard risk. We recommend that Council take a risk based approach which balances the likelihood and magnitude of hazard events with the economic and social cost of retrofitting, relocating and protecting already developed areas.

For example, without proposing a “devil may care” attitude we think that it is unlikely to be economic, and ultimately unwise, to prevent further intensification of the central city due to the significant social and economic benefits of doing so. However, minimum building and engineering standards should be observed to build resilience into the urban form.

In respect of The Wood, Tahunanui and Monaco Council’s key consideration should be whether further intensification of hazard prone areas should be allowed, or whether this is best directed to other parts of the city. Issues to consider in this context include the requirements of the New Zealand Coastal Policy Statement; the ability to insure properties in these areas; and the impact of Section 72 requirements under the Building Act (will require some properties to be identified as hazard prone). As a starting point we would not recommend that these areas be identified for intensification, even though some areas will likely be market attractive. Consideration could also be given to mild deterrents to intensification including policy references to the hazard threat and minimum density and lot size rules. However, this is a matter that requires further specific attention and we draw Council’s attention to the experience of Kāpiti Coast District Council where its approach to coastal hazard provisions has been suspended following an independent review.

In respect of earthquake prone buildings we are aware of a number of market impacts from our experience in Wellington. In some cases these buildings are uninsurable and/or untenable following their identification as earthquake prone by the local authority. Often compounding these issues is that fact that they are uneconomic to remediate (i.e. the cost of remediation can be greater than the value of the building following remediation). In some other cases buildings are heritage listed, presenting a conflict between Building Act and RMA requirements. Council needs to provide leadership around these issues because taken together they represent market failure.

**6.10 TRAFALGAR STREET – PORT CONNECTION**

We believe Council could specifically investigate potentials to create a dedicated, functional and visual linkage from the central city to the port by undertaking improvements to the northern end of Trafalgar Street. The port and marina area presents a vital opportunity to open up Nelson to its waterfront, and it is advantageous that the existing alignment of Trafalgar Street runs almost directly to this area and Council’s Akersten Street site. The relationship with State Highway 6 is currently problematic and we believe a grade separated pedestrian (or even vehicle linkage) across the estuary to link with Akersten Street could have a transformation effect on the area. However, this would be an expensive exercise and we therefore propose a comprehensive approach which considers the future use of Council’s Akersten Street site, as a minimum level of activity and attraction will be required on the part side of the estuary to generate a “dumb-bell effect” of movement between the central city and port.

We believe a direct visual and physical connection along Trafalgar Street connecting with Akersten Street (almost a direct line) in the vicinity of the marina has potential to add vibrancy to the waterfront and is consistent with the approach of Nelson embracing its waterfront. Further, a vibrant node of activity on Akersten Street has the potential to contribute movement back in to the central city (also see our recommendations about Council’s Akersten Street site). Direct visual connection is desirable but may not be possible due to grade separation, however, ease of access will be critical. Although we are not fixed on whether this access would include provision for vehicles we note the success of Wellington’s “city-to-sea” bridge in creating a seamless pedestrian transition between the waterfront and central city (over a major arterial road).



### **6.11 AFFORDABLE HOUSING DEMONSTRATION PROJECTS**

We believe there is benefit in Council considering active involvement in an affordable housing demonstration project to demonstrate the development market and market at large that:

- Functional housing can be developed and delivered to the Nelson market at affordable levels.
- Compact housing types can be delivered in quality formats.

There are financial risks associated with direct involvement in such a project but this risk can be mitigated through the following means:

- Choosing market attractive locations.
- Maintaining strict commercial disciplines.
- Keeping the delivery of the project at arms' length from political decision making.
- Procuring a private sector/ affordable housing development partner to share the risk of the project.
- Recycling capital and ring-fencing funding through sell down of other assets (e.g. land at Hira, Akerston Street).

We think that a central city fringe location would be an appropriate location for the first project as it would place the development in close proximity to a broad range of services and adequate underlying land value to make the project financially feasible. With the objective of the project being to demonstrate the benefits and feasibility of affordable housing development in Nelson, we see this project as part of a discrete programme of

demonstration projects (probably 2 or 3 maximum).

The objective of this initiative is to demonstrate to the private development sector that there exists a viable market for developing affordable housing.

We note Council to date has partnered with the Nelson Tasman Housing Trust ("NTHT") to deliver affordable housing demonstration projects in the past by gifting land and there may exist a potential further extension of this partnering arrangement based on a broader set of development objectives, including:

- Multi proof housing model 'replicable'
- Mixed tenure/ mixed community

The advantage of replicable housing materials is that they can be produced en masse, are hence cheaper, and are easier to assemble. This philosophy is currently very popular among New Zealand's housing material innovators as it presents a real opportunity to reduce the overall cost of housing construction and contribute to a more affordable housing market.

We believe a further partnership opportunity would mitigate any concerns the development community has around Council's involvement in what is non core Council activities and any perceived loss of public good or gifting to an otherwise developer would be null in void.

An example of the type and sort of potential development could include high density terraced housing using modular construction and forms suitable to the Nelson environment.

### **6.12 TAHUNANUI**

Tahunanui presents an interesting prospect in terms of medium density zoning around the existing commercial village, which lacks any real clear structure in terms of set out and is constrained by the existing main highway.

We note recommendations made by recent planning reports for Council to implement a structure plan for the creation of commercial and high density residential housing. In principle we support such a concept and in doing so we recommend to Council that prior to any structured plan being initiated a higher level of feasibility and engagement be undertaken in particular with entities such as Whakatu Incorporation who is a significant landowner and stakeholder in this location as to local businesses and residents to measure community and market receptiveness to such a plan.

We believe the fragmented nature of the location may prove difficult in mobilising any activity, however, based on its location and relationship to Nelson is an important gateway and corridor into the City where any development needs to be structured.

### **6.13 RIBBON APARTMENT DEVELOPMENT ALONG THE WATERFRONT**

Wakefield Quay is an important transition point between the City Centre, Port and Tahunanui providing an important corridor for inward and outward flows between Tasman and Nelson. It is also one of Nelson's most highly sort after locations due to its high amenity values and water front views.

As with most provincial city high value locations and properties have a very small and constrained market and in location such as Wakefield Quay this is further complicated by land scarcity and high development costs due to topographical constraints and small building platforms which make any form of development expensive to execute.

Wakefield Quay is further constrained by a lack of overall public amenity and is not at all very well connected to the City Centre and the adjoining land uses - all of which need to be enhanced as part of an integrated renewal programme that would include the fast tracking of the clip on walkway (inclusive of cycleway), enhancement of the roading landscape, and the planned redevelopment of the existing port buildings held by Council. We would recommend a similar EOI process to that recommended for Akerston for these buildings based on a defined set outcomes and objectives. In terms of any approach to the market for such initiatives we would recommend a staged approach to ensure any potential exposure to Council and the development community is minimised.

We believe there is further potential for residential development which would link the existing developments with a ribbon development through to the City Fringe and central city. The type and scale of development would be terraced and high density in application and would vary in price point by locality.

Any reverse sensitivity issues we believe can be designed out through the resource and building consent process.



SECTION SEVEN:  
**CONCLUSION &  
SUMMARY OF  
INITIATIVES**





# CONCLUSION & SUMMARY OF INITIATIVES

## 7. CONCLUSION AND SUMMARY OF INITIATIVES

Whilst Auckland is experiencing growing pains and many parts of provincial New Zealand are struggling for growth, Nelson finds itself in the fortunate position of experiencing moderate, sustained growth that can be harnessed and planned for to maximise community benefit.

This moderate growth and the ageing population will be the key drivers of land demand in the city over the next thirty years and Council must plan proactively to create development capacity for new housing and commercial development. In the case of housing this means providing more proactively for compact, low maintenance housing types attractive to an ageing demographic.

Nelson is also famous for its quality of life, underpinned by an attractive coastal setting; excellent climate; and functional, mature urban form. These are attributes which Council's growth planning should seek to emphasise and leverage. This can be achieved through improved linkages between the urban area and the waterfront, currently limited by State Highway 6.

We also believe that Council's approach needs to recognise that the market alone will not deliver the desired community and development outcomes, and that Council must assume a leadership role by using a full suite of regulatory, advocacy and financial tools. This does not mean turning its back on the market, but harnessing the market to deliver those desired outcomes, including by giving confidence to the development sector and working in partnership.

Overall we have taken a strategic approach to developing this draft development framework by identifying what we believe are the driving issues for urban growth and development in Nelson and will continue to be in years to come. By drawing upon these issues we have recommended Council take a five-pronged approach to growth management:

1. Use a full range of levers to drive identified development outcomes (as above) – this should include consideration of a Council development facilitation / land assembly function.
2. Apply a disciplined, focused zoning strategy that sends clear signals to the market.
3. Embrace the waterfront (central to Nelson's point of difference).
4. Diversify and consolidate activity into the central city (the "heart" of Nelson and broader region).
5. Take an active approach to housing affordability.

In addition we promote an approach where the existing urban area is the "main game" for future growth and a co-operative approach is maintained with TDC in recognition that Nelson forms part of a broader Nelson-Richmond urban area. This approach should also encompass current discussions with government on a potential housing accord for the area, for which a genuine regional approach is likely to be the only practical way to address residential affordability and growth management issues.

# CONCLUSION & SUMMARY OF INITIATIVES

Drawing on this approach we have recommended specific initiatives within a strategic framework, these are:

**Victory** – areas surrounding Victory Square present potential for medium density housing / intensification but this density is not currently provided for in the NRMP rules. There are other obstacles to development as well including land fragmentation and low values. Implementing a deferred zoning would allow Council to monitor market interest over the next 10 – 15 years and if genuinely interested Council could stimulate market interest through more active intervention such as development partnership, land assembly and a demonstration project. If a more active approach was pursued by Council we estimate an additional 200 dwellings could be delivered in this area over the next 30 years. This requires further, specific investigation to be validated.

**Lower density area behind the Cathedral** – this area is a desirable, high amenity residential area in close proximity to the Central City. It is characterised by low density development, currently protected by subdivision and density controls in the NRMP. We believe there is potential for meaningful intensification of the area but we are also mindful of the character and amenity of this area, and the likely unique role it plays in providing high-end housing close to the Central City (potentially a valuable resource for attracting professionals to Nelson). For this reason we recommend a fine grained analysis of the area, but based on a conservative approach to intensification we believe the area could accommodate an additional 250 dwellings over the next 30 years.

**City Centre and Fringe Zones** – we recommend that Council maintains the existing spatial limits of the City Centre and Fringe Zones as a means of concentrating new development into a defined area. We believe expansion of the zones could dilute activity and land values and have a detrimental effect on the area. We see new residential activity as a key contributor to the areas future and believe that an active, broad based Council approach (including appropriate planning policy and development advocacy) could result in excess of 500 new dwellings within the existing zonings over the next 30 years.

**Stoke and Tahunanui** – Stoke and Tahunanui are two of Nelson’s larger suburbs and are projected to accommodate a large proportion of the City’s growth in the medium – long term future (approximately 3,000 new dwellings over the next 30 years). Whilst there is some greenfield land in the Stoke area, much of this development will have to be accommodated in the existing suburban areas and we believe much of this will need to be delivered through infill and intensification, and in this regard we recommend changes to the NRMP to enable this type of development to occur more easily.

**Hira and Wakapuaka Sand Flats** – Council has previously purchased land for reserve purposes at Hira with a view to a future rural satellite village. Consideration should be given to structured disposal of this land to free up capital for other initiatives identified in this report. The Wakapuaka sand flats present a range of resource management issues, including an emerging aquaculture hub, the original reclamation of the estuary; farming activities and ecological restoration initiatives. We recommend that Council considers these matters roundly with a view to establishing an appropriate, area specific resource management framework in place.

# CONCLUSION & SUMMARY OF INITIATIVES

**Akersten Street** – Council owns a strategic site in Akersten Street, Port Nelson, adjoining the marina. There has been various approaches from private sector developers and businesses over the years to purchase the site due to its high profile and amenity characteristics. There are also some constraints to the development of the site including its proximity to operational port activities and associated noise. We believe this site has significant potential to enliven the waterfront and encourage movement between the port and central city. We understand this area will be the subject of further work.

**Trafalgar Street** – Port connection - a direct visual and physical connection along Trafalgar Street connecting with Akersten Street (almost a direct line) in the vicinity of the marina has potential to add vibrancy to the waterfront and is consistent with the approach of Nelson embracing its waterfront. Further, a vibrant node of activity on Akersten Street has the potential to contribute movement back in to the central city (also see our recommendations about Council's Akersten Street site). Direct visual connection is desirable but may not be possible due to grade separation, however, ease of access will be critical. Although we are not fixed on whether this access would include provision for vehicles we note the success of Wellington's "city-to-sea" bridge in creating a seamless pedestrian transition between the waterfront and central city (over a major arterial road).

**Affordable housing demonstration projects** - We believe there is benefit in Council considering active involvement in an affordable housing demonstration project to demonstrate the development market that compact, functional housing can be developed and delivered to the Nelson market at affordable levels. The financial risks associated with direct involvement can be mitigated through the following means:

- Choosing market attractive locations.
- Maintaining strict commercial disciplines.
- Keeping the delivery of the project at arms' length from political decision making.
- Procuring a private sector development partner to share the risk of the project.
- Recycling capital and ring-fencing funding through sell down of other assets (e.g. land at Hira, Akersten Street).

We think that a CBD fringe location would be an appropriate location for a first project as it would place the development in close proximity to a broad range of services and adequate underlying land value to make the project financially feasible. With the objective of the project being to demonstrate the benefits and feasibility of affordable housing development in Nelson, we see this project as part of a discrete programme of demonstration projects (probably 2 or 3 maximum).

**Tahunanui** - Tahunanui presents an interesting prospect in terms of medium density zoning around the existing commercial village, which lacks any real clear structure in terms of set out and is constrained by the existing main highway. There is potentially value in taking a structured approach to development of this area and we suggest it be investigated as a discrete project.

# CONCLUSION & SUMMARY OF INITIATIVES

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**Waterfront ribbon development** - Wakefield Quay is an important access route between the City Centre, Port and is one of Nelson's most highly sort after locations due to its high amenity values and water front views. However, this is complicated by land scarcity and high development costs due to topographical constraints and small building platforms which make any form of development expensive to execute. There is potential for an integrated renewal programme that could include the Rocks Road improved cycle / foot path and planned redevelopment of the existing port buildings held by Council (including a potential EOI process) We believe there is significant potential for residential development similar to that which has already emerged in the area.

Some additional, area specific work is required to validate and exact opportunities available but we believe this represents a coherent framework and suite of initiatives which would represent an active, appropriate and effective approach to Nelson's growth management in the coming years.

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