Residential Conversion in the Nelson City Centre

CITY DEVELOPMENT NELSON
City-wide solutions

Nelson City Council
Te Kaunihera o Whakatū

Introduction

This information guide has been prepared to support landowners in our city centre navigate the planning and development process to successfully convert upstairs commercial spaces to residential apartments.

What is residential conversion?

Residential conversion means changing the use of an existing building (or part of a building) from its current or previous use into a residential use. It usually involves converting the internal space within a commercial building into an apartment or apartments. This includes additions or alterations to the space to enable residential use (e.g. construction of additional floors or creating access to upper residential conversions). It does not include the construction of a new apartment building or significant alteration/ modification to an existing building (these types of projects are not covered by this guide).

In the Nelson City Centre, residential conversion is permitted on the top floors of commercial buildings within the city centre zone – creating a mixed-use building. Residential uses on the ground floor of buildings in the city centre are generally not permitted (refer to Rule ICr.33 of the Nelson Resource Management Plan (bit.ly/NRMP-PDF)).

What are the benefits of developing an inner city apartment?

Some of the benefits of include:

- **Increasing your income potential** – developing an inner-city apartment provides you with an opportunity to generate income through renting this space
- **Meeting the growing demand** – there is growing demand for residential housing for sale and rent in the inner city, coupled with a move towards working from home
- **Creating a modern home** – creating an inner-city apartment provides an opportunity to create a unique home with good access to the services and amenities that are provided in our city
- **Lower rates** – you can expect to pay less rates once you have converted from commercial to residential
- **Live where you work and play** – avoid traffic congestion and save travel time.

What is this guide for?

You can use this guide to inform investment decisions and plan for all the steps in the development process. It aims to help you:

- Undertake due diligence before you start
- Understand the key steps in the development process and the different approvals you will need
- Find and engage the right consultants and contractors to help you
- Understand and plan for the risks and complexities in the process
- Access all relevant industry information sources.

Step-by-step process:

1 → 2 → 3 → 4 → 5 → 6 → 7

Step 1:
Is my project feasible?

Step 2:
Find the right consultants

Step 3:
Confirm what consents and approvals are required

Step 4:
Plan for your costs

Step 5:
Prepare a programme

Step 6:
Design and Consenting

Step 7:
Construction

1 → 2 → 3 → 4 → 5 → 6 → 7

Step 1: How do I get started – is my project feasible?

Before embarking on a development project, it is important to first understand whether it is feasible and a sound investment. Determining the feasibility of your project includes:

1. Gather relevant information

Relevant information for the design and development process includes:

- A Land Information Memorandum (LIM) report (bit.ly/3LAdSxg) – this details relevant information held by Council about the property including any specific restrictions for the site. You can request this report from Council by completing a LIM Application Form (bit.ly/3UA69DJ) on the website for a fee
- A percentage new building standard (% NBS) rating is intended to reflect a building's safety in an earthquake and will inform the design process. If Council has received and accepted an assessed rating this will be present in the General Property Information (GPI) file (bit.ly/3DMyWyJ). Please visit Council's Customer Service Centre to view the file.
- Details of infrastructure servicing to the building, e.g. 3-Waters (water supply, storm water and waste water). This information should be included in the LIM report.

2. Determine the development potential

Depending on the available space in the building you may be able to develop more than one apartment. Generally, apartments range in size from 45m2 for a one-bedroom, 70 m2 for a two-bedroom, 90m2 for a three-bedroom and 110m2 for a four-bedroom.

When determining how many and the type of apartments that could be provided it is worth considering:

- The potential target market that the development could attract (professionals, students, families etc.) - this will inform the potential size and number of apartments
- How the apartment/s will have access to daylight. Good access to natural light will create an attractive place to live
- The effects of the proposed residential units on the existing commercial activity below
- Whether to use a design professional at this stage to view the property and give an early indication of the project's feasibility.

(source: ADM,2018)

3. Assess the costs and investment required

Some costs to consider

Construction costs: Based on industry standards (as at 2021) this could range from $2,500.00 to $3,500.00 per square metre, plus contingency

Additional construction costs: If your building is a heritage building or requires earthquake strengthening there will be additional construction costs

Professional fees: (e.g. architect/designer, fire safety advice) As a general rule professional fees will add 25% on top of construction costs

Consent fees: Depending on the approvals required there will be a fee required at lodgment of the various applications (Building and Resource Consents). Relevant fees are detailed on Council's website. Under the current policy on Development Contributions, 2021 contributions for residential activity in the city centre are waived

Potential benefits

Personal benefits: What value do you place on creating an inner-city apartment? Is this a personal project or simply an investment?

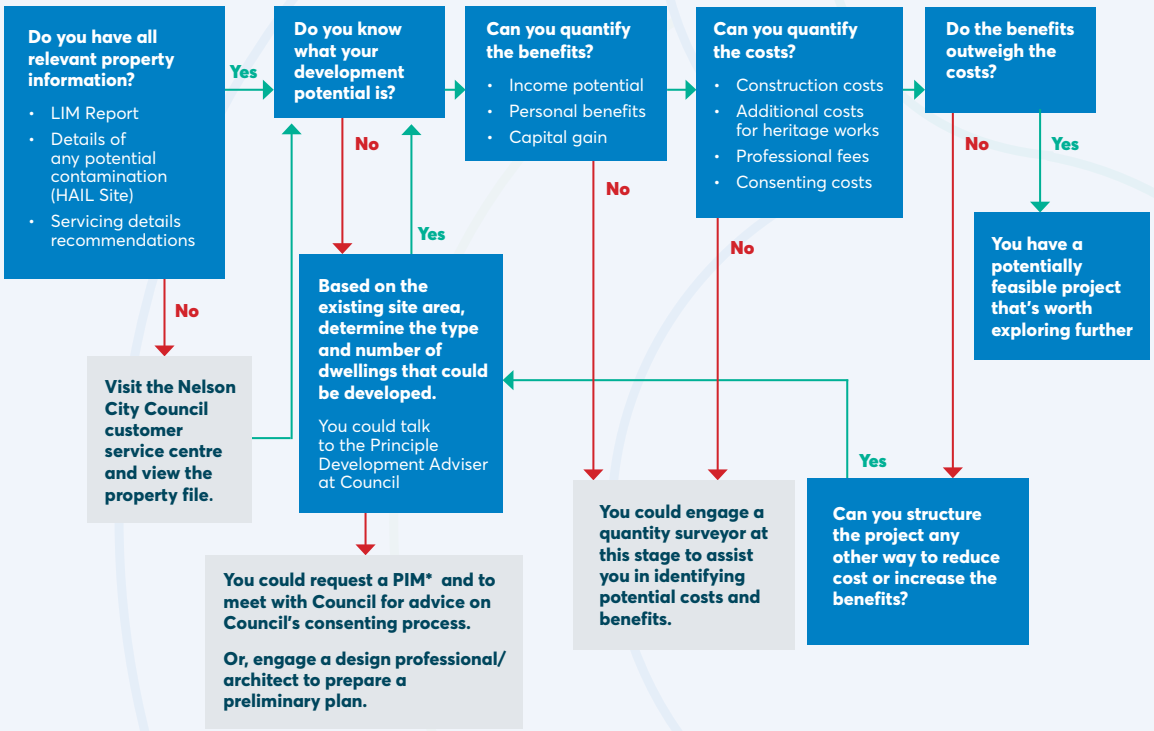
Income potential: Re-purposing unused commercial space to residential will attract rental income. A review of current market rents will help determine your potential income from rent. Ongoing costs should also be considered such as insurance, rates, financing and maintenance

Rate reduction: The rates for residential properties in the city centre are lower than that for a commercial property

Capital gain: Over time you could receive capital gains on sale of the property by adding a residential unit

Note: this is intended as a general guide of the range of costs that could be incurred to assist in the early decision-making process. A qualified quantity surveyor could be engaged to confirm the likely cost of development.

Decision-making process



*refer to glossary on page 14.

Step 2: Find the right consultants

Depending on the complexity of the project, once you've established it might be feasible, you will need to engage a range of consultants to help you through the design and consenting process. Some development management companies will arrange this for you, or you could consider creating a team of independent consultants led by an architect.

The types of consultants you may need before entering the construction phase could include:

- **An architect:** to run the design process and provide all plans required to support relevant consent applications
- If you don't have a local architect, you could find one via: nzia.co.nz/connect/find-an-architect
- **A planner:** to prepare a resource consent application if required
- If you don't have a local planner, you could find one via: planningconsultants.org.nz
- **An engineer:** depending on the scale of your development there may be several engineers required. At a minimum it is likely you will require the services of a structural engineer, fire engineer and services engineer to assess capacity of services
- If you don't have a local engineer, you could find one via: engineeringnz.org/public-tools/find-engineer
- **A quantity surveyor:** to provide a detailed estimate of construction costs if required
- If you don't have a local QS, you could find one via: nziqs.co.nz
- **A surveyor:** if you are planning on subdividing and creating an apartment on a separate title

If you are unsure which consultants to use and when, you can refer to nzcic.co.nz/resources/guidelines, for further information.

Tips:

- Have a clear brief and contract. Your consultants should have a standard form of consultancy contract they use.
- If you are not using a development management company, it is often best to find an architect who will have contacts of other consultants, contractors and builders that they recommend and work well with.
- You could consider engaging a building contractor early on in the process to ensure any issues with access and construction are resolved early. This would ensure sound advice on the build-ability and costing of the project is received early, before a lot of cost is incurred in the design work.
- Ensure you compare quotes and receive recommendations. You may choose to run a tender process and have 2 – 3 contractors provide pricing for the work. This process delivers the most competitive value from the marketplace.

Step 3: Understand what consents and approvals will be required

Resource Consent

You may require a resource consent if your proposal does not meet one of the controls in the Nelson Resource Management Plan.

Non-compliance with a control is not a showstopper for your development, it just means Council will need to assess the impacts of the parts of the proposal that don't comply through a resource consent process. In some cases, where it is a minor non-compliance, it can be easier and more cost effective to obtain a resource consent than employ a costly design or engineering solution.

At this stage you could arrange a meeting with the duty planner at Council to confirm whether a resource consent is likely to be required or not, and if it is required what the process involves, and to check that you have identified any planning or servicing constraints. An appointment with the Duty Planner can be made by calling Council on **03 546 0200**. Complete this check prior to commencing building consent. For more complex development projects Council also has a Principal Development Adviser Service. They can be accessed by calling Council on **03 546 0200**.

Common triggers for requiring a resource consent:

Providing car parking

No carparking is required to be provided with a new apartment in the city centre. If you want to provide car parking as part of your development, you will need to ensure it complies with relevant design standards.

Rule ICr.31 of the NRMP (bit.ly/NRMP-PDF)

Creating a vehicle access

On most buildings in the town centre (identified as having a scheduled frontage on Planning Map 1 of the NRMP) no new vehicle access is to be created at the site's frontage. A resource consent for a new vehicle access across a scheduled frontage is unlikely to be granted as the NRMP policies and objectives prioritise pedestrian safety and accessibility needs, and seek to reduce vehicle/pedestrian conflict. Where the property has a a mixture of scheduled and non-scheduled frontage, any new vehicle access would be required to be from the non-scheduled frontage, or resource consent obtained.

Rule ICr.32 of the NRMP (bit.ly/NRMP-PDF)

Not providing a balcony or one smaller than 12m²

Resource consent is required for an upstairs apartment conversion without a balcony, or with an undersized balcony. Balconies are to have a minimum combined area of 12m² and a minimum dimension of 4m and must not be located within 45° of due south and must be accessible from the living area of the residential unit.

As residents in the city centre have good access to inner city open spaces, this is a relatively straightforward resource consent application.

Rule ICr.40 of the NRMP (bit.ly/NRMP-PDF)

Making alterations to the external façade of a heritage building

A resource consent may be required where the external façade of a heritage building is to be modified (unless it is relatively insignificant and as part of restoration works).

In general, internal alterations associated with upstairs conversions can be carried out without resource consent depending on the scale of works required, as the interior of most buildings are not listed in the Nelson Resource Management plan.

Rule ICr.60 of the NRMP (bit.ly/NRMP-PDF)

Not being able to meet the acoustic insulation requirements

Construction of new bedrooms are required to be acoustically insulated. Where this cannot be met a resource consent will be required.

Rule ICr.43A of the NRMP (bit.ly/NRMP-PDF)

Building consent

Prior to undertaking a residential conversion project, you will most likely need a building consent. A building consent is a formal approval granted by the local Council Building Authority under the Building Act that allows a person to carry out building work. Council will issue a building consent only when it is satisfied on reasonable grounds that the proposed building work will meet the requirements of the Building Code.

What needs to be addressed in a building consent application?

The details of how to apply and what should be included in your building consent application is provided on Council's website. The following key things will need to be addressed in your building consent application for a residential conversion. This should be led/co-ordinated by your architect for the project.

Structural	Structural drawings are to be provided with the application showing the structural changes to be made to the existing building or any new structure added. This will also include the structural engineer's calculations to verify if the new/additional structural changes comply with the relevant Building Code. Subject to the NBS rating of your building a detailed seismic assessment may be required. Check with your structural engineer as to whether that is required
Services and plumbing	Drawings will be required for plumbing and drainage where additional sanitary fixtures are created
Electrical	Electrical drawings will be required to show information on electrical fittings and power outlets, locations of switch/meter boards and extractor fans and any emergency lighting required
Acoustic insulation	Acoustic insulation requirements for the City Centre Zone are included in NOISE-R7 of the NRMP. Under this rule a choice can be made between minimum construction requirements or having the acoustic insulation specifically designed for the proposed development When designing acoustic insulation, the rule requires certification from an acoustic engineer that the building design will achieve the required sound level
Fire requirements	It is recommended that you engage the services of an appropriately qualified fire designer who will provide you with a fire report for the building. This will be required to accompany any Building Consent or Change of Use application.

You are required to bring the building up to safety and accessibility standards

When an alteration is planned for an existing building, Section 112 of the Building Act 2004 requires that it is also upgraded to ensure fire safety, and access and facilities for persons with disabilities. This is something your design team will incorporate into their plans.

As part of the assessment of the building consent application, Council will require evidence to confirm that the building will comply, as nearly as is reasonably practicable, with the provisions of the building code that relate to:

1. Means of escape from fire
2. Access and facilities for persons with disabilities (if this is a requirement in terms of section 118)
3. Compliance with the other provisions of the building code to at least the same extent as before the alteration.

For more information refer to www.building.govt.nz/building-code-compliance

Tips

- Carrying out a simple desktop assessment against the NRMP rules outlined above, and contact Council's duty planner and/or the Principal Development Adviser with any questions or basic advice needed in the initial planning stages
- Once preliminary plans are drawn up, you can apply for a PIM, a report which confirms the resource and building consent requirements of the design
- If a resource consent is required, it is recommended that you organise a pre-application meeting with Council's duty planner and/or the Principal Development Adviser before lodging an application to confirm the inputs needed for your application and/or discuss this with your consultant team

For Heritage Buildings

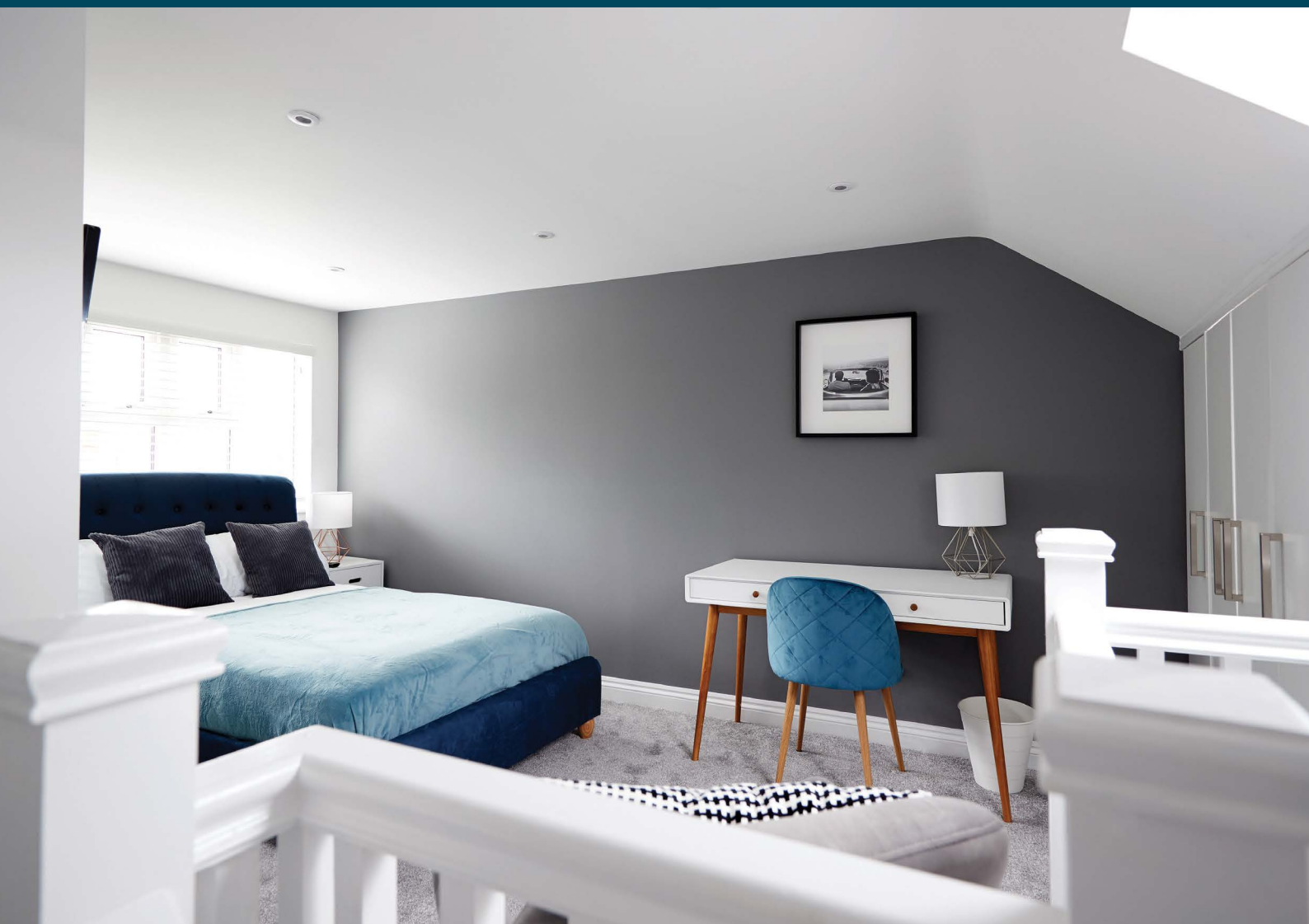
Heritage listed buildings are identified on the NRMP planning maps, and Council will be able to assist in confirming if your building is a heritage building. There are a number of different classes of heritage protection with different requirements.

Common issues that arise for heritage buildings include:

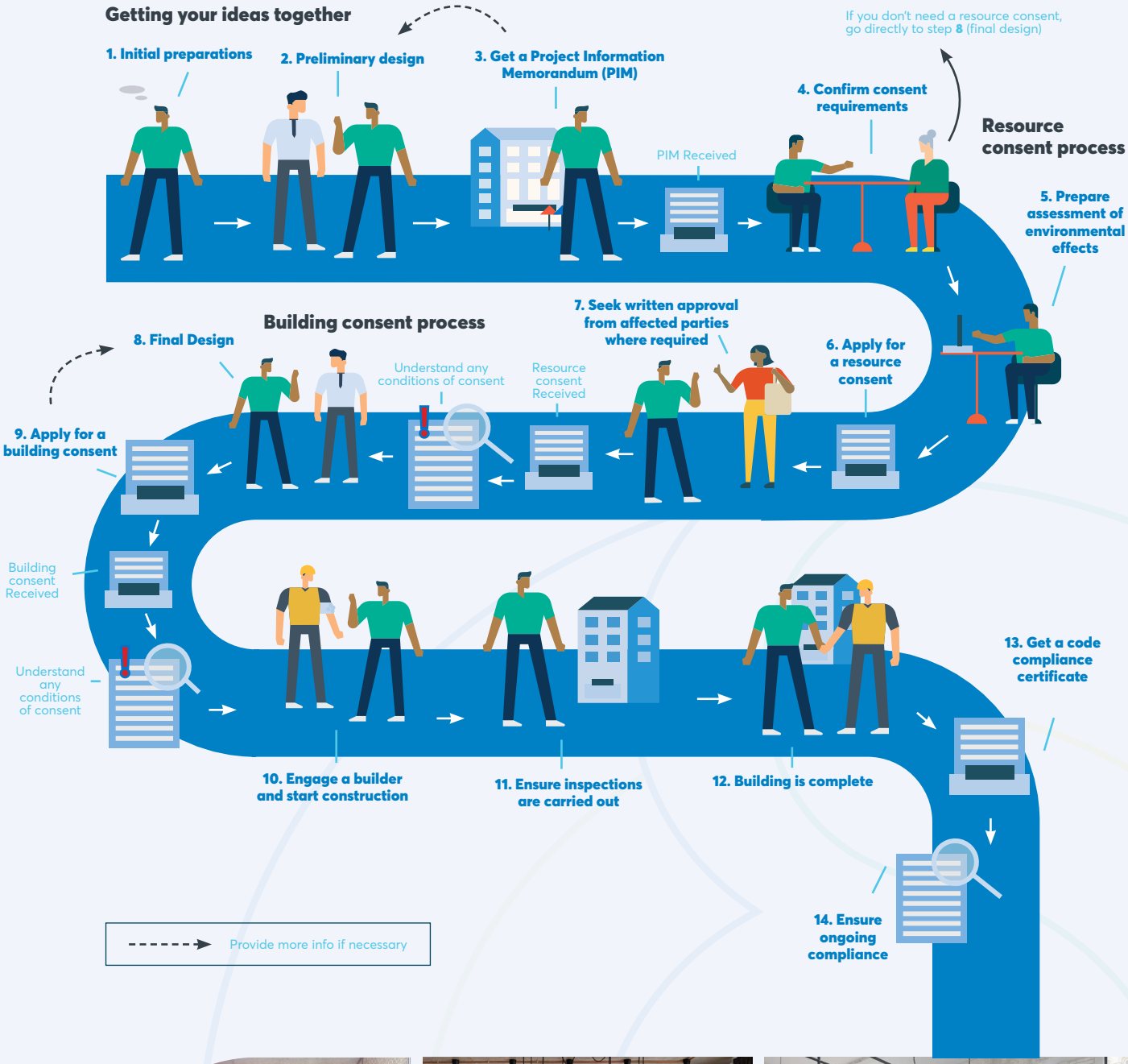
- The inability to meet acoustic insulation requirements as this may result in modifications to the external window frames and façade
- Provision of a balcony impacting the heritage façade
- In most cases Council will favorably consider minor non-compliance of these rules to protect the integrity of the heritage façade

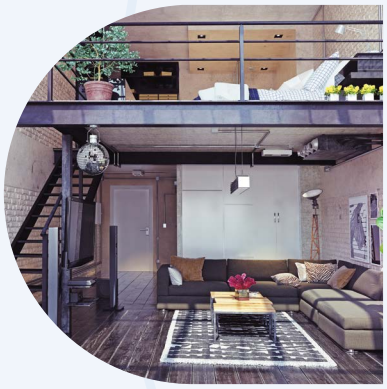
The building and resource consent process

Details of how to apply for a building and resource consent are provided on Council's website: www.nelson.govt.nz/building-and-property (Building and Planning - Nelson City Council). The steps in the process are summarised below.



A beginner's guide to resource and building consent processes





1 → 2 → 3 → 4 → 5 → 6 → 7

Step 4: Plan for what costs you may incur and when

Working out the total estimated cost of the project and sequence of payments is very important. With most developments, the financial benefit is not realised until well after completion, but costs will need to be covered throughout the design and development process.

In terms of the sequence of payments, this will generally follow the development programme. For example:

Design costs

Consultants will generally expect to be paid monthly and are a significant portion of the total cost. These can include the design team (architects, engineers etc.), quantity surveyors, lawyers, accountants and valuers. Any significant design changes requested may also incur additional costs.

Consenting costs

Council consent fees and other associated costs (for example Building and Resource Consent deposit fees) are to be paid upfront. Note that any complication during the consenting process may incur additional costs.

Development contributions may also be required. These costs contribute to increased demand on infrastructure such as 3 Waters and transport incurred by the proposed development, and are payable either prior or at the time building consent is granted. Development Contributions are waived in the city centre.

Any new service connections (for example water, wastewater) may require an application or connection fee to be paid to Council.

Construction costs

Builders will generally submit a payment claim each month for the work completed. Subject to you agreeing with the amount, you will be required to pay the amount (in full) on or before the due date for payment. These claims may include any variations incurred during that month.

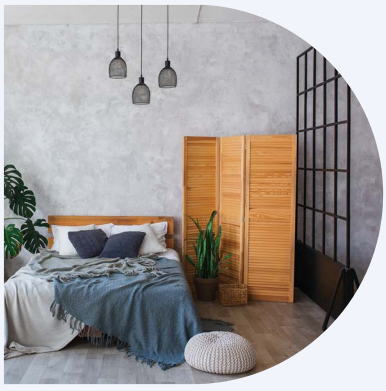
Risks

It is very important to include a contingency when preparing your budget. Generally, this is 15 – 20% of the total project cost. Cost overruns are very common and can be due to various factors, for example, design changes or unforeseen builders' work.

Finance

We recommend you speak about your project with a financial adviser. It would be prudent to determine how much your bank or lender is willing to lend you at the beginning of the project, so you know what budget you are working with.

There are various ways to finance a new build, so it is important to speak to someone who is familiar with this process. With the new build process, draw downs will be required throughout the project to pay progress payments to consultants and builders. Banks and lenders will require additional information along the way before agreeing to the payment.



1 → 2 → 3 → 4 → 5 → 6 → 7

Step 5: Prepare a programme

Concept and initial design phase
(1-3 months)

Detailed design and documentation
(3-6 months)

Procure contractor and undertake build
(9-12 months depending on complexity)

Preparation of resource consent application and council processing
(3-6 months, depending on notification requirements)

Preparation of building consent application and council processing
(1-2 months)

Note: Indicative timing only. Actual programme will need to be prepared based on the complexity of your project and advice from Council and your design team

Consents and timeframes

Once a building consent has been issued building work must commence within twelve (12) months of the date of issue. A resource consent will also have a timeframe to give effect to the development. If no expiry date is specified, the standard term is five years after the commencement of the resource consent. If work does not commence within these timeframes the consents will lapse and new consents must be applied for unless an extension of time to commence work has been applied for and approved by Council. Further details for extension dates are can be found in Section 124 of the RMA.

legislation.govt.nz/act/public/1991/0069/latest/DLM235206.html

Step 6: The Design and Consenting phase - what to expect

Your design team will lead you through the design and consenting process. They should check in with you regularly and seek your approval at key stages. It is also recommended that you check costs throughout the design process. This is to ensure the design team are designing to your prescribed budget.

Plans that should be prepared include (but not limited to):

- **Site plan, location plan, elevations**
- **Architectural drawings:** technical drawing of the building and any specifications
- **Structural drawings and calculations:** generally engineering, including plans and details for how a building will be built
- **HVAC and Mechanical drawings:** these specify location and installation details of all heating, cooling and ventilation equipment
- **Hydraulic drawings:** plans showing any new plumbing or alterations within the building.
- **Fire engineering (if required):** plan that describes the project's fire engineering design solution
- **Acoustic plans:** these specify installation details of acoustic insulation to ensure comfortable noise levels for residents

These plans will be required to support your applications for resource and building consents (refer to Step 3 of this guide) as well as forming the basis of the work plan for your construction team.

1 → 2 → 3 → 4 → 5 → 6 → 7

Step 7: The construction phase - what to expect

1. Procurement of a contractor to undertake the construction

You may choose to compare a range of quotes in order to obtain the best value for money or you may choose to directly source. Either way, carry out your due diligence on the contractor – ask for relevant experience and referees.

Ensure that whoever is pricing the work has ALL the relevant information (drawings, specifications etc.) and can provide a fully inclusive price.

Most contractors will have a standard form of contract that you will enter into. Subject to the scale of the development we would recommend that this is reviewed by your legal representative.

It is important that the contractor and project manager have a copy of any resource consent decision, so conditions of consent are complied with. Any changes may also require a variation to any resource consent.

Ensure you obtain all the relevant and up to date Health and Safety information/documentation from the contractor. This information is important on any project. As developer, it is important that your consultants and contractors have the necessary Health and Safety plan which complies with the Health and Safety at Work Act 2015 and everyone adheres to this. Refer to worksafe.govt.nz/topic-and-industry/building-and-construction for more information.

2. Managing the build

You could commission the services of a project manager to manage the contractor and to manage any variations along the way. Whether it be yourself or the development/project manager managing the build, it is always good to keep in regular contact with the main contractor to ensure they are on schedule, on budget and complying with all requirements.

3. Building Consent Amendments or Minor Variations

Any changes required to the issued building consent plans will either need a formal amendment or minor variation. The Building Inspector or Duty Building Officer can provide guidance on what will be required, and approval must be given before any changes are physically made.

4. After the construction is complete

Once the build is complete, a Code of Compliance should be applied for and all the required documents submitted along with the application.

Glossary

Residential Conversion
Changing the use of an existing building (or part of a building) from its current or previous use into a residential use.

Mixed Use development
A building that has spaces suitable for a range of different uses. In this guide it refers to a building in the city centre that has non-residential uses (retail) on the ground floor and residential uses above.

Project Information Memorandum (PIM)
A PIM is a report issued by us under the Building Act to help you decide whether your building project is possible and practical. You can apply for a PIM here - nelson.govt.nz/building-and-property/building-consents-2/building-consent-applications/apply-for-building-consent

Resource Consent
A resource consent is the formal approval Nelson City Council gives for an activity that does not meet the applicable permitted standards in the Nelson Resource Management Plan or the Nelson Air Quality Plan.

Building Consent
A building consent is a formal approval granted by Council under the Building Act that allows a person to carry out building work. Council will issue a building consent only when it is satisfied the proposed building work will meet the requirements of the Building Code.

Tender process
A process where quotes are sought from a range of suppliers, consultants and contractors and then compared against a set of criteria.

Land Information Memorandum (LIM)
A LIM is a report that details relevant information held by Council about a property, including any specific restrictions for the site. You can request this from Council for a fee using the LIM Application Form *(bit.ly/3UA69DJ).*

New Building Standard (NBS)
A percentage new building standard (% NBS) rating is intended to reflect a building's safety in an earthquake. It compares a building's expected life safety performance with the standard required by the Building Code for a similar new building.

Information sources

Nelson Resource Management Plan (NRMP)
The NRMP is the resource management plan requiring consideration. In time is it proposed that this will be replaced by the Nelson Plan which is currently under development but does not have any legal effect at the time of writing.

www.nelson.govt.nz/environment/nelson-resource-management-plan/nelson-resource-management-plan-2

Nelson Natural Hazard maps
www.nelson.govt.nz/environment/nelson-plan/natural-hazards/mapping-our-natural-hazards

New buildings and liquefaction effects
www.nelson.govt.nz/building-and-property/building-consents-2/new-buildings-and-liquefaction-effects

Nelson HAIL sites (contaminated land) register and maps
www.nelson.govt.nz/building-and-property/hail-sites

Earthquake prone building (EPB) information
A list of earthquake prone buildings, legislative requirements, consultations completed and timeframes applicable to Nelson.

www.nelson.govt.nz/building-and-property/commercial-building-information/earthquake-prone-building-information

General building advice
www.building.govt.nz

Relevant District Plan Rules

The relevant District Plan rules that apply to residential development in the inner city zone are contained in NRMP Volume 2 Chapter 8. The rules that are most relevant to the conversion of an existing commercial space (not a new residential building) are listed below.

ICr.22	Continuity
ICr.23	Minimum facade height
ICr.24	Maximum building height
ICr.25	Daylight admission -Trafalgar, Hardy or Bridge Streets (within the ring road)
ICr.26	Daylight admission - Parking squares
ICr.27	Buildings in Montgomery, Buxton and Wakatu Squares
ICr.28	External design and appearance - Trafalgar, Hardy and Bridge Streets
ICr.29	Display windows
ICr.30	Security doors and screens
ICr.31	Parking and loading
ICr.31A	Private car parking areas
ICr.32	Access
ICr.33	Residential activity ground floor
ICr.35	Daylight admission - Boundary with Residential Zone or Open Space and Recreation Zone
ICr.36	Verandahs - Trafalgar, Hardy and Bridge Street and Parking Squares
ICr.37	Verandahs - Other roads
ICr.40	Outdoor living court - residential activity
ICr.42	Night time Noise Limits
ICr.43A	Acoustic Insulation of Buildings
ICr.44	Vibration
ICr.60	Heritage Buildings, Places and Objects -Alterations to Group A and B Items
ICr.64	Heritage Precincts - Group A or B Heritage Buildings, Places and Objects
ICr.65	Heritage Precincts – Buildings other than Group A or B Heritage Buildings

Civic House
110 Trafalgar Street, Nelson
03 546 0200 • **nelson.govt.nz**