



2 April 2024

**Further submission HCC Plan Change 9.**

**Affordable housing is a cornerstone of a stable society.**

HCC, Plan Change 9 is a legal requirement to comply with NPS- UD.

This submission will only address the area defined as **Hamilton City** in the Market Economic report.

The supporting evidence is the following.

- (1) **Formal Complaint** to HCC for non-complying with NPS -UDC. The reply was from Future Proof (27<sup>th</sup> Oct 2021). Future Proof acknowledge that no consideration was taken of:
  - (a) Restrictive Covenant,
  - (b) Concentrated land ownership
  - (c) and Infrastructure issues.
- (2) **Letter to The Mayor HCC** (8<sup>th</sup> June 2022) outlining HCC lack of compliance to NPS - UD.
- (3) **Strategic Risk Analysis** 2008 Research. (summary only)
- (4) **Principal Economics** report commissioned by MBIE (Dec 2021) reviewed the Market Economics/ Future Proof response to NPS -UDC. This showed significant failures. It was not a “peer review”. Principal Economics has advised that they did not have “access” to the underling algrathim.
- (5) **Letter to HCC, Mayor and CEO** (28<sup>th</sup> June 2023) showing non-compliance.

**This submission** will show that despite repeated notification of non-compliance HCC is still using the same methodology.

**What is this methodology?**

Attached is an extract of the executive summary of Strategic Risk Analysis (2008) commissioned by HCC

- (1) Limit new subdivision approvals with the objective of pushing up land prices and giving developers and section buyers an economic incentive to drift towards more intense subdivisions / housing.

- (2) Approve new subdivisions subject to developers achieving specific intensities.
- (3) Only approved new subdivisions if they have designated medium or high-density areas within them to ensure the overall subdivisions achieve the desired density or densities.

**The background information for Plan Change 9, provided by Market Economics: NPS -UD Housing Development Capacity Assessment 5th of July 2021.**

**Market Economics has provided an updated report titled: NPS- UD Housing Development Capacity Assessment for Future Proof Partners. 17<sup>th</sup> Nov 2023.**

**The 2023 report acknowledges that the previous report in 2021 was a “theoretical capacity assessment” based on “zoning”. It took no consideration of infrastructure capacity as required by NPS -UD.**

Infrastructure capacity is a critical requirement to assess “Commercially Feasibility” under NPS -UD.

**It is our submission that Plan Change 9 in its current form cannot be accepted. It is using factually incorrect information in relation to infrastructure issues because it is using the 2021 report, which Market Economics has acknowledged is factually incorrect.**

Infrastructure issues are critical to understand “Commercial Feasibility Capacity” as defined by NPS -UD.

The implications for this are significant. Not only for Plan Change 9 but also for Plan Change 12, It has implications for the proposed 10 year plan, as well as the new proposed Development Contributions policy.

**These four critical documents are based on incorrect “facts” provided by ME.**

To assist I think it is critical for you to understand what exactly Market Economics methodology and policies are.

**Page 168 Defining of a Competitive Urban Land Market.**

**125. Competitive land markets should not be thought of as a laissez-faire regulatory approach to urban areas. It is our view a competitive urban land market is a well-planned and well-regulated building environment.**

- By “competitive” we mean there is ample supply of alternative opportunities for Development with the results of the price of land is not artificially inflated through scarcity
- by “well planned” we mean that infrastructure and land use provisions is aligned with the timely provisions of infrastructure avoiding unnecessary costs
- by “well regulated” we mean that the positive and negative external effects of land and resources use are considered in decision making, and the cost of regulations are



minimized and concentrate with the benefits. (Positive effect including economy of agglomeration,) and the benefits of proximity and access to urban amenities. Negative effects include pollution and effects from industry, effects of development on heritage and character features, traffic congestion, and infrastructure costs where they are not covered by development or user charges.

- The concept of agglomeration relates to the productivity gains of economy of scale, clustering, and network effects.

Competitive land market is one influence among many influences on housing affordability.

#### **Information taken from ME report (2023 )**

**Page 165. The only way that housing can be more affordable is to be more expensive, (for new buildings to be commercially feasible.) (summarized)**

**Page 140. For Hamilton there is currently a projected shortfall of between 2000 and 3000 dwellings (2025).**

**Page 142. There is a projected shortfall of 2800 to 4500 dwellings (2032.)**

**Page 145. There is a projected shortfall of 8200 to 15900 dwellings (2052).**

**Page 85. When the infrastructure constraints are applied, there is only limited enabled dwelling capacity within the rest of the existing urban area. In total there is only infrastructure service planned enabled capacity for an additional 1400 dwellings outside the inner area, which almost all occur within the east catchment area as duplex dwellings.**

However, Plan Changed 9 designates Hamilton east as a “historical “area that limits development. We have requested that the area designated by ME as “Hamilton east” be accurately identified. HCC have advised we need to pay for this info.

To understand housing costs, both land and construction costs have to be understood.

The modelling takes land cost at “parcel level”. By adopting a “parcel level “it generally undervalues land cost by 10% to 30% from my experience.

**Page 209. The share of the land cost to house cost has increased from 35.2% (1995 ) to 58.7% ( 2023)**

**Page 59. Building costs. The Structure of the model is consistent with that used under the 2021 HBA.**

**Page 217. Construction costs are from QV cost builder. It states that the cost for” detached” houses is \$2,200m2 to \$2,600m2 as a “base build” cost. (2023) .**

**In addition to the “base build” cost there are 12 separate items not included in the QV cost builder. These include but not limited to:**

- GST,
- professional fees,
- addition foundation costs,
- ground developments,

- selling fees.

None of these costs are identified in the report.

In 2021 HCC/ Future Proof advised that these additional costs were “commercially sensitive”. (see Formal Compliant)

Without knowing what these costs are it is not possible to understand what is “commercially feasible”

In Jan 2024 QV base build cost was \$2950m2, not the \$2200m2 to \$2600m2 as quoted.

Page 64. Market Growth Scenarios. The market growth scenario assumes an annual average growth rate of 1.5% in costs and 2.5% in prices (including the price of land).

**Yet Stats NZ have advised that construction costs have increased by 29.75% (2017 to 2021) and a further 20% from 2021 to 2023.**

**In addition, the Real Estate Institute of NZ has advised that for Hamilton, housing prices have increased by 70% since 2016.**

Page 208 real estate prices in Hamilton have increased by 83% in the 10 years to June 2023 compared with the range of 41% to 73% for other regions (excluding Christchurch)

Page 189 housing ownership in the short term this indicates that more than 36% of non-owner occupying households are not able to afford a dwelling with the number increasing to more than 50% by 2052.

It is clear that HCC is using Plan Change 9 (Historical area) to “restrict land supply.”

Their intension is clear. They are still using the same methodology despite advice that this will make housing more expensive.

The “methodology” being adopted will not make housing more affordable, but more expensive. This is contrary to NPS -UD.

It is our submission that you must reject completely Plan Change 9 in its current form.

Regards



Colin Jones  
AREINZ

- Attachments.
- 
- Letter from Future Proof 27<sup>th</sup> Oct 2021.
- Letter; Thomas Gibbons to HCC mayor



- Strategic Risk Analysis 2008 (summary )
- Principal Economics Dec 2021
- Letter to HCC mayor and CEO 28<sup>th</sup> Jun3e 2023



**Future Proof**  
*Te Tau Tītoki*

27 October 2021

Colin Jones  
Director  
Commercial and Industrial Consultants

By email

Tēnā koe Colin,

**Complaints in relation to compliance with the National Policy Statement on Urban Development Capacity (NPSUDC) and National Policy Statement on Urban Development (NPS UD)**

This letter provides a response to your correspondence dated 21 September 2021 and titled “Formal complaint against Future Proof and your councils as Future Proof Partners”. This reply is made on behalf of the Future Proof Local Authorities against whom your complaint has been made. This reply has been considered and endorsed by the Chief Executives or senior managers of Hamilton City Council, Waipa District Council, Waikato District Council, and the Waikato Regional Council.

Your letter of 21 September 2021 requests an independent investigation to ensure legislative compliance. It alleges non-compliance in three parts:

- a. *Not complying with and providing misleading information to Productivity Commission, MBIE/MfE and Elected Members. This relates to both leading up to and the preparation of, the National Policy Statement – UDC (2016)*
- b. *The background documents that Future Proof is using to comply with the National Policy Standard UD (2020) also failed to take into consideration*
  1. *Restrictive covenants*
  2. *Concentrated land ownership*
  3. *Infrastructure pinch points*
- c. *Refusing to provide information that would enable us to understand and challenge the methodology that Future Proof/ME are using.*



Your correspondence refers to several historic requests for information to Hamilton City Council on topics including the Future Proof 2017 and 2020 Housing Development Capacity Assessments (HDCA), the 2020 *Future Proof Housing Study: Demand Preferences and Supply Matters* and other questions related to the provision of data or information from reports as far back as 2010. I am advised that your requests on these topics have been ongoing since 2018 and have been addressed through LGOIMA responses by Hamilton City Council.

Having considered your complaints, the material that you provided, and the obligations of the councils under the NPS UDC and subsequently the NPS UD, I make the following responses to each of the three elements of your complaint. In making these responses I note that I would be very happy to meet with you to discuss this further. Staff from Hamilton City Council and other councils as necessary would also be available to discuss this if that would be helpful.

**(a) Not complying with and providing misleading information to Productivity Commission, MBIE/MfE and Elected Members. This relates to both leading up to, and the preparation of, the National Policy Statement – UDC (2016)**

You have raised concerns regarding the methodology applied to the 2017 HDCA, particularly the methodology applied to determine dwelling feasibility over time.

At the time of the 2017 HDCA there was considerable national debate over the methodology to be applied and the reliability of the results of the assessments done by a number of local authorities in response to the NPS UDC. There was considerable debate about the relevance of a methodology that did not incorporate a scenario that addressed price growth over time. This was ground-breaking work for most of the local authorities involved. It required the collection and analysis of data that was new to the local authorities. There were data inconsistencies, coverage of some data sets was incomplete.

The methodology that was applied by the Future Proof local authorities was thoroughly addressed and settled with the Ministry of Business Innovation and Employment (MBIE) and the Ministry for the Environment (MfE) in 2018. Their report dated July 2018 (MfE/MBIE report), which evaluates the HDCA's of all high growth urban areas (including the Future Proof HDCA), records that the Future Proof HDCA satisfactorily addresses each of the relevant NPS-UDC policies.

As you know the requirements of the NPS UDC were superseded by the NPS-UD, which replaced the NPS-UDC in August 2020.

The NPS UD requirements for the Housing and Business Development Capacity Assessment (HBA) are different from those in the NPS UDC in several important ways. The assessment now enables councils to apply a price growth scenario in the long term. This is consistent with the methodology applied by Future Proof in the 2017 and 2020 analysis.

*"feasible means: ...(b) for the long term, commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship" (NPS-UD page 6).*

Given the conclusions reached in the MfE/MBIE report, the replacement of the NPS UDC by the NPS UD and the different and new requirements of the NPS UD, I consider that an independent review of the HDCA prepared under the NPS UDC is unlikely to provide any insights that would be helpful in

addressing the future requirements of the NPS UD. That work is now historic and has been superseded.

The Future Proof local authorities completed an HBA under the NPS UD in July 2021. That assessment has been reported to the authorities and presented to MfE as is required by the NPS UD. Considerable effort was devoted to ensuring that the methodology that was used for the 2021 HBA complied with the NPS UD. This included input from MfE and the Ministry of Housing and Urban Development (MHUD) through the process.

MfE has commissioned a review of all the 2020/2021 HDCAs. This review will provide commentary on the robustness and accuracy of the assessments and provide feedback on improvements for future assessments. The results of the review will be made publicly available on the MfE website when the review has been completed.

The Future Proof partnership will draw on the findings of this review, and any other relevant evidence of capacity constraints, the uptake of development capacity, planned infrastructure, house prices, construction costs and commercial feasibility, and any other matters as required by the NPS UD to inform the next iteration of the HBA, which must be completed in time to inform the Future Development Strategy and 2024 Long-Term Plans.

Given the timely nature of the MfE review of all HBAs, and the amount of work that is required to progress the next assessments of development capacity, I don't consider that an additional, separate independent review of the 2021 HBA would be a wise use of resources at this time. If the MfE review identifies shortcomings or failings, then the Future Proof local authorities will work to address them.

**(b) The background documents that Future Proof is using to comply with the National Policy Statement UD (2020) also failed to take into consideration**

- (1) Restrictive covenants**
- (2) Concentrated land ownership**
- (3) Infrastructure pinch points**

I will address each of these matters separately. In doing so I emphasize that any piece of analysis as complex as that required by the NPS UD is based on a wide range of input information and assumptions. It requires long-term projections of a range of different factors that reflect the complex interactions of people, businesses, systems, and processes. There is considerable uncertainty over many of the matters that contribute to the overall assessment.

The population projections reflect fundamental uncertainty over the rate of growth, the level on net international migration and the levels of outward migration from Auckland. This uncertainty is even more acute in the current environment with border restrictions due to Covid 19, but the knowledge that the current restrictions will not last. Since the requirements of the NPS UDC the Future Proof local authorities have invested considerable effort in developing and improving the evidence base to support this work.



The projections of demand for business land are subject to considerable uncertainty over the future of work, the extent to which people will work from home in the future, the scale of the relocation of businesses out of Auckland, and long-term shifts in nature of the economy of the Waikato.

Equally there are uncertainties over the long-term cost of construction materials and the availability of the skilled labour necessary to build the homes for which we are estimating future demand. The current disruption to global logistics chains, the shortage of wood and other construction materials and the shortage of skilled workers may have far longer impacts that have been assumed to date.

Just as important, the very long-term nature of the HBA requires the assessment of the development potential of greenfields land for which there is, as yet no structure plan and only broad assessments of necessary infrastructure. The assumptions that are made with respect to the potential yield of residential developments 20 to 30 years from now are subject to considerable uncertainty.

In considering the HBA, and this response to your complaint I would encourage you to see the matters you have raised in the context of the whole assessment and the levels of material uncertainty that are involved in the whole process. The three issues that you have raised do need to be addressed, but also need to be seen in context.

#### **Restrictive covenants**

Future Proof and Hamilton City Council acknowledge that you raised the matter of restrictive covenants approximately three years ago. We acknowledge that this is an issue that needs to be addressed. Hamilton City Council is currently refining analysis that examines the extent and impact of covenants. We expect this work to be incorporated into the next iteration of the HBA for 2024. We are happy to discuss the findings of this work with you when it has been completed.

It is worth noting that the Government Policy Statement on Housing and Urban Development (GPS-HUD), which is central government's vision and direction for housing and urban development, includes a reference to addressing legal and other barriers that may constrain development such as covenants and cross-leases (page 26). This means that in the future there may be a way to remove or limit the impact of restrictive covenants. The first step is to complete the current work to assess the scale, nature and impact of such covenants.

Having looked at this matter I am confident that Hamilton City Council's current work will address this issue and it will be able to be better reflected in the next HBA undertaken by the Future Proof local authorities.

#### **Concentrated land ownership**

While Future Proof and the Hamilton City Council have not undertaken assessments of land ownership concentration, this information was previously available on the MHUD website. It is Hamilton City Council's understanding that Hamilton has a high concentration of land ownership of greenfield growth cells. Both land concentration and fragmented land ownership can pose challenges for the speed of the delivery of new greenfield growth cells.

Through the next phase of Future Proof's work, and through Hamilton City Council's review of the Hamilton Urban Growth Strategy (HUGs) we expect to address impediments to the levels of

development that we anticipate. This will need to include engagement with landowners, the development of structure plans, the design and delivery of necessary infrastructure, the delivery of the necessary transport system and public transport services, and other matters. Through this process the Future Proof local authorities will be engaged in the consideration of the concentration of land ownership, and in the potential to use the authorities that Kāinga Ora now has as an Urban Development Authority.

Again, having looked at this matter I am confident that current work will progress our understanding of this issue and it will be able to be better reflected in the next HBA undertaken by the Future Proof local authorities.

### **Infrastructure pinch points**

As a direct consequence of Policy 3 of the NPS UD, it is highly likely that Hamilton City will be required to add even more plan-enabled capacity than that which is assumed in the 2021 HBA. Work to address these matters is progressing as Hamilton City develops the change to its District Plan that is required by the NPS-UD. In addition to the NPS UD requirements, on 19 October 2021 the Government announced changes to the Resource Management Act that will require changes to District Plans to implement new building intensification rules. These new rules will provide the ability to build up to three stories and up to three houses per site without a resource consent. This requirement will further increase development potential across much of Hamilton. The media release relating to this change makes no reference to infrastructure capacity constraints.

As noted in section 4.1.3 of the 2020 Housing Development Capacity Assessment a step change will be needed in infrastructure to meet the capacity requirements from the NPS-UD intensification. Hamilton City Council is examining the nature and scale of infrastructure required to service intensification. Hamilton City Council, and Waikato and Waipa District Councils are actively engaged in developing Detailed Business Cases for the provision of Metro Wastewater Treatment to both the north and the south of metropolitan Hamilton. Future Proof is in the middle of developing a Programme Business Case for Metro Rapid Transit – a key feature necessary to support the step change in intensification required by the NPS UD. This body of work may well identify further pinch points or limitations that will need to be overcome in order to support the levels of growth that are expected. These will then need to be addressed through the next Long-Term Plans in 2024.

It is not reasonable to believe that the Future Proof local authorities could have fully understood all possible infrastructure pinch points for all possible development scenarios in time to complete the HBA. However, the councils are working hard to identify and overcome network limitations. If it subsequently transpires that the infrastructure limitations are more critical than has been assumed or subsequently identified, then we will need to respond accordingly.

Hamilton City Council's 2021-31 Long-Term Plan has set the budget for infrastructure spending over the next 10 years including for water supply, stormwater and sewerage. There is funding included for resilience, reliability and growth-based projects. You can access the Long-Term Plan [here](#) and the information on waters infrastructure spending can be found from page 58.

Hamilton City Council's 2021-2051 Infrastructure Strategy also presents commentary on several challenges and issues regarding the growth of the city. You can access the strategy [here](#). A summary



of these challenges is presented on page 6, with more detail on significant forecasting assumptions from page 90.

Having looked at this matter I am confident that current and planned work will significantly advance our understanding of both infrastructure constraints and the level of investment necessary to address them. This will support the next assessment of development capacity, the review of the Future Development Strategy that is required by the NPS UD, and the next council Infrastructure Strategies and Long-Term Plans.

**(c) Refusing to provide information that would enable us to understand and challenge the methodology that Future Proof/ME are using**

This complaint relates to the provision of aspects of the proprietary methodology that Market Economics has used in undertaking the HBA. Neither Future Proof nor Hamilton City Council have access to the models and other proprietary information referenced in your correspondence. These were not agreed deliverables to be provided for as part of the 2020 HBA or the 2020 Future Proof Housing Study.

For LGOIMA 20362 and LGOIMA 20338/21018, the information requested has also been determined by Hamilton City Council to be commercially sensitive intellectual property of Market Economics and were therefore could not be released on those grounds.

Both the dwelling demand model requested in LGOIMA 20362, and the questionnaire requested in LGOIMA 20338/21018 were not developed specifically for Hamilton City Council or its Future Proof Partners. They were developed by Market Economics for use in analysis for other organisations and were informed by years of nationwide research. Similarly, the Council understands that Market Economics is a supplier to a range of companies, local governments, and central government departments (refer [here](#)), which indicates a high level of confidence in their services within the broader sector.

Having considered this issue I concur with the Hamilton City Council decision that it cannot release information to you that it does not hold, and it cannot release information to you that is deemed to be commercially sensitive and subject to an obligation of confidentiality.

**Conclusion**

Having considered your complaints, the material that you provided, and the obligations of the councils under the NPS UDC and subsequently the NPS UD, I have reached the view that:

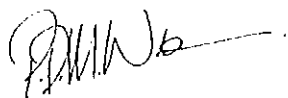
1. Given the conclusions reached in the MfE/MBIE report, the replacement of the NPS UDC by the NPS UD, and the different and new requirements of the NPS UD, an independent review of the HDCA's prepared under the NPS UDC is unlikely to provide any insights that would be helpful in addressing the future requirements of the NPS UD. That work is now historic and has been superseded.

2. A new, independent review of the work undertaken to develop the 2021 HDCA is not warranted at this time. A review is currently being undertaken by MfE and if that raises concerns the Future Proof local authorities will address them.
3. There is substantial work underway to address critical infrastructure issues across the Future Proof area. There is also work underway to address land ownership and restrictive covenants. I am confident that as a result of this, and other work, the next HBA will be a further improvement on the 2021 version.
4. I concur with the Hamilton City Council decision that it cannot release information to you that it does not hold, and it cannot release information to you that is deemed to be commercially sensitive and subject to an obligation of confidentiality.

In closing I reiterate that I would be happy to discuss this with you. I understand the time and effort that you have devoted to examining these issues and the assessments of capacity are important matters of public interest and public policy.

You also have the option of making a complaint to the Ombudsman about the decisions made by the Future Proof local authorities, both in relation to your formal complaint and its decisions on the provision of information under the Local Government Official Information and Meetings Act 1987. Guidance on how to make a complaint can be found [here](#).

Nāku iti noa, nā



Peter Winder  
Future Proof Implementation Advisor



8 June 2022

The Mayor  
Hamilton City Council  
Hamilton

By email: [mayor@hcc.govt.nz](mailto:mayor@hcc.govt.nz)

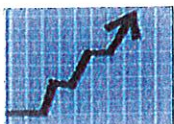
Dear Mayor Southgate

**National Policy Statement on Urban Development**

1. I am instructed to write on behalf of Mr Colin Jones. As you may be aware, Mr Jones has been investigating growth in Hamilton and the Waikato for a number of years. He has engaged with HCC, FutureProof, and other parties.
2. Mr Jones is particularly concerned with compliance with the National Policy Statement on Urban Development 2020 (NPS-UD), and its predecessor, the National Policy Statement on Urban Development Capacity (NPS-UDC). Put simply, Mr Jones' concerns are that HCC has made insufficient planning for growth, and that this has had a range of impacts on infrastructure availability, housing supply, and housing affordability.
3. Over time, Mr Jones has developed a concern that HCC is not in compliance with its NPS-UD obligations. When this has been raised with HCC, Mr Jones' understanding is that he has been directed to FutureProof, though it is HCC (and not FutureProof) that has obligations under the NPS-UD.
4. Recently, Mr Jones advises that he asserted in an address to Councillors that HCC had not acted in a lawful and compliant manner in relation to the NPS-UD. Mr Jones advises he was challenged on this assertion.
5. Mr Jones has asked me to pass on the attached report from Principal Economics to the Ministry for the Environment in relation to the FutureProof partners. In particular, Mr Jones notes:
  - a. The comments on page 16 that the HBA needs to clarify its assumptions.
  - b. The comments on page 16 that the HBA does not include an assessment of the impact of Auckland's housing market.
  - c. The comments on page 17 that remarks on price signals in the HBA are inconsistent with HBA guidelines.
  - d. The comments on page 18, that for HCC, infrastructure capacity has been unable to be measured, and that it is unclear on the types of infrastructure assessed.
  - e. The comments on page 18 that sufficiency by housing type has not been reported.

- f. The comments on page 19 that the HBA has not provided housing bottom lines as per NPS-UD requirements.
  - g. The comments on page 20 that the assessment fails to provide capacity by housing type and size.
  - h. The comments on page 21 that remarks on price signals are contrary to the guidelines in the NPS-UD.
  - i. The comments on page 22 that various assumptions need to be clarified and justified.
  - j. The comments on page 22 that the assessment falls short in respect of Māori housing demand.
6. From these comments, it seems clear to Mr Jones that the HBA is incomplete, underdone, and in some respects non-compliant. Mr Jones' view is that this non-compliance means HCC is acting unlawfully.
7. Mr Jones has passionate views on housing affordability and supply, and his key aim is to ensure HCC helps community aspirations be achieved by ensuring its legal obligations are met, including through the NPS-UD. It is hoped that HCC will acknowledge the shortcomings of its approach to the NPS-UD and NPS-UDC to date, and will move to rectify these. Mr Jones is happy to be involved in further discussions towards this end.

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## PROPERTY RESEARCH

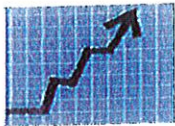
### Hamilton Infill & Multi-Unit Housing Markets

#### REPORT OBJECTIVE

This report was commissioned by Hamilton City Council (HCC), but reflects our independent assessment and views. HCC wanted an assessment of the short term (1-2yrs) and long term (10yrs +) demand in Hamilton's infill submarkets, specifically relate to multi-unit developments (apartments and flats) in the CBD and other areas of the city, and the subdivision of single dwelling residential properties and construction of additional separated dwellings. The assessment was to include plausible forecasts for demand for infill developments, analysis of the economic fundamentals driving the infill submarkets, analysis of past developments in the infill submarkets, assessment of the market's preferences for areas of infill development in the city, and include overview analysis of the developments of the infill markets in Christchurch and Tauranga with particular focus on the implications for Hamilton's infill market. The report was to incorporate discussion on what needs to change to alter the type of development that has largely occurred within the infill markets in Hamilton in the past.

Rodney Dickens  
Managing Director and Chief Research Officer  
Strategic Risk Analysis Limited  
[www.sra.co.nz](http://www.sra.co.nz)





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## PROPERTY RESEARCH

### Developer Perceptions

#### Intensification of Greenfield Residential Subdivisions

#### REPORT OBJECTIVE

This report was commissioned as input in to the Hamilton Sub-Regional Growth Strategy being undertaken by Hamilton City Council (HCC), Waikato District Council, Waipa District Council and Environment Waikato. The report focuses on developer perceptions for intensification of Greenfield residential subdivisions and needs to be read in conjunction with our reports on Greenfield residential subdivisions, Greenfield industrial subdivisions, and the *Hamilton Infill & Multi-Unit Housing Markets* report we prepared for HCC (19 March 2008).

This report investigates the key land economic drivers for Greenfield residential intensification in the subregion, with particular focus on the Hamilton market where the much larger population makes intensification more economically feasible although options for intensification are also considered for the rest of the subregion. It investigates the future market opportunities and constraints for promoting intensification of Greenfield residential subdivisions in the subregion and the key economic and financial pre-requisites to achieve successful intensification in Greenfield residential subdivisions. Issues relevant to residential intensification in existing residential areas are addressed in the *Hamilton Infill & Multi-Unit Housing Markets* report we prepared for HCC (19 March 2008).

Much of the information contained in this report was gained by interviewing local, Auckland-based and Tauranga-based developers and relevant property professional, including one Wellington-based developer. The relevant people to interview were identified in preliminary discussions with several local property professionals, based on our knowledge of relevant developers and included some suggestions from Gary Knighton (Team Leader City Strategy, Strategic Group, Hamilton City Council). It was not possible to interview all of the people identified but the vast majority of people identified as being relevant were interviewed, including what we believe to be a representative sample of local and out-of-town developers. Interviewees were asked a standard list of questions we designed to extract the relevant information, while we also offered the people interviewed the opportunity to express opinions about any relevant or related matters. We would like to express our thanks to the people interviewed who were generous with their time and provided many valuable insights.

Rodney Dickens  
Managing Director and Chief Research Officer  
Strategic Risk Analysis Limited  
[www.sra.co.nz](http://www.sra.co.nz)

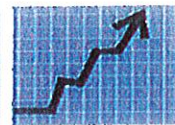




## **CONTENTS & SUMMARY**

<b>The history of Hamilton's infill and multi-unit/apartment markets</b>	<b>Page 3</b>
Traditional infill housing has been surpassed by multi-unit developments as the most common form of housing intensity. It appears that the growth in Hamilton's multi-unit market has been driven by the economics of home ownership (i.e. rising prices for existing properties and land making traditional housing unaffordable to a growing segment of the population), not by population growth or traffic congestion.	
<b>Developments in and prospects for Hamilton's vertical apartment market</b>	<b>Page 6</b>
The vertical apartment market, largely the reserve of the CBD, has been driven more by owners of second-tier office space converting offices into apartments, rather than because the economics of development stack up. Looking ahead, this is not likely to be a major source of new higher density housing.	
<b>Prospects for Hamilton's traditional infill market</b>	<b>Page 12</b>
Traditional infill housing - the subdivision of single dwelling residential properties and construction of additional separated dwellings - should continue to be an important source of housing intensification, although at current market land prices it is uneconomic and may need HCC assistance to play an active role in future intensification (e.g. allowing smaller sites to be subdivided as is done in Christchurch).	
<b>Prospects for the multi-unit market over the next 1-2 years</b>	<b>Page 14</b>
The supply of multi-unit housing is in the process of exceeding demand, with supply increases having been fuelled by investor demand more so than by end-user demand. However, high house prices are driving more Hamiltonians into the rental market, and especially growth in rental demand should soak up the excess supply of multi-units in most areas, although the university areas looks most vulnerable to excess supply. With capital gains no longer guaranteed, demand from investors has dried up, while for most developers the multi-units, especially two-storey townhouse developments, are no longer economic to build. So the level of multi-unit development is likely to fall materially over the next 12-24 months.	
<b>Prospects for the multi-unit market over the next 10+ years</b>	<b>Page 18</b>
Our base case is that around 222 multi-unit dwellings per annum will be required to house population growth in Hamilton on average over the next decade or more, once the unfolding oversupply is absorbed. However, the economics of multi-unit development will have to improve materially from current levels to achieve sufficient increase in supply to meet the needs of a growing population. If land prices do not fall materially relative to existing house prices, which is the main change required to make multi-unit developments economically viable again, HCC may have to find ways of making multi-unit developments a more economic proposition (e.g. allowing increased intensity and promoting Greenfield multi-unit developments)	
<b>The case for higher density housing in Greenfield subdivisions</b>	<b>Page 21</b>
Based on insights from local developers and property experts, and from insights of some of the recent and proposed Greenfield subdivisions in Christchurch and Tauranga, we assess the multi-unit developments and other forms of higher density housing could play important parts in future Greenfield subdivisions in Hamilton. Our focus is on identifying what styles of higher density housing might work in Hamilton.	
<b>Appendix A – Employment in Hamilton by Census Area Unit, 2006 Census</b>	<b>Page 28</b>
<b>Appendix B – Areas where HCC can improve services and help reduce costs</b>	<b>Page 29</b>
<b>Appendix C – The people interviewed as part of our research</b>	<b>Page 31</b>





## CONTENTS & SUMMARY

### Status quo in the Greenfield residential subdivision market Page 3

Left to themselves most developers will do conventional Greenfield subdivisions that deliver around 10 sections per ha. To put this in perspective, in North Hamilton conventional subdivisions deliver mainly 600-799 m<sup>2</sup> sections, with an average size of around 690 m<sup>2</sup> and a median price of \$220,000. The conventional new house build on these sections is four bedrooms with two bathrooms and a double garage and costs around \$550,000 (i.e. well above what is affordable by the bulk of would-be new home buyers).

### Options for the Councils to achieve intensification in Greenfield subdivisions Page 4

We identify six main options the Councils in the Sub-Region have to encourage more intensive Greenfield subdivisions. They are not all mutually exclusive options. The option that we believe should be given most consideration is approving new subdivisions subject to the developers achieving specified intensities (e.g. 12, 15 or 18 lots per ha), potentially including different densities in different areas if considered desirable and allowing developers to work out how to achieve the desired densities.

### The likely solutions to intensifying Greenfield residential subdivisions Page 5

#### (1) The solution with a proven track record is subdivisions with smaller average section sizes Page 5

Subdivisions that offer a range of section sizes and a smaller average size than conventional subdivisions is the solution that we believe will work best at increasing housing intensity in new Greenfield subdivisions in the Sub-Region. This style of subdivision is along the lines of what was proposed in the HCC's **SMART subdivision** report, 27 June 2006. Subdivisions with a range of section sizes and prices should be just as relevant in Cambridge, Ngarawahia, Te Awamutu and Huntly, as it is in Hamilton.

#### (2) Medium density solutions that may work in Hamilton but not elsewhere in the Sub-Region Page 7

There are one or two medium to higher density housing options that may work in Hamilton, although they are more likely to offer supplementary ways of increasing housing intensity than provide the primary solutions. Achieving more intensive housing in New Zealand is in its infancy and we believe this warrants keeping the door open to various niche options and the need for a flexible and open-minded approach to considering what might work as opposed to a one-size fits all prescriptive approach.

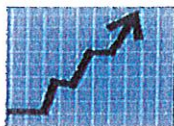
### Other issues relevant to intensification in Greenfield residential subdivisions Page 10

Possibly one of the most important factors in achieving both higher density residential development and better urban design is that developments are done by "total package operators".

A number of people interviewed observed that for higher density subdivisions to work required more space to be allocated to footpaths and green spaces, from a safety perspective as well as for aesthetics and to entice buyers. This meant higher maintenance costs for Councils but this was seen as a necessary part of achieving quality higher density housing.

Various areas were identified by developers where the Councils could materially improve the service they offer, including examples of where such improvements could significantly impact on the cost of subdivision development and on the willingness of land owners/developers to develop. These issues were relevant to all forms of subdivision development.





## Options for the Councils to achieve intensification in Greenfield subdivisions

We see the Councils as having several options for achieving more intensive Greenfield residential subdivisions than the conventional subdivisions that deliver around 10 dwellings per ha. These include:

1. Limit new subdivision approvals with the objective of pushing up land prices and giving developers and section buyers an economic incentive to drift towards more intensive subdivisions/housing.
2. Approve new subdivisions subject to the developers achieving specified intensities (e.g. 12, 15 or 18 lots per ha), potentially including different densities in different areas if considered desirable.
3. Only approve new subdivisions if they have designated medium to higher density areas within them that ensure the overall subdivisions achieve the desired density or densities.
4. Work in co-operation with the small number of developers that have an inclination to develop more intensive housing options, and the experience in doing so.
5. Councils buy land prior to rezoning areas residential and only make the land available to developers who have the skills and inclination to develop more intensive subdivisions, potentially working in co-ordination with the developer or possibly even doing the developments themselves.
6. Continue approving subdivisions largely as is the case now but find ways of giving developers incentives to deliver more intensive subdivisions (e.g. subdivision levies and fees per ha not per lot so as it makes more intensive subdivision more economic; allocate a council staff member to co-ordinate with developers who plan to deliver more intensive subdivision so as to make the process smoother, faster and more economic for developers (holding costs can be a major cost for developers, so anything that speeds up a development will make it more attractive to developers)).

Based on our understanding of the economics of new subdivisions (see *The Greenfield residential subdivision market* report), our understanding of developers' preferences and what we assess will work in the Sub-Region, our thoughts on these six options are:

1. Section prices especially in Hamilton but also in the Sub-Region are already uncompetitive or unaffordable. If the Councils limit the amount of land they approve for new subdivisions in an attempt to push up land prices and make housing intensification in Greenfield subdivisions more attractive to developers and section buyers they risk stifling economic growth in the Sub-Region. It would make the Sub-Region (or the parts of it that followed this approach) vulnerable to losing population to neighbouring areas (e.g. Morrinsville and any parts of the Sub-Region that didn't adopt the same approach) and/or to neighbouring regions (e.g. Bay of Plenty and South Auckland). We view this option as the least attractive if the Councils want to both increase housing density and help ensure the Sub-Region's economy prospers.
2. We believe the second option offers the potential of achieving the desired level or levels of intensification in Greenfield subdivisions without exacerbating the competitiveness of the Sub-Region. It is likely to mean the Sub-Region attracts developers inclined to more innovative subdivision/housing outcomes and discourages the developers only interested in doing conventional "cheese-cutter" subdivisions.
3. The third option is much like the second but involves being more specific about the nature of housing intensification. While this option may be appropriate in some circumstances if the Councils have good reasons to want a specific form of intensification in certain areas, in our assessment the second option has more merit, especially because it leaves it up to developers to assess what forms of more intensive housing will work in the real world.
4. From what we have seen of this style of approach, and based on what we understand will work in the Sub-Region, we can see circumstances where this approach could work well. It is an approach well worth considering if the Councils decide it is desirable to proceed with a stand-alone or self-sufficient subdivision in the Peacockes growth cell that mitigates the need for a new sewage pipe over the river. It could be an approach that would work well if the Councils decide to rezone residential land on the east of Hamilton, where there are two major land owners interested in doing more inventive housing development that could achieve more intensive housing, better urban design and competitively-priced housing. It could also work in other areas of the Sub-Region. However, we believe a critical part of the economic health of the Sub-Region is having a competitive land/subdivision/section market, so we would see this option as being potentially useful in certain circumstances but not a sole option otherwise it risks undermining competition.

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2022

# Review of Housing and Business Development Capacity Assessments of Future Proof Partners



Report to the Ministry for the Environment

December 2021

[www.principaleconomics.com](http://www.principaleconomics.com)



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Inputs received from Adam Thompson of Urban Economics are acknowledged. The authors are thankful to the comments received from our Quality Assurance, Dr Tim Denne of Resource Economics.

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## Executive summary

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

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

The HBA provides an appropriate structure, with useful information on demand by type, location and different household composition.

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

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

The clarity of the HBA needs to be improved by providing further details on the assumptions of modelling

There are a few suggestions for improving the HBA for the next round. This includes:

- Improving the clarity around the assumptions used for the projections, the justification for those assumptions and the potential impact of the assumptions on the findings from the HBA,
- Providing further information about the affordability analysis,
- Following the instructions provided by MfE and the Ministry of Housing and Urban Development (HUD) for discussions of price efficiency indicators,
- Providing discussions around aspects of Māori housing demand such as papakāinga housing, development trends on Māori land.

While not directly required by NPS-UD 2020, further discussion of the influence of Auckland housing market will improve the robustness of the HBA

While the NPS-UD 2020 does not provide a clear instruction for the impact of demand factors on prices, the impact of inter-regional migration on demand profiles is not clear. This is an important issue for this assessment given the high influence of the Auckland housing market on the FPP area's housing demand, particularly in the north.

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## 1. Introduction

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

**Table 1 Urban environments and local authorities**

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

Source: MfE & HUD (2020)

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

- describes the different methodologies used by councils for their assessments and whether the approaches impact the conclusions reached by the councils;
- assesses the demand projections and their assumptions (in comparison with best practice) and the potential impacts of uncertain assumptions;

- provides an overview of the housing development capacity in each Tier 1 and 2 city and the actions each council has underway or proposes to meet the demand for housing;
- provides a review of the analysis of the impact of local planning decisions and how infrastructure provision affects the affordability and competitiveness of the local housing market, and how well the housing demands of Māori and different community groups are being met;
- prepares constructive feedback on the areas for improvement that can be shared with councils if changes are needed to their HBAs.

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

In a separate report we provide:

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

## 1.1. Overview of methodology

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

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

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

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



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

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

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

## 1.2. A description of our methodology for review tables

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

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

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

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

### 1.3. Meetings with the councils

The scope of this review is the HBA report. In the process of this review, we also contacted all councils and asked a range of high-level questions. This was to ensure that we include all the important information in our review. Some councils provided further supporting documents in response to our questions.

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

## 2. Review of HBA

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This section provides a description of the findings from our review of the Future Proof Partners' HBA. The detailed review tables are presented in Appendix A.

For the assessment of the Hamilton HBA, we used the HBA document, and the supporting documents as follows:

- Future Proof sub-region Housing Study: Demand Preferences and Supply Matters (Market Economics, 2020).
- Wise 2018 Waikato Population Projections – with extensive documentation available [here](#).
- 2017 Housing and Business Development Capacity Assessment.
- 2017 Housing Development Capacity Assessment by Market Economics.

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

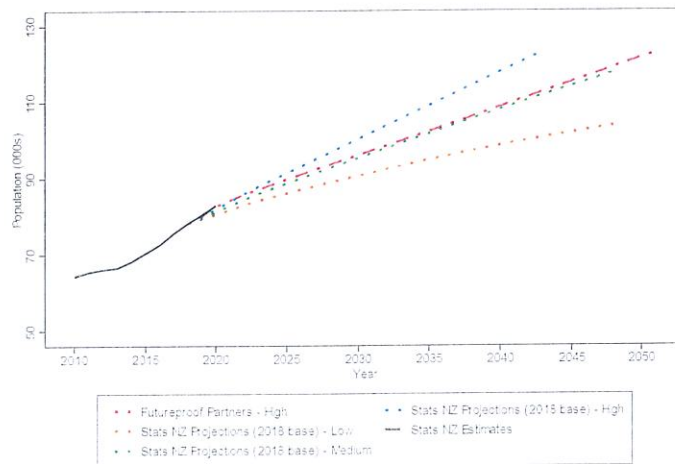
### 2.1. Overview of methodology

Overall, the HBA report provides an appropriate structure for the assessment. The analysis of demand is comprehensive and is based on a study of demand preferences and extensive modelling of population projections. The analysis of price efficiency is limited and its implications on findings from the assessment of the impact of planning on affordability are unclear.

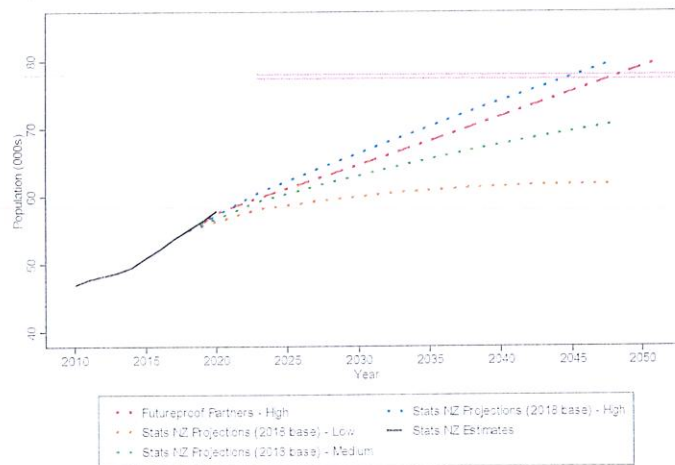
As illustrated in [Figure 1](#), the population projections seem consistent with the Stats NZ's population estimates.

Figure 1 Population projections of FPP and Stats NZ

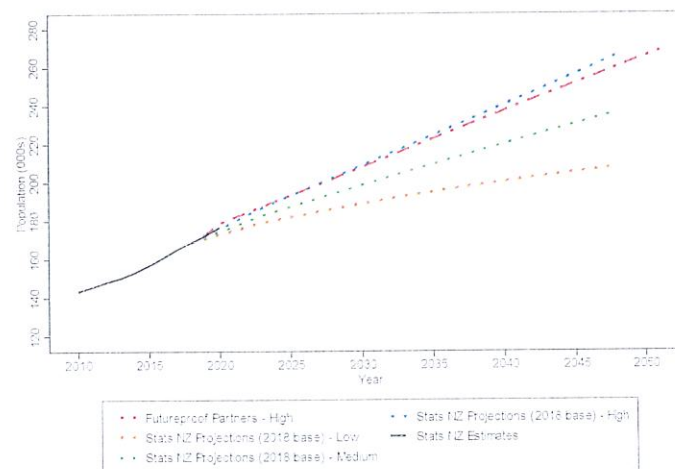
### Waikato District



### Waipa District



### Hamilton City



Source: Stats NZ, Future Proof Partners' HBA 2021



The capacity assessment follows the instructions provided by MHUD and MfE around plan-enabled, infrastructure ready, commercial feasible and reasonably expected to be realised (RER). The most critical issue in the assessment of feasible capacity is that demand and supply are assessed separately assuming that price is exogenous to the impact of planning. This is contrary to the NPS-UD's discussions around the impact of CLM on prices. While we highlight this problem, we think that the issue is beyond the FPP HBA and requires MHUD and MfE to provide clearer instructions.<sup>1</sup>

## 2.2. Uncertain assumptions

The list of assumptions was not clear in the HBA. From the provided supporting documents, and based on our knowledge of the Market Economics' demand model from other HBAs that they have assisted with, there will be further clarifications required on the following assumptions:

- the household income distribution of each age group will remain the same,
- the assumption around the future dwelling type,
- the assumptions around the recovery path for COVID-19 impacts on migration,
- the assumptions of the affordability analysis and how they may affect the findings from the calculations.

The population projections have accounted for the impact of COVID-19. This has not been mentioned in the HBA report. The HBA should provide further discussions around the impacts and the source of the assumptions used for the projections.

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

The HBA provides a discussion around the impact of planning and infrastructure. This is covered most comprehensively in discussions with developers. In the development survey, respondents identify infrastructure as necessary for enabled development to occur. Furthermore, that infrastructure provision needed to align with growth in demand by location.

The impact of planning on affordability outcomes and competitive land market have not been discussed clearly enough. The HBA does not provide any guidance on the costs imposed on developments from potentially stringent planning regulation. The focus of the affordability analysis should be to estimate the affordability impact of the changes in housing supply, as measured from the housing supply assessment.

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1

There are some references to the implications of planning regulations and the current market conditions on feasible capacity in section 10.4 of the guidance on HBAs by MfE & MHUD (2020). There is no clear instructions provided.



## 2.4. Impact of infrastructure on affordability and competitiveness

The HBA provided a reasonable assessment of the impact infrastructure on affordability. We do not have any information about the details of the transport modelling and its underlying assumptions. It will be important to clarify these and discuss the potential implications of any assumptions for the findings.

## 2.5. Pros and Cons of HBA

The HBA addresses the requirements of NPS-UD 2020. The HBA's presentation of the indicators of demand is extensive and useful.

The consistency between the demand model and the population projections is not clear. While NPS-UD 2020 does not provide a clear instruction for the impact of demand factors on prices, the impact of inter-regional migration on demand profiles is not clear. This is an important issue for this assessment given the high influence of the Auckland housing market on the FPP area's housing demand.<sup>2</sup> There has been references to the role of Auckland's market in the HBA, but there has been no analysis/scenario modelling presented.

## 2.6. Summary

The HBA report provides an appropriate structure for the assessment. The analysis has been comprehensive. There are a few suggestions for improving the HBA for the next round. This includes:

- Improving the clarity around the assumptions used for the projections, the justification for those assumptions and the potential impact of the assumptions on the findings from the HBA,
- Providing further information about the methodology of the affordability analysis,
- Evaluating the impact of the Auckland's housing market on the FPP area, particularly in the north,
- Following the instructions provided by MfE and HUD for discussions of price efficiency indicators,
- Providing discussions around aspects of Māori housing demand such as papakāinga housing, development trends on Māori land.

The conclusions of sufficiency of capacity (and the affordability impacts of planning) are sensitive to the assumptions discussed above. For example, assuming a responsive housing market in Auckland, implies a lower rate of domestic migration to the FPP area, which will lead to a significant decrease in the demand for housing at (likely) high price bands.<sup>3</sup>

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<sup>2</sup> There are price scenarios considered in the analysis of capacity (housing supply), but that does not address the impacts on the demand side.

<sup>3</sup> Our assumption about the price band of the Auckland migrants' demand is consistent with the HBA's references to the Auckland's demand for upper mid-value bands (particularly in Pōkeno).

Review tables provide further details about the points raised in this review.

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Market Economics, 2020. Future Proof sub-region Housing Study: Demand Preferences and Supply Matters.

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## Appendix A Review tables

Table 2 Demand analysis

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

Indicator	Score	Comments
Have all contributions to total housing demand relevant to the urban market been considered.	High	<p>Overall, the HBA provides a comprehensive assessment of demand in short, medium and long terms. The clarity could be improved by providing a description of how different pieces of information were used to inform the demand analysis.</p> <p>The WISE's NIDEA projections were used as an input to the Market Economics' demand model. This suggests that the population projections (and the demand model's dwelling demand) are fixed and do not change in response to price. While this assumption may be reasonable, the HBA needs to clarify this and discuss its implication for the analysis.</p> <p>More importantly, the HBA does not provide any assessment/scenario modelling of the impact of Auckland's housing market on demand projections. The 2017 HBA, however, had provided some further discussions around the impact of Auckland housing market and its influence on prices particularly in the north. The lack of discussion of the impact of Auckland may be because of the lack of linkage between the demand model and the WISE's projections. This needs to be clarified and discussed further.</p> <p>The HBA refers to potential impact of Auckland demand on mid upper value band houses, particularly Pokeno. It will be useful to understand what part of the demand in different FPP areas will be more significantly affected from Auckland's housing market's spill-over effects.</p> <p>We still think that the HBA provides a comprehensive assessment, and the suggested improvements can increase the robustness of the findings. The HBA satisfies the requirements of NPS-UD 2020.</p>
A range of demand projections are used and provide assumptions and justification of why they have identified this as the most likely projection.	Medium	<p>The assessment of different demand projections has been provided. There has been analyses on the comparisons between different scenarios, available <a href="#">here</a>, but the HBA does not refer to this. The HBA only briefly says that they prefer the high growth scenario. It is not clear why the high growth scenario has been chosen as the preferred scenario.</p>
The short-term impact of COVID-19 has been considered	Medium	<p>While this is not a requirement of the NPS-UD 2020, many HBAs refer to the impact of COVID-19 on their projections. The WISE's supporting documents says that "COVID-19 has reduced international migration flows (both immigration and emigration), and this is picked up in the models through a projected reduction in those flows. Effectively, it has accelerated a reduction in net international migration towards the long-term trend". The source of this assumption is not clear. Further information on the recovery path could improve our understanding of the impact on projections.</p> <p>We have seen some references to the impact of COVID-19 on respondents' preferences on proximity to a GP in Market Economics' study of demand preferences using a survey (Market Economics, 2020).</p>



		<p>There is no reference to the impact of COVID-19 in the HBA. Given the importance of the impacts on the short-term projections, some clarification on the impacts in projections and the justifications of the assumptions used for the WISE's projections will be beneficial.</p>
Does the assessment use rigorous methods to explore the range of demands for <b>types, locations and price points</b> to the extent relevant in the urban market.	High	<p>The HBA attempted to provide a comprehensive assessment. The HBA reports the relationship between dwelling tenure, dwelling type and household type in 2020. These figures are based on Census 2018 ratios and adjusted to match household estimates in 2020. Household type, ethnicity, and tenure for 2020 have also been reported.</p> <p>Locations of housing demand have been provided. It is useful to provide further details on the methodology used for these projections.</p> <p>Demand for housing by household type, dwelling type and tenure are reported as part of this HBA for council's preferred projection. Demand for housing by income bracket, dwelling type and tenure have also been reported. Similarly, dwelling type, tenure, and household ethnicity.</p>
Does the assessment produce an estimated number of dwellings required in the short, medium and long term for the area (broken down by associated districts if relevant)?	High	<p>The HBA, provides detailed tables showing the estimated number of dwellings required, over the short, medium and long term by associated districts and dwelling value bands.</p>
Does the analysis use appropriate measures of affordability and housing demand?	Medium	<p>The HBA, compares the proportion of households that can afford housing at different prices points over time based on their level of income. The prices points are based on the RER capacity determined as part of the HBA assessment.</p> <p>The HBA could benefit from further explanation of how affordability has been calculated for different income groups. We have seen this in other HBAs that Market Economics has completed (for example for Queenstown) and we think that information is useful for the FPP's HBA.</p>
Does the analysis use price efficiency indicators – inc. price discontinuities and cost to market price ratio	Medium	<p>The HBA, assesses the rural urban differential and compares Hamilton with other high growth urban economies. The HBA also assess the land share of total dwelling value.</p> <p>The HBA, however, argues that these price signals do not provide useful information. This is inconsistent with the guidelines provided for HBA. We suggest Councils follow the provided guidelines for the purpose of the HBA. We also suggest MHUD and MfE provide further information about the price efficiency indicators.</p>

Source: Principal Economics

Table 3 Capacity analysis

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

Indicator	Score	Comments
Does the assessment reasonably quantify all housing development capacity enabled by relevant proposed and	High	Yes, the HBA provides a detail description of the operative and proposed district plans and strategy documents used to determine capacity for each council area.

operative RPSs, regional plans and district plans?		
Is the assessment clear about what enabled capacity is also supported by development infrastructure?	High	<p>The HBA notes that infrastructure capacity has been provided by councils and is included as part of the assessment capacity modelling.</p> <p>In the case of Hamilton City, the HBA notes that infrastructure capacity is unable to be measured given its complexity, with new larger developers required to test and identify any issues around infrastructure capacity. Given these issues, Hamilton City plans to use this HBA to inform their Infrastructure Master Plan.</p>
Accounted for impact of three waters and land transport infrastructure to service the development capacity	High	The HBA, uses infrastructure timing information for greenfield areas provided by councils to assess infrastructure serviced capacity.
Accounted for additional infrastructure to service the development capacity relevant to the local area	Low	<p>The HBA is unclear on the types of infrastructure assessed beyond development infrastructure.</p> <p>It would be useful to have some discussion on council's thoughts the ability for additional infrastructure to service development capacity as per Section 3.5(1) of the NPS-UD. Examples of additional infrastructure include educational facilities, telecommunications, power, and gas.</p>
Has a robust assessment of development feasibility been undertaken?	High	The HBA has undertaken a detailed assessment of feasible capacity. A GIS based model has been used to determine development costs of individual parcels accounting for enabled capacity and different development options (i.e. standalone and attached dwellings) with a 20% profit margin required as a test for feasibility.
Does the assessment determine sufficient capacity by type and location?	Medium	<p>The HBA, provides a comprehensive analysis of sufficiency by type in terms of existing estate, existing urban area, greenfield, and additional future potential by location.</p> <p>While dwelling type has been reported as part of the demand analysis, sufficiency by housing type have not been reported.</p>
Does the assessment provide information about how much of the provided capacity is realisable?	High	Estimating realisable capacity for greenfield land has been undertaken by applying average lot sizes. Realizable capacity in urban areas has been estimated by assuming fewer storeys in vertical development than enabled in plans. Realisable capacity around the spatial edge of urban areas has been estimated by using historical data relating to similar developments.
Is there a clear conclusion on whether realisable capacity for housing is sufficient?	High	The HBA provides detailed tables outlining sufficiency by area, over short, medium and long terms. This is further disaggregated where this capacity will be released from existing estates, existing urban area, greenfield and additional future developments.
Does the assessment analyse the contributing factors to any shortfall in sufficiency?	High	<p>The HBA identifies capacity shortfalls across all urban areas in Waikato in the short term. This is attributed to a lack of infrastructure in place for greenfield areas. This is expected to be mitigated in the medium and long term the proposed district plan and Waikato 2070 Plans, set out a significant expansion of infrastructure-served greenfield land which is expected to lead to a surplus of reasonably expected to be realised capacity.</p> <p>The HBA identifies a shortfall in the Hamilton City urban area in the long term. This is attributed to zoned capacity being commercially unfeasible under their current prices scenario.</p> <p>Under their growth scenario which assumes an increase in construction costs and faster increase in housing prices, a</p>



		surplus in RER capacity is expected in the Hamilton City urban area over the long term.
Does the assessment provide housing bottom lines ensuring demand projections support competitive markets? (HHI)	Low	The HBA, provides a comprehensive analysis of sufficiency by area and housing price bands for different scenarios but has not provided housing bottom lines as per NPS-UD requirements.
Has a 20% and 15% take-up margin been utilised to support competitiveness?	High	The HBA is clear in its application of competitiveness margins throughout its analysis.

Source: Principal Economics

#### Plan enabled, infrastructure ready, commercially feasible and RER capacity assessment

Indicator	Score	Comments
<b>Plan Enabled Capacity</b>		
Does the assessment reasonably quantify all housing development capacity enabled by relevant proposed and operative RPSs, regional plans and district plans?	High	The assessment quantifies plan enabled capacity that is enabled by the district plan.
Does the assessment make use of a suitable yield assessment method?	High	Bespoke GIS modelling is used to assess the yield at the parcel level. This is found in section 4.1.2, p. 44, HBA.
Is the assessment clear about the district plan zones included to calculate the plan enabled capacity?	High	The district plan zones have been identified clearly and in accordance with the NPS-UD. This is found in figure 2.1, p. 4, HBA.
Does the HBA quantify the plan enabled capacity in infill and greenfield areas?	High	The assessment quantifies plan enabled capacity in both infill and greenfield areas. This is found in "Residential Capacity" section p.50-78 of the HBA.
Does the HBA clearly state the plan enabled capacity by type, size and price?	Low	The assessment provides a breakdown of capacity disaggregated by type for Hamilton City in the short-term. This is found in table 4-10, p. 66, HBA. The assessment does not provide disaggregation by dwelling type, size and price for the rest of the FPP area across different time-periods.
<b>Infrastructure Ready</b>		
Is the assessment clear about what enabled capacity is also supported by development infrastructure?	Medium	The assessment does highlight the infrastructure needs in infill and greenfields areas. However, the assessment does not provide detailed information about the strategies or the projects undertaken in specific areas to meet the sufficient capacity.
Does the assessment identify the infrastructure ready capacity by dwelling type, size, location and price?	Low	The assessment does quantify capacity by location but no information is provided for capacity disaggregated by dwelling type, size, and price.
Does the assessment identify the infrastructure ready capacity in short, medium and long term?	High	The assessment provides a breakdown of infrastructure ready capacity in the short, medium and long term. It is noted in section 4.1.8 p.50-91, HBA.
Is the assessment clear about what enabled capacity is also supported by development infrastructure in infill and greenfield areas?	High	The assessment provides a clear distinction between infill and greenfield infrastructure enabled capacity (section 4.1.8, p.50-91, HBA).
<b>Feasible Capacity</b>		
Does the assessment provide information about the methodology and assumptions?	High	A detailed overview of the model and data is provided. This is found in Section 4.1.4, p.46, HBA. A random sample of model outputs would ideally be provided. This would ideally include address, costs and revenues. Local property developers, quantity surveyors and valuers may be requested to comment on the model outputs.



Has summary of input data been included in the HBA report?	Medium	The assessment provides a summary of land values and sales prices used in the modelling process but does not disclose the construction cost (Appendix 8, p.178, HBA).
Is input data from reliable sources and verified to reflect the current market conditions.	Medium	The modelling incorporates the data from reliable sources. The data used is from 2020. Hence, a bit outdated and as such doesn't reflect the current market conditions.
Does the assessment quantify capacity for short, medium and long term?	High	The assessment provides a breakdown of feasible capacity in the short, medium and long run. It is noted in section 4.1.8 p.50-91, HBA.
Does the assessment identify the feasible capacity by infill and greenfield areas?	High	The assessment provides the breakdown of feasible capacity for both infill and greenfield areas (section 4.1.8 p.50-91, HBA).
Does the assessment identify the feasible capacity by dwelling type, size, location and price?	Low	The assessment provides feasible capacity disaggregated by dwelling price and location, but fails to provide capacity by dwelling type and size. Capacity by locations and price assessed is noted in section 5, tables 5-1 to 5-30 p. 98-136, HBA.
<b>Reasonably Expected to be Realised</b>		
Does the assessment provide information about the methodology and assumptions?	High	The assessment undertakes a suitable methodology to assess the reasonably expected to be realised capacity in both infill and greenfield areas. Detailed methodology can be found in section 4.1.5 on pages 47-48, HBA.
Does the assessment provide information about how much of the provided capacity is realisable in infill and greenfield areas?	High	The assessment provides reasonably expected to be realised capacity for greenfield and infill locations (section 5, tables 5-1 to 5-30 p. 98-136, HBA).
Does the assessment determine capacity by type, size, price and location?	Medium	The assessment does not provide reasonably expected to be realised capacity disaggregated by dwelling type or size. Capacity by dwelling price is assessed (section 5, tables 5-1 to 5-30 p. 98-136, HBA).
Is there a clear conclusion on whether realisable capacity for housing is sufficient?	High	The assessment provides clear conclusion about the sufficiency of realisable capacity. Detailed information on the sufficiency of capacity can be found in section 5, HBA.
Does the assessment analyse the contributing factors to any shortfall in sufficiency?	High	The assessment does provide factors contributing to shortfall in capacity. Detailed information on the sufficiency of capacity can be found in section 5, HBA.

Source: Urban Economics

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

Indicator	Score	Comments
Does the assessment consider the demands of Māori?	Medium	<p>The HBA housing demand projections includes disaggregation by ethnicity group including Māori.</p> <p>The HBA cites but does not describe aspects of Māori housing demand such as papakāinga housing, development trends on Māori land or identify the impediments on living on or developing Māori land.</p> <p>The HBA needs to ensure that their analysis of demand accounts for:</p> <ul style="list-style-type: none"> <li>(i) the demand of Māori, in terms of type, price, and location, of different households; and</li> <li>(ii) Māori traditions and norms.</li> </ul> <p>We do not see how the current assessment of demand accounts for the features of Māori demand.</p>



Does the assessment consider the demands of households of different income groups?	High	The HBA, assesses demand for housing type and home ownership for different ethnicity groups comparing current and long-term demand.
Does the assessment consider the demands of households of different household compositions?	High	The HBA, assesses demand for different household composition and income bands comparing current and long-term demand.

Source: Principal Economics

Table 5 Price efficiency indicators

The assessment explicitly uses market and price efficiency indicators

Indicator	Score	Comments
Does the assessment include consideration of price efficiency indicators as a package and an analysis of what these suggest about the sufficiency of supply and location of development capacity?	Medium	The assessment describes all the price efficiency indicators, but the HBA argues that many of the price signals do not provide useful information. This is contrary to the guidelines provided for HBA. For example, the HBA suggest that the differential in land prices on either side of the rural-urban boundary provided in the MHUD Dashboard does not provide useful information on the role of planning constraints.

Source: Principal Economics

Table 6 Planning, affordability and competitiveness

Impact of planning and infrastructure on affordability and competitiveness

Indicator	Score	Comments
Does the HBA provide an assessment of the impact of infrastructure on affordability and competitiveness	High	The HBA provides a discussion around the impact of planning and infrastructure. This is covered most comprehensively in discussions with developers. In the development survey, respondents identify infrastructure as necessary for enabled development to occur. Furthermore, that infrastructure provision needed to align with growth in demand by location.
Does the HBA use a robust affordability assessment framework to assess the impact of planning and infrastructure?	High	The HBA uses inputs from the urban capacity modelling and household incomes to determine the impacts of affordability from planning constraints. This is undertaken by assessing the proportion of dwellings that households at each income levels can afford over the HBA planning period.  The HBA concludes that adverse planning effects may have some impact on affordability within the local market, alongside other large impacts from non-planning factors.

Source: Principal Economics

Table 7 Communication

Indicator	Score	Comments
Clarity	Medium	<p>The HBA could improve by clarifying the assumptions, and justifications. We had to look at many sources for collecting the relevant information. For example, the assumptions around population projections are clarified on the WISE's supporting documents – available <a href="#">here</a>. A few assumptions that need to be clarified and justified are as follows:</p> <ul style="list-style-type: none"> <li>the household income distribution of each age group will remain the same,</li> <li>the assumption around the future dwelling type,</li> <li>the assumptions around the recovery path for COVID-19 impacts on migration,</li> <li>the assumptions of the affordability analysis and how they may affect the findings from the calculations.</li> </ul>
Narrative	High	The HBA provided a good narrative for this assessment.
Usefulness to decision-makers	High	The information provided by HBA are useful for decision-makers.

Source: Principal Economics

Table 8 Process

Indicator	Score	Comments
Agreement between the relevant councils on the geographic area of focus for the assessment	High	The HBA assesses the Hamilton, Waikato and Waipa territorial authority areas. The definition of the areas are clarified.
Has local expertise sought and used? Have councils engaged with the development sector, providers of infrastructure, and others with important information?	High	The HBA, includes a survey of developers with focusing on questions relating to barriers to development. Views expressed in the survey align with the reporting in the HBA.
Transparency	High	The HBA provides a transparent methodology, within the potential IP limits.
Does the HBA assess the impact of different regulator and non-regulator options for urban development and their contribution to well-functioning urban environments?	Medium	<p>The HBA assesses most of the impacts of regulator and non-regulator options well. The aspects of a well-functioning urban environment for local authorities to consider under the UPS-UD have been assessed.</p> <p>Where the assessment falls short is in the assessment of Māori housing demand. The assessment comprehensively covers projected housing demand by ethnic groups including Māori. However, we find that it has not described aspects of Māori housing demand such as demand for pāpakainga, development trends on Māori land or barriers to using traditional housing options.</p>

Source: Principal Economics



FILE COPY



28 June 2023

To the Mayor and CEO,  
Hamilton City Council  
lance.vervoort@hcc.govt.nz  
paula.southgate@hcc.govt.nz

**This is a formal complaint against you and your council about noncompliance.**

I request an explanation from yourselves.

My complaint relates to your information about both Plan Change 9 & 12 provided by Market Economics ( ME ) to comply with NPS-UD.

The HDCA provided by ME 5<sup>th</sup> July 2021 has the following statement: (page 23)

“Noted however that the assessments was advised not to apply infrastructure constraints within Hamilton city existing urban areas”.

**This assessment therefore does not comply with the legislative requirements under NPS-UD.**

On the 21<sup>st</sup> September 2021, I made a Formal Complaint to you and your council.

This relates to HCC failure to comply with NPS -UDC legislation.

Future proof replied on the 21st of October 2021. **This letter is attached.**

**Future proof acknowledged that their assessment did not comply with NPS -UDC.**

We now find ME is continuing to provide both inadequate and incorrect information to you and your council, **which does not comply with NPS-UD.**

Your S 32/2.5 Infrastructure Assessment report contradicts most of the ME capacity assessments.

Plan Change 12 is based primarily around the HDCA, prepared by ME. It requires higher density.

There is little demand and unknown costs. It therefore does not make sense.

Furthermore, the HDCA 2021 refers to the Technical report of 2017. Construction costs provided in 2021 are almost identical to the 2017 report. Yet building costs have increased by about 30% in that time, and possibly another 30% since 2021.

I am seeking an explanation from you on these critical items. If the Infrastructure Assessment, as per 32/2.5 shows no capacity, **then all the assumptions in the ME report a questionable.**

Likewise, construction costs. The legislation requires them to be "commercially feasible."

**Yet no "commercial feasible" modelling has been provided.**

Your reports state that there will be 3,200 to 12,000 apartments in and around the CBD in the next 6 to 10 years. **But no evidence has been provided of the costs or values as is legally required.**

The ME report states: section 4.3. Hamilton Residential City Capacity. "The rate of intake of capacity within the central city is likely to be lower in the short to medium term" ( page 65)

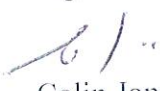
These critical questions need to be answered.

I will be submitting these points and other reports to the Commissioners on Plan Change 9 & 12.

This information will also be forwarded to Mfe and other relevant parties who administer NPS -UD.

I would appreciate a prompt reply.

Regards



Colin Jones  
AREINZ