

HOUSING CAPACITY ASSESSMENT

EXECUTIVE SUMMARY
JUNE 2021

Executive Summary

Palmerston North is experiencing a surge in population growth, placing pressures on the city's housing stock and resulting in strong growth in average land value and house prices. The National Policy Statement for Urban Development 2020 (NPSUD) requires territorial authorities to report on their housing supply, demand and feasible capacity. The NPSUD aims to ensure that New Zealand's urban areas are well functioning and meet the needs of our diverse communities.

This report provides a comprehensive analysis of the demand for, and supply of housing and future housing targets for Palmerston North. In the year ended December 2020, a net of 411 additional dwellings were consented, up from 210 in 2016. Building consents data for the past three years indicates a strong increase in supply of infill housing in the city, with it becoming the main housing typology, contributing 57% of the increase in housing supply. Greenfield has now become the city's secondary typology at 34%, with its share reducing by 18% from 2016. Rural/residential development declined from 15% in 2016 to 10% in 2020.

The majority (69%) of new builds are three- or four-bedroom houses. However, there is a growing demand for one- or two-bedroom homes, as the social housing register¹ demonstrates. In December 2020 85% of the 685 applicants on the social housing register in Palmerston North required a one- or two-bedroom home. Household projections for the city shows that the average household size is expected to decline. This suggests that the larger houses being constructed currently will not best meet future demands of the City. Smaller houses and intensification will need to make up a larger proportion of newer houses being built to meet future housing demand.

Quotable Value (QV) expects that growth in house and land prices will continue in Palmerston North. Property value estimates from QV showed a 34.3% increase in house values in the year to May 2021. However, the city average house value remains \$200,000 below the national average.

As of June 2021, there were:

- 1,320 lots available for greenfield growth.
- 1,417 lots with potential for infill development (without the need to move or remove an existing home).
- 2000+ ha of rural land available for subdivision.

Long-term household projections from Infometrics suggest a need for 12,970² extra dwellings over the next 30 years, to cater for a population of 121,664 by 2051.

The NPSUD requires the Council to enable housing construction and provide infrastructure to support its development in the short, medium and long-terms. The estimate for total housing demand includes an additional competitiveness margin. There is sufficient supply to meet demand over the next three years (short-term). However, more land will be required to be rezoned to accommodate greenfield development for the medium and long-terms. Significant District Plan changes are

¹ The Social Housing Register does not include the PNCC social housing wait list.

² Includes a competitive margin of 20% of short/medium term projected demand and 15% for long-term projected demand

currently under development to address greenfield supply. This includes planning for Aokautere, Kākātangiata and Ashhurst. These plan changes are intended to provide additional capacity for approximately 8,700 dwellings.

A residential zone review is in its initial research and investigation stage. This plan change will seek to give effect to the intensification requirements of the NPSUD. Once these plan changes are completed, more than 30 years of housing need will be catered for, particularly if housing preferences continue to follow the recent trend of favouring infill/intensification.

There are signs that population growth will be higher than projected by Infometrics and the average household size is expected to decrease, which may suggest a need for more housing than projected. This will need to be confirmed through future updates to the projections, and addressed through future housing needs assessments, District Plan changes and long-term plans.

There is high demand for housing over the short term, influenced by past years of undersupply. There is further pressure from a surge in the rate of population and economic growth in the city, which is the highest rate of growth since the 1970s.

This report recommends the following actions to address housing supply;

- Rezone additional greenfield capacity at Aokautere, Ashhurst and Kākātangiata.
- Promote multi-unit development and minor dwellings.
- Investigate lowering the minimum lot size from 350m² in the residential zone.
- Investigate lowering the minimum lot size from 500m² in Ashhurst.
- Partner with the development community to encourage intensification.
- Repurpose underutilised Council land for housing.
- Enable intensification in more locations and investigate requiring higher density outcomes for redevelopment in certain locations, through future changes to the District Plan.

The NPSUD requires the Council to set housing bottom lines (growth targets) which must be inserted into the District Plan and Regional Policy Statements. These are:

Short-term

- Infill 55% (including multi-unit and minor dwellings)
- Greenfield 40%
- Rural/rural-residential 5%

Medium-term

- Infill 45% (including multi-unit and minor dwellings)
- Greenfield 50%
- Rural/rural-residential 5%

Long-term

- Infill 40% (including multi-unit and minor dwellings)

- Greenfield 55%
- Rural/rural-residential 5%

	Short-term July 2021 - June 2024 <i>Target includes an additional margin of 20%</i>	Medium-term July 2024 - June 2031 <i>Target includes an additional margin of 20%</i>	Long-term July 2031 - June 2051 <i>Target includes an additional margin of 15%</i>	30-year total July 2021 - June 2051
Total household growth	Minimum growth target			
	1,523	3,523	7,925	12,971
	Projected actual demand			
	1,269	2,936	6,891	11,096
Projected residential preference - based on minimum growth target				
Greenfield	609	1,762	4,359	6,729
Infill ¹	838	1,585	3,170	5,593
Rural/ rural-residential	76	176	396	649

¹ Infill share includes retirement villages and apartments

These targets have been prepared to comply with the NPSUD and reflect the likely result if the Council delivers the proposed additional greenfield areas. Further policy support to assist with increasing housing intensification may result in changes to these percentages in the future.

The Council's objective is to attempt to maximize housing intensification through:

- a) Ongoing monitoring and review of residential zone planning provisions as they apply to apartments, infill subdivision, medium-density and minor dwellings.
- b) Master planning of new greenfield areas to deliver a range of housing typologies and increasing yield.
- c) Working with developers to co-create new forms of housing through the Delivering Change Programme.
- d) Demonstrate leadership by repurposing Council land to deliver housing topologies not typically provided by the market.
- e) Designing an ultimate urban edge into new urban greenfield developments to start to signal housing development will not continue to sprawl into adjacent rural areas.
- f) Monitoring resource management reform and advocating for a planning system that will better support urban intensification.

Alternative methods that could be explored through the Future Development Strategy, the Low Carbon Roadmap and future District Plan changes include:

- a) Regulating for housing density outcomes.
- b) Putting in place urban limits.

- c) Significant repurposing of Council owned land for housing, such as further development of underutilised reserves and partial relocation of sports fields to the urban edge.

Housing Recommendations

1.1 Rezoning

To ensure there is enough land for housing to meet demand with projected growth targets and competitive margins, the following recommendations have been made:

- Progress the identified growth area plan changes to provide for medium- and long-term greenfield growth options.
- Provide for a range of section sizes in greenfield growth areas to encourage efficient use of land to meet project demand. This should include provision of multi-unit housing development in all new growth areas.
- Establish the future growth areas as ultimate urban edges for the city, to prevent future sprawl.

1.2 Promote minor dwellings

The following actions are proposed to increase the number of minor dwellings consented:

- Use social media and other forms of publicity to make the community aware that minor dwellings are a permitted activity, if all performance standards are followed.
- Publish the minor dwelling booklet on the Council website and make it available in the libraries and Customer Services Centre.

1.3 Undertake council owned housing development and investigate opportunities to repurpose reserves for housing

Council can demonstrate development of affordable housing through council-led housing developments at Huia Street or Summerhays Street. This provides an opportunity to encourage private housing developers to shift towards a more sustainable form of housing, through intensification and to move away from the traditional large stand-alone housing development model.

Investigations should also be undertaken to determine whether under-utilised reserves, including sports fields, could be partially or fully repurposed for housing.

1.4 Develop partnerships

Council will continue maintaining relationships with the development community and owners of land that has potential for housing development. However, the Council has identified opportunities to take this relationship further, by developing partnerships with housing developers to produce affordable housing options. It is recommended that partnerships can be developed by:

- Partnering with iwi and social housing providers.
- Sharing budgets and resources i.e. council land and private land in partnership with housing providers.

- Investigate a development model that allows high quality, affordable homes to be built with collaboration between the Council, community stakeholders, construction industries and housing developers.

1.5 Promote and enable intensification in more locations

Intensification could be further encouraged through:

- Creating an urban design guide to support housing intensification.
- Considering reducing the minimum lot size from 350m² in the Palmerston North residential zone and down from 500m² in Ashhurst.
- Improving stormwater regulation in the District Plan, especially with infill development and/or invest in stormwater infrastructure upgrades.
- Considering creating multi-unit housing zones, making it compulsory to build multi-unit in particular areas.
- Reducing complexity for multi-unit housing developments by simplifying the assessment criteria and making rules clearer.
- Upskilling developers in urban design requirements through facilitated workshops.

Intensification needs to be supported by integrated transport corridors to increase walkability and sustainable transport options to reduce congestion. It is recommended that the Council continues to work closely with Horizons Regional Council on the urban bus network to ensure it aligns with city growth. Provision of active transport infrastructure should also be facilitated by Council to support intensification. This includes delivering the Urban Cycle Masterplan and Innovating Streets programme to make investment in intensification more attractive and viable.

1.6 Restrict land banking

The current rating policy incentivises developers with large landholdings to slowly release land for development. A discounted rate is applied to developable land that is greater than 5 hectares. For example, a 10-hectare block is charged the full residential rate for half of the 10-hectare block. Applying full residential rating to land that is zoned and serviceable may encourage land to be released faster.