



**SECOND
GENERATION
DISTRICT PLAN**

Variation 2
Additional Housing Capacity
Part 2 – Intensification
(General Residential 2 rezoning)

Response to Hearing Panel Questions

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Primary Author

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Qualifications: Master of Planning, University of Otago

Experience: I have approximately 10 years of planning experience in a variety of roles with the Dunedin City Council, Otago Regional Council, Wellington City Council, and Sinclair Knight Merz. I am currently employed as the Research and Monitoring Team Leader at the Dunedin City Council.

Code of Conduct

I confirm that I have read, and agree to comply with, the Environment Court Code of Conduct for Expert Witnesses (Practice Note 2014).

Role in Variation 2 Preparation

I have been part of the team involved in the development of Variation 2, most recently in assisting with the evidence basis around development capacity.

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1.0 Introduction

1. This report is prepared in response to requests from the Hearing Panel.
2. This report is prepared to assist the Panel in making decisions and includes comments on questions the Panel raised about development capacity at the hearing.
3. By way of introduction to the terminology used:
 - Plan-enabled capacity – this is defined in clause 3.4 of the National Policy Statement on Urban Development. Plan-enabled capacity effectively equates to the total number of additional homes that could be built under planning instruments without regard for financial feasibility or likelihood of take-up. For instance, this may presume demolition of all existing buildings and full redevelopment of all residential zoned properties in an area.
 - Feasible capacity - this is a subset of plan-enabled capacity that would deliver a satisfactory return on investment. The Dunedin residential capacity model calculates feasible capacity on residential zoned properties by estimating development costs and potential revenue and assessing whether developments would meet a specified profit margin. If more than one development option for a site would meet the profit margin tests, the most profitable option is deemed to be the feasible one. It is noted that this figure will change based on market conditions (which influence land costs as well as sale prices) and construction costs (which are influenced by supply chains and demand on the construction industry). The rates of growth for construction costs and land costs can fluctuate considerably depending on local, national, and international factors.
 - Capacity that is 'reasonably expected to be realised' – this is a subset of plan-enabled and feasible capacity that can reasonably be expected to be developed over a certain timeframe. The Dunedin residential capacity model calculates this by applying an annual probability of development (based on recent trends) to each feasible development, as well as ensuring that total city-wide capacity is not unrealistically concentrated in certain areas or housing types. It is noted that this figure can be difficult to calculate where there is no trend data with relatively constant factors (as is the currently the case with the 2GP being relatively new and new development capacity having had little time to be taken up).

2.0 Plan-enabled capacity for IN09 (Maori Hill)

4. Based on the results of the Dunedin Residential Capacity Model, the notified rezoning to General Residential 2 in the IN09 (Maori Hill) area would result in a total plan-enabled capacity for 1,436 dwellings. Of this, 203 dwellings would be feasible to develop and 52 would be feasible and reasonably expected to be realised within a medium-term (10 year) period.

3.0 Take-up of plan-enabled capacity in similar areas

5. I consider the existing General Residential 2 areas in Maori Hill, Roslyn, Belleknowes, and Mornington to be the most similar to the proposed General Residential 2 area in Maori Hill (IN09) due to their zoning, land values, suburb age, proximity to centres, and proximity to the Dunedin CBD. These areas are shown in Appendix 1.
6. Within these similar areas, there is a collective plan-enabled capacity for 1,142 dwellings and feasible capacity for 106 dwellings. The actual level of development between January 2019 and December 2020 (inclusive) in these areas was three homes, based on building consent records. This reflects a take-up rate of 0.13% of plan-enabled capacity per year and 1.42% of feasible capacity per year. I used January 2019 as the break point due to the 2GP rules having legal effect from November 2018 and the quickly changing market conditions.

7. Within all General Residential 2 areas, there were 82 homes consented between January 2019 and December 2020. This reflects a take-up rate of 0.44% of plan-enabled capacity per year and 2.85% of feasible capacity per year.
8. The modelled outputs for capacity in the IN09 (Maori Hill) area that is reasonably expected to be realised works out as 0.37% of modelled plan-enabled capacity per year and 2.59% of feasible capacity per year.
9. If the take-up of proposed development capacity in the IN09 (Maori Hill) area followed recent trends in the similar suburbs shown in Appendix 1, actual development would be 45-64% lower than modelled. However, if it followed recent development trends across all General Residential 2 areas, then actual development would be 10-20% higher than modelled.
10. The recent take-up rates of development capacity in other General Residential 2 areas (even the similar ones described above) do not necessarily indicate what would be likely to happen in Maori Hill if the area was rezoned, due to the differences in local environment and changing market conditions. The 2019-20 period is also likely to be too short to reflect longer term trends. However, the analysis above provides a ballpark idea about the likely order of magnitude for take-up of enabled capacity.

4.0 Development capacity for IN03 (Green Island)

11. Based on the results of the Dunedin Residential Capacity Model, the notified rezoning to General Residential 2 in the IN03 (Green Island) area would result in a total plan-enabled capacity for 484 dwellings. Of this, 91 dwellings would be feasible to develop and 23 would be feasible and reasonably expected to be realised within a medium-term (10 year) period.

5.0 Review of housing capacity assessment

12. In November, I received a draft report from an independent review of DCC's housing capacity assessment. This was commissioned by the Ministry for the Environment and led by Eilya Torshizian (Director, Principal Economics) with input from Adam Thompson (Director, Urban Economics). This was part of a wider review of all housing capacity assessments.
13. The conclusion of the review was that 'Overall, the HBA [Housing and Business Land Capacity Assessment] provides a comprehensive assessment and meets the requirements of NPS-UD 2020'.
14. The review also states that:
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' capacity assessment is consistent with the guidelines of NPD-UD 2020.
15. The capacity assessment received a 'high' score for the indicator 'Has a robust assessment of development feasibility been undertaken?'.
16. While the review provides suggestions for improvements for the next assessment, it also provides confidence in the quality of the current assessment.
17. I have discussed the draft report with the author and Ministry for the Environment staff. At this meeting, it was indicated that there is unlikely to be any significant changes in the final report. The final report was expected to be completed in late November or early December, so is considered imminent. It will be made publicly accessible and can be provided to the Panel.

Appendix 1: Map showing IN09 (Maori Hill) and similar GR2 areas

