Housing and Business Development

Capacity Assessment

Hutt City Council

Contents

Executive Summary

This report presents the results of the Housing and Business Development Capacity Assessment (HBA) for Hutt City Council as required under the National Policy Statement on Urban Development Capacity (NPS-UDC). The HBA reports on the demand for, and supply of, residential and business development capacity over the 30 years to 2047.

Moderate on-going population growth combined with a decline in average household size will significantly increase demand for dwellings over the next 30 years in Hutt City. Hutt City has experienced rapid price and rent rises since about 2015 due to an emerging shortage of housing.

Hutt City's constrained geography means the city has limited scope for greenfield expansion and will have to increasingly rely on the intensification of existing urban areas to accommodate population growth.

Residential Demand

This report assesses demand for residential dwellings based on two growth scenarios. The first scenario is based on projections produced by Forecast .id which is equivalent to the Statistics NZ medium growth series projection. The second scenario is based on the Statistics NZ high growth series projection. This demand is broken down further by dwelling types into three categories – 'stand-alone housing', 'medium density', and 'other private dwelling types' (a category that includes temporary private dwellings).

The two growth scenarios indicate that Hutt City will need to provide for between 5233 and 9606 dwellings by 2047. Adding a 15-20% buffer to those numbers, as required by the NPS-UDC, means that Hutt City will need to provide for between 6105 and 11256 dwellings by 2047 based on the Forecast.id and Statistics NZ high projections respectively.

Residential Capacity

The modelling of residential development capacity has been split into two parts: available capacity in greenfield areas, and infill and redevelopment capacity within existing urban areas. This modelling indicates that Hutt City has feasible development capacity for 5476 residential dwellings and sections. This is made up of 4160 feasible infill and redevelopment dwellings, and 1316 greenfield sections.

Applying a further estimate of the likely take up of feasible development capacity, results in a 'realisable' capacity of 4,473 dwellings over the 30 years to 2047.

Under both projected growth scenarios Hutt City has insufficient development capacity to meet demand over the 30 year time frame with a projected shortfall of between 1632 and 6783 dwellings.

Infrastructure

An assessment of the three waters network for Hutt City indicates that there are significant constraints in the existing and planned services for water supply, wastewater and stormwater. Upgrades will be needed to Hutt City's three waters infrastructure to support the anticipated population growth.

Hutt City has a number of existing constraints in its transport network and has identified improvement projects to address these. Concurrently, Hutt City is investing in its active mode network to provide attractive alternatives to driving.

There is capacity for population growth in Hutt City's schools and public open space.

Business Demand

Under medium growth projections Hutt City is forecast to experience an overall decline in demand for business land over the next 30 years. This is due to a fall in demand for industrial land, as well as intensification of use of the industrial land which makes up a significant share of Hutt City's total business land. Hutt City is projected to experience a moderate increase in demand for land for government, retail, health, education, and training.

Business Capacity

This report concludes that Hutt City has a sufficient supply of land to meet all categories of business demand. However, that capacity is principally in the form of infill and redevelopment capacity. The city has little vacant land in its business areas, but this should not present a problem as total demand for business land is projected to decrease or remain flat over the long term.

The feasibility of development within the assessed business areas was considered through a Multi Criteria Analysis. That analysis showed that almost all areas appear to be feasible for business development on the basis of the assessment undertaken. Individual development proposals will vary in their relative feasibility and this assessment has not attempted to assess feasibility on a site-specific scale.

Next Steps

Overall this assessment reveals that Hutt City has insufficient residential development capacity over the medium to long term.

This shortage of supply cannot be overcome without also resolving constraints within the three waters network. While quantifying the exact impact of these constraints is beyond the scope of this assessment, in some areas of the city resolving the constraints will likely require further investment.

The assessment shows that Hutt City generally has a sufficient supply of business land over the long term but there will need to be on-going monitoring of demand for business land to determine the appropriateness of converting existing business land to alternative uses.

If Proposed Plan Change 43, which was in preparation for a hearing at the time of writing of this report, becomes operative as proposed, it will provide increased residential development opportunities in future. Further quantification of the sufficiency of these development opportunities will be needed.

Hutt City Council is also in the scoping stages of a city wide spatial plan, and a full District Plan review, at the time of writing. These will both provide further opportunities to increase residential development capacity.

1.0 Introduction

Hutt City is projected to grow by between 10,317[66] and 25,320[67] people by 2047 from a base of 101,200 people in 2013. This steady population growth combined with decreasing average household size will put further pressure on a housing market which is already showing signs of stress.

This chapter of the Wellington Region HBA seeks to meet the requirements of the NPS-UDC for Hutt City Council. In particular it addresses the requirements of Policy PB1 to:

- Estimate demand for dwellings, including demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand in the short, medium and long-terms;
- Estimate demand for the different types and locations of business land and floor area for businesses, and the supply of development capacity to meet that demand, in the short, medium and long terms;
- Assess interactions between housing and business activities, and their impacts on each other.

This report should be read in conjunction with the Wellington Regional HBA and associated appendices. The Regional HBA details the underlying methodology and assumptions that underpin the data presented in this report.

66. Forecast .id 2017-2047.

67. Statistics NZ High Series.

2.0 Existing Policy Context

2.1 Hutt City District Plan

The City of Lower Hutt District Plan was drafted in the early 1990s, was notified in 1995, became operative in 2003 and is subject to an on-going rolling review. The District Plan is the Council's key planning document that controls and directs the use of land. It is prepared under the Resource Management Act 1991 and does this by zoning land, and setting out objectives, policies and rules to achieve those objectives.

Proposed District Plan Change 43 is a full review of the General Residential Activity Area provisions of the Lower Hut District Plan. This proposed plan change was publicly notified on 7 November 2017 and is currently in preparation for a hearing.

The purpose of Proposed District Plan Change 43 is to provide for greater housing capacity and a wider range of options for housing styles and sizes at medium densities within the existing urban area. This could include low-rise apartments and terraced houses in areas that have good access to public transport, shopping, parks and schools, but also minor additional dwellings on smaller sites that do not have the potential for traditional infill.

Proposed Plan Change 43 intends to introduce two new activity areas, providing for medium density residential development and suburban mixed use in targeted areas. The plan change also proposes the introduction of a new Medium Density Design Guide and several consequential changes to related chapters of the District Plan.

2.2 Urban Growth Strategy 2012 - 2032

The Urban Growth Strategy (UGS) sets out the long-term approach to managing growth and change for Hutt City. The UGS sets a target for increasing the population to 110,000, and increasing the number of homes by 6,000, by 2032. The UGS includes several strategies to progress growth by providing for intensification, greenfield development, and financial incentives. These include:

- Provide for targeted infill intensification in Waterloo and Epuni beyond 2018.
- Carry out further investigatory work on other areas that may be suitable for targeted infill intensification for example, the railway corridor and the periphery of the Central Business District (CBD).
- Provide for low-rise apartment developments in key locations in the City, namely:
  - Eastbourne against the hills, and other sites that will not have negative effects on views and shading of existing dwellings.
  - Jackson Street from Cuba Street West excluding the area covered by Plan Change 29, The Esplanade and Marine Parade area in Petone.
  - around the Waterloo shops and train stations with the exception of Ava station.
  - the periphery of the CBD (high-rise is already provided for in CBD).
  - suburban shopping centres.
- Provide for targeted multi-unit development rather than reducing lot size across the board.
- Develop and implement through the District Plan (where not already required) design guidelines for medium and high density developments (includes multi-unit developments and apartments) and all developments in the CBD and Petone West.
- Investigate the feasibility of relaxing CBD parking requirements per apartment to allow developers and apartment building owners to provide off-site parking where they are converting an existing building into apartments.

- Provide for residential development on approximately 24 hectares in the Upper Fitzherbert area above Wise Street and below the paper road, instead of pursuing Greenfield development for whole of the Upper Fitzherbert area at this time.
- Provide for residential development on approximately 40-50 hectares in the Upper Kelson area.
- Provide for rural/residential development on approximately 265 hectares in Normandale and Moores Valley.
- Allow development of smaller lifestyle sections of 5,000 square metres and investigate reducing frontage and driveway requirements.
- Allow one hectare lots across the remaining rural residential areas in the city.
- Extend the financial incentives policy for another three years and make this available for high density developments and large non-residential developments in Hutt City.

2.3 Infrastructure Strategy 2018 - 2048

The Infrastructure Strategy gives direction for Council to manage infrastructure needs over the next thirty years. It describes key infrastructure assets and their condition and expected lifespan, as well as key projects anticipated in the short to medium term. The vision incorporated within the strategy is "Infrastructure that meets the needs of today and tomorrow." The Infrastructure Strategy notes the target for population growth in the Urban Growth Strategy and the likely location for this growth.

2.4 Central City Transformation Plan

The Central City Transformation Plan (CCTP) was adopted by Hutt City Council on 26 March 2019. The CCTP provides a map and vision for the City's Centre, and the Centre's edge, that will be the reference for future Council initiatives. The CCTP takes a first principles look at the issues and opportunities of the community's aspirations for the CBD, its functionality, built form, road and pedestrian connections. It then identifies a strategic framework for development and revitalisation. The CCTP considers links between the Civic Precinct, the proposed Riverlink development, the Queensgate Mall and the heart of the CBD. The CCTP includes layered strategies (e.g. land use, open space, street types, movement, parking, character), identifies the preferred location of future initiatives (what should go where) and considers whether changes are required to policy and land use settings to foster desired development outcomes.

2.5 Hutt City Housing Policy 2008

The Hutt City Housing Policy sets out the Council's intentions to "ensure everyone has a quality standard of affordable housing".

The objectives of the housing policy include:

- help ensure that the housing needs of Hutt City are met and to improve the affordability of housing in Hutt City by:
  - increasing the supply of residential developments;
  - ensuring there is a more balanced mix between intensive housing and non-intensive housing developments, particularly around shopping centres and key transport routes; and
  - ensuring a supply of social housing for the elderly and socially disadvantaged.
- ensure the District Plan and associated intensive housing design guidelines recognise and maintain appropriate levels of residential amenity.
- ensure that the family friendly nature of housing in Hutt City is maintained, particularly through the retention of family homes and sections within the city.

3.0 Housing Demand

Key Findings

- Hutt City will grow by between 9515 people and 20,359 people from 2017 to 2047.
- To accommodate this growth, the City will require between 6105 and 11,256 new dwellings[68].

3.1 Population and Household Growth

Demand for housing is driven by population growth. This assessment uses two different projections of future population growth: 'Forecast.id' (medium growth), and the 'Statistics NZ High' projection. Population growth for Hutt City in number of additional people over the period 2017-2047 is projected as follows:

	2017-2020	2020-2027	2027-2047	Total
Forecast.id	879	1780	6856	**9515**
Statistics NZ High	3040	5820	11499	**20359**

Table 3.1. Population growth, Hutt City Council, 2017-2047.

Translating that population growth into households[69], the projected number of additional dwellings required to meet that growth are as follows:

	2017-2020	2020-2027	2027-2047	Total
Forecast.id	521	1216	3496	**5233**
Statistics NZ High	1362	2825	5419	**9606**

Table 3.2. Demand for additional dwellings, Hutt City Council, 2017-2047.

68. Inflated to meet the requirements of Policy PC1 of the NPS-UDC.

69. Based on the number of people per dwelling and adjusting for changes in this over time.

For planning purposes it is important to supply a greater amount of housing than what is projected to be required, to account for uncertainty and the fact that not all feasible development opportunities will be taken up. Policy PC1 of the NPS-UDC requires inflating the demand number by 20% over the short and medium term, and 15% over the long term in order to ensure that there is a suitable buffer of over-supply. The resulting demand is as follows:

	2017-2020	2020-2027	2027-2047	Total
Forecast .id	625	1459	4020	**6105**
Statistics NZ High	1634	3390	6232	**11256**

Table 3.3. Demand for additional dwellings, inflated, Hutt City Council, 2017-2047.

3.2 Latent Demand

Another factor to consider when calculating housing demand is any existing latent demand based on a historic undersupply of housing. It is difficult to determine whether an undersupply of housing existed in Hutt City prior to 2014. From 1998 to 2014 the city had low to negative household growth with the rate of building consents generally outpacing growth in new households[70]. Accordingly, between 2008 and 2015 there was flat growth in rents and sales prices in Hutt City when adjusted for inflation. Only since 2016 has growth in new households consistently exceeded building consent numbers. Over the same period rents and prices have risen rapidly.

An estimate of latent demand has not been included in the estimates of total demand for housing that form the basis of this assessment.

3.3 Demand by Typology

Having established overall demand, that demand can be considered in terms of types of dwellings.

This demand is described in three typologies:

- Stand-alone Housing – typically refers to stand-alone houses on separate allotments.
- Medium density – broadly encompasses townhouses, terrace housing, units, semi-detached dwellings and apartments.
- Other private dwelling types – Consists of mobile and improvised dwellings, and dwellings in a motorcamp.

70. Source: MBIE. The building consent numbers do not take demolitions into account and there had been a significant number of demolitions of Housing New Zealand dwellings in Hutt City prior to 2016.

Based on the Forecast.id projection, inflated by 20% over the short and medium term, and 15% over the long term, the following demand by dwelling type is projected:

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	484	1181	3210	**4874**
Medium density	138	277	797	**1212**
Other private dwellings	1	5	14	**20**
Total				**6106**[71]

Table 3.4. Projected dwellings by type. Forecast.id scenario inflated.

Based on the Statistics NZ High growth scenario inflated by 20% over the short and medium term, and 15% over the long term, the following demand by dwelling type is projected:

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	1278	2702	4958	**8938**
Medium density	352	677	1255	**2283**
Other private dwellings	6	8	18	**33**
Total				**11,254**[72]

Table 3.5. Projected dwellings by type. Statistics NZ High scenario inflated.

71. Due to rounding there is a slight discrepancy between the total here and that in table 3.3.

72. Due to rounding there is a slight discrepancy between the total here and that in table 3.3.

3.4 Demand by Location

In addition to addressing overall demand, the assessment considers the location of demand for the three housing typologies. For the purposes of this assessment Hutt City was divided into six broad catchments as shown in figure 3.1 below.

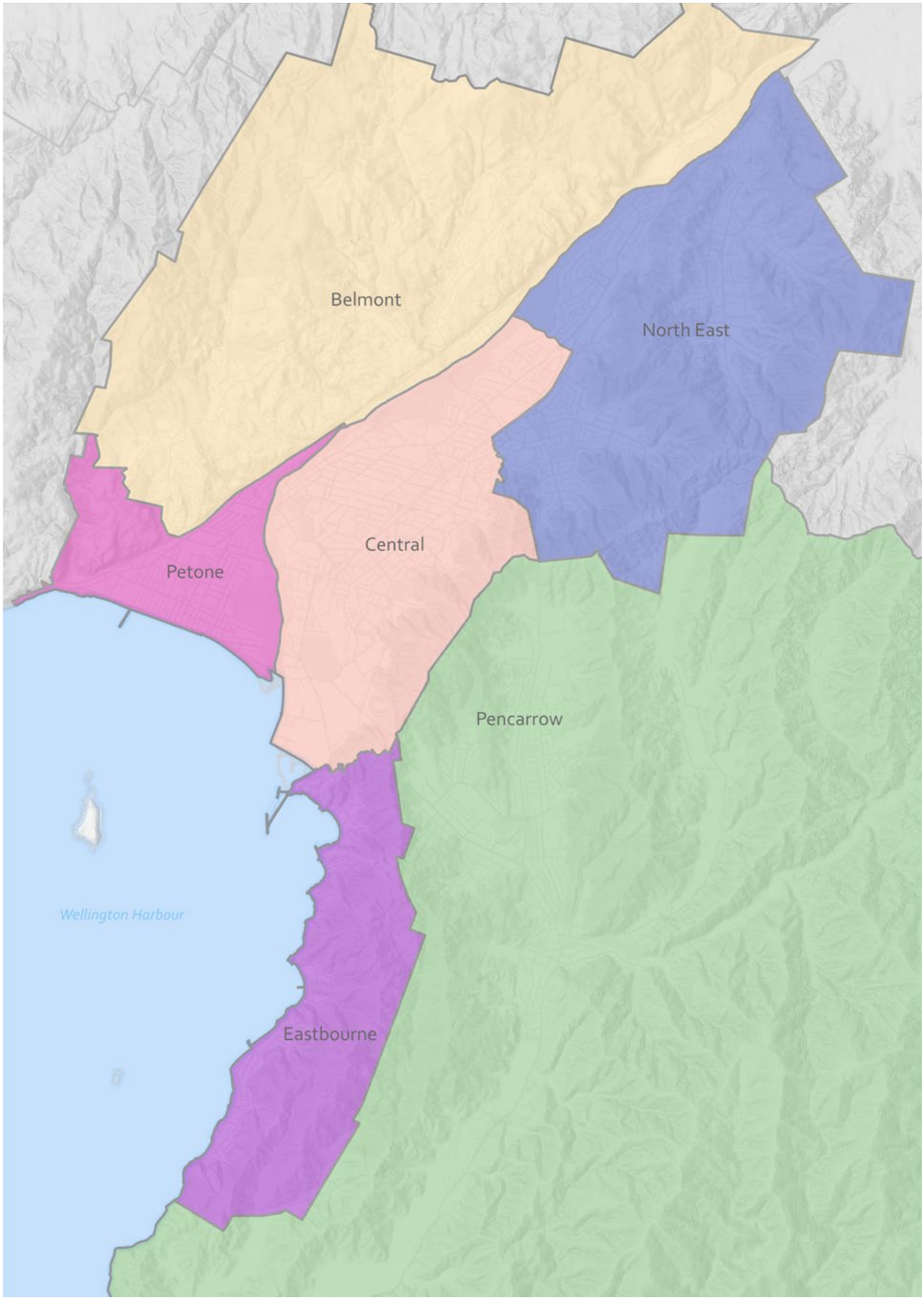

Figure 3.1. The six Hutt City housing area catchments.

These housing area catchments are groupings of suburbs which were selected for containing broadly similar housing markets. The table below shows which Hutt City suburbs are included in each catchment:

Housing catchment	Suburbs included
Pencarrow	Wainuiomata
Eastbourne	Days Bay Eastbourne Lowry Bay Mahina Bay Point Howard Sorrento Bay Sunshine Bay York Bay
Belmont	Belmont Harbour View Haywards Kelson Manor Park Maungaraki Normandale Tirohanga
Northeast	Taita Naenae Stokes Valley
Central	Avalon Boulcott Epuni Fairfield Hutt Central Moera Waiwhetu Waterloo Woburn
Petone	Alicetown Korokoro Melling Petone

Table 3.6. Hutt City housing catchments by suburb.

The following tables show demand by housing type across the six catchments. The tables show the range of additional dwellings required for both the Forecast.id and Statistics NZ high projections[73].

Pencarrow

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	102-252	341-640	661-1003	1104-1894
Medium Density	12-28	37-67	53-86	102-181
Other Dwellings	0-1	1-2	2-3	4-7
Total	114-281	379-709	716-1093	1210-2083

Table 3.7. Projected dwelling demand by type, Pencarrow, Forecast.id and SNZ High, 2017-2047

Eastbourne

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	6-49	32-112	58-137	96-298
Medium Density	1-10	6-20	10-25	18-55
Other Dwellings	0-0	1-0	0-0	1-0
Total	7-59	40-132	68-162	115-353

Table 3.8. Projected dwelling demand by type, Eastbourne, Forecast.id and SNZ High, 2017-2047

Belmont

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	60-173	145-361	676-955	881-1489
Medium Density	6-20	16-40	68-98	89-158
Other Dwellings	0-1	0-0	2-2	2-4
Total	66-194	161-401	746-1055	973-1650

Table 3.9. Projected dwelling demand by type, Belmont, Forecast.id and SNZ High, 2017-2047

Northeast

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	61-238	174-508	423-773	658-1518
Medium Density	20-67	38-125	101-192	160-384
Other Dwellings	0-0	0-0	1-1	1-1
Total	82-305	212-632	526-966	820-1903

Table 3.10. Projected dwelling demand by type, Northeast, Forecast.id and SNZ High, 2017-2047

73. Inflated to meet the requirements of Policy PC1 of the NPS-UDC.

Central

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	95-319	348-782	918-1416	1361-2517
Medium Density	32-120	116-286	330-522	479-928
Other Dwellings	0-1	1-4	2-5	4-9
Total	127-440	466-1072	1250-1942	1843-3454

Table 3.11. Projected dwelling demand by type, Central, Forecast.id and SNZ High, 2017-2047

Petone

	2017-2020	2020-2027	2027-2047	Total
Stand-alone Housing	160-247	140-300	474-675	774-1222
Medium Density	66-107	64-139	235-331	364-577
Other Dwellings	1-2	1-2	6-7	8-12
Total	227-356	205-442	714-1013	1146-1811

Table 3.12. Projected dwellings by type, Petone, Forecast.id and SNZ High, 2017-2047

The assessment of demand by area shows that there is strong growth in demand for housing in all of the catchments except Eastbourne. However, there may be a limitation to this analysis. The projected population growth for each area is based in part on how much growth existing planning provisions allow for. This means it may not give us a good measure of potential demand in certain areas under alternative planning rules that are more responsive to latent demand. This explains the comparatively low long term growth in demand for housing in the Eastbourne catchment, where there is market demand for housing but limited ability to provide these houses under existing planning rules.

The assessment may also be overstating future demand for stand-alone housing based on the large number of stand-alone houses that currently exist, and may be insufficiently accounting for the fact that people may be willing to accept different housing typologies in exchange for increased affordability or a more central location.

3.5 Demand by Price

Policy PB1 of the NPS-UDC also requires that the HBA considers demand by price point. This report has not attempted to assess demand by price point due to the complexity required to undertake such an assessment meaningfully. This is an area for development in future iterations of the HBA.

4.0 Housing Development Capacity

Key Findings

- Modelling indicates that Hutt City has plan enabled capacity[74] for 41,240 additional dwellings.
- Of the plan enabled capacity, 5476 dwellings or about 13% are considered to be feasible to develop at the time of preparing this report.
- Of the 5476 feasible dwellings, 1316 come from greenfield land supply. The remainder come from existing urban areas through infill development, redevelopment, and intensification.
- Applying a further realisation test to the feasible capacity, results in a realisable capacity of 4,473 dwellings over the 30 years to 2047.

The modelling of residential development capacity has been split into two parts: available capacity in greenfield areas, and infill and redevelopment capacity within existing urban areas. All models use the current District Plan settings as a starting point and, from this plan enabled capacity, assess the feasibility of that capacity.

Development 'feasibility' refers to analysis of whether expected revenues from developing a piece of land exceed the costs of development, including a profit margin to cover the effort and risk involved in the development process.

Somebody who is considering subdividing land for residential use will typically begin by asking whether current prices for residential sections are likely to cover the cost to buy a site, survey and plan it, undertake earthworks, provide roads and pipes, and market new sections. If the answer is 'no', then the development is unlikely to proceed.

Plan enabled capacity may not be feasible if the sales price of the resulting sections or dwellings are less than the cost of buying land and developing it including a profit. A major factor affecting greenfield development feasibility in Hutt City is the high costs of earthworks and providing infrastructure to sites with steep topography. Another factor is the low sales price of resulting sections in areas with lower market demand. Generally, plan enabled capacity in Hutt City will be feasible in areas with high sales prices, low development costs, or both.

Feasibility in Hutt City may change over time either through a reduction in development costs or an increase in dwelling and section prices. However if there is an increase in the number of feasible dwellings as a result of higher sales prices this undermines the objective of improving affordability.

4.1 Greenfield

The Wellington Greenfield Feasibility Development Model estimates the commercial feasibility of developing new residential sections on greenfield land zoned for residential development in Hutt City. The model included all undeveloped sites over 5 hectares in size in Hutt City with a residential or "rural residential" zoning. Some of the sites included have been signalled for future urbanisation but have not had a zoning change to reflect this yet. A methodology is attached as Appendix 1.4.

The table below shows the number of "plan enabled" residential sections for the different catchments modelled in Hutt City, and the number of these sections that are commercially feasible to develop based on current land prices, development costs, and house sales prices. Note that "plan enabled" includes "rural residential" zoned land in the Upper Fitzherbert area of Wainuiomata, and Kelson, that has been signalled for future urbanisation but has not had a zoning change to reflect this yet.

74. This includes some capacity in greenfield sites which have been identified for development but have not had a plan change to reflect this yet.

	Plan Enabled	Feasible
Pencarrow	1806	1000
Eastbourne	38	38
Belmont	272	251
Northeast	94	27
Central	0	0
Petone	0	0
Total	**2210**	**1316**

Table 3.13. Plan enabled and development feasible sections in Hutt City greenfield sites by catchment (as shown in Figure 3.1).

The modelling shows that Hutt City currently has 1316 plan enabled and development feasible residential sections.[75]

There were three broad types of areas modelled: large greenfield development areas; large residential zoned sites with development potential in existing urban areas; and rural residential areas that have not been developed to the full extent provided by the zoning.

The three main greenfield development areas analysed were in Kelson, Upper Fitzherbert in Wainuiomata, and Shaftesbury Grove in Stokes Valley. The Rural Residential zoned areas in Kelson and Upper Fitzherbert had an urban density assumption applied to reflect planned development in these areas, despite the fact that some of these areas do not yet have an urban zoning in the operative District Plan. All of the 213 sections of "plan enabled capacity" in Kelson were development feasible. The Upper Fitzherbert area had 1441 "plan enabled sections" but only 878 of these sections were development feasible. The model showed that the plan enabled sites at Shaftesbury Grove in Stokes Valley were not development feasible under current assumptions.

The large residential zoned sites with development potential in existing urban areas included sites in Stokes Valley, Tirohanga, Wainuiomata, Normandale, Eastbourne and Naenae. The Stokes Valley and Tirohanga sites were not development feasible. The others had a combined 225 development feasible sections.

There were 104 plan enabled sections in the rural residential zoned area of Moores Valley but none of these were development feasible most likely due to difficult access and topography.

Feasibility was highest in higher priced suburbs like Eastbourne, Kelson, Naenae and Normandale. While sites were generally only development feasible in lower priced areas if they had less challenging geography and therefore lower development costs.

4.2 Infill and Redevelopment

The infill and redevelopment model estimates the commercial feasibility of developing new residential sections or dwellings in the existing urban areas of Hutt City on sites less than 5 hectares, under the current operative planning rules. The model first estimates the "theoretical capacity" of development allowed for by the operative District Plan through either infill or redevelopment. The model then calculates how much of this theoretical capacity is commercially feasible to develop. A summary of the infill and redevelopment modelling is attached as Appendix 3.4.

75. In this instance, one section equates to one dwelling.

The table below sets out the feasible infill and redevelopment capacity for Hutt City by dwelling type:

Typology	Quantity
Stand-alone Housing	2010
Terrace Housing	2150
Apartments	0
Total	**4160**

Table 3.14. Supply of feasible residential capacity by typology.

This capacity can then be broken down into the six catchments, identified in figure 3.1 above, which were used to assess residential demand.

	Standalone	Terrace	Apartments	Total
Pencarrow	191	332	0	523
Eastbourne	142	62	0	204
Belmont	304	299	0	603
Northeast	249	710	0	959
Central	949	594	0	1543
Petone	175	153	0	328
Total	**2010**	**2150**	**0**	**4160**

Table 3.15. Supply of feasible infill and redevelopment residential capacity by typology and catchment.

It is notable that the model finds that there is no feasible development capacity for apartments in Hutt City. This is somewhat counter to observation as there has been actual development of apartments in Hutt City in recent years especially in Petone. A number of factors may explain this. Up until the end of 2018 Hutt City Council offered remissions on consent and infrastructure charges for medium and high density residential developments. The infill and redevelopment model does not take the remissions policy into account, which means that it may have understated the feasibility of apartments in Hutt City in comparison to the scenario of the remissions policy being in place. Another factor which may have limited the feasibility of apartments in the infill and redevelopment model is that it did not account for the potential amalgamation of development sites. Potential development was only modelled on existing lots which again may have decreased the resultant feasibility of apartments.

4.3 Total Feasible Development Capacity

Combining Hutt City's Residential Greenfield capacity with that for Infill and Redevelopment gives an overall feasible development capacity of **5476** dwellings.

	Infill & redevelopment Dwellings	Greenfield Sections	Total
Pencarrow	523	1000	1523
Eastbourne	204	38	242
Belmont	603	251	854
Northeast	959	27	986
Central	1543	0	1543
Petone	328	0	328
Total	**4160**	**1316**	**5476**

Table 3.16. Overall supply of feasible residential capacity by typology and catchment (Infill, Redevelopment and Greenfield).

4.4 Realisation

Not all development capacity that is commercially feasible will be delivered over the next 30 years. Landowners have different motivations around their land and may not wish to sell to a developer or develop themselves even if it is profitable to do so. Many landowners may wish to forgo potential profits and keep their property as it is.

Policy PC1 of the NPS-UDC calls for a 20% oversupply of feasible development to be provided in the short and medium term, and a 15% oversupply in the long-term. This policy addresses the uncertainty around development and the fact that not all feasible development capacity will be taken up.

An estimate of the infill and redevelopment capacity that is likely to be realised in Hutt City has been provided by Property Economics. This is detailed further in the report by Property Economics attached as Appendix 3.4. This shows that the realisable capacity for infill and redevelopment across existing urban areas in Hutt City is 3157 new dwellings. This represents a 76% realisation rate of the calculated feasible development capacity.

	Standalone	Terrace	Apartments	Total
Pencarrow	78	0	0	78
Eastbourne	188	0	0	188
Belmont	347	0	0	347
Northeast	699	0	0	699
Central	1336	0	0	1336
Petone	425	84	0	509
Total	**3073**	**84**	**0**	**3157**

Table 3.17. Supply of realisable infill and redevelopment residential capacity by typology and catchment.

The realisation figures are essentially an estimate of 'development chance' for the different typologies. While certain typologies may be 'feasible' to develop on the basis of a 20% profit margin, there is greater risk in some typologies than others. Generally, terrace houses and apartments carry greater development risk than stand-alone houses. The realisation estimates account for this risk by increasing the required profit level for a certain development typology to be considered 'realisable' on top of being feasible.

Again, the low realisation rates for terrace houses do not match some of the actual development currently taking place in Hutt City. This may be due in part to the Hutt City Council policy of remissions on consent and infrastructure charges for medium and high density residential developments. As mentioned previously the model does not take the remissions policy into account.

A realisation rate of 100% has been assigned to feasible greenfield development capacity. This realisation rate reflects the fact that plan enabled feasible development capacity in greenfield areas has a high certainty of being developed. Combining realisable infill and redevelopment capacity with greenfield capacity gives the following total realisable capacity:

	Standalone infill/ redevelopment	Terrace	Greenfield sections	Total
Pencarrow	78	0	1000	1078
Eastbourne	188	0	38	226
Belmont	347	0	251	598
Northeast	699	0	27	726
Central	1336	0	0	1336
Petone	425	84	0	509
Total	**3073**	**84**	**1316**	**4473**

Table 3.18. Supply of realisable greenfield capacity by catchment.

5.0 Housing Sufficiency

Key Findings

- Realisable development capacity is **insufficient** to meet projected demand over the 30 years to 2047.
- The shortfall is between 1632 and 6,783 dwellings based on the two demand scenarios outlined in this report.

5.1 Sufficiency

Having established demand and supply, the two can now be contrasted. This will answer the question at the centre of this report – is there sufficient residential capacity to meet expected population growth to 2047?

At a city-wide level, the following comparison can be made between demand for housing and realisable development capacity:

	Forecast id	SNZ High
Demand[76]	6,105	11,256
Capacity		4,473
Shortfall/Surplus	-1,632	-6,783

Table 3.19. Residential development capacity sufficiency for Hutt City, 2017 – 2047.

This shows that Hutt City has insufficient feasible development capacity to meet demand over the 30 year time frame, with a shortfall of between 1632 and 6783 dwellings.

The two tables below provide a further breakdown of housing sufficiency across the short, medium and long term, for the Forecast .id and Statistics NZ High projections respectively.

	2017-2020	2020-2027	2027-2047
Demand	625	1459	4020
Capacity			4473
Shortfall/surplus	3848	2389	-1631
Sufficient?	Yes	Yes	No

Table 3.20. Demand and realisable capacity comparison over time. Forecast .id scenario inflated.

76. Inflated to meet the requirements of Policy PC1 of the NPS-UDC. A calculation of any potential existing latent demand has not been included in these figures.

	2017-2020	2020-2027	2027-2047
Demand	1634	3390	6232
Supply			4473
Shortfall/surplus	2839	-551	-6783
Sufficient?	Yes	No	No

Table 3.21. Demand and realisable capacity comparison over time. Statistics NZ High inflated.

These tables show that under the Forecast .id projection Hutt City has sufficient realisable development capacity over the short and medium term, but insufficient over the long term. And under the Statistics NZ High projection there is sufficient realisable development capacity over the short term but insufficient over the medium and long term.

6.0 Business Demand

Key Findings

- Hutt City is projected to experience an overall decline in demand for business land over the 30 years to 2047 under a medium growth assumption. This is due to a significant projected decline in demand for industrial land.
- Hutt City is projected to experience a moderate increase in demand for land for government, retail, health, education, and training.

In addition to residential demand and capacity, the NPS-UDC requires the Council to undertake a similar exercise for business land. The Council, along with three other Wellington region territorial authorities, commissioned economic consultancy Sense Partners to prepare an analysis of business land demand for the purposes of the NPS-UDC. The full Sense Partners report is attached as Appendix 1.5.

Hutt City is projected to experience an overall decline in demand for business land over the 30 years to 2047. Currently the city has a substantial area of industrial land with more industrial than Upper Hutt, Wellington City, and Kapiti Coast combined. There is expected to be a mild decline in industrial activity across the region, and Hutt City is also losing its share of regional industrial activity, exacerbating the overall decline. Moreover, the floorspace required for industrial activity is expected to gradually decline over time as heavy industrial activities are replaced by industrial activities that are less land intensive.

Analysis suggests that Lower Hutt and Upper Hutt both benefit from on-going transport improvements in the Wellington region, but the impacts are modest since the improvements are largely to traffic flow along the Wellington-Kapiti-Levin route.

Increased attention to earthquake risk is another factor reshaping the market for business land in the Wellington region. Businesses report the risk of sea-level rise is affecting firms' location choices, including the large plots of industrial land in the Seaview area of Hutt City. Anecdotally, premises with high building code standards are pre-requisites for both domestic and international investors to invest in local firms within the region.

Under the baseline medium growth assumption the change in demand for business land over the 30 year period addressed by this assessment for Hutt City is estimated as follows[77]:

	2017-2020	2020-2027	2027-2047	TOTAL
Commercial	-3838	-1440	4186	-1,092
Government	5996	3461	4700	14,157
Retail	15,216	5464	13,964	34,644
Industrial	102,506	-267,677	-316,214	-481,384
Health, Education and Training	2489	10,187	15,500	28,175
Other	1984	5731	12,767	20,482
TOTAL	**124,354**	**-244,274**	**-265,096**	**-385,017**

Table 3.22. Change in land area demand (square metres) for business activities, Hutt City Council 2017-2047 (inflated).

77. Inflated by 20% over the short and medium term, and 15% over the long term as required by the NPS-UDC.

Under this growth assumption Hutt City experiences a significant decline in demand for industrial land over the 30 year period. The city sees an increase in demand for all other types of business land but this is outweighed by the much bigger decline in demand for industrial land.

The table below sets out the change in total demand for business use by floor area[78]:

	2017-2020	2020-2027	2027-2047	TOTAL
Commercial	-4990	-1871	5442	-1419
Govt	7794	4500	6110	18,404
Retail	10,651	3824	9775	24,251
Industrial	46,128	-120,455	-142,296	-216,623
Health, Education and Training	1867	7640	11,625	21,132
Other	1488	4298	9575	15,362
TOTAL	**62,939**	**-102,063**	**-99,769**	**-138,894**

Table 3.23. Change in floor area demand (square metres) for business activities, Hutt City Council 2017-2047 (inflated).

Although total projected demand for business land falls across Hutt City in the medium to long term, council will need to be mindful of assessing opportunities to substitute industrial land to other uses. Industrial land has specific characteristics including locating specific employment opportunities in a region. A decline in the need for industrial land might provide council with an opportunity to promote other uses but the benefits and costs of converting industrial land to other uses will need to be fully assessed before making these changes.

Under the alternative scenario of a high growth assumption there is almost a 3% increase in total demand for business land in Hutt City over 30 years. This is due to a significant increase in demand for commercial, government, retail, and health and education land, and only a small decrease in demand for industrial land.

Future changes in demand for business land will need to be monitored to assess the potential for changing land use.

78. Inflated by 20% over the short and medium term, and 15% over the long term as required by the NPS-UDC.

7.0 Business Capacity

Key Findings

- Hutt City has a lack of vacant business land with only 71 vacant sites totalling 223,946m^2 of potential developable floorspace across the city.
- The city has 1,680,567 m^2 of plan enabled business capacity for infill floor space.
- The city has 6,265,130 m^2 of plan enabled business capacity for redevelopment floorspace.

The approach to understanding business capacity has been detailed in the covering regional report. First, a GIS model of plan enabled capacity of the business areas of the city[79] was developed. This modelled development capacity in terms of infill development, redevelopment, and development of any currently vacant sites. In the same vein as residential, this modelling was based on District Plan standards. A methodology is attached as Appendix 1.7.

79. Some small neighborhood centres were excluded from the analysis.

The following areas of business land were assessed:

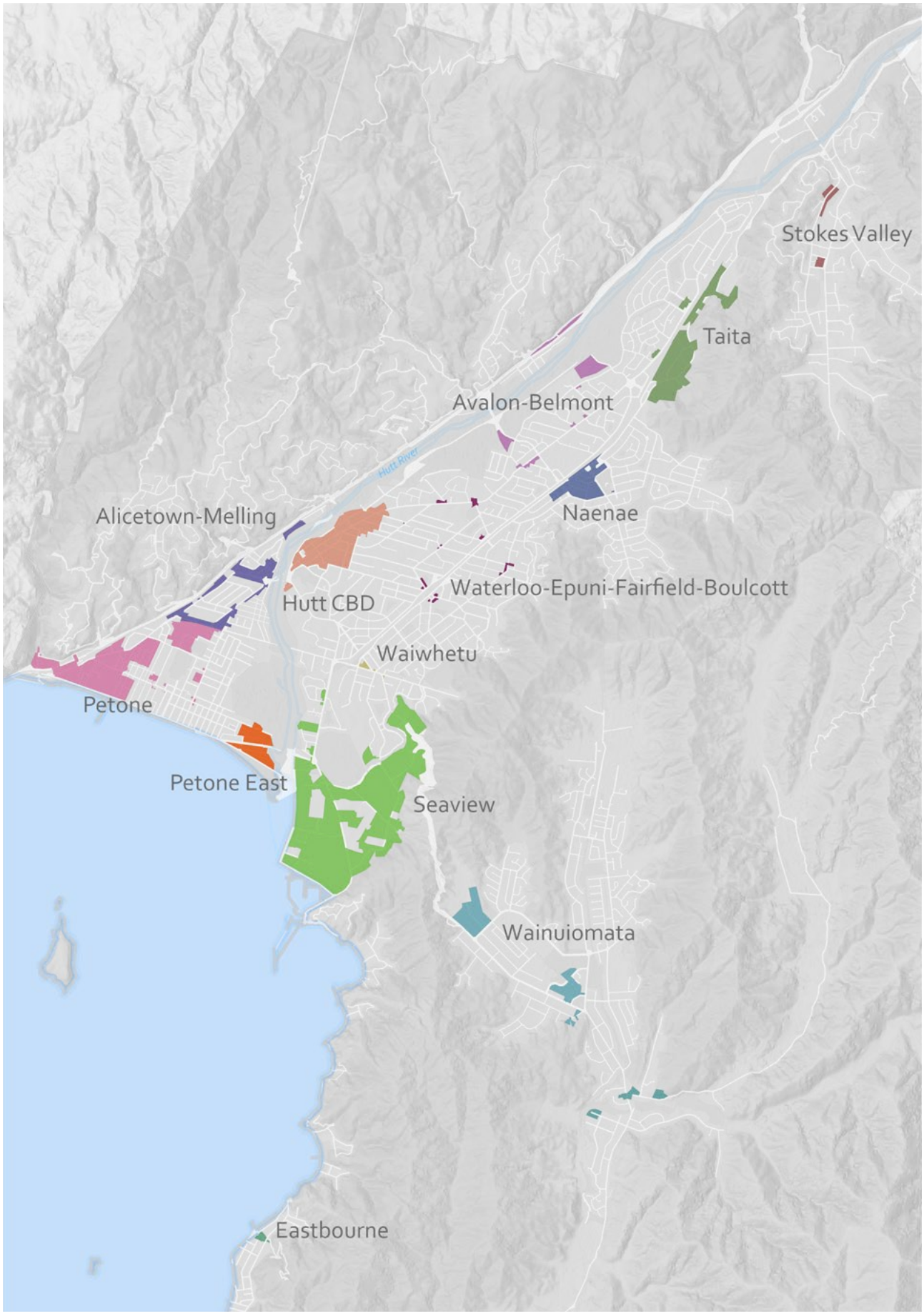

Figure 3.2. Hutt City Business Land assessed.

Some of these areas of business zoned land also allow for residential development. Therefore, there is a crossover between the modelling undertaken for business capacity, and the modelling undertaken for residential capacity. This has been addressed by applying a proportion to determine the residential share of a development compared to its business share. This is detailed in the modelling methodology attached as Appendix 1.7. This method avoids any potential double counting of floor space in areas of multi-storey mixed-use development.

In parallel with the capacity modelling process, these business areas have been assessed for feasibility by way of a Multi Criteria Analysis. This analysis has sought to determine how well the areas meet various requirements and by extension how likely it is that development will occur within them. This gives an indication of how feasible development is likely to be in these areas.

As a result, the above analysis allows for business areas to be understood in terms of their capacity and to be scored on the basis of the Multi Criteria Analysis that was undertaken.

7.1 Capacity Assessment

The plan enabled development capacity for business land in Hutt City is as follows:

Business Area	Existing floorspace[80] (m²)	Redevelopment floorspace[81] (m²)	Infill floorspace[82] (m²)
Alicetown - Melling	143,252	178,215	9,994
Avalon - Belmont	35,372	127,597	13,942
Central Commercial	460,744	1,540,298	157,985
Eastbourne	6,504	1,293	1,207
Naenae	90,575	128,666	3,818
Petone	361,186	474,975	247,304
Petone East	93,223	135,879	1,583
Seaview - Gracefiled - Moera	618,390	3,033,448	1,032,353
Stokes Valley	16,858	27,909	5,594
Taita	142,695	386,363	110,488
Wainuiomata	67,727	212,833	91,844
Waiwhetu	5,068	7,608	1,306
Waterloo - Epuni - Fairfield - Boulcott	17,446	10,046	3,149
Total	**2,059,040**	**6,265,130**	**1,680,567**

Table 3.24. Hutt City business land capacity (square metres).

80. Existing floorspace is taken from the Councils rating database. In mixed-use areas it is not presently possible to differentiate between residential and business use so an existing floor area is not reported.

81. Redevelopment floorspace is the measure of floorspace available if an existing dwelling on a site was demolished and the site was redeveloped to the maximum extent permissible under the District Plan.

82. Infill floorspace is a measure of the ability to undertake infill development on a given site. Infill capacity is not reported in some instances due to limitations with the modelling methodology. Further refinement will occur in future HBAs.

The assessment also examined the availability of entirely vacant sites. Vacancy was assessed firstly based on data sourced through the Council's rating database (by comparing capital value and land value), then comparing that data with aerial photography, and lastly by undertaking site visits where necessary.

There are few vacant sites available in Hutt City. The assessment identified only 71 vacant sites totalling 223,946m^2 of potential developable floorspace. The 'redevelopment floorspace' figures in Table 3.24 above are inclusive of these vacant sites.

8.0 Business Feasibility and Sufficiency

Key Findings

- Hutt City has little vacant business land but significant District Plan enabled business capacity in potential infill and redevelopment.
- Of the business areas assessed, all are likely to be feasible for business development but there is a clear preference for areas on the valley floor compared to those in more geographically isolated areas.
- In general the current supply of business land in Hutt City is sufficient to meet projected growth under the baseline growth assumption. This is because there is expected to be a significant decline in overall demand for business land.
- If demand for business land increases, then plan enabled capacity may become feasible to develop. This means that existing business land supply should be sufficient even under higher growth conditions.

As with the approach adopted for residential development, it is necessary to consider the feasibility of the development capacity identified in the previous section.

Assessing the feasibility of business development is different to the approach adopted for residential. This is because the feasibility of residential development can be undertaken in a generic manner based on a range of certain financial inputs. Business development is much more complex, given the range of buildings, locations and tenures that are involved.

To overcome this, rather than assessing the feasibility of business development in dollar terms, an assessment of the same areas that were modelled above has been undertaken using a Multi Criteria Analysis (MCA). The methodology for this MCA is outlined in Appendix 1.6.

8.1 Multi Criteria Analysis – Feasibility

As part of the analysis, each of the business areas was assessed against the following 14 criteria on a 0-5 scoring range:

- Proximity to major roading corridors
- Access to rail routes
- Access to the airport
- Access to the seaport
- Public transport accessibility
- Parking availability and accessibility
- Access to labour
- Access to markets/consumers
- Resilience to hazards
- Supporting businesses/services in the area
- Land and property cost
- Developability/functionality
- Separation from more sensitive activities
- Community impact

The scoring was undertaken by a panel comprising both Council staff and external industry experts.

Area	Predominant Use	MCA Score	Infill Capacity	Redevelopment Capacity
Alicetown-Melling	Industrial	46/70	9,994	178,215
Avalon-Belmont	Industrial/Commercial	44/70	13,942	127,597
Central Commercial	Commercial/Retail	47.5/70	157,985	1,540,298
Eastbourne	Neighbourhood Centre	29/70	1,207	1,293
Naenae	Industrial/Retail	51/70	3,818	128,666
Petone	Retail/Industrial/Commercial	43/70	247,304	474,975
Petone East	Industrial	52/70	1,583	135,879
Seaview – Garcefield – Moera	Industrial	48/70	1,032,353	3,033,448
Stokes Valley	Industrial/Neighbourhood Centre	32/70	5,594	27,909
Taita	Industrial	49/70	110,488	386,363
Wainuiomata	Industrial/Retail	36/70	91,844	212,833

Table 3.25. Hutt City business area development capacity (square metres) and Multi Criteria Analyis scoring.[83]

Most of the business areas achieved a score between 43 and 52. The exceptions were the more geographically isolated areas of Eastbourne, Stokes Valley, and Wainuiomata which all scored between 29 and 36. The results of the multi criteria analysis show that nearly all of the areas assessed are likely to be feasible for business development but there is clear preference for areas on the valley floor compared to those in more geographically isolated areas.

83. The smaller neighbourhood centres of Waiwhetu and Waterloo/Epuni/Fairfield/Boulcott were not assessed as part of the multi criteria analysis.

8.2 Sufficiency

Having established the demand for business land, and floorspace, that demand can then be contrasted with the available capacity identified in the preceding section.

Demand for floor area was set out in Section 6.0 as follows:

	2017-2020	2020-2027	2027-2047	TOTAL
Commercial	-4990	-1871	5442	-1419
Govt	7794	4500	6110	18,404
Retail	10,651	3824	9775	24,251
Industrial	46,128	-120,455	-142,296	-216,623
Health, Education and Training	1867	7640	11,625	21,132
Other	1488	4298	9575	15,362
TOTAL	**62,939**	**-102,063**	**-99,769**	**-138,894**

Table 3.26. Change in floor area demand (square metres) for business activities, Hutt City Council 2017-2047 (inflated).

On the supply side, the following infill and redevelopment capacity is available:

Business Area	Existing building floorspace (m^2)	Redevelopment floorspace (m^2)	Infill floorspace (m^2)
Alicetown - Melling	143,252	178,215	9,994
Avalon - Belmont	35,372	127,597	13,942
Central Commercial	460,744	1,540,298	157,985
Eastbourne	6,504	1,293	1,207
Naenae	90,575	128,666	3,818
Petone	361,186	474,975	247,304
Petone East	93,223	135,879	1,583
Seaview - Gracefiled - Moera	618,390	3,033,448	1,032,353
Stokes Valley	16,858	27,909	5,594
Taita	142,695	386,363	110,488
Wainuiomata	67,727	212,833	91,844
Waiwhetu	5,068	7,608	1,306
Waterloo - Epuni - Fairfield - Boulcott	17,446	10,046	3,149
Total	**2,059,040**	**6,265,130**	**1,680,567**

Table 3.27. Business land capacity (square metres), Hutt City Council.

There is currently very little vacant business land but there is significant plan enabled capacity to expand built floorspace in existing business areas.

The multi criteria analysis shows that almost all business land in Hutt City is likely to be feasible to develop. The analysis shows that business areas on the Valley floor are generally more desirable than those in more geographically isolated areas like Stokes Valley or Wainuiomata.

In general the current supply of business land in Hutt City is sufficient to meet projected growth under the baseline growth assumption. This is because there is expected to be a significant decline in overall demand for business land.

If demand for business land increases, then plan enabled capacity may become feasible to develop. This means that existing business land supply should be sufficient even under higher growth assumptions. However, council will need to be cautious about converting existing business land use to non-business uses without a full assessment of likely costs and benefits.

9.0 Infrastructure

Key Findings

- There are no significant issues that would have an immediate impact on development capacity.
- There are constraints across the three waters network that will impact on development capacity without intervention in the long term. These constraints vary in their scale and location.
- Population growth will put further pressure on Hutt City's transport network. Projects for relieving constraints in the transport network have been identified.
- There is capacity for population growth in Hutt City's schools and public open space.

The NPS-UDC requires that councils consider the availability of infrastructure in their assessment of capacity. Development capacity must be serviced with infrastructure in the short term, in the medium term it must be either serviced or have funding for the infrastructure identified in the Council's Long Term Plan, and in the long term infrastructure requirements must be identified in the Council's infrastructure strategy.

Infrastructure is broadly defined. Development infrastructure refers to three waters[84] infrastructure and roading. Other infrastructure refers to a broader range of infrastructure including open space, social infrastructure, public transport and community infrastructure.

9.1 Three Waters

Wellington Water has undertaken an assessment of the three waters infrastructure for Hutt City. The full assessment is attached as Appendix 3.1. The report should be read alongside this summary to fully understand the modelling methodology, assumptions, levels of service, and further commentary on mitigation measures.

The assessment indicates that there are significant constraints in the existing and planned services for water supply, wastewater and flood protection in Hutt City and significant upgrades would be needed to support the anticipated population growth. It is expected that as growth continues, the appropriate releases to these constraints will be planned and implemented to facilitate further growth.

Water Supply

Capacity in water supply infrastructure is assessed in terms of "network capacity" and "storage capacity" for 20 Water Storage Areas (WSA) in Hutt City. WSAs are defined as a water supply network comprising of at least one reservoir, which can be expected to operate independently if the supply is interrupted. The Hutt City assessment indicates that there are capacity constraints in approximately two thirds of WSAs over the short, medium, and long term. These constraints are either in network capacity, storage capacity or both.

Site specific growth may be accommodated by reconfiguring the water supply network, such as by expanding or reducing the area supplied by a specific reservoir. The assessment does not consider future efficiency of the network (leak prevention) and customer use (demand management).

Wastewater

The capacity of the wastewater networks were assessed using a 'calibrated hydraulic model' for the Wainuiomata catchment and only a 'limited design code analysis' for the larger Hutt City catchment. These analyses indicate significant capacity constraints in both catchments, with neither having sufficient infrastructure capacity for projected urban growth over the short, medium, or long term.

84. Three waters infrastructure refers to water, wastewater and stormwater.

Stormwater

The assessment of stormwater flooding was based on an assumption that planning and building restrictions will require new development to achieve hydraulic neutrality in all rainfall events up to and including the 1 in 100-year rainfall event including the predicted impacts of climate change. Under this assumption stormwater risks would not be increased by increased population and its associated development. With this assumption the stormwater modelling results are relevant for today as well as for 2047.

For the stormwater modelling, Hutt City is divided into four stormwater catchments: Petone, Wainuiomata, Stokes Valley, and Hutt CBD/Waiwhetu. The hydraulic modelling of stormwater in the Hutt CBD/Waiwhetu catchment is not complete. The modelling indicates that there is stormwater infrastructure enabled development capacity over the short, medium, and long term in the Wainuiomata and Stokes Valley catchments. Preliminary results for Petone indicate likely significant limitations on development capacity due to its low lying nature. For other areas, development is not enabled in the flood hazard areas along the rivers and large streams. In general, however, for most areas development can occur in combination with adequate planning provisions.

9.2 Transport

Local Road Network

The Hutt City Council Transport Division has provided an assessment of the local road network for Hutt City. The full assessment is attached as Appendix 3.2. The report should be read alongside this summary.

The Hutt City local road network is relatively uncongested at peak times with little significant congestion detected. The key features of the Hutt City road network can be summarised as follows:

- there is no pattern of fatal or serious injury road crashes that indicates a particular safety issue with any one part of the Hutt City road network.
- traffic flows into and out of the Hutt CBD are distributed across at least 12 different routes.
- some queuing occurs on the approaches to the High Street intersection with Daysh Street and Fairway Drive during both the weekday morning and evening and Saturday midday peaks.
- some congestion occurs within the CBD on Saturday associated with traffic accessing Queensgate and the Riverbank Market.
- some queuing of vehicles turning right into and out of Waiwhetu Road at the intersection with Whites Line East occurs during the weekday morning peak.
- Some queuing occurs during the evening peak for traffic accessing the Ewen Bridge, particularly from Queens Drive and High Street.

State Highway 2 provides the major roading connection between the Hutt Valley and Wellington. The intersections between the local road network and State Highway 2 all experience congestion during the morning and evening peaks.

There is significant traffic congestion on weekday mornings for southbound traffic heading towards Wellington on State Highway 2 to the south of Petone. Similar congestion occurs on weekday evenings as traffic exiting Wellington is joined by traffic from State Highway 1 at Ngauranga Gorge.

The existing constraints may compound if traffic volumes continue to grow with the expected population growth. However, a significant investment in the Hutt City's active mode network coupled with an increased focus on public transport could lead to a reduction in private vehicle use. Additionally, a number of improvement projects intended to address the most critical existing constraints have been identified and are in various stages of planning.

State Highway Network

NZTA have provided an assessment of the State Highway network. This assessment is attached as Appendix 1.8.

The NZTA assessment identifies SH2 from Ngauranga to Petone, and the Dowse, Melling, and Kennedy Good SH2 intersections as key congestion pinch points during the commuter peak. Significant transport projects that have been proposed for Hutt City in the medium to long term include the Ngauranga to Petone cycleway, the Melling interchange, and Petone to Grenada link road.

Public Transport

A public transport assessment has been provided by Greater Wellington Regional Council. The full assessment is attached as Appendix 1.9.

Rail plays a significant role in providing access from the Hutt Valley to the Wellington CBD. The urban rail network serves the Hutt Valley with high capacity, long distance commuter services. This rail network reduces road congestion on State Highway 2 and meets the demand for travel from the Lower Hutt Valley to the Wellington CBD during peak periods. There are medium to long term plans in place to improve the capacity and frequency of the rail network by expanding the train fleet, expanding park and ride, and improving timetables and service patterns.

Hutt City is also served by a number of bus routes which provide all day services at low to medium frequency within suburban areas, and support the rail network with connecting feeder services. The capacity of the bus network is not currently an issue in the Hutt Valley but there is poor utilisation of existing services. Further intensification of existing urban areas will help improve the viability of bus services.

Overall public transport does not present any critical constraints on growth in Hutt City.

9.3 Social Infrastructure

Open Space

Hutt City Council's Open Space network has been assessed internally by council staff. The full assessment is attached as Appendix 3.3. This assessment only takes into account the Open Space network owned and administered by Hutt City Council. Hutt City also has significant areas of open space managed by Greater Wellington Regional Council and the Department of Conservation.

Hutt City Council currently manages 349 reserves comprising 2781 hectares.

Council, through its Reserves Strategy, aims to have a reserve within an 'easy walking distance' of all residential housing within its urban areas. An easy walking distance is defined as 400 metres - the distance that an elderly person or young child can generally walk in 8.5 minutes. A desktop exercise using GIS mapping tools indicates that over 98% of households in the current urban area are within a 400 metre radius of open space.

Hutt City has sufficient reserve land to accommodate formal sport and is likely to for the foreseeable future.

A 2012 review identified a small number of gaps in the distribution of formal playgrounds in the City based on a play space being within 600 metres of residents (direct line). The main gap was in the Epuni area for which Council has indicated that a new playground will be developed on reserve land adjacent to residential intensification in this part of the City. Council has 54 playgrounds in total.

Greater Wellington Regional Council has provided an assessment of regional open space. The full assessment is attached as Appendix 1.10. Hutt City has significant areas of regional open space within its boundaries. Nearly 50% of the total land area of Hutt City is made up of public open space and a large area of this is in regional parks.

Hutt City therefore has sufficient regional open space to meet the recreation needs of the community for the foreseeable future.

Education

The Ministry of Education has provided an assessment of school rolls and capacity for the region. This assessment, attached as Appendix 1.11, outlines the current capacity of schools not their ability to increase their capacity in the future. The Ministry of Education splits Hutt City into three zones: Wainuiomata, Lower Hutt Western/South, and Lower Hutt Eastern/North. The Wainuiomata and Lower Hutt Eastern/North zones currently have spare capacity at both primary and secondary levels. The Lower Hutt Western/South zone has spare capacity at primary level but the one state secondary school in the zone is at capacity. The Ministry of Education summary for Hutt City is as follows:

Wainuiomata:

- There are six state primary schools and one state-integrated schools in this network. There is space for 600 students in the state schools network and space for 80 students in the state-integrated network.
- There is one secondary school in Wainuiomata which currently has space for 270 students. The government recently announced a redevelopment for this school. This area is a focus for Hutt City Council who have a number of housing developments planned here.

Lower Hutt Western/South

- There are 15 primary schools and five state-integrated schools in this network. There is space for 470 students in the state network and 90 students in the state-integrated network. We have seen some growth in this area in the Western Hills of Lower Hutt, mainly in the suburb of Maungaraki.
- There is one state secondary school (Hutt Valley High School) and four state-integrated schools. Hutt Valley High School is at capacity, although it has around 250 students from outside their home zone. There is space for 30 students in the state-integrated network.

Lower Hutt Eastern/North

- There are 12 primary schools and two state-integrated primary. The state schools have space for around 1,000 and the state-integrated schools have space for around 300 students.
- There are two secondary schools in this network. They have space for around 400 students.

10.0 Monitoring

Policy PB2 of the NPS-UDC requires that the HBA considers information about demand including from the monitoring of market indicators. The following sections outline a range of relevant indicators. Figures for Wellington City, and the Wellington Region, have been included as a point of comparison with Hutt City. A subsequent discussion considers the implications of these indicators.

10.1 Development trends - Market indicators

Residential Sales Prices

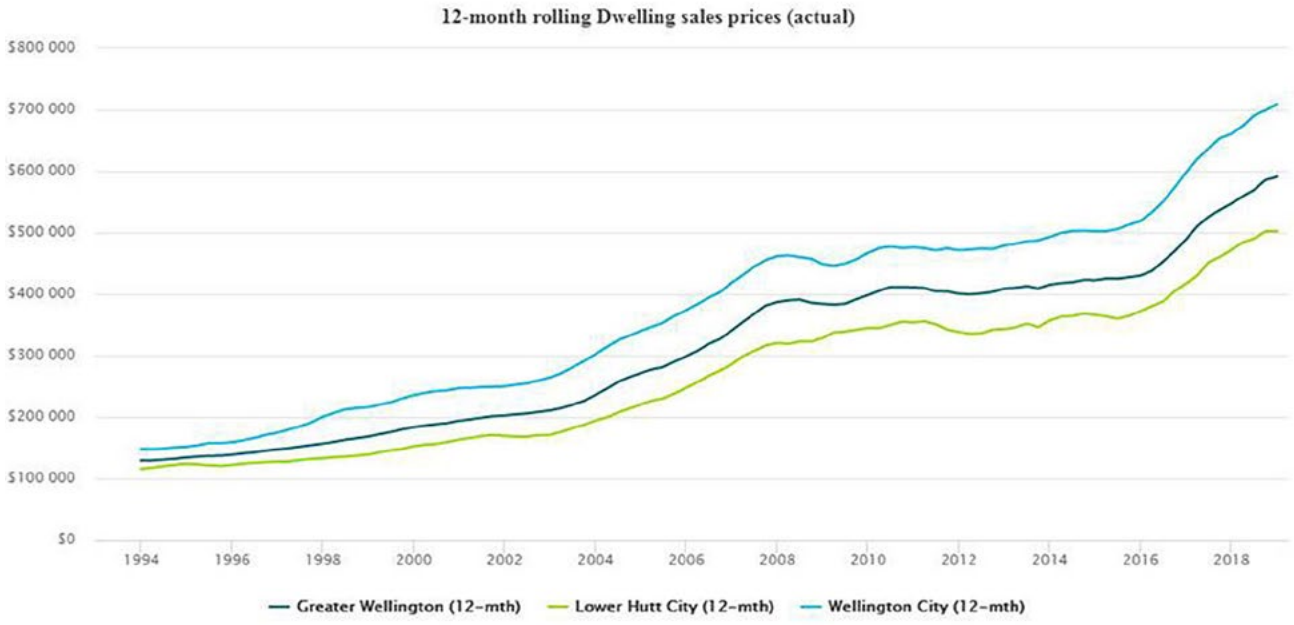

Figure 3.3. Median residential dwelling sale price for Hutt City. Source: MBIE. [85]

85. This indicator shows the median prices of residential dwellings sold in each quarter. This median price series is not adjusted for size and quality of dwellings.

The Residential Sales Price indicator shows a significant increase in sales prices in Hutt City commencing in early 2016, following a period of relatively flat growth from 2008 to 2015, and an earlier period of growth through the early 2000s. This increase in sales prices in Hutt City broadly tracks with the regional trend.

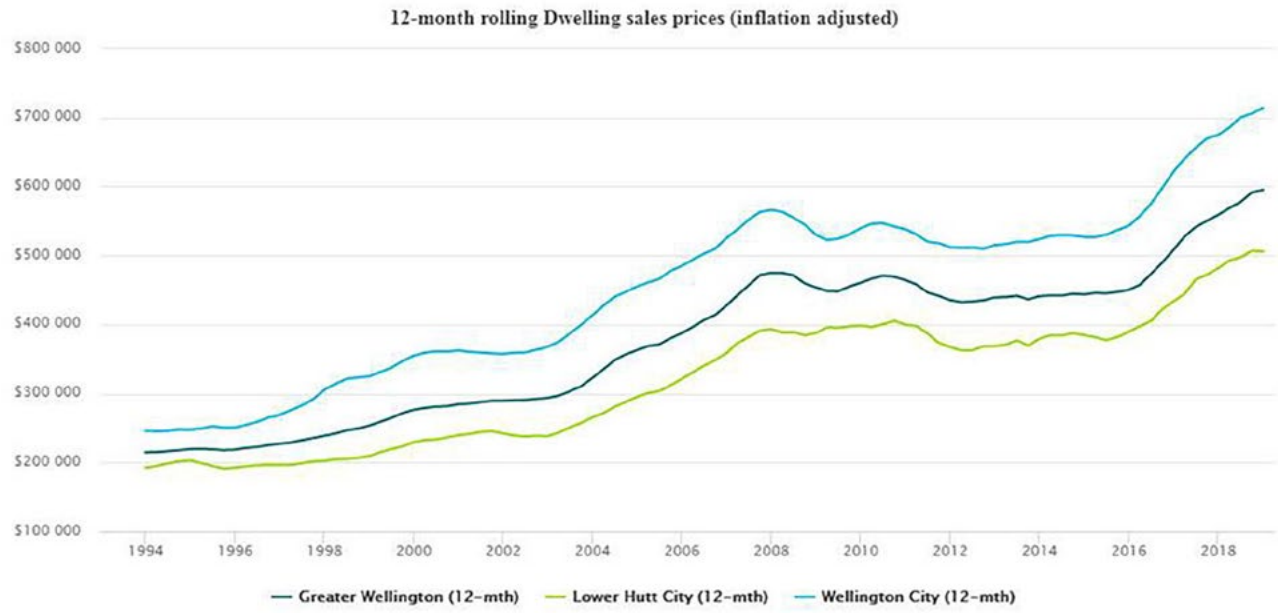

Figure 3.4. Median residential dwelling sale price for Lower Hutt City adjusted for inflation. Source: MBIE.

The indicator above shows the median prices of residential dwellings sold in each quarter adjusted for inflation[86]. The inflation adjusted dwelling sales price indicator shows an even more pronounced trend of rising house prices in Hutt City commencing in about 2015.

86. This indicator shows the median prices of residential dwellings sold in each quarter. This median price series is not adjusted for size and quality of dwellings. Prices are presented in inflation adjusted terms with a base period of the most current period. Note that when we remove the effects of inflation prices are higher in the past compared with unadjusted prices when viewed from today's prices.

Residential Rents[87]

Figure 3.5. Hutt City average rents. Source: MBIE.

The rent indicator for Hutt city shows rents rapidly rising since 2015, following little to no growth between 2010 and 2015. There was also an earlier period of growth between 2002 and 2008. The rise in rents in Hutt City roughly tracks with the Wellington region and Wellington City but the latest period of growth seems to have commenced slightly later for Hutt City in comparison.

87. This indicator reflects nominal mean rents as reported in new rental bonds lodged with MBIE. The mean used is a geometric mean. The reason for using this mean is that rents cluster around round numbers, and tend to plateau for months at a time (spiking up by say $10 or $20 at a time). This makes analysis of time series difficult and using the geometric mean is a way of removing this clustering effect. Prices are presented in nominal terms; they have not been adjusted for general price inflation. The data is for private bonds only and so excludes social housing.

Housing Affordability

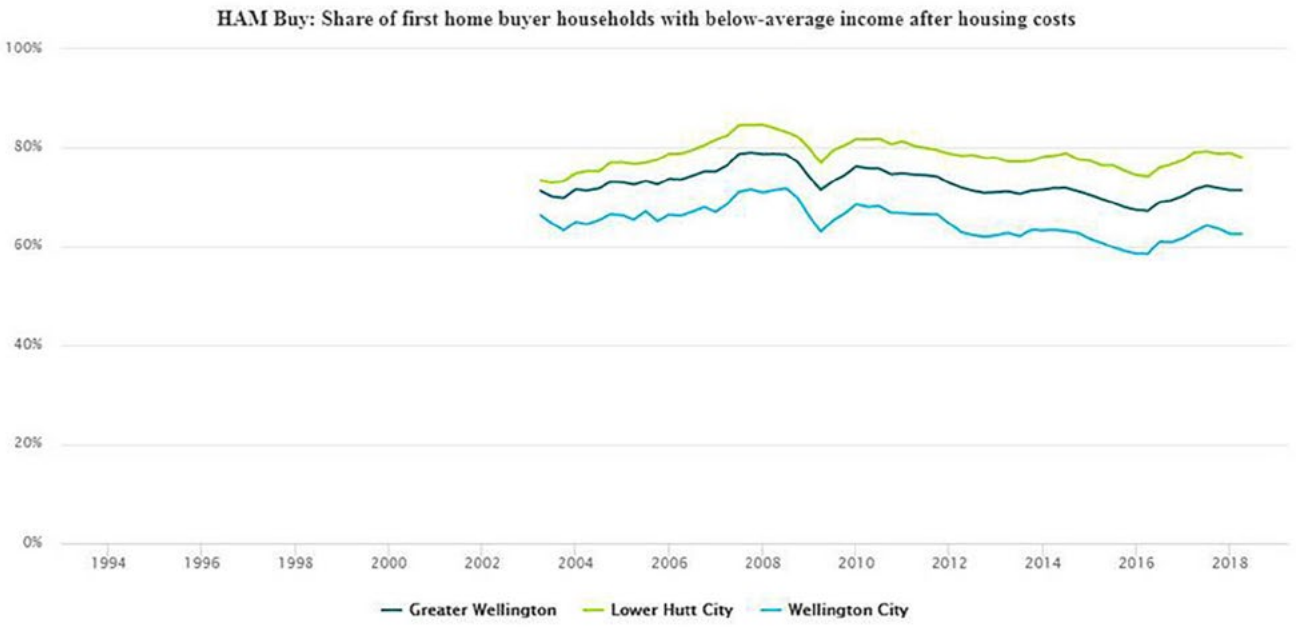

Figure 3.6. Housing Affordability Measure (Buy) for Hutt City. Source: MBIE.

The Housing Affordability Measure (HAM) measures trends in housing affordability for the first home buyer household.

For potential home-owning households, HAM Buy calculates what their residual income would be after housing costs if they were to buy a modest first home in the area in which they currently live. Affordability is affected by dwelling prices, mortgage interest rates and the incomes of rental households.

Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number on the chart indicates more households are below the average and a lower level of affordability.

There is a strong relationship across the three areas compared above which is a sign of the interconnectedness of these markets. The indicator shows that by this measure Hutt City is less affordable than Wellington City and Greater Wellington, which is likely reflective of lower incomes in Hutt City compared to Wellington City. In general, the indicator shows continuing levels of unaffordability in Hutt City.

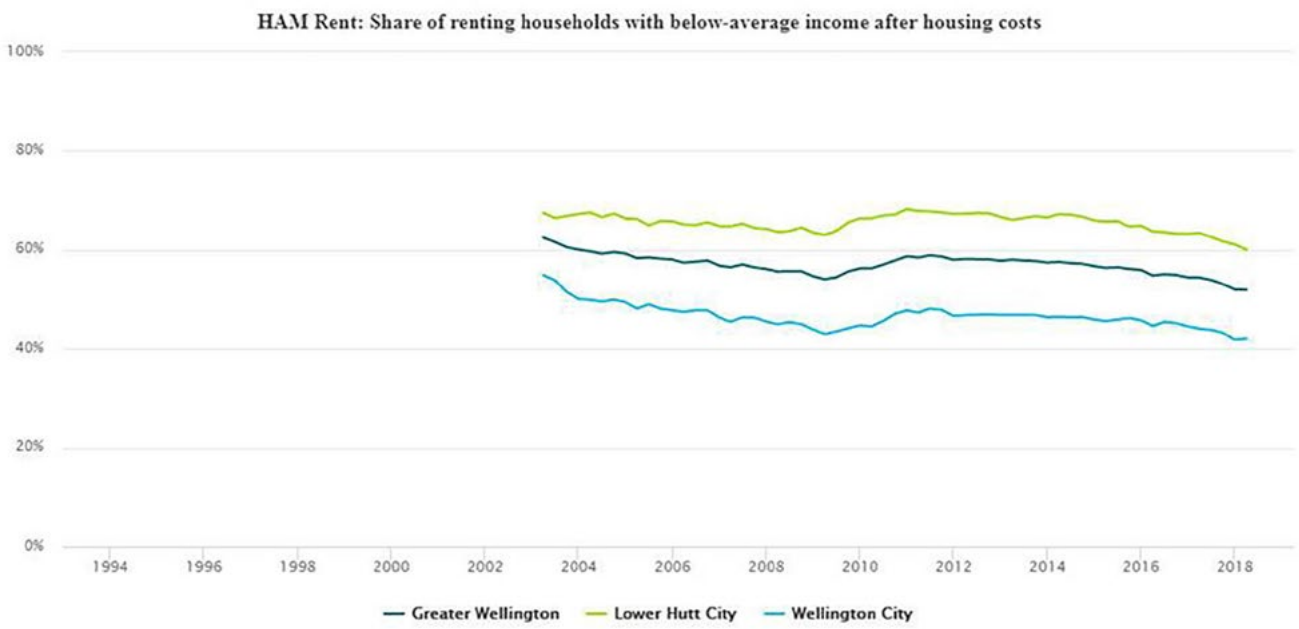

Figure 3.7. Housing Affordability Measure (Rent) for Hutt City. Source: MBIE.

The Housing Affordability Measure (HAM Rent) measures trends in housing affordability for renting households. For renting households, HAM Rent calculates what their residual income would be after housing costs.

Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number on the chart indicates more households are below the average and a lower level of affordability.

Hutt City again shows lower levels of affordability than Wellington City and the Greater Wellington region.

New dwelling consents compared to household growth [88]

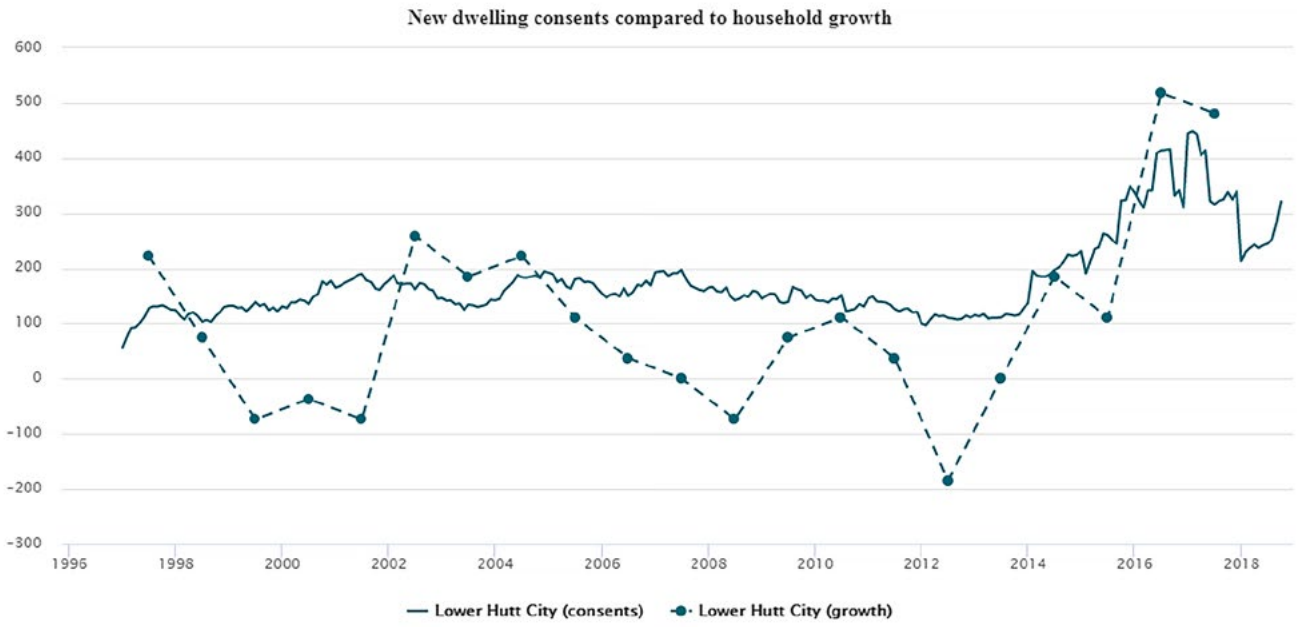

Figure 3.8. New dwelling consents compared to household growth for Hutt City. Source: MBIE.

The comparison of new dwelling consents to household growth shows that prior to 2015 the growth in new dwelling consents generally outpaced the growth in new households in Hutt City. Since 2016 however household growth has exceeded new dwelling consents and this broadly coincides with the period of rapid rises in sales prices and rents observed earlier in this assessment.

88. This indicator approximates the demand for, and supply of, new dwellings. It measures changes in demand and how responsive supply is. The number of new dwelling building consents is lagged by six months (presented as a 12 month rolling average), to account for the time taken from consenting to completion. It is not adjusted for non-completions, or for demolitions. It is used as a proxy for supply.
The most recent resident population, divided by the local average housing size, is used as a proxy for demand. Both sets of data are sourced from Statistics NZ.

The trend of household growth outpacing growth in building consents is much more pronounced for Wellington City, with household growth exceeding consents from about 2014 and then rapidly departing from them, as shown below.

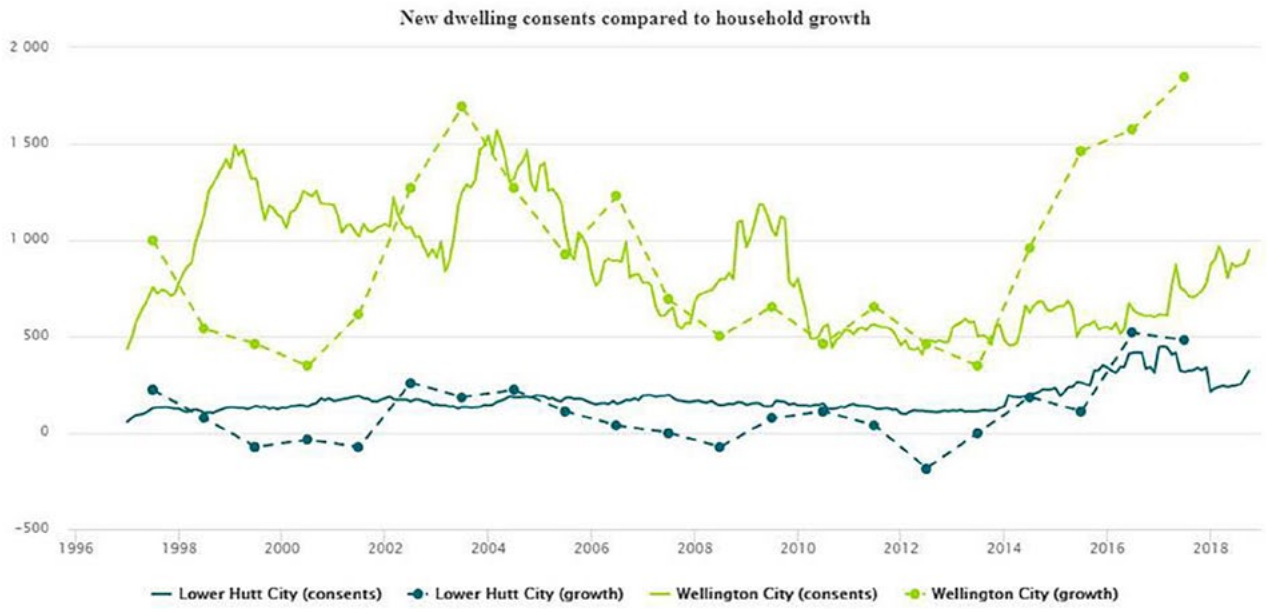

Figure 3.9. New dwelling consents and household growth. Hutt City compared with Wellington City. Source: MBIE.

This shows a rapidly growing shortage in Wellington City. It is likely that the spill-over from this emerging shortage in Wellington City has contributed to the rapid price and rent rises in Hutt City observed since 2015.

10.2 Price efficiency indicators

Policy PB7 of the NPS-UDC requires Councils to monitor a range of price efficiency indicators. These indicators seek to provide a deeper insight into the operation of the land market and planning interventions in it.

There are four such indicators:

- Price Cost Ratio
- Rural-Urban Differentials
- Industrial Differentials
- Land Concentration Index

These indicators are produced by the Ministry for Business, Innovation and Employment, and the Ministry for the Environment. They are reproduced directly[89].

Price Cost Ratio

The price cost ratio indicator provides an insight into the responsiveness of the land market, relative to construction activity. In short, it monitors the proportion of land cost to the cost of a home. The ratio is composed of the following:

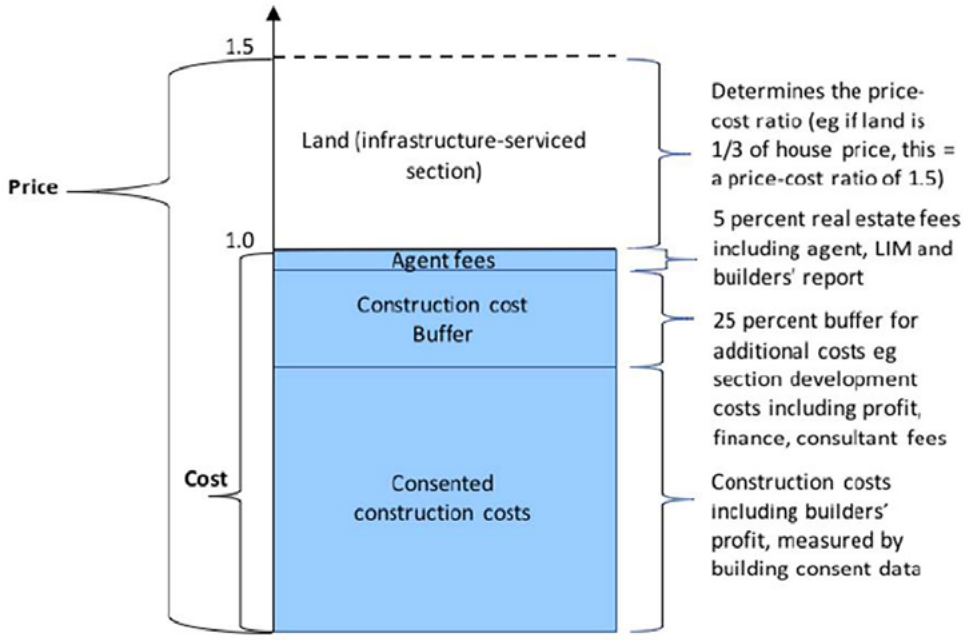

Figure 3.10. Composition of the Price-Cost Ratio. Source: MBIE

89. Urban Development Capacity Dashboard https://mbienz.shinyapps.io/urban-development-capacity/

A ratio of below one indicates that houses are selling for a price below the cost of replacing them. Such a situation may occur in areas of no growth or contraction.

A price cost ratio of between 1-1.5 is historically common where the supply of land, and development opportunities, are responsive to demand. As noted in the Evidence and Monitoring Guidelines[90] all urban areas in New Zealand had a ratio of between 1-1.5 some 20 years ago. In areas of New Zealand with more affordable housing markets, such ratios are still common.

A price cost ratio above 1.5 suggests, with some caveats, that land supply and development opportunities are not keeping up with demand. As a result, land prices are having an effect on house prices.

The price cost ratio for Hutt City Council is shown below in Figure 3.12. It shows that the price cost ratio is approximately 1.6 suggesting that there may be an influence of land constraints and development opportunities on the price of dwellings. The Hutt City figure is lower than that of Wellington City but similar to Greater Wellington as a whole. This suggests that while land supply and development opportunities are a constraint on affordability in Hutt City they are less of a factor than they are in Wellington City.

Figure 3.11. Price-cost ratio for Hutt City. Source: MBIE Dashboard

90. National Policy Statement on Urban Development Capacity: Guide on Evidence and Monitoring

Rural-urban differentials

The rural-urban differential seeks to measure the impact of land use regulations on urban sections on the edge of a city, compared with alternative land use regulations on the other side of the boundary. Traditionally this would be a distinction between residential and rural land uses.

The difference can be expressed as both a ratio and a dollar difference. For the Wellington region the rural-urban ratio is:

Urban Area	Ratio	Difference ($/m²)	Difference ($/600m section)
Wellington	2.30	$201	$120,371

A ratio above 1.00 is a signal that zoning or other regulations are constraining development capacity, increasing urban land values. A ratio of 2.30 shows that urban land is worth more than twice the value of non-urban land. Additionally there is a per section difference of over $100,000. This suggests that there may be insufficient development capacity within the Wellington Region and that planning constraints are impacting on land costs. While these figures are for the wider Wellington region it is likely that these regional constraints are affecting house prices and rents in Hutt City.

Land Concentration

This indicator addresses land concentration, or more particularly land ownership concentration. The indicator attempts to show to what extent greenfield land is concentrated in ownership. This measure gives an indication of whether the decisions of a few individual land owners have the potential to significantly affect the supply and price of land for residential development, and hence affect housing supply. Generally, the potential for land banking is higher when land ownership is more concentrated.

The land concentration index score for Hutt City is 643. A higher number indicates a higher concentration of ownership. Hutt City has a much lower concentration of land ownership than Porirua or Upper Hutt, but higher than the Kapiti Coast or Wellington City. However, the figure for Hutt City is somewhat skewed by the high concentration of land in ownership of Housing New Zealand (19.1% of land) and Hutt City Council itself(12.7% of land). If this publicly owned land is removed from consideration it is not clear that the concentration of land ownership in Hutt City presents a barrier to affordable housing supply at a city wide level. However, the limited availability of suitable greenfield development areas in Hutt City means that there is the potential for land ownership concentration to hinder housing supply in specific areas.

Summary

A clear picture emerges from these indicators. Hutt City has experienced significant dwelling sales price increases and rent increases since about 2015. Household growth also began to outpace new dwelling consents in Hutt City from about 2015. This suggests that the failure of dwelling construction to keep up with household formation is leading to an emerging shortage of houses in Hutt City. And this housing shortage in turn is driving the rise in rents and sales prices. Hutt City may also be experiencing the spill-over effects of a much greater emerging housing shortage in Wellington City.

11. Conclusion

This HBA has shown that:

Residential

- Hutt City has a theoretical District Plan enabled residential capacity of 41,240 dwellings.
- Once tested for feasibility, the feasible residential capacity falls to 5476 dwellings.
- And applying a realisation test suggests that of that feasible capacity, only 4473 dwellings will likely be realised over the next 30 years based on today's costs and sales values.
- Contrasting that realisable supply with the anticipated demand over the same time leads to an anticipated shortfall of between 1631 and 6783 dwellings over the course of the next 30 years.
- The city has experienced significant price increases in both house and rental costs.

Business

- Hutt City is projected to experience an overall decline in demand for business land over the 30 years to 2047. This is due to a significant projected decline in demand for industrial land.
- However there is projected to be a moderate increase in demand for land for government, retail, health, education, and training.
- Under a high growth assumption overall demand for business land is projected to increase slightly over the 30 years to 2047.
- The city has little vacant business land available but infill and redevelopment capacity in existing business land should be sufficient to meet demand even under the higher growth assumption.

Infrastructure

- Hutt City has a number of constraints across its three waters network that, without intervention, will have a detrimental effect on the ability to realise the development capacity available to the city.
- Constraints vary in scale and severity across the network, and across the different types of water reticulation.
- Projects for relieving constraints in Hutt City's transport network have been identified and will need funding.
- Other community infrastructure such as open space and schools are largely sufficient to accommodate future growth.

Overall this HBA has identified that the Council needs to provide for additional residential development capacity to meet projected population growth. The timing of this HBA is helpful in informing the recently commenced scoping of a full district plan review, and a potential spatial plan for Hutt City. Through these processes the Council can meaningfully address requirements under the NPS-UDC to provide for sufficient development capacity.

12. Next Actions

The NPS-UDC requires the Council to prepare an HBA every 3 years. In between the preparation of the next HBA, the Council will continue to monitor a range of indicators relating to the Hutt City property market.

If Plan Change 43, which was in preparation for a hearing at the time of writing of this report, becomes operative as proposed, it will provide increased residential development opportunities in future. Further quantification of the extent to which these development opportunities will be sufficient will be needed.

Hutt City Council is in the early stages of reviewing and refreshing the Council's four overarching strategies – the Urban Growth Strategy, the Infrastructure Strategy, the Leisure and Wellbeing Strategy and the Environmental Sustainability Strategy. One option being investigated includes expressing the spatial elements in a Hutt City Spatial Plan that would show intentions and aspirations for future growth. The review of the Urban Growth and Infrastructure strategies, and a potential Spatial Plan, will provide opportunity to address the deficiencies in infrastructure and residential development capacity identified in this report.

Hutt City Council is also in the early stages of scoping a full review of its District Plan which will provide further opportunity to address deficiencies in the supply of residential development capacity.