

**National Policy Statement on
Urban Development Capacity:
Assessment for Tasman**

Appendices

November 2018

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Appendix 1: Growth Demand and Supply Model Details

Each settlement is divided into a large number of 'development areas (DAs)'. These are polygons within the settlement that if scored positively overall during the review process, are expected to contain a common land use and density of development.

Each growth model review involves the following five steps:

1. **Analysing and mapping of Council's actual rollout of serviced sites (cadastral & rating databases) for previous 2-3 years, before the review commences**

Residential building consents (BCs) and the business BCs for previous review period are mapped.

2. **Monitoring of the creation of new sections in the settlement**

This is undertaken and compared with the forecast rollout of sections, under the previous iteration of the GDSM. This monitoring is used both for the GDSM and for reporting to MBIE for the Tasman Housing Accord.

3. **Demand assessment**

The demand for new dwellings is assessed from population projections and household growth forecasts. The demand for business premises is assessed from economic forecasts and associated land requirements.

4. **Development rollout assessment (3 rounds 17 settlements):**

Round 1:

Review of urban land supply potential (assessing opportunities and constraints for every DA within each settlement). In order to assess where development will occur, during round one of the GDSM review, the assessment teams evaluate land use effects, network and community services effects for each Development Area (DA). A DA is defined as one continuous polygon within a settlement that if assessed as developable (i.e. net positive score), is expected to contain a common end-use and density for built development. Some DAs are assessed as unsuitable for development due to e.g. flood risk constraints. The five land use effect factors are: settlement form; productive land value; hazard risk exposure; sensitive environment (amenity, water margin, natural and historic). The six network services effects factors are: stormwater; water supply; wastewater; transportation; greenspace; and provision of community services is the final effect.

The assessment team evaluates the individual and combined effects of potential development of the (DA) on land use, network and community services across a positive and negative scoring range, encompassing benefits and opportunities as well as costs and risks. The team comprises 20+ officers including asset managers, activity planning managers, planning policy, consents, hazards, strategic policy and reserves staff.

The aggregate evaluations of both land use and network and community service effects result in a net positive or net negative score overall for each DA. A net positive score means the DA is considered developable and will be carried through to rounds 2 and 3 of the growth model. A net negative scores means the DA is not considered developable at this stage and will not be carried through to later rollout stages of the model.

This round 1 evaluation therefore assesses cumulative effect of the zoning and objectives and policies of the Resource Management Plan where they exist. Where not yet zoned for development, the planning and infrastructure opportunities and constraints are considered and how they may affect feasibility for future development.

Round 2:

An assessment of potential yield of lots for positively scored DAs. Together with the net score for these DAs derived from round 1, this data is then fed into the model database by Information Services to calculate total potential supply of lots for development in each DA (yield). The model forecasts the number of current vacant lots (already subdivided) that could have a dwelling or business building built on them and the expected number of future lots that will be created through subdivision.

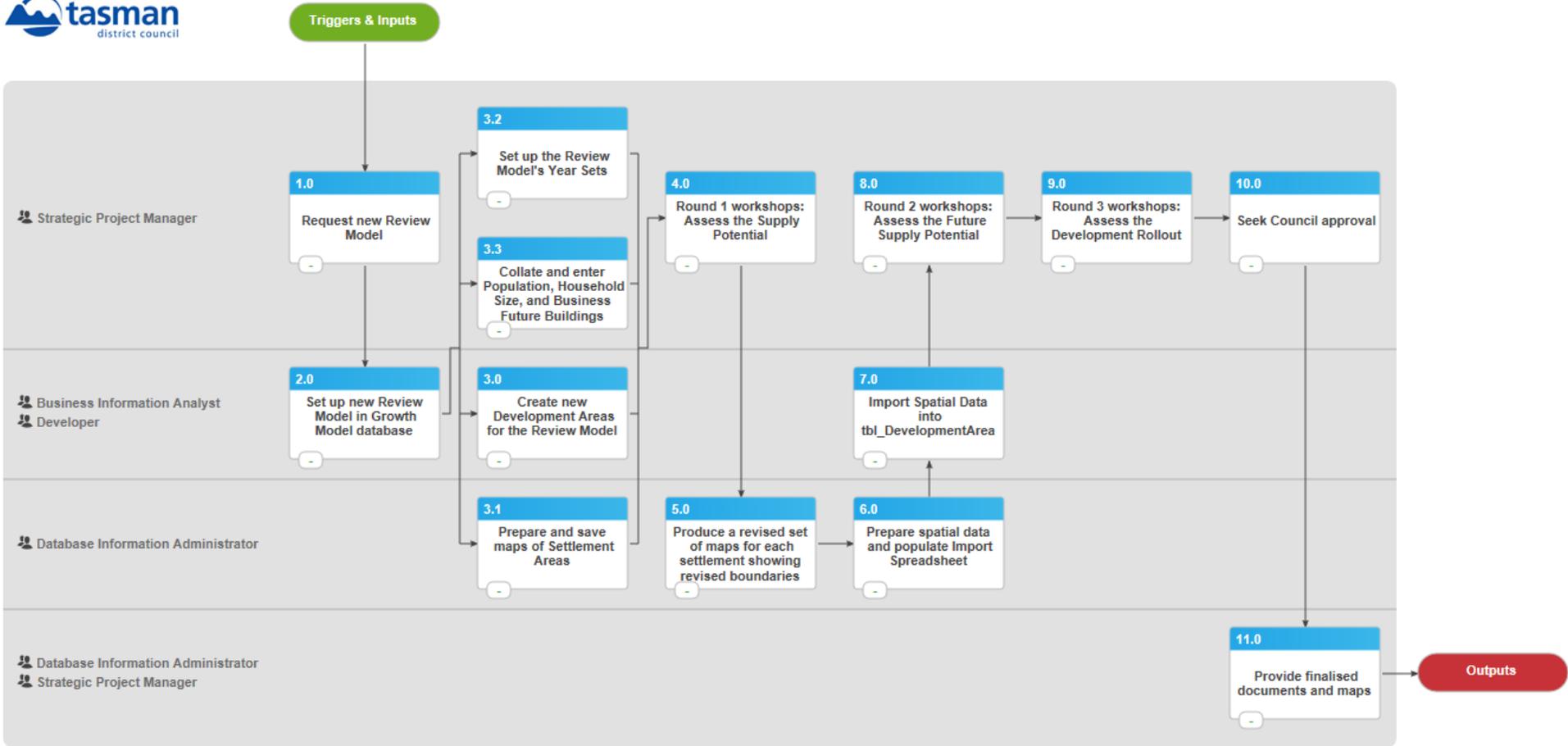
Round 3:

Development rollout for each Settlement Area, for residential and business, integrating demand and supply by DA over time on the expected sequence of contribution to supply. However Council has to first decide whether the strategy is for built lot supply to meet projected demand or to over-supply, for each of the three time periods (years 1-3, 4-10 and 11-30). The assessment team then assesses both where and when the demand for dwelling lots and business lots will be met from within the settlement and a key member of the team for this round is the consents (subdivision) officer with knowledge of forthcoming development proposals and their timing.

5. Council adopts the model's development rollout

The model's roll-out then informs the strategic direction for Council's long term planning framework including: infrastructure network services, community services, Resource Management Plan policies and zonings, Activity Management Plans – work programmes and financials in the Long Term Plan including rates income, development contributions income.

The settlement area (SA) boundary for Richmond used in the GDSM is similar to the boundary of the main urban area under the NPS-UDC. A map showing the difference between the two boundaries is provided in Appendix 2.



Appendix 3: Current Zoning Status of Richmond DAs (Residential and Business)

Table 1: Residential Land Rollout – Explanation of Zoning

Richmond Settlement Area DA	Zoning Status of DA			Comments
	First rollout in Years 1-3	First rollout in Years 4-10	First rollout in Years 11-30	
DA1	Zoned Residential, Rural Residential and Rural 2. 26 lots consented under the Special Housing Area (SHA) and they fall on appropriately zoned land			Designated SHA
DA2	Zoned Residential			Richmond Intensive Development Area
DA6		Zoned Rural 1 deferred ¹ Mixed Business and Light Industrial (deferred for water, wastewater and stormwater)		Designated SHA will be rezoned when resource consents granted. Resource consent applications to be submitted Sept 2018. Developer agreement in place for services.
DA8	Zoned Rural 1 deferred Residential (deferred for water, wastewater and stormwater)			Deferral for services to be uplifted soon. Developer agreement in place for services. Designated SHA.
DA24	Zoned Residential			
DA25	Zoned Rural Residential			
DA27	Partly zoned Rural 1 deferred Residential. Deferral uplifted to allow rollout in years 1-3. Remainder of deferral to be uplifted in due course			Resource consent granted for 80 lots on land where the deferred status has been uplifted
DA33	Zoned Residential and Rural Residential			Designated Special Housing Area
DA34	Zoned Residential, Rural 2 deferred Rural Residential Serviced and Rural Residential.			Designated Special Housing Area The deferred zone does not cover the part of the DA assumed for rollout

¹ Deferred zone in the TRMP - The removal of the deferred status and the commencement of the new effective zone as listed in Schedule 17.14A (deferred zone locations) is effected by a resolution of Council when the required services have been provided, or can be provided, to the satisfaction of the Council and the Plan is amended without further formality from that date of resolution, to show the new effective zone. Council advises landowners when it has made a resolution. (TRMP 17.14.2(d)). The deferred zone rules in the TRMP enable either the Council or any person to provide the required services and any person may propose to service any part or all of any deferred zone area. In either case, the Council has to approve the servicing proposal, before the deferred status over the relevant part of the future zone can be removed by a resolution of Council. Services may be provided either before or after removal of any deferral. (17.14.20 TRMP).

DA41	Partly zoned Rural 1 deferred Residential. (Deferred for water supply)			Part of the deferral has been uplifted to enable rollout in years 1-3
DA42	Zoned Rural 1 Deferred Residential (Deferred for water supply)		Servicing solution (low level reservoir) is in the LTP	Deferral will be uplifted as project advances
DA59	Zoned Residential			Richmond Intensive Development Area
DA60	Zoned Residential			Richmond Intensive Development Area
DA61	Zoned Residential			Richmond Intensive Development Area
DA62	Zoned Residential			
DA63	Zoned Residential			
DA64		Zoned Residential		
DA70	Zoned Rural 1 Deferred Mixed Business (deferred for water, wastewater and stormwater)			Designated Special Housing Area. Will be rezoned to Residential when resource consents granted. Developer agreement in place for water

Table 2: Business Land Rollout – Explanation of Zoning Status

Richmond Settlement Area DA	Zoning Status of DA			Comments
	First rollout in years 1-3	First rollout in years 4-10	First rollout in years 11-30	
DA3	Currently zoned Central Business			
DA4	Currently zoned Mixed Business and Light Industrial			
DA5	Currently zoned Mixed Business			
DA7	Currently zoned Mixed Business and Light Industrial			
DA10	Currently zoned Rural 1 Deferred Light Industrial ² . Part of deferral already uplifted to allow for 6 lots (deferred for water, wastewater and stormwater)			Remaining deferred area will be uplifted once a developer agreement for servicing is in place
DA11			Currently zoned Rural 1 Deferred Light Industrial (deferred for water, wastewater and stormwater)	Deferred area will be uplifted once a developer agreement for servicing is in place
DA12	Currently zoned Light industrial			
DA13	Currently zoned Rural industrial			
DA35	Currently zoned tourist services			
DA38	Currently zoned Light industrial and Rural 1			
DA43			Currently zoned Light Industrial	Deferral uplifted recently
DA45		Currently zoned Rural 1 deferred mixed business and Mixed Business (deferred for stormwater)		Deferral will be uplifted once developer agreement in place
DA56	Currently zoned Rural 1 deferred mixed business (deferred for water, wastewater and stormwater)			Deferral will be uplifted once developer agreement in place

² Deferred zone in the TRMP - The removal of the deferred status and the commencement of the new effective zone as listed in Schedule 17.14A (deferred zone locations) is effected by a resolution of Council when the required services have been provided, or can be provided, to the satisfaction of the Council and the Plan is amended without further formality from that date of resolution, to show the new effective zone. Council advises landowners when it has made a resolution. (TRMP 17.14.2(d)). The deferred zone rules in the TRMP enable either the Council or any person to provide the required services and any person may propose to service any part or all of any deferred zone area. In either case, the Council has to approve the servicing proposal, before the deferred status over the relevant part of the future zone can be removed by a resolution of Council. Services may be provided either before or after removal of any deferral. (17.14.20 TRMP).

Appendix 4: Analysis of price efficiency indicators for Tasman (May 2018)

Price Efficiency Indicators

Under the NPS-UDC, Local Authorities (high and medium growth) must use the price efficiency indicators along with other evidence to inform planning decisions, from 31 December 2017 (policy PB7). MBIE guidance suggests that potential planning vehicles to respond to this information include development capacity targets, plan changes, district plan reviews and future development strategies.

The price efficiency indicators are:

1. Price – Cost ratio (homes)
2. Land ownership concentration
3. Rural-urban land value differential
4. Industrial zone differential

This memo is based on MBIE guidance published on the indicators and the results published on the Urban Development Capacity dashboard. It sets out the aim of each indicator, how the indicator works, the results for the Nelson Main Urban Area, what we need to do about it if a problem exists with the indicator for our area and officers' comments on the indicator.

Summary of Results for Nelson Main Urban Area

- Price – cost ratio indicator: the price – cost ratio peaked in 2004. It then declined steadily between 2004 and 2014. Since 2014, it has risen steadily with a marked increase between 2016-17. The latest ratio puts Nelson Main Urban Area just above the 'acceptable' threshold for supply of land being responsive to demand i.e. supply of land is not responsive to demand and insufficient development opportunities exist.
- Land ownership concentration indicator – results not yet published
- Rural-urban land value differential indicator - Nelson's Main Urban Area ratio is currently 2.10 i.e. urban land is valued at roughly twice the value of non-urban land or \$153 per sq m more. The cost per section of the rural-urban differential is estimated at \$91,671 for Nelson's Main Urban Area by MBIE. The diagram shows that Nelson Main Urban Area land values do not rise as you get closer to the town centres of Nelson and Richmond, conversely they increase steeply as you get closer to the rural-urban boundaries of both Districts. This is not the same as the scatter diagrams for Auckland and Tauranga. However, as in other cities, there is a significant drop off in land values at the rural-urban boundary itself. Since urban land in our area is worth twice the value of adjacent non-urban land, this apparently raises questions over the Main Urban Area's current plans and whether sufficient urban development capacity is provided today.
- Industrial zone differential indicator – This indicator seems to reflect local nuances overall and may be of limited value. See detailed discussion below of various large industrial zones.

Price – Cost Ratio indicator (homes)

Aim of indicator: Are houses driven by construction or land costs? How responsive are land markets to demand, relative to construction activity?

How does the indicator work?

The price-cost ratio is the gap between house prices and construction costs in Nelson's Main Urban Area for stand alone dwellings i.e. the cost of the land.

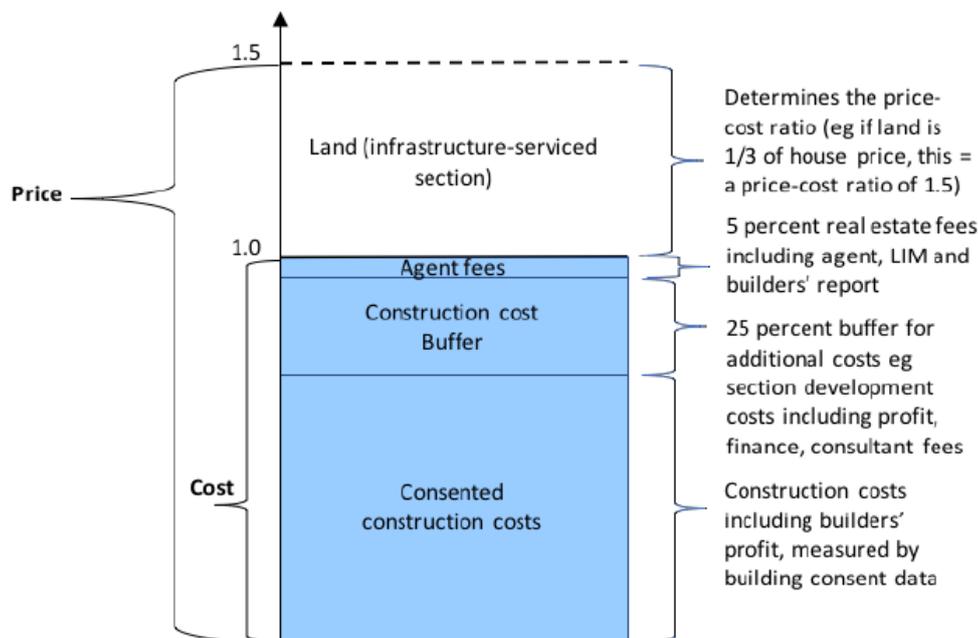
If the cost of land is significant and/or increasing, relative to buildings costs, this apparently indicates a shortage of sections relative to demand. Appropriate construction costs are applied to houses already built in

the past.

The price-cost ratio is 1.5 when the cost of a section (land) comprises one third of the house price. 1.5 is therefore used as a benchmark for assessment as it signals that supply of land is relatively responsive to demand. If sufficient development opportunities exist, the ratio should be below 1.5 most of the time.

Construction costs are obtained from SNZ (T1 indicator).

Figure 1: The components of the price-cost ratio



Source: MBIE

N.B. the 25% buffer also allows for construction costs being low on the Building Consent application form.

MBIE worked example – house sells for \$689,000. During that quarter building consents' costs were \$1,728.85 per square metre. Multiply this measure by the 25% construction cost buffer + 5% agent fees suggests total build costs of \$2,247 per sq m. Applying this build cost to the size of the house (230 sq m) provides total costs of \$516,810. Comparing build costs to the price produces a price-cost ratio of 1.33 in this case.

Nelson Main Urban Area results for this indicator

Price – cost ratio peaked in 2004. It then declined steadily between 2004 and 2014. Since 2015 it has risen steadily with a marked increase between 2016-17 as follows:

Price-cost ratio	2014	2015	2016	2017
Year	1.265	1.265	1.375	1.552

Source: MBIE dashboard

The latest ratio puts Nelson Main Urban Area just above the 'acceptable' threshold for supply of land being responsive to demand. However it is also noted that the ratio has risen during a time which coincides with nationally high house prices, and demand for housing.

The fact that the ratio is increasing may explain why developers are building relatively large expensive homes – since the land value is increasing, the capital value has to also be relatively high to make the development viable for a developer.

What do we need to do about it if a problem exists with this indicator?

Apparently we should look at our planning rules and consider some relaxation of them – identifying the

benefits of having certain rules, i.e. do they exist?

Officer's Comment

High building costs can be a constraint to people entering the housing market as well as high land costs. If the indicator suggests land costs are not excessive, what do we do about reducing building costs? High building costs can indicate building capacity constraints. "A Stocktake of New Zealand's Housing" (2018) notes that "output costs within the residential construction industry appear to be rising at several times the rate of general inflation." "The cost of an average house.... has risen 28% over the past five years..."

If we take the suggested action due to the upwards trend for this ratio for our area and relax planning rules for residential development, how are the environmental costs of such actions measured? Is it not more about rolling out more supply of residentially zoned land within the current rule framework?

Other than land use regulation, MBIE acknowledges in its guidance that there are other factors constraining the supply of sections to market include geography and terrain, lack of infrastructure and concentrated land ownership. See later sections of this memo for comment on these factors. There is also an element of the housing market context and prices being pushed up due to a 'hot' market.

Given the price-cost ratio for Nelson Main Urban Area has risen most steeply during a time when house prices nationally have risen, how much of the land cost or building cost is due to a "hot market" and inflated prices?

Land Ownership Concentration Indicator

Aim of indicator : to see how undeveloped land zoned for urban residential development is distributed between all its land owners and if it is concentrated, whether this is a key explanation for high or increasing land prices relative to construction costs.

How does the indicator work?

The indicator uses the rating classifications RB, RV etc to distinguish land available for urban development. (RB is shovel ready, bare unimproved land likely to be subdivided, not titled. RV is vacant substantially unimproved land on which it is likely a house will be built – titled). As the price-cost ratio, this indicator uses the Nelson Main Urban Area as its boundary, as representative of the urban housing market. Land title data is used from LINZ with Companies Office information on land-owning companies. Certain parameters are used:

- a minimum land parcel size of 300 sq m
- building footprint of less than 20% of total area
- capital value to land value ratio of less than 1.3 (ie. If land \$100,000 and capital value \$300,000 ratio is 1:3, decimalised 0.33)
- land must be within the 'urban' zoned boundaries used for the rural-urban differential indicator (see below)
- a land ownership index is created to represent the ownership of the land by x number of owners. The lower the number of different owners the higher the index value. The indices of land ownership concentration and list of top land owner shares quantify how competitive the market for undeveloped residentially zoned land is
- the indicator relates only to undeveloped residentially zoned land not intensification opportunities on brownfields.

Nelson Main Urban Area results

Data not yet available for Nelson-Tasman.

What do we need to do about it if a problem exists with this indicator?

Apparently, we alter our rollout of land under the NPS-UDC accordingly. If a significant share (e.g. more than

15-20%) of the undeveloped residentially zoned land market is in the hands of one owner who is resisting bringing it to market, TDC /NCC may need to increase development capacity or locate it elsewhere.

Officer's Comment

While a capital value to land value ratio of less than 1.3 is used, there is no mention of the lower threshold. 0.7 is often used as the threshold for redevelopment feasibility, above which it is considered feasible.

As acknowledged in the guidance, the indicator does not provide information about the competitiveness of the development market i.e. how many development companies are active in the area.

All the landowners detailed in the indicator's results fall within Nelson City Council. Presumably, our large SHA sites do not feature as they are not appropriately zoned.

Rural-Urban Land Value Differential

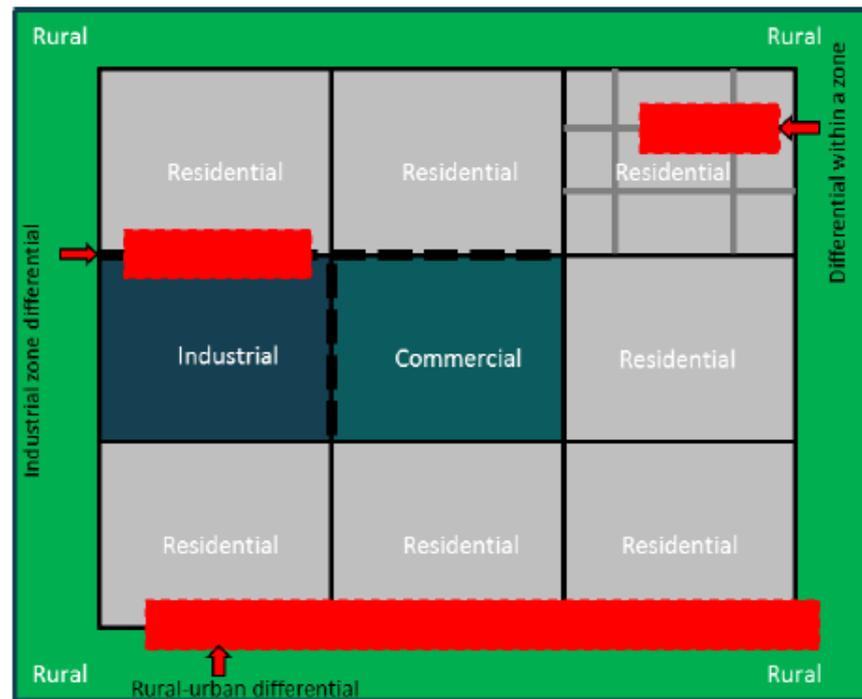
Aim of indicator: Do land prices jump at the city limit? If so, is this a cost of urban containment policies? Do the prices jump where the zoning changes? If so, are various land use regulations constraining urban development capacity?

How does the indicator work?

The values of residential land 2km either side of the boundary between urban and non-urban zones are compared, after removing the impact of differences in amenities, geographic characteristics and infrastructure. The impact of zoning is therefore assessed i.e. the rural-urban differential. Other differentials can also be calculated e.g. industrial zone differentials and differentials between properties subject to different planning rules but in the same zone.

Officers have spent some considerable time with MBIE's consultants ensuring that the zoning patterns for 'urban' and 'non-urban' for Tasman are correct as they were wholly incorrect initially. MBIE used the CoreLogic zoning codes (valuation information 2014 updated to 2017 levels) to define the land use types. We agreed with MBIE that deferred zoned land should be classified as urban and that the following zones would also be classified as urban: rural residential serviced, commercial, industrial and tourist serviced zones.

Figure 32: Stylised illustration of three types of land price differentials



Source: MBIE

Starting with raw values, statistical techniques were then applied to remove the impact of material non-regulatory factors correlated with zoning boundaries that may affect relative land values e.g. subdivision costs including DCs, amenities including town centre services and distance to water bodies, geographical features such as slope, flooding and some natural hazards. The remaining difference in values is primarily attributed to the effect of regulations. However caveats are made concerning some of the differential that may be due to e.g. urban network infrastructure costs not fully recovered by DCs or service connections being charged to these properties. It is also acknowledged that land banking may result in an artificial scarcity of urban development opportunities.

Significant and/or increasing rural-urban differentials signal that planning regulations may have high or increasing costs. This can be the case when there is rapid growth in demand for housing and land use regulations are not adjusted commensurately. A high differential can indicate that these regulations have been constraining supply and there is need to provide more development capacity.

Nelson Main Urban Area results

The results are expressed as a ratio (i.e. urban land is valued at X times the value of non-urban land) and as a dollar amount per sq m. Care needs to be taken when comparing rural-urban differentials between cities in NZ. E.g. rural land outside of the Auckland region can be twice as expensive as rural land close to other urban centres and urban land prices are also much higher. Resultant land values might produce a more significant dollar difference between rural and urban land in Auckland than is observed elsewhere.

Nelson's Main Urban Area ratio is currently 2.10 according to the MBIE dashboard i.e. urban land is valued at roughly twice the value of non-urban land or \$153 per sq m more.

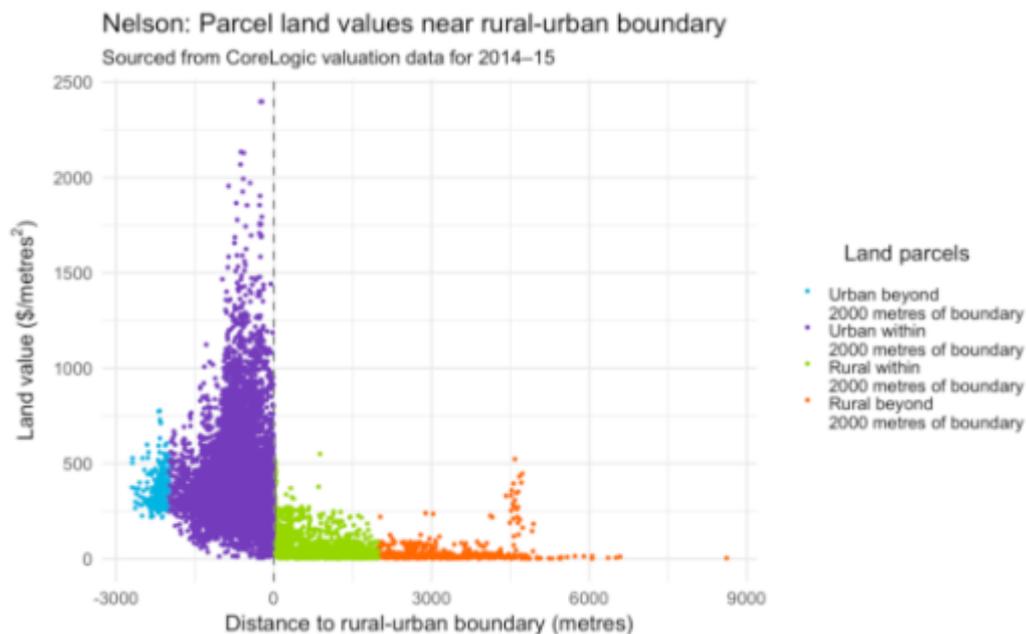
To some extent, the significance of the ratio and dollar difference will depend on local incomes and the environmental values that are being protected. The indicator needs to be observed over time also.

The dollar per hectare difference can be divided by the typical number of sections per hectare to produce an

estimate of the cost per section (or per household), for example, s.32 analysis purposes. At 600 sq m per section in Tasman, this would be 16 sections per hectare: the cost per section of the rural-urban differential is estimated at \$91,671 for Nelson’s Main Urban Area by MBIE.

The indicator shows that urban land is worth twice the value of adjacent non-urban land and there is a section cost of just under \$100,000.

The scatter diagram below shows the actual values of each land parcel and their distance from the rural/urban boundary. The dashed vertical line represents the boundary with urban land on the left and non-urban land on the right. The diagram shows that Nelson Main Urban Area land values do not rise as you get closer to the town centres of Nelson and Richmond, conversely they increase steeply as you get closer to the rural-urban boundaries of both Districts. This is not the same as the scatter diagrams for Auckland and Tauranga. However, as in other cities, there is a significant drop off in land values at the rural-urban boundary itself.



What do we need to do about it if a problem exists with this indicator?

Since urban land in our area is worth twice the value of adjacent non-urban land, this apparently raises questions over the Main Urban Area’s current plans and whether sufficient urban development capacity is provided today. This gives further strength to our proposals to cater for high growth in the short term in our main centres and to provide significant infrastructure to help boost supply of sections.

Officer’s Comment

The logic is somewhat simplistic behind this indicator. The guidance indicates that land prices tend to reduce with distance from an urban centre. However where a particularly popular suburb, or a suburb close to excellent out of town amenities, or a retirement complex out of town, or a satellite new town development, or heritage protection or proximity to a National Park results in higher land values, this logic is distorted. As the scatter diagram shows for the Nelson Main Urban Area that comprises Nelson and Richmond main centres, land values do not reduce with distance from these centres. Conversely they increase. The “centre” falls somewhere around Stoke between the two Authorities.

The rural-urban price differential ratio for Nelson’s Main Urban Area rose from 1.47, when MBIE initially undertook the analysis using the inaccurate Corelogic data, to 2.10 when the base data had been adjusted following checks with TDC. While this puts us in a worse position relatively, it is unclear the extent to which other Authorities verified their base data and hence the accuracy of their ratios. Given the significant extent of inaccuracy initially this is cause for concern, although perhaps other Authorities do not all have as many different zones as TDC and hence it was not as complicated to work out what is urban and what is rural.

Industrial Zone Differential

Aim of the indicator

How well does current zoning and other regulations accommodate demands for industrial land uses relative to other activities in a given location?

How does the indicator work?

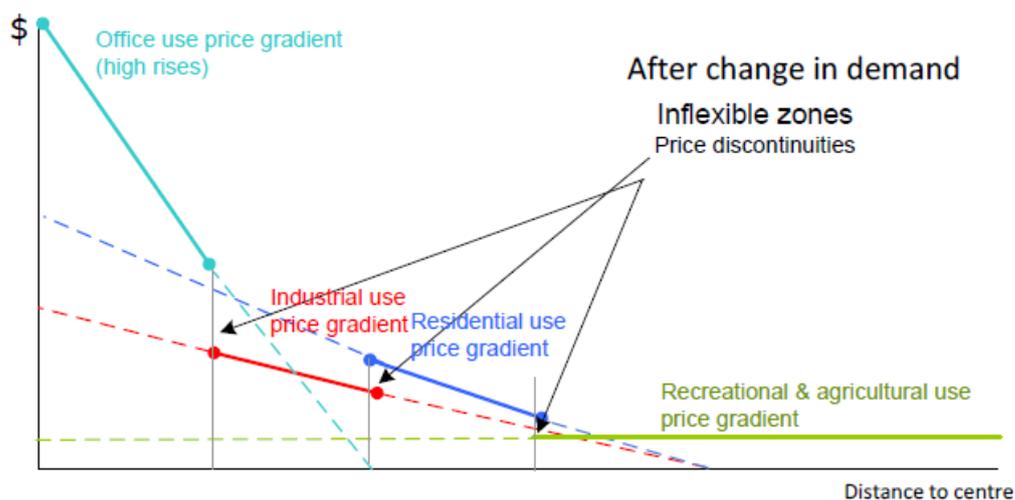
This indicator is similar to the rural-urban differential, except that the zone it is measuring the differential for is industrial versus other adjoining land use zones. It is also expressed in both ratios and dollar amounts. The values of industrial land 250m either side of the boundary between industrial and non-industrial zones are compared, so a much smaller distance than for the rural-urban differential.

Officers have again spent some considerable time with MBIE's consultants ensuring that the zoning patterns for 'industrial' for Tasman are correct as they were incorrect initially. MBIE used the CoreLogic zoning codes (valuation information 2014 updated to 2017 levels) to define the industrial land use types. These however did not properly match the zoning in the TRMP.

If the value of land jumps significantly where zoning changes between an industrial zone and other land use zone, this indicates that zoning and other regulations are not matching current relative demands for different land uses in that location. For example, residential land would be worth more than industrial land near the coast and commercial land would be worth more than industrial land in the city centre. Such a pattern shows that there is greater or increasing demand for the more expensive land use relative to the cheaper land use.

Mismatches can happen over time, if growth generates sectorial and spatial changes that make older zoning patterns less relevant. Cities often have old industrial sites in central areas that are ripe for redevelopment for commercial and/or residential uses. In this situation, the value of such industrial areas is well below that of nearby sites zoned for alternative uses:

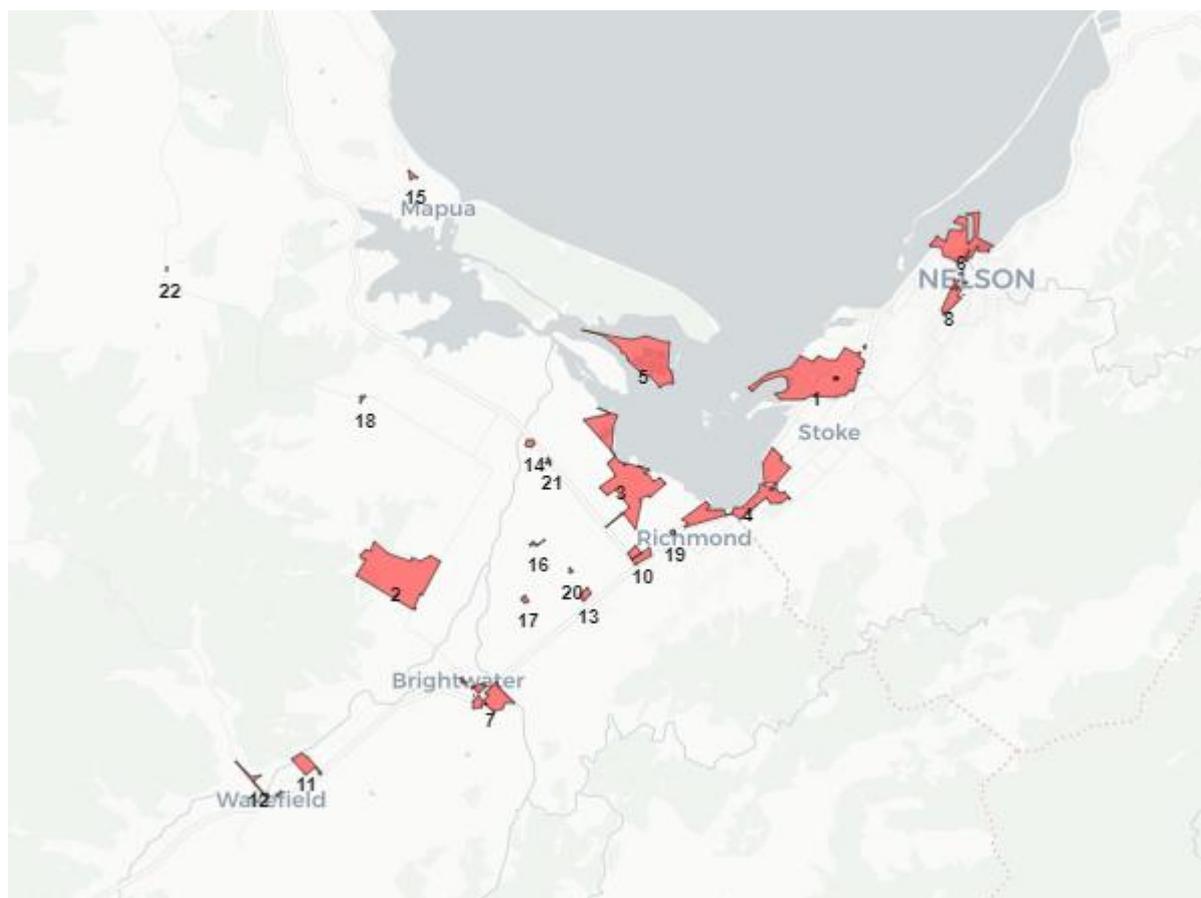
Figure 39: Locational demands of different land uses: changes in the value placed on proximity to the centre, as reflected in price differentials between zones



Caveats with this indicator include that land valuation data is used for business land and these are a proxy for sales prices and rents that may not be exact or up to date. It is also acknowledged that incompatible land uses may generate reverse sensitivities for each other, lowering the prices of both near industrial zone boundaries.

Nelson Main Urban Area results

Industrial zones in the Nelson area, as mapped on the MBIE website:



After much discussion between MBIE and TDC the industrial zones map resembles the same areas in the TRMP. The area captured starts in the Nelson Main Urban Area and buffers that contiguous area by 10km. The region of analysis extends past Brightwater all the way to Wakefield. Initially it cut Wakefield in half, so we agreed to include all of Wakefield. The industrial zones captured within the Nelson Main Urban area and 10 km beyond abut residential, rural and commercial zones. The revision of the MBIE base data has again led to significant changes in the consequential data for this indicator.

A scatter diagram is provided for 4 selected industrial zone boundaries (1. Stoke, 2. Eaves Valley, 3. Richmond West and 4. Beach Road industrial area) on the MBIE dashboard for Nelson Main Urban Area, showing parcel land values 1000m either side of these boundaries. These are industrial-commercial, industrial-residential and industrial-rural zone abutments.

One of the industrial-commercial zone boundaries shows a significant increase in the commercial value of land, but the other three industrial-commercial boundaries show little difference. In most cases industrial land is worth less than similarly located residential land per square metre, suggesting there could be a relative shortfall in development capacity for housing in these locations. One of the industrial-rural zone boundaries shows a significant increase in the rural value of land but the other three industrial-rural boundaries show little difference.

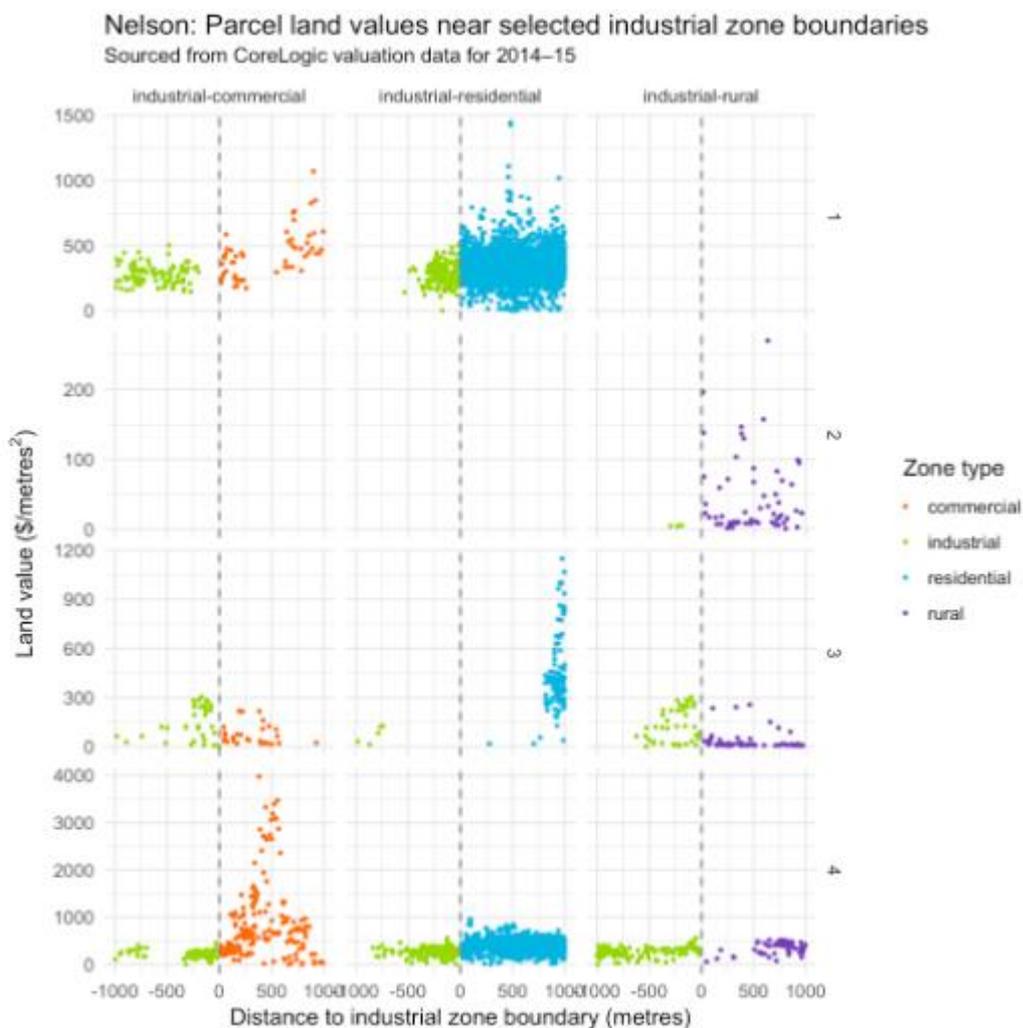
MBIE also provides a detailed table of differentials for all of the industrial zones and abutting zones in the Nelson Main Urban Area. The commentary below focuses on the largest industrial zones. In the Stoke area there is little difference between the industrial and commercial land values near the zone boundary, but there is a statistically significant difference between the industrial and residential land values \$/sq m, with residential being higher. According to the MBIE guidance this may therefore suggest that in this location some of the industrial should be rezoned to residential.

The data for Eaves valley shows a significant difference between industrial and rural land values, with rural land values being higher but this is a special site, with a landfill use.

The data for Richmond West shows industrial-commercial and industrial-rural statistically significant difference in values where zones abut and particularly between industrial and rural land values with a ratio of nearly 5.0. (i.e. industrial values are nearly 5 times the value of rural land in this location).

In the Beach Road industrial area, commercial and residential land values are a lot higher than the industrial land values where they abut, whereas rural land values are a lot lower than industrial land values with a ratio of nearly 4.0. Based on the MBIE guidance these results appear a little contradictory e.g. rezone more commercial and residential land due to their higher values but more industrial land as it is worth a lot more than rural.

At Nelson port, there is little difference between the industrial and commercial land values and the industrial and residential land values. In the Brightwater industrial area there is little difference between the industrial and both commercial and rural land values but residential land values are much higher than the industrial land values where the zone abut.



The MBIE dashboard also provides a summary table of the industrial zone differentials:

Urban area	Differential type	Number of zone boundaries	Statistically significant positive differential		Statistically significant negative differential	
			Number	Share	Number	Share

Nelson	commercial	10	1	10%	3	30%
Nelson	residential	11	1	9%	5	45%
Nelson	rural	15	3	20%	3	20%

What this table summarises, is that of the 22 industrial zones examined within 10 km of the Nelson Main Urban Area, there are 10 abutments with commercial zones, 11 abutments with residential zones and 15 abutments with rural zones. The table highlights the degree of statistically significant positive and negative differentials i.e. where industrial land is either worth more or less respectively than the zone it abuts. It is saying that industrial land is especially worth less than commercial, residential and rural zones where they abut (final column).

What do we need to do about it if a problem exists with this indicator?

Consider zoning more land of type of the highest land value, where there is statistical significance at the zone boundary, e.g. if residential is a lot higher than industrial then rezone more residential, as demand exceeds supply. If there are differentials between industrial and rural land values in many locations, it may indicate that development capacity for industrial uses is in scarce supply relative to rural uses. This would therefore appear to be the case in the Richmond West and Beach Road industrial areas.

Officer's Comment

Not convinced about the logic that residential, industrial and commercial land uses should be worth about the same at boundaries. Whether under a zoning system or not elsewhere in the world these different land uses are usually worth different values.

With the Stoke example where residential land values are higher than industrial where the zones abut, MBIE guidance would suggest considering rezoning some of the industrial land here to residential. However this begs the question, where does that presumably still needed industrial land then get provided? There is not always much of a choice of location for such land.

How much in the difference between land values at abutting zone boundaries is about potential undersupply of one type of zone or is it about geographical factors eg. location? Nelson port is a good example. Industrial and residential values here are about the same. There is not much residential land there to assess which will have an impact on the results, but in any case it is near to the city centre and would therefore be of higher value.

Contradictory results with certain areas e.g. Richmond West – rezone less industrial as both residential and commercial zones are worth more, but then rezone more industrial as rural zones are worth less.

Based on the premise that where you have rural land values below industrial values in the same location, you might have a shortage of industrial land – data for our area would suggest that we need to zone more industrial land in the Richmond West and Beach Road area and yet our business capacity planning and studies undertaken by consultants has shown that we have enough in this location?

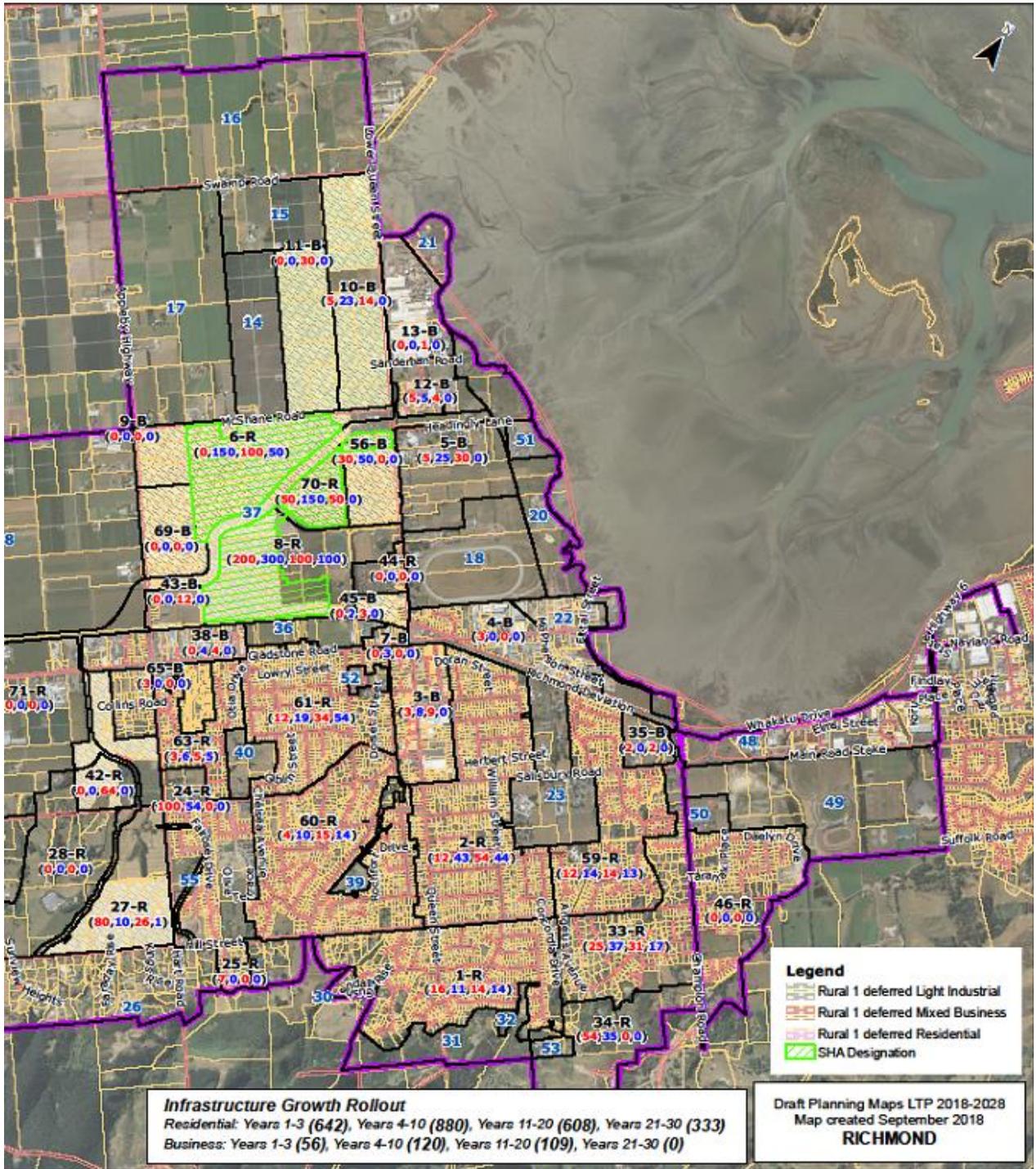
This indicator seems to reflect local nuances on the whole and may be of limited value.

Appendix 5: Analysis of No-Dam Scenario

The 2016 GDSM review has been examined for Richmond, to see what impact the Waimea community dam not proceeding would have on land rollout assumptions.

The map on the page below shows land that remains zoned deferred for services but is required in the GDSM rollout for either residential or business development. The table below looks at each of these DAs and explains the water servicing situation without the proposed Waimea community dam.

Assumptions - where a DA is zoned deferred urban and this was in place before April 2013, (in accordance with TRMP policy 30.2.3.13(b)), it is assumed that a commitment to servicing for water would continue. "Urban" is defined in the TRMP as residential, commercial, business, industrial, papakainga, tourist services. A check on the status of servicing agreements in place with developers has been done for these DAs. Where the DA was zoned deferred urban after April 2013 it is assumed there is no obligation to provide water services in the event that the Waimea Community Dam does not proceed. Similarly where a DA is not currently zoned urban, e.g. Rural 1 (not urban) and would need rezoning to provide the rollout assumed in the growth model, it is assumed that water services would not be available.



No Waimea Community Dam Impact on Rollout Years 1-10

Richmond

Residential

DA	Rollout affected yrs 1-10 (existing lots in DA and new lots created)	Comments Years 1-10
DA27	- 10 lots	80 lots serviced (Arizona subdivision) yrs 1-3 only. Yrs 4-10 rollout lost as zoned deferred
DA6 (the Meadows SHA)	GDSM roll out 150 lots in yrs 1-10, latest masterplan for RC showing 471 lots: +321 lots	Deferred urban but developer agreement in place. Assumes developer will roll all out in 10 yrs.
DA8 (Appleby field and Wensley Road devts SHAs)	GDSM roll out 500 lots in yrs 1-10, masterplans showing 600 lots: +100 lots	Deferred urban but developer agreement in place. Assumes developers will roll all out in 10 yrs.
DA70 (Arvida & The Fields SHAs)	GDSM roll out 200 lots in yrs 1-10, consented masterplans showing 338 lots : +138 lots	Deferred urban but developer agreement in place Assumes developers will roll all out in 10 yrs.
DA42	No rollout yrs 1-10	Deferred urban
DA34 (Angelus Ave & Highland Drive SHAs – but on uplifted deferred land)	GDSM rollout out 94 lots, Angelus Ave proposing 90 lots, assume all can be serviced with developer co-operation.	Partly deferred rural residential serviced so not urban zone and not on map. SHA is on land not deferred
DA33 (Highland Drive SHA)	Highland Drive proposing 76 lots. Assume all can be serviced with developer co-operation	
DA41 (Paton Rise)	GDSM rollout 90 lots in yrs 1-10, only 48 consented: - 42 lots	Urban deferral remains for remainder of DA other than the consented lots
Total	+507 lots	GDSM assumed oversupply of 431 lots in all DAs (existing lots and new lots) (due to SHAs and the upward trend of Building consents being granted). Potentially oversupply of 938 lots now, due to SHA masterplans providing more lots than envisaged in GDSM. Legal agreement in place for servicing for approx. only 800 lots in DAs 6, 8, and 70. However the low level reservoir in LTP (Richmond South) will provide water for the rest and will be built in 3-4 years.

Business

DA	Rollout affected yrs 1-10 (existing lots in DA and new lots created)	Comments Years 1-10
DA10	GDSM rollout 28 lots in yrs 1-10 : - 23 lots	Deferred urban mainly, only uplifted for 5 lots. Assuming Council would not uplift remaining deferral in a no-dam scenario, shortfall exists
DA11	No affected rollout yrs 1-10	Deferred urban
DA45	- 2 lots	Deferred urban. Assuming Council would not uplift remaining deferral in a no-dam scenario, shortfall exists
DA56	- 80 lots	Deferred urban. Assuming Council would not uplift remaining deferral in a no-dam scenario, shortfall exists
Total	- 105 lots	GDSM assumed oversupply of 26 lots, so now 79 lots short yrs 1-10, assuming Council would not uplift remaining deferrals in a no-dam scenario

Conclusions

Residential land rollout is not affected in the first ten years, in fact a greater oversupply exists largely due to the masterplans for the Richmond SHAs proposing a higher density of development than envisaged in the GDSM review.

Business land rollout is more sensitive in a no-dam scenario. Should the Waimea community dam not proceed, there is an estimated shortfall of up to 79 lots for business development in Richmond over years 1 – 10 (or until an alternative water supply is secured). Therefore a no dam scenario would impact on modelled business land availability and growth in Richmond and potentially Nelson. To address this, the GDSM would need to be quickly revisited, to ensure that as required under the NPS-UDC we continue to provide capacity to meet growth demands. Initial responses may include:

- Bringing forward the rollout of other DAs that are serviceable that are currently assumed to be developed in years 11-30
- Including Lower Queen Street business park (750 Lower Queen Street) within the Richmond settlement area boundary – a new integrated industrial development close to central Richmond, consented since 2014 for approximately 45 lots
- Instead of also enabling supply for the NPS-UDC extra margin of 15% in years 11-30 all in years 1-10, only provide for the extra margin required (20%) in years 1-10 in this period (16 lots less)
- And/or look to providing for Richmond’s business growth elsewhere in the District, outside of the Waimea catchment, as we are permitted under the NPS-UDC (policies PC1-PC4) .

Appendix 6: Commercial Feasibility Analysis for Richmond

Assumptions made in MBIE Feasibility Analysis

Key Inputs and Outputs

Gross site areas – obtained from GDSM for the relevant DA.

Lot sizes – based on individual subdivisions – typical lot sizes.

Lot values – obtained from valuer based on lot sizes and the development. Also checked with the developer.

Road reserve area and landscape reserve area and stormwater reserve areas – from GDSM round 2, again checked with developer as varies according to subdivision – Richmond West has onerous significant areas of land unavailable for development due to Borck Creek (landscaping/stormwater).

Extra roading for increased dwg/ha – Some developers insist this wouldn't increase with density. Depends on density and then individual layout. Some only require e.g. a small right of way for a large number of small units.

Civil Works Tab

A developer helped significantly with these costs based on a development close by to two of the representative greenfield sites. However one problem was that the unit costs in the MBIE model were not the same as the unit costs in the civils costs. E.g. Wastewater – requires lineal cost per m but they can be waste chambers with a pumped system. Therefore worked out the lineal cost by checking against total wastewater costs provided for a nearby development.

The representative greenfield site that is hilly was based on similar civils costs that NCC had obtained from consultants for hilly sites.

Subdivision costs – entered zero as based on correspondence with MBIE these are already entered in the fees and charges tab.

Earthworks – included land clearance costs in the earthworks fees, so entered zero under land clearance.

Contingency is 10% of civil costs.

Fees and charges

Council development and financial contributions DCs – TDC's are high relatively and work out around \$25,000 per lot consistently. They are the same regardless of size as ours are based on Household Unit of demand not floorspace like NCC. Timing of payment of DCs – at the very end of construction period for subdivision just before s.224 and title (as late as possible), so put 90% RFCs are 5.62% of rateable value of lot. Looked at Telfer Young valuations for Council for subdivisions for RFCs and they work out at about \$11,000 per lot

Connection fees – TDC no longer charges the developer connection fees (as from 1 July 2018) but developer still has to pay for physical works of connecting to reticulation – these are included in the civils costs.

Power and data connection costs: provided by developer.

Consultant fees - around 10% of civils fees according to developer.

Solver – Once entered all the above data ran 'solver' tool in excel to work out the land capital value of the land and to see if it is commercially feasible. Considered the land capital value per sq m and whether this was realistic – checked with developers and reran model accordingly if it was too high.

Appendix 6A: Greenfield Representative Sites - Key Inputs and Outputs only (MBIE NPS-UDC development feasibility tool)

DA6 Richmond West – Greenfield

Key inputs	Type	Item	Units	Value	Type	Section price function	Comment
Physical		Gross site area	ha	36.0	Revenue	Note: This requires users to enter local prices for two lots of varying size, eg a price for a 400m2 and a 800m2 lot. This allows prices for sections of varying sizes to be estimated below.	
		Land capital value (CV)	\$	\$12,300,953			
		Land sale price relative to CV, ex	%	100%			
		Road Reserve area for 15 dw/ha	% of area	20%			
		Extra roading for increased dw/ha	% per dw/ha	0.30%			
		Landscape Reserve for 15 dw/ha	% of area	5%			
		Extra landscape reserve for dw/ha	% per dw/ha	0.05%			
		Wastewater/stormwater Reserve	% of area	5%			
		Other constraints that reduce net s	% of land area	0%			
		Minimum net density	dwelling/ha	10			
		Maximum net density	dwelling/ha	30			
		Time to develop	months	24			

View modelled section price gradient

Notes / Comments

- Council input cells using GIS
- Council input cells with review from property development experts
- Input based on quantity surveyor data with property development expert review
- Input based on new sales price data with property development expert review
- Calculated output cells

\$34/sqm

		Density of dwellings [dwellings / ha]						
Key inputs	Type	Item	Units	10	15	20	25	30
Ancillary		DC contributions factor	%	100%	100%	100%	100%	100%
		Project contingency	%	10%	10%	10%	10%	10%
Cost parameters		Civil works		Select civil works costs				
		Fees and charges		Select fees and charges				

		Density of dwellings [dwellings / ha]						
Key outputs	Type	Item	Units	10	15	20	25	30
Net Land Area Calcs		Road Reserve Area	ha of land	6.66	7.20	7.74	8.28	14.00
		Landscape Reserve Area	ha of land	1.71	1.80	1.89	1.98	2.07
		Stormwater Reserve Area	ha of land	1.80	1.80	1.80	1.80	1.80
		Other constraints that reduce net s	ha of land	-	-	-	-	-
Revenue		Net Developable land Area	ha of land	25.83	25.20	24.57	23.94	18.13
		Subdivision Lots created	total lots	258	378	491	599	544
		Average section size	sqm / site	1,000	667	500	400	333
		Average sales price (inc GST)	per section	\$390,560	\$299,894	\$248,641	\$215,000	\$190,921
Costs		Average sales price (ex GST)	per section	\$339,617	\$260,778	\$216,210	\$186,957	\$166,018
		Total revenue	\$	\$ 87,723,139	\$ 98,573,911	\$106,245,491	\$ 111,893,478	\$ 90,297,316
		1 Raw land purchase and holding cost		\$14,884,153	\$14,884,153	\$14,884,153	\$14,884,153	\$14,884,153
		2 Civil works, incl holding costs		\$29,249,627	\$30,403,896	\$31,558,165	\$32,712,433	\$43,685,571
		3 Fees and charges, incl holding costs		\$22,386,878	\$29,327,025	\$35,665,754	\$41,509,219	\$37,461,583
		4 Project contingency		\$6,652,066	\$7,461,507	\$8,210,807	\$8,910,581	\$9,603,131
		Total costs		\$73,172,724	\$82,076,581	\$90,318,879	\$98,016,386	\$105,634,437
		per section costs (excl raw land)		\$225,662	\$177,758	\$153,510	\$138,901	\$166,851
		per section (total)		\$283,286	\$217,134	\$183,799	\$163,770	\$194,217
	Profit		Pre tax profit \$		\$14,550,415	\$16,497,329	\$15,926,612	\$13,877,093
		Pre tax margin %		19.9%	20.1%	17.6%	14.2%	-14.5%

All costs ex GST, unless stated

Development feasible?	No	Yes	No	No	No
Profit maximising?	No	Yes	No	No	No
Margin maximising?	No	Yes	No	No	No

DA8 Richmond West – Greenfield

Key inputs	Type	Item	Units	Value	Type	Section price function	Comment		
Physical		Gross site area	ha	52.9	Revenue	Note: This requires users to enter local prices for two lots of varying size, eg a price for a 400m2 and a 800m2 lot. This allows prices for sections of varying sizes to be estimated below.			
		Land capital value (CV)	\$	\$28,195,962					
		Land sale price relative to CV, ex	%	100%					
		Road Reserve area for 15 dw/ha	% of area	20%					
		Extra roading for increased dw/ha	% per dw/ha	0.00%			New Lot Area 1	285	m2
		Landscape Reserve for 15 dw/ha	% of area	5%			New Lot Price 1	\$200,000	Section price \$
		Extra landscape reserve for dw/ha	% per dw/ha	0.05%			New Lot Area 2	680	m2
		Wastewater/stormwater Reserve	% of area	5%			New Lot Price 2	\$310,000	Section price \$
		Other constraints that reduce net s	% of land area	0%			m	0.504	Section price gradient
		Minimum net density	dwellings/ha	10			c	9	Section price intercept
		Maximum net density	dwellings/ha	30					
		Time to develop	months	24					

View modelled section price gradient

Notes / Comments

- Council input cells using GIS
- Council input cells with review from property development experts
- Input based on quantity surveyor data with property development expert review
- Input based on new sales price data with property development expert review
- Calculated output cells

		Density of dwellings [dwellings / ha]						
Key inputs	Type	Item	Units	10	15	20	25	30
Ancillary		DC contributions factor	%	100%	100%	100%	100%	100%
Cost parameters		Project contingency	%	10%	10%	10%	10%	10%
		Civil works		Select civil works costs				
		Fees and charges		Select fees and charges				

\$53.30 LCV per sq m

		Density of dwellings [dwellings / ha]						
Key outputs	Type	Item	Units	10	15	20	25	30
Net Land Area Calcs		Road Reserve Area	ha of land	10.00	10.58	10.58	10.58	14.00
		Landscape Reserve Area	ha of land	2.51	2.65	2.78	2.91	3.04
		Stormwater Reserve Area	ha of land	2.65	2.65	2.65	2.65	2.65
		Other constraints that reduce net s	ha of land	-	-	-	-	-
		Net Developable land Area	ha of land	37.74	37.03	36.90	36.77	33.21
Revenue		Subdivision Lots created	total lots	377	555	738	919	996
		Average section size	sqm / site	1,000	667	500	400	333
		Average sales price (inc GST)	per section	\$376,506	\$306,922	\$265,498	\$237,259	\$216,430
		Average sales price (ex GST)	per section	\$327,397	\$266,888	\$230,868	\$206,312	\$188,200
	Total revenue		\$ 123,566,936	\$ 148,243,134	\$170,370,347	\$ 189,629,013	\$ 187,521,852	
Costs		1 Raw land purchase and holding cost		\$34,117,114	\$34,117,114	\$34,117,114	\$34,117,114	\$34,117,114
		2 Civil works, incl holding costs		\$33,915,920	\$35,207,357	\$35,399,384	\$35,591,411	\$42,266,166
		3 Fees and charges, incl holding costs		\$31,805,074	\$42,887,406	\$53,893,634	\$64,571,413	\$68,547,749
		4 Project contingency		\$9,983,811	\$11,221,188	\$12,341,013	\$13,427,994	\$14,493,103
		Total costs		\$109,821,918	\$123,433,064	\$135,751,145	\$147,707,931	\$159,424,132
	per section costs (excl raw land)		\$200,584	\$160,799	\$137,724	\$123,584	\$125,760	
	per section (total)		\$290,979	\$222,222	\$183,956	\$160,703	\$160,001	
Profit		Pre tax profit \$		\$13,745,018	\$24,810,070	\$34,619,202	\$41,921,082	\$28,097,720
		Pre tax margin %		12.5%	20.1%	25.5%	28.4%	17.6%

All costs ex GST, unless stated

Development feasible?	No	Yes	Yes	Yes	No
Profit maximising?	No	No	No	Yes	No
Margin maximising?	No	No	No	Yes	No

DA 27 Richmond South - Greenfield

How many homes could be built?

[Return to 'Getting Started'](#)

A development feasibility tool for the National Policy Statement on Urban Development Capacity

Key inputs	Type	Item	Units	Value	Type	Section price function	Comment
Physical		Gross site area	ha	33.9	Revenue	Note: This requires users to enter local prices for two lots of varying size, eg a price for a 400m2 and a 800m2 lot. This allows prices for sections of varying sizes to be estimated below.	
		Land capital value (CV)	\$	\$27,878,025			
		Land sale price relative to CV, ex	%	100%			
		Road Reserve area for 15 dw/ha	% of area	20%			
		Extra roading for increased dw/ha	% per dw/ha	0.30%			
		Landscape Reserve for 15 dw/ha	% of area	5%			
		Extra landscape reserve for dw/ha	% per dw/ha	0.05%			
		Wastewater/stormwater Reserve	% of area	5%			
		Other constraints that reduce net s	% of land area	0%			
		Minimum net density	dwelling/ha	10			
		Maximum net density	dwelling/ha	30			
		Time to develop	months	24			
					New Lot Price 1	\$300,000	Section price \$
					New Lot Area 2	700	m2
					New Lot Price 2	\$370,000	Section price \$
					m	0.303	Section price gradient
					c	11	Section price intercept

[View modelled section price gradient](#)

Notes / Comments

- Council input cells using GIS
- Council input cells with review from property development experts
- Input based on quantity surveyor data with property development expert review
- Input based on new sales price data with property development expert review
- Calculated output cells

		Density of dwellings [dwellings / ha]					
Type	Item	Units	10	15	20	25	30
Ancillary	DC contributions factor	%	100%	100%	100%	100%	100%
Cost parameters	Project contingency	%	10%	10%	10%	10%	10%
	Civil works		Select civil works costs				
	Fees and charges		Select fees and charges				

\$82/sq m

RV is approx \$78/sqm

		Density of dwellings [dwellings / ha]					
Type	Item	Units	10	15	20	25	30
Net Land Area Calcs	Road Reserve Area	ha of land	6.27	6.78	7.29	7.80	14.00
	Landscape Reserve Area	ha of land	1.61	1.70	1.78	1.86	1.95
	Stormwater Reserve Area	ha of land	1.70	1.70	1.70	1.70	1.70
	Other constraints that reduce net s	ha of land	-	-	-	-	-
	Net Developable land Area	ha of land	24.32	23.73	23.14	22.54	16.26
Revenue	Subdivision Lots created	total lots	243	356	463	564	488
	Average section size	sqm / site	1,000	667	500	400	333
	Average sales price (inc GST)	per section	\$412,163	\$364,578	\$334,186	\$312,369	\$295,604
	Average sales price (ex GST)	per section	\$358,403	\$317,024	\$290,597	\$271,625	\$257,047
	Total revenue	\$	\$ 87,175,220	\$ 112,844,862	\$134,469,358	\$ 153,084,412	\$ 125,354,690
Costs	1 Raw land purchase and holding cost		\$33,732,410	\$33,732,410	\$33,732,410	\$33,732,410	\$33,732,410
	2 Civil works, incl holding costs		\$21,475,056	\$22,561,992	\$23,648,929	\$24,735,865	\$36,616,923
	3 Fees and charges, incl holding costs		\$21,168,232	\$29,122,948	\$36,414,747	\$43,138,768	\$37,532,020
	4 Project contingency		\$7,637,570	\$8,541,735	\$9,379,609	\$10,160,704	\$10,788,135
	Total costs		\$84,013,267	\$93,959,086	\$103,175,694	\$111,767,747	\$118,669,488
		per section costs (excl raw land)		\$206,719	\$169,200	\$150,071	\$138,462
	per section (total)		\$345,403	\$263,967	\$222,969	\$198,315	\$243,338
Profit	Pre tax profit \$		\$3,161,953	\$18,885,776	\$31,293,664	\$41,316,665	\$6,685,202
	Pre tax margin %		3.8%	20.1%	30.3%	37.0%	5.6%

All costs ex GST, unless stated

Development feasible?	No	Yes	Yes	Yes	No
Profit maximising?	No	No	No	Yes	No
Margin maximising?	No	No	No	Yes	No

DA1 Hill Street, Richmond – Greenfield

Key inputs	Type	Item	Units	Value	Type	Section price function	Comment		
Physical		Gross site area	ha	10.4	Revenue	Note: This requires users to enter local prices for two lots of varying size, eg a price for a 400m2 and a 800m2 lot. This allows prices for sections of varying sizes to be estimated below.			
		Land capital value (CV)	\$	\$1,400,000					
		Land sale price relative to CV, ex	%	100%					
		Road Reserve area for 15 dw/ha	% of area	20%					
		Extra roading for increased dw/ha	% per dw/ha	0.00%					
		Landscape Reserve for 15 dw/ha	% of area	5%			New Lot Area 1	900	m2
		Extra landscape reserve for dw/ha	% per dw/ha	0.05%			New Lot Price 1	\$355,000	Section price \$
		Wastewater/stormwater Reserve	% of area	5%			New Lot Area 2	2,100	m2
		Other constraints that reduce net s	% of land area	0%			New Lot Price 2	\$500,000	Section price \$
		Minimum net density	dwelling/ha	10			m	0.404	Section price gradient
		Maximum net density	dwelling/ha	30			c	10	Section price intercept
	Time to develop	months	24						

View modelled section price gradient

Notes / Comments

- Council input cells using GIS
- Council input cells with review from property development experts
- Input based on quantity surveyor data with property development expert review
- Input based on new sales price data with property development expert review
- Calculated output cells

\$52/sq m

		Density of dwellings [dwellings / ha]						
Key inputs	Type	Item	Units	10	15	20	25	30
Ancillary		DC contributions factor	%	100%	100%	100%	100%	100%
		Project contingency	%	10%	10%	10%	10%	10%
		Civil works		Select civil works costs				
Cost parameters		Fees and charges		Select fees and charges				

		Density of dwellings [dwellings / ha]						
Key output	Type	Item	Units	10	15	20	25	30
Net Land Area Calcs		Road Reserve Area	ha of land	2.08	2.08	2.08	2.08	14.00
		Landscape Reserve Area	ha of land	0.49	0.52	0.55	0.57	0.60
		Stormwater Reserve Area	ha of land	0.52	0.52	0.52	0.52	0.52
		Other constraints that reduce net s	ha of land	-	-	-	-	-
		Net Developable land Area	ha of land	7.31	7.28	7.25	7.23	4.72
Revenue		Subdivision Lots created	total lots	73	109	145	181	142
		Average section size	sqm / site	1,000	667	500	400	333
		Average sales price (inc GST)	per section	\$370,445	\$314,446	\$279,926	\$255,783	\$237,610
		Average sales price (ex GST)	per section	\$322,126	\$273,431	\$243,414	\$222,420	\$206,617
	Total revenue		\$ 23,534,557	\$ 29,858,660	\$ 35,314,507	\$ 40,191,229	-\$ 29,244,628	
Costs		1 Raw land purchase and holding cost		\$1,694,000	\$1,694,000	\$1,694,000	\$1,694,000	\$1,694,000
		2 Civil works, incl holding costs		\$7,370,951	\$7,368,826	\$7,406,701	\$7,424,576	\$31,965,625
		3 Fees and charges, incl holding costs		\$5,955,443	\$8,207,656	\$10,368,094	\$12,463,318	-\$7,420,267
		4 Project contingency		\$1,502,039	\$1,729,048	\$1,946,880	\$2,158,189	\$2,623,936
		Total costs		\$16,522,434	\$19,019,530	\$21,415,675	\$23,740,083	\$28,863,293
		per section costs (excl raw land)		\$202,962	\$158,659	\$135,937	\$122,004	-\$191,955
	per section (total)		\$226,149	\$174,172	\$147,613	\$131,378	-\$203,923	
Profit		Pre tax profit \$		\$7,012,124	\$10,839,130	\$13,898,832	\$16,451,146	-\$58,107,921
		Pre tax margin %		42.4%	57.0%	64.9%	69.3%	-201.3%

All costs ex GST, unless stated

Development feasible?	Yes	Yes	Yes	Yes	No
Profit maximising?	No	No	No	Yes	No
Margin maximising?	No	No	No	Yes	No

7 Dorset Street Richmond – summary table only

Summary of Net Profit(Loss) of Development		
Estimated Net Sale Proceeds	\$1,638,391	
Summary of Costs		
		% of Total Cost
Cost of Existing Property	(\$565,217)	34%
Design & Resource Consent	(\$18,474)	1%
Consent Condition Compliance	(\$90,870)	5%
Final Survey Plan - Council Charge	(\$121,759)	7%
Final Survey Plan - New Titles	(\$13,043)	1%
Construction Costs	(\$807,438)	48%
Total Borrowing Costs	(\$57,747)	3%
Total Costs	(\$1,674,548)	
Net Profit(Loss)	(\$36,157)	-2%
Net Profit per Unit	(\$7,231)	
<i>Note: All figures stated are excluding GST where applicable</i>		
Description of Development		
Number of Units	5 units - 4 new + 1 existing dwellings	
Size of Units	120 m ²	
No of Levels per Unit	Single Storey	
Consent type	Non Notified	
Estimated Sale Price per Unit	\$395,000 inc GST	
GST on Purchase of Property		
<ol style="list-style-type: none"> 1. GST on purchase of property - land constitutes a secondhand good and a GST input credit can be claimed. 2. A private dwelling on the land can be claimed only if it forms part of the taxable activity - by applying the below assumptions tax credit is available. 3. Assumptions: <ol style="list-style-type: none"> i) The property is being purchased by a GST registered developer from a non registered party; ii) The existing building is sold off as part of the development once complete - if it is used as a residence then it must be treated as a separate supply and will be GST exempt; iii) None of the buildings are rented at any stage of the development. If any of the properties are rented for any period during the course of the development prior to sale, there would be a need for a change of use adjustment as these would constitute exempt supplies during this time. 		
GST on Sale		
<ol style="list-style-type: none"> 1. In the scenario the development is sold prior to the construction phase this model assumes the sale is for the full development between two GST registered parties who agree to the GST being nil for the purposes of the sale transaction. 2. In the final sale scenario GST is payable on the lots sold as these are neither going concerns and are considered taxable supplies under the GST Act. 		



Market Valuation

RM150726 - Century Park Developments Ltd
2 Elizabeth Street
Richmond
Tasman District

Client: Tasman District Council

Inspection Date: 14 December 2016

TelferYoung (Nelson) Limited



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TelferYoung (Nelson) Limited
Level 3, 105 Trafalgar Street, P O Box 621, Nelson 7040, NEW ZEALAND
Phone : 03 546 9600
email : nelson@telferyoung.com website : www.telferyoung.com

1.0 Valuation Summary

Asset Valued:	2 Elizabeth Street, Richmond	
Instructing Party:	Lynda Cross	
Client:	Tasman District Council	
Report Prepared For:	Tasman District Council Private Bag 4 RICHMOND 7050 Attention: Lynda Cross	
Purpose of Valuation:	Market Value for Financial Contribution for Reserves and Community Services	
Date of Inspection:	14 December 2016	
Date of Valuation:	12 November 2015	
Brief Description:	A three lot development located on the corner of Talbot and Elizabeth Streets in Richmond. Lot sizes are 216 m ² , 238 m ² and 287 m ² .	
Valuation:	Proposed Lot 1	\$190,000
	Proposed Lot 2	\$160,000
	Proposed Lot 3	\$170,000
	The above values include GST (if any)	
Report Issue Date:	16 January 2017	
Prepared By:	Ashley Stevens - BBS (VPM) ANZIV, MPINZ Registered Valuer Director	

The Valuation Summary must be read in conjunction with the formal valuation report and with TelferYoung (Nelson) Limited's Statement of Limiting Conditions and Valuation Policy.

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2.0 Scope of Work

2.1 The Valuer

The valuation has been undertaken by Ashley Stevens who provides this objective and unbiased valuation. The valuer has no material connection with the instructing party or interest in the property and has the appropriate qualifications and experience to undertake the valuation.

2.2 Our Client

Tasman District Council.

Other than the client or addressee, the report may not be relied upon by any third party. We accept no liability to third parties. Written consent is required for any third party wishing to rely on this report. We reserve the right to withhold that consent, or to review the contents of the report if consent for third party use is sought.

2.3 Purpose of the Valuation

Market Value for Financial Contribution for Reserves and Community Services.

2.4 Asset Valued

2 Elizabeth Street, Richmond, Tasman District.

2.5 Basis of Valuation

Market Value, which is defined in International Valuation Standards 2013 as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

2.6 Important Dates

Inspection Date: 14 December 2016

Valuation Date: 12 November 2015

2.7 Extent of Investigations

We have inspected the land.

This report has been prepared for valuation purposes only and is not a geotechnical or environmental survey.

We have not been provided with an environmental audit of the property and we are not aware of any potential environmental concerns. Our valuation and report assumes that the land and buildings are unaffected by harmful contaminants or noxious materials which may impact on value. We refer you to our Statement of Limiting Conditions and Valuation Policy on matters relating to potential contamination.

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2.8 Nature and Source of Information Relied Upon

Information used to prepare the valuation has been obtained from our property inspection and public records. Additional information relied on includes:

<u>Name of Document</u>	<u>Source of Document</u>
RM150726	Tasman District Council

2.9 Assumptions and Special Assumptions

Standard valuation assumptions made in completing the report are stated in 'Extent of Investigations' and 'Statement of Limiting Conditions and Valuation Policy'.

In preparing the valuation, the following specific assumption has been made:

- + Subsequent to the large earthquake and numerous aftershocks that have affected the top of the South Island since 14 November 2016, our valuation assumes that there has been no negative impact on value assessed herein as a result of these events. Should evidence become available to suggest that this is not the case, we reserve the right to amend our valuation if necessary.

2.10 Reporting Format

We have prepared a formal valuation report meeting appropriate professional standards.

This report must be read in conjunction with TelferYoung (Nelson) Limited's Statement of Limiting Conditions and Valuation Policy.

2.11 Valuation Standards

Our valuation has been prepared in accordance with International Valuation Standards 2013 and Australia and New Zealand Valuation Guidance Notes and Technical Information Papers including:

- + IVS - Framework
- + IVS 101 - Scope of Work
- + IVS 102 - Implementation
- + IVS 103 - Reporting
- + IVS 230 - Real Property Interests
- + ANZVGN 1 - Valuation Procedures - Real Property
- + ANZRPGN 1 - Disclaimer Clauses and Qualification Statements

3.0 Proposed Subdivision

Resource Consent RM150726 has been granted to subdivide the land, as shown on the subdivision plan. The Conditions of Consent require that a Financial Contribution for Reserves and Community Services be paid based on the market value of two lots, as at the date of Resource Consent.

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4.0 Resource Management

4.1 Zoning

Territorial Authority:	Tasman District Council
Plan Status:	Operative in part
Zone:	Residential
Zone Description:	<p>The Residential zone provides for all land uses as permitted activities, except where the activity contravenes other rules in the plan and the activity is –</p> <ul style="list-style-type: none">+ An activity that emits odour causing a nuisance beyond the site boundary.+ Intensive livestock farming or commercial boarding or breeding of animals.+ An industrial or commercial activity except as allowed as a home occupation.+ Spray painting, motor vehicle repairs, dismantling, fibre-glassing, sheet metal work, bottle or scrap storage, rubbish collection, motor body building or fish and meat processing.+ A constructed or marked out landing area or pad for helicopters, an aircraft landing strip, aerodrome or airport.+ A Papakainga development.

5.0 Location

The property is situated on the northwest corner of the intersection of Talbot Street with Elizabeth Street in central Richmond, opposite the PAK'nSAVE Supermarket premises and Talbot Street entrance to the Richmond Mall carpark. On this north side of Talbot Street the surrounding development comprises bungalow dwellings dating from the 1950's and 1960's, along with more modern infill development of townhouses. The south side of the street is dominated by carparking areas and the large scale commercial buildings of the Mall.

It is a locality which benefits from its close proximity to the Richmond town centre and Mall, while the easy surrounding topography makes the access to all levels of schooling on Salisbury Road, approximately 500 m to the east, very straightforward. As a residential locality it is not highly sought by family home buyers, but it is a very popular position for investors, developers and retired persons. Residential rental properties in this location are in consistently good demand from investors and tenants alike, while townhouse type properties are also in good demand from retirees in particular.

6.0 Land

Lot 1 comprises a corner site of 287 m², Lot 2 is an internal lot of 216 m² and Lot 3 is an end lot of 238 m². Each site is of near level contour.

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7.0 Valuation Methodology

To establish the Market Value of the property, we have utilised the recognised Market Comparison valuation methodology. This method involves reference to sales of properties which have similar attributes to the subject property. Comparisons are drawn between the subject property and the sales evidence. Subjective adjustments are applied where necessary to account for factors which have a direct impact on the sale price and value. These include the following:

Land:	Location, area, shape, position, aspect, view, contour and standard of surrounding development.
Site Development:	Landscaping, garaging, any additional features.

Recent relevant sales we have considered include (but are not limited to) the following:

Land Sales

- + 11 Brover Crescent, Richmond**
Sale Date: 8 June 2015
Sale Price: \$200,000
Land Area: 453 m² (more or less)
- + 25 Stedyl Crescent, Richmond**
Sale Date: 29 June 2015
Sale Price: \$210,000
Land Area: 476 m² (more or less)
- + 31 Brover Crescent, Richmond**
Sale Date: 31 July 2015
Sale Price: \$220,000
Land Area: 491 m² (more or less)
- + 36 Stedyl Crescent, Richmond**
Sale Date: 30 November 2015
Sale Price: \$225,000
Land Area: 500 m² (more or less)
- + 34 Stedyl Crescent, Richmond**
Sale Date: 9 November 2015
Sale Price: \$230,000
Land Area: 497 m² (more or less)
- + 32 Stedyl Crescent, Richmond**
Sale Date: 3 November 2015
Sale Price: \$230,000
Land Area: 499 m² (more or less)

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The sales comprise larger lots located within new subdivisions within Richmond. We have been unable to identify lots as small as the subject properties. Adjustments for size and location have therefore been applied.

8.0 Valuation

We assess the Market Value as at 12 November 2015 at:

Proposed Lot 1	\$190,000
Proposed Lot 2	\$160,000
Proposed Lot 3	\$170,000

The above values include GST (if any).

9.0 Statement of Limiting Conditions and Valuation Policy

Purpose

This valuation report has been completed for the specific purpose stated. No responsibility is accepted in the event that this report is used for any other purpose.

Responsibility to Third Party

Our responsibility in connection with this valuation is limited to the client to whom the report is addressed and to that client only. We disclaim all responsibility and will accept no liability to any other party without first obtaining the written consent of TeferYoung (Nelson) Limited and the author of the report. TeferYoung (Nelson) Limited reserves the right to alter, amend, explain or limit any further information given to any other party.

Reproduction of Report

Neither the whole nor any part of this valuation and report or any reference to it may be included in any published document, circular or statement without first obtaining our written approval of the form and context in which it may appear. Our report is only valid when bearing the Valuer's original signature.

Date of Valuation

Unless otherwise stated, the effective date of the valuation is the date of the inspection of the property. This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

Legislation

We have not obtained a Land Information Memorandum (LIM) or Property Information Memorandum (PIM) for this property which, unless otherwise stated, is assumed to conform to all requirements of the Resource Management Act 1991, the New Zealand Building Code contained in the First Schedule to the Building Regulations 1992, the Building Act 2004 and any Historic Places Trust registration. Our valuation reports are prepared on the basis that properties comply with all relevant legislation and regulations and that there is no adverse or beneficial information recorded on the Territorial Local Authority (TLA) property file, unless otherwise stated. Legislation that may be of importance in this regard includes the Health & Safety in Employment Act 1992, the Fire Safety and Evacuation of Buildings Regulation 1992, and the Disabled Persons Community Welfare Act 1975.

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Registrations

Unless otherwise stated, our valuation is subject to there being no detrimental or beneficial registrations affecting the value of the property other than those appearing on the title. Such registrations may include Waahi Tapu and Historic Places Trust registrations.

Reliability of Data

The data and statistical information contained herein was gathered for valuation purposes from reliable, commonly utilised industry sources. Whilst we have endeavoured to ensure that the data and information is correct, in many cases, we cannot specifically verify the information at source and therefore cannot guarantee its accuracy.

Assumptions

This report contains assumptions believed to be fair and reasonable at the date of valuation. In the event that assumptions are made, based on information relied upon which is later proven to be incorrect, or known by the recipient to be incorrect at the date of reporting, TelferYoung (Nelson) Limited reserves the right to reconsider the report, and if necessary, reassess values.

GST

The available sources of sales data upon which our valuation is based generally do not identify whether or not a sale price is inclusive or exclusive of GST. Unless it has been necessary and possible to specifically verify the GST status of a particular sale, it has been assumed that available sale price data has been transacted on a GST inclusive (if any) basis, which is in accordance with standard industry practice for most residential property. Should this interpretation not be correct for any particular sale or rental used as evidence, we reserve the right to reconsider our valuation.

Land Survey

We have made no survey of the subject property and assume no responsibility in connection with these matters. Unless otherwise stated, the valuation has been assessed conditional upon all improvements being within the title boundaries.

Unless otherwise stated, we have not undertaken investigations or been supplied with geotechnical reports with respect to the nature of the underlying land. Unless otherwise stated, the valuation has been assessed conditional upon the land being firm and suitable ground for the existing and/or potential development, without the need for additional and expensive foundation and retaining work or drainage systems.

Contamination

We have not undertaken an environmental audit of the property. Unless otherwise stated, our valuation and report is conditional upon the land and buildings being unaffected by harmful contaminants or noxious materials which may impact on value. Verification that the property is free from contamination and has not been affected by noxious materials should be obtained from a suitably qualified environmental expert.

Market Valuations

Market valuations are carried out in accordance with the Valuation Standards and Guidance Notes. Market Value is defined "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion".

No allowances are made in our valuations for any expenses of realisation, or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

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++ Local Knowledge, National Coverage

Our Ref: NEL-94658
RM150726 - 2 Elizabeth Street, Richmond, Tasman District

telferyoung.com



Professional Indemnity Cover

We have in force at the time of supplying the above valuation, current professional negligence insurance appropriate to the nature and level of our business activities.

Please contact the writer should you wish to discuss any matters raised in this report.

Yours faithfully

TelferYoung (Nelson) Limited

Ashley Stevens - BBS (VPM) ANZIV, MPINZ
Registered Valuer
Director

Email: ashley.stevens@telferyoung.com

Appendix 7: Explanation of Conversion of Business Demand from Land Areas to Number of Lots

Various approaches were considered for the conversion of business demand from land area to number of lots:

1. Creating an average (median) of the lot sizes allocated to business DAs in round 2 of the growth model. These were also compared with the minimum lot sizes allowed in the TRMP for the relevant zone. However, it was clear from this review that there was a wide disparity of the typical lot sizes allocated to DAs within a common end use both within and across DAs. This made the use of an average of these typical lot sizes unreliable.
2. The minimum lot sizes required in the TRMP for business zones were not considered appropriate as they do not reflect what the market demands as a suitable lot size for purchase for business use. Rather they were created as a trigger level within the regulatory process for closer examination of the environmental effects of a proposed development.
3. Data for the typical lot size in mature, well-developed DAs or zones for different types of business was not available.
4. In the absence of any suitable data the Environmental Policy Manager reviewed the existing data using his knowledge of the history of different zones and applied his judgement to arrive at an approximate typical lots size. In doing this, generally estimations erred on the smaller size of lots recognising the potential for existing business lots to be further subdivided in the future. The following typical lot sizes for the purpose of converting the land demand forecasts in to demand in lots for the Growth Model were arrived at:

End User	Typical Lot Size (square metres)
Commercial	600
Tourist Services	3000
Light Industrial	1500
Rural/Heavy Industrial	1500
Mixed business	2000

As the outputs from the PE model are in the following categories: retail, commercial and industrial, it was determined to use the following typical lot sizes to convert the land forecasts to lots.

PE Land Category	Typical Lots Size (square metres)
Retail and Commercial	600
Industrial	1500

The following two pieces of work are required before the next Growth Model process:

1. A review of the business zones in the TRMP to remove legacy and anomalous zones and review whether rationale for the categorisation of business zones above is fit for purpose.
2. A review of the actual developed sizes of business lots in brownfield business zones as a means of establishing a ground-truthed typical lots size for different categories of business use.