
***Housing and Business Development
Capacity Assessment
Kāpiti Coast District Council***



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Executive Summary

This report presents the results from the Wellington Region Housing and Business Development Capacity Assessment (HBA) for the Kāpiti Coast District Council. The HBA reports on the demand for, and supply of, residential and business development capacity over 30 years from 2017 to 2047.

This HBA has identified that there is sufficient residential development capacity at the District level to meet forecast demand for housing over the short term (2017 – 2020) and medium term (2020 – 2027), but insufficient capacity to meet demand across the long-term (2027 – 2047).

	2017-2020	2020-2027	2027-2047	TOTAL
Demand (inflated with 20% buffer)	642	1,449	4,504	6,595
Development capacity (realisable)		4,935		4,935
Balance	4,293	2,844	-1,660	-1,660
Sufficiency	YES	YES	NO	

Analysis of areas within the District also identified a number of local shortages of capacity for housing and type of housing, against projected demand, over the short, medium and long-term.

For business, the assessment has identified that sufficient development capacity exists across vacant, infill and redevelopment opportunities to meet projected demand for business floorspace across the District to 2047.

	2017-2020	2020-2027	2027-2047	TOTAL
Demand (inflated with 20% buffer)	17,558 m ²	10,829 m ²	52,314 m ²	80,701 m ²
Development capacity	Redevelopment capacity			872,220 m ²
	Infill capacity			424,571 m ²
	Vacant capacity			953,902 m ²
Sufficiency	YES	YES	YES	

Background

The Kāpiti Coast District has historically experienced periods of significant growth and is forecast to continue to grow across the next 30 years. Similar to other Districts in the region, Kāpiti has also experienced a significant increase in its property and rental prices over the last few years as a result of increasing demand on housing markets.

The impact of this increase is a particular challenge for Kāpiti, due to the drivers of its underlying growth and its location in the region. As Kāpiti sits between metropolitan and provincial areas, its on-going attraction to people from across the region and country is creating pressure on the local housing market, including levels of affordability for those currently living in the area.

The case for future business development is different. Improving accessibility to the District and connectivity to Wellington sees Kāpiti benefiting from its location and the opportunity to attract future business and employment to the District.

As with much of the Wellington Region, Kāpiti District's topography and natural features also constrain its ability to continue to develop outwards across the District. While there are a number of areas identified for future greenfield development, constraints in other areas mean that opportunities to develop and increase density within existing urban areas are increasingly important for meeting future demand.

The following HBA provides context around Kāpiti District's housing and business markets, future demand for residential and business development, and current levels of development capacity available to support future growth. The assessment also seeks to identify the feasibility of current development capacity, as well as the availability of local infrastructure to service new development.

Residential demand

Two scenarios have been used to understand future population growth and the impact this has on housing demand in Kāpiti. The forecast.id⁽¹²⁷⁾ scenario provides the equivalent of a medium growth forecast and has been used by participating Councils in the Wellington Region as a baseline. This is then compared against a second scenario: the Statistics New Zealand High growth projection.

The projections indicate that Kāpiti District's population will grow by between 13,441 to 15,761 people from 2017 to 2047. This equates to an annual growth rate of between 0.8% to 0.9%; or a 26% to 29% increase in population by 2047. To accommodate this growth, the District will require between 6,595⁽¹²⁸⁾ and 6,707 new dwellings.

Based on forecasts of future household composition, 84% of all new housing is expected to be standalone, while terraced housing, flats and apartments are expected to make up 12% of all new housing.

Residential capacity

Residential capacity identifies the amount of housing enabled, or able to be developed under the current provisions of the Proposed District Plan. This includes development of greenfield and future development areas, and infill and redevelopment in existing urban areas.

While the Proposed District Plan provides a theoretical 'plan-enabled capacity' for development through zoning and land-use rules, actual feasible capacity and the realisation of development are based on market factors, including the price of land, land development costs and building costs.

Modelling has identified a plan-enabled capacity of 23,135 additional dwellings across the District. This includes 3,350 from greenfield and future development areas, and 19,785 from infill/redevelopment of existing areas.

Of this, 6,052 dwellings are considered feasible to develop based on current market factors. 3,310 of these are in brownfield/infill areas and 2,742 in greenfield areas.

127. forecast.id are a company that provides a range of demographic services to support Kapiti Coast District Council and other Councils, including population forecasts.

128. Inflated to meet the requirements of Policy PC1 of the NPS.

However, not all feasible development will be built. Further testing of the likelihood of feasible capacity being built identified a realisable development capacity of 4,935 dwellings. For Kāpiti, realisable development only includes standalone housing. This reflects the higher risks associated with developing more complex terrace or medium density developments in a market that is currently dominated by greenfield settings and preferences for standalone housing.

Business demand

Population growth also influences future demand for business land and floorspace. Medium growth assumptions anticipate an additional 64,488m² of business land will be required by 2047. This equates to an additional 61,585 m² of floorspace over the same period.

The growing and ageing population is identified as a key factor shaping demand for business land on the Kāpiti Coast over the next 30 years. The most significant growth is expected to occur in the Health, Education and Training sector as the District's share of Wellington's regional retirement market is expected to increase by over 5%.

Over the same period, the additional demand for retail floorspace is forecast to modestly increase, with little change in commercial or government activity, which is expected to increasingly locate in Wellington's CBD. Similar to the regional trend, future demand for industrial land is expected to decline as a reflection of the shift from heavier industries to more services-based activities, smaller scale manufacturing and less land-intensive activities.

However, Kāpiti District's future business growth is highly sensitive to population growth, with higher levels of population growth expected to result in increased levels of demand for all business land, including industrial land.

Kāpiti is also expected to experience an increase in demand for business land and floorspace following improvements along the Northern transport corridor⁽¹²⁹⁾, with the completion of Transmission Gully and the Peka Peka to Ōtaki Expressway reducing journey and freight times south to Wellington and north of Kāpiti.

Business capacity

Business capacity identifies the amount of business floorspace that is able to be developed under the Proposed District Plan. The assessment identifies capacity across a number of scenarios, including: the infill of sites around existing development, the full redevelopment of sites, or the full development of vacant sites.

The feasibility of development capacity was assessed using a multi-criteria analysis (MCA). This assessed the relative merits of Kāpiti District's seven main business areas (including its District Centre, Town Centres and Industrial areas) across a number of relevant business criteria.

The assessment was undertaken by a group of representatives from the local development community, including local land developers, commercial real estate agents, and a registered land valuer, as well as support from Council planning officers.

This assessment found that all of the identified business areas were feasible for development, and that there is sufficient capacity available to provide choice in the type and location of business areas across the District. This assessment did not assess feasibility on a site-specific scale.

The MCA process identified different business areas as having different traits and qualities that may influence where a business may choose to locate. Accessibility was identified as a key factor shaping demand for sites around central Paraparaumu, with Ōtaki considered to benefit longer-term following the completion of the Peka Peka to Ōtaki Expressway. However, a number of constraints, including the ability to access land, costs to develop and parking availability, were also identified as influencing decisions and choices around development.

Infrastructure capacity

Infrastructure capacity identifies the current or planned ability of infrastructure services to support future residential and business development. This includes assessment of capacity across the drinking, waste and stormwater networks (three waters), the State Highway, local roading and public transport networks, the parks and open space network, and schools.

129. The Northern transport corridor is referenced in the Sense Partners Research and refers to major roading projects based from Wellington up the coast, including the third proposed stage of the Expressway to the north of Levin.

An assessment has been undertaken to identify potential infrastructure constraints on future growth across the district.

Our assessment of three waters infrastructure identifies that most of the District's networks are well-placed to meet the needs of future growth. While it is not possible to know the exact location and speed that development will occur, the infrastructure capacity assessment has found that existing and planned upgrades and extensions to networks will provide sufficient capacity to meet anticipated growth across the District. This includes the ability to increase capacity of networks in existing urban areas or extend networks to service new areas of future greenfield development.

Stormwater was identified as an area of constraint for existing built areas. However, provisions in the Proposed District Plan will help mitigate the impact of new development (including requirements for hydraulic neutrality), while Council addresses existing stormwater issues through a \$250 million programme of works.

Ōtaki also has potential constraints, including capacity across its current pipe network and consented capacity of its wastewater treatment plant to meet the forecast rate and timing of growth. Further modelling is currently being undertaken to understand the sensitivity of growth differences and the nature of infrastructure investment required to address potential capacity issues.

The assessment of Kāpiti District's local road network identified a range of on-going challenges, including congestion and parking. Some of these are able to be managed and mitigated through programmes of work and the resource consent process, while others will worsen and effect growth if not managed effectively.

NZTA has provided an assessment of the State Highway network. This identified the impacts that peak demand is placing on capacity, impacting on travel delays and unreliable journey times for freight, private vehicles and bus services. A number of projects are identified to improve capacity and performance of the State Highway network. Transmission Gully and Peka Peka to Otaki Expressway (2018-2020) and the proposed Ōtaki to north of Levin Expressway (2021-2028) are of particular relevance to the Kāpiti District.

Greater Wellington Regional Council's regional assessment identified the significant role rail plays in providing access between the regional CBD and growth to the north, but recent increases in patronage has seen peak services now at or near full capacity. Increasing capacity on the rail network, and on-going investment is necessary to enable continued growth. Funding has been committed for upgrades to enable increased services, and further investment is being considered as part of improving rail connections between Wellington CBD and the lower north island (Palmerston North and Wairarapa).

With regards to parks and open space, Kāpiti is well served by the number, size and variety of parks and open spaces across the District. While there are some gaps in services to existing developed areas, this does not constrain new greenfield development, but does present opportunities to fill these gaps through potential future infill developments. The current review of the Open Space Strategy will refresh Council's strategic priorities for managing open space reserves, including where and how contributions from new development will support the ongoing development of the District's parks and open space network.

The Ministry of Education provided an assessment of school's current rolls and capacity across the District. While the northern part of the District has current capacity available it is being monitored as part of Ministry of Education's growth plan. The southern part of the District currently has classroom capacity available across primary age schools, but its two secondary schools are nearing or already over capacity.

Next steps

The preparation of this HBA has provided a baseline information source to better understand the possible nature and form of future development in Kāpiti. This will assist the Council with its on-going discussions with the development community. On-going monitoring will continue to grow Council's understanding of local development markets and the factors that shape when and how development occurs across Kāpiti.

While the HBA has identified a good supply of development capacity enabled under the Proposed District Plan, looking at what is feasible and likely to be realised under current market conditions identifies a number of shortages in meeting future demand for housing across parts of the District.

The HBA also highlights different localised narratives for growth across Kāpiti; with the south of the District, which is becoming increasingly built out and starting to intensify; and the north, which remains the focus of greenfield growth.

The HBA has raised some key questions to consider in future processes. This includes how modelling of current factors, including preferences for housing typologies, can best reflect changes over time, especially as far out as 30 years. Further building our understanding of current and future factors affecting the feasibility and realisation of development will also be important to inform future discussions and processes shaping growth across the District.

Under the NPS-UDC, the identification of shortages in this HBA requires Council to initiate a response to provide further development capacity or enable development within 12 months. Kāpiti District's Development Management Strategy currently establishes the development and settlement patterns for Kāpiti Coast and informs the approach to development management under the Proposed District Plan. The Strategy was last updated in 2007. As a first step, Council intends to use this HBA to support the review of the Strategy and its approach to providing for future growth across the District.

1.0 Introduction

This report seeks to meet the requirements of the National Policy Statement on Urban Development Capacity (NPS-UDC) for the Kāpiti Coast District by assessing the amount of development capacity available to meet future residential and business demand. 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 (3, 10 and 30 year periods)⁽¹³⁰⁾;
- 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.

The Kāpiti Coast District is one of the northern gateways to the Wellington Region. The District covers 730 square kilometres, and sits between the Tasman Sea and the Tararua Ranges. Historically, development and growth of the District has been concentrated around its early coastal and inland settlements along the 40-kilometre length of the District.

Paraparaumu is the District Centre, supported by Waikanae and Ōtaki townships and the rural/ beach settlements of Te Horo and Peka Peka to the north, Paraparaumu Beach to the west, and Raumati and Paekākāriki villages to the south.

Historically an area of rural service centres with a number of seaside settlements, the District has seen periods of substantial growth over the last 100 years. Opportunities for lifestyle living, proximity to Wellington and regionally affordable housing options have been key drivers of its growth and popularity.

Under current forecast.id projections, the District's current population is expected to continue to grow by 26% over the 30 years covered by the HBA, from 52,345 in 2017 to 65,786 by 2047. Statistics New Zealand's High population projection forecasts an even higher level of growth with a 29% increase in population by 2047 to 69,340.

Current national roading projects in the District are also expected to encourage future growth, by increasing accessibility, which is expected to encourage further residential and business development. This growth presents both challenges and opportunities for the District.

130. For the purposes of this HBA this is defined as three time periods: 2017-2020, 2020-2027 and 2027-2047.

2.0 Existing Policy Context

Council's ability to supply and support residential and business land is influenced by a number of local Strategies, Policies and Plans.

2.1 Kāpiti Coast District Plan

Kāpiti Coast District Council's Operative District Plan was notified in 1999. A review of the plan was initiated in 2009, with a proposed plan notified in 2012. Decisions on the Proposed District Plan (PDP) were notified in November 2017. Work is currently underway to resolve the 9 remaining appeals, at which stage the PDP will become fully operational.

The natural and physical characteristics of Kāpiti have been subject to significant change over a relatively short period of time, with a large proportion of this change attributed to human settlement and development. In turn, the form of settlement in Kāpiti has largely been shaped by three elements:

- natural features, particularly the Ōtaki and Waikanae Rivers and their estuaries;
- the main locations of pre-European Māori settlement; and
- the establishment of the railway and then the State Highway.

The current overall approach to development within the PDP is to maintain a consolidated urban form within existing urban areas and a limited number of growth areas which can be efficiently serviced and integrated with existing townships. This reinforces an overall hierarchy of centres and the effective and efficient use of infrastructure.

The PDP categorises a range of residential and business development areas under living and working zones. This recognises differences in the function and hierarchy of different centres and other business areas, as well as their historic form, function and character.

Significant areas of future growth and expansion include Ngārara (Waikanae), Waikanae North and North Ōtaki.

2.2 Development Management Strategy 2007

The Development Management Strategy sets out Kāpiti Coast District Council's strategy for the management of the development and settlement patterns on the Kāpiti Coast and informs the approach to development management under the PDP. The purpose of the document is to set a framework for:

- the management of location and intensity of growth pressures and change;
- improvement to the quality of the built environment; and
- the development management processes that Council will use over time.

The Strategy was published in 2007 and aims to bring together the best features of urban and rural design. It looks at ways in which elements such as water, wastewater and stormwater can be managed that are economically and environmentally sustainable. Likewise, the document provides a guideline, based on Community Outcomes and Local Outcomes, for the kinds of development that are acceptable in the various communities throughout the Kāpiti Coast.

The Development Management Strategy is planned to be reviewed following the completion of the Wellington Region HBA and will include further discussion with local communities and the development community.

2.3 Infrastructure Strategy 2018-2048

The Infrastructure Strategy identifies how Council plans to deliver core services for transport, stormwater, water supply and wastewater over the next 30 years. This includes information around some of the key challenges across its services and details for how they will be managed. The Strategy accompanies the Long Term Plan 2018 – 2038.

The rising costs of infrastructure affect all of the Council's assets and require a targeted approach to renewals and upgrades based on asset condition and criticality. The impact of future growth is one of the key challenges for the Council's consideration, alongside climate change and earthquake risks.

Information and assumptions underpinning future population growth and development in the Infrastructure Strategy align with those used in this HBA.

2.4 Roads of National Significance and Town Centres Transformation

The construction of the MacKay's to Peka Peka Expressway, the Peka Peka to Ōtaki Expressway, and the Transmission Gully Roads of National Significance, are once in a lifetime projects, creating both challenges and opportunities for the District. Collectively these projects improve accessibility to the District, but also divert traffic away from town centres. While alleviating impacts around congestion and safety in some areas, this also creates potential loss of activity in those same areas.

A Town Centres Transformation Plan has been developed to identify, offset and capitalise on changes created by the Expressway to ensure that the District's two largest town centres, Paraparaumu and Waikanae, remain attractive places for people to do business, invest and visit.

The Town Centres Transformation Plan seeks to create vibrant, diverse and thriving town centres across the District that are easily accessible, reflect the unique flavour of each town, attract visitors and investment, and seek to enable more people to work locally in higher paid jobs. It recognises Paraparaumu Town Centre's role as the heart of the District, and the primary focus for retail, commercial, cultural and civic activity.

3.0 Residential Demand and Capacity

The NPS-UDC requires the Council to identify the overall sufficiency of development capacity to meet the District's future demand for housing over the short (3 years), medium (10 Years) and long term (30 years).

The following section looks at:

- identifying population growth and housing demand by type, location and price point
- supply of currently zoned development capacity for housing
- developability of capacity, including feasibility and realisation of development
- Overall sufficiency of development capacity to meet future demand

Firstly, some background is provided on current and past residential development to provide context to this assessment.

3.1 Historic urban growth and settlement

Significant periods of growth occurred in Kāpiti Post World War II, in the 1970s and, more recently, through the 90's and 2000's.

These periods of growth reflect critical infrastructure developments, including the extension and electrification of passenger rail to Paekākāriki, Paraparaumu and more recently Waikanae; the development of Centennial Highway; reticulation of drinking and wastewater services across the Paraparaumu, Raumati and Waikanae areas during the early 80's; and the development of Kāpiti airport and Te Roto industrial areas.

Over time, the pattern of growth in Kāpiti has consolidated around existing settlements across the District, leading to the incremental development of larger contiguous urban areas which then become better linked across the District.

Alongside the development of these urban areas, the demand for rural lifestyle has also seen areas of surrounding rural land becoming subdivided into smaller lifestyle blocks. As development has progressed over the years, these lifestyle areas now surround, and in some cases sit within, more densely developed urban areas.

More recently, the MacKay's to Peka Peka Expressway has been completed, while the Peka Peka to Ōtaki Expressway is currently being constructed along with the Transmission Gully Motorway project. Both are expected to further increase accessibility to the District and contribute to further population growth.

3.2 Current growth and settlement trends

A number of factors have shaped the recent demand and supply of residential development in the Kāpiti District⁽¹³¹⁾.

Migration is a key driver of growth in Kāpiti. The District receives a large proportion of its new residents from within the Wellington Region, but also elsewhere in New Zealand and internationally. Proximity and connection to Wellington for work, lifestyle and more affordable housing options are factors attracting new people to the District.

While Kāpiti has experienced growth across a cross-section of its age groups, it has a high and growing proportion of residents over 50 years of age. This is linked to strong growth in the retirement sector and contributes towards its high percentage of single (30%) and two person (40%) households across the District.

The rate of building consents for new residential dwellings has averaged between 210 – 250 consents per year across the last 5-10 year period. This level is slightly lower than the average of 300 building consents per annum for new dwellings that was experienced in the early 90's before a sustained period of higher growth through the late 90's to 2000's until the Global Financial Crisis (GFC) in 2008. Building activity has been slowly recovering since. Of the stock being built, there is a strong supply of large standalone houses compared to smaller houses

131. The following points summarise analysis and findings of Census 2013 data from Council's Strategic Context document, which supports the 2018-2038 Long Term Plan, and reference SNZ building consent data and data from MBIE's NPS-UDC monitoring dashboard.

and medium density development, which creates a mismatch with the increase in smaller households.

On-going demand and a lower level of supply of housing has seen land and house prices, and weekly rent levels, increase significantly over the last 10 years. Kāpiti also has lower household income levels than the regional and national average⁽¹³²⁾. Coupled with some parts of the District being identified as some of the most deprived in New Zealand, the ability to afford to rent or buy a house is increasingly an issue for existing residents. The resulting pressure is reflected in the recent increase in MSD's social housing register, and linked to residents moving north seeking more affordable options out of Kāpiti.

While Kāpiti has a high home ownership rate at nearly 70%, just over 20% of households are renting, of which 1.8% are renting social housing. Increasing numbers of households on low and fixed incomes impact the Council's ability to collect residential rates, and in turn, maintain and increase services as the District grows.

Kāpiti also has a higher proportion of unoccupied private dwellings, which are concentrated around Waikanae Beach, Peka Peka, Te Horo and Ōtaki Beach, which are areas historically popular for bachs and second homes. AirBnB data also shows that Kāpiti has 12% of the Region's listings for houses and 8% of its listings for private rooms. Increasing use of housing by non-residential uses effectively reduces the supply of housing available for residential use in the District.

A number of local iwi are currently in the process of Treaty settlement. With 2,200 hectares of Māori Freehold Land identified across Kāpiti⁽¹³³⁾ there are a number of opportunities to support future residential and business needs for iwi, including opportunities for Papakaia.

3.3 Future Housing Demand

Key Findings

- Kāpiti District will grow by between 13,441 to 15,761 people from 2017 to 2047.
- To accommodate this growth, the District will require between 6,595⁽¹³⁴⁾ and 6,707 new dwellings.

The following section provides analysis and insight into future population projections for Kāpiti, including future demand for housing by type, location and price. A model has been developed by Wellington City Council to support analysis of future growth and demand for this HBA⁽¹³⁵⁾. Further details of the model can be found at Appendix 1.2.

3.3.1 Population and household growth

To estimate demand for dwellings, this HBA uses two projections for forecasting future growth scenarios. The forecast.id projection is used as the baseline projection for housing demand across all the councils involved in the Wellington HBA, namely Kāpiti Coast District Council, Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council. The Statistics New Zealand (SNZ) High Growth projection is also used to help identify any likely differences if growth levels result at levels higher than those envisaged.

132. Based on 2013 Census data, 57.2% of households in Kāpiti have a total household income (from all sources) lower than the Wellington Regional median and the national median income of \$63,996.

133. BERL. 13 December 2016 The Māori economy in the Kāpiti Coast District.

134. Inflated to meet the requirements of Policy PC1 of the NPS.

135. Please note that modelling of population growth and housing demand includes rounding to the nearest unit, which may result in a total disagreeing with the total of the individual items as shown in tables.

Looking at the two scenarios, population growth for Kāpiti Coast District Council is broken down across the short (2017-2020), medium (2020-2027) and long term (2027-2047).

	2017	2017-2020	2020-2027	2027-2047	2047	Total
Forecast .id	52,345	1,171	2,660	9,610	65,786	13,441
SNZ High	53,580	1,840	4,000	9,921	69,340	15,761

Table 1. Population growth for Kapiti Coast District, 2017-2047.

Understanding the future growth and change to household compositions allows us to translate this population growth in to the number of dwellings required i.e. the demand.

	2017	2017-2020	2020-2027	2027-2047	2047	Total
Forecast .id	24,399	535	1,208	3,916	30,057	5,659
SNZ High	24,974	846	1,830	4,031	31,681	6,707

Table 2. Demand for dwellings for Kapiti Coast District, 2017-2047.

In accordance with the NPS-UDC, a buffer of 20% is added to the short and medium-term demand, and 15% is added to the long-term demand, of our baseline projection. The inclusion of this buffer ensures there is additional capacity available to meet potential higher rates of demand and take-up. The resulting demand is as follows:

	2017	2017-2020 (20%)	2020-2027 (20%)	2027-2047 (15%)	2047	Total
Forecast .id	24,399	642	1,449	4,504	30,994	6,595
SNZ High	24,974	846	1,830	4,031	31,681	6,707

Table 3. Inflated demand for dwellings for Kapiti Coast District, 2017-2047.

Inflating the forecast.id baseline sees its overall growth projections not too far off those for the SNZ High population growth scenario. Some ranges in the longer term period (2027 – 2047) have a higher forecast .id number over the equivalent SNZ High number. This is due to different growth assumptions over the life of the two models. Forecast .id has moderate early growth with higher long term growth forecast, whereas the SNZ High projection has strong growth in the short and medium term, which moderates over the long term.

3.3.2 Residential demand by type

Having established overall residential demand, we can consider what types of dwellings are in demand.

Broadly, demand is described in this HBA in three categories based on Statistics New Zealand definitions:

- Stand-alone housing – typically housing on its own allotment, typically associated with lower density areas
- Terraced housing, flats and apartments – joined housing that is more representative of medium density development and include townhouses, semi-detached dwellings and low-rise apartments⁽¹³⁶⁾.
- Other dwellings⁽¹³⁷⁾ – mobile and improvised dwellings, roofless or rough sleepers, and dwellings in a motorcamp.

Using the inflated forecast.id projection, the estimate of demand for dwellings by type is:

	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	533	1,207	3,780	5,520
Terraced housing, flats and apartments	79	177	537	793
Other Dwellings	30	65	186	281
Total	642	1449	4504	6,595

Table 4. Projected dwelling demand by type. Inflated forecast .id scenario.

Similarly, the demand for the Statistics New Zealand High Growth projection by type is:

	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	701	1522	3384	5,607
Terraced housing, flats and apartments	105	226	480	811
Other Dwellings	39	83	166	288
Total	846	1830	4,031	6,707

Table 5. Projected dwelling demand by type. Inflated SNZ High scenario.

136. For the purposes of this HBA low rise apartments are identified as up to three storeys in height.

137. The demand model uses Census data to project future demand. 'Other dwellings' form part of the total household count on Census night, so have been included as part of the demand forecasts.

3.3.3 Residential demand by location

In addition to identifying overall residential demand, we have also identified six broad housing areas to help identify differences in the demand for housing and housing types across the District. This includes differences across the main urban areas and the surrounding rural area.

These areas are shown below in Figure 1.

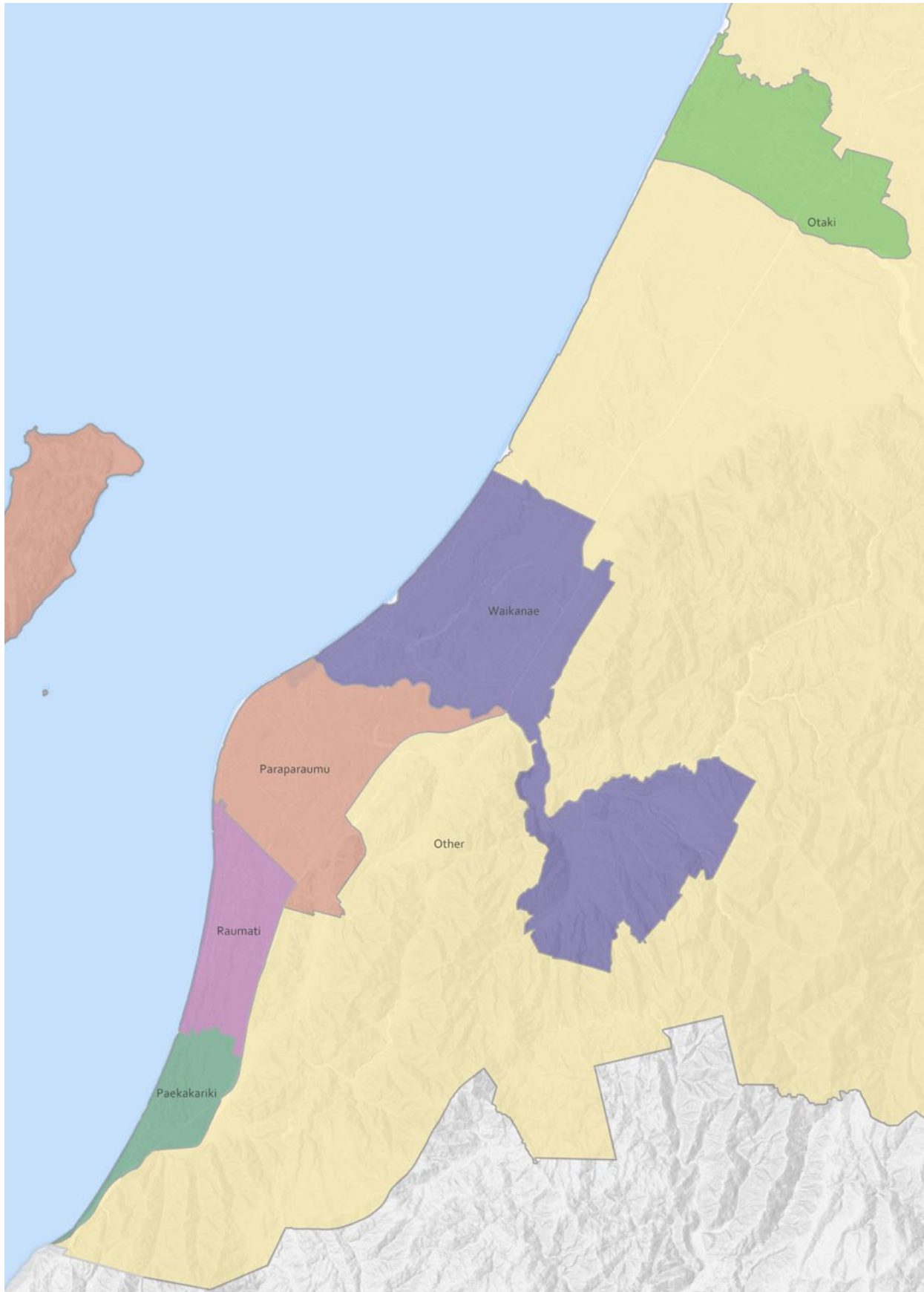


Figure 1. Map of the broad housing areas used for analysis of residential development capacity.

The following table identifies the range of projected dwellings by type across each of the housing areas. This is shown as a range based on both the inflated forecast.id and Statistics NZ High projections.

Paekākāriki	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	7 - 14	14 - 28	42 - 36	63 - 78
Terraced housing, flats and apartments	1 - 2	2 - 3	5 - 4	7 - 9
Other Dwellings	0 - 1	1 - 2	3 - 2	4 - 5
Total	8 - 17	17 - 33	50 - 42	74 - 92
Raumati	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	30 - 64	95 - 155	575 - 514	699 - 732
Terraced housing, flats and apartments	6 - 12	15 - 24	74 - 66	95 - 103
Other Dwellings	1 - 3	4 - 6	24 - 22	29 - 32
Total	37 - 79	114 - 185	673 - 602	823 - 867
Paraparaumu	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	195 - 249	282 - 401	769 - 680	1246 - 1328
Terraced housing, flats and apartments	35 - 46	54 - 78	144 - 126	233 - 250
Other Dwellings	11 - 15	17 - 22	44 - 39	72 - 75
Total	241 - 310	353 - 501	957 - 845	1551 - 1653
Waikanae	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	188 - 226	561 - 617	1965 - 1780	2714 - 2622
Terraced housing, flats and apartments	27 - 33	86 - 95	281 - 254	395 - 382
Other Dwellings	8 - 9	23 - 26	80 - 74	111 - 108
Total	223 - 268	670 - 738	2326 - 2108	3220 - 3112
Otaki	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	70 - 92	155 - 195	237 - 207	462 - 493
Terraced housing, flats and apartments	8 - 11	19 - 23	28 - 25	55 - 59
Other Dwellings	6 - 8	13 - 17	20 - 18	39 - 42
Total	84 - 111	187 - 235	285 - 250	556 - 594
Other	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	44 - 57	103 - 127	192 - 169	338 - 354
Terraced housing, flats and apartments	1 - 1	3 - 3	5 - 4	9 - 9
Other Dwellings	3 - 4	8 - 10	15 - 13	26 - 27
Total	48 - 62	114 - 140	212 - 186	373 - 390

Total	2017-2020	2020-2027	2027-2047	Total
Stand-alone housing	532 - 701	1208 - 1522	3780 - 3384	5521 - 5607
Terraced housing, flats and apartments	79 - 105	177 - 226	537 - 480	793 - 811
Other Dwellings	30 - 39	65 - 83	186 - 166	281 - 288
Total	642 - 846	1449 - 1830	4504 - 4031	6595 - 6707

Table 6. Projected dwellings by type, forecast.id and SNZ High, 2017-2047

Considering dwelling demand across these housing areas confirms some existing and expected growth patterns.

- The strongest demand for residential housing is in the Waikanae area which accounts for almost half of all the Districts anticipated growth and development out to 2047.
- Growth in Paraparaumu is also strong, with close to a quarter of future development expected in the wider Paraparaumu area. Similarly, Raumati is expecting 13% of the future residential development and Ōtaki will also see increasing demand for housing, with close to 10% of the District demand.
- A strong preference for standalone housing continues across the District making up 84% of future demand. Higher levels in Waikanae and Ōtaki likely reflect opportunities for greenfield development, whereas standalone housing in Paraparaumu and Raumati is likely to increasingly reflect infill development.
- Terraced housing, flats and apartments is set to increase, up to 12% of future demand to 2047. Half of this is expected in Waikanae, just under a quarter in Paraparaumu, and 12% and 7% in Raumati and Ōtaki respectively.
- Opportunities for development may look different across these areas. Development in Waikanae is likely to come from a mix of development types such as terraced housing and townhouses in Ngārara, as well as future retirement developments which are typically higher density. Paraparaumu is likely to see development of terraced housing and apartments in proximity to the District centre and close to transport connections and amenities.
- Paraparaumu Beach and Raumati are both areas with high levels of local amenity and popular visitor destinations, so might expect to see more low rise flats and apartments in the area.

- Paekākāriki makes up just over 1% of the District's overall future demand. This is a reflection of the constraints for development in the area, including the limited availability of new land for development.

There are two other underlying factors that influence future modelling and are important to future demand. The first is an expected drop in household occupancy. As previously discussed, parts of the District have historically had higher than average levels of unoccupied dwellings, mainly due to the historic and continued use of bachs and second homes. Forecast.id projections identified an overall increase in District occupancy rates from 90% to 94%.

The two largest increases are expected at Ōtaki Beach and Waikanae Beach/Peka Peka, where increases from 77% to 83% (6.9%) and 69% to 76% (7%) are projected. This increase in occupancy indicates that an increasing proportion of housing stock would move out of unoccupied housing and back into the market.

The second factor is the change in household composition and type. Household composition rates are projected to drop from 2.35 persons to 2.28 persons across the District. This is similarly reflected in the change to household types, where increases to the number of family, group and one parent family households, are minor compared to the increase of single person and couples without dependants households, increasing by 1,200 and 3,500 respectively. Both shifts in household composition rates and household types reflect the increased population growth in residents over the age of 50.

3.3.4 Demand by price

Policy PB1 of the NPS also requires that the HBA considers demand by price point. We have only been able to provide limited analysis of demand by price-point, but hope to develop this further for the next assessment.

Looking at residential sales and new build construction values from 2016 and 2017, provides some understanding of the consumption of housing in general bands of price and value across the housing areas. Table 7 below shows the range of price/values across each of the six locations.

Comparing this to median income levels there are location differences in sales. As an example, the sales and new build figures start at a lower band in Ōtaki than Raumati. This likely reflects the lower land prices in Ōtaki, but may also be a reflection of the type of housing, income levels and household composition driving housing need in the area. This identifies two key areas for further investigation: Whether demand is limited by what is provided by the market and its current preferences; and, if or how demand can be identified between different areas of need.

This is important to understand for Kāpiti as we have identified a strong preference and supply of larger standalone houses, while also having high levels of housing affordability (unable to afford). We also potentially have very different demand patterns between local residents and those migrating to the District.

With significant changes having occurred in the District since 2013, we are hopeful that the results from the next Census will provide the basis to answer these questions and understand housing demand by price point better.

Sale/Value range	Paekākāriki		Raumati		Paraparaumu		Waikanae		Ōtaki		Other	
	S	NB	S	NB	S	NB	S	NB	S	NB	S	NB
\$100,000 - \$200,000	0	0	0	1	0	7	1	9	6	3	0	0
\$200,000 - \$300,000	1	0	6	2	4	21	5	28	34	24	15	5
\$300,000 - \$400,000	15	0	20	4	11	44	17	47	31	22	25	3
\$400,000 - \$500,000	24	0	26	4	21	10	28	37	17	5	23	10
\$500,000 - \$600,000	30	0	19	1	21	5	23	15	6	0	15	6
\$600,000 - \$700,000	15	1	10	1	18	2	12	8	1	1	9	2
\$700,000 - \$800,000	3	0	8	1	16	1	5	2	1	0	4	0
\$800,000 - \$900,000	4	0	3	0	8	2	3	2	0	1	2	1
\$900,000 - \$1,000,000	5	0	1	0	0	0	1	0	0	0	0	0
\$1,000,000+	0	0	4	2	2	0	2	3	0	0	6	0
Median household income	\$67,100		\$65,600		\$53,000		\$60,100		\$36,600		\$80,475	

Table 7: Percentage of residential sales (S) and New builds (NB) by value, 2016 - 2017.

3.3.5 Demand for student accommodation

The regional Chapter provided an overview of the demand for student accommodation and the pressures competition for accommodation can have in a localised area.

A Kāpiti example is Te Wānanga o Raukawa in Ōtaki. While the size and scale of the Wānanga and housing market in Ōtaki are smaller scale compared to the Wellington context, Ōtaki is experiencing similar pressures. Further work is needed to understand the current and future demand and opportunities for student accommodation in the area.

3.4 Housing Development Capacity

Key Findings

- Modelling indicates that Kāpiti District's Proposed District Plan currently provides for up to 23,135 dwellings.

This section sets out the calculation of development capacity. Development capacity identifies the amount of potential housing that could be developed under the current provisions of the PDP. The feasibility and likelihood of development capacity being built is then considered.

3.4.1 Calculating development capacity

Development capacity is the calculation of how much housing can be achieved under current development provisions. This takes into account factors that determine the location and size of housing including plan zoning, average lot sizes, height, and yard setbacks. It also takes into account relevant constraints on land use, including its susceptibility to flooding or its protection for designated works.

As with much of the Wellington Region, Kāpiti District's topography and natural features constrain its ability to continue to develop outwards across the District. While there are a number of areas identified for greenfield development at Waikanae and Ōtaki, constraints in other areas mean that opportunities to develop and increase densities within existing urban areas are important for meeting future demand.

For this reason, calculating residential development capacity looks at the capacity that is available in greenfield areas; and infill and redevelopment capacity within existing urban areas. Both models use the settings in the Proposed District Plan to identify development capacity. This includes accounting for constraints to development recognised in the plan, including areas limited for development through planning designations, protected ecological areas and overland flooding.

The following section provides a summary of the approach and results of assessing residential development capacity across greenfield and infill and redevelopment of existing urban (brownfield) areas. Further information on both assessments and their methodologies is available in Appendix 1.3 and 1.4.

3.4.2 Theoretical development capacity of greenfield areas

For the purposes of this HBA, greenfield areas are defined as any residential zoned area over five hectares in size and any areas that provide for future growth and development. For Kāpiti, this includes a number of parcels of land zoned for Future Urban Development in Waikanae and Ōtaki, and a number of areas of residential zoned land in Raumati, Waikanae and Ōtaki.

As the development settings for Future Urban Development Zone are subject to future structure plan processes, the assessment of development capacity has used the same general residential provisions as a proxy for modelling. This includes a 600m² minimum average lot size with 20% additional gross area added to account for roading and reserves. This proxy was also applied to assess the remaining areas of the Ngarara and Waikanae North developments for consistency of approach.

The assessment identified 34 greenfield sites with a potential yield of 3,350 plan-enabled sections⁽¹³⁸⁾.

138. Note: the figures presented are different to those in MRCagney report in Appendix 1.4 and include two additional greenfield sites and an adjustment to a sales value used in one of the Census areas used in the model.

Housing area	Number of Sites	Developable area (hectares)	Plan enabled sections
Paekākāriki	-	-	-
Raumati	3	12.8	174
Paraparaumu	-	-	-
Waikanae	20	145.9	1770
Ōtaki	11	99.3	1406
Other	-	-	-
Total	34	258	3350

Table 8: Supply of plan enabled sections from greenfield development.

3.4.3 Theoretical development capacity for infill and redevelopment of existing urban areas

The assessment of infill and redevelopment capacity includes all residential zoned land less than five hectares in size. This includes assessment of any vacant sites, as well as areas of existing development. The assessment analyses both the ability to infill around existing development and the full redevelopment of sites across a range of potential housing typologies (stand-alone housing, terrace housing or apartments).

Modelling also included two additional areas to help capture and present a full picture of residential development across Kāpiti:

Mixed use areas: Modelling accounts for residential development as part of mixed use development in business areas (including the District, Town and Local Centre zones and the Outer Business Centre zone) by providing a proportion of development capacity for residential development.

Rural areas: Modelling was also undertaken across a number of the rural zones to account for lifestyle housing options. However, a number of modelling errors were identified across a number of the rural zones late in the assessment process. As the results are unreliable they have been excluded, except for figures for the Rural Residential zone. Modelling and assessment of the capacity of the other rural zones will be undertaken to support future assessments.

Results for the infill/redevelopment model identified a plan-enabled capacity of 19,507 additional dwellings across the District's urban areas and 278 for rural residential.

Housing area	Theoretical Capacity
Paekākāriki	284
Raumati	2,849
Paraparaumu	6,665
Waikanae	5,180
Ōtaki	4,214
Other	593
Total	19,785

Table 9: Theoretical supply of capacity from infill/redevelopment development.

In all, a theoretical Plan enabled capacity of 23,135 dwellings is identified across both greenfield and brownfield areas.

3.4.4 Levels of historic residential development

As well as looking at development capacity, it is also useful to look at historic development rates, which provides useful context in coming to an overall view of the general ability to meet demand across the District.

Looking back at new build consents from 1991¹³⁹, we can identify a period of building activity that averaged around 300 units a year before the construction boom of the early 2000's. Activity during this period peaked at double this rate, but was starting to decline when hit by the Global Financial Crisis in 2008. Building activity then continued a downward trend, only starting to increase and recover to an average between 200 - 250 units a year from 2013.

Taking into account current and potential future activity across the District, a build rate of between 210 and 250 new builds a year is considered sustainable across the short to long-term. This equates to an average of 192 houses a year and 38 terraced houses a year. The table below provides a comparison of the projected rate of historic supply against the inflated forecast demand to 2047. This average development rate is used in the analysis of sufficiency later in section 3.5.3 of this report.

	2017-2020		2020-2027		2027-2047		Total	
	Demand	Supply	Demand	Supply	Demand	Supply	Demand	Supply
Stand-alone Housing	532 - 701	540 - 615	1,208 - 1,522	1,260 - 1,435	3,780 - 3,384	3,600 - 4,100	5,521 - 5,607	5,400 - 6,150
(Average)		(576)		(1,344)		(3,840)		(5,760)
Terrace Housing, flats and apartments	79 - 105	90 - 135	177 - 226	210 - 315	537 - 480	600 - 900	793 - 811	900 - 1,350
(Average)		(114)		(266)		(760)		(1,140)

Table 10: Projected District rate and average of new build residential supply based on historic performance

139. See chart of residential new build consent data in the monitoring section 7.1.1.

3.5 Housing Feasibility, Realisation and Sufficiency

Key Findings

- Kāpiti District has a feasible residential capacity of 6,052 dwellings across all forms of residential development.
- Of the 6,052 feasible dwellings, 2,742 come from greenfield land supply. The remaining 3,310 come from potential infill development, redevelopment or intensification of existing urban areas.
- Applying a further test of the likelihood of development identifies a realisable development capacity of 4,935 dwellings over the 30 years to 2047.
- That realisable capacity is insufficient to meet projected demand over the 30 years to 2047.
- The shortfall is between 1,660 and 1,772 dwellings based on the forecast.id and Statistics New Zealand High scenarios outlined in this HBA.

From identifying the amount of theoretical capacity available, the assessment turns to identifying what proportion of that capacity is feasible to develop, and whether that feasible capacity is likely to be developed.

3.5.1 Feasibility of residential development capacity

Both the greenfield and infill models have economic assessments attached to them to determine the feasibility of development. In the case of the infill model, this also identifies the typology that is the most feasible to develop on each site (standalone housing is assumed for greenfield developments).

Testing for feasibility is intended to determine whether or not it is economically viable for developers to realise an identified theoretical capacity for development. Variables considered include: land value; improvement ratio; local sale prices; and development costs, including: site preparation, professional services, build costs, and fees including development contributions and profit margin.

It is expected that the total feasible development capacity will be less than the theoretical development capacity allowed for in the Proposed District Plan as a result of these market-driven factors.

Greenfield, standalone housing

When factoring feasibility into the greenfield assessment, the overall number of developable sites reduces from 34 to 24, with an estimated yield of 2,742 additional sections, from 212.4 hectares of developable land. This suggests that approximately 80% of all developable land initially identified across the district is feasible.

Housing area	Number of Sites	Developable area (hectares)	Plan enabled sections	Feasible sections
Paekākāriki	-	-	-	-
Raumati	3	12.8	174	174
Paraparaumu	-	-	-	-
Waikanae	17	143.5	1770	1740
Ōtaki	4	56.1	1406	828
Other	-	-	-	-
Total	24	212.4	3350	2742

Table 11. Supply of feasible greenfield capacity.

Infill and redevelopment

Once feasibility is tested, predictions for infill/redevelopment drops to 3,310, or approximately 17% of the 19,785 dwellings predicted by the theoretical infill development capacity assessment. The table below shows feasible infill development by typology. For Kāpiti, this includes stand-alone housing and terraced housing and flats. For the purposes of this HBA, apartments are defined as buildings over three storeys in height. Due to this definition, most apartment typologies that we might expect to see in parts of Kāpiti (up to three storeys high), are captured in the "Terraced housing, flats" category.

Housing area	Stand-alone Housing	Terraced housing, flats and apartments	Apartments (over 3 storeys)	Total
Paekākāriki	22	3	0	25
Raumati	332	459	0	791
Paraparaumu	253	101	0	354
Waikanae	425	304	0	729
Ōtaki	209	1,120	0	1329
Other	81	1	0	82
Total	1322	1988	0	3310

Table 12. Supply of feasible infill and redevelopment capacity by typology.

Total feasible housing

Adding the feasible capacity for greenfield and infill areas together provides a total of 6,052 feasible dwellings across the District. Table 13 below breaks this down by typology by housing area.

Housing area	Stand-alone Housing	Terraced housing, flats and apartments	Apartments (over 3 storeys)	Total
Paekākāriki	22	3	0	25
Raumati	506	459	0	965
Paraparaumu	253	101	0	354
Waikanae	2,165	304	0	2,469
Ōtaki	1,037	1,120	0	2,157
Other	81	1	0	82
Total	4,064	1,988	0	6,052

Table 13. Total supply of feasible residential development capacity by typology.

A number of tests are also included in both models to identify the sensitivity of key inputs. This includes looking at economies of scale, and changes in land, sale and build values. For example, the infill model's sensitivity tests identify that a 10% increase in land value would see feasibility in urban areas increase from 16% to 20%, while a 15% increase in build value would almost double feasibility to 34%. Given the potential impact of these inputs, it will be important to monitor further changes, especially on the back of recent price and value increases across the District.

3.5.2 Realisation of residential development capacity

While land might be feasible to develop, it does not guarantee it will be developed. There are a range of factors that influence landowners decisions on whether to develop their land. Some may not wish to sell to a developer, or may not wish to subdivide or redevelop themselves. Others may simply value their property as it currently is.

As such, it is also important to consider the factors affecting the up-take of feasible development. To help understand this better, an additional assessment has been included to test factors seen to affect the realisation, or likelihood of development occurring. More detail is available in Property Economics' assessment of residential feasibility attached as Appendix 5.1.

Testing realisation provides another scenario that takes a different set of market factors into account to try to identify different behaviours and motivations within the market, that ultimately affect whether a development occurs or not.

The overall realisation for greenfield development is considered to be 100%, with most greenfield sites typically finding their way to the market as a matter of time.

Infill and redevelopment by its nature is more complex, covering a wider range of potential development sites, development scenarios, individuals and influences. The realisation scenario attempts to account for variables around different options for development typologies (e.g. terraces are more complex and riskier to develop than standalone houses) and profit (there are different motivations and approaches from developers to landowners). Using a matrix to model these factors provides an indication of likelihood of development coming forward.

Taking all these current factors into account, the current realisable capacity for Kāpiti is 4,935. This includes 2,742 dwellings from greenfield development and 2,192 from infill/redevelopment. This represents a 21% realisation rate of the 23,135 theoretical capacity and 82% realisation rate of the 6,052 feasible capacity.

The assessment identified standalone housing as the only typology likely to be realised across the District. The high level of greenfield development activity across the District was identified as the key reason for this, whereby the strong local market preferences for standalone housing creates a higher level of risk to develop other typologies, which are typically more complex in nature. As a result, sites where terraced housing development might be feasible are 'trumped' by the option for standalone housing.

Housing area	Realisable Development Capacity		
	Stand-alone Housing	Terraced housing, flats and apartments	Apartments (over 3 storeys)
Paekakariki	19	0	0
Raumati	637	0	0
Paraparaumu	242	0	0
Waikanae	2,132	0	0
Otaki	1,829	0	0
Other	76	0	0
TOTAL	4,935	0	0

Table 14. Total supply of realisable residential development capacity by typology.

While the assessment of realisation has identified standalone housing as the only likely housing type to be developed across the District, it is important to note that a modest number of terraced and apartment style dwellings have been constructed across the District and we should expect this to continue (see historic development rates in Table 10). While standalone housing is considered more likely to be developed district-wide, it does not mean that these medium density dwelling types will not be able to be built. This just recognises that this is a riskier development to undertake in the Kāpiti market than standalone housing. Further work to understand differences between current activity and modelling of feasible and realisable activity is discussed later in this report.

3.5.3 Sufficiency of residential development capacity

Having established demand and supply, the two can be compared to identify whether Kāpiti has enough development capacity to meet expected population growth to 2047.

The assessment has so far identified that 23,135 dwellings are enabled under the current PDP. Taking a range of current economic factors into account, 6,052 of those are considered feasible to develop and 4,935 of them, likely to be realised and built.

At a District-wide level, the following comparison between this assessment of demand and capacity can be made:

	Forecast id (Inflated)	SNZ High
Demand	6,595	6,707
Realisable Capacity	4,935	
Shortfall	-1,660	-1,772

Table 15. Residential development capacity sufficiency for Kāpiti, 2017 – 2047.

From Table 15 above, it is clear that there will be a shortfall of between 1,660 and 1,772 dwellings across the District, based on the parameters of the modelling undertaken for this HBA.

Table 16 below, provides a further breakdown of the inflated forecast.id scenario for the District, by housing typology, across the short, medium and long-term. Realisable capacity over the first two periods of 2017-2020 and 2020-2027 is based on historic district development rates (previously discussed), with the remaining capacity allotted to the 2027-2047 period.

Housing type	2017-2020		2020-2027		2027-2047	
	Demand	Realisable Capacity	Demand	Realisable Capacity	Demand	Realisable Capacity
Stand-alone housing	532	576	1,208	1,344	3,780	3,015
Terraced housing, flats and apartments	79	0	177	0	537	0

Table 16. Residential supply by housing area and typology over time.

Realisable capacity by housing typology and housing area over time is calculated by applying the same phasing to the total realisable typology capacity per housing area (see Table 14) as the district wide realisable capacity by typology over time (see Table 16).

	2017-2020		2020-2027		2027-2047	
	Demand	Realisable Capacity	Demand	Realisable Capacity	Demand	Realisable Capacity
Paekākāriki						
Stand-alone housing	7	2	14	5	42	12
Terraced housing, flats and apartments	1	0	2	0	5	0
Raumati						
Stand-alone housing	30	74	95	173	575	389
Terraced housing, flats and apartments	6	0	15	0	74	0
Paraparaumu						
Stand-alone housing	195	28	282	66	769	148
Terraced housing, flats and apartments	35	0	54	0	144	0
Waikanae						
Stand-alone housing	188	249	561	581	1,965	1,303
Terraced housing, flats and apartments	27	0	86	0	281	0
Otaki						
Stand-alone housing	70	214	155	498	237	1,117
Terraced housing, flats and apartments	8	0	19	0	28	0
Other						
Stand-alone housing	44	9	103	21	192	46
Terraced housing, flats and apartments	1	0	3	0	5	0

Table 17. Demand and capacity comparison by housing area and housing type over time. Inflated forecast.id scenario.

And the same comparison⁽¹⁴⁰⁾ can be made on the basis of the Statistics NZ high growth projection:

	2017-2020		2020-2027		2027-2047	
	Demand	Realisable Capacity	Demand	Realisable Capacity	Demand	Realisable Capacity
Paekākāriki						
Stand-alone housing	14	2	28	5	36	12
Terraced housing, flats and apartments	2	0	3	0	4	0
Raumati						
Stand-alone housing	64	74	155	173	514	389
Terraced housing, flats and apartments	12	0	24	0	66	0
Paraparaumu						
Stand-alone housing	249	28	401	66	680	148
Terraced housing, flats and apartments	46	0	78	0	126	0
Waikanae						
Stand-alone housing	226	249	617	581	1,780	1,303
Terraced housing, flats and apartments	33	0	95	0	254	0
Otaki						
Stand-alone housing	92	214	195	498	207	1,117
Terraced housing, flats and apartments	11	0	23	0	25	0
Other						
Stand-alone housing	57	9	127	21	169	46
Terraced housing, flats and apartments	1	0	3	0	4	0

Table 18. Demand and capacity comparison by housing area and housing type over time. Statistics NZ High Growth scenario.

Apportioning capacity across the six housing areas identifies a number of potential shortages and oversupplies across the short, medium and long-term periods. This reflects some of the dynamics around the changing nature of land availability that is shaping future growth and development across the District, including the type of housing being built.

Over the next 30 years, the southern parts of the District are expected to have exhausted current greenfield and large infill sites, with infill and redevelopment of smaller sites

providing the primary forms of development. Given this increasing constraint on land availability, and reduction in greenfield competition identified in the feasibility assessment, it is expected that medium density development including townhouses, terraces and low rise apartments will become more feasible and start to emerge in and around centres and areas with good access and amenity.

The northern half of the District is expected to continue its current levels of growth, driven by the supply of greenfield

140. Capacity is held the same as that used for the base case forecast .id scenario, with demand adjusted.

land. Ōtaki is expected to continue to further develop supply, surpassing Waikanae as the main location of greenfield growth, as greenfield opportunities in Waikanae become built out and development also starts to turn to intensification.

Looking at each housing area in more detail:

- Paekākāriki currently has very limited residential land available for further development, with most options relying on intensification, which is also constrained by requirements around septic fields.
- Current activity in Paraparaumu is using up the last of the large urban sites within the existing urban area. Over the next 5 -10 years we can expect to see remaining medium size infill opportunities built out. Opportunities for larger scale intensification remain around the District Centre over the medium to long term, but outside these, longer-term development will centre on infill and redevelopment, with a greater focus and viability of medium density development around centres and high amenity areas.
- Raumati has a number of greenfield sites available from land surplus to the MacKays to Peka Peka Expressway that will help provide a large part of its demand for standalone housing alongside on-going infill into the medium/long-term. Once this is exhausted, development will fully rely on infill and redevelopment options, with an increase in medium density development at preferable locations.
- Waikanae is expected to sustain its current high levels of greenfield activity through the medium-term and into the long-term, where current greenfield opportunities will start to become exhausted. Some intensification will start to emerge in proximity to the train station and town centre.
- Ōtaki is considered to continue its current levels of development of large infill sites and pockets of vacant land within the existing urban area over the short and medium term, by which stage, focus and District demand would see the larger greenfield opportunities start to come forward in the area.

- The assessment identifies some noticeable gaps between the amounts of plan-enabled capacity compared to what is feasible or realisable to build. In particular, Paraparaumu stands out.

Property Economics' assessment of residential feasibility identified the strong market for greenfield development and preferences for standalone housing as the reason why other more relatively riskier development types were not seen as currently feasible to develop across Kāpiti. This appears particularly relevant to the Paraparaumu area, where infill and medium density development is provided for around the District Centre.

Curiously, future demand for the Paraparaumu area also contains a high level of standalone housing continuing into the future. As described above, this is more likely to curve towards more medium density development in the medium term as land availability and the feasibility of market conditions start to prefer medium density types of development. Similarly, Ōtaki's higher levels of capacity versus demand stands out, with much higher levels of capacity highlighted given the future potential in the area.

Better understanding how both changing demand and preferences are reflected over time and conditions influencing when and how development is realised on the ground, will be important to inform further work and understanding.

Further assessment and monitoring of the availability of land and levels of development uptake will also help identify the likely timing of these changes and help inform future updates of the assessment of development capacity.

Updated Census data and forecast population modelling will also help track changes into the future. This information will also be important to inform the planned review of the Development Management Strategy.

4.0 Business Demand and Capacity

The NPS-UDC also requires us to identify the overall sufficiency of development capacity to meet our future demand for business over the short (3 years), medium (10 Years) and long term (30 years).

The following section looks at:

- recent context around business development in Kāpiti
- scenarios for future business demand by industry sectors
- supply of currently zoned development capacity across business areas
- the developability of capacity, including feasibility and realisation of development
- Overall sufficiency against demand

4.1 Business Development Context

Kāpiti has a number of commercial, retail and industrial areas that have historically developed across the District. Commercial and retail areas are typically found at the centre of urban areas, with industrial areas on the periphery. Under the PDP these areas are collectively known and provided for as different working zones. The PDP also recognises a hierarchy across these commercial and retail centres, based on the size and function they play. The hierarchy includes:

- Paraparaumu Sub-Regional Centre (encompassing the District Centre Zone and the Outer Business Centre Zone);
- Town Centres (Ōtaki Main Street, Ōtaki Rail Centre, Paraparaumu Beach, Waikanae and Raumati Beach)
- Local Centres (including Paekākāriki Village, Raumati South and Kena Kena).

In addition to the centres, the PDP also provides:

- an Industrial/Service zone that provides for a range of activities including manufacturing, light industry, fabricating, processing and servicing and repair of goods.
- An Airport zone that provides for business compatible with the areas' use.

These six core business zones cover approximately 362 hectares across the District.

Business area/zone	Total zoned land area in hectares
District Centre	69
Outer Business Zone	26
Town Centre	20
Local Centre	5
Industrial/Service	115
Airport Zone	127
Kāpiti Coast District	Total of 362 hectares

Table 19. Different areas of land zoned for use under the Proposed District Plan.

This HBA recognises these different working zones as business areas. It is also important to highlight that while a large proportion of business activities are located within the main business areas, a proportion can also be found in residential and rural areas.

4.2 Current Economic and Business Drivers

There are some key factors that have shaped the recent demand and supply of business development in the Kāpiti District. These are summarised below⁽¹⁴¹⁾, with further context available from the Sense Partners Report on Future Business Demand and the Strategic Context document which supports the 2018-2038 Long Term Plan⁽¹⁴²⁾.

Population growth is a key driver of economic growth and Kāpiti has historically grown at rates above national levels, but has fallen below in recent years. This is reflected in the District GDP growth, which has generally been at or above the national growth rate from 2000-2016, averaging slightly higher than the national rate at 2.78% a year.

Kāpiti has also experienced solid employment growth, slightly outperforming the national average with a 1.9% average growth over the same period, which has supported recent business activity and demand for land.

A large portion of the District's growth can be contributed to a number of growing industries. These include Construction, Professional, Scientific and Technical Services and Health Care and Social Assistance. In contrast, historically strong industries of Agriculture and Manufacturing, which still contribute to employment and GDP, are slowly declining. These differing fortunes have a different impact on demand for business land across the District.

Type of employment varies by community. In Paekākāriki and the semi-rural and rural areas, over 50% of employed residents are managers or professionals. Meanwhile, in Ōtaki and Paraparaumu Central, over 60% of employed residents are labourers, machinery operators and drivers, sales workers, clerical and administrative workers, community and personal service workers, and technicians and trades workers. A large percentage of resident workers also work in lower paid jobs across a number of larger industries in the District, including retail and healthcare sectors. This is reflected in the lower household incomes across parts of the District.

Businesses across Kāpiti are also growing. In 2016, Kāpiti had close to 5,000 businesses employing 16,451 people, an increase of 1,164 business and 4,196 employees since 2000. While the numbers of businesses employing between 1 and 5 people has declined over this period, the number of large businesses (50+ and 100+) has grown to the point where it reflects the same proportion of large business nationally.

Kāpiti has clear links to the Wellington labour market. 54% of the resident workforce works in the District, while 36% work outside the District, with the majority of those commuting to other Wellington regional centres for employment. Nearly one-third of all employed residents in Kāpiti are self-employed. This is a significantly higher proportion than in the national economy, where self-employment sits at 18.0%.

This means that the fortunes of Kāpiti are linked to Wellington's wider economy. The shock of the Global Financial Crisis (GFC) reflected this where, similar to other Wellington Councils, Kāpiti experienced a sustained level of unemployment, only recovering to pre-GFC levels in 2016.

The GFC also saw the number of non-residential new builds drop off in the District, only starting to increase again from 2014. Interestingly, the construction of farm buildings makes up a large proportion of all non-residential building activity from 2000-2016. Excluding farm building, Paraparaumu Central is clearly the highest concentration of activity, with Ōtaki also a stand out location of activity.

Almost three quarters (71%) of retail spend in Kāpiti comes from local residents, with 14% coming from residents across Wellington. There were concerns that the MacKays to Peka Peka Expressway would impact local access and spend across the District. The latest Marketview report⁽¹⁴³⁾ highlights that in the 12 months since it was opened, spending in the District has increased 8.4% to \$773.4 million. At the same time local residents also spent more outside of the District than they had done previously. It also shows a decrease in passing trade but an increase in tourists and day-trippers spend in the District.

141. Based on data from Statistics New Zealand and Infometrics.

142. <https://www.kapiticoast.govt.nz/media/31464/a-strategic-context.pdf>

143. April 2018

4.3 Future Business Demand

Key Findings

- Kāpiti will require an additional 64,488m² of land, and 61,585m² of floorspace to accommodate future demand for business activities.
- With the additional buffer under the NPS – UDC this equates to demand for an additional 80,701m² of floorspace.
- The largest demand for floorspace relates to an increasing need for healthcare services; with modest increases in retail floorspace, and minor increases in floorspace for commercial and government activities.
- Future demand for industrial land is expected to decline as a reflection of the shift from heavier industries to more services-based activities, smaller scale manufacturing and less land-intensive activities.
- Improvements to the Northern transport corridor could see future demand for business land increase by up to 7% by 2047.
- Kāpiti District's demand projections are sensitive to population growth. Higher population growth will increase future business demand across all sectors. This includes increased demand for industrial land and floorspace over the long-term.

Work to forecast the future demand for business for Kāpiti was undertaken by Wellington economists Sense Partners, who produced joint forecasts for Kāpiti Coast District Council, Wellington City Council, Hutt City Council, and Upper City Council. Forecasting used data on the industry growth and performance alongside population forecasts to identify future scenarios for the demand of business land and floorspace.

Findings were categorised into six key industry groups across the 2017 – 2047 assessment period. The full report and methodology is included in Appendix 1.5.

The assessment adopted the Statistics New Zealand Medium population projection as a baseline. Forecast.id and Statistics New Zealand High population projections were also used to provide higher growth scenarios for comparison.

Based on the Statistics New Zealand Medium baseline projection, the future demand for business land (m²) for Kāpiti, by industry, from 2017 – 2047 is estimated as follows:

	2017-2020	2020-2027	2027-2047	TOTAL
Retail	12,708	7,834	9,836	30,378
Health, Education and Training	6,956	19,088	53,452	79,496
Commercial	270	-535	1,381	1,116
Government	1,389	684	1,585	3,658
Industrial	-6,133	-36,016	-17,318	-59,467
Other	4,602	199	4,505	9,306
TOTAL	19,792 m²	-8,746 m²	53,441 m²	64,487 m²

Table 20. Demand for business land, by industry, 2017-2047.

It is also necessary to translate this demand for land into floorspace requirements to understand the area that future businesses might require for their activities. To achieve this, analysis was undertaken of the existing floorspace and use across the District's business areas. This was considered alongside a number of other factors that could affect the future use of space, including; future increased utilisation of space; and changes in business practices, such as increased use of online retailing.

The future demand for business floorspace (m²) for Kāpiti, by industry, from 2017 – 2047 is estimated as follows:

	2017-2020	2020-2027	2027-2047	TOTAL
Retail	6,354	3,917	4,918	15,189
Health, Education and Training	5,218	14,316	40,089	59,623
Commercial	202	-401	1,036	837
Government	1,042	513	1,189	2,744
Industrial	-2,453	-14,407	-6,927	-23,787
Other	3,451	150	3,379	6,980
TOTAL	13,814 m²	4,088 m²	43,684 m²	61,585 m²

Table 21. Demand for business floorspace, by industry, 2017-2047.

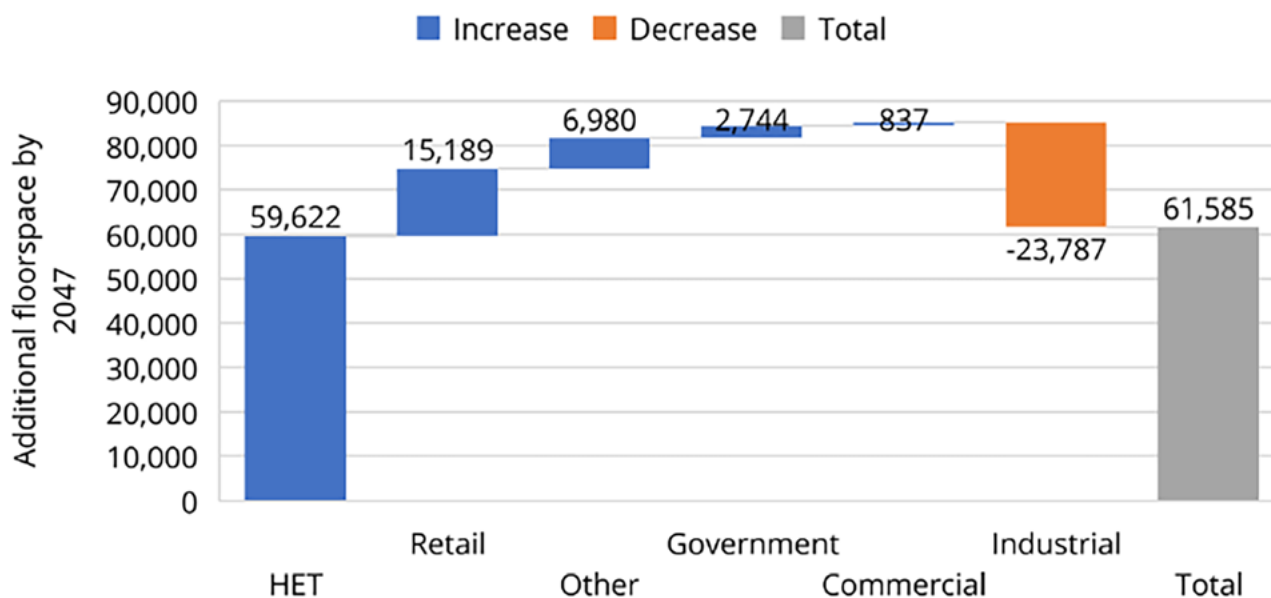


Figure 2. Demand for additional floorspace, by sector. Source: Sense Partners

In accordance with the NPS-UDC, a buffer of 20% is added to the short and medium-term demand, and 15% is added to the long-term demand of our baseline projection, to ensure enough capacity is available to meet fluctuations in demand. The resulting inflated demand for business floorspace (m²) for Kāpiti, by industry, from 2017 – 2047 is estimated as follows:

	2017-2020 (+20%)	2020-2027 (+20%)	2027-2047 (+15%)	TOTAL
Retail	7,625	4,700	5,656	17,981
Health, Education and Training	6,261	17,179	46,103	69,543
Commercial	242	-321	1,191	1,113
Government	1,250	616	1,367	3,233
Industrial	-1,963	-11,525	-5,888	-19,376
Other	4,142	179	3,885	8,207
TOTAL	17,558 m²	10,829 m²	52,314 m²	80,701 m²

Table 22. Inflated demand for business floorspace, 2017-2047.

- The largest demand for floorspace relates to an increasing need for healthcare services. Sense Partners' modelling identified Kāpiti as increasing its share of the region's aged care market from 7.6% of regional activity to 13.2% of the sector by 2047. This additional activity is expected to increase employment and lift demand within the Health, Education and Training sector.
- Modest retail growth was also forecast, while only a minor increase was expected to levels of commercial or government activities, which are predicted to increasingly remain in Wellington's CBD.
- Like elsewhere in the Wellington Region, a changing industrial sector is seen to reduce future land needs as the sector continues to shift away from heavier industry towards the service industry. This reflects a general change in the sector away from heavy manufacturing activity towards more intensive uses including logistics, printing and food manufacturing.

Improvements along the Northern transport corridor were identified as an important factor lifting future demand in Kāpiti. While Wellington City will continue to attract workers from the coast to the city, increasing accessibility along the northern transport corridor was seen as deepening the pool of available labour that makes it easier for firms to locate, connect and operate from both Kāpiti and Wellington City. The effect of this when modelled identified a potential 7.6% increase on demand for land.

The rate of population growth and the demographic profile were identified as crucial determinants of how much future business land Kāpiti requires. Sense Partners identified historically strong periods of growth against more modest growth of late, as good reason to look at higher population forecasts in the future.

Scenarios based on forecast.id and Statistics New Zealand's High population projections indicate higher levels of demand for land across the six industry groups. This is similarly expected to lift demand for floorspace across each industry group. Of note, both the forecast.id and Statistics New Zealand's High projections identify long-term growth in demand for industrial uses, despite showing shorter term decline. This will be an important factor to consider in long-term planning processes. Further detail on other growth scenarios is contained in the Sense Partners Report at Appendix 1.5.

Forecast.id population growth scenario for future business land demand (m²) for Kāpiti, by industry, from 2017 – 2047:

	2017-2020	2020-2027	2027-2047	TOTAL
Retail	11,271	10,732	36,366	58,370 m ²
Health, Education and Training	6,397	20,295	69,630	96,322 m ²
Commercial	1,244	976	4,306	6,526 m ²
Government	1,244	976	4,306	6,526 m ²
Industrial	-10,227	-28,040	49,213	10,946 m ²
Other	4,234	933	11,324	16,491 m ²
TOTAL	13,080 m²	4,576 m²	174,209 m²	191,865 m²

Table 23. forecast.id growth scenario for business floorspace, 2017-2047.

Statistics New Zealand high population growth scenario for future business land demand (m²) for Kāpiti, by industry, from 2017 – 2047:

Stats NZ High

	2017-2020	2020-2027	2027-2047	TOTAL
Retail	21,822	17,623	39,408	78,853 m ²
Health, Education and Training	10,507	23,909	74,218	108,634 m ²
Commercial	966	142	3,633	4,742 m ²
Government	2,308	1,665	4,651	8,624 m ²
Industrial	19,837	-11,792	54,424	62,469 m ²
Other	6,936	2,593	12,220	21,748 m ²
TOTAL	62,377 m²	34,139 m²	188,554 m²	285,070 m²

Table 24. SNZ High growth scenario for business floorspace, 2017-2047.

4.4 Business Development Capacity

Key Findings

- Modelling identified:
- 450,031m² of existing business floorspace across the District.
- 424,571m² of potential development capacity available from infill development.
- 872,220m² of potential development capacity available from the redevelopment of sites.
- 953,902m² of development capacity available from vacant sites.
- While the industrial/Service zone has the highest amount of existing floorspace, the District Centre and Airport zones have the largest amount of vacant land available for future development.

This section sets out the calculation of potential development capacity available for business use under the current provisions of the PDP. Development capacity for business measures the amount of potential floorspace available for use. Further detail on the calculation of development capacity for business is available in Appendix 1.7.

To identify floorspace it necessary to first model the potential bulk and scale of building that could be developed on a site under the provisions of the PDP. This takes into account factors including building heights and yard setbacks within each business zone. The model also identifies and removes sites that are protected for designated works(144) under the PDP.

A number of additional assumptions are also made to help simplify the modelling process and to ensure relative consistency in the type and nature of building likely to be developed across the respective business zones. This includes standardising the number of storeys for buildings of a certain height, and standardising the site coverage of buildings within each zone. Using site coverage also helps provides a proxy that accounts for on-site parking on business sites as part of the calculations.

Standardised heights across all business zones	Percentage of site covered by building
15 metres = 4 storeys	Airport Mixed Use 40%
12 or 10 metres = 3 storeys	District Centre 50%
8 metres = 2 storeys	Industrial/Service 40%
Industrial/Service = 1 storey	Local Centre 40%
	Outer Business Centre 40%
	Town Centre 50%

Table 25. Assumptions made for modelling development capacity for business.

144. Where a property has been affected by a designation it has been removed from the assessment. Similarly, a number of properties have split zoning and are modelled for the greatest share of zoning. Properties that contain less than 50% of a business zoning have also been removed from this analysis. Those that have more than 50% of their area in a business zone have their total area included in calculations for business development capacity.

A number of business zones also allow for mixed use, with residential development allowed. To be able to assess and avoid double counting of development capacity, assumptions were made for the potential portion of residential development that might be realised across each mixed use business area. These portions were then separately accounted for in the respective residential and business models.

The model identifies potential development capacity across three scenarios on each site:

Redevelopment:

This scenario is based on the assumption that a site is cleared and rebuilt to the maximum theoretical size allowed within the height, boundary and site coverage limits.

Infill:

This scenario is based on the maximum bulk that could be added alongside any existing building footprint while also staying within height, boundary and site coverage limits.

Vacant land:

A survey of vacant business land was undertaken in late 2018. The redevelopment capacity is applied to these sites given they are vacant.

The table below provides a breakdown of the development capacity calculated across each of the above scenarios for sites across the different PDP zones.

PDP Zone	Existing Floorspace	Redevelopment floorspace	Infill floorspace	Vacant floorspace
District Centre	66,427	194,404	89,350	426,930
Outer Business Centre	43,307	187,696	110,434	45,943
Town Centre	110,166	157,366	90,739	3,444
Local Centre	9,870	56,535	20,472	0
Industrial/Service	203,841	276,218	113,576	154,605
Airport Mixed Use	16,420	0	0	322,980 ⁽¹⁴⁵⁾
Total	450,031m²	872,220m²	424,571m²	953,902m²

Table 26. Existing and available development capacity for business by PDP Zone.

145. This figure includes the remaining floorspace enabled under the PDP for the wider airport area (of 339,400m²).

4.5 Business Feasibility, Realisation and Sufficiency

Key Findings

- Kāpiti has sufficient development capacity available to meet future business demand to 2047.
- High levels of vacant land and additional redevelopment and infill development capacity are available across the Paraparaumu District Centre and Te Roto Drive/Kāpiti Airport areas, which both scored high in the assessment of feasibility.
- Town Centre areas are more constrained, with limited space to develop out, relying on redevelopment and infill opportunities to meet future business demand.

This section outlines the process to assess the overall feasibility of capacity for business development. It then discusses the realisation, or likelihood of capacity being built, before concluding whether Kāpiti has enough development capacity to meet future business demand to 2047.

4.5.1 Feasibility of business capacity

Given the complexities in modelling different potential uses of business land, a Multi Criteria Analysis (MCA) has been used as a way of assessing the feasibility of development across business areas. The MCA uses a range of criteria to help identify relevant merits and constraints within business areas, to provide a picture of preferences for business development across the District. Details of the MCA process are available in Appendix 1.6

The Property Group was contracted to help develop and facilitate the MCA process. This included the development of relevant business criteria as well as facilitating a workshop with a number of local land developers, commercial real estate agents, a registered land valuer and Council Planning Officers.

Seven business areas were identified across the District to be assessed as part of the MCA process. These included:

- Ōtaki Town Centres and Industrial area
- Waikanae Town Centre and Industrial area
- Paraparaumu District Centre, Outer Business and Industrial area
- Te Roto Drive / Kāpiti Landing Airport and Industrial area
- Paraparaumu Beach Town Centre
- Raumati Town Centre
- Paekākāriki Local Centre

Maps of the seven business areas assessed by the MCA can be found below. It is important to note that the seven areas do not include all zoned business areas. A number of local centres and industrial areas were excluded from the assessment based on their smaller size and dispersed nature, or location with rural areas. Similarly, some business locations cover several different business zones. The MCA focused on assessing the merits or otherwise of the broader business area, rather than focussing on the specifics and differences of the zones that sit within it.

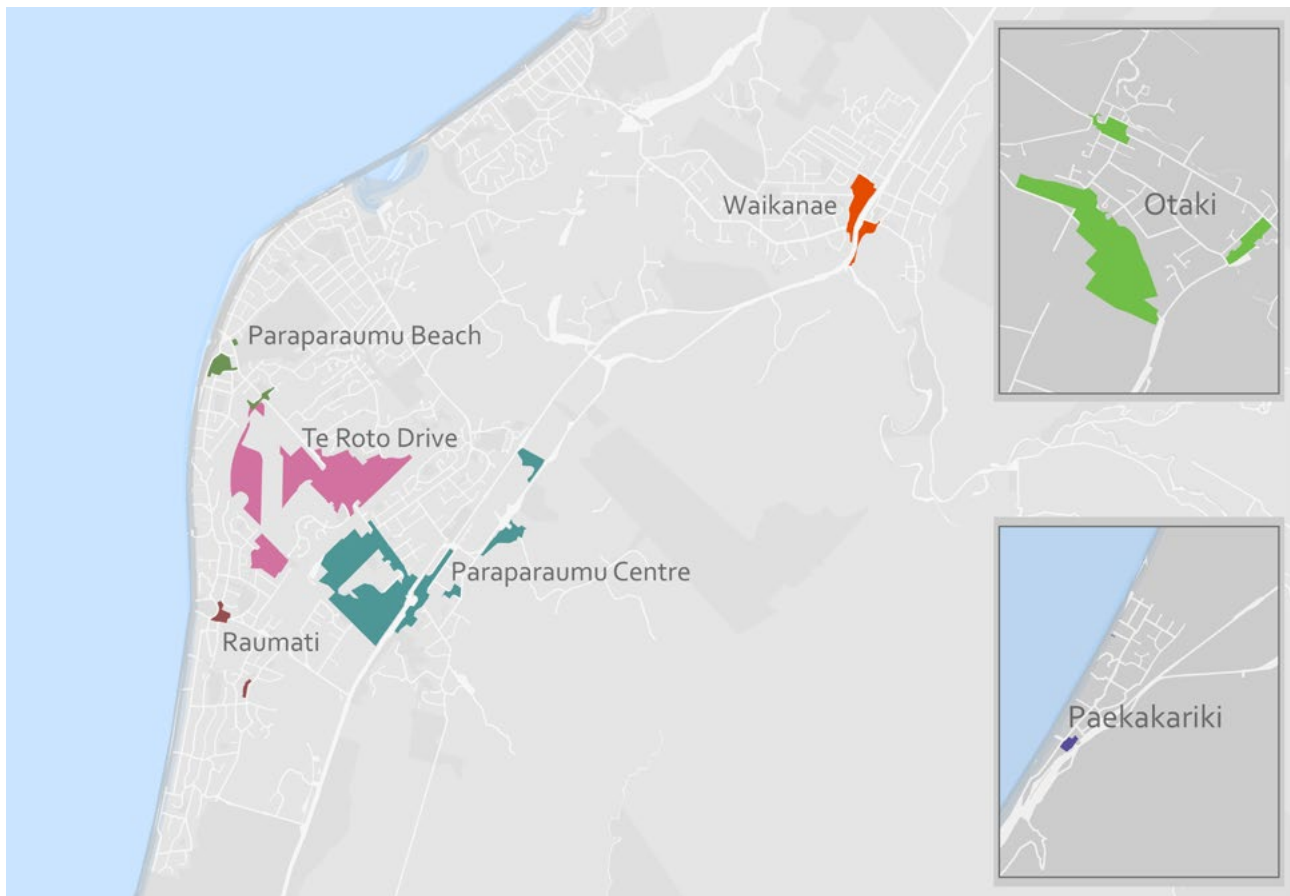


Figure 3. Map of business areas analysed for business development capacity

The workshop assessed and scored each of the business areas against each criterion. Scoring used a scale from 1 – 5, with 1 being low, 3 medium and 5 high. Criteria addressed business considerations including proximity to transport connections (road, rail, airport and port), infrastructure servicing, costs of land, access to consumers and labour, ease of development, resilience to hazards and planning constraints.

This process captured local understanding and considerations across each of the broader locations. Council Officers also helped provide context for the discussion, particularly around planning constraints. Discussions used comparisons between business areas to help form a baseline from which to moderate across the locations.

Overall, the assessment and scoring provides an appreciation of the strengths, weaknesses and overall characteristics within and between the business areas. All business areas rated above average, ranging from 56% to 73%. This, alongside examples of recent development (discussed further as part of the realisation), suggests that the development capacity provides feasible development opportunities within and across the business areas in the District.

The table below identifies, the overall MCA score by each of the business areas. A full breakdown of each areas scoring against each criterion is attached as Appendix 5.2.

Workshop Business Area	MCA Score	Existing floorspace	Redev floorspace	Infill floorspace	Vacant floorspace
Area 1 Otaki	39	85,436	165,169	92,200	127,290
Area 2 Waikanae	44	37,746	51,031	51,728	0
Area 3 Paraparaumu District Centre	45	143,960	417,968	210,529	474,418
Area 4 Airport/Te Roto Drive	51	112,116	99,192	25,569	350,055 ⁽¹⁴⁶⁾
Area 5 Paraparaumu Beach	48	46,261	64,644	8,066	2,139
Area 6 Raumati Local Centre	46	8,734	12,982	6,532	0
Area 7 Paekākāriki Local Centre	39	5,230	19,522	1,642	0
Other ⁽¹⁴⁷⁾	NA	10,547	41,712	28,305	NA
Total		450,030 m²	872,220 m²	424,571 m²	953,902 m²

Table 27. MCA assessment of feasibility by business area.

- Te Roto Drive/Kāpiti Landing Industrial and Airport areas scored the highest in the assessment. This reflects the desirability of the location with its good transport connections and access, clustering and ease of development in the area.
- Paraparaumu Beach and Raumati town centres also scored highly. This reflected the characteristics of both areas being higher amenity locations that attract visitors and tourists with a good clustering of business such as restaurants and boutique shops. The surrounding area and ground conditions were also seen as factors reflected in high scores for developability and resilience to hazards.
- Paraparaumu Centre scored in the middle. Although the Centre has excellent access to transport and public transport, with large potential for development, the availability of parking, access to land to develop, and underlying ground conditions resulted in lower developability and scores relative to other locations.
- The Waikanae area consists of a town centre and surrounding industrial land. While the areas proximity to roading corridors was lower, it had high public transport access. Waikanae was also identified as having good resilience to hazards, and a strong clustering of businesses and services serving the surrounding community.
- Ōtaki includes two town centres and an industrial area to the south. Scoring for Otaki's overall access was lower than others, reflecting its location at the northern end of the District, but this was seen to improve with the completion of the Peka Peka to Ōtaki Expressway. While recognised as having available industrial land at lower prices than Central Paraparaumu, this was seen to be offset by some of the challenges and costs to develop parts of the area, which are susceptible to flooding.
- Similarly to Paraparaumu Beach and Raumati, Paekākāriki was recognised as a busy local centre, catering to its local population and an increasing number of tourists/visitors.

146. This figure includes the remaining floorspace enabled under the PDP for the wider airport area (capped at a total of 339,400m).

147. Includes industrial sites in rural areas and smaller local centres.

4.5.2 Realisation of business capacity

Similar to residential development capacity, it is important to be realistic around the differences between current capacity enabled under the PDP, its take-up and the current realisation of development.

There is currently a large gap between the bulk, height and scale of existing buildings across the District compared to what is enabled under the PDP. While a greater scale of Plan-enabled capacity is available, this is not likely to be realised until market conditions are more supportive. This includes the growth and demand from population, but also competition around development of space. While we have seen some changes in activities across some business areas in response to improved accessibility from the Expressway, many still have a number of vacant or low value uses in the vicinity.

Recent activity includes examples of redevelopment of sites including new retail (Spotlight) and the new Forsyth Bar commercial building on the periphery of the District Centre with a number of consented developments also in the area. Similarly, we have seen a change of uses within the Kāpiti Landing area with Tuatara Brewery, a new coffee roastery and gyms appearing alongside more traditional trade and construction activities. Paraparaumu Beach also has a new bar/restaurant development, with Ōtaki's industrial area also seeing new buildings and business locating to the area, as well as large lots being taken up for use by freight and logistics.

The nature and type of business development taking place identifies that opportunities and options are available for business development across the District, as well as capacity to accommodate further growth across the District.

While some of the larger centres do have room to grow beyond what is currently there now, many of the Town Centres across Ōtaki, Waikanae, Raumati and Paraparaumu Beach and Paekākāriki village, are already in built up areas and have limited options for developing vacant land. In these instances, we would expect to see higher levels of repurposing or redevelopment of old or low value buildings as demand in these locations increases. We will look to identify activity of this nature as part of the future quarterly NPS-UDC monitoring of consent activity.

4.5.3 Sufficiency of business capacity

The MCA results help to assess whether available development capacity is sufficient to meet future needs across the District. While the future demand for business land is provided at a District level, we can use our understanding of current business activities to assume where future development might locate and the sufficiency of capacity in those areas.

Overall, the assessment of the redevelopment, infill and vacant land scenarios, identifies a large amount of development capacity is available to meet future business demand across the District. The MCA also identified some clear preferences for business activities and where they might locate.

Future retail, commercial and government activities are likely to locate in the District Centre or Town Centre areas, with a core expected to locate in Paraparaumu as the Sub-Regional Centre. These same preferences are also likely to see some industrial activities locate in Paraparaumu. Others will likely seek the advantages that Ōtaki offers with regards to price, location, improved future access and ready availability of space.

Town centres, while having limited vacant opportunities, can be expected to see space and opportunities recycled and redeveloped as the population and local demands increase. Recent activity in the Paraparaumu Beach area is an example of this.

Health education and training is seen as a significantly expanding area. A large proportion of this could be expected to be located in Paraparaumu District Centre and other Town Centres, which are accessible and already provide for a range of related health services. Waikanae and Ōtaki can also expect to receive a share of this activity given the higher levels of future growth in their areas, as well as an increasing share of population over 50. It is also important to recognise that a portion of future demand around health services may also be located in residential areas as part of retirement villages.

5.0 Infrastructure

Key Findings

- Planning for growth is an on-going challenge for Kāpiti, requiring significant on-going investment.
- Integration of population forecasts and planning processes means that most of Kāpiti District's local infrastructure networks have identified and planned for future investment of networks to meet foreseeable needs of growth across the District.
- Stormwater capacity is a significant challenge in the District. However, provisions in the Proposed District Plan, including requirements for hydraulic neutrality, will help mitigate the impact of new development, while Council addresses existing stormwater issues through a \$250 million programme of works.
- Ōtaki has a number of potential constraints to its water and wastewater networks due to higher levels of anticipated growth occurring – further work is underway to identify relevant investment and upgrades to ensure sufficient infrastructure is in place to meet longer-term growth in the area.

The availability and costs of infrastructure to service new development is a significant factor affecting how and where growth and development takes place.

The NPS-UDC requires that we consider the availability of infrastructure in our assessment of capacity. Under the NPS-UDC, development capacity must be either:

- serviced with infrastructure in the short-term (3 years);
- serviced or have funding identified in the Council's Long Term Plan for the medium term (10 years);
- identified in Council's infrastructure Strategy for the long-term (30 years).

Overall, Kāpiti is well placed to meet future needs across its range of local infrastructure. This includes the ability for most networks to meet anticipated growth beyond the next 10 years, and in the majority of cases, out to 30 years. However,

this requires significant on-going investment, and is not without its challenges; with a number of planned investments providing critical points to meeting needs of new growth, such as new water mains to service Greenfield growth in Waikanae.

Going forward, it will be increasingly important to monitor and manage infrastructure capacity, costs, and the efficiency and effectiveness of networks and services, alongside future growth across the District.

This section provides a summary of an assessment of Council's water supply, wastewater, stormwater (collectively known as three waters), local transport and open space networks. The full assessment is available in Appendix 5.3, and looks more closely at the ability of each of the Districts networks to be able to meet forecast growth for the District, while continuing to meet the needs of existing residents and business needs.

Regional assessments have also been provided on the capacity of the State Highway network, public transport and schools, across Wellington councils.

5.1 Three Waters

Results from recent modelling⁽¹⁴⁸⁾ indicate that Kāpiti has sufficient capacity available across most of its large three waters networks to meet the needs of future growth and development. This includes catering for both key areas of greenfield development, but also areas of likely infill across existing urban areas.

One area where capacity is potentially constrained is in Ōtaki. Ōtaki currently has existing deficiencies in its water storage that are proposed to be addressed around 2024/25 as part of longer terms plans to service growth in the area. While this deficiency means that service levels for storage are not being met, it is not considered a constraint on growth in the area. The assessment also identified potential constraints in Ōtaki's wastewater and drinking water networks over the medium to long-term.

148. This includes the Kāpiti Coast water modelling phases 4+5 - Water Network Development Plan, Stantec, 2017; Paraparaumu wastewater model update stage 2: Recalibration & system performance, Watershed, 2017; Waikanae Wastewater Modelling Ngarara Development Impact Assessment, Watershed, 2015

This constraint is largely due to previous assessments predicting static growth in the area, which is now predicted to continue to increase moderately, in part a response to the construction of the expressway and more affordable housing outside of Wellington. The impact of this additional growth occurring is that available capacity could be taken up sooner than anticipated. Council is currently undertaking modelling to identify what additional investment and upgrades might be required to ensure sufficient infrastructure is in place to meet longer-term growth in the area.

While identifying these potential constraints, the assessment of Ōtaki identified that both the drinking water and wastewater networks had enough capacity to meet growth over the next ten years on the basis of the current design of the networks, efficiencies achieved through water metering and smaller planned upgrades.

Stormwater capacity is also a significant challenge in the District, as a large number of existing urban areas are impacted by flooding. This is largely a result of early pipe networks being put in place in accordance with what was required at the time, without foreseeing long-term changes to the District's growth and climate.

To address this, Council has committed to a \$250 Million programme of works to increase capacity of the stormwater network; with future risks of flooding continuing to be controlled through planning restrictions on developing land susceptible to flooding. All new development is also required to be hydraulically neutral. This requires all new development to mimic pre-development runoff regime(s) and offset/design stormwater impacts both in terms of quantity and quality in all new development. As a result, this assessment assumes that all new development will meet hydraulic neutrality requirements and that new growth will not impact or be impacted by the current stormwater constraints.

5.2 Local Road Network

The local roading network is vital to Kāpiti to enable the movement of people, trade and goods. The assessment of the local road network identified a range of on-going challenges, including congestion and parking. Some of these are able to be managed and mitigated through programmes of work and the resource consent process, while others will worsen and effect growth if not managed effectively.

Currently, congestion and parking issues are experienced at both the Paraparaumu District Centre and Waikanae Town Centre. In the case of Paraparaumu, greater accessibility to central Paraparaumu has contributed to congestion on Kāpiti Road. Current traffic levels average in excess of 27,000 vehicle movements per day, and this is predicted to increase.

Similarly, the traffic in Waikanae will increase, particularly as a result of the two large development sites at Waikanae North and Ngarara, and some congestion is experienced at the old state Highway One/Elizabeth Street junction, partly as a result of the rail crossing.

Both Paraparaumu and Waikanae also suffer from increasing and competing demand between parking for daily business and commuter parking.

To mitigate these challenges, the Proposed District Plan identifies a number of notional roads designed to alleviate current and future congestion and aid future access and connectivity of future areas of development. This includes the East-West connector road to help congestion and movement around Kāpiti Road and Paraparaumu District Centre, but also proposed roads connecting and distributing traffic from future greenfield development to the north of Waikanae.

Council has also undertaken parking studies, is updating the Sustainable Transport Strategy, and is working with partners to seek public transport improvements and enhance access and transport connectivity around the two centres/stations. The work relating to parking and improved access to rail stations is particularly aimed at commuters and supporting modal shift away from private cars, alongside a greater use of public transport.

The Mackays to Peka Peka and Peka Peka to Ōtaki Expressways and subsequent revocation of the Old State Highway also provide opportunities to undertake enhancements to the town centres of Paraparaumu, Waikanae and Ōtaki. These include improvements to connectivity, safety and amenity, such as pedestrian crossings and better civic spaces, which can be achieved as a result of significantly lower traffic volumes on Old State Highway One.

5.3 State Highway Network

NZTA have provided an assessment of the State Highway network Appendix 1.8. The assessment identifies changes to the Government Policy Statement on Land Transport 2018 (GPS) that supports locations preferred for future development to consider the 'capacity of the state highway network' but also how the transport system overall can support land use and seek to encourage growth in areas that can be well-served by public transport and increased use of active modes. This includes increasing housing supply in areas that are able to be connected by public and active transport and providing an opportunity to reduce reliance on private vehicles and support mode shift.

The assessment identifies the concentration of regional employment in Wellington City as contributing to a significant and concentrated peak demand on both road and public transport networks. In turn this creates congestion which creates significant travel delays and unreliable journey times for freight, private vehicles and bus services. For people travelling from the north, high demand for travel during the peak is placing significant pressure on capacity.

Key congestion/pinch points in Kāpiti include State Highway One at Ōtaki (particularly during holiday periods) and the Centennial Highway between Pukerua Bay to Paekākāriki. A number of sections of the state highway network, including the Centennial highway, have also been identified as being extremely, highly, or very highly vulnerable to earthquake, tsunami, or storm risk.

In light of population growth and increasing demand for travel, a number of projects are underway or proposed, to improve capacity and performance of the State Highway network. Transmission Gully and Peka Peka to Ōtaki Expressway (2018-2020) and the proposed Ōtaki to north of Levin Expressway (2021-2028) are of particular relevant to the Kāpiti District.

5.4 Public Transport

A public transport assessment has been provided by Greater Wellington Regional Council, and is provide in full at Appendix 1.9.

The assessment highlights the significant proportion of growth that is expected to occur in both central Wellington City and to the north in Kāpiti and Porirua.

Rail is identified as playing a significant role in providing for on-going access between the regional CBD and growth to the north. The priority is to improve rail's reliability, capacity and frequency, and over the longer term the aim is to further improve journey times and reach.

This is reflected in the Regional Land Transport Plan 2015's priorities to improve efficiency through service patterns and inner/outer hubs, more express trains from the outer network, and expanding park and ride facilities in Paraparaumu and Waikanae.

Increasing growth and congestion on roads has also seen an increased pressure on the overall transport network, including public transport network, which is at or near capacity at peak times.

Patronage growth on the rail network has been much higher than anticipated. While there is scope for increasing capacity on the rail network, there is a need for on-going investment to enable continued growth. Funding has recently been committed for some upgrades to the track assets to enable increased services, but further investment will be needed to enable future growth, including investment in new rolling stock. This is being looked at as part of improving rail connections between Wellington CBD and the lower north island (Palmerston North and Wairarapa).

The role of bus transport in its critical role is moving large numbers of people, and for providing access to centres and the core rail network in other parts of the region.

Public transport is important to support accessibility across the District. This is particularly important for Ōtaki, where the need for improved rail and bus services has long been advocated to support residents access to jobs and services and will be important to support future growth anticipated in the area.

Challenges around land use and transport planning for new growth include:

- ensuring the design of future greenfield areas achieve good connectivity and efficiency for public transport, including pedestrian use and access to public transport hubs.
- intensification of existing urban areas to help improve the viability of public transport in the region (particularly bus services). New growth areas need to be designed and located in a 'smart' way to ensure they consolidate the urban footprint, have a focus on centres and generally increase density

5.5 Open Space

Kāpiti is lucky to be well placed with the number, size and variety of parks and open spaces across the District. Discussion and analysis with the Council's Parks and Open Spaces Team identifies that overall, the District has sufficient open space infrastructure available or planned to meet the needs of forecast growth.

The ability to consider new development on a case-by-case basis at both the local and District scale provides a key mechanism to address any current gaps and future needs and demands. While there are some gaps in services to existing developed areas, this does not constrain new greenfield development, but does present opportunities to fill these gaps through potential future infill developments.

The current review of the open space strategy will refresh Council's strategic priorities for managing the District's open space reserves, including where and how contributions from new development will support the ongoing development of the openspace network.

5.6 Education

The Ministry of Education has provided an assessment (see Appendix 1.11) of school rolls and capacity for the region. Current school capacity varies across the District. By way of summary:

Kāpiti North

- This is a key area of the Ministry of Education's ten year growth plan. The Ministry of Education plan to closely monitor this area and invest in additional capacity.
- There are seven primary schools in this network and one state-integrated school. There is space for 20 students in the state network and 110 students in the state-integrated school.

There is one secondary school in this network. There is space for around 170 students at this school.

Kāpiti South

- There are seven primary schools and two state-integrated schools in this network. There is space for 180 students in the state network and 140 students in the state-integrated school.
- There are two secondary schools in this network. Both these schools are co-educational and are at or over capacity, although one College takes around 300 students from outside its zone.

It is noted that the assessment provided outlines the capacity of schools in their current state. No assessment is made of the ability of these schools to increase their capacity.

6.0 Relationship between Housing and Business Land

The interaction between housing and business land is important as they both support well-functioning urban areas. While complementary, they also compete with each other over space and opportunities to develop. This section discusses a number of the interactions between housing and business land, drawing from a number of the MBIE monitoring indicators.

A number of business zones provide for mixed use, which include the ability to accommodate residential development alongside (or often above) business uses. This includes the District Centre, Town Centre and Local Centre zones, but also the Outer Business Centre zone. As this mixed-use is part of the future development and activity anticipated in these areas, it is important that it is considered in the assessment process.

The residential component of mixed-use zones was estimated by identifying the percentage of residential development we anticipate occurring as part of the overall development capacity for each of the above zones. This was then used to calculate potential residential capacity for each site within each zone, with the residential and business capacity then apportioned into the separate assessments. This ensures the plan enabled residential and business capacity within mixed use areas is reflected in assessments while also ensuring it is not double counted.

While the separate residential and business assessments have looked at demand and capacity across current zoned land, it is also useful to consider what pressures might exist across the two uses on the ground, and how that is treated.

Paraparaumu Beach and Raumati currently have the highest concentration of medium density development in the District. This includes a number of mixed use developments, with apartments above commercial uses. However, this type of development is currently absent from the District Centre, despite existing capacity. The feasibility assessment undertaken by Property Economics identifies that overall feasibility for medium density typologies, particularly around the District Centre, is currently low, and is influenced by market preferences for standalone housing. However, as space decreases and costs of land increase, options for medium density typologies are expected to become more feasible and start to emerge.

MBIE's price efficiency indicators also include a rural-urban and industrial zone differential. This indicator compares the price of land between adjoining uses. A higher differential can indicate that current zoning may be restricting supply for specific uses.

Kāpiti has a number of industrial areas across the District at Ōtaki, Waikanae, Central Paraparaumu, Te Roto Drive/Airport and Matai Street in Raumati. While originally located on the periphery of early settlements, over time these locations have become surrounded by residential activities, which have resulted in higher differential values as competing pressures for residential housing in the areas have increased.

While industrial land often has a lower land value than residential use, this is not to say it should be repurposed. The location and provision of industrial areas are typically subject to a number of considerations. Urban industrial areas are often located on the edge of commercial and residential areas, and managed in a way that mitigates potential impacts on neighbouring uses. Many industrial areas also offer good infrastructure connections. This includes road and rail, which supports efficient freight and supply of goods, as well as access to workers and customers. The consolidation and proximity of activities also helps achieve complimentary linkages and benefits within and across surrounding uses/areas.

While a number of industrial areas currently have vacant or low-use sites, it is important that the space, need and connections for current and future uses are considered alongside the form and function of the wider urban area. In particular, decisions to reduce or relocate uses need to be carefully considered as the requirements and benefits they generate are also important to a well-functioning urban area and can be impacted if marginalised.

In Kāpiti, the long-term demand for business land is expected to grow, increasing demand and use across industrial areas of the District. The current location, size and characteristics of industrial areas also provide a range of choice across the District. It will be important to monitor on-going changes to land availability, including the take-up, and demands from different uses within and across these areas going forward, particularly where the future availability of land to develop is reducing, such as around Raumati and Paraparaumu, but also Ōtaki following completion of the Expressway.

7.0 Monitoring

Policy PB2 of the NPS requires that the HBA considers information about demand including monitoring from market indicators. The following section discusses a range of monitoring information including historic consenting activity and a range of market indicators from MBIE's Urban Development Capacity Dashboard. A subsequent discussion considers what these indicators are telling us, and their implications.

7.1 Historic Development Activity

7.1.1 Historic Resource Consent Activity

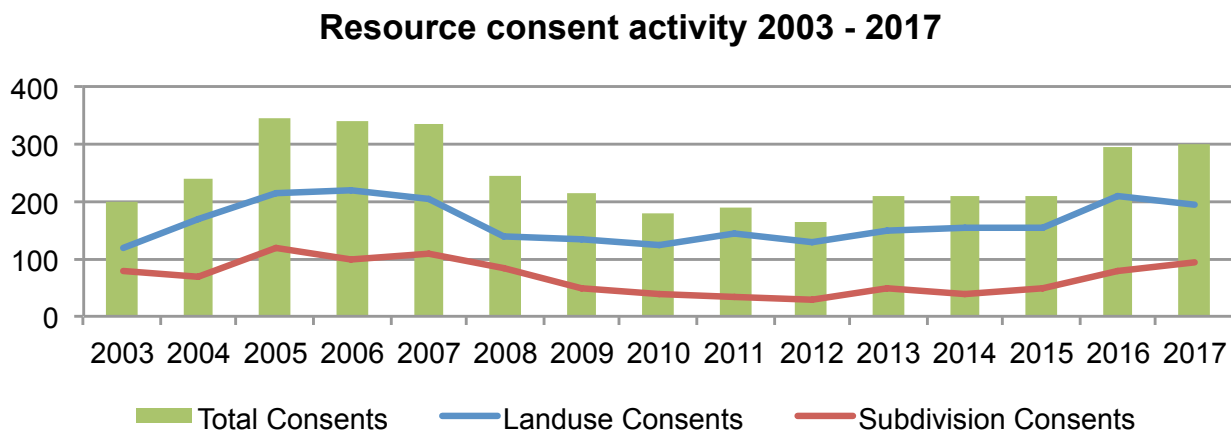


Figure 4. Resource consent activity for Kāpiti Coast District 2003 - 2017. Source: KCDC.

Historic activity shows high levels of consents during the last construction boom in the mid 2000's which then falls off following the Global Financial Crisis (GFC). Following five years of decline, activity starts to recover from 2012 and has been steadily increasing to levels almost matching the high level of activity between 2005-2007.

Landuse consents make up the greatest percentage of resource consent activity. These levels remained comparatively high during the period where overall activity, including subdivision consents, dropped off post GFC.

This reflects a level of sensitivity around subdivision activity, which we would expect following the GFC, with confidence and activity only appearing to start to build again from 2014. Further analysis of this data is required to be able to draw further conclusions and links, particularly to housing outcomes, including the levels of net additional housing that is created through the number of landuse and subdivision consents. We will look to develop this data further as part of future processes.

7.1.2 Historic Building Consent Activity

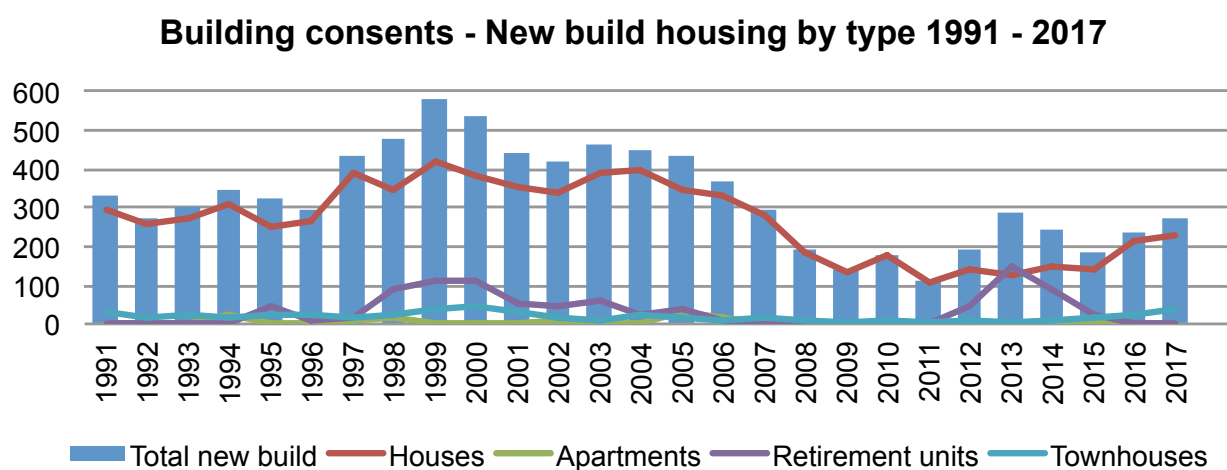


Figure 5. Building consents for new build residential buildings by type for Kāpiti Coast District 1991 - 2018. Source: SNZ.

Residential new build activity is consistent around 300 new builds a year in the early to mid-nineties before an increase in activity through the late nineties and early 2000's. This is followed by a decline from 2005 that, combined with the GFC, continued to 2011 before activity started to increase to current levels (between 200 – 250 new build consents).

Standalone housing dominates the type of housing being built, with low but consistent numbers of townhouses alongside some key peaks in activity around retirement units in the

late 90's and early 2000's with four villages being built in Paraparaumu and the 2012 – 2014 peak corresponding with the development of Charles Fleming retirement village in Waikanae.

It also appears that the increase of house building levels increasing from 2015 correspond with the increase in subdivision activity from 2014 – providing for a lag for land development.

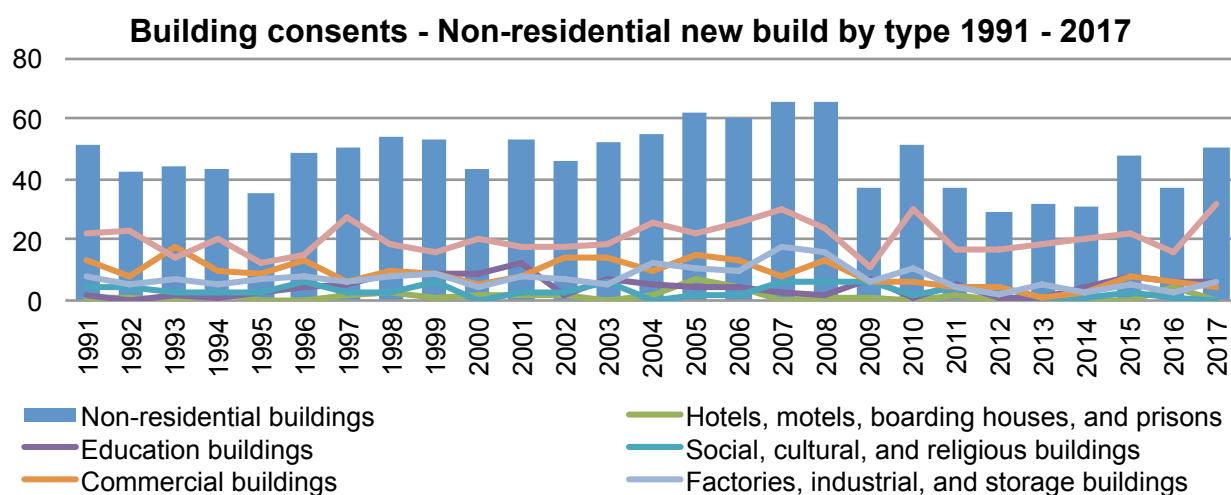


Figure 6. Building consents for new build non-residential buildings for Kāpiti Coast District 1991 - 2017. Source: SNZ.

Non-residential levels of activity ranged between 40-50 consents from 1991 - 2004 before increasing up to 60 from 2005 to 2008. This coincides with peaks in residential new build activity. Activity then drop below historic levels post GFC from 2009 - 2014, before recovering to earlier levels of activity between 2015 -2017.

Rural buildings dominate close to half of all activity. Commercial and factories and storage were both actively developed across 1991 to 2008, but have been more subdued since the GFC, whereas rural activity has maintained previous high levels throughout.

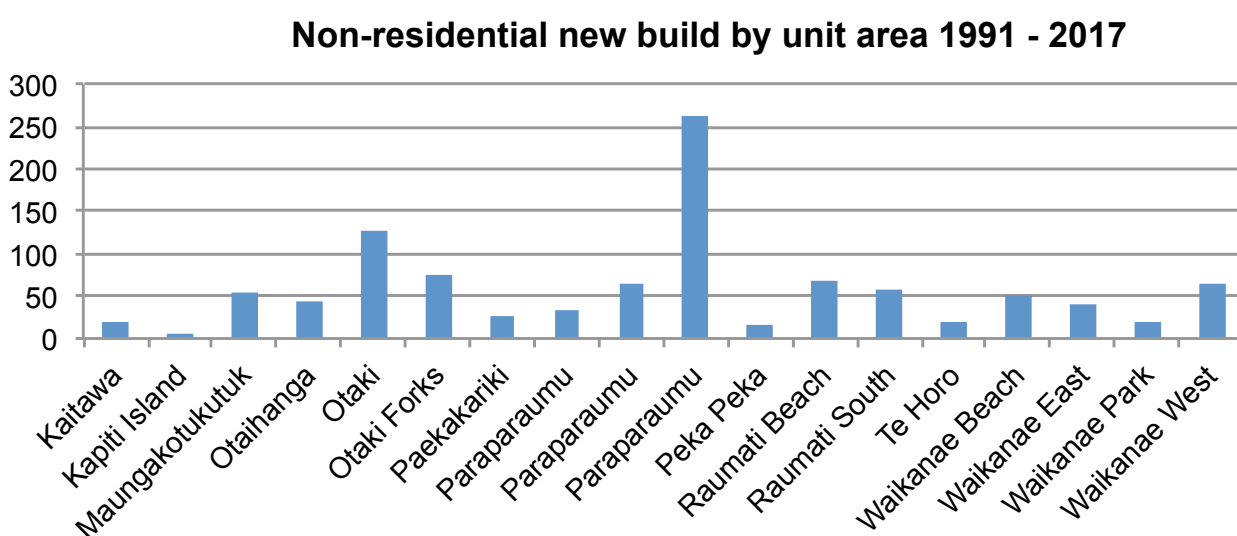


Figure 7. Building consents for new build non-residential buildings (excluding farm buildings) by unit area for Kāpiti Coast District 1991 - 2017. Source: SNZ

Activity for non-residential new builds is clearly dominated by Paraparaumu Central with Ōtaki and a number of the other Town and Local Centres represented in locations with medium levels of activity highlighted.

7.2 Market Indicators

7.2.1 Residential Sales: Median sales price and numbers of sales

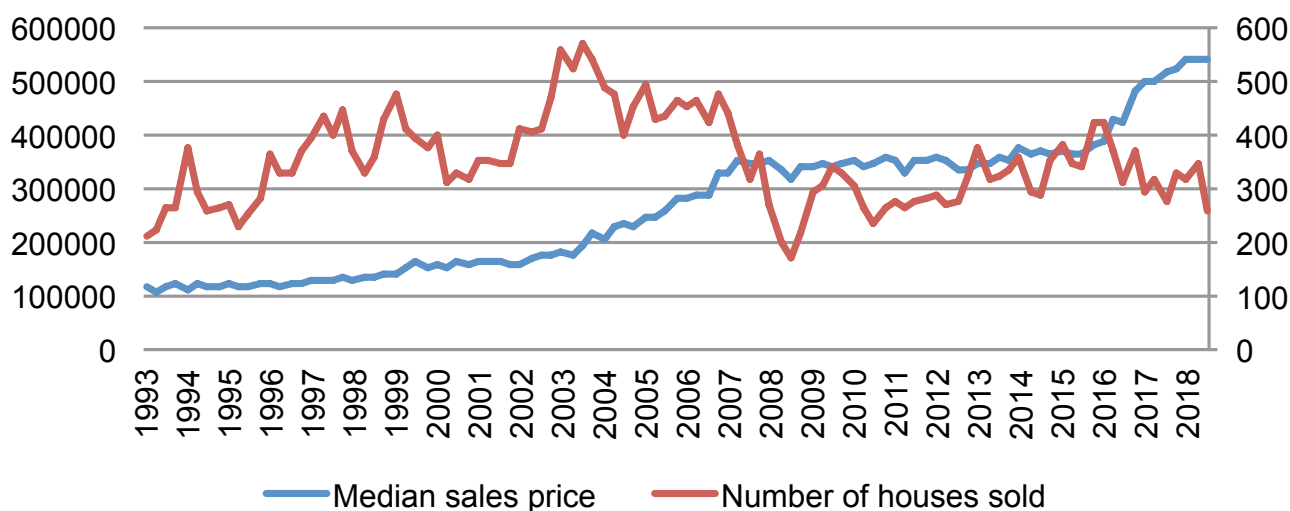


Figure 8. Median residential dwelling sale price and dwellings sold for Kāpiti Coast District. Source: MBIE.

The average dwelling sales price indicator reports the prices of residential dwellings sold each quarter (in nominal terms, not adjusted for inflation, size or quality of dwellings).

The average dwelling sales price (actual) in Kāpiti has increased from \$115,856 in 1993 to \$540,250 in 2018, despite being relatively flat from 2007 to 2015.

The number of dwellings sold per annum dropped sharply between 2003 and 2008 (down from over 500 dwellings sold in 2003), and was steadily increasing to 2016, whereby another period of decline has occurred from 2016 to the most recent data point.

Both trends in house prices and sales show a level of correlation between activities. Comparing the trends shows that house sales started to increase again post GFC and was looking to reach towards previous high levels. However, from 2016 we can see a sharp increase in house value and a sharp fall-off of house sales. Some of this drop in sales activity is a likely result of price increases making housing unattainable by many, particularly first time home buyers in the area, removing that activity from the market.

These trends for Kāpiti reflect similarly across the Wellington region, albeit at a lesser scale of sales numbers and house values.

7.2.2 Residential Sales: Dwelling sales volume as a percentage of total residential stock

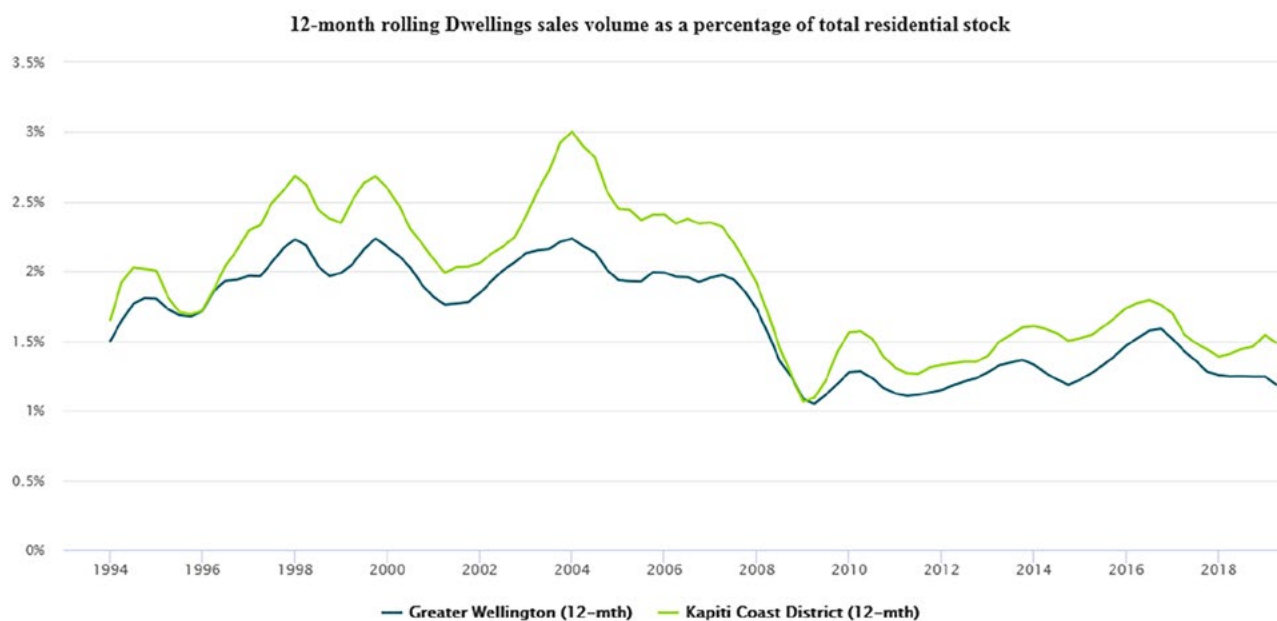


Figure 9. Residential sales volumes as percentage of total residential stock for Kāpiti Coast District and Greater Wellington. Source: MBIE.

This indicator measures the quantity of all dwellings being bought and sold relative to the total stock. It is a measure of activity in the local housing market.

Similar to the previous indicators, 1996 – 2006 saw high levels of proportional sales to stock activity which has since dropped by around 1%. This shows that lots more sales of stock were occurring that has since dropped off. This corresponds with the GFC and then subsequent increases in house prices.

7.2.3 New Dwellings versus household growth

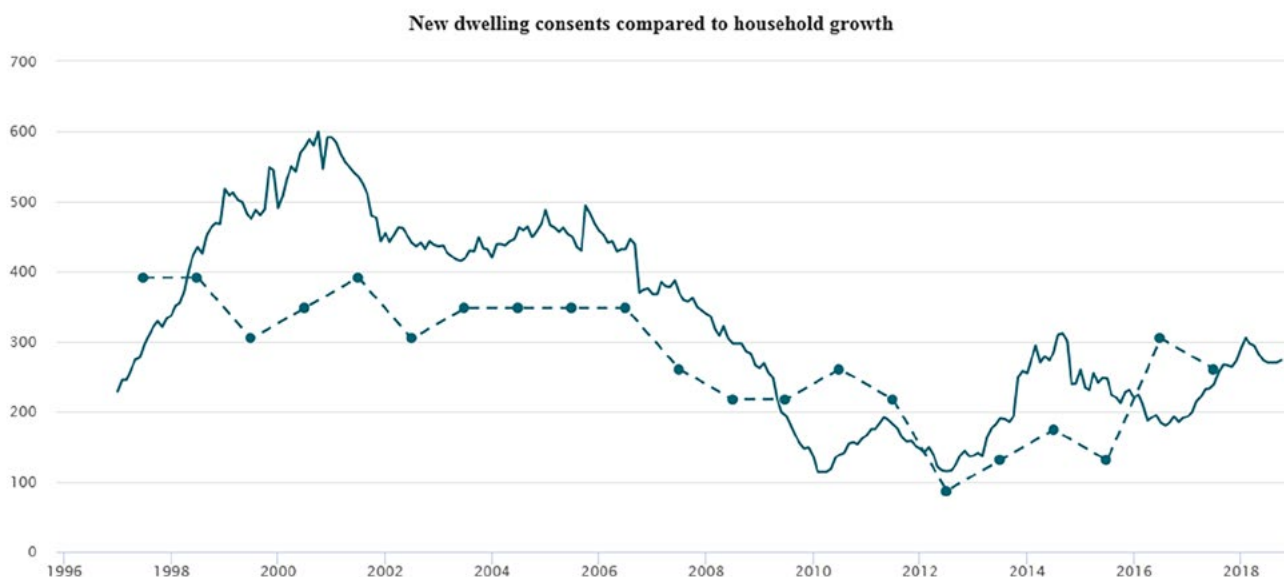


Figure 10. New dwelling consents compared to household growth for Kāpiti Coast District. Source: MBIE.

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 New Zealand

The data indicates that between 1998 and 2008 there was a sustained period and trend of consent numbers remaining higher than population growth levels. However, this changes post GFC, where consent activity drops off but continues to respond following peaks in population growth from 2012. This suggests that more recent activity shows a level of responsiveness between consent and population growth in Kāpiti. Given limited historic data, we cannot determine whether the high levels of consenting activity from 1996 to 2008 was similarly responding to lower levels of activity and high growth.

7.2.4 Land value as percentage of capital value/ Land value of dwelling average

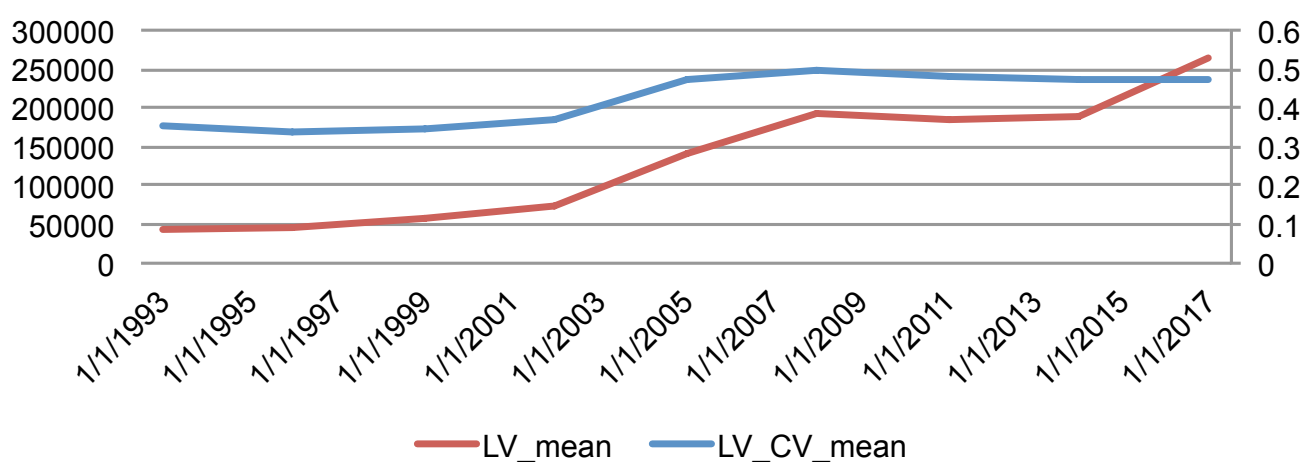


Figure 11. Comparison of land value against capital value and average dwelling value. Source: MBIE.

The indicator showing the LV_mean (red line) shows the mean land prices at each valuation period. The mean is weighted by the number of dwellings in each component meshblock. This shows an overall mean increase in land prices from \$50,000 to 250,000 between 2014 and 2017.

The LV_CV_mean (blue line) shows the share of house values that are accounted for by land prices at each valuation period. A higher ratio indicates that land is more valuable relative to the buildings that occupy it. This indicates that between 1994 to 2000, the mean land value across the District was

approximately 30% of a properties overall value. This increases significantly from 2002 to 2008, increasing to be just short of 50% of a property's value. This means that in many cases, the land a house sits on is worth as much as the house itself. The age and value of housing was one of the factors included in the assessment of infill/redevelopment feasibility. Understanding this further, including how further changes in prices may influence future development activity (particularly redevelopment and medium density), will be something looked at as part of future processes.

7.2.5 Residential Rents

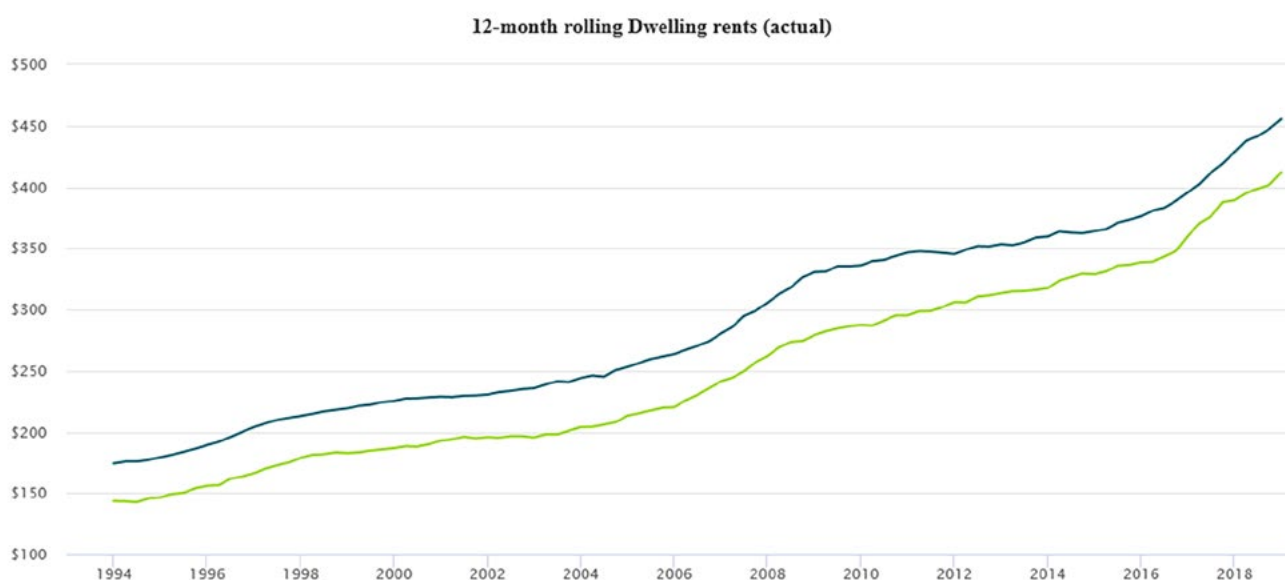


Figure 12. Mean rent data for Kāpiti Coast District and Greater Wellington. Source: MBIE.

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.

Mean rent changes from \$148 in 1993 to \$412 by the end of 2018. Rental rates continue to increase to historic highs. This increase in weekly rental rates reflects similar trends experienced by the wider Wellington Region, but at a lower level. This identifies similar pressure on the demand and availability of rentals across the District and Region.

7.2.6 HAM Buy: Share of first home buyer households with below-average income after housing costs

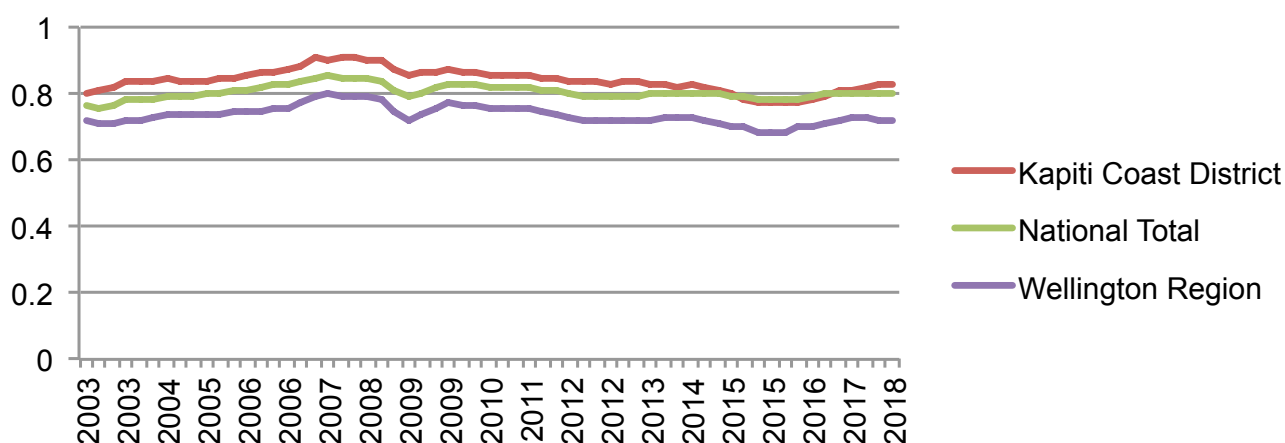


Figure 13. Housing Affordability Measure (Buy) for Kāpiti Coast District, Wellington City Council and Greater Wellington. Source: MBIE.

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.

Affordability for housing is consistently higher (worse) in Kāpiti than both the national and regional average. The dynamics between increasing prices of housing coupled with lower medium income levels are likely contributors to the higher impact of affordability on Kāpiti.

7.2.7 HAM Rent: Share of renting households with below-average income after housing costs

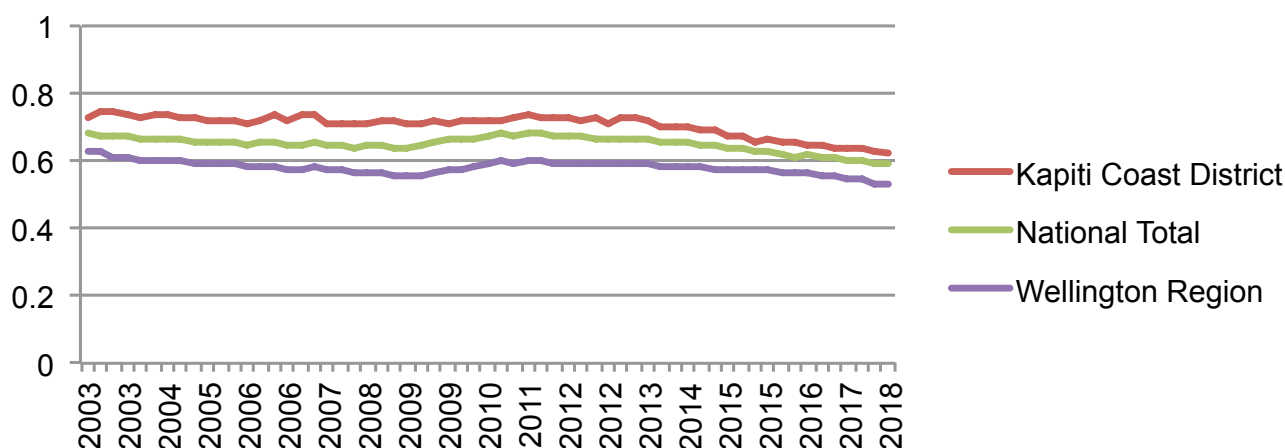


Figure 14. Housing Affordability Measure (Rent) for Kāpiti Coast District, Wellington City Council and Greater Wellington. Source: MBIE.

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

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.

Similar to HAM Buy, affordability to rent in Kāpiti is higher (worse) than both the national and regional average and has been relatively static from 2003 to 2019. This has a slight improvement from 2013 to 2018.

7.2.8 Summary

- Residential and non-residential consenting activity is still recovering from the GFC, but is reaching levels of activity similar to those in the District before the last sustained period of construction from 1997 to 2005.
- House prices and land values have significantly increased over a short period in Kāpiti. This reflects a similar increase seen across the Wellington Region.
- Recent market activity indicates responsiveness between consents activity with population growth, but it is not clear how far this goes towards supplying enough demand to meet need.
- Affordability to buy and rent is higher in Kāpiti than the national and regional average, indicating high levels of housing pressure on current residents
- Sales activity has dropped off as house values increase, a likely sign that more groups of people are becoming priced out of the local housing market.
- Further work is required to understand some of the potential nuances with regards to demand by price point across the District. In particular, the differences between the demand for smaller and more affordable housing compared to the current preferences for larger standalone houses.

7.3 Price Efficiency Indicators

Policy PB7 of the NPS requires Councils to monitor a range of price efficiency indicators

Ministry for Business, Innovation and Employment, and the Ministry for the Environment have developed four price efficiency indicators to provide a deeper insight into the operation of the land market and planning interventions within it. Indicators include: housing price to cost ratio

- rural/urban differential
- industrial zone differential
- land concentration control.

7.3.1 Housing price to 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 figure below.

The price-cost indicator identifies the cost of land against the construction costs to build a dwelling. Typically, the cost of land should be around a third of the cost of a house with construction cost being the other two thirds. When there is a shortage of serviced sections, land prices can push up the cost of housing. So, the gap between the house price and construction costs – the price-cost ratio – can be used as a general indicator of the flexibility of land markets to accommodate new homes.

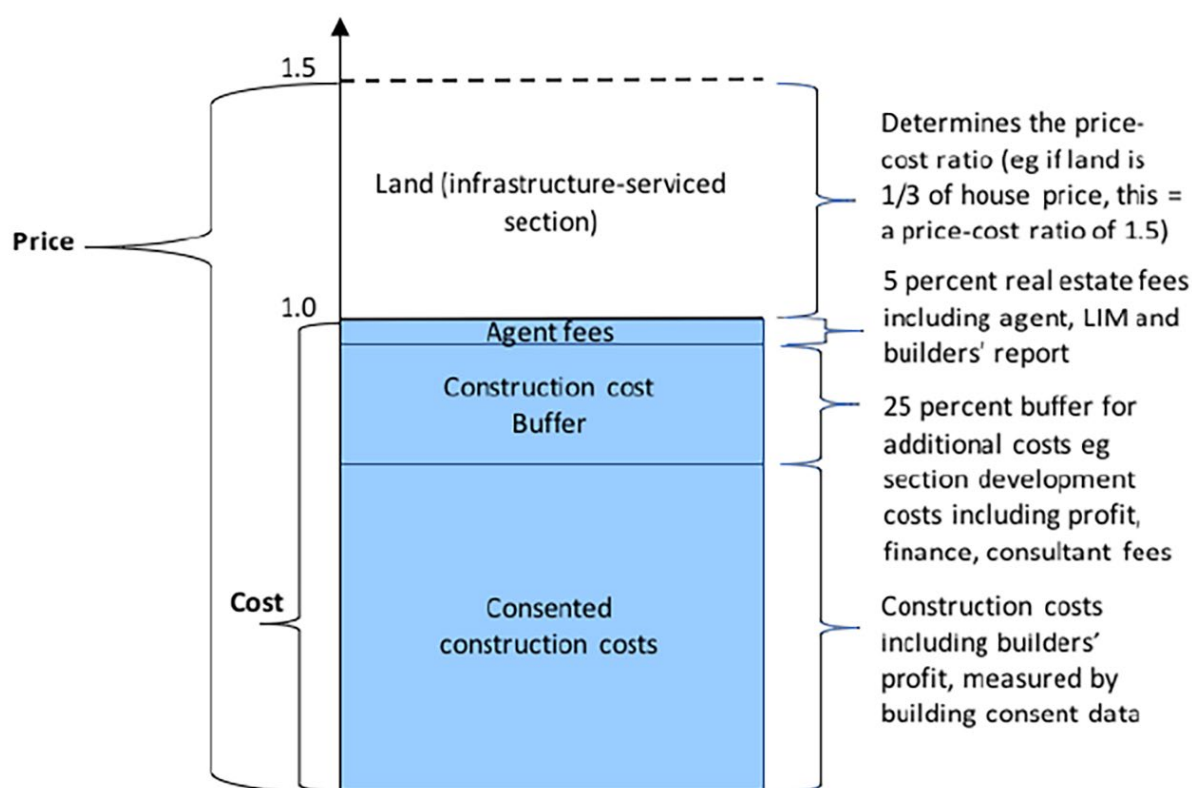


Figure 15. Diagram explaining the composition of the Price- Cost Ratio. Source: MBIE.

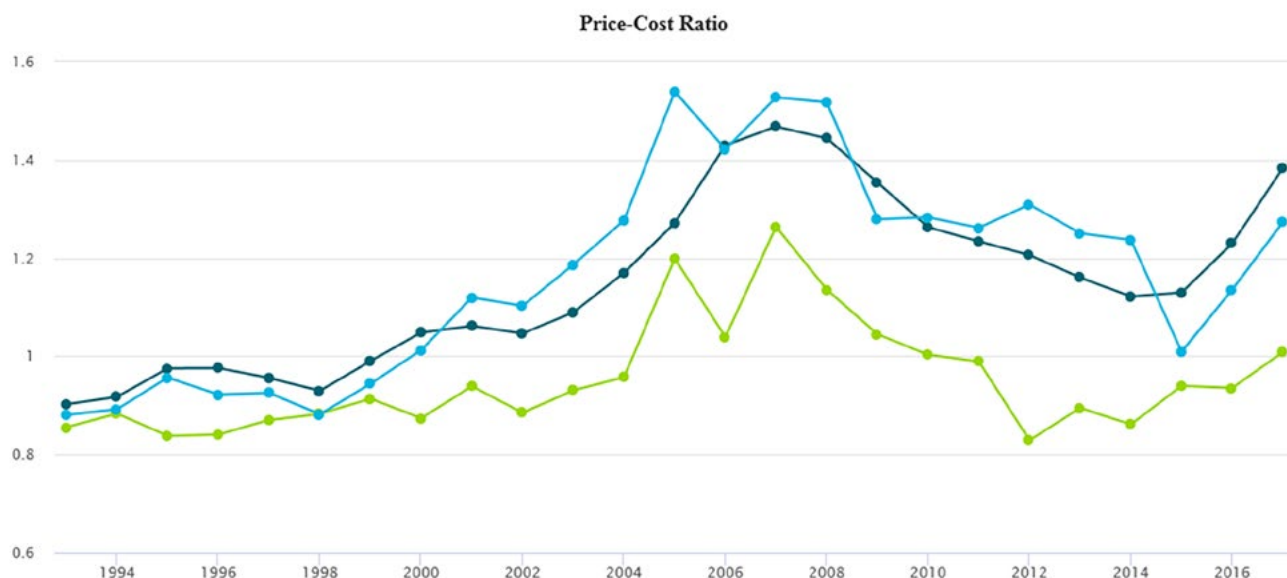


Figure 16. Price-cost ratio for Kāpiti Coast District Council. Source: MBIE.

Ratios between 1 and 1.5 (that is, where the cost of an infrastructure serviced section comprises up to one-third of the price of a home) are common where the supply of land and development opportunities are relatively responsive to demand. All New Zealand urban areas had price-cost ratios of between 1 and 1.5 about 20 years ago when land and housing markets delivered more affordable housing, and these ratios are still common in places where homes are cheaper. Ratios above 1.5 suggest that the supply of sections and development opportunities is not keeping pace with demand and land prices are materially increasing house prices.

The price-cost ratio for Kāpiti has fluctuated between 1 and 1.5 since 1999. This included a gradual increase to a peak of 1.468 in 2007 followed by gradual decline with the more recent sharp increase from 1.130 to 1.384 between 2015 and 2017. This reflects an increase in national demand. Similar patterns of growth and response have also occurred in the neighbouring Districts of Porirua, and in Horowhenua, but at a lower price cost ratio.

7.3.2 Rural/urban differentials for residential land

The rural/urban differential indicator identifies the cost difference between comparable parcels of land that sit on either side of an urban boundary. The indicator accounts for all tangible differences and costs leaving the remaining value difference largely attributable to underlying regulatory land use settings (plan zoning). This indicator is targeted at whether

sufficient capacity is provided, because if sufficient zoned and serviced land is available for development, then the cost or urban peripheral land should be closer to rural prices.

Figure 17 shows the amount of rural land in proximity to urban area across Wellington. Figure 18 shows the cost of that land, which is worth much less than its neighbouring urban areas.

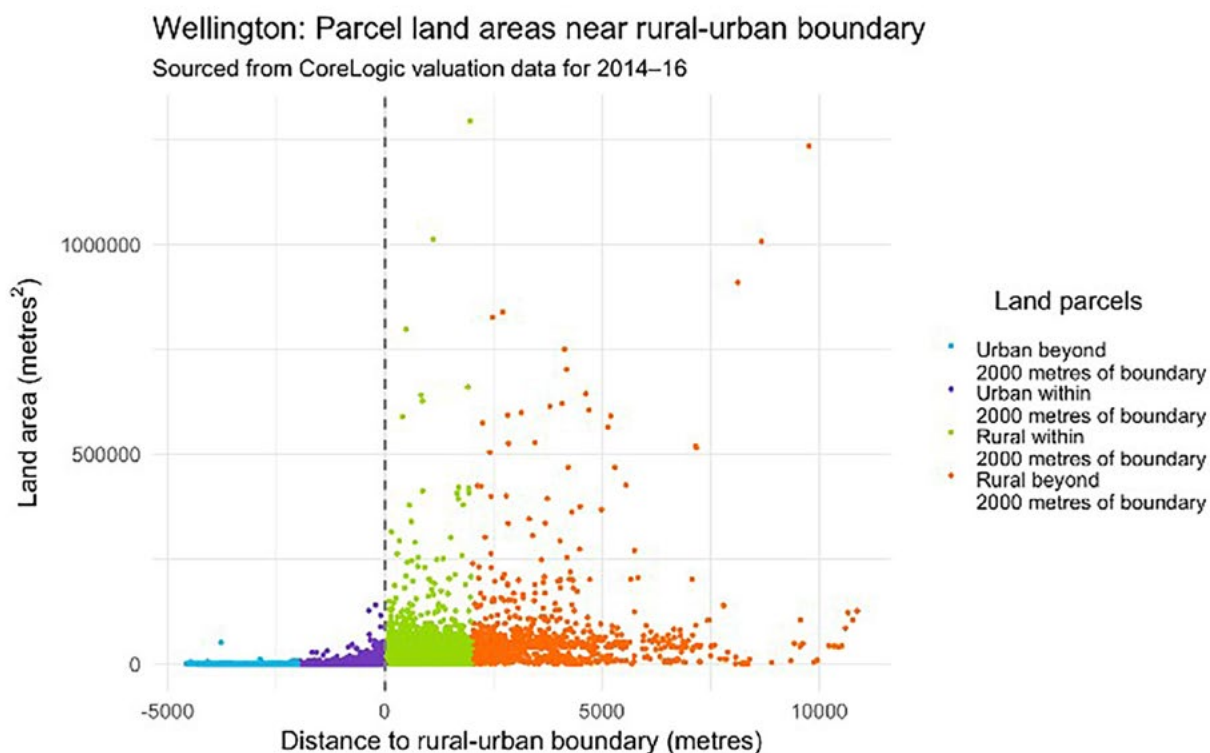


Figure 17. Amount of rural land in proximity to urban area. Source: MBIE.

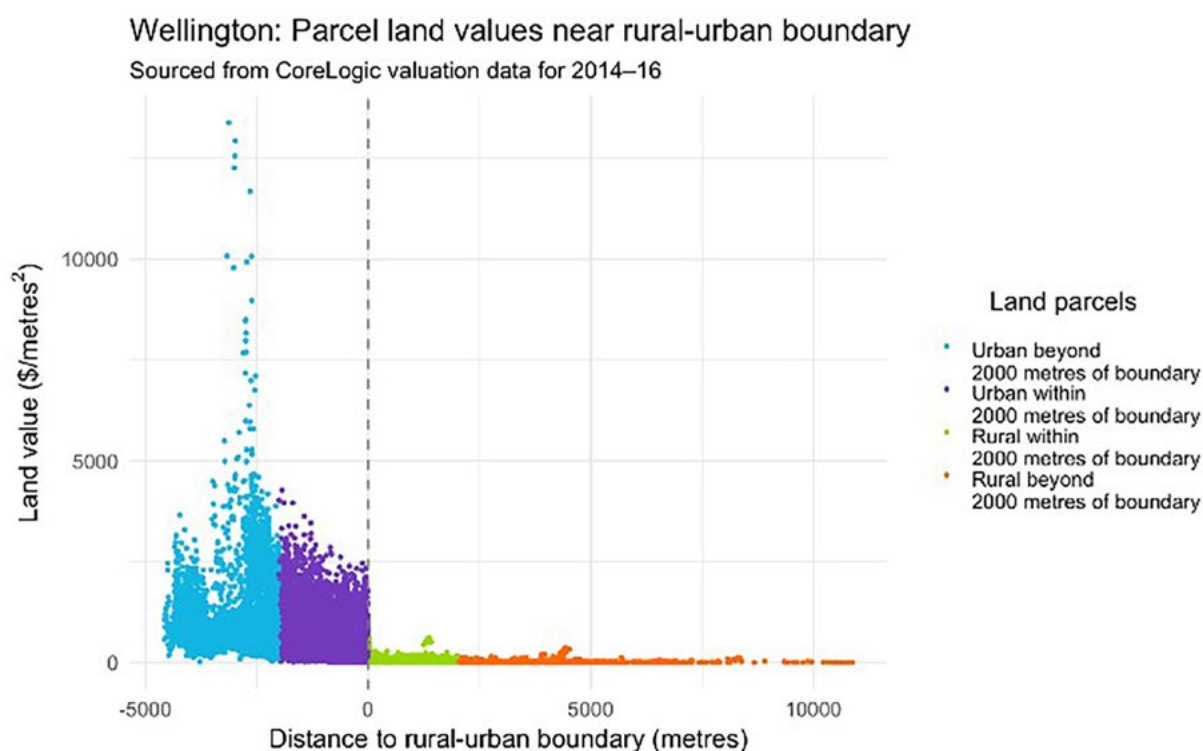


Figure 18. Cost of land in proximity to urban area. Source: MBIE.

The table below shows the ratios for rural/urban differential in Wellington is 2.30, with a difference cost difference of \$201m² and \$120,371 per section (using a 600m section as a comparator across areas). This is well below Auckland's ratio and costs and, the costs for Hamilton and Tauranga (which are high growth areas), but above Christchurch's ratio and cost differentials which have been focused heavily on the rebuild.

The indicator does not provide specific price-cost ratio data for the Kāpiti District.

Urban area	Ratio	Difference (\$/m ²)	Difference (\$/600m section) ¹
Auckland	3.15	\$345	\$206,722
Christchurch	2.23	\$150	\$90,136
Hamilton	2.42	\$227	\$136,213
Tauranga	2.02	\$232	\$139,135
Wellington	2.30	\$201	\$120,371

Table 28. Price-cost ratio comparisons against other urban centres.

7.3.3 Industrial zone differentials

This measure indicates how provision for industrial land matches relative demand to other competing land uses in a location. This includes whether industrial land is worth more (positive) or less (negative) than neighbouring commercial, residential, and rural and if the differences are of statistical significance.

Analysis for industrial zone differentials for Wellington shows that:

- Industrial land is worth less than adjacent residential land in 44% of cases in Wellington compared to 59% of cases in Auckland, but only 35% of cases in Christchurch.
- Industrial land is worth more than adjacent rural land in 47% of cases in Wellington compared to 25% of cases in Hamilton, 50% of cases in Tauranga, and two out of three cases in Queenstown
- There are no cases in Wellington where industrial land is valued more highly than adjacent commercial land.

In general, there is a tendency for industrial land to have a lower value than commercial or residential land, and a higher value than rural land, rather than vice versa.

Urban area	Differential type	Number of zone boundaries	Statistically significant positive differential		Statistically significant negative differential	
			Number	Share	Number	Share
Auckland	commercial	53	0	0%	23	43%
Auckland	residential	66	5	8%	39	59%
Auckland	rural	12	7	58%	1	8%
Christchurch	commercial	18	0	0%	8	44%
Christchurch	residential	37	7	19%	13	35%
Christchurch	rural	17	6	35%	0	0%
Wellington	commercial	25	0	0%	11	44%
Wellington	residential	55	10	18%	24	44%
Wellington	rural	15	7	47%	1	7%
Tauranga	commercial	12	1	8%	6	50%
Tauranga	residential	13	0	0%	7	54%
Tauranga	rural	10	5	50%	1	10%
Hamilton	commercial	5	0	0%	2	40%
Hamilton	residential	10	0	0%	8	80%
Hamilton	rural	12	3	25%	1	8%

Table 29. Industrial zone differentials across other urban centres.

The indicator also provides more detailed data on specific industrial sites within Kāpiti. This identifies that most of the industrial sites do have a lower land value (more than a 15% significance level) than their neighbouring uses. Sites 10 and 12 are two noticeable differences, where industrial land values are higher than neighbouring uses. This reflects consistently with

the MCA assessment looking at overall feasibility and market attractiveness across business areas, where these areas both scored highly given their relative qualities. The consideration of industrial zone differentials is discussed further in the Relationship between Housing and Business Land section.

zone	Adjacent non industrial zone	Number of industrial parcels	Average industrial land value (\$/m ²)	Number of non-Industrial parcels	Average non-industrial land value (\$/m ²)	Difference in land value (\$/m ²)	Ratio of land values	P-value	Statistically significant at 15% level
Site 6 Ōtaki	residential	99	81	254	106	-25	0.767	0	true
	rural	77	67	7	8	59	8.632	0	true
Site 10 Te Roto Drive / Airport	residential	93	280	368	225	55	1.245	0	true
	rural	18	477	1	95	382	4.999	0.105	false
Site 12 Paraparaumu Outer Business	commercial	66	367	34	275	92	1.332	0.534	false
	residential	77	341	382	150	192	2.281	0	true
Site 38 Waikanae South	commercial	3	108	40	483	-375	0.224	0.048	true
	residential	3	108	139	285	-177	0.379	0.989	false
	rural	3	108	6	16	92	6.77	0.024	true
Site 40 Waikanae North	residential	3	156	147	394	-238	0.395	0.006	true
Site 42 Te Horo	rural	77	67	7	8	59	8.632	0	true
Site 46 Airport North/ west	residential	10	420	128	274	146	1.534	0	true
Site 52 Matai Road	residential	7	272	273	257	15	1.056	0.83	false

Table 30. Kāpiti industrial zone differentials by site.

7.3.4 Land concentration control indicator

Unlike the other three price efficiency indicators that show potential impacts of land regulations on the use and value of land, the land concentration control indicator identifies the extent of land ownership for undeveloped residential land. The indicator shows land ownership as a percentage of that available, and by location, which can help understand how competitively land is held. For example, a situation where there are larger tracts of land but only a handful of owners would have a lower index score as opposed to an area with a higher ratio of properties and landowners which would have a higher index score. A higher index score generally indicates better competitiveness of land holdings. However, the score and impacts on the availability and costs of land in each location

is also subject to local knowledge and interpretation as the measure shows the conditions for competitiveness, but not the actual behaviour of landowners.

The table of results below identifies Kāpiti as having a market-land concentration index score of 539. Auckland has the lowest on 57, with Upper Hutt the highest at 1476. Kāpiti has a higher index score than Wellington, closer to Lower Hutt's, but well below Porirua's and Upper Hutt's. The measure also identifies Kāpiti as having the second lowest percentage of 'undeveloped' residential land available but note this excludes sites in development including Waikanae North and Ngarara areas comprising the largest areas currently available in the District for residential development.

Table of land concentration control index AREA	Total Residential (ha)	Undeveloped Residential (ha)	Undeveloped Residential (%)	Land concentration index	Population 2017	People density (per ha)
Auckland	29,529	4,974	17%	57	1,534,700	52
Christchurch	15,131	2,515	17%	164	396,700	26.2
Whangarei	5,666	1,062	19%	196	57,700	10.2
Tauranga	4,838	777	16%	233	137,900	28.5
Queenstown	1,234	343	28%	242	15,300	12
Wellington (combined)	12,831	1,081	8%	277	454,800	35.4
Wellington Zone	3,543	178	5%	286	211,800	59.8
Blenheim	1,393	67	5%	286	31,300	22.5
Palmerston North	2,775	323	12%	304	85,300	30.7
New Plymouth	2,305	196	8%	319	57,500	24.9
Kāpiti	1,773	139	8%	539	42,300	23.9
Gisborne	1,426	136	10%	568	36,600	25.7
Rotorua	2,462	305	12%	581	58,800	23.9
Lower Hutt Zone	3,249	291	9%	643	104,100	32
Nelson	2,540	490	19%	721	66,700	26.3
Hamilton	4,250	408	10%	1,022	235,900	55.5
Porirua Zone	1,768	240	14%	1,225	55,900	31.6
Napier	3,768	233	6%	1,452	133,000	35.3
Upper Hutt Zone	1,475	180	12%	1,476	40,800	27.7

Table 31. Land concentration control comparison against other urban centres.

7.3.5 Summary

- The price cost ratio for Kāpiti is currently sitting between 1-1.5 that identifies a responsive market. However, this has been rapidly rising and will need to be monitored going forward. The rate at which current development capacity comes forward, as well as any potential changes to population growth will both be key determinants of the responsiveness of the market. Further work to refine local development costs across the District will also help to further understand the extent to which different costs, including regulatory costs, are contributing to overall land and development costs and the feasibility of development.
- Rural/urban differential indicates a difference for Wellington. No specific data is provided for Kāpiti, but we would expect to see similar differences between land zoned for urban development over that which is not. Identifying these differences for Kāpiti would be useful input into the review the Development Management Strategy 2007, which defines differences between urban and rural areas.
- The consideration of industrial land is discussed in more detail in the *Relationship between housing and business land* section. It is important that the context around use and provision for industrial land is strategically considered, given modelling of future growth scenarios identified an increase in longer-term demand for industrial land; following declining demand in the short to medium term. However, it is also important that competing demands for other uses of land continue to be considered against the long-term outcomes sought for well-functioning urban areas – particularly as the nature, type and locational preferences for activities change over time.
- Land concentration control shows a larger number of landowners across Kāpiti, which suggests there should be a good level of competition around sites coming forward for development. However, the different influences between landowners and developers cited by Property Economics, along with strong preferences for lifestyle living, equally presents an impediment (fragmentation) for land coming forward for development.
- A number of large greenfield sites are also excluded from this measure, but provide a significant part of future capacity. Equally, this means that a large part of future planned capacity is susceptible to landowner's decisions and preferences for when and how land comes to the market.

8.0 Conclusion

This is the first HBA undertaken by the Kāpiti Coast District Council, alongside other Wellington medium growth councils.

The future demand for housing in Kāpiti is expected to increase across the next 30 years as the District's population increases. The assessment of residential development capacity has identified sufficient capacity exists at the District level to meet forecast demand for housing over the short term (2017 – 2020) and medium term (2020 – 2027), but insufficient capacity to meet demand across the long-term (2027 – 2047).

Analysis of areas within the District also identified a number of local shortages of capacity for housing and type of housing, against projected demand, over the short, medium and long-term.

For business, the assessment has identified sufficient development capacity across the 30-year period. However, the basis of future demand is highly sensitive to population growth, so it will be important to monitor changes of growth going forward.

The assessment of local infrastructure identified a number of on-going challenges affecting local infrastructure networks, but none that pose an immediate constraint on growth in the District. Most of these current and future pressures are known and being managed through current or planned works and upgrades of networks. Further work is underway to understand the impacts and investment required to address higher than anticipated levels of growth in Ōtaki.

As this HBA has identified a shortage of development capacity against projected demand, Council is required to initiate a response to provide further development capacity, or enable development, within 12 months.

The next section outlines how Council proposes to respond to the HBA's findings.

9.0 Next Actions

The preparation of this HBA has provided a baseline of information to better understand the possible nature and form of future development in Kāpiti. This will assist the Council with its on-going discussions with the development community. On-going monitoring will also continue to grow Council's understanding of local development markets and the factors that shape when and how development occurs across Kāpiti.

While the HBA has identified a good supply of development capacity enabled under the Proposed District Plan, looking at what is feasible and likely to be realised under current market conditions identifies a number of shortages in meeting future demand for housing across parts of the District. The HBA highlights different localised narratives for growth across Kāpiti; the south of the District is becoming increasingly built out and starting to intensify, while the north remains the focus of greenfield growth.

The HBA has raised some key questions to consider in future processes. This includes how modelling of current factors, including preferences for housing types and locations, can best reflect changes over time, especially as far out as 30 years. Further building our understanding of current and future factors affecting the feasibility and realisation of development are also important to inform future discussions and processes shaping growth across the District.

As such, further work is proposed to better understand the economics of medium density development (intensification) across the District; complete a full analysis of rural residential capacity; and develop the information on the demand for housing by price point. It is hoped that this work can coincide with the availability of Census data and update of the District's population projections.

As a first step, Council intends to use this HBA and this additional work to support a review of the Development Management Strategy, which establishes the development and settlement patterns for Kāpiti and informs the approach to development management under the Proposed District Plan. The Strategy was last updated in 2007.

Council is also currently undertaking work to explore its role to influence housing issues in the District. This includes looking across the housing continuum, to identify opportunities that enable housing or remove barriers to areas of housing supply in need. This includes opportunities to partner with other organisations.