



Housing and Business Development Capacity Assessment 2017



Contents

Executive Summary.....	4
Introduction.....	7
▪ Purpose.....	7
▪ Geographic Area.....	7
▪ Assumptions.....	8
▪ SmartGrowth Context and Principles.....	9
▪ Sub-Regional Context.....	10
▪ Policy Context.....	11
Part 1: Housing.....	12
Housing Demand Assessment.....	13
▪ Typology.....	14
▪ Location.....	17
▪ Price Point.....	18
▪ Housing and Māori.....	23
▪ Summary of Housing Demand.....	25
Housing Capacity Assessment -Tauranga City.....	26
▪ Short Term Capacity- Tauranga City - June 2017 - June 2020	26
▪ Medium Term Capacity- Tauranga City - June 2020 - June 2027.....	29
▪ Long Term Capacity- Tauranga City - June 2027 - June 2047.....	31
Housing Capacity Assessment - Western Bay of Plenty District.....	37
▪ Short Term Capacity- Western Bay of Plenty District - June 2017 - June 2020	37
▪ Medium Term Capacity- Western Bay of Plenty District - June 2020 - June 2027.....	39
▪ Long Term Capacity- Western Bay of Plenty District - June 2027 - June 2047.....	40
Housing Capacity Assessment Sub-Regional Overview.....	42
Part 2: Business.....	44
Business Demand Assessment.....	44
▪ Employment Projections by Sector.....	44
▪ ‘Out of Zone’ Business Demand.....	46
▪ Agriculture.....	46
Business Capacity Assessment.....	47
▪ Commercial.....	47
▪ Industrial.....	50
Business Capacity Assessment Sub-Regional Overview.....	51

Part 3: Sufficiency and Monitoring.....	52
▪ Short Term.....	52
▪ Medium Term.....	52
▪ Long Term.....	52
▪ Monitoring.....	53
Part 4: Business and Housing Interactions.....	54
Part 5: Stakeholder Engagement.....	55
Part 6: Funding.....	56
Part 7: Summary of Challenges for Future Development Strategy.....	58
List of Appendices and Links.....	60

Executive Summary

The purpose of this report is to meet the National Policy Statement on Urban Development Capacity (NPS-UDC) requirements to carry out a Housing and Business Development Capacity Assessment (HBDCA) for the Tauranga Urban Area. The overall objective is to have a robustly developed, comprehensive and frequently updated evidence base to inform planning decisions for urban growth in the western Bay of Plenty sub-region.

The SmartGrowth partnership is made up of the Tauranga City Council, Western Bay of Plenty District Council, Bay of Plenty Regional Council and local tangata whenua, as well as the NZ Transport Agency and Bay of Plenty District Health Board as implementation partners. Since 2001, SmartGrowth has developed and regularly updated an integrated spatial plan and settlement pattern for the sub-region. The sub-region remains the appropriate lens for growth management and therefore SmartGrowth has adopted this geographic extent for the HBDCA.

Overall, the results indicate that the western Bay of Plenty sub-region does not have any projected shortfalls in capacity for either housing or business capacity over the short, medium or long term. Both the development capacity which is provided in resource management plans (and supported with development infrastructure and feasible for development) and the anticipated additional supply over time will be sufficient to meet the projected demand for housing and business capacity across the sub-region. The Future Development Strategy in 2018 will outline how this anticipated capacity will be planned for and delivered over the next 30 years and the key challenges that need to be overcome to achieve this.

Housing

Over the 30 years from June 2017, the western Bay of Plenty sub-region will need to cater for demand for over 43,000 new dwellings. This is made up of a 60% and 38% increase in dwellings for Tauranga City and Western Bay of Plenty District respectively. Table E1 provides a broad summary of the current SmartGrowth settlement pattern as it relates to the timeframes defined by the NPS-UDC for the short, medium and long term. An overview map is attached as Appendix 2.

Table E1 - Indicative Sequencing of Development Capacity for Housing

	Short Term (June 2017 – June 2020)	Medium Term (June 2020 – June 2027)	Long Term (June 2027 – June 2047)
Tauranga City	Current Zoned and Serviced Areas Sufficient	Current Areas + Intensification + Te Tumu and Tauriko West	Medium Term Capacity + Intensification + Western Corridor Southern Corridor
Western Bay of Plenty District	Current Zoned and Serviced Areas Sufficient	Current Areas + Omokoroa and Katikati Generation 4 Areas	Medium Term Capacity + Waihi Beach and Te Puke Generation 4 Areas

For Tauranga City there is a strategic imperative through the Tauranga Urban Strategy¹ to achieve higher rates of growth through intensification and achieve a more compact urban form. This is intended to be achieved through higher densities in and around the city centre and for other centres in the City. There has been a relatively low rate of intensification in Tauranga to date compared with other major cities in New Zealand. The Future Development Strategy developed over 2018 will outline the measures that will be introduced to increase the rate of intensification.

There are significant affordability challenges currently for housing in terms of both house prices and rents. There has been a significant divergence between growth in household incomes and house prices and rents over several decades. As a result, over 80% of current renters cannot afford to buy a home in the lower price quartile and over 50% cannot affordably rent anywhere in the sub-region.

Structural ageing of the population is projected over the 30 years. There will be a corresponding increase in demand for smaller houses for both owner-occupiers and renters to meet the needs of an older demographic.

There is a greater housing challenge for Māori relative to the general population. There are unique spatial considerations relevant to Māori as well, particularly in respect to papakainga development on multiply-owned Māori land and the development of treaty settlement land. Housing issues affect both tangata whenua as well as Māori for whom the sub-region is not associated with their whakapapa. The latter group are noted to make up the majority of homeless in the sub-region.

Increasing the range of housing typologies, price points and tenure models for housing will contribute to matching housing supply with needs and addressing the challenge of affordability. There are a range of measures being developed by the SmartGrowth partners and other parties to create a Smart Housing Action Framework for the sub-region. This work will be integrated with development of the Future Development Strategy.

Business

Development capacity for business activity is well catered for across the sub-region over the next 30 years. The Tauriko Business Estate in the western corridor and the Raniguru Business Estate in the eastern corridor will together cater for a large proportion of the forecast industrial growth in the sub-region. Other areas for industrial activity of smaller but still significant scale will become available in the northern corridor (Omokoroa and Te Puna) and eastern corridor (Te Tumu) during the medium term.

There will be emerging pressure on some smaller neighbourhood centres in the long term, especially if increasing demand for services results from higher densities of residential activity and higher proportions of older residents in these areas. For example, several centres in the Otumoetai area are forecast to be in deficit for business development capacity at the end of the 30 year term, as are a number of neighbourhood centres in the Western Bay of Plenty District.

¹ The Tauranga Urban Strategy is currently in draft and there will be public engagement on the document in parallel with the Future Development Strategy in 2018.

Interactions of Housing and Business

SmartGrowth promotes an urban form that supports a live/learn/work/play philosophy, and coordinating the location of housing and business activity is an important consideration to achieve this goal. Given the large commercial centre and industrial estate emerging at Tauriko, further opportunities for housing capacity in the western corridor will be investigated following on from the current settlement pattern. The intention signalled in the Tauranga Urban Strategy to increase densities of housing in and around the city centre, as well as other centres in the City, will also require consideration of the business development capacity available in these areas. Synergies of housing location, density and proximity to employment and learning opportunities will be essential to realise the benefits of a compact city form. Likewise, the commercial and industrial offering in the growing townships of the Western Bay of Plenty District will need to be considered. The HBDCA provides a robust platform to consider these matters in developing the Future Development Strategy in 2018.

Funding Challenge

There are significant costs associated with bringing new urban growth areas online for development. A financially sustainable and equitable model to fund growth related infrastructure is required. This is a key challenge shared across territorial authorities in New Zealand, particularly in high growth areas. Government is currently addressing these issues and significant policy announcements are likely during the first part of 2018.

Future Development Strategy

A Future Development Strategy (FDS) will be developed and consulted on over 2018 to identify how sufficient development capacity will be made available in the medium and long term. The FDS will be strongly guided by the SmartGrowth settlement pattern review. The NPS-UDC provides an opportunity to link our existing SmartGrowth Strategy and settlement pattern with the FDS. The FDS will be specific out to the medium term, however, there will be less certainty into the long term as a range of factors can influence the optimal timing and location of new development capacity. For example, the success or otherwise of centres-based intensification will influence the timing and extent of further greenfield urban growth areas.

The FDS will outline the monitoring regime - and crucially the trigger points that will signal when new interventions are required to release further development capacity. Given the long lead-in times required to render new development capacity ready-to-go, it is important that these trigger points account for the time required to complete the necessary enabling work.

Potential future scenarios in the long term may need to look at strategic opportunities elsewhere in the sub-region and compare whether such opportunities are a preferred alternative to the long term capacity scenario presented in this HBDCA. Such alternatives will be investigated through developing the FDS and its subsequent revisions. In turn, this could change housing and business development capacity identified for the long term in future updates to the HBDCA.

Introduction

Purpose

The purpose of this report is to meet our National Policy Statement on Urban Development Capacity (NPS-UDC) requirements to carry out a Housing and Business Development Capacity Assessment (HBDCA). The overall objective is to have a robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments. In short, the HBDCA estimates the demand for dwellings and business land and the supply of development capacity to meet that demand in order to determine whether there is sufficient capacity to meet need.

The NPS-UDC came into effect on 1 December 2016 and involves a step change in the way local authorities provide for and respond to growth, and the evidence and monitoring required to support planning decisions. The NPS-UDC provides national direction to local government on making provision for urban development.

The NPS-UDC identifies the Tauranga Urban Area as a high-growth urban area, which covers all of the Tauranga territorial area and some of the urban area within the Western Bay of Plenty District. As such, the SmartGrowth councils need to meet all of the requirements in the NPS-UDC. Policy PB1 requires that a HBDCA be carried out at least every three years. The relevant NPS-UDC capacity assessment policies are set out in Appendix 1. Under the NPS-UDC, all medium and high growth local authorities are also required to monitor a range of indicators on a quarterly basis. SmartGrowth has undertaken this monitoring and incorporated it into its annual Development Trends report, attached as Appendix 3. This monitoring data provides important information for the HBDCA.

Geographic Area

Since 2001, SmartGrowth has developed and regularly updated an integrated spatial plan and settlement pattern for the western Bay of Plenty sub-region. The SmartGrowth councils have determined that the sub-region remains the appropriate lens for growth management and therefore SmartGrowth has adopted this geographic extent for the HBDCA.

The requirement for all three local authorities to implement various aspects of the NPS-UDC means that the SmartGrowth partnership is the right vehicle for coordinating this work.



Assumptions

This HBDCA is based on the following high level assumptions:

- The HBDCA is part of a wider suite of SmartGrowth and other partner documents, in particular the SmartGrowth Strategy 2013 and associated documents.
- This HBDCA reflects the evidence base that we have available at this time.
- Further work is required on an ongoing basis in relation to infrastructure and development feasibility, especially in respect of brownfields intensification.

Funding

- That planned and committed investment from central government and other national infrastructure providers will occur, for example State highways, the rail network, schools, healthcare, energy and telecommunications.
- That the SmartGrowth partner councils will be able to provide and fund infrastructure in a timely manner.
- All funding opportunities will be investigated and explored.

Growth Management

- It is important that development occurs in a logical and staged manner while being flexible enough to respond to changes in circumstances and new opportunities, in particular the emerging Government urban development authority toolkit and development funding reforms.
- Increased residential densities are an essential part of managing urban development.
- A comprehensive approach is taken to development and whole areas are considered so that sufficient scale is achieved to ensure that infrastructure and services are efficient and cost effective.

Growth Drivers

- There are a number of factors that influence development capacity and uptake which are beyond the control of the SmartGrowth partners. These include:
 - Demographic changes including migration rates
 - Financial interest rates and lending criteria
 - The influence of Auckland and surrounding regions and any displacement of growth into the western Bay of Plenty sub-region
 - The impact of significant infrastructure (e.g. State highway upgrades, any future rail initiatives)

These factors highlight the importance of monitoring in order to identify trends and challenges early so that we can respond to these.

- The HBDCA will be a key input into the Future Development Strategy which will form part of the SmartGrowth settlement pattern review (this will update Part C of the SmartGrowth Strategy).
- The HBDCA will be subject to careful monitoring and review.

SmartGrowth Context and Principles

The SmartGrowth Strategy is a 50 year spatial plan for the western Bay of Plenty sub-region. SmartGrowth is a partnership between the Tauranga City Council, Western Bay of Plenty District Council, Bay of Plenty Regional Council and tāngata whenua, as well as the NZ Transport Agency and Bay of Plenty District Health Board as implementation partners.

SmartGrowth sets the strategic vision and direction for the growth and development of the western Bay of Plenty sub-region, on key issues across the spectrum of social, environmental, economic and cultural objectives.

A cornerstone of the SmartGrowth Strategy is the settlement pattern. This is currently being reviewed and updated. This HBDCA will inform the settlement pattern review. The settlement pattern review will dovetail into the NPS-UDC requirement to prepare a Future Development Strategy.

The SmartGrowth settlement pattern has been anchored in the Bay of Plenty Regional Policy Statement, District Plans, Regional Land Transport Strategy and Long Term Plans.

This HBDCA, along with other NPS-UDC work, has been undertaken in accordance with the outcomes and principles for the settlement pattern contained in Part C of the SmartGrowth Strategy. The overarching outcome is as follows:

“We all work from the same long term planning blueprint which incorporates planning for land use, transport and other infrastructure in an efficient, and affordable way”.

This work also takes account of the SmartGrowth Strategy pillars of partnership, collaborative leadership, integration, evidence-based and the live/learn/work/play approach.

The relevant principles are:

- A more compact urban form and opportunities for live/learn/work/play are actively promoted.
- New settlements start when agreed population thresholds have been reached and land supply is monitored and actively managed.
- Defined urban limits are maintained.
- Business land is provided for a range of activities along with the ability to adapt to changing circumstances over time.
- Continual efforts are made to improve the transport system, including the road network, rail, public transport, walking and cycling.
- A diverse range of innovative, safe, efficient and effective infrastructure and funding solutions are encouraged.
- Areas severely constrained by hazard effects are mitigated or avoided and the community is kept well informed of hazard risks.
- The transport system is optimised in association with other infrastructure networks.

The high level outcome and principles will guide the settlement pattern review and the preparation of the Future Development Strategy in 2018.

Sub-Regional Context

The western Bay of Plenty sub-region has been an area of rapid population growth since the 1950s with very strong growth since 1990 in particular.

The total population of the sub-region is around 173,000 people as at 2017. It is projected to reach around 244,000 by 2047 (the timeframe relevant to this HBDCA). Over this 30 year period around 43,000 new dwellings will be required.

The growth drivers for the sub-region are:

- Part of the golden triangle of Auckland, the Waikato and the Bay of Plenty – there is significant population and economic growth in this area
- An ageing population and decreasing size of households
- A sunbelt destination with high migration into the area
- Seasonal increases in population due to horticultural workers and holiday makers
- The influence of the Port of Tauranga

The sub-region has a number of key pieces of infrastructure, including social facilities:

- The Port of Tauranga
- Tauranga Eastern Link
- The designated Tauranga Northern Arterial and 4-laning to Omokoroa as a potential future piece of infrastructure
- Significant State highway networks, e.g. State Highway 2 and State Highway 29
- East Coast Main Trunk Railway
- Tauranga urban transport network
- Tauranga Airport
- Tauranga Hospital
- Toi Ohomai Institute of Technology, University of Waikato Tauranga Campus and Te Wānanga o Aotearoa

The 2013 SmartGrowth Strategy identifies some of the sub-region's growth areas but noted that these were subject to further analysis. This analysis was undertaken to inform an update to the settlement pattern in August 2016, which confirmed the following growth areas over the next 10 years:

- Compact City (intensification and infill within the Tauranga urban area)
- Eastern Corridor – Te Tumu, Te Puke
- Northern Corridor – Omokoroa, Katikati, Waihi Beach
- Western Corridor – Tauriko West

Development and structure planning is underway for these areas². Appendix 2 provides an overview map of the current settlement pattern with staging indicated for the short, medium and long terms.

² Note that, as outlined in this HBDCA, new growth areas beyond the current urban extent are not required in the Waihi Beach and Te Puke townships within the next ten years. The current structure planning work underway is therefore focussed on the Te Tumu, Tauriko West, Omokoroa and Katikati future urban growth areas. This is indicated on the overview map attached as Appendix 2.

Policy Context

Alongside the SmartGrowth Strategy and settlement pattern, a number of key policy and strategy documents have informed this HBDCA. These include:

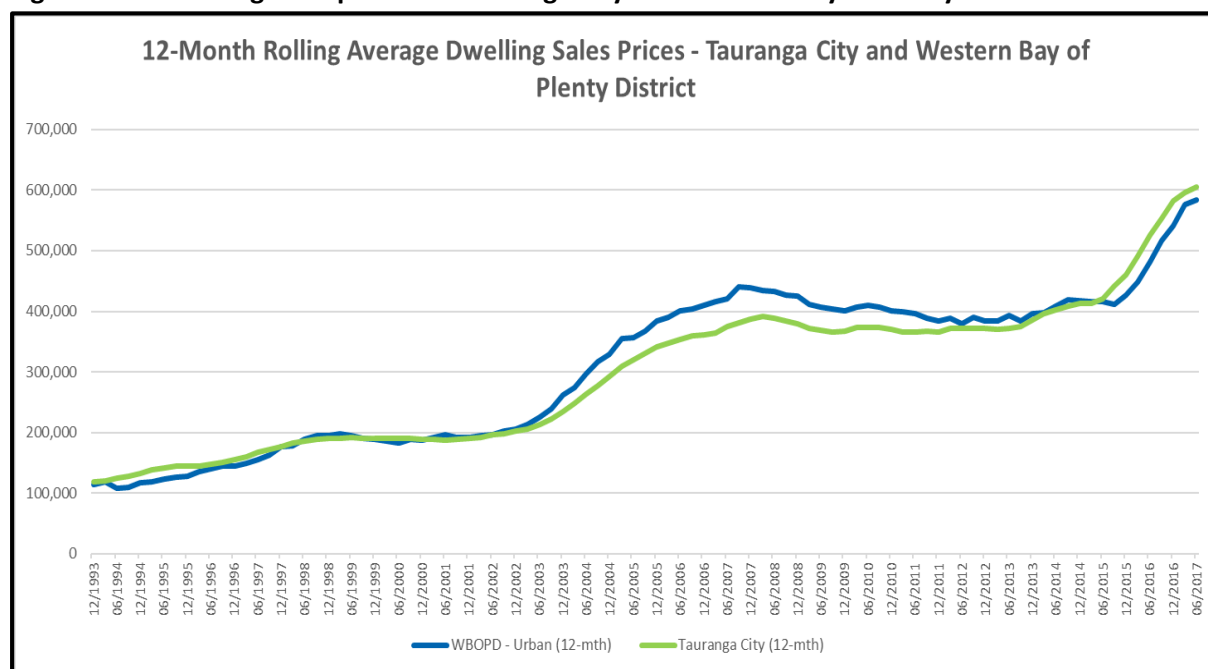
- National Policy Statements (Urban Development Capacity, Freshwater Management) and the New Zealand Coastal Policy Statement
- National Infrastructure Plan
- Government Policy Statement on Land Transport
- Bay of Plenty Regional Policy Statement (in particular the Urban and Rural Growth Management Policies)
- Bay of Plenty Regional Land Transport Plan
- Long Term Plans of the partner councils including 30 year Infrastructure Strategies
- District Plans
- Tauranga Urban Strategy³

³ The Tauranga Urban Strategy is currently in draft and there will be public engagement on the document in parallel with the Future Development Strategy in 2018.

Part 1: Housing

The western Bay of Plenty sub-region effectively operates as one large housing market – with strong interdependencies between the populations of Tauranga and the Western Bay of Plenty District for employment, education - and of course housing. Figure 1.1 shows the close correlation for dwelling sales prices across the two areas.

Figure 1.1 – Dwelling sales prices for Tauranga City and Western Bay of Plenty District



This housing assessment is presented in two parts. Firstly, the demand profile is outlined in terms of the current state of the market and how it serves the resident demographic and also future projections for the short, medium and long term. The demand profile addresses housing typology, location and price point to illustrate the variation in the housing market across the sub-region and how this will/should change in the face of projected shifts in the demographic composition. A comprehensive report on the demand profile is attached as Appendix 4⁴.

In terms of development capacity, there are distinctive characteristics for each of the territories that are important to understand. The development capacity overview therefore presents the two territorial areas separately, followed by a sub-regional overview.

⁴ Prepared by Community Housing Solutions Ltd and Livingston and Associates Ltd

Housing Demand Assessment

The SmartGrowth partnership engaged NIDEA⁵ in 2013 to develop projections for the western Bay of Plenty sub-region. These projections are used to plan for future growth in housing demand. Regular monitoring is undertaken to compare the NIDEA projections with the projections of Statistics NZ and the actual uptake of population and new dwellings as new data becomes available.

For Tauranga City, in order to ensure that the projections remain as accurate as possible, the projections were adjusted in March 2017 to bring some growth forward in the 2013 to 2018 period and this was offset by reducing growth in the 2018 to 2033 period to align with the revised Statistics NZ medium projection to 2033. The revision responds to the current high rate of population and dwelling growth signalled by high levels of dwelling consents issued and migration.

The 2033 to 2063 NIDEA projection remains unchanged as does the total population and household projection to 2033 and 2063 as projected by NIDEA. Figure 1.2 below shows the trend of actual growth compared to the revised NIDEA projections, indicating that the revised NIDEA projections are still serving as a robust basis for anticipating future population growth and demand for new dwellings.

Figure 1.2 - Western Bay of Plenty Sub-Region Development Compared to Projections

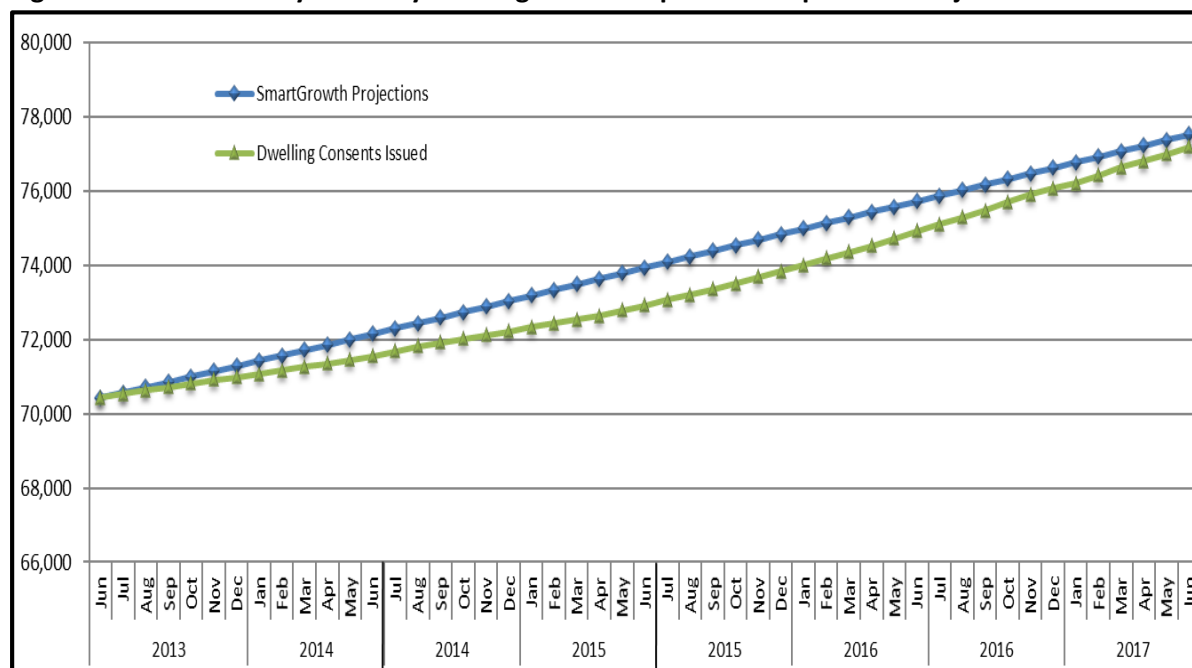


Table 1.1 indicates the projected demand for new dwellings over the short, medium and long term time periods as defined in the NPS-UDC. The 30 year time horizon covered by the NPS-UDC is from June 2017 to June 2047 for this HBDCA. The Table shows a 60% and 38% increase in dwellings for Tauranga City and Western Bay of Plenty District respectively over 30 years.

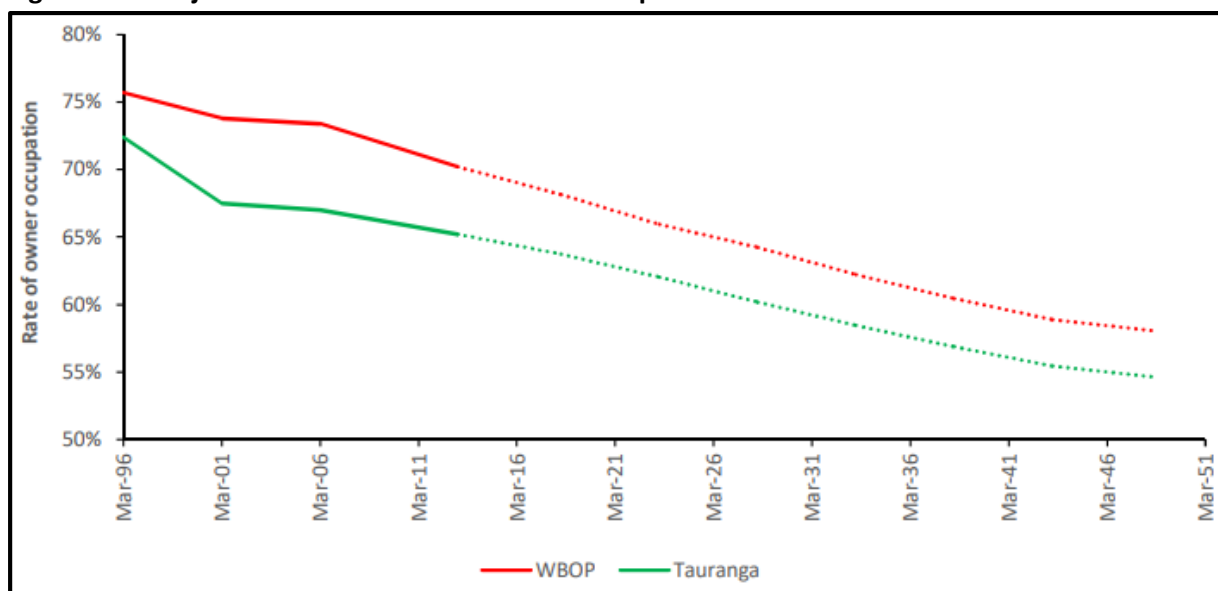
⁵ National Institute of Demographic and Economic Analysis – University of Waikato

Table 1.1 - Projected Dwelling Demand for Short, Medium and Long Term

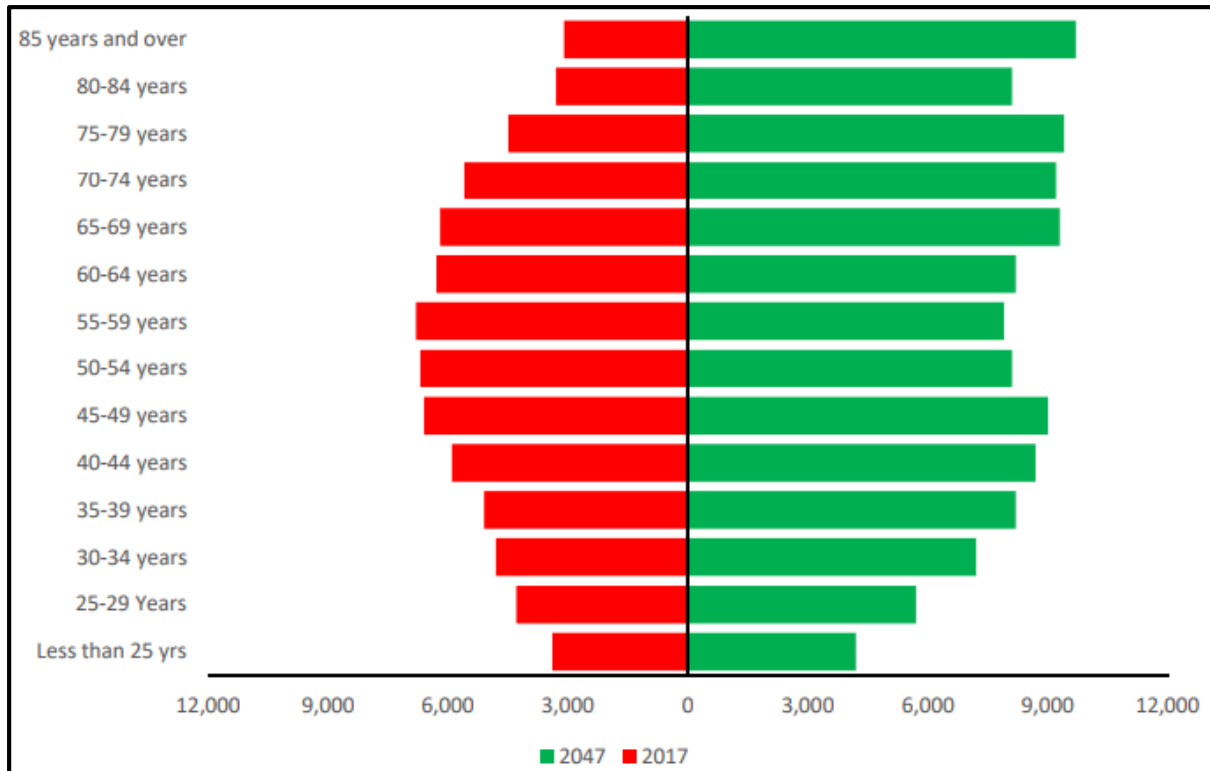
Area	Short Term June 2017 – June 2020	Medium Term June 2020 – June 2027	Long Term June 2027 – June 2047	Total 30 Year June 2017 – June 2047
Tauranga City	4,245	9,191	22,013	35,449
Western Bay of Plenty District	1,267	2,657	4,128	8,052
Total Sub-Region	5,512	11,848	26,141	43,501

Typology

A more fine-grained analysis of the nature of this demand reveals significant shifts in the demographic composition and in turn the typology of housing required for the sub-region. An important factor in this regard is the projected change in rates of owner occupation – as renters are twice as likely as owners to live in multi-unit typologies. The rate of home ownership has been modelled to reduce to less than 60% over the next 30 years as shown in Figure 1.3 below:

Figure 1.3 - Projections for Rates of Home Ownership

Another relevant factor is the ageing population. This correlates with an increase in couple only and one person households, with the demand for rental housing for this demographic projected to increase by over 100% over the 30 year term. The number of renters aged 65+ forecast is projected to increase by 225% over the 30 year term. Figure 1.4 shows the changing household demographic projected for the sub-region.

Figure 1.4 - Occupied Dwellings in Sub-Region by Age of Reference Person


A potential outcome of this changing demographic, and a trend towards rental tenure for smaller households, has a potentially significant implication for the typology of housing stock required to serve the population. This is primarily driven by the higher propensity of couple only and one person renter households to live in multi-unit vs. standalone typologies. Figures 1.5 and 1.6 show the breakdown of typologies delivered over the last decade.

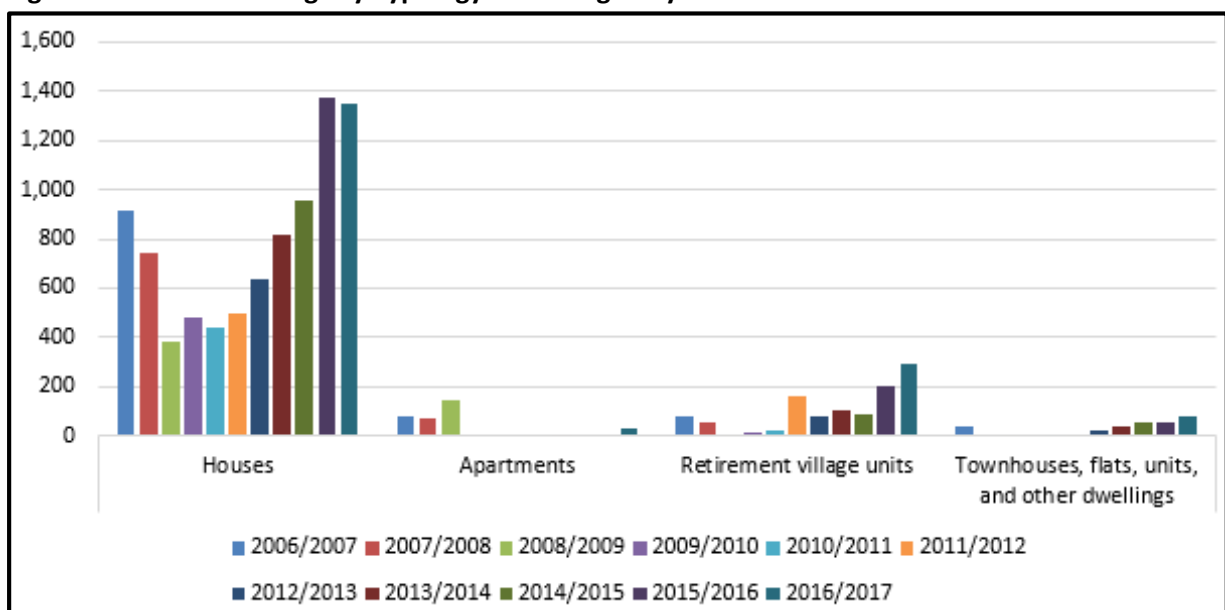
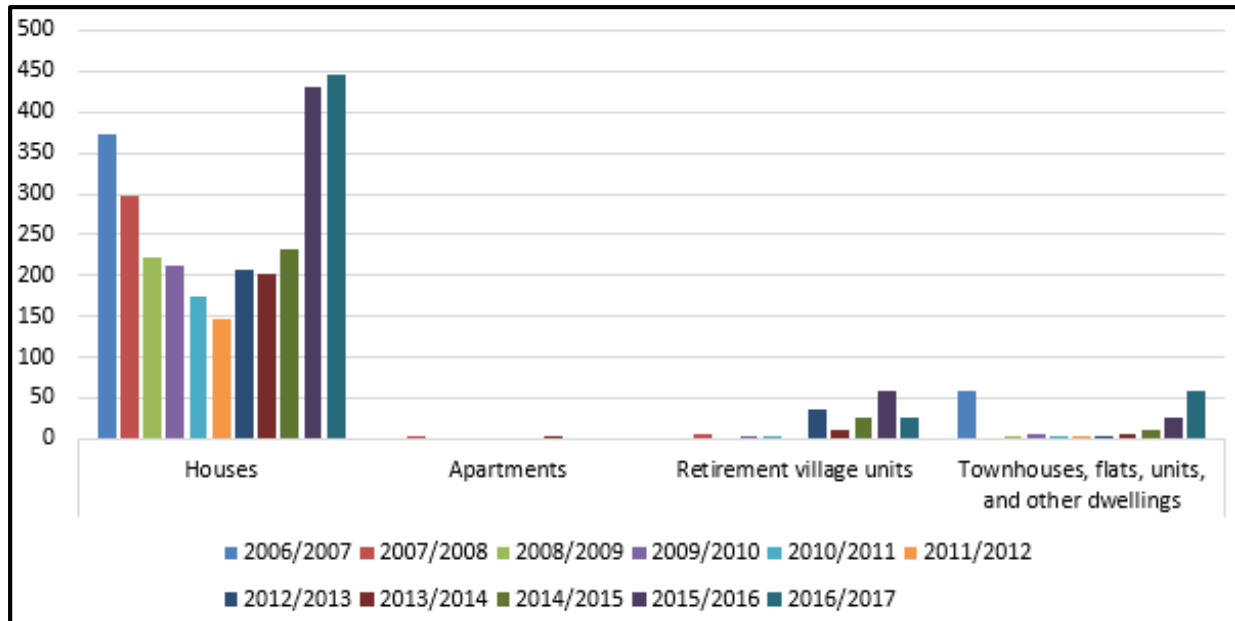
Figure 1.5 - New Dwellings by Typology – Tauranga City


Figure 1.6 - New Dwellings by Typology – Western Bay of Plenty District

Table 1.2 - Trend Analysis of Housing Typologies in Sub-Region

		Houses	Apartments	Retirement village units	Townhouses, flats, units, and other dwellings
Last 12 months	Tauranga City	76.7%	1.9%	16.9%	4.5%
	WBOPD	80.6%	0.0%	8.5%	11.0%
Last 5 Years	Tauranga City	83.1%	0.7%	12.3%	4.0%
	WBOPD	85.0%	0.2%	8.9%	5.9%

Aside from the obvious dip in development activity following the global financial crisis, the figures above illustrate a rising number of retirement village units and attached typologies in recent years. The apartment market appears yet to make a significant resurgence.

Location

An important factor to consider in terms of location is the housing needs implied by the future demographic projections. This could impact on the range of typologies and the propensity of households to seek particular forms of housing in particular locations. The locational factors will similarly be influenced by demographic composition. For example, older and potentially mobility restricted residents may seek locations that are in close proximity to a range of services in areas of relatively gentle terrain, preferably in areas of relatively high public amenity.

Employment and education sector growth can also have an impact on preferred housing location. Students may seek closer proximity to tertiary institutions, with Tauranga City's major campuses located in the city centre and southern corridor. The University of Waikato Tauranga Campus is currently under construction and represents a step change in the scale and offering of the tertiary sector in the city centre.

Another example is temporary accommodation for seasonal workers associated with the agriculture/horticulture industry. A comprehensive assessment of demand for this sector is attached as Appendix 5.

As traffic congestion increases with growth, the desirability to trade-off housing typology for reduced travel time/cost will become more relevant. These matters are highlighted in the Tauranga Urban Strategy which seeks to achieve higher residential densities in the existing urban area through centres-based intensification.

There are significant areas of multiply-owned Māori land across the sub-region. Many of those areas are locations for marae and currently support papakāinga housing. There is potentially significant demand for more papakāinga housing in the future to serve local tangata whenua.

Another consideration for location is visitor accommodation. Whilst provision for short-stay accommodation is partly related to the commercial accommodation sector, the use of housing for short-stay accommodation is a growing trend, particularly through mediums such as Airbnb. Some locations in the sub-region indicate relatively high proportions of the housing stock being used for this purpose. Vacancy rates of housing from Census data is a useful indicator in this regard. Table 1.3 shows the areas in the sub-region that have relatively high rates of vacancy at the last Census – all being areas of high coastal amenity and having vacancy rates over 20%.

Table 1.3 - Vacancy Rates Indicating Areas Popular for Short Stay Visitor Accommodation

	Area	Vacancy Rate
Western Bay of Plenty District	Island View-Pios Beach	61%
	Waihi Beach	49%
	Matakana Island	34%
	Pongakawa (incl. Pukehina)	31%
	Athenree	28%
	Maketu	26%
Tauranga City	Mount Maunganui North	32%

The Tauranga Urban Strategy identifies key benefits that will be achieved from centres-based intensification, supporting a pre-eminent city centre and a range of smaller centres across the City. These include:

- Better choice and resilience through density, diversity and mixed-use.
- Greater efficiency through better connectivity and being transit supportive.
- Streets with character and walkable neighbourhoods.
- Open space, integrated natural systems and environmental resilience.
- Place-making through, quality architecture and urban design.

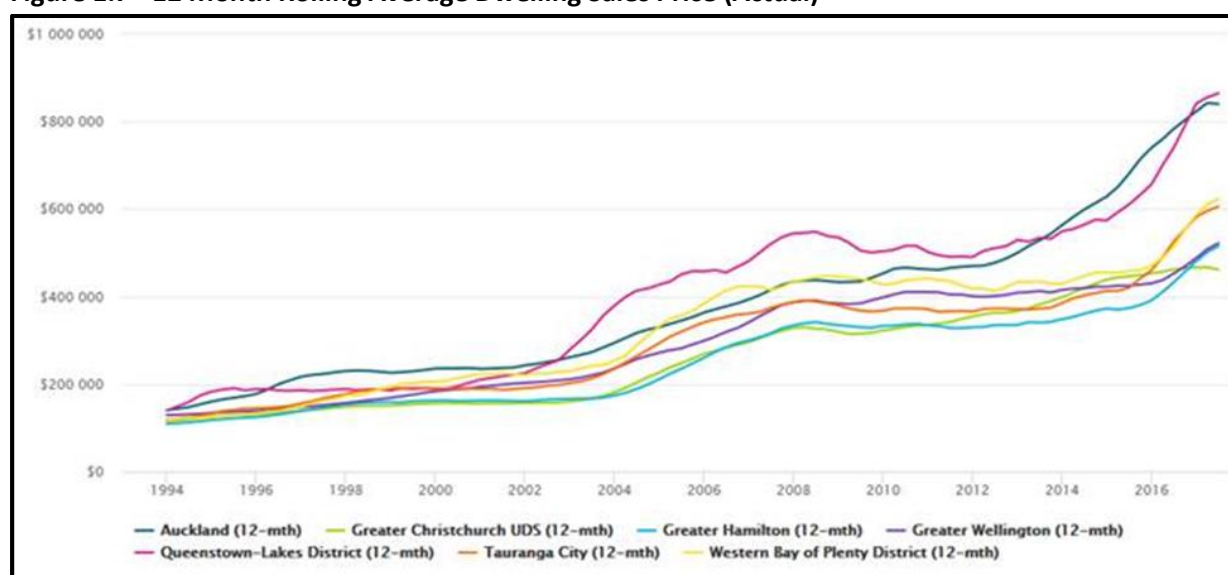
These will be important considerations in determining the areas of focus for intensification in developing the Future Development Strategy in 2018.

Notwithstanding the above factors, the location of future growth for housing is principally determined by the location of current and future zoned land for housing as identified in the SmartGrowth settlement pattern. This is outlined in the capacity assessment below. Projections based on recent trends suggest that over 80% of new dwellings will be delivered in the greenfield urban growth areas. The Tauranga Urban Strategy seeks to increase the rate of intensification around existing urban centres, but even if this strategy is successful, over the long term the majority of dwellings will still be delivered in the greenfield context.

Price Point

At the city and sub-regional scales the increase in house prices over time has been pronounced which suggests a high demand for housing in the sub-region over time. That said, the period of 2007 to 2012 saw a softening of prices in both territorial areas, largely associated with the global financial crisis which had a corresponding effect on housing demand across the board. Figure 1.7 illustrates that even compared to other high growth areas the absolute price of housing and rate of increase in the sub-region has been higher than all other major urban areas other than Queenstown and Auckland.

Figure 1.7 - 12 Month Rolling Average Dwelling Sales Price (Actual)



Price trends vary within the sub-region as shown over the following pages for both Tauranga City and Western Bay of Plenty District.

Figure 1.8 - Tauranga City Dwelling Rents - June 2017



Figure 1.9 - Tauranga City Dwelling Sales Prices - June 2017

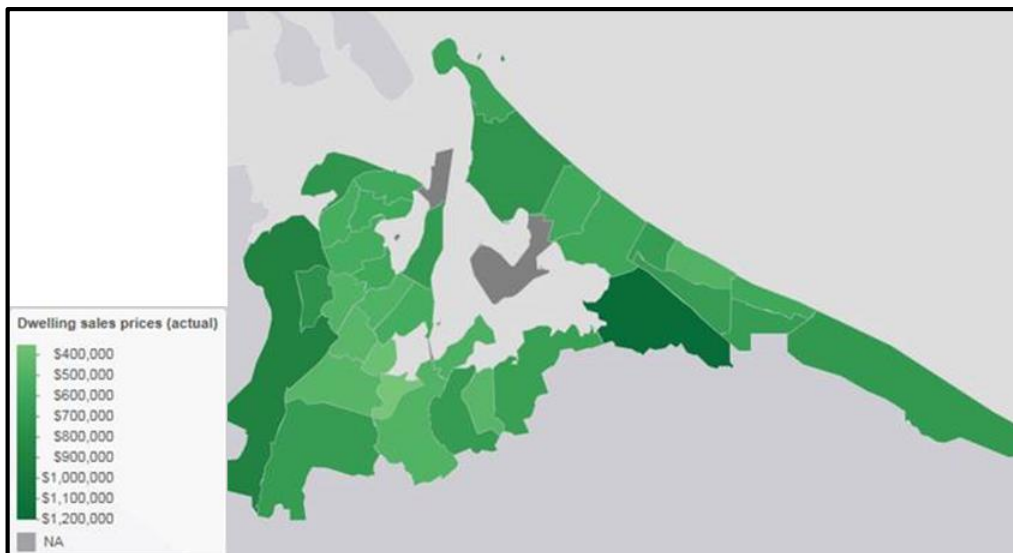


Figure 1.10 - Tauranga City Percentage Change in Dwelling Sales Prices - June 2007 to June 2017

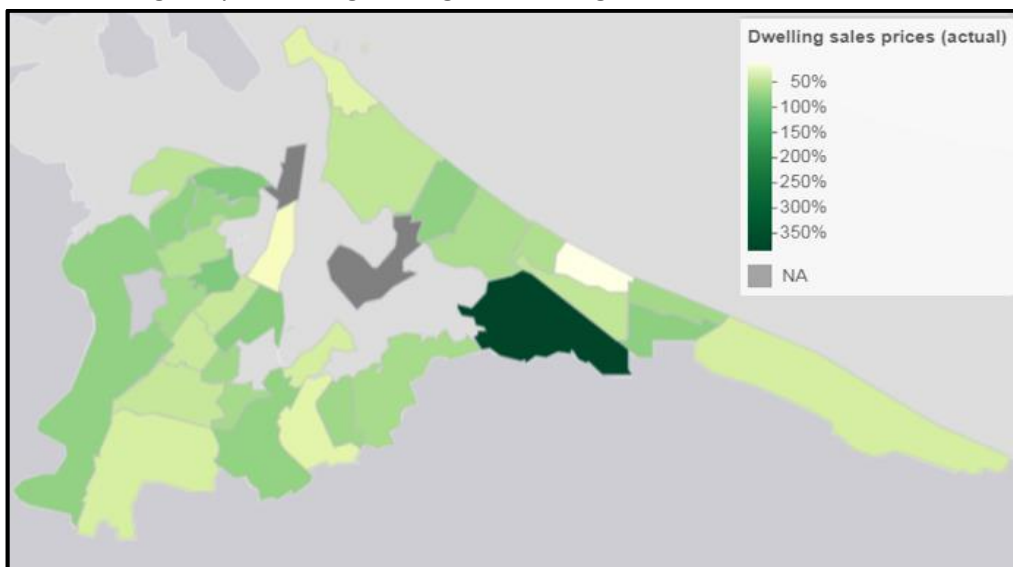


Figure 1.11 - Western Bay of Plenty District Dwelling Rents - June 2017

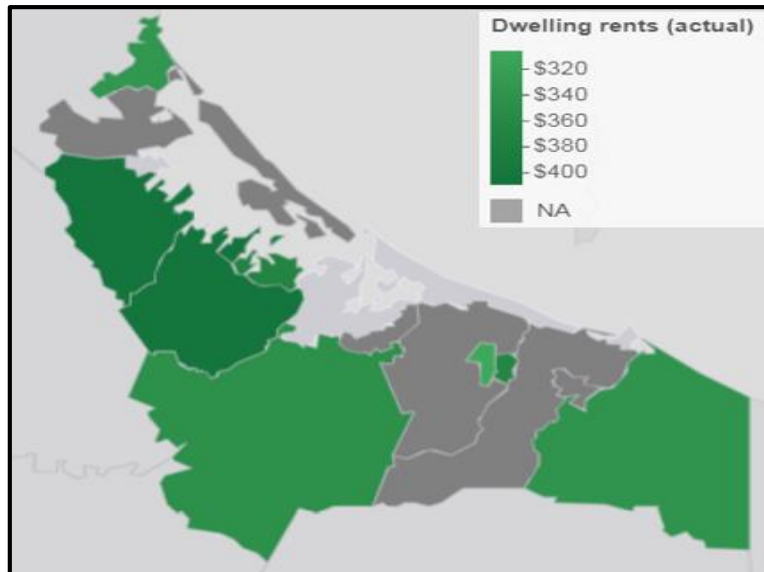


Figure 1.12 - Western Bay of Plenty District Dwelling Sales Prices - June 2017

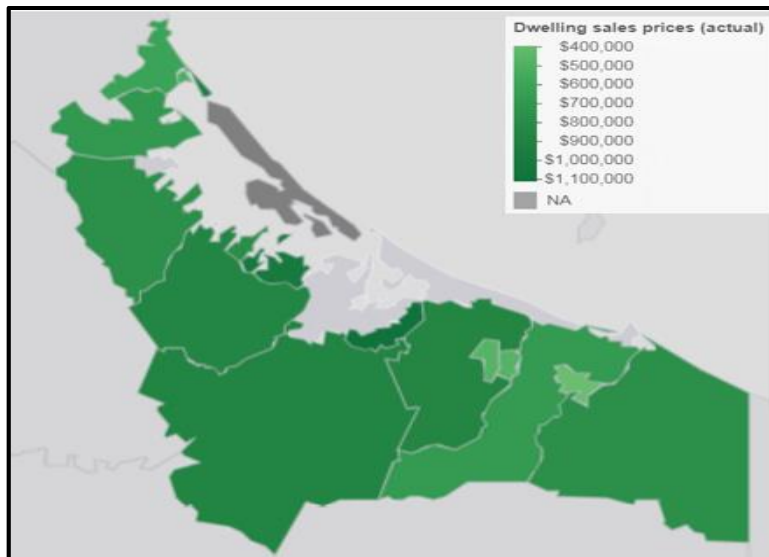
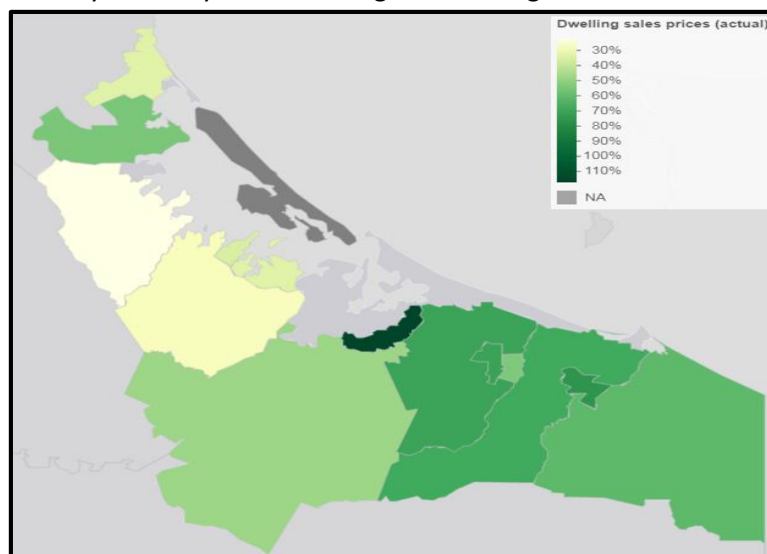
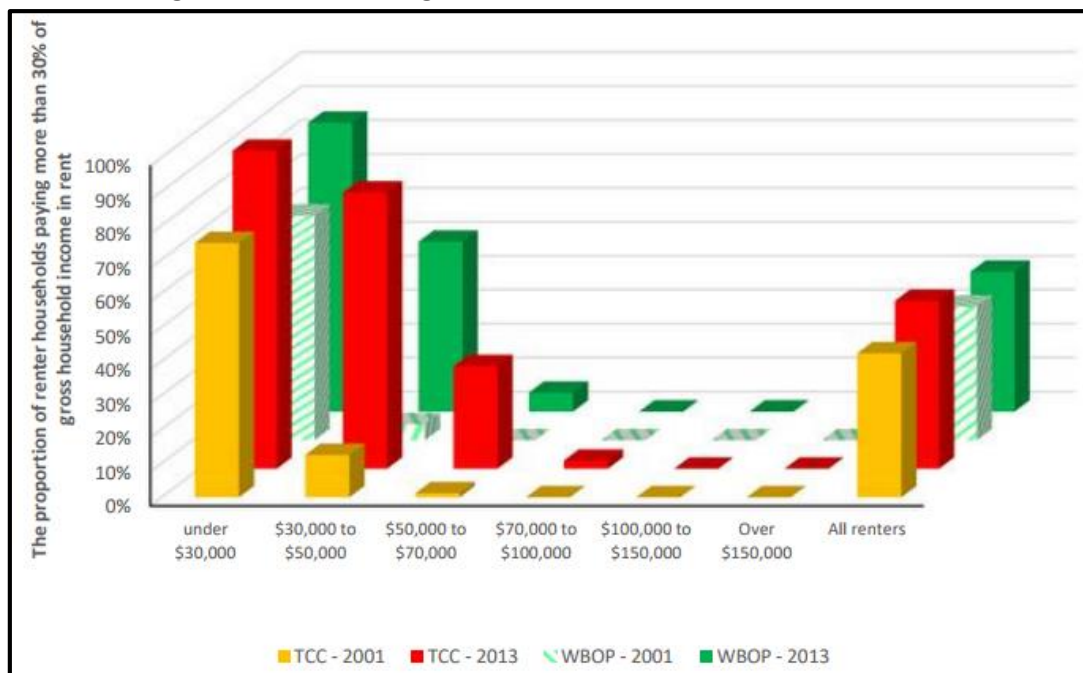


Figure 1.13 - Western Bay of Plenty District Change in Dwelling Sales Prices - June 2007 to June 2017



There are significant affordability challenges currently for housing in terms of both house prices and rent prices. There has been a significant divergence between growth in household incomes and house prices and rent over several decades. As a result, over 80% of current renters cannot afford to buy a home in the lower price quartile and over 50% cannot affordably rent anywhere in the sub-region⁶. Figure 1.14 for example shows the change in housing stress faced by renters across various household income brackets from 2001 to 2013.

Figure 1.14 - Changes in Renter Housing Stress: 2001 – 2013



There is also a more pronounced need for Māori in terms of affordability and access to housing relative to the general population, with a significantly higher proportion of Māori in the lowest income quartile compared to the general population. There are specific spatial considerations relevant to Māori as well, particularly in respect to papakainga development on multiply-owned Māori land. The issues of affordability and access to housing extend beyond local hapu/iwi to Māori for whom the sub-region is not associated with their whakapapa. The latter group are noted to make up the majority of homeless in the sub-region.

There is a need to increase the range of housing typologies and price points in order to address the challenge of affordability. Higher densities in both the existing urban area as well as in the greenfield urban growth areas could provide significant benefits in this regard. There are nonetheless real challenges in delivering a wider price point for housing, particularly in a brownfields context⁷. Feasibility modelling indicates that the development costs for brownfields medium density typologies require price points at sale that are not proven in the current market for the medium density range of typologies. This explains in part the observation that medium and high density development to date has been concentrated in the higher amenity areas of Mount Maunganui North and to a lesser extent

⁶ Affordable to rent or buy in this regard is considered to be where less than 30% of gross household income is required to service rent or the cost to service a mortgage plus other housing costs.

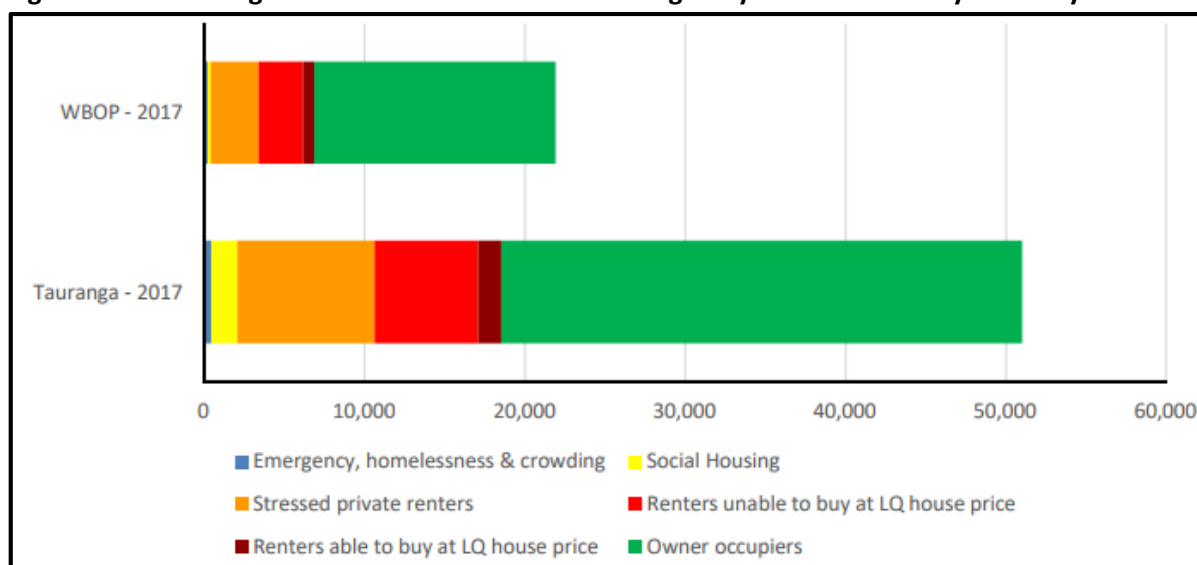
⁷ 'Brownfields' in this HBDCA is used to refer to comprehensive redevelopment of sites through removal of existing improvements. This is also sometimes referred to as 'greyfields'.

the city centre. The best performing typologies that are close to development feasible in a brownfields context, given current market conditions, are intensive terrace and medium rise apartment typologies. Feasibility modelling suggests that duplex typologies are workable in the greenfield context⁸. The difference is explained in that the cost component of existing improvements (that need to be removed in brownfield contexts) remains high relative to the land component in the brownfields. There is anecdotal evidence from the development community that there is suppressed demand for attached typologies in the greenfield urban growth areas, but this is not being met by the market given the relative profitability of delivering standalone dwellings, even on ever decreasing average section sizes.

The observation that price points for intensification products still need to be relatively high, particularly in brownfield contexts, is a challenge that needs to be considered in the development of the Future Development Strategy in 2018.

There are other measures across a range of themes that can also address the affordability challenge. These measures are being developed by the SmartGrowth partners and other parties to create a Smart Housing Action Framework for the sub-region which will be integrated with the Future Development Strategy. Ultimately, the above factors relating to price point for renting or buying housing, and its relationship to household incomes, influence how the population is spread across a housing continuum ranging from homelessness through to ownership of market housing. The current breakdown of households across this continuum is shown in Figure 1.15.

Figure 1.15 - Housing Continuum as at 2017 for Tauranga City and Western Bay of Plenty District



Projections indicate that by 2047 the proportion of households that will have an acute housing need - being those in 'emergency, homelessness & crowding', 'social housing' or 'stressed private renters' situations - will increase from 21% to 28% in Tauranga City and from 16% to 22% in the Western Bay of Plenty District. This means that based on current trends, around 30,000 households will be in a situation of acute housing need. This trend is heading in the wrong direction in terms of meeting the needs of the population and therefore the wellbeing of residents in the sub-region. In developing the Future Development Strategy in 2018, measures to address this negative trend need to be front of mind and will require measures beyond the supply of land for market driven housing development.

⁸ See Appendix 6E.

Housing and Māori

There are unique aspects to the demand and supply considerations as they relate to housing for Māori. There are also distinctions to be made between tangata whenua, i.e. Māori from iwi that have whakapapa connected to the sub-region, and Māori that do not have such connections to the land. There are extensive areas of multiply-owned Māori land associated with local iwi. In addition, treaty settlements also result in land transferring back to iwi and hapu. These unique factors are outlined below as they relate to housing for Māori in the sub-region.

Māori

Approximately 27% of the population in the western Bay of Plenty sub-region identified as being of Māori descent in the 2013 census. This population is relatively younger than the European population and also is projected to have less structural ageing over the next 30 years.

In terms of spatial distribution there are areas in the sub-region with very high proportions of the resident population being of Māori descent. Table 1.4 lists the highest proportion areas based on data from the 2013 Census.

Table 1.4 - Proportion of resident population with Māori descent

Census Area Unit	Proportion of Māori Descent
Matakana Island	95%
Matapihi	80%
Maketu Community	71%
Kairua	57%
Paengaroa	40%
Yatton Park	40%
Rangiuru	36%
Poike	33%
Te Puke West	32%
Gate Pa	30%

Home ownership rates for Māori are noted to be around half the rate observed for the population generally, being around 30% at the 2013 census. It is noted that Pacific peoples have even lower rates of owner occupation being less than 20% in 2013.

Māori households tend to be bigger on average than European households, due in part to the strong concept of whanau among Māori, with it being common for multiple generations of an extended family to cohabit, reflecting these cultural values.

Tangata Whenua

Tangata whenua are those Māori whose whakapapa (geneology) is directly affiliated with the sub-region. There are 15 iwi groups that identify whakapapa to the western Bay of Plenty sub-region. Some of the areas shown in Table 1.4 with high proportions of resident Māori population also exhibit a corresponding high proportion of Māori with whakapapa to those areas. Data is not readily available as to the ownership rates of tangata whenua compared to Māori as a whole. This is a potential area for further analysis.

Multiply-Owned Māori Land

There are extensive areas of multiply-owned Māori land across the sub-region linked to these iwi groups. Note there is a correlation between the areas with a high proportion of resident Māori and the areas with a high proportion of multiply-owned Māori land.

There is roughly 22,000 hectares of Māori land within the western Bay of Plenty sub-region⁹. This represents approximately 10% of the total land area within the sub-region. Nearly all (96%) of multiply-owned Maori land within the sub-region is currently zoned rural.

It is noted that not all of this land presents characteristics that would support urban development in terms of physical characteristics. Further there are complicating factors that significantly impact the ability of multiply-owned Māori land to be developed for urban purposes, such as access to capital and finance, land administration and infrastructure services. Development of multiply-owned Māori land requires firstly an order from the Māori land court. The Māori land court rarely provides for alienation of multiply-owned Māori land from its iwi (i.e. sale of fee-simple title).

Treaty Settlement Land

Treaty settlements have resulted in transfer of lands previously alienated from tangata whenua back to iwi and hapu groups. An important principle for most iwi negotiating settlements is the concept of *“riro whenua atu, hoki whenua mai, land was alienated and therefore, land should be returned”*.

Four iwi¹⁰ have completed settlements in the western Bay of Plenty sub-region: Ngāti Makino, Waitaha, Tapuika and Ngati Pukenga; there is one settled iwi entity – Affiliate Te Arawa; and five iwi are awaiting settlement legislation: Ngati Ranginui, Ngai Te Rangi me Nga Potiki, Ngati Tamatera, Ngati Maru, and Ngati Hako. The other iwi are either in negotiation phases or are yet to secure a mandate to negotiate with the Crown.

Treaty settlements within the sub-region, while not totally complete, are estimated to total more than \$250 million. Settlements include a mixture of relationship agreements, management and governance arrangements over culturally significant resources, protected rights over resources, commercial and cultural property, and financial redress. More than 90% of lands returned to iwi through settlement are cultural property and have limitations on development. Nearly all cultural property is zoned rural. Further, settlement land in an urban context sometimes comes with encumbrances such as schools, public utilities and other government services. These factors can limit the potential opportunities for settlement land to contribute to land supply for housing.

Commercial property has the most potential for land development. Given iwi are at different stages of the settlement process, it is difficult to assess the commercial aspirations collectively. Some iwi are well advanced in their development plans, while other iwi are still developing their investment strategies. An example of advanced planning is the current development of the ‘Manawa’ estate in Wairakei by Nga Potiki. This is a 240-dwelling development that includes provision of 30% of the dwellings for affordable and assisted ownership housing for iwi members, as well as housing available to the open market, including duplex typologies. Waitaha also have development aspirations for a land holding adjoining the ‘Manawa’ estate that was returned through treaty settlement.

⁹ WBOPDC 20,083.8ha and TCC 1951.28ha (2005)

¹⁰ Completed Deeds of Settlement and Legislation

Summary of Housing Demand

Based on the NIDEA projections, the sub-region will require around 43,000 dwellings during the 30 year long term. Growth of Tauranga City is projected to account for 80% of this growth in dwelling numbers.

The typology, location and price point considerations for future dwelling supply need to be responsive to the projected change in population demographics, particularly trends in household composition and income. Significant challenges are indicated from the modelling analysis that informs this HBDCA.

The development of the Future Development Strategy will therefore need to account for not only supply of total dwelling numbers, but also the typology, location and price point of housing. This HBDCA, and the evidence provided by the technical reports attached, defines the scale and nature of the issues the Future Development Strategy will need to address across the housing continuum.

This housing demand assessment indicates that if the current development trends continue in terms of typology, location and price point, the negative trends observed to date will continue in terms of the ability of our community to be affordably housed in the right homes and in the right locations.

Housing Capacity Assessment - Tauranga City

Tauranga City has predominantly provided for development capacity for growth in greenfield urban growth areas on the periphery of the existing urban area. This has occurred in four key corridors - north, east, south and west. The Tauranga City territorial area is one of the smallest in the country and in the near horizon it is evident that contiguous growth of the City will begin to spill over into the Western Bay of Plenty District. This has already happened through boundary adjustment in the western corridor in the mid-2000s. To the north, contiguous growth of the urban area is curtailed by the Wairoa River. Likewise, to the east development of Te Tumu will take the City to the Kaituna River – and the eastern City boundary - in the long term.

The rate of intensification in the existing urban area has been low relative to other major New Zealand cities, at only around 15% of total growth. The Tauranga Urban Strategy seeks to significantly increase the share of growth via intensification around the city centre and other centres across the City.

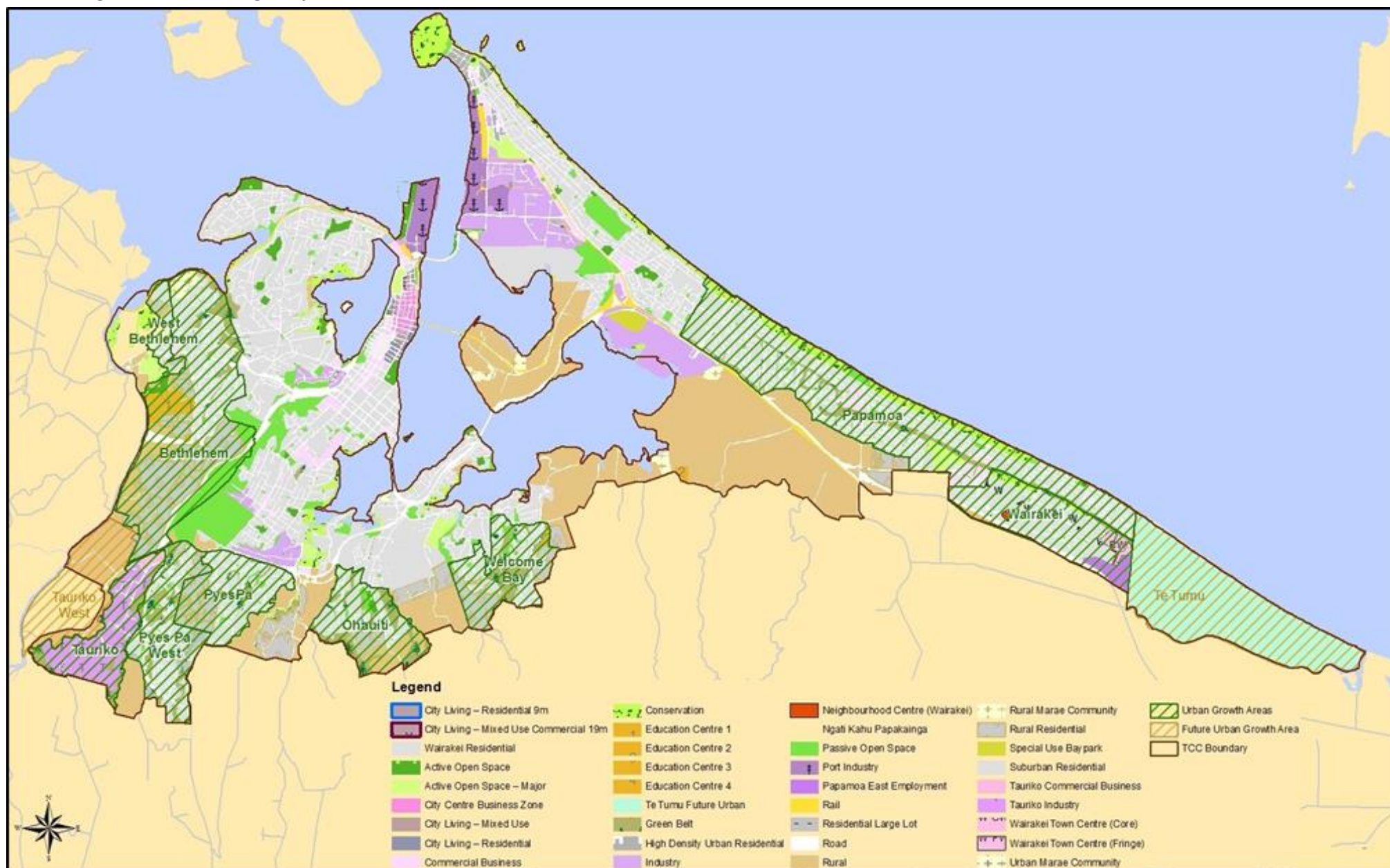
Short Term Capacity – Tauranga City - June 2017 – June 2020

Development capacity is assessed for the short term in terms of currently zoned and serviced vacant greenfield land in the areas identified in Figure 1.16 (shown green hatch), as well as accounting for the current rate of infill occurring in the existing urban and rural areas. Allocations for growth in the respective greenfield areas - and capacities remaining - are shown in Table 1.5.

Table 1.5 - Short Term Capacity Table – Tauranga City

Urban Growth Area	Estimated Yield – Total Dwellings	June 2017 total dwellings (existing and consented)	Remaining capacity at June 2017	Projected uptake June 2017 – June 2020	Estimated remaining capacity at June 2020
Bethlehem	4,890	3,416	1,474 (30%)	397	1,076 (22%)
Pyes Pa	2,780	2,361	419 (15%)	208	231 (8%)
Pyes Pa West	3,060	1,239	1,821 (60%)	868	953 (31%)
Ohauiti	1,800	1,336	464 (26%)	182	282 (16%)
Welcome Bay	2,150	1,807	343 (16%)	162	180 (8%)
Papamoa	12,040	9,975	2,065 (17%)	761	1,304 (11%)
Wairakei	4,220	1,024	3,196 (76%)	998	2,198 (52%)
Greenfields Sub-Total	30,940	21,158	9,782	3,576	6,224
Rural infill	-	-	-	18 (0.4% of total growth)	-
Residential Infill/ Intensification	-	-	-	651 (16% of total growth)	-

Figure 1.16 – Tauranga City Urban Growth Areas



The yields for the urban growth areas shown in Table 1.4 account for provision of housing at densities of around 15 dwellings/ha. This is assessed as currently market feasible in all the greenfield areas – confirmed by the rate of uptake and densities achieved in recent years. This type of density would usually equate broadly to an 80/20 split of standalone vs. multi-unit housing typologies. It is noted that in the Tauranga City context there have been greenfield areas, such as Wairakei, where development has been exclusively standalone dwellings even at these densities. Some attached typologies have begun to emerge in these growth areas recently.

Infill and Intensification

In the short term, the rate of infill and intensification¹¹ within the existing urban area is also shown in Table 1.4 and is anticipated to continue in line with recent trends at approximately 15%. This is indicative of the limited opportunities for brownfield redevelopment that is economically feasible. Infill of remaining vacant sites or subdivision of larger suburban sites to allow for new standalone dwellings makes up the majority of development in the existing urban area at around 12% of total growth over the short term, meaning currently only around 3% of total growth per annum is by way of intensification in the existing urban area¹².

As outlined in the demand assessment, there has been a modest emergence of intensification typologies in recent years through increases in retirement village units and attached typologies, some of which have been in the greenfield urban growth areas. There have also been several Special Housing Areas that have either been completed or are underway for individual sites where attached and medium rise typologies have delivered higher densities. Nonetheless, the challenges of intensification in brownfield contexts, as outlined in the demand assessment, remains relevant and largely explains the projected modest rates of intensification. This is a challenge that the Tauranga Urban Strategy seeks to address.

Council waters and transport infrastructure to serve short term development capacity is in place or is underway and no impediments to the uptake of remaining capacity have been identified¹³. Likewise, other infrastructure, including power, telecommunications and gas are able to support all the remaining capacities. New primary schools are currently under development to support the Pyes Pa West and Wairakei areas.

¹¹ For the purposes of this HBDCA 'Infill' is development that does not require the removal of an existing dwelling, and therefore accounts for vacant sites or partially vacant sites that are developed for standalone housing. All multi-unit typologies are described as 'intensification'.

¹² Note that the 'existing urban area' is defined as being only the Generation 1 and 2 areas shown on the SmartGrowth maps. Infill and intensification outside of those areas is not counted in the 15% figure. Including infill and intensification from the Generation 3 areas in the measure would significantly increase the percentage attributed to intensification.

¹³ In practice new urban growth areas are typically provided with trunk infrastructure by Council with the costs reimbursed through Development Contributions (Tauranga City) or Financial Contributions (Western Bay of Plenty District Council). Developers then progressively release land through the development area in a logical sequence and sequence the servicing of land with development infrastructure accordingly. Therefore, when this HBDCA refers to areas being serviced, it only refers to the necessary Council infrastructure being in place.

Medium Term Capacity – Tauranga City - June 2020 – June 2027

In the medium term, the areas of Te Tumu and Tauriko West are scheduled to become available for housing development in 2021. These areas are in the western and eastern corridors respectively and represent contiguous expansion of the existing urban area. All necessary infrastructure elements to serve these new growth areas are being included in the 2018-28 Long Term Plan. Of particular note is that both areas require substantial State highway projects to provide access, and in the case of Tauriko West, overcome significant severance from the existing urbanised area. Cost share arrangements for the necessary transport infrastructure are currently being developed between the relevant parties. A summary of the infrastructure sequencing required, and high order costings, is shown in Table 1.6. Also identified is the need for city-wide capacity upgrades for water and wastewater, required in part to service growth in the new urban growth areas.

Table 1.6 - Indicative Infrastructure Requirements for Te Tumu and Tauriko West

Area	Council Infrastructure	Other Infrastructure	City -Wide and Corridor Level Council Infrastructure
Te Tumu	Te Okuroa Drive extension. Trunk water and wastewater mains Stormwater pond Kaituna stormwater overflow Public transport facilities Cost Estimate: \$50m (includes estimated contribution to Papamoa East Interchange)	Internal infrastructure developer funded Papamoa East Interchange from Tauranga Eastern Link Schools – All levels	For Both Corridors Active Reserve Indoor Sports Facility Aquatic facility Library Community Centre Destination Playground Cost Estimate: \$100m (~50m per corridor)
Tauriko West	Water and wastewater infrastructure to growth area boundary Public transport facilities Interim access from State Highway 29 Cost Estimate: \$50m (includes estimated contribution to State Highway 29 project).	Internal infrastructure developer funded State Highway 29 interim and long term access. State Highway 29 capacity upgrade Schools – All levels	City -Wide Waters Southern Pipeline Cost Estimate: \$100m+ Te Maunga Wastewater Treatment Plant Upgrade Cost Estimate: \$100m+ Waiari Water Scheme Cost Estimate: \$100m+

The area of Te Tumu is already within the Tauranga City jurisdictional boundary, identified in the Regional Policy Statement for post-2021 and zoned 'Future Urban'. A structure plan has been developed for the area and a plan change is now required to make the zoning 'live' for development.

The majority of the Tauriko West area is currently within the Western Bay of Plenty District. A boundary adjustment is planned to occur in order to bring the entirety of the growth area within the Tauranga boundary. Accordingly, the Tauriko West growth area is assessed as contributing to development capacity in Tauranga City for this analysis. Plan changes are also required to both the Regional Policy Statement and City Plan for Tauriko West to be brought online for development.

Feasibility analyses undertaken for Te Tumu and Tauriko West indicate that delivery of dwellings at 15 dwellings/ha of nett developable area is economically feasible; accounting for anticipated costs of infrastructure servicing; land development costs; and the current market price of residential sections in similar greenfield contexts¹⁴. There is an aspiration for higher densities in Te Tumu and Tauriko West than the currently prevalent 15 dwellings/ha or less being delivered in existing greenfields. The estimated capacity of dwellings in Table 1.7 represents densities of 24 dwellings/ha and 17 dwellings/ha for Te Tumu and Tauriko West respectively. This difference in density yield is attributable to the differing potential for medium rise apartment living due to the scale of the town centre proposed for Te Tumu (located within the adjoining Wairakei area) and the market feasibility for denser typologies better supported where there is close proximity to coastal amenity.

Table 1.7 - Medium Term Capacity Table – Tauranga City

Urban Growth Area	Estimated Yield – Total Dwellings	June 2020 total dwellings (estimated)	Remaining capacity at June 2020	Projected uptake June 2020 – June 2027	Estimated remaining capacity at June 2027
Bethlehem	4,890	3,814	1,076 (21%)	625	451 (9%)
Pyes Pa	2,780	2,569	211 (8%)	167	44 (2%)
Pyes Pa West	3,060	2,107	953 (31%)	799	154 (5%)
Ohauti	1,800	1,518	282 (16%)	226	56 (13%)
Welcome Bay	2,150	1,970	180 (8%)	137	43 (2%)
Papamoa	12,040	10,736	1,304 (11%)	911	393 (2%)
Wairakei	4,220	2,022	2,198 (52%)	1,795	404 (10%)
Te Tumu (post-2021)	7,700	73	7,627 (99%)	1,366	6,261 (81%)
Tauriko West (post-2021)	3,000	66	2,934 (98%)	997	1,947 (65%)
Greenfields Sub-Total	41,640	24,875	16,765	7,023	9,753
Rural infill	N/A	-	N/A	39/0.4% of total growth	N/A
Residential Infill/ Intensification	N/A	-	N/A	1,707/18.6% of total growth	N/A
<ul style="list-style-type: none"> 422 dwellings have not been allocated in Table 1.6 as Tauranga City projections by growth area have included uptake of Keenan Road in the medium term. Reallocation has not yet been undertaken for this HBDCA. Te Tumu and Tauriko West are highlighted in Table 1.6 to indicate they need to be enabled for development through territorial boundary adjustments, plan changes and infrastructure investment to strictly comply with the NPS-UDC definition of development capacity for the medium term. 					

¹⁴ See Appendices 6A and 6B

With regard to development within the existing urban area, it is anticipated that the proportion of total growth delivered through infill (standalone dwellings on remaining vacant land) and intensification (site redevelopment for multi-unit housing typologies) will increase marginally. The rate of infill will reduce marginally as vacant land opportunities reduce over time – in turn intensification is projected to marginally increase based on a range of factors¹⁵, more than offsetting the reducing rate of infill. Importantly, the theoretical capacity for intensification is very high, but the actual development capacity that will be taken up has been estimated based on trend analysis and a city-wide assessment of development feasibility¹⁶.

It is likely that through giving effect to the Tauranga Urban Strategy higher rates of intensification will be achieved in the medium term. Once the extent and timing of enabling measures for centres-based intensification are confirmed in the Future Development Strategy the medium term capacity may be updated to account for higher yield in this regard.

The medium term capacity assessment indicates that there will be several years capacity remaining at the end of the medium term period. This equates to significantly more than the 20% margin required by the NPS-UDC for the greenfield areas in the eastern and western growth corridors. Further, the theoretical capacity for infill and redevelopment activity in the existing urban area remains high and could therefore account for some of the 20% margin if demand and/or supply considerations supported further uptake in the medium term.

Long Term Capacity – Tauranga City - June 2027 – June 2047

In the long term there are a range of options considered in the SmartGrowth strategic document set¹⁷ for potential further development capacity in the sense of both planning status and investment signals for enabling infrastructure. These are described below in respect of both greenfield and intensification opportunities. The greenfield growth opportunities are largely limited to the western and southern corridors, noting that substantial capacity in the eastern corridor will still remain due to the rezoning of Te Tumu in the medium term. The intensification opportunities link to the Tauranga Urban Strategy. These options for long term development capacity are outlined below in turn.

There are several potential future greenfield urban growth areas on the periphery of the City in the southern and western corridors. These are outlined below relevant to the 30 year time horizon.

Western Corridor Greenfield Urban Growth Areas

The area of Keenan Road is already identified in the Regional Policy Statement as a future urban growth area post-2021 and agreed by the SmartGrowth partners to follow Tauriko West in the western corridor. The area will yield around 2,500 dwellings, this reflecting a dwelling density of around 15 dwellings/ha of nett developable area. It is possible that the Keenan Road area will come online within the medium term. Beyond Keenan Road there are no further areas identified for urban growth in the Regional Policy Statement for the western corridor.

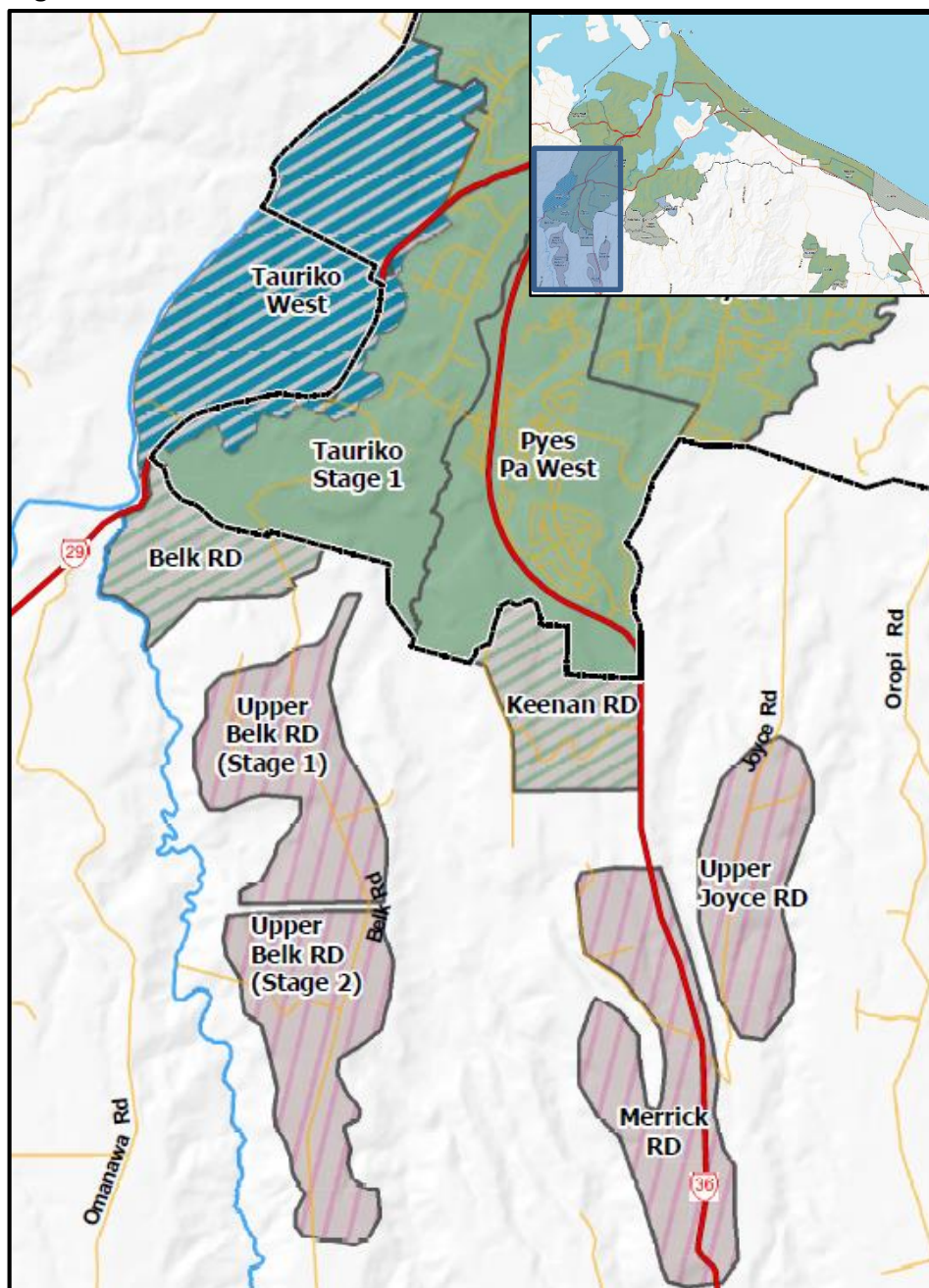
¹⁵ e.g. Improving development feasibility, social housing redevelopment, trends in multi-unit vs. standalone.

¹⁶ See Appendix 6E

¹⁷ The 'SmartGrowth strategic document set' includes the Regional Policy Statement, SmartGrowth Strategy 2013, and the reports associated with the 2016 update to the settlement pattern – including the Western Corridor Strategic Study.

In updating the SmartGrowth settlement pattern in 2016, strategic investigation of the western corridor indicated there could be significant further capacity to expand the western corridor in the long term beyond the current settlement pattern. As is outlined in the business land capacity assessment in Part 2, the bulk of industrial land supply will be in the Tauriko Business Estate over the next 30 years. This provides a strategic benefit to locating housing at an appropriate scale in this corridor to reflect the live/learn/work/play pillar of the SmartGrowth Strategy. For the purposes of long term infrastructure planning (e.g. Southern Pipeline Project, Tauranga Transport Programme) further uptake in the western corridor beyond Keenan Road has been used for capacity modelling to future-proof these significant infrastructure investments. The potential future urban growth areas in the western corridor are broadly indicated in Figure 1.17. The Belk Road area shown in Figure 1.17 below represents the extension to the Tauriko Business Estate as outlined in Part 2.

Figure 1.17 - Long Term Potential Future Growth Areas – Western Corridor

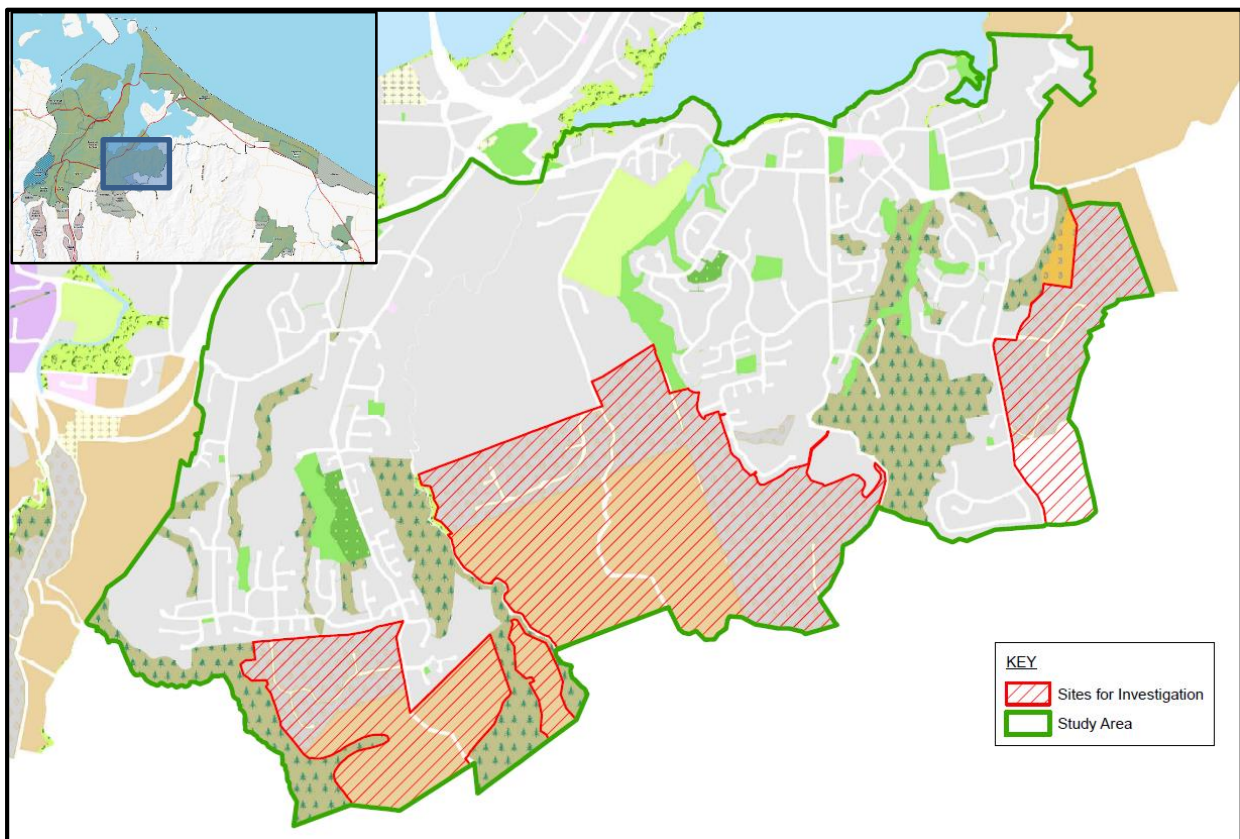


Southern Corridor Greenfield Urban Growth Areas

There are a number of potential future urban growth areas indicated in the SmartGrowth settlement pattern and Regional Policy Statement for the southern corridor, as shown on the overview map attached as Appendix 2¹⁸. Unlike the western corridor there is currently very limited employment activity in the southern corridor and also a shortfall in business activity generally serving this catchment. There is also generally more challenging terrain for development compared to the western corridor and development feasibility analysis has not been completed to date to the same degree as the western corridor. For these reasons, projections for growth in this corridor are around half that for the western corridor over the next 30 years.

An investigation is currently underway looking at opportunities in the southern corridor for further development capacity. Other than the post-2021 future urban growth areas identified in the Regional Policy Statement, in relatively undeveloped areas of Welcome Bay and Ohauiti. This work may result in a new structure plan for the corridor that could further increase residential yield as well as increase the level of business activity and community facilities serving this catchment. The areas currently under investigation are shown in Figure 1.18.

Figure 1.18 - Welcome Bay/Ohauiti Study Areas

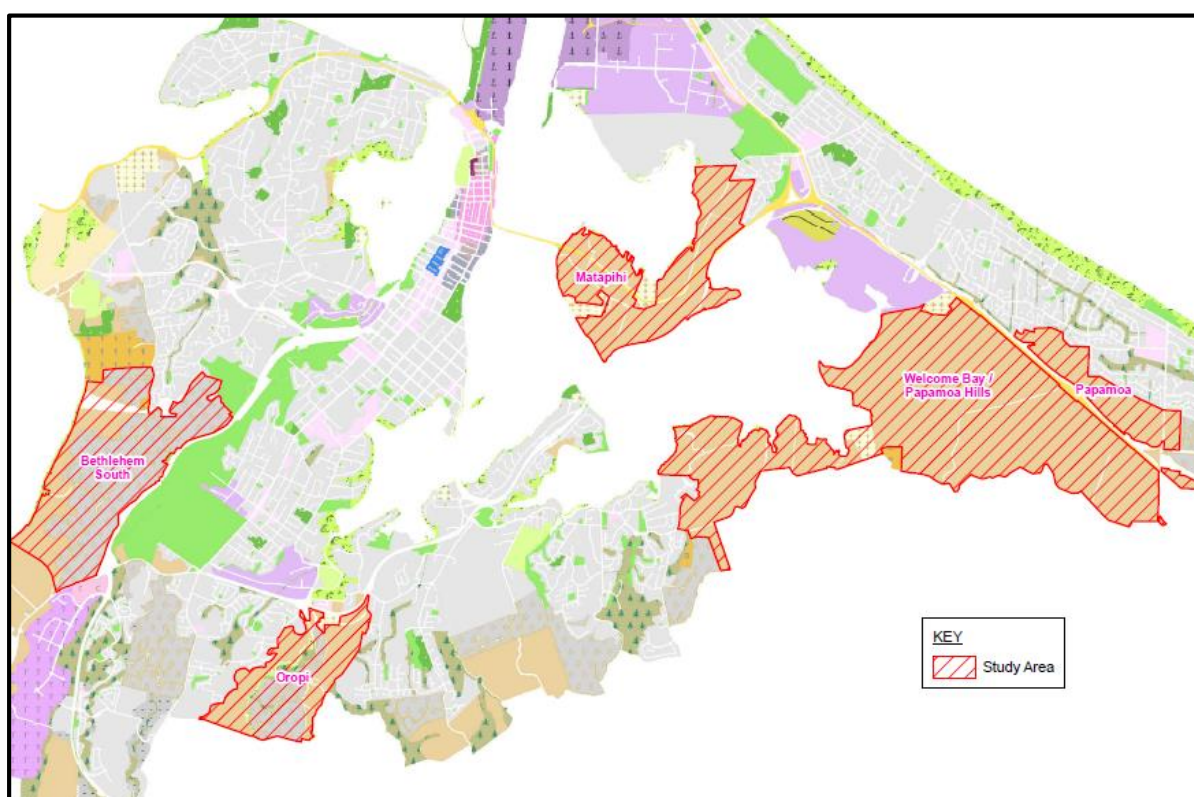


¹⁸ These Generation 4 urban growth areas include Pukemapu, Neewod, Upper Ohauiti and Kaitemako.

Rural Capacity

There are a few remaining rural areas within Tauranga City that are not currently earmarked for urbanisation. These areas are currently subject to a strategic investigation to identify whether there are opportunities for further urbanisation. The areas subject to this investigation are shown in Figure 1.19. The combined area of this remaining rural land is around 2,500 hectares. Much of the land is multiply-owned Māori land. Further, some areas are subject to significant constraints (e.g. poor ground conditions for development). The current investigation will determine whether there is further development capacity for any of these areas relevant to the long term. For the purposes of this HBDCA the current rate of uptake (less than 1% of total growth) is anticipated to continue in these rural areas, which represents around 200 dwellings over the next 30 years. This includes papakainga development on multiply-owned Māori land by local iwi/hapu.

Figure 1.19 - Rural Capacity Study Areas



Infill and Intensification – Tauranga Urban Strategy

The current rate of infill and intensification represents around 15% of total growth. This is a relatively low proportion when compared to other major urban centres in New Zealand. The Tauranga Urban Strategy outlines a strategic imperative for increasing the density of housing in and around the city centre and other centres in the City. The pre-eminence of the city centre is a key strategic driver for Tauranga City as well as the wider sub-region. There is already a highly enabling planning framework in the City Centre Zone for redevelopment of sites for high density residential activity, as well as business activity and community facilities/amenities.

There is also provision for medium density redevelopment of sites in the area surrounding the city centre, although to date there has been a very low uptake of these opportunities¹⁹.

A programme of planning and investment work is also proposed through the Tauranga Urban Strategy to expand opportunities for medium density intensification for walkable catchments around key town centres. It is anticipated that through such interventions a higher proportion of growth through intensification in the existing urban area can be achieved. Planning and investment actions will occur through the short and medium terms. Success of these measures will be reflected in future reviews of the HBDCA.

There are also opportunities for infill that will continue to be taken up – albeit the opportunities for this type of development will reduce over time as the number of vacant and partially vacant sites in the existing urban area reduces. Figure 1.20 shows the concept of centres-based intensification that is proposed through the Tauranga Urban Strategy.

Figure 1.20 - Tauranga Urban Strategy - Centres Based Intensification



Long Term Sufficiency of Development Capacity for Tauranga City

In terms of sufficiency of supply, the projected demand for dwellings is around 22,000 dwellings (or 25,000 dwellings when a 15% margin is applied as per Policy PC1 of the NPS-UDC).

Table 1.8 summarises the remaining existing capacity at June 2027 and the broad estimates of potential yields from the potential future greenfield growth areas in the western and southern

¹⁹ See Appendix 6E for feasibility analysis undertaken by Veros Property Services, including consideration of factors contributing to the low rate of uptake.

corridors. The potential range of dwelling yield through intensification is also given, effectively ranging from 20% of total growth up to around 45%.

What can be seen from the table is that the projected supply of development capacity for dwellings in the long term may be above or below the long term requirement. The Future Development Strategy will identify a range of potential (and identify the preferred) scenarios that will provide sufficient development capacity for the long term.

Table 1.8 – Potential Areas for Long-Term Development Capacity for Tauranga City

Growth Area	Potential Additional Capacity	Potential Future Urban Growth Areas (Indicative Sequencing)
Remaining Capacity in Existing Urban Areas (includes Te Tumu and Tauriko West)	~10,000 dwellings	-
Western Corridor	Up to 8,000 dwellings*	Keenan Road Merrick Road Upper Joyce Road Upper Belk Road
Southern Corridor	Up to 4,000 dwellings*	Upper Ohauti Pukemapu Neewood
Infill/Intensification	4,400 – 9,900 dwellings (20% - 45% of total growth)	City Centre Intensification (City Centre and City Living Zone) Town centres intensification Non-centres intensification
Total	14,400 – 31,900 dwellings	

**The potential additional capacity for dwellings for the western and southern corridors is based on allocations used in long term population modelling by Tauranga City Council for the purposes of infrastructure planning, e.g. for the Tauranga Transport Model. There is potentially more remaining capacity than indicated in the above table for the southern and western corridors, however the capacity indicated is considered to be the upper limit of potential yield within the June 2027 – June 2047 time period.*

Housing Capacity Assessment - Western Bay of Plenty District

The development capacity dynamic is distinctly different for the Western Bay of Plenty District compared to Tauranga City. There are four main townships that provide around two-thirds of the development capacity for housing over the next 30 years. These areas are shown in Figure 1.21. Generations 1 – 3 of residential land are all zoned and serviced in these urban growth areas, with the exception of two productive rural sites in Katikati township as noted below. The red hatched areas for each urban growth area represent the further areas for growth that will be enabled for development through the necessary plan changes and infrastructure provision at such time as demand warrants.

Short Term Capacity – Western Bay of Plenty District - June 2017 – June 2020

Development capacity is assessed for the short term to account for currently zoned and serviced vacant greenfield land in the areas shown as Generations 1 - 3 in Figure 1.21, as well as accounting for the current rate of development in the rural, lifestyle and small settlement areas²⁰ that make up the balance of the District. Allocations for growth in the respective greenfield areas - and capacities remaining - are shown in Table 1.9 for the short term. These levels of allocation account for provision of housing at densities of around 15 dwellings/ha which is assessed as currently market feasible in all the greenfield areas – confirmed by the rate of uptake and nature of development in recent years. This equates broadly to an 80/20 split of stand-alone vs. multi-unit housing typologies.

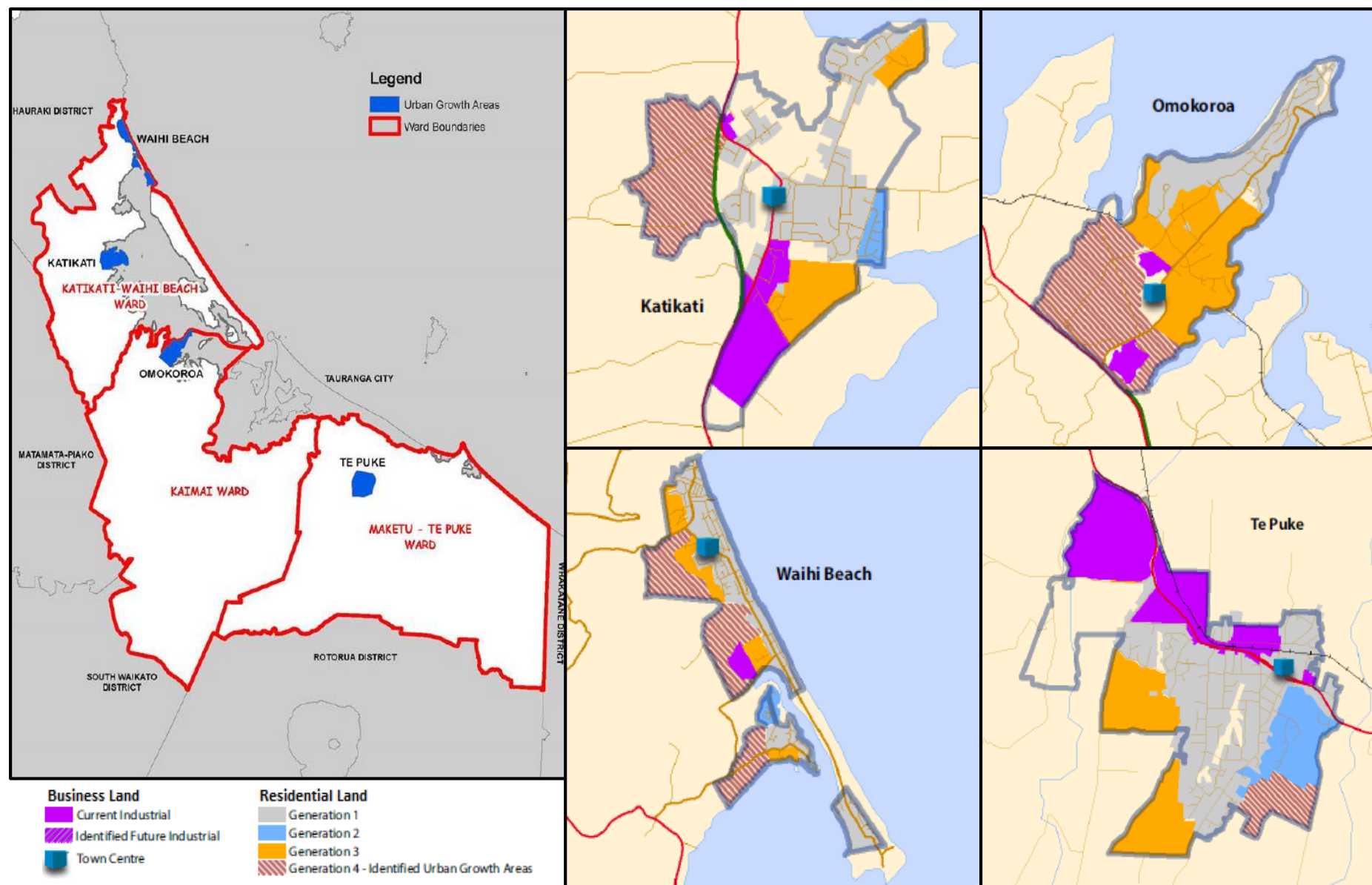
Table 1.9- Short term capacity table Western Bay of Plenty District

Urban Growth Area	Estimated Yield – Total Dwellings	June 2017 total dwellings (existing and consented)	Remaining capacity at June 2017	Projected uptake June 2017 – June 2020	Estimated remaining capacity at June 2020
Omokoroa – Stage 1 & 2	2,700	1,496	1,204	347	857
Katikati	2,380	2,080	300	200	100
Waihi Beach	3,230	2,950	280	95	185
Te Puke	3,550	3,040	510	115	395
Sub-Total (Greenfield UGAs)	11,736	9,556	2,170	757	1,413
Rural/Lifestyle/ Small Settlements	-	-	-	510	-

NB: Katikati capacity calculation is excluding the Park Road dairy farm and Tetley Road orchard as these areas are unlikely to be converted from productive use in the short/medium term.

²⁰ Lifestyle areas are largely limited to the Minden area north of Tauranga and south of State Highway 2. Small settlements are scattered around largely coastal locations with some rural settlements in the eastern corridor.

Figure 1.21– Western Bay of Plenty District Growth Areas



Medium Term Capacity – Western Bay of Plenty District - June 2020 – June 2027

In the medium term, additional development capacity is expected to be released for the Omokoroa and Katikati areas through bringing the Generation 4 areas online. Both areas are already identified in the Bay of Plenty Regional Policy Statement for development post-2021. The infrastructure requirements for these areas are shown indicatively in Table 1.10.

Table 1.10 - Indicative Infrastructure Requirements for Omokoroa and Katikati Generation 4 Areas

Area	Council Infrastructure	Other Infrastructure
Omokoroa – Generation 4	Wastewater trunk main extension Water supply bore, reservoir and watermain extension. Stormwater ponds Rural roads upgrades Public transport facilities Cost estimate: \$20m	Internal infrastructure developer funded State Highway 2 intersection upgrade Active reserve Passive recreation amenities Destination playground Indoor sports facility Library Community centre
Katikati – Generation 4	Wastewater upgrade Watermain Rural road upgrades Cost estimate: \$4m	Internal infrastructure developer funded Active reserve Passive recreation amenities Destination playground

With regard to development within the rural, lifestyle and small settlement areas of the District, it is anticipated that the proportion of total growth attributed to these areas will reduce significantly over time – from around 40% currently to around 12% in the long term time period. This is attributed to the lifestyle areas filling up and a more restrictive set of controls for creating new lifestyle sections in the general rural area that were introduced through the 2nd Generation District Plan taking hold.

Accounting for the factors outlined above, Table 1.11 provides the estimated uptake in the medium term. The Generation 4 growth areas are highlighted to indicate they need to be enabled for development through plan changes and infrastructure provision in order to strictly comply with the NPS-UDC definition of development capacity for the medium term.

Table 1.11 - Medium Term Capacity Table – Western Bay of Plenty District

Urban Growth Area	Estimated Yield – Total Dwellings	June 2020 total dwellings (estimated)	Remaining capacity at June 2020	Projected uptake June 2020 – June 2027	Estimated remaining capacity at June 2027
Omokoroa – Stages 1 & 2	2,700	1,843	857	857	0
Kaitkati	2,380	2,280	100	100	0
Waihi Beach	3,230	3,045	185	127	58
Te Puke	3,550	3,155	395	236	159
Omokoroa – ‘Generation 4’	2,423	87	2,336	163	2,173
Kaitkati ‘Generation 4’	1,070	0	1,070	350	720
Greenfields Sub-Total	15,353	10,410	4,943	1,833	3,110
Rural/Lifestyle/ Small Settlements	-	-	-	824	-

The medium term capacity assessment indicates that in the aggregate there will be several years capacity remaining at the end of the medium term period. This equates to significantly more than the 20% margin required by the NPS-UDC.

Development capacity in the Waihi Beach township reduces to a very low level by the end of the medium term. This signals that to meet demand it is likely that new development capacity will need to be provided for that township early in the long-term time period. This will require lead-in work to commence within the medium term, including structure planning in preparation for rezoning the next generation of growth areas. This HBDCA signals that this should be a consideration for the Future Development Strategy in 2018. Likewise, only approximately five years of capacity will remain in the Te Puke urban growth areas at the end of the medium term.

Long Term Capacity – Western Bay of Plenty District - June 2027 – June 2047

This HBDCA indicates that the Western Bay of Plenty District is well placed for the long term through the current settlement pattern. A large proportion of this capacity is afforded by the remaining capacity at Omokoroa. There will likely be the need for some further capacity in the townships of Waihi Beach and Te Puke, with Waihi Beach likely to need development capacity near the beginning of the long term time period. Te Puke will also need to begin the process for bringing the remaining Generation 4 growth areas online, with only around 5 years of capacity projected to remain at the start of the long term time period. This long term capacity scenario is outlined in Table 1.12.

Long Term Sufficiency of Development Capacity for Western Bay of Plenty District

The demand projections for the Western Bay of Plenty District indicate that development capacity is required for around 4,100 dwellings (~4,750 with 15% margin required by Policy PC1 of the NPS-UDC) during the long-term time period. Table 1.12 indicates that there will be sufficient total development capacity to cater for this demand. The Western Bay of Plenty Council will also be responsive to township-specific capacity requirements through release of Generation 4 areas in Waihi Beach and Te Puke.

Table 1.12-Potential Areas for Long-Term Development Capacity for Western Bay of Plenty District

Growth Area	Potential Additional Household Capacity	Potential Future Urban Growth Areas (Indicative Sequencing)
Remaining Capacity in Urban Growth Areas (includes Omokoroa and Katikati 'Generation 4' areas)	~4,000 dwellings	-
Northern	500 dwellings	Waihi Beach
Eastern	1,000 dwellings	Te Puke
Rural/Lifestyle/Small Settlements	500 dwellings	Rural Minden Lifestyle Small Settlements
Total	6,000 dwellings	

Housing Capacity Assessment Sub-Regional Overview

The capacity assessment for housing indicates that the short and medium term development capacity will be sufficient, provided that for Tauranga City the areas of Te Tumu and Tauriko West are brought online as per the current SmartGrowth settlement pattern²¹. Similarly, for the Western Bay of Plenty District the current settlement pattern will provide sufficient development capacity in the short and medium terms provided that the Generation 4 growth areas for Katikati and Omokoroa are brought online.

In the long term, the Western Bay of Plenty District will have sufficient capacity, with the continued growth of Omokoroa accounting for around 70% of available development capacity. Opening up the Generation 4 areas in Te Puke and Waihi Beach, as already signalled in the Regional Policy Statement, will also ensure that there is sufficient capacity in all four townships to meet demand.

Tauranga City faces a more fluid set of challenges in the long term. In terms of balancing the location of future greenfield urban growth areas, a strategic alignment between the location of housing and employment is desirable. This would suggest that growth in the eastern and western corridors is preferable to the southern corridor – although further growth in the southern corridor may facilitate better provision of business activity and community facilities serving that catchment. Alternative corridor options also need to be considered through the development of the Future Development Strategy in 2018.

Tauranga also faces a significant challenge in terms of balancing growth in greenfield areas with intensification of the existing urban area. The Tauranga Urban Strategy sets a strategic direction that seeks to increase the proportion of growth that is accommodated within the existing urban area. The demand profile for housing into the long term paints a challenging picture in terms of providing more smaller homes and improving housing affordability. Different urban form outcomes, including the balance between greenfield growth and intensification, will deliver different benefits in terms of typology, location and price point of housing to serve a rapidly changing demographic profile. These matters will need to be carefully considered through development of the Future Development Strategy in 2018 – including a monitoring framework to ensure development capacity is responsive to changing conditions and trends.

At a sub-regional level the Future Development Strategy will also need to consider the relationship of the satellite townships in the Western Bay of Plenty District to the growth in Tauranga City. One scenario to consider into the long term may be the opportunities for higher rates of growth in these townships to offset the need for expansion of the Tauranga City urban footprint. This may require revisiting the long term capacity assessment for the Western Bay of Plenty sub-region to consider further development capacity opportunities.

Table 1.13 overleaf provides a summary of the capacity assessment for housing for the sub-region.

²¹ Noting that Tauriko West was introduced to the SmartGrowth settlement pattern via the August 2016 update.

Table 1.13 - Summary of Housing Capacity for Sub-Region

	Short Term Housing Capacity (June 2017 – June 2020)	Medium Term Housing Capacity (June 2020 – June 2027)	Long Term Housing Capacity (June 2027 – June 2047)
Tauranga City	Projected Short Term Demand (+20%): 4,245 dwellings (5,094 dwellings)	Projected Medium Term Demand (+20%): 9,191 dwellings (11,029 dwellings)	Projected Long Term Demand (+15%): 22,013 dwellings (25,315 dwellings)
	Remaining capacity of zoned and serviced greenfield areas (June 2017): 9,782 dwellings	Remaining capacity of zoned and serviced greenfield areas (June 2020): 6,204 dwellings	Remaining capacity of zoned and serviced greenfield areas (June 2027): 9,753 dwellings
	Projected infill/intensification uptake (16% of total growth): 669 dwellings	Additional Areas Te Tumu: 7,627 dwellings Tauriko West: 2,934 dwellings	Western Corridor: Up to 8,000 dwellings Southern Corridor: Up to 4,000 dwellings
		Projected infill/intensification uptake (18.6% of total growth): 1,746 dwellings	Projected infill/intensification uptake (20% - 45% of total growth): 4,400 – 9,900 dwellings
	Total Short Term Capacity 10,451 dwellings	Total Medium Term Capacity 18,511 dwellings	Total Long Term Capacity 14,153 – 31,653 dwellings
Western Bay of Plenty	Projected Short Term Demand (+20%): 1,267 dwellings (1,520 dwellings)	Projected Medium Term Demand (+20%): 2,657 dwellings (3,188 dwellings)	Projected Long Term Demand (+15%): 4,128 dwellings (4,747 dwellings)
	Remaining capacity of zoned and serviced greenfield areas (June 2017): 2,170 dwellings	Remaining capacity of zoned and serviced greenfield areas (June 2020): 1,537 dwellings	Remaining capacity of zoned and serviced greenfield areas (June 2027): 3,110 dwellings
	Projected uptake of rural/lifestyle and small settlements (40% of total growth): 510 dwellings	Additional Areas Omokoroa Gen 4: 2,336 dwellings Katikati Gen 4: 1,070 dwellings	Eastern Corridor: Up to 1,000 dwellings Northern Corridor: Up to 500 dwellings
		Projected uptake of rural/lifestyle and small settlements (31% of total growth): 824 dwellings	Projected uptake of rural/lifestyle and small settlements (12% of total growth): 479 dwellings
	Total Short Term Capacity 2,680 dwellings	Total Medium Term Capacity 5,767 dwellings	Total Long Term Capacity 3,589- 5,089
Total Capacity	Projected Short Term Demand (+20%) 5,512 dwellings (6,614 dwellings)	Projected Medium Term Demand (+20%): 11,848 dwellings (14,218 dwellings)	Projected Long Term Demand (+15%): 26,141 dwellings (30,062 dwellings)
	Total Short Term Capacity 13,131 dwellings	Total Medium Term Capacity 24,278 dwellings	Total Long Term Capacity 17,742 – 36,742 dwellings

Part 2: Business

The business capacity assessment first outlines the demand profile and then the assessment of capacity to meet that demand. A comprehensive business capacity assessment is attached as Appendix 7 with the below assessment being a summary of the relevant findings.

Business Demand Assessment

Employment Projections by Sector

The primary evidence base for this assessment is the employment projections analysis completed for SmartGrowth in 2016/2017 which projected the increase in employment across key sectors and different locations²². The summary report for that analysis is attached as Appendix 8. This work distributed employment numbers down to Statistics NZ mesh block level and therefore provides a very fine grain of detail as to demand by sector and location. The assessment was undertaken based on the following SmartGrowth employment sectors.

- Agriculture
- Industry
- Retail
- Services
- Education

This work was undertaken to inform a longer time horizon than the 30 year time horizon relevant to the NPS-UDC. The demand profile is therefore summarised out to 2063 in terms of sector demand. It is noted however that the majority of growth is expected to occur during the 30 year time period – with Tauranga and the Western Bay of Plenty District only adding another 1.2% and 1.3% of employment respectively between 2050 and 2063.

High growth in employment is projected for the sub-region in the short term. The analysis suggests that total employment is expected to grow by 38,350 (by 2063). In Tauranga, employment is expected to increase by 30,610 by 2050 (a 46.2% increase) and Western Bay of Plenty employment is projected to grow by 6,230 (+33.1%) over the same period. Table 2.1 provides a summary of the growth in employment across the five SmartGrowth sectors out to 2063. Figures 2.1 – 2.3 illustrate the share of growth and also a breakdown of the rate of growth over time.

Table 2.1 - Employment Growth 2017 – 2063 by Employment Sector

	Tauranga City	Western Bay of Plenty District
Agriculture	35% (1,005)	25.9% (1,615)
Industry	45.3% (9,080)	35.5% (1,660)
Retail	31.9% (3,615)	29.9% (515)
Services	58.6% (15,870)	48.8% (2,560)
Education	46.3% (2,210)	23.6% (215)

²² Prepared by Market Economics Consulting Ltd

Figure 2.1 - Share of Growth by Sector and Territorial Area

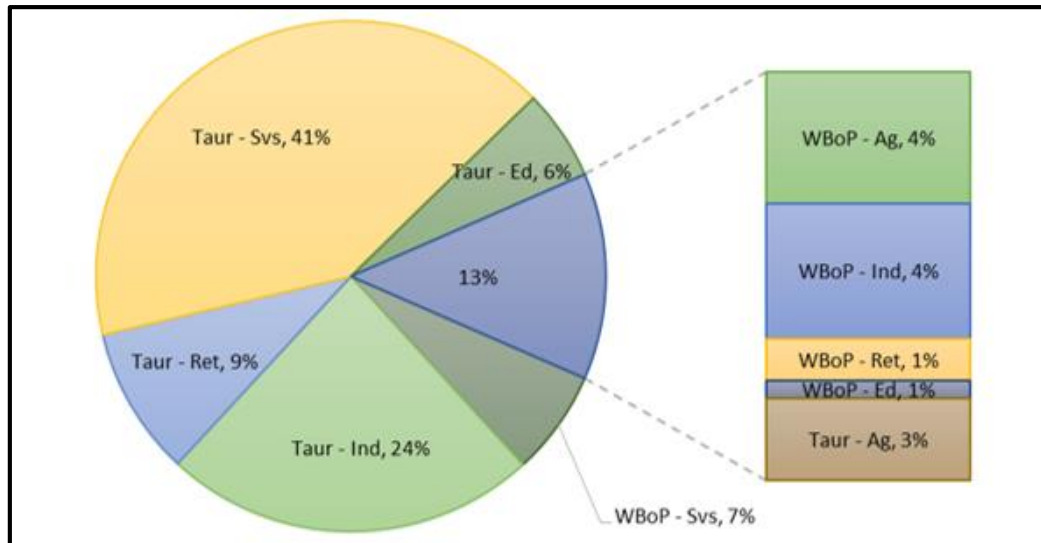


Figure 2.2 - Employment Growth by Sector – Tauranga City

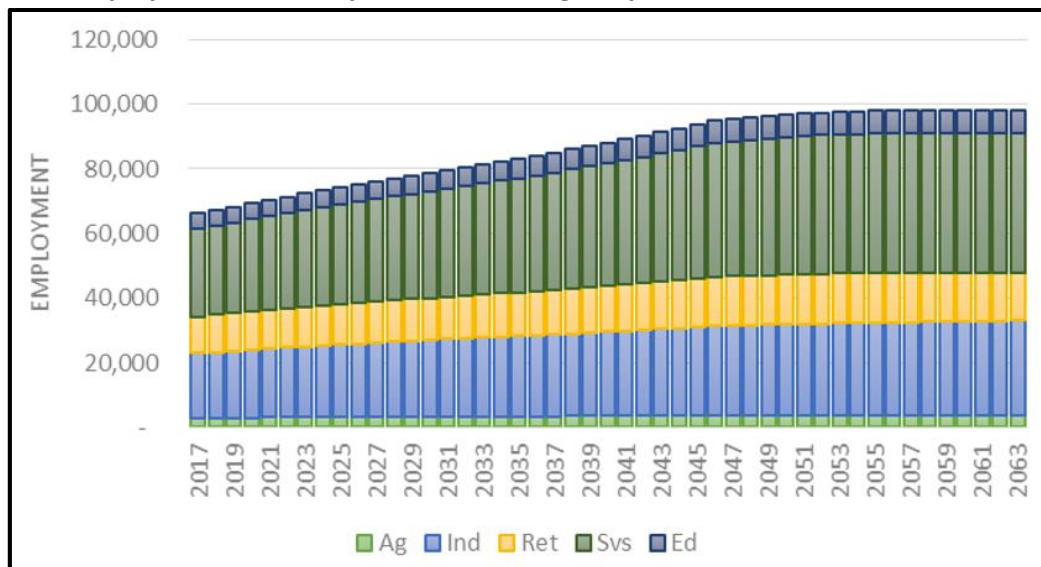
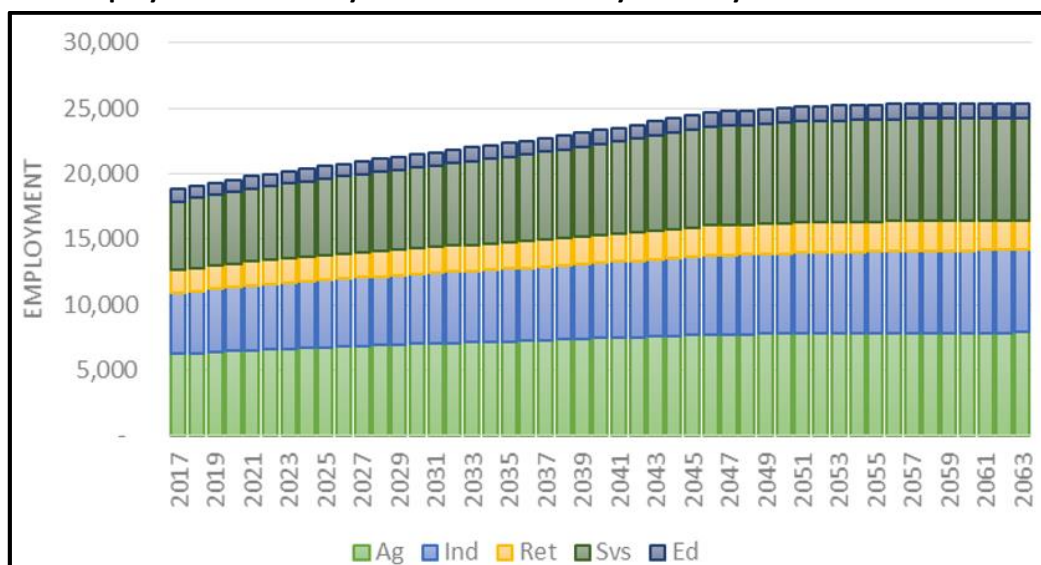


Figure 2.3 - Employment Growth by Sector – Western Bay of Plenty District



A key observation is that the strongest growth will occur in the Tauranga City services sector. This demonstrates a trend towards commercial development as office activities are established in commercial zones such as the City Centre Zone. Nonetheless, there is still significant growth projected for the industrial sector.

The Port of Tauranga is a key driver of economic activity in the sub-region and being the largest export Port in New Zealand is also critical to the economy of New Zealand, particularly the upper North Island. The location of primary Port facilities is to a large extent fixed, although there are ancillary activities, such as storage of product, that are more flexible in terms of location. Therefore, the Port activity will be a significant driver of demand in other zones for industrial activity.

‘Out-of-Zone’ Business Demand

Assessing development capacity demand from business activity is made more complex due to the fact that several sectors of business are difficult to assign to specific locations in terms of floor area requirements. A prime example is that over one-third of employment is currently in ‘out-of-zone’ locations and this dynamic is projected to remain into the future (e.g. trades-based employment, independent professional services). Further, the aged care sectors, schools and some health services are located out of zone, although the latter can tend to locate in zoned neighbourhood centres.

A key consideration in this respect is the education sector. Public school sites tend to be designated by ‘Requiring Authority’ (i.e. Ministry of Education) and this can be applied to any underlying zoning. Likewise, private and integrated schools are often created by way of resource consent or private plan change rather than in an already dedicated zone. With regard to the tertiary sector, there is a dedicated campus at Windemere in the southern corridor of Tauranga City. There is also a campus in the city centre for the Toi Ohomai Institute of Technology and the University of Waikato Tauranga Campus is currently under construction within the same city block.

Agriculture

An important part of the sub-region’s economy is related to agriculture (e.g. kiwifruit). The growth in agriculture related employment noted above will mostly impact on demand for land and physical resource in the rural areas. This limits its relevance to the urban context that is of primary focus under the NPS-UDC. However, the linkages to industrial-type land uses, such as warehousing and packing shed activities have been considered in the business capacity assessment attached as Appendix 7. Further, the link to the commercial accommodation sector is assessed in the Seasonal Worker Accommodation Review attached as Appendix 5.

Business Capacity Assessment

The assessment of business capacity is a complex exercise. The methodology fundamentally builds on the employment projections work by calculating the capacity of the respective commercial and industrial areas to accommodate the projected increase in employee numbers. For a detailed outline of the methodology used see Appendix 7.

The Tauranga City Council and Western Bay of Plenty District Council undertake an annual development trends report that monitors the uptake of residential, commercial and industrial land and provides a summary of remaining capacity in the various zones. That work has informed this HBDCA and is attached as Appendix 3.

The summary assessment below outlines the capacity considerations for the urban commercial and industrial areas in the sub-region that are highlighted by the available evidence.

Commercial

As at January 2017, there was around 280 hectares of Commercial zoned land in Tauranga City. The city centre provides for approximately 40 hectares of commercial zoning and is the largest employment hub for the services sector. Other commercial centres range from small neighbourhood centres of less than a hectare up to two adjacent areas in Papamoa in the eastern corridor that comprise a total of around 40 hectares. The Wairakei town centre is already zoned and is anticipated to provide an area of around 27 hectares of land for a significant new town centre to serve the eastern corridor. Development in the Wairakei town centre is yet to commence and will likely occur in tandem with development commencing in the Te Tumu area around 2021.

In the Western Bay of Plenty District all of the four urban growth area townships have substantial provision for commercial zones ranging from around 7 hectares at Waihi Beach to around 17 hectares in Omokoroa. Whilst falling in the middle of the other two townships in terms of zoned area, the townships of Kaitkati and Te Puke have the most established 'mainstreet' commercial precincts.

Figures 2.4 and 2.5 show the location of the commercial (and industrial) zonings for the two territorial areas. Note that for the Western Bay of Plenty District, a number of small local commercial centres and the Te Puna Business Park are located outside of the urban growth areas and are not shown in Figure 2.5. The Te Puna Business Park is however shown on the overview map attached as Appendix 2. The Rangiuru Business Park is shown in Figure 2.5 in terms of its location in the eastern corridor.

Figure 2.4 - Tauranga City Commercial and Industrial Areas

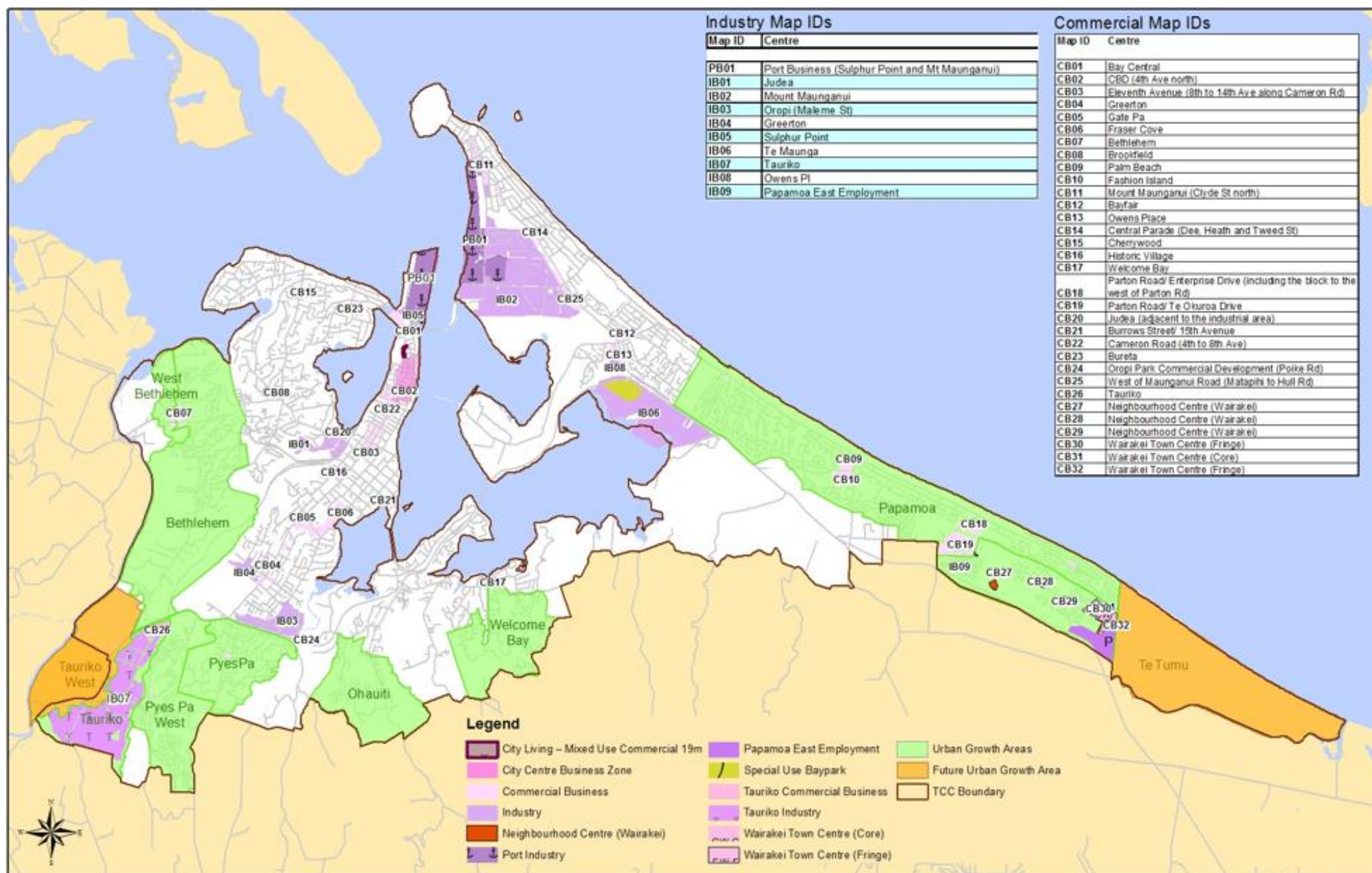
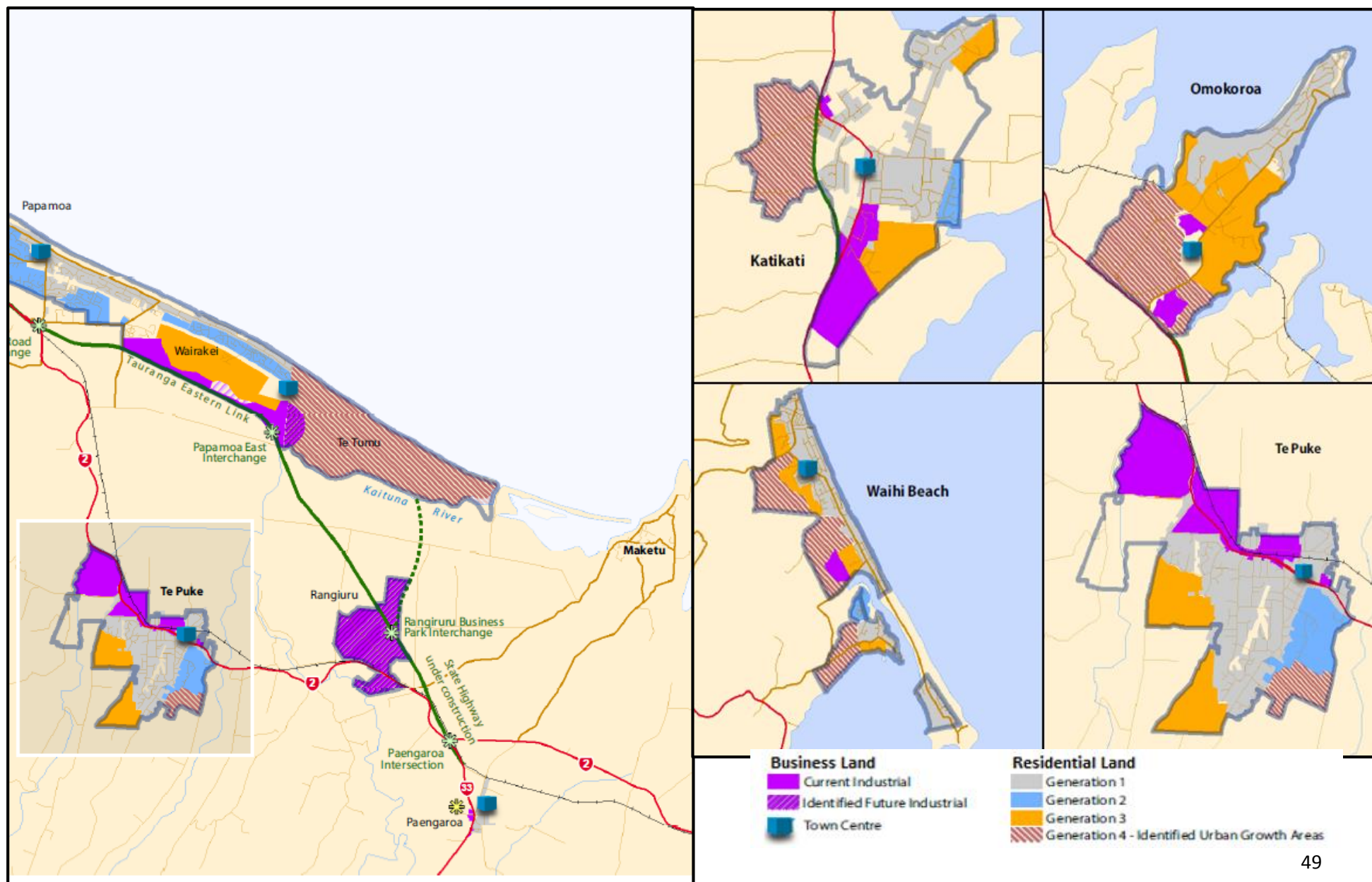


Figure 2.5 - Western Bay of Plenty District Commercial and Industrial Areas



Development capacity in the commercial zones is well catered for across the sub-region. There will be emerging pressure on some smaller neighbourhood centres, especially if increasing demand for services results from higher densities of residential activity and higher proportions of older residents in these areas. For example, several neighbourhood centres in the Otumoetai area are forecast to be in deficit for business development capacity at the end of the 30 year term, as are a number of neighbourhood centres in the Western Bay of Plenty District.

The bulk of retail employment growth in Tauranga City is projected to occur in the city centre and the large shopping malls at Tauranga Crossing and Bayfair, located to the west and east respectively. These are all areas of such scale that they serve the sub-regional retail catchment and beyond. All three of these locations have significant zoned capacity for expansion. In the city centre this will in part require redevelopment of sites. There is no impediment to this in the City Plan rules and development feasibility is supported by the relatively low value of land in the city centre²³ and number of sites with low improvement value. The proposed comprehensive redevelopment of the Farmers site is an example of redevelopment interest in the city centre for mixed use development with a substantial retail component.

Industrial

The projections indicate that Tauriko Business Estate in the western corridor and the Rangiuru Business Estate in the eastern corridor will cater for a large proportion of the forecast industrial growth in the sub-region. Other areas for industrial activity of smaller but still significant scale will become available in the eastern corridor at Te Tumu, and in the northern corridor at Te Puna and Omokoroa during the medium term. A summary of the infrastructure sequencing requirements is shown in Table 2.2. Note that the requirements for the Te Tumu and Omokoroa areas have already been accounted for in the requirements outlined in Tables 1.5 and 1.9.

Table 2.2 - Infrastructure Sequencing Requirements for Medium/Long Term Industrial Areas

Area	Infrastructure Requirements
Tauriko Business Estate - Stage 2 (Belk Road)	Stormwater Pond Wastewater extension to connect to Southern Pipeline Upgrade in Belk Road/State highway intersection
Rangiuru Business Park	Wastewater system Water supply Interchange to Tauranga Eastern Link
Te Puna Business Park	Local Road and State highway upgrades
Omokoroa	See Table 1.9 in Part 1
Te Tumu	See Table 1.5 in Part 1

²³ In comparison to the central business districts of other major New Zealand cities.

Business Capacity Assessment Sub-Regional Overview

Development capacity for business activity is well catered for across the sub-region. There will be emerging pressure on some smaller neighbourhood centres, especially if increasing demand for services results from higher densities of residential activity and higher proportions of older residents in these areas. For example, several centres in the Otumoetai area are forecast to be in deficit for business development capacity at the end of the 30-year term, as are a number of neighbourhood centres in the Western Bay of Plenty District.

The Tauriko Business Estate in the western corridor and the Rangiuru Business Park in the eastern corridor will cater for a large proportion of the forecast industrial growth in the sub-region. Other areas for industrial activity of smaller but still significant scale will become available in the northern and eastern corridors during the medium term.

Part 3: Sufficiency and Monitoring

Overall sufficiency is assessed below in terms of the short, medium and long term.

Short Term

Development capacity for housing and business is assessed as sufficient in the short term across the entire sub-region based on the current level of zoned and serviced land that is development ready.

Medium Term

Development capacity in the medium term is assessed as sufficient across the entire sub-region subject to the continued roll out of the current SmartGrowth settlement pattern. This will require the additional urban growth areas for housing and business land shown in Table 3.1 to be brought online in the medium term.

Table 3.1 - Urban Growth Areas Required to be Brought Online in Medium Term

	Housing Capacity	Business Capacity
Tauranga City	Te Tumu (~2021) Tauriko West (~2021)	Te Tumu (~2021) Tauriko Business Estate Extension – Belk Road (post-2021)
Western Bay of Plenty District	Katikati West Generation 4 (~2021) Omokoroa Generation 4 (post-2021)	Omokoroa Generation 4 (post-2021) Rangiuru Business Park (post-2021) Te Puna Business Park (post-2021)

Long Term

Long term sufficiency is achieved for the Western Bay of Plenty District based on projected growth and anticipating the release of additional development capacity for housing within the Generation 4 areas for Waihi Beach and Te Puke. There are very small pockets of additional business development capacity required at a neighbourhood level linked to localised residential growth.

For Tauranga City the situation is more complex and revolves around several factors:

- The success of measures to increase residential densities in the existing urban area through centres-based intensification.
- The amount of development capacity brought online in the southern and western corridors respectively.
- The densities achieved in greenfield urban growth areas.
- Potential alternative opportunities for growth in other corridors (not considered in this HBDCA).

Further, the areas that are currently included in the SmartGrowth settlement pattern do not formally include the additional areas in the western corridor, beyond Tauriko West and Keenan Road, that were subject to strategic investigation in 2016. Whilst these are included in the potential range of yield for the western corridor shown in this HBDCA, they are not formally agreed to by the SmartGrowth partners as future urban growth areas and are still subject to ongoing investigation. This investigation will be progressed further in developing the Future Development Strategy in 2018 and subsequent revisions alongside consideration of other alternatives (e.g. higher rates of intensification or alternative corridor options).

Overall, the results indicate that the western Bay of Plenty sub-region does not have any projected shortfalls in capacity for either housing or business capacity over the short, medium or long term. Both the development capacity which is provided in resource management plans (and supported with development infrastructure and feasible for development) and the anticipated additional supply over time will be sufficient to meet the projected demand for housing and business capacity across the sub-region. The Future Development Strategy in 2018 will outline how this anticipated capacity will be planned for and delivered over the next 30 years and the key challenges that need to be overcome to achieve this.

Monitoring

The Future Development Strategy will outline the monitoring regime - and crucially the trigger points that will signal when new interventions are required to release further development capacity. Given the long lead-in times required to render new development capacity ready-to-go it is important that these trigger points account for the time required to complete the necessary enabling work.

Part 4: Business and Housing Interactions

SmartGrowth promotes an urban form that supports a live/learn/work/play philosophy. Coordinating the location of housing and business activity is an important consideration to achieve this goal. Given the large commercial centre and industrial estate emerging at Tauriko, further opportunities for housing capacity in the western corridor will be investigated following on from the current settlement pattern.

The intention signalled in the Tauranga Urban Strategy to increase densities of housing in and around the city centre as well as other centres in the City will also require consideration of the business development capacity available in these areas.

Synergies of housing location, density and proximity to employment and learning opportunities will be essential to realise the benefits of a compact city form. Likewise, the commercial and industrial offering in the growing townships of the Western Bay of Plenty District will need to be considered. This HBDCA provides a robust platform to consider these matters in developing the Future Development Strategy in 2018.

There are benefits of a compact urban form where higher residential densities are provided around commercial employment centres. The Tauranga Urban Strategy outlines some key benefits that are anticipated through a shift towards more centres-based intensification, including:

- Better choice and resilience through density, diversity and mixed-use.
- Greater efficiency through better connectivity and being transit supportive.
- Streets with character and walkable neighbourhoods.
- Open space, integrated natural systems and environmental resilience.
- Place-making through, quality architecture and urban design.

The geography of Tauranga presents critical constraints in terms of the capacity for cross-city movements between corridors. In particular, the harbour road crossings are potentially prohibitively expensive to upgrade to provide further capacity. Balancing growth in terms of; the density of residential activity; the effectiveness of public transport; and the need in itself to travel longer distances for work and access to services, are important considerations for developing a preferred future long term scenario for urban growth. Consideration of alternative scenarios will be required to ensure the ability to respond to actual development trends revealed by the monitoring indicators. The Future Development Strategy will establish this framework.

Part 5: Stakeholder Engagement

This HBDCA has been prepared by a SmartGrowth Technical Implementation Group, with membership including representatives from the following:

- Tauranga City Council
- Western Bay of Plenty District Council
- Bay of Plenty Regional Council
- NZ Transport Agency
- Tangata Whenua

In preparing the Housing Needs Assessment, SmartGrowth engaged with a wide range of organisations, both through the SmartGrowth Housing Reference Group and by way of individual interviews with the consultant team. This engagement covered the following:

- Local authorities
- Developers
- Tangata Whenua
- Emergency and social housing providers and funders
- Social sector organisations

Likewise, in preparing the employment projections work over 2016/2017 interviews were held with the following parties:

- Toi Ohomai Institute of Technology (Bay of Plenty Polytech)
- Port of Tauranga
- The Bay of Plenty District Health Board
- New Zealand Kiwifruit Growers Incorporated
- Priority One
- Export NZ
- Chamber of Commerce
- Element IMF (developer of Tauriko Business Estate)

There has also been significant engagement across a number a major investment and planning projects that have involved extensive engagement with key stakeholders as well as the public, including:

- Development of transport network plans for the northern, central and western corridors.
- Public Transport Blueprint
- Major local authority three waters infrastructure and city centre amenity investments.
- Structure planning for the Te Tumu, Tauriko West and Omokoroa medium term growth areas.

SmartGrowth also recognises that there is a need for strong integration in 2018 across the major workstreams relevant to growth management. These integrated workstreams will effectively update the SmartGrowth settlement pattern and meet the requirement of the NPS-UDC for completing a Future Development Strategy by the end of 2018.

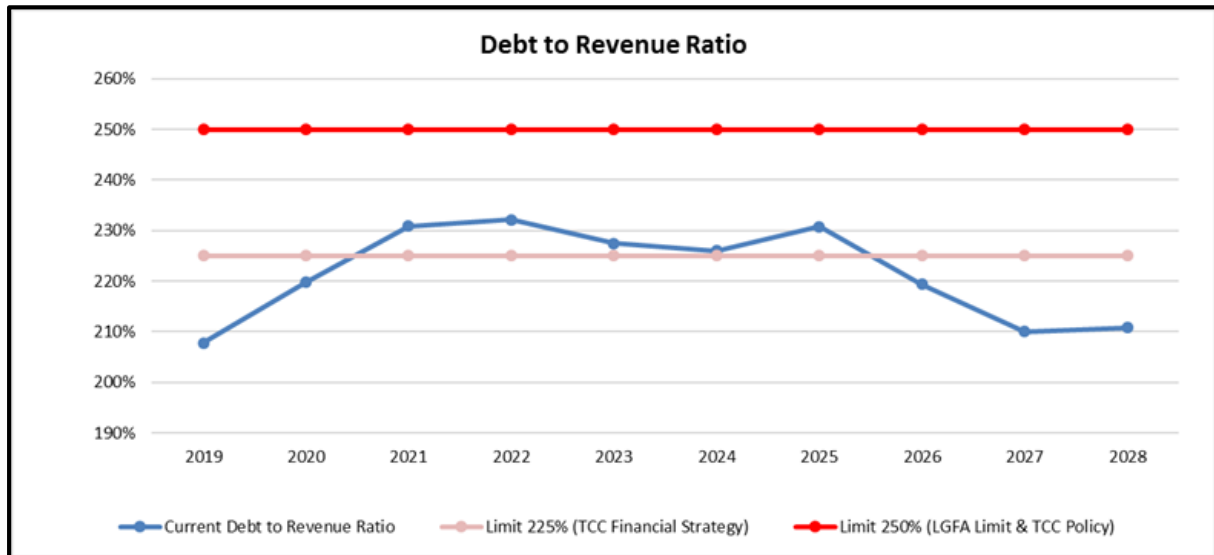
Part 6: Funding

Both territorial authorities face significant funding challenges in order to enable sufficient development capacity in the medium and long term.

Tauranga City Council in particular faces significant funding challenges given the scale of additional development capacity required in the medium term. This HBDCA has identified the Te Tumu and Tauriko West areas as critical to meet the medium-term supply of land for housing, with the associated cost for council infrastructure alone (local roads and three waters) being around \$100m. Other infrastructure required nearly effectively doubles the costs associated with servicing these growth areas albeit not all of these costs are borne by Council (e.g. schools, State highway improvements). In addition, the city-wide upgrades to three waters (water, wastewater and stormwater) infrastructure represents additional costs to Council in the hundreds of millions.

The Tauranga City Council needs to stay below the 250% debt to revenue ratio imposed by the Local Government Funding Agency. This is an absolute upper limit given that a breach of the ratio would require refinancing all of Council's debt through alternative providers. To ensure that there is sufficient headroom to account for future uncertainty (e.g. slowing rates of development, natural disasters, increasing interest rates) Tauranga City Council's Financial Strategy aims to limit the debt to revenue ratio to a maximum of 225%. This is a real challenge, with the graph below showing the forecast debt to revenue ratio exceeding the 225% level for a number of years based on the draft Long Term Plan 2018-28. Note this projection is based on rates increasing on average by almost 10 percent over the next few years. Without these years of higher than usual rates increase, projects would have to be moved or amended to ensure the 250% limit is not be breached.

Figure 6.1 - Tauranga City Council Draft Long Term Plan 2018-28 Debt to Revenue Ratio Projections



By comparison, debt levels for the Western Bay of Plenty District Council are projected to reduce over time in the Draft 2018-28 Long Term Plan, with the Council staying within their self-imposed prudent borrowing limit so as not to exceed a 180% debt to revenue ratio.

The net present value of investing in growth can be positive in the long term for territorial authorities²⁴. However, there are also significant benefits from City growth that accrue to central Government across a range of outcome areas including productivity, health, education, transport and social outcomes. There is also direct revenue to central Government through the growth of cities, for example the GST yield from development activity itself. Looking internationally, there are different models for funding the growth of cities to apportion the costs equitably to reflect where the benefits will accrue between local and central government. Some of these models were recently highlighted by the Productivity Commission²⁵.

There are already established cost share mechanisms in respect of transport infrastructure to support growth, including Funding Assistance Rates and other cost share arrangements for network upgrades negotiated with the NZ Transport Agency. Assumptions have been made around such funding streams being available in preparing the draft Long Term Plans, although formal agreements in respect of the network upgrades required to serve the medium term growth areas are yet to be confirmed.

There are further opportunities for an equitable sharing of costs in other outcome areas. One example is investing in housing to address housing need, given the significant costs to central Government that arise when housing needs are not met, including; accommodation supplements; emergency housing support; and additional burden on the health sector. The SmartGrowth partners support ongoing discussions with Government around potential opportunities for co-investment.

²⁴ e.g. Findings by Morrison Low. (2016). *Net Cost of Growth to New Zealand Local Authorities*. Unpublished report prepared for the Ministry of Business, Innovation and Employment.

²⁵ Better Urban Planning, NZ Productivity Commission 2017, p336 – 337.

Part 7: Summary of Challenges for Future Development Strategy

The NPS-UDC requires the SmartGrowth partners to complete a Future Development Strategy (FDS) by 31 December 2018. The FDS is in effect the spatial response to this HBDCA.

The requirements for the FDS are as follows:

- Identify the broad location, timing and sequencing of future development capacity over the long term in future urban environments and intensification opportunities within existing urban environments.
- Balance the certainty regarding the provision of future urban development with the need to be responsive to demand for such development.
- Be informed by, and inform, the relevant Long Term Plans and Infrastructure Strategies required under the Local Government Act 2002, and any other relevant strategies, plans and documents.
- Undertake consultation processes that comply with Part 6 of the Local Government Act or Schedule 1 of the Resource Management Act.
- Be informed by the HBDCA and all ongoing monitoring.
- Have particular regard to the need to ensure that at any one time there is sufficient housing and business development capacity (short, medium and long term).
- Note where there is a shortfall and identify mitigation measures to ensure timely supply.

The following is a summary of the challenges for the FDS:

Balancing certainty and responsiveness.

- The SmartGrowth experience over the last 20 years has been that certainty reduces as the planning time horizon extends. This has been a common theme through successive reviews of the SmartGrowth Strategy and settlement pattern – that the timing and location for projected growth needs to be regularly updated and the picture for the long term can shift significantly.
- Changes to the settlement pattern can emerge through the process of review due to a range of factors, such as further analyses of constraints and development feasibility; or changes in the timing, location and capacity of significant infrastructure (e.g. State highway upgrades).
- The challenge is to give sufficient certainty to allow for integrated planning of infrastructure and land use change to provide for future need, while also being able to respond to the developing evidence base and any changes to conditions.

Balancing Brownfields and Greenfields

- The HBDCA identifies a significant amount of future development capacity is dependent on the success of the centres-based Tauranga Urban Strategy. The success of this Strategy will in turn influence the quantum and timing of additional greenfield development capacity.
- Even if aspirational levels of brownfields intensification are achieved, the majority of growth is still projected to occur in the greenfields.

Monitoring

- Development in both greenfields and brownfields will need to be carefully monitored on an ongoing basis. There needs to be flexibility so that if targets are not being met this can be recognised early and different approaches taken, especially considering the long lead-in time to bring development capacity online. The FDS will need to outline the framework for this ongoing monitoring.

Public Engagement

- Public engagement on the FDS is required by the NPS-UDC, through a process that complies with either Part 6 of the Local Government Act or Schedule 1 of the Resource Management Act.
- Ensuring that the community understands the importance of all types of development and the options that are available to cater for projected growth will be vital to ensure successful implementation of the FDS.

Funding Challenge

- There are ongoing infrastructure and funding challenges for the SmartGrowth settlement pattern.
- A financially sustainable and equitable model to fund growth related infrastructure is required. New funding initiatives are being explored by Government. There is an opportunity for these initiatives to be trialled in the high growth areas within New Zealand. Major policy announcements are expected from Government in 2018.
- The requirements in the NPS-UDC to provide additional margins of feasible development capacity over and above projected demand of at least 20% in the short and medium term, and 15% in the long term, is a significant challenge. This carries significant financial implications and balance sheet risk.
- The FDS needs to inform, and be informed by, Long Term Plans, the Regional Policy Statement, District Plans and the Regional Land Transport Plan.

List of Appendices and Links

- Appendix 1:** NPS-UDC Capacity Assessment Requirements
- Appendix 2:** Housing and Business Capacity Assessment Overview Map
- Appendix 3:** SmartGrowth Development Trends Technical Report 2017
- Appendix 4:** Research Report - Housing Demand and Need in Tauranga and Western Bay of Plenty – Livingston and Associates/Community Housing Solutions – November 2017
- Appendix 5:** Seasonal Worker Accommodation Review – Western Bay of Plenty District Council – November 2016
- Appendix 6:** Residential Feasibility Analyses
- A: Te Tumu
 - B: Tauriko West
 - C: Keenan Road
 - D: Katikati Generation 4
 - E1 & E2: Tauranga City Residential Intensification
- Appendix 7:** SmartGrowth NPS-UDC Business Development Capacity Assessment - Process and Key Findings – M.E. Consulting – December 2017
- Appendix 8:** SmartGrowth Employment Projections – Methodology and Key Findings – M.E. Consulting – April 2017

Links

SmartGrowth Website

<https://www.smartgrowthbop.org.nz/>

Bay of Plenty Regional Policy Statement

<https://www.boprc.govt.nz/plans-policies-and-resources/policies/operative-regional-policy-statement/>

Te Tumu Strategic Study

<http://www.tauranga.govt.nz/our-future/projects/te-tumu/prior-studies>

Western Corridor Strategic Study

<https://www.smartgrowthbop.org.nz/media/1639/may-western-corridor-strategic-planning-study.pdf>

Tauranga Urban Strategy

<https://www.tauranga.govt.nz/our-future/strategic-planning/strategic-focus/tauranga-urban-strategy>

Appendix 1: NPS-UDC Capacity Assessment Requirements

OB1: A robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments.

PB1: Local authorities shall, on at least a three-yearly basis, carry out a housing and business development capacity assessment that:

a) Estimates the demand for dwellings, including the 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; and

b) Estimates the 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; and

c) Assesses interactions between housing and business activities, and their impacts on each other.

Local authorities are encouraged to publish the assessment under policy PB1.

PB2: The assessment under policy PB1 shall use information about demand including:

a) Demographic change using, as a starting point, the most recent Statistics New Zealand population projections;

b) Future changes in the business activities of the local economy and the impacts that this might have on demand for housing and business land; and

c) Market indicators monitored under PB6 and PB7.

PB3: The assessment under policy PB1 shall estimate the sufficiency of development capacity provided by the relevant local authority plans and proposed and operative regional policy statements, and Long Term Plans and Infrastructure Strategies prepared under the Local Government Act 2002, including:

a) The cumulative effect of all zoning, objectives, policies, rules and overlays and existing designations in plans, and the effect this will have on opportunities for development being taken up;

b) The actual and likely availability of development infrastructure and other infrastructure in the short, medium and long term as set out under PA1;

c) The current feasibility of development capacity;

d) The rate of take up of development capacity, observed over the past 10 years and estimated for the future; and

e) The market's response to planning decisions, obtained through monitoring under policies PB6 and PB7.

PB4: The assessment under policy PB1 shall estimate the additional development capacity needed if any of the factors in PB3 indicate that the supply of development capacity is not likely to meet demand in the short, medium or long term.

PB5: In carrying out the assessment under policy PB1, local authorities shall seek and use the input of iwi authorities, the property development sector, significant land owners, social housing providers, requiring authorities, and the providers of development infrastructure and other infrastructure.

PB6: To ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes, local authorities shall monitor a range of indicators on a quarterly basis including:

a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;

b) The number of resource consents and building consents granted for urban development relative to the growth in population; and

c) Indicators of housing affordability.

PB7: Local authorities shall use information provided by indicators of price efficiency in their land and development market, such as price differentials between zones, to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed.

Local authorities are encouraged to publish the results of their monitoring under policies PB6 and PB7.