

Preliminary Evaluation of Feasible Development Capacity

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Preliminary Evaluation of Feasible Development Capacity

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Table of Contents

1 INTRODUCTION..... 4

1.1 Background 4

1.2 Purpose..... 5

1.3 Scope 5

2 METHODOLOGY 6

2.1 Model Adjustments 6

2.2 Scenarios..... 6

3 RESULTS..... 8

3.1 Historical Consents..... 8

3.2 Feasible Development Capacity 8

4 DISCUSSION 11

APPENDICES 12

Appendix A: Results for each Scenario 12

1 Introduction

1.1 Background

Invercargill City Council (ICC) is in the process of preparing a proposed Plan Change to its District Plan, with the intention of enabling more diverse and intensified housing options across the city — particularly in areas where current rules may be acting as a barrier to development uptake. This initiative responds to the findings of the 2023 Invercargill Housing Needs Assessment, which highlighted a mismatch between the current housing stock and the types of dwellings required to meet the city's evolving needs.

ICC's district plan has six different residential zoning categories with rules presented below in Table 1. While the District Plan provides for theoretical capacity — including provisions for medium-density housing through the Residential 1A zone — actual delivery has been limited. Central areas of the city and attached living options (such as townhouses and apartments) were identified as pressure points. The assessment found that, although total capacity is sufficient to meet projected growth even under a high-growth scenario, the location and type of much of that capacity do not align well with demand.

Uptake of medium-density development has been particularly constrained by provisions such as minimum site size requirements (e.g. 2,000m² for comprehensive development in RES1A) and the need for resource consents with discretionary or non-complying status. These factors significantly reduce the commercial feasibility of delivering the kinds of housing that are most needed.

To support the planning and policy process, ICC has engaged Rationale to evaluate how specific changes to District Plan rules may affect feasible development capacity — that is, the quantum of housing that is not just theoretically enabled by zoning, but likely to be realised under realistic market and regulatory conditions.

Table 1: ICC residential zones' rules

Zone	Permitted Activity – Residential Density	Discretionary Activity
Residential 1A (Not a Medium Density Development)	No less than 400m ²	No less than 350m ²
Residential 1A (Medium Density Development)	N/A no complying status for medium density developments	No less than 2,000m ² or more in contiguous ownership prior to development
Residential 1B	No less than 250m ²	Restricted Discretionary Activity for less than 250m ²
Residential 1	No less than 400m ²	No less than 350m ²
Residential 2	No less than 750m ²	No Less than 750m ²
Residential 3	No less than 2,000m ²	No less than 1,500m ²
Residential 4	No less than 4,000m ² if connected to Council's reticulated foul sewerage system, 20,000m ² otherwise	N/A – if do not comply with permitted density then non-complying
Otatara	No less than 4,000m ² if connected to reticulated foul sewerage system. No less than 10,000m ² if not connected to the Council's reticulated foul sewerage system or	N/A – if do not comply with permitted density then non-complying

	falls within the Outer Control Boundary as shown on the maps.	
Rural	No less than 20,000m ² or existing records of title less than 20,000m ² existing as at 29 October 2016 provided, they are within 30m of the Council's reticulated sewerage system.	N/A – if do not comply with permitted density then non-complying

1.2 Purpose

The purpose of this work is to provide a preliminary evaluation of how selected changes to the District Plan would impact feasible development capacity for housing in Invercargill. This will help ICC to:

- Assess the likely effect of reducing minimum site sizes and adjusting activity statuses within the Residential 1 (RES1) and Residential 1A (RES1A) zones
- Identify how such changes may unlock additional housing supply in central areas
- Inform the selection of a preferred planning approach for the upcoming Plan Change

This work forms the first phase in a two-stage process. The second phase, to be undertaken once a preferred option has been identified by ICC, will involve a full update to the 2023 Housing Needs Assessment to reflect:

- Updated population and dwelling counts from the 2023 Census,
- Revised housing sufficiency analysis under the latest NPS-UD 2025 monitoring requirements, and
- An assessment of the development market response and implications for achieving a well-functioning and liveable urban environment.

1.3 Scope

This preliminary stage focuses on evaluating the feasible development capacity unlocked by three specific changes to the Residential 1 and 1A zoning provisions. These scenarios were identified by ICC as potential components of a future Plan Change and include:

1. Reducing the minimum site size for comprehensive development in the RES1A zone
2. Adjusting the activity status for undersized lots in the RES1 zone to reduce consenting barriers
3. Introducing new permitted and restricted discretionary thresholds for smaller lot sizes in RES1A

To carry out this assessment, Rationale has:

- Reviewed and modified the development capacity model developed for the 2023 Housing Needs Assessment
- Analysed historical consenting data from 2020 to inform the potential for development via discretionary and restricted discretionary activities
- Tested each scenario against the current baseline model to estimate the additional yield enabled under each rule change

This stage does not include updates to demand modelling or Census-based household projections. These will be addressed in the subsequent reporting phase, which will form the evidential basis for ICC's Plan Change and Section 32 documentation.

2 Methodology

2.1 Model Adjustments

The base model presented in the 2023 report was reviewed and adjusted to incorporate development capacity made possible through discretionary and restricted discretionary activity, where feasible. While the 2023 model included only permitted activity, this adjustment introduces a feasibility factor to account for development that could occur with consent, acknowledging additional risk, cost, and design compliance requirements.

The assumptions used to model this development pathway are informed by observed consenting patterns over the past few years. Non-complying activities were not modelled, as they do not materially affect the yield.

Each planning scenario was modelled independently to determine the additional feasible development yield relative to the existing baseline. This allows ICC to understand the marginal benefit of each policy change.

The modelling results are presented as a high-level summary of additional feasible capacity enabled under each scenario, relative to existing demand profiles. A focused sufficiency assessment on central areas is provided as this was highlighted as a significant issue in the 2023 report. No changes were made to the demand side of the model at this stage — this will be addressed in the second phase of reporting.

For a full outline of the methodology behind the base model please refer to the 2023 Invercargill Housing Needs Assessment report.

2.2 Scenarios

Various scenarios were modelled to assess the effect of various proposed District Plan changes on feasible development capacity. These scenarios test different combinations of rule adjustments relating to minimum site sizes and activity statuses in the Residential 1 (RES1) and Residential 1A (RES1A) zones.

Each scenario was evaluated using the same baseline dataset from the 2023 Housing Needs Assessment, allowing for direct comparison between the status quo and alternative policy settings.

Scenario 0: Status Quo (Baseline)

This scenario reflects the current District Plan provisions and informs the baseline for evaluating the marginal impact of all other scenarios.

Scenario 1a: Reduced Minimum Site Size for Comprehensive Development in RES1A – 1,000m²

This scenario reduces the minimum contiguous site size required for medium-density (comprehensive) development in the RES1A zone from 2,000m² to 1,000m² and changes the activity status from discretionary to permitted. This change significantly expands the number of sites eligible for medium-density development.

Scenario 1b: Reduced Minimum Site Size for Comprehensive Development in RES1A – 800m²

Scenario 1b builds on 1a, further reducing the minimum site size for comprehensive development to 800m², enabling even greater capacity for developments in RES1A. Both 1a and 1b scenarios reflect options previously explored in the 2023 Housing Needs Assessment.

Scenario 2: Activity Status Changes for Undersized Lots in RES1

This scenario tests the impact of adjusting the consenting thresholds for small-lot subdivision in the RES1 zone:

- Lots between 350–400m²: activity status changes from discretionary to restricted discretionary.
- Lots under 350m²: activity status changes from non-complying to discretionary.

The model applies a feasibility factor to a subset of lots over 700m², reflecting the likelihood of developers pursuing subdivision under these relaxed consent pathways. Other lots are retained at the current 400m² baseline.

Scenario 3: Smaller Permitted and Restricted Discretionary Lots in RES1A

This scenario introduces a more enabling regulatory framework in RES1A:

- Permitted minimum lot size reduced to 300m²,
- Restricted discretionary activity allowed down to 200m².
- Lots under 200m² are considered discretionary.

Again, this model applies a feasibility factor to a subset of applicable lots to account for uptake via restricted discretionary and discretionary pathways.

Scenario 4: Combined Changes (RES1 + RES1A Adjustments)

Scenario 4 is a composite scenario, combining the changes from Scenarios 2 and 3:

- Adjusted activity statuses in RES1 for lots down to 350m² and 200m²,
- A new rule framework in RES1A allowing permitted development to 300m² and restricted discretionary development to 200m².

This scenario is intended to simulate the cumulative effect of a comprehensive package of plan change provisions, offering the highest potential uplift in feasible capacity.

Table 2: Scenario Definition, changes from Baseline are highlighted in orange.

Rule	Zone	Sc. 0 (Baseline)	Sc. 1a	Sc. 1b	Sc. 2	Sc. 3	Sc. 4
Permitted Activity Threshold (m²)	Residential 1	400	400	400	400	400	400
	Residential 1A	400	400	400	400	300	300
Restricted Discretionary Threshold (m²)	Residential 1	--	--	--	350	--	350
	Residential 1A	--	--	--	--	200	200
Discretionary Activity Threshold (m²)	Residential 1	350	350	350	250	350	250
	Residential 1A	350	350	350	350	150	150
Min. Contiguous Requirement (m²) for Medium Density	Residential 1A	2,000 (Disc.)	1,000 (Perm.)	800 (Perm.)	2,000 (Disc.)	2,000 (Disc.)	2,000 (Disc.)

3 Results

3.1 Historical Consents

Historical subdivision consent data involving density breaches, provided by Invercargill City Council, has been analysed to assess the extent to which development is currently occurring via discretionary activity pathways in the Residential 1 and Residential 1A zones.

The analysis indicates that only a limited volume of development is being delivered through these pathways. Notably, it is only within the Residential 1A zone that such development is contributing meaningfully to increased residential density. In contrast, subdivisions in the Residential 1 zone continue to result in average lot sizes well above 400m², suggesting that even where discretionary consents are sought, they are not being used to deliver significantly denser housing typologies.

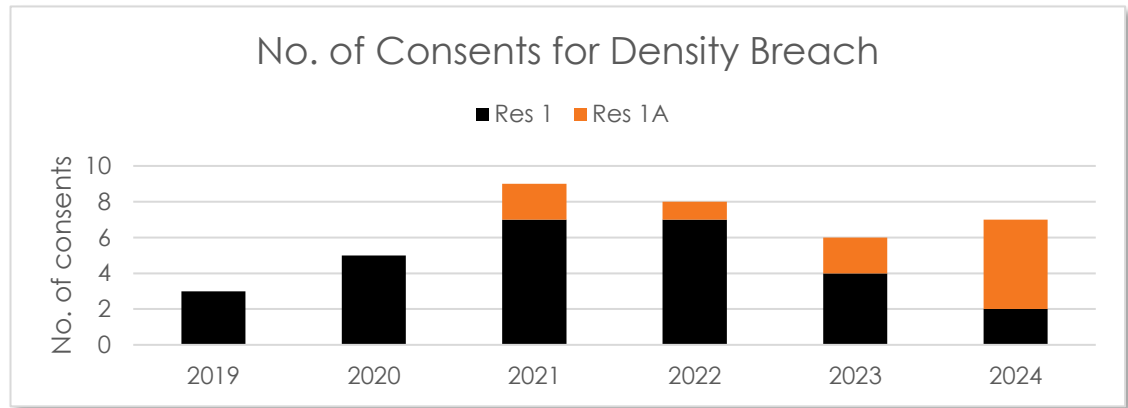


Figure 1: No. of Consents for Density Breach since 2019 for Res 1 and Res1A zones

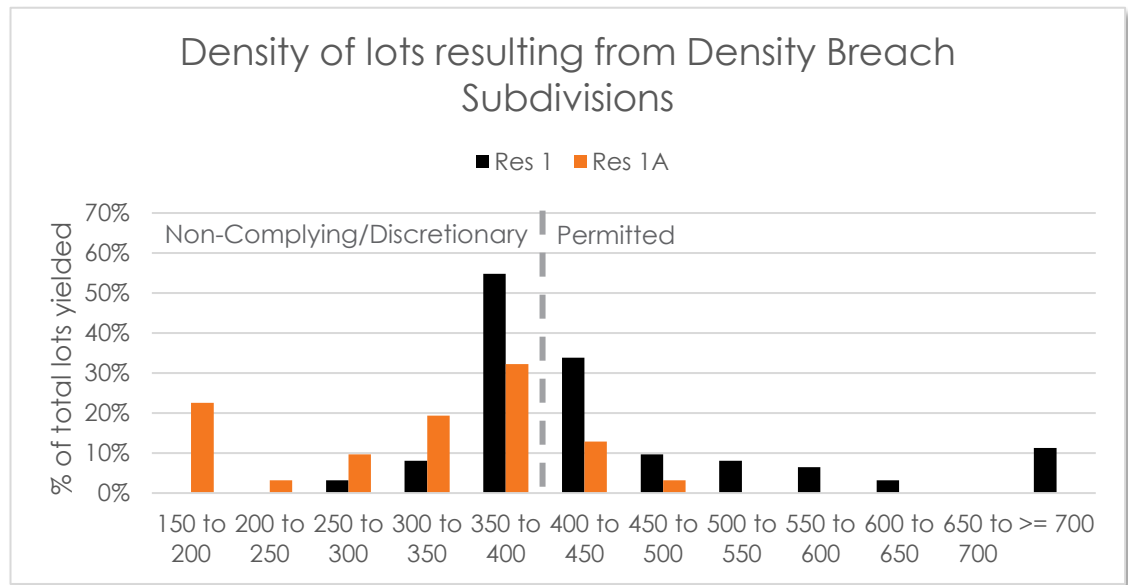


Figure 2: Density of lots resulting from Density Breach Consents

3.2 Feasible Development Capacity

When assessed at the city-wide level, the overall sufficiency of development capacity in Invercargill is not a constraint — a conclusion consistent with the findings of the original 2023 Housing Needs Assessment. Given the modest population and household growth projected under both the medium and high-growth scenarios, the existing zoning framework already enables more capacity than is technically required to meet long-term demand.

Accordingly, all scenarios evaluated in this assessment — including the status quo — are considered more than sufficient when measured purely in terms of total dwelling capacity across the urban area. The key planning issue is therefore not one of overall sufficiency, but rather of distribution and alignment: ensuring that capacity is enabled in the right locations, and in forms that match the types of housing most needed by the community, such as attached or medium-density options in central areas.

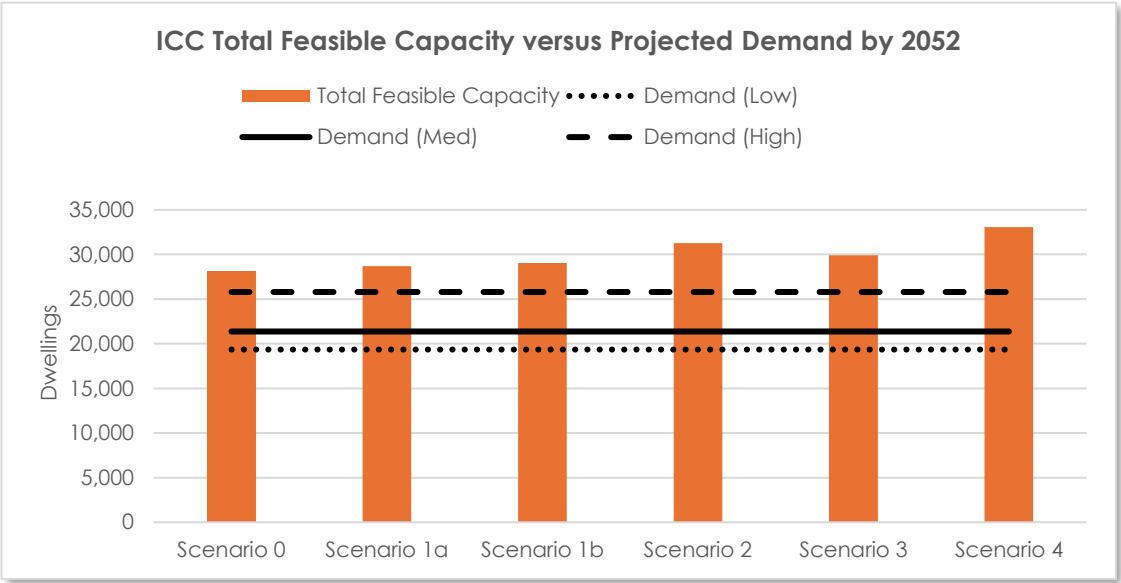


Figure 3: ICC Total Feasible Development Capacity across all scenarios

The more meaningful discussion lies in the spatial sufficiency of development capacity within centrally located and well-connected areas. For the purposes of this assessment — consistent with the 2023 Housing Needs Assessment — “central areas” are defined as those falling within a 1.5-kilometer radius of Invercargill City Council’s offices in the CBD. This catchment reflects the typical 20-minute walkable distance and serves as a practical proxy for compact, accessible urban living with proximity to services, employment, and transport.

Within this defined radius, the dominant residential zoning is Residential 1A (RES1A). As such, changes to RES1A provisions have the most pronounced effect on increasing capacity in these areas. Scenario 1a (reducing the minimum site size for comprehensive development to 1,000m² and changing the activity status from discretionary to permitted) and Scenario 1b (further reducing the minimum to 800m²) both generate substantial uplift in feasible development capacity. Under these scenarios, the level of capacity unlocked is sufficient to meet medium-growth demand for housing within the central area catchment.

By contrast, Scenario 2, which proposes changes to activity statuses for lots in the Residential 1 (RES1) zone, results in only modest capacity gains within the central area. This is primarily because much of the RES1-zoned land lies outside the 1.5km radius, and relatively few sites within the central area meet the size thresholds needed for subdivision. As such, Scenario 2 alone is not sufficient to meet projected demand for centrally located housing.

Scenario 3 and the combined Scenario 4 perform strongly in this context. By introducing more enabling provisions within RES1A — including smaller permitted lots and a more permissive pathway to develop down to 200m² — these scenarios unlock significantly greater development potential within the walkable urban catchment. As a result, both scenarios are capable of meeting or exceeding the medium-growth demand threshold for central areas.

It is also worth noting that areas outside the defined central radius — such as Windsor or neighbourhoods near the hospital— are still well-connected to services and may benefit from more

enabling provisions. While not within the 1.5km central catchment, these neighbourhoods have potential for compact urban living and may warrant consideration in ICC's broader planning strategy.

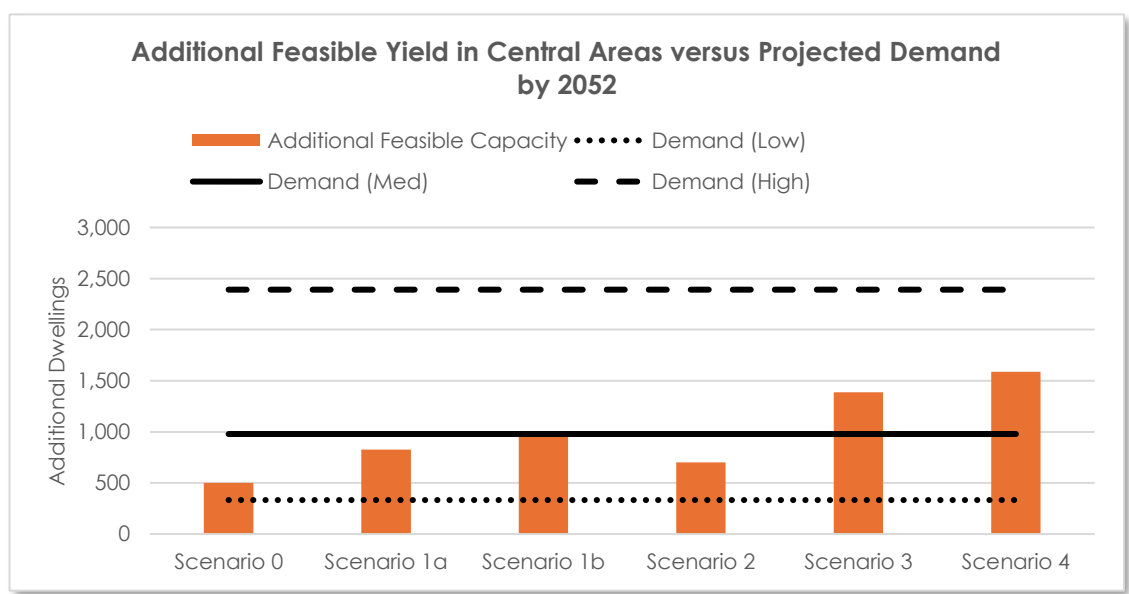


Figure 4: Additional Feasible Development Capacity in Central Areas across all scenarios

4 Discussion

This preliminary evaluation has explored the impact of proposed District Plan changes on feasible residential development capacity in Invercargill, with a particular focus on enabling greater density in central areas.

Using the existing capacity model developed in 2023, five planning scenarios were tested, ranging from targeted rule adjustments in the Residential 1 zone to more enabling provisions for medium-density development in the Residential 1A zone. Each scenario was assessed against a 30-year development horizon to understand its potential to contribute to urban housing supply under realistic market conditions.

The results reaffirm the finding from previous work that, at a city-wide level, Invercargill is not constrained by a lack of overall development capacity. Even under high-growth projections, the total supply enabled through existing and proposed planning provisions is more than sufficient to meet demand over the long term. However, this analysis also reinforces the importance of spatial alignment: the real challenge lies in ensuring that capacity is available in locations where demand is concentrated — particularly within close proximity to the city centre — and in forms that match changing household preferences, such as smaller and attached dwellings.

Scenarios involving changes to the Residential 1A zone (notably Scenarios 1a, 1b, 3, and 4) show the most significant uplift in capacity within central areas, where enabling smaller site sizes and more permissive activity statuses unlock potential for medium-density development. Scenario 2, which adjusts thresholds in the Residential 1 zone, contributes only modest gains in the central area due to its limited spatial coverage.

It is important to note that this evaluation focuses on feasible development capacity — a measure of what is likely to be deliverable under the proposed rules, based on current planning, zoning, and market context. While the findings provide an early indication that the proposed changes will be effective in addressing the supply-demand alignment challenge, they do not yet assess commercial feasibility in detail. The willingness and ability of developers to pursue the opportunities unlocked by these provisions — particularly those requiring discretionary or restricted discretionary consent — will need to be examined further.

This will be addressed in the next phase of work, which will provide a full update to the 2023 Housing Needs Assessment. That update will incorporate new population and dwelling data from the 2023 Census, assess development capacity against demand-side forecasts and commercial viability, and respond to the monitoring requirements of the National Policy Statement on Urban Development (NPS-UD). Together, these outputs will provide the evidential basis required to support ICC's section 32 evaluation and formal progression of the plan change.

Appendices

Appendix A: Results for each Scenario

The charts below present a comparative view of feasible development capacity across each scenario, shown both at the city-wide (ICC) level and within the defined central areas (1.5km from the CBD). A 30-year development horizon is assumed for all scenarios, representing the expected timeframe over which full development potential may be realised.

