

BEFORE THE NEW PLYMOUTH DISTRICT COUNCIL

UNDER

the Resource Management Act 1991 ("RMA")

IN THE MATTER

of PC18/00049 being a request under section 73(2) of the Act by **HAREB INVESTMENTS LIMITED** to the **NEW PLYMOUTH DISTRICT COUNCIL** for a Private Plan Change to rezone 2 Johnston Street, Waitara from Rural (FUD) to Residential A and Open Space.

STATEMENT OF EVIDENCE OF DEREK RICHARD FOY ON BEHALF OF HAREB INVESTMENTS LIMITED

1. INTRODUCTION

- 1.1 My full name is Derek Richard Foy. I am an Associate Director of Market Economics Limited, an independent research consultancy.
- 1.2 I hold the qualifications of a BSc in Geography and an LLB from the University of Auckland. I have 20 years consulting and project experience, working for commercial and public sector clients. I specialise in retail analysis, assessment of demand and markets, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects.
- 1.3 I have applied these specialties in studies throughout New Zealand, across most sectors of the economy, notably assessments of retail, urban form, land demand, commercial and service demand, housing, tourism and local government.
- 1.4 I have worked for many Councils, assisting them with assessing and reviewing consent applications and providing input into development planning. My private sector clients include most of New Zealand's largest shopping centre operators, several national retail chains, residential land developers, infrastructure providers and industry bodies.
- 1.5 This evidence is given in support of the Private Plan Change application lodged by Hareb Investments Limited ("HIL"), to rezone approximately

11.54 hectares of land at 2 Johnston Street, Waitara, from Rural Environment Area (with Future Urban Development overlay) to Residential A Environment Area and Open Space B.

1.6 I am authorised to give this evidence on behalf of HIL.

2. INVOLVEMENT IN THE PROJECT

2.1 My involvement in the Application has included:

(a) An assessment of the potential economic and urban form implications of Proposed District Plan Change 49 ("PPC 49"). That assessment resulted in the report "2 Johnson St, Waitara Proposed Private Plan Change Economic Assessment" (19 September 2018), as lodged with the original application, and (unchanged¹) with the application as notified;

(b) Provision of additional information in response to New Plymouth District Council's ("NPDC") request of 3 October 2019. That additional information was provided in a memorandum titled "Waitara PPC Further Information Request" (16 October 2019).

2.2 I have also reviewed the material produced with the Application, including;

(a) the original application dated 22 November 2018;

(b) the revised application dated 13 March 2019, which was the version notified on 25 June 2019;

(c) further information provided to the NPDC on 24 February 2020; and,

(d) further information provided to the NPDC on 16 June 2020.

3. CODE OF CONDUCT

3.1 I confirm that I have read the Code of Conduct for expert witnesses contained in the 2014 Environment Court Practice Note and that I agree to comply with it. I confirm I have considered all the material facts that I am aware of that might alter or detract from the opinions I express. In particular, unless I state otherwise, this evidence is within my sphere of

¹ I note that there were no substantive differences relevant to my assessment between the application as originally lodged and that notified, and so the economic assessment was unchanged.

expertise and I have not omitted to consider material facts known to me that might alter or detract from the opinions I express.

4. PURPOSE AND SCOPE OF EVIDENCE

4.1 In this matter, I have been asked by HIL to assess the potential economic and urban form implications of the PPC, with reference to local and District demographic trends and growth projections, and the policy environment set down in both the National Policy Statement on Urban Development Capacity ("NPS-UDC"), and the National Policy Statement on Urban Development ("NPS-UD", which replaces the NPS-UDC).

4.2 I confirm that I have read the submissions on the Application and the Council Officer's Report. The assumptions, assessment and conclusions set out in my report attached to the Plan Change Request and as amended by the s92 information remain valid.

4.3 Except where my evidence relates to contentious matters I propose to only summarise the conclusions set out in my expert technical report.

4.4 My evidence is structured as follows:

- (a) Summary (section 5);
- (b) New Plymouth housing environment (section 6);
- (c) Matters relating to the NPS-UDC and NPS-UD (section 7);
- (d) The effects of the proposal (section 8);
- (e) Matters raised in submissions (section 9);
- (f) Council Officer's Report (section 10);
- (g) Proposed Plan Amendments (section 11); and
- (h) Concluding comments (section 12).

5. SUMMARY

5.1 I prepared the report dated 19 September 2018 ("the M.E report") and a memo in response to the request for further information dated 16 October 2019 (the "RFI response").

- 5.2 No further issues have come to light that have caused me to change my opinion, although I address additional matters arising from the new NPS-UD and recently released population estimates.
- 5.3 The key issues related to economic effects in my opinion are:
- (a) New Plymouth ("NP") housing environment;
 - (b) NPS-UDC, and NPS-UD;
 - (c) Share of growth; and,
 - (d) Effects on Waitara and NP.
- 5.4 By way of a summary, my detailed analyses and assessments enable me to conclude that:
- (a) New Plymouth District, and the urban fringe around New Plymouth, is experiencing relatively strong growth in household numbers, with consequent pressure on land and house prices.
 - (b) There are few large residential developments in the District underway to accommodate this growth, and the total supply by all lots in the developments currently on the market equates to around three to six month's supply at current growth rates.
 - (c) Although additional potential development areas have been identified by NPDC, many of these have infrastructure and servicing constraints that will limit how readily they can be brought to market. Land owner willingness and ability to pursue development in many of these areas is uncertain.
 - (d) The PPC would create approximately 110 residential lots, which is expected to account for less than 10% of District household growth over the expected three to five year sell-down period.
 - (e) The proposal would provide a range of lot sizes and dwelling types, and would represent a significant greenfields residential development in Waitara if it comes to the market within the next two years. The lack of greenfields residential development in Waitara is surprising given the popularity of the recent subdivision at Armstrong Ave in eastern Waitara where most of the development, nearly 50 lots, was sold in the first 18 months.

- (f) Waitara offers a point of differentiation to other locations in the District, with lower land prices enabling purchasers to afford more home for the same money, and allowing entry to the new property market at lower price points than is possible in urban New Plymouth.
- (g) Waitara is easily commutable to New Plymouth, and has the capacity to accommodate a proportion of the District's future growth similar to, or larger than has been the case historically. Even if Waitara takes a higher share of future growth, there will still be a need for many large residential developments elsewhere in the New Plymouth housing catchment to be created over the next two decades, as well as ongoing infill housing.
- (h) The PPC would result in a distribution of growth within the NP catchment that is consistent with historic patterns of growth.
- (i) The PPC would assist Council to meet its NPS-UDC (and now NPS-UD) requirements to provide sufficient opportunities for the development of housing to meet demand, and provide a range of dwelling types and locations.
- (j) The PPC would have predominantly positive economic and urban form effects for both Waitara and New Plymouth, and therefore represents a positive change to the operative Plan. Notwithstanding that the current FUD status of the Site is proposed to be removed, the PPC would also be consistent with Council's recent vision for residential development.
- (k) There is very small likelihood of any negative economics effects from PPC49, given its small scale in the context of the quantum of projected District growth.

6. NP HOUSING ENVIRONMENT

- 6.1 The M.E report summarised the state of the housing environment in Waitara and New Plymouth, to provide context for the current application. In this section I summarise key findings of that part of the report.
- 6.2 Waitara's population was relatively stable in the 1980s, before decreasing after the freezing works began redundancies in 1989, and the town's population did not return to 1980s levels until around 2013. Household numbers increased 11% between 2001 and 2018, reflecting modest

growth, but a positive change since the difficult economic times of the 1990s.

- 6.3 Household growth in New Plymouth District was twice as fast as in Waitara between 2001 and 2018 (22% vs 11%). Over that time 6,000 new households have come to live in the District, an average of 360 per year, of which Waitara's share was 16. Since 2018 household formation rates have increased, averaging 400 a year across the District, and 18 in Waitara. Those growth rates are likely understated for Waitara, in light of recently released post-Census data from Statistics NZ ("SNZ"), discussed later in this section.
- 6.4 Waitara experienced employment growth of 34% between 2000 and 2017, led by growth in the construction, accommodation and food services, transport and manufacturing sectors. More recent data covering 2018 and 2019 indicates that this growth has continued, and employment is now 42% higher than 2001, with strongest growth in the sectors above, as well as retail, education and health care.² Employment has grown at a faster rate than population (42% vs 12%).
- 6.5 SNZ has consistently underestimated how much growth might occur in Waitara in its household projections issued since 2005, which is confirmed in the latest (September 2020) SNZ data discussed later in this section. That does not, of course, indicate that Waitara's growth will continue to exceed expectations, however, analysis of the historic projection series indicates that for the purposes of growth planning, it would be prudent to plan for Waitara's household growth to lie somewhere between the current projection's medium and high growth scenarios.³
- 6.6 Those scenarios project growth of 320-680 households in Waitara between 2013 and 2038, or 11-23 households per year on average. However, the projections do not represent a cap on growth, and a change in policy direction or zoning rules, such as that open up new land to development, may drive or redistribute growth in a way that has not been anticipated by SNZ.
- 6.7 In my opinion, the proposed development would likely result in the town growing faster than anticipated by even SNZ's high growth scenario. That outcome occurred in the case of the development on Armstrong Ave in Waitara, where new dwelling creation reached around 40 per year in the

² Employment data from Statistics NZ's Business Directory, with the most recent release updated for new statistical boundaries, making the data not directly comparable with data used in the M.E report.

³ SNZ is yet to release projections based on 2018 Census, with those not expected until 2021.

two years in which most of the development occurred. The development provided (at the time) the only greenfields residential development option in Waitara, and a point of difference in the Waitara (and New Plymouth) markets. The result of that was a large increase in annual consented residential construction work in Waitara that far exceeded the average number of new households anticipated under SNZ's high growth projections.

- 6.8 I would expect the PPC49 development to be similarly attractive given it too would likely be the only greenfields residential development in Waitara when brought to market.
- 6.9 In my opinion it is unlikely that PPC49 would increase District household growth, and a more likely outcome would be a redistribution of District growth. For that reason, it is appropriate to consider projected District-wide household numbers when assessing the potential impacts of PPC49.
- 6.10 The SNZ projections are for an additional 2,900-4,300 households to establish in the District in the next decade (2018-2028), and a similar amount the following decade, for a long-term average of 275-430 new households per year (medium to high range). Of those, 185-325 per year are projected to establish in the commutable NP⁴ catchment.
- 6.11 That projected strong growth appears to be occurring now, with the District continuing to experience a buoyant housing market, evidenced by a 20% increase in District median dwelling sales prices in the 12 months to September 2020.⁵
- 6.12 Strong recent growth is also indicated in SNZ population data. SNZ released its 2018-base estimated resident population ("ERP") on 23 September 2020. That dataset estimates the population that is usually resident in each area throughout NZ, taking into account 2018 Census returns, adjusted for the Census undercount. Updated projections, and household estimates, will not be available until next year, but would be expected to also show similarly strong growth.
- 6.13 The ERP data shows that for Waitara⁶ population growth was much more significant over the period 2013-2018 than had been expected. The 2013 Waitara ERP was 6,730 people. The current SNZ projections (2013-base)

⁴ Urban NP, from Oakura to Waitara, and inland to Upper Vogelstown/Highlands Park. Commutable NP excludes Urenui, Inglewood and the large rural areas inland of NP.

⁵ <https://www.stuff.co.nz/taranaki-daily-news/news/122976113/low-housing-stock-in-taranaki-pushes-asking-prices-to-record-high>

⁶ Defined as the Waitara East and Waitara West SA2s (Statistical Areas) in the 2020 ERP release, and the Waitara East and Waitara West Census Area Units in the 2013-base projections

had projected that Waitara's 2018 population would be between 6,900 (medium) and 7,050 (high). However, the recent ERP release is 7,150, or 100-250⁷ more than projected. Growth between 2013 and 2018 was therefore 31-147% more than the projections anticipated (420 people instead of 170-320).

- 6.14 The 2019 Waitara ERP (7,200), is higher than SNZ's 2043 medium growth projection, and a level not projected to have been reached until 2021 under the high scenario.
- 6.15 Compared to Waitara, SNZ's District-level population projections (2013-2018) better reflected actual growth, with observed growth in the period (6,220 people) sitting 30% above the medium growth scenario's expected growth, and 6% below the high.
- 6.16 In summary, the recent ERP data indicates three key things about SNZ's projections:
- (a) As observed in the M.E report the projections have tended to significantly underestimate growth in Waitara.
 - (b) It is difficult for those projections to anticipate and take into account, especially for relatively small geographic areas (e.g. parts of a region/district), factors such as new residential developments. In the case of Waitara, the perhaps unexpected success of the Armstrong Ave development likely increased the town's growth in a way SNZ's projections could not have accounted for.
 - (c) The projections represent one possible indication of future growth given the assumptions made, and should not necessarily be taken to represent the development potential or attractiveness of an area, especially at a sub-district level.
- 6.17 Ultimately what can be drawn from SNZ's projections and ERP data is that there continues to be strong growth in both the District and in Waitara, and that if current trends continue and Waitara grows at or above the current SNZ high growth scenario, a significant number of new dwellings will be needed in the town.
- 6.18 Notwithstanding these statistical projections, policy and planning decisions can have a material influence on the distribution of growth. If PPC49 is approved it would, in my opinion, support and accelerate an ongoing

⁷ High and Medium growth scenarios respectively

reinvigoration of the town and recovery from the 1990s economic nadir. By providing development options not otherwise available in Waitara in the short term.

7. CONSIDERATION OF THE NPS-UDC AND NPS-UD

- 7.1 The M.E report assesses how PPC49 would enable NPDC to meet its obligations under the NPS-UDC. Since the M.E report and RFI response were written, the NPS-UDC has been replaced by the new NPS-UD. The NPS-UD retains much of the spirit of the NPS-UDC, but imposes a greater obligation on Tier 2 councils (such as NPDC) to ensure that their planning adequately provides for the needs of growth.
- 7.2 In this section I summarise the findings of the M.E report's NPS-UDC assessment, and then update that to reflect the new NPS-UD obligations that came into force in August 2020.
- 7.3 The underlying rationale for the NPS-UDC was that providing for growth in an efficient manner is vital for the national economy. For that reason, the NPS-UDC specified that there were certain requirements that councils had to meet to ensure that they both understood likely future growth and were able to adequately accommodate it. Those requirements included the need to provide a range of options such as, for residential growth, different locations and zones that could accommodate different types of houses across different price points (Objective A2, and Policies A1 and A3a).
- 7.4 The Ministry of Business, Innovation and Employment ("MBIE") and the Ministry for the Environment ("MfE") provided a range of indicators that could be used by councils to understand residential development trends and emerging pressures on land supply.
- 7.5 The M.E report found that for New Plymouth the indicators indicated (up to the time of the report) evidence of pressure on residential land supply:
- (a) District sales prices had been increasing at an average of 6.3% per year since the start of 2015, the fastest percentage growth since 2007. Average District sales prices were only \$300,000 in 2011, but reached \$420,000 in September 2018.⁸ Waitara sales price growth trends were very similar to District averages, albeit prices were consistently 30-35% lower in Waitara.

⁸ The MBIE online data indicators tool is no longer operative, so comparable values since 2018 are unavailable

- (b) Rents had been increasing at an average of 2.6% per year since the start of 2015.
- (c) Sales price growth had been stronger than rental growth.
- (d) Dwelling consents issued had been increasing consistently, and 75% more new residential dwelling consents were being issued in the last year of data available in the series compared to five years prior.
- (e) High demand was reflected in land value growth. Average District land values increased 27% (\$45,000) between the 2013 and 2016 valuations, much higher than the 4-5% (\$6,000-\$8,000) increases observed in each of the previous two revaluations. Waitara's average residential land values increased 23% (2013-2016), although at \$115,000 remain far behind the District average (\$210,000).
- (f) Both Waitara and the District overall have experienced ongoing and strong lifts in land value relative to capital value, and Waitara's ratio had increased to be closer to the District ratio, indicating an increasing popularity of land in Waitara.
- (g) District dwelling stock had shown a strong and consistent increase of 1.8-1.9% per year since 2000, as had Waitara's (0.7-0.8% per year).

7.6 Since the M.E report was completed, the NPS-UDC has been replaced by the new NPS-UD. The NPS-UD has a similar range of objectives to the statement it replaced, generally aiming to promote well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing.

7.7 Specific objectives in the NPS-UD that are relevant to the current application include:

- (a) Objective 3: enable more people to live in urban areas near employment opportunities, and where there is high demand for housing.
- (b) Objective 4: urban environments develop and change over time in response to changing needs.

- (c) Objective 6: local authority decisions on urban development are strategic over the medium term and long term, and responsive, particularly in relation to proposals that would supply significant development capacity.

7.8 Specific policies in the NPS-UD that are relevant to the current application include:

- (a) Policy 1: urban environments should have or enable a variety of homes in terms of type, price, and location.
- (b) Policy 2: councils provide sufficient development capacity to meet expected demand for housing over the short term, medium term, and long term.
- (c) Policy 8: Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is unanticipated by RMA planning documents or out-of-sequence with planned land release.
- (d) Policy 10: Local authorities should engage with the development sector to identify significant opportunities for urban development.

7.9 In summary, these NPS-UD objectives and policies indicate an obligation on councils to promote a planning environment in which development is encouraged so as to provide a range of development options that will enable sufficient development capacity to promote well-functioning environments, and social, economic and cultural wellbeing.

7.10 PPC49 seeks to enable residential development in a part of NP District that lacks significant new residential developments. The 110 lots proposed would make the development the largest residential development in Waitara in at least the last two decades,⁹ and therefore a significant development in the context of the NPS-UD, and one of a type that the NPS-UD seeks to encourage.

7.11 There are currently only very limited options for new residential dwellings in Waitara, and no multi-lot residential subdivisions on the market. Options for individuals wishing to buy or build a new dwelling in Waitara are limited to ad hoc, individual sites and infill housing. The Proposed District Plan

⁹ 40% more lots than the Armstrong Ave development

("PDP") may seek to zone new residential areas, but any capacity that results from those areas will be many years before it comes to market, given a further submission period only closed in late October 2020.

7.12 Evidence presented by Mr Hareb confirms strong local demand for new residential lots. He has a list of 27 potential property purchasers from a range of geographic origins (Waitara, other Taranaki, other New Zealand and international), from which I infer a shortage of supply in the Waitara residential market at present. Correspondence from a local real estate company owner (also attached to Mr Hareb's statement) also concludes there is a current shortage of, and strong demand for, vacant residential land in Waitara.

7.13 Once notified, hearings need to occur and decisions made and notified, there may be appeals, and then landowners of any rezoned land would need to engage specialist assistance, develop plans, and gain subdivision consent even to reach the same point the applicant would be in if the current application is successful. That means that it is possible that, if approved, the PPC49 development could be nearly fully sold-down and mostly developed by the time any new residential areas enabled by the PDP were to come to the market. The PPC49 development would therefore help to meet NPDC's short (0-3 years) to medium (3-10 years) term obligations under the NPS-UD.

7.14 Without PPC49 operative, there will continue to be a shortage of residential land supply for new builds in Waitara for the foreseeable future, at least until the PDP becomes operative, although there is as yet no certainty about how the PDP will contribute to meeting NPDC's NPS-UD obligations.

7.15 My RFI response assessed the demand and supply of land for housing in response to NPDC's "Housing and Business Development Capacity Assessment", June 2019 (the "NPS report").¹⁰ The NPS report is the document summarising NPDC's assessment to meet requirements of the NPS-UDC.

7.16 My RFI response concluded the following about the NPS report:

- (a) Assumptions in the NPS report meant that the number of households was understated by 260 in 2028, and by more than 2,000 in 2048. The constant household size applied is unlikely given national and regional demographic trends to live in smaller

¹⁰ The RFI request was made because the NPS report had not been completed when the 2018 M.E report was completed

household/family groups. That has implications for the housing demand that is projected in the NPS report.

- (b) Adequate residential land supply has been identified in the District in the short, medium and long term, even accounting for the potential understatement of future demand (from (a)).
- (c) While the NPS report describes how dwelling growth could be distributed around the District given existing and future development zones, that represents only one possible way of accommodating that growth. Other ways not considered in the NPS report may be equally or more appropriate ways of accommodating growth (for example in terms of variety of location and price point). Merely because a proposed residential area is not included in the NPS report's capacity estimates does not mean that it would not be an appropriate addition to the District's residential supply. Instead the NPS report satisfies a particular requirement to confirm that capacity exists.
- (d) The proposal put forward in PPC49 is one such alternative that could contribute to providing the residential capacity that is identified as being required in the NPS report, and would not have any more than very minor effects on the demand-supply balance assessed in the NPS report.

7.17 The NPS-UD was only introduced in August 2020, and councils have not yet completed assessments under it. However, in my opinion PPC49 would be consistent with the NPS-UD's objectives and policies, and with its underlying enabling philosophy. The plan change represents a strategic decision to respond to revealed demand trends by supplying locally significant development capacity to provide increased choice in the residential housing market. Importantly, any inconsistency with current council residential development sequencing is not to count against the application (policy 8).

8. EFFECTS OF THE PROPOSAL

- 8.1 To understand the potential effect of the proposal on the residential land market in New Plymouth, the M.E report compared the 110 lot yield of the PPC49 development in a District, and sub-District context.
- 8.2 As summarised above, growth of 185 to 325 households per year is projected for the commutable NP catchment out to 2038, a subset of the

275-430 households per year projected across the entire District. In my opinion the commutable catchment is the most appropriate comparator for this growth, given the common accessibility of that catchment to urban New Plymouth, and the operation of that catchment as a housing market distinct from the less accessible rural areas.

- 8.3 The M.E report considered four impact scenarios, defined as combinations of medium and high growth and three or five year sell-down for the PPC49 lots.¹¹ The report assessed the share of all projected household growth in the commutable catchment that would be directed to the PPC49 area under each scenario.
- 8.4 The results of that assessment were that the PPC49 area would take up:
- (a) Between 7% and 12% of growth under a high growth scenario;
 - (b) Between 12% and 21% of growth under a medium scenario.
- 8.5 That means that even under a relatively rapid sell down period of three years, and growth at the low end of that projected, 79% of growth in the commutable catchment would occur in areas away from the proposed development, but given recent growth trends that figure would likely be higher than 90%.
- 8.6 There are several things to bear in mind when interpreting these shares:
- (a) Not all lots would necessarily be sold within the period assumed, and of lots sold, not all would necessarily be built on in the period, making the estimates given conservatively high.
 - (b) If PPC49 lots are sold at the faster end of the range presented, that would indicate strong demand for the PPC49 lots' price point and/or location, and that the development was filling a gap in the market, justifying the development.
 - (c) It is unlikely that sell down of the PPC49 lots would be fast in a medium growth environment, or slow in a high growth environment, notwithstanding the key points of difference of the lots (point b above).

¹¹ That assessment in the M.E report assumed 115 lots for the PPC49 land, which has not been refined down to 110. The M.E report findings therefore present market share estimates 4% higher than if the lower yield (of 110) has been used, and so are conservatively high estimates for the purposes of understanding the potential impacts of PPC49 of the residential housing market. Those assumed sell down rates (three to five years) are comparable to those achieved in the Armstrong Ave subdivision discussed above.

- (d) The market shares taken up by PPC49 lots would be for only a relatively short time, and the proposal could not take up a high share for a long time, because of the small size of the development in a District context.
- 8.7 Waitara has captured 8-10% of the District's household growth since 2001. If there is high growth during the sell down of PPC49 lots, or if sell down takes five years instead of three, PPC49 lots sold would take up a similar share of future growth to Waitara's recent historic share, notwithstanding a small additional share directed to Waitara's limited infill housing developments.
- 8.8 I understand from the applicant, who has considerable experience developing infill housing in Waitara, that there are very limited remaining infill redevelopment opportunities in the town. Further, PPC49 would likely target slightly different buyers (due to different dwelling size, amenity, price and location), and therefore not adversely affect ongoing residential infill in Waitara. On the contrary, I would expect PPC49 to attract new households to Waitara that would not otherwise consider living in the town, given the shortage of new dwellings there.
- 8.9 For those reasons, if the proposed development proceeds there would still be capacity for infill to continue in Waitara, and for materially unchanged residential development in other parts of the District.
- 8.10 The PPC49 development would generate positive effects for Waitara:
- (a) It would increase the town's population by around 4%, increasing local retail spending and supporting local businesses and organisations.
 - (b) It would increase housing choice in Waitara, through the provision of new dwellings in a town where most of the housing stock is now at least 40 years old, much is on Maori leasehold land, and much is on land vulnerable to flooding.
 - (c) Dwellings would likely be more affordable than elsewhere in New Plymouth, given Waitara's cheaper land.¹² That would make home ownership available to a broader range of District residents, and offer some Waitara residents the option to build their own new home.

¹² at least \$50,000 a lot cheaper than in urban New Plymouth, from MBIE data presented earlier

- (d) A range of housing types are likely to be built, given the different section sizes proposed.¹³ This would permanently increase housing choice in Waitara (i.e. once properties come up for re-sale by the original owners).
- 8.11 Although the scale of residential development that would be enabled by PPC49 would be significant in the context of Waitara, it would likely take up less than 10% projected District growth, even in the short period of the development. That share is generally in keeping with Waitara's historic share of District growth, and means that there is very little potential for negative economic effects of the proposed development.
- 8.12 To further understand PPC49 in a District context, the M.E report considered two scenarios:
- (a) Scenario 1: 30% of District growth goes to infill dwellings, and 70% to greenfields dwellings. That is a high share to infill in the context of rates achieved in other urban areas in New Zealand and represents the upper end of infill that might be achievable. Under that scenario, 190-300¹⁴ dwellings per year would need to be provided for in greenfields developments in the District.¹⁵ That equates to 1.75-2.75 PPC49-sized developments every year (33-52 in total) out to 2038. Put another way, PPC49 land would take up only 2-3% of District greenfields development to 2038.
- (b) Scenario 2: 15% of District growth is infill, 85% greenfields. That would require 2.0-3.2 PPC49-sized developments every year (41-65 in total) out to 2038. The PPC49 land would take up less than 2% of District greenfields development to 2038.
- 8.13 In that context the proposed development is very unlikely to adversely affect the residential development occurring elsewhere in New Plymouth, as there would still be sufficient demand for both infill and greenfields residential developments in both Waitara and other parts of the District to meet District planning objectives.
- 8.14 Further, PPC49 would assist NPDC to meet its NPS-UDC and NPS-UD obligations to provide adequate development capacity to accommodate

¹³ smaller lots (350-550m²), road frontage lots (average 660m²), internal lots (500-700m²), and larger lots (average 1,000m²)

¹⁴ Medium to high growth range

¹⁵ That is less than the 1,391 dwellings projected uptake across the short-term (years 0-3) identified in the NPS report (Table 4.13, p45)

growth. The PPC would create one of the larger residential subdivisions in the residential land market in New Plymouth at present.¹⁶

- 8.15 A current search (October 2020) of vacant residential lots for sale in New Plymouth District indicates there are even fewer sections for sale now than assessed in the 2018 M.E report, including in large developments. The largest NZ residential real estate websites both list less than 80 sections for sale in NP District.¹⁷ This is a single point in time snapshot, and does not reflect the total annual sales of these properties.
- 8.16 The vacant lots currently for sale represent somewhere between three and six months demand for new greenfields dwellings in New Plymouth District.¹⁸
- 8.17 New developments will need to regularly be brought through the pipeline to ensure that household growth can continue, unfettered by a shortage of housing supply which may drive house prices up. While there have been large greenfields residential developments in the District in the last decade, many large new developments will continue to be required.
- 8.18 The NPDC NPS report identifies that there are a number of areas feasible for large-scale future residential development, including around Bell Block and the southern growth areas of NP.¹⁹ Many of these have significant constraints including topography and infrastructure servicing, however most are not yet available to the market, and may not be in the short-term, given infrastructure and servicing requirements.
- 8.19 As discussed in section 7 those developments are included in NPDC's assessment in order to indicate adequate residential supply, despite most not being available to the market at present. The inclusion of areas in the NPS report is not intended to preclude other areas from potentially being developed as well as, or instead of the NPS areas, and the omission of an area from the NPS assessment does not necessarily speak to its suitability for residential development. That suitability should be assessed on its merits, as is the purpose of this PPC49 hearing.

¹⁶ The 2018 M.E report found that there were 250 vacant lots for sale within residential subdivisions in the commutable New Plymouth catchment, of which most were in developments of less than 20 lots.

¹⁷ Trade Me Property returns 73 listings, RealEstate.co.nz returns 77, both including duplicates where a section may be listed by multiple agencies.

¹⁸ Calculated by assuming a range of 70-85% of household growth will be accommodated in greenfields developments as opposed to infill, and assuming there are 250 vacant residential lots available for sale, per the 2018 M.E report.

¹⁹ For example, Area Q Structure Plan Area in Bell Block (594 potential feasible lots in stages 1 and 2), Area E near Cowling Road (374 lots), Upper Carrington (267 lots), and Junction Rd Stage 1 (165 lots)

9. SUBMISSIONS

- 9.1 I have reviewed the submissions received that refer to economic effects. Of those, there were submissions from seven parties in support of the plan change, three that were supportive in part, one neutral, and seven that opposed or opposed in part.
- 9.2 Of the eighteen submissions received, nine contained submission points related to economic effects, seven of which were in support. Those seven identified the following matters related to economic effects:
- (a) Future growth is needed for the city (S1.01).
 - (b) Waitara needs this project to boost its economy and infrastructure (S2.01).
 - (c) The proposal represents an opportunity for the NPDC to meet its objectives for future urban growth plans in a socially, economically and infrastructurally logical location (S3.01).
 - (d) Waitara needs new housing and there is a current shortage (S4.01).
 - (e) The proposed development is what North Taranaki needs to increase the supply of affordable housing for people trying to get on the property ladder (S6.01).
 - (f) Location of development will boost Waitara (S6.01).
 - (g) There is very tight demand for housing in North Taranaki (S8.01).
 - (h) Waitara area is a great value area, and this development will allow many people to get into the housing market (S8.01).
 - (i) There is a shortage of residential sections for sale, the development will benefit the community by making more land available for new housing, and the land is outside the flood zone which affects much of Waitara and infrastructure is available (S17.01).
 - (j) New Plymouth is growing North and it makes real sense to have Waitara grow towards New Plymouth (S17.01).
- 9.3 There was also one submission opposed to the plan change, and one opposed in part (although supportive on economic grounds) that included submission points related to economic effects:

- (a) New Plymouth District is not short of urban growth areas and Council is meeting its responsibility to ensure there is an adequate supply of areas to meet urban development demand (S13.01).
- (b) Once sufficient services are in place, this would enhance the value of the township. The plan change area is a gateway to Waitara town and done well, would showcase the benefits of living in the area (S9.04).²⁰

9.4 I agree with the submission points that have a common thread that Waitara requires additional housing, including affordable housing, and that the provision of same would be beneficial to the town. Those submission points are consistent with the assessment I presented in the M.E report and reconfirm in this statement.

9.5 In response to the only submission point that opposes the development on economic grounds (13.01), I agree that many potential urban growth areas have been identified by NPDC, however:

- (a) Most of those areas are not yet available to the market, apparently creating pressure on existing supply of new housing, especially in Waitara.
- (b) The owners of land in those growth areas may or may not be willing/financially able to entertain development of their land, particularly at the time when it is needed, and therefore much of the supply remains theoretical, to some extent.
- (c) There is little or no economic downside to approving PPC49, given the area's small yield in a District context.

9.6 The points above are all discussed in more detail in my reports and in this statement.

10. COUNCIL OFFICER REPORT

10.1 I have reviewed the Section 42A Report for the Application which includes a review of the information provided in the M.E report. The Section 42A review was undertaken by NPDC's senior policy advisor. Comments relating

²⁰ Classified in the summary of submissions as opposed in part, on the grounds that the plan change should not be given the go ahead before sufficient services and infrastructure are in place, despite the economic component of the submission being in support.

to that review are stated²¹ to be provided in Appendix 5²² of the Section 42A report, although in fact appear to have been omitted.²³

10.2 I comment below on the Section 42A report's coverage of matters that are within my area of expertise.

10.3 Based on the specialist report, the Council's section 42A report raises the following matters that I wish to address:

- (a) PPC49 would achieve the objectives in the NPS-UD 2020, and is generally consistent with the policy direction, as I cover in section 7 of this statement.²⁴
- (b) PPC49 would result in the loss of productive and versatile land for primary production.²⁵
- (c) Waitara residential land demand and supply.²⁶
- (d) Potential pressure on community services and facilities.²⁷

10.4 In relation to those issues I make the following responses:

- (a) I agree with the conclusion that PPC49 would achieve the objectives in the NPS-UD, by providing (significant) development capacity and enabling a variety of homes. The NPS-UD makes it very clear that any inconsistency of a plan change with RMA planning documents (for example the Proposed New Plymouth District Plan) is no justification for declining the Application.
- (b) PPC49 is consistent with the Operative District Plan which identifies the PPC49 area as a Future Urban Development Area. PPC49 is inconsistent with the planned urban built form described in the Proposed District Plan, however as the Section 42A report notes²⁸ because the Proposed District Plan is in relatively early stages, less weight should be placed on it than on the Operative Plan.
- (c) I have not undertaken an assessment of the productive capacity of the PPC49 area, nor of alternative areas identified by potential

²¹ Paragraph 11.27 of the Section 42A report

²² Appendix 5 is actually the Pre-hearing report [State Highway]

²³ They are not included in Appendix 6: Council Technical Assessment Advice which only contains documents relating to Open Space, Transport, Landscape and Three Waters.

²⁴ Section 42A report paragraph 10.12 and 10.39

²⁵ Section 42A report paragraph 10.39

²⁶ Section 42A report paragraphs 11.28-11.30

²⁷ Section 42A report paragraph 11.160

²⁸ Section 42A report paragraph 10.11

future urban expansion around Waitara (such as those in Figure 4.19 of the Council's Housing and Business Capacity Assessment). However, any outwards expansion of Waitara would be likely to result in some loss of productive agricultural land, and that loss would be no greater for the PPC49 area than most or all alternatives. Further, the PPC49 area is in a location that is logical for urban expansion,²⁹ and therefore unlikely to result in any greater loss of productive capacity than alternative sites.

- (d) I accept the observation made in the Section 42A report that PPC49 may result in an increase in demand for community services and facilities. That could represent a cost to the community, if the scale of increased demand were sufficient to make access to those services or facilities more difficult. However, PPC49 would not result in any greater increase in pressure on those services and facilities than any other new residential growth area that might establish in Waitara. The NPDC assessment indicates potential growth areas have been identified, and therefore it can be inferred that growth is expected in Waitara. Community services and facilities should be planned to accommodate this growth, and much beyond the relatively small 4% marginal increase that PPC49 represents. As an alternative perspective, rather than PPC49 representing a potential pressure on facilities it could be viewed as creating an opportunity for improved facilities and services, with a larger population base better able to justify new facilities, albeit PPC49 represents only a very small increase to the total population base.

11. PROPOSED POLICIES AND RULES

- 11.1 I have reviewed the proposed revised Policies and Rules which Ms Hooper has provided in her evidence and I consider these to be appropriate, insofar as they relate to my area of expertise.

12. CONCLUSION

- 12.1 My evidence has assessed the four key economic matters that I am aware of in relation to the Application and I conclude that:
- (a) The Application would improve housing supply in Waitara, where there are few or no other short term options for greenfields residential development.

²⁹ As accepted in the Section 42A report paragraph 11.21

- (b) Any negative economic effects that might arise from the Application would be very small, given the small scale of PPC49 in the context of the quantum of long-term District growth projected. Further, effects such as increased pressure on facilities and loss of agricultural land would occur as a result of greenfields residential development on any site in Waitara, and if they arise as a result of PPC49 those effects represent a necessary consequence of responding to a current lack of residential supply in Waitara.
- (c) The scale of development proposed would add significantly to development capacity in Waitara, and contribute to a well-functioning urban environment, both within Waitara and the broader District. The Application is therefore consistent with the development-enabling philosophy and intent of the NPS-UD.
- (d) While NPDC's proposed RMA planning documents (the Proposed New Plymouth District Plan) do not identify the PPC49 area as a future residential growth area, that omission is no justification for declining the Application. Instead, the NPS-UD directs that NPDC should be responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development is unanticipated by RMA planning documents.

**Derek Foy
Market Economics Ltd**

9 November 2020