

Memo

To: Kathryn Hooper, Director, Landpro Limited

From: Derek Foy, Associate Director

Date: 16 October 2019

Re: Waitara PPC Further Information Request

Introduction

Market Economics Ltd completed the report “2 Johnson St, Waitara Proposed Private Plan Change Economic assessment” (15 October 2018) (the “M.E report”). That assessment formed part of the application materials for Private Plan Change 49 (“PPC49”) in Waitara.

The purpose of this memo is to respond to provide further information concerning the economic matters identified in the Further Information Request dated 3 October 2019 which was provided by New Plymouth District Council.

Request

The only aspect of the request for further information relevant to our area of expertise was a request for: “Further assessment of the demand and supply of land for housing, with particular consideration of the NPDC Housing and Business Land Assessment Report”.

Background

The New Plymouth District Council (“NPDC”) completed its “Housing and Business Development Capacity Assessment” in June 2019 (the “NPS report”). That assessment was required under the National Policy Statement on Urban Development Capacity (NPS-UDC) 2016. The NPS report had not been completed at the time of the M.E report. We have reviewed and considered the implications of the NPS report in responding to the request for further information.

NPS report demand projections

The NPS report purports to derive household projections from Statistics NZ population projections, by assuming a constant 2.62 people per dwelling.¹ However, the data provided in the NPS report² indicates that a ratio of 2.43 people per household has actually been applied. The reason for that

¹ p14

² 2018 population of 83,400 (p55), and 2018 households of 34,295 (Table 4.1)

difference (2.62 vs 2.43) is unclear, although the lower ratio that is actually used is very similar to that calculated from Statistics NZ's projections.³

The ratio applied (2.43) is assumed to remain unchanged over time, which is inconsistent with the trend in the Statistics NZ projections for average household size to decline over time, largely as a response to the ageing population, a trend that is recognised in the NPS report. Although the Statistics NZ projections extend only as far as 2043, it is reasonable to extrapolate the projections by one period to provide an indication of potential 2048 population and households. Doing so indicates that the current (2018) average household size (2.48) is likely to decrease to around 2.34 under Statistics NZ's medium growth scenario, and 2.41 under the high growth scenario. The medium high scenario (as preferred in the NPS report) equates to around 2.37 people per household by 2048 (Figure 1).

Figure 1: Comparing NPS and Statistics NZ household projections for New Plymouth District

	SNZ Med-High			UDS report		
	Pop	HH	Pop/hh	Pop	HH	Pop/hh
Value in year						
2018	83,400	33,643	2.48	83,400	34,295	2.43
2021	86,220	34,833	2.48	86,220	35,454	2.43
2028	92,400	37,575	2.46	92,400	37,996	2.43
2048	106,200	44,761	2.37	106,200	43,629	2.43
Change in period						
Short term (2018-21)	2,820	1,190		2,820	1,159	
Medium term (2021-28)	9,000	3,933		9,000	3,701	
Long term (2028-48)	22,800	11,119		22,800	9,334	
Change cumulative						
2018-21	2,820	1,190		2,820	1,159	
2018-28	11,820	5,123		11,820	4,860	
2018-48	34,620	16,241		34,620	14,194	
				<i>value linearly extrapolated</i>		
				<i>value linearly interpolated</i>		

By 2048 that ratio is therefore much lower than assumed in the NPS report, which means that for the same population more households would be required than under the constant population per household assumed in the NPS report. By 2048 the Statistics NZ projections are for over 2,000 additional households required to accommodate the projected 106,200 people living in the District, compared to the (lower) NPS household projections. By 2028 that declining household size will already have had some effect, and would require an additional 260 household over that assessed in the NPS report. That larger number of households in the Statistics NZ household projections is offset to a small degree by the slightly lower starting point of the Statistics NZ projections. The provenance of the NPS

³ [Population projections](#) and [household projections](#)



reports estimate of 2018 households is unclear.⁴ We note that the mid-point of the medium and high scenario household projections in the M.E report's Figure 3.5 are consistent with the "SNZ Med-High" projections in Figure 1.

In summary, the constant population per household ratio assumed in the NPS report is unlikely, based on what is known about demographic projections, including the propensity of older people to live in smaller household/family groups. The assessment presented above indicates that it is likely that the NPS report understates future demand for dwellings in the District because of the assumed constant household size. Although that is of greatest consequence in the NPS long term (by 2048), medium term (by 2028) demand is, from our assessment, understated as well. That has implications for the housing demand that is projected in the NPS report.

However, from the NPS report's assessment of residential dwelling capacity,⁵ that understatement of demand is unlikely to result in any supply shortfall, given the level of feasible capacity identified, and so the understated demand is unlikely to make a material difference to the report's conclusions that there is adequate residential land supply in the District in the short, medium and long term.⁶

NPS report capacity scenario

The next factor to consider in relation to the NPS report is the implications of its key conclusions for the PPC49 application. The key objective of the NPS report was to assess whether there is adequate supply to meet the needs of future residential (and business) growth, and it concludes that there is adequate supply.

However, while the NPS report describes⁷ how growth could be distributed around the District given the identified existing and future development zones, that supply configuration represents only one possible way of accommodating that growth. There will be other ways of accommodating that growth, and those other ways may have benefits for the community and contribute positively to the District's residential land supply in terms of providing greater choice and location options.

We note that just 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. The NPS report's scenario for accommodating growth is not necessarily the best or most efficient way of accommodating the quantum of growth projected, nor is it necessarily a more appropriate way of accommodating growth than potential alternatives. Instead the NPS report satisfies a particular requirement to confirm that capacity exists.

⁴ The origin of the NPS report's current household estimate (34,295 households) is not explained. Data we have seen from Statistics NZ (referenced at footnote 3) indicates a slightly lower base (33,643) number of households in 2018.

⁵ Table 4.13

⁶ p2

⁷ In the capacity take-up projections in Table 4.13



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. While there is adequate capacity in the District to accommodate projected residential growth without the capacity that PPC49 would provide (likely around 115 lots), the capacity that would be created by PPC49 would result in only small changes to the take-up of residential land in other locations would result. PPC49 would therefore not have any more than very minor effects on the demand-supply balance assessed in the NPS report.

Should PPC49 become operative, the c.115 lots that would be created at Waitara would form a very small part (2.6%) of the additional 4,441 dwellings that are projected to be needed in the District by 2028. Those dwellings would, however, provide a choice (e.g. new residential dwellings in Waitara) for prospective home buyers that would otherwise be absent (or very limited) in the short to medium term, despite having some precedent to indicate that they will appeal to the market (refer later discussion on Armstrong Ave). Although PPC49 is not required to adequately provide for the District's residential growth, there is no downside in slightly increasing future potential supply, and in fact, in our assessment, a net benefit to increasing supply.

Benefits of PPC49 location

As discussed in the M.E report, there are certain advantages of the PPC49 site that indicate there is value in considering it as an addition to the already identified residential supply:

- While historically residential growth in Waitara has been slower than in the rest of the District,⁸ that does not indicate that Waitara is unattractive for new residential growth. The recent residential development at Armstrong Ave in Waitara was the largest new residential subdivision in Waitara for many years, and the multi-stage development sold quickly, resulting in a large increase in the residential development in Waitara. That development showed the potential for Waitara to accommodate part of the District's growth, and the attractiveness of the town as a residential location, given the right type of residential development in a market which has for many years offered little choice for new dwellings.
- Waitara has an advantage over other parts of the District because land values are lower there, making new dwellings more affordable, and providing an opportunity for first home owners and prospective purchasers with lower budgets to enter the property market in Waitara, whereas they may be unable to do so elsewhere.
- The PPC49 site is large and relatively flat, making residential development easier and cheaper than some of the sites on New Plymouth's southern urban fringe (e.g. Frankley Road, Upper Carrington).

⁸ M.E report section 3.1.1

- Waitara is close to major employment areas, making it an attractive location for home buyers. The PPC49 area is a similar distance (14-16km) from the New Plymouth CBD as are Oakura and Inglewood, but is significantly closer to the large industrial area at Bell Block (6km) than are Oakura and Inglewood (20-23km). Waitara is also closer to the Area N and Oropuriri Structure Plan areas between Bell Block and Waiwhakahio.⁹
- The proposed reduction in minimum lot size in PPC49 would provide a point of difference in the Waitara residential land market. Providing for smaller (minimum 350m²) lots will make it more economical to build smaller dwellings which have an increasing appeal in the market for those not wishing to live on large lots. This aspect sits well with the NPS report's observations about aging population and smaller family sizes, and NPDC's objectives "to support increased development of one to two-bedroom units and intensification of available land in the district".¹⁰
- The PPC49 area has locational advantages over other potential development areas in Waitara which have to travel through Waitara (in the case of Ranfurly and Waitara East)¹¹ or an extra 3.5km along SH3 (in the case of Armstrong Ave) to get to Bell Block and New Plymouth.

The PPC49 area as an area of future urban development

The NPS report recognises that the Future Urban Development ("FUD") area previously identified on the PPC49 land is proposed to be removed in the Draft District Plan.¹² The reason given for that change is that "two other growth areas have been identified as more appropriate for residential development, given their location to existing amenities and infrastructure". However, the PPC49 area is a similar distance from the town centre as Ranfurly, and closer than Waitara East and Armstrong Ave. The PPC49 area is further from the intermediate and secondary school, although a similar distance to the nearest primary school. In that context, there does not seem to be any strong justification to favour other development areas over the PPC49 area based on proximity to existing amenities, and it is unclear why the PPC49 area is no longer proposed to be a future growth area.

It is also unclear what infrastructure constraints there are that would make other areas preferable to the PPC49 area. We are not well informed about infrastructure issues in Waitara, although are aware of submissions that refer to both potential issues downstream for stormwater and sewerage¹³ and the advantages of the Site from an infrastructure perspective, being on the southern side of the town.¹⁴ We have no opinion on the adequacy of infrastructure on the Site, however are aware that infrastructure issues can usually be worked through collaboratively between the developer and

⁹ NPS report Figure 5.10

¹⁰ p18

¹¹ From NPS report Figure 4.29

¹² p39

¹³ Submission point 9.03 (Brett and Anne MacDonald)

¹⁴ Submission point 17.01 (Jordan Family Trust)



Council at minimal or no cost to ratepayers, with the developer responsible for costs, either through development contributions or directly funding infrastructure. We note also that infrastructure constraints are identified in the NPS report for a number of future growth areas, meaning that the PPC49 area is not unique in facing infrastructure challenges.¹⁵

In any case, identification of other growth areas that are suitable to accommodate growth does not render the PPC49 area unsuitable, and providing PPC49 and the other areas does not mean that all areas will not be developed. The addition of PPC49 to District residential supply may delay development in the less viable parts of some of the other growth areas, although only to a very small degree, given the relatively small size of the PPC49 area. In that context, PPC49 will not introduce inefficiencies in promoting an inefficient growth pattern, and, to the contrary, could be seen as an attractive product that is effectively “low-hanging fruit” that is able to be brought to market in the short term and is likely to appeal to the market.

Conclusions

In summary, although the PPC49 area has not been identified as a growth area in the draft District Plan for some policy reasons (which are not entirely clear to us), there are a number of factors which recommend the PPC49 area as being appropriate for residential development. In fact, from our assessment the PPC49 area is more appropriate on the grounds of accessibility and attractiveness to the market than some of the growth areas identified, and could be developed for residential activity with very little or no adverse effects on the overall distribution of residential growth in the District.

While Waitara has been for many years been a lower socio-economic area than other parts of the District, the recent Armstrong Ave development and potential for ongoing development in other parts of the town indicate potential for an uplift in perceptions of the town, and the amenities provided for the population. With the introduction of new dwellings and population will come increased motivation for improved retail and services supply in the town centre and increased critical mass to support community services and infrastructure. Some momentum has already begun in this direction, and PPC49 offers potential to maintain that momentum which might otherwise stall until other future development areas area advanced. The confirmed motivation of the applicant to develop the PPC49 provides confidence that there will be near-term residential development in Waitara, which is otherwise highly uncertain.

Overall the NPS report has confirmed our earlier assessment that there are no downsides to PPC49 from an economic perspective, and there are a number of positive aspects of the proposed development which will contribute to providing for community dwelling needs in a manner that is consistent with NPDC’s planning policies.

¹⁵ Junction Stage 1 and 2, Smart Road