

# **Proposed Plan Change 31**

## **Economic Review and Support**

**Prepared for Waimakariri District Council**

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# 1 Introduction

Formative Limited has been commissioned by Waimakariri District Council (“WMK”) to undertake an economic assessment of the proposed private Plan Change 31 to the Waimakariri District Plan (“PC31”), to review relevant submissions on PC31 and to provide technical research to support the Council’s s42A report. The plan change request was lodged by Rolleston Industrial Developments Ltd (“the applicant”) and included an economic assessment (Appendix I).

## 1.1 Scope

The scope of this report is to provide a professional opinion on the merits of PC31 from an economics perspective, taking into account the matters and assessment provided including the economic assessment lodged with the application, submissions on the application, and other matters we consider are relevant. Specifically, we have been asked to:

- ❖ provide advice on housing demand for Ohoka relative to other areas of Waimakariri District and Greater Christchurch, and relative to projected supply;
- ❖ provide comments on PC31’s implications for affordability and competition;
- ❖ provide comments on whether the proposal will contribute significantly to development capacity;
- ❖ consider commercial land supply and distribution matters with regards to the proposed commercial area and potential impacts on the centres in the district;
- ❖ consider the distribution of costs and benefits;
- ❖ respond to the following submissions: Waimakariri District Council (216), A Low (416), Mandeville Village Partnership (551), and S Wells (562).

## 1.2 Documents reviewed

We have reviewed the following documents in the course of preparing this report:

- ❖ Request for Change to the Waimakariri District Plan, 535 Mill Road, Ohoka, Novo Group, June 2022 (“the section 32 report”).
- ❖ Assessment of Economic Impacts, Brown Copeland and Co Ltd, 17 February 2022 (Appendix I to the request, the “BCL report”).
- ❖ Assessment of Potential Loss of Productive Land, Reeftide Environmental & Projects Ltd, 23 November 2021 (Appendix A to the request).
- ❖ Assessment of Infrastructure, Inovo Projects Ltd, 14 June 2022 (Appendix G to the request).
- ❖ Assessment of Transport, Novo Group, March 2022 (Appendix H to the request).

- ❖ Assessment of Urban Design, A+Urban, 21 February 2022 (Appendix F to the request).
- ❖ The summary of submissions compiled by WMK, and the original submissions where relevant to this report.
- ❖ Relevant planning frameworks, both operative and proposed, and associated research commissioned by WMK.

### 1.3 Report structure

This report provides an assessment of the economic aspects of the PC31 and how it will contribute to Waimakariri District. The report is structured as follows:

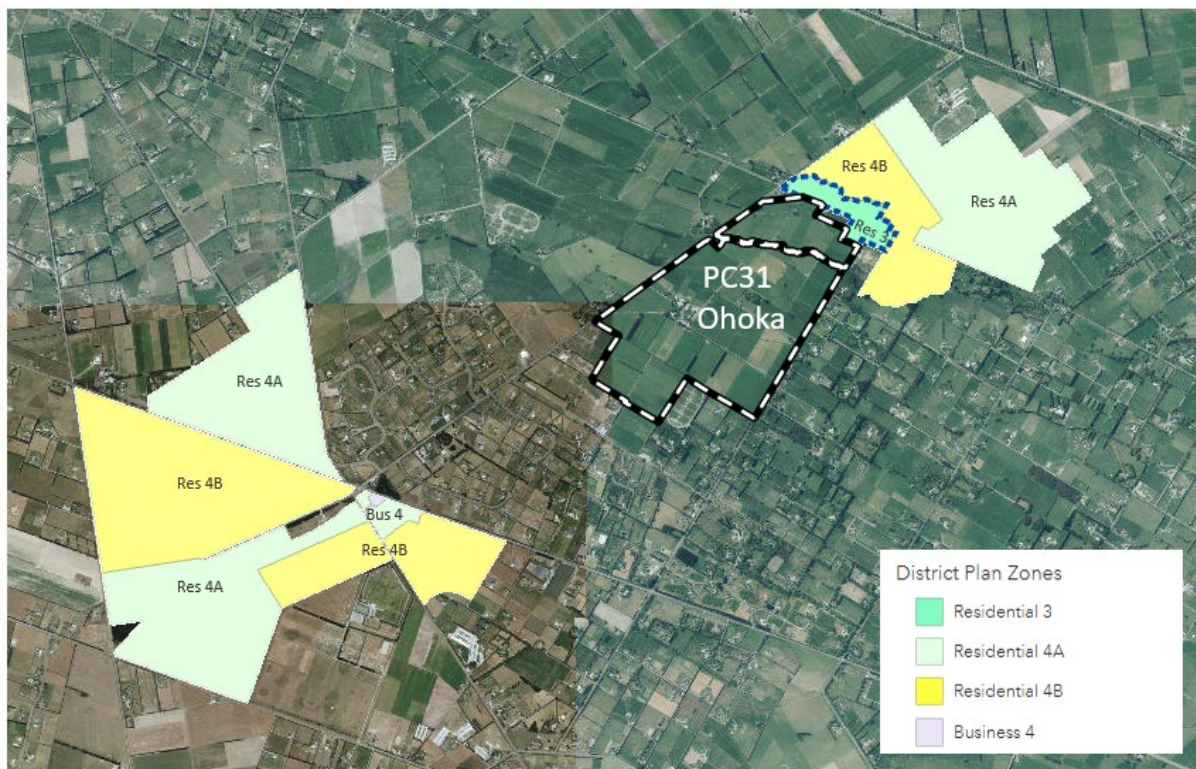
- ❖ Section 2: provides an overview of the development that may be enabled by the plan change request.
- ❖ Section 3: outlines the economic assessment that was provided as part of the s32 report and our review of that report.
- ❖ Section 4: independently assesses the economic issues raised in the s32 and the submissions, along with other economic issues that we consider are important.
- ❖ Section 5: discusses the submissions on PC31 which are relevant to economic issues.
- ❖ Section 6: concludes the report with findings from the different aspects of the economic assessment of PC31.

## 2 PC31 summary

As outlined in the section 32 report, the plan change requested is located at Mill Road, Bradleys Road, and Whites Road (“the Site”). The Site is approximately 156ha, which is predominantly used as pasture for grazing, and is zoned Rural in the Operative District Plan (“ODP”) and proposed to be zoned Rural Lifestyle Zone in the Proposed District Plan (“PDP”). The Site is located outside Ohoka town boundary in both the ODP and the PDP (Figure 2.1). The Site is currently used as a dairy/cattle farm, with much of the land to the east and south of the Site occupied by rural lifestyle living, while the land to the west is rural agriculture activity.

There is no direct access to highways or railway lines, however there is access to key roads – Bradleys Road and Whites Road. There is a 66KV power line that cuts across the site in the southwest corner, which is unlikely to impact the proposed development of the site. The closest retail is located a few kilometres to the west at Mandeville village, or around 6km east at Kaiapoi or north at Southbrook.

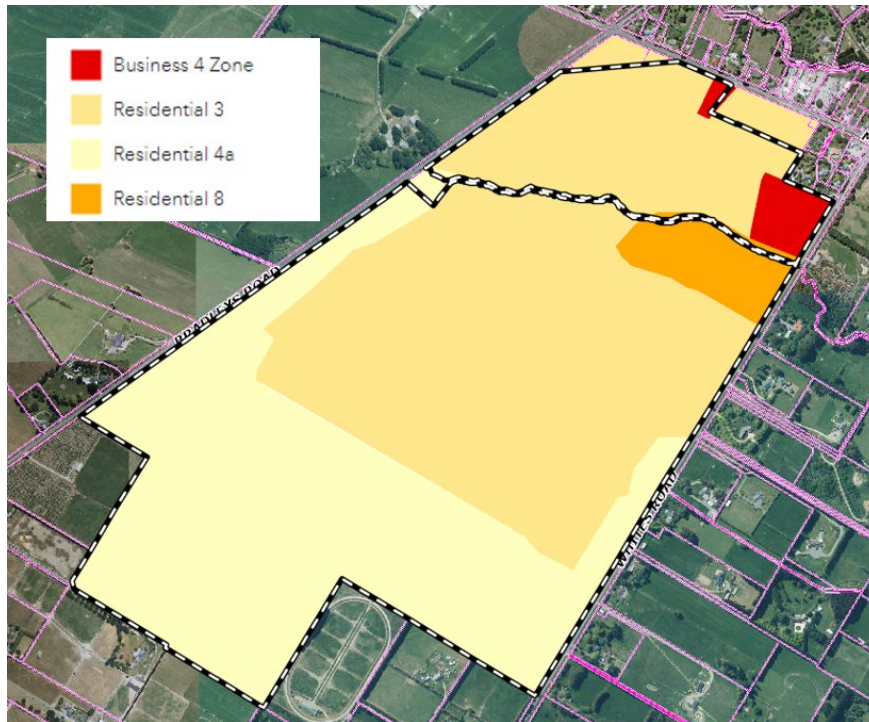
**Figure 2.1: Location of the Site and Operative District Plan Zones**



The plan change that is requested would significantly change Ohoka, increasing the area zoned Residential 3, providing for two new Business 4 areas, and new areas of higher density Residential 8 zone (Figure 2.2), as depicted on Attachment 4: Proposed Outline Development Plan of the Plan Change application.

In general, smaller properties are proposed to be located in the north of the Site (closer to the two proposed Business 4 zones) in the Residential 3 and 8 zones, and the density will decrease towards the south of the Site. The Residential 4A Zone occupies the southwest part of the Site with corridors wrapping along a section of Bradleys Road and Whites Road back towards the northeast.

**Figure 2.2: Proposed Private Plan Change Zones - Outline Development Plan (Attachment 4)**



The plan change includes the following density rules for the residential zones:

- ❖ Residential 3 would enable a range of lot sizes with a minimum lot size of 500m<sup>2</sup>.
- ❖ Residential 4A is proposed to have a maximum average lot area of 3,300m<sup>2</sup> and a minimum lot area of 2,500m<sup>2</sup>.
- ❖ Residential 8 is a new proposed zone, which is intended to enable a possible school or retirement village, however if neither activities are developed then the land could be used for additional housing, with a minimum lot size of 500m<sup>2</sup>.

A network of open space corridors along waterways is included in these residential zones, significantly reducing the developable land area.

The applicant intends for the proposed plan change to provide for up to 850 new households, 700 in the Residential 3 Zone and 150 in the Residential 4A Zone. The Residential 3 zoned land will achieve an overall minimum net density of 12 households per hectare. If neither a school nor a retirement village is developed in the Residential 8 Zone, approximately 50 additional households could be established.



The plan change includes two business areas, which are adjacent to the Ohoka village. This is intended to be the location of an expanded village centre for Ohoka. The intention is for the centres to serve the local community with day-to-day goods and services and is estimated to enable approximately 5,700m<sup>2</sup> to 6,900m<sup>2</sup> of commercial floorspace.<sup>1</sup> The larger of the two Business 4 zones has frontage to Whites Road and immediately adjoins the existing Residential 3 zoned land to the northeast.

We note that there are some inconsistencies between the zone extents shown in the Proposed Planning Map Change (Attachment 3) and the Proposed Outline Development Plan (Attachment 4) of the section 32 report. Council has advised us that the zones within Attachment 4 of the application are the appropriate extents (as shown in Figure 2.2 above).

Also, we understand that the applicant has submitted on Variation 1: Housing Intensification (Medium Density Residential Standards), and has requested that the site is zoned Medium Residential Zone. If this submission is accepted, then the Site could be developed to a higher density than is proposed in the Plan Change.

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<sup>1</sup> Section 32 report, page 6

## 3 Review of Appendix I Economic Assessment

This section summarises the content and findings of, and responds to, the BCL economic assessment report, keeping the same structure as that document.

### 3.1 Economics and the RMA

The BCL report summarises its understanding of economics within the context of Resource Management Act (“RMA”). We broadly agree with most of that summary, although address later in this review the assertion that:

*The proposed Plan Change is consistent with the efficient use of resources, especially in regard to increasing competition in the market for residential land in the Waimakariri District and Greater Christchurch and providing greater choice.<sup>2</sup>*

We also consider that the description of market based outcomes and government interventions presented within the BCL report is somewhat simplistic and could be mistakenly read to imply that markets generally produce the most efficient outcome, which is manifestly untrue. While BCL is correct that there is acceptance, in New Zealand and other countries, that ‘market based’ systems are a powerful method for generating economic activity, this does not mean that a market free of intervention will produce an optimal outcome for the community.

As noted by BCL, in reality most markets are not ‘perfect’ as idealised in economic theory. Established economic theory shows that there are a number of strict conditions<sup>3</sup> that must be met for a market to be ‘perfect’, and for the resulting market based outcome to be optimal. An underlying principle of economics is that markets will fail to produce an optimal outcome when all values are not considered by the buyer or seller within the market or any of the other conditions are violated.

The BCL report could be interpreted as implying that from an economic view point that interventions within a market is only justifiable in rare occasions. The opposite is actually the case, and in most instances there is a need for government intervention to ensure that the market outcome maximises the overall wellbeing for the community. This can be seen in almost every aspect of the economy,

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<sup>2</sup> Paragraph 2.6

<sup>3</sup> A large number of buyers and sellers, homogeneous product, rationality, no barriers to entry, no externalities, no network effects, perfect mobility, perfect information, well defined property rights, zero transaction cost, etc.

where governments intervene in education, health, infrastructure, scientific research, agriculture, safety, banking, insurance, construction, and of course resource management.

Fundamentally, without intervention the actions within a free market will generally result in the trade of too much or too little of the item in question, which is called a 'market failure'. This outcome creates what is called a 'deadweight loss', which is a reduction in wellbeings for the community. The bulk of economic literature shows that there are very few situations in the economy where perfect "market based" trade leads to an optimal outcome, which is the reason why most economic research is focused on how best to correct market failures using policy interventions.

Necessarily, every decision on resource use will produce both tangible and intangible values, including externalities, which will result in a purely market based outcome producing a suboptimal outcome and negative impacts on the wellbeing of the community. The purpose of the RMA and the local planning framework is to weigh the positive and negative outcomes to maximise the wellbeings generated or viewed a different way reduce the deadweight loss that is invariably created within market base systems.

## **3.2 Waimakariri and Canterbury economies**

Section 3 of the BCL report provides a summary of Waimakariri and Canterbury population and employment trends between 2001 and 2021. The information provided is consistent with our understanding of the current and projected future state of those trends. We accept the BCL report's assessment<sup>4</sup> that Waimakariri acts as a dormitory area for Christchurch City and that the District is exhibiting higher growth than Christchurch City, or New Zealand as a whole. We note that the rebuild after the earthquakes will have driven some of the growth, however that the demand has continued in the last few years which will have been driven by other factors (relative house prices, etc.). Therefore, we agree that it would be prudent to plan for a future where this high growth continues, and that the use of the High growth population projections would be appropriate for WMK planning purposes.

We note that since the BCL report was completed, more recent (2022) data for population<sup>5</sup> and employment<sup>6</sup> has been released, which shows that growth has continued at levels that are higher than for Christchurch or New Zealand. We consider that Waimakariri is becoming more self-sufficient as the size of the community grows, with increasing job opportunities locally and less of a dormitory role.

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<sup>4</sup> Paragraph 3.3

<sup>5</sup> Statistics New Zealand (2022) Subnational population estimates: At 30 June 2022 (provisional).

<sup>6</sup> Statistics New Zealand (2022) New Zealand business demography statistics: At February 2022.



Over the last decade much of the employment growth has been in industrial and construction activity, which accounted for 41% of the increase in jobs in the District.<sup>7</sup> Also there has been strong growth in retail/hospitality (14% of growth), education (8%), healthcare (8%), and professional services (7%) which combined to contribute to 37% of the increase in jobs in the District. The primary sector has seen very little change, with both positive and negative years over the last decade. While not stated in the BCL report, we consider that these trends are likely to continue in the future, with a growing diversity of employment and economic activity likely to be located in the District which will mostly be focused in industries that locate within industrial and commercial zones, within the three main urban areas (Rangiora, Kaiapoi, and Woodend/Ravenswood). The proposed commercial land within the Site could be expected to contribute to accommodating some future growth in employment.

### 3.3 Economic benefits of PC31

The BCL report identifies the following potential economic benefits of PC31<sup>8</sup>:

- ❖ The rezoning is expected to bring expenditure, incomes and employment opportunities for local businesses and residents within the Waimakariri District and also Christchurch City businesses and residents.
- ❖ Those activities would represent either a relocation of activities from somewhere else within Waimakariri (or Canterbury), the benefits will be limited to the extent the rezoning results in greater competition and potentially lower prices.
- ❖ There will, however, be increased economic welfare from the potential for increased economies of scale, increased competition, increased utilisation of labour (unemployed), and increased quality of government services. All of which would lead to gains in efficient operation of the economy.
- ❖ That increase in local employment within Waimakariri District would potentially reduce commuting transport costs. The applicant's economist also considers that if a school is developed in the site this could reduce transport costs for students and their families, although we note no needs assessment for a school is presented.
- ❖ Increased competition in the residential market, housing choices, and affordability, which is consistent with the directions in the National Policy Statement on Urban Development.
- ❖ The potential retirement living provided in the plan change could encourage freeing up of larger dwellings in other parts of Christchurch for greater occupancy and/or more intensive development in more centralised areas.

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<sup>7</sup> Formative (2022) Business and Employment Database – Total Employment Count.

<sup>8</sup> Section 4

While the BCL report does not quantify the value of the economic benefits of the proposed uses, it is likely that the proposed activity would support more employment, wages and salaries, rental return and return on investment than the existing rural uses. The conclusions in relation to economic benefits provided in the BCL report are generally accepted, in that they provide an adequate qualitative discussion of the benefits.<sup>9</sup>

However we consider that the assessment provides no quantification of the economic benefits, and there is limited information provided within the report of even the general scale of these benefits. Somewhat unusually, the economic assessment of benefits does not include even a single number. We consider that the report cannot be used to understand the scale or extent of the economic benefits that will be derived from PC31.

### 3.4 Economic costs of PC31

The BCL report identifies the following potential economic costs of PC31<sup>10</sup>:

- ❖ The Site will cease to produce agricultural output, although that has already been “internalised into the cost structure of the development”, and is not a cost borne by the wider community.<sup>11</sup> The applicant currently engages 1.5 fulltime employees to farm the land and a further 1.5 jobs may be indirectly employed elsewhere in the local economy. In total the agricultural use of the Site supports around 3 jobs, which is a small share of the total economy. Also, that the development of this land may avoid the need for other alternative rural land to be subdivided. Therefore, the net reduction in rural activity may be less than 3 jobs.
- ❖ The commercial centres proposed on the Site will provide for convenience needs of the local residents. This conclusion is made on the basis that the ODP restricts vehicle movements to 250 per day, therefore the BCL report considers that there will not be any impact on viability, vibrancy and amenity value of any other centres in Waimakariri. No assessment has been undertaken to show the turnover that the 250 movement restriction might support, or the role played by a centre able to be supported under the 250 movement cap.
- ❖ The developer will meet the capital cost of infrastructure connections and development contributions, and occupiers will meet ongoing costs through rates, taxes and fees, so ratepayers will not be required to cross-subsidise the infrastructure required for the proposed rezoning.

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<sup>9</sup> Paragraph 7.1 and 7.2.

<sup>10</sup> Section 5

<sup>11</sup> Paragraph 5.1

- ❖ In terms of transport costs, the Site is well located to existing urban areas and therefore, travel distances to key facilities (schools, retail facilities, employment centres, parks, etc.) are likely to be similar to alternative residential development sites within the Waimakariri District. Also, that the existing network and planned upgrades will mean that there will be sufficient capacity in the local road network such that the traffic effects will be acceptable.

While we agree that the lost agricultural output will be small compared to the agricultural activity in the District, and more than compensated for by increased activity enabled on the Site,<sup>12</sup> the use of the Site for non-agricultural activities would result in the loss of productive agricultural soils as defined in the National Policy Statement on Highly Productive Land (“NPSHPL”) (Classes 1, 2, and 3). While the land is currently zoned Rural under the ODP, the Council is proposing to change the zone to Rural Lifestyle Zone in the PDP, which may mean that NPSHPL is not applicable. Also we consider that if this Site was not developed then growth could be accommodated in other existing greenfield areas, via infill within the urban area or on land that has lower agricultural productive output. This would mean that net loss of productive land from the development of the Site may not be offset by alternative development options.

The loss of productive land is recognised in the AEE and the Assessment of Potential Loss of Productive Land (Appendix A):

*The soils in the proposed plan change area fall in LUC Classes 2 (2.45% or 3.82 ha) and 3 (97.55% or 152.11 ha).*

That loss of rural land may be small given the size of the Site in the context of total agricultural land in Waimakariri and Canterbury, however it is a matter that should be taken into account in assessing the overall merits of PC31. The importance of those productive soils is addressed by other experts.

Again, we note that the BCL report has provided limited quantification or assessment of the other costs. There is no assessment of the amount of infrastructure costs or whether the payments (development contributions, rates, etc) collected from the area will be sufficient to ensure that there is no cross subsidy from the rest of the community. We find no calculation is provided to substantiate the point, either in Assessment of Infrastructure (Appendix G)<sup>13</sup> or the economic report.

Neither is there any assessment of the travel patterns and whether the accommodation of growth in this area will generate more or less greenhouse emissions or transport costs. The economic assessment concludes that these costs will be “similar to alternative semi-rural residential”, however

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<sup>12</sup> As discussed in the further information response, summarised below in section 3.3.3.

<sup>13</sup> The infrastructure assessment makes no reference to development contributions or rates.



no evidence is provided to substantiate the point, either in Assessment of Integrated Transport (Appendix H) or the economic report.

As such we consider that the conclusions in relation to economic costs provided in the BCL report are not substantiated by evidence provided. Importantly, we do not agree with the conclusion that “the Plan Change will not give rise to economic externality costs”.<sup>14</sup>

### 3.5 Significance of PC31

The BCL report provides an assessment of whether the development of the Site, as proposed, would meet some of the requirements outlined within Policy 8 of the National Policy Statement on Urban Development (“NPSUD”).<sup>15</sup> This policy requires councils to be responsive to plan changes that are unanticipated or out-of-sequence if the proposal adds “significant development capacity” and “contributes to well-functioning urban environments”.

Currently, ‘significance’ has not been defined in the Canterbury Regional Policy Statement (“CRPS”). The BCL report provides a brief discussion of the existing housing market in Waimakariri District and concludes that the proposed residential zones within PC31 would represent a 3% increase in the District’s housing stock by 2029.

The conclusions in relation to significance provided in the BCL report are generally accepted.<sup>16</sup> However, when making the comparison the BCL report uses 800 dwellings for PC31<sup>17</sup> and applies a household occupancy of persons per household of 2.8.<sup>18</sup> Both of those assumptions are inconsistent with assumptions elsewhere in the application, however applying the correct higher dwelling number for PC31 (850) and the lower persons per household (2.6) provides a similar population anyway.

Moreover, we note that significance is a necessary condition for Policy 8 to apply, but is not sufficient, in and of itself, to mean that a plan change should be accepted. Specifically, the plan change must also contribute towards a well-functioning urban environment. The BCL report provides no assessment of whether PC31 will contribute towards a well-functioning urban environment.

Also we consider that Policy 8 should not be assessed in isolation, given that it sits within a group of policies within the NPSUD which should also be given weight. In addition, there are other National

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<sup>14</sup> Paragraph 7.3

<sup>15</sup> Section 6

<sup>16</sup> Paragraph 7.5

<sup>17</sup> We find no reference to this number within the application, which proposes that 850 to 900 dwellings will be provided on the Site.

<sup>18</sup> We note that Statistics New Zealand Projections records Selwyn District as having 2.8 persons per household, while Waimakariri District is recorded as having 2.6 person per household. We suspect that the assessment was inadvertently not updated from a previous assessment.

Policy Statements, such as the NPSHPL, which should be considered along with the local policy framework in the CRPS and Waimakariri District Plan. While intangibles and externalities are hard to measure using economic tools, communities do place great value on them and these values form a significant part of the communities wellbeing. Broadly, the community elects Council members to implement and design local policy frameworks to account for these values and to provide guidance as to how the balancing between these values are realised, whether the value be measured or not, to achieve positive outcomes for the wider community.

We consider that the BCL report merely makes a statement about one isolated measurable element of the much wider policy framework. This narrow assessment cannot be construed as a finding that PC31 is within the scope of Policy 8 or that PC31 would produce an optimal outcome for the community.

### 3.6 Conclusions

The BCL report concludes that the rezoning will:

- ❖ Provide for the increased competition and choice in the residential land markets, and help with declining affordability.
- ❖ Contribute to the economic wellbeing of Waimakariri District, if the rezoning attracts economic activities which would not otherwise be located within the Waimakariri District.
- ❖ Is consistent with the goals of the NPSUD.
- ❖ Will not give rise to externality costs.
- ❖ Enabling people and communities to provide for their economic (and social) wellbeing and be an efficient use and development of natural and physical resources.
- ❖ Would add significantly to residential development capacity in the context of the existing scale of the Waimakariri District.

Subject to our discussion above and our independent assessment below, we agree with some of the findings of the economic assessment, including that the proposed zone change would increase economic output from the Site and would be significant within the context of Waimakariri District.

However, we find that for the most part the economic assessment provides very little information from which the economic merits of PC31 can be evaluated. We disagree with the premise that market based outcomes would be optimal in this situation or that there are no externalities associated with PC31, both of which are demonstrably untrue. In our opinion the focus of the BCL report on a single policy within the NPSUD is too narrow, and consider that the assessment should have regard to the other parts of the NPSUD, other National Policy Statements and the local planning framework.

Also, the BCL report makes no assessment of the appropriateness of the proposed business zone, making no mention of either the amount of land that is proposed or the amount of floorspace that could be developed on the Site. The BCL report provides no assessment of whether the proposed business areas is commensurate to the expected needs of the community. The lack of assessment means that no evidence is put forward in support of the business areas that have been proposed, or whether these centres are appropriately sized to serve the local community with day-to-day goods and services, as intended by the applicant, or whether the centres will have adverse effects on existing centres, in particular the Mandeville village.

Finally, the BCL report places a lot of weight on the benefits from PC31 in terms of increasing competition, affordability, and choice within the residential market. However, the report provides no assessment of the appropriateness of the proposed residential zones, no discussion of the nature of the dwellings that could be developed on the Site, the demand and supply for these types of dwellings, or any other information about the residential market. The BCL report merely quotes a total number of dwellings within the site of 800 (which is inconsistent with the application), and provides no other quantitative assessment of why or how this development will contribute to competition, affordability, or choice within Ohoka, Waimakariri, or the Greater Christchurch area.



## 4 Independent economic assessment

For the most part the economic assessment submitted by the applicant has not provided a quantification of the economic outcomes that could result from PC31, which means that there is limited information that can be used to assess the relative scale of the costs as compared to the benefits. The submissions that were reviewed have noted the lack of economic assessment on several key aspects. We have drawn from the material provided by the applicant and submitters, and our own modelling to provide an independent assessment of the costs and benefits associated with PC31.

The following section covers the economic aspects of the proposed residential activity, proposed commercial centres, and the wider economic outcomes from PC31.

### 4.1 Proposed residential activity

The proposed urbanisation of the Site will enable a considerable number of residential dwellings to be developed in the local area. Most of the land within the Site will be zoned for dwellings and that the intensity of activity will be much greater than what is currently located in the area. The application estimates that the proposed plan change will provide for between 850 and 900 new dwellings<sup>19</sup>.

To understand the potential implications of the proposed residential zones, we have assessed the nature of population growth and housing market in Waimakariri District and Greater Christchurch relative to potential supply (including capacity enabled via intensification requirements set out in the Housing Enabling Act). We have considered the nature of development to provide an understanding of the affordability outcomes and competitive effects.

#### 4.1.1 Population Waimakariri District and Greater Christchurch

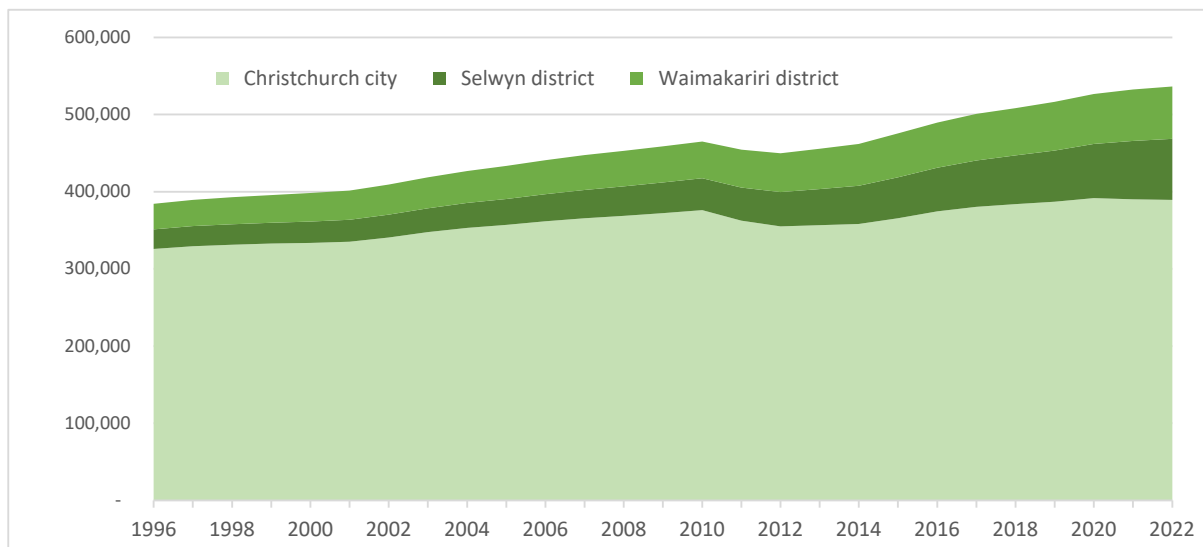
The Greater Christchurch urban area and eastern parts of Waimakariri have experienced strong growth in population over the last two decades. For the most part the new population has located in Christchurch, however Waimakariri's role has increased over the last decade and now accommodates 13% of Greater Christchurch's population (Figure 4.1).

Waimakariri population grew from 50,500 in 2012 to 67,900 in 2022, which is an increase of almost 1,700 per annum and a growth rate of 3% per annum. During this ten year period the District accommodated 20% of the population growth in the Greater Christchurch area.

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<sup>19</sup> The applicant has submitted on Variation 1: Housing Intensification (Medium Density Residential Standards), and has requested that the site is zoned Medium Residential Zone. If this submission is accepted, then the Site could be developed to a higher density than is proposed in the Plan Change.

**Figure 4.1: Population Christchurch, Waimakariri, and Selwyn 1996-2022**



The population within the Greater Christchurch area is expected to continue growing in the coming decades, projected to increase from 536,500 in 2022 to 655,700 under the medium scenario by 2048 or 755,100 under the high scenario.<sup>20</sup> Waimakariri District is projected to capture between 15% (High) and 17% (Medium) of Greater Christchurch growth in that time.

We consider that it is likely that the observed growth trends will continue in the future and that population will be higher than the Medium projection for Waimakariri, and closer to the High projection. Based on our own population projections we consider that population within the District could reach up to 101,800 by 2053<sup>21</sup>. By 2033 the population of Waimakariri district is projected to grow by almost 14,000 (High) and the Greater Christchurch area is projected to grow by 100,400.

The applicant considers that the proposed urbanisation suggested in PC31 could accommodate 850 new dwellings and that these dwellings will be built over a six year period. If fully developed and occupied this would potentially represent a population of around 2,200.

The development would be expected to be completed by 2033, and if it was it would accommodate around 15% of the population growth in Waimakariri District or 2.2% of the growth in Greater Christchurch.

#### 4.1.2 Dwelling Demand Waimakariri District and Greater Christchurch

Generally, population growth results in more households forming and more dwellings being demanded in an area. The demand for housing can also change as the demographics of the population

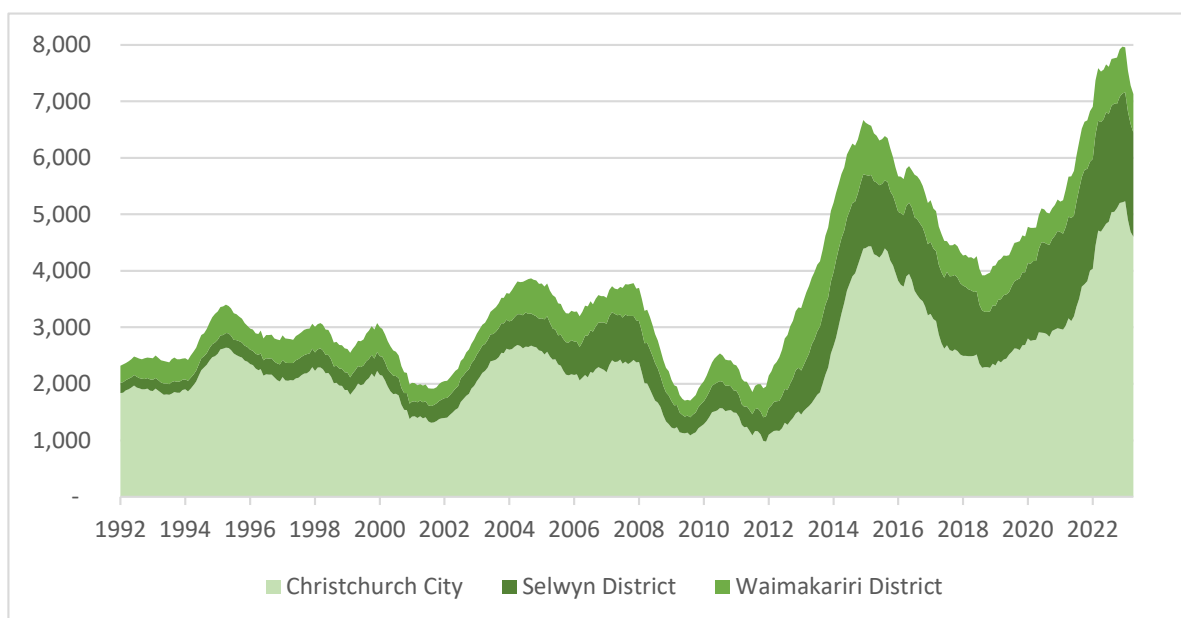
<sup>20</sup> Statistics New Zealand (2022) Subnational Population Projections – released 14<sup>th</sup> December 2022.

<sup>21</sup> Formative (2023) Waimakariri Capacity for Growth Model 2022.

shifts, with households demanding different types of dwellings as their living situation changes. There is also demand holiday homes and short stay accommodation (AirBnB, etc) which are not permanently occupied.

The number of new dwellings consented within Greater Christchurch has increased substantially over the last three decades, from an average of 2,800 per annum in the 1990s to 6,050 per annum in the 2020s.<sup>22</sup> The number of dwellings consented in Waimakariri increased from 400 per annum in the 90s to around 700 per annum in the 20's. However, we note that for all three Districts the number of new dwelling consents has dropped over the first four months of 2023 and there has also been a decline in new dwelling building consents issued in the rest of the country. There are global and national factors which indicate that building activity may drop back from the current peak in the coming years.

**Figure 4.2: New Dwelling Consents Christchurch, Waimakariri, and Selwyn 1992-2023 (annual)**



The type of dwellings consented in the Greater Christchurch area has also changed over the last decade. In the early parts of the 2010s around 80% of dwelling consents were for traditional standalone housing, which decreased to 67% by the end of the decade and then further to 53% in the last 12 months. There has been a noticeable shift towards medium density dwelling types, with a growing share of consents for units, flats, townhouses, duplexes, and retirement living. There has been very little change in the demand for higher density dwelling types, with less than 2% of dwellings being consented over the last decade being apartments.

In Waimakariri the demand for traditional standalone housing has remained strong, with over 90% of new dwelling consents being for this type of dwelling. However, the average size of dwellings has drop

<sup>22</sup> Statistics New Zealand (2022) Building Consents – New Dwellings.



markedly, from an average of nearly 220m<sup>2</sup> in 2010 to 170m<sup>2</sup> in 2022. Also, there has been a small amount of demand for medium density dwelling types and almost no demand for apartments. While this demand trend has been consistent for the last few decades there could be a shift in the future towards medium density types as Waimakariri grows. However, it is likely that a large share of the demand for dwellings in Waimakariri District will continue to be for traditional standalone houses.

Formative's dwelling and household projects for Waimakariri suggest that there will be demand for a further 5,200 dwellings by 2033 and 12,600 dwellings by 2053 in the urban parts of the District if the population grows according to the high projection. Most of the demand is expected to locate in the urban environment of Rangiora, Kaiapoi, Woodend, Ravenswood, and Pegasus (over 80%).

The NPSUD requires councils to plan for expected demand in the urban environment, plus a competitiveness margin of 20% in the coming decade. Applying this requirement suggests that there would be a need for at least 4,970 new dwellings by 2033 which is the medium term in the NPSUD. On average these projections suggest a need for 497 new dwellings per annum. We note that the NPSUD requirements prescribe a minimum level of future supply, and that councils should provide for at least that level of zoned capacity, as discussed in the following section. In the coming long term there would be a need for at least 11,700 new dwellings by 2053, and that Council should ensure that there is sufficient capacity that is zoned or identified for future urban use in the Future Development Strategy.

The scale of development that would be enabled by PC31 could accommodate 850 to 900 new dwellings which are proposed to be constructed over the coming decade. This would mean that PC31 could accommodate around 14% of the Waimakariri's dwelling demand in the urban parts of the District in that time. We note that the proposed zones could allow development of more dwellings than is noted in the application, also that the applicant has submitted on Variation 1 to have this site to have the MDRS apply and be zoned Medium Density Zone which could allow even more development potential.

#### 4.1.3 Dwelling Supply Waimakariri District and Greater Christchurch

The amount of residential development capacity within Waimakariri and Greater Christchurch area is expected to increase substantially in the coming years. The NPSUD 2020 and Enabling Housing Supply Act ("EHSA") 2021 requires some councils to make changes to their district plans to enable more housing to be built within the urban environment and at greater heights, which includes up zoning of most residential land in the urban areas of all three councils within Greater Christchurch.

Also, both Waimakariri and Selwyn District Councils were already close to completing a once in a decade review process which would have increased development capacity, with proposed District

Plans being notified in 2021<sup>23</sup> and 2020 respectively<sup>24</sup>. Both of these processes were delayed because of the requirements within the EHSA, with each council developing a variation which increased the development capacity even further, Variation 1 (Housing Intensification)<sup>25</sup> and Variation 1 Intensification Streamlined Planning Process<sup>26</sup>. These variations and the remainder of the District Plan process will be completed by May 2024<sup>27</sup>.

At the same time Christchurch City Council proposed a Plan Change to the operative district plan to meet the intensification requirements, which included a significant increase in development potential across the business and residential zones and was notified in March 2023.<sup>28</sup>

While there is some uncertainty around these processes, it is likely that development capacity that is enabled within Waimakariri and Greater Christchurch area will increase by a large amount. Indicative analysis of the two Variations and Plan Change suggests that development capacity could be more than three times the current dwelling stock in the Greater Christchurch area.<sup>29</sup>

Importantly, Variation 1 of the Waimakariri District Plan will apply the Medium Density Residential Standard zone to the **existing** and **greenfield** areas in Rangiora, Kaiapoi, Woodend, Ravenswood, and Pegasus. This will allow significantly more development, both within the existing townships and new greenfield areas.

The recently completed Capacity Assessment for WMK<sup>30</sup> suggests that plan enabled capacity for residential development could increase to over 80,000, or almost three times the existing dwellings in the District. However, it is unlikely that developers will build to the level provided for in the Medium Density Residential Standard as there is not likely to be enough demand (as discussed in the previous section).

Given the nature of demand it is likely that developers within the District will choose to develop to a lower intensity than is enabled MDRS and residential zones in the plan. Also, there will be many instances where it will not be financially feasible to redevelop a site, as the sale price would not be sufficient to cover the development cost. The assessment of the capacity that could be 'Reasonably Expected to be Realised' and 'Commercially Feasible', as prescribed in the NPSUD suggests that there

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<sup>23</sup> Waimakariri District Council (2021) Proposed Waimakariri District Plan – Notified 18<sup>th</sup> September.

<sup>24</sup> Selwyn District Council (2020) Proposed Selwyn District Plan – Notified 5<sup>th</sup> October.

<sup>25</sup> Waimakariri District Council (2022) Variation 1: Housing Intensification (Medium Density Residential Standards).

<sup>26</sup> Selwyn District Council (2022) Variation 1 Intensification Streamlined Planning Process.

<sup>27</sup> However some of the changes have immediate effect, with the Medium Density Residential Standard being operative immediately.

<sup>28</sup> Christchurch City Council (2022) Plan Change 14 Residential Intensification.

<sup>29</sup> Formative (2022) Greater Christchurch Partnership Spatial Plan Dwelling Affordability Assessment.

<sup>30</sup> Formative (2023) Waimakariri Capacity for Growth Model 2022.

is capacity for just over 5,930 new dwellings in the medium term. In summary the research shows that there would be sufficient supply in Waimakariri to meet the expected demands, and is more than the required NPSUD competitive margin. In the long term there is estimated to be a capacity of just under 14,450, which is sufficient to meet the demand. However, we consider that the Council should continue to monitor the situation and additional development capacity could be identified in the next revision of the Future Development Strategy to ensure long-term adequacy of supply. Where in the District that additional growth should be provided will be more certain beyond the medium term, and so we consider that providing for that future capacity through revision of the FDS is a more appropriate response to providing for future growth needs than approving a private plan change now to provide for uncertain long-term needs.

Therefore, the proposed urbanisation suggested in PC31 could accommodate 850 to 900 new dwellings which would be an increase of around 13% in the capacity of dwellings in Waimakariri and less than 1% in Greater Christchurch. Given the scale of the potential development opportunity within Waimakariri and Greater Christchurch, we consider that PC31 may have a small positive influence on competition within the market.

#### 4.1.4 Ohoka and Mandeville Dwelling Demand

The Ohoka and Mandeville area<sup>31</sup> had 1,101 dwellings recorded in 2018 census and we estimate that as of 2022 there was around 1,200 dwellings.<sup>32</sup> The area has seen around 40 new dwellings built per annum over the last decade, of which most have been constructed in the rural zone, either lifestyle living or new rural dwellings.<sup>33</sup> However, this situation is driven by the fact that planning framework limited the number of smaller lots within Ohoka and Mandeville. The Ohoka township has around 111 dwellings and Mandeville has around 500 dwellings.

Over the last three years the average price of a dwelling around Ohoka has increased from just under \$1,000,000 in 2020 to just over \$1,400,000 in 2022.<sup>34</sup> Over this time the average size of the dwellings that were sold increased from just on 300m<sup>2</sup> to almost 320m<sup>2</sup>. Relative to the rest of the District and Greater Christchurch the dwelling stock has a higher sales value, which is likely to be related to the large size of the dwellings (almost double the average) and large land areas (mostly lifestyle lots of more than 1 ha).

By comparison the proposed urbanisation suggested in PC31 could almost double the number of dwellings in the area. Also, relative to past growth, PC31 would be equivalent to more than two decades of development in the area, and therefore represent a substantial change in the distribution

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<sup>31</sup> Defined as the Statistical Area 2.

<sup>32</sup> Statistics New Zealand (2020) Census of Population and Dwellings.

<sup>33</sup> Statistics New Zealand (2022) Building Consents – New Dwellings.

<sup>34</sup> Corelogic (2023) Dwelling Sales Prices 2020-22 – 2.5 kilometres around PC31 Site.

of growth within the District. Based on the sales data we would expect that the dwellings provided within the Site will have values lower than Ohoka's existing dwelling stock, however much higher than the average in the District. As discussed in the following sections we consider that the development of the Site may improve affordability in Ohoka itself, however for the wider District the affordability of housing is unlikely to be improved as a result of the development.

In the context of the growth in the District there has been a small amount of demand for Ohoka. However, this is because of the nature of the settlement, being small and located further from the main towns in the district, and with limited supply. If PC31 was developed then it would be likely to stimulate demand, and to draw demand to the area from across the district, and this would mean a considerably different demand outcome than in the past. We consider that in the context of the wider demand in the District that the applicant's proposed development period of 10 years or 85 dwellings per annum would be reasonable.

#### 4.1.5 Proposed Ohoka Dwellings Supply

The PC31 application documents do not include a subdivision pattern or a description of the types of dwellings that are intended to be developed on the Site. The application does provide an indication of the potential number of dwellings that could be developed, lot size rules, a map of the plan change zones, and an outline development plan.

Using this information, we have estimated the nature of the lots that are intended, by comparing the land area in each zone (gross and net) and then comparing this to the stated numbers of dwellings in each zone to estimate the average lot size.

First, we have estimated the gross area of each zone using the plan change map provided in the application (Attachment 4 of the application) by digitising the application map and measuring the areas it shows. While not expressly defined in the application, the plan change map suggests that there would be approximately:

- ❖ 83 hectares of Residential 3,
- ❖ 64 hectares of Residential 4b, and
- ❖ 7 hectares of Residential 8.

Second, we have estimated the net area in each zone, which removes land that will not be developable because it will be used for roads, stormwater management, natural areas/waterways, open space, landscaping, and other non-residential purposes. We have used the indicative masterplan in Proposed Outline Development Plan (Attachment 4) which shows the potential areas that may not be developable within the Site, which suggests around 25-30% of the land will not be developable.

Third, we have then compared the developable land in each zone to the dwelling numbers suggested in the application. Specifically, the following information is provided in the application:

- ❖ 700 dwellings in the Residential 3 Zone and will achieve an overall minimum net density of 12 households per hectare, with a minimum lot size of 500m<sup>2</sup>.
- ❖ 150 dwellings in the Residential 4A Zone, which has a minimum lot area of 2,500m<sup>2</sup> and a maximum lot average of 3,300m<sup>2</sup>.
- ❖ 50 dwellings in the Residential 8 Zone, if neither a school nor a retirement village is developed. The minimum lot size would be 500m<sup>2</sup>.

Based on the information available we find that the lots in the Residential 3 part of the Site could average just over 800m<sup>2</sup> per lot at a density of 12 lots per hectare, which is consistent with the density suggested by the applicant. The Residential 8 Zone may have a slightly smaller lot size at around 700m<sup>2</sup>.

This assessment shows that the Residential 4A could have an average lot of around 3,000m<sup>2</sup>, which is consistent with the density rules that have been proposed for this zone, which has a maximum average density of 3,300m<sup>2</sup> and a minimum lot size of 2,500m<sup>2</sup>.

**Figure 4.3: Plan Change 31 Estimated Residential Density Assessment and Potential Lot Size**

Residential Land	Gross Area (ha)	Net Area (ha)	Proposed Dwellings	Density (per ha)	Average Lot (m2)
Residential 3	83	58	700	12	800
Residential 8	7	4	50	14	700
Residential 4A	64	47	150	3	3,100
Total PC31	154	109	900	8	1,200

The average lot sizes estimated in Figure 4.3 are higher than the proposed minimum lot sizes for these zones. Residential 3 and Residential 8 are proposed to have a minimum lot size of 500m<sup>2</sup> which is lower than the density that is estimated above. Also Residential 4a has a minimum lot size of 2,500m<sup>2</sup>.

The implication is that if the applicant elected to develop to the level that is enabled in PC31 then they could provide an estimated 1,430 lots on the Site, which is almost 59% larger than the indication provided in the application of 850-900 dwellings. There could be around 1,240 lots in the Residential 3 and Residential 8 zones and 190 lots in the Residential 4a zone on of the Site. We are not aware of any conditions that would limit lot yield to the 850-900 lots estimated as likely in the application, however we acknowledge that the Site will need to be supplied with appropriate services which may or may not impact the number of residential dwellings that can be accommodated on the Site.



The proposed PC31 would need to draw in much more demand than has occurred in Ohoka in the past. Clearly, the existing capacity within Ohoka is not of the same type or quantum to that which would be enabled in PC31 and could not be expected to accommodate the amount of development that is proposed.

Notwithstanding the difference between what is enabled within the zones and the applicant's stated indication, we have assessed the potential price points and housing outcomes assuming that the development occurs as indicated within the application documents.

#### 4.1.6 Price Points and Affordability

The price point and affordability of the Ohoka dwellings will depend on the purchase price of the subdivided vacant lot and the cost of building a dwelling on the lots. For this assessment we have drawn from sales data from 2022 to establish the potential purchase price of the land and the likely cost of the dwelling constructed. The combination of these two values provides an understanding of the price points that may be achieved and whether the dwellings will be affordable or not.

In 2022 the average new vacant urban residential lot in Waimakariri was just under 600m<sup>2</sup> and sold for \$335,000.<sup>35</sup> The sales data also showed that lots with larger land area (over 700m<sup>2</sup>) sold for more than \$400,000. The distribution of sales data shows that most of the urban residential market in the District is focused on lots which are considerably smaller than what is anticipated within the PC31 area. Based on market sales we would expect that the lots proposed within the Residential 3 zone may sell for around \$400,000 each.

The sales of new lifestyle lots in Waimakariri showed that the land area of most lots was over 2ha and sold for \$560,000 or more.<sup>36</sup> The new lots that had a land area of 2ha or smaller tended to sell for around \$450,000. The sales data shows that most of the market in the District is focused on lifestyle lots which are considerably larger than what is proposed in the PC31 area. Based on the market sales we would expect that the lots proposed within the Residential 4a zone may sell for around \$450,000 each.

Currently the average new dwelling in Waimakariri has a floorspace of around 170m<sup>2</sup>. The sales data shows a clear positive trend, with dwelling size increasing with lot size. Generally, subdivided lots with a size of 1000m<sup>2</sup> or more tend to have a dwelling with a floorspace of over 220m<sup>2</sup>. Based on the market development trends we would expect that the average dwelling in the Residential 3 zone could have a floorspace of at least 170m<sup>2</sup> and the average dwelling in the Residential 4a zone could have a floorspace of at least 220m<sup>2</sup>.

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<sup>35</sup> Corelogic (2023) Sales Prices 2022 – Vacant Residential Lots Waimakariri District.

<sup>36</sup> Corelogic (2023) Sales Prices 2022 – Vacant Lifestyle Lots Waimakariri District.

We have used build costs for Christchurch<sup>37</sup> to estimate the value of each building. Conservatively, we would expect that dwellings in the area would cost more than \$430,000 to build the average dwelling in the Residential 3 zone and more than \$560,000 to construct the average dwelling in the Residential 4a zone.

Combining the land purchase price and the construction costs would suggest that the average dwelling in the Residential 3 zone could cost more than \$830,000 and the average dwelling in the Residential 4a zone could cost more than \$1,000,000. These values are relatively high compared to the other new dwellings that are being supplied in the District or the existing dwelling stock. We note that the estimation has adopted conservative settings<sup>38</sup>, and that dwellings within PC31 are likely to cost more than is calculated above.

The median dwelling within Waimakariri currently sells for \$737,500, and while the median is \$699,000 for the Greater Christchurch area.<sup>39</sup> The estimated dwelling values of \$830,000 and \$1,000,000 would be 15% to 37% more expensive than half of the traded houses in the District.

At those price points the PC31 dwellings would not be affordable to most households in the District or Greater Christchurch area. Based on distribution of the households and their incomes that the dwellings within the Site will only be affordable to high income households. We estimate that the just under 60% of households who have low and middle incomes will not be able to afford to purchase the dwellings that may be supplied on the Site.

The proposed urbanisation suggested in PC31 could provide for relatively large lots and high value dwellings. We do not consider that the development of this Site will materially improve affordability or lower the prices within the District. Given the nature of the potential development within the context of Waimakariri and Greater Christchurch, we consider that PC31 will have a small (and potentially negative) influence on price points and affordability.

#### 4.1.7 Housing Outcomes

The key conclusions from the residential assessment of the proposed PC31 are that:

- ❖ There has been high growth and residential demand within the District and Greater Christchurch urban areas, which is expected to continue. Applying the latest projections and the required competitiveness margin of 20%, it is estimated that there would be a

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<sup>37</sup> Quotable Value (2022) Cost Builder – Christchurch House One storey 100-250m2. Brick veneer, concrete tile roof.

<sup>38</sup> Given the large size of the lots we would expect the size of the dwellings that are built in the area to be larger and that the build quality will be higher, both of which would suggest that average dwellings in PC31 could be more expensive than estimated in this report.

<sup>39</sup> REINZ (2022) Monthly Property Report – 13<sup>th</sup> December.

need for at least 4,970 new dwellings over the medium term. On average these projections suggest a need for 497 new dwellings per annum over the 10 year period ending 2033.

- ❖ The recent changes to planning frameworks have increased the supply in Waimakariri District and Greater Christchurch and that there is sufficient capacity to meet expected demands. Applying the latest estimates of capacity there would be sufficient capacity to provide for at least 5,930 new dwellings over the medium term. The supply within the urban environment is more than sufficient to accommodate demand, plus the competitiveness margin. Therefore, the additional capacity proposed by PC31 is not necessarily required. However, we note that NPSUD requirements are a minimum threshold, and that council can (and has) provide more capacity than is required to meet expected demands in the medium term.
- ❖ The supply enabled at PC31 would be very different to the existing activity in the Ohoka settlement. Clearly, PC31 is proposing development that is predominantly urban in character, while existing Ohoka is a rural settlement. PC31 is more comparable to the development occurring around the main towns of Rolleston, Kaiapoi, and Woodend/Ravenswood.
- ❖ In the context of the growth in the District there has been a relatively small amount of demand (and supply) for Ohoka. However, this is because of the nature of the settlement, being small and located further from the main towns in the district. For the most part we would expect that much of the demand that is drawn by PC31 would otherwise have located in the areas around these main towns in the District, or elsewhere in Christchurch. Based on the existing demand (and supply) in Ohoka we consider that PC31 would not be required to meet the (existing) expected needs in the settlement.
- ❖ Given the nature of the development we consider that dwellings provided within PC31 are not likely to be “affordable” and would have limited impact on the prices achieved in the housing market.
- ❖ The addition of a new development within the District can be expected to generate some additional competition, however given the scale of development potential in the rest of the District and the Greater Christchurch area the change in competition will not be material.
- ❖ The residential development of this scale would contribute significantly to development capacity.

## 4.2 Proposed commercial centres

Two Business 4 zone centres are proposed in the plan change area, as described in Figure 2.2. No assessment has been provided in the application to provide an evidential basis to support the proposed size of the two centres, or an assessment of the potential impact of the two centres on other centres in the District. Absent any such assessment, it is not possible to conclude that the zone change requested is an appropriate change to the District Plan.

To understand the potential effects of the proposed commercial zones, we have assessed the amount of floorspace that would be sustainable in the centres of the type that the request describes would be enabled in the plan change area, which is:

*two small commercial centres, the larger of which is to become part of the village centre of Ohoka. These commercial centres will provide good accessibility and help to meet some of the convenience needs of residents in the immediate area.<sup>40</sup>*

We agree that any commercial presence in the plan change area should be small, and have a focus on providing for the convenience needs of residents in the immediate area. A broader role would not be appropriate, given that the proposed centres' location is relatively close to:

- ❖ Kaiapoi town centre and KAC, 10km east.
- ❖ Rangiora town centre and KAC, 10km north.
- ❖ Waimak Junction, a recently consented large format retail development at Smith Street in Kaiapoi, 10km east of the Site.
- ❖ Ravenswood, an emerging KAC (15km north-east) that is proposed to accommodate a significant centre, subject to appeals currently under mediation.
- ❖ Large centres in Christchurch, including the Northwood KAC (16km south) and the consented centre at North-West Belfast in Christchurch (14km south).

All of those locations have, or are likely to soon have, significant amounts of commercial floorspace and a wide range of retail supply, and are located within 10-15 minutes' drive from the plan change area. That proximity, and the location of those centres near the District's major employment areas, indicates that people living in Ohoka, including potential residents of the plan change area, would have a large range of retail and other commercial activity options readily accessible to them.

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<sup>40</sup> Attachment 4 to the section 32 report

### 4.2.1 Centres assessment scope

The section 32 report estimates that the “modestly sized local centre” which is “envisaged to serve the local community with day-to-day goods and services” would accommodate approximately 5,700-6,500m<sup>2</sup> of commercial floorspace. That is a not insignificant centre in the Waimakariri context, given the second largest centre in the District now (Kaiapoi) has around 15,000m<sup>2</sup> of retail and services floorspace.<sup>41</sup>

To assess the amount of sustainable commercial floorspace in the proposed PC31 local centre, we have:

- ❖ Assessed the location of the proposed centre in relation to other centres, to establish a retail catchment for the centre, within which most of its customers will live, given the described local centre role.
- ❖ Quantified the number of households, and the amount of retail spending that is resident within that catchment, and the amount of floorspace supported in all locations by that spending.
- ❖ Assessed the share of that floorspace supported in all locations that would be supported in the PC31 centre, again given its intended role of providing for the convenience needs of the local community.

The results of that assessment are summarised below.

### 4.2.2 Ohoka local centre catchment

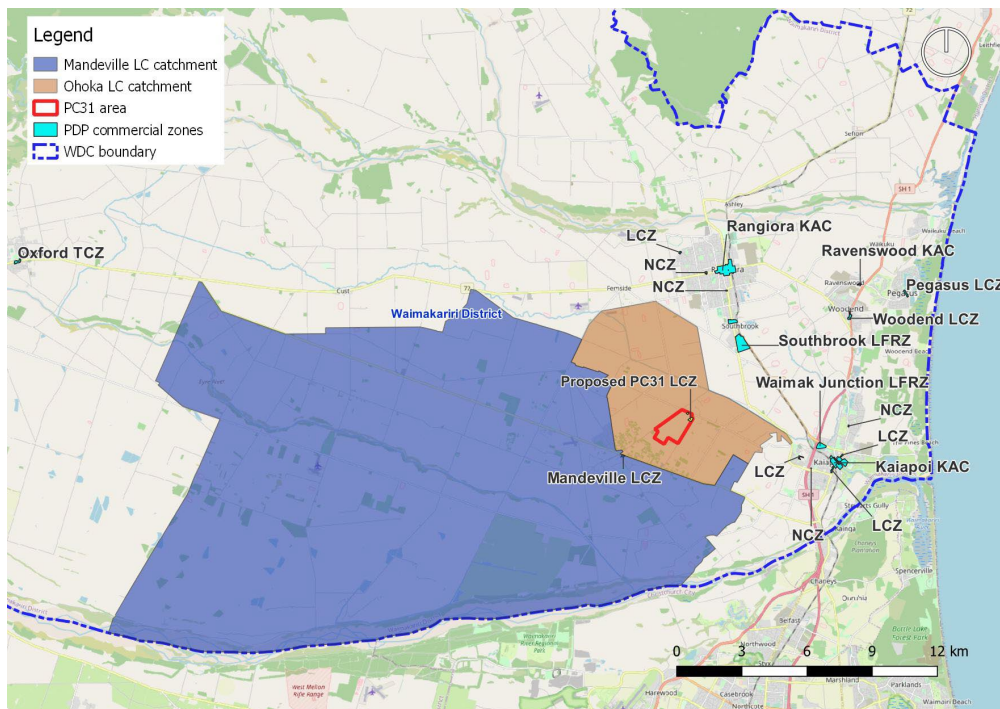
The catchment of the proposed Ohoka local centre zone (“LCZ”) will be constrained by the presence of other centres nearby, as identified above, including smaller LCZ centres in Kaiapoi and at Mandeville. For this assessment the catchment has been defined using Statistics NZ’s statistical areas (SA1s), as the core statistical unit of geography. The catchment defined is shown in Figure 4.4, alongside a comparable catchment for the existing Mandeville LCZ. The two (Mandeville and Ohoka) catchments do not overlap, given the similarity of role they are anticipated to have.

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<sup>41</sup> Rangiora is significantly larger, at around 47,000m<sup>2</sup> of retail and services floorspace, Ravenswood is proposed to have a maximum of around 25,000m<sup>2</sup> (subject to appeal) although is likely some way from being developed, and Waimak Junction is consented to have nearly 18,000m<sup>2</sup> of retail space.



Figure 4.4: Ohoka local centre catchment



### 4.2.3 Household projections

The section 32 report states that the plan change area is projected to accommodate 850-900 households, which we have assumed will be developed gradually over the period of 10 years, starting in 2024. From work we have undertaken for WMK,<sup>42</sup> we estimate that the Ohoka catchment is currently home to 770 households and based on our high growth scenario is projected to grow by around 430 households out to 2043, without the plan change area being developed (Figure 4.5).

For the purposes of this assessment we assume that the projected catchment growth in our high scenario excludes growth that would be enabled in the PC31 area, and therefore there is no double counting of growth that was included in the catchment, and will now also be captured in the PC31 area. That assumption may lead to total catchment growth assumed for this assessment being slightly overstated, so in that way this assessment yields conservatively high estimates of sustainable floorspace in the potential Ohoka centre.

<sup>42</sup> 2022 SA2 population household and dwelling projections, Formative Limited, produced for WMK.

**Figure 4.5: Ohoka catchment household projections**

	2023	2028	2033	2038	2043	Growth 2023-43	
						n	%
PC31 area	-	250	600	850	850	850	n/a
Rest of catchment	770	900	1,010	1,120	1,200	430	56%
Total catchment	770	1,150	1,610	1,970	2,050	1,280	166%

#### 4.2.4 Catchment retail demand

Catchment households, along with tourists and local businesses based in the catchment generate retail demand. Figure 4.6 quantifies that total demand, as the basis for assessing the share that is likely to be directed to the proposed centres developed in the PC31 area. The 770 households now living in the catchment are estimated to spend about \$65m in retail and hospitality stores in all locations. By 2043, catchment households are projected to increase to just over 2,000, and those are projected to generate \$218m of retail and hospitality demand, a significant increase of \$153m from 2023.

**Figure 4.6: Ohoka catchment total retail demand directed to all destinations**

Activity	2023	2028	2033	2038	2043	Growth 2023-43	
						n	%
Supermarket/grocery	\$ 15.6	\$ 24.5	\$ 36.3	\$ 46.6	\$ 51.3	\$ 35.7	229%
Other food retail	\$ 2.8	\$ 4.3	\$ 6.4	\$ 8.2	\$ 9.1	\$ 6.3	228%
Core retail	\$ 14.2	\$ 22.3	\$ 33.1	\$ 42.7	\$ 47.2	\$ 33.0	232%
Hospitality	\$ 6.9	\$ 10.9	\$ 16.4	\$ 21.5	\$ 24.1	\$ 17.2	249%
Department	\$ 4.1	\$ 6.5	\$ 9.6	\$ 12.4	\$ 13.7	\$ 9.6	232%
Hardware/garden	\$ 6.9	\$ 10.8	\$ 16.0	\$ 20.6	\$ 22.8	\$ 15.9	231%
Auto	\$ 14.3	\$ 22.7	\$ 34.0	\$ 44.2	\$ 49.5	\$ 35.2	246%
Total	\$ 64.8	\$ 102.0	\$ 151.8	\$ 196.2	\$ 217.7	\$ 152.9	236%

#### 4.2.5 Catchment retail demand directed to Ohoka local centre

Not all of the retail demand generated in the catchment would be directed to the catchment's local centre(s). In fact a majority of that spend would be directed to centres in elsewhere in the District, or in Christchurch, particularly for higher order (specialised) retail goods that are purchased only infrequently, and not typically provided for in small local centres (e.g. clothing, electronics, homewares etc.). Across large urban economies the share of centre space that is provided for in local centres equates to around 10-15% of retail spending, with the balance of spend going to larger centres such as the CBD, KACs, town/suburban core centres, and large format retail centres. That equates to around 1.0-1.1m<sup>2</sup> of gross floor area ("GFA") per household being supported in the closest local centre.

We have applied similar assumptions to this assessment, although made allowance for 1.3m<sup>2</sup> of GFA per household to be conservative (i.e. err on the high side and not understate floorspace demand), and to reflect the tendency of rural centres to accommodate a slightly larger share of local spend,

given slightly greater distances that need to be travelled to visit larger centres by rural residents, and the possibility that a local centre servicing a partly rural catchment might experience demand for activities not typical in urban LCZs, such as the proposed hire centre in Mandeville Village.<sup>43</sup>

Part of that 1.3m<sup>2</sup> per household is retail and hospitality space, as described in Figure 4.6, while part is services space. Services activities are not captured in the demand projections in Figure 4.6,<sup>44</sup> and are added in separately, reflecting average levels of service provision in local centres that equate to around 30% of total centre floorspace.

Based on those assumptions, the assessment indicates that a centre of around 900m<sup>2</sup> GFA (600m<sup>2</sup> of retail and hospitality and nearly 300m<sup>2</sup> of services GFA) is currently sustainable in the Ohoka catchment. By 2043, once PC31 (if approved) is fully developed, total sustainable space in that centre will be around 2,700m<sup>2</sup>. That would still enable the Mandeville centre to increase in size, given projected population growth in its catchment, by allowing for growth in the Mandeville catchment to be directed to the Mandeville centre, rather than being needed to support a large centre at Ohoka.

**Figure 4.7: Ohoka catchment total retail demand directed to all Local Centre destinations**

Activity	2023	2028	2033	2038	2043	Growth 2023-43	
						n	%
Retail and hospitality	680	1,020	1,440	1,760	1,860	1,180	174%
Services	290	440	620	760	800	510	176%
<b>Total</b>	<b>970</b>	<b>1,460</b>	<b>2,060</b>	<b>2,520</b>	<b>2,660</b>	<b>1,690</b>	<b>174%</b>

That 2,700m<sup>2</sup> would likely, given the typical structure and role of local centres of this size, be comprised of:

- ❖ a small supermarket (or large grocery store) of 500-1,000m<sup>2</sup>
- ❖ the balance being, ten or more smaller tenancy stores accommodating a range of retail, hospitality and services activities.

A centre of that size and composition would be consistent with the proposed District Plan's description of local centres in policy LCZ-P1:

1. *enable commercial, community, convenience and service activities that provide for the daily/weekly shopping needs of the local residential or nearby rural catchment and do not adversely affect the role and function of Town Centres, nor undermine investment in their public amenities and facilities;*

<sup>43</sup> As described in submission 551, page 3

<sup>44</sup> Because services activities are not captured in the underlying Statistics NZ Retail Trade Survey

2. *enable a range of Local Centres which, excluding the Woodend Local Centre, generally comprise 1,000m<sup>2</sup> to 4,000m<sup>2</sup> total floor space and up to 15 shops with a maximum retail tenancy of 350m<sup>2</sup> GFA.*

#### 4.2.6 Zoned area required

A centre of around 2,700m<sup>2</sup> of floorspace would likely require around 0.6-0.8ha of zoned area within which to establish, at a site coverage of 30-40%. Site coverage towards the lower end of the range is likely, given the example of the Mandeville LCZ which is not intensively developed. The section 32 report does not appear to state the zoned area of the centres, but from a digitised version of the Outline Development Plan the larger centre appears to be around 2.3ha gross area. While it is entirely possible, particularly given the semi-rural setting, that the centre would be developed to a low level of intensity, the indicative 2.3ha is much larger than would be required to provide for local centre needs, in the absence of any explanation of why so much land is required.

#### 4.2.7 Second centre

The plan change proposes a second smaller commercial centre within the PC31 area.<sup>45</sup> The smaller centre appears to be about 0.4ha, as measured from a digitised version of the Outline Development Plan.

The smaller centre would be fronting Mill Road and the larger centre would be around the corner on White Road and would be only around 200 metres apart (straight-line distance). The section 32 report does not appear to explain why two centres are required within close proximity of each other, and does not devote any coverage to the anticipated role of the smaller centre. The urban design assessment (Appendix F) indicates that the two centres as we interpret them to be may in fact be intended to be parts of a single contiguous area of “commercial and community facilities to wrap around Mill / White corner extending down White Road to create village commercial centre around a small village square opposite Domain”.<sup>46</sup> The commentary above about the appropriate size of the centre still applies to this larger, contiguous area, although the provision of a large area for community facilities would increase land area required in the ‘centre’.

The entire PC31 area is a relatively large area, and extends nearly 1.9km from north-east to south-west, and it is more than 1.5km from the southern edge of the PC31 area to the Mandeville centre. That indicates that if two centres were to be sustainable within the PC31 area, that they should be spaced out more, to provide greater walkable accessibility for local residents than would be achieved by having the two centres located next to each other.

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<sup>45</sup> Section 32 report, Attachment 4

<sup>46</sup> Appendix F: Urban Design Assessment, page 6

However, there are two factors to consider in relation to this proposition. First, the relatively low density proposed for dwellings in the southern part of the PC31 area would limit the market size in the area around a southern PC31 centre. Second, the second centre would need to be only very small, with the larger (indicatively local) centre able to adequately provide for local centre needs. The smaller centre would indicatively be a small block of shops with around 3-5 small tenancies at most, and require perhaps 0.2ha of gross zoned area.

#### 4.2.8 Location

The proposed centre is indicated in the Outline Development Plan to be near the northern end of the PC31 area. In our opinion that is a good location for a local centre in Ohoka for two main reasons.

First, the Mandeville local centre is located to the south of the PC31 area, and if the Ohoka centre were to establish in the south of the area it would be much closer to the Mandeville centre than the indicated northern location, due to the large size of the PC31 area (nearly 1.9km from south-west to north-east).

Second, the northern location is close to Mill Road, which is likely to be the main entrance to the PC31 residential area for people starting their trip in either Rangiora or Kaiapoi. The indicated location means it will be driven past on the way to or from home by a large proportion of PC31 area residents, making the centre accessible as a pass by location, rather than requiring a specific trip to access it.

#### 4.2.9 Retail distribution effects

The section 32 report assesses the proposed centre against Objective 16.1.1 and Policy 16.1.1.1 (page 33). That assessment concludes that:

*The location, size and intended function of the proposed Business 4 Zone within the plan change area is consistent with this objective. Supporting policies are concerned that establishment of new business activities do not adversely impact the viability of the Key Activity Centres. As discussed previously, the proposed commercial area within the plan change site will provide for local convenience goods and services but is not of a scale that could diminish the viability or vibrancy of the Key Activity Centres in the District.*

A new policy (16.1.1.12) is proposed as follows:

*Provide for retail and business activities in the Ohoka Business 4 Zone, in a way that:*

- a. maintains the characteristics of the Ohoka settlement as set out in Policy 18.1.1.9; and*



*b. provides for limited business activities to provide for day-to-day convenience needs of the local community, is designed to achieve high quality urban design principles and a high standard of visual character and amenity.*

We generally agree that an appropriately sized local centre should be supported by its local community, and not reliant on an inflow of custom to make its businesses viable. However, from our assessment above, the appropriate size for the Ohoka local centre would be less than 2,700m<sup>2</sup>, and much less than the 5,700-6,500m<sup>2</sup> of commercial floorspace the plan change request anticipates might establish in the zone proposed. A centre of around 6,000m<sup>2</sup> would be more than twice the size our assessment indicates is appropriate to provide a local centre role for a catchment of the size that would be in place if PC31 proceeds. That difference indicates that the PC31 centre would either:

- ❖ play a somewhat broader role than generally played by local centres, and/or
- ❖ be occupied by some relatively space extensive activities (e.g. large hardware store), and/or
- ❖ contain a large amount of under-utilised space, and/or
- ❖ rely on an inflow of spend from outside the catchment, with the potential for adverse retail distribution effects on other centres.

The last bullet point is a natural consequence of providing a centre in which is enabled more space than is required by the local market. In the case of the PC31 request, the Mandeville centre is the centre most likely to be affected by retail distribution impacts. We have not quantified the scale of those potential impacts, however given the maximum permitted GFA in the Mandeville centre of 2,700m<sup>2</sup> (under PDP rule LCZ-R4), the oversupply of in the order of 3,000m<sup>2</sup> of GFA in the proposed larger Ohoka centre would have the potential to generate material adverse retail distribution effects on the Mandeville centre.

### 4.3 Wider Costs and Benefits

The Plan Change will generate other costs and benefits which must be considered when assessing the appropriateness of the zoning. These wider impacts flow and accrue to the wider community, and are referred to as externalities in economic literature. As noted above the purpose of the RMA and the local planning framework is to weigh the positive and negative outcomes to maximise the wellbeings generated or viewed a different way reduce the deadweight loss that is invariably created within market base systems.

The following subsection discusses the main impacts, beyond the direct implications in the housing and commercial markets which have been discussed above in the previous sections. We consider that there are four main externalities that need to be considered, lost agricultural production, infrastructure costs, transport costs, impacts on well functioning urban environments, and amenity.

### 4.3.1 Agricultural production

The urbanisation of the Site will result in the loss of rural land which has highly productive soils and existing rural activity. That loss may be comparably small given the size of the Site in the context of total agricultural land in Waimakariri and Canterbury, however at 156ha, the Site represents a not insignificant land area to remove from productive supply, and that potential removal is a matter that should be taken into account in assessing the overall merits of PC31. While the importance of those productive soils is addressed by other experts, we provide some additional context and estimate the potential loss of economic activity that could result from the urban development of the Site.

Currently the Site is used for dairy/cattle farming, which is one of the most intensive and productive rural activities that occurs in the District. Dairy farming produces around \$111 million in GDP in the Waimakariri economy, which is approximately 6% of total District economic activity.<sup>47</sup> This one type of farming is responsible for almost 60% of the economic activity generated by all agricultural activity in the district.

Based on the size of the land and DairyNZ benchmark farm performance data, this Site would sustain less than three FTE farming jobs and turnover of under \$2 million per annum.<sup>48</sup> Our estimate of production from the Site is similar to the value modelled by Agribusiness Group.<sup>49</sup> There will also be supporting employment throughout the economy, which would be of a similar scale to the on-farm employment. Based on our economic model there would also be approximately three additional jobs associated with the farming in the rest of the Waimakariri economy.<sup>50</sup> In total development of the Site for residential activity could therefore result in the loss of six jobs within the economy, which is higher than suggested in the applicant's economic assessment, however not materially different.

Therefore, we agree with the applicant's assessment, that the existing agricultural activity generated on this Site, both in terms of employment and GDP, would be small compared to the agricultural sector or the entire economy in Waimakariri district (i.e. less than 1% of activity). Also, we acknowledge that the development of this land may avoid the need for other alternative rural land to be subdivided. Therefore, the net reduction in rural activity may be lower than discussed above.

However, the irreversibility of urbanisation, the finite soil resource, and the need for rural productive land to ensure food security for future generations means that the subdivision of rural land can cause a sustained long term loss which cumulates through time. The short term decision by the farmer and developer to subdivide a rural lot will consider market conditions today, but not the wider long term

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<sup>47</sup> Formative (2022) Inform Economic Projections.

<sup>48</sup> DairyNZ (2022) New Zealand Dairy Statistics 2020-21 – Waimakariri.

<sup>49</sup> The AgriBusiness Group (2023) PC 31 Ohoka – Productivity Assessment and comment on the NPS-HPL - Technical specialist report.

<sup>50</sup> Formative (2022) Economic Linkages Model – Dairy Industry.

impacts. Therefore, we consider that this is a matter that should be taken into account in assessing the overall merits of PC31, especially given the requirements in the now operative NPSHPL. The importance of those productive soils is addressed by other experts.

Also we note that there may be reverse sensitivity issues associated with the development of the Site. The urbanisation of the Site could impact the operation of productive farming on adjoining land. It is beyond our area of expertise to assess or quantify the potential scale of the reverse sensitivity issues.

#### 4.3.2 Infrastructure Costs

The urbanisation of the Site will require new infrastructure to be developed in the district, both within the Site itself (which will be funded by the applicant) and outside of the Site (which will be funded via Council and Government).

The applicant and households that live on the Site will cover some of the costs of the wider infrastructure via development contributions, rates, and taxes that they pay. The extent to which these payments cover the required infrastructure will be important. If the payments that are collected are less than the costs of the infrastructure then the rest of the community will bear the cost. There is potential for a cross subsidy from the rest of the community to the developer of Ohoka and the residents that would live within the Site.

For example, we consider that it is likely that the Development Contribution policy was set by Council based on the orderly and efficient development of land on the boundary of the existing main urban areas. For the most part the development of land close to existing urban areas will require less council infrastructure which would be less costly and more efficient relative to the development of other rural locations. This would have allowed Council to strike a lower development contribution fee.

It may be that the development of Ohoka could generate the need for more council infrastructure than what was anticipated. In this case the development contributions collected from the Site would not be sufficient to meet the full costs which means that the rest of the community would be required to cross subsidise the development of the Site. As an example, the three waters manager for Waimakariri District Council considers that “No Development Contributions are currently included in the Developments Contribution Schedule to fund any infrastructure required to service the plan change area”.<sup>51</sup> The importance of infrastructure and the extent to which Ohoka will or will not provide sufficient funds to meet the infrastructure needs is addressed by other experts, however, we consider that it is an important issue which could generate externalities that have not been addressed in the economic assessment submitted by the applicant or the infrastructure report.

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<sup>51</sup> Kalley Simpson (2023) Water, Wastewater and Stormwater Servicing Relating to Private Plan Change Request PPCR31 – 535 Mill Road, Ohoka Plan Change Application.

### 4.3.3 Transport Costs

The development of PC31 will allow a large number of households to live within a semi-rural area. For the most part these households will need to use private motor vehicles to travel to meet their needs, and these trips will be longer than those undertaken by the average household in the district or Greater Christchurch. The transport assessment provided for PC31 suggests that the households that live within the area will generate 8,026 trips each day<sup>52</sup>, which is just under 3 million trips per annum.

For the most part, these households will need to travel further to get to their work places, education facilities, medical services, social events, retail stores, personal services, and community, sporting and religious organisations. We would expect that given the location of PC31 and the urban network in the Greater Christchurch that the additional distances required for each trip will not be large and could be several kilometres per trip.

However, in combination the total additional travel over the course of a year and across all the households within PC31 would be considerable. This additional travel would generate additional costs which would include travel costs (fuel, time, etc), emissions (CO<sub>2</sub>, noise, etc), safety (injury, death, etc), and additional congestion.

The PC31 application provides an assessment of some of these aspects, finding that the development will result in one additional serious crash in the coming decade and that subject to some road widening, the traffic effects of the proposed Plan Change are “acceptable”. The transport assessment did not cover the additional travel distance, or the additional travel costs or emissions. We note that Waka Kotahi provides a standard cost and benefits manual<sup>53</sup> which is commonly used by transport experts to quantify the externalities associated with the transport network. This includes values for pollution, CO<sub>2</sub>, congestion, injury, death, noise, time cost, fuel, etc, which could be applied to quantify the scale of these externality costs. However, a more detailed assessment by transport experts would be needed to accurately quantify these externalities.

### 4.3.4 Well Functioning Urban Environments

Fundamentally urban environments are powerful generators of wellbeing for the communities that live within them. Much of the social and economic activity that occurs in New Zealand is generated within urban environments. The performance of these small areas is critically important to the overall wellbeing of most of the population in the country, which is also true for Waimakariri and Canterbury.

New Zealand’s urban environments together occupy only a very small proportion of the country’s land area, but have an intensity of activity that generates both positive and negative outcomes for the

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<sup>52</sup> Novogroup (2022) Integrated Transport Assessment (Appendix H)

<sup>53</sup> Waka Kotahi (2020) Monetised benefits and costs manual.

community. Broadly, planning within an urban environment seeks to allow the positive aspects to occur while limiting the negative outcomes.

The importance of urban environments is acknowledged in the NPSUD's Objective 1:

*New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.*

And Policy 1:

*Planning decisions contribute to well-functioning urban environments, which are urban environments*

Within Greater Christchurch the urban environment includes the urban zoned area of Christchurch City and the satellite townships in Waimakariri and Selwyn. Importantly for PC31 the townships of Rangiora, Kaiapoi, and Woodend/Ravenswood/Pegasus are part of the Christchurch urban environment, however the small rural settlements have been excluded<sup>54</sup>. This definition reflects the well establish planning framework which has focused urban growth in and around the existing urban boundaries, which is an orderly and efficient development pattern that minimises the costs of accommodating new households and maximising the benefits associated with locating close to key activity centres.

As discussed above, most recently all of the urban residential zones within Rangiora, Kaiapoi, and Woodend/Ravenswood/Pegasus have been changed to Medium Density Residential Standard zone which has increased the development potential considerably. The Council was required by the Enabling Housing Supply Act to change all residential zones within the urban environment to Medium Density Residential Standard zone as a minimum.<sup>55</sup> The other settlements and lifestyle zones in the rest of the district were not rezoned, which includes Ohoka and Mandeville.

However, we note that there is ambiguity in the NPSUD definition of urban environment, and that it would be arguable whether some of the small settlements within Waimakariri could be considered to be part of the urban environment. At this time each of the Tier 1 Councils have proposed a spatial extent for their urban environment within the required Intensification Streamlined Planning Process, however hearings and examining of these definitions have not been completed.

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<sup>54</sup> Ohoka and Mandeville have been excluded from the urban environment.

<sup>55</sup> Subject to some exclusions set out in the interpretation of the EHSA. These exclusions include large Lot Residential Zone, an area predominantly urban character that has a population of less than 5,000, offshore islands and Settlement zones.

We consider that on balance, that Ohoka and Mandeville, and by extension the PC31 area, are not currently part of the Greater Christchurch urban environment, however the criteria for establishing this from an economic perspective means that it is difficult to form a definitive opinion.

Four factors suggest that those settlements could be part of the urban environment. First, they are both located in close proximity to other parts of the urban environment which means that they are closely linked to the urban environments. Second, many of the residents that live within Ohoka would travel to work within Rangiora, Kaiapoi, or Christchurch. The Transport Assessment (Appendix H to the request) shows that a large share of trips flows to the urban areas of Christchurch (66%), Rangiora (16%), and Kaiapoi (5%). Third the housing market within Ohoka and Mandeville will be closely linked to the housing market in Greater Christchurch urban environment. Fourth, that Ohoka has been shown as part of the urban area within previous planning frameworks, local<sup>56</sup> and regional<sup>57</sup>.

However, four factors suggest that these settlements should not be considered to be part of the urban environment. First, both Ohoka and Mandeville have very small populations being well below the urban environment threshold of 10,000 people in the NPSUD or 5,000 people in the EHSA. Second, the land uses within the settlements are predominantly semi-rural and not urban in character as required in the NPSUD, which suggests that these settlements are not part of the urban environment. Third, looking at other Tier 1 councils we see that similar settlements have not been defined as being part of the urban environment (e.g. Coatesville and Whitford, in Auckland). In some instances, there are larger and more proximate settlements in other Tier 1 areas that have not been included within the urban environment. Fourth the decision by the council to exclude Ohoka and Mandeville from Variation 1 shows that these areas should not be considered as being part of the urban environment.<sup>58</sup>

Regardless of whether Ohoka and Mandeville, and by extension the PC31 area, are part of the urban environment there is also a key requirement that PC31 needs to contribute to well functioning urban environment.

Our assessment of the residential, commercial, and other wider implications components of PC31 suggests that some aspects of the proposal would not contribute to a well functioning urban environment. First, the commercial centre(s) as proposed are much larger than would be required for the local needs of the community, which would likely result in negative impacts on the rest of the urban environment. Second, in terms of residential supply, we consider that the development will

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<sup>56</sup> District plans have shown Ohoka as being within the urban environment – ODP s15 Urban Environment - Explanation and PDP Part 1 Introduction and General Provisions – Definitions.

<sup>57</sup> While not directly referenced Ohoka is shown in both the Canterbury Regional Policy Statement (Map A - Greenfield Priority Areas and Future Development Areas) and the Greater Christchurch Settlement Pattern (Figure 1) as being urban.

<sup>58</sup> Waimakariri District Council (2022) Section 32 Report – Variation 1: Housing Intensification (Medium Density Residential Standards).



have minimal impact on competition, prices, and affordability. Third, there are wider costs associated with the development which will impact the efficient operation of the urban environment, which includes potential for cross subsidises for infrastructure, additional transport costs and loss of highly productive soils. The area is not close main commercial or employment opportunities, nor is it well serviced by public transport, and the demand for housing is relatively low compared to the other main town in the District. For those reasons, we consider that PC31 does not meet NPSUD objective 3:

*Regional policy statements and district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply:*

- (a) the area is in or near a centre zone or other area with many employment opportunities*
- (b) the area is well-serviced by existing or planned public transport*
- (c) there is high demand for housing or for business land in the area, relative to other areas within the urban environment.*

We consider that PC31 may at best result in a small improvement in competition in the housing market. However, within the context of the Greater Christchurch urban environment that difference would not be material. PC31 will likely result in a more dispersed development pattern throughout Waimakariri than would otherwise have occurred, by attracting growth away from alternative locations, most of which are closer to, or in, existing urban areas. This is particularly true if MDRS densities are applied and achieved on the PC31 site, enabling a large population to establish in this peripheral location. Taking these factors into account, we conclude that PC31 will not contribute to a well functioning urban environment.

Overall from an economics perspective, we consider that the PC31 does not meet the objectives and policies within the NPSUD.

#### 4.3.5 Other Aspects (Amenity, Urban Design, Noise, etc)

While amenity, character, urban design, and noise issues are covered by other experts, we make some comment on these aspects from an economics perspective. Importantly, the local community receives benefits from living within the location because of the character and amenity that is afforded by the location. These benefits accrue to the community through property values, where some of the value of each property in the community is worth more because of the amenity and character. The community also enjoys amenity and character as they live, work, travel, and undertake leisure within the area.

Both of these aspects can form a significant share of the value of living within a location. In the case of Ohoka, the area is semi-rural in character, which is substantially different to the urban development proposed by PC31. While I am not an expert in amenity, from an economics perspective it is apparent that density that would be enabled by PC31 is very different to the existing settlement's density and this density differential could alter<sup>59</sup> the character and amenity that the rest of the local community enjoys.

## 4.4 Findings

The assessment above has considered the economic aspects of the proposed housing, proposed commercial centres, and the wider economic outcomes from PC31. The results from our assessment indicate the following:

- ❖ The residential assessment of the proposed PC31 shows that:
  - ❖ there has been high growth and residential demand within the District and Greater Christchurch urban areas, which is expected to continue.
  - ❖ the recent changes to planning frameworks has increased the supply in Waimakariri District and Greater Christchurch, and there is likely to be sufficient supply to meet demand in the coming decades in both places.
  - ❖ given the nature of the development we consider that dwellings provided within PC31 would not be “affordable” and would have limited impact on the prices achieved in the housing market.
  - ❖ the addition of a new development within the District can be expected to generate some additional competition, however given the scale of development potential in the rest of the District and the Greater Christchurch area the change in competition will not be material.
  - ❖ the residential development of this scale would contribute significantly to development capacity.
- ❖ The commercial supply proposed in PC31 is much larger than is required:
  - ❖ to meet the day-to-day needs of the local community or the new residents in PC31.
  - ❖ the centres would need to draw from a large catchment to be sustainable.
  - ❖ there is no rationale for there to be two centres within the PC31.

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<sup>59</sup> Potentially both in positive and negative ways.

- ❖ the commercial supply should not be no larger than around 2,700m<sup>2</sup>, and would likely require around 1 ha or less of zoned area, and much less than the 2.3ha indicated in the application.
- ❖ If the proposed supply of 5,700-6,500m<sup>2</sup> was enabled then there would be potential impacts on other centres in the District, with most impacts accruing to Mandeville.
- ❖ There are wider economic outcomes which are important, while these are mostly addressed by other experts we make the following points about the costs and benefits;
  - ❖ There will be a small loss of agriculture production from the urbanisation of the Site (i.e. less than 1% of farming activity in Waimakariri district). However, the irreversibility of urbanisation, cumulative loss from development across the district, the finite soil resource, and the need for rural productive land to ensure food security for future generations means that the subdivision of rural land should be taken into account in assessing the overall merits of PC31.
  - ❖ It may be that the development of Ohoka could generate the need for more council infrastructure and that development contributions collected from the Site may not be sufficient to meet the full costs. In this case the rest of the community would be required to cross subsidise the development of the Site.
  - ❖ The development of PC31 will allow a large number of households to live within a semi-rural area. For the most part these households will need to use private motor vehicles to travel to meet their needs, and these trips will be longer than the average household in the district or Greater Christchurch area which will result in additional transport costs which would include travel costs (fuel, time, etc), emissions (CO<sub>2</sub>, noise, etc), safety (injury, death, etc), and additional congestion.
  - ❖ PC31 will likely result in a more dispersed development pattern than would otherwise have occurred, which will not contribute to well functioning urban environment. We consider that the PC31 does not meet the objectives and policies within the NPSUD.
  - ❖ The land use density that is suggested within PC31 will be very different to the current level of activity within the settlement, which may alter the character and amenity that the rest of the local community enjoys.

Our independent assessment shows that PC31 as proposed will generate many economic costs which have not been adequately addressed in the application and that benefits are likely to be relatively small for Waimakariri community and Greater Christchurch. While we agree that the development

could add significantly to development capacity, it would not contribute to well functioning urban environment.

## 5 Review of Submissions

There were over 600 submissions received on PC31, of which most are opposed to the development of the Site for urban uses. The submission points made six core themes<sup>60</sup>. Of the submissions made, there are several that require some economic response:

- ❖ Submission 216 Waimakariri District Council
- ❖ Submission 416 A Low
- ❖ Submission 551 Mandeville Village Partnership
- ❖ Submission 562 S Wells.

That response is provided below, and is limited to economics matters.

### 5.1 Submission 216 Waimakariri District Council

The Council's submission opposes PC31 on six main grounds.

First, the submitter considers that PC31 is not of a form that the NPSUD seeks to promote, or should be promoting. The Council considers that the NPSUD, or any constituent policy within it, should not be read in isolation. The intent of the NPSUD is to enable appropriate development to progress, which includes consideration of the other objectives and policy in the NPSUD itself and also the strategic directions within the local planning framework. This would mean that PC31 would need to be assessed according to a wider range of issues, not just the narrow requirements outlined in Policy 8 in isolation.

WDC as submitter considers that there is a lack of clarity as to whether PC31 can be expected to be an integrated development, enabling increased housing affordability, promoting competition and helping to achieve reductions in emissions. The submitter also considers that Ohoka cannot provide for a sufficiently integrated and "well-functioning" urban environment as that concept is applied under the NPSUD. The Council has also received advice that the plan change would not align with objectives 1 and 3 of the NPSUD.

Also, WDC as submitter questions whether Ohoka is an urban environment within the context of the NPSUD. While it is noted as being within the GCP urban area and is mentioned as an urban area in the operative District Plan, the Council considers that Ohoka is a rural residential settlement. Therefore it would be arguable whether the NPSUD applied to the settlement.

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<sup>60</sup> Inconsistent with planning framework (national or local), externalities impacts, infrastructure issues (three waters, transport, schools, etc), agricultural production loss, proposed commercial centres out of scale, and housing outcomes (affordability, choice, etc).

In summary the Council as submitter considers that the application includes limited data or assessment to justify the conclusions in the application with regards to the NPSUD.

We agree with the submitter that PC31 should be assessed in terms of the wider policy framework, both the other parts of the NPSUD and within the context of the other local and national frameworks. The BCL report and section 32 report provides limited evidence on the potential economic costs and benefits associated with PC31. Our own assessment in section 4.3 shows that there are a range of potential externalities that must be considered and that the proposed development of PC31 would not contribute to a well functioning urban environment. While debateable, on balance we also agree that Ohoka (and PC31) are not part of the Greater Christchurch urban environment. Further, our assessment of the housing market in section 4.1 shows that PC31 will deliver relatively unaffordable housing and that it will have limited impact on competition within the market.

Second, the NPSHPL was not gazetted either at the time that PC31 application was proposed, or by the time of the Council's submission. However, WDC anticipated the potential issues that would be covered in the NPSHPL, and submitted that the entire Site may be classed as highly productive within the NPSHPL, and that land is a finite asset (recognised in the purpose of the RMA) that should not be sacrificed to urban sprawl unless that is necessary. The NPSHPL has now been gazetted, and may not class the Site as highly productive land, and should it be deemed to apply it includes directive language which requires councils to avoid all urban development on highly productive land.

We agree with the submitter that the soil productivity is important and that PC31 will result in the loss of a finite soil resource which should be considered. However, our assessment in section 4.3 shows that from an economic perspective the amount of agricultural production and economic activity that would be lost from the urbanisation of the Site would be relatively small, within the context of the primary industry or the wider district economy. That being said, at 156ha the Site is a large area to lose from all future agricultural production, and the loss of highly productive land is an important issue to be considered, along with the cumulative effects associated with ongoing loss from development across the District. Those cumulative effects have not been quantified by the applicant.

Third, the proposal runs counter to the centre-based growth framework in the CPRS and the District Plan. During the development of the regional and local planning frameworks there was consideration of whether Ohoka could accommodate residential and commercial activity, and council's assessments found that the area was not suitable location for either a new commercial hub or urban residential. The submitter considers that PC31 is not consistent with the either operative or proposed district plan objectives and policies, which is a significant departure from the planning framework.

We agree with the submitter that the PC31, as proposed, would run counter to the centre-based growth framework in the CPRS and the District Plan. Our assessment in section 4.2 shows that the proposed commercial centres that would be enabled within the PC31 area are not commensurate



with the level of demand arising from the local catchment of those centres, and that development of the centres enabled could generate significant adverse effects on other centres in the District, particularly the Mandeville LCZ. Our assessment also shows that the residential development would not contribute to well functioning urban environment and is contrary to the local policy framework in the ODP or PDP (as covered in section 4.3).

Fourth, the submitter considers that PC31 could result in impacts on infrastructure networks (3 waters, transport, and power). The Council views the lack of information within PC31 as concerning, the nature of and funding of the infrastructure that will be required has not been defined within the application.

While we are not experts in infrastructure, we note that the BCL report does address infrastructure however does not assess the extent to which the funding collected from PC31 would be sufficient to fund required infrastructure, which means that a cross subsidy may arise. We discuss this point in section 4.3, and that this issue is also addressed by other experts.

Fifth, the submitter considers that the economic argument for the proposal appears to fall short with limited data to justify many of the conclusions and reliance on a narrow interpretation of how the NPSUD should apply. The economic assessment provided as part of the request lacks any quantification of the benefits or costs, and presents a discussion that cannot be used to understand the relative balance between the benefits and costs. Also transport and lost agricultural production costs have been discounted as being limited to internal costs to the owners, which is contrary to with the NPSUD's direction that decisions on urban development should be take these costs into account. The development timeframe presented in the economic assessment seems reasonable, however there is no mechanism within PC31 to ensure that this would be achieved.

We agree that the economic assessment presented in support of PC31 provides very little quantification of the costs or benefits associated with the development and is of limited use for understanding the relative merits of the plan change. Our review above in section 3 concurs with the Council's concerns.

Finally, the submitter raises a number of issues around other costs (externalities) that will arise from the development. The submission considers that there will be adverse impacts including on landscape, visual, amenity, lack of integration to Ohoka, potential soil contamination, noise and construction impacts during the development, and protection of indigenous fauna.

We have not reviewed these aspects of the development, however agree that there are a range of other externalities that need to be assessed by appropriate experts. However, we acknowledge that some such costs may arise, and in our opinion it is not possible to conclude, from the evidence presented that PC31 *"will not give rise to economic externality costs"*, as the BCL report concludes.

## 5.2 Submission 416 A Low

The submitter is a resident of Ohoka village and lives immediately across Mill Road to the north of the Site in the Residential 3 zone. The submitter opposes PC31, and presents five reasons for why the development should not be enabled.

First, the submitter considers that there is enough urban development capacity to provide for the expected demands for the coming three decades and there is no need at this time for PC31 to be developed. The submitter states that there will be two or three reviews of the District Plan and ten updates of the Housing Development Capacity Assessment over the coming three decades, which would provide plenty of opportunity to re-evaluate the situation.

We agree that there is sufficient capacity within the District and Greater Christchurch area to provide for expected residential growth. Our discussion above in section 4.1 provides an updated for 2022, which shows that there is now more capacity than was available when the last Housing Development Capacity Assessment was completed. However, we note that NPSUD requirements are a minimum threshold, and that council can (and has) provide more capacity than is required to meet expected demands.

Second, the submitter questions whether PC31 will contribute to lower house prices. The submission considers that additional construction activity could result in higher construction costs as developers compete for finite labour and inputs, and that land prices may not reduce from the existing level. The submitter is concerned that PC31 will produce houses above the average house price, which would fuel the housing affordability crisis.

We agree with the submitter that PC31 is unlikely to materially impact housing affordability within the District or Greater Christchurch area. As discussed above in 4.1, the nature of the development will mean that houses provided within PC31 will be relatively unaffordable. Also we would expect that PC31 would at most have a small negative impact on construction costs within the wider market. Broadly, the development in PC31 will draw in resources during construction, however it is likely that this will be offset by reduction in activity in other locations within the wider market. Overall, PC31 may result in some increase in construction costs, however we consider that this is unlikely to be material.

Third, the submitter suggests that PC31 would create a need for additional infrastructure to serve the new households (roading, water, drainage, social, community, and physical), which would reduce the amount of resources available in other more central locations and reduce the efficiency of the urban environment.

While we are not infrastructure experts, we agree that the development of PC31 may require additional resources for infrastructure. If these cost are not covered by the developer, then this could

result in less resources being available to provide for other services in the District, as addressed in section 4.3.

Fourth, the submission states that PC31 would reduce the range of housing choices available, that the development of urban lots in Ohoka is inconsistent with the large lot and rural lifestyle that is currently provided in the settlement, that allowing urban development would impact the distinctive Ohoka market, and that urban development would be better provided for in the main urban areas of the District. The submitter considers that PC31 location has been considered in the past for growth (and rejected) as a location for growth in the local planning framework.

We agree that the much of the development that PC31 would enable is different in terms of intensity of activity than what is currently located in Ohoka. While not directly stated within the application, we have estimated that the average lot size will be around 800m<sup>2</sup> in the northern parts of PC31 which is urban in nature and would considerably be different from the semi-rural character of Ohoka (more detail provide in 4.1 above). However, PC31 does provide for some larger lots which would be more similar (but still denser) than what is currently provided in Ohoka. We also understand that this Ohoka has been considered for urban growth in the past, and that this type of growth was rejected.

Fifth, the submitter questions the applicability of the NPSUD. The submitter considers that PC31 does not contribute to well-functioning urban environments and consequently cannot meet key objectives of the NPSUD. Also, in terms of Policy 8 that the Site is not part of the “urban environment” and that the development is not “significant”, so this policy of NPSUD is not applicable. PC31 is not consistent with the type of development intended within the objectives of the NPSUD.

We agree that the development of PC31 does not contribute to well-functioning urban environments and that Ohoka may not be part of the urban environment within the context of the NPSUD, as discussed in section 4.3 above. However, we disagree that PC31 is not significant in the context of the NPSUD.

### **5.3 Submission 551 Mandeville Village Partnership**

The submitter is the owner of Mandeville Village, a commercial centre on Tram Road, just over 1.5km south of the southern edge of the PC31 area. The submitter supports the residential component of PC31, but does not support the proposed commercial centre. The Village is fully developed (about 1,500m<sup>2</sup> GFA) and is tenanted by a Supervalu, childcare, three takeaways, a bar, a beauty salon and a self-service fuel facility. Consent has been issued for an equipment hire yard (not yet constructed) on the southwestern portion of 464 Mandeville Road, and a consent application has been lodged to provide more car parking in the centre, and includes an indicative future site layout which anticipates that an additional c.800m<sup>2</sup> GFA could be provided for at the centre to enable expansion of the Village, although no application has been lodged for additional built space in the centre.

First, the submitter considers that there is demand for more commercial development in the area and that this should be focused on the existing Mandeville Village. We agree that there will be continued growth in demand for space in Mandeville Village over time, however in our opinion there would be sufficient local demand, by the time PC31 is fully built out with 850 dwellings, to accommodate both an expanded Mandeville centre and a local centre at Ohoka. As discussed in section 4.2, our assessment indicates that a centre at Ohoka much smaller than the one indicated in the Outline Development Plan would be viable.

Second, the submitter states that the District Plan includes a clear hierarchy of commercial centres where the larger local and town centres provide for most needs of the wider community, while neighbourhood centres provide for smaller-scale activities to meet the convenience needs of the immediate residents. The submitter considers that PC31 should only have limited business activity, with a Neighbourhood centre zone to meet the immediate needs of the residents, and that the scale of the proposed centres in PC31 is not consistent with the planned role of the centres or the past retail assessments undertaken on the viability of the Mandeville Village.<sup>61</sup> The applicant provides no retail assessment of the potential impacts of PC31 on other centres or how it will function within the hierarchy of commercial centres.

We agree that no retail assessment has been provided of the potential impacts of PC31 on other centres, as we discuss in section 4.2, and also note that no assessment has been provided in support of any particular quantum of zoned land that is appropriate to provide for a centre of any given role. We do not agree that if PC31 is approved, that a centre within the PC31 area should be limited to a smaller Neighbourhood centre, and while, as explained in section 4.2, we believe the centre requested is much larger than is appropriate, from our assessment that centre would be generally consistent with the description of local centres, as provided in policy LCZ-P1. If an LCZ in the PC31 area is limited to the size we describe in section 4.2, the presence of an Ohoka LCZ would not inappropriately constrain growth within Mandeville Village, or undermine its viability or role and function. In our opinion, any reduced expansion opportunity in Mandeville with PC31 in place would be an appropriate response to more efficiently located supply, rather than an oversupplied market.

Third, the submitter supports the residential component of PC31 and considers that it will provide additional, high quality residential development which will improve the area.

The residential development within PC31 may or may not, provide dwellings that are a high quality. Our assessment in section 4.1 suggest that the dwellings provided in PC31 may be more costly than the average dwelling in the District and are unlikely to be affordable. However, it would be

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<sup>61</sup> Property Economics (2014) Proposed Mandeville Retail Centre Market Assessment, and Retail Consulting Group (2015) The Mandeville Retail Opportunity.

questionable whether the development of PC31 will improve the area or whether demand for existing dwellings in the area would reduce.

## **5.4 Submission 562 S Wells**

The submitter is a resident who lives approximately 4km west of the Site on a rural lifestyle block. The submitter opposes PC31, for several reasons.

The submitter considers that PC31 would allow a significant amount of urban growth to be established in a rural village, which has none of the necessary infrastructure and which is not an appropriate way to manage growth of the district. The submitter notes that there is limited capacity in key infrastructure, roads, local school, water and stormwater, and that additional households will place strain on these vital services. Also that there are no public transport options, which means that there are no low emission alternatives.

As noted in section 4.3, no evidence has been presented to allow us to understand the implications for infrastructure planning and costs if PC31 is approved. Further, the cost of providing this infrastructure may be more expensive than other development areas on the edge of the urban environment.

The submitter also considers that PC31 proposes two commercial areas that are out of place and that there is already sufficient commercial space provided at the Mandeville Village and the Ohoka Gas station.

We do not agree that no centre should be provided within the PC31 area, and while, as explained in section 4.2, we believe the centre requested is much larger than is appropriate, from our assessment that centre would be generally consistent with the description of local centres provided in the District Plan. Our opinions on this submission point are provided above in response to the similar issue raised by submission 551.

## **5.5 Response to submissions**

Many of the submission points raised have been addressed in our assessment in section 4, and no points raised in the submissions have changed our conclusions.

## 6 Conclusion

The applicant's economic assessment provides very little evidence from which the economic effects of PC31 can be properly understood. We consider that economic costs and benefits associated with PC31 are likely to result in a net negative outcome for the community's economic wellbeing. Our assessment shows that while the development could add significantly to residential supply, it would not contribute to a well-functioning urban environment, would have negligible positive effects on housing affordability, and its location away from established urban areas in the District would result in a less efficient urban form than if the equivalent supply were to be established closer to those areas.

The supply enabled at PC31 would be very different to the existing activity in the Ohoka settlement. Clearly, PC31 is proposing development that is predominantly urban in character, while existing Ohoka is a rural settlement. PC31 is comparable to the development occurring around the main towns of Rolleston, Kaiapoi, and Woodend/Ravenswood. Therefore, we expect that for PC31 to be developed within the proposed timeframe it would need to draw a considerable amount of demand from those places and Christchurch, to Ohoka. We expect that much of the demand that would be drawn by PC31 would otherwise have located in the areas around these main towns in the District. Based on the existing demand (and supply) in Ohoka we consider that PC31 would not be required to meet the expected residential land supply needs in the settlement. Also at the urban environment level the comparison of available supply to demand projections suggests that there is sufficient supply to meet demand.

Notwithstanding the supply and demand position, we note that sufficiency requirement in the NPSUD is framed as a minimum level of development capacity required, not a maximum. We consider that Council can choose to provide more land than is required to meet the wider objectives of the NPSUD. We consider that on balance, that Ohoka and by extension the PC31 area, are not currently part of the Greater Christchurch urban environment, however the criteria for establishing this from an economic perspective means that it is difficult to form a definitive opinion.

Also, the commercial centres proposed are significantly larger than is required for the number of households that would live in the centre's catchment, and may give rise to adverse effects on existing centres, in particular the LCZ at Mandeville.