

**BEFORE INDEPENDENT HEARING COMMISSIONERS
AT RANGIORA / WAIMAKARIRI**

**I MUA NGĀ KAIKŌMIHANA WHAKAWĀ MOTUHAKE
WAIMAKARIRI**

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the hearing of submissions and further submissions on the **Proposed Waimakariri District Plan**

and

of the hearing of submissions and further submissions on **Variation 1 to the Proposed Waimakariri District Plan**

HEARING TOPIC: Stream 1

**STATEMENT OF PRIMARY EVIDENCE OF PHILIP OSBORNE
ON BEHALF OF KĀINGA ORA – HOMES AND COMMUNITIES**

(ECONOMICS)

1 MAY 2023

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1. EXECUTIVE SUMMARY

- 1.1 My evidence addresses the high-level economic issues relating to SD - O2, UDF - O1 and UDF - P1 as they pertain to the Kainga Ora submissions and further submissions. The purpose of this evidence is not only to consider the need for amendments to the Strategic Directions chapter but to provide context for the following hearing streams relating to the provisions of residential development within Waimakariri.
- 1.2 SD - O2 is a key strategic objective, recognising the need to provide for consolidated urban development that provides for a range of housing that meets housing bottom lines and supports the primacy of key centres as well as the intensification of residential in relation to these centres.
- 1.3 In relation to this strategic objective and UDF – O1 and UDF – P1 the Kainga Ora submission and further submissions seeks to provide clarity in meeting the NPS UD and some key economic issues that underlie them. The key economic considerations lie with the strategic directions not only focussing on the sufficiency of residential development capacity but its efficiency. This requires consideration of provisions that not only meet a threshold of sufficient capacity but, where efficient, exceed it. This level of enablement not only impacts the choice, variety, quality and affordability within the market, but it directs residential development where the locational outcomes have the greatest propensity for economic and community benefit. This level of enablement is sought within the Kainga Ora relief through the inclusion of ‘at least’ and ‘at all times’ within SD - O2 and UDF – O1.
- 1.4 It is difficult, at this time, to comment meaningfully on the ‘bottom line’ housing figures found in UDF – O1, as more in depth commentary will be required regarding the suitability of methodology and the efficiency of the residential capacity enabled. This assessment will be provided in later hearings.
- 1.5 It is important to note that these efficient locations may not be best represented by the existing urban form but better enabled through the level of planned urban form and the associated activities and amenity.

- 1.6 Overall, the relief sought by Kāinga Ora in relation the Strategic Directions chapter will likely provide a more appropriate framework from which to assess the policies in later chapters, resulting in a position that is better placed to provide for an efficient housing market and improved community wellbeing.

2. INTRODUCTION

- 2.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland.

Experience

- 2.2 My qualifications include Bachelor of Arts (History/Economics) (1994), Masters in Commerce (1997), a Masters in Planning Practice (2002) from the University of Auckland, and I have provisionally completed my doctoral thesis in developmental economics.

- 2.3 I have 20 years' experience advising local and regional councils, as well as central government agencies, throughout New Zealand in relation to economic impacts, industrial and business and residential land use issues as well as strategic forward planning. I also provide consultancy services to private sector clients in respect of a wide range of property issues, including economic impact assessments, commercial and residential market assessments, economic costs and benefits and forecasting market growth and land requirements across all property sectors.

Involvement in the Submission

- 2.4 I have been commissioned by Kāinga Ora-Homes and Communities ("**Kāinga Ora**") to prepare this statement of evidence to address general economic matters raised in relation to the relief sought in the Kāinga Ora submissions and further submissions, relating to the Strategic Directions and Urban Form policies, on both the Waimakariri District Council's ("**WDC**") Proposed District Plan ("**PDP**") and Variation 1 ("**V1**") to the Proposed District Plan. This variation seeks to implement the National Policy Statement on Urban Development ("**NPS UD**") as well as the and

The Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 (“EHSAA”).

Code of Conduct

- 2.5 I confirm that I have read the Expert Witness Code of Conduct set out in the Environment Court’s Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and agree to comply with it while giving evidence. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

SCOPE OF EVIDENCE

- 2.6 My evidence will address the following:
- (a) The directions of the NPS UD.
 - (b) The need for the enablement of efficient, as well as sufficient, resident development opportunities.
 - (c) Economic benefits of consolidated activity and enablement.
- 2.7 In preparing my evidence, I have read the respective s42A report, and the s32 evaluation behind the implementation of the NPS UD.

3. THE KĀINGA ORA SUBMISSIONS AND FURTHER SUBMISSIONS

- 3.1 This evidence is primarily focused on the Kainga Ora submissions that relate to:
- (a) The economic benefits associated with ‘full enablement’ of residential capacity and relative competitiveness associated with efficiency of location. The enablement of a range of typologies with improved access to centres and other areas of employment (SD - O2);
 - (b) Provides for feasible housing opportunities that achieve at least the housing bottom lines at all times (UDF – O1); and

- (c) Recognises planned levels of activity when locating intensified residential provision (UDF – P1).

4. NPS UD, EHSAA POLICIES

4.1 While local authorities have been tasked with managing land use activities, the extent and responsibility has, more recently, been targeted through central government directives. Both the introduction of the NPS UD and the more recent EHSAA have provided Councils with the assignment of providing sufficient residential capacity and facilitating the Medium Density Residential Standards (“**MRDS**”) while managing the potential effects or Qualifying Matters (“**QFM**”).

4.2 The NPS UD requires that:

“Policy 3: In relation to tier 1 urban environments, regional policy statements and district plans enable:

- (a) in city centre zones, building heights and density of urban form to realise as much development capacity as possible, to maximise benefits of intensification; and
- (b) in metropolitan centre zones, building heights and density of urban form to reflect demand for housing and business use in those locations, and in all cases building heights of at least 6 storeys; and
- (c) building heights of at least 6 storeys within at least a walkable catchment of the following:
 - (i) existing and planned rapid transit stops
 - (ii) the edge of city centre zones
 - (iii) the edge of metropolitan centre zones; and
- (d) in all other locations in the tier 1 urban environment, building heights and density of urban form commensurate with the greater of:

- (i) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or
- (ii) relative demand for housing and business use in that location.

4.3 From an economic perspective I strongly support the overall direction of the NPS UD, including the consolidation of land use activities within a compact urban form, focussed within and around centres (and, ideally, also along key transport routes), as well as the provision of sufficient residential capacity to support and efficiently facilitate growth in each district. This approach has a number of economic advantages:

- (a) A compact urban form reduces the marginal cost of construction in terms of infrastructure such as urban roading and wastewater and water supply networks.
- (b) A compact urban form reduces the need for and cost of travel for residents to access employment, education, healthcare and services. That is likely to generate savings in resource use (e.g.: fuel or electricity) for trips that use private vehicles but also increases the likelihood of active transport modes (e.g.: walking or cycling).
- (c) Intensification within and around centres and along key transport routes reinforces travel efficiency. It increases the accessibility of employment and services and further improves the efficiency of the public transport network.
- (d) Improvement of land use efficiencies with regard to the extent of land required to meet demand, reducing the average site cost. This is more likely to result in lower priced residential options.
- (e) Increasing the diversity, viability, and comparative advantage of commercial centres.

- (f) In summary, intensification encourages and enables the sharing of infrastructure, services and facilities, which represents a more efficient use of resources.

4.4 The MDRS and the higher density residential sought through the NPS UD seek to enable residential development capacity that, in turn, allows the market to offer greater choice in terms of the typology and locations for intensified residential development.

5. THE WAIMAKARIRI STRATEGIC DIRECTION

5.1 From an economic perspective, I support the overall direction of the PDP and V1. Strategic Direction SD-O2 seeks a consolidated urban form that also supports the hierarchy of urban centres. In doing so, the PDP plans to enable sufficient residential capacity to support and efficiently facilitate growth in the district.

5.2 The key point of difference, economically, is the balance that is established between the potential costs associated with residential intensification and the economic benefits as they pertain to specific locations and the extent of the zone provisions themselves.

5.3 The implementation of the MDRS is likely to materially change the focus of the economic capacity discussion from one of sufficiency to one that is concerned with the efficiency and efficacy of the capacity provided.

5.4 The full enablement of the MDRS plays a critical role in providing level of theoretical capacity that could result in material changes to housing variables such as choice and affordability.

6. ECONOMIC CONSIDERATIONS REGARDING INTENSIFIED RESIDENTIAL ACTIVITY IN EFFICIENT LOCATIONS

6.1 From an economic viewpoint, residential zoning (and the intensity of land use enabled by the provisions) is a crucial tool in directing residential growth and development to achieve greater degrees of efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning also impacts upon housing fundamentals such as choice and affordability.

- 6.2 While residential zoning is necessary to achieve these levels of certainty it does not in itself generate the level of development that the provisions would suggest. The market is also driven by social and economic factors including:
- (a) tenure;
 - (b) demand;
 - (c) acceptance of risk;
 - (d) knowledge of 'Best' fit;
 - (e) capital to improvement ratios;
 - (f) construction costs;
 - (g) construction restraints;
 - (h) fragmented ownership;
 - (i) inaccessibility to capital funds;
 - (j) least path of resistance: the development of least risk may not result in the greatest level of capacity realisation; and
 - (k) future market expectations.
- 6.3 While these market factors determine the market response to zoning, zoning itself plays a significant role in the efficient and effective geospatial distribution of residential activity, as well as a well-functioning residential housing market. This is a fact that is crucial to the objectives of the NPS UD, and in particular, the extent of which, is a key objective of the relief sought by Kainga Ora.
- 6.4 A key consideration in the objectives for residential development, and identified in NPS UD policy, is the utilisation of appropriate land in centres (and transport networks) to provide efficient access to services (and opportunities) while providing choice in Waimakariri's housing supply. In considering these objectives, it is important to understand what, if any, impact V1 will have on them. As identified above, this goes beyond the

act of applying a zone to an area of land and must consider the potential market response and therefore the practical outcome of applying higher density zones.

- 6.5 As identified above there are several factors that influence the potential market response to residential zoning. While the 'plan enabled' capacity is the level of development that is essentially provided for in the plan, considering all provisions and constraints, there are clear financial constraints that will play a significant role in the extent, location and typology that results within the market. Typically, feasible residential capacity addresses these constraints and illustrates the level of capacity that exhibit a viable profit margin.
- 6.6 This feasible capacity is typically significantly lower than the capacity enabled through a district plan. The last two decades has seen a rise in the proportion of feasible capacity as land prices have escalated driven by increasingly displaced demand from areas such as Auckland (due to the relative price difference). More recently however, the market has seen (and is likely to continue to see) a market adjustment driven by decreasing land values and increasing construction costs.
- 6.7 Following on from feasible development is the motivation of landowners and developers that may not choose to develop sites that are deemed feasible. For example the market exhibits a willingness to accept a private economic cost associated with retaining larger sites, while other sites may not be developed to their capacity given developers' lack of willingness (or indeed that of financial institutions in terms of lending) to accept greater risk with larger developments. These factors are often considered in a further reduction to 'realisable' capacity. Each of these factors are likely to play a significant role in lowering capacity numbers and materially impacting upon the distribution of that capacity and its efficiency.
- 6.8 While acknowledging that there are inevitably constraints on applying residential zones, as a whole, such limitations should not be applied in isolation to the corresponding locational efficiencies. The ability for the PDP to accommodate future residential growth in the existing urban

areas hinges on its ability to function as a catalyst for residential development of greater density.

- 6.9 In order for the market to accept this product (residential development of greater density) there needs to be several overt factors in play. The driving force behind the market's acceptance is clarity over future demand and the certainty of development potential. In order to achieve this clarity it is important that the intensified product attains a competitive advantage in the market through high quality product and associated amenity. Accompanied by this potential change in dwelling preference must be financial viability and a manageable risk for development of the product itself.
- 6.10 The economic benefits associated with greater residential densities are implicit in the direction of the NPS UD. Objective 3 sets out the requirement to access these efficiencies:

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.

- 6.11 Spreading the potential for demand of residential growth throughout the urban area means any one centre is unlikely to experience a significant population boost to a level where it would provide a material economic benefit to the centre. Even when considering the provision for high density development within the urban centres, the resulting uncertainties identified above, mean that V1 has the potential to be materially less likely to result in appropriate levels of development. This in my opinion represents a missed market opportunity within the PDP.
- 6.12 The relief by Kāinga Ora seeks to prioritise enablement that is not limited to simple sufficiency (in relation to estimated demand) but seeks to provide for an efficient residential housing development environment.

This is coupled with a focus on centres and transport networks to a level where it is likely to provide greater economic benefits to the district's performance and the economic and social wellbeing of the communities it primarily services. This is in relation to increased sales performance, a larger population base in the surrounding locale, increased employment opportunities, increased accessibility to public transport infrastructure, increased market efficiencies, increased return on investment on public expenditure (particular upcoming public transport initiatives), and so on.

- 6.13 In terms of the level and extent of development capacity provided for under the Waimakariri PDP, the NPS UD requires that this be feasible over the short, medium and long term. This is important to maintain balance and certainty in the market, not only regarding where capacity may occur but that the identified capacity does not place undue pressure on the market, in terms of supply or affordability.
- 6.14 This feasible (and realisable) capacity plays a fundamental role in the level of competition enabled in the district. While the NPS UD directs the need to provide for sufficient feasible capacity, there are potential affordability benefits that the district can realise through enabling the housing market to a greater extent.
- 6.15 Objective 2 of the NPS UD identifies that "*Planning decisions improve housing affordability by supporting competitive land and development markets*". This competition is inherent, not only in providing for a level of development potential that meets expected demand in the short, medium and long terms, but provides capacity that materially impacts upon the market's competitiveness.
- 6.16 The potential benefits associated with this supply position include:
- (a) Improved competitiveness;
 - (b) Improved quality of the built form;
 - (c) Increased diversity and choice in housing product;
 - (d) Improved affordability.

- 6.17 Additional to this is the increased market flexibility of the dwelling typologies that are likely to be developed, and increased opportunity and certainty for the market, to deliver higher residential densities.
- 6.18 Based on this I support the relief sought by Kainga Ora to include 'at least' sufficient feasible residential capacity 'at all times' within the urban form objectives of the Waimakariri PDP.
- 6.19 Finally, the Kāinga Ora relief seeks to direct residential development enablement through planned rather than simply existing urban activities and form. The economic consideration here is one of potential opportunity cost. Providing development options based on current structures and levels of activity has the potential to result in less efficient outcomes, such as lower residential intensities that when implemented will undermine future development opportunities. It is important that urban form policies recognise the planned extent of centres and other networks so as not underutilise future capacity potential and thereby reducing land use efficiencies.
- 6.20 The potential risk of not prioritising these in the PDP Strategic Directions and urban form policies is the probable outcome of a more dispersed development pattern (and the associated economic cost / inefficiencies). Having greater certainty around the volume of residential dwellings (and therefore people) within close proximity to the centralised networks represents a significantly better economic outcome for Council, developers, businesses as well as the community themselves.

Philip Osborne



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