

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of a submission in respect of the **PROPOSED WAIKATO DISTRICT PLAN** by **AMBURY PROPERTIES LIMITED** pursuant to Clause 6 of Schedule 1 of the Act to rezone 178ha of land at Ohinewai

STATEMENT OF REBUTTAL EVIDENCE OF PHILIP MARK OSBORNE

1. INTRODUCTION

1.1 My name is Philip Mark Osborne. I am an Economist at Property Economics Ltd.

1.2 I outlined my qualifications, experience and commitment to comply with the Environment Court Expert Witness Code of Conduct in my evidence in chief ("EIC").

Purpose and scope of rebuttal evidence

1.3 This statement of rebuttal evidence addresses issues raised by Blair Keenan on behalf of Waikato Regional Council in relation to my analysis of the economic impacts of the rezoning sought by Ambury Properties Limited ("APL").

1.4 Specifically, I address the following:

- (a) Whether the economic assessment has assessed the appropriate level of activities and potential outcomes (Section 3);

- (b) Whether the costs identified in the economic assessment are appropriate (Section 4);
- (c) The potential implications of Covid-19 (Section 5); and
- (d) The removal of the DFO from the Ohinewai Structure Plan (Section 6).

1.5 A summary of my evidence is contained in Section 2.

2. **SUMMARY OF REBUTTAL EVIDENCE**

2.1 Given the economic issues raised, neither Mr Keenan's evidence nor any other available material has altered my position regarding the level and extent of the positive economic impacts on the local area and the Waikato region and resulting from the proposed rezoning.

3. **ISSUE 1 – REALISATION OF THE BENEFITS OF DEVELOPMENT**

3.1 Issue 1 in section 7 of Mr Keenan's evidence raises two related matters:

- (a) Whether my economic assessment has properly taken into account the likelihood that the economic benefits will be realised given that they relate to an identified quantum of activity on the site (i.e. development of the full Sleepyhead Estate Masterplan); and
- (b) Whether my economic assessment should have considered the potential for alternative sites to achieve the level of economic benefits assessed for the proposal.

3.2 These are addressed in turn below.

Realisation of economic benefits

3.3 At paragraph 7.2 of his evidence, Mr Keenan states that the economic analysis provided is limited to the 'best-case' scenario. Firstly, having reviewed APL's proposed 'roll-out' of the development over the next decade, I would suggest that this represents a realistic scenario rather than a best-case scenario.

3.4 It appears that Mr Keenan's suggestion is that the economic analysis undertaken should have included an assessment of scenarios in which

some of the activities proposed do not happen (presumably only over the timeframe assessed). In fact, the presentation of the economic analysis allows for this given that each high-level activity and its economic impacts are identified both in my statement of evidence and that of Dr Wheeler. Having said that, alternatively the economic value expressed in my evidence would be increased (as a Net Present Value NPV) if demand was such that development timeframes required acceleration thus presenting a scenario that was 'better' than that assessed.

- 3.5 Additionally, in terms of the relativity of activity levels I would suggest that if some aspects of the Structure Plan do not eventuate, then their proportionate economic costs (if any) would be reduced.

Consideration of alternative sites

- 3.6 At paragraphs 7.3 to 7.6 of his evidence, Mr Keenan suggests that my economics assessment should have considered the possibility that the economic benefits of the proposal could be achieved at alternative sites.

- 3.7 First, Mr Gaze's evidence in chief explains the site selection process undertaken by APL and indicates that no other suitable sites were identified. The impacts of this eventuality would obviously be very significant in terms of the net economic impacts on Huntly and the Waikato District and Region. The Ohinewai proposal is the only feasible option given that APL has determined that it is the most suitable location for its current and future needs. Further, while Mr Keenan's arguments relating to economies of scale and general economic activity may remain true at a site by site basis, my evidence relates primarily to the economic impacts on the Waikato Region and the local economy. The next best alternative site may not be in the Waikato (and in fact may not be in the country).

4. CONSIDERATION OF EXTERNAL COSTS

- 4.1 Issue 2 of Mr Keenan's evidence relates to potential 'market failure', and the "external costs" that would be incurred if the development is not successful.
- 4.2 In paragraph 8.4 of his evidence, Mr Keenan identifies the construction assumptions utilised in my assessment and questions whether

sensitivities have been applied. First, it is important to note that my assessment does not relate to the feasibility of the proposal (at which point sensitivities are generally applied) but the level of economic activity and impact from it. Rather than applying sensitivities however, my assessment of these costs includes an additional contingency for costs of between 10 and 15% (sector dependant). This contingency is generally applied to include the potential for increased development costs.

- 4.3 There are inevitably risks associated with any development of this magnitude, but these risks are mitigated through the proposed staging (as acknowledged at paragraph 8.5 of Mr Keenan's evidence) and also by the size and resources of the company seeking the rezoning. Additionally, these risks should be considered in light of the substantial economic benefits afford the Waikato Region and District as a whole.

5. **IMPLICATIONS OF COVID 19**

- 5.1 In paragraphs 11.1 to 11.3 of his evidence Mr Keenan highlights the potential uncertainties in the market in a post Covid-19 economy. He states that the evidence of Dr Wheeler suggests that this uncertainty increases the need for this development. Mr Keenan however recommends that because of this uncertainty it is appropriate to analyse alternative scenarios. I agree with Dr Wheeler's position set out in his EIC¹ that a post Covid-19 subdued market with the potential lack of appetite for development risk, increases the need for and relative value of APL's proposal at Ohinewai. While the economic assessment undertaken by myself and Dr Wheeler outlines the proposal's sizeable nominal economic values, this relative value increases in significance when contrasted against a muted economy.
- 5.2 As identified above the approach undertaken through the economic analysis lends itself to apportioning aspects of the development and their economic impacts. Given that there is the very real possibility that Covid-19 will curtail the extent of short-term development undertaken it is fundamental that those developments that seek to proceed are given every opportunity to succeed. As identified above there are a number of factors that will mitigate risk with regard to this

1 EIC Wheeler, section 11.

project without limiting its opportunities to provide for the local and regional economy.

6. IMPLICATIONS OF COVID 19

6.1 Since my EIC was prepared, APL has removed the DFO from the proposal. As such the economic impacts pertaining to the level of retail activity generated by customers from outside the District will be foregone. This deducts the regional beneficial impacts associated with the DFO in Tables 4 and 5 of my EIC. The updated zoning plan shows this land zoned for industrial use. In terms of overall economic activity this land use is likely to accommodate a greater number of employment opportunities than the DFO.

Philip Osborne

24 August 2020