

**MEMORANDUM ON SUPPLEMENTARY EVIDENCE TO THE HEARING 25
FRAMEWORK S42A REPORT**

1. This memorandum has been prepared in response to the direction from the hearing commissioners (dated 30 April 2021) providing the opportunity for feedback on the supplementary evidence to the Framework s42A Report (dated 28 April 2021).
2. The feedback to the supplementary evidence is contained in **Attachment A** which is taken from the economic rebuttal evidence of Mr Adam Thompson (dated 3 May 2021). The relevant part is section 9.

Sir William Birch

13 May 2021

ATTACHMENT A – FEEDBACK ON SUPPLEMENTARY EVIDENCE

Household and Land Supply Capacity Report – December 2020’ noted that of this capacity, up to 50% is likely to be unavailable to the market due to land banking, larger than minimum section sizes, market feasibility, infrastructure servicing and site suitability.

- 8.12 The NPS-UD Policy 7 (below) refers to ‘housing bottom lines’ which are essentially a minimum level of capacity that should be provided. Mr Mead appears to have treated capacity however as a fixed target, rather than a minimum level.

Policy 7: Tier 1 and 2 local authorities set housing bottom lines for the short-medium term and the long term in their regional policy statements and district plans.

- 8.13 In summary, Mr Mead’s ‘fine-tuning’ approach, of providing exactly the capacity required to meet demand, assumes 100% of capacity will be developed within the 10-year period. This approach in my opinion is unlikely to result in an efficient market and does not meet the requirements of the NPS-UD in regard to the capacity being “reasonably expected to be realised”. This is exacerbated by Mr Mead adopting a growth rate of 215 dwellings per annum that has already been exceeded.

Residential Zone versus Medium Density Residential Zone

- 8.14 Mr Mead has recommended the Residential Zone rather than the Medium Density Residential Zone for the site. In my primary evidence I outline the importance of enabling a range of dwelling types and lot sizes, particularly in regard to affordable housing. While the Medium Density Zone would enable a range of dwelling types and lot sizes, I am advised by Mr Oakley that the provisions of the Residential Zone would also enable a range of dwelling types and lot sizes as restricted discretionary activity, with the assessment criteria not being overly onerous. It is my understanding that a similar approach has been adopted in the Mixed Housing Urban/Suburban Zones in Auckland and that this has enabled terrace/town houses on suitable sites.
- 8.15 While the Medium Density Residential Zone would provide greater flexibility for developers to respond to the market over time, based on the above advice of Mr Oakley, I consider Mr Mead’s recommendation would achieve similar economic benefits, and therefore I support Mr Mead’s recommendation for Residential Zone for the site.

9. RESPONSE TO DR DAVEY’S SECTION 42A REPORT

Meeting NPS-UD Feasible Capacity Requirements In Pokeno

9.1 In paragraph 68 of his s42 report, Dr Davey concludes:

If these recommendations are taken forward verbatim, Waikato District Council would, based on this analysis, meet the quantum of supply required to meet housing demand.

9.2 This recommendation is derived from Figure 15 of his s42 report, which shows demand for 4,000 dwellings in Pokeno, however lots that are 'reasonably expected to be realised' of 3,500, hence a shortfall of 500 dwellings over the 2021-2036 period.

9.3 Dr Davey's conclusion therefore may be met for the District in general however not for Pokeno. Given Pokeno is the main growth location for the District this leads to the conclusion that Pokeno does not have enough supply to meet demand, and that additional land should be zoned.

Proportion of Greenfield Land 'Reasonably Expected To Be Realised' For Development

9.4 Dr Davey's calculation of capacity in this figure is based on the assumption that 100% of greenfield land should be 'reasonably expected to be realised' for development.

9.5 A market-feasible analysis for the greenfield areas recommended by the s42A authors was not available for areas which were neither identified in the PWDP or in Waikato 2070. As a result, lot yields for these areas have been counted as infrastructure-ready, market-feasible and 100% likely to be realised. Therefore, the theoretical plan capacity has been assumed to equal a 1:1 to houses delivered, (para 33 s42 report)

9.6 However, in his previous report, Dr Davey concluded greenfield land realisation could be as low as 50%:

Zoning land does not guarantee supply. Often there can be a significant reduction between the theoretical number of households zoning enables, versus the number of homes/dwellings that are constructed and come to market, the difference can be as great as 50%. The factors which lead to this include infrastructure servicing, site suitability (e.g. Stormwater or Geotech), market feasibility, land banking, and developer/land owner appetite. (page 6 Population, Household and Land Supply Capacity Report – December 2020)

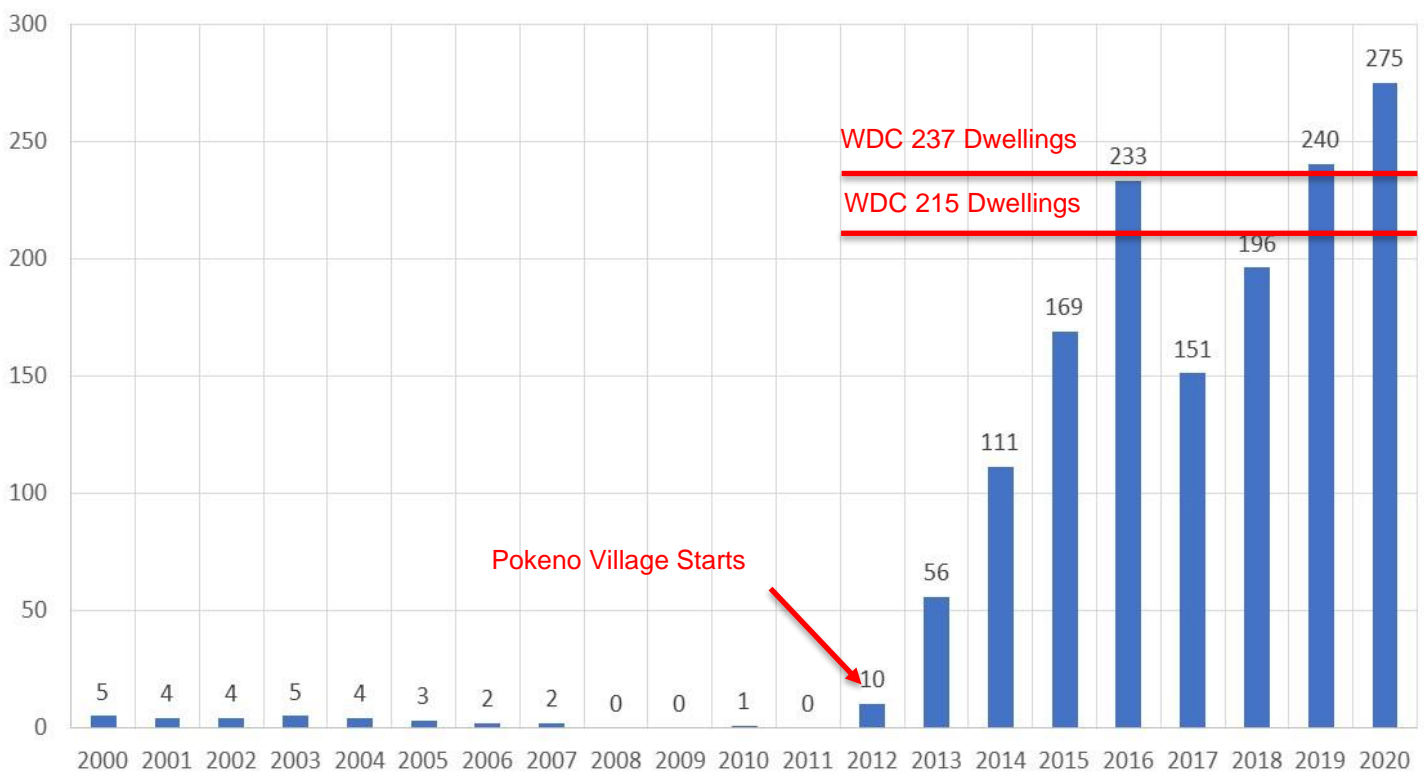
9.7 I agree with the comments Dr Davey made in his earlier report, as there can be many factors that result in a development not resulting in new lots being created, or fewer lots being realised from a site than estimated. For example, achieving development

finance, the owner focusing on other development elsewhere first, economic downturns, lower yields due to geotechnical/civil work imitations, and delays in the planning and development management process. I do not consider to be reasonable or prudent to assume that 100% of greenfield development capacity is realised as Dr Davey assumes in his s42 report. This would potentially significantly overstate capacity, and given Dr Davey estimates that demand for 4,000 dwellings in Pokeno, however lots that are reasonably expected to be realised of 3,500, the shortfall of 500 dwellings in Pokeno could quickly become 1,000 – 1,500 dwellings over the 2021-2036 period, based on his numbers.

Housing Demand

9.8 In paragraph 43 of his s42 report Dr Davey provides the updated NIDEA medium demand forecast for Pokeno, which is 237 dwellings for the 2021-2031 period. This 10% higher than the growth rate utilised by Mr Mead in his s42 report, which may impact his conclusions for Pokeno. It is also lower than the current rates of development being achieved in Pokeno, as shown in the following figure.

Figure 3: Residential Building Consents in Pokeno 2000-2020



9.9 Dr Davey does outline with some clarity the challenges and limitation of projecting population in small towns, as outlined below, and in my view these limitations are

evidence in Figure 1, which show Pokeno has already exceeded these projections. This is particularly important, as the introduction of 3-4 new developments, the recent opening of a supermarket, and the recent increase in value of housing in Auckland over the past 1-2 years, will dramatically change the demand in Pokeno.

As with all projections, they are based on historical trends with a number of assumptions built in. They do not account for disruptive events. For example, if zoning in an area has not changed for a significant period, and therefore the supply for new houses or business land has been small, the projections will show minimal growth. (paragraph 46)

The above-noted factors create significant challenges for the Waikato District at a town/village level with respect to understanding likely future growth demand. This is in part because the district's towns are small, have not experienced long-run high growth trends or have had any significant changes to zoning. Without stable long-run trends, the projections themselves become highly volatile and can be significantly affected by the sudden change in population and households as a result of zoning changes. (paragraph 48)

The volatility is exacerbated by the relatively small existing household and population levels relative to the proportion of growth. Township-level population projections are heavily influenced if there is a scarcity of zoned land supply, so when new land is zoned and taken up, this has a drastic impact on the population and household projections, as seen in Pokeno. (paragraph 49)

Some of these limitations which are pertinent to this reporting are that the model: (b) does not account for cross-boundary spill-over effects from other territorial authorities, for example around the northern and southern boundaries of the Waikato District. Regional migration which drives changes in population in the Waikato District is modelled at a territorial authority level, not at a town/village level. So, without manually calibrating the model, greater growth does not automatically occur around the Waikato-Auckland boundary, as opposed to elsewhere in the district. (paragraph 53)

- 9.10 Having considered Dr Davey's s42 report, I consider that he makes several conservative assumptions that are likely to result in an undersupply of residential land in Pokeno.