

Before Kaipara District Council

IN THE MATTER the Resource Management Act 1991 ("**RMA**")

And

IN THE MATTER of an application for Private Plan Change 83 ("**PC83**") by THE RISE LIMITED to rezone 56.9 ha of land at Cove Road and Mangawhai Heads Road, Mangawhai from Rural Zone to Residential Zone.

STATEMENT OF EVIDENCE OF PHILIP MARK OSBORNE ON BEHALF OF THE RISE LIMITED

ECONOMICS

23 February 2024

Michael Savage

Barrister

Park Chambers

1. INTRODUCTION

- 1.1 My full name is Philip Mark Osborne
- 1.2 I am an economic consultant for the company Property Economics Ltd, based in Auckland. My qualifications include Bachelor of Arts (History/Economics), Masters in Commerce, Masters in Planning Practice from the University of Auckland, and I have provisionally completed my doctoral thesis in developmental economics.
- 1.3 I have over 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.
- 1.4 I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well as undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity modelling and implementation.
- 1.5 I also provide consultancy services to a number of private and public sector clients in respect of a wide range of property issues, including residential capacity assessments, retail, industrial, and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, economic cost benefit analysis, and economic evaluations for private plan changes.
- 1.6 I have been engaged by The Rise Limited (**TRL**) to provide expert evidence on their behalf based on my high-level economic assessment of the submissions and further submissions on PC83 to rezone the subject site for residential uses.
- 1.7 Although this is not a hearing before the Environment Court, I record that I have read and agree to and abide by the Environment Court's Code of Conduct for Expert Witnesses as specified in the Environment Court's Practice Note 2023. This evidence is within my area of expertise, except where I state that I rely upon the evidence of other expert witnesses as presented to this hearing. I have not omitted to consider any material facts known to me that might alter or detract from the opinions expressed.

2. SCOPE OF EVIDENCE

2.1 My evidence will address the following topics:

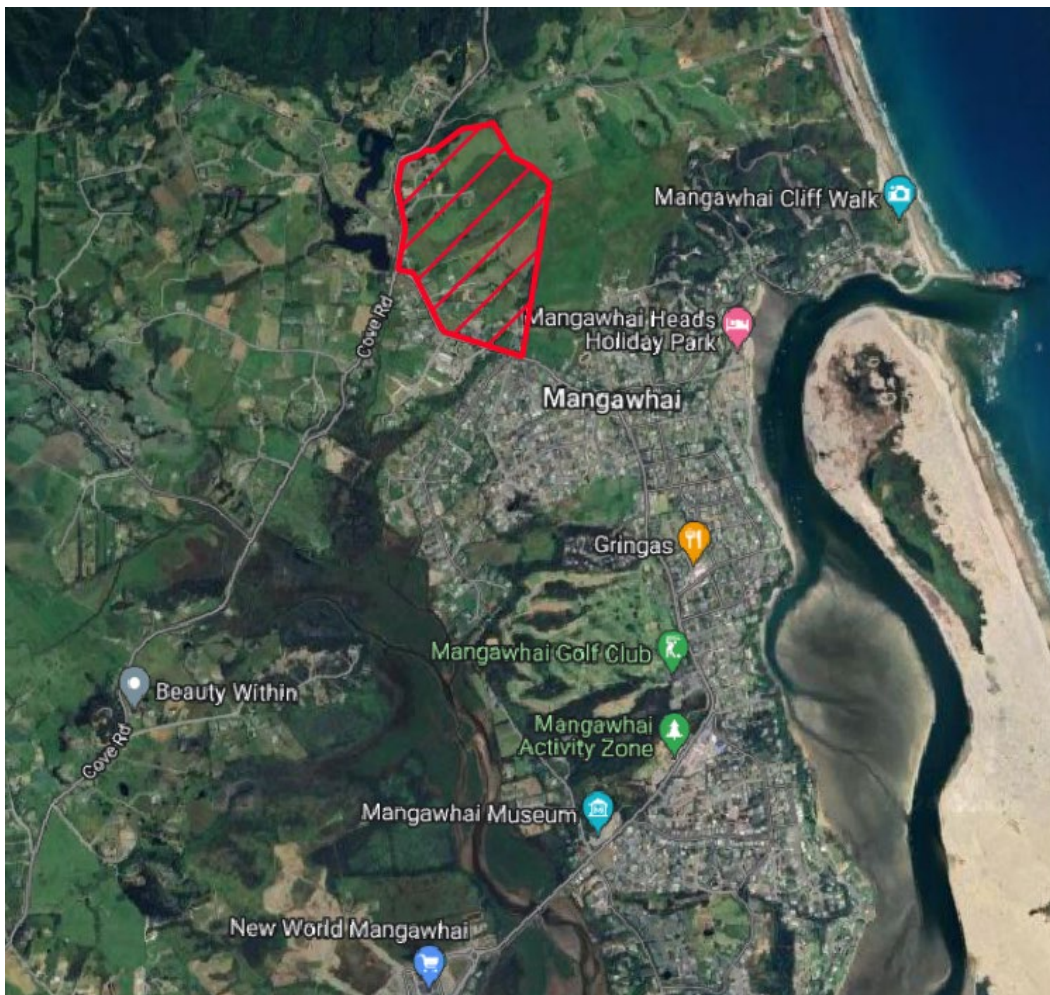
- Anticipated population growth and dwelling demand in Kaipara and Mangawhai by 2051 and the development potential of PC83;
- Economic grounds for PC83 in the context of Kaipara Spatial Plan and Kaipara Draft District Plan.
- Economic impacts of the proposed rezoning and residential development to the local economy and employment.
- Economic costs and benefits of enabling the proposed residential development at the subject site.
- Response to submissions and further submissions as well as comments from the Council 42a report and supporting economic review (Informative).

3. DESCRIPTION OF PROPOSAL

3.1 Through PC83 TRL seeks to rezone 56.9ha of land at Cove Road (Figure 1), Mangawhai from Rural Zone to Residential Zone, under the Kaipara Operative District Plan (ODP), enabling the development of circa 380 dwellings. Figure 1 following shows the extent and location of the PPC site in the context of the existing Mangawhai area.

3.2 The immediate surroundings to the north of the PPC site primarily consist of rural areas with large rural properties, however the development abuts general residential development to the south of Mangawhai Heads Road indicating that the PC83 site represents a '*plug in*' expansion of Mangawhai's existing residential area and will contribute directly to its urban environment.

FIGURE 1: LOCATION AND EXTENT OF PC83 SITE



4. RECEIVING ENVIRONMENT

- 4.1 The PC83 site lies within Mangawhai, situated within the Kaipara District Council (KDC) boundaries. This district community has seen substantial growth over the past 10 years with population growth of nearly 7,000 additional residents (33%) and 2,800 households (31%). Mangawhai itself has accommodated a significant level of this growth accounting for approximately 60% of district population growth.
- 4.2 Based on the latest projections by Infometrics (February 2023)¹, the Mangawhai area (including Mangawhai Heads, Mangawhai and Mangawhai Rural) is expected to have a population of approximately 12,700 people by 2051, an increase of over 7,000 residents.

¹ Kaipara District Population Projections – February 2023, Infometrics

- 4.3 In relation to households, Mangawhai is expected to see an increase from 2,500 to over 5,500 households between 2022 and 2051. This equates to a growth of 3,000 households over this period or over 60% of the district's expected growth.
- 4.4 Additional, to this resident population, a significant proportion of demand is expected to continue in the form of holiday homes, materially adding to the total future demand for dwellings in the Mangawhai area. Recent dwelling projections indicate a volatile environment for demand, with a continued 'halo' effect from the Auckland market which continues to bolster house sales.
- 4.5 There are a number of estimations regarding residential capacity within Mangawhai, the most recent of which is established in the economic review of PC83 through the s42a report. In paragraph 3.10 of this review, Informative, identify existing capacity of 3,300 large lot sites (including 1,000 at Mangawhai Central) and a further 2,300 residential dwelling capacity on smaller sites throughout the Mangawhai area.
- 4.6 While, in total, this capacity would be sufficient to meet future (long-term²), it is unclear the form this capacity takes. As is most common in capacity assessments throughout the country, there is a clear distinction between theoretical, feasible and realisable residential capacity. While theoretical capacity identifies the total capacity potential under a plan or consent, both feasible and realisable take into account real market factors such as financial viability and maximum profit outcomes.
- 4.7 These capacity limitations are alluded to in paragraph 3.12 of the same economic report, indicating the impact of these uncertainties on the large lot development as well as even greater uncertainty on the smaller lot potential. To place the extent of these factors in context most HBA's³ undertaken around the country have resulted in feasible capacity that is under half that of theoretical (with realisable being lower still). While the assessment acknowledges these restrictions it does not consider these in relativity to the expected demand.
- 4.8 While growth and residential development, in Mangawhai, has been substantial, over the past decade, there are several factors present in the market that now serve to constrain potential realisation of residential dwellings. Over the past 10 years Mangawhai, like most residential markets has seen significant increases in property prices. In 2010 median house prices in Mangawhai were approximately \$250,000, by

² Under the NPS UD identified as a 30 year timeframe

³ Housing and Business Capacity Assessments

2022 this had risen to nearly \$1.2m realising the second highest area price growth in and around Auckland. These figures generated material interest in development and subdivision accommodating over 60% of the district's growth.

- 4.9 However, recent trends have reversed some of this capital growth with the median price range back down below \$900,000. This decrease coupled with the ongoing rise in development and construction costs have resulted in a lower level of realised capacity within Mangawhai. An example of this is the delay experienced at Mangawhai Central. The realities of these market changes means that the feasibility and realisation rates of Mangawhai's theoretical capacity are likely to be lower and less able to meet expected growth levels.
- 4.10 While the price reduction experienced by Mangawhai is not nationally unique, the price increases and subsequent pressure on the resident population's affordability sits at the upper end of effects. A key factor in this is the competitive land market in the area, and the level of choice provided within it. PC83 represents additional capacity enabling a more competitive land market, with a site that is contiguous to the existing urban form.
- 4.11 While it may not be an immediate requirement in the short term, taking a proactive approach would allow the Council and the Mangawhai local market to have certainty and be 'development ready' to accommodate future growth. This is important for longer term infrastructure investment as well as development lead times. This strategic approach would provide market certainty for the community and developers, and result in a more efficient and well-functioning local market.

5. RESPONSE TO SUBMITTERS AND S42A REPORT

- 5.1 While some of the issues raised in the s42a report and by submitters are touched on above the key economic matters include:
- (a) Requirement for Growth
 - (b) Pressure on Infrastructure
 - (c) Urban Form

Requirement for Growth

- 5.2 There are several submitters who raised the issue of demand in relation to the additional capacity that PC83 would enable. As identified in the section above there are likely to be some constraints with the identified capacity within Mangawhai. That being said the additional provision of residential development capacity is likely to result in a more competitive residential land market, tempering prices and providing increased choice for residential locations and typologies (increases the market capacity for smaller 600sqm sites).
- 5.3 Additionally, the Mangawhai Spatial Plan 2020 assesses the potential dwelling capacity of growth options and identifies a total of just over 4,600 sites, with growth expectations in the KDC Long Term Plan to 2043 doubling or tripling the existing level of residential population.
- 5.4 There are however a number of factors to consider in relation to this increase which relates to both the statutory framework and the potential for an economic benefit to be realised. The first aspect of this is the NPS UD, while there remains a debate regarding Mangawhai's recognition as an 'urban environment' this framework does not seek to limit residential capacity to a level that is simply sufficient but directs for a competitive land market, and considers realisable sufficiency as a minimum objective.
- 5.5 In terms of the potential for economic costs resulting from continued rezoning, the concerns relate to unnecessary infrastructure demand, losses in production (or other opportunity costs) and the inefficient dispersal of residential activity. As identified in both the Council economic review and the s42a report the subject site for PC83 is situated adjacent to existing urbanised residential land and results in a continuation of that form. While the infrastructure requirements are also set out in the s42a report it would appear the final position is that the application is unlikely to result in an unmanageable outcome.
- 5.6 An additional point raised in submissions is the potential for PC83 to impact upon existing property values. While affordability is an objective of a competitive land market the potential impact on circa. 300 additional residential sites into a market that accommodates, nearly, 3,600 dwellings⁴.

⁴ *Mangawhai Spatial Plan 2020*

- 5.7 Overall, the potential demand for residential sites in Mangawhai is likely to continue to be highly volatile, with a limited extent of feasible and realisable development capacity within a market that has experienced sizable changes to house prices and therefore resident affordability. PC83 will provide development capacity that will add to a competitive land market while not resulting in an inefficient dispersal of activity through the area.

Pressure on Infrastructure

- 5.8 There are a number of submitters that have identified concerns regarding the pressure additional residential capacity through PC83 may have on Mangawhai's infrastructure, particularly the wastewater capacity. Their concerns extend to the potential impact on residential rates that may result.
- 5.9 There are two economic considerations with regard to infrastructure provision, the first relates to the need for certainty, in this case a live zone, in order to consider infrastructure requirements, essentially infrastructure provision and planning should be a response to an efficient urban form. Secondly, growth in any area generally requires some consideration of infrastructure needs, for Mangawhai to grow it must provide increased infrastructure capacity. The Mangawhai Spatial Plan 2020 recognises this with attention focused on the two urban expansion zones. Figure 3-3-2 of this document outlines the recommended timing for upgrades to the wastewater facilities.
- 5.10 While increased infrastructure requirements increases the cost for rate payers, it also facilitates growth through a wider rate payer base as well as associated growth in economic activity resulting for the residential accommodation.

Urban Form

- 5.11 PC83, as sought, would provide additional residential capacity within the Mangawhai area. This capacity would contribute to competitive land markets, a more affordable property market, choice and accommodate future residential growth. While a more competitive residential land market may marginally impact upon future growth expectations PC83 is likely to accommodate growth that would have otherwise occurred. This growth is likely to be accompanied by increased demand for community services, education, employment and retail activity.
- 5.12 The economic assessment of Mr Foy, for Council, identifies a potential issue relating to the accommodation of these amenities and services and the potential for an

undersupply of business and community service land. While it is important to note that these pressures from residential growth are likely to occur in the absence of PC83, there is a need for the wider Kaipara District Plan to provide for these activities. As identified in the spatial plan there is a need to:

- a) *Provide additional business zoned land to provide for local economic growth and employment.*
- b) *Provide additional industrial land to meet future demand.*
- c) *Develop and implement an employment and business attraction strategy in conjunction with business networks. (Page 4)*

5.13 As a market experiences residential growth the need for it to provide for supporting activities generally grows, non-linearly. A growing population increases the local area's ability to support a wider and more diverse range of activities. There is little doubt that the projected level of growth for Mangawhai will require the provision of a significant level of associated business land, however this sector is generally risk adverse and provides these amenities and employment opportunities following residential growth. Essentially, PC83 can not be all things to all parties, and as such the majority⁵ of this site is expected to accommodate residential activity.

6. CONCLUSION

6.1 PC83 seeks to rezone 56.9ha from a current Rural zone to a Residential zone providing for future growth. Given the size of the Mangawhai market in relation to a key tributary market, such as Auckland, and its past growth trends residential growth within the area is considered to be volatile. The KDC LTP predicts the population could, as much as, triple over the next 20 years. In terms of capacity, it is difficult to assess the actual feasible and realisable levels of capacity that exist within the market, however, it is accepted that there is a small possibility that PC83 would be 'required' over the next 10 years.

6.2 The key economic consideration is whether the rezoning of PC83 would contribute to a well-functioning housing market as well as urban form. The recognition of the PC83 site in the Mangawhai Spatial Plan 2020 highlights the locational advantages as well as the contiguous nature of the site. The addition of this level of additional residential

⁵ I understand submitter 56 has sought to enable commercial and industrial activities on their sites.

land capacity within the market is likely to provide a greater safeguard for growth as well as improving the counterfactual affordability. It is important to note that safeguarding the continued capital gains experienced in a buoyant and potential restricted market are not a valid economic reason not to provide for future growth.

- 6.3 The pressures of growth on infrastructure are an issue faced by most Councils around New Zealand. The need for infrastructure should not form the basis for not providing for growth and its significant economic benefits. The s42a outlines the process the Council have committed to in terms of improve the capacity of infrastructure (such as wastewater) within this catchment and as such does not in itself represent an inappropriate economic cost.
- 6.4 Having considered the economic context, in which PC83 sits, as well as relevant submissions and economic review, I support the proposed plan change and its associated economic benefits.

Philip Osborne

Date: 23 February 2024