

Before Kaipara District Council

In the Matter of the Resource Management Act 1991 (**RMA**)

And

In the Matter of an application for Private Plan Change 84 (**PC84**) by **MANGAWHAI HILLS LIMITED** to rezone 218.3 ha of land between Tara Road, Cove Road, Moir Road and Old Waipu Road, Mangawhai from Rural Zone to the Mangawhai Hills Development Area.

Evidence of Philip Osborne on behalf of Mangawhai Hills Limited

(Economics)

Dated 29 April 2024

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Introduction

1. My full name is Philip Mark Osborne.
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.
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.
4. I also provide economic 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.
5. I was instructed by Mangawhai Hills Limited (**MHL**) to undertake an economic assessment of the proposed rezoning of 218.3ha of rural land to enable residential activities through Private Plan Change 84 (**PC84**). I am familiar with the area to which the application for resource consent relates.
6. 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.

Scope of Evidence

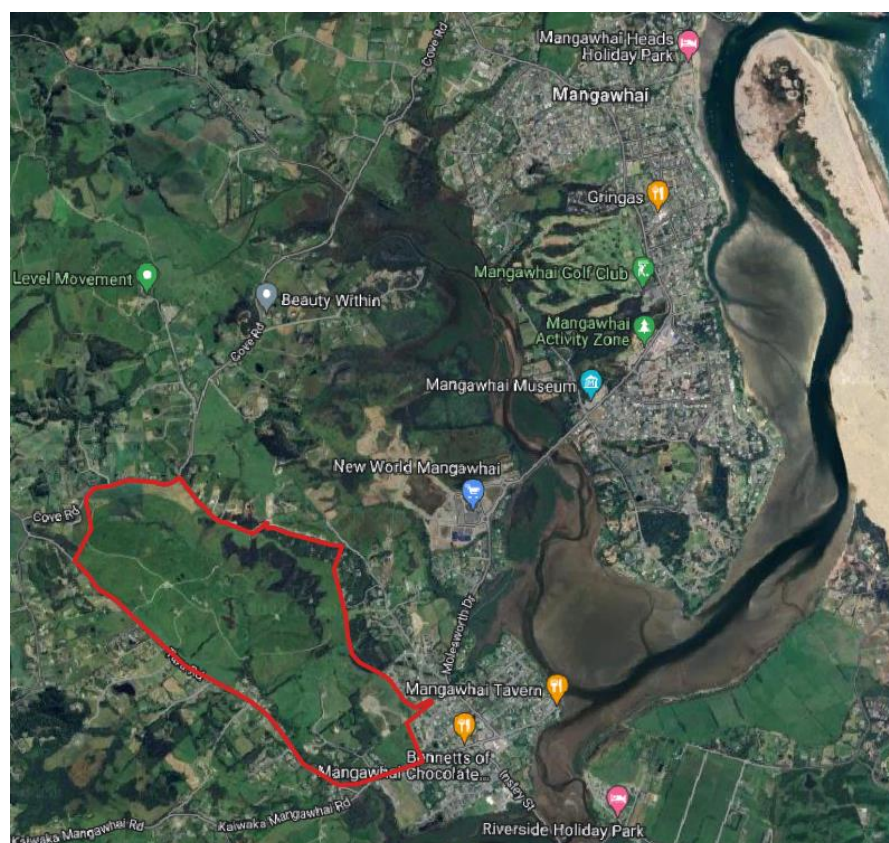
7. My evidence will address the following:
 - a. Anticipated population growth and dwelling demand in Kaipara and Mangawhai by 2051 and the development potential of PC84;
 - b. Economic grounds for PC84 in the context of Kaipara Spatial Plan and Kaipara Draft District Plan;
 - c. Economic impacts of the proposed rezoning and residential development to the local economy and employment;
 - d. Economic costs and benefits of enabling the proposed residential development at the subject site; and
 - e. Response to submissions and further submissions as well as comments from the Council 42A report and supporting economic review (Informative).

Description of Proposal

8. Through PC84 MHL seeks to rezone 218.3ha of land (with an indicative capacity of 600 sections) at Cove Rd, Tara Road, Moir Road, and Old Waipu Road (**PPC site**) (Figure 1), Mangawhai from Rural Zone to Mangawhai Hills Development Area enabling large lot residential, under the Kaipara Operative District Plan (**ODP**). The development area also includes 3 community hubs A – C that allow for commercial, community and educational facilities to support the local residential needs. Figure 1 following shows the extent and location of the PPC site in the context of the existing Mangawhai area.
9. 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 and east along Moir Road indicating that the PC84 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 PC84 SITE



Receiving Environment

10. The PC84 site lies within Mangawhai, situated within the Kaipara District Council (KDC) boundaries. The KDC 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 with approximately 60% of district population growth.

11. 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.
12. 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.
13. 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.
14. There are a number of estimations regarding nominal residential capacity within Mangawhai, the most recent of which is established in the economic review for PC83 and PC84 through the s42A reports.² In paragraph 4.7 of this review, Formative identify existing capacity of 3,300 sites on larger blocks of Residentially zoned land (including 1,000 at Mangawhai Central) and a further capacity of 900 dwellings on smaller sites throughout the Mangawhai area.
15. While, in total, this capacity would be sufficient to meet future (longterm³) demand, 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.

¹ *Kaipara District Population Projections – February 2023, Infometrics.*

² PPC 84 s42A Planning Report, Appendix 9, dated 8 April 2024.

³ Under the NPS-UD defined as a 30 year timeframe.

16. These capacity limitations are alluded to in paragraph 4.9 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's⁴ 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.
17. 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 2022 this had risen to nearly \$1.2m realising the second highest area price growth in Auckland. These figures generated material interest in development and subdivision accommodating over 60% of the district's growth. 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 lowering of realised capacity within Mangawhai. An example of this is the delay experienced at Mangawhai Central. The realities of these 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.
18. 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. PC84 represents additional capacity enabling a more competitive land market, with a site that is contiguous to the existing urban form.

⁴ Housing and Business Capacity Assessments.

19. 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.
20. The concept of a "well functioning urban environment" is also discussed by Mr Foy by reference to the receiving environment. As I expand upon later in this evidence, I disagree with the view expressed by Mr Foy in paragraph 6.5 of his assessment that in summary there is a real possibility of an imbalance of residential and non-residential activity arising in Mangawhai to a degree which is problematic. This view relates to potential timing differences as between residential growth and non-residential/business activity. I agree with the reporting planner that even if there were a "lag between when new houses are occupied and when new supporting facilities come on-line, ... the risk of this lag occurring is preferable to creating a bar to new residential development on the grounds that the facilities to support that development do not currently exist."⁵

Response to Submitters and S42A Report

21. 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. Urban Form; and
 - c. Zoning of the church site.
22. I respond to the above thematically, rather than on a submission by submission basis.

Requirement for Growth

⁵ S42A Report (revised), at [225].

23. There are several submitters who raised the issue of demand⁶ in relation to the additional capacity that PC84 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 (with a range of sites from 600sqm to larger sites). 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.
24. 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 Mangawhai may not be recognised as an 'urban environment'⁷ this framework does not seek to limit residential capacity to a level that is simply sufficient. Rather the NPS-UD strongly seeks to enable a competitive land market and considers realisable sufficiency as a minimum objective. This is reiterated in paragraph 218 of the s42A report. While I do not accept that the position of Mr Foy establishes a lack of need for this rezoning to meet demand, in any event the overall high level position and efficiency provided by the plan change offers desirable economic benefits.
25. 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's economic review and the s42A report the subject site for PC84 is situated adjacent to existing urbanised residential land and results in a continuation of that form. While there are infrastructure requirements to be addressed, as described in the

⁶ Specifically, submitter 51 (Muller) with a number of other submitters raising it also.

⁷ This matter is addressed further in the joint planning evidence of Ms Neal and Ms McGrath. I agree with their conclusion that because the proposal seeks to increase the existing urban area, it is appropriate to ensure that PC84 delivers a well-functioning urban environment and subsequently aligns with the direction and overall policy framework set out in the NPS-UD.

AEE and supporting reports, evidence on behalf of the Applicant and in the s42A report, these matters can be resolved based on the expert assessment of relevant specialists.

26. 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. PC84 will provide development capacity that will add to a competitive land market while not resulting in an inefficient dispersal of activity through the area.

Urban Form

27. PC84 provides additional residential capacity of approximately 600 sites 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, PC84 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.
28. 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 PC84, 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)

29. 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.
30. While the majority of the activity in this development area is expected to be residential the areas within the community hubs (A – C) represent opportunities to service the convenience needs and services of the immediate community. My understanding is that there are extent limitations to permitted non-residential activities within these hubs. Community Hub C allows for up to 5,000sqm of education based floorspace, while Hubs A and B can accommodate up to a total of 1,000sqm or combined community and commercial floorspace. While this level of commercial space is small, both in comparison to the service and convenience retail requirements of the local population, it does mean that its provision is highly unlikely to have any material impact on the existing Mangawhai commercial provision. I note that submission 52 seeks that the property at 110 Moir Street is rezoned. I understand that this property along with 104 Moir Street, is currently used for a range of commercial activities. From an economic perspective, I can support provisions being amended to enable up to a total of 1,000sqm or combined community and commercial floorspace in this location (across both 104-110 Moir Street properties).
31. Finally, from paragraph 272 of the s42A report identifies the potential to remove the 'church site' from the proposed residential zone. This appears to be primarily due to recognition of HPL into this site – whether this poses a barrier to rezoning is addressed by others (however I am advised it does not). From the perspective of my expertise, as identified in the s42A report, this site is a valuable location for future residential development (and already has existing community activities, in the form of the church development). It does form an important area for appropriate residential

capacity, and its removal would result in a less efficient outcome for the area and the residential land market in general.

Conclusion

32. PC84 seeks to rezone 218.3ha from a current Rural zone to Mangawhai hills Development Area 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 PC84 would be 'required' over the next 10 years. However, attempting to 'match' demand and supply is no longer the aim of higher order urban development directives.
33. The key economic consideration is whether the rezoning of PC84 would contribute to a well-functioning housing market as well as urban form. The recognition of the PC84 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 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 is not a valid economic reason not to provide for future growth.
34. 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 so long as there are mechanisms available to address those matters as they are required. All infrastructure needed at ultimate buildout is not needed at time of rezoning, nor would it be economically efficient to provide it all upfront. The s42A outlines the process the Council have committed to in terms of improving the capacity of infrastructure (such as wastewater)

within this catchment and as such does not in itself represent an inappropriate economic cost. In other aspects there are solutions advanced by the Applicant – for example a private wastewater system for the northern portion of the site if required.

35. Having considered the economic context in which PC84 sits, as well as relevant submissions and the economic review, I support the proposed plan change and its associated economic benefits.

Philip Osborne

Dated 29 April 2024