Economic Aspects of Rural Subdivision

24 August 2020

m.e consulting

Contents

1 Introduction

1.1 My name is James Douglas Marshall Fairgray. I have a PhD in geography from University of Auckland, and I am a principal of Market Economics Limited (ME), an independent research consultancy.

1.2 I have over 40 years' of professional consulting and project experience, working for public sector and commercial clients. I specialise in policy and strategy analysis, evaluation of outcomes and effects in relation to statutory objectives and purposes, assessment of demand and markets, urban and rural spatial economies, land use and core economic processes. This research has been within my core disciplines of economic geography / spatial economics, and spatial planning. I have applied these specialties in more than 900 studies throughout New Zealand.

1.3 I have qualified as a commissioner, through the Making Good Decisions programme (2017 and 2020). I am an Associate Member of the New Zealand Planning Institute (since 2013).

1.4 I have wide-ranging research experience in policy evaluation and impact assessment from an economic perspective, from a range of economic assessments in the Resource Management Act 1991 (RMA) context, including evaluation of the benefits and costs of policy options, and economic processes and decision-making. During 2014, I was engaged to prepare the core material for the section 32 guide released by the Ministry for the Environment, and I was the presenter on economic matters for the nationwide series of workshops on the section 32 guidance. I have studied regional and district economies throughout New Zealand, and the roles of key sectors in the economy. I have undertaken a wide range of studies into business and residential land demand, across many cities and districts throughout New Zealand. My research and evidence has covered regional and urban economies, business sector studies, business location preferences, residential demand and dwelling and location preferences, and urban development matters generally, within the context of the RMA and regional and district plans.

1.5 Of direct relevance to this matter, in 2015 I presented evidence to the Independent Hearing Panel on the economic implications of policies for rural Auckland (the Future Urban zone, and rural growth and land subdivision) in the proposed Auckland Unitary Plan. In 2017 I presented evidence to the Environment Court on the economic implications of proposed rural subdivision provisions for the Auckland Unitary Plan. In 2019 I as part of the cost and benefit assessment for the proposed National Policy Statement on High Producing Land I undertook detailed assessment of policy options for rural subdivision and the effects of limiting subdivision on land with high quality soils.

Code of Conduct

1.6 Although this Paper is not a statement of evidence, I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and to the extent that I am giving expert evidence, I have complied with it in preparing this Paper. I confirm that the issues addressed are within my area of expertise and I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

Role in this Plan Review

1.7 I have been engaged by Waikato District Council to provide analysis and advice relating to subdivision of the Rural Zone.

2 Objective

2.1 This Paper provides an economic assessment relating to subdivision of Rural zoned land in Waikato District. It is to support Council's Section 42A report relating to Rural Subdivision for the Proposed District Plan (Stage 1).

2.2 Rural subdivision is a key matter for Waikato District. The Rural zone encompasses a large share of total land in the District, and the provisions in the District Plan which enable subdivision of this Rural zoned land, and other land such as Country Living, have potentially significant implications for the District's economy and community and the biophysical environment. This is because the pattern of land holdings and subdivision has a fundamental influence on land use and land ownership, and consequently on economic and community activity - all key drivers of effects and outcomes in the RMA context.

2.3 The effects of policies which enable land subdivision are likely to persist into the long term. This is because land use and economic activity patterns once established tend to change relatively slowly, even when the economy as a whole may be growing relatively quickly. Land use change typically involves investment in improvements on the land. Further, as an economy grows, land is progressively used more intensively over time, and this increase in intensity is often associated with subdivision of land into smaller parcels. That means the process of land subdivision is predominantly one-way, with land being subdivided into progressively smaller parcels - re-amalgamation of parcels to establish larger land holdings is relatively rare.

2.4 Accordingly, to ensure that District Plan objectives and policies relating to land subdivision are robust and contribute to the District's strategic objectives, it is important to understand the likely economic effects and implications - individually and in aggregate - of each Plan provision which will affect rural subdivision.

Scope of this Paper

2.5 This Paper first summarises the key issues relating to the subdivision of rural land, in order to establish a sound basis for evaluation of outcomes, and different options.

2.6 Section 3 outlines the economic context in the Waikato District. It focusses on the significance of Rural zoned land within the WDC economy, and its role is sustaining economic activity on the land itself, and in activities which draw from the land (notably primary processing) and serve activity on the land (services to the primary sector), and goods and services to rural households. It also considers the owners of rural land, recognising that subdivision can be an important mechanism for landowners to realise value from their landholding, while still potentially maintaining their core primary sector activity. And it considers the rural lifestyle sector of the community, and the key parameters of countryside living in terms of the rural population, the total District population, and the demands for goods and services.

2.7 Section 4 outlines the options for subdivision of Rural zoned land, in terms of what land may be subdivided, what land may not, and the parameters of different outcomes, notably the numbers of new lots created, and the land area of potential new lots. This covers both general subdivision which would be enabled on the basis of rural lot size, and also conservation subdivision enabled for properties which may qualify in terms of environmental protection provisions.

2.8 Section 5 examines the likely effects and outcomes on rural land use of different policy options for subdivision. It focuses first on direct effects from creation of new lots, likely diversion of land

from current uses to new (predominantly lifestyle property) uses, and the geography of change. The assessment then addresses the likely flow-on effects:

a. for farming and forestry (primary activities) the likely reduction in land area utilised, the consequent reduction in primary sector outputs, and the implications for servicing and processing industries;
b. for rural landowners the likely realisation of value from subdivision and consequent sale of the subdivided lots, as well as broader implications for the farming and rural community. This considers the outcomes from both the general and conservation routes, including the likely differences in costs and returns;
c. for rural lifestyle landowners, identified as the most likely purchasers of the subdivided lots, and the implications in terms of the scale and distribution of the 'non-farming' rural community, particularly demands for goods and services, and household travel.

2.9 Section 6 presents a summary, and conclusions as to the appropriateness of different policy options in terms of outcomes for the Waikato District economy and community.

Key Issues

2.10 The Rural zone covers a major share of Waikato District, with some 361,606 ha zoned as Rural, in some 17,665 parcels (Records of Title).

2.11 A substantial share of the District economy is based on Rural zoned land, particularly dairy farming, sheep and beef farming, other livestock farming, and horticulture. In turn, a range of primary processing industries and rural service activities are directly related to primary sector activity.

2.12 The Rural zone also accommodates a significant share of the District community, with some 51.2% of lots in the Rural zone indicated as being in 'Lifestyle[1]' use, occupying 21.6% of the total land area in the zone. Some 78% of Rural zoned lots identified in lifestyle use have at least one dwelling on the lot. These lots in the Rural zone are in addition to the 3,836 lots zoned as Country Living and Village.

2.13 The Waikato District has had strong growth in demand for rural lifestyle living, mainly due to its location between two major urban economies, and continued population growth in those cities is expected to see further demand into the future. Corelogic data shows that over the 1995-2015 period, lifestyle properties accounted for nearly two-thirds of the increase in all residential properties in the District.

2.14 This substantial demand for rural lifestyle living has seen significant subdivision of rural land holdings. The proportion of rural lots of less than 5 ha is significantly higher in Waikato (69%) than in other rural parts of the Waikato Region (55%) and in rural districts nationally (Figure 2-1). Similarly, Waikato District has a larger share of its total land area in these small holdings (3.5%) than other districts in the region, and rural districts nationally (Figure 2-2).

[1] The Corelogic categorisation of lifestyle lots includes their potential according to lot size, and so may overstate the incidence of genuine lifestyle lots or properties

Figure 2-1– Distribution of Rural Lots by Size (ha)

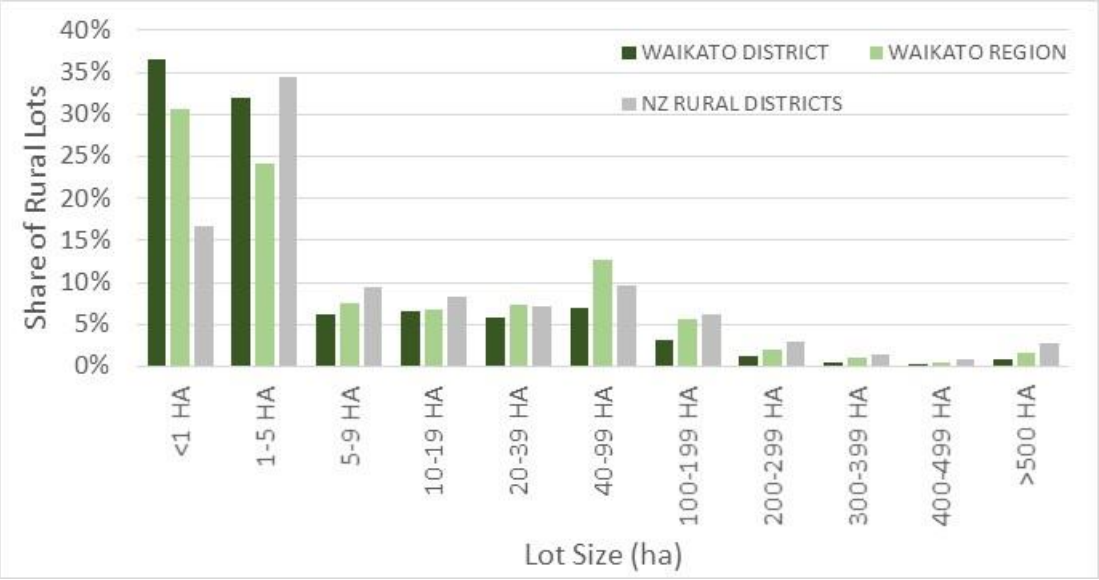
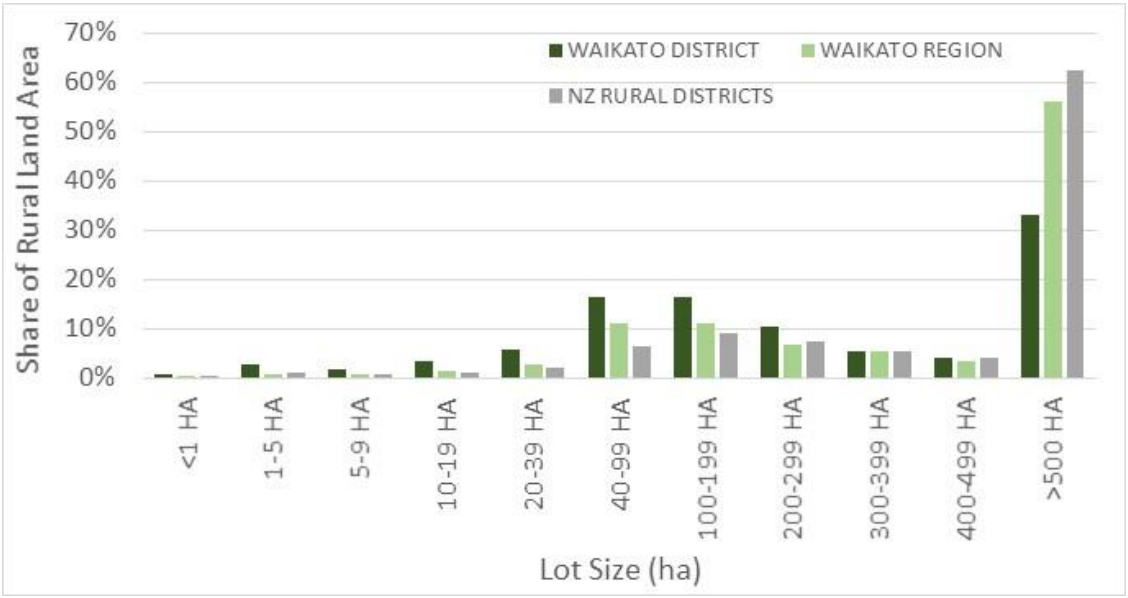


Figure 2-2– Distribution of Rural Land by Lot Size (ha)



2.15 There is considerable incentive for owners of larger rural lots, most commonly farmers or other primary producers, to subdivide their land because of the potential for capital gain. The value of land used for farming or forestry derives primarily from its productive potential, and its ability to generate returns from milk, livestock, meat, wool, timber and other primary outputs. This is directly related to the land area, with viable primary production activities generally requiring sufficient land area to sustain a viable farming operation. However, rural land also derives considerable value from the opportunity to construct a dwelling on it, and for a household to live there. That value is much less dependent on the size of the lot. Accordingly, on a per ha basis, the value of the opportunity to live there generally far outweighs the land's value based on farming production. That means provided there is demand for rural lifestyle living in an area, there is likely

to be some opportunity for a rural landowner to gain from subdividing off some of the land holding, and selling that land – with its right to construct a dwelling – to a new owner. The subdivision and sale of a small lot may have limited effect on the overall viability of the larger 'parent' holding.

2.16 To illustrate, the mean value of Rural zoned land in a holding of 20 ha or larger is around $79,000 per ha. However, the mean value of a Rural-zoned lot of 1-2 ha is in the order of $300-500,000 per ha. After costs of subdivision and sale, there is still incentive to subdivide and sell off a portion of a productive farm, to realise the potential capital gain.

2.17 The higher market value of smaller lots reflects the willingness and ability to pay by those wishing to own and occupy a small-holding for rural lifestyle living. These are predominantly private benefits arising from land subdivision, accruing to both seller and purchaser.

2.18 Recognising value of subdivision to landowners, some councils (including the previous Franklin District) have sought to incentivise protection of the natural environment by enabling subdivision and also transfer of subdivision rights. The reasons for subdivision are certainly not solely for capital gain, and farming landowners may seek to sell off small holdings for their family to own and/or live on, or for their own retirement. Thus there are many facets to demand, and subdivision is not simply about enabling countryside living in the environs of larger cities.

2.19 Subdivision of land has a wider range of effects, especially cumulative effects, and these typically accrue over time at the district or total-community level. The dominant pattern is for land, rural or urban, to be progressively subdivided into smaller lots, and amalgamation of land to form larger lots is much less common (notwithstanding the title transfer process possible in the District). Commonly also, the subdivision of land is to enable a change in land use, with some uses viable on smaller lots than other uses – a key example being rural lifestyle lots which are a sustainable use on small lots whereas pastoral farming requires a much larger land footprint to sustain an economically viable farm unit.

2.20 The change in land use is important - the common pattern in rural New Zealand is that when producing farmland is subdivided into smaller lots for rural lifestyle purposes, it means that much or all of the productive capacity of the land is lost. As a consequence, the subdivision of productive farmland and its conversion to rural lifestyle properties also typically results in reductions in farming output, with flow on reductions for industries which process farm output, and reduced demand for services to the farming sector. That can mean reductions in economic activity and employment.

2.21 Many districts throughout New Zealand have sought to limit the amount of subdivision in rural areas, often to protect the farmland base. Some have applied a relatively large minimum lot size for subdivision, to discourage subdivision for lifestyle properties by making them large and relatively costly. Other districts have sought to formalise the shift to lifestyle properties by creating countryside living zones, and or enabling subdivision to large lot holdings. This is generally on the basis that for any given demand for countryside living properties, smaller minimum lot sizes mean that smaller amounts of productive farmland are lost.

2.22 Other policies seek to protect the most highly productive land by limiting or prohibiting subdivision of land with high quality soils. The proposed NPS-HPL is seeking to formalise that strategy across New Zealand, by restricting opportunities to subdivide. That approach is part of the District's proposed policy suite.

2.23 Subdivision of rural land also affects households and population numbers in peri-urban and rural areas. Lifestyle properties typically have a dwelling established on them. One generally positive effect from this is some re-population of rural areas, especially those which have seen population loss as changing farm economics have meant the average size of farm units has increased, and the number of farming households reduced. That gradual population loss has also been associated with technological gains in the primary sector which mean lower labour force requirements, and similar changes in the processing and service sectors resulting in fewer larger outlets, and 'rationalisation' of service activities seeing concentration of activity and employment into larger towns, and reduced roles for smaller rural service towns. As a consequence, re-population of rural areas does to a degree enhance the viability of services based in rural areas, including public services such as schools.

2.24 One downside is that the travel demands of residents on countryside living properties are on average higher than households in urban locations, given longer distances to places of work, for shopping, education, and recreation.

2.25 From the policy perspective, where subdivision occurs, how much occurs and when it occurs are the principal drivers of its effects.

Evidence Base

2.26 To inform this Paper, I have drawn on a considerable evidence base of statistical and qualitative information about the Waikato District economy and community, and knowledge of the District economy from a range of studies in the last 20 years. That includes detail on the nature and structure of the District economy, and its place within the sub-regional economy (the Future Proof Partners comprising Waikato District, Hamilton City and Waipa District), and within the wider Waikato regional economy. It utilises datasets, including the StatisticsNZ Business Frame, land data from Council and other sources including Corelogic, Census and other socio-demographic data, and economy models notably the WISE[2] model applied by Waikato Region, and models developed by my company. The WISE model is especially useful for context, and it includes information on land use at a refined geographic level, and provides projection of future activity (using valued added which approximates contribution to GDP), employment, and land use by sector of the economy.

2.27 Recognising the significance of land subdivision as a driver of land use and land-based economic activity, and consequent primary processing and servicing industries, I have focused on the current structure of the District economy, how it has developed over the last two decades. I have considered how land use and land holdings influence the economy, through the primary production path as dairy and other pastoral farming, horticulture and forestry contribute to the economy both directly and indirectly through generating outputs for processing industries. I have also examined population patterns, particularly the role of countryside or lifestyle living which has accounted for a significant share of the District's population growth over the last two decades, and which is a key driver of demand for subdivision of land in the Rural zone area. That economy and community context provides a sound framework for assessing the likely effects of the

[2] The Waikato Integrated Scenario Explorer model (WISE) provides a comprehensive view of the District's future economy, to 2061.

District's provisions for subdivision in the Rural zone. The impact assessment is based on the *ME Waikato District Economy Model 2020*.

2.28 In parallel, I have utilised property datasets provided by Waikato District Council, for all lots (Records of Title or RoTs) in the Rural zone in the District, as well as the Country Living zone, the Village zone, and the Village 1000 zone. Using that property information, I have developed a straightforward analysis tool (*ME Waikato Land Use Model 2020*) which I have applied to examine potential or likely outcomes from the subdivision of Rural zoned RoTs. This has covered:

a. Direct application of the recommended rules across the property dataset, for general and conservation subdivision. This identifies the potential at a property level, so that effects can be understood in total, by location within the District (the Franklin and Waikato areas, as well as at SA2 level, and spatial distinction such as the Hamilton Basin Ecological Area);

b. Calculation of direct outcomes in terms of new lots able to be created, the land area affected, the land area of SNAs potentially protected and so on;

c. Analysis of outcomes according to current land use, and by location;

d. The likely consequent effects, in terms of current land use potentially displaced by creation of new lots and implications for the economy; likely effects on rural population; and potential gains from creation and sale of small lots by existing landowners;

e. Sensitivity testing, to understand the effects of different subdivision provisions.

2.29 These matters are covered in subsequent sections, leading to my evaluation of the recommended provisions from an economic perspective.

Submissions

2.30 The submissions are addressed in detail in Ms Overwater's s42A Report. In this Paper, I have focussed on submissions relating to the minimum size of parent lots and the size of child lots, which have the greatest potential effects on outcomes for the District. Of note:

a. Many submitters support a 20 ha minimum size threshold for parent lots;

b. Some submitters seek a minimum parent lot size of lower than 20 ha;

c. Hamilton City Council [535.73] and Waikato Regional Council [81.167] and further submissions from Fonterra [FS1333.18] and Mercury NZ Limited [FS1223.38] seek to 40 ha as minimum parent lot size;

d. Many submissions support the retention of the Child lot size to be in the 0.8 ha minimum to 1.6 ha maximum range;

e. A number of submissions propose to go as low as 0.4 ha to 0.5 ha for the Child lot size;

f. Other submissions seek a larger maximum for the child lot size, to more than 1.6ha.

3 Waikato District Economy

3.1 I provide first an overview of the Waikato District economy and community, drawing from relevant databases and models, and taking account of the links between the rural land base and economic activity.

Economy in 2019

3.2 Table 3-1 summarises the District economy as at 2019, drawing from the Business Frame 2019 activity data, and the WISE estimates of value added (GDP). Most sectors are shown at 1D ANZSIC, however more detail is offered for the activities which are land based. Note that the Business Frame data is based on StatisticsNZ LEED statistics, so there will not be direct match-up between business units or operating entities in this data, and numbers of lots in the property dataset.

Table 3-1 : Waikato District Economy 2019

Sector	Business Units	Employees	Total Employment	Total Employment %	Value Added ($m)	Value Added (%)
Horticulture & fruit growing	*211*	*1,196*	*1,336*	*5.4%*	*$ 61*	*2.3%*
Sheep, beef & grain farming	*1,010*	*782*	*1,230*	*5.0%*	*$ 121*	*4.5%*
Dairy cattle farming	*734*	*1,013*	*1,604*	*6.5%*	*$ 216*	*8.0%*
Poultry, deer & other livestock	*261*	*674*	*754*	*3.0%*	*$ 43*	*1.6%*
Forestry and logging	*140*	*100*	*127*	*0.5%*	*$ 42*	*1.6%*
Agriculture, forestry, fishing services	*240*	*1,119*	*1,276*	*5.2%*	*$ 118*	*4.3%*
Primary	2,605	4,890	6,343	25.6%	$ 606	22.3%
Mining	32	448	454	1.8%	$ 204	7.5%
Meat and meat product manuf	*10*	*710*	*718*	*2.9%*	*$ 82*	*3.0%*
Dairy product manuf	*5*	*240*	*241*	*1.0%*	*$ 75*	*2.7%*
Manufacturing	429	2,485	2,737	11.1%	$ 332	12.2%
Utilities	32	294	302	1.2%	$ 177	6.5%
Construction	1,250	2,200	3,294	13.3%	$ 250	9.2%
Wholesale	230	424	526	2.1%	$ 58	2.1%
Retail	304	825	979	4.0%	$ 60	2.2%
Hospitality	188	1,025	1,112	4.5%	$ 41	1.5%
Transport & Warehouse	254	621	762	3.1%	$ 72	2.7%
Information & Telecoms	43	95	131	0.5%	$ 27	1.0%
Finance & Insurance	453	68	110	0.4%	$ 33	1.2%
Rental & Real Estate	1,802	269	601	2.4%	$ 276	10.2%
Professional & Scientific	938	1,334	2,127	8.6%	$ 157	5.8%
Admin & Support	47	957	966	3.9%	$ 29	1.1%
Public Admin & Safety	47	957	966	3.9%	$ 89	3.3%
Education	221	1,892	1,985	8.0%	$ 143	5.3%
Health & Social	282	981	1,168	4.7%	$ 87	3.2%
Art & Recreation	188	396	499	2.0%	$ 42	1.5%
Other Services	381	397	657	2.7%	$ 33	1.2%
All Industries	**9,678**	**19,600**	**24,753**	100.0%	**$ 2,716**	100.0%

Source: WISE, 2020: Market Economics, 2020

3.3 Key features of the District economy are:

a. The District has some 9,678 business units, of which 2,605 (27%) are land based primary activities, or services to the primary sector.

b. There are 19,600 employees in Waikato District Businesses (24.9% in the primary sector), and 24,753 persons employed (which takes account of both working proprietors and employees). Overall, 25.6% of total employment is in the primary sector.

c. Pastoral farming accounts for 14.5% of total employment in the District (dairy farming at 6.5%, sheep and beef at 5.0%), and 14.1% of total value added.

d. In the manufacturing sector, meat and meat products, and dairy product manufacturing account for 3.9% of total employment and 5.7% of total value added.

e. Those sectors, together with primary production, account for 29.5% of total District employment, and 28% of total value added.

3.4 The land-based sectors are much more important in the Waikato economy than for New Zealand as a whole, where dairy farming accounts for 1.4% of employment, sheep and beef farming 1.4%, and the primary sector 6.2% overall.

Future Economy Outlook

3.5 Estimates of the future outlook have been drawn from the WISE model. Table 3.2 shows value added by sector over the next four decades. Key features are the scale of growth, with the economy projected to nearly double over the 40 years, and the long term shift in the structure of the economy. While all sectors show substantial growth, the primary and secondary sectors are projected to grow more slowly than the tertiary sector.

3.6 To a large degree, this shift is driven by the District's strong population growth outlook, with significant increase expected in population services activities, construction, trade and real estate, ahead of the current major sectors. That said, the primary sector (14% share) and manufacturing (11% share) will contribute substantially to the District economy's growth.

Table 3-2 : Waikato District Economy Outlook to 2061

Waikato District : Projected GDP 2008-2061																
Sector		2008		2020		2031		2041		2061		2020-61	2020-61 %			
Horticulture & fruit growing	*$*	*48*	*$*	*62*	*$*	*72*	*$*	*80*	*$*	*100*	*$*	*38*	*61%*			
Sheep, beef & grain farming	*$*	*95*	*$*	*123*	*$*	*141*	*$*	*155*	*$*	*195*	*$*	*72*	*58%*			
Dairy cattle farming	*$*	*170*	*$*	*220*	*$*	*256*	*$*	*281*	*$*	*354*	*$*	*134*	*61%*			
Poultry, deer & other livestock	*$*	*34*	*$*	*44*	*$*	*51*	*$*	*56*	*$*	*70*	*$*	*26*	*60%*			
Forestry and logging	*$*	*33*	*$*	*43*	*$*	*50*	*$*	*55*	*$*	*69*	*$*	*26*	*60%*			
Agriculture, forestry, fishing services	*$*	*93*	*$*	*119*	*$*	*138*	*$*	*152*	*$*	*191*	*$*	*72*	*60%*			
Primary	$	477	$	616	$	714	$	784	$	987	$	371	60%			
Mining	$	231	$	207	$	242	$	274	$	317	$	111	54%			
Meat and meat product manuf	*$*	*63*	*$*	*84*	*$*	*104*	*$*	*125*	*$*	*160*	*$*	*76*	*90%*			
Dairy product manuf	*$*	*57*	*$*	*77*	*$*	*95*	*$*	*113*	*$*	*145*	*$*	*69*	*90%*			
Manufacturing	$	253	$	341	$	422	$	505	$	647	$	307	90%			
Utilities	$	182	$	188	$	232	$	260	$	316	$	128	68%			
Construction	$	196	$	259	$	338	$	426	$	641	$	383	148%			
Wholesale	$	42	$	64	$	98	$	133	$	202	$	139	218%			
Retail	$	53	$	61	$	84	$	117	$	153	$	93	153%			
Hospitality	$	41	$	42	$	57	$	76	$	95	$	54	129%			
Transport & Warehouse	$	66	$	75	$	93	$	118	$	148	$	74	99%			
Information & Telecoms	$	10	$	28	$	51	$	84	$	124	$	96	343%			
Finance & Insurance	$	30	$	36	$	61	$	107	$	154	$	119	334%			
Rental & Real Estate	$	223	$	280	$	349	$	465	$	644	$	365	130%			
Professional & Scientific	$	92	$	163	$	205	$	229	$	279	$	116	71%			
Admin & Support	$	29	$	31	$	41	$	50	$	65	$	35	113%			
Public Admin & Safety	$	39	$	91	$	109	$	126	$	151	$	60	66%			
Education	$	121	$	145	$	174	$	207	$	243	$	98	68%			
Health & Social	$	70	$	89	$	112	$	133	$	153	$	65	73%			
Art & Recreation	$	36	$	43	$	59	$	76	$	102	$	59	137%			
Other Services	$	31	$	34	$	46	$	54	$	66	$	33	97%			
All Industries	**$**	**2,219**	**$**	**2,787**	**$**	**3,485**	**$**	**4,223**	**$**	**5,487**	**$**	**2,700**	**97%**			

Source: WISE, 2020: Market Economics, 2020

3.7 Table 3.3 shows the structure of the District economy, as at 2020 and projected to 2061. The primary sector – farming and forestry – currently account for the largest share of the economic activity at 22%, ahead of manufacturing (12%), property (10%) and construction (9%).

3.8 By 2061, the primary sector share is projected to decrease to 18%, with manufacturing steady at 12%, along with property and construction. That said, the primary sector will still be the largest in the District, by some margin.

3.9 This information on the structure of the economy is used in Section 4 below to illustrate potential effects of subdivision.

Table 3-3 : Waikato District Economy Structure 2020 and 2061

Sector		2020	2020 %		2061	2061 %
Horticulture & fruit growing	$	62	2%	$	100	2%
Sheep, beef & grain farming	$	123	4%	$	195	4%
Dairy cattle farming	$	220	8%	$	354	6%
Poultry, deer & other livestock	$	44	2%	$	70	1%
Forestry and logging	$	43	2%	$	69	1%
Agriculture, forestry, fishing services	$	119	4%	$	191	3%
Primary	$	616	22%	$	987	18%
Mining	$	207	7%	$	317	6%
Meat and meat product manuf	$	84	3%	$	160	3%
Dairy product manuf	$	77	3%	$	145	3%
Manufacturing	$	341	12%	$	647	12%
Utilities	$	188	7%	$	316	6%
Construction	$	259	9%	$	641	12%
Wholesale	$	64	2%	$	202	4%
Retail	$	61	2%	$	153	3%
Hospitality	$	42	1%	$	95	2%
Transport & Warehouse	$	75	3%	$	148	3%
Information & Telecoms	$	28	1%	$	124	2%
Finance & Insurance	$	36	1%	$	154	3%
Rental & Real Estate	$	280	10%	$	644	12%
Professional & Scientific	$	163	6%	$	279	5%
Admin & Support	$	31	1%	$	65	1%
Public Admin & Safety	$	91	3%	$	151	3%
Education	$	145	5%	$	243	4%
Health & Social	$	89	3%	$	153	3%
Art & Recreation	$	43	2%	$	102	2%
Other Services	$	34	1%	$	66	1%
All Industries	**$**	**2,787**	100%	**$**	**5,487**	100%

Source: WISE, 2020: Market Economics, 2020

3.10 Table 3-4 summarises the outlook for land use at the District level to 2061, again drawing from the WISE modelling. The anticipated changes in rural land use are for a long term increase in lifestyle land (+37%), and increase in forestry cover (+11%). Most of those land use increases would stem from some reduction in dairy farming land (-2%) and a larger decrease in sheep and beef farming (-5%).

Table 3-4 : Waikato District Land Use Outlook to 2061

Waikato District : Current and Projected Land Use 2013-2061									
Sector	2021	2031	2041	2051	2061	2021	2061	2021-61	2021-61 %
Commercial	102	145	201	248	282	102	282	180	176%
Manufacturing	593	685	783	879	955	593	955	362	61%
Medium Density Residential	10	18	27	35	42	10	42	32	320%
Low Density Residential	1,362	1,784	2,150	2,264	2,279	1,362	2,279	917	67%
Total Urban	**2,070**	**2,630**	**3,160**	**3,430**	**3,560**	**2,070**	**3,560**	**1,490**	**72%**
Lifestyle	16,150	18,760	20,290	21,350	22,160	16,150	22,160	6,010	37%
Cropping	6,590	6,760	6,760	6,760	6,830	6,590	6,830	240	4%
Dairy Farming	115,880	114,650	113,700	113,140	113,820	115,880	113,820	- 2,060	-2%
Sheep & Beef Farming	187,280	185,220	184,100	183,340	177,960	187,280	177,960	- 9,320	-5%
Other Agriculture	1,640	1,630	1,610	1,600	2,250	1,640	2,250	610	37%
Lifestyle and Farming	**327,540**	**327,020**	**326,460**	**326,190**	**323,020**	**327,540**	**323,020**	**- 4,520**	**-1%**
Forestry	26,130	26,000	25,890	25,830	29,100	26,130	29,100	2,970	11%
Indigenous Cover	68,960	68,940	68,940	68,930	69,020	68,960	69,020	60	0%
Forestry and Indigenous	**95,090**	**94,940**	**94,830**	**94,760**	**98,120**	**95,090**	**98,120**	**3,030**	**3%**
Total Rural	422,630	421,960	421,290	420,950	421,140	**422,630**	**421,140**	**- 1,490**	**0%**
Total Land Area	**424,700**	**424,590**	**424,450**	**424,380**	**424,700**	**424,700**	**424,700**	-	**0%**

Source: WISE 2020

3.11 This information on the structure of the economy is used in Section 4 below to illustrate potential effects of subdivision.

Population and Households

3.12 The Waikato District population has grown steadily in the 2006-2018 period (latest Census), with a 31% increase over the 12 years, substantially ahead of the national increase (Table 3-5). In the same period, resident household numbers increased by some 5,328, an average annual gain of some 445. The five years to 2018 saw a higher annual gain, around 580 households per year.

Table 3-5 : Waikato District Population and Household Growth 2006-18

	HOUSEHOLDS						POPULATION					
SA2 Area	2006	2013	2018	2006-18	2006-18 Growth %	2006-18 Share %	2006	2013	2018	2006-18	2006-18 Growth %	2006-18 Share %
Aka Aka	900	951	1,047	147	16%	2.8%	2,556	2,637	3,102	546	21%	3.0%
Tuakau Rural	456	516	531	75	16%	1.4%	1,335	1,461	1,581	246	18%	1.4%
Tuakau North	696	903	1,035	339	49%	6.4%	2,013	2,580	3,147	1,134	56%	6.3%
Onewhero	480	534	552	72	15%	1.4%	1,485	1,542	1,605	120	8%	0.7%
Pokeno Rural	441	495	564	123	28%	2.3%	1,263	1,377	1,668	405	32%	2.2%
Tuakau South	513	570	597	84	16%	1.6%	1,596	1,692	1,866	270	17%	1.5%
Port Waikato-Waikaretu	273	294	330	57	21%	1.1%	729	732	783	54	7%	0.3%
Pokeno	174	189	792	618	355%	11.6%	570	600	2,517	1,947	342%	10.8%
Pukekawa	414	450	504	90	22%	1.7%	1,233	1,230	1,476	243	20%	1.3%
Mangatangi	294	321	339	45	15%	0.8%	858	930	1,083	225	26%	1.2%
Maramarua	477	522	582	105	22%	2.0%	1,413	1,479	1,767	354	25%	2.0%
Rangiriri	348	417	477	129	37%	2.4%	1,029	1,836	1,833	804	78%	4.5%
Te Akau	621	660	705	84	14%	1.6%	1,755	1,764	1,968	213	12%	1.2%
Te Kauwhata	366	426	603	237	65%	4.4%	906	1,134	1,617	711	78%	3.9%
Huntly Rural	750	792	822	72	10%	1.4%	2,145	2,100	2,271	126	6%	0.7%
Waerenga	306	306	324	18	6%	0.3%	879	855	915	36	4%	0.2%
Huntly West	897	891	948	51	6%	1.0%	2,904	2,796	3,153	249	9%	1.4%
Huntly East	1,440	1,515	1,659	219	15%	4.1%	3,852	4,053	4,752	900	23%	5.0%
Raglan	1,065	1,134	1,251	186	17%	3.5%	2,628	2,706	3,279	651	25%	3.6%
Whitikahu	570	624	645	75	13%	1.4%	1,794	1,884	1,968	174	10%	1.0%
Te Uku	723	831	915	192	27%	3.6%	2,028	2,283	2,748	720	36%	4.0%
Taupiri-Lake Kainui	597	681	753	156	26%	2.9%	1,752	1,935	2,220	468	27%	2.6%
Ngaruawahia North	426	441	495	69	16%	1.3%	1,398	1,350	1,782	384	27%	2.1%
Ngaruawahia Central	831	837	894	63	8%	1.2%	2,571	2,424	2,886	315	12%	1.7%
Ngaruawahia South	435	516	573	138	32%	2.6%	1,365	1,590	1,953	588	43%	3.3%
Kainui-Gordonton	465	537	549	84	18%	1.6%	1,497	1,629	1,734	237	16%	1.3%
Te Kowhai	531	630	711	180	34%	3.4%	1,509	1,746	2,061	552	37%	3.1%
Whatawhata West	120	147	165	45	38%	0.8%	366	414	504	138	38%	0.8%
Horotiu	174	183	198	24	14%	0.5%	513	498	624	111	22%	0.6%
Horsham Downs	171	216	228	57	33%	1.1%	537	687	714	177	33%	1.0%
Whatawhata East	609	750	870	261	43%	4.9%	1,869	2,214	2,763	894	48%	5.0%
Rotokauri	243	294	318	75	31%	1.4%	741	912	1,017	276	37%	1.5%
Hamilton Park	372	444	504	132	35%	2.5%	1,062	1,329	1,593	531	50%	2.9%
Eureka-Tauwhare	528	642	696	168	32%	3.2%	1,539	1,917	2,142	603	39%	3.3%
Tamahere North	759	1,023	1,299	540	71%	10.1%	2,499	3,177	4,152	1,653	66%	9.2%
Pukemoremore	621	726	759	138	22%	2.6%	1,866	2,097	2,394	528	28%	2.9%
Tamahere South	510	627	678	168	33%	3.2%	1,530	1,785	1,974	444	29%	2.5%
TOTAL	**19,590**	**22,032**	**24,918**	**5,328**	**27%**	**100.0%**	**57,588**	**63,378**	**75,618**	**18,030**	**31%**	**100.0%**
Auckland Environs	1,869	2,037	2,175	306	16%	5.7%	5,487	5,790	6,549	1,062	19%	5.9%
Hamilton Environs	4,566	5,595	6,294	1,728	38%	32.4%	13,908	16,581	19,527	5,619	40%	31.2%
Waikato towns	6,504	7,035	8,448	1,944	30%	36.5%	18,720	19,731	25,710	6,990	37%	38.8%
Rural Northern	1,758	1,902	2,055	297	17%	5.6%	4,995	5,139	5,805	810	16%	4.5%
Rural Western	1,758	1,938	2,079	321	18%	6.0%	5,214	5,448	6,066	852	16%	4.7%
Rural Eastern	2,298	2,550	2,781	483	21%	9.1%	6,867	7,989	8,703	1,836	27%	10.2%
Rural Southern	843	978	1,080	237	28%	4.4%	2,394	2,697	3,252	858	36%	4.8%

Source: StatisticsNZ 2020

3.13 A similar volume of growth is expected into the longer term to 2051, with around 570 more households per annum (Table 3-6).

3.14 Recent growth has not been distributed *pro rata* across the District (Table 3-5). The District's towns have seen a stronger growth rate, notably Pokeno, Tuakau, and Te Kauwhata, although Huntly and Raglan growth lagged behind the average.

3.15 Importantly, the rural areas in the Hamilton environs, and southern and eastern parts grew faster than average, the northern and western areas relatively slowly. Much of the population growth which has occurred in the areas around Hamilton and the southern and eastern rural areas has been in rural lifestyle holdings.

3.16 Growth projections for households and population are not yet available at the SA2 level. Nevertheless, WISE model projections at the old Census Unit level indicate that the strongest growth in demand for lifestyle properties is expected in the southern parts of the District, especially in the Hamilton environs.

Table 3-6 : Waikato District Population and Household Growth Outlook 2018-2061

Projection	2013	2018	2021	2031	2041	2051	2061	2018-2031	2018-2031 %	2018-2051	2018-2051 %
Medium Growth											
Population	66,510	72,820	75,510	88,170	100,050	108,220	115,030	15,350	21%	35,400	49%
Households	23,000	26,500	28,050	34,600	40,090	44,290	47,830	8,100	31%	17,790	67%
Labour Force	37,730	41,310	42,840	52,070	59,700	64,870	68,730	10,760	26%	23,560	57%
Low Growth											
Population	66,510	71,470	73,550	82,740	90,440	94,140	96,060	11,270	16%	22,670	32%
Households	23,000	26,020	27,340	32,600	36,470	38,780	40,230	6,580	25%	12,760	49%
Labour Force	37,730	40,540	41,720	52,070	53,390	59,700	64,870	11,530	28%	19,160	47%

Source: WISE 2020

4 Subdivision Options

4.1 This section examines the routes through which subdivision of Rural zoned land would be enabled under the District Plan, and the likely direct and flow on effects.

4.2 There are two main routes for subdivision of Rural zoned land. One is the general route, where eligibility is based mainly on the size of the parent lot[3], the presence or otherwise of high class soils, and the title date at which the parent lot was created. The other is the conservation lot route, where landowners may qualify for the right to subdivide and create new lots if they covenant and protect SNA areas on their land. Some lots would qualify on both counts, being of sufficient size and containing SNA areas.

Rural Zone

4.3 The Rural zone covers the largest area of Waikato District. In total, 361,606 ha of land is zoned as Rural. There are some 17,665 individual parcels or Records of Title (RoT). Of this total area, land has been excluded which is owned by the Crown, or by Council, by DoC, and major energy or similar entities, or is identified as Maaori land (a total of 66,234 ha and 1,733 RoTs).

4.4 For this assessment, the total area is 294,533 ha in 15,932 RoTs. Council data indicates there are 15,133 properties in the Rural zone, as many of the farming, forestry and other primary production activities occupy more than one RoT. The District Plan provisions apply to RoTs, and not 'properties' as such, and the analysis is based on RoTs as the key units of land (Table 3.1).

4.5 The table also shows key parameters of Rural zoned land in Waikato District, relating to potential to subdivide lots. The mean lot size for Rural zoned land is 18.49 ha, with a substantial share (63%) of lots being small at less than 5 ha (accounting for 14,000 ha, 4.7% of the total), and another 7.6% (8,569 ha, 2.9% of the District) in the 5-10ha range. Some 16.6% are in the 10-40 ha range (19.3% of the total Rural zoned area), with just under three-quarters of the Rural zone (73%) in lots of 40 ha or larger (2,117 lots, or 13% of the District total). This is indicative of the relatively high level of subdivisions already in the District.

4.6 The Rural zone is substantial in terms of land value (an estimated $21.6 Bn) and total capital value of $29.2Bn, according to the information from Council's dataset. The land itself accounts for 74% of total property value, although this varies considerably with lot size – on lots of 10ha or less, land accounts for 59% of total property value, while on larger lots of more than 10ha land is 81% of the value. This pattern is to be expected, with many smaller lots being used as lifestyle properties, with more substantial improvements, especially dwellings, whereas larger lots are predominantly farming or forestry. On the Rural zone there are an estimated 16,267 dwellings, while 12,139 lots or 76% of the total have at least one dwelling.

[3] The assessment is based on Records of Title, which are individual lots or parcels. Some properties, for example a farm operation, may comprise two or more Records of Title. However, the subdivision provisions apply to the land in an individual Record.

Table 4-1 : Rural Zoned Lots – Key Parameters 2020

Parameter	Count or Area
Records of Title	16,679
Gross Area (Ha)	310,815
Mean RoT Size (ha)	18.6
Land Value ($m)	22,941
Improvemt Value ($m)	8,321
Capital Value ($m)	31,038
Mean Land Value ($000/ha)	54
No of Dwellings	17,213
RoTs (1+ Dwgs)	12,729
Lot has LUC land (n)	8,788
LUC Area (ha)	85,657
SNA Not in Eco Area (n)	981
SNA in Eco Area (n)	283
Has Qualifying SNA (n)	1,264
SNA Area (ha)	17,370
Lot is 40+ ha (n)	2,236
Area is 40+ ha (n)	226,880
Area in Designation (ha)	1,213
Aggregate Extract (ha)	522
Hamilton Expansion (ha)	869
Huntly East Subsidence (ha)	39
Potential Exclusions (ha)	2,643
Subdivided Pre-1997	7,551

4.7 The proposed provisions for general subdivision take specific account of lot size, and the presence of high quality soils (LUC 1-3), while provisions for conservation-related subdivision take account of the presence of SNA land, and location inside the Hamilton Basin Ecological Area or outside it:

a. A significant proportion of lots (52.7%) have some high class soils, and this accounts for 27.6% of total Rural zoned area;

b. Some 9.5% of all lots contain some SNA land above the minima – 1.8% or 283 in the Ecological area (min 0.5ha), and 7.7% or 1,2340 lots are outside the Ecological area (min 1.0ha). In total, qualifying SNA area accounts for 5.3% of the total Rural zone;

c. Of the total lots, 2,236 are of 40 ha or larger. These account for 13.4% of all Rural zoned lots, but 73.1% of the total land area.

4.8 Of note, it is likely that the subdivision provisions would not apply to lots with designations (1,213 ha or 0.4% of the total Rural zone area), where aggregate extraction is enabled (522 ha or 0.2% of the total Rural zone area), in the Huntly East subsidence area (39 ha or 0.01% of the total Rural zone area), or in the Hamilton Expansion area (869 ha or 0.3% of the total Rural zone area). These likely exclusions account for only 2,643 ha in total, or 0.9% of the Rural zone.

4.9 Table 4.2 shows selected parameters of Rural zoned land by geographical area (SA2) in the District. There are substantial differences by locality. For ease of reference, the SA2 areas are broadly grouped by location to distinguish areas in the environs of Auckland and Hamilton urban centres, the District's towns, and northern, eastern, western and southern rural areas. While these groupings are approximations, they nonetheless offer a useful categorisation to indicate

broad differences in the nature of farming activity and other business activity, and also the distribution of population and households within the District.

Table 4-2 – Rural Zoned Lots by SA2 (2020)

SA2 Area	Records of Title	Records of Title %	Gross Area (Ha)	Gross Area (Ha) %	Mean RoT Size (ha)	Subdivided Pre-1997	SNA Area (ha)	SNA Area (ha) %	Lot is 40+ ha (n)	Area is 40+ ha (n)	Lot has LUC land (n)	LUC Area (ha)
Aka Aka	1,329	8.0%	14,128	4.5%	11	645	752	4.3%	97	6,622	400	1,812
Tuakau Rural	542	3.2%	3,633	1.2%	7	294	198	1.1%	13	675	440	1,681
Tuakau North	1	0.0%	15	0.0%	15	-	4	0.0%	-	-	1	8
Onewhero	642	3.8%	15,944	5.1%	25	349	610	3.5%	98	12,147	310	2,221
Pokeno Rural	629	3.8%	7,388	2.4%	12	258	1,250	7.2%	51	3,946	140	770
Tuakau South	53	0.3%	45	0.0%	1	49	2	0.0%	-	-	25	25
Port Waikato-Waikaretu	124	0.7%	8,174	2.6%	66	74	1,037	6.0%	40	7,609	24	844
Pokeno	40	0.2%	171	0.1%	4	19	41	0.2%	1	53	23	40
Pukekawa	730	4.4%	11,949	3.8%	16	339	841	4.8%	96	7,824	467	3,268
Mangatangi	413	2.5%	11,740	3.8%	28	210	984	5.7%	85	9,027	302	3,632
Maramarua	675	4.0%	14,588	4.7%	22	281	1,027	5.9%	132	10,574	337	3,302
Rangiriri	485	2.9%	8,771	2.8%	18	165	284	1.6%	61	5,604	261	3,109
Te Akau	1,151	6.9%	59,126	19.0%	51	695	3,572	20.6%	339	52,929	224	3,620
Te Kauwhata	2	0.0%	20	0.0%	10	-	-	0.0%	-	-	-	-
Te Kauwhata West	8	0.0%	178	0.1%	22	3	2	0.0%	1	121	3	2
Huntly Rural	972	5.8%	25,508	8.2%	26	629	1,613	9.3%	203	19,803	274	5,355
Waerenga	608	3.6%	22,866	7.4%	38	328	984	5.7%	172	17,974	354	4,995
Huntly West	15	0.1%	156	0.1%	10	10	5	0.0%	1	44	5	46
Huntly East	135	0.8%	208	0.1%	2	111	7	0.0%	-	-	-	-
Raglan	35	0.2%	70	0.0%	2	15	-	0.0%	1	55	-	-
Whale Bay	331	2.0%	3,494	1.1%	11	137	127	0.7%	22	1,929	23	126
Whitikahu	799	4.8%	23,729	7.6%	30	476	116	0.7%	238	18,180	640	19,484
Te Uku	1,039	6.2%	28,381	9.1%	27	518	2,730	15.7%	201	23,706	215	1,404
Taupiri-Lake Kainui	345	2.1%	3,083	1.0%	9	125	214	1.2%	26	1,628	177	1,583
Ngaruawahia North	23	0.1%	92	0.0%	4	11	-	0.0%	-	-	22	85
Ngaruawahia Central	8	0.0%	10	0.0%	1	7	1	0.0%	-	-	3	4
Ngaruawahia South	8	0.0%	141	0.0%	18	3	10	0.1%	1	104	8	96
Kainui-Gordonton	553	3.3%	8,297	2.7%	15	191	82	0.5%	86	5,786	451	6,613
Te Kowhai	598	3.6%	3,624	1.2%	6	156	96	0.6%	20	1,326	438	2,243
Whatawhata West	239	1.4%	3,856	1.2%	16	81	450	2.6%	27	2,832	160	1,109
Horotiu	66	0.4%	228	0.1%	3	54	5	0.0%	1	119	64	141
Horsham Downs	234	1.4%	1,327	0.4%	6	81	1	0.0%	9	533	153	675
Whatawhata East	599	3.6%	3,485	1.1%	6	175	61	0.4%	15	950	359	1,870
Rotokauri	244	1.5%	1,415	0.5%	6	99	0	0.0%	10	661	70	585
Hamilton Park	577	3.5%	4,400	1.4%	8	209	34	0.2%	31	2,273	500	3,115
Eureka-Tauwhare	676	4.1%	12,113	3.9%	18	244	13	0.1%	121	9,197	428	6,672
Tamahere North	232	1.4%	632	0.2%	3	64	48	0.3%	-	-	198	408
Pukemoremore	762	4.6%	3,679	1.2%	5	252	31	0.2%	18	1,157	618	2,018
Tamahere South	731	4.4%	3,420	1.1%	5	185	103	0.6%	14	805	669	2,694
Not Specified	26	*0.2%*	729	*0.2%*	28	9	37	*0.2%*	5	685	2	1
TOTAL	**16,679**	**100.0%**	**310,815**	**100.0%**	**19**	**7,551**	**17,370**	**100.0%**	**2,236**	**226,880**	**8,788**	**85,657**
Auckland Environs	1,924	11.5%	17,806	5.7%	9	988	951	5.5%	110	7,298	865	3,518
Hamilton Environs	4,962	29.7%	40,977	13.2%	8	1,557	470	2.7%	314	22,028	3,814	26,308
Waikato towns	333	2.0%	1,112	0.4%	3	230	73	0.4%	5	375	126	421
Rural Northern	2,138	12.8%	52,810	17.0%	25	1,171	4,883	28.1%	379	40,385	740	10,601
Rural Western	2,767	16.6%	88,434	28.5%	32	1,482	5,023	28.9%	543	73,561	1,071	9,694
Rural Eastern	2,920	17.5%	73,215	23.6%	25	1,378	2,627	15.1%	630	54,081	1,772	32,475
Rural Southern	1,609	9.6%	35,732	11.5%	22	736	3,306	19.0%	250	28,467	398	2,639

ME Waikato Land Use Model 2020

4.10 Unsurprisingly, the urban environs and towns account for a relatively small share of the total Rural zoned land (19.3%) but a much higher proportion (43.3%) of lots. Mean plot size is substantially smaller in areas closer to cities and towns, reflecting the relative concentration of country living properties there, as well as the relatively high incidence of high quality soils, where

farms have been sustainable on smaller lot sizes. Of note, in the Hamilton Environs a high share of all lots have LUC 1-3 (77% of all lots), and the area accounts for some 43% of the District's total lots with LUC.

4.11 The Rural localities, characterised by larger average lot sizes, account for some 81% of the lots with potential to subdivided according to the general (size-based) rules, and represent 87% of the land area in lots of 40ha or larger. In similar vein, the Rural localities account for over 91% of the total area in SNAs.

4.12 The Rural zone also accommodates a significant share of the District population, with 51.2% of lots in the Rural zone indicated as being in 'Lifestyle' use, and occupying 21.6% of the total land area in the zone. This is examined further below.

Exclusions

4.13 For this assessment, lots with any of four factors have been excluded:

a. 847 lots with designations, with 1,213 ha of Rural zoned land;

b. 49 lots where aggregate extraction is enabled, occupying 522 ha of Rural zoned land;

c. 49 lots affected by Huntly East subsidence provisions, occupying 39 ha of Rural zoned land;

d. 215 lots in the Hamilton expansion area, occupying 869 ha of Rural zoned land;

e. In total, 1,160 lots would be excluded.

4.14 In addition, all lots created after December 6 1997 are also excluded. The initial sweep showed 7,551 lots eligible by date, of the total 16,679 lots. That means 9,128 lots are excluded by date of creation.

4.15 In combination, the exclusions by date of creation, and for the four factors, means that 9,727 lots are excluded, and 6,952 lots potentially eligible for subdivision.

General Subdivision

4.16 The general route to subdivision in the Rural zone is based on parcel size, and the presence or otherwise of high class soils, with some lots excluded in part or in whole as described above.

Provisions

4.17 The recommended provisions for general subdivision of Rural lots are as follows:

a. The parent lot must be 40 ha or larger;

b. A maximum of one new lot may be created;

c. The maximum parcel size is 1.6ha for a new lot, and the minimum size is 0.8 ha;

d. If there is high class soil LUC 1-3 land on the parent parcel, a maximum of 20% of that land may be contained within the new lot.

General Subdivision Outcomes

4.18 Applying these rules on a lot basis to the 6,952 lots potentially eligible for subdivision shows the following outcomes. For the assessment, the minimum lot size (0.8ha) and the maximum lot size (1.6ha) have been used to show the range of outcomes. These are summarised in Table 4.3.

a. In total, there would be 1,147 lots eligible to subdivide;

b. Based on the 1 lot maximum, this would result in creation of 1,147 new lots;

c. The total area of new lots would be 918 ha (at 0.8ha per lot) to 1,835 ha (at 1.6ha per lot);

d. Of the 1,147 new lots:

i. 497 lots (398-795 ha) could be created from parent lots containing no LUC land;

ii. 486 lots (at 0.8ha) or 481 lots (at 1.6ha) occupying 389 to 770 ha respectively could be created from parent lots containing LUC land, but with the new lots able to be created without affecting the LUC land. This assumes that non-LUC land would be subdivided as the priority. If the average new lot size is 1.6ha, then 5 fewer parent lots would achieve this;

iii. 164 (at 0.8ha) or 169 lots (at 1.6ha) lots occupying 131 ha and 270 ha respectively could be created from parent lots containing LUC land. Creating the new lot would directly affect some of the LUC land, but the new lot would not occupy more than 20% of the LUC area in the parent lot. 5 more parent lots would fall into this category if the new lot size is 1.6ha.

e. The average size of parent lots before subdivision would be 105.1 ha, and this would decrease to 104.3 ha (at a 0.8ha new lot) or 103.5ha (at a 1.6ha new lot).

4.19 The new subdivision provisions would apply across a range of land uses in the District, with most of the parent lots currently engaged in pastoral farming.

Table 4-3 – General Subdivision Outcomes

	Minimum 40ha and Max 1 New Lot @ 0.8 ha	Minimum 40ha and Max 1 New Lot @ 1.6 ha
	Exclusions Apply	Exclusions Apply
Total Rural Records of Title	16,679	16,679
RoT Created before:	6/12/1997	6/12/1997
RoTs eligible by Date (n)	6,952	6,952
Minimum Lot Size (ha)	40	40
Maximum New Lots per RoT	1	1
Maximum New Lot Size (ha)	1.60	1.60
Minimum New Lot Size (ha)	0.80	0.80
Mean New Lot Size (ha)	0.80	1.60
Max % of LUC in New Lot	20%	20%
Min % of LUC left in Parent	80%	80%
Potential for New lots		
Total New Lots (n)	1,147	1,147
Total New Lots (ha)	918	1,835
New Lots No LUC (n)	497	497
New Lots No LUC (ha)	398	795
New Lots on LUC - LUC Not Affected (n)	486	481
New Lots on LUC - LUC Not Affected (ha)	389	770
New Lots on LUC - LUC is Affected (n)	164	169
New Lots on LUC - LUC is Affected (ha)	131	270

Conservation Subdivision

4.20 The conservation route to subdivision in the Rural zone is based on the presence of SNA areas, which are mapped areas according to the Waikato Regional Council information. The exclusions identified above also apply to lots with conservation potential.

Provisions

4.21 The recommended provisions for conservation subdivision of Rural lots are as follows:

In the Hamilton Ecological Basin Area:

a. The parent lot must have an SNA area of at least 0.5 ha in the Recommendations version;

b. One new lot may be created from the parent lot;

c. The maximum parcel size is 1.6ha for new lot, and the minimum size is 0.8 ha;

Outside the Hamilton Ecological Basin Area:

a. The parent lot must have an SNA area of at least 2.0 ha in the Recommendations version;

b. One new lot may be created from the parent lot if the SNA area protected is 2ha to 5ha;

c. Two new lots may be created if the SNA area protected is 5ha to 10ha;

d. Three new lots may be created if the SNA area protected is more than 10ha;

e. The maximum parcel size is 1.6ha for a new lot, and the minimum size is 0.8 ha.

Conservation Subdivision Outcomes

4.22 Applying these rules on a lot basis, and applying the minimum and maximum sizes for new lots for newly created lots, the potential outcomes would be as follows (Table 4.4):

In the Hamilton Ecological Basin Area:

a. In total, there would be 283 lots eligible to subdivide;

b. Based on the 1 lot maximum, this could result in creation of 283 new lots;

c. The total area of new lots would be 226 ha (at 0.8 ha) to 453 ha (at 1.6 ha);

d. The total area of SNA protected would be 1,872 ha, on the basis that all SNA land on a qualifying lot would be protected.

Outside the Hamilton Ecological Basin Area:

a. In total, there would be 981 lots eligible to subdivide;

b. This could result in creation of 1,924 new lots;

c. The total area of new lots would be 1,539 ha (at 0.8 ha) to 3,078 ha (at 1.6 ha);

d. The total area of SNA protected is estimated at 14,605 ha, again on the basis that all SNA land on a qualifying lot would be protected.

In total:

a. In total, there would be 1,264 lots eligible to subdivide;

b. This could result in creation of 2,207 new lots;

c. The total area of new lots would be 1,766 ha (at 0.8 ha) to 3,531 ha (at 1.6 ha);

d. The total area of SNA protected is estimated at 16,477 ha.

4.23 The conservation subdivision would also apply across a range of current land uses in the District, including pastoral farming, although there would also be considerable effect on lots identified as in lifestyle uses.

Table 4-4 – Conservation Subdivision of Rural Zoned Lots

	Outcomes at 0.8 ha Mean Lot Size	Outcomes at 1.6 ha Mean Lot Size
Inside Hamilton Basin Eco Area		
Parent Lots Affected	283	283
New Lots Created	283	283
Area of New Lots (ha)	226	453
Area Protected (ha)	*1,872*	*1,872*
Outside Hamilton Basin Eco Area		
Parent Lots Affected	981	981
New Lots Created	1,924	1,924
Area of New Lots (ha)	1,539	3,078
Area Protected (ha)	*14,605*	*14,605*
Total Conservation Lots		
Parent Lots Affected	1,264	1,264
New Lots Created	2,207	2,207
Area of New Lots (ha)	1,766	3,531
Area Protected (ha)	*16,477*	*16,477*

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General and Conservation Subdivision

4.24 The outcomes from both general and conservation subdivision provisions combined are shown in Table 4.5. The combined effects from 1,264 parent lots from conservation-based subdivision, and general subdivision on 1,147 parent lots would see up to 3,354 new lots created, totalling 2,683 ha (at 0.8 ha) to 5,366 ha (at 1.6 ha per lot). Overall, 66% of the new lots created, and 66% of the total area subdivided off, would arise through the conservation route.

4.25 Note that there is some overlap of parcels, where some 331 lots would have opportunity for new lots to be subdivided off through both the conservation and the general subdivision routes. For the assessment of potential, it is assumed in these cases that both routes could be followed.

4.26 That said, over half of the new lots would potentially come from lots with 10ha or more of SNA. For lots qualifying for 1 new title, the requirement would be to protect about 3.2 ha of SNA. For lots qualifying for 2 new titles, the requirement would be around 3.4 ha of SNA. For lots qualifying for 3 new titles, the requirement would be higher, to protect around 10.8 of SNA for each. On that basis, the economics of subdividing and protecting SNA would be likely less attractive for parent lots with larger areas of SNA.

Table 4-5 – General and Conservation Subdivision of Rural Zoned Lots

	Mean New Lot Size 0.8 ha			Mean New Lot Size 1.6 ha		
	Parent Lots Affected	New Lots Created	Area of New Lots (ha)	Parent Lots Affected	New Lots Created	Area of New Lots (ha)
Conservation Lots in Hamilton ECA	283	283	226	283	283	453
Conservation Lots Outside Hamilton ECA	981	1,924	1,539	981	1,924	3,078
Total Conservation Lots	1,264	2,207	1,766	1,264	2,207	3,531
General Lot non-LUC	497	497	398	497	497	795
General Lot with LUC Not Affected	486	486	389	481	481	770
General Lot with LUC Affected	164	164	131	169	169	270
Total General	1,147	1,147	918	1,147	1,147	1,835
Total (Parents counted only once)	**2,080**	**3,354**	**2,683**	**2,080**	**3,354**	**5,366**
Parent Lots Qualify on Size and Conservation	331	1,034	827	331	1,034	1,654
Conservation Lots in Hamilton ECA	14%	8%	8%	14%	8%	8%
Conservation Lots Outside Hamilton ECA	47%	57%	57%	47%	57%	57%
Total Conservation Lots	61%	66%	66%	61%	66%	66%
General Lot non-LUC	24%	15%	15%	24%	15%	15%
General Lot with LUC Not Affected	23%	14%	14%	23%	14%	14%
General Lot with LUC Affected	8%	5%	5%	8%	5%	5%
Total General	55%	34%	34%	55%	34%	34%
Total (Parents counted only once)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Parent Lots Qualify on Size and Conservation	16%	31%	31%	16%	31%	31%

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5 Effects on Rural Land Use

5.1 The direct implication of subdivision to produce new small lots is that the land use will most likely change from a productive use. In Waikato District, the most likely outcome is that the new lots would be purchased for rural residential lifestyle living, with construction of a dwelling. Commonly, where lots are subdivided off from a producing farm unit, the current land use changes, and is not replaced by livestock raising or similar activity.

5.2 On that basis, the subdivided land is effectively lost to the previous land use. In an economy such as Waikato District's, that loss of producing land is a very significant matter, as it would generally reduce the primary sector output, and have direct flow-on effect on industries which process farm output, especially dairy product manufacture drawing from dairy farms, and meat and wool processing of output from beef and sheep farming.

Land use effects of general subdivision

5.3 It is useful to understand the implications for current land uses general and conservation subdivision separately. The general subdivision route could see impacts subdivision occurring on:

a. 458 dairy farming lots, with 361 ha to 733 ha going to the new lots. The mean size of the dairying lots would be 75.1 ha prior to subdivision, with the remaining lots at 73.5 ha to 74.3 ha after subdivision;

b. 478 sheep and beef (472) or specialist livestock (6) lots, dairy farming lots, with 383 ha to 765 ha going to the new lots. The mean size of these lots would be 131.6 ha prior to subdivision, decreasing to 130.8 ha to 130.0 ha after subdivision;

c. 48 lots used for other farming with 39 ha to 77 ha going to the new lots. The mean size of these lots would be 123.0 ha prior to subdivision, decreasing to 122.2 ha to 121.4 ha after subdivision;

d. 30 lots used for forestry with 24 ha to 48 ha going to the new lots. The mean size of these lots would be 145.6 ha prior to subdivision, decreasing to 144.8 ha to 144.0 ha after subdivision;

e. 6 lots used for horticulture with 5 ha to 10 ha going to the new lots. The mean size of these lots would be 49.0 ha prior to subdivision, decreasing to 48.2 to 47.4 ha after subdivision;

5.4 Of note, there are 94 lots able to be subdivided shown as currently lifestyle properties, with a mean size of 86.2 ha currently, and accounting for 8,098 ha in total. This is a large mean size for genuine lifestyle lots, and it may be that a number of these lots are being used for primary production, rather than as lifestyle properties. In total across the District, there are 392 lots of 40 ha or larger listed at lifestyle use, accounting for and 32,305 ha.

Land use effects of conservation subdivision

5.5 Conservation subdivision could affect both pastoral farming and lifestyle blocks. Most of the potential parent lots are engaged in pastoral farming, with the main effects from subdivision as follows:

a. 199 dairy farming lots affected, with 317 conservation lots, and 254 ha to 508 ha going to the new lots. The dairy lot mean size is 71.1 ha currently, and potentially to 69.8 ha or 68.5 ha after subdivision;

b. 468 sheep and beef (462) or specialist livestock (6) lots affected, yielding 932 new lots, with 746 ha to 1,492 ha going to those new lots. The pastoral lot mean size is 119 ha currently, and potentially to 117.4 ha or 115.8 ha after subdivision;

c. 99 lots currently in other farming affected, yielding 170 new lots, with 136 ha to 272 ha going to those new lots. The other farming lot mean size is 60.7 ha currently, and potentially to 59.3 ha or 57.9 ha after subdivision;

d. 17 lots currently in horticulture use affected, yielding 18 new lots, with 14 ha to 28 ha going to new lots. The horticulture lot mean size is 37.5 ha currently, and potentially to 36.7 ha or 35.9 ha after subdivision;

e. 36 lots currently in forestry use affected, yielding 90 new lots, with 72 ha to 144 ha going to new lots. The forestry lot mean size is 120.2 ha currently, and potentially to 118.2 ha or 116.2 ha after subdivision;

5.6 There are 394 lots with potential for conservation subdivision which are shown as currently lifestyle properties, with a mean size of 39.7 ha currently, and accounting for 15,635 ha in total. This again shows a substantial number of relatively large lots identified as in lifestyle use.

Total Land use effects from subdivision

5.7 Table 5.1 summarises the indicated change possible for each type of rural activity. It shows the numbers of lots potentially affected by each subdivision route, the current area of those lots, in total and as a share of the total area of Rural zoned land in the District, and then the numbers of new lots potentially created. The total area of the 2,080 lots where subdivision could occur is estimated at 171,309 ha, or some 55% of the total Rural zoned area.

Table 5-1 – Potential Effects on Rural Land Use - 1

	Lots Affected				Area of Lots Affected					New Lots Created			
Land Use	General	In Ham ECA	Outside Ham ECA	Total	General	In Ham ECA	Outside Ham ECA	Total	*Share % of WDC Area*	General	In Ham ECA	Outside Ham ECA	Total
Horticulture	6	-	17	21	288	-	583	871	*24%*	6	-	18	24
Dairying	458	66	133	599	32,938	3,784	7,724	44,447	*52%*	458	66	251	775
Specialist Livestock	6	1	5	12	388	12	219	620	*22%*	6	1	9	16
Pastoral	472	22	440	742	58,618	3,344	44,631	106,593	*97%*	472	22	910	1,404
Other	48	19	80	125	5,434	725	4,083	10,243	*78%*	48	19	151	218
Forestry	30	-	36	50	3,806	-	2,999	6,805	*91%*	30	-	90	120
Mining	4	1	4	7	431	28	307	767	*65%*	4	1	8	13
Lifestyle	94	169	225	461	7,538	3,359	9,542	20,439	*32%*	94	169	405	668
All Other	29	5	41	63	3,518	48	3,178	6,743	*98%*	29	5	82	116
Total	1,147	283	981	2,080	112,959	11,301	73,267	197,527	*67%*	1,147	283	1,924	3,354

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5.8 Table 5.2 shows the extent of the potential change. The 3,354 total additional lots which may be created would occupy 2,683 ha to 5,366 ha. That represents 1.6% to 3.1% of the total area of those lots where subdivision would be possible, and 0.9% to 1.7% of the total Rural zone.

Table 5-2 – Potential Effects on Rural Land Use - 2

Land Use	Area of New Lots @ 0.8 ha				Area of New Lots @ 1.6 ha				Share % Existing		Share % WDC	
	General	In Ham ECA	Outside Ham ECA	Total	General	In Ham ECA	Outside Ham ECA	Total	Share @ 0.8ha	Share @ 1.6 ha	Share @ 0.8ha	Share @ 1.6 ha
Horticulture	5	-	14	19	10	-	29	38	2.2%	4.4%	0.5%	1.1%
Dairying	366	53	201	620	733	106	402	1,240	1.4%	2.8%	0.7%	1.5%
Specialist Livestock	5	1	7	13	10	2	14	26	2.1%	4.1%	0.5%	0.9%
Pastoral	378	18	728	1,123	755	35	1,456	2,246	1.1%	2.1%	1.0%	2.1%
Other	38	15	121	174	77	30	242	349	1.7%	3.4%	1.3%	2.7%
Forestry	24	-	72	96	48	-	144	192	1.4%	2.8%	1.3%	2.6%
Mining	3	1	6	10	6	2	13	21	1.4%	2.7%	0.9%	1.8%
Lifestyle	75	135	324	534	150	270	648	1,069	2.6%	5.2%	0.8%	1.7%
All Other	23	4	66	93	46	8	131	186	1.4%	2.8%	1.3%	2.7%
Total	918	226	1,539	2,683	1,835	453	3,078	5,366	1.4%	2.7%	0.9%	1.8%

ME Waikato Land Use Model 2020

Potential effects on primary sector output from subdivision

5.9 In percentage terms, the impact on existing primary production in the District is relatively small. Nevertheless, the effects are significant in terms of economic implications.

5.10 To examine this, we have considered the total value added[4] of each primary sector activity, and calculated the foregone production in those activities according to the % share of their land area which would be go to new lots. It is assumed, based on research across New Zealand, that the land taken up by new lots would no longer be used for primary production. It is also assumed that the reduction in farm output would not occur pro rata, and that farm management would offset about one-tenth of the loss of land area. Allowance has been made for ongoing growth in primary output in each sector, based on the WISE economic model5. It has also been assumed that the subdivision would occur over about 15 years, completed by 2035.

5.11 On this basis, the potential foregone primary sector value added has been calculated in undiscounted and present value terms (at a 6% discount rate) over the next 30 years to 2050, to apply a long term horizon. The results are summarised in Table 5.3. The analysis shows:

a. Primary sector activities directly affected by Rural subdivision represent 22% of the District economy (as at 2020), including dairy farming 8% and sheep and beef farming 4%;

b. The overall effect of subdivision would be a reduction in value added of -$138m to -$276m in undiscounted terms;

c. In present value terms, this would equate to -$51m to -$102m;

d. The foregone contribution to the District economy would include -$15m to -$31m from dairy farming, -$12m to -$24m from sheep and beef, and -$6m to -$11m for other farming.

[4] As noted at 2.26 above, approximating contribution to GDP

[5] Waikato Regional Council, 2020

Table 5-3 – Effects on Primary Sector Value Added

Sector	Value Added ($m pa) 2020	Value Added ($m pa) 2061	Area Lost % @0.8 ha	Area Lost % @1.6 ha	Value Added ($m) @0.8 ha	Value Added ($m) @1.6 ha	Value Added PV ($m) @0.8 ha	Value Added PV ($m) @1.6 ha
Horticulture & fruit growing	$ 62	$ 100	0.5%	1.1%	-$ 9	-$ 17	-$ 3	-$ 6
Sheep, beef & grain farming	$ 123	$ 195	1.0%	2.1%	-$ 32	-$ 65	-$ 12	-$ 24
Dairy cattle farming	$ 220	$ 354	0.7%	1.5%	-$ 42	-$ 84	-$ 15	-$ 31
Poultry, deer & other livestock	$ 44	$ 70	1.3%	2.7%	-$ 15	-$ 30	-$ 6	-$ 11
Forestry and logging	$ 43	$ 69	1.3%	2.6%	-$ 14	-$ 29	-$ 5	-$ 11
Agriculture, forestry, fishing services	$ 119	$ 191	0.9%	1.8%	-$ 25	-$ 51	-$ 9	-$ 19
Total Primary Production	**$ 611**	**$ 979**			**-$ 138**	**-$ 276**	**-$ 51**	**-$ 102**
Other Sectors	$ 2,681	$ 5,317						
Total Waikato District Economy	**$ 3,292**	**$ 6,296**						

Source: ME Waikato District Economy Model 2020

5.12 The reduction in primary production would also have flow on effects for the economy in terms of reduced throughput in primary processing activities, such that the overall effect would be around 20% higher than the direct effect6. This is because much of the primary output from the District is processed in plants which are located outside of the District and so are not counted in economic assessment. To Illustrate, over 90% of the indirect and induced economic effect of Waikato District dairy farming accrues to other council areas where processing and servicing activities are located. That economic structure emphasises the importance of direct primary production activity within Waikato District.

5.13 On that basis, we conclude that the potential economic impacts of land subdivision reducing the area of primary production land are significant to the Waikato district economy.

Potential Gains to Rural Landowners

5.14 However, it is important to recognise that subdivision of lots has positive as well as negative effects on the economy. A significant benefit is the potential for capital gain to Rural zone landowners, who would be able to sell off smaller lots, most probably to rural lifestylers, at prices which are higher than the value of the land if it remained in a larger lot and were used for primary production.

5.15 The potential for gain will vary considerably among locations, and among parent lots. Accordingly, it is important to emphasise that the assessment here is indicative. The estimate is based on the difference in land value observed from the Council dataset, which shows that the value per ha of small lots is considerably higher than the average value, primarily on the basis that smaller lots can have a dwelling built on them without the need to purchase a large land holding, and especially without the need to subsequently maintain a large land holding. The method is straightforward:

a. The value of a new lot of 0.8ha or 1.6ha is estimated according to the current land value of lots in the size range in each SA2 area of the District.

b. The effective 'cost' to the current landowner of the land subdivided is estimated according to average value $/ha of that parent lot;

[6] Note that the economy models

c. The cost of subdivision, including surveying and legal costs, is estimated at a flat rate per new lot created, drawing from estimates presented in evidence at the Auckland hearing on Rural Subdivision which indicated around $45,000 per lot. It is emphasised that this cost is indicative only. However, in my view it is important to have at least a 'ball-park' figure to help understand the dimensions of rural subdivision. The cost of sale has also been included at 6% of the estimated gross value of the new lot.

d. The net return to the current landowner is then the potential value of the new lot, less the costs of subdivision and sale, and less the value of the lot in its current (farming) use.

e. For the conservation lots, information on the costs of vegetating, fencing and pest-protection per ha was again drawn from the Auckland hearing, in the order of $25,000 per ha.

5.16 Table 5.4 provides an overview of the potential for capital gain from subdivision. The general subdivision route indicates a general potential for positive gain, in excess of $170,000 per lot created, based on current small lot values and indicative costs. In Present Value terms, assuming the creation of lots occurred evenly over the 15 years to 2035, the estimated net return would be $133m to $141m.

5.17 However, the information on conservation lots shows a less attractive picture for existing landowners. While the gross value of new lots is similar to those following the general route, the costs of SNA protection are potentially considerably higher. In Present Value terms, the estimated net return would be approximately $42m.

5.18 I note that there is almost certainly considerable variation among parent lots, as some have large areas of SNA land to protect, while the maximum of 3 new lots puts a cap on the return able to be generated. I note also that this assessment would benefit from Waikato-specific information on the costs of subdivision (for the general route) and the costs of protection (for the conservation route), in order to provide closer estimates.

Table 5-4 – Potential Value Gain from Rural Subdivision

	General Subdivision		Conservation Subdivision	
	New Lots @ 0.8 ha	New Lots @ 1.6 ha	New Lots @ 0.8 ha	New Lots @ 1.6 ha
New Lots Created	1,147	1,147	2,207	2,207
Land Area of New Lots (ha)	918	1,835	1,766	3,531
Current Land Value ($m)	$ 63	$ 125	$ 93	$ 186
Current LV per Lot ($000)	$ 55	$ 109	$ 42	$ 84
Gross Value New Lots ($m)	$ 345	$ 399	$ 709	$ 809
Estimated Costs New Lots ($m)	$ 73	$ 76	$ 553	$ 559
Net return per Lot ($000)	$ 183	$ 173	$ 29	$ 29
Total Net Return New Lots ($m)	$ 210	$ 198	$ 63	$ 63
Total Net Return New Lots ($m PV)	$ 141	$ 133	$ 42	$ 42

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Effects on the Rural Community

5.19 The scale of subdivision has a direct consequence for the size and geographic distribution of the Waikato rural population, since most of the new lots are expected to be taken up as countryside living or lifestyle holdings.

5.20 This would be a continuation of the trend over the last three decades which has seen significant growth in the number of lifestyle holdings. Corelogic data indicates that lifestyle properties accounted for more than half of all the increase in residential properties in Waikato District between 1995 and 2015.

Total Rural Lifestyle Potential

5.21 It is important to understand the potential creation of new small lots from Rural zoned land in the context of total potential for rural lifestyle living in Waikato District:

a. General subdivision in the Rural zone would yield 1,147 lots

b. Conservation subdivision in the Rural zone could yield 2,207 lots

c. There are an existing 1,959 lots of less than 10 ha in the Rural Zone without a dwelling, and another 465 lots whose dwelling status is unknown. Other characteristics of these 2,424 lots which will affect their suitability or otherwise for take-up as lifestyle lots are not known. However, a proportion of these lots will have potential for lifestyle take-up.

d. Assuming one-third of such existing lots have potential for take-up, under the recommended provisions there would be potential availability of 4,160 lots for rural lifestyle take-up, in the Rural zone.

5.22 In addition, there is potential for rural or semi-rural lifestyle living in the Country Living zone, the Village Zone, and the Village 1000 zone:

a. The Country Living zone has 2,463 existing lots on 2,712 ha. Under the Plan provisions, there is potential to subdivide and create a further 1,780 lots in this zone[7].

b. The Village zone has 1,239 existing lots on 370 ha. Under the Plan provisions, there is potential to subdivide and create a further 406 lots in this zone.

c. The Village 1000 zone has 134 existing lots on 341 ha. Under the Plan provisions, there is potential to subdivide and create a further 2,261 lots in this zone.

d. Across these three zones in total, there is indicated potential for a further 4,447 lots for lifestyle living.

5.23 Together, the Rural, Country Living, Village and Village 1000 zones have indicated potential for around 8,600 lots to be created to enable rural or semi-rural lifestyle living opportunities.

5.24 To place this potential capacity in context, the most recent medium projections from WRC's WISE modelling indicate a further 17,000 households in Waikato District by 2051, and 20,500 by 2061. On that basis, the potential capacity for some 8,600 rural or semi-rural lifestyle lots would cater for over half of the District's total household growth over the next 30 years.

Rural Lifestyle distribution within Waikato District

5.25 The current geography of lifestyle lots is shown in Table 5.5. That portrays Rural zoned lots which are indicated as having lifestyle as the land use, together with Country Living zoned lots, and

[7] There are 387 existing lots which show no dwelling yet, however that is not counted as additional potential.

Village zoned lots. The numbers without and with dwellings are relevant indicators, as use as a lifestyle property depends on the presence of a dwelling in most cases. That said, the creation of a small lot commonly precedes its eventual uptake for lifestyle living, so that the total number of lots is considered the strongest indicator of current and likely future incidence of occupied lifestyle lots, and the presence of households occupying them.

Table 5-5 – Rural Lifestyle Zoning within Waikato District 2020

SA2 Area	Rural Zone Lifestyle Lots	Country Living Lots	Village Lots	Village 1000 Lots	Total
Aka Aka	760	-	27	-	787
Tuakau Rural	338	-	-	34	372
Tuakau North	-	-	-	65	65
Onewhero	275	-	58	-	333
Pokeno Rural	343	-	49	13	405
Tuakau South	23	-	-	-	23
Port Waikato-Waikaretu	15	-	443	-	458
Pokeno	24	-	197	-	221
Pukekawa	345	-	19	-	364
Mangatangi	125	-	22	-	147
Maramarua	273	-	11	-	284
Rangiriri	228	1	-	-	229
Te Akau	318	13	136	-	467
Te Kauwhata	-	1	-	-	1
Te Kauwhata West	3	195	-	-	198
Huntly Rural	285	62	225	-	572
Waerenga	170	-	5	-	175
Huntly West	3	-	-	-	3
Huntly East	47	20	-	-	67
Raglan	15	-	-	-	15
Whale Bay	180	35	-	-	215
Whitikahu	236	3	24	-	263
Te Uku	487	-	-	-	487
Taupiri-Lake Kainui	212	163	-	-	375
Ngaruawahia North	23	56	-	-	79
Ngaruawahia Central	2	16	-	-	18
Ngaruawahia South	6	87	-	-	93
Kainui-Gordonton	294	3	-	-	297
Te Kowhai	446	40	-	22	508
Whatawhata West	135	-	-	-	135
Horotiu	33	8	-	-	41
Horsham Downs	150	70	-	-	220
Whatawhata East	449	308	-	-	757
Rotokauri	168	102	-	-	270
Hamilton Park	402	1	-	-	403
Eureka-Tauwhare	335	123	-	-	458
Tamahere North	208	1,099	23	-	1,330
Pukemoremore	578	-	-	-	578
Tamahere South	600	57	-	-	657
Not Specified	6	-	-	-	6
TOTAL	**8,540**	**2,463**	**1,239**	**134**	**12,376**
Auckland Environs	1,121	-	27	34	1,182
Hamilton Environs	3,462	1,701	23	22	5,208
Waikato towns	153	188	197	65	603
Rural Northern	768	62	739	13	1,582
Rural Western	1,106	115	213	-	1,434
Rural Eastern	1,122	362	40	-	1,524
Rural Southern	802	35	-	-	837

5.26 In total, there are currently 12,375 lots with the Rural zoned capacity relatively widely spread across the District, whereas the Country Living and Village zoned capacity is more grouped in the Auckland and Hamilton environs, and nearer to the District's towns.

5.27 Table 5.6 shows the geographic distribution of the potential for further expansion of the rural lifestyle activity. This covers the new lots which could be created under the general and conservation lot routes, together with one-third of those existing Rural Zone lots of 10 ha or less which do not have a dwelling. The total capacity for just over 8,600 lifestyle opportunities is made up of the potential for further subdivision of the Country Living and Village zoned lots.

Table 5-6 – Rural Lifestyle Potential Capacity within Waikato District 2020

SA2 Area	General Subdivision Lots	Conservation Lots	Small Rural Lots No Dwelling	**Rural Zone**	Additional Lots Country Living	Additional Lots Village	Additional Lots Village 1000	Total	Total %
Aka Aka	26	126	54	206	-	2	-	208	2.4%
Tuakau Rural	4	32	22	58	-	-	856	914	10.6%
Tuakau North	-	1	-	1	-	-	311	312	3.6%
Onewhero	49	76	28	153	-	60	-	213	2.5%
Pokeno Rural	13	129	35	177	-	15	132	324	3.8%
Tuakau South	-	-	6	6	-	-	-	6	0.1%
Port Waikato-Waikaretu	26	79	6	111	-	4	-	115	1.3%
Pokeno	-	5	3	8	-	287	-	295	3.4%
Pukekawa	36	132	37	205	-	21	-	226	2.6%
Mangatangi	40	88	14	142	-	5	-	147	1.7%
Maramarua	69	176	34	279	-	-	-	279	3.2%
Rangiriri	29	60	31	120	-	-	-	120	1.4%
Te Akau	208	432	47	687	50	12	-	749	8.7%
Te Kauwhata	-	-	-	-	-	-	-	-	0.0%
Te Kauwhata West	-	-	1	1	200	-	-	201	2.3%
Huntly Rural	126	140	48	314	168	-	-	482	5.6%
Waerenga	99	123	20	242	-	-	-	242	2.8%
Huntly West	-	1	2	3	-	-	-	3	0.0%
Huntly East	-	1	17	18	90	-	-	108	1.3%
Raglan	-	-	-	-	-	-	-	-	0.0%
Whale Bay	9	23	26	58	15	-	-	73	0.8%
Whitikahu	160	22	27	209	-	-	-	209	2.4%
Te Uku	117	285	66	468	-	-	-	468	5.4%
Taupiri-Lake Kainui	5	31	20	56	402	-	-	458	5.3%
Ngaruawahia North	-	-	1	1	57	-	-	58	0.7%
Ngaruawahia Central	-	-	2	2	50	-	-	52	0.6%
Ngaruawahia South	-	1	-	1	96	-	-	97	1.1%
Kainui-Gordonton	33	29	24	86	4	-	-	90	1.0%
Te Kowhai	7	43	28	78	31	-	962	1,071	12.4%
Whatawhata West	11	27	16	54	-	-	-	54	0.6%
Horotiu	-	2	8	10	6	-	-	16	0.2%
Horsham Downs	-	1	17	18	5	-	-	23	0.3%
Whatawhata East	8	31	26	65	125	-	-	190	2.2%
Rotokauri	4	-	11	15	20	-	-	35	0.4%
Hamilton Park	14	14	28	56	3	-	-	59	0.7%
Eureka-Tauwhare	45	3	21	69	37	-	-	106	1.2%
Tamahere North	-	23	11	34	400	-	-	434	5.0%
Pukemoremore	6	11	29	46	-	-	-	46	0.5%
Tamahere South	2	50	41	93	21	-	-	114	1.3%
Not Specified	*1*	10	-	-	-	-	-	11	0.1%
TOTAL	**1,147**	**2,207**	**806**	**4,160**	**1,780**	**406**	**2,261**	**8,607**	100.0%
Auckland Environs	30	158	82	270	-	2	856	1,128	13%
Hamilton Environs	115	205	225	545	626	-	962	2,133	25%
Waikato towns	-	11	33	44	299	287	311	941	11%
Rural Northern	205	436	103	744	168	24	132	1,068	12%
Rural Western	297	640	123	1,060	70	93	-	1,223	14%
Rural Eastern	362	412	133	907	602	-	-	1,509	18%
Rural Southern	137	335	108	580	15	-	-	595	7%

ME Waikato Land Use Model 2020

5.28 The table shows that this potential is distributed quite widely across the district, with just under half in the Auckland (13%) and Hamilton (25%) environs, and around Waikato towns (11%). Elsewhere, there is potential for in excess of 1,000 lifestyle lots in the northern, eastern and western rural areas of the District.

5.29 This potential shows a relatively high degree of dispersal across the District, which would mean a relatively wide spread of lifestyle households. Given that lifestyle households are in many instances rural-located but town -oriented for employment, goods and services and education, one of the issues this distribution raises is the implied high average per household travel cost for the lifestyle population.

Sensitivity Assessment

5.30 I have undertaken some sensitivity assessment, to examine the implications of smaller minimum parent lot size, enabling more than one child lot per qualifying property, and allowing larger maximum size for child lots.

5.31 Unsurprisingly given the quite direct route from subdivision to effect, the effects are primarily pro rata with the numbers of eligible parent lots, and the area of land which could be subdivided off to create new lots. Key indications are:

a. A minimum parent lot size of 20 ha for general subdivision would increase the number of eligible parent lots and new lots to 1,947 (+70%), and the area potentially subdivided off to 1,557 ha to 3,115 ha. That would represent a reduction in primary producing area of -1.1% to -2.3%, and an impact on primary sector output of -$68m to -$136m in present value terms;

b. Enabling 2 lots per eligible lot for general subdivision (and retaining the 40ha minimum) would increase the number of new lots to 2,294, and the area potentially subdivided off to 1,835 ha to 3,670 ha. That would see a reduction in primary producing area of -1.2% to -2.5%, and an impact on primary sector output of -$70m to -$140m in present value terms;

c. Increasing the maximum lot size to 4ha while retaining the maximum of 1 new lot and the 40ha minimum would increase the area potentially subdivided off to 4,588 ha. That would see a reduction in primary producing area of up to -4.6%, and an impact on primary sector output of up to -$255m in present value terms;

d. A minimum parent lot size of 20 ha for general subdivision and allowing for 2 lots to be created (retaining the maximum 1.6ha lot size) would increase the number of eligible parent lots to 1,947, the number of new lots to 3,894, and the area potentially subdivided off to 3,115 ha to 6,230 ha. That would represent a reduction in primary producing area of -1.7% to -3.3%, and an impact on primary sector output of -$104m to -$209m (PV).

5.32 There is scope to examine a wide range of combinations. A key point is that the potential impacts of subdivision are very sensitive to the Plan provisions, and there is scope for more significant impacts to arise from seemingly minor changes to policy settings. Given the very long term nature of changes and impacts which arise from land subdivision, it is very important to fully understand the likely effects of each setting, and combination of settings.

Transferable Subdivision

5.33 A number of submissions have advocated a transferable rights system for subdivision. Such systems operate in Auckland and some other areas of New Zealand. The rationale for transfer schemes commonly include one or more of protection of SNAs or other areas of high environmental value, the protection of land with high potential for primary production while enabling the landowner to gain from subdivision without reducing that productive potential, and achieving a more efficient distribution of countryside living by geographically concentrating it in

locations where it would occupy less productive land, and/or in locations proximate to towns so as to enhance the travel efficiency as the rural-based but urban-oriented population accessing work, goods and services, education and so on in towns.

5.34 The concept is reasonably straightforward. Properties may qualify to subdivide, where a parent lot generates the right to subdivide, but that right is then transferred to another property elsewhere in the District. The existing landowner sells the right, and gains the return from sale of that right without necessarily incurring the costs of subdivision itself.

5.35 The mechanism depends on the existence of a 'receiving' area, into which the subdivision rights are sold, and where the potential gains from subdivision would depend on the purchase of a transferred right. The purchasing landowner in the receiving area would have the opportunity for gain by subdividing and selling part of their land for which they would not otherwise be eligible. If their land were already eligible to subdivide, then that process could occur without the cost of purchasing a right from elsewhere.

5.36 The New Zealand experience is that subdivision transfer schemes are necessarily complicated because there are a number of 'moving parts', and need to be carefully structured in order to succeed. They also need to be in tune with the conditions in the District.

5.37 Waikato District is characterised by a relatively high degree of subdivision already, and a range of options for small lot living in the Rural, Country Living and Village zones. The main potential for transfer to achieve a better outcome than subdivision *in situ* would logically come from protecting productive land, achieving protection of SNA and similar land of high environmental value, and geographically grouping lifestyle areas relatively close to towns, including for travel and time efficiency reasons, and reducing reverse sensitivity issues where primary production and residential activities are in close proximity. That would mean the receiving areas would logically be selected according to the proximity of towns and the absence of highly productive land and high class soils. Logically, also, the objective would be to limit the total area of 'rural' land going to lifestyle living, which would mean enabling relatively small lot sizes.

5.38 While that outcome sounds similar to what the Country Living zone and the Village zone can already provide, simply increasing those zones to take pressure off the Rural zone and its productive land would not satisfy the objectives of Rural zone landowners seeking capital gain from subdivision.

5.39 There would need to be a nexus or trigger, where the Country Living or Village zone type outcomes could be achieved in appropriate locations, but would be possible only through the transfer mechanism. That could not apply to the existing Country Living and Village zoned areas.

5.40 The critical point is that any subdivision transfer scheme may have a number of potential benefits for different stakeholders, including individual landowners, but also including the community at large with potential to protect the productive capability of the economy and achieve a relatively efficient distribution of the population. Maximising or achieving the full range of potential benefits is challenging, which means any scheme must be very soundly structured and thought through, and able to be applied consistently on a whole-of-District basis. That does not mean that transferable subdivision rights would apply everywhere, but rather that the benefits and costs of any such scheme would have to be assessed at the whole-of-District level.

6 Conclusions

6.1 The subdivision of rural zoned land has potential for wide-ranging and long term impacts on the Waikato District community and economy.

6.2 It is accordingly important that care is taken to avoid adverse outcomes while achieving positive effects. The most significant potential adverse outcome is reduction of the productive potential of the District land resource, and consequent reduction in the District economy.

6.3 The Recommendations version of the Rural Zone subdivision rules would likely result in a material impact on the district economy, as a result of the loss of productive capacity for pastoral farming, especially dairying. Extending the scope for subdivision of Rural zoned lots would increase that impact. To illustrate, the sensitivity testing of policy settings indicates that if the minimum parent lot size were 20 ha, then the impact on the primary sector would be around 30% higher than the Recommended provisions. If there were 2 lots able to be created, then the impact would be about 40% larger. Reducing the minimum parent lot size and enabling 2 lots would more than double the impact.

6.4 Importantly, the Recommendation provisions would enable plenty of capacity for lifestyle living to meet household demand into the long term. While not all small lots created would be taken up for rural lifestyle uses, the likelihood is that the great majority will be. In my assessment, the Recommendation provisions will be able to cater for future demand.

6.5 On the basis that the Recommendation provisions will see a material but not major impact on the primary sector, that such impact is sensitive to the provisions, and will likely also cater for demand for lifestyle living (and given the potential for other zones to satisfy demand for rural lifestyle living), in my view the proposed balance is about right.