

Before an Independent Hearings Panel

The Proposed Waikato District Plan (Stage 1)

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

IN THE MATTER OF hearing submissions and further submissions on the Proposed
Waikato District Plan (Stage 1):

Topic 25 – Zone Extents

**REBUTTAL EVIDENCE OF ADAM JEFFREY THOMPSON
ON BEHALF OF POKENO WEST LIMITED**

(ECONOMICS & PROPERTY DEVELOPMENT)

03.05.2021

1. SUMMARY OF REBUTTAL EVIDENCE

1.1 This rebuttal statement relates to evidence of Fraser Colegrave prepared on behalf of Pokeno Village Holdings Limited.

1.2 My evidence is summarised as follows:

- (a) Mr Colegrave estimates that the submissions will enable 7,002 additional dwellings. This estimate is based on a generic dwelling per hectare yield (of 14 per hectare)
- (b) I have replicated Mr Colegrave's estimate, however have used actual dwellings yields from submissions that include masterplans. I estimate that the submissions would enable 4,702 dwellings. On the conservative assumption that 75% of lots are developed over the short-medium term, this would provide potential supply of 3,530 dwellings.
- (c) Mr Colegrave raises the concern that the Council have adopted a higher projected growth for Pokeno without providing an explanation of the projection. However, Dr Cameron of Waikato University has provided a detailed report on population and household projections in 2020¹ that provides an explanation of the projections.
- (d) I expect rapid growth in Pokeno, in large part driven by the shortage of affordable houses in the wider region and the local amenities now available in Pokeno (school, supermarket, etc.). Mr Colegrave does not provide any commentary or analysis on the rate of growth expected in Pokeno.
- (e) Mr Colegrave raises the concern that rapid growth in Pokeno would result in economic costs from commuters to Auckland. The Waikato 2070 document anticipates Pokeno to reach a population of 16,000 and identifies locations for additional industrial and commercial land to provide local employment opportunities. More generally Pokeno is well serviced by present and planned proximate employment hubs. Pokeno is 15-minutes' drive to the Pukekohe employment hub (9,200 jobs) and Drury's future employment hub (12,000 jobs), and 30 minutes' drive

¹ 2020 Update of Population, and Family and Household, Projections for Waikato District, 2013-2063. University of Waikato. (Cameron, 2020)

from Papakura's employment hub (14,800 jobs) during peak morning hours.

- (f) Mr Edwards raises the concern that there is insufficient business land in Pokeno and that this may result in additional transportation costs. My view is that there is additional business land anticipated in Pokeno and that this will ensure local employment opportunities and a level of self-sufficiency that is consistent with small towns is achieved.
- (g) Mr Mead (in his s42 report) concludes that there is a need for 900 additional dwellings. However he assumes that all planned supply will be developed of the next decade. In my view only a fraction of supply will be developed, in the order of 50-75%, and therefore additional land is required to ensure an efficient housing market. Dr Davies adopts a similar view in his s42 report.
- (h) Mr Mead concludes that there is demand for 215 dwellings per annum in Pokeno over the next decade. However, this has already been exceeded, with 275 dwellings consented in 2020, and clear evidence of increasing demand. Based on the drivers of this demand, most notably the relative affordability of housing in Pokeno, demand will continue to increase, and will approach my high-growth scenario of 400-500 dwellings per annum in several years, particularly if several additional large developments enter the marketplace.
- (i) Mr Mead recommends the Residential Zone for the site. Based on advice from Mr Oakley, I understand that some higher density housing will be possible within this zone, I support either the Medium Density Residential Zone and the Residential Zone for the site.
- (j) Dr Davey estimates demand for 4,000 dwellings in Pokeno, however estimates that only 3,500 lots are 'reasonably expected to be realised', hence a shortfall of 500 dwellings in Pokeno over the 2021-2036 period.
- (k) Dr Davey's estimation of capacity in his s42 report is based on the assumption that 100% of greenfield land should be 'reasonably expected to be realised' for development, i.e. all new zoned greenfield land will be development over the life of the District Plan. However, in his Population, Household and Land Supply Capacity Report, he

concludes “there can be a significant reduction between the theoretical number of households zoning enables... the difference can be as great as 50%)”. In my view Dr Davey’s assumption that 100% of rezoned greenfield land will be developed significantly overstates potential capacity and Dr Davey’s estimated the shortfall of 500 dwellings in Pokeno could quickly become 1,000 – 1,500 dwellings, based on his numbers.

- (l) Dr Davey estimates demand for 237 dwellings per annum for the 2021-2031 period in his s42 report. This is 10% higher than the growth rate utilised by Mr Mead in his s42 report (215 dwellings per annum) which may impact Mr Mead’s conclusions for Pokeno.
- (m) Dr Davey concludes that there are many factors that make it difficult to predict housing demand in Pokeno, including weak historical data, disruptive events, new developments entering the market, historic land scarcity and cross boundary growth from Auckland. I agree with Dr Davey and believe that my high-growth scenario of 400-500 dwellings per annum is most likely to eventuate.

2. INTRODUCTION

This rebuttal statement relates to evidence in opposition filed by Fraser Colegrave and Wes Edwards prepared on behalf of Pokeno Village Holdings Limited. This rebuttal statement also addresses matters raised in the Council's section 42A reports prepared by Mr Mead and Dr Davey.

- 2.1 I confirm that I have the qualifications and expertise previously set out in section 2 of my primary evidence.
- 2.2 I repeat the confirmation given in my primary evidence that I have read the Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2014 and that my evidence has been prepared in accordance with that Code.

3. EVIDENCE OF FRASER COLEGRAVE FOR POKENO VILLAGE HOLDINGS LTD

- 3.1 Mr Colegrave raises the following matters in his evidence:
 - (a) In Table 2 Mr Colegrave estimates the total yield from the proposed additional live-zoned land to be 7,002 dwellings.

- (b) Mr Colegrave states that the Council’s demand estimate of an additional 5,250 dwellings in Pokeno over the next 30 years (175 dwellings per annum) has “little information to support or justify” this rate of growth (paragraph 3.17).
- (c) My Colegrave states that he generally supports a liberal supply of land to meet future demand, however, raises concerns that the quantity of land proposed for live-zoning would have economic effects on structure planning, infrastructure efficiency and business land to support local employment.

3.2 I respond to these matters in the following sections.

4. DWELLING YIELD FROM SUBMISSIONS

4.1 Mr Colegrave has estimated the total dwelling yield from submissions in his Table 2. I have recreated his table below and added an additional column that includes the actual dwelling yields from sites that have masterplan concepts.

Figure 1: Estimated Dwelling Yield from Submissions

Submitter	Zoning Sought	Land Area (ha)	Colegrave		Actual+ Thompson		75 % Realisation 10 years
			Additional Dwellings	Dwellings per ha	Actual+ Estimated Dwellings	Actual+ Estimated Dwellings per ha	
CSL Trust & Top End Properties	Residential and Medium Density Res	50	694	14	358	7	269
Pokeno West	Residential and Medium Density Res	159	2,225	14	1,456	8	1,092
Steven and Teresa Hopkins	Residential or CLZ or Village	21	259	13	161	8	121
CSL Trust & Top End Properties	Countryside Living	46	46	1	55	1	41
P Van Leeuwen	Countryside Living	81	81	1	81	1	61
Rainbow Water	Residential	16	201	12	126	8	94
K Yang	Residential	12	145	13	90	8	68
D Lawrie	Residential	44	545	13	340	8	255
D Lawrie	Residential	33	418	13	261	8	195
A Noakes	Residential	24	294	13	183	8	137
Withers Family Trust	Residential	27	338	13	211	8	158
Havelock Village Limited	Residential	98	1,220	13	600	6	450
S G Noh	Residential	5	61	12	38	8	29
Kainga Ora	Medium Density Residential	53	475	9	100	2	75
Total		666	7,002	11	4,060	6	3,045

Source: Urban Economics, Insight Economics

*Actual in red

4.2 The main points to note from figure 1 are:

- (a) Mr Colegrave estimates a dwelling yield of 7,002.
- (b) For the larger sites there are actual dwelling yields as shown in red. These actual yields are significantly less than Mr Colegrave’s

estimates. For the larger developments (CSL Trust, Top End and Havelock Village) Mr Colegrave estimates a total dwelling yield of 4,140 (an average of 14 dwellings per hectare), however the actual dwelling yields, based on masterplanning concepts, is 2,410 (an average of 8 dwellings per hectare, or around 60% of the assumed total yield of Mr Colegrave). This notable difference can be attributed to site constraints (geotechnical, access, vegetation, waterways, etc.) and highlights the limitation of applying an average dwellings per hectare yield.

- (c) It is considered reasonable to apply the actual dwelling yield achieved on the masterplanned sites to the balance of the submission sites, of 8 per hectare (as shown in the right column). Combined with the actual yields, this indicates a total dwelling yield from the proposals of 4,060 dwellings. As noted by Dr Davies in his s42 report, not all of these lots can be expected to be developed over the ten year period, due to land banking, rate of development, etc. On the conservative assumption that 75% of lots are developed over the short-medium term, this would provide potential supply of 3,045 dwellings.
- (d) Based on annual baseline demand of 200 dwellings (plus a 20% buffer) this would equate to 8 years supply (as estimated in my primary evidence). Based on annual high growth scenario demand of 400-500 dwellings (plus a 20% buffer) this would equate to 5 years supply (as estimated in my primary evidence). Neither of these would in my opinion result in an over-supply, as asserted by Mr Colegrave, and rather only under the baseline growth scenario would the NPS-UD short-medium term capacity requirement be met. In my opinion, the submissions would enable a quantity of land that is required to ensure an efficient housing market.
- (e) It should be noted more generally that both Auckland and Waikato regions have identified a shortage of dwellings, in the order of 45,000 and 8,000 respectively², and that this shortage has been due to historical land shortages, both in respect of the total quantity of land and the number of owners of that land.

² Waikato Region Housing Initiative – 2018 Housing Stocktake. Auckland Plan.

5. DWELLING DEMAND

5.1 Mr Colegrave raises the following concern about Council's dwelling demand estimates:

"However, it must also be noted that the demand projections embedded in the two graphs above represent a (largely undocumented) step-change compared to the "existing" projections for Pokeno, as reported in the 2017 Housing Capacity Assessment for the FutureProof Councils. In that earlier document, there was long-term demand for an additional 2,300 dwellings in Pokeno over the next 30 years including buffers, whereas the new projections put that figure closer to 5,250. This represents an increase of nearly 130%, but there is very little information to support or justify the increase." (paragraph 3.17)

5.2 The Council have relied upon their updated population and household projection report (Cameron, M.P. (2020). 2020 Update of Population, and Family and Household, Projections for Waikato District, 2013-2063. University of Waikato) which includes a description of the methodology used to estimate the future demand for dwellings in Pokeno. This does not reconcile with Mr Colegrave's view that *"there is very little information to support or justify"* the dwelling demand projections for Pokeno.

5.3 It is worth noting that the Auckland and Waikato housing markets have changed significantly since 2017 and that revised dwelling demand projections that account for this change are necessary.

5.4 The Council's 2020 demand projections for 5,250 additional dwellings over the next three decades equate to 175 dwellings per annum. In my primary evidence I assess future demand for dwellings and conclude baseline demand of 200 dwellings per annum over the next decade, and a high growth scenario of 400-500 dwellings per annum over the next decade. The drivers of this higher rate of growth are:

- (a) Historic housing products offered has been largely limited to traditional suburban scale lots and dwellings.
- (b) Historic supply has been largely from one developer which reduced local competition.
- (c) Pokeno is one of the few places that offers affordable family housing in the wider Auckland metropolitan land market.
- (d) Pokeno has recently seen the additional of a supermarket which is an important local amenity which drives demand.

- (e) House prices in Auckland have continued to rise and this is shifting demand to locations that can offer lower priced dwellings, such as Pokeno.

5.5 I note that Mr Colegrave has not commented on whether he agrees or not with the Council projections and has not provided an estimate of future housing demand at Pokeno.

6. EFFICIENT LAND MARKETS

6.1 Mr Colegrave states:

“4.1 As an economist specialising in land and property development, I generally support a liberal supply of zoned land to meet likely future demand. Not only does this foster competition and hence improve economic efficiency, but it can also help to temper inflationary pressures and thus keep prices more stable and affordable than they likely would have been otherwise.

4.2 However, conversely, a gross over-supply of rezoned land can pose significant economic risks and challenges, which I elaborate on below.”

6.2 Mr Colegrave’s concern is therefore that the submissions would result in an over-supply of dwellings in Pokeno. For the reasons outlined in section 4 I do not agree with Mr Colegrave and consider submissions would enable a quantity of land that is required to ensure an efficient housing market. Nevertheless, I address the concerns that Mr Colegrave raises with regards to an over-supply.

Structure Planning

6.3 Mr Colegrave states:

“From an economic perspective, this lack of holistic/structure planning – and the relatively thin evidence base on which some proposals appear to be predicated – raises the risk that land will not be put to its highest and best use, thereby undermining economic efficiency in the district’s land market.” (paragraph 4.6)

6.4 I agree with Mr Colegrave that the submissions may not represent a sequential expansion of Pokeno, and that some rationalisation may be required, for example to ensure new infrastructure is not required to pass through rural land to access urban land. However, in my opinion it is often inevitable that some development occurs out-of-sequence, and that this is acceptable to the extent that the property development

process (or market) has inherent inefficiency, for example some rural properties will be land banked or are in long term ownership and live-zoning does not necessarily mean they will be developed.

- 6.5 I don't agree with Mr Colegrave that there is a general need to place the submission land in the Future Urban Zone. This would reduce competition, reduce economic efficiency, would not temper inflationary pressures on house prices and would not provide affordable housing, as identified as important economic objectives by Mr Colegrave in his paragraph 4.1. In my opinion Pokeno is well placed to continue supplying affordable family housing to the Waikato and Auckland regions, however this requires that there be a strong supply of development land and several developers competing in this location.

Local Employment

- 6.6 Mr Colegrave states that:

“...it is important to ensure there is an appropriate balance between residential and non-residential land as Pokeno grows, so that there are adequate opportunities to live, work and play locally.” (paragraph 4.21)

“To summarise: in future, if half of Pokeno’s workforce commuted to Auckland for work, in one year they would collectively travel an estimated 29.5 million kilometres, burn nearly 3 million litres of fuel, and incur \$10.6 million in travel time and fuel costs.” (paragraph 4.25)

- 6.7 The premise of Mr Colegrave's concern is that there is insufficient local employment land for residents to work locally, and his estimated economic costs are based on the population increasing to 10,000 people.
- 6.8 The Waikato 2070 plan sets a target population for Pokeno of 16,000 (approximately 6,200 dwellings). This includes new commercial and industrial clusters which will provide local employment opportunities, as is common with other similar towns (Pukekohe, Waiuku, Warkworth, etc.). If additional commercial and industrial land is required, to increase local employment opportunities, this can be provided.
- 6.9 Pokeno is in a relatively unique location, in that it is central to Hamilton, Tauranga and Auckland (the golden triangle). This is reflected in the businesses that have established in Pokeno and will support future employment growth in this location as anticipated by the Waikato 2070 Strategy for Pokeno.

- 6.10 In addition, as noted in my primary evidence, Pokeno is 15-minutes' drive to the Pukekohe employment hub (9,200 jobs) and Drury's future employment hub (12,000 jobs), and 30 minutes' drive from Papakura's employment hub (14,800 jobs) during peak morning hours. These are typical commuting times for Auckland workers.
- 6.11 In my opinion Mr Colegrave's concerns about employment opportunities in Pokeno are misplaced as the town is intended to have significant local commercial and industrial land and businesses, and this will provide local employment opportunities to a similar extent as other rural towns.

Infrastructure

- 6.12 Mr Colegrave estimates the cost of providing infrastructure to service 7,002 dwellings in Pokeno to be \$150 million (4.12). The following figure shows Councils estimated infrastructure expenditure for Pokeno to be approximately one third of this amount, at \$55 million. It should be noted that the quantity of dwellings that this would service is not stated in this report, however the timeframes of the investment suggest it is sufficient for several decades.

Figure 2: WDC Infrastructure Investment Pokeno

Category	Specific Activity	Timing	Cost (\$m)
Council Facilities	Pokeno Library	2024-2025	\$7
Open Spaces	Pokeno Sports Ground	2021-2024	\$6
Transport	Pokeno Rail Station	2041-2045	\$8
Wastewater	Pokeno Wastewater Pump Station Upgrades	2021-2025	\$26
Water Supply	East Pokeno Water Supply	2031-2035	\$8
Total			\$55

Source: Draft Long Term Plan Infrastructure Strategy (Waikato District Council)

- 6.13 Mr Colegrave raises the concern that if there is a large investment in infrastructure, as a result of the submissions being accepted, that this presents a risk for the Council in respect of their ability to recover the cost of this investment. Having 3-4 additional developments in Pokeno would increase demand and the rate of cost recovery for this investment, and for this reason ensuring a competitive market is an important consideration for Pokeno. I estimate in my primary evidence that the economic benefits of supporting growth in Pokeno, relating only to the construction and operation of 7,000 new dwellings and supporting retail floorspace over the next three decades, to be approximately \$1.8 billion. The infrastructure cost, even if the higher estimate of \$150 million prepared by Mr Colegrave is adopted, equates to only a small fraction, in

the order of 8%, of the expected construction and operational benefits to the community.

- 6.14 Policy 8 of the NPS-UD (below) acknowledges that the sequencing of infrastructure and land development is an inherently difficult process and that out-of-sequence patterns of development are often required to ensure an efficient housing market. This may result in some unavoidable inefficiency with regard to new infrastructure, however as outlined in my paragraph 6.12 this cost is offset by the wider benefits.

NPS-UD Policy 8: Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well functioning urban environments, even if the development capacity is: unanticipated by RMA planning documents; or out-of-sequence with planned land release.

7. EVIDENCE OF WES EDWARDS FOR POKENO VILLAGE HOLDINGS LTD

- 7.1 Mr Edwards raises a concern about the amount of local employment in Pokeno, due to the availability of business zone land, and the effect on transportation, as follows:

6.17 I expect this lower level of employment to be partly due to a relatively small proportion of the business land being developed in 2018, and some large business sites employing relatively few people...

6.18 In any case, the employment ratio in Pokeno could decline significantly under the proposed rezoning because of a substantial increase in residential development and a modest increase in non-residential development.

- 7.2 These concerns are in my opinion misplaced, as additional business land is anticipated to be provided in Pokeno, as identified in the strategic plan, and this will enable a quantity of local employment opportunities and self-sufficiency that is commensurate with other small rural towns. The provision of this business land would offset these concerns. I also note that the town centre is proposed for expansion, and this will increase employment opportunities in the short-medium term. I identify in my primary evidence that Pokeno is strategically located for firms seeking to service the golden triangle (Hamilton, Tauranga and Auckland), as is evident in some of the already established firms, and this locational advantage will over time support additional employment opportunities. It is worth noting that Pokeno has substantial employment opportunities within a short drive time, which I also address in my primary evidence, and this in itself provides a range of employment opportunities for future residents.

8. RESPONSE TO MR MEAD'S SECTION 42A REPORT

8.1 This section responds to several economic and property market matters raised in the s42 report prepared by Mr David Mead. In general, I support the recommendations of Mr Mead in respect of the proposal site.

Household Growth

8.2 In respect of household growth Mr Mead concludes:

Projections suggest continued fast growth. Council reports (for example the Framework report, page 93) estimate that Pokeno will grow from 1,400 dwellings to 6,370 by 2051, or an increase of 165 per year, under a medium-growth scenario. (page 8)

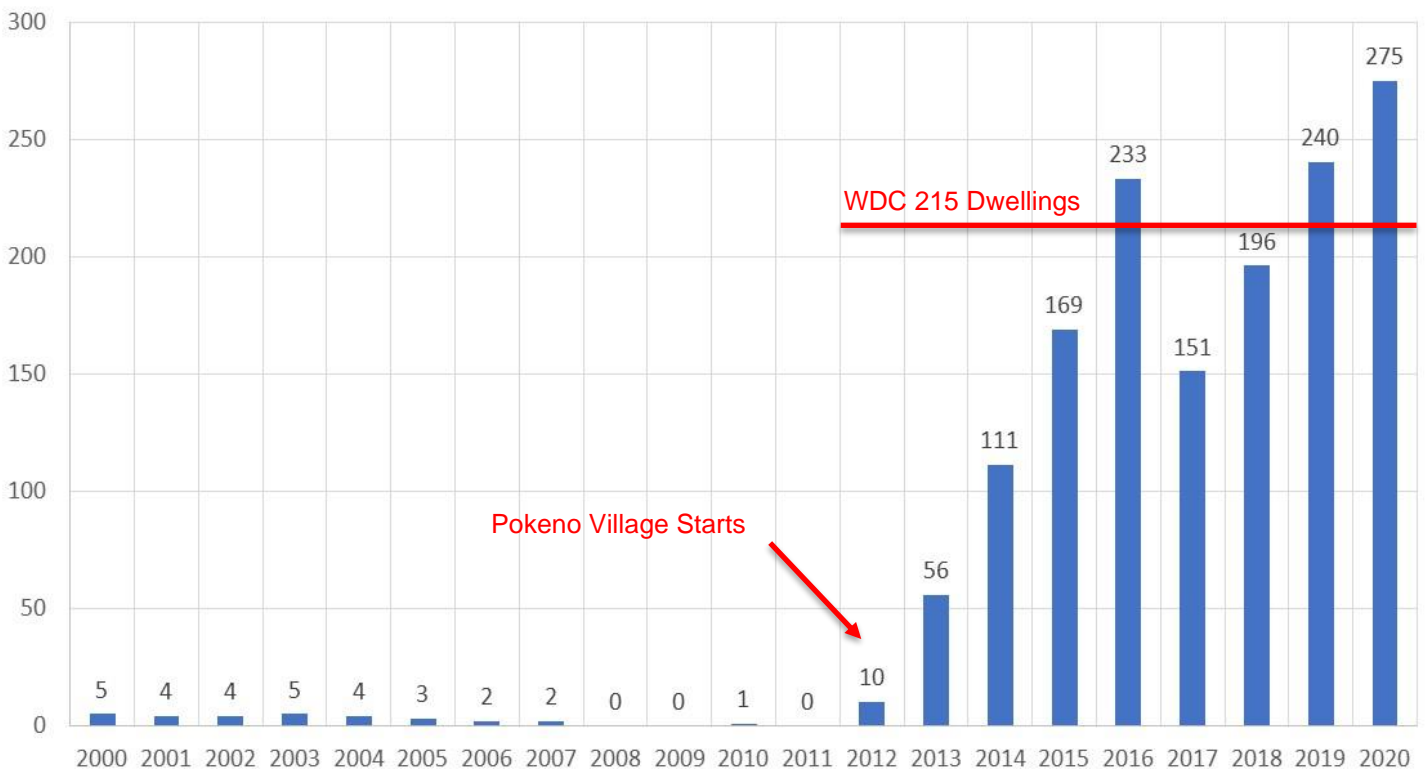
I note that there is some debate as to the basis of these figures, such as the evidence of Fraser Colegrave on behalf of Pokeno Village Holdings Limited, who suggests that growth may be overstated. Mr Thompson for CSL Trust and Top End Properties suggests that growth may be understated. (page 8)

As it currently stands, the Council's estimate is that in the short to medium term, there will be demand for an additional 2,600 dwellings in Pokeno (taking into account the 20% buffer required by the NPS-UD). (page 17)

Mr Colegrave for Pokeno Village Holdings raises a number of issues with this projection, but in the absence of any alternative estimate, I maintain use of the Council's estimate. I consider Mr Thompson's estimate of annual demand for 400 to 500 dwellings (para 7.9(b) of his evidence) is based on an uncertain assumption about the extent of suppressed demand. (page 17)

8.3 Mr Mead therefore adopts an annual growth rate of 215 dwellings with a 20% buffer of 45 dwellings as required under the NPS-UD. The following figure shows the historic building consents issued for residential dwellings in Pokeno and includes the 215 dwellings adopted by Mr Mead. It is evident that the Pokeno Village development commenced in 2012 and that the rate of consenting within this development has rapidly increased, to a high of 275 in 2020.

Figure 2: Residential Building Consents in Pokeno 2000-2020



Source: Statistics NZ

8.4 The Council projections are prepared by NIDEA and adopt a similar methodology to Statistics NZ which are based on projecting forward long-term historic growth trends, over the past 1-2 decades. Pokeno has however experienced significant structural changes over the past few years, including the start of the Pokeno Village subdivision, additional local amenities including a supermarket, and increasing demand from Aucklanders seeking more affordable family dwellings.

8.5 The rate of growth adopted by Mr Mead (215 dwellings per annum) has already been exceeded, as evident in Figure 2, and has similarly already exceeded my baseline growth estimate of 200 dwellings per annum. The possible addition of 3-4 new large developments in Pokeno is a major structural change and will generate additional demand due to product diversification and additional marketing. This would support a rate of growth closer to my high growth scenario of 400-500 dwellings per annum.

8.6 In my opinion consideration should be given to the impact that the significant structural changes occurring in Pokeno are likely to have on future demand. Land use policy should reflect the impact of these changes rather than historic trends.

8.7 The NPS-UD includes the following guidance for assessing housing demand:

- (a) set out a range of projections of demand for housing in the short term, medium term, and long term; and
- (b) identify which of the projections are the most likely in each of the short term, medium term, and long term; and
- (c) set out the assumptions underpinning the different projections and the reason for selecting the most likely; and
- (d) if those assumptions involve a high level of uncertainty, the nature and potential effects of that uncertainty (section 3.25(5)).

8.8 In my opinion there is some uncertainty about future growth in Pokeno, due to Pokeno being a small town with a relatively short history in terms of its overall growth, the structural changes occurring, and that the potential effects of underestimating demand would be significantly adverse. This is already evident with prices increasing significantly over the past year (by over \$100,000) and this is in large part due to supply constraints.

Residential Land Capacity

8.9 With regards to capacity Mr Mead concludes:

Based on the Council's numbers in the Framework report, I estimate that to meet medium-term demands (next 10 years), feasible capacity for an additional 900 dwellings needs to be identified (as is discussed in more detail below in the section relating to the National Policy Statement – Urban Development (NPSUD)). (para 35)

8.10 Mr Mead calculates the need for additional capacity of 900 dwellings as total capacity minus total demand over the next ten year period (medium term under the NPS-UD). Mr Mead's implicit assumption is that all capacity will be fully utilised over this period, and he makes no allowance for the inherent inefficiencies in the land development market. For example, if one development does not proceed for unforeseen reasons, then there will not be sufficient capacity. The NPS-UD acknowledges this and states:

In order to be sufficient to meet expected demand for housing, the development capacity must be.... feasible and reasonably expected to be realised. (3.2(2)).

8.11 In my opinion it should not be reasonably expected that all capacity is perfectly brought to the market within the next ten years, rather some allowance should be made for a proportion of it being delayed, land banked, etc. Dr Mark Davey in 'Population,

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

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

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

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

Residential Zone versus Medium Density Residential Zone

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

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

Meeting NPS-UD Feasible Capacity Requirements In Pokeno

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

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

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

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

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

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

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

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

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

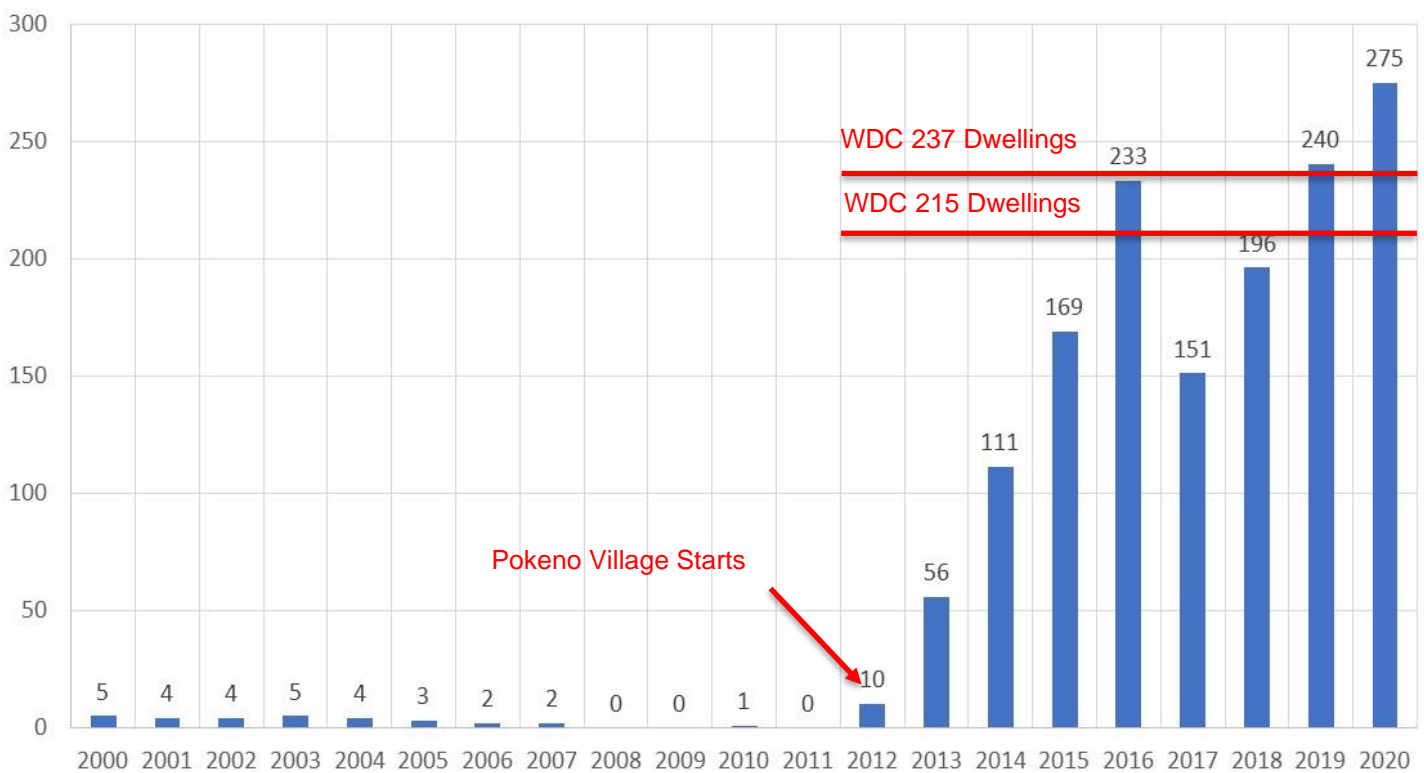
9.7 I agree with the comments Dr Davey made in his earlier report, as there can be many factors that result in a development not resulting in new lots being created, or fewer lots being realised from a site than estimated. For example, achieving development

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

Housing Demand

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

Figure 3: Residential Building Consents in Pokeno 2000-2020



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

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

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

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

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

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

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

10. CONCLUSION

10.1 Having reviewed the rebuttal evidence of Mr Colegrave and Mr Edwards, and the s42 report, I continue to hold the view the proposal should be approved, however for the reasons outlined, support either the Medium Density Residential Zone and the Residential Zone for the site.

Adam Thompson

03.05.2021