

**BEFORE INDEPENDENT HEARING COMMISSIONERS
APPOINTED BY THE WAIKATO DISTRICT COUNCIL**

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

AND

IN THE MATTER of the Proposed Waikato District Plan

BETWEEN **RANGITAHİ LIMITED**

Submitter [No. 343]

AND **WAIKATO DISTRICT COUNCIL**

Local Authority

**EVIDENCE-IN-REPLY OF
DR JAMES DOUGLAS MARSHALL FAIRGRAY FOR RANGITAHİ
LIMITED**

**HEARING 25: RAGLAN
(GEOSPATIAL ECONOMIC)**

Dated: 13 May 2021

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INTRODUCTION

1. My name is James Douglas Marshall Fairgray.
2. I outlined my qualifications, experience, and commitment to comply with the Environment Court Expert Witness Code of Conduct in my Evidence in Chief (**EIC**) on behalf of Rangitahi Limited (**Rangitahi**) for Hearing 25 – Raglan dated 17 February 2021.
3. I have been retained by Rangitahi to provide Evidence in Reply (**EIR**) to address the s42A supplementary Framework Report prepared by Dr Mark Davey released on 28 April 2021.¹
4. In preparing this EIR I have read the following documents:
 - (a) The supplementary Framework Report prepared by Dr Davey; and
 - (b) The documents noted at paragraph [14] of my EIC.

SCOPE

5. The supplementary Framework Report presents the Panel with updated and more detailed data analysis regarding land supply in the Waikato District beyond what had been provided in the Hearing 25 Zone Extents Framework Report released on 19 January 2021.
6. I address here two aspects of the supplementary Framework Report:
 - (a) The lack of allowance for demand for holiday dwellings, which is a key aspect of Raglan's housing needs; and
 - (b) The housing capacity estimates from the recommended Medium Density Zone (**MDZ**), including comments on figures drawn from Mr Osborne's EIC on behalf of Kainga Ora.²

¹ *Hearing 25: Framework report: Supplementary Evidence*, Dr Mark Davey, 28 April 2021.

² EIC, Philip Osborne on behalf of Kainga Ora (Economics), 17 February 2021.

HOLIDAY DWELLING DEMAND

7. The supplementary Framework Report provides some detail on demand growth in Raglan, which matches the SA2 level household projections provided by WDC, for the Raglan and Whale Bay SA2 areas. That shows expected growth of 408 resident households by 2031 and 527 by 2036.
8. In order to meet the requirement of the NPSUD to allow for additional land capacity in order to offer a competitiveness margin, the projections equate to capacity for 490 dwellings by 2031, and 632 dwellings by 2036.³
9. However, as set out in my EIC, a significant share of demand for dwellings in Raglan is for holiday dwellings, which is over and above the demand for dwellings needed by resident households. When allowance is made for demand for holiday dwellings, the total requirement for housing capacity in Raglan (including the 20% for competitiveness margin) would be 672 dwellings by 2031 rather than the 490 allowed for in the supplementary Framework Report, and 828 dwellings by 2036, rather than the 632 allowed for in the supplementary Framework Report.
10. The NPSUD requires that capacity should be sufficient for both resident households and visitors (for example, 3.23(2)).⁴

PROPOSED MEDIUM DENSITY ZONE

11. The supplementary Framework Report shows substantial areas of residential MDZ in the Districts towns, including in Raglan, and indicates there will be significant market feasible capacity in this zone. The Report contains no tables to indicate how the additional capacity would be distributed, nor of the land areas which are shown in the Appendix 1 maps. However, there is some indication in Figure 14 (p15) of market feasible capacity under the PWDP

³ Supplementary Framework Report, Table 9.

⁴ The analysis must include an assessment of how well the current and likely future demands for housing by Māori and different groups in the community (such as older people, renters, homeowners, low-income households, visitors, and seasonal workers) are met, including the demand for different types and forms of housing (such as for lower-cost housing, papakāinga, and seasonal worker or student accommodation)

provisions, and also of market feasible capacity under the s42A recommendations.

12. It is not ideal to estimate numbers from a graph, however, the differences in the bars on the chart very broadly match the capacity of 3,547 dwellings identified in Table 1. That suggests very broadly that the MDZ has been estimated to provide for another 350-450 dwellings in central areas of Raglan. In his evidence (Table 1, p11) Mr Osborne identifies that 31% of the plan-enabled capacity in the MDZ would be feasible, which *pro rata* suggests that the plan-enabled capacity in the Raglan MDZ would be around three times that indicated in the s42A graph.
13. I have read the evidence of Mr Osborne on behalf of Kainga Ora, and I have a number of concerns about the accuracy of his estimates, arising especially from his methodology for assessing market feasibility and the underlying assumptions, and further from his assessment of household preferences.
14. Mr Osborne has offered only limited description of his methodology for calculating market feasibility, in his appendix material. He states in para 6.2 his assessment was “*at a high level*”. I note that I have worked extensively in the area of development feasibility, and I am currently engaged by a number of Tier 1 and 2 councils to undertake their HBA assessment to comply with the NPSUD. The existing land parcel pattern and built dwellings have substantial influence on the opportunity to intensify or redevelop land which is already urbanised, like the land indicated for MDZ on the map for Raglan. Consequently, most of the assessment of plan-enabled and market feasible capacity is undertaken at a detailed site-specific level, not at a high level.
15. I have particular concern at his statement in para 6.2 that “*...Property Economics considers that relying on price escalation to justify feasibility, as a starting point, is likely to diminish the benefits of sufficient capacity in assisting with housing affordability.*” In my view, that suggests limitations in his understanding of how urban economies and their housing markets function. His evidence and attachments do not provide sufficient information for me to provide a detailed analysis, and review, of his methods, or his capacity estimates.

16. I also note there is no indication of what assumptions about housing typology in the MDZ that Mr Osborne has relied on to estimate the zone's capacity in Raglan. My company has undertaken extensive research into housing preferences, including both revealed preference and stated preference approaches across New Zealand. Market preferences for different housing typologies vary considerably between different locations, as well as among types of household, and abilities to pay. For example, Mr Osborne's overall demand estimates indicate that around one quarter of demand in the MDZ would be for attached dwellings including apartments. However, there is no indication offered as to whether that might represent the type of development envisaged for Raglan, nor what the level of market acceptance there might be. I note that data from Census 2018 indicates that 93% of dwellings in the Raglan SA2 are detached, and only 7% attached. That indicates current preference patterns are quite different from his "*expected housing typology preferences*" (Table 4, p3).

CONCLUSION

17. These two matters give me concern that the additional requirement to accommodate housing growth in Raglan may be under-stated. That is because:
- (a) The demand for dwellings is substantially under-stated since holiday dwellings are not allowed for in Dr Davey's assessment; and
 - (b) The indicated capacity in the proposed MDZ in Raglan is subject to considerable uncertainty, and the capacity may be substantially less – especially in the short- and medium- terms if current housing preferences remain.
18. On that basis, I find no reason to alter the conclusions I reached in my EIC.

J D M Fairgray
13 May 2021