

UNDER

the Resource Management Act 1991
("RMA")

IN THE MATTER

of the Proposed Waikato District
Plan: Hearing 9 – Business and
Business Town Centre.

**STATEMENT OF EVIDENCE OF PHILIP MARK OSBORNE ON
BEHALF OF KĀINGA ORA-HOMES AND COMMUNITIES**

ECONOMICS

24 JANUARY 2020

**ELLIS GOULD
LAWYERS
AUCKLAND**

**Level 17 Vero Centre
48 Shortland Street, Auckland
Tel: 09 307 2172 / Fax: 09 358 5215
PO Box 1509
DX CP22003**

**REF: Daniel Sadlier / Alex Devine
AUCKLAND**

1. Introduction	3
2. Executive Summary	4
3. Proposed Waikato District Plan	6
4. Economic Benefits of Consolidated Activity	9
5. Waikato District Business Locational and Growth Trends.	18
6. Waikato District Notified Plan section 32 and Business Capacity Report (Appendix 13)	21
7. Business and Business Town Centre Chapter Approaches	24
8. Kainga Ora Submission and Potential Benefits	26
9. Conclusion	30

1. INTRODUCTION

- 1.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland.

Experience

- 1.2 My qualifications include Bachelor of Arts (History/Economics) (1994), Masters in Commerce (1997), a Masters in Planning Practice (2002) from the University of Auckland and I have provisionally completed my doctoral thesis in developmental economics.
- 1.3 I have 16 years' experience advising local and regional councils throughout New Zealand in relation to economic impacts, industrial and business land use issues as well as strategic forward planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including economic impact assessments, commercial and industrial market assessments, and forecasting market growth and land requirements across all property sectors.

Involvement in the Proposal

- 1.4 Kāinga Ora-Homes and Communities ("**Kāinga Ora**") commissioned me to prepare this statement of evidence to address economic matters raised in relation to the relief sought in Kāinga Ora's primary and further submissions (as successor to Housing New Zealand Corporation) to Waikato District Council's ("**WDC**") Proposed District Plan ("**PWDP**") in relation to Chapters 4, 17 and 18 (Business Zone and Business Town Centre Zone).

Code of Conduct

- 1.5 I confirm that I have read the Expert Witness Code of Conduct set out in the Environment Court's Practice Note 2014. I have complied with the Code of Conduct in preparing this evidence and agree to comply with it while giving evidence. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known

to me that might alter or detract from the opinions expressed in this evidence.

Scope of Evidence

- 1.6 My evidence will address the following:
- (a) The economic objectives of the PWDP pertaining to the identified Town Centres and associated business zones;
 - (b) Economic benefits of consolidated activity;
 - (c) Waikato District trended business distribution and growth;
 - (d) WDC Section 32 and associated supporting materials;
 - (e) Business and Business Town Centre chapter approaches; and
 - (f) Kāinga Ora's submission and potential benefits.

2. EXECUTIVE SUMMARY

2.1 From an economic perspective I support the overall strategic direction and objectives, pertaining to activity within town centres outlined in the PWDP including:

- (a) The consolidation of activities;
- (b) The focus of commercial activity with Town Centres and;
- (c) The scale of activity within these centres supports their viability.

2.2 From an economic viewpoint residential zoning is a crucial tool in directing residential growth and development to achieve greater degrees of efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning also impacts upon housing fundamentals such as choice and affordability.

2.3 The economic benefits of focusing this activity into centres includes:

- (a) Improved infrastructure efficiencies;
- (b) Agglomeration benefits;
- (c) Improved competitiveness leading to greater employment opportunities;
- (d) Improved amenity, diversity and choice;
- (e) Improved public good benefits (and lower marginal costs);
- (f) Land efficiencies; and
- (g) Greater retention of activity within the District.

2.4 The Waikato District has seen varied growth by sector over the past 18 years. This has led to and continues to allow for increased opportunities for the District in secondary and tertiary sectors. A key competitive aspect for the District to achieve this growth is the ability for its existing and future centres to efficiently accommodate growth and provide increased certainty for investment.

2.5 Over the past 18 years the growth of commercial activity within centres has not kept pace with the out-of-centre growth experienced in the District. While allowing for sector growth in locationally specific businesses such as agricultural support, centres have grown at a rate less than a third of that enjoyed by the rest of the District. As such the significance of these centres within the District has fallen by 30%¹. This lack of growth further reduces their ability to compete for the District's growth and investment, and impacts upon the District's ability to retain commercial growth within its borders.

2.6 While it is clear the objectives of the PWDP are not currently being met, the PWDP seeks to implement two key changes to the operative environment. Firstly, the separation of roles between the Business Zones and Business Town Centre Zones, and secondly the protection of centre amenity. It is important to note that it would appear no economic assessment has been undertaken regarding the potential

¹ While the main centre, Huntly, has fallen nominally in activity over this period.

impacts of these changes on either the centres or the economy as a whole. The S32 provides little understanding regarding the relative changes and their potential effects. A key concern with implementing these (solely) is that they are likely to reduce the flexibility of development within centres. This in turn has the potential to decrease the competitiveness of the centres as business locations leading to a further fall in proportionate investment in centres and resulting in the market moving further away from the stated objectives.

- 2.7 In fact, in relation to business capacity, the economic assessment (included as an appendix to the S32) illustrates a huge excess of vacant business land capacity likely to compete strongly for in-centre activity.
- 2.8 Kāinga Ora's submission seeks amendments to the provisions of the Business Centre Zone so as to provide for increased potential levels of development within centres. The submission seeks not only to provide directly for commercial activities but to provide for activities that would support the growth and sustainability of commercial businesses within centres, providing an increased competitive advantage for these locations.

3. PROPOSED WAIKATO DISTRICT PLAN

- 3.1 From an economic perspective I support the overall strategic direction of the PWDP including the consolidation of land use activities within a compact urban form, as well as the provision of sufficient capacity of business land to support and facilitate market growth.
- 3.2 The key strategic objectives and aims sought by the PWDP and other supporting documents, pertinent to this evidence, which are to be achieved through the management of growth include:
- (a) Support and sustain the vitality and viability of existing commercial centres identified in Table 6-4 (Waikato Regional Policy Statement Policy 6.16)
 - (b) Liveable, thriving and connected communities that are sustainable, efficient and co-ordinated, as well as meeting

National Policy Statement on Urban Development Capacity
Minimum Targets (PWDP 4.1.1);

- (c) Urban forms of residential, industrial, and commercial growth in the district will be focused primarily **into** (emphasis added) towns and villages, with rural-residential development occurring in Country Living Zones. Focusing urban forms of growth primarily into towns and villages, and encouraging a compact form of urban development, provides opportunity for residents to "live, work and play" in their local area, minimises the necessity to travel, and supports public transport opportunities, public facilities and services (PWDP 1.5.1 (b));
- (d) Future settlement pattern is consolidated in and around existing towns and villages in the district (PWDP 4.1.2);
- (e) Commercial activity develops in a way that: Ensures the business town centre within each town is maintained as the primary focal point for retail, administration, commercial services and civic functions (PWDP 4.5.2 (i));
- (f) The role of the business town centres in Raglan, Huntly, Ngaruawahia, Te Kauwhata, Pokeno and Tuakau is strengthened by ensuring that:
 - (i) They are recognised and maintained as the primary retail, administration, commercial service and civic centre for each town; and
 - (ii) The scale of commercial activities supports their continued viability as the primary retail, administration and commercial service centre for each town; and
 - (iii) Enhances their vitality and amenity while providing for a range of commercial and community activities and facilities (PWDP 4.5.3)
- (g) Commercial development within the Business Town Centre Zone and Business Zone increases employment opportunities within the district (PDP 4.5.9).

- 3.3 These high-level objectives and policies are crucial in understanding the relief sought by Kāinga Ora to the PWDP and the outcomes sought.
- 3.4 The PWDP identifies the need to provide for consolidated, well functioning business centres and zones that provide competitive business locations with high amenity that will attract and retain high value commercial activities within the District.
- 3.5 The stated objective of achieving a compact / efficient urban form within the PWDP seeks to efficiently utilise not only the land resource, but existing and new infrastructure. This objective holds significant economic merit and is also supported.
- 3.6 In terms of the Kāinga Ora's submission there are several key themes evident in the relevant issues, objectives and policies of the PWDP that Kāinga Ora supports in terms of their direction. However, Kāinga Ora considers that the provisions contained within the PWDP zones as currently drafted will not sufficiently or appropriately implement these key policy directions/themes. In terms of this evidence these key themes include:
- (a) The ability for the identified centres to be competitive with alternative business locations;
 - (b) The need for vibrant centres resulting from appropriate levels and mixes of activities;
 - (c) The efficient use of land; and
 - (d) The optimisation of development opportunities for the community consistent with the direction of the PWDP.
- 3.7 The likely market response to the Business and Business Town Centre zone provisions as outlined in this evidence, means that, as currently proposed, these provisions are not the most appropriate means by which to meet the aforementioned objectives.

4. ECONOMIC BENEFITS OF CONSOLIDATED ACTIVITY

- 4.1 From an economic viewpoint commercial zoning provisions are important tools in directing commercial activity and development to achieve greater degrees of efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning impacts upon business fundamentals such as locational efficiency, competitiveness and productivity.
- 4.2 The need for exogenous intervention into the market is necessitated by the fundamental intent of seeking to maximise community wellbeing either through improvements in equity or an improvement in economic efficiency. The commercial chapters of the PWDP seek to improve economic efficiency within the district's business environment, consequently enhancing community wellbeing. In simple terms the fact that the market will not seek to maximise community wellbeing but pursue individual party interests is key in understanding whether the market requires a balancing mechanism in order to redress the potential imbalance between community interests and individual interests. It is important to note that this is not simply an academic exercise. The result of an individual party or parties gaining an additional proportion in profits (or simply a decrease in costs) could result in the loss of a tangible resource for the community that is hundreds of times more valuable.
- 4.3 There is a distinct thread running through the Resource Management Act 1991 ("**RMA**") that deals with community wellbeing in terms of efficiency. A primary guiding principle of the RMA is the efficient (and sustainable) utilisation of scarce resources within a community. There has been recognition from the Environment Court that efficiency, as it pertains to the RMA, relates to economic efficiency and there is a need for this to instruct policy governing the utilisation of these resources. This implies that the decisions by which these resources are consumed are derived in an economically efficient manner.
- 4.4 The market is indeed a powerful mechanism for the efficient allocation of resources and all too often unnecessary intervention causes

markets to operate inefficiently with potential benefits lost to the community in order to protect private concerns. However, the essential proviso here is providing that society's resources are priced according to their real value to society as a whole rather than individuals. Implicit in the Council's position is the fact that left to its own devices the commercial market will not operate efficiently given the fact that the market fails to consider total community well-being.

4.5 In part the justification for intervention in the location of business activity is similar to that given for residential. Councils restrict the spread of residential development to more intensive zones because the cost of allowing dispersal are significant and are not considered by the market, such as increased infrastructure costs, reduced transport efficiencies, inefficient land use, as well as reduced community amenity. These are factors that an individual participant in the market does not always consider, not just the impact of these costs on themselves but the cost of their decision on others. While Councils generally seek to improve the overall attractiveness of appropriate locations, this 'reinforcement' is seldom enough to change individual behaviours sufficiently and generally requires some form of regulation. The opposing costs of not allowing residential to spread are potentially a short-term increase in residential land prices and reduced residential development. These are costs that in commercial business are likely to be less than in residential, and yet the net benefits of restricting residential expansion are clear. The continued spatial expansion of residential development would not only incur increasing community costs but has the potential to stifle innovation and produce a dispersed community. In my opinion, aspects of good economic planning require making informed value judgements and potentially restricting individual choice for the benefit of the broader community's well-being.

4.6 A fundamental factor in operating competitive vibrant business centres is the level of amenity offered, and key to this is the level and choice of retail activity within a given area. To remain competitive and fulfil its role and function in the community it is crucial that a primary business centre provides an appropriate level of both retail and

commercial (office) activity. There is a symbiotic relationship where one relies on the level of activity produced by the other. This relationship primarily between commercial and retail activities creates more vibrant community centres which translates to greater community wellbeing.

- 4.7 It is important to note that this appropriate level of activity is proportionate to the competitive size of the district and economy in general. It is not appropriate to assume that the level of centralised activity, in the primary centre, within a larger economy is the same as in a small district. Larger economies typically have a greater number of business centres that represent a smaller proportion of the total activity while still creating economies of scale and efficient resource use. As businesses seek to improve efficiency and productivity it is vital that the Waikato District offer a competitive centre network (beyond that offered in the Future Proof area).
- 4.8 Market decisions are primarily made based on private costs and benefits, typically costs or benefits borne by the community that are not recognised by the participants and therefore lead to an inefficient allocation of resources. Businesses choose locations based on a series of criteria that are balanced against their own costs and benefits and therefore produce the highest net gain for themselves. These criteria generally include but are not limited to; suitable profile / exposure, accessibility for customers and suppliers, feasible costs, appropriate parking provision and appropriately shaped sites.
- 4.9 The benefits of the market-led approach are the clear market signals which are necessary to produce equilibrium in the market where the amount of business land supplied is in balance with demand in any given location. Traditionally retail and office along with other activities, have clustered into 'centres' due to observable benefits to both the consumer and producer. These benefits of agglomeration have, in part, been recognised by the market and are inherent in business location decisions.
- 4.10 However, in the presence of externalities, or wider market failures, (impacts not considered by the market) these signals can fail resulting

in either an over or under production of business activity in the wrong locations. Without regulation business locational decisions in Waikato will continue to be based on private cost benefit decisions that do not address wider community considerations of overall economic prosperity and recovery. Given the opportunity operators and developers will continue to locate based on their own returns and will not have regard for what is best for the community.

- 4.11 The argument that some businesses require these locations to operate effectively simply reflects an individual position and does not consider the net impacts on the economy as a whole. While it is important that the market has a degree of choice and flexibility it is also important that the parameters of this flexibility are as clear as possible to provide businesses with the ability to balance locational decisions. These parameters function as release valves to provide businesses with clear choices while still considering the wider community well-being.
- 4.12 An economic objective of the Commercial Chapters of the PWDP is to create a centres network that provides for the vitality and vibrancy of these centres encouraging growth and efficiency of investment and business productivity.
- 4.13 Given that there are potential costs associated with regulation, not least of which is the muting of market indicators, there needs to be a clear understanding of the level of potential effects associated with the market failure. These assessments are not intended to quantify the direct impact of proportional decentralisation but to indicate the potential social and economic values that are jeopardised. While some consideration is given to this in terms of the significance of Waikato's commercial centres I have been unable to identify this level of work pertaining to the economic costs and benefits of the proposed Business Town Centre zone provisions.
- 4.14 The economic argument for intervention is based on the fact that the market fails to consider significant community benefits achieved through the consolidated location of business activity. These failures conceal the true value of centres and if unchecked are likely to result

in an inefficient use of resources. It is important to note that the loss of these potential benefits is not confined to the impacts on existing business activity but must also be considered in terms of the potential future efficiencies that could be achieved. In these terms a lost social benefit is tantamount to a social cost. The potential loss to the community of 'decentralised' business activity is coined in this section in terms of the benefits of 'in-centre' activity. The benefits (or alternatively dis-benefits) discussed here include the decline in centre function and amenity along with adverse effects on the roading network, public transport provision, resource productivities, land efficiencies, community facilities, productivity and centre infrastructure. Each is also assessed in terms of whether they should be regarded as 'true' externalities and to what level the market may (or should) be considered to have regard for them.

Decline in amenity of centres

- 4.15 The amenity of a centre is directly related to its vitality and vibrancy, which in turn has a strong correlation with the level and potential level of people within a centre. A loss of patronage to a centre is not only likely to result in decreased infrastructure efficiencies and a fall in other activities but is very likely to reduce the value residents place on the vibrancy and sense of community achieved there.
- 4.16 It can be argued that this activity and vibrancy act as a competitive advantage for the centres and thereby work as trade competition. However, the value of a centre to patrons is not just determined by their own decisions but those of other participants who do not consider this loss in their decision making, resulting in a direct resource effect on a third party. By dispersing business activity the value of a vibrant centre is reduced and there is little doubt that, allowing for congestion, there is typically a direct relationship between the level of activity in a centre and the average amenity value achieved from it. For the Waikato District this is crucial, as less intensive commercial, or commercial activities based in other areas, argue that they provide a unique attractive area for business. In economies the size of Waikato District such areas are unlikely to result in 'additional' business activity within the District and simply

detract from the potential efficiencies of this activity being consolidated. In simple terms once again, although there may be some benefit to the individual businesses in locating in less intense areas, the loss to the economy as a whole will inevitably outweigh this.

- 4.17 In terms of benefits to the wider economy vibrancy and local amenity are often key factors in the housing and employment decisions made by skilled labours. This environment is more likely to lead to increases in value added goods and productivity gains for the local economy. The current framework under which businesses locate in Waikato is likely to exacerbate the dispersal of this activity, reducing Waikato's overall competitiveness not only for business in general but in terms of its appeal as a visitor destination and residence.

Agglomeration and Productivity Gains

- 4.18 The arguments for agglomeration pertain mainly to specific productive activities within an economy. The basis for these arguments is that increased densities lead to synergies, improved flow, economies of scale and utilisation of resources. The presence of agglomeration effects within the New Zealand market is somewhat contentious, however, the supporting academic and empirical evidence identifying the economic benefits are particularly strong and widely accepted. Work undertaken in 2007 by Ascari Partners and Richard Paling Consulting (Williamson, Paling & Waite, 2007) has shown a doubling of employment densities accompanied by accessibility will result in productivity gains of around 6%. While work undertaken in Britain (Dan Graham 2006) found that the doubling of the effective density rate (in a given area) resulted in average productivity gains of 12.5% and service sector gains of 22.1%. It is important to note here that these productivity gains would need to already exist in a market for them to be considered by individual firms and are therefore less likely to occur without other incentives for them to locate here.

- 4.19 There are varying levels of these benefits given the overall size and role of a centre within an economy. While the centres in the Waikato District are historically small, they still represent an opportunity for

consolidated activity in order for the local community to retain additional commercial activity that is not simply drawn here by the extent of agricultural services.

- 4.20 It is important to note that agglomeration is not restricted to large cities but is the result (at differing levels) of diversity and the ability for an area to attract more productive sectors into the economy that would otherwise service the Waikato from outside the area. These sectors will typically only locate in accessible areas that exhibit synergise (spatially) with the local market. The consolidation of activity, within the existing and proposed Waikato centres, is a fundamental means by which Waikato will attain a degree of these agglomeration benefits and improve its economic competitiveness.
- 4.21 The ability of commercial and retail activities to provide this environment, and thereby improve community wellbeing, is not considered in individual business decisions and are therefore distributional impacts with regards to this resource.

Adverse effects on community infrastructure

- 4.22 The provision of community facilities and infrastructure is a social investment. The justification for this investment is the social value that these services and facilities provide to the community. This is considered to be significant enough that they are publicly funded and supplied. The reason they are publicly supplied is because given their social value the free market would not supply enough of them given a patron's individual value (price).
- 4.23 These facilities may include libraries, civic and administrative functions, community centres, public meeting areas, police stations, etc. These are generally provided in centres with high activity so as to coincide with retail and other uses. The scale of these facilities also coincides with the scale of activity located within the centre. This, in and of itself, is reason to suggest that there is a direct relationship between use of community facilities and other activity such as retail and commercial activity. Simply put, the greater the level of activity and accessibility in a centre the greater the utilisation of such public

assets. Not only is profile important for these types of facilities but they are located to make good use of multi-use trips.

- 4.24 The provision of these facilities are sometimes seen as 'sunk costs', dismissing their relevance and their potential underutilisation as costs to decentralised retail activity. Although this line of thinking is correct with regards to the fixed investment it fails to consider the return from the community investment that is lost if these assets are undermined. The utilisation of these assets has community value that must be considered when potentially reducing their usage. I believe what are seen, in this regard, as sunk costs are in fact community investments that must be considered in terms of their initial costs (and hence on-going opportunity cost) to society. Even if the investment is irrecoverable (hence not property etc) there is still a need to have regard for this investment, especially if not considering their value is likely to lead to a duplication of facilities.

Transportation Efficiency

- 4.25 The basis for this argument lies in the transport efficiencies achieved through the agglomeration of activities with one of the key generators or these travel patterns being retail patronage.
- 4.26 Transportation efficiencies are fundamental when considering the economic costs and benefits associated with this intervention. These values are inherently linked to the level of accessibility to activities and assets within these areas. In terms of costs, relating to the PWDP, it is crucial that consideration is made for the capacity of this infrastructure as the benefits are likely to be tempered by a 'crowding out' effect. In terms of transportation this is often referred to as congestion. The impact of this is to reduce the benefits attributable to these locations while increasing the costs in terms of reduced convenience and increased travel times. Given the conditions that exist in the Waikato District it is highly unlikely that this will occur.
- 4.27 Efficient transportation networks provide obvious benefits to the community that are not considered in these decisions. These benefits include:

- (a) Reduced public costs for roading and transport infrastructure (reducing the need for duplication);
- (b) Reduced pollution;
- (c) Increased certainty around public and private sector infrastructure investment; and
- (d) Reduced marginal cost (reducing the 'per trip' cost).

4.28 It is generally accepted that there are transport efficiencies associated with centralised activity. It is fundamental to note that not all these benefits are considered in individual decisions. Given that the level of investment into this form of infrastructure climbs into the billions of dollars it is critical that this be given some level of security as to its efficient utilisation and therefore effective return. Retail location is essential both directly and indirectly in these decisions due both to the level of activity generated by this market and the co-location of other activities due to amenity.

Land Use Efficiencies

4.29 A key purpose of planning is to produce the most efficient use of an economy's land resource. Planning regulations are designed to control private uses for this resource so as to produce a sustainable long-term outcome. Inherently there are two potential short-falls of the market in achieving this with regards to business location. The value of primary output in the Waikato District is the result of productive agricultural land remaining in production and restricting the development of competing activities where possible.

4.30 The first issue is associated with the potential lack of information available to private developers. This may take the form of making decisions without full knowledge of competitor investment plans. Inaccurate forecasts of future demand may affect the efficient allocation of this land resource. This potentially leads to an oversupply of commercial space within the market. The relevance to commercial locations is that there is a propensity for out-of-centre development to

have a greater degree of viability (and lower risk) in the short-run thus resulting in the over-supply.

- 4.31 Second, potential efficiencies are lost where a resource is over allocated as the market has no necessity to utilise these efficiently. E.g. without restrictions on residential land some efficiencies would be lost from higher density living. The efficient use of land is fundamental to community well-being. The provision of relatively cheap land in inappropriate locations provides the market with misleading signals which has the potential to reduce the productivity of land for the entire economy. This position is only partly tempered by the need to provide adequate quantities of land in appropriate locations to meet the potential demand and provide a competitive environment. However, the negative impacts of an oversupply of land are most acutely felt in the commercial market and so are most crucial in terms of net effects. Within Waikato the provision of what is seen as low-priced commercial land will inevitably result in reduced land efficiencies across the broader district.

5. WAIKATO DISTRICT BUSINESS LOCATIONAL AND GROWTH TRENDS.

- 5.1 Table 1 illustrates employment growth² within the Waikato District over the past 18 years. In terms of overall growth, the information indicates significant growth levels in terms of total employment at 55%. While primary sector employment saw little proportional growth (less than 10%), secondary sectors saw both nominal and proportional growth (100% growth). Growth within commercial sectors has been varied but sectors such as Administrative Support and Professional Services are indicating increasing potential (while still significantly below the ratio of larger areas) within these sectors for growth. This aligns with the issues raised in Chapter 1 of the PWDP (specifically 1.4.2), and while the low ratio indicates the District's proximity to larger service centres (such as Hamilton) its

² By EC: Employment Count representing a Statistics NZ measure of activity by 1st level ANZSIC

proportional growth illustrates the opportunities that exist for business centres within the Waikato District.

Table 1: Waikato District Employment Change (2000-2018 ECs)³

Waikato District	2000	2006	2007	2008	2009	2017	2018	# Growth (2000 - 2018)	% Growth (2000 - 2018)
A - Agriculture, Forestry and Fishing	4,143	3,775	3,792	3,458	3,645	4,356	4,519	376	9%
B - Mining	384	559	585	577	653	364	353	- 31	-8%
C - Manufacturing	1,230	1,659	1,637	1,601	1,443	2,295	2,285	1,055	86%
D - Electricity, Gas, Water and Waste Services	133	292	304	312	347	437	398	265	199%
E - Construction	790	1,295	1,303	1,436	1,268	1,783	1,919	1,129	143%
F - Wholesale Trade	202	282	275	245	217	335	399	197	98%
G - Retail Trade	673	751	733	743	679	809	781	108	16%
H - Accommodation and Food Services	605	705	708	759	737	863	910	305	50%
I - Transport, Postal and Warehousing	510	660	657	637	532	636	639	129	25%
J - Information Media and Telecommunications	24	36	51	48	51	81	90	66	275%
K - Financial and Insurance Services	66	79	82	90	87	48	45	- 21	-32%
L - Rental, Hiring and Real Estate Services	87	139	146	176	146	211	240	153	176%
M - Professional, Scientific and Technical Services	173	390	385	450	447	706	707	534	309%
N - Administrative and Support Services	137	427	442	493	563	456	455	318	232%
O - Public Administration and Safety	312	337	366	392	398	838	874	562	180%
P - Education and Training	1,254	1,256	1,345	1,403	1,487	1,751	1,818	564	45%
Q - Health Care and Social Assistance	537	570	587	607	567	999	998	461	86%
R - Arts and Recreation Services	213	279	269	297	332	337	389	176	83%
S - Other Services	296	349	376	375	353	366	422	126	43%
Total All Industries	11,769	13,840	14,043	14,099	13,952	17,671	18,241	6,472	55%

5.2 An important consideration for the development of Business and Business Town Centre zones is the level of activity occurring within these centres. Table 2 illustrates the level of trended activity occurring in commercial and retail sectors across the District and the comparison to this overall trend of 'in-centre' activity.

³ Statistic NZ Business Frame Data 2019

- 5.3 As identified above a key objective of the PWDP is the consolidation of activity around existing towns and villages (4.1.2) and ensuring that the business town centre is the focal point for retail and commercial activities (4.5.2). Table 2 shows the changing structure of commercial activity with the Waikato District over the past 18 years. It indicates that retail and commercial employment has grown by 84% across the District over this period, and that over the same period the level of activity within the identified centres has grown by only 30%. In terms of the significance of these centres for retail and commercial activity they represented nearly 50% of activity in 2000 while 18 years later they have experienced little growth and their relevance has fallen by nearly 30%⁴.
- 5.4 The data below would suggest that the centres identified in the PWDP, and recognised as important in terms of efficiency and amenity (as well as competitiveness) have seen limited nominal growth in activity (and in cases such as Huntly have decreased in nominal activity), while proportionately they continue to lose significance. Given the types of businesses that have historically dominated the District and the proximity to larger service markets these smaller centres have performed a very localised role in the community and economy. However, as the composition of the District's economy has changed over the past 2 decades it could be expected that, rather than decrease, these centres would play an important role in accommodating the locally retained activity.

⁴ It is important to note that the extent of these centres are represented by 'SA1s', the smallest Statistics NZ geospatial unit, and as such incorporate areas outside the Business Town Centre Zones. Given the level of fringe development that has occurred it can be assumed that the fall in actual significance of these centres is likely to be greater.

Table 2: In-Centre Waikato Commercial and Retail Employment Change (2000 – 2018 ECs)

	2000	2006	2007	2008	2017	2018	Growth
Te Kauwhata	63	61	65	75	119	109	
Ngaruawaia	202	215	225	251	257	259	
Tuakau	116	133	145	144	177	164	
Pokeno	18	28	12	9	21	22	
Huntly	457	417	405	396	438	418	
Raglan	199	323	338	342	326	351	
Policy 4.5.3	1,055	1,177	1,190	1,218	1,338	1,324	25.41%
Te Kowhai	2	19	23	26	29	26	
Taupiri	18	41	41	45	63	60	
Horotiu	14	22	22	31	19	12	
Total Centre	1,089	1,259	1,276	1,320	1,449	1,422	30.56%
District	2,250	3,046	3,091	3,333	4,064	4,153	84.61%
In-Centre	48%					34%	

Source: Statistics NZ, Property Economics

5.5 Given the significance of these centres to the District economy and the potential role they play in the transition of the local employment base moving forward it is appropriate that they are recognised within the directions and objectives of the plan. However, recognition and understanding of these changes and the potential issues that are faced in achieving this focus should be clear in the resulting decisions, provisions and rationale provided for in the accompanying research and analysis that guides these provisions.

6. WAIKATO DISTRICT NOTIFIED PLAN SECTION 32 AND BUSINESS CAPACITY REPORT (APPENDIX 13)

6.1 The s32 report provided in support of the PWDP outlines the perceived differences between the operative plan (“WDP”) and the PWDP. A key difference identified is that the operative plan had no real differentiation between the Business and Business Town Centre zones and so was unable to support the different roles and functions of the centres. Additionally, Policy 4.5.10 seeks to discourage large scale retail within the Business Town Centre zone, meaning that such activities would need to occur in the Business Zone or elsewhere.

6.2 While several issues are addressed by the s32 they are predominately focussed on amenity and character, and not on encouraging or facilitating appropriate development in appropriate locations. Additionally, an issue raised is the function and purpose of centres. This issue most closely relates to the identification of Town Centres as the primary focus for retail, administration, civic and commercial service activity. While the importance of these centres is evident in the objectives and policies of the PWDP it would appear that there is no assessment within the s32 material regarding:

- (a) The level of capacity of the Business Town Centre zone within specific centres;
- (b) The economic issues facing Town Centres in terms of the market's willingness and ability to develop potential capacity;
- (c) The relative competitiveness of the Business Town Centre zone and the Business zone and whether the changes proposed are likely to result in increased centre investment, development and activity;
- (d) What activities fundamentally contribute to centre amenity and how those activities may be encouraged into centres.

6.3 The s32 material does provide supporting research regarding the sufficiency of business land within the District over a 30 -year period. As directed by the NPS-UDC Appendix 13 provides an assessment of business capacity with the assessment pertaining to Waikato District summarised below (Table 3). In terms of commercial and retail activity within the District the report shows that projected growth is likely to require nearly 300,000sqm of floorspace over 45ha of land. In terms of capacity, for what the report terms 'business land', it is estimated that the District has over 400ha of vacant land suitable (and by this analysis 'feasible') to accommodate over 5 million square metres of commercial and retail activities.

6.4 Additionally, Table 3 indicates the extent of the capacity estimated, with vacant commercial land estimated to provide sufficient capacity for the District for the next 600 years. Even with a significant margin

of error the assessment clearly suggests that, while there is little concern of a shortage of commercial capacity, the vast level of currently zoned business land will provide significant challenges regarding focussing commercial activity growth and realising improved efficiencies. This level of capacity within the business zones highlights the issues of the competitiveness of Town Centre locations (for investment and activity) that has led to the fall in the significance of these centres as outlined in the previous section.

- 6.5 While the primary change identified in the s32 material is the differentiation between the Business zone and Business Town Centre zone, no supporting analysis appears to accompany this breakdown. What is clear from the supporting information that is available is that, at a general level, the risk associated with such a surplus of commercial capacity does not relate to other activities but the need to focus development into specific areas and to facilitate activities within these zones that would contribute to increased levels of activity leading to greater levels of vitality, vibrancy and certainty for investment.

Table 3: Supporting Business Development Capacity Assessment 2017 (Appendix 13 Section 32)

		Short-term	Medium-term	Long-term	Land to Floorspace
Commercial					
Estimated Demand	<i>Land</i>	3.2	10.6	33.5	
	<i>Floorspace</i>	18,535	76,653	216,885	0.65
Estimated Capacity	<i>Land</i>	345.6	345.6	345.6	
	<i>Floorspace</i>	4,415,300	4,415,300	4,415,300	1.28
Differential	<i>Land</i>	342.4	335	312.1	
Estimated Time Sufficiency	<i>Floorspace</i>	4,396,765	4,338,647	4,198,415	610 Years
Retail					
Estimated Demand	<i>Land</i>	0.8	3.2	11.4	
	<i>Floorspace</i>	4,562	21,742	69,983	0.61
Estimated Capacity	<i>Land</i>	55.7	55.7	55.7	
	<i>Floorspace</i>	592,400	592,400	592,400	1.06
Differential	<i>Land</i>	54.9	52.5	44.3	
Estimated Time Sufficiency	<i>Floorspace</i>	587,838	570,658	522,417	250 Years
Total					
Estimated Demand	<i>Land</i>	4	13.8	44.9	
	<i>Floorspace</i>	23,097	98,395	286,868	0.64
Estimated Capacity	<i>Land</i>	401.3	401.3	401.3	
	<i>Floorspace</i>	5,007,700	5,007,700	5,007,700	1.25
Differential	<i>Land</i>	397.3	387.5	356.4	
Estimated Time Sufficiency	<i>Floorspace</i>	4,984,603	4,909,305	4,720,832	493 Years

7. BUSINESS AND BUSINESS TOWN CENTRE CHAPTER APPROACHES

7.1 As a result of the PWDP's objective of enhancing and supporting Town Centres within the District, provisions within Chapter 17 (Business zone) and Chapter 18 (Business Town Centre zone) seek to differentiate between the potential roles each zone will serve while also improving and maintaining amenity within the Town Centres.

7.2 As such the PWDP includes 'Character Statements' for each Town Centre providing urban design guidance and restrictions of the form of development within Town Centres. A summary of the consideration

of the potential impacts of these statements and principles is outlined in Table 10 of the s32 material. Within this assessment the potential risk associated with this increased requirement is indicated as low, while acknowledging that the approach is likely to result in increased development costs. From an economic perspective the appropriate design of a centre adds to its competitive advantage and so is important to the long-term sustainability of centres. However, fundamental to the ability for a centre to grow and redevelop is the level of activity that is attracted over both the long and short terms.

- 7.3 The introduction of higher thresholds for design and restrictions on development within the identified centres will place greater pressure on the competitiveness of those centres and their ability to attract activity and investment. As outlined previously these centres are currently struggling to attract appropriate levels of District growth that would support the PWDP objectives. Additional criteria, while not in themselves inappropriate, will place greater pressure on the opportunity for development within these centres. Initially, therefore, these restrictions are likely to lower the relative competitiveness of the centres as commercial locations. In order to redress this competitive imbalance (that already appears to exist) it is fundamental that these locations and the areas that surround them are afforded an opportunity to attract activities that would contribute to the levels of vitality and therefore competitiveness.
- 7.4 In terms of understanding the potential impacts of provisions within the PWDP seeking to differentiate the role and functions of the Business zone and Business Town Centre zone there appears to be no clear information provided within the s32 material. The provisions associated with this issue appear to seek to direct smaller commercial and retail activities within Business Town Centre zone however there is no understanding as to the potential size of this market growth nor the capacity that exists within centres and whether this will result in vibrant and vital centres.
- 7.5 While the I agree with the objectives of the provisions proposed, the potential results of these provisions either in isolation or more broadly has the real potential to further reducing the level of activity,

development and private investment into Waikato District's commercial centres rather than achieving the vitality outcomes sought by the PWDP.

8. KAINGA ORA SUBMISSION AND POTENTIAL BENEFITS

- 8.1 Kāinga Ora currently accommodates over 200,000 residents in approximately 69,000 properties nationwide, while managing a portfolio of over 400 dwellings within the Waikato. A fundamental objective of Kāinga Ora (with regard to this evidence) is to 'improve the diversity and effectiveness of housing in Waikato to meet the changing needs of our communities and align the state housing portfolio with demographic trends and demand'.
- 8.2 I note the passing of the Kāinga Ora – Homes and Communities Act 2019 has flagged a much broader role for Kāinga Ora in facilitating urban redevelopment processes. Some additional clarity in terms of the scope of that role, and the processes involved, is comprised in the Urban Development Bill which was introduced in December 2019. The reason I mention this is to provide context for the broader relief sought in the Kāinga Ora submission, and to make clear that while the delivery of outcomes in respect social and affordable housing on Kāinga Ora land holdings is an important aspect of the submission it is also directed at facilitating broader redevelopment outcomes by and/or for the market on private land also.
- 8.3 The PWDP will ultimately influence Kāinga Ora's ability to deliver an adequate and appropriate level of social and affordable housing to meet the needs of the Waikato community. Kāinga Ora seeks to help meet the PWDP objectives of providing for growth in a quality compact urban form and efficiently utilise its own resources in meeting the other community needs, as well as facilitating growth on private land as referred to above.
- 8.4 The Kāinga Ora submission, as it relates to my evidence, identifies concerns regarding the ability for the PWDP to efficiently and appropriately supply residential housing product to the market, within the Business Town Centre zone that provides for the community's

wellbeing. This concern stems from the ability for identified zones to supply timely, appropriate and sufficient capacity to meet demand in a manner that also considers the vitality and vibrancy of Town Centres.

- 8.5 The submission as it pertains to the Business Town Centre zone seeks to amend development standard relating to 'Building Height', 'Daylight admission' and 'Car Parking Requirements'. While my evidence does not address urban design aspects of these standards it is clear that development flexibility within the Business Town Centre zone is less likely to result in barriers to development and investment. As identified above, a key factor in the ability for the PWDP to focus activity within the Town Centres is its ability to redress the relative competitiveness of these locations as commercial hubs. Within the boundaries of good urban design, it is important that that the zones' provisions and standards catalyse investment into these centres. While development itself is not directly a unique economic benefit to the Waikato community, the resulting efficiencies from increased development within these zones outlined above do represent unique benefits.
- 8.6 Additionally, the facilitation of greater levels of residential intensification and typologies within centres provides greater diversity in centre composition and reduces centre vulnerability to short term impacts and relative changes in competitiveness.
- 8.7 Similarly, Kāinga Ora opposes the inclusion of Town Centre Character Statements within the PWDP. While acknowledging the potential for guidance in terms of providing good urban design and amenity outcomes their inclusion from an economic perspective has the potential to further subdue development within centres adding an additional layer of criteria to the centres that do not exist in competing locations and zones, reducing certainty of investment and further eroding the competitiveness of centres as an attractive location for activity within the District.
- 8.8 While business zoning is inevitably utilised to direct land use patterns within the District the relative provisions of the zones play a significant

role in the efficient and effective geospatial distribution of business activity. This is a fact that is crucial to the objectives of the PWDP, and in particular the Business Town Centre zones.

- 8.9 A key consideration in the objectives for the business zones and provisions is the utilisation of appropriate land in centres to provide efficient access to centre services and increase Waikato's overall competitiveness and amenity levels. In considering these objectives, it is important to understand what, if any, impact the proposed provisions will have on them. As identified above this goes beyond the act of applying a zone to an area of land and must consider the potential market response and therefore the practical outcome of the zone.
- 8.10 The ability for the proposed plan to accommodate future business and residential growth in the existing urban areas hinges on its ability to function as a catalyst for residential and business development of greater density. In order for the market to accept this product there need to be several overt factors in play. The driving force behind the market's acceptance is clarity over future demand. In order to achieve this clarity it is important that the intensified product attains a competitive advantage in the market through high quality product and associated amenity. Accompanied by this potential change in locational preference must be a development viability for the product itself.
- 8.11 The objective of consolidated activity in Waikato must therefore consider, the accessibility and associated amenity of the locations and the development viability relating to the market variables that are likely to exist.
- 8.12 For zoning to achieve this level of accommodation it must provide appropriate levels of redevelopment choice in appropriate locations while still delivering certainty to the market.
- 8.13 An important consideration in evaluating the merits of the Kāinga Ora proposal is the potential economic benefits (balanced against potential risks) provided to the centres in providing increased

opportunity for a greater residential and business yield with respect to the centre network of the District.

- 8.14 Spreading the potential for intensified development across the in-centre and out-of-centre network means any one centre is unlikely to experience a significant gain to a level where it would provide a material economic boost to the centre. This in my opinion represents a missed market opportunity within the PWDP provisions.
- 8.15 From an economic perspective, many centres across Waikato network are struggling to perform their role and function successfully in the market and provide quality commercial space and retail offer in an environment that meets consumer expectations in today's environment, competition, changing retail formats, level of competitive alternative commercial locations.
- 8.16 This has diminished the relevance of many (typically older) centres in Waikato and depleted their economic and employment base in many instances, as well as the economic return from public investment in infrastructure and services in these centres.
- 8.17 The Kāinga Ora submission provides an opportunity for the market to deliver increased volume of higher density development in the Business Town Centre zones to a level where it would provide a greater economic benefit to a centre's performance and the economic and social wellbeing of the communities it primarily services. This is in relation to increased sales performance, larger population base in surrounding centre locales, increased local employment opportunities, increased accessibility to public transport infrastructure, increased market efficiencies, increased return on investment on public expenditure (particular upcoming public transport initiatives), etc.
- 8.18 The Kāinga Ora submission provides additional capacity and flexibility closer to areas with the highest levels of amenity, services and infrastructure (centres) rather than suburban environs around the city.
- 8.19 Additional to this is the increased market flexibility of the dwelling typologies that are likely to be developed, and increased opportunity

and certainty for the market, to deliver higher residential densities in the District's centres and around public transport networks.

- 8.20 The potential risk of not providing for the increased flexibility sought by Kāinga Ora is the more dispersed development pattern that is likely to occur (and the associated economic cost / inefficiencies), and Council's PWDP objectives concerning consolidation not being realised. Having a greater volume of higher density development (and therefore people) within centres represents a significantly better economic outcome for Council, developers, the community and the centres themselves.

9. CONCLUSION

- 9.1 The Strategic objectives and Policies of the PWDP seek to focus appropriate activity within the identified Business Town Centre Zones within Waikato District. This focus along with the identified need to differentiate between these centres and the remaining Business Zone are fundamental to Waikato's efficient accommodation of growth and its overall ability to attain and attract employment opportunities for the community.
- 9.2 While there is little economic detail relating to the rationale behind changes to Business Town Centre zone and Business zone provisions within the PWDP it is clear that changes are necessary to achieve these objectives as the significance of Town Centres within Waikato District has fallen consistently over the past 2 decades.
- 9.3 In my opinion the changes to the provisions relating to the Business Town Centre zone have the very real potential of creating an environment where appropriate levels of development within centres becomes increasingly difficult reducing their competitiveness and in turn impacting upon the District's potential for non-primary economic growth.
- 9.4 It is my economic opinion that the provision of greater capacity and flexibility of development and typology sought by the Kāinga Ora submission represents an improved position to meet the objectives of the PWDP. The submission allows for a degree of 'real market'

differentiation and provides some impetus for greater levels of development with Waikato Town Centres.

PHILIP MARK OSBORNE

24 JANUARY 2020

