

BEFORE THE WAIKATO DISTRICT COUNCIL INDEPENDENT HEARING PANEL

IN THE MATTER of Proposed Variation 3, under clause 16A of Schedule 1 of the Resource Management Act 1991, to the Proposed District Plan Change

AND
IN THE MATTER of submissions by Pokeno West, West Pokeno, CSL Trust and Top End Properties Limited, at Munro and Helenslee Roads, Pokeno (the **Submitters**)

**To: The Hearings Co-ordinator
Waikato District Council**

**REBUTTAL ECONOMIC AND PROPERTY MARKET EVIDENCE OF ADAM
JEFFREY THOMPSON FOR THE SUBMITTERS**

19 July 2023

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MAY IT PLEASE THE PANEL

1. INTRODUCTION

1.1 My qualifications and experience are outlined in my primary statement of evidence, dated 4 July 2023.

1.2 While not an Environment Court hearing, I confirm that I have read the Code of Conduct for Expert Witness contained in the Environment Court Practice Note 2023 and that I agree to comply with it together with the requirements for evidence as stated in the new Practice Note. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

2. SCOPE

2.1 In this evidence I respond to the statement of primary evidence of Philip Osborne, prepared on behalf of Kāinga Ora, dated 4 July 2023.

3. RESPONSE TO PHILIP OSBORNE

3.1 The relief sought by Kāinga Ora is to enable mid/high-rise apartments of 5-6 levels (22-24.5m height) within and adjacent to Huntly Town Centre. At present the proposed District Plan allows terrace and town house development of 2-3 levels (12m in height).

3.2 Mr Osborne's view is that enabling apartments will increase the quantity of infill housing that is commercially feasible and 'reasonably expected to be realised', and that this is important to achieve the benefits sought by the MDRS and NPS-UD.

“It is clear from this assessment that the proposed Kāinga Ora position will enable the market to provide greater levels of high-density residential development within Huntly Town Centre. This improvement is both necessary to realise the economic efficiencies of intensified development as well as providing for realistic choice and demand preferences both now and over the long term.” (para 47)

- 3.3 Mr Osborne’s view is based on an assessment of commercial viability (his para 45) and based on this assessment he appears to conclude that additional apartments will be realised.
- 3.4 Mr Osborne however does not address the fundamental matter of when 5-6 level apartments will be realised, or whether the existing or new residents are willing to pay the price for the apartments that are able to be developed under the proposed provisions. If there is no (or near to no) demand for these apartments, they will not be realised, and therefore it will not enable the benefits that Mr Osborne outlines in his evidence. This could in turn result in other potential benefits being forgone.
- 3.5 Apartments are significantly more expensive to develop than terrace and town houses, primarily due to their construction being out of concrete and steel, rather than timber, and additional costs of working at height. The most affordable price for apartments is currently around \$12,000/m², with most apartments now selling in the \$15,000 – 20,000/m² price range. For Huntly, and other parts of the Waikato, the implication is that a modest 1 bedroom apartment of 60m² would cost around \$700,000 and a larger 3 bedroom apartment of 120m² would cost around \$1,440,000 million. By comparison, a terrace or town house of 120m² would cost around \$800,000.
- 3.6 To look at it from another perspective, for \$1,440,000 a buyer could purchase a large 4-5 bedroom house of 250m² on a 600-800m² lot. It is this difference in price that makes apartment development in small/medium sized rural towns unlikely to be realised. As a benchmark, Pukekohe, which is has over 20,000 people, has not ‘realised’ any commercial/market

mid/high-rise apartments but there is a Kāinga Ora one under construction at the present time. Furthermore, there have only been modest quantities of infill terrace housing, over the past 5-6 years, despite both being enabled by the Auckland Unitary Plan.

- 3.7 For these reasons, I consider the relief sought by Kāinga Ora to be largely “theoretical” rather than realisable capacity. While it may in principle be supportable, in terms of long-term planning and potential economic benefits, it is almost certainly not going to be realised as an outcome under current or foreseeable economic conditions. I note that Mr Osborne also reaches this conclusion:

“While the theoretical or ‘enabled’ capacity resulting from the proposed Kāinga Ora height is substantial (approximately 7,000 units within the Town Centre) the market reality is that a very small proportion of this is likely to be realised within the market.” (para 48)

- 3.8 Mr Osborne has not stated how many apartments he expects will be realised (i.e. the ‘very small proportion’), has not provided the modelled price points at which these apartments will be brought to the market, and has not provided any consideration of whether there is demand for apartments at these price points. In my understanding, this information is a basic requirement to determine whether the sought relief will result in any additional housing being realised and more generally for land use policy evaluation.

- 3.9 While I support the relief sought by Kāinga Ora, on the basis that it enables greater flexibility, the concern that arises is theoretical/plan enabled capacity may be unjustifiably relied upon to meet the housing needs of the community, or the development capacity requirements of the NPS-UD. It provides the false impression that there is potential for large amounts of infill housing to be guided to specific locations, adjacent to commercial centres, at a rate that has significant efficiency benefits that would otherwise be foregone if the infill housing was enabled more generally across the towns.

- 3.10 Mr Osborne has limited the scope of his evidence to the benefits of infill and redevelopment of brownfield land. However, there is significantly greater potential to achieve the medium-density benefits sought by the MDRS in greenfield locations, in small rural towns, such as Huntly and Pokeno. Mr Osborne has not considered these potential benefits, and importantly, the extent to which they may actually be realised, when compared to mid/high-rise apartments.
- 3.11 In my opinion the benefits of infill housing and medium-high density housing in master planned developments should be equally supported, rather than preferring one over the other. Enabling intensification more widely, in spatial terms, will provide more opportunities for viable projects to meet market demand, and the greatest potential economic and social benefits (particularly within the context of Council's estimating affordable housing shortage).

4. CONCLUSION

- 4.1 The relief sought by Kāinga Ora would enable 5-6 level apartment buildings. In my opinion there is little demand for apartments in small-medium size rural towns, given their high sale price compared to other forms of housing (approximately twice the price on a sqm basis).
- 4.2 While I support the Kāinga Ora relief in principle, on the basis that it will provide greater flexibility, it raises the concern that this theoretical/plan enabled capacity will be unjustifiably relied upon to meet the housing needs of future residents. While the NPS-UD does require assessment of plan enabled capacity, the most important metrics are what is feasible, and expected to be realised, in terms of ensuring that there is a sufficient supply of housing (a range of typologies etc) to meet demand (by price and location etc).
- 4.3 In my opinion, the benefits of the MDRS will only be achieved, to any significant extent, in small-medium size rural towns, in master planned

greenfield developments. This is because master planned developments provide greater amenity and superior design that enables terrace and town housing that will have take-up in the market. This is evident in places such as Pukekohe, which have not achieved any notable intensification, despite being enabled in the Auckland Unitary Plan. However, there are several successful (feasible and expected to be realised) large master planned developments in Pukekohe that are focused on affordable terrace and town houses.

Adam Jeffrey Thompson

19 July 2023