

IN THE MATTER OF the Resource Management Act 1991

AND

IN THE MATTER OF proposed private Plan Change 12 to the
Waipā District Plan by Sanderson Group
Limited and Kotare Properties Limited for
the rezoning of Growth Cell T2 from
'deferred residential zone' to 'residential'

STATEMENT OF EVIDENCE OF PHILIP MARK OSBORNE

ECONOMICS

15 March 2021

Introduction

1. My name is Philip Mark Osborne. I am an Economic Consultant for the company Property Economics Limited, based in Auckland. My qualifications include – Bachelor of Arts (History/Economics), Master in Commerce, a Master in Planning Practice, and I have provisionally completed my doctoral thesis in developmental economics.
2. For the past 17 years, I have been an economic property consultant for Property Economics. Previous to this, I have been a business analyst to several large firms both here and in Europe. I have also taught economics at both the secondary and tertiary levels.
3. I have recently advised, and currently advise, central government organisations such as the Ministry for the Environment, the Ministry for Business Innovation and Employment and Kainga Ora Homes and Communities as well as local authorities including the Future Proof Partners in relation to forward planning and resource valuation issues.
4. I also provide consultancy services to a number of large private sector clients in regard to a wide range of property issues, including economic impact assessments, forecasting market growth, determining future land demand for the residential and business sectors, residential capacity modelling and economic cost-benefit analysis.

Code of Conduct for Expert Witnesses

5. I am familiar with the Code of Conduct for Expert Witnesses (Environment Court Consolidated Practice Note 2014) and although I note this is a Council hearing, I agree to comply with this code. The evidence I will present is within my area of expertise, except where I state that I am relying on information

provided by another party. I have not knowingly omitted facts or information that might alter or detract from opinions I express.

Scope of evidence

6. My evidence will cover:
 - (a) The proposed rezoning;
 - (b) The housing environment for Waipa District and Te Awamutu areas;
 - (c) The retirement market in Te Awamutu; and
 - (d) The potential economic costs and benefits associated with bringing forward the Growth Node.
7. I have read and am familiar with the submissions, officer's report and the proposed changes to be made to the Waipa District Plan.

The Proposed Private Plan Change

8. Proposed Private Plan Change 12 to the Waipa District Plan seeks to rezone 18.2 hectares of 'deferred residential' land to a residential zone and insert a structure plan over 41 hectares of land within the T2 growth node within Te Awamutu.
9. The structure plan proposes a retirement village of 98 units and a further approximately 105 residential sites. The assumption, for the purposes of this economic statement, is that the retirement village will be developed and sold down over the following eight years.

10. The Waipa District has experienced significant population growth over the past two decades and is expected to continue to capture similar levels of growth over the long term period (10-30 years) of the National Policy Statement on Urban Development (NPS UD). In fact, realised growth has continued to outstrip standard projections with Statistic NZ 2013 projections expecting over 3,000 less residents than were present at the 2018 Waipa census¹.
11. The original Waipa Housing and Business Capacity Assessment (HBA)² found that the district had a significant projected shortfall of feasible residential capacity by both 2026 and 2046; in excess of 8,500 dwellings. For Te Awamutu³ specifically this shortage ranged to over 2,000 dwellings in the long term with the inclusion of greenfield capacity.
12. Following this 2017 HBA, Waipa District identified 14 residential 'growth cells' that were intended to meet this shortfall, with some identified as deferred zonings pre-2035. The shortfall in capacity within the Te Awamutu area was to be met by an additional 3,000 sites within the pre-2035 growth cells⁴. Unlike the previous HBA assessment it is unclear whether this capacity figure represents the feasible level of development within these growth cells, or whether it is just zoned capacity.
13. Over the short term the Council section 42A provides some current context. Paragraph 5.48 of this report indicates that 'effectively there are only two open growth cells'. Additionally, paragraph 5.49 finds that the capacity provided by the T1 and T8 growth cells is insufficient to meet the estimated 3-year demand of 507 dwellings. It is also important to note, when considering this sufficiency, that the average demand of 169 dwellings per annum is based over a 10 year period and assumes consistent growth, while the annual rate of growth is

¹ Note the original 'Population, family and household, and labour force projections for the Waikato region' projected Waipa population at 51,677 by 2020 (page 67), with current estimates at 57,800.

² Housing Development Capacity Assessment 2017 Future Proof Area – Waikato District, Hamilton City and Waipa District, 2018.

³ Identified as the combination of 'Te Awamutu' and 'Te Awamutu Outer'.

⁴ Waipa 2050 Growth Strategy, page 35.

expected to slow following this 3-year period⁵. This may result in short term demand higher than the 507 dwellings identified and further exacerbate the shortfall acknowledged in the Section 42A report.

14. At a high level it would appear that, notwithstanding the issue of actual short term capacity, the pre-2035 identified growth cells represent sufficient capacity to meet the general long term market growth projections. However, the proposal itself represents an opportunity to provide additional economic benefits including:

- (a) **Increased Land / Dwelling Supply:** The proposed land area has the ability to supply the market with an additional approximately 203 dwellings, increasing capacity within a single master-planned area. This provides not only the ability for the area to improve its responsiveness to growth demands but itself facilitate further growth within the area with an increase in overall competitiveness. Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size.
- (b) **More Affordable Housing:** The potential provision of additional feasible (not just zoned) residential development capacity within the wider area is likely to have the impact on reducing counterfactual land values. A significant contributor to residential property values is the impact of growth expectations and supply on underlying land values. The identification of additional residential land areas suitable for development is likely to reduce price pressure in the local and surrounding markets.

⁵ Population, family and household, and labour force projections for the Waikato region, 2013-2063, Figure 28, page 34.

- (c) **Greater Housing Choice:** The development of both individual sites as well as a masterplanned retirement village provides increased residential choice within a market that exhibits high levels of future and latent demand for this product.
- (d) **Decreased Marginal Infrastructure Costs:** Once again the opportunity to masterplan an area has the potential to bring with it economies of scales and lower marginal infrastructure costs. Additionally, the 'future provision and identification' of this area allows for the future proofing of the area and the community and private infrastructure requirements.
- (e) **Competitive Demand:** The provision of an additional 98 retirement units facilitates greater choice and is likely to have a positive impact on product pricing, but also provides the district with the ability to attract an increasingly diverse resident demographic enabling greater population growth and ensuing economic activity.

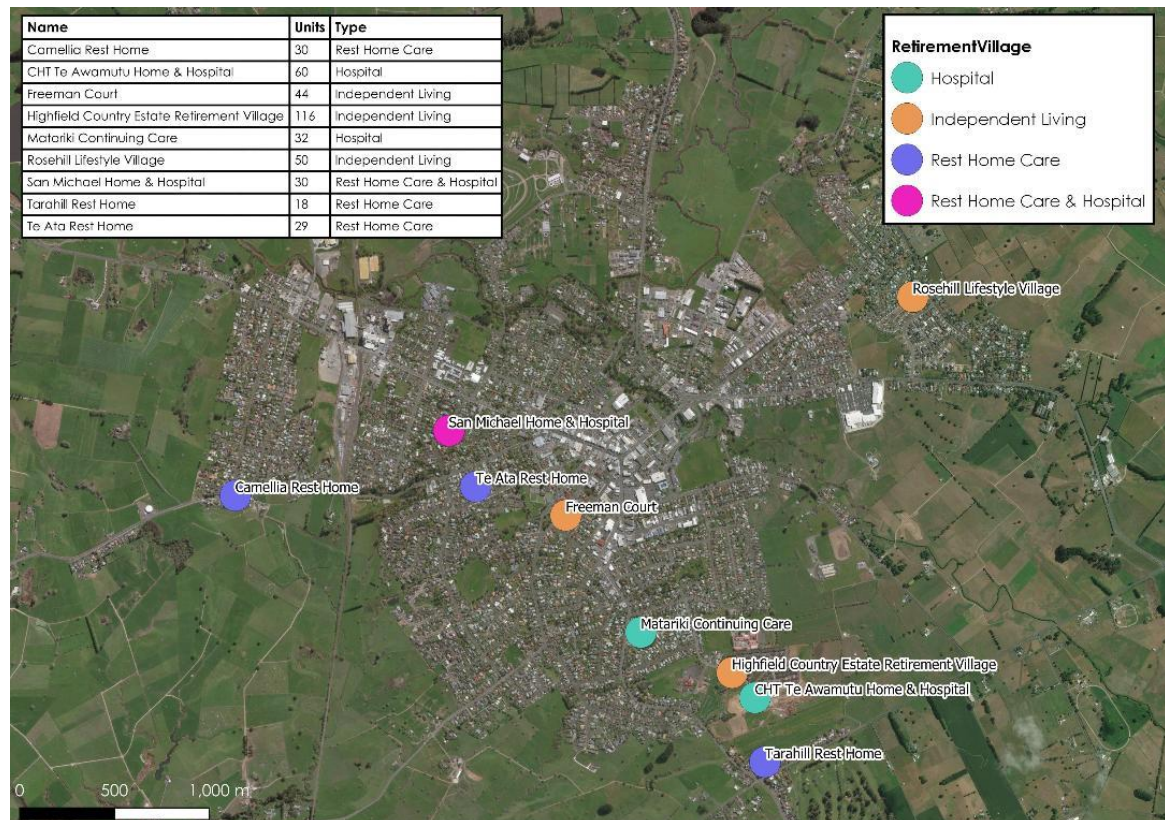
The Proposed Retirement Village (Economic Impacts)

- 15. While the above economic costs and benefits are attributable to the overall plan change, the following identifies the potential benefits attributable to the 98-unit retirement village.
- 16. Figure 1 below outlines the high-level provision of retirement facilities within the local Te Awamutu area. This indicates a limited range of retirement facilities with only 166 independent living units and a total of 405 dwellings. Waipa District currently has an estimated current population of 10,600⁶ (18.4%) residents aged above 65 years, over the past 10 years this section of the population has increased by 54% increasing both nominally and as a proportion of the population (from 14.7%). This indicates growth of over 3,700

⁶ <https://ecoprofile.infometrics.co.nz/Waipā%2bDistrict/Population/AgeComposition>

residents within this age bracket. Similarly, the Te Awamutu catchment has experienced an aging population while realising limited increases in retirement capacity. This has led to strong demand with constrained access to retirement facilities.

Figure 1: LOCAL DISTRIBUTION OF RESIDENTIAL RETIREMENT PRODUCT

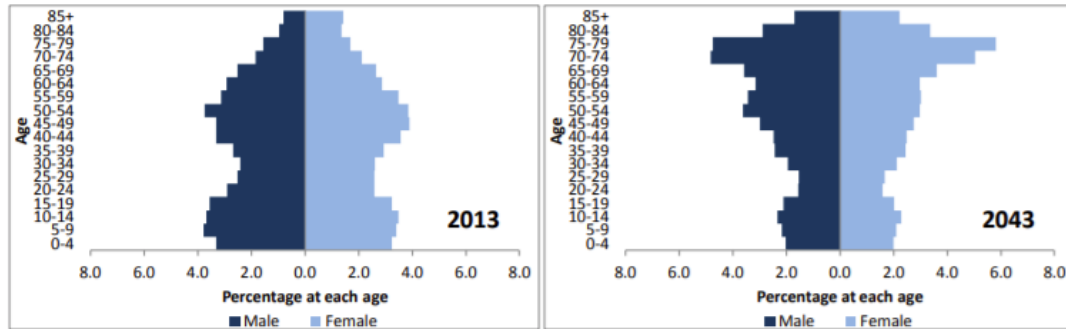


17. It is expected that future population growth will further exacerbate this shortfall. The original Waikato University population projections indicated a significant shift in the Waipa District age composition (Figure 2) showing an increase by 2043 of over-65's to over 37% of the population. This is borne out by the Waipa 2050 Demographic Profile Statement⁷ which highlights as a strategic implication of an ageing population the increased demand for retirement homes. Based on the current proportional representation of aged facilities in this area and the projected growth in this age bracket across the

⁷ Waipa 2050- Demographic Profile Statement, page 20.

district, it is expected that, in addition to any previously identified latent demand, the area could accommodate over 850 retirement units by 2035.

Figure 2: WAIPA DISTRICT POPULATION AGE PROFILE PROJECTIONS⁸



18. While there potentially exists latent demand for this residential product, and projections would suggest a significant level of growth in this housing choice, there remains barriers to entry for the market, not least of which is obtaining a suitable site. Market commentary would suggest that finding suitably located sites of sufficient size remains the key viability restraint, with as I understand the applicant themselves, more recently, undertaking a 3 year search.
19. The facilitation of capacity for this residential housing product in a timely manner brings with it several market benefits including freeing up other housing stock less appropriate as well as the potential to accommodate demand that may not otherwise be enabled within the local area or district.

Economic Activity

20. The promise of an additional facility such as this is accompanied by increased economic activity that may not otherwise occur. The level of net economic activity associated with the proposed retirement village is intrinsically linked

⁸ Population, family and household, and labour force projections for the Waikato region, 2013-2063, Figure 29, page 35.

to both the propensity for it to occur (at the same total level) elsewhere and the value associated with the timely nature of the proposed rezoning.

21. This economic impact overview estimates the total additional gross injection (Added Gross Domestic Product) into the Waipa District economy brought about by the proposed retirement village development.
22. It is important to note that this is a gross injection and is not site specific. Although there are undoubtedly economic benefits that are specific to the locations, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.
23. The economic impacts likely to be experienced as a result of the anticipated development is broken down into two phases:
 - (a) First, the development phase which includes the construction costs (CAPEX) of the development and the proportion of those costs that are retained within the district.
 - (b) The second phase is the on-going operations (OPEX) of the anticipated village.
24. Both these phases are measured in terms of their expected direct, indirect, and induced economic impacts upon the district economy. The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the anticipated development.
25. Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the

additional income that will be spent in the area due to increased business activity.

Table 1: TOTAL GROSS WAIPA ECONOMIC INJECTION (RETIREMENT VILLAGE)

(\$m)	2021	2022	2023	2024	2025	2026	2027	TOTAL
CAPEX		\$5.95	\$34.65	\$17.08	\$14.14	\$4.62		\$76.44
OPEX (Plus Final Demand)		\$0.00	\$0.00	\$0.56	\$0.63	\$1.12	\$1.68	\$3.99
Multiplier								
TOTAL NET WAIPA ACTIVITY		\$5.95	\$34.65	\$17.64	\$14.77	\$5.74	\$1.68	\$80.43
Total Employment		88	515	263	220	85	29	1,199

26. The preceding table illustrates that the total impact on business activity within Waipa District as a result of the proposed Retirement Village at Te Awamutu over an operational (retirement village) 4-year period (2027) is estimated to be in the order of \$80 million.
27. In terms of employment multipliers this would contribute, on average, approximately 200 employees per annum over the 6-year period, with a peak during construction in year 2 of 515 employees, with the first six years contributing a total of 1,200 EC's to the district.
28. In terms of on-going operational value, the retirement village is expected to contribute an on-going \$1m p.a. and support at least 17 additional district employees.
29. Table 2 outlines the economic contribution of the development of approximately 105 dwellings on the remainder of the Stage 1 T2 growth cell. It illustrates the addition of a further \$80m over a 6-year timeframe supporting over 1,100 fulltime employment positions in the district through direct, indirect and induced activity.

Table 2: TOTAL GROSS WAIPA ECONOMIC INJECTION (RESIDENTIAL PRODUCT)

(\$m)	2021	2022	2023	2024	2025	2026	2027	TOTAL
Direct CAPEX		\$5.43	\$9.72	\$8.74	\$9.16	\$8.33	\$4.86	\$46.24
Multiplier								
TOTAL NET WAIPA ACTIVITY		\$9.86	\$17.22	\$15.26	\$15.64	\$13.55	\$7.60	\$79.14
Total Employment		136	246	209	216	195	118	1,120

30. It is important to note that these figures represent NPV (net present value) which indicates the inherent value differential between current economic benefits and future economic benefits. Additional to the overall loss of 15 years of operational value, this NPV would suggest that the deferral of this activity for a 15-year period would significantly decrease the net economic benefits to the community by up to 50%.
31. An additional contributing factor to the economic value of this proposed development pertains to the current economic environment. COVID-19 has significantly impacted the structure and certainty within the economy and specifically the development community. In economic terms, a considerable premium lies on the restoration and recovery of economic wellbeing in production, distribution and employment. It is therefore important to consider the rezoning's propensity for development and the potential economic impacts above in light of this recovery rather than simply benchmarking these impacts against past economic performance.

Submissions

32. While most opposing submissions appear to relate to infrastructure, there is some concern regarding the identification of further urban growth. As identified above this should be considered in relation to the potential beneficial impacts on the housing market, the current economic climate and the need for development certainty and the specific economic benefits attributable to the provision of retirement facilities within the Te Awamutu and Waipa economies.

Conclusion

33. Waipa District has seen substantial and sustained residential growth, beyond that expected over the past few decades resulting in increased housing price pressures. This growth is expected to continue over the following two decades. While providing for additional residential growth potentially has an associated infrastructure cost it must be weighed against the potential realisation of associated economic benefits.

34. In relation to the proposed retirement village, there clearly exists a market that has the potential to result in additional economic activity not only in the local Te Awamutu area but potentially Waipa District. While the development at initial operation of the facility is likely to contribute over \$80m to the district economy, the ongoing operation will directly contribute nearly \$1m per annum and provide for 17 additional jobs. This represents an opportunity to the local economy and should be considered in light of these benefits.

PHILIP OSBORNE

15 March 2021