PROPERTY ECONOMICS

PLAN CHANGE 14 TO THE WAIPĀ DISTRICT PLAN

MANGAONE PRECINCT

ECONOMIC ASSESSMENT

Project No: 52332

Date: May 2024

Client: Fonterra Limited

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SCHEDULE

Code	Date	Information / Comments	Project Leader
52332.10	May 2024	Report	Tim Heath / Phil Osborne

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1. INTRODUCTION

Property Economics has been engaged by Mitchell Daysh Limited on behalf of Fonterra Limited (**Fonterra**) to undertake an economic assessment of the Cambridge and the wider Future Proof industrial markets and the economic merits of proposed Plan Change 14 (**PC14**) to enable the development of the Mangaone Precinct. This proposed plan change seeks to rezone circa 79.2ha (gross) of land within the C10 Industrial Growth Cell in Hautapu from Rural to Industrial, under the Waipā District Plan.

Given this context, this economic report has three primary objectives.

- Firstly, it assesses the alignment with relevant policies, economic justification, and future market requirement for introducing additional industrial capacity into the district and the wider Future Proof sub-region.
- Secondly, it evaluates the site's locational attributes and its appropriateness for accommodating the industrial activities from an economic perspective, particularly in the context of the National Policy Statement for Highly Productive Land 2022 (**NPS-HPL**).
- Lastly, it identifies the high-level economic costs and benefits (including a high-level estimate of anticipated employment accommodation) associated with the proposed industrial rezoning.

In essence, the outcomes derived from this economic assessment forms a view on whether PC14 is appropriate from an economic perspective in the context of the Resource Management Act (**RMA**), Waikato Regional Policy Statement (**RPS**), the National Policy Statement on Urban Development 2020 (**NPS-UD**), as well as the NPS-HPL.

1.1. RESEARCH OBJECTIVES

The core research objectives of this economic assessment include:

- Geospatially map the surrounding economic environment and zones of the PC14 land and identify and quantify the existing industrial zoned land capacity within the Cambridge market.
- Review the sufficiency of industrial land capacity within the local market and the wider Future Proof sub-region estimated by Future Proof Business Development Capacity Assessment (BDCA) 2023. This includes a review of the modelling approach, assumptions adopted, and veracity of the conclusions reached.
- Contrast the projections in BDCA 2023 with those in BDCA 2021 to identify the changing modelling methodology and assess the likely sufficiency of the Cambridge local market and the broader Future Proof sub-region.
- Assess the PC14 site against key industrial locational attributes to identify the locational attributes of the PC14 site for the proposed development and associated economic efficiencies.
- Assess the economic impact of productive land loss resulting from the proposed rezoning in the context of the NPS-HPL.
- Assess the economic implications of the proposed Central Focal Area within the proposed Mangaone Precinct from an economic perspective.
- Assess the implication of the NPS-UD and Waikato RPS UFD-M49 Out-Of-Sequence Criteria on the appropriateness and suitability of the proposed zoning.
- Identify and assess any potential economic costs and benefits associated with PC14 and provide commentary on the overall economic viability of the proposed industrial development.

1.2. INFORMATION SOURCES

Information has been obtained from a variety of reliable data sources and reputable publications available to Property Economics, including:

- Business Demography Statistics – Stats NZ
- Business Development Capacity Assessment 2021 – Future Proof Partners & ME

- Business Development Capacity Assessment 2023 – Future Proof Partners & ME
- District Plan Zonings and Provisions – Waipā District Council
- Future Proof Draft 2024 Future Development Strategy – Future Proof Partners
- Land Use Capability Classification 2021 – NZLRIS[1]
- National Policy Statement for High Productive Land 2022 – Ministry for the Environment
- National Policy Statement on Urban Development 2020 – Ministry for the Environment
- Plan Change 17 – Hautapu Industrial Zone - Waipā District Council
- Population and Labour Force Projections - NIDEA
- Site Map – Google Maps, LINZ[2], Waipā District Council, Property Economics
- Site Visit – Property Economics
- Waikato Regional Policy Statement - Waikato Regional Council
- Waipā District Plan Zonings – Waipā District Council

[1] *New Zealand Land Resource Information Systems (NZLRIS)*

[2] *Land Information New Zealand (LINZ)*

2. EXECUTIVE SUMMARY

This report has assessed the key economic issues surrounding the Proposed Plan Change (PPC or PC14) to rezone a piece of land within the C10 Industrial Growth Cell to enable the development of the Mangaone Precinct in Hautapu, in consideration of the RMA, NPS-UD, Waikato RPS, and NPS-HPL.

According to the BDCA 2023, there is expected to be sufficient industrial land capacity within the Cambridge – Karapiro local market, the Waipā District, and the broader Future Proof sub-region over the next 30 years. However, this forecast is considered unreliable and not reflective of 'real world' practicalities given the potential underestimated employment growth and land demand within the relevant markets, inappropriate industrial capacity modelling approaches adopted, the relocation outcome of Carter's Flat industrial activity, and the Waikato Expressway proving attractive to industrial activity beyond those servicing the Cambridge market.

In Property Economics' view, it is reasonable to expect that the Future Proof sub-region would potentially face a shortfall in industrial land capacity over the medium and long term. This requires the timely and efficient provision of additional industrial land to accommodate the faster growth, anticipated deficits and ongoing industrial expansion of the economy.

Therefore, allocating 47.6ha (net) of additional industrial land provision through the PPC is considered suitable to address a portion of the anticipated higher medium and long-term demand in the sub-region with increased certainty in an efficient location. From an economic perspective, the proposed Mangaone Precinct has limited potential to undermine the uptake and growth potential of the existing and live-zoned industrial land in the Cambridge market and the wider district, given the recent robust industrial growth of the markets.

Having assessed the PPC site against the NPS-HPL Criteria 3.6, Property Economics finds that there are no other practical locations within the Cambridge area that would be more suitable or economically efficient to rezone for industrial activity than the PPC site. Considering its close proximity to the Hautapu existing industrial environment and Waikato Expressway, the PPC site stands as an appropriate and highly appealing choice for industrial land utilisation.

Importantly, since the entire PPC site is identified as an industrial growth cell, the loss of productive land resulting from the PPC would be an anticipated consequence of the local industrial market growth. In other words, this loss of productive land is an inevitable part of accommodating the projected growth of the local industrial sector in Cambridge. Therefore, the decline of productive land due to the PPC should not be regarded as an additional cost to the wider district or the local economy.

Taking the above considerations into account, along with the underestimation of industrial land demand in Cambridge, the economic benefits of advancing the PPC site (e.g., increased industrial land capacity, improved land use efficiency, greater level of growth, potential decrease in industrial land price, etc) would significantly outweigh the economic costs associated with additional infrastructure investment requirement.

In Property Economics' view, bringing forward the release of the PPC site (sometime from 2027 / 2028 onwards following the commissioning of the wastewater treatment plant for the Hautapu Dairy Factory site) is appropriate when assessed against Policy UFD-M49 and the relevant criteria in Appendix 13 of the Waikato RPS.

On balance, the economic findings of this assessment support the PPC to rezone the site from Rural to Industrial as an appropriate outcome in the context of the RMA, NPS-UD, Waikato RPS and NPS-HPL. The rezoning would bring material economic benefits to Cambridge, stimulate employment and growth, create a more competitive industrial market and assist in creating a well-functioning urban environment.

3. PROPOSED PLAN CHANGE OVERVIEW

The dairy industry is the country's biggest export earner, with exports of approximately $17 billion a year, accounting for around one-fifth of NZ total exports[3].

In the wider Waikato Region, the dairy industry makes significant contributions to the economy. This importance is recognised in the Waikato Regional Policy Statement (RPS), which identifies dairying activities as "*regionally significant industry*" and highlights their significant role "*in contributing to the economic, social and cultural wellbeing of people and communities*" (IM-PR4).

Within the Waikato Region, Fonterra has eight dairy factories at Te Rapa, Te Awamutu, Reporoa, Tirau, Waitoa, Hautapu, Lichfield, and Morrinsville, a large distribution centre (Crawford Street, Hamilton) and corporate offices (London Street, Hamilton), a Canpac packaging manufacturing and printing plant (Hamilton) and a storage facility at Waharoa.

To better cater to Fonterra's dairy factory operation and growth requirement and facilitate the growing demand of local industrial businesses, PC14 seeks to rezone approximately 79.2ha of land adjacent to Bardowie Industrial Precinct in Hautapu, from its present Rural zoning to Industrial. The extent and location of this PPC site are represented in the following figure.

Situated immediately east of the PC11 / Bardowie Industrial Precinct, the PPC site is a mere 1.2km to the east of Fonterra's existing dairy factory on Hautapu Road. The presence of this established industrial environment, coupled with the site's locational attributes, reflect its inherent suitability for industrial activities.

The PPC Site / Mangaone Precinct also falls within the C10 Industrial Growth Cell, which is earmarked for development in a sequenced manner post-2035. While the existing timeline envisioned the development of the C10 Industrial Growth Cell beyond 2035, the Waipā District Plan (WDP) provides an opportunity to uplift a growth cell for development earlier than originally anticipated.

As Property Economics understands, the net developable area (less roads) that would be available for industrial development within the Mangaone Precinct will be around 47.6ha (out of 79.2ha) due to the Mangaone Stream (and the planted margins) passing through the northern part of the site and the need to provide areas for stormwater management basins and other infrastructure requirements.

Furthermore, the PPC site encompasses the Kiwifruit Block, which has already undergone development and / or consented for industrial purposes. Consequently, its incorporation into PC14 aims to reflect that change in land use and does not contribute any additional supply of industrial land to the market.

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[3] *The Dairy Sector in New Zealand – Extending the Boundaries, Productivity Commission & TDB Advisory Ltd, October 2020*

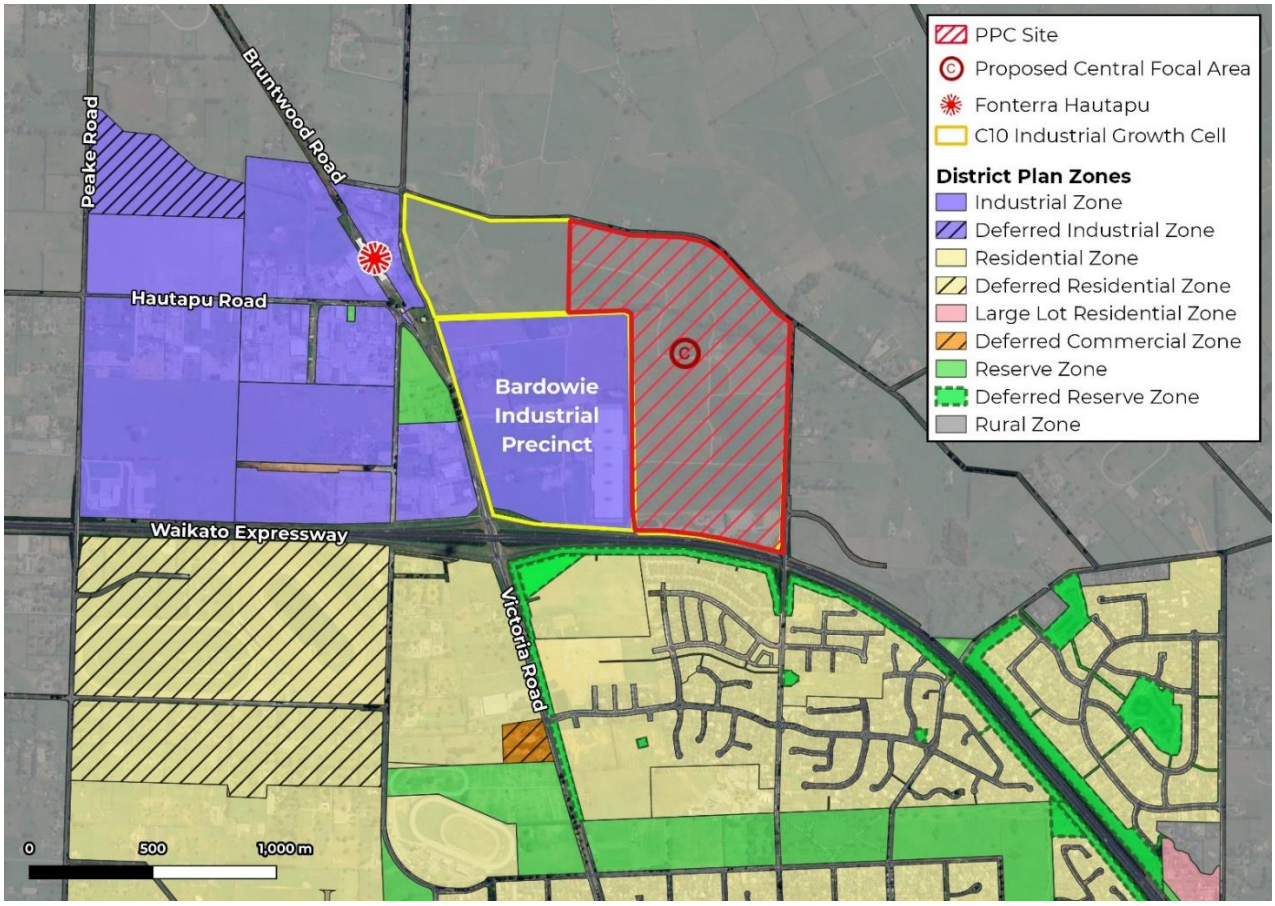
For the purpose of our analysis, this economic assessment focuses on the net developable area (i.e., 47.6ha) of the proposed Mangaone Precinct, which represents the net addition in industrial land provisions resulting from PC14 (if approved).

In addition to its proposed industrial land use, the PPC includes the development of a small Central Focal Area. This area is proposed to provide for essential convenience retail and commercial service activities to efficiently cater to the needs of the localised industrial area, and whose extent is self-limited by the small land area.

Positioned centrally, as depicted in the figure below and outlined in the Draft Structure Plan found in Appendix 1, the Central Focal Area is located at a four-way intersection of local roads within the PPC site.

This economic assessment will provide a high-level overview of the appropriateness of the Central Focal Area, considering both its size and location, as well as a high-level overview of its potential economic impacts within the framework of the RMA.

FIGURE 1: PPC SITE IN THE CONTEXT OF DISTRICT PLAN ZONINGS



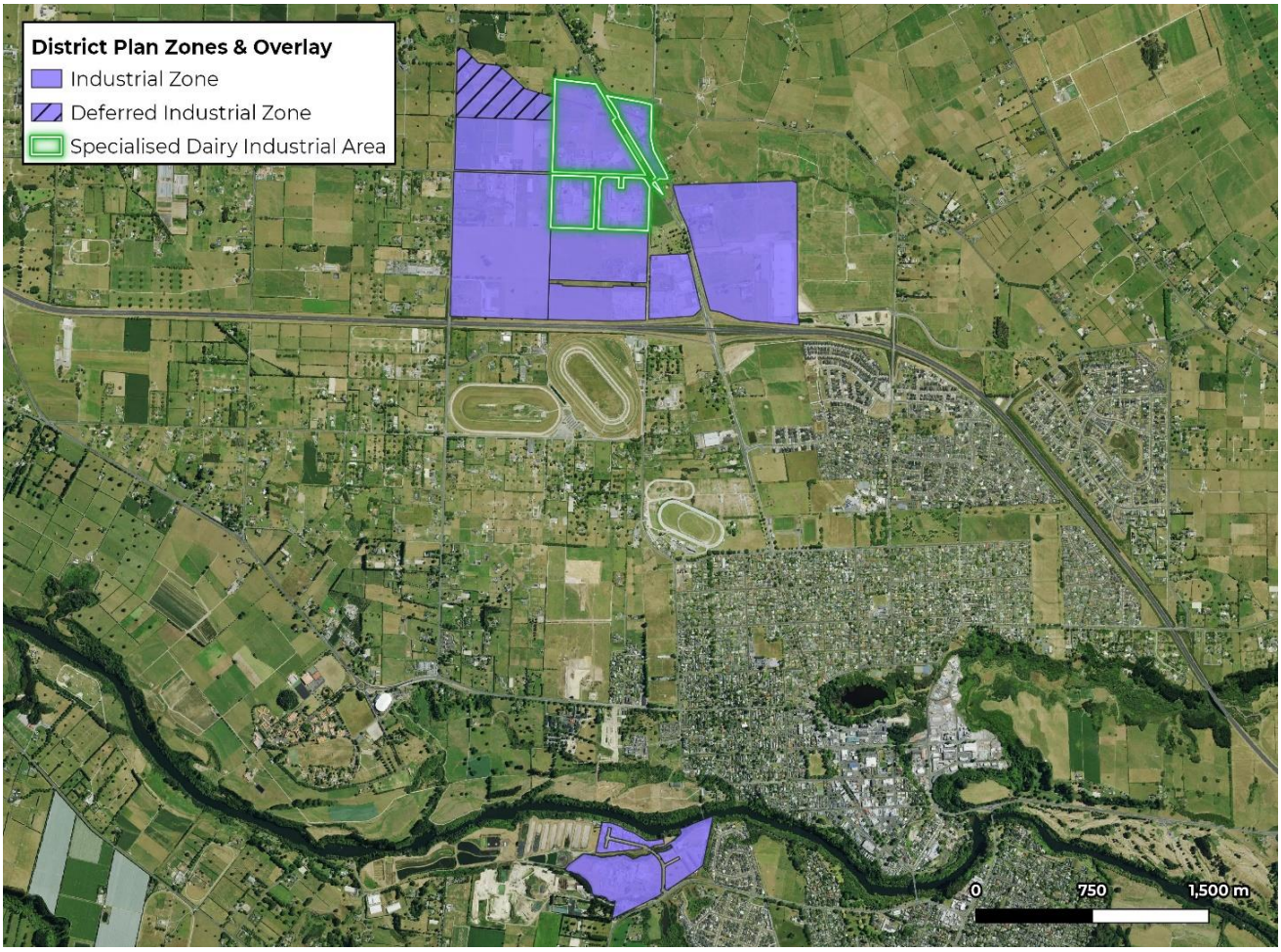
Source: WDC, Google Maps, LINZ.

4. INDUSTRIAL LAND CAPACITY AND SUFFICIENCY

4.1. CAMBRIDGE LOCAL EXISTING INDUSTRIAL LAND PROVISIONS (SUPPLY)

The Industrial Zone and Deferred Industrial Zone together establish the locations available for industrial land uses[4] throughout the Waipā District. In Cambridge, these industrial zones are located on Cambridge Road and the northern fringe of the Cambridge township, encompassing a total of appropriately 274ha. The figure below illustrates the positions and geographical boundaries of these industrial zones in Cambridge.

FIGURE 2: CAMBRIDGE EXISTING INDUSTRIAL ZONES (SUPPLY)



Source: WDC, Google Maps

[4] *Note that the Airport Business Zone, Mystery Creek Events Zone, and Lake Karapiro Events Zone have the capacity to accommodate some industrial uses on their vacant sites. However, they are not explicitly designated for industrial purposes and, as such, are not included in this context. These zones are also situated outside the geographical boundaries of Cambridge.*

The 274ha zoned industrial land includes the recently rezoned 30ha of additional industrial land on the northern side of the Hautapu Road (i.e., PC17 Area 6 – Industrial Zone & Area 7 – Deferred Industrial Zone). The decision of PC17 requires that the deferred status of Area 7 can be uplifted via a plan change once Area 6 of the Hautapu Industrial Structure Plan Area has reached 80% development (i.e., 80% of the developable land area is subject of s224 certificates) or by 31 March 2030, whichever occurs sooner.

The owners of Area 7 are in the final stages of preparing a Private Plan Change to 'live zone' Area 7, spanning approximately 16.3ha, whereby it could become available sometime between 2026 and 2028. Considering that the proposed Mangaone Precinct will not be accessible until at least 2027/2028, it can be expected that the influence of PC14's net additional industrial land provision (47.6ha) would not start affecting the existing live-zoned industrial market until 2028.

Note that the Specialised Dairy Industrial Overlay area within the Industrial Zone contains key industrial sites, most significantly the Fonterra dairy processing plants, and is relatively restricted compared to other industrial zones, only allowing as permitted activities those that are complementary to dairy processing activities. Therefore, despite existing industrial areas having some vacant capacity, PC14 is not expected to undermine the uptake and expansion of this specialised industrial area.

It is noteworthy that aside from the local market in Cambridge, the Airport Business Zone (ABZ) at 164ha stands as the only zoned area surrounding the Hamilton Airport. The ongoing Private Plan Change 20 – Airport Northern Precinct Extension (PPC20) also holds the potential to add another 89ha of ABZ land to the district, pending final decision.

While there is potential for various industrial, commercial, and retail activities to utilise the vacant land within the ABZ, activities are somewhat restricted due to the Airport's sensitivity. Importantly, due to their notably different surrounding environments, ABZ land at the Hamilton Airport may not necessarily meet the demand for industrial land in Cambridge – Hautapu.

Given its proximity to the Waikato Expressway, existing industrial operations in Hautapu, and the urban environment of Cambridge, Property Economics considers that the proposed Mangaone Precinct is strategically positioned to enhance the existing industrial land offerings in Cambridge – Hautapu, diversify the range of available price points for industrial land and provide a competitive and attractive location for industrial businesses seeking proximity to both the Waikato Expressway and the well-established Hautapu industrial environment.

4.2. BDCA 2023 MODELLING OUTCOMES

The BDCA 2023 conducted a forecast of the future industrial land capacity sufficiency within the Future Proof sub-region for the period 2022 to 2052. The summarised results for the sub-region are replicated and presented in Table 1 following.

TABLE 1: BDCA 2023 FUTURE PROOF SUB-REGION INDUSTRIAL LAND SUFFICIENCY

	Industrial Land Demand + Margins (ha)		
	Short Term	Medium Term	Long Term
Hamilton City	61.5	200.3	457.4
Waikato District	26.3	75.7	176.0
Waipā District	8.4	24.7	76.8
Sub-region Total	**96.1**	**300.6**	**710.2**
	Industrial Land Capacity (ha)		
	Short Term	Medium Term	Long Term
Hamilton City	125.6	214.5	342.8
Waikato District	121.3	197.3	1,250.2
Waipā District	177.7	177.7	177.7
Sub-region Total	**424.6**	**589.4**	**1,770.6**
	Industrial Land Sufficiency (ha)		
	Short Term	Medium Term	Long Term
Hamilton City	**+64.1**	**+14.2**	**-114.6**
Waikato District	**+95.0**	**+121.6**	**+1,074.2**
Waipā District	**+169.3**	**+153.0**	**+100.9**
Sub-region Total	**+328.5**	**+288.8**	**+1,060.4**

Source: BDCA 2023 (Page 107, Figure 7-39). Note: short term refers to the period from 2022 to 2025; medium term spans from 2022 to 2032, and long term encompasses the period from 2022 to 2052.

According to the BDCA 2023, the anticipated industrial employment growth within the sub-region reflects a need for around 96ha of industrial-zoned land in the short term (2022 - 2025). This demand is projected to increase to just over 300ha over the medium term and to around 710ha over the long term, when the appropriate NPS-UD margins are incorporated.

In light of the estimated vacant industrial land capacity, ranging from 425ha to around 1,771ha, the BDCA 2023 concludes that the sub-region has sufficient industrial land capacity to meet the anticipated demands over the short, medium, and long term.

For Waipā District specifically, the BDCA 2023 estimates the industrial land capacity would be around 178ha over the short, medium, and long terms. As a result, on the face of the BDCA 2023 modelling results, the Waipā District has sufficient industrial land capacity to accommodate the anticipated industrial sector growth over the next 30 years (i.e., 2022 – 2052). However, there are a number of issues with the BDCA 2023, including significant unexplained changes from the previous BDCA, as discussed below.

4.3. DIFFERENCES FROM THE BDCA 2021

The previous BDCA was released in June 2021, just three years prior to the BDCA 2023 (released early 2024). However, Property Economics notes concerning and significant changes in

estimated industrial land demand and capacity figures across all three districts. Table 2 below summarises these changes.

It is worth noting that the forecast periods covered by the two BDCAs are slightly different (i.e., 2020-2050 in the BDCA 2021 and 2022-2052 in the BDCA 2023). However, a comparison with the earlier BDCA offers valuable insights into the sensitivity of the forecasts and how the latest market demand trends in the sub-region, if any, are incorporated into the BDCA modelling.

TABLE 2: DIFFERENCES BETWEEN BDCA 2021 AND BDCA 2023 FORECASTS

	Changes in Demand (incl. Margins) (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	-1.2	-65.5	-163.2
Waikato District	11.4	9.6	9.4
Waipā District	-1.9	-13.1	-47.7
Sub-region Total	**8.2**	**-69.0**	**-201.4**
	Changes in Capacity (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	-144.7	-122.5	-296.9
Waikato District	-294.0	-507.7	75.8
Waipā District	-53.2	-53.2	-53.2
Sub-region Total	**-491.9**	**-683.5**	**-274.4**
	Changes in Sufficiency (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	-143.5	-57.0	-133.7
Waikato District	-305.4	-517.3	66.4
Waipā District	-51.3	-40.1	-5.5
Sub-region Total	**-500.1**	**-614.5**	**-73.0**

Source: BDCA 2021 & BDCA 2023.

Note: Figures highlighted in red indicate declines in demand, capacity, or sufficiency, while figures highlighted in green denote increases in demand, capacity, or sufficiency.

Some of the noteworthy changes include a substantial 492ha loss in short term industrial land capacity and around 684ha loss in industrial land capacity in the medium term within a 2-year assessment period. This raises concerns regarding how the definition of capacity is being applied across the two assessments.

The following table illustrates the comparison of industrial land sufficiency for the Cambridge – Karapiro market, based on the projections outlined in both BDCA 2021 and BDCA 2023.

TABLE 3: CAMBRIDGE - KARAPIRO INDUSTRIAL LAND SUFFICIENCY FORECASTS COMPARISON

BDCA 2021	Short Term By 2023	Medium Term By 2030	Long Term By 2050
Industrial Land Demand (ha)	5.4	15.9	51.9
Industrial Land Demand + NPS-UD Margin (ha)	6.5	19.1	59.7
Total Vacant Industrial Land (2020) (ha)	56.6		
Industrial Land Sufficiency (ha)	**+50.1**	**+37.5**	**-3.1**

BDCA 2023	Short Term By 2025	Medium Term By 2032	Long Term By 2052
Industrial Land Demand (ha)	2.5	8.6	29.4
Industrial Land Demand + NPS-UD Margin (ha)	3.0	10.3	33.8
Total Vacant Industrial Land (2023) (ha)	64.2		
Industrial Land Sufficiency (ha)	**+61.2**	**+53.9**	**+30.4**

Source: BDCA 2021 & BDCA 2023.

Upon identifying the changes from the BDCA 2021 and reviewing the modelling approach employed in the BDCA 2023, Property Economics has identified several notable issues that may undermine the reliability of the BDCA 2023 forecasts. These issues are summarised below.

ISSUES WITH EMPLOYMENT PROJECTIONS

Both BDCAs have adopted the High population growth projections conducted by NIDEA as an input agreed upon by councils for assessing employment growth and forecasting land demand.

As per the BDCA 2023, their employment projections indicate "*an improvement in the growth rate is projected over the next 3 years (to 2025) to an average of* ***1.7%*** *per annum. This is followed by a slight decrease between 2025-2032 to* ***1.4%*** *annually, before declining again in the long run to around* ***1.0%*** *annually between 2032-2052. This long-term decline in growth rates is in line with national trends and is driven by declining population growth*"[5].

Indeed, the BDCA 2023's anticipated employment growth, as depicted in the upper section of Table 4 mirroring NIDEA's population projections, remarkably coincides with the forecasted population trends. This synchronicity stands out as unusual, given that employment expansion typically responds to various economic factors, including labour force participation, migration patterns, technological advancements, industry shifts, and more.

[5] *BDCA 2023, Page 54*

TABLE 4: NIDEA POPULATION AND LABOUR FORCE PROJECTIONS

Population - High	2022	2025	2032	2052
Hamilton City	179,120	193,088	213,910	270,900
Waikato District	87,870	89,760	98,660	124,010
Waipā District	60,050	61,144	66,090	80,540
Sub-region Total	**327,040**	**343,992**	**378,660**	**475,450**
		2022-25	**2025-32**	**2032-52**
Cumulative Growth Rate		+5.2%	+10.1%	+25.6%
Annual Growth Rate		+1.7%	+1.4%	+1.1%

Labour Force - High	2022	2025	2032	2052
Hamilton City	102,398	109,841	127,130	172,820
Waikato District	47,003	49,656	55,340	69,810
Waipā District	32,738	34,294	37,560	46,110
Sub-region Total	**182,139**	**193,791**	**220,030**	**288,740**
		2022-25	**2025-32**	**2032-52**
Cumulative Growth Rate		+6.4%	+13.5%	+31.2%
Annual Growth Rate		+2.1%	+1.8%	+1.4%

Source: University of Waikato

It is important to note that NIDEA has also conducted labour force projections, presented in the lower section of the above table, which indicates a notable average annual growth of +2.1%, +1.8%, and +1.4% over the short-, medium-, and long-terms, respectively. This growth trajectory is above NIDEA's population projections and seems more to align with the historical relationship between population and employment trends within the sub-region.

This observation is supported by the data presented in Table 5 following, demonstrating that the factual employment base of the sub-region consistently increased at a higher average annual rate compared to the population over the past 23 years. This pattern aligns with NIDEA's labour force projections and can be anticipated to persist over the next 30 years.

In my view, the BDCA 2023 employment projections, which appear to align with NIDEA's population projections, for unexplained reasons notably diverge from NIDEA's labour force projections, highlighting a discrepancy that should not be ignored. Essentially, assuming all other factors remain constant over the long term, the higher growth rates anticipated by NIDEA's labour force projections imply a substantially greater increase in employment over time, thus suggesting a heightened demand for industrial land compared to the current projections provided by the BDCA 2023.

Without any rational explanation, Property Economics consider the BCDA 2023 has underestimated industrial land demand across the sub-region.

TABLE 5: SUB-REGION RECENT AND HISTORIC POPULATION AND EMPLOYMENT GROWTH

Sub-Region	Short 2020-2023	Medium 2013-2023	Medium-Long 2000-2023
Population - Nominal Growth (#)	16,800	71,100	122,700
Population - Annual Growth Rate (%)	**+1.7%**	**+2.4%**	**+2.0%**
Employment - Nominal Growth (#)	13,165	43,179	69,608
Employment - Annual Growth Rate (%)	**+3.1%**	**+3.4%**	**+2.7%**

Source: Stats NZ

ISSUES WITH DEMAND MODELLING APPROACH

As a result of the BDCA 2023 employment projections, only the Waikato District is projected to experience a higher demand for industrial land in the next 30 years compared to the forecasts in the BDCA 2021. In contrast, the Waipā District is expected to experience slower growth in its industrial sectors compared to the forecasts in the BDCA 2021, with declines of 1.9ha, 13.1ha, and 47.7ha over the short-, medium-, and long-terms respectively.

The projections for the Cambridge – Karapiro market also reveal notable changes, particularly in demand figures. As depicted in Table 3, despite a two-year difference in forecast periods, the anticipated industrial land demand in this area nearly halves throughout the entire forecast timeframe.

Given that both BDCAs have adopted the same employment-to-land conversion ratios, the decreases in industrial land demand, therefore, reflect an expected slower growth of the local industrial sectors over the next 30 years. This contrasts with the Panel's consideration in the PC17 Decision Report[6], which noted that "*there has been sufficient evidence provided by expert witness that there is a demand for additional industrial zoned land within the Cambridge area*" [7].

Considering the robust industrial employment growth in Cambridge, and the wider Future Proof area, it is reasonable to conclude that the demand forecasts in the BDCA 2023 are largely underestimated, even when compared to the estimates presented in the BDCA 2021.

It is noteworthy that significant declines are also evident in the demand estimates for Hamilton City, with a cumulative demand loss of approximately 163ha over the long term. Although, according to the BDCA 2023[8], this is attributed to the new assumption that around 20% of the demand can be accommodated within existing buildings or urban environments.

[6] *Plan Change Hautapu Industrial Zones – Decisions of Hearing Panel and Section 32AA Evaluation Report, August 2023*

[7] *PC17 Decision Report, Paragraph 1.8.9, Page 18*

[8] *BDCA 2023, Page 59*

From Property Economics' perspective, the conversion between employment growth and actual industrial land demand has already been accounted for in the observed employment density (i.e., sqm per employee) by land use type, as depicted in Figure 4-1 of the BDCA 2023 (and the same input was utilised in the BDCA 2021). Therefore, a further decline of 20% is unnecessary and would underestimate the industrial land requirements in Hamilton, which in turn would impact the overall industrial land sufficiency of the sub-region.

ISSUES WITH CAPACITY MODELLING APPROACH

Overall, based on the economic factors outlined below, Property Economics considers that the capacity estimates presented in the BDCA 2023 are largely overstated and unreliable for understanding the industrial land sufficiency status of the Waipā District and the broader sub-region.

Hamilton City

The BDCA 2023 conducted a sensitivity analysis of Ruakura capacity, which involved applying a 40% reduction to the base capacity for this area. This analysis took into account factors such as "*the leasehold status*[9] *of land in Ruakura which may not be attractive to a part of the industrial market, the uncertainty around the construction of the Eastern Transport Corridor, the significant land take for stormwater infrastructure and the flat typology at Ruakura*"[10]. Consequently, the BDCA 2023 estimated that the medium-term deficit will increase to 71ha, and the long-term deficit will rise to 227ha.

These potential constraints, particularly regarding infrastructure, have significant implications on Ruakura capacity. This would consequently impact the sufficiency of industrial land in Hamilton and the broader Future Proof, considering that Ruakura represents half of the total industrial capacity in Hamilton. In Property Economics' view, it is important to incorporate these constraints into the BDCA's primary capacity modelling to provide a more practical reflection of the industrial land capacity of Hamilton City and the wider sub-region.

Waikato District

The BDCA 2023 determined the long-term industrial land capacity of the Waikato District would reach up to 1,250ha, which is primarily attributed to areas identified under the Waikato 2070 strategy. This, in turn, results in a significant surplus of around 1,074ha within the Waikato District over the long term.

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[9] *The lease arrangements on the Tainui Group Holdings (TGH, a major landowner around the edges of Hamilton City of developable industrial land) might be a barrier to development as their development model sees TGH retaining land ownership while operators will sign lease arrangements to build and operate there. This ownership model may not appeal to a proportion of the market complicating the feasibility and uptake (BDCA 2023, Page 10).*

[10] *BDCA 2023, Page 106*

However, it is noteworthy that the BDCA 2023, in its Limitations Section 5.3.1 on Page 84, stated that an assumption was made that "*most of the land earmarked for investigation under the Waikato 2070 strategy could become capacity into the future and there is no guarantee that the areas under investigation will be re-zoned or result in capacity*".

It is also noteworthy that the Draft Future Proof Strategy designates around 233ha of land as Strategic Industrial Nodes in Pōkeno (53ha), Tuakau (103ha) and Huntly / Rotowaro / Ohinewai (77ha). These nodes are where greenfield industrial growth is expected to occur in the district based on projected demand and infrastructure servicing.

This allocation, however, represents only one-fifth of the additional long-term capacity for the Waikato District in the BDCA 2023, due to the inclusion of all Waikato 2070 greenfield areas. This essentially suggests that the estimated long-term land capacity for the Waikato District in the BDCA 2023 is likely overstated.

From Property Economics' perspective, there exists a notable degree of uncertainty regarding the realisation of these greenfield industrial growth areas over the assessed period, particularly in relation to funding, costs, and timing of infrastructure requirements to unlock these areas.

Furthermore, the actual developable area of these future industrial nodes remains unclear, but will no doubt be significantly lower than the extent of the identified areas. This uncertainty is further clouded by practical factors such as multiple ownership, the level of adoption through the Waikato District Plan, timing around the release of capacity, and potential submissions on individual areas.

While this uncertainty primarily affects the capacity modelling for the Waikato District, its implications extend significantly to the demand for industrial land and its sufficiency in the partner districts of Future Proof, including Waipā District. This is especially noteworthy considering that the broader Future Proof area operates as a cohesive economic market, owing to the close economic interconnections between the partner districts.

Waipā District

The same issue of overstated capacity is reflected in the estimates for the Waipā District due to the inclusion of Lake Karapiro Events Zone and Mystery Creek Events Zone in the capacity modelling. As stated on Page 38 of the BDCA 2023, "*the two zones provide locally significant areas of land, with the Mystery Creek Events Zone totalling nearly 47ha. These have been included because of their ability to provide land capacity for commercial and industrial employment*".

However, according to the provisions outlined in the WDP[11], these zones are special purpose zones designated to facilitate events and recreational activities. Notably, industrial activities are not designated as "permitted" within these areas. Therefore, while these zones remain largely

[11] *WDP Sections 8.3.1 & 9.3.1*

undeveloped, the likelihood of accommodating meaningful industrial development is considered highly unlikely and should be discounted from industrial capacity.

SUMMARY OF THE BDCA 2023 REVIEW

In light of the plethora of issues identified above, Property Economics considers that there is substantial uncertainty associated with the future industrial land demand and capacity sufficiency across the sub-region. This high-level uncertainty / sensitivity would largely undermine the validity of the BDCA forecasts, making them unreliable for decision-making purposes.

In Property Economics' view, upon addressing the identified economic concerns and issues, the sub-region would potentially face a shortfall in industrial land capacity over the medium and long term. This necessitates the timely and efficient provision of additional industrial land to accommodate the anticipated deficits and ongoing industrial expansion.

4.4. SUB-REGION RECENT GROWTH TRENDS

As an additional practice in assessing the validity of the BDCA 2023 forecasts, the following analysis compares the recent employment growth of the sub-region with the projected growth outlined in the BDCA 2023.

According to the latest Business Demography data from Stats NZ, there is a +10% increase in total employment count in the sub-region between 2020 and 2023 (refer to Table 6 below). Specifically, the sub-region has seen a **+3.3%** increase in overall employment over the past year (i.e., 2022 – 2023), amounting to a nominal growth of around +4,800 employees. However, as presented in the BDCA 2023, "*the growth rate [in employment] is projected over the next 3 years (2022 – 2025) to an average of* **1.7%** *per annum*"[12].

In light of this comparison, it is evident that the actual growth of the sub-region in employment nearly doubles the BDCA 2023 projection (i.e., +3.3% vs. +1.7%). This is consistent with the discussions outlined in Section 4.3, indicating that the employment projections in BDCA 2023 are likely underestimated as they appear to align with NIDEA's population projections but notably fall below NIDEA's labour force projections.

[12] *BDCA 2023, Page 54*

TABLE 6: FUTURE PROOF SUB-REGION EMPLOYMENT COUNT: 2020 - 2023

	2020	2021	2022	2023	2020-2023 Growth	
					#	%
Sub-Region Total Employment	**138,800**	**140,500**	**147,200**	**152,000**	**+13,200**	**+10%**
Hamilton City Total Employment	**97,700**	**97,900**	**103,300**	**106,500**	**+8,800**	**+9%**
Waikato District Total Employment	**20,200**	**21,100**	**21,800**	**23,100**	**+2,900**	**+14%**
Waipā District Total Employment	**20,900**	**21,500**	**22,100**	**22,400**	**+1,500**	**+7%**

Source: Stats NZ

If the recent growth trajectory is sustained, the future employment growth of the sub-region is likely to be notably higher than the BDCA 2023 forecasts. This would result in a considerably higher level of industrial land up-take than projected in the BDCA 2023.

Furthermore, based on actual employment trends, Property Economics has calculated Waipā District's contribution to industrial employment in the sub-region. The results are presented in the table below, based on Property Economics' industrial business classifications.

TABLE 7: FUTURE PROOF SUB-REGION INDUSTRIAL EMPLOYMENT TRENDS

	2000	2005	2010	2015	2020	2021	2022	2023	Growth
Waipā District	3,770	4,720	4,560	5,350	6,650	7,040	7,450	7,690	**+3,920**
Waikato District	3,300	4,310	3,880	4,980	7,030	7,720	7,820	8,330	**+5,030**
Hamilton City	16,590	20,340	18,920	21,500	25,900	26,150	28,080	28,390	**+11,800**
Sub-Region Total	**23,660**	**29,360**	**27,360**	**31,830**	**39,570**	**40,920**	**43,350**	**44,410**	**+20,750**
Waipā as a % of Total	**15.9%**	**16.1%**	**16.7%**	**16.8%**	**16.8%**	**17.2%**	**17.2%**	**17.3%**	**18.9%**

Source: Stats NZ, Property Economics

Specifically, the above table shows a significant growth in Waipā District's industrial employment, increasing from 3,770 employees to around 7,690 employees over the past 23 years. This translates to a proportional growth of +104% or a nominal growth of +3,920 employees. This growth contributes to about 19% of the sub-region's overall industrial employment growth during the same period.

Notably, in the most recent year (2022 – 2023), Waipā District's industrial employment expanded by +240 employees, constituting around 23% of the sub-region's overall industrial employment growth over that timeframe. In contrast, the BDCA 2023 forecasts only 8.7%[13] of

[13] *This calculation is derived from 8.4ha allocated to Waipā out of a total of 96.1ha for the sub-region, with both figures sourced from the BDCA 2023, as depicted in its Figure 7-39, and replicated in Table 1 of this report.*

the industrial land demand to originate from Waipā District over the short term (2022 – 2025), and over the medium and long terms this figure is projected to be 8.2% and 10.8%, respectively.

Given both the recent and historical growth of the industrial sectors, it is evident that the industrial land demand forecasts in the BDCA 2023 are underestimated for Waipā and the broader sub-region. In essence, these observed industrial sector trends reflect a market that has expanded significantly faster than anticipated in the BDCA 2023 modelling. Put simply, the BDCA 2023 model does not appear to reflect 'real world' market actualities and trends occurring in Waipā and the wider sub-region.

If the current modelled disparity in the BDCA 2023 against actual market growth is maintained, the cumulative effect on the sub-region's industrial land shortfall will be pronounced and sustained, leading to the existing industrial land provision being depleted sooner than modelled in the BDCA 2023.

5. GROUND TRUTHING

In December 2022, Property Economics visited the vacant industrial zoned sites in Cambridge with the purpose of assessing the practical level of industrial land capacity that was available in the local market.

During our visit we observed that there was approximately 2.9ha of vacant industrial land located on the western and northern boundaries of the Cambridge Road Industrial Zone. However, we also noted that this land has significant transport accessibility constraints (specifically the Victoria Rd bridge across Waikato River), that would make it an impractical business location for many industrial activities.

Industrial zoned land in this location is considered significantly inferior to the industrial area in Hautapu. As a result, even though this land has been zoned for industrial use and represents zoned capacity, it would unlikely meet the locational requirements of most modern-day industrial businesses.

The vacant industrial land within the Specialised Dairy Industrial Overlay area encompasses approximately 5ha. This vacant land has limitations for general industrial market development given the constraint of this zoning for activities relating to the processing of milk and production of milk related products, under the WDP. It is expected that without a plan change this vacant industrial land would not be available to accommodate general market industrial demand beyond that of those business operations authorised by existing use rights.

Large tracts of the C10 industrial zoned block (pre-2035) were not available to the market. While some industrial development is taking place, there would need to be significant civil earthworks and development lead time required before the majority of this land became available to the market.

Given the above, Property Economics considers that to provide a more accurate representation of the practical and available capacity for industrial development in Cambridge, it is necessary to take into consideration the 'real world' constraints identified above.

5.1. IMPLICATIONS OF PC19 – CARTER'S FLAT

PC19 – Cambridge Commercial Zone: Carter's Flat became operative in January 2023. This plan change aims to repurpose Carter's Flat (approximately 22ha) from an industrial / commercial zone to a mixed-use zone that complements the central business area.

The plan change enables a mix of larger format commercial activities with apartment living. This means that Carter's Flat will transition from an industrial dominated area to a higher amenity mixed use environment through the development of a broad range of activities with higher quality build form and attractive spaces.

As identified in the Carter's Flat Local Area Plan (page 5):

"[…] council has provided for Industrial zoned land in Hautapu, north of Cambridge. It is expected that over time industrial land uses will move to Hautapu from Carter's Flat".

Property Economics concurs that the transition of Carter's Flat will see industrial activities move to north Cambridge industrial areas. This represents industrial land being consumed because of relocation rather than meeting new industrial demand. Property Economics understands that many industrial businesses located in Carter's Flat are seeking to relocate into a larger premises to better service the future, larger Cambridge market.

Consequently, the total industrial land demanded from Carter's Flat relocations is likely to be significantly greater than the industrial land provision at the location they are shifting away from. It is unclear whether this has been factored into the BCDA 2023 industrial land demand projections. Nevertheless, the lack of currently available industrial land will also be hampering the speed of the relocations and the rate at which the transition can occur.

Given the above context, Property Economics considers, it is reasonable, and prudent for future planning to expect an increase in industrial land demand or potential long-term shortfall in industrial land provisions in Cambridge.

5.2. POTENTIAL IMPACTS OF PC14 ON EXISTING AND PLANNED CAPACITY

Based on the previous analysis, Property Economics considers that the demand within the Cambridge industrial market and the wider Future Proof area is experiencing a more rapid expansion than previously anticipated. This is supported by the successful conversion of identified industrial growth cells in Hautapu to align with the projected heightened demand.

While the potential approval of the proposed rezoning would result in a net addition of 46.7ha of industrial land in the Cambridge market, the economic impacts of this proposal on the current and projected industrial capacity are expected to be minimal. This conclusion is based on the subsequent three primary factors.

- Firstly, industrial land utilisation of the PPC site aligns with the expected trajectory outlined in the WDP Appendix S1 – Future Growth Cells[14]. The "*industrial growth cell*" identification of the PPC site reflects its anticipated role in shaping the future urban landscape of Cambridge to meet the growth and expansion requirements of the market.
- Secondly, even with a net additional industrial land capacity of 46.7ha in the Cambridge market due to PC14, the practical availability of industrial land for the market will remain unaltered until at least 2028. Fonterra's ongoing need for utilising the Bardowie Farm for spray irrigation persists until the commissioning of a Wastewater Treatment Plant (anticipated to be finalised by 2026) and the consent of alternative land for the spray irrigation of dairy factory wastewater.

[14] *i.e., C10 with a land area of 162ha is "intended for industrial development".*

Therefore, the impact of the proposal's net additional industrial land provision is not anticipated to commence affecting the existing industrial market before 2028. This timeframe, which is 7 years earlier than the expected sequencing of developments post-2035, is considered unlikely to result in any material impact on the local industrial market. Furthermore, delivering industrial land to the market in 2035 requires a significant lead time for planning, earthworks, civils, and infrastructure requirements.

- Lastly, the pronounced and unexpected growth witnessed in the Cambridge industrial sector and the wider Future Proof market, as gauged by employment figures, indicates that any potential impact of PC14 on the utilisation and expansion of existing and projected industrial land would be readily counterbalanced by the continuous growth of the market.

In light of these economic factors, Property Economics considers PC14 would not undermine the existing and planned industrial capacity of the Cambridge market and the wider Future Proof area.

6. INDUSTRIAL ACTIVITY LOCATION CRITERIA ASSESSMENT

This section identifies the main characteristics influencing the attractiveness and competitiveness of the subject site of the PPC for industrial activity.

From an economic perspective, the most important locational criteria, that gives an understanding of the factors affecting business location decisions, and should be considered when assessing the merits of land looking to be rezoned for industrial activities include:

- Access to Utilities
- Good Transport Links
- Proximity to Labour Base
- Proximity to Suppliers / Clients
- Expansion Potential
- Competitive Land / Rent Pricing
- Exposure / Profile
- Protection from Reverse Sensitivity
- Low Land Gradient
- Increased Market Certainty

Having assessed the PPC site against these critical industrial location criteria outlined above, the PPC site is considered suitable for industrial activities for the following reasons:

- The PPC site adjoins the main industrial employment hub of Cambridge township and would form part of the township's future urban form and wider industrial environment. This would allow for greater economies of scale and industrial business agglomeration effects.

- Positioned adjacent to the Waikato Expressway and in close proximity to the existing western railway line, the PPC site benefits from easy accessibility to strong transportation networks connecting not only throughout Waipā but also across the wider Waikato Region. Its adjacency to the Waikato Expressway further elevates the prominence of industrial hub spanning the broader Waikato Region.

- Characterised by a predominantly level topography, the PPC site encompasses a sizable net land area of approximately 47.6ha, making it suitable for accommodating a range of

industrial operations, from small-scale activities to enterprises with future expansion needs. This capacity also holds the promise of bolstering confidence and stability in the industrial market.

- In comparison to land costs in other Future Proof regions like Hamilton and industrial zones in Auckland South, the PPC site would offer a relatively more cost-effective option for industrial business location.

- The PPC site is bounded by Zig Zag Road and Swayne Road to the north and east that would potentially mitigate and protect the eastern rural areas from reverse sensitivity effects of industrial activity.

Overall, the location of the PPC site would provide for a competitive and attractive industrial land capacity option within the local and wider Waikato Region market.

The suitability of Hautapu for industrial activities is also evident in various statutory documents of the district and the wider Future Proof area. For instance, WDP Appendix S1 – Future Growth Cells identifies that C10 is intended for industrial development and Waipā District Growth Strategy 2050 recognises that "*demand for more industrial land is likely to be catered for by growth areas which have already been identified* (i.e., Hautapu)".

Future Proof Strategy 2022 also identifies Hautapu as one of the strategic industrial nodes of the wider Future Proof area and recognises that these nodes are strongly linked to significant greenfield industrial growth areas in Drury, Pukekohe and Morrinsville.

Future Proof's proximity to Auckland (e.g., significantly reduced travel time and distance via the establishment of the Waikato Expressway) means that the sub-region, is experiencing significant cross-boundary pressures including spillover demand.

Consequently, the proposed rezoning is anticipated to notably amplify Hautapu's industrial competitiveness as a key regionally significant industrial hub. This development is also likely to draw in additional demand for industrial land overflow from neighbouring districts.

7. IMPLICATIONS OF NPS-UD POLICY 8

NPS-UD provisions are prepared to establish objectives and policies for matters of national significance relevant to achieving the purpose of the RMA. All District and Regional Plans are to give effect to NPS-UD in their plans and policies to respond to changes in demand.

Policy 8 is particularly relevant to PC14 as it states:

"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:

(a) unanticipated by RMA planning documents, or

(b) out of sequence with planned land release."

This policy directs that providing capacity is more important (subject to some provisos) than inflexibly adhering to the development sequences in planning documents.

These objectives and policies provide support for the proposed development that would be enabled by PC14 as they emphasise the importance of increasing development capacity, supporting additional competition, encouraging choice of locations, and responding to opportunities even when the sequence and timing of development does not match the assumptions in the planning documents. The emphasis is one of erring on the side of more capacity rather than less capacity.

As such, Property Economics considers that rezoning the PPC site gives effect to these objectives and policies and is consistent with NPS-UD Policy 8, particularly in his instance where there is an imminent shortage of industrial land capacity in the short-medium term.

8. IMPACT ON PRODUCTIVE LAND

8.1. NPS-HPL CONTEXT

The NPS-HPL[15] came into effect on 17 October 2022. This policy aims to provide direction to improve the way highly productive land is managed under the RMA through clear and consistent guidance to councils on how to map and zone highly productive land and manage the subdivision, use and development of this non-renewable resource.

As defined by NPS-HPL, "*highly productive land*" is in a general rural zone or rural production zone that is predominantly Land Use Capability Class (LUC) 1, 2 or 3 and forms a large and geographically cohesive area. In the transitional period, until a regional policy statement containing maps of highly productive land is operative, each territorial and consent authority is to refer to land zoned general rural or rural production and with a LUC 1, 2 or 3 as highly productive land (clause 3.5(7)).

The NPS-HPL does not apply to land "*identified for future urban development*", which is defined to cover land suitable for commencing urban development over the next 10 years, where identified in a strategic planning document.

The PPC site forms part of the C10 Industrial Growth Cell in the Waipā District Plan which is programmed for development from 2035 onwards. By the time it is likely to be operative, it will fall within the period of the "next 10 years" when assessed against the 2035 timeframe in the Waipa District Plan for the C10 Industrial Growth Cell.

In this context, the NPS-HPL would not apply to the PC14 land. However, for completeness, we have undertaken an assessment as if the NPS-HPL applies.

In the event the NPS-HPL applies, the PPC site, with a gross land area of approximately 79.2ha, would be subject to Clause 3.6 "Restricting Urban Rezoning of Highly Productive Land" under the NPS-HPL.

In particular, clause 3.6(1) states that Tier 1 (e.g., Waipā District) and 2 territorial authorities may allow urban rezoning of highly productive land only if:

(a) *The urban rezoning is required to provide sufficient development capacity to meet demand for housing or business land to give effect to the National Policy Statement on Urban Development 2020; and*

(b) *There are no other reasonably practicable and feasible options for providing at least sufficient development capacity within the same locality and market while achieving a well-functioning urban environment; and*

[15] *National Policy Statement for Highly Productive Land 2022*

(c) *The environmental, social, cultural, and economic benefits of rezoning outweigh the long-term environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values.*

Clause 3.6(2) states that in order to meet the requirements of subclause (1)(b), the territorial authority must consider a range of reasonably practicable options for providing the required development capacity, including:

(a) *Greater intensification in existing urban areas; and*

(b) *Rezoning of land that is not highly productive land as urban; and*

(c) *Rezoning different highly productive land that has a relatively lower productive capacity.*

Clause 3.6(3) defines that development capacity is within the same locality and market if it:

(a) *Is in or close to a location where a demand for additional development capacity has been identified through a Housing and Business Assessment (or some equivalent document) in accordance with the NPS-UD 2020; and*

(b) *Is for a market for the types of dwelling or business land that is in demand (as determined by a Housing and Business Assessment in accordance with the NPS-UD 2020).*

Clause 3.6(5) states that:

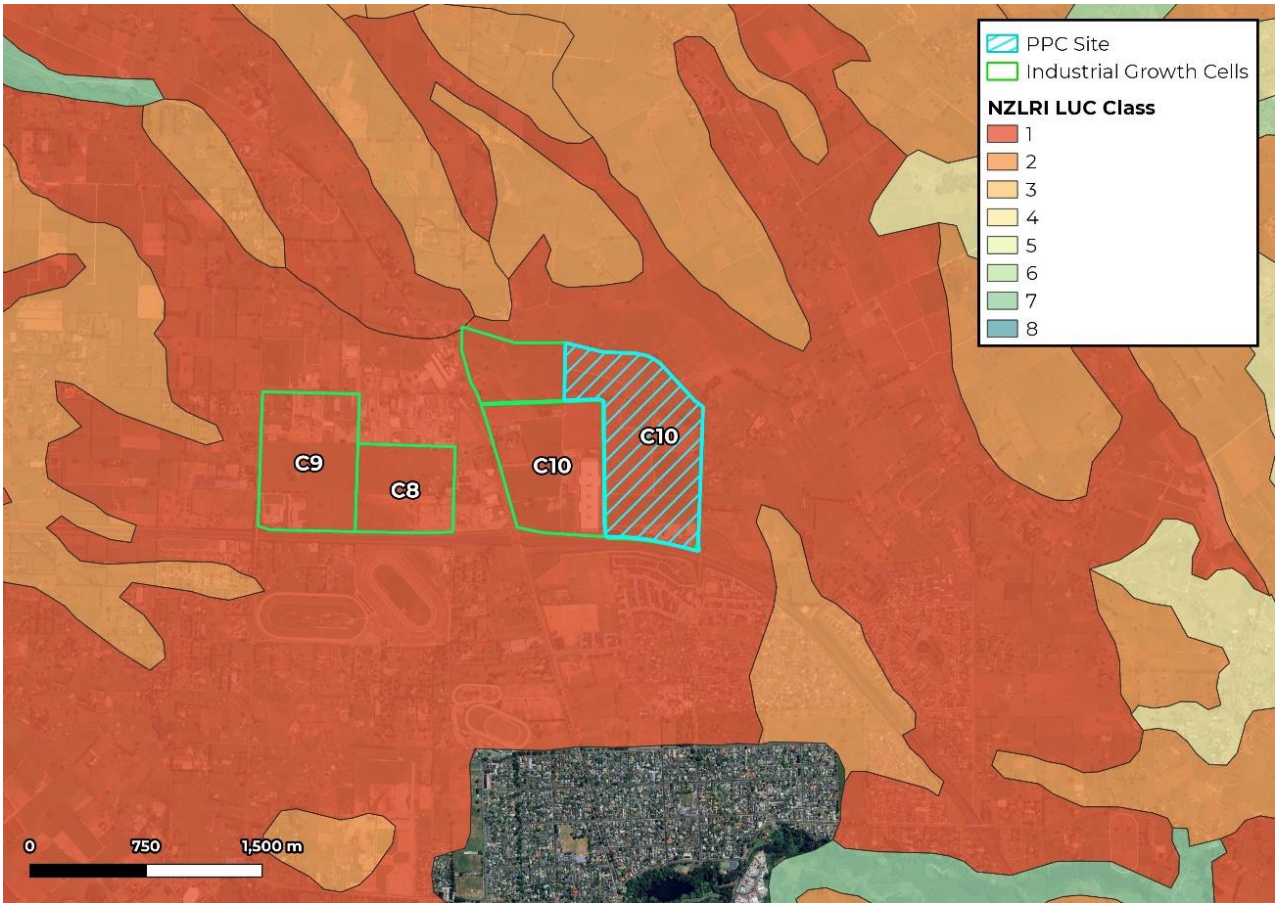
(5) Territorial authorities must take measures to ensure that the spatial extent of any urban zone covering highly productive land is the minimum necessary to provide the required development capacity while achieving a well-functioning urban environment.

It is within the above policy context that the economic cost of productive land loss due to the proposed rezoning is assessed in the following analysis.

8.2. HIGHLY PRODUCTIVE LAND STATUS OF THE PPC SITE

The following figure outlines the productive land status of the land in and around the PPC site based on the LUC classification. This shows that the PPC site is located within the extensive LUC Class 1 soil (i.e., *land with virtually no limitations for arable use and suitable for cultivated crops, pasture or forestry*) in Cambridge North / Hautapu.

FIGURE 3: LAND USE CAPABILITY STATUS OF THE PPC SITE

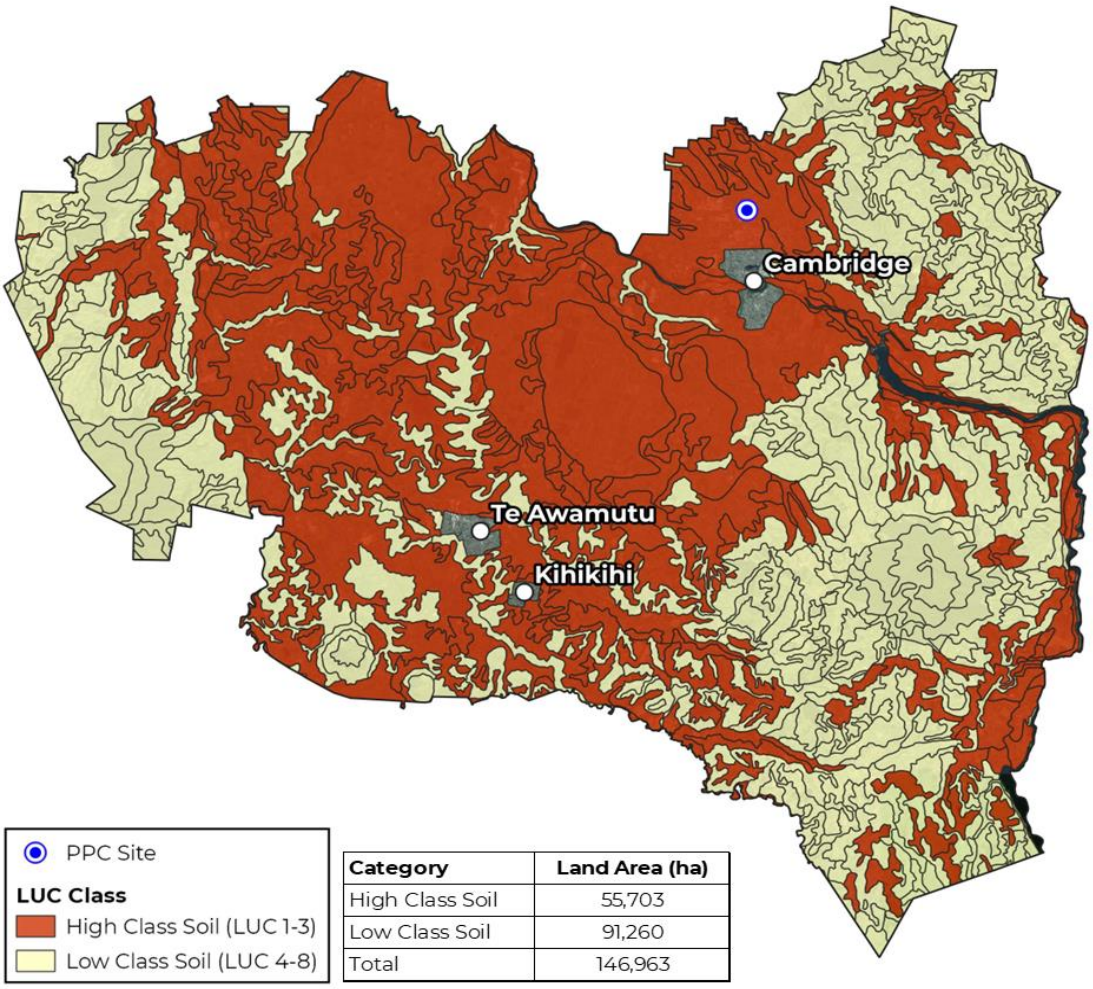


Source: NZLRI, LINZ. Note: Areas with no LUC identified are urban environments.

The district has approximately 55,700ha of land identified as High-Class soil, as shown in the following figure. This indicates that the district has extensive rural land that can contribute to its agricultural production in the future.

On this basis, the PPC site, 79.2ha out of 55,700ha (or 0.14%), would be a negligible loss and not have a detrimental impact on the total level of Waipā's primary production.

FIGURE 4: DISTRIBUTION OF HIGH-CLASS SOIL WITHIN THE DISTRICT



Category	Land Area (ha)
High Class Soil	55,703
Low Class Soil	91,260
Total	146,963

Source: NZLRI, Google Maps. Note: Areas with no LUC identified are urban environments.

Moreover, the environs surrounding the established urban areas of the district, namely Cambridge, Te Awamutu, and Kihikihi, predominantly consist of high-class productive soils. This essentially suggests that without the loss of high-class soils there are very limited options to deliver the expected dwelling yield of the identified growth cells around the Cambridge township and accommodate the expected high growth by Waipā 2050.

Furthermore, the site proposed for rezoning is in direct adjacency to existing industrial operations within the broader C10 Growth Cell (e.g., the new APL building in the Bardowie Industrial Precinct). Given their shared geographical attributes, this PPC site possesses significant potential for industrial activities. This consistent approach would optimise the land's utilisation efficiency and enhance the economic benefits of business clustering.

Given the above analysis, Property Economics considers that the PPC site is appropriate for the industrial uses and has no propensity to undermine the rural primary production capacity of the district under the NPS-HPL context.

8.3. PROVISION OF SUFFICIENT DEVELOPMENT CAPACITY

Under the NPS-HPL Policy 3.6(1)(a), urban zoning is required to provide sufficient development capacity to meet demand for business land to give effect to the NPS-UD in the district.

As shown earlier, with industrial growth in Cambridge tracking at twice the anticipated BCDA rate, if this is maintained then the estimated industrial land provision provided for within this area is likely to be consumed by 2035. This means that the proposed PPC would be required to meet pre-2035 requirements and achieve sufficient development capacity. This satisfies Section 3.6(1)(a).

8.4. ALTERNATIVE LOCATIONS

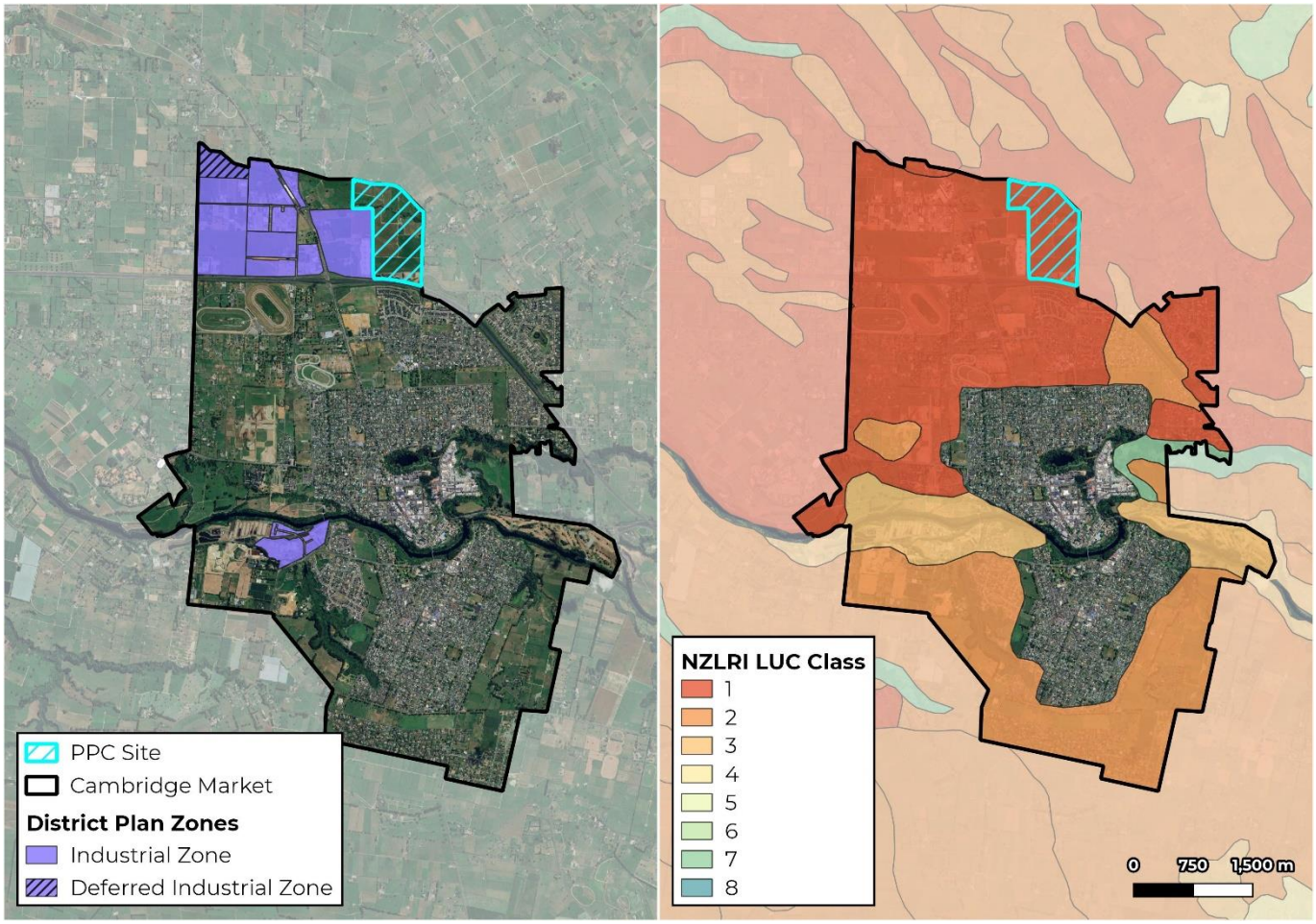
Under the NPS-HPL 3.6(1)(b), it is required that "*there are no other reasonably practicable and feasible options for providing at least sufficient development capacity within the same locality and market while achieving a well-functioning urban environment*".

The following analysis therefore aims to provide a high-level economic assessment of alternative sites within the same "locality" or "market" to efficiently accommodate additional industrial development, in the context of the NPS-HPL subclause 3.6(1)(b) and 3.6(3). This analysis also utilises the criteria of Section 3.6(2)(a) to (c) to confirm that the PPC meets the criteria of Section 3.6(1)(b).

The map provided below delineates the residential market in Cambridge for the purposes of defining the same "locality" or "market" for this aspect of the analysis. The defined area encompasses the existing Cambridge urban area identified by the District Plan Urban Limit and the identified industrial growth nodes within the Cambridge market.

Note that the "market" does not extend into the surrounding rural environs for this particular analysis as those areas comprise predominantly lifestyle blocks, rural residential living options and farms and therefore are not considered to represent the same industrial market or locality.

FIGURE 5: EXTENT OF SAME LOCALITY AND INDUSTRIAL MARKET FOR CAMBRIDGE



Source: LINZ, Waipā District Council, Property Economics

Greater Intensification In Existing Urban Areas

Section 3.6(2)(a) states that to satisfy Section 3.6(1)(b) the first reasonably practicable option to consider is greater intensification within existing urban areas.

In Property Economics view, in contrast to residential zones, industrial operations face greater challenges in pursuing intensification, particularly for businesses with substantial land requirements (e.g., Fonterra), necessitating space for machinery, warehousing, vehicles, and raw materials. These businesses exhibit limited flexibility in terms of location and encounter higher hurdles when co-locating with other industrial activities.

As such, accommodating the proposed development within existing industrial sites or smaller partially vacant sites would not be economically viable or practical. This approach has the potential to disrupt the feasibility and efficient functioning of the proposed zoning.

In addition, intensifying existing industrial land to accommodate other proposed (smaller) industrial activities can also come with a set of challenges. These challenges may include:

- Requirements of significant upgrades to infrastructure and utilities, including roads, utilities, and wastewater systems, which can be expensive and time-consuming.
- The costs associated with industrial intensification may increase operating expenses for industrial businesses, which could affect development feasibility and competitiveness.
- Intensifying the existing industrial area would require high level compliance with local, regional, and national regulations, including zoning, environmental, and safety standards.
- Nearby residents and communities may object to industrial intensification due to concerns about noise, pollution, traffic, and the potential negative effects on property values.
- Higher industrial density can lead to increased traffic congestion and the need for transportation improvements, such as expanded road networks or better public transportation options.

Addressing these challenges is typically a time-consuming process and requires significant investments and thorough planning, landowner / developer engagement, and a comprehensive understanding of the local industrial market.

Given the high level of process uncertainty and development costs associated with infill and redevelopment, the PPC site, which has been earmarked to support industrial sector growth in the local market, is considered as an appropriate greenfield location to accommodate the expected industrial market demand.

In Property Economics view, while increasing the intensity of development within existing industrial areas could offer some additional capacity to partially address the demand for industrial land in Cambridge, the PPC site is considered as a more efficient and economically viable location to accommodate the proposed development and meet the needs of local businesses.

Rezoning of Land That Is Not Highly Productive Land as Urban

Section 3.6(2)(b) states that to meet the requirements of subclause (1)(b), the Territorial Authorities must consider rezoning of land that is not highly productive land as urban.

Figure 5 above illustrates the LUC status of land within the identified Cambridge market. It is evident that the Cambridge market and its surrounding environs predominantly consist of high-class soils under the LUC system.

However, there is one exception within the identified Cambridge market, situated immediately east of Carter's Flat, which is currently designated as Reserve under the District Plan and is encircled by streams and steep-sided gullies. Despite having significantly lower-class soil (LUC 7), this piece of land is not considered a feasible and practical option for accommodating industrial activities in Cambridge.

Even when considering alternative growth areas located slightly further away from the PPC, the use of these areas would still involve the consumption of high-class soils. In essence, without the utilisation of some high-class soils, it would be virtually impossible to accommodate the projected industrial land requirements in the identified growth cells. Consumption of some high-class soils is inevitable for Cambridge to grow and accommodate future demand outlined in Waipā 2050.

In light of the above, Property Economics considers that rezoning land classified as non-highly productive is not a reasonably practicable option for providing additional industrial supply relative to the PPC site.

Rezoning Different Highly Productive Land That Has a Relatively Lower Productive Capacity

Section 3.6(2)(c) states that to meet the requirements of subclause (1)(b), the Territorial Authority must consider rezoning different highly productive land that has a relatively lower productive capacity.

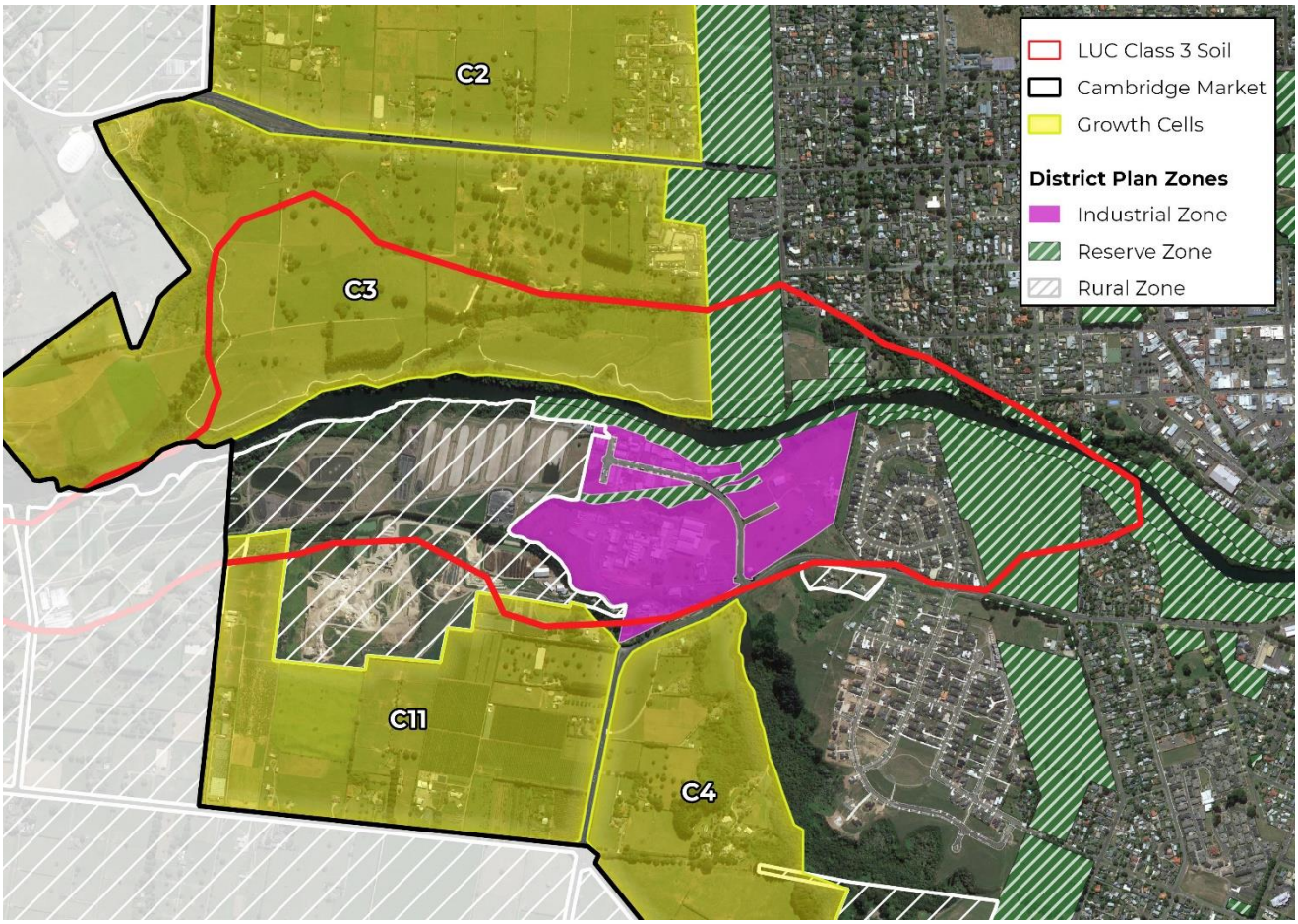
Aside from the Class 7 soil situated to the east of Carter's Flat, there are parcels of land characterised by relatively lower productive soil classes under the LUC system.

The first piece of Class 3 soil is positioned between growth cell C3 and C11, immediately to the south of the Waikato River, as illustrated in the figure below. However, it is essential to note that the eastern portion of this site has already undergone development, greatly limiting the practical potential of providing additional industrial supply in this area.

Given its direct adjacency to the existing Industrial Zone, a significant portion of the rural land in this vicinity is allocated for light industrial purposes, housing facilities such as Inghams, EnviroWaste Transfer Station, Storage King, K&S Freighters, wastewater treatment plant, among others. Furthermore, some primary sector activities are also present within the Rural Zone, bordering the industrial land, including plant nurseries, crop growers, and cattle feeding operations.

As a result, the remaining vacant and developable portion of this Class 3 soil consists of a few small and isolated rural blocks. These blocks are insufficient in size to efficiently accommodate significant industrial development (such as a Fonterra dairy factory) and therefore do not offer a more viable alternative compared to the PPC site.

FIGURE 6: ALTERNATIVE LOWER-CLASS SOIL - SITE 1



Source: LRIS, LINZ, Waipā District Council, Property Economics

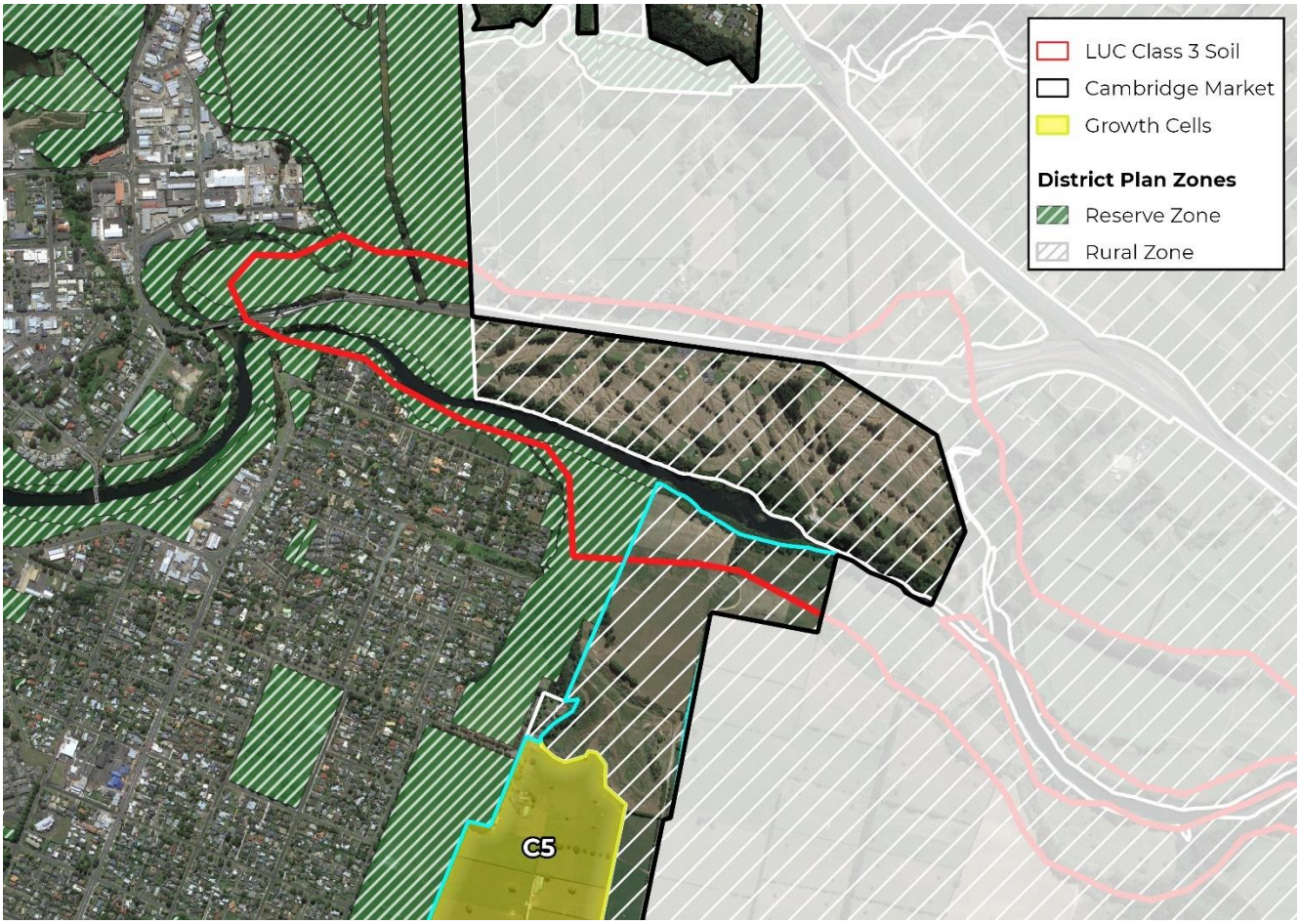
The figure below shows the presence of another section of Class 3 soil situated on the southern side of Thermal Explorer Highway, spanning a combination of Rural and Reserve zones. A portion of this Class 3 soil is currently utilised by the Cambridge Golf Club, making it unavailable and impractical for accommodating industrial development.

Even though placing the development in proximity to the Cambridge Golf Club might result in a loss of lower-class productive soil, it is important to note that this alternative Class 3 land is situated in a relatively isolated location and is considerably distant from the current Hautapu industrial area.

Consequently, this land would not present a more practical or appropriate choice for industrial activities in Cambridge as it would result in a less efficient outcome compared to the PPC site in respect of its contribution to a well-functioning urban environment.

The absence of identified growth cells in and around this Class 3 soil, as outlined in the District Plan and 2050 District Growth Strategy, also indicates that opportunities for urban development expansion in this location would be severely limited.

FIGURE 7: ALTERNATIVE LOWER-CLASS SOIL - SITE 2



Source: LRIS, LINZ, Waipā District Council, Property Economics

Overall, considering the above analysis, Property Economics considers that there are no reasonably practical or more appropriate greenfield alternatives within the same locality and market that would allow for the proposed development while also promoting a well-functioning urban environment, as specified in HPL clause 3.6(1)(b) and 3.6(2).

8.5. SPATIAL EXTENT PROPOSED FOR REZONING

Section 3.6(5) states that Territorial Authorities must take measures to ensure that the spatial extent of any urban zone covering highly productive land is the minimum necessary to provide the required development capacity while achieving a well-functioning urban environment.

The entirety of the PPC site has been identified suitable for future industrial development, meaning that the spatial extent proposed for rezoning in the PPC is appropriate and required to provide future industrial development capacity in the market. This aligns with the requirement of section 3.6(5).

8.6. SUMMARY

In summary, from Property Economics' perspective, the PPC site is required to provide sufficiency and a higher level of certainty for industrial growth in the area. Simultaneously, intensifying the existing industrial area and rezoning less and non-productive land do not offer feasible alternatives to accommodate the proposed development in a more economically efficient manner when compared to the PPC site.

While selecting a more distant location (e.g., outside the Cambridge Township) for the proposed development could avoid utilising the most fertile Class 1 soil, these alternative sites might result in less economically efficient outcomes compared to the PPC site. This stems from missed economies of scale and industrial business agglomeration opportunities.

Importantly, the Council has already identified the PPC site for future industrial development, recognising the appropriateness of the location in accommodating some of the district's future growth. This also aligns with earlier statutory growth strategies.

All these considerations collectively reinforce the PPC site as an efficient location within the framework of the RMA and NPS-HPL.

The economic benefits and costs of rezoning the PPC site are identified in the next section to provide an assessment of Section 3.6(1)(c). The social and cultural costs of the PPC will be outlined in the PPC application to provide a full assessment against this section of the NPS-HPL.

9. PROPOSED CENTRAL FOCAL AREA OVERVIEW

PC14 seeks to introduce a new rule in the WDP that facilitates the creation of a Central Focal Area within the Mangaone Precinct (outlined below). The subsequent economic analysis focuses specifically on the proposed provisions related to retail and gym facilities.

Rule 7.4.1.1(x):

Within the Central Focal Area shown on the Mangaone Precinct Structure Plan, only the following activities are permitted activities:

i. *Cafés, bakeries, dairies, and takeaway outlets with no drive through facility.*

ii. *A Gymnasium.*

iii. *Ancillary activities including public amenities.*

Anything beyond the above will require a Discretionary Activity resource consent.

From an economic perspective, there are specific factors to assess concerning the appropriateness of the proposed Central Focal Area provision within the Mangaone Precinct. The subsequent analysis delves into each pertinent economic consideration.

APPROPRIATE SIZE AND LIKELY CENTRE IMPACT

In Property Economics view, any proposed convenience retail activities have a natural cap due to the small land area identified for the Central Focal Area. The practical reality is the Central Focal Area only has the potential to accommodate around 6 to 10 retail tenancies.

Based on a high-level employment analysis, Property Economics estimates that established industrial areas in Cambridge and Te Awamutu, as of 2023, have an average density of approximately 34 employees per hectare (net) of industrial land.

Applying this average figure to the PPC site, covering around 47.6ha (net) of land, suggests a potential future employment base of up to approximately 1,600 employees at full capacity.

Given this future employment base, Property Economics considers the proposed scale of the Central Focal Area is adequately and appropriately sized to service the demand from future industrial activities in the local area, leading to economic benefits such as reduced travel distances and an enhanced local profile.

Furthermore, the internalised location of the Central Focal Area suggests a limited likelihood of diverting convenience retail spending from other areas. This mitigates concerns about the development significantly drawing retail spend away from the local market, including the Cambridge Town Centre and the C1 Growth Cell / Cambridge North (future) Neighbourhood Centre.

The Town Centre, a vital retail and commercial hub in the district, accommodates various business activities, including department stores, supermarkets, and national brands. Property Economics considers that, from an economic perspective, the proposed Central Focal Area, with its focus on the surrounding industrial area, has no propensity to undermine the envisaged role, function, vitality, vibrancy, and performance of the Town Centre.

Rule 6.4.2.16 of the WDP permits the development of a supermarket with up to 3,400sqm GFA / speciality retail with up to 3,000sqm GFA and a maximum total commercial retail and service floorspace area of 4,600sqm GFA within the Cambridge North (future) Neighbourhood Centre. These activities, if developed in the future, are expected to draw spend from a more extensive retail catchment area and would not be undermined by the proposed Central Focal Area within the PC14 development.

Given the above reasons, Property Economics considers it implausible that the proposed retail offerings within the Central Focal Area would undermine the roles and functions of existing and potential centres. Any potential adverse effects are likely to be trade competition in nature (not a relevant determinant under the RMA), less than minor, and temporal as they would be quickly offset by market growth.

From an economic planning perspective, introducing a gymnasium within an industrial area yields a range of benefits that contribute to the overall wellbeing and productivity of the workforce. The on-site gymnasium has the potential to not only enhance the overall quality of life for workers but also aligns with modern workplace trends emphasising employee wellbeing and engagement.

Overall, considering the estimated local (future) employment base and the role, function, and scale of the existing and expected centres, the allocation of land and extent of activities permitted within the Central Focal Area is appropriate. This provision would not only accommodate the immediate needs of the workforce but also positions the PC14 site as an appealing and vibrant local employment hub.

APPROPRIATE LOCATION

In terms of location of the Central Focal Area, a better position from a sales performance perspective would be on the main road of the area, namely the Zig Zag Road and Swayne Road, to enhance visibility, profile, and accessibility to the surrounding industrial areas.

However, Property Economics considers that the current location is relatively central within the PPC site and would benefit from the development of the four-way intersection. This positioning can be anticipated to provide improved accessibility to a larger portion of the workforce, promoting higher utilisation of the space and contributing to increased economic activity, compared to a convenience centre situated on the edges.

As mentioned earlier, the internalised location of the Central Focal Area also holds the potential to mitigate any potential adverse effects on existing and anticipated commercial centres. This consideration is important in safeguarding the envisaged roles and functions of these centres, contributing positively to the wider centre network of the township and the broader district.

Taking these factors into account, Property Economics considers that the proposed location of the Central Focal Area is appropriate for the purpose of better servicing the localised industrial area and effectively mitigating potential impacts, if any, on existing and future centres.

ECONOMIC COSTS AND BENEFITS

From an economic perspective, accommodating small retail and gym convenience activities to service an industrial area can bring about several economic benefits. Firstly, the presence of such activities, such as local cafes, convenience stores, and service providers like gym will contribute to a more attractive and well-serviced working environment, potentially making the area more appealing for businesses and employees.

Secondly, small convenience activities create employment opportunities within the local community. Jobs generated by these businesses, even if they are relatively small-scale, contribute to the overall employment figures in the district.

In addition, the presence of convenient services has the potential to lead to increased productivity and efficiency within the industrial area. Quick access to essential amenities, such as food services or basic supplies, allows workers to save time and focus more on their tasks. This improved efficiency can have a positive impact on the overall productivity of businesses in the Hautapu industrial area, potentially leading to increased output and economic growth.

In the perspective of Property Economics, the proposed Central Focal Area is associated with only a minor economic cost or opportunity cost, as its primary impact is a slight reduction in the provision of industrial land in the area. This opportunity cost is relatively insignificant, particularly when compared to the expected benefits and economic value that the Central Focal Area is anticipated to bring to the surrounding industrial and business community.

Therefore, Property Economics considers that the proposed Central Focal Area has the potential to generate net economic benefits for the surrounding industrial area and business community. It has the potential to contribute positively to the economic vibrancy and sustainability of the surrounding industrial area, thereby creating a more appealing and prosperous environment for businesses and employees.

10. ECONOMIC COST-BENEFIT ANALYSIS

PC14 would generate a range of potential economic costs and benefits. This section outlines the high-level economic costs and benefits of the PPC in the context of the WDP, RMA and NPS-HPL.

ECONOMIC BENEFITS

- Provision of industrial land to satisfy demand for industrial locations and capacity over the medium and long-term timeframe, including additional buffer: After conducting a thorough review of the BDCA 2023 forecasts outlined in Section 4.3 of this report, Property Economics anticipates a shortage of industrial land capacity within the Future Proof sub-region. This shortfall is expected to inadequately meet the growing demand for industrial employment and sector expansion over the medium and long term. Consequently, the proposed additional industrial land capacity in PC14 would play an important role in accommodating the higher-than-expected industrial land demand and ensuring continued growth of the local and regional industrial economy in the medium to long term.

- Enablement of economies of scale and industrial agglomeration effects: Situated in direct proximity to the existing industrial zones of Hautapu to the western side, the PPC site seamlessly extends the Hautapu existing industrial environment. Consequently, any future industrial activities on the PPC site would be able to benefit from and collaborate efficiently with the existing operations in Hautapu.

- Improved land use efficiency: Again, considering the existing industrial landscape in Hautapu, the PPC site emerges as highly compatible for accommodating industrial activities. Moreover, the existing roadways adjoining the PPC site's northern and eastern perimeters - namely, Zig Zag Road and Swayne Road - serve as natural buffers, mitigating potential negative environmental impacts on the rural areas to the north and east, and provides existing (off-site) infrastructure to service the land enabling increased developable land on the site. Consequently, in contrast to alternative land uses such as rural production, residential, and commercial uses, the proposed industrial uses of the PPC site presents a more cohesive and effective manner of better utilising the land.

- Increased industrial employment and economic profile: The PPC site has the potential to boost Cambridge's industrial economy by creating new employment opportunities in an established industrial zone. As mentioned earlier, based on Property Economics' high-level estimate, the PPC site, spanning around 47.6ha of net industrial land, has the potential to accommodate approximately 1,600 employees. This estimate is based on the assumption that the future industrial density at the PPC site will align with the established industrial areas in Cambridge and Te Awamutu, estimating a density of

around 34 employees per hectare (net). By providing a location for industrial activities that may not have otherwise considered Cambridge, the site could expand the local market rather than simply redistribute existing industrial activity. This would enhance the Hautapu's reputation as an attractive location for industrial businesses, improving its competitiveness as a business destination in the wider Waikato Region.

- Reduction in marginal cost of infrastructure provision: Additional development that is proximate to the existing industrial activities would enable infrastructure investment to be more efficiently utilised and lower marginal infrastructure cost. This would allow the district to accommodate industrial growth with reduced requirement to duplicate investment and resources in new infrastructure, which would ultimately benefit the local community.

- Potential for mitigation of adverse environmental effects (or reverse sensitivity effects) by containing the activities within a defined area: Reverse sensitivity effects can arise when more sensitive activities such as rural oriented activities establish in close proximity to industrial activities. The PPC site would provide a location where any reverse sensitivity issues with more urban environments can be easily mitigated.

- Potential for mitigation of industrial land prices: The provision of additional industrial land supply to the Cambridge market has the potential to result in a reduction in the average industrial land price within Cambridge and the wider district, rendering it a more competitive location for setting up an industrial business. Furthermore, having more industrial land capacity in the district in an efficient location, such as the PPC site, would reduce the risk of industrial land banking and a single developer controlling industrial land prices.

- Greater industrial business location options: The PPC development would not only provide additional industrial land capacity to the Cambridge market but also opportunities for businesses to locate in a location efficiently connected to the Waikato Expressway and the existing industrial activities in Hautapu. This would better accommodate the diversified location demand of industrial businesses.

- Increased flexibility for industrial growth and new entrants: While it is not necessary for the industrial land supply to perfectly match the projected industrial land demand, a potential shortage of industrial land capacity due to higher-than-expected industrial growth can have negative impacts such as undermining industrial economic growth potential, making industrial land prices less competitive and increasing uncertainties in the local industrial market. On the other hand, increasing industrial land supply in an economically efficient location, such as the PPC site, would provide greater flexibility and choice in industrial land use and location.

- Greater level of growth: A large-scale new development has the potential to increase interest for additional business development within the Cambridge market, especially for those dairy related industrial activities. This would foster greater level of economic growth within the wider Cambridge business area.

- Higher level of specialisation and productivity: As levels of economic activities increase in the Hautapu industrial area, so does the ability of businesses to specialise and increase efficiency due to increased competition. This would also increase the prevalence of knowledge spillovers, increasing innovation density allows businesses to have access to larger markets of suppliers (especially labour supply) and consumers, allowing competition to enhance the quality of inputs and outputs.

ECONOMIC COSTS

- Loss of rural land production (i.e., opportunity cost): The proposed rezoning would lead to a minor loss of some rural production potential. However, as assessed earlier, industrial growth cells in Cambridge all encompass the highest-class productive soil. This indicates that future urban growth of Cambridge will inevitably lead to a loss of some productive land or there are no alternative locations to accommodate the proposed rezoning in a more economically efficient manner.

  Moreover, given the industrially featured surrounding environment, in combination with the intended industrial land uses of C10, the likelihood of the PPC site for future primary production activities is very limited. The proposed industrial land use is considered compatible with the surrounding environment and would create significant business agglomeration benefits. As such, Property Economics considers that the opportunity cost of the PPC site for more intensive rural uses and activities would be minimal in the context of the NPS-HPL.

- Additional infrastructure investment and servicing requirements: Land and associated infrastructure costs are the biggest cost components of greenfield development costs and tend to scale according to the size of the network. This means that expanding networks to new greenfield areas (e.g., the PPC site) has the potential to result in a proportional increase in long term operating, maintenance, and renewal costs.

  Property Economics notes that Council has been investing heavily in three waters infrastructure to and from the newest industrial areas in Hautapu, namely C8, C9 and C10 (i.e., Bardowie Industrial Precinct). Transportation projects include the recently completed first stage of the walkway / cycleway to Hannon Road, and new roundabouts and road upgraded are planned for the near future[16].

[16] *Sourced from: https://www.Waipādc.govt.nz/our-council/news?item=id:2e8nxf6nj1cxbybagvaw*

These existing and planned infrastructure investments indicate that extent of required infrastructure upgrades is likely to be limited, the cost of any upgrades to the wider network will need to be serviced by Council. These capital costs are likely to be mitigated, at least in part, through either developer contributions or the level at which the developer provides the infrastructure itself.

As additional industrial capacity is required over the long term, the extent to which this can be considered an economic cost depends on the relative cost of servicing the infrastructure in an alternative location at a later point in time.

- Potential to undermine existing vacant land capacity: Zoning additional vacant land may compete with the exiting zoned industrial land capacity and potentially reduce its growth. However, this impact is expected to be minimal and temporal since no actual industrial development is expected to take place until 2028 at the earliest.

  This new timeframe is very similar to the recently approved development sequencing of the PC17 Deferred Industrial Zone (Area 7). According to the PC17 decision, Area 7 would be "live-zoned" to Industrial Zone once Area 6 has reached 80% development or by 31 March 2030. This approach can be expected to mitigate any adverse impact of live-zoning Area 7 on the development and uptake of other industrial areas.

  Likewise, the absence of any industrial development on the PPC site before 2028 implies that the PPC site's influence on the existing industrial land capacity in the Cambridge market would be negligible before that time.

  Considering the local market's higher-than-expected industrial growth, it is reasonable to anticipate additional demand for industrial land and growth in Hautapu. This, to some extent, would counterbalance the potential impact of the proposed rezoning after 2028. Consequently, Property Economics considers that the proposed rezoning would not compromise the expansion and development potential of the Cambridge industrial land capacity.

- Potential generation of adverse environmental effects (relative to no additional business activities at the PPC site): New industrial development at the PPC site may have adverse off-site effects on adjacent or nearby rural properties and environment. These may be effects such as noise, visual effect of new industrial buildings, odour, dust, and traffic. However, this is likely to be offset with management of any such potential by creating master plan for the entire site and developing a set of site focused planning provisions.

After considering all the economic factors, the PPC is appropriate and has the potential to generate a significant net positive economic impact for the Waipā economy and communities. This also satisfies the NPS-HPL 3.6(1)(c) provision.

11. WAIKATO RPS CRITERIA ASSESSMENT

Under Waikato RPS, Policy UFD-P11.3 requires that within the Future Proof area new industrial development should predominantly be located in the strategic industrial nodes in Table 35 (APP12)[17] and in accordance with the indicative timings in that table except where alternative land release and timing is demonstrated to meet the criteria in UFD-M49 – Out-of-Sequence or Unanticipated Urban Development.

It is understood that the PPC area is within the Hautapu Strategic Industrial Node being part of the C10 Industrial Growth Cell, however the Future Proof Strategy and the RPS does not provide sufficient clarity to confirm that position (due to Strategic Industrial Nodes only being identified by way of a dot on Map 43 in the RPS). What is clear is that the release of industrial land within the C10 Industrial Growth Cell is programmed for 2035 onwards (that being specified in the Waipā District Plan). Given that PC14 is proposing to bring land release forward (insofar as it relates to part of the C10 Industrial Growth Cell), it is necessary to consider the proposal in relation to the 'out of sequence' aspect of the relevant criteria in the RPS.

This UFD-M49 provides for some flexibility in the staged release of urban land while ensuring that the relevant growth management principles established in the Future Proof growth strategy are not compromised.

Specifically, this UFD-M49 requires that district plans and structure plans can only consider an alternative urban land release, or an alternative timing of that land release, than that indicated on Map 43 (or in accordance with any revised timing as set out in UFD-P11(2)), and Table 35 in APP12 provided that:

1. *Development proposals shall only be considered to be 'significant' for the purposes of UFD-P11 (7) where the local authority determines that the proposal is consistent with the relevant criteria A and B in APP13[18];*
2. *The timing of land release within urban and village enablement areas may only be amended where it is demonstrated that the proposal is consistent with criteria A in APP13 except where timing is being brought forward from beyond the long term as shown on Map 43, in which case criteria A and B in APP13 must be met;*
3. *when identifying additional urban or village enablement areas not shown on Map 43 it must be demonstrated that the proposal is consistent with criteria A and B in APP13;*
4. *when seeking to change a planned land use within urban or village enablement areas it must be demonstrated that the proposal is consistent with criteria A in APP13;*

[17] *See Appendix 2*

[18] *See Appendix 3*

5. *the effects of the change are consistent with the development principles set out in APP11[19];*

6. *in relation to Table 35, the land area allocated in a particular stage for a Strategic Industrial Node may be increased by bringing forward a future allocation from a later stage in that node where it is demonstrated that this would be consistent with criteria A in APP13. The total allocation for any one node, across all stages, may only be increased where it is demonstrated that this would be consistent with criteria A and B in APP13.*

Taking into account the economic analysis undertaken earlier in this report, Property Economics concludes that PC14 is consistent with UFD-M49, as well as the applicable development principles of APP11 and criteria of APP13, for several important economic reasons. Note that as some of these criteria / principles share overlapping requirements, the following analysis merges those with similar requirements into unified themes.

1) Meeting a demonstrated need or shortfall for business floorspace: APP13 Criteria A - A

Earlier analysis in this economic assessment has shown that that the local industrial market's expansion has exceeded BDCA projections, suggesting a shortfall in industrial land capacity in the short to medium-term. Considering the insights presented in this economic assessment, Property Economics considers that reliance on BDCA should be reconsidered. This highlights the significance of enabling PC14 to address the shortfall in business floorspace / land provisions in the local market over the short to medium term.

2) Contribution to a well-functioning urban environment: APP13 Criteria A - B

The PPC site has an extensive land area with a flat landform, making it well-suited for various industrial business sectors in terms of both location and site size. This characteristic will be integrated into the Structure Plan of PC14 to facilitate the provision of diverse sites capable of meeting the varied demands of industrial businesses.

The site's strategic position relies on its ability to integrate with existing infrastructure, particularly the Waikato Expressway, and established services within the surrounding vicinity. This sets it apart from other ongoing industrial developments across the district and the broader Future Proof area, which are notably distant from the Waikato Expressway and the established industrial environment of Hautapu. Consequently, it is reasonable to expect that the proposed development within an anticipated Industrial Growth Cell would cultivate synergies between existing urban areas and the industrial landscape in Hautapu.

With these characteristics in mind, PC14 holds the potential to enhance Hautapu's existing industrial land offerings, broaden the range of available price points for industrial land, and

[19] *See Appendix 4*

provide a competitive and appealing location for industrial businesses seeking proximity to both the Waikato Expressway and the well-established Hautapu industrial environment.

In addition, it can be expected that PC14 would have no adverse impacts on the competitive operation of land and development markets, as it will ensure sufficient supply of industrial land to meet market demands. The existing tight supply of industrial land is driving up costs, posing a risk to the creation of a well-functioning market / urban environment.

Given these factors, Property Economics considers that PC14 will positively contribute to fostering a well-functioning urban environment, from an economic perspective.

3) Consistency with Future Proof Strategy principles & directions: APP13 Criteria A – C

APP13 Criteria A – C requires that the development be consistent with the Future Proof Strategy Guiding Principles and Growth Management Directions as set out in Sections B2, B3, B6, B7, B8, B9 and B11 of the strategy.

The Guiding Principles include effective partnership, leadership & implementation, vibrant city centre connected to thriving towns, villages and rural communities, protection of the natural environment, affordable and sustainable resource use, genuine and equal partnership with tangata whenua / mana whenua, and sustainable resource use and climate resilience.

Some of these Guiding Principles have already been extensively addressed within other criteria of APP11 and APP13, hence they are not specifically evaluated in this analysis.

Of the applicable Growth Management Directions, Section B2 (i.e., reflecting the aspiration of tangata whenua), Section B3 (i.e., managing growth in a manner that protects and enhances the quality of the natural environment), and Section B11 (i.e., delivering integrated and sustainable three waters services) are considered irrelevant to economic considerations and thus are not addressed in this analysis.

Section B6 requires the establishment of a rapid and frequent public transport network, supported by walking, cycling and micromobility networks. This principle aligns with the requirement outlined in APP13 Criteria A and will be elaborated upon in the subsequent analysis (refer to Point 4)).

Section B7 requires the support for compact urban development throughout the sub-region. However, the previous HPL analysis in Section 7 of this report highlights that urban intensification and redevelopment is not economically or commercially practical for accommodating the proposed development. Given its proximity to the established industrial environment in Hautapu, PC14 is well-positioned to encourage greater business agglomeration effects in the local area. This, in turn, would contribute positively to the realisation of a more compact urban environment compared to locating the proposed development in more distant rural locations.

Section B8 requires growing a prosperous economy through understanding of and responding to medium and long-term trends and changes in the business and commercial sectors. With

the local industrial economy experiencing robust growth, PC14 would offer a timely response to industrial sector trends by addressing the anticipated shortage of industrial land in the market over the short to medium term.

Section B9 requires that the urban and village enablement areas provide clear delineation between the rural and urban parts of the sub-region. This requirement aligns with APP11 - b. Notably, the PPC site has long been earmarked for industrial development in WDC's planning documents, and the surrounding areas have undergone significant urbanisation for similar industrial purposes in recent years. Therefore, PC14 would not compromise the clear distinction between the rural and urban environments of the sub-region.

Considering the analysis above, Property Economics concludes that PC14 will not offend the applicable Future Proof Strategy Guiding Principles and Growth Management Directions.

4) Accessibility & promotion of active transport modes: APP13 Criteria A – D, M & N.

PC14 is supported by a thorough Integrated Transport Assessment, demonstrating the high level of accessibility of the site from road, pedestrian, and cycling perspectives. Furthermore, the accompanying Structure Plan provided as part of PC14 will designate a Collector Road, Local Roads, and connectivity points to the broader road network.

As previously noted in this report, the PPC site's strategic location adjacent to the Waikato Expressway and near the existing western railway line ensures convenient access to robust transportation networks spanning not just the district but also the wider region.

Moreover, the Mangaone Stream traverses the northern part of the site. The Structure Plan will incorporate a network of pedestrian and cycle paths along the stream banks, facilitating connectivity to broader networks. These features will enhance site accessibility and promote a mode-shift, supporting a reduction in greenhouse gas emissions.

5) Impact on the efficiency and benefits of infrastructure: APP13 Criteria A – I & J

Despite being ahead of the previously outlined development timeline, the continuous and planned infrastructure investments in Hautapu indicate that the necessary upgrades may be limited. These capital costs are likely to be partially offset through developer contributions or the developer's provision of infrastructure. This implies that the potential burden on infrastructure would be reduced.

Moreover, PC14's proximity to the established industrial environment and infrastructure in the area suggests potential economies of scale and lower marginal infrastructure costs, maximising infrastructure utilisation efficiency.

6) Efficient use of local authority & central government financial resources: APP13 Criteria A – K

PC14 demonstrates efficient use of local authority and central government financial resources as it will provide an increased supply of industrial land in response to demand surpassing availability in the Cambridge / Hautapu area.

The Development Agreement (which is required by the proposed rules of PC14) typically leads to financial equilibrium for public finances. Additionally, the development of the PPC site is expected to increase revenue from rates for WDC, thus enhancing its financial position.

7) Compatible use with the surrounding environment: APP13 Criteria A - L

The existing industrial landscape, situated just east of the Bardowie Industrial Precinct, along with the strategic location of the site, reflects its suitability for industrial purposes. Consequently, rezoning the PPC site is not anticipated to lead to an unexpected greenfield development or to establish a new urban area that conflicts with the surrounding (both existing and planned) environments in Hautapu.

8) Avoiding areas identified as wāhi toitū on Map 44: APP13 Criteria A - O

Map 44[20] is presented at a small scale, lacking sufficient topographical details to clearly identify whether a specific site is designated as wāhi toitū[21]. However, it seems that Map 44 delineates the entire C10 Industrial Growth Cell (encompassing the PC14 Area) as "Urban areas" (shaded teal), indicating that the land is not classified as wāhi toitū. This outcome is unsurprising, considering that the C10 Industrial Growth Cell has been earmarked for industrial development for many years.

Considering the ambiguity of Map 44, it is noteworthy to refer to another source indicating wāhi toitū areas, found in Map 2[22] of the Future Proof Draft 2024 Future Development Strategy (Draft FDS). This map offers a clearer depiction of wāhi toitū distribution within the broader Future Proof area. However, it appears to conflict with the identification presented in Map 44. According to Map 2 of the Draft FDS, all growth cells in Hautapu, including those already zoned Industrial like Growth Cell 8 and 9, are designated as wāhi toitū due to their LUC Class 1 soil classification.

The HPL analysis in a preceding section of this report has revealed that the district encompasses a significant amount of land classified as highly productive. Consequently, utilising some of the Class 1 soil is an inevitable step in accommodating the anticipated urban growth of the Cambridge township. Therefore, even if the PPC site is identified as wāhi toitū, facilitating PC14 would not compromise the overall productive capacity of the broader district

[20] *See Appendix 5*

[21] *That is areas with important environmental attributes or constraints and hazards that are protected areas of significance to tangata whenua.*

[22] *See Appendix 6*

and the ongoing growth of its primary sector, particularly given the area has been identified for urbanisation for many years.

As emphasised in the Draft FDS, with the identification of wāhi toitū, Future Proof seeks to ensure that "*urban growth onto high class soils / highly productive land is appropriate*"[23], and that "*there are fewer absolute limits on urban growth in the Hamilton-Waikato metropolitan area (which includes Cambridge), but development would require specific environmental and hazard mitigation*"[24].

These statements clearly indicate that avoiding areas designated as wāhi toitū in Hautapu-Cambridge is not an absolute prohibition if the development is considered appropriate or if potential environmental and hazard concerns can be adequately mitigated.

Therefore, even if the PPC site is categorised as wāhi toitū according to Map 44, development of the site is not completely restricted. Considering the status of the surrounding growth cells and the significant growth of the industrial sectors, it is evident that PC14 is essentially necessary, and urban expansion onto the site is appropriate.

9) Impact on urban (existing and planned) and rural areas: APP13 Criteria B - A & C

It is anticipated that no actual industrial development will occur at the PPC site until at least 2028. Consequently, the PPC site's impact, if any, on the existing industrial land capacity in the Cambridge market would be negligible before that time. Therefore, the PC14 would not compromise the expansion and development potential of the Cambridge industrial land capacity.

In essence, PC14 would contribute positively to fostering a more competitive land and development market. As previously noted, this supply is necessary to accommodate the higher-than-expected growth of the local industrial market and is likely to mitigate industrial land price escalation in Cambridge while providing adequate capacity in the market.

On the other hand, PC14 will not adversely affect the function and vitality of existing rural settlements, as the land has already been designated for future industrial development. This implies that the urban development of the land aligns with the anticipated urban environment of Cambridge.

10) Intensification opportunities within the existing urban areas: APP11 a. & c.

As previously mentioned, urban intensification and redevelopment would not be economically or commercially viable options for accommodating the proposed development. Considering the higher-than-anticipated growth of the industrial sectors, additional provisions of industrial land within the district are necessary. The earlier analysis in this report highlights significant

[23] *Last paragraph, page 47*

[24] *Sixth paragraph, page 48*

locational characteristics of the site that make it well-suited to meet the district's demand for industrial land, aligning with the anticipated development outcome of the site.

However, due to the considerable uncertainty and development costs associated with infill and redevelopment, the proposed development would not be efficiently accommodated within the existing urban areas.

Considering these factors, even though the site is not situated within existing urban environments, PC14 would not undermine the overall promotion of intensification and a compact urban form within the district and the broader Future Proof area.

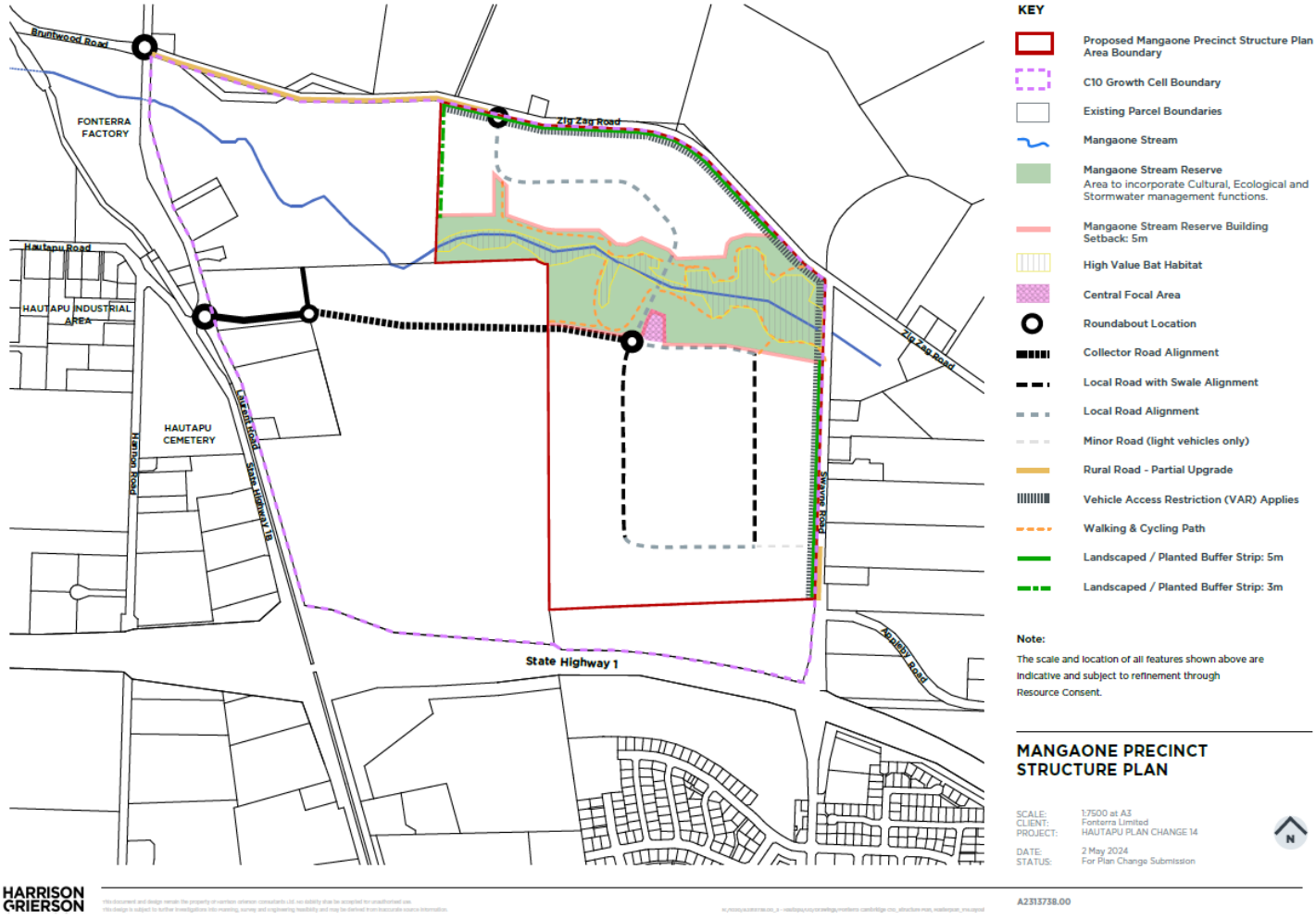
11) Connection with existing and planned infrastructure: APP11 d & e.

As previously noted, the strategic location of the PPC site positions it well to integrate with the existing urban environment and leverage the existing and planned infrastructure in the local area. With the site already designated for industrial purposes, advancing the proposed development will yield economic benefits from the PPC sooner than expected and enhance competitiveness in the industrial land market. This will promote more effective utilization of existing and planned infrastructure.

In light of the comprehensive economic analysis provided in this report, along with the criteria / principles assessment above, it is concluded that the PC14 satisfies UFD-M49, as well as the applicable development principles of APP11 and criteria of APP13.

Principles and criteria considered economically irrelevant (incl. APP13 Criteria A – E, G and Criteria B - D) or not applicable (incl. APP13 Criteria A – F, H, P, Q and Criteria B – D) are not covered in this economic analysis but are addressed in relevant expert assessments and the PC14 application report.

APPENDIX 1. PLAN CHANGE 14 STRUCTURE PLAN



APPENDIX 2. WAIKATO RPS – TABLE 35 APP12

Strategic Industrial Nodes (based on gross developable area)[1]	Industrial Land allocation and staging (ha)		Total Allocation to 2050 (ha)
	2020 to 2030	2031 to 2050	
Pōkeno	5	23	53
Tuakau	26	77	103
Huntly/Rotowaro/Ohinewai	77	-	77
Horotiu/Te Rapa North/Rotokauri	189	50	239
Ruakura/Ruakura East	172	245	417
Hamilton Airport/Southern Links	94	46	140
Hautapu	67	160	227
TOTALS	**630**	**626**	**1,256**

Note: 1 Gross Developable Area includes land for building footprint, parking, landscaping, open space, bulk and location requirements and land for infrastructure including roads, stormwater, and wastewater facilities.

APPENDIX 3. WAIKATO RPS – APP13

Criteria A

A. That the development would add significantly to meeting a demonstrated need or shortfall for housing or business floor space, as identified in a Housing and Business Development Capacity Assessment or in council monitoring.

B. That the development contributes to a well-functioning urban environment. Proposals are considered to contribute to a well-functioning urban environment if they:

   i. have or enable a variety of homes that: meet the needs, in terms of type, price, and location, of different households; and/or enable Māori to express their cultural traditions and norms; and/or have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and

   ii. support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets.

C. That the development is consistent with the Future Proof Strategy guiding principles, and growth management directives (as set out in Sections B2, B3, B6, B7, B8, B9 and B11 of the strategy).

D. That the development has good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport.

E. In cases where development is being brought forward, whether it can be demonstrated that there is commitment to and capacity available for delivering the development within the advanced timeframe.

F. In cases where the development is proposing to replace a planned land use with an unanticipated land us, whether it can be demonstrated that the proposal will not result in a shortfall in residential, commercial, or industrial land, with robust data and evidence underpinning this analysis.

G. That the development protects and provides for human health.

H. That the development would contribute to the affordable housing stock within the sub-region, with robust data and evidence underpinning this analysis.

I. That the development does not compromise the efficiency, affordability, or benefits of existing and/or proposed infrastructure in the sub-region.

J. That the development can be serviced without undermining committed infrastructure investments made by local authorities or central government (including NZ Transport Agency). Development must be shown to be adequately

serviced without undermining committed infrastructure investments made by local authorities or central government to support other growth areas.

K. That the development demonstrates efficient use of local authority and central government financial resources, including prudent local authority debt management. This includes demonstration of the extent to which cost neutrality for public finances can be achieved.

L. The compatibility of any proposed land use with adjacent land uses including planned land uses.

M. That the development would contribute to mode-shift that supports the medium and long-term transport vision for the sub-region being the creation of a rapid and frequent multi-modal transport network and active mode network.

N. That the development would support reductions in greenhouse gas emissions and would be resilient to the likely current and future effects of climate change, with robust evidence underpinning this assessment.

O. That the development avoids areas identified as wāhi toitū on Map 44.

P. During a review of the Future Proof strategy (including the development of a Future Development Strategy under the National Policy Statement on Urban Development 2020 and its subsequent 3-yearly review), or a comprehensive district plan review, consideration may be given to urban development on areas identified as wāhi toitū. A strong precautionary approach will be taken such that if the land is not needed to fill an identified shortfall of development capacity in the short-medium term, it should not be considered for urban development. Preference will be given to urban development proposals which are not located on areas identified as wāhi toitū.

Q. That a precautionary approach be taken when considering development on areas identified as wāhi toiora, such that if the land is not needed in the short-medium term it should not be considered for urban development.

Criteria B

A. That the development demonstrates that it would not affect the feasibility, affordability and deliverability of planned growth within urban enablement areas and/or village enablement areas over the short, medium and long term. In the interest of clarity, proposals in areas currently identified for development beyond long term on Map 43 and which are proposed to be brought forward into an earlier timeframe must demonstrate that they do not affect the feasibility, affordability and deliverability of planned growth in the earlier time periods.

B. That the development demonstrates that value capture can be implemented and that cost neutrality for public finance can be achieved.

C. That the proposed development would not adversely affect the function and vitality of existing rural settlements and/or urban areas.

D. That the development would address an identified housing type/tenure/price point need.

APPENDIX 4. WAIKATO RPS – APP11

APP11 – DEVELOPMENT PRINCIPLES

The general development principles for new development are:

a. support existing urban areas in preference to creating new ones;

b. occur in a manner that provides clear delineation between urban areas and rural areas;

c. make use of opportunities for urban intensification and redevelopment to minimise the need for urban development in greenfield areas;

d. not compromise the safe, efficient and effective operation and use of existing and planned infrastructure, including transport infrastructure, and should allow for future infrastructure needs, including maintenance and upgrading, where these can be anticipated;

e. connect well with existing and planned development and infrastructure;

f. identify water requirements necessary to support development and ensure the availability of the volumes required;

g. be planned and designed to achieve the efficient use of water;

h. be directed away from identified significant mineral resources and their access routes, natural hazard areas, energy and transmission corridors, locations identified as likely renewable energy generation sites and their associated energy resources, regionally significant industry, high class soils, and primary production activities on those high class soils;

i. promote compact urban form, design and location to:

    i. minimise energy and carbon use;

    ii. minimise the need for private motor vehicle use;

    iii. maximise opportunities to support and take advantage of public transport in particular by encouraging employment activities in locations that are or can in the future be served efficiently by public transport;

iv. encourage walking, cycling and multi-modal transport connections; and

v. maximise opportunities for people to live, work and play within their local area;

j. maintain or enhance landscape values and provide for the protection of historic and cultural

heritage;

k. promote positive indigenous biodiversity outcomes and protect significant indigenous vegetation and significant habitats of indigenous fauna. Development which can enhance ecological integrity, such as by improving the maintenance, enhancement or development of ecological corridors, should be encouraged;

l. maintain and enhance public access to and along the coastal marine area, lakes, and rivers;

m. avoid as far as practicable adverse effects on natural hydrological characteristics and processes (including aquifer recharge and flooding patterns), soil stability, water quality and aquatic ecosystems including through methods such as low impact urban design and development (LIUDD);

n. adopt sustainable design technologies, such as the incorporation of energy-efficient (including passive solar) design, low-energy street lighting, rain gardens, renewable energy technologies, rainwater harvesting and grey water recycling techniques where appropriate;

o. not result in incompatible adjacent land uses (including those that may result in reverse sensitivity effects), such as industry, rural activities and existing or planned infrastructure;

p. be appropriate with respect to current and projected future effects of climate change and be designed to allow adaptation to these changes and to support reductions in greenhouse gas emissions within urban environments;

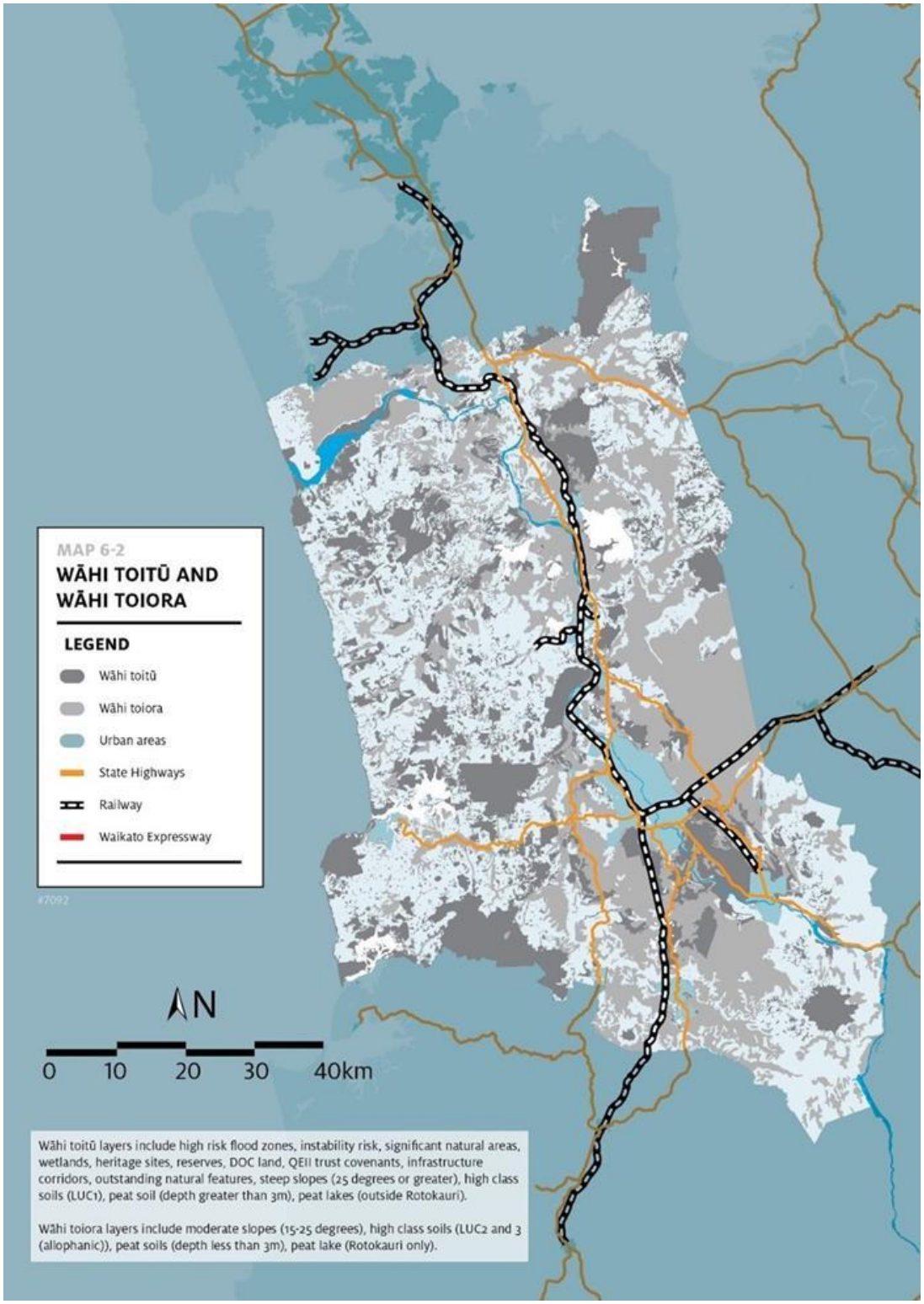
q. consider effects on the unique tangata whenua relationships, values, aspirations, roles and responsibilities with respect to an area. Where appropriate, opportunities to visually recognise tangata whenua connections within an area should be considered;

r. support the Vision and Strategy for the Waikato River in the Waikato River catchment;

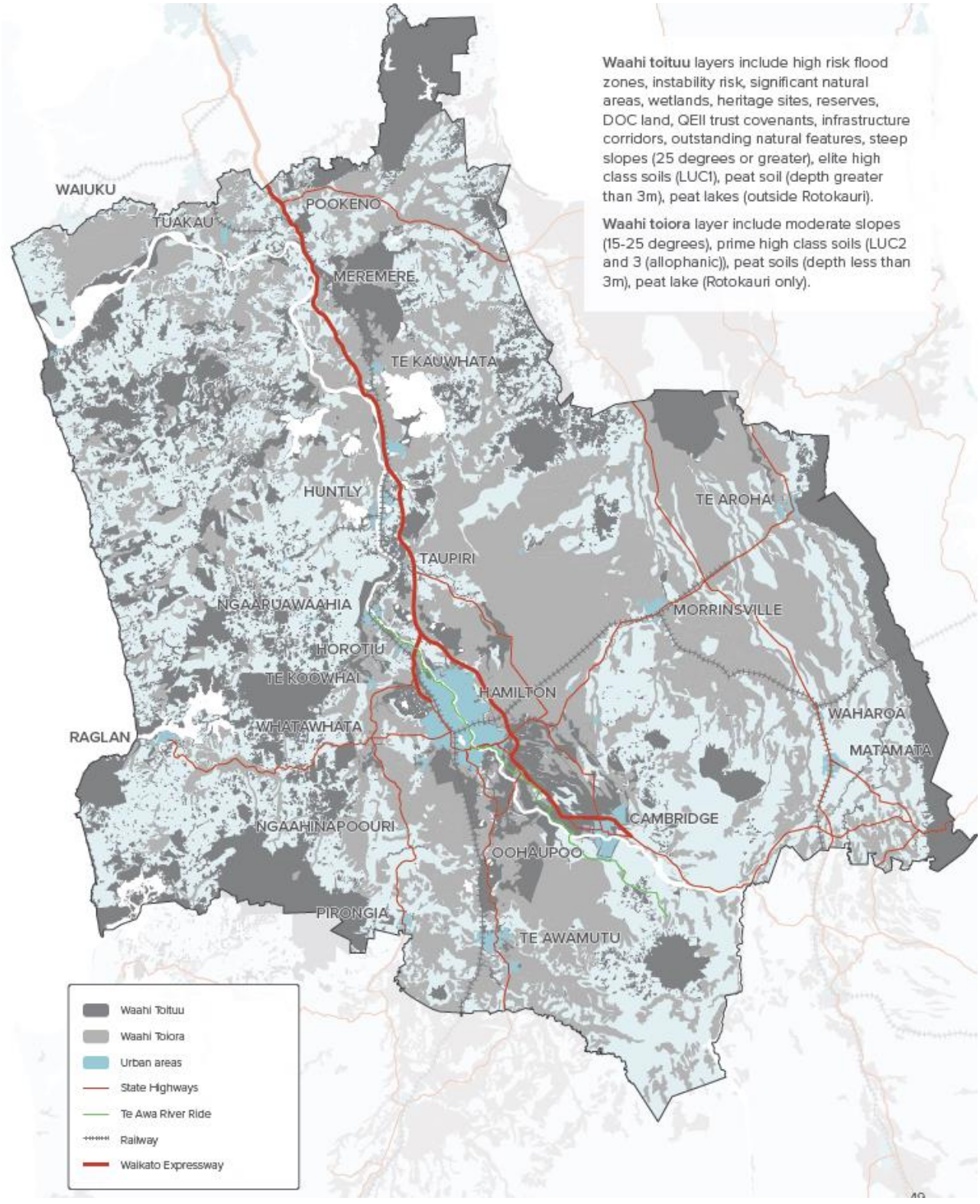
s. encourage waste minimisation and efficient use of resources (such as through resource efficient design and construction methods); and

t. recognise and maintain or enhance ecosystem service

APPENDIX 5. MAP 44: FUTURE PROOF WĀHI TOITŪ AND WĀHI TOIORA AREAS



APPENDIX 6. DRAFT FDS MAP 2



APPENDIX 7. INDUSTRIAL BUSINESS CLASSIFICATIONS

Property Economics utilises the 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) as guidance, whereby businesses are assigned an industry according to their predominant economic activity.

Industrial activities in general refer to land extensive activities, it includes part of the primary sector, largely raw material extraction industries such as mining and farming; the secondary sector, involving refining, construction, and Manufacturing; and part of the tertiary sector, which involves distribution of manufactured goods. The employees work for the following sectors are considered an industrial sector employee:

- 10% of Agriculture, Forestry and Fishing
- 10% of Mining
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade
- Transport, Postal and Warehousing
- 40% Rental, Hiring and Real Estate Services