BEFORE THE HEARING PANEL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Plan Change 26 to the Operative Waipā District Plan

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REBUTTAL STATEMENT OF EVIDENCE OF SUSAN MICHELLE FAIRGRAY

Dated 19 April 2023

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1. INTRODUCTION

1.1 My full name is Susan Michelle Fairgray and I am an associate director at Market Economics Ltd.

1.2 My qualifications and experience were set out in my Statement of Evidence dated 24 March 2023. I repeat the confirmation in my Statement of Evidence that I have read and agree to comply with the Code of Conduct for Expert Witnesses.

1.3 In this rebuttal statement of evidence, I respond to the evidence of:

(a) Philip Osborne on behalf of Kāinga Ora;

(b) Philip Jaggard on behalf of Kāinga Ora;

(c) Michael Campbell on behalf of Kāinga Ora; and

(d) Cameron Wallace on behalf of Kāinga Ora.

1.4 The fact that this rebuttal statement does not respond to every matter raised in the evidence of a submitter within my area of expertise should not be taken as acceptance of the matters raised. I have focussed this rebuttal statement on the key points of difference that warrant a response.

2. RESPONSE TO MR OSBORNE

High Density Residential Zone

2.1 Mr Osborne supports the inclusion of a High Density Residential Zone (HDR) to enable intensification within central areas of Cambridge surrounding the commercial centre.

2.2 The revised Kāinga Ora proposed HDRZ covers approximately 40ha across 429 Residential Zone parcels in a 400-600m walking catchment

surrounding the Cambridge commercial centre. This extends up to 2 full city blocks out from the edge of the Commercial Zone. It would enable development up to 6 storeys across this area[1].

2.3 Mr Osborne calculates a plan enabled capacity for up to 5,293 higher density dwellings across this area in Cambridge. It is not clear what assumptions Mr Osborne has applied, but I estimate this area could potentially accommodate up to around 8,000 higher density dwellings, based on an average dwelling size of 120m^2. Within this, Mr Osborne estimates an uptake rate of 88 dwellings, which equates to 2% of the enabled capacity (or 1% if capacity is closer to 8,000 dwellings).

2.4 In my view, much of the intensification around centres in smaller urban economies, such as Cambridge, occurs through more intensive forms of medium-density development. This includes more intensive forms of terraced housing and other attached dwellings such as townhouses.

2.5 I consider that the alternative proposed increased height allowance within the Commercial Zones and relaxation of the Infrastructure Overlay (around Cambridge), as set out in Mr Quickfall's evidence, would enable this type of intensification to occur within the central parts of Cambridge, and within the Te Awamutu commercial centre if delivered by the market. The relaxation of the Infrastructure Overlay would still provide for the development of terraced housing and other medium-density typologies surrounding the Cambridge commercial centre at a density that is substantially more intensive than previously enabled within areas surrounding the centre.

2.6 A level of intensification could potentially also occur around Te Awamutu commercial centre through the provision for two dwellings per site

[1] I note that Kāinga Ora have also proposed a limit of 3 dwellings per site as a Permitted Activity (with 4 or more dwellings with a Restricted Discretionary activity status) within the HDR Zone. It is unclear how this would affect the development of 6 storey residential apartment buildings in relation to the configuration of dwellings within each building.

enabled with the application of the Infrastructure Overlay. This is an increase in density than that enabled by the current provisions, providing for some intensification. The lower demand within Te Awamutu (than Cambridge) means that this level of enabled intensification may align with the patterns of demand in the short to medium-term. However, I note that this does not contain any differentiation in density between the residential areas surrounding the Te Awamutu commercial centre and less central residential suburban areas further away from the commercial centre. Therefore, I consider that while it enables a level of intensification to occur around the commercial centre, it is less likely to encourage it to occur over more dispersed patterns of growth than if the Infrastructure Overlay were also relaxed in the areas surrounding the Te Awamutu commercial centre.

2.7 In my view, there may be a level of market demand substitution in Cambridge between the more intensive typologies enabled through the relaxation of the Infrastructure Overlay and the higher density vertically-attached apartments additionally enabled through the proposed HDR in Cambridge. This means that some of the estimated market demand for higher density dwellings could alternatively be accommodated through more intensive medium-density dwellings in areas of higher amenity surrounding the Cambridge centre.

2.8 Mr Osborne considers that the HDRZ would provide dwelling typology choice within the market, and differs to the higher density development enabled within the Commercial Zone. I agree with Mr Osborne and note there are differences between development of a building with non-residential uses on the ground floor, and one which is fully residential on all floors. There may also be differences in the feasibility of higher density development between the Commercial Zone and the immediately surrounding residential area.

2.9 However, I consider that a key aspect of the appropriateness of any provision for higher density development relates to the scale and spatial extent of the provision within the context of the projected market size and consumer preferences. Smaller urban economies have less potential to sustain this type of development than do the main urban economies, and have smaller areas around centres which are suited for intensification. It is important that provision is appropriately scaled and located. If the provision is too extensive (in terms of height or geography), relative to demand then it may dilute the limited market size for this type of development and therefore weaken the benefits of intensification that would otherwise ensue if intensification is geographically more concentrated within and around the centre. Isolated developments may occur opportunistically in locations that do not function together with the town centre and are inconsistent with the surrounding urban form.

2.10 I consider that Mr Osborne's analysis suggests the potential for this to occur. While I have not reviewed the technical aspects of the calculations themselves, his estimates indicate that only 88 dwellings are likely to be taken up, at higher densities, within the HDRZ around Cambridge as proposed by Kāinga Ora. This amounts to only 2% of the 6 storey plan-enabled capacity within the proposed extent of the zone (which I have assumed is estimated across the long-term).

2.11 I agree with Mr Osborne that a HDRZ surrounding the Te Awamutu commercial centre is less appropriate. In my view, there is less market demand for higher density development within this location.

Commercial Zones

2.12 Mr Osborne suggests that increased height allowances within the Commercial Zone would increase the feasibility of higher density development. Kāinga Ora propose a height limit of 24.5m to apply, without variation, across most of the Commercial Zone area of Cambridge

and Te Awamutu. Mr Osborne has modelled buildings of up to 7 storeys within these areas.

2.13 I agree that greater heights, up to a point that corresponds with the timing of market demand, may increase the feasibility of a development, including in terms of land and development costs per dwelling. However, feasibility depends on a number of factors, and it is also important to take into account the level of demand at any time, the competition from new and existing dwellings of other typologies in the central area and other locations, consumer preferences, ability to pay and so on. I also consider that there may be other factors such as environmental considerations that may see development at a lower height more appropriate.

2.14 In my view, within the context of other non-economic factors, an important aspect is whether development within the alternative proposed height limits (as set out in the evidence of Mr Quickfall) is still viable. The Commercial Zone alternative proposed height of 18m, together with a removal of maximum storeys, may enable buildings of around five storeys. I note that Table 3 in Mr Osborne's evidence indicates that development at five storeys is still likely to be feasible, albeit at a lower rate than a greater number of storeys.

2.15 There have been several recent (2017-2022) apartment unit developments within Cambridge's urban area, summarised in Table 1 below. These have mainly occurred at 3 storeys within the Commercial zone (which contains half of the units consented). In the residential zoned area they are a combination of 2 to 3 storeys and are predominantly retirement dwellings. These developments account for around 7% of the total building consents within Cambridge during this period.

2.16 Examination of the above consents show they are mainly constructed as horizontally-attached dwellings, with most in the form of terraced housing or townhouses. There are few vertically-attached apartments.

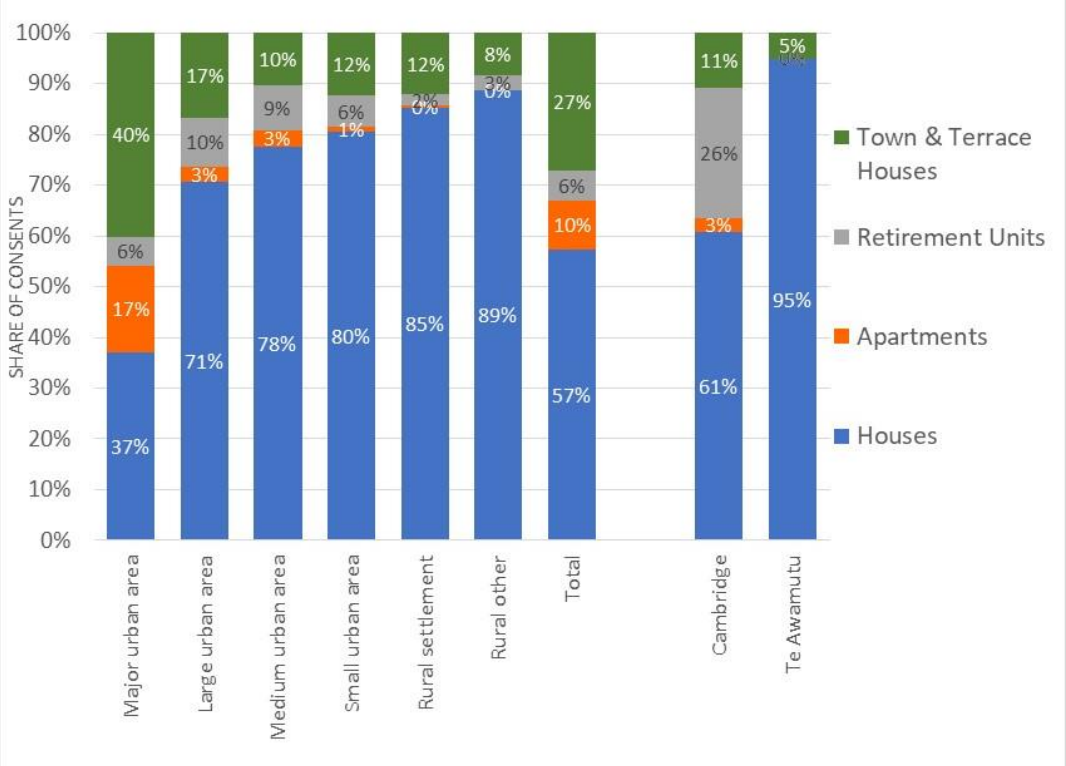
Table 1: Recent Cambridge Apartment Consent Information Collected by Waipā District Council

Zone	Storeys 2	3	Total	Share as Retirement Units
Commercial Zone	1	66	**67**	0%
Residential Zone	12	23	**35**	66%
Deferred Residential	36	-	**36**	100%
Total	**49**	**89**	**138**	**43%**

Source: Waipa District Council, 2017-2022.

2.17 Figure 1 below shows the total distribution of recent building consents within Cambridge and Te Awamutu in comparison to other urban areas. Cambridge has similar levels of apartment, town and terraced housing to other small to medium urban areas. It has a significantly larger share of consents for retirement dwellings, most of which are likely to occur as attached dwellings. In contrast, there are few consents for attached dwellings within Te Awamutu. In my view, this shows the lower relevance for higher density provision within Te Awamutu.

Figure 1: Dwelling Consents by Urban Type: 2016-2022



Source Statistics New Zealand, 2023

3. RESPONSE TO MR JAGGARD

3.1 Mr Jaggard, at paragraph 6.3, has noted there may be inconsistencies between the capacity figures presented in my evidence and those applied within the infrastructure modelling in Mr Hardy's evidence.

3.2 I can confirm that the capacity estimates applied within Mr Hardy's modelling do align with the capacity estimates produced by my residential capacity assessment for the Residential Zone. The differences relate to the use of gross figures (i.e. existing dwellings plus potential future capacity) within Mr Hardy's infrastructure modelling vs. net figures (i.e. net additional dwelling capacity) within my assessment. There are approximately 15,700 existing urban dwellings within the urban towns of Cambridge and Te Awamutu/Kihikihi, accounting for the differences observed by Mr Jaggard.

3.3 For clarification, the Existing 2050 Growth – Baseline Model (27,763 dwellings) and MDRS (75,346 dwellings) gross figures from Mr Hardy's evidence align with the net additional plan enabled capacity of 13,100 dwellings (Scenario 1 – Operative Waipā District Plan Baseline) and 59,700 dwellings (Scenario 3 – MDRS) in Figure 2 of my evidence. The PC26 gross figures (35,443 dwellings) align with the long-term commercially feasible capacity of a net additional 19,700 dwellings (Scenario 3 – PC26) from Figure 2 of my evidence. I note that Mr Hardy's evidence contains updated modelling, which applies the plan enabled capacity also within the PC26 Scenario.

3.4 I note that the capacity figures show the potential capacity enabled under each planning scenario, and the proportion of these which are likely to represent commercially feasible development options for a commercial developer if they were available to the market. Only a portion of this opportunity is likely to be taken up as growth, which is likely to be more aligned with the projected level of demand.

3.5 Mr Jaggard, at paragraph 7.10, notes that the demand projections within Table 1 of my evidence do not completely reconcile. This is because Mr Jaggard is comparing the sum of the existing dwelling base and net increases with a margin with the baseline growth in demand without a margin. The first section of my table shows the baseline level of demand without a margin, with subsequent columns showing the net increases with and without a margin.

3.6 I agree with Mr Jaggard (paragraph 7.14) that the provisions are unlikely to result in greater population growth across the towns at the total level. Importantly, I also agree with Mr Jaggard that the provisions will affect the location and type of growth, and the urban form of the townships. As set out in my evidence, this gives rise to important economic effects.

3.7 In my view, the application of the Infrastructure Overlay within the alternative Waipā position (as set out in Mr Quickfall's evidence) will encourage a compact urban form through greater centralisation of growth around the Cambridge town centre. Increasing the potential yield in these areas through a relaxed Infrastructure Overlay increases the feasibility of development, encouraging intensification within these areas of greater accessibility and higher amenity. From an economic perspective, I consider that this also provides economic benefits in supporting the vitality and viability of the centre.

3.8 I note that Mr Jaggard (paragraph 7.28) supports a compact urban form on the basis of infrastructure costs. He states that concentrated growth reduces the network extent required to support more growth.

3.9 I consider that the removal of the Infrastructure Overlay from all locations would, in contrast, be likely to encourage a more dispersed pattern of growth. In addition to reducing the likely intensification around centres, it would be likely to dilute this growth to be spread across a wider suburban area.

3.10 I therefore consider that the application of an Infrastructure Overlay with the proposed relaxation around the Cambridge commercial centre is likely to produce a more compact and centralised urban form than the removal of an Infrastructure Overlay.

3.11 Mr Jaggard considers that growth under all scenarios is lower than the acceptable infrastructure network capacity, with growth expected to exceed the existing capacity unlikely to occur till beyond the long-term. On this basis he considers that residential development should not be constrained by the Infrastructure Overlay with the potential to instead manage this growth in the future planning.

3.12 While I do not assess the infrastructure effects, in my view, there are important urban form economic effects that are likely to arise from this approach. Urban form develops incrementally and cumulatively through time. The effects gradually become more significant through time through the increasing aggregation of individual land use decisions. Importantly, the long-term urban form is dependent upon development trajectories that occur across all of the short, medium and long-terms.

3.13 I therefore consider that the achievement of an efficient compact urban form in the long-term, when Mr Jaggard states that infrastructure capacities may be reached, is dependent upon the appropriate management of growth in the short to medium-term. As set out above, I consider, from an economic perspective, that the alternatively proposed Infrastructure Overlay may form an important part of this growth management.

4. RESPONSE TO MR CAMPBELL

4.1 Mr Campbell states (paragraph 4.13) that enabling intensification to occur around centres is an important part of supporting the diversity, viability and comparative advantage of centres. He considers that the Kāinga Ora proposed HDRZ is required to enable this intensification to

occur. Part of his position states the need to take into account future needs of the towns rather than only the existing levels of activity.

4.2 Mr Campbell supports (paragraph 4.22) the revised Kāinga Ora proposed extent of the HDR around Cambridge on the basis of a 400-600m walkable catchment area from the commercial area. He considers that the increased heights within the HDRZ are required to increase the feasibility of this development immediately adjacent to the town centres.

4.3 I agree with Mr Campbell that it is important to allow for intensification in and around centres to occur, where appropriate, and consider that this is a core part of a well-functioning urban environment. In my view, it is critical that intensification is enabled in a way that is appropriate within the local economic context of a smaller urban economy. I consider that the largest share of intensification is likely to occur at medium densities, such as at the scale of terraced housing or town houses, both of which would be enabled around Cambridge through the proposed relaxation of the Infrastructure Overlay in Waipā's alternative position as set out in the evidence of Mr Quickfall.

4.4 Given the role of medium density development in intensification, it is my view that it is important, as part of a well-functioning urban environment, to also encourage this medium-density development to occur within locations surrounding the commercial centres of Cambridge and Te Awamutu, and to appropriately limit its occurrence in areas away from the centre. In my view, this is likely to occur in Cambridge with the alternatively proposed relaxed Infrastructure Overlay, which will enable medium density intensification around the centre, and reduce the dispersal of this growth away from the centre. I also consider that the Infrastructure Overlay still enables a level of intensification to occur in these suburban locations, but is at a scale which is better aligned with suburban level development in these areas.

4.5 In my view, smaller urban economies are able to sustain higher density development across smaller distances than large urban economies. I consider that a reduced area for higher density development is likely to be more appropriate for a well-functioning urban environment and better aligned with the projected market size. A higher density zone that is too extensive within the context of a small market demand may result in isolated developments further from the centre that are inconsistent with the surrounding form and undermine intensification that would otherwise occur in areas closer to the centre.

5. RESPONSE TO MR WALLACE

5.1 Mr Wallace supports the inclusion of provision for higher density development surrounding Cambridge commercial centre. He supports the Kāinga Ora revised HDRZ extent to avoid diluting more intensive development across a larger area and undermining the level of intensification around centres. As set out above, I agree with the reasons for Mr Wallace's support for a reduction in the Kāinga Ora proposed higher density area.

5.2 Mr Wallace states that the new HDRZ extent is formed on the basis of natural boundaries within the landscape, including street boundaries. He considers (at paragraph 7.5) that these would provide natural transitions from more intensive higher density development to low-scale MDRZ.

5.3 My analysis suggests that much of the intensification within the area immediately surrounding centres (within the Kāinga Ora proposed HDRZ extent) is likely to occur at the medium-density scale, with only a minor share of the development occurring at higher densities. This is also reflected in Mr Osborne's evidence where he projects that only 2% of the plan enabled capacity would be developed at higher densities. I therefore question whether the extension of the HDRZ to reach road/other boundaries is still appropriate (when considering the level of

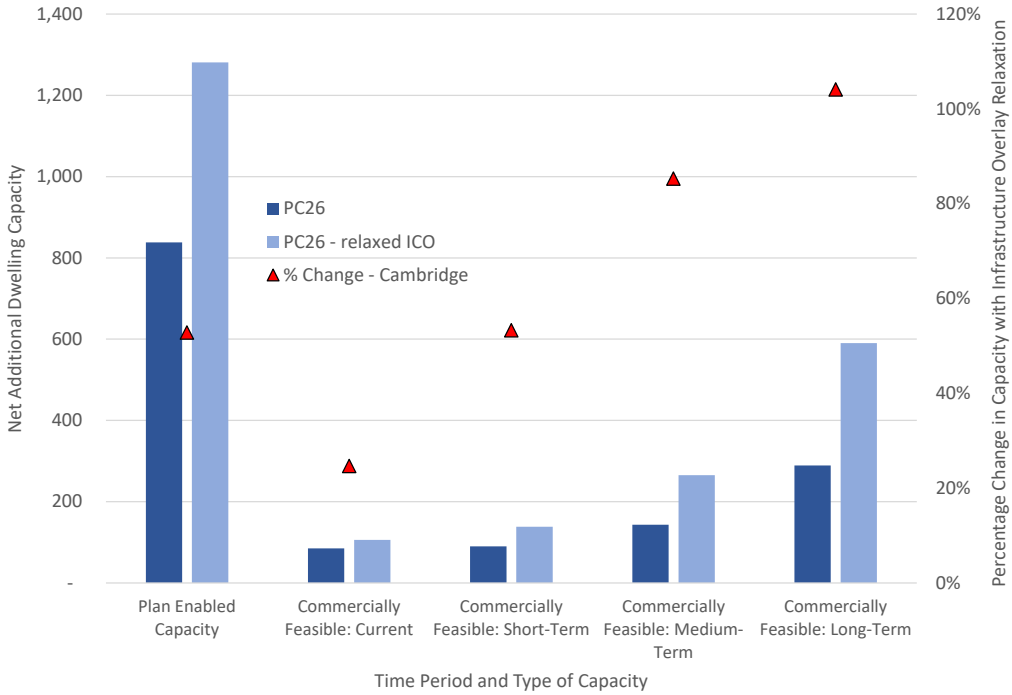
development based on the market size) on the basis of the changes in the level of development intensity.

5.4 Mr Wallace states that the development within areas surrounding centres is unlikely to be feasible at the heights enabled by the MDRS (11m), therefore requiring the additional height within the proposed HDRZ to enable intensification within these areas. He refers to the analysis undertaken by Mr Osborne in relation to different storeys of higher density residential development.

5.5 It is not clear what assumptions Mr Osborne has applied in his analysis in relation to the modelled development typology at the 11m (3 storey) height. If he has calculated the feasibility of vertically-attached apartments at this height, then I would agree that these are less likely to be feasible at this height. However, I consider that other three-storey typologies are likely to be feasible at this height. These include terraced housing and townhouses, which would be enabled within the relaxed Infrastructure Overlay area and typically form important components of the intensification within smaller urban economies. I have summarised the level of three-storey development within Cambridge commercial centre in paragraphs 2.15 and 2.16 above.

5.6 I have conducted further feasibility modelling to understand the effect of relaxing the Infrastructure Overlay around Cambridge commercial centre on plan enabled and feasible capacity. This is summarised in Figure 2 below which shows the modelled plan enabled and commercially feasible capacity within the Residential Zone areas around Cambridge where the alternative Waipā position proposes to relax the Infrastructure Overlay. It also shows the percentage change in capacity within each time period that occurs with the relaxation of the Infrastructure Overlay.

Figure 2: Modelled Capacity within the Proposed Infrastructure Overlay Relaxation Area: With and Without Infrastructure Overlay Application



Source: M.E Waipa Residential Capacity Model, 2023.

5.7 The analysis indicates that medium density intensification within this area is likely to be commercially feasible, with increased feasibility through time with market growth. It also indicates that enabling more intensive medium-density development within these areas (through a relaxation of the Infrastructure Overlay) would increase both the plan enabled and feasible capacity. This would occur through the higher yields enabled on sites where sites can be developed more efficiently. The analysis indicates that the increases in feasible capacity are likely to occur during the medium to long-term as the market grows and becomes more established within these typologies. In the long-term, relaxation of the Infrastructure Overlay is estimated to approximately double the commercially feasible capacity within the proposed Infrastructure Overlay relaxation area around Cambridge.

6. CONCLUSION

6.1 I support the application of the Infrastructure Overlay, but with the relaxation in areas surrounding the Cambridge commercial centre in the proposed alternative Waipā position set out in Mr Quickfall's evidence. I would also support the relaxation of the Infrastructure Overlay in areas surrounding the Te Awamutu and Leamington commercial centres. I consider that this will support the development of a well-functioning urban environment. It will enable and encourage medium-density intensification around the centres and reduce the likelihood of more dispersed patterns of growth. Much of the intensification around centres within smaller urban economies occurs at the medium-density scale.

6.2 I consider that it would be appropriate to apply the Infrastructure Overlay (with the relaxation around centres) from the short-term onwards. This is because the development of an efficient urban form in the long-term occurs incrementally and cumulatively through time as a result of development trajectories applying within the short, medium and long-terms.

6.3 I agree that increased building height allowances within commercial centres are likely to increase the feasibility of higher density development. I also consider that there may be other factors such as environmental considerations that may see development at a lower height more appropriate than that which results in the greatest economic profit margin. In my view, a key aspect is whether development is still viable and likely to occur at different potential height limits. I therefore support an increase in heights within appropriate parts of the Commercial Zone areas, including that of 18m contained within the proposed alternative Waipā position.

6.4 Despite lower demand, I also support the proposed increased building height limit (18m) within the Te Awamutu Commercial Centre Zone area contained within Mr Quickfall's evidence. I consider that it provides

development opportunities for the market if demand arises in the future. I consider that any development within the Commercial Zone would be likely to function together with the centre due to its location.

6.5 In my view, the revised Kāinga Ora proposed HDRZ area is still likely to be relatively too large within the context of the local market and level of long-term projected demand for higher density dwellings. From an economic perspective, I consider that a more reduced area (from that currently proposed by Kāinga Ora) for higher density residential provision may be appropriate in the residential areas immediately surrounding Cambridge commercial centre.

Susan Michelle Fairgray
Dated 19 April 2023