

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

**REBUTTAL STATEMENT OF EVIDENCE OF
LAWRENCE RYAN McILRATH**

Dated 1 September 2023

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INTRODUCTION

1. My full name is Lawrence Ryan McIlrath, and I am a Director at Market Economics Ltd (M.E).
2. My qualifications and experience were set out in my Statement of Evidence dated 4 August 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.
3. In this rebuttal statement of evidence, I respond to the evidence of Mr Greg Akehurst on behalf of Retirement Villages Association of New Zealand Incorporated and Ryman Healthcare Limited.
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.

RESPONSE TO MR AKEHURST

5. Mr Akehurst covers several areas in his Statement of Evidence (24 August 2023), and I respond to the following main points:
 - (a) The need to reflect the specific attributes of retirement villages when calculating Financial Contributions (FCs);
 - (b) The appropriateness of using FCs as a funding mechanism to give effect to Te Ture Whaimana (TTW);
 - (c) The demand profile and parameters to use for retirement village developments when calculating FCs for retirement village developments; and
 - (d) A risk of double-dipping by recovering the same costs through FCs and Development Contributions (DCs).

6. Mr Akehurst also raises points on the existing FCs. For example, he comments on the Traffic and Transport ratio (para 30), Road Corridor Service section (para 31), wastewater (para 32), stormwater (para 34). These are existing FCs and I did not consider those as part of my assessment.

Reflecting the attributes of retirement villages

7. Retirement villages have unique demographic profiles, serving a specific household type that does not have a 'standard' demand profile. In addition, retirement villages typically provide community facilities and amenities on-site, effectively substituting residents' demand for community facilities and amenities away from Council provided facilities. However, residents still have the option to use Council-provided facilities and amenities.
8. Mr Akehurst presents a set of ratios¹ illustrating the relativities between standard household equivalents and how retirement village units compare. The ratios are for independent living, and assisted living/care/memory units. It appears that these ratios integrate:
 - a) generally smaller size of households in retirement villages, and
 - b) lower demand levels associated with the unique households.
9. Mr Akehurst applies these ratios to the proposed FCs to estimate the Dollar-values of the FCs associated with retirement villages (para 59). Applying the ratios has the same effects as the discount factors as presented in the proposed formula (e.g., para 7.12 in my evidence).
10. Mr Akehurst is suggesting a set of specific ratios to apply. While these ratios could be an accurate reflection of the potential demand loads,

¹ Figure 1 in Mr Akehurst's Statement of Evidence.

some flexibility must be retained when considering the anticipated demand levels associated with different developments. Retaining flexibility to assess developments on a case-by-case basis is consistent with the approach Mr Akehurst presents for stormwater where the overall design needs to be considered in estimating the FC.

11. Regardless of the specific ratios to apply, Mr Akehurst points out that the proposed FC mechanism is appropriate (para 27).

Te Ture Whaimana financial contributions

12. The FC policy is to “improve Council’s ability to address any adverse effects on infrastructure that may arise from unplanned and unbudgeted intensification of housing”.
13. In contrast to formal growth planning associated with greenfield development, enabling intensification through Plan Change 26 introduces a degree of uncertainty. This uncertainty is related to the spatial and temporal distribution of intensification.
14. Mr Akehurst highlights the important policy point relating to aligning FCs to the level of impact or additional demand that a development generates (para 22). However, the unplanned nature of intensification means that it is difficult to provide a firm estimate of a development’s impact or the additional demand it will generate for infrastructure (or community facilities and amenities). The spatial distribution, scale, and timing of intensification is unknown. These unknowns reduce the ability to estimate the additional load that growth will place on community facilities and amenities.
15. The Council provided an estimate of budgets for potential Te Ture Whaimana projects to inform the FC calculation process. I agree with Mr Akehurst that the cost allocation (percentage shares to growth vs existing

households) is uncertain. This unknown is a function of the unplanned nature of intensification. In contrast to the DC process where asset managers typically review infrastructure capacity, existing levels of service, asset life, and replacement values, this type of information is simply not available to calculate the FC.

16. In order to provide some certainty, the FC calculation uses several assumptions, including a fixed timeframe (e.g., 10 years), assumed splits between existing and growth households, as well as budgets. It is assumed that a portion of the project budget relates specifically to addressing the adverse effects of growth, and this portion is recovered from growth households. However, a portion of the project costs is recovered from existing households. The FC component is the difference between the rates recovered from growth households and the (total) proportion of project costs that is recovered from growth households via rates. The approach provides an upper limit to the FCs and adds an ability to consider the attributes of a proposed development (through the discount factor).
17. Mr Akehurst suggests that TTW costs should be recovered via rates until specific projects have been identified, costed, and linked to specific adverse effects. I interpret this as meaning that the proposed mechanism is acceptable, but that the specific input values need refinement, especially the link between demand for a project and growth. Again, the issue of the unplanned nature of intensification complicates the ability to provide a firm estimate of the distribution of costs across growth and existing households.
18. Even if additional analysis is undertaken to refine and adjust the underlying inputs, a series of assumptions will still be required to estimate the FCs.
19. In my view, using the FCs and applying development specific discount factors (based on the knowns about a development) is an appropriate

way to deal with the uncertainty. This approach is consistent with the point raised by Mr Akehurst (para 16) i.e., that flexibility is allowed, and there is a possibility that the assumptions used, and the realised development patterns, could differ.

Residential amenity financial contributions

20. The Residential Amenity FC also receives attention, and it appears that the key issues are:
 - (a) The projects identified for the FCs, specifically how those projects relate to the demand created by growth;
 - (b) The demand profile of retirement villages, and the need to reflect the anticipated use/demand levels.

21. The Council identified example projects that could be needed in response to growth. It is again important to highlight the unplanned nature of intensification and, therefore the challenges associated with linking the projects to demand. In a more conventional setting, the anticipated growth patterns are reasonably well anticipated from a scale and distribution perspective. This is then compared against existing levels of service, and shortfalls (or surpluses) in service levels over time are identified. Projects are then put in place in response to the growth, by factoring in the additional demand that growth places on services (e.g., parks). However, with the enabled intensification, there are uncertainties around the spatial patterns meaning that it is difficult to estimate capacity shortfall (or surpluses), over time.

22. The Council identified projects offer a basis to estimate the likely FCs by applying some assumptions. These include using a mix of shares to associate growth with projects (to reflect demand) and capacity. Undertaking a more comprehensive capacity-demand analysis of community and residential amenities will need to make assumptions

around use levels, and future growth patterns². While such an assessment will narrow the uncertainty bounds, it won't remove all uncertainty.

23. With reference to the demand profiles and use patterns associated with retirement villages (para 58 to 60 in Mr Akehurst's evidence), the discount factor can be used to capture these metrics. There are several unknowns around the retirement village developments (e.g., configuration, timing, and scale), so it is suggested that the specific FCs be estimated on a case-by-case basis.
24. Using a case-by-case approach will ensure that opportunity to reflect and consider developers' efforts to address adverse effects during the design stages are integrated into the overall assessment.

Relationship with Development Contributions

25. The relationship between FCs and DCs is important. Mr Akehurst suggests that there is a risk that developers could pay twice for the same project(s). I agree with Mr Akehurst that recovering the same cost twice would be inappropriate.
26. The FC calculation process (para 7.8(a) in my evidence) highlights the requirement to clearly differentiate different funding mechanisms, including FCs, DCs as well as rates.
27. Mr Akehurst indicates (para 26) that the discount factor in the formula provides a mechanism to account for any overlaps between DCs and FCs. The DC-FC relationship is dealt with before estimating the FCs, and it is not the intent to use the discount factor to address such overlaps. The intent is to use the discounts to also reflect other contributions that a

² These include the spatial patterns of intensification, the greenfield-intensification splits, and the timing of growth.

developer might make, such as a land contribution or other (non-financial) contributions to offset the FC requirements. Essentially, the discount factor is also in recognition of other mitigation.

28. I have reviewed the wording and amended it to clarify this point. The description is in para 7.12 of my evidence and applies to the TTW FC and Residential Amenity FC:

(a) Original:

F = Discount factor to account for development specific attributes or the value of other contributions for the same purpose.

(b) Amended:

F = Discount factor to account for development specific attributes and the value of other contributions (like land for reserves, but excluding development contributions) for the same purpose.

CONCLUSION

29. Based on Mr Akehurst's evidence, it appears that the mechanism approach for estimating FCs, and inclusion of a discount factor to capture development specific features, are considered appropriate.

30. A set of retirement village demand ratios is presented, and Mr Akehurst recommends including revised FCs for the retirement villages based on suggested demand ratios. However, in light of the uncertainty around the direct transferability of those ratios to potential developments in Waipa District, and the availability of the discount factor in the FC calculation, I consider that developments should be considered on a case-by-case basis. Using a case-by-case approach is more appropriate because it could integrate development specific attributes that adequately manage (mitigate) the adverse effects.

31. Some flexibility is needed to reflect the growth dynamics and patterns associated with the unplanned growth. This flexibility is also required to

ensure that the FC process maintains alignment with the DC process, and that no overlap occurs. While differentiation between FCs and DCs is built into the calculation process, this matter will require checking in each case to ensure no duplication occurs.

32. The proposed FCs balance the need to provide absolute certainty to the development community and the uncertainty in estimating the FCs. By setting a maximum level the upper threshold is signalled while retaining the ability to discount the FC to reflect development specific attributes.

Lawrence McIlrath

Dated: 1 September 2023