BEFORE THE HEARINGS PANEL
FOR THE QUEENSTOWN LAKES PROPOSED DISTRICT PLAN

IN THE MATTER	of the Resource Management Act 1991
AND	
IN THE MATTER	of Stage 3 of the Proposed District Plan

REBUTTAL EVIDENCE OF NATALIE DIANNE HAMPSON ON BEHALF OF QUEENSTOWN LAKES DISTRICT COUNCIL

GENERAL INDUSTRIAL ZONE AND UNIVERSAL DEVELOPMENT REZONING AT HAWEA

12 June 2020

Simpson Grierson
Barristers & Solicitors

S J Scott / R Mortiaux
Telephone: +64-3-968 4018
Facsimile: +64-3-379 5023
Email:sarah.scott@simpsongrierson.com
PO Box 874
SOLICITORS
CHRISTCHURCH 8140

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1. INTRODUCTION

1.1 My full name is Natalie Dianne Hampson. My qualifications and experience are set out in my statement of evidence in chief dated 18 March 2020.

1.2 I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise except where I state that I am relying on the evidence of another person.

2. SCOPE

2.1 My rebuttal evidence is provided in response to the following evidence filed on behalf of various submitters:

General Industrial Zone (GIZ)

(a) Mr John Ballingall for Tussock Rise Limited (**TRL**) (**3128**).

Settlement Zone (Hawea)

(b) Mr Michael Copeland for Universal Developments (Hawea) Limited (**3248**).

(c) Mr Timothy Williams for Universal Developments (Hawea) Limited (**3248**).

2.2 I have read the evidence of the following experts, and consider that no response is needed:

Three Parks Zone

(a) Mr Fraser Colegrave for Willowridge Developments Limited (**3220**).

Settlement Zone (Glenorchy)

(b) Mr Fraser Colegrave for Pounamu Holdings 2014 Ltd (**3307**).

Rural Visitor Zone

(c) Mr Fraser Colegrave for Corbridge Estate Limited Partnership (**31021**).

3. MR JOHN BALLINGALL FOR TUSSOCK RISE LIMITED (TRL) (3128)

Scope of evidence relative to the TRL submission

3.1 At paragraph 6, Mr Ballingall confirms the purpose of his evidence. This is to "*assess the extent of land available for industrial economic activity in Wanaka should* *<u>the Tussock Rise site</u>* *… be rezoned to Business Mixed Use (BMU) or [a] split of Business Mixed Use and Low Density Suburban Residential (BMU/LDSR)*" (emphasis added).

3.2 The scope of Mr Ballingal's evidence differs to the wider rezoning outcome submitted by TRL (as illustrated in the TRL submission, replicated in Figure 11 of my evidence in chief (**EIC**) and understood to be supported through Mr Devlin's evidence, see for example his Figure 7). For example, the zoning supported by Mr Devlin retains an area of GIZ to the west of Ballantyne Road, while increasing the GIZ on the east of Ballantyne Road over land that Council notified as Active Sport and Recreation Zone.

3.3 Mr Ballingall relies on the results of the 2020 Interim Update of the Business Development Capacity Assessment (**BDCA**) for his evidence. His conclusion at paragraph 33 that "*even under optimistic demand projections, and using a conservative industrial land supply measure, rezoning Tussock Rise away from GIZ would not cause a shortage of industrial land in Wanaka out to 2048*" (also illustrated in his Figure 2 and 3) expressly relies on the vacant capacity identified in other land zoned GIZ in Stage 3, remaining as GIZ. This approach is inconsistent with the TRL Submission. Mr Ballingall only supports the rezoning of the TRL site.

3.4 I clarify this point so that the commissioners can distinguish the analysis provided in paragraphs 6.15-6.18 in my EIC (inclusive of my Figure 12) which shows the cumulative effect of the wider TRL rezoning submission[1] on capacity for industrial land use, with Mr Ballingall's evidence (including his Figure 2 and 3) which shows the singular effect of rezoning the TRL site on capacity for industrial land use.

3.5 In the end, the *scale* of the effect of not zoning the TRL site notified as GIZ will only be known once the decision on all submissions relating to the GIZ are made (i.e. the cumulative effect of decisions on zoning submissions in terms of relief sought in Three Parks, the Active Sports and Recreation Zone and around Gordon Road and Frederick Street). However, the *significance* of the effect is of greater relevance given the strategic importance of this greenfield site to provide the opportunity for cohesive expansion for industrial, service and selected trade supply[2] growth over the long-term as discussed in my EIC (paragraph 16.12).

Weight given to the 'Alternative Capacity Scenario' in the BDCA

3.6 In paragraph 30 (ii) and footnote 2 of his evidence, Mr Ballingall suggests that Market Economics have changed their view or preference on the weight that should be given to the 'Alternative Capacity' scenario in the BDCA between the 2017 report and the 2020 interim update, compared to the 'Maximum Capacity' scenario (which includes overlap of capacity across land use categories).

3.7 This is incorrect. The Alternative Capacity scenario has consistently been described as providing "*more tangible perspective on sufficiency*" (BDCA 2017, page 146) and the final recommendations to Council that came from the BDCA relied on the results of the Alternative Capacity scenario. The Alternative Capacity scenario was also the key focus of my evidence on the BDCA in the Topic 2 Environment Court appeals. While indicative, the assumptions underpinning the scenario were based on an understanding of the local market and supply trends and in collaboration with Council.

1 The addition of GIZ capacity in the oxidation ponds site was not included in my Figure 12 analysis, but the potential effect on results was qualified.

2 As recommended in the s42A report.

Business Mixed Use Zone (BMUZ) versus zoning that provides capacity for activities enabled in the BMUZ

3.8 At paragraph 16.10 of my EIC I state that multiple other zones in Wanaka provide for retail, commercial, residential and visitor accommodation. Mr Ballingall summarises my statement (in his paragraph 41) as zones that provide for "*BMU activities*" and goes on to say that "*However, my understanding is there is only one designated BMU Zone in Wanaka at Anderson Heights … with some additional BMUZ proposed in Three Parks as part of Stage 3*". He appears to equate activities that are enabled in the BMUZ with the provision of the BMUZ only.

3.9 In my view, Mr Ballingall's evidence is focussed too narrowly on the demand and capacity of the BMUZ to justify rezoning of the TRL site to BMUZ and does not appropriately acknowledge the role of the wider zoning framework in Wanaka.

3.10 The BMUZ zone is very permissive and has significant overlap with the Town Centre Zone, Local Shopping Centre Zone (**LSCZ**), Visitor Accommodation Sub-Zone, Three Parks Zones (various) and the high density residential zone in terms of anticipated activities. While the BDCA model is limited in that it does not report sufficiency at a particular zone type within any one category,[3] the advantage of the BDCA model is that it considers the demand for particular types of activities and compares that with capacity for particular types of activities, across all zone types. It then aggregates the results. This approach is entirely appropriate as the NPS-UDC intends for district plans to meet urban business demand growth by considering the zoning framework as a whole.

3.11 Mr Ballingall at paragraphs 9, 12 and 31-33 puts considerable emphasis on the surplus of capacity for industrial land use in Wanaka in the 2020 BDCA as a reason to remove the TRL site from the GIZ. However, it is equally relevant that the surplus of capacity (across multiple zones) for commercial and retail land use in Wanaka (which covers many of the activities enabled in the BMUZ) is considerably

3 Mr Ballingall refers to this limitation.

greater (by several orders of magnitude) than the estimated surplus of industrial land use capacity. Demand for commercial and retail land use combined *is* moderately greater than demand for industrial land use in the long-term in Wanaka, but the Operative District Plan (**ODP**) and Proposed District Plan (**PDP**) provide significantly greater capacity to meet that demand over the long-term (and beyond).

3.12 In light of the results of the 2020 BDCA, I disagree that "*allocating more land to BMU would be a sensible option*" as concluded by Mr Ballingall at his paragraph 43. Nor do I consider that the TRL site offers more strategic value for future growth of BMU and residential activities compared to the strategic value of this already zoned industrial site for future growth of industrial, service and selected trade supply activity under the proposed GIZ.

Covid-19

3.13 In his paragraphs 44-48, Mr Ballingall identifies the potential ramifications of the Covid-19 crisis and concludes that "*allowing a more permissive zoning approach is also sensible when the Wanaka economy is going through enormous upheaval*". He states that Council should support the regeneration of Wanaka's economy by "*removing unnecessary barriers … such as overly restrictive zoning choices*" (paragraph 48, referring to the proposed GIZ).

3.14 The decisions being made in Stage 3 of the PDP (once operative) will have very limited ability to influence economic development in the District in the next 1-2 years. This means that it would be inappropriate to make decisions that will endure in the district plan for the next decade (and beyond) on the basis on what is potentially a short-term economic downturn.

3.15 During the course of preparing rebuttal evidence, I have read the evidence of two other economic experts (Mr Colegrave and Mr Copeland[4]) and that of several other business owners and

4 See for example, paragraph 24 of Mr Copeland's evidence for Universal Developments (Hawea) Limited, Settlement Zone.

developers[5] who provide commentary on Covid-19 and implications for the PDP process and development planning generally. Mr Colegrave provides evidence[6] that the slow-down of economic activity following past global crises has been short lived. I agree with Mr Colegrave's assessment of Covid-19 effects and the view of other experts/lay witnesses that the PDP must take a long-term growth outlook.

3.16 Covid-19 does not erode the basis of the higher order objectives and policies of the PDP and it does not mean that the issues that the GIZ is aiming to address disappear. Achieving good urban form outcomes and a well-functioning zoning framework (where zones have both specific and complementary roles) is essential to QLD's economy, irrespective of how the rate of growth may change over time. The presence of industrial zones in every district of New Zealand, including those that have slow growth and a limited focus on tourism, show that even a potential change in the direction of QLD's economy (i.e. to a less tourism-dependent economy) does not remove the rationale for providing an industrial zone (i.e. the GIZ) in this district. There will still be demand for industrial, service and trade supply businesses (of the type and nature suited to this District's economy) in the long-term.

3.17 Returning to a flexible industrial zoning approach, as per the operative Industrial Zone, or replacing the GIZ with a flexible zone such as the BMUZ simply on the basis of Covid-19 makes little economic sense in my view.

Shortfall of dwellings in the lower price brackets

3.18 In paragraph 52 of his evidence, Mr Ballingall draws on the Council's Housing Development Capacity Assessment (**HDCA**) (published 2018). He relies on Table 0.10 in the Executive Summary of the report to state the presence of a "*projected shortage of housing supply in the lower end of the market – around 5,200 dwellings short*

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5 See for example the evidence of Mr Brandeburg for Corbridge Estate Limited Partnership, Rural Visitor Zone (paragraph 26), Mr and Mrs Brainerd for Pounamu Holdings 2014 Limited, Settlement Zone (paragraphs 70-71).

6 See for example Mr Colegrave's evidence for Willowridge Developments Ltd, Three Parks Zone (paragraphs 11-17)

for dwellings under $880,000 and 2,200 short for dwellings under $1.3 million".

3.19 I have included a copy of the table Mr Ballingall refers to below (**Figure 1**). The table does show an estimated shortfall of approximately 5,200 dwellings in the urban environment in the lower price brackets. These are highlighted in red, and the subtotal of the shortfall price brackets is shown in the bottom row of the table.

Dwelling Value Band $000)	QLD Urban High		QLD Total High	
	Average	Cheapest Dwellings	Average	Cheapest Dwellings
$Under $300k	- 130	- 100	- 120	- 120
$300k-$440k	- 440	- 570	- 650	- 140
$440k-$580k	- 1,590	- 1,540	- 1,660	- 1,130
$580k-$730k	- 1,660	160	- 1,450	300
$730k-$880k	- 1,370	1,190	- 1,050	1,340
$880k-$1.02m	90	4,190	140	3,980
$1.02m-$1.17m	1,530	5,910	1,480	5,570
$1.17m-$1.31m	1,390	4,670	1,220	4,310
$1.31m-$1.45m	3,020	2,370	2,980	2,230
$1.45m-$1.75m	5,670	3,140	5,500	2,820
$1.75m-$2.05m	4,330	1,840	4,210	1,640
$2.05m-$2.35m	1,640	250	1,530	130
$2.35m-$2.65m	2,490	70	2,360	- 30
$2.65m-$2.95m	2,980	80	2,930	50
$2.95m-$3.3m	1,300	- 10	1,250	- 70
$3.3m-$3.65m	1,230	80	1,230	90
$3.65m+	500	- 90	260	- 350
Total	21,000	21,600	20,200	20,600
Shortfall Bands	- *5,190*	- *2,210*	- *4,930*	- *1,390*

Source: ME Queenstown Housing Model 2017

Figure 1 – Copy of Table 0.10 – Effects of Different Housing Supply Futures - High Growth 2046 (HDCA, 2018)

3.20 However, it is misleading of Mr Ballingall to suggest there is a shortfall of dwellings under $1.3m. The data shows that the urban environment provides a surplus of commercially feasible capacity for dwellings priced greater than $880,000 (based on the average market supply scenario). Mr Ballingall has netted out the surplus of capacity in the $880,000-$1.31m price brackets with the shortfall of capacity in the under $880,000 price brackets.

3.21 Irrespective of this error, Mr Ballingal uses the finding of the HDCA to support rezoning of the TRL site to either BMUZ or a mix of BMUZ/LDSRZ to help meet future dwelling growth in Wanaka generally, and to help supply housing in the lower price brackets (at his paragraph 57).

3.22 Since the HDCA was published, a number of Kiwi Saver dwellings have been and are presently being constructed in Northlake and the subdivision of the SHA in Hawea (with includes provision of affordable housing for the Housing Trust) has been consented. The potential of both Kiwi Saver and SHAs to help mitigate the reported shortfalls of lower price bracket housing in the urban environment was discussed in the HDCA. As was the commercial feasibility of existing residential zones to deliver 'cheaper' dwellings than the 'average' dwelling supply outcome modelled.

3.23 The HDCA has not been updated like the interim BDCA to account for higher growth projections[7] prepared by Council. When balancing projected higher demand for affordable housing with the known supply of affordable housing discussed above, it is likely that a shortfall of affordable housing would still be shown in the modelling.

3.24 While housing affordability is important in QLD as it is in every district, it is critical to recognise that zoned capacity is one of a number of influences, and that zoning by itself does not solve the affordability issue. There is commercially feasible capacity within existing residential zoned land (including the existing and proposed BMUZ) to meet future demand. The net benefit of providing affordable housing on the TRL site is not established in Mr Ballingall's evidence. To my knowledge there is no mechanism specified by TRL which would provide for affordable dwellings.

7 December 2018, QLDC: file:///C:/Users/natalie_ME/OneDrive%20-%20Market%20Economics%20Limited/Downloads/qldc-growth-projections-2018-to-2048-summary-table.pdf (Note, in the 2020 BDCA update these projections are referred to as October 2018, but they are one in the same).

Free market approach to development versus a zoning approach

3.25 In paragraph 61, Mr Ballingall outlines an established economic theory: "*An efficient allocation of this [TRL] land – as envisaged in the RMA's 5(2) – will occur when the marginal social benefits (MSB) of its use equals the marginal social costs (MSC). The MSC includes any externalities, or external effects in RMA terms*".

3.26 This theory pertains to the socially efficient allocation of resources. Socially efficient outcomes are directly relevant to the RMA and economic wellbeing – where economic wellbeing is focussed on outcomes for society as a whole and not just the economic wellbeing of individuals or specific businesses or landowners. In this regard, it is very important that the full extent of costs and benefits, over time and across locations, is taken into account when evaluating whether an outcome is socially efficient.

3.27 The externalities referred to arise when there are no structures which are able to fully link benefits and costs through money transactions (or commercial decision making) to those who receive them or generate them. For example, the Wanaka community benefits from having industrial and service activities and employment and in accessible locations within the urban area.

3.28 However, the Wanaka community is worse off if industrial and service businesses and the employment they generate are not able to viably remain or establish in the urban area and the costs of accessing the goods, services and work opportunities are greater than they would otherwise be if activities are more dispersed around the district, or locate in other districts. This is one potential negative outcome which the proposed GIZ is seeking to avoid by providing for sufficient capacity in appropriate locations for the range of industrial, service and trade supply businesses to variously serve the needs of the local community. If providing for BMUZ rather than GIZ on the TRL site were to constrain such an outcome, that would be a less socially efficient outcome.

3.29 Throughout paragraphs 59-72 of his evidence, Mr Ballingall promotes the view that the highest and best use of the land is the most efficient way to allocate scarce land resources. This general 'free market approach' is reflected in paragraph 63 where he states: "*An increase in industrial land prices is not a market failure. It is the market working precisely as it should – to efficiently allocate a scarce resource through price signals*". However, the highest and best use from just the commercial perspective is not appropriate to achieve a socially efficient allocation of resources.

3.30 This is illustrated in **Figure 2** below. When resource allocation is left to the commercial market, a higher quantity of output is delivered (to maximise profit). In this case, it would be more intensive, higher value development on the TRL site as enabled under the BMUZ or BMUZ/LDSR on the basis that this is more "efficient" according to the landowner. However, deciding what use is most 'efficient' for a single site may not be the most socially efficient, once the full range of benefits and costs, and their distribution, is taken into account.

3.31 This is why zoning and other mechanisms to manage land use are typically based on a holistic perspective so that effects of many land use and development decisions in aggregate may be understood and anticipated. If the zoning framework is not considered as a whole in relation to the community and business activity, over the long term, then this generally results in higher marginal social costs and lower marginal social benefits. This is a reduction in welfare or economic wellbeing for society as a whole.

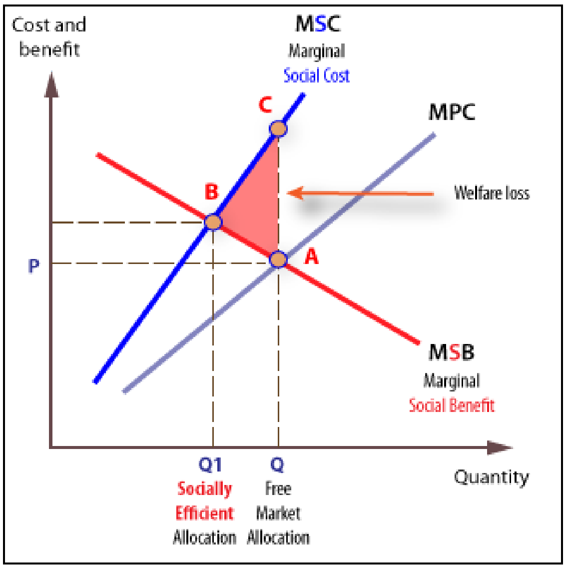

Figure 2 – Socially Efficient Allocation of Resources vs Free Market Allocation of Resources

3.32 The 'free market' view of efficiency, where decision making is based on the perspective of the commercial market as to what constitutes highest and best use, routinely butts up against national, regional and district-level regulation, particularly in respect of spatial planning and zoning of land. Mr Ballingall's view is that "*The market is generally much better at determining an efficient allocation of resources than planners*" (paragraph 71). I disagree with this statement, as does the planner for TRL: Mr Devlin recognises "*the desire of Council to protect land for the more 'pure industrial' uses anticipated by the General Industrial zone in this location from normal market forces (despite Mr Ballingall's reservations about such an approach from a pure economic perspective*" (Mr Devlin's paragraph 5.9).

3.33 More widely, the New Zealand legislative structure recognises that commercial markets left un-regulated do not produce the outcomes which are of most benefit to society. There is an administrative structure (regional and district councils) and statutory framework (including the RMA, LGA, national policy statements and so on) which make specific provision for decisions (including resource use) to take account of communities as well as individuals. The RMA specifically acknowledges this inseparably combined perspective with its purpose to enable "…*people and communities to provide for their social, economic, and cultural well-being and for their health and safety* *while*…"[8]. These structures mean that the 'market' is not defined as simply the commercial market.

3.34 Mr Ballingall's evidence is based on the belief that the TRL site will be redundant simply because of a modelled surplus of industrial land capacity in the BDCA. He states that the TRL land is "*not going to be used*" if zoned GIZ and that General Industrial zoning "*will see land sitting idle*" (paragraph 72). He also indicates that rezoning the TRL site to BMUZ will be a more "*profitable*" use of the land.

3.35 While zoning and other regulatory methods do directly affect business activity by providing (or not) opportunity for commercial operations including property development, district plan zoning must take a wider perspective than short term profitability for individuals.

3.36 The NPS-UC requires local authorities to zone land in advance of demand. There is an expectation that it may remain in existing use until market conditions justify its development. This is however necessary to ensure that growth is provided for in appropriate locations to achieve well-functioning urban environments over the long-term. Zoning ahead of development 'need' provides certainty to the wider market on the direction of growth and ensures that growth is not constrained.

3.37 As long as there is a surplus of zoned capacity for any one activity (to cover projected medium-term demand plus a margin of 20% as required by the NPS-UDC), and the planning provisions (rules and standards) managing development of each activity are workable for businesses that occupy development, zoning cannot "*determine the optimal size of industries and activities in the economy*" or "*force the economy to have a certain mix*" of activities as Mr Ballingall infers is the case the Stage 3 zoning. Zoning is responsive to anticipated demand, with councils required to take account of expected business and population growth into the long term and make provision at appropriate scale and in appropriate locations.

8 Section 5(2) RMA.

3.38 I consider that retaining the TRL site for industrial and service activity through the GIZ is a socially efficient outcome as the PDP already provides sufficient capacity in Wanaka for the sorts of activities which seek to locate in the BMUZ and with a greater degree of surplus compared to industrial zoning. Zoning more BMUZ does not increase the efficiency of the zoning framework in Wanaka. I do not agree that the objectives and policies for the GIZ will result in regulatory failure[9], as asserted by Mr Ballingall (paragraphs 20-22). The GIZ forms part of a strategic approach to economic development in the district (as evidenced by the strategic objectives of Sections 3 and 4 of the PDP.

4. MR MICHAEL COPELAND AND MR TIMOTHY WILLIAMS FOR UNIVERSAL DEVELOPMENTS LTD

4.1 While Mr Williams is a planner, I have listed him above as I have responded to information provided in his evidence, and comments made in his evidence, through my rebuttal to Mr Copeland.

Residential Capacity

4.2 In paragraphs 50-57 of his evidence, Mr Copeland raises concerns with relying on a reported surplus of capacity in an HDCA to restrict what land can be developed in the short-medium term.

4.3 The HDCA prepared for QLDC meets the requirements set out in the NPS-UDC. It serves a specific purpose to gauge the aggregate performance of the district plan in providing for projected growth in the urban environment. As with the BDCA, there are a range of limitations and assumptions underpinning the results which have been clearly communicated. Importantly, the findings of the HDCA do not remove the need for Council to consider new plan changes or zoning requests (and other proposals that increase capacity) on a case by case basis. The NPS-UDC does still require Councils to consider demand and capacity (and the likelihood of supply) in specific locations and over time.

9 I.e. where government regulation results in the inefficient allocation of scarce resources.

4.4 In paragraph 55, Mr Copeland states that "*a more targeted consideration of where additional capacity and zoning is required*" is needed by Council (as opposed to a reliance on aggregate findings of the HDCA for the total urban environment). I consider that this 'consideration' is being achieved through the district plan review process. Stage 3 of the notified PDP includes, for example, a notified change in zoning (and density) in Hawea that significantly increases the potential dwelling capacity of existing built areas (through infill and/or redevelopment) and remaining greenfield areas[10]. These proposed changes demonstrate a response by Council to the future growth pressures specific to Hawea (and that response was not constrained by the 'surplus' results of the HDCA at a district or total urban level).

4.5 I support the s32 and s42a report[11] in concluding that the notified Stage 3 provisions provide sufficient commercially feasible capacity to cater for medium-term growth in Hawea, noting that the NPS-UDC specifies that only sufficient capacity to meet 10 years' of projected demand plus a margin needs to be zoned in district plans.[12] My support for retaining the UGB in its current position takes into account that the additional capacity arising from the Stage 3 notified changes is net additional to the significant capacity (465 dwellings) provided by the SHA (that is now consented[13]). The potential capacity of the SHA[14] (even if it was unconsented at the time of drafting his evidence) is not identified by Mr Copeland, even as a potential scenario.

4.6 Paragraph 9.2 of the QLDC section 32 Evaluation (page 38) indicates that in the next 10 years (i.e. indicative life of the District Plan), demand for dwellings in Hawea and wider Hawea including Hawea Flat is projected to increase by 1,000. The demand inclusive of a 20% margin required by the NPS-UDC is therefore 1,200. This 20% takes into account potential for some land-banking. I provide the following high-level calculations to support my view that the notified

10 Settlements s32 Evaluation report – Appendix 4.
11 By Ms Devlin, Settlement and Lower Density Suburban Residential Zones – Mapping
12 Policy PA1 of the NPS-UDC 2016.
13 SH190005 – decision issued on the 20th of April.
14 Discussed in paragraphs 9.9-9.14 of the Settlements s32 Evaluation report.

Stage 3 zoning provides more than sufficient capacity for the life of the plan:

(a) The existing greenfield land in Hawea in the operative Township Zone area is estimated to provide capacity for up to 456 additional dwellings based on a 450sqm lot size (38% of the capacity required and assuming all growth was directed to the Hawea settlement)[15].

(b) This modelling did not include the capacity of the 20ha of LDSRZ zoned in Stage 1 of the District Plan[16]. Conservatively, I have estimated that this land could provide capacity for 215 additional dwellings (based on an average lot size of 650sqm). (18% of the capacity required). [17]

(c) The SHA provides capacity for 465 dwellings[18] (39% of the capacity required).

(d) Combined these three greenfield components could provide for 95% of the required capacity (and 114% of actual projected growth exclusive of the margin). The balance of commercially feasible capacity required to meet medium-term demand growth of 1,200 is therefore 64 dwellings.

(e) Infill capacity in the proposed LDSRZ (based on the operative extent of the Township Zone plus the area of Large Lot Residential A Zone) is estimated at between 560 and 1,030 additional dwellings based on 450sqm and 300sqm lots respectively[19].

(f) If just 6-11% of lots able to be subdivided (without any need for demolition of existing dwellings) were subdivided and developed, then this would supply the additional 64 dwellings theoretically required. Conversely, medium-term demand growth could be achieved solely through the greenfield capacity in the UGB and roughly 70% of the greenfield capacity in the SHA if one excludes the 20%

15 Plan Enabled Capacity in Hawea and Albert Town, M.E, August 2019. Appendix 4 of the Chapter 20 Townships (Settlement) s32 report. Table 3-1.

16 Paragraph 62 of Mr Williams's evidence for Universal Developments Ltd.

17 Paragraph 7.21 of the Settlements s32 report indicate that the stage 1 decisions provide an additional 354 dwellings within Hawea township as a result of upzoning land within the UGB from Rural Residential Zone to LDSRZ and Large Lot Residential 'A' Zone.

18 Paragraph 130 of Mr Williams evidence for Universal Developments Ltd.

19 Plan Enabled Capacity in Hawea and Albert Town, M.E, August 2019. Appendix 4 of the Chapter 20 Townships (Settlement) s32 report. Table 3-1.

margin on top of demand[20]. Infill development need not occur at all to meet medium term growth projections, but it is likely that a portion of landowners will take up the opportunity to free up some capital. Infill and the potential for some redevelopment of existing sites provides a further buffer of growth capacity.

4.7 Mr Copeland's evidence does not provide any analysis or mention of projected demand relative to estimated capacity provided by the notified zoning provisions for Hawea to disprove the sufficiency of Council's approach at Hawea (including under different assumptions about what proportion of capacity would need to be 'supplied' in order to meet projected demand and sensitivity testing around that). Such an analysis would be expected as part of the justification to significantly expand the UGB as sought by the Universal submission.

4.8 The yield of the Universal Submission is stated as being between 1,491 and 1,747 additional residential lots according to Mr Williams and Mr Copeland's paragraph 67. Excluding the capacity of the SHA yields 1,026-1,282 additional residential lots. This extension equates to more than the total projected dwelling demand over the medium term for the wider Hawea Area, or between 87-106% of the projected medium term demand inclusive of a margin. I estimate that the Universal Submission further increases plan enabled capacity in Hawea by around 60%. This is a significant increment of urban expansion.

4.9 Rather that evaluate the demand, plan enabled capacity and potential supply of dwellings in Hawea, Mr Copeland relies on a need to provide greater competition in the development market under the NPS-UDC (Policy PA3 as outlined in paragraph 59 of Mr Copeland's evidence) and considers that the Universal submission provides a solution for that. In paragraph 57, Mr Copeland states that "*the relief sought by Universal Developments will significantly increase the level of competition in the market for residential sections, especially in greenfield areas. Universal Developments will be a significant new*

20 This is just one scenario of potential supply.

competitor and there will also be additional competition from 5 other new suppliers".

4.10 In this regard, the approved and consented SHA already adds Universal Developments to the housing market in Hawea. The SHA will provide greater competition between developers of greenfield land and provide another choice of location for new dwelling owners. Further, the SHA will contribute to the supply of affordable housing through the Housing Trust.

4.11 I consider it unlikely that all 6 landowners captured in the Universal submission would choose to develop at the same time, even if zoned for urban development (albeit to various urban zone types). They may be more likely to stage the release of the land across properties to minimise the risk and repayment time on capital investment (although I don't understand that to be a requirement in the zone provisions promoted), allowing the SHA (which must deliver a portion of capacity in specific time frames) to substantially develop in the short-medium term. I think Mr Copeland overstates the benefits of competition by assuming that all 6 landowners would operate in the market at once. In a small market like Hawea, multiple competing greenfield developments that all offer a very similar location is likely to be unsustainable.

4.12 In paragraphs 60-62 of his evidence, Mr Copeland includes policies PB6 and PB7 of the NPS-UDC that require councils to monitor market indicators. In paragraphs 51-53 he "*discussed the latest available data QLDC has collected on a number of these indicators*" and concludes that the "*market is not 'functioning well'*, *despite aggregate residential development capacity within the District exceeding forecast demand*" (paragraph 63). He identifies that this view is shared by the Mayoral Task Force on Housing Affordability and QLDC. Care is needed however in assuming that the indicators for the total District, or even the Wanaka Ward, are representative of what is occurring in Hawea.[21]

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21 Mr Williams' evidence also relies on district level market indicators rather than local Hawea indicators.

4.13 Relatedly, in paragraph 63 of his evidence, Mr Copeland draws attention to Mr William's evidence at paragraphs 60-64, identifying that "*the HDCA report and Dr Fairgray's subsequent 2018 evidence cautions against relying on these indicators*". This general statement does not reflect Mr William's evidence at paragraph 63, which more specifically identifies that M.E cautions against relying on the price indicators developed by MBIE for the NPS-UDC dashboard, particularly the Rural-Urban Differential, and not all market indicators.[22]

4.14 The HDCA states that the results of the Rural-Urban Differential indicator is contrary to the information available on existing capacity within Queenstown and that "*any changes to the amount of capacity are unlikely to have a meaningful impact on the differential described in the indicator*".[23] Mr Williams is however incorrect in stating in his paragraph 63 that the HDCA 'justified' not relying on the [price efficiency] indicators in part because they contradict the modelled capacity. The HDCA explains in some detail the limitations of the MBIE Rural-Urban Differential indicator based on a detailed analysis of the methodology. These are the reasons why that particular indicator is unreliable, and caution was raised.

4.15 In his conclusion, Mr Williams then generalises that the "*QLDC current NPS-UDC framework appears to discount market indicators primarily on the basis of the assumptions that any further zoning of land is unlikely to be effective given the theoretical oversupply that already exists*" (his paragraph 165)[24]. In preparing the HDCA (and BDCA), Market Economics nor the Council 'discounted' market indicators. They tell part of the story but should be used with care as they are easily misinterpreted and are not always fit for purpose. They also need to be applied at the correct geographic scale.

4.16 In paragraph 57 of his evidence, Mr Copeland provides just one market indicator specifically for Hawea – medium house price change over time. He states that "*house prices within Hawea have not been*

22 The HDCA does provide some additional caution in 'interpreting' certain market indicators as distinct from cautioning reliance on the MBIE price efficiency indicators.

23 HDCA, 2018. Page 231.

24 Mr Williams references page 213 of the HDCA but I believe this is meant as page 231 as discussed above.

immune from the increases seen elsewhere in the District. In 2013 the medium house price for Hawea was $381,000 and this has increased to $769,000 in February, 2020 – i.e. an increase of over 100%. However, this is still lower than for the District as a whole ($1,001,875) and the Wanaka Ward ($967,000)". This is very limited evidence to establish that the Hawea market is not functioning well and is in need of solution over and above the notified zone changes and a SHA (as stated in paragraph 75 of his evidence in relation to policy 4.2.2.23 of the PDP). Mr Copeland has provided no evidence of land banking or constrained demand in Hawea.

4.17 The increase in density enabled through the notified LDSRZ provides an opportunity for intensification that has not existed on such a scale until now (allowing individual property owners to compete with greenfield section supply). The consented SHA will deliver a number of even more affordable dwellings in Hawea. The effects of the Stage 3 notified zoning (if approved) and the SHA on the housing market in Hawea have yet to be felt but that competitive effect will be positive.

4.18 Overall, I do not consider that Mr Copeland's evidence supports the existence of "*frictions in the market created by, for example, land owner inertia, land banking and the fragmentation of land ownership*" that need to be "*overcome*" in Hawea (as concluded by Mr Copeland in his paragraph 63). Nor is the extension of the UGB sought be Universal Developments necessary in the medium-term future (i.e. the life of the plan) to achieve the NPS-UDC objectives and policies in the context of Hawea.

General Industrial Zone

4.19 The Universal Submission seeks relief to zone 9.2ha of GIZ in Hawea. One of the reasons Mr Copeland (in his paragraph 86(d)) supports the proposed zoning is that "*Frequently there are pressures to enable non-industrial land uses on land zoned for industrial purposes, reducing the available supply of industrial land and/or increasing the price of industrial land making development for industrial activities on that land non-viable*". I understand this to mean that in the eventuality that the capacity of the industrial zones in

Wanaka is not used to deliver industrial capacity, then the proposed Hawea GIZ provides some additional capacity. I think this reasoning does not accurately reflect the intention of the Wanaka GIZ notified in Stage 3. The examples that Mr Copeland refers to in his paragraph 86(d) relate to the issues of the ODP industrial zones. The less permissive rules of the proposed GIZ are intended to help avoid this situation going forward.

4.20 In the following paragraph, 86(e) of his evidence, Mr Copeland supports the proposed Hawea GIZ because "*Sometimes adjacent or nearby non-industrial land uses via reverse sensitivity effects 'sterilize' land zoned for industrial purposes removing it from the available stock of land*". While this can occur, Mr Copeland has not provided any evidence or examples to show that it will occur in the areas notified as Wanaka GIZ. This future outcome is therefore speculative and could equally apply to the site proposed by Universal Developments to have the same zone framework.

4.21 In paragraph 86(f) of his evidence, Mr Copeland supports the proposed GIZ in Hawea on the basis of Objectives OA2 and OA3 of the NPS-UDC which state that planning decisions are required to provide:

(a) Urban environments that have sufficient opportunities for the development of housing and business land to meet demand, and which provide choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses, and

(b) Urban environments that, over time, develop and change in response to the changing needs of people and communities and future generations.

4.22 The submission site is not currently part of an urban environment as defined by QLDC under the NPS-UDC and sits outside of the UGB for Hawea, although it is the submission of Universal that the UGB be moved to include the site. That aside, I disagree that the NPS-UDC requires councils to provide business land capacity of all types in all locations. As discussed below in regard to Mr Williams' evidence, I support the provision of the LSCZ as sought and this would give effect to objectives OA2 and OA3 of the NPS-UDC. The submitter's LSCZ is also consistent with the strategic approach of the PDP to provide a network of convenience centres to serve residential areas throughout the district. If accepted, the submitter's LSCZ will provide both employment and business growth opportunities in Hawea.

4.23 Mr Copeland does not consider the inefficiencies of spreading industrial and service activities over multiple locations within the Wanaka Ward. Currently industrial and service activity (and trade suppliers) are concentrated in Wanaka[25] – being the main urban area of the Wanaka Ward (in various zones). The benefits of locating in the largest centre include (but are not limited to) having access to the largest pool of labour, being close to the greatest number of customers, being relatively central to customers located further afield in the Ward, being in close proximity to their local suppliers (intermediate goods and services that are located elsewhere in the industrial area, the town centre, Three Parks of Anderson Heights), greater exposure and profile in the market, agglomeration benefits and taking advantage of efficient services such as freight and couriers (where those services can serve multiple customers in a similar area, thus reducing time and costs).

4.24 While the proposed GIZ in Hawea *could* create jobs for local residents and may offer lower land prices for development, Hawea does not offer any of these locational benefits. This may in turn impact on its commercial feasibility from a market perspective which is a key requirement for councils to consider when providing business zoning under the NPS-UDC. This has been addressed in the BDCA and my EIC (Appendix C) with regard to the multi-criteria analysis on the feasibility of different locations in the district for industrial development. Hawea ranked 28th out 30 locations.

4.25 Overall, I do not consider that the benefits of the proposed GIZ identified by Mr Copeland will be realised.

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25 The exception being the Rural Industrial sub-zone in Luggate which provides for very few industrial businesses.

4.26 The notified GIZ in Wanaka provides for the long-term strategic growth of industrial and service activities in the Wanaka Ward and consolidates growth in a single industrial area in keeping with past zoning patterns. Mr Copeland does not comment on the scale of the proposed GIZ and its appropriateness. The scale of the zone is large and disproportionate to the catchment it would serve. At 9.2ha, it equates to 75% of projected long term demand for industrial land use growth inclusive of a margin for the total Wanaka Ward (see my EIC paragraph 3.2). It would also increase the plan enabled vacant capacity for industrial land use in the Wanaka Ward under the Maximum Capacity Scenario by 25% and would increase the vacant capacity likely to be available for industrial land use development under the Alternative Capacity Scenario by 34%. The proposal significantly increases the current zone capacity while offering few strategic advantages at this point in time.

4.27 I support Hawea becoming more self-sufficient in terms of some retail and service activity. However, Hawea is a satellite urban area and I consider that the industrial and service demand arising from the Hawea and wider catchment is more efficiently met by the main urban area of Wanaka. Mr Copeland acknowledges in his paragraph 78(c) that travelling to Wanaka for work and non-work purposes is already a normal part of the trip behaviour of Hawea residents. The same situation applies for residents of Cardrona, Luggate and Makarora (which have only a small number of locally based businesses).

4.28 I would not support the provision of GIZ in Hawea.

Local Shopping Centre Zone provisions

4.29 Strategic Policy 3.39 of the PDP states: *Support the role township commercial precincts and local shopping centres fulfil in serving local needs by enabling commercial development that is appropriately sized for that purpose*. The Universal Developments submission seeks that 3.5ha of land within the approved SHA be zoned LSCZ. As the structure plan presented in the submission does not show road areas, I estimate the net developable zone area of the proposed LSCZ will be approximately 2.8ha.[26]

4.30 Comparing this size of the proposed LSCZ with a range of other LSC zones, commercial overlay areas and Special Zone commercial centre precincts across the District that have a similar role (albeit different catchments)[27] shows that, with the exception of the LSCZ in Frankton, the proposed LSCZ is larger, but similar in extent to the commercial area proposed in the Mt Cardrona Station Special Zone. It is 0.6ha larger than the commercial overlay area in Luggate (a 27% increase) and just over 0.7ha larger than the centres in Northlake, Glenorchy and Kingston Village (a 35% increase).

4.31 There is an existing LSCZ in Hawea. The zone is located on a 'main' street in Hawea (Capell Avenue), close to the main entrance of the township. The zone has total capacity of 4,556sqm (0.46ha) of developable land area, the majority of which is vacant capacity or currently used for residential dwellings.

4.32 When comparing the existing Hawea LSCZ against other zoned convenience centres it is apparent that the developable zone area is small relative to what is provided in Luggate, Glenorchy, Mt Cardrona Station and Kingston Village – which are all satellite settlements (like Hawea) that are located some distance from the main urban area. The existing Hawea LSCZ is more similar in size to local centres that have been provided in close proximity to large urban centres (i.e. Kelvin Heights is relatively close to Remarkables Park, Albert Town is close to Wanaka Town Centre and Three Parks, and the combined Sunshine Bay/Fernhill LSC zones are close to the Queenstown Town Centre). These are locations where less convenient retail and service supply may be justified, and a smaller zone area required. Hawea does not fall into that category, being 15-16km from Wanaka Town Centre or Three Parks.

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26 This assumes that the roading network of the SHA subdivision consent application is implemented. The area I estimate relates to the 'indicative local shopping centre zone layout' shown in Figure 6 (paragraph 129) of Mr Williams evidence. The developable zone area includes areas for buildings, parking, access, landscaping etc.

27 The data is sourced from a combination of M.E data underpinning the BDCA 2017, M.E analysis of the Decisions Version of Stage 1 (as presented in appeal evidence) and Property Economics data presented in appeal evidence for Council.

4.33 Overall, the existing LSCZ is one of the smallest convenience centres in the district and will not be sufficient to meet the needs of the growing Hawea community and surrounding catchment[28]. The LSCZ proposed by Universal would be one of the biggest (although not necessarily out of proportion for Hawea). The existing LSCZ in Hawea would be less than a 5th of the size of the proposed LSCZ. This uneven size relationship combined with the relatively close distance of the two zones (i.e. they are not at opposite ends of the Hawea settlement) means that there is potential for distributional effects of the proposed LSCZ on the existing LSCZ[29]. This has not been considered in Mr Copeland's evidence.

4.34 The nature and range of activities in a centre and their scale (i.e. large versus small format) are key factors in the potential for distributional effects on other centres. There is a direct relationship between the gross land area provided and how that translates into developed floor space, tenancy counts and their potential formats.

4.35 In paragraph 130 of Mr Williams evidence for Universal Developments he calculates a potential yield for the proposed LSCZ at 16,800sqm GFA of floor space spread over 2 storeys. This is based simply on a building coverage of 30% applied to the 2.8ha of centre land area. A building coverage of 30% is considered at the low end of the scale, and well below the building coverage of other LSC zones which range from 50%-75% (which could yield up to 28,000-42,000sqm GFA over two storeys).

4.36 In reality, not all activities potentially attracted to the proposed LSCZ will be two storeys and some may require more or less parking (reducing building site coverage). I agree that a yield of 16,800sqm GFA is a reasonable assumption of development outcomes on this site (but is non-binding in Universal's proposed zoning).

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28 The size of the zoning of the LSCZ in stage 1 of the district plan review (evidence of Mr Colegrave for QLDC) was based on growth rate projections for Hawea that have been significantly surpassed in recent years.

29 I consider that potential for any distribution effects higher up the centre network (i.e. on the Wanaka Town Centre or Three Parks Commercial Zone) arising from the proposed LSCZ would be no more than minor. The relative size of the centres, their distance apart and different roles, are key factors in reaching this conclusion.

4.37 I do not support Mr Williams's view in his paragraph 155 that "*Given LSCZ is already provided at Hawea* <u>*no changes*</u> *are necessary to provide for the additional LSCZ provided on the Site*" (emphasis added).

4.38 The existing LSCZ provisions for Hawea contain no exceptions (location specific standards). This is appropriate given its very small size and considerable distance from any other centre. However, the proposed LSCZ, which is more than 5 times the size of the existing LSCZ and in the same settlement does have potential for distributional effects and I consider that some limitations are appropriate to manage those effects, as is the case in several other LSCZs provided in the PDP.

4.39 Assuming floor space growth occurs commensurate with demand, and both LSCZs are equally viable and attractive, this is likely to slow the rate of uptake of vacant capacity across both centres – i.e. they will both develop incrementally but half as fast compared to a situation where there is only one centre. However, I do not consider that the two centres are necessarily equally attractive for development. The larger scale of the proposed LSCZ offers potential for greater critical mass of activity, employment and shoppers. It will have more foot traffic, greater overall functional amenity and will therefore be the more vibrant and vital of the two LSCZs in Hawea. It is likely to be relatively more attractive for any businesses seeking to locate in Hawea and this effect may substantially slow the uptake of vacant capacity in the existing LSCZ compared to the status quo zoning.

4.40 This effect may last over the medium-long term (or until the proposed LSCZ is fully occupied after which any future floor space demand growth would be redirected to the existing LSCZ assuming vacant capacity remained). This is a worst case outcome and this temporary effect can be considered normal trade competition (and therefore outside of the consideration of the RMA). However, the consequent effect is that there is an opportunity cost to those residents and visitors that are closest to the existing LSCZ and for whom their local convenience centre reaches its potential (including increasing its functional and social amenity) slower than would otherwise have been the case.

4.41 For clarity, I consider that the community as a whole will be better-off (i.e. the benefits to the many will outweigh the costs to the few) and the long-term viability of the existing LSCZ will not necessarily be undermined. However, applying limits to the total retail GFA able to be develop at the proposed LSCZ will help mitigate the potential for retail distributional effects on the existing LSCZ (including the duration of those effects) and will help ensure that convenience retail development is spread between both zones in the medium-long term.

4.42 I consider that an overall retail GFA cap for the proposed LSCZ of 4,000sqm GFA would help ensure that a functional mix of activities can develop on the site while not limiting the commercial feasibility of the centre's development[30]. To put this into context, it equates to just under half (48%) of potential ground floor GFA dedicated to retail activity (assuming a 30% site coverage yield scenario).

4.43 I consider that the PDP provisions for the LSCZ that require individual retail activities to not exceed 300sqm GFA are generally appropriate for the proposed LSCZ (Rule 15.5.10.a). However, I would support a similar zone standard to that included for the LSCZ in Cardrona Valley Road to allow one (but not two) individual retail activity to exceed 300sqm GFA but not exceed 400sqm GFA (Rule 15.5.10.c). The benefit of this exception is that it provides greater flexibility to establish one larger retail tenancy (such as a large grocery store) that would help anchor the centre and the wider retail offering.

4.44 While the LSCZ in Cardrona Valley Road (Wanaka) and Hansen Road include caps for the overall office GFA (Rule 15.5.11 and Rule 15.5.5.b), I do not consider this necessary for the proposed LSCZ at Hawea. There are a range of economic benefits for medium or large businesses to locate in Wanaka (not elaborated on here) which reduces the likelihood that Hawea would be considered a viable location for such businesses. At most, I consider that a LSCZ at Hawea may sustain a small number of small scale office-based

30 This threshold is also applied in the Hansen Road LSCZ in Frankton (Rule 15.5.5.a).

businesses looking to serve the local catchment. Such businesses can be provided for by the PDP without adverse effects on the Wanaka Town Centre and Three Parks. The risk of not setting an overall GFA limit on total office floor space in the proposed Hawea LSCZ is considered very low and the existing PDP provisions limiting individual office activities to 200sqm GFA (Rule 15.5.10.b) would be appropriate.

4.45 From an economic perspective, I recommend that the relief seeking a LSCZ zone in Hawea as sought by Universal be accepted subject to:

(a) the existing rules in Chapter 15 that relate to limits on individual office and retail activities (Rule 15.5.10.a and Rule 15.5.10.b); and

(b) a new standard for the proposed Hawea LSCZ that enables a single retail activity between 300-400sqm GFA).

(c) a new standard for the proposed Hawea LSCZ that limits overall retail GFA to 4,000sqm GFA (similar to Rule 15.5.5.a).

Natalie Dianne Hampson
12 June 2020