

Proposed Plan Change 74, being a request by Hughes Development Limited to rezone approximately 20 hectares of current rural land in West Melton to residential land

Summary statement of position, Economics, Selwyn District Council

INTRODUCTION

Qualifications and Experience

1. My full name is Derek Richard Foy. My qualifications are degrees of Bachelor of Science (in Geography) and Bachelor of Laws from the University of Auckland. I am a member of the Population Association of New Zealand, the New Zealand Association of Economists, and the Resource Management Law Association.
2. I am a Director of Formative Limited, an independent consultancy specialising in social, economic, and urban form issues. I have held this position for two years, prior to which I was an Associate Director of research consultancy Market Economics Limited for six years, having worked there for 18 years.
3. I have 23 years consulting and project experience, working for commercial and public sector clients. I specialise in retail analysis, assessment of demand and markets, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects.
4. I have applied these specialties in studies throughout New Zealand, across most sectors of the economy, notably assessments of housing, retail, urban form, land demand, commercial and service demand, tourism, and local government.

Involvement in PC74

5. After the applicant's economics evidence (by Mr Colegrave) was received I was asked by Selwyn District Council ("SDC") to provide this summary statement, as per the direction in the Commissioner's Minute 1.
6. I have not previously been asked to review the application, although did, at the request of the applicant and agreement of SDC, undertake conferencing with Mr Colegrave on 23 February 2023, culminating in our Joint Witness Statement dated 28 February 2023.
7. I have been involved in reviewing submissions to the Proposed Selwyn District Plan rezoning hearings, and Variation 1 to that Plan. Relevant to this plan change hearing, I was asked to review submission DPR-0460 Marama Te Wai, which seeks to amend the PDP to enable

medium density housing on land that is also the subject of private Plan Change 77 (on the western edge of West Melton). I provided my review in November 2022.¹

Code of Conduct

8. Whilst I acknowledge that this is not an Environment Court hearing, I confirm that I have read and am familiar with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2023. I have complied with the Code of Conduct in preparing the economics review and this summary statement and I agree to comply with it while giving any oral evidence during this hearing. Except where I state that I am relying on the evidence of another person, my evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Summary of applicant's economics evidence (Mr Colegrave)

9. I have read the evidence of Mr Colegrave dated 13 March 2023. The key points raised in Mr Colegrave's statement are:
- a) Recent growth in demand for residential dwellings in West Melton has been very strong, and has resulted in Statistics NZ's recently released growth projections for the District being revised upwards.
 - b) The District does not appear to be providing enough capacity to meet demand because it has underestimated demand, and overstated supply, both at a West Melton and district-wide level.
 - c) The new MDRS provisions are unlikely to have much effect before the long term, due to factors including young housing stock and lack of demand for higher density typologies in Selwyn.
 - d) PC74 would contribute to additional supply, by providing for an additional 124 residential lots, and would generate economic benefits such as increase supply, providing a range of housing options and supporting greater local service provision.
 - e) PC74 is required to meet capacity requirements under the NPS-UD, and there are no other reasonably practicable ways to provide the same capacity in the same locality.
 - f) Use of the site for residential activity would yield greater economic benefits than would use for agriculture.
 - g) He disagrees with new supply/demand figures recently produced by SDC.
 - h) He supports the proposed development on economics grounds.

¹ "Selwyn Proposed District Plan rezoning requests: West Melton, Peer review of submission expert evidence", Formative Limited, 28 November 2022

10. I respond below to Mr Colegrave's key points, arranged under key topic headings, incorporating response to the evidence of Mr Langman (for Christchurch City and Canterbury Regional Council) where relevant.

Residential demand and supply

11. I agree with Mr Colegrave's assessment that there has been, and is likely to continue to be, strong population growth in Selwyn. I also agree with Mr Colegrave that Greater Christchurch's 2021 Housing and Business Capacity Assessment ("HBA") is now out of date, and so do not respond further to Mr Colegrave's criticism of its findings. I note that SDC also recognises this, which is why it commissioned updated demand-supply assessment, which was recently (mid-February 2023) completed, and which I supplied to Mr Colegrave for assistance in the conferencing process.
12. That update is referred to as the Selwyn Capacity for Growth Model 2022 ("SCGM 2022") and was undertaken by my colleague. The SCGM 2022 provides the type of information Mr Langman identifies as being necessary to understand the current demand-supply environment.²
13. Mr Colegrave identifies a number of matters that he uses to indicate that the SCGM overstates available capacity, and understates, demand in West Melton, therefore being unreliable to draw conclusions about sufficiency of dwelling supply in West Melton.
14. I disagree with Mr Colegrave's conclusion of unreliability, and outline below my reasons why. This is possibly more detail than is typical for a summary statement, however having not previously had an opportunity to make these points, and the sufficiency issue being important to the case, in my view the detail is warranted.
15. On the issue of demand, I do not agree with Mr Colegrave that future demand will be as high as he anticipates. Mr Colegrave criticises the SCGM 2022's demand projections, saying that his "fact-based district share"³ shows that 5.5% of Selwyn's growth since 2008 has been in West Melton.⁴ I agree the data does indicate that, however note that choosing 15 years as the period from which to calculate that average is selective, because it gives weight to the three years post-earthquakes (2011-2013) when West Melton's share of consents were highest.⁵ Adopting either a longer or a shorter timeframe results in a much lower share of growth being

² Statement of evidence of Marcus Langman, paragraph 116

³ Statement of evidence of Fraser Colegrave, paragraph 178

⁴ Statement of evidence of Fraser Colegrave, paragraph 178

⁵ In 2011 West Melton had 6.3% of District new dwelling consents (28 dwellings), in 2012 20.2% (156 consents) and in 2013 14.5%, 184 consents).

directed to West Melton, which has been the location of 3.2% of new dwelling consents in the 31 years since 1991, and 2.8% in the 8 years since 2014.

16. I maintain that the demand projections used in the SCGM are appropriate, and 'fact-based', and that the model's projection of there being demand for 460 new dwellings in the medium term is robust and appropriate.
17. Mr Colegrave has also criticised the supply estimates in the SCGM 2022, based on two main points:
 - a) That capacity estimates for the plan change areas are too high⁶
 - b) That infill capacity estimates are too high.⁷
18. First I respond to the issue of the dwelling capacity of the plan change areas. I understand that the plan changes to which Mr Colegrave refers (67, 74 and 77) seek to (in the case of PCs 74 and 77), or have been approved to (in the case of PC67) apply a zoning over an area, and that zoning enables dwelling development consistent with the zone's rules, unless there are any further restrictions such as overlays.
19. In the case of PC67, the SCGM assumes a density of 10-11 lots/ha could be achieved, while Mr Colegrave's statement points out the approved density is only 6 lots/ha. I understand from discussions with SDC planning officers that the approved 6 lots/ha would be the correct number to apply to estimate future supply from the PC67 area, and therefore Mr Colegrave's assertion that the SCGM overstates capacity in the PC67 area by 180 dwellings⁸ is correct. The SCGM assessed that in the medium term there was commercially feasible supply of 241 dwellings more than demand, and therefore supply was adequate. Adjusting that to account for PC67 capacity of 180 dwellings means that commercially feasible supply would be 61 dwellings more than demand in the medium term, and therefore still sufficient, although now more reliant on infill housing than I had understood during conferencing.
20. I note that the SCGM estimate of sufficiency of supply does not include either PC74 or PC77, because neither has been approved, so the SCGM's capacity estimate for those two areas is irrelevant to the sufficiency of supply assessment we are discussing, and that exclusion was made clear in our joint witness statement ("JWS").
21. Further, as I discuss below, I now understand from the evidence of Mr Langman that the locality for which sufficiency of supply should be assessed must be informed by the NPS-HPL clause 3.6(3) and be broader than West Melton alone.

⁶ Statement of evidence of Fraser Colegrave, paragraph 165

⁷ Statement of evidence of Fraser Colegrave, paragraph 173

⁸ Statement of evidence of Fraser Colegrave, table 12

22. While I agree with Mr Colegrave that the MDRS will have limited impacts in West Melton, I disagree that District-wide impacts will be similarly limited. That is because there are large greenfield growth areas ready and approved for development in Selwyn, particularly in Rolleston and Lincoln, where development has not yet started, and where the number of lots enabled has increased significantly as a result of the MDRS.
23. I disagree with Mr Colegrave that higher density residential developments are unlikely in Selwyn, and note that Mr Colegrave's evidence for Variation 1 relating to a site in Lincoln⁹ concluded the 4.7ha site would "enable the development of up to 210 residential dwellings over time", a density of 44.7 dwellings/ha. Mr Colegrave's estimate was higher than the Outline Development Plan accompanying the submission which concluded that the site had "the potential to achieve a density of 25 households per hectare or greater". Other lots elsewhere in Selwyn, particularly Rolleston, have many new residential lots as small as 250m², including the applicant's Faringdon Oval development.¹⁰
24. Next I respond to Mr Colegrave's assertion that the SCGM's infill estimates are overstated. He bases his conclusion on the fact that a large proportion of larger lots in urban West Melton are modelled to be able to accommodate infill,¹¹ and then provides one specific example¹² which he uses to confirm his suspicion about a flaw in the model.
25. Assessing infill capacity is difficult, and when modelled there are likely to be examples which appear to disprove a conclusion of infill feasibility. I acknowledge that on the face of it the example provided would appear to be unlikely to be redeveloped in the near future because of the large building and pool on the property. However, I note that the dwelling area recorded on the property is only 317m²,¹³ and the roofed area on the western part of the property (nearly 200m²) is not included within that total, indicating it is not part of the dwelling, and may be a covered seating area, shed, or similar. For modelling purposes the existence of a 317m² house on a 2,100m² section does indicate some potential to accommodate an additional dwelling, and certainly a single example does not discredit the SCGM capacity estimation process.
26. I therefore accept the output of the SCGM, and continue to hold the conclusion I stated in the JWS that "West Melton would have a shortfall of residential capacity sometime beyond the

⁹ Submission V1-0055 (AgResearch)

¹⁰ Faringdon Oval would yield 1,044 residential units on 69.3ha gross land area, a gross density of 15 dwellings/ha <https://environment.govt.nz/what-government-is-doing/areas-of-work/fast-track-consenting/faringdon-oval/>

¹¹ Statement of evidence of Fraser Colegrave, paragraph 166

¹² Statement of evidence of Fraser Colegrave, paragraph 170

¹³ CoreLogic Property Guru

end of the medium term, and before the end of the long term. With the additional supply enabled on the Site, demand (including the NPSUD competitiveness margin) would still exceed supply before the end of the NPSUD long term.”¹⁴

27. Further, as I discuss below in my opinion West Melton is part of a sub-district “locality” that is wider than just the town, and in that locality there would be sufficient residential supply for the duration of the long-term.

Locality

28. I do not agree with Mr Colegrave that West Melton is its own housing market, and note Mr Langman’s position that concept of locality is informed by the NPS-HPL clause 3.6(3) which requires the market and demand to be determined by a Housing and Business Assessment. Mr Langman states that West Melton has not been identified as a specific location in the HBA.¹⁵
29. I note also Mr Colegrave’s position in evidence for a submission on land in Prebbleton for Variation 1¹⁶ that assesses district-wide, and sub-district demand-supply balances, with his assessment grouping West Melton and Prebbleton, although stating that “while Prebbleton is often grouped with West Melton as a separate submarket (as noted above), it arguably also forms its own distinct housing market.”¹⁷
30. Mr Colegrave’s different opinions on the matter of locality indicate that it is a difficult concept to pin down with certainty, and the spatial definition of locality in respect of West Melton is arguable.
31. In my opinion West Melton is part of a locality that also takes in at least Prebbleton, even though SDC has proposed to apply the MRZ to Prebbleton in Variation 1 to the PDP. While that different residential zoning will distinguish the type of dwellings likely to be constructed in the two towns in the future, purchasers of homes in the two towns will have reasonably similar access to most retail, services, community and work opportunities.
32. Because there is plentiful residential supply in Prebbleton beyond the end of the long-term (with 568 more commercially feasible lots available in the medium term and 1,385 more in the long term than there will be demand for), if West Melton and Prebbleton are considered as part of the same locality (as I believe they are), then there is sufficient supply in that locality for all of the medium term, and all of the long term.

¹⁴ JWS, paragraph 16

¹⁵ Statement of evidence of Marcus Langman, paragraph 49

¹⁶ Submission V1-0098 Urban Estates No.21 Limited and others

¹⁷ Evidence of Fraser Colegrave, for Variation 1 hearings on submission V1-0098 Urban Estates No.21 Limited and others, p24

Enablement of large lot residential

33. I agree with Mr Colegrave that there is an undersupply of larger residential lots (1,000m²+) in Selwyn, and particularly in West Melton, and that most other plan changes and residential developments underway in Selwyn are focussed on providing smaller residential lots.
34. However, I note that the NPS-HPL's clause 3.6(3)(b) clarifies that the "reasonably practicable and feasible options" clause (3.6(1)(b)) refers to markets identified in the HBA. The HBA does not refer to lot size, including large lot residential, and so to my understanding demand for large lots are not a type of market that could be used to justify creating additional supply under 3.6(1)(b).
35. However, as to the appropriateness of large lot residential on the Site, I note the position recorded in the statement of Mr Langman for Christchurch City Council and the Canterbury Regional Council that the larger lots proposed represent an "inefficient use in terms of urbanisation of rural land".¹⁸
36. I agree with Mr Langman that a yield of 124 lots from the Site's 20ha (6 lots/ha) would be an inefficient use of the Site to accommodate the high level of demand Mr Colegrave believes will continue to exist.¹⁹ Smaller lot sizes would use less highly productive land to accommodate 124 dwellings than larger lots, and if lot sizes average 500m² than the 1,000m²+ discussed in Mr Colegrave's evidence, a yield of 124 lots could be achieved on only 10ha, leaving 10ha available for ongoing agriculture use.
37. Ultimately I conclude that there is a tension between:
- a) providing for larger lot residential as one residential typology that should be enabled under NPS-UD policy 1 and maintaining West Melton's lower density residential form (which is supported by a number of submissions),
 - b) and requirements under the NPS-HPL to restrict urban zoning of highly productive land both to protect primary production²⁰ to achieve a well-functioning urban environment.²¹
38. From an economics perspective, if the development is to be approved I see merits in both lower density development to preserve urban form and providing larger lot dwelling choice on one hand, and making efficient use of highly productive land on the other. I understand that the lot sizes proposed in the latest Outline Development Plan support an average of 8

¹⁸ Statement of evidence of Marcus Langman, paragraph 4(e)

¹⁹ Statement of evidence of Marcus Langman, paragraph 51

²⁰ NPS-UD Objective

²¹ NPS-UD clause 3.6(1)(b)

dwelling/ha, with smaller lots around the reserve and larger lots around the periphery. That, in my opinion, is a good solution to resolve that tension.

Housing affordability

39. I do not agree with Mr Colegrave that enabling the plan change would assist housing affordability in Selwyn,²² at least not to any material degree. The type of dwelling likely to be built on these larger lots is more likely to be larger, expensive dwellings, such as the 317m² dwelling in Mr Colegrave's infill example,²³ rather than smaller, cheaper dwellings, and so while the additional lots might increase dwelling supply by a small amount (in a District context), that is unlikely to make dwellings more affordable.
40. I do agree with Mr Colegrave that other benefits would flow from the enabled housing, including supporting retail and service provision in Selwyn, and a one-off stimulus from construction activity, although those construction effects may be (at least in part) a transfer effect from one part of Selwyn to West Melton.²⁴

Significance

41. This section relates to whether PC74 provides 'significant development capacity' under Policy 8 and clause 3.8(1) test of the NPS-UD. Mr Colegrave's position is that the 124 lots the applicant states would be enabled by PC74 is significant in the context of District dwelling supply. I disagree, and instead agree with Mr Langman's position that the development would not be significant in the context of either total Selwyn, or Greater Christchurch residential supply.
42. Total District supply of residential lots is assessed by the SCGM 2022 to be 15,660 lots in the medium term, meaning the 124 lots enabled would represent only 0.8% of additional supply that is commercially feasible over the next 10 years.
43. As Mr Langman notes,²⁵ there are a large number of plan changes in various states of progression, and the total dwelling capacity enabled by those would, even if not all are approved, be very large, and the 124 lots proposed for PC74 would also not be significant set against the capacity of those plan change areas.
44. I would agree that 124 additional lots would be significant in a West Melton context, where the proposal would equate to 18% of the supply of 702 commercially feasible additional lots over the next 10 years. However, my understanding is that significance should be evaluated

²² Statement of evidence of Fraser Colegrave, paragraph 93

²³ Statement of evidence of Fraser Colegrave, paragraph 170

²⁴ Statement of evidence of Fraser Colegrave, paragraph 105

²⁵ Statement of evidence of Marcus Langman, paragraph 101

against a broader spatial baseline, such as an “urban environment” (Greater Christchurch) scale. The HBA also groups Prebbleton with West Melton, indicating that significance should not be assessed for West Melton in isolation.

45. Mr Colegrave supports his position in part in reliance on a discussion of significance in the 2021 HBA, which he concludes describes landowners that could develop 20 or more dwellings as being significant.²⁶ However the HBA text describes that the 20 dwellings threshold was used to identify which landowners should be consulted with to identify significant opportunities for development, not that a development of 20 dwellings is significant. That is a material difference, and I do not agree that any residential development of more than 20 lots would be significant, particularly as it depends on the context of the market in which the development would be located.

Location on highly productive land

46. I agree with Mr Colegrave that because West Melton is essentially surrounded by highly productive land, that other potential development sites around the fringe of West Melton would be no better than the Site for avoiding use of HPL.²⁷

Economic benefits of development

47. Mr Colegrave assesses the economic costs and benefits of the proposal, as required under the NPS-HPL clause 3.6(1)(c), and concludes that the economic activity stimulated by construction activity of dwellings would be much larger than would arise from agricultural use of the Site.
48. I agree, but note that that will be the case in nearly every proposal to convert rural land to urban uses, because of the large up-front cost of construction and development. I disagree, however, with Mr Colegrave’s implicit assumption that all of the stimulated construction activity will be additional to the Selwyn economy. I consider that much of this activity will have occurred anyway, with development being provided elsewhere in the District. At best only a small proportion of the construction will be “stimulated” or net new.
49. I note Mr Colegrave’s assessment of the high land value of the PC74 site, and accept that that may make the land uneconomic for a new owner to buy and then farm, because of the high interest costs associated with buying the land. Longer-term owners of such land would not have the same economic constraints to profitability.
50. This would apply, more or less, to most sites around the periphery of existing urban areas, but should not mean that all rural properties adjacent to towns should be permitted to be

²⁶ Statement of evidence of Fraser Colegrave, paragraph 87

²⁷ Statement of evidence of Fraser Colegrave, paragraph 120

subdivided for residential activities, merely they have a higher value than rural properties further from town.

Conclusion

51. I conclude that the locality for which the sufficiency of residential development capacity should be assessed in relation to West Melton includes Prebbleton. There is projected to be sufficient supply in Prebbleton and West Melton together to meet demand for more both the medium term and the long term, even without needing the capacity sought to be enabled by either of plan changes 74 or 77.
52. I continue to hold the position I stated in the JWS that West Melton alone (i.e. without being considered as part of a locality with Prebbleton) is projected to have a shortfall of residential capacity sometime beyond the end of the medium term, and before the end of the long term.
53. Overall, I conclude that the additional supply that would be enabled by PC74 is not required to provide sufficient supply within the West Melton locality (i.e. including Prebbleton) in the medium term, or the long term. In my opinion the development that would be enabled by PC74 would not be significant in the context of the NPS-UD Objective 6 and clause 3.8, and the proposed plan change is not required to give effect to the NPS-UD, and therefore rezoning would not be allowed under clause 3.6 of the NPS-HPL.