

Proposed Plan Change 79, being a request by Birchs Village Limited to rezone approximately 36.6 hectares of current rural land in Prebbleton to residential and commercial land

Summary statement of position, Economics, Selwyn District Council

INTRODUCTION

Qualifications and Experience

1. My full name is Rodney George Yeoman. My qualifications are degrees of Bachelor of Commerce (Econ) and Bachelor of Laws from the University of Auckland. I also hold a Postgraduate Honours in Economics from the Australian National University. I am a member of 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 17 years consulting and project experience, working for commercial and public sector clients. I specialise in policy assessment, industry and markets research, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects. I have applied these specialties throughout New Zealand, and in Australia, across most sectors of the economy, notably assessments of district plan policies and rules, urban form, land demand, housing, and other local government issues.
3. I have provided advice to Selwyn District Council (SDC) for the last seven years, most relevantly on many aspects of the growth projections, Selwyn Capacity for Growth Modelling (SCGM22), District Plan Review (DPR), National Policy Statement on Urban Development (NPS-UD), Intensification Planning Instrument (IPI) required by the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act and NPS-HPL. I have also provided evidence for PC72 appeal (Drinnan), which will be heard in Environment Court in June.

Involvement in PC79

4. After the applicant's economics evidence (by Mr Colegrave)¹ was received I was asked by SDC to provide this summary statement. I have not previously been asked to review the application, or had involvement with PC79.

¹ Statement of evidence of Fraser Colegrave, 17 April 2023.

5. As this is a summary statement, I have focused on the key issues being important to the hearing, and the application of National Policy Statement on Highly Productive Lands (NPS-HPL).

Code of Conduct

6. 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 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)

7. I have read the evidence of Mr Colegrave dated 17 April 2023. The key points raised in Mr Colegrave's statement are:
- a) The council does not appear to be providing enough capacity to meet demand because it has underestimated demand, and overstated supply in Prebbleton. PC79 is required to meet capacity requirements under the NPS-UD.
 - b) There are no other reasonably practicable ways to provide the same capacity.
 - c) PC79 would generate economic benefits that outweigh the long-term economic costs.
8. He supports the proposed development on economics grounds and considers that the development passes the three tests outlined in clause 3.6(1) of NPS-HPL.
9. I respond below to Mr Colegrave's key points.

Clause 3.6(1)(a) development capacity to meet demand

10. The first clause of 3.6(1) requires that the urban rezoning of highly productive land give effect to the NPS-UD, by providing sufficient capacity to meet demand.
11. Mr Colegrave's assessment of demand and supply focuses on the coming 10 years which is the short-medium term, and does not assess long term outcomes. I agree with this focus as it reflects the NPS-HPL guidance.²
12. While Mr Colegrave's evidence covers a range of issues, I focus on two key questions:
- a. What is the most likely housing demand in Prebbleton?
 - b. What is the capacity for housing in Prebbleton?

² Ministry for the Environment (2023) National Policy Statement for Highly Productive Land: Guide to implementation. Page 44.

What is the most likely housing demand in Prebbleton?

13. Mr Colegrave's considers that there has been, and is likely to continue to be, high population growth in Selwyn, and by extension Prebbleton, along with associated demand for housing. I agree with Mr Colegrave that the old projections are now out of date and that Statistics NZ only recently released the updated projections (December 2022). SDC also recognises this and has acted quickly to incorporate this new information, which is one reason why it commissioned an updated demand-supply assessment (SCGM22) that was recently completed.
14. However, in my opinion it is debateable whether a high level of growth will be maintained in the short-medium term, because there are many factors pointing towards a recent decrease in housing demand – which include a recent drop in population growth³, new dwelling consents (SDC, GCP, and NZ)⁴, negative economic growth⁵, a large drop in new mortgage lending⁶, increase in interest rates⁷, ongoing changes in demand preferences towards higher density⁸ and recent decline in sales prices⁹. Taking these factors into consideration, it is likely that demand in Selwyn and Prebbleton in the short and medium term cannot be expected to continuously reach the high projection.
15. I consider that it is a conservative position to adopt a high projection. I agree with Mr Colegrave that Council should plan for high growth, and that SCGM22 incorporates this within the model.
16. However, Mr Colegrave considers that for Prebbleton there is demand for 1,255 to 1,569 dwellings in the short-medium term.¹⁰ His latest estimate of demand is more than double the level of demand that was suggested within the initial market assessment included in the PC79 application (Mr Blackburn).¹¹ This new very strong growth estimate is based on his opinion

³ Mr Colegrave has incorrectly stated that the population in the District grew by 5,700 in 2022. The official Statistics New Zealand population estimates show that District population increased from 75,700 in 2021 to 79,300 in 2022, which is a growth of 3,600 in the year to June 2022. The fact that the most recent year's growth is substantially below the previous year contradicts Mr Colegrave's assertion of that "Clearly, momentum is very strong". There was spike in 2020 and 2021, which occurred as the result of something unusual happening in these years. I consider that much of this peak was generated by the border closures and global pandemic, and the associated increase in internal migration to Selwyn, growth has dropped considerably, albeit in my opinion still being high growth.

⁴ Statistics New Zealand (2023) New Dwelling Building Consents.

⁵ Statistics New Zealand (2023) Gross domestic product: December 2022 quarter.

⁶ Reserve Bank of New Zealand (2023) New Mortgages Issued.

⁷ Reserve Bank of New Zealand (2023) Monetary Policy Statement – March 2023.

⁸ Statistics New Zealand (2023) New Dwelling Building Consents – by Dwelling Type. In the GCP the standalone dwellings decreased from 80% in 2010 to only 53% last year (end February 2023).

⁹ Ministry of Housing and Urban Development (2023) Urban Dashboard – Dwelling Sales Prices.

¹⁰ Statement of evidence of Fraser Colegrave, Paragraph 87.

¹¹ Baseline Group (2021) Appendix 3: Analysis of New Residential Construction and Land Availability.

that if PC79 was zoned that Prebbleton would attract a larger share of the demand, which he considers will be between 10% and 12.5% of total demand in the District.¹²

17. His estimate of demand is very high in the context of Prebbleton, and would mean growth of 125 to 157 dwellings every year (on average) for the coming decade. The town has only achieved or exceeded this level of growth in two years over the last three decades – 2013 and 2016.¹³ This means that the incidence of very strong growth has been rare (6% of years).
18. I consider that it is not reasonable to expect this level of growth would be achieved consecutively for the coming 10 years, as suggested by Mr Colegrave. If his demand is achieved then the town would grow by 70% to 90% over a decade, which is a very significant rate of growth in a short period of time. While not impossible, I consider that it is unlikely that growth will reach the levels suggested, which would represent a substantial shift of demand patterns within Selwyn.
19. I note that the NPS-UD requires councils to plan for expected demand, which is defined as “most likely” and the guidelines suggest that demand be based on “recent development patterns”. While there is a chance that demand reaches Mr Colegrave’s estimate, I do not consider that this is expected or most likely, and does not represent the most recent development patterns.
20. I prefer the SCGM22 projections which show a growth of 420 over the short-medium term, which is consistent with the level of activity that has been observed in Prebbleton. I note that this level of growth is still high, which would mean that Prebbleton would grow by 24% over the decade.
21. I acknowledge that there is uncertainty with any projection of demand, therefore I make the following further comments:
 - a. I consider that it is reasonable to expect demand for new housing in Prebbleton to be within the range of 300 to 500 dwellings (in total) in the short-medium term.
 - b. I also consider there is a small chance that demand for new dwellings would reach or exceed 1000 (in total) in the short-medium term.
22. The difference in demand is a key issue that is important to the findings around NPS-HPL 3.6(1)(a). If demand shifts to very strong levels as Mr Colegrave suggests then there could be a shortfall towards the end of the medium term. However, I consider that there is a low chance

¹² Statement of evidence of Fraser Colegrave,.

¹³ The Christchurch earthquakes and associated rebuild are likely to have positively influenced the growth in the town over that peak periods, especially for the two recent years that achieved or exceeded Mr Colegrave’s projection.

that demand would reach the levels estimated by Mr Colegrave and that the SCGM22 provides a reasonable estimate of the most likely future demand.

23. Also, as is discussed later, even if Mr Colegrave's very high demand eventuates the Council would have ample opportunity to act in the future. I note Mr Clease's statement which shows that there are other reasonable alternative development options within Prebbleton.¹⁴

What is the capacity for housing in Prebbleton?

24. Mr Colegrave considers that there is capacity to provide 1,000 new dwellings in Prebbleton in the short-medium term and the SCGM22 estimates a capacity of 1,579. He considers that there are a number of matters that indicate that the SCGM22 overstates available capacity, therefore being unreliable.
25. I disagree with Mr Colegrave's conclusion of unreliability, however given that this is a summary statement I cannot respond to every issue raised and I focus on the main source of capacity in Prebbleton which is provided in the new greenfield areas.
26. Most of the capacity in Prebbleton is in two greenfield areas - PC68 and PC72, both as estimated by Mr Colegrave (85%) and SCGM22 (68%). The SCGM22 estimates PC68 to have a feasible capacity of 770 dwellings, and PC72 to have a capacity of 304, which gives a total of 1,074. This compares to the stated intention of developers, of 820 in PC68 and 330 in PC72, which gives a total of 1,150.
27. Clearly, the developers have signalled that they intend to develop 6% to 9% more dwellings than are estimated in SCGM22. Moreover, these development patterns may change now that MRZ has been proposed for these two areas. The greenfield capacity in Prebbleton is likely to be higher than what was estimated in the model, which means that the SCGM22 results are conservative.
28. Mr Colegrave argues that only a share of the capacity in greenfield area would be developable in the coming decade.¹⁵ In his opinion, the development of these areas will take longer than ten years and in the short-medium term that 75% and 90% (respectively) of the capacity will be developable. He provides no explanation of how he arrived at these scalars, and his position seems to be at odds with the very high growth environment he expects will persist in the town over that period.
29. I consider that scaling is not required, and is not referred to in the NPS-UD or the guidance documents. If this scaling was required then councils around the country would be required to provide (much) more capacity than is required in the NPS-UD for the short-medium term.

¹⁴ Summary Statement of Jonathan Clease.

¹⁵ Statement of evidence of Fraser Colegrave, table 10

This would also be contrary to the NPS-HPL which requires that a minimum amount of HPL land is provided for urban development.

30. Therefore, I disagree with Mr Colegrave's assessment, which does not reflect the nature of the market outcomes. Broadly, if there is sufficient demand (as Mr Colegrave contends) then development of the greenfield areas will eventuate more quickly.
31. I consider that the greenfield supply provided in Prebbleton will be sufficient to meet expected demands in Prebbleton over the short-medium term and beyond. Specifically, the capacity of over 1,150 new dwellings in PC68 and PC72 is likely to be greater than the expected demand of 440 in the short-medium term (SCGM22 - High).
32. Finally, if PC79 was live zoned for urban activity then it would allow a considerable increase in capacity in Prebbleton. The expert evidence presented for PC79 suggests a capacity of 530 residential lots under the proposed zone.¹⁶ Combined if PC79 is zoned then there would be total greenfield capacity to accommodate over 1,600 dwellings in Prebbleton.
33. This level of capacity would only be required if Mr Colegrave's estimate of demand eventuates, and therefore the supply that would be enabled by PC79 is justified only because of Mr Colegrave's assumed large shift in demand patterns.
34. While not fundamental to the matter above, Mr Colegrave also questions the accuracy of the estimates of the capacity in the rest of Prebbleton that SCGM22 provides.¹⁷ Mr Colegrave asserts that the SCGM22's estimates are overstated. He bases his conclusion on his opinion on retirement living¹⁸, and his assessment of example sites¹⁹ which he uses to confirm his suspicion about a flaw in the model. Mr Colegrave considers that there is capacity for 148 additional dwellings in the existing urban parts of Prebbleton in the short-medium term²⁰, which compares to SCGM22 which estimates 505.
35. I acknowledge that any model of residential development will not be able to assess the full range of outcomes, as this is an intractable problem for which no algorithm or model could solve. Invariably, the modelling of capacity and commercial feasibility will require simplifications, which will mean that the outputs will result in some capacity being deemed to be infeasible when it may be feasible and vice versa.
36. As an example, the SCGM22 estimates that the Summerset site has a capacity for 217 dwellings. The developer is providing 290 dwellings, which is 33% more than SCGM22. There

¹⁶ Statement of evidence of Fraser Colegrave, paragraph 127

¹⁷ Statement of evidence of Fraser Colegrave, paragraph 39 to 44

¹⁸ Statement of evidence of Fraser Colegrave, paragraph 70 to 72

¹⁹ Statement of evidence of Fraser Colegrave, paragraph 67 to 69

²⁰ Statement of evidence of Fraser Colegrave, table 10

are other similar examples around the District where SCGM22 underestimates development capacity. Furthermore, I disagree with Mr Colegrave's argument that retirement living capacity should be discounted. It is clear that this capacity will accommodate a significant and growing part of the community's needs as the population ages. Also, these facilities will result in the freeing up of other dwellings which can meet the needs of others in the community. I also note that there is no such discounting suggested in the NPS-UD or associated guidance.

37. I acknowledge that there will be some instances where capacity is not feasible, and Mr Colegrave has covered these instances. However, in the Prebbleton and Selwyn, most capacity is located in the greenfield, and the issues of overestimation are comparably small and insignificant to the overall question of sufficiency.
38. There will always be overs and unders in the results, however this does not mean the overall modelling method is incorrect. I consider that the SCGM22 is a model, and like all models, it cannot be perfect. Taking into account Mr Colegrave's discussion and the nature of the model, I consider that overall that the model is likely to underestimate the development that can be expected in Prebbleton. The table below shows the differences between the short-medium term capacity, with SCGM22 estimating 1,579 and Colegrave scalar estimate of 1,000.

Figure 1: Prebbleton Capacity in Short-Medium Term

Capacity	SCGM22	Colegrave
PC68	770	578
PC72	304	274
Existing Urban	505	148
Total	1,579	1,000

39. As discussed above, if the SCGM22's demand projection is adopted then there would be more than sufficient capacity in the short-medium term under either SCGM22 or Mr Colegrave's estimates of capacity (see Figure 2 first column, 1,159 and 580). Even under Mr Colegrave's capacity estimate there would be more than double the capacity that is needed to meet expected demand.
40. There is only insufficient capacity if Mr Colegrave's very strong demand estimate and his low supply estimates are adopted (see Figure 2 bottom right cell, -255 to -569). If the SCGM's estimate of supply is adopted, then there would be sufficient supply to meet demand (324 to 10).

Figure 2: Prebbleton Sufficiency in Short-Medium Term

Prebbleton Sufficiency Short-Medium Term		Demand	
		SCGM22	Colegrave
Capacity	SCGM22	1,159	324 to 10
	Colegrave	580	-255 to -569

41. I do not agree with Mr Colegrave's very strong growth estimates or his factoring of capacity, and his findings that there is a shortfall of 255-569 dwellings in Prebbleton.²¹ I consider that the SCGM22 provides a reasonable projection of the expected demand and estimate of the capacity, and that there is in my opinion sufficient capacity to meet the expected demand in Prebbleton, and therefore PC79 does not pass the requirements of 3.6(1)(a).
42. Furthermore, in the unlikely event that Mr Colegrave's demand estimates eventuate, then the dwelling capacity in PC68 and PC72 would provide capacity for many years of growth. Even under Mr Colegrave's demand estimate and ignoring any other capacity in Prebbleton, there would be no need for more capacity until 2030 or beyond which means that there is ample opportunity to SDC act to rezone other reasonably practicable options.

Clause 3.6(1)(b) No other reasonably practicable and feasible options

43. The second subclause of 3.6(1)(b) requires that there are no other practicable and feasible options for providing capacity within the same locality and market.
44. Mr Colegrave considers that Prebbleton is a unique Locality and Market.²² He considers that the fact that the SCGM22 provides results for Prebbleton means that it is a single market.
45. In my opinion Prebbleton may be a unique location in terms of NPS-UD assessments, however this does not necessarily mean that it is a single "locality and market" for the NPS-HPL. I disagree with Mr Colegrave's opinion that Prebbleton is its own housing market, and note that the concept of locality and market in NPS-HPL will mostly be wider than 'location' in the NPS-UD.
46. In the context of Prebbleton, I consider that this locality and market extends to include the other towns in Selwyn (Rolleston, Lincoln, West Melton, etc) and potentially areas close to Christchurch (Templeton/Halswell). These other locations are 'close' and would provide dwelling types that are similar to Prebbleton, and may be considered as being in the same locality and market.
47. I note that there have been two recent decisions which have both found that locality and market is much wider than a single town, in Variation 2 Greenfield Zoning Dunedin²³ and Plan Change 73 Waiuku²⁴. In both situations, the commissioners considered that locality and market covered an area with multiple towns and townships, along with the area adjacent to the main urban area.

²¹ Statement of evidence of Fraser Colegrave, paragraph 12.

²² Statement of evidence of Fraser Colegrave, paragraph 106.

²³ Dunedin City Council (2023) Variation 2 Decision report.

²⁴ Auckland Council (2023) Plan Change 73 – O'hara, Waiuku – Decision

48. While debatable, I consider that the locality and market geography within NPS-HPL is likely to be wider than Prebbleton and I do not agree with Mr Colegrave's narrow view that Prebbleton is a unique Locality and Market for the purposes of 3.6(1)(b).
49. Also, Mr Clease has provides a detailed discussion of alternatives which I consider shows that there are reasonable alternatives in Prebbleton.²⁵ Moreover, I consider that the narrow locality definition used by Mr Colegrave means that he has not assessed all reasonable alternatives. SDC could provide for the capacity suggested in PC79 using a combination of options, some in Prebbleton and some in other locations in the Locality and Market.

Clause 3.6(1)(c) Benefits of Urban outweigh Costs of Lost Productive Land

50. Mr Colegrave assesses the economic costs and benefits of the proposal, 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.²⁶ He also notes that the assessment should not be limited to economic considerations, and should also include social, cultural, and environmental effects.
51. I agree that the assessment should be wider than simply the economic costs and benefits. Moreover, if the assessment was limited to economic considerations then benefits would outweigh the costs in nearly every proposal to convert rural land to urban uses, because of the large up-front development activity as compared to the lower value agricultural production over many decades.
52. I disagree with some points within his assessment (i.e. quantum of economic benefits, and discussion of land values), but they are not fundamental to the overall outcomes.
53. I consider that the assessment outlined in 3.6(1)(c) must be wider than Mr Colegrave's analysis, as such his evidence does not allow me to conclude whether PC79 passes this element of the NPS-HPL.

Commercial Business Land

54. The plan change includes commercial business land, which is proposed "to meet local daily needs of residents without competing with the Prebbleton Village"²⁷ and is intended to allow "local communities to purchase from local shops"²⁸. Based on the revised ODP development plan it appears that the business area could be around 1 hectare of land.²⁹ Ms Williams

²⁵ Summary Statement of Jonathan Clease.

²⁶ Statement of evidence of Fraser Colegrave, paragraph 117-146.

²⁷ Statement of evidence of Sally Elford, paragraph 138.

²⁸ Statement of evidence of Nicole Lauenstein, paragraph 121.

²⁹ Statement of evidence of Nicole Lauenstein, A3 Revised ODP.

assumes that there may be a “preschool and shops such as a dairy, hairdressers or similar that service the local community”³⁰.

55. Mr Colegrave provides no assessment of the needs of the community or whether the business land provided is commensurate to those needs. He has not been assessed this land use according to the NPS-HPL s3.6(1).
56. In my opinion, a centre of this scale would need to draw customers from a wider catchment and may compete with the existing Prebbleton village.

Conclusion

57. Overall, I conclude that the requested residential rezoning does not pass the clause 3.6 test and that the Site should not be rezoned for urban use under the NPS-HPL.
58. I consider there is most likely to be sufficient capacity in Prebbleton to meet expected demands, and that PC79 is not required in the short-medium term to meet the requirement outlined in 3.6(1)(a) of the NPS-HPL.
59. In my opinion that PC79 also fails clause 3.6(1)(b), as there are likely to be other reasonable alternatives available for providing for growth, which could be adopted to provide capacity.
60. While PC79 may generate a positive economic outcome, this does not constitute proof that the benefits will outweigh the costs as set out in clause 3.6(1)(c). This assessment of benefits and costs should be wider than is presented in Mr Colegrave’s evidence.
61. Finally, there is no assessment of the proposed commercial business land in PC79, which appears to be of a scale that may be inconsistent with the intended purpose of the new centre. Also the business land has not been assessed according to the NPS-HPL s3.6(1)(a)-(c).

³⁰ Statement of evidence of Lisa Williams, paragraph 9.