

Appendix 12: Assessment of NPS-UD 2020 Objectives and Policies

Brookside Road Re-zone Plan Change

Acronyms

CIAL: Christchurch International Airport Limited

FDS: Future development Strategy

NPS-UD 2020: National Policy Statement-Urban Development 2020

PSDP: Proposed Selwyn District Plan

CRPS: Canterbury Regional Policy Statement

NPS-UD 2020 Objectives	Assessment
<p>Objective 1: New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.</p>	<p>The proposed development will enable Rolleston to sustain itself as a well-functioning urban environment by consolidating the residential area close to the town centre, adding significantly to land and housing supply (an additional 3420 lots in combination with PC73) and provide residential development close to public transport links and the town centre.</p>
<p>Objective 2: Planning decisions improve housing affordability by supporting competitive land and development markets.</p>	<p>The Plan Change provides choices in the Rolleston housing market and in doing so supports housing affordability.. The rezoning will increase the supply of zoned land potentially available for sale to other development companies whose expertise lies in land development rather than the RMA rezoning process.</p>
<p>Objective 3: Regional policy statements and district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply: the area is in or near a centre zone or other area with many employment opportunities the area; is well-serviced by existing or planned public transport; and there is high demand for housing or for business land in the area, relative to other areas within the urban environment.</p>	<p>The CRPS is due for review in 2024 and a more immediate change is required to achieve consistency with the NPS-UD 2020. The current priority greenfield development areas at Rolleston shown on RPS Map A (which are the PSDP eight Rolleston development areas/12 Operative District Plan ODPs) do not meet short, medium or long term housing demand at Rolleston. Plan Change 1 to the CRPS added FDAs to south Rolleston but these do not provide sufficient capacity to meet the demand.</p> <p>This Plan Change is outside but adjoins the existing development areas (ODP Area 1 and 12). The Site occupies a block of rural land that is adjacent to residential zoned land, and will step out the town in its urban form, and will connect the existing built up area of Rolleston. The land meets all the Objective 3 locational</p>

	<p>criteria for more land for housing – the Site enables convenient access to the Rolleston town centre and Izone and Iport business areas which are a major employment area; Rolleston is well serviced by public transport, including to Christchurch City and Lincoln with a park n’ ride scheme in central Rolleston, and is well positioned for enhanced PT services (including rail and/or bus based); and there is an ongoing high demand for housing, with Rolleston’s principal attractions including its affordable housing, employment opportunities and the continually expanding wide range of local services and facilities.</p>
<p>Objective 4: New Zealand’s urban environments, including their amenity values, develop and change over time in response to the diverse and changing needs of people, communities, and future generations.</p>	<p>The Plan Change provides for a Living Z zone within which provision is made for medium density housing with local amenity reserves to help cater for the diverse and changing needs of people and the Rolleston community.</p>
<p>Objective 5: Planning decisions relating to urban environments, and FDSs, take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).</p>	<p>Matter for statutory decision-makers.</p>
<p>Objective 6: Local authority decisions on urban development that affect urban environments are: integrated with infrastructure planning and funding decisions; and strategic over the medium term and long term; and responsive, particularly in relation to proposals that would supply significant development capacity.</p>	<p>The proposal can be properly serviced and is within the capacity of existing and planned public infrastructure. See Policy 8 below re comments on Plan Changes that would supply significant development capacity.</p>
<p>Objective 7: Local authorities have robust and frequently updated information about their urban environments and use it to inform planning decisions.</p>	<p>Matter for statutory decision-makers.</p>
<p>Objective 8: New Zealand’s urban environments: support reductions in greenhouse gas emissions; and are resilient to the current and future effects of climate change.</p>	<p>The Plan Change adjoins the existing built up area of Rolleston, and is convenient to public transport links. Its excellent accessibility and the increasing self-sufficiency of Rolleston reduces the need for private vehicle trips, reducing potential for greenhouse gas emissions. The land is inland and not subject to natural hazard risks associated with sea level rise arising from climate change. See also separate assessment for Policy 1 in Appendix 12A.</p>

NPS-UD 2020 Policies	Assessment
<p>Policy 1: Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:</p> <ul style="list-style-type: none"> (a) have or enable a variety of homes that: <ul style="list-style-type: none"> (i) meet the needs, in terms of type, price, and location, of different households; and (ii) enable Māori to express their cultural traditions and norms; and (b) N/A business sectors; and (c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and (d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets; and (e) support reductions in greenhouse gas emissions; and (f) are resilient to the likely current and future effects of climate change. 	<p>The Plan Change is for LZ and B1 zoning and includes some medium density blocks which will enable a variety of homes that will help meet the needs of different households. The site location provides good accessibility to workplaces, community facilities and open spaces in the in-development reserve.</p> <p>The Plan Change will enable another developer to remain active in the Rolleston market which will provide choice and competition to the local land and housing market.</p> <p>The location of the Site is within reasonable distance of the town centre (3.5km at its nearest point along Lowes Road) and the ODP shows access points and linkages in to the rest of Rolleston including to future development areas, access to the Southern Motorway, and to the park and ride facility.</p> <p>See further assessment in Appendix 12A.</p>
<p>Policy 2: Tier 1, 2, and 3 local authorities, at all times, provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term.</p>	<p>The Operative District Plan provides 12 ODP areas for Rolleston, some of which are well advanced in development. Those which are not are understood to be subject to land ownership, access, existing dwelling development and land aggregation issues which limit their effective ability to supply additional development capacity.</p> <p>The Plan Change provides additional capacity to ensure that there is at least sufficient development capacity for a town that is growing apace and will continue to do so for the 10-year planning life of the District Plan.</p> <p>A medium-term shortfall in capacity for Rolleston has been confirmed by the Council in the Capacity Update Report it adopted at its 9 December 2020 meeting and the Greater Christchurch Housing Capacity Update July 2021</p> <p>The Insight Economics Report establishes that the predicted demand for housing is seriously underestimated by the Council, and its assessment of feasible development capacity is significantly overstated. The prospect of a</p>

	significant shortfall in Plan enabled land in the medium term is apparent.
<p>Policy 3: In relation to tier 1 urban environments, regional policy statements and district plans enable:</p> <p>(a) N/A in city centre zones,; and</p> <p>(b) N/A in metropolitan centre zones, and</p> <p>(c) N/A building heights of least 6 storeys within at least a walkable catchment...</p> <p>(d) in all other locations in the tier 1 urban environment, building heights and density of urban form commensurate with the greater of:</p> <p>(i) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or</p> <p>(ii) relative demand for housing and business use in that location.</p>	<p>The Plan Change adopts Zones and zone development and activity standards set in the Operative District Plan. These make provision for suburban-type housing typologies and medium density housing. The maximum height limit is 8m which limits development to two storeys.</p>
<p>Policy 4: Regional policy statements and district plans applying to tier 1 urban environments modify the relevant building height or density requirements under Policy 3 only to the extent necessary (as specified in subpart 6) to accommodate a qualifying matter in that area.</p>	<p>The Plan Change adopts Zones and zone development and activity standards set in the Operative District Plan respectively.</p>
<p>Policy 5: N/A Regional policy statements and district plans applying to tier 2 and 3 urban environments</p>	<p>N/A</p> <p>Rolleston is within Greater Christchurch and is defined as part of a Tier 1 urban area.</p>
<p>Policy 6: When making planning decisions that affect urban environments, decision-makers have particular regard to the following matters:</p> <p>(a) the planned urban built form anticipated by those RMA planning documents that have given effect to this National Policy Statement</p> <p>(b) that the planned urban built form in those RMA planning documents may involve significant changes to an area, and those changes:</p> <p>(i) may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities, and future generations, including by providing increased and varied housing densities and types; and</p> <p>(ii) are not, of themselves, an adverse effect</p> <p>(c) the benefits of urban development that are consistent with well-functioning urban environments (as described in Policy 1)</p> <p>(d) any relevant contribution that will be made to meeting the requirements of this National</p>	<p>The District Council in preparing the Rolleston Structure Plan (2009) engaged with the Rolleston community over possible urban futures for the town. The Rolleston Structure Plan is now over 10 years old and overdue for review.</p> <p>The Site is not within the long-term future urban boundary for Rolleston shown in the Structure Plan and the township boundary where services would be available.</p> <p>The Plan Change will contribute to the housing market in Rolleston offering 1320 lots at full development and in a location favourable for achieving good urban design outcomes. It will supply additional capacity (an additional 24%) to the number of Rolleston dwellings existing in 2018 (1320/5304)</p> <p>The Plan Change to re-zone the Site as LZ and B1 is not out of step with the recently notified</p>

<p>Policy Statement to provide or realise development capacity (e) the likely current and future effects of climate change.</p>	<p>Plan Changes to the Operative District Plan in particular PC73. The Plan Change will result in a form of development consistent with that which dominates Rolleston and the ODP for the Site provides control over the key structural elements of the development. That ensures there is good integration to adjoining residential land and appropriate access points are locked in to provide for ease of movement and not just by car. The amenity values are set by the Operative District Plan subdivision, development and activity standards so the Site will comfortably relate to, and form part of, the rest of Rolleston as it develops.</p>
<p>Policy 7: Tier 1 and 2 local authorities set housing bottom lines for the short-medium term and the long term in their regional policy statements and district plans.</p>	<p>This requires a change to the CRPS and district plan. The CRPS and Operative Selwyn District Plan contain housing targets (Table 6.1 of CRPS) which were inserted to meet the requirements of the NPS-UDC. They are now out of date as the NPS-UDC has been replaced by the NPS-UD 2020.</p>
<p>Policy 8: Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well functioning urban environments, even if the development capacity is: (a) unanticipated by RMA planning documents; or (b) out-of-sequence with planned land release.</p>	<p>This Plan Change will potentially at full development add 1320 lots to the housing supply for Rolleston. This is significant additional capacity, for both Rolleston and Greater Christchurch as a whole. The Site's location adjacent to existing residential zoned land logically steps out the town towards Edwards Road and will assist in delivering a compact, linked up well-functioning urban environment.</p>
<p>Policy 9: Local authorities, in taking account of the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) in relation to urban environments, must: (a) involve hapū and iwi in the preparation of RMA planning documents and any FDSs by undertaking effective consultation that is early, meaningful and, as far as practicable, in accordance with tikanga Māori; and (b) when preparing RMA planning documents and FDSs, take into account the values and aspirations of hapū and iwi for urban development; and (c) provide opportunities in appropriate circumstances for Māori involvement in decision-making on resource consents, designations, heritage orders, and water</p>	<p>Matter for statutory decision-makers.</p>

<p>conservation orders, including in relation to sites of significance to Māori and issues of cultural significance; and</p> <p>(d) operate in a way that is consistent with iwi participation legislation.</p>	
<p>Policy 10: Tier 1, 2, and 3 local authorities:</p> <p>(a) that share jurisdiction over urban environments work together when implementing this National Policy Statement; and</p> <p>(b) engage with providers of development infrastructure and additional infrastructure to achieve integrated land use and infrastructure planning; and</p> <p>(c) engage with the development sector to identify significant opportunities for urban development.</p>	<p>There is a present planning hiatus in greater Christchurch awaiting the CRPS review in 2024. This plan change application enables the Greater Christchurch Councils to engage in the Plan Change ahead of this review.</p>
<p>Policy 11: In relation to car parking:</p> <p>(a) the district plans of tier 1, 2, and 3 territorial authorities do not set minimum car parking rate requirements, other than for accessible car parks; and</p> <p>(b) tier 1, 2, and 3 local authorities are strongly encouraged to manage effects associated with the supply and demand of car parking through comprehensive parking management plans.</p>	<p>The Plan Change adopts Zones and zone development and activity standards set in the Operative District Plan.</p>

Appendix 12A: Assessment of NPS-UD 2020 Policy 1 – Well Functioning Urban Environments

Brookside Road Re-zone Plan Change

Acronyms

CIAL: Christchurch International Airport Limited

FDS: Future development Strategy

NPS-UD 2020: National Policy Statement-Urban Development 2020

PSDP: Proposed Selwyn District Plan

CRPS: Canterbury Regional Policy Statement

NPS-UD Policy 1	Assessment
<p>(a) have or enable a variety of homes that:</p> <p>(i) meet the needs, in terms of type, price, and location, of different households; and</p> <p>(ii) enable Māori to express their cultural traditions and norms;</p>	<p>The plan change is to have medium, and standard sized lots (minimum average size 650m², minimum 550m²) supporting different housing typologies. The ODP has been designed to accommodate medium density housing, principally around the green spaces and green corridors, as outlined in the ODP narrative. Medium density housing will comprise both small lot (maximum average 500m², minimum lot size 400m²) and comprehensive housing (maximum average 350m²). This mix will accommodate both standard alone houses and sites and smaller duplex, terrace and smaller apartment style housing. There is also scope for other types of housing, including retirement housing and villages and social housing, subject to meeting the existing LZ rule requirements. House and section prices in Rolleston are becoming expensive and the rezoning will generate varied and more affordable housing options in the locality.</p>
<p>(b) N/A business sectors</p>	
<p>(c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and</p>	<p>The Site has frontage to Dunns Crossing Road which provides access into the town centre, and Goulds Road offers an alternative route.</p> <p>It is expected public bus routes will be re-defined as Rolleston expands to provide public transport options closer to the Site. The Site is well positioned for the extension of existing PT services, and there is an existing bus stop at the northeastern end of the Site. It is also accessible to the Rolleston Park'n'Ride facilities at Foster Park and the town centre.</p>

	<p>The Site is in walking distance of Foster and Brookside Park.</p> <p>The Site has excellent accessibility to SH1 and the Midland Railway (and any future opportunities it may provide for alternative rail-based PT); and to the wide and rapidly growing range of employment opportunities on offer at Rolleston, the District's largest Key Activity Centre and focus for the widest range of support commercial and community services and facilities.</p> <p>Two local centres are proposed within the Site as B1 zones. They will be additional to the two on Dunns Crossing Road proposed as part of PC73. These will provide easily accessible convenience services for future residents of the plan change area.</p>
<p>(d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets; and</p>	<p>The demand for housing and land in Rolleston is largely ahead of the planning means to respond. This plan change will respond to the shortage of land for development at Rolleston.</p> <p>Insight Economics examined the likely demand and capacity in the short, medium and long term having corrected a number of what it considered to be faulty assumptions or inputs to the HBA analysis.</p> <p>Its conclusion at section 4.4 is that:</p> <p><i>Table 3 confirms that, when the Council's supply and demand estimates are revised to better reflect reality, that there are significant shortfalls across all three timeframes. Accordingly, additional supply needs to be identified and rezoned as soon as possible (despite the findings of the HBA). Otherwise, the likely prolonged supply shortfalls will place undue pressure on house prices, which undermines affordability and limits the district's strong growth potential.</i></p> <p>The FDAs at Rolleston have the capacity to deliver potentially 5756 sections, although not all parts are subject to rezoning submissions through the Proposed Selwyn District Plan or private plan changes. The additional rezoning sought will enable the sale of sections to end users but also larger blocks of rezoned land to other parties who are experienced development companies who prefer to purchase rezoned land as their expertise does not lie in the 'rezoning' process.</p>

<p>(e) support reductions in greenhouse gas emissions; and</p>	<p>The Site is part of a proposed West Rolleston growth area which will have its own local centres to provide easily accessible convenience. It has good accessibility as outlined under (c) above including by active and public transport modes. The ODP incorporates provision for multi-modal transport internally and to neighbouring areas. All these elements will support reductions in greenhouse gas emissions. In addition, it can be expected that with time transport related emissions will reduce with the take up of electric vehicles and greater use of PT services as they improve due to greater economies of scale arising from the larger Rolleston population to support them. Methane emissions associated with existing dairy run off farming will end once the land is developed for urban purposes.</p>
<p>(f) are resilient to the likely current and future effects of climate change</p>	<p>The Site is an inland site away from major rivers. It is not at risk from climate change induced extreme natural hazard events like sea level rise, or river flooding.</p>

Appendix 13: Section 32 RMA Assessment

Brookside Road Re-zone Plan Change

Introduction and RMA requirements

1. Brookside Road Residential Ltd (the applicant) is lodging a plan change application to the Operative Selwyn District Plan to change the zoning of the 110 ha application site from Rural Outer Plains Zone to Living Z (LZ) and Business 1 (B1) Zones.
2. The application has outlined the background to and reasons for the requested plan change.
3. The amendments to the Operative Plan are outlined in the application. No adverse environmental effects are anticipated by the change of zoning, however the potential environmental effects of implementation of the application have been described in the relevant sections of the application.
4. Any change to a plan needs to be evaluated in accordance with section 32 of the Resource Management Act.
5. Section 32 states:

Requirements for preparing and publishing evaluation reports

(1) *An evaluation report required under this Act must—*

(a) examine the extent to which the objectives of the proposal being evaluated are the most appropriate way to achieve the purpose of this Act; and

(b) examine whether the provisions in the proposal are the most appropriate way to achieve the objectives by—

(i) identifying other reasonably practicable options for achieving the objectives; and

(ii) assessing the efficiency and effectiveness of the provisions in achieving the objectives; and

(iii) summarising the reasons for deciding on the provisions; and

(c) contain a level of detail that corresponds to the scale and significance of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the proposal.

(2) *An assessment under subsection (1)(b)(ii) must—*

(a) identify and assess the benefits and costs of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for—

(i) economic growth that are anticipated to be provided or reduced; and

(ii) employment that are anticipated to be provided or reduced; and

(b) if practicable, quantify the benefits and costs referred to in paragraph (a); and (c) assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.

(3) If the proposal (an amending proposal) will amend a standard, statement, national planning standard, regulation, plan, or change that is already proposed or that already exists (an existing proposal), the examination under subsection (1)(b) must relate to—

(a) the provisions and objectives of the amending proposal; and

(b) the objectives of the existing proposal to the extent that those objectives—

(i) are relevant to the objectives of the amending proposal; and

(ii) would remain if the amending proposal were to take effect.

5. The Guidance Note on section 32 analysis on the Quality Planning website makes the following statement:

Appropriateness - means the suitability of any particular option in achieving the purpose of the RMA. To assist in determining whether the option (whether a policy, rule or other method) is appropriate the effectiveness and efficiency of the option should be considered:

• Effectiveness - means how successful a particular option is in addressing the issues in terms of achieving the desired environmental outcome.

• Efficiency - means the measuring by comparison of the benefits to costs (environmental benefits minus environmental costs compared to social and economic costs minus their benefits).

6. In this case it is the appropriateness of rezoning Rural Outer Plains land for LZ and B1 zones that needs to be examined.

Objective of the Plan Change Application to the Operative District Plan

7. The objective of the application is to change the zoning of the application site in the Operative District Plan from Rural Outer Plains Zone to Living Z and Business 1 Zones in a controlled and managed way through an Outline Development Plan and by adopting, as far as possible, planning zones and subdivision, activity and development standards of the operative plan.
8. Accepting the application will:
- a) Provide for additional housing and residential land choice in Rolleston at Living Z standards and that achieve a target of 12 households/ha. Such densities will complement the immediately adjoining residential land and that proposed under PC 73 without compromising the character or amenity of that land;
 - b) Provide for urban development that will connect to the existing township to the east and the potential new urban areas promoted by Plan Change 73 to the north and south of the Site in a manner that enables efficient use of existing and future infrastructure and current land resources.

- c) Provide strong economic benefits by enabling the resident population to grow, including via additional development on the subject site, so that the district will eventually be able to support greater local retail/service provision and hence be less reliant on the city to meet its household needs. This, in turn, will not only support greater district economic activity and hence employment, but also reduce vehicle travel and the harmful emissions associated with it.

Environmental Outcomes – District Plan Objectives and Policies

9. The Operative Selwyn District Plan (OSDP) objectives give effect to the purpose of the Resource Management Act, and the OSDP policies in turn give effect to the OSDP objectives. The objectives are the end goals or end states (including environmental outcomes) to be strived for and the policies are the broad strategies to achieve the objectives.¹
10. The proposed residential rezoning has been assessed against the relevant Operative District Plan objectives and policies. It concludes that the requested rezoning is consistent with and meets the outcomes sought by the objectives and policies, including for urban/township growth and new residential areas, except for the restriction of urban development to CRPS Map A greenfield areas and FDAs. However, these requirements are out of step with the NPS-UD 2020.
11. The Site is not identified on the OSDP planning maps as a future growth area.
12. However, a more efficient use of the Site as a whole, and more efficient development, is for full urban development over the 110 ha, given the high demand but impending shortfall in land for housing at Rolleston, and the Site's location within a logical urban growth path for Rolleston.
13. The two economics reports by Insight Economics and Brown, Copeland & Co Ltd included with the application evaluate the economic efficiency of the proposal, the economic benefits of the proposal, how it stacks up against the NPS-UD 2020 when considering the planning approach of the OSDP and the economic and community costs of constraining growth.
14. The applicant will continue with the existing lease of the chicken sheds on the 46 ha Dunns Crossing Road block until 2022 but the intention is it will not be renewed after this. At this point the sheds will be removed and the Site developed for residential purposes. Factors such as the age of breeder sheds and infrastructure, high

¹ See PSDP Part 1, HPW Plan Structure

operating costs relative to newer sheds and trends in the poultry industry mean they are unlikely to remain 'fit for purpose' without significant additional investment. Surrounding residential encroachment also points to urban rezoning being a better use of this land.

15. The above timing for residential development will also 'fit' with the timeframe for the planned upgrade of the Dunns Crossing Road/SH1 intersection. Occupation of houses at the Brookside Road Plan Change area will not proceed until this upgrade is completed.

Identification of options

16. In determining the most appropriate means to achieve the objectives of the application, a number of alternative planning options are assessed below.
17. These options are:
 - a) Option 1: status quo/do nothing: Do not rezone the Site.
 - b) Option 2: application to rezone the whole site for urban residential use zoned Living Z and Business 1.
 - c) Option 3: application to rezone whole site as Living 3.
 - d) Option 4: resource consent: ad hoc land use and subdivision consent for subdivision through non-complying subdivision and land use consents for residential use.

S32 Matter	Option 1: Do nothing: Rural Outer Plains Zone	Option 2: Residential: Living Z & Business 1	Option 3: Living 3	Option 4: Consents
Cost	<p>None for applicants.</p> <p>On-going costs for landowners with rural activities, including Tegel, managing effects of adjoining residential land uses.</p>	<p>Time and money cost to applicant for application processes and technical reports.</p> <p>Servicing costs.</p> <p>Development contributions for Council services.</p> <p>Contributes some potential commuter traffic to Greater Christchurch from a portion of the anticipated appx. 1320 additional households. (but site is accessible to public transport services)</p>	<p>Time and money cost to applicant for application processes and technical reports.</p> <p>Less efficient use of the scarce resource of land so close to an existing, growing urban centre i.e. this is now a key urban growth path for Rolleston.</p> <p>Less efficient development proposal affecting price of sections.</p> <p>Additional consenting and servicing cost for any future relevant densities, if further zoning approved (development can be 'future proofed' for future urban densities).</p> <p>Contributes some traffic potential commuter traffic to Greater Christchurch from a portion of the anticipated appx1320 households (but site is readily accessible to public transport services)</p>	<p>Time and money cost to submitters to seek one-off noncomplying land use and subdivision consents. Consents unlikely to be approved as exceed the permitted Rural Outer Plains zone 20ha dwelling density standards & policy requires higher densities to be 'avoided'.</p> <p>Community cost and uncertainty in responding to ad hoc applications and not seeing the full scale of possible development at any time.</p>
S32 Matter	Option 1: Do nothing: Rural Outer Plains Zone	Option 2: Residential: Living Z & Business 1 (110 ha)	Option 3: Living 3	Option 4: Consents
Benefit	Ongoing rural production on the Site.	Additional housing stock with greater choice in typology than currently available, contributing to the growth of Rolleston.	Lesser volume of housing stock contributing to the growth of Rolleston.	<p>No rezoning required.</p> <p>Benefit to applicant if succeeds (but</p>

	Retains existing rural character and amenity.	<p>Contributes additional supply of 1320 lots to market where there is very strong demand and diminishing remaining supply.</p> <p>ODP provides overall plan of integrated land development.</p> <p>Implements NPS-UD 2020. Provides more households to support township services/amenities and facilities.</p>	<p>Consistent with the existing Living 3 zoning of PC73 (if that zoning is retained)..</p> <p>Can be future proofed for urban rezoning Provides some additional households to support township services/amenities and facilities.</p>	successful applications unlikely)
S32 Matter	Option 1: Do nothing: Rural Outer Plains Zone	Option 2: Residential: Living Z & Business 1 (110ha)	Option 3: Living 3	Option 4: Consents
Efficiency/ Effectiveness (Brown, Copeland & Co Ltd Report specifically addresses this))	<p>High intensity shed-based chicken production unlikely to continue post 2027 regardless of the outcome of the Brookside Road PC. Other existing rural land uses continue. Potential alternative uses for the chicken sheds considered (significant cost to demolish if no potential for higher valued uses for this 46ha block.</p> <p>Rolleston’s housing needs are not met. An undersupply of residential land capacity.</p>	<p>Utility services can be efficiently provided by the Council, and stormwater can be managed on-site.</p> <p>Effective as it utilises rural land, including an existing chicken farm unlikely to remain ‘fit for purpose’ post 2027 without significant additional investment, in a location undergoing rapid urbanisation.</p> <p>Effective in providing for the needs and well-being of landowners according to respective aspirations.</p> <p>Comprehensively provides for extension of the township as planned for including through the ODP.</p> <p>Effective in meeting Rolleston housing needs in an appropriate location, and implements the NPS-UD 2020</p>	<p>Utility services can be efficiently provided by the Council, and stormwater can be managed on-site.</p> <p>Less effective and efficient than Option 2 because cannot achieve the same residential yield to meet Rolleston’s housing needs, to provide development scale and efficiencies, and if ‘future proofed’ for future urban development, the yield will be less because there will be more ‘interim’ larger lots containing dwellings approved under the Living 3 zoning.</p>	Least effective and efficient as outcomes from consent processes are uncertain, and potentially un-coordinated and lack proper planned integration with the township utilities.

Risks of Acting or Not Acting

18. The Council's strategic intentions for Rolleston are contained in the Rolleston Structure Plan 2010. However, this document is now out of date (the projected housing land supply demand for the period up to 2035 has already been reached), and does not reflect the reality of a current impending shortage of housing at Rolleston in the face of continuing very strong demand.
19. Both the Brown, Copeland & Co Ltd Report (examining economic efficiency and the consequences of inaptly applied land use constraints) and the Insight Economics Report (which establishes the fundamental issues with the Council's estimates of supply and demand) draw similar conclusions that:
 - a) constraining the market through policies that restrict land supply, and/ or
 - b) basing future growth decisions on out-of-date planning limits or mis-applied data cut across the Council's ability to give effect to the NPS-UD 2020 and its focus on having plan enabled, at least sufficient land supply provided for the short, medium and long term by being responsive to the market.
20. Zoning under the Operative District Plan has to be robust enough to last the statutory life of the Plan (10 years), and the NPS-UD 2020 also requires that at the end of 10 years the Council is assured that there will be at least a sufficient supply of appropriately zoned and plan enabled land beyond that point.
21. The risk of not acting now to re-zone sufficient urban zoned land, and to provide security of land supply over that timeframe, is that Rolleston will continue to experience the present day issues of uncatered for demand, undersupply of serviced land and a lurch in land and house prices. The Proposed Selwyn District Plan does not zone any more land at Rolleston so will not resolve the problem. A plan change application will progress more quickly than a District Plan submission so will be able to respond more quickly to the housing supply shortage.
22. The risk is that if necessary decisions are not taken today then the sustainable growth and development of Rolleston over the foreseeable planning period is uncertain. Not re-zoning sufficient land that can support appropriate housing typologies to meet the needs of a range of household needs is not meeting the purpose of the Act, nor meeting the Council's obligations to sustainably manage the natural and physical resources of the Selwyn District for present and future generations, or the requirements of the NPS-UD 2020.

23. The applicants have commissioned a range of reports: soil contamination, urban design, geotechnical, traffic and infrastructure reports to inform and shape the development proposal.
24. There is no risk that a decision will be made in an absence of expert advice and appropriate technical solutions for servicing and design.
25. All these inputs to the proposal mean there is little, if any, uncertain or missing information in relation to this proposal.
26. It is therefore considered that there are no significant risks of acting to adopt the Plan Change or accept the application.

Summary of s32 evaluation

S32 Matter	Option 1: Do nothing: Rural Outer Plains Zone	Option 2: Residential: Living Z & Business 1 (110ha)	Option 3: Living 3	Option 4: Consents
Objectives of the proposal being evaluated are the most appropriate way to achieve the purpose of this Act	±	+	±	×
Whether the provisions in the proposal are the most appropriate way to achieve the objectives	×	+	±	×
Benefits	+	++	+	×
Costs	×	++	++	±
Risks	+	×	×	++

+ Evaluation matter met

++ Evaluation matter strongly met

× Evaluation matter not met

± Evaluation matter neutral

Overall Assessment

27. Based on the above assessment, it is concluded that the application to re-zone the Site from Rural Outer Plains Zone to Living Z and Business 1 Zones is the most appropriate method for achieving the objectives of the proposal, than the other alternatives also considered above.
28. Option 2 of the s32 assessment is consistent with a range of District Plan policies notwithstanding that it does not sit square with the timing of release of land in Rolleston Structure Plan 2009 (which is now out of date, and does not take account of

the new NPS-UD 2020 and the significant shortage of housing land at Rolleston in the face of very strong demand).

29. Option 2 to re-zone the whole site Living Z and Business 1 is the most appropriate given:
 - a) The proposals adopt an Operative District Plan zone, and development and activity standards. This ensures continuity of District Plan anticipated environmental outcomes and urban amenity for Rolleston and adjoining residential areas;
 - b) Will be consistent with and give effect to the relevant Operative District Plan objectives and policies, other than those relating to urban growth which are inconsistent with and do not give effect to the NPS-UD;
 - c) It is a logical extension to the developed and developing residential land adjacent to the Site, and the PC73 proposal, while achieving a compact, efficient urban form that removes pressure on isolated rural land elsewhere in the Rural Outer Plains Zone;
 - d) There is no additional cost to the Council in re-zoning the Site as proposed as there is capacity in the public utilities and the existing road network, including planned upgrades, will accommodate the traffic effects of about 1320 households;
 - e) The proposed ODP provides certainty of the final form and disposition of the re-zoned area including its proposals for reserves, roading, future linkages for pedestrian and vehicular traffic.
30. The adoption of the Living Z and Business 1 Zones in the proposal is considered to be appropriate to achieve the long term sustainable growth and development of Rolleston.
31. The economic, social and environmental benefits of the proposal outweigh the potential costs.
32. The Brown, Copeland & Co Ltd and Insight Economics Reports conclude that the overall efficiency and effectiveness of the proposal is high.
33. The proposal is considered to be the most appropriate, efficient and effective means of achieving the purpose of the Resource Management Act 1991.



Final Report: 21 October 2021

Economic Assessment of Proposed Private Plan Change in Rolleston – Brookside Road Plan Change

Prepared for:

Gallina Nominees, Heinz Wattie Pension Fund, and Brookside Road Residential Ltd

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1. Executive Summary

Gallinas Nominees and Heinz Watties Pension Fund, in collaboration with Brookside Road Residential Ltd, are submitting a plan change on approximately 110 hectares of rural-zoned land on the western outskirts of Rolleston. To enable the eventual development of approximately 1,320 residential dwellings over time, the parties seek rezoning of the land to Living Zone (LZ). To assist, this report briefly assesses the likely economic effects of the proposal.

Having identified and described the subject land, we next assess the need for the plan change according to the National Policy Statement on Urban Development (NPSUD). We show that the Council is currently not meeting its obligations to provide at least sufficient capacity to meet the demand for new dwellings, as required by the NPSUD. This is both because the Council's estimates of demand for additional dwellings are inordinately low, while its estimates of likely capacity to meet that demand appear grossly overstated.

When the various issues identified herein are addressed to provide more reliable estimates of dwelling supply/demand, the district clearly faces significant supply shortfalls under the short, medium, and longer terms. Accordingly, additional land needs to be identified and rezoned as soon as possible to meet NPSUD obligations, and to enable the efficient operation of the local land market.

Having determined the need for the plan change to address chronic projected shortfalls, we assessed the likely economic costs and benefits of the proposal. Overall, we expect the proposal to provide strong economic benefits, including:

- Providing a substantial, direct boost in market supply to meet current and projected future shortfalls;
- Bolstering land market competition, which helps deliver new sections to the market quicker and at better average prices;
- Contributing to achieving critical mass to support greater local retail/service provision, including the community's vision for a renewed Rolleston Town Centre and improved public transport facilities/services; and
- The one-off economic stimulus associated with developing the land and constructing the dwellings that will be enabled there.

Conversely, the main economic cost of the proposal is potential losses of rural production. However, given the site's relatively poor soils, such effects are limited. In addition, rural production is constrained by potential reverse sensitivity from nearby land and limits on irrigation capacity.

Given the strong and enduring benefits of the proposed plan change, and noting the absence of any material economic costs, we support it on economic grounds.

2. Introduction

2.1. Context & Purpose of Report

Gallinas Nominees and Heinz Watties Pension Fund, in collaboration with Brookside Road Residential Ltd, are submitting a plan change on approximately 110 hectares of rural-zoned land on the western outskirts of Rolleston. To enable the eventual development of approximately 1,320 residential dwellings over time, the parties seek rezoning of the land to Living Zone (LZ). To assist, this report briefly assesses the likely economic effects of the proposal.

2.2. Structure of Report

The remainder of this report is structured as follows:

- **Section 3** locates the subject land, describes its current zoning and receiving environment, then outlines the proposed plan change;
- **Section 4** discusses the need for the plan change under the National Policy Statement on Urban Development (NPSUD);
- **Section 5** considers the likely economic costs and benefits of the plan change; and
- **Section 6** provides a short summary and conclusion.

3. About the Subject Site & Proposed Plan Change

3.1. Site Location & Description

The subject site is located on the western outskirts of Rolleston in the Selwyn district. It is bound by Dunns Crossing Road to the east, Brookside Road to the north, Edwards Road to the west and rural land to the south. The yellow outline in the map below identifies the site.

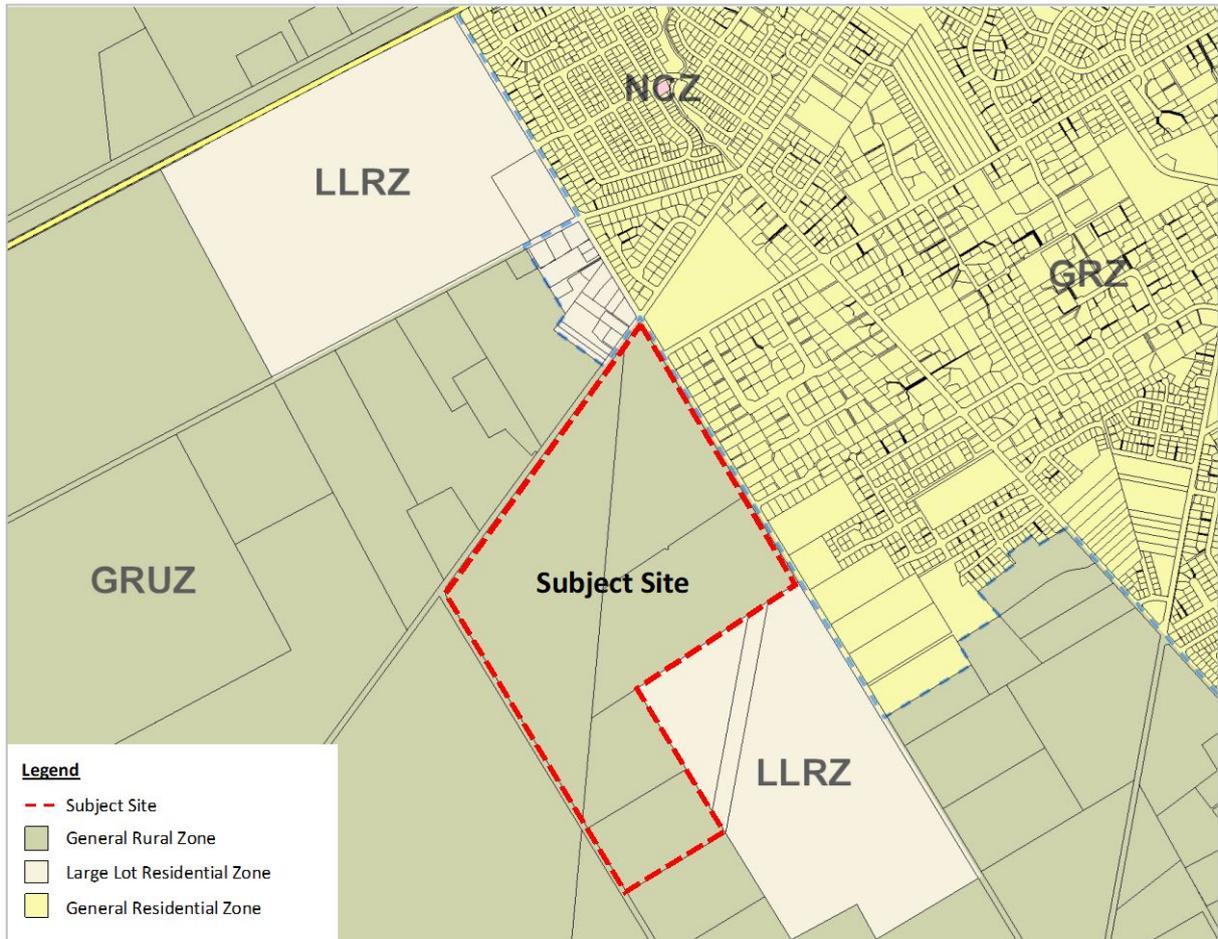
Figure 1: Location of Subject Site



3.2. Zoning & Receiving Environment

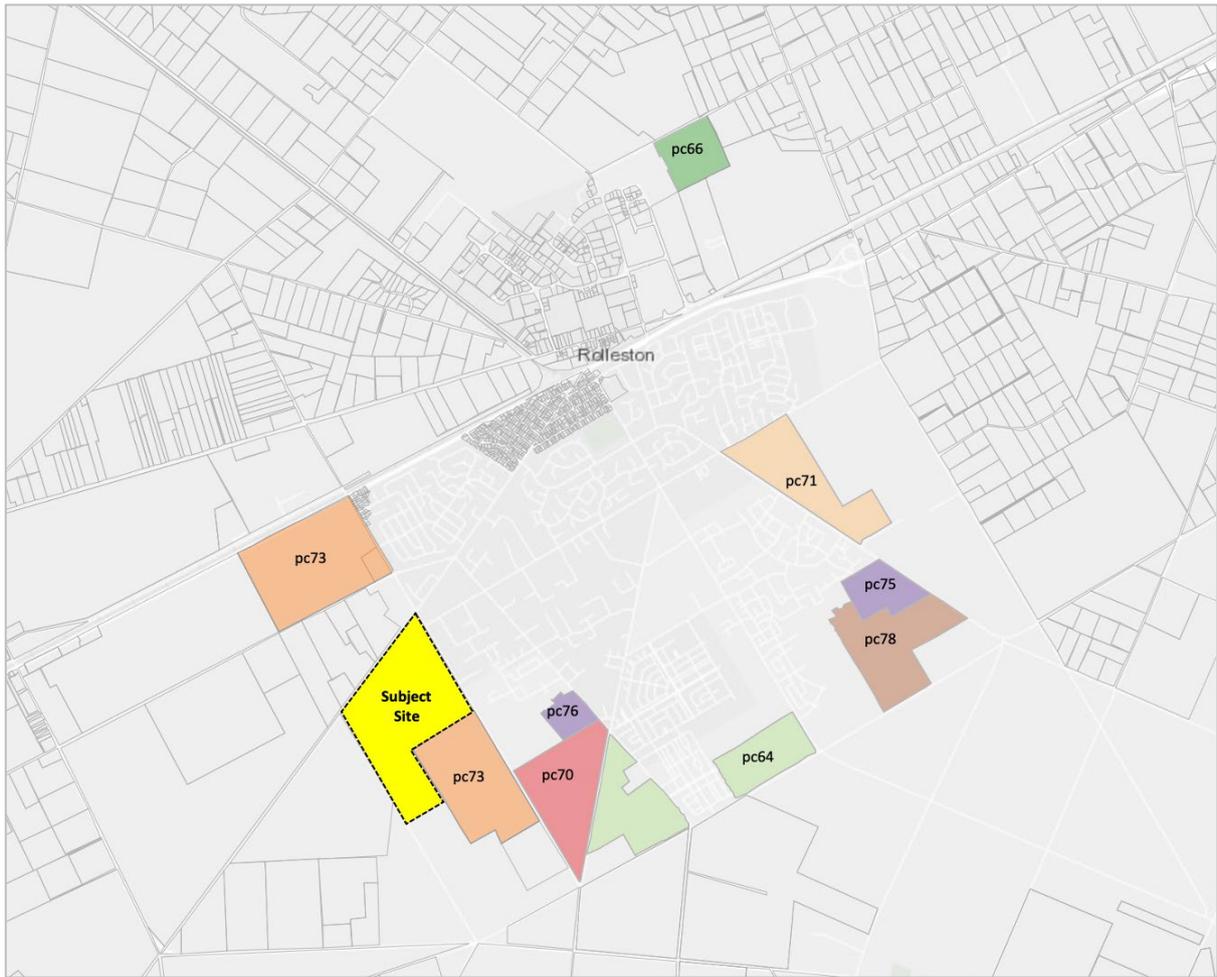
The site is currently zoned Specific Control Area 1 - Outer Plains under the Operative District Plan (ODP) and General Rural Zone (Specific Control Area: Rural Density 2) under the Proposed District Plan (PDP). The land immediately east of the site is zoned for general residential use, and there are large lot residential zones to the north and south, as illustrated in Figure 2 below.

Figure 2: Zoning of Subject Site under PDP



Various rezoning submissions have been received for land in and around Rolleston as part of the Selwyn District Plan review process. These rezoning submissions are supported by plan changes to the ODP. Notably, the subject site is located in between the two land parcels that comprise Plan Change 73, which seeks rezoning to allow for the development of approximately 2,100 dwellings and a small amount of supporting commercial activity. The map below shows the location of the subject site relative to land in and around Rolleston that is currently undergoing a plan change process.

Figure 3: Location of Subject Site Relative to Plan Change Submissions



The plan change seeks to rezone the subject site to Living Zone (LZ), to enable the development of around 1,320 dwellings over time.

4. Need for The Plan Change Under the NPSUD

This section assesses the need for the plan change according to the National Policy Statement on Urban Development (NPSUD).

4.1. Context

The NPSUD came into effect in August 2020. Like its predecessor, the NPSUDC 2016, the NPSUD requires Councils in high growth areas to provide (at least) sufficient development capacity to meet expected future demand for additional dwellings over the short-, medium-, and long-term. In addition, the NPSUD imposes strict monitoring and reporting requirements to ensure that any likely capacity shortfalls are identified and rectified as soon as possible.

The NPSUD's requirements for monitoring and providing at least sufficient development capacity vary across three tiers, with the strictest requirements imposed on Councils in tier 1 urban environments. These represent the highest-growth areas, and where capacity shortfalls have historically been the most acute.

Selwyn District comprises part of the Greater Christchurch Tier 1 urban environment and is therefore required under the NPSUD to complete a detailed housing and business development capacity assessment (HBA) every three years. The HBA synthesizes a raft of information about the supply and demand for new dwellings to ensure that sufficient capacity is being provided in the right places and at the right time to keep pace with demand through to the long term.

4.2. 2021 Greater Christchurch HBA

On 30 July 2021, the Greater Christchurch Partnership (GCP) published its latest HBA for its three partner Councils: Christchurch City, Selwyn District, and Waimakariri District.¹

The table below summarises the estimated feasible capacity and projected future demand for additional dwellings in Selwyn according to the latest HBA for three different capacity scenarios:

- Excluding Rolleston's future development areas (FUDAs) (which were identified in the 2018-2048 Our Space strategy);
- Including Rolleston's FUDAs at a density of 12.5 households per hectare; and
- Including Rolleston's FUDAs at a density of 15 households per hectare.

¹ <https://www.greaterchristchurch.org.nz/assets/Documents/greaterchristchurch/Capacity-Assessment-reports-2021/Greater-Christchurch-Housing-Development-Capacity-Assessment-July-2021.pdf>

Table 1: Selwyn District Feasible Capacity and Dwelling Demand in Latest HBA

Scenario 1: Excluding Future Urban Development Areas (FUDAs)			
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,578	2,714	1,864
Medium term	6,452	8,541	2,089
Long term	6,452	25,338	18,886
Scenario 2: Including Future Urban Development Areas (FUDAs) @ 12.5 hh/ha			
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,578	2,714	1,864
Medium term	12,208	8,541	3,667
Long term	12,208	25,338	13,130
Scenario 3: Including Future Urban Development Areas (FUDAs) @ 15 hh/ha			
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,578	2,714	1,864
Medium term	13,502	8,541	4,961
Long term	13,502	25,338	11,836

Table 1 shows that, when the FUDAs in Rolleston are excluded, the latest HBA reveals a significant shortfall in feasible district dwelling capacity over both the medium-term (3 to 10 years) and long-term (10 to 30 years). When those new growth areas are included, however, the medium-term shortfall disappears leaving only long-term deficits.

4.3. Critique of HBA Methodology & Conclusions

While the HBA’s dwelling supply/demand figures imply no short-term need to provide additional dwelling capacity to meet demand, there are several compelling reasons why this is unlikely to be the case.

NPSUD Requirements are Minima Not Targets

First, the capacity requirements set out in the NPSUD are minima, not targets, and they must be achieved “at all times”. Thus, even if a Council appears to have “sufficient” capacity to meet demand, that does not negate the benefits of providing additional capacity. The opposite is generally true. Thus, all other things being equal, the greater the capacity provided, the greater the degree of land market competition and the more efficiently that the market operates (for the wider benefit of the community).

Inclusion of FUDA in Medium Term Capacity Figures

Second, the Council has used the FUDA’s as part of its medium-term capacity. However, clause 3.2 of the NPSUD requires that for capacity to be ‘sufficient’ to meet expected demand, it must be (among other things) ‘plan enabled.’ Clause 3.4 of the NPSUD goes on to state that development is ‘plan-enabled’ for housing if, in relation to the medium term, it is on land zoned accordingly for housing² under either an operative or proposed district plan. This is not the case

² Noting that clause 3.4(2) goes on to state that land is ‘zoned’ for housing only if the housing use is a permitted, controlled, or restricted discretionary activity on that land.

for the FUDAs in Rolleston and as such these areas cannot be considered in any medium-term development capacity assessment.

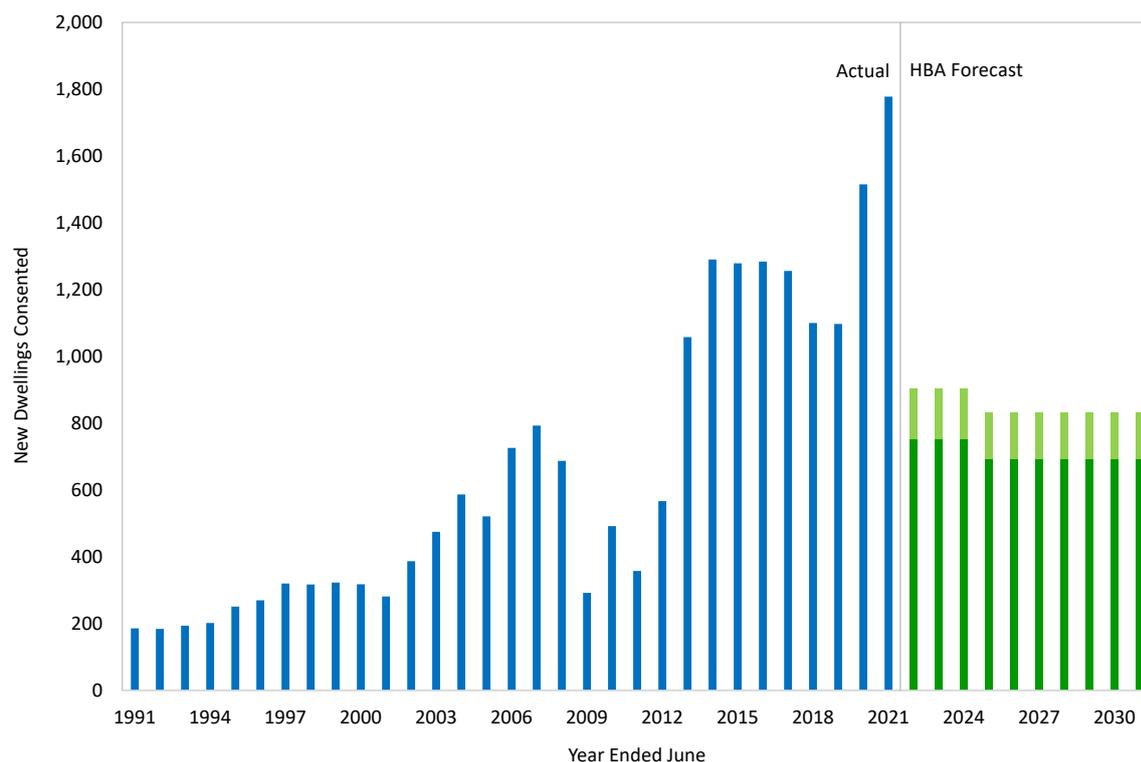
Demand Estimates Appear Implausibly Low

Thirdly, the Council’s estimates of future dwelling demand appear very conservative. Specifically, the HBA assumes short-term demand for only 2,714 new dwellings over the next three years, and a medium-term demand for only 8,541 over the next 10 years (both including 20% competitiveness margins). These equate to annual run rates of about only 900 dwellings over the short term, and 850 over the medium term.

By contrast, the latest building consent data published by Statistics New Zealand show that nearly 1,800 new dwellings were granted in Selwyn during the 12 months ended June 2021, which is double the assumed short-run rate of only 900.

Figure 4 provides more details. It compares the HBA’s projected dwelling demand to 2031 (the green bars) to actual district building consents granted since 1991 (the blue bars). The light green segments at the top of the HBA forecast bars represent the NPSUD competitiveness margins.

Figure 4: Recent Building Consent Volumes vs HBA Demand Estimates³



Clearly, the HBA’s forecasts of short- to medium-term future growth defy recent trends and thus almost invariably understate the true extent of future demand. When the competitiveness margins (i.e. the light green bits at the top of the HBA bars) are stripped out to make it a like-for-like

³ Building Consent data was retrieved from <http://infoshare.stats.govt.nz/>

comparison with the blue bars (which are raw consent numbers and thus exclude any margins), this anomaly becomes even more stark.

HBA Yield Assumptions

Not only does the HBA for Selwyn adopt inexplicably low estimates of demand, but its estimates of feasible capacity (to meet that demand) appear grossly overstated. There are several issues at play here, which we now work through one by one.

First, when calculating the feasible capacity for new dwellings still residing in existing greenfield areas, which account for most of the short-term supply, the modelling assumes that only 25% of such land will be used for infrastructure (such as roads, parks, and reserves). Thus, it assumes that 75% of the land will be available for development.⁴

To ground-truth this assumption, we reviewed a recent, detailed report on residential development densities by Harrison Grierson, which was commissioned by the GCP.⁵ It profiles the development outcomes achieved across various recent greenfield subdivisions, several of which were in Greater Christchurch.

We extracted data from that report to identify the proportion of land in each subdivision used for residential dwellings versus commercial uses or infrastructure. The results are tabulated below, and show that only 60% of greenfield land is typically available for new housing, not 75% as the HBA modelling suggest.

Table 2: Land Use Coverage Ratios in Recent Greenfield Subdivisions

Greenfield Development	Residential	Commercial	Infrastructure	Total
Spring Grove (Belfast, Christchurch)	53%	0%	47%	100%
Golden Sands (Papamoa, Tauranga)	58%	1%	41%	100%
Huapai Triangle (Kumeu, Auckland)	58%	1%	41%	100%
Longhurst (Halswell, Christchurch)	63%	2%	35%	100%
Greenhill Park (Chartwell, Hamilton)	53%	0%	47%	100%
Faringdon (Rolleston, Selwyn)	63%	1%	36%	100%
Sovereign Palms (Kaiapoi, Waimakariri)	71%	1%	28%	100%
Average	60%	1%	39%	100%

We acknowledge that the proportion of land available for residential development varies across the case study areas in Table 2, and we also understand that geotechnical conditions are a key driver. For example, in low-lying, flood prone areas, more land is generally needed for stormwater management, with less required in more elevated and well-drained areas.

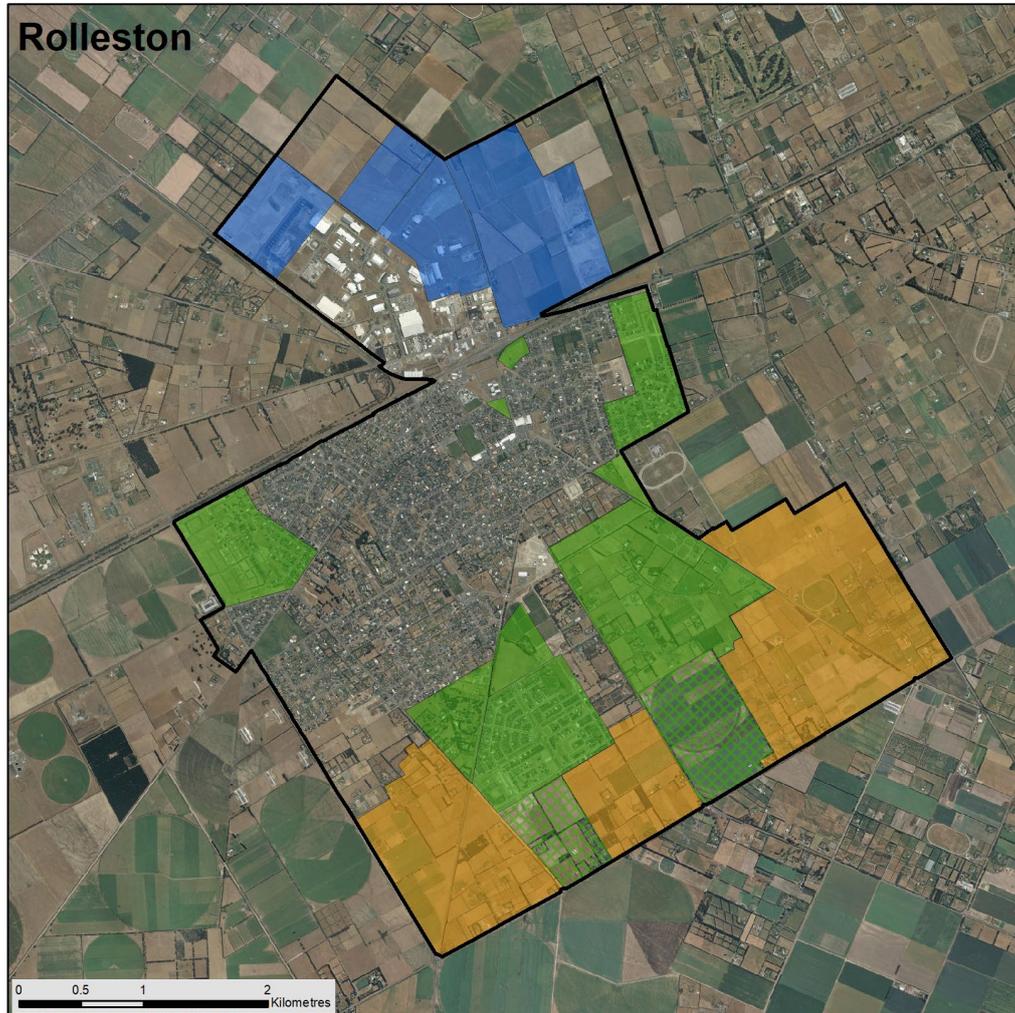
Based on discussions with district developers – including the developer of PC67, who has developed more than 2,700 sections across Greater Christchurch over the last 10 to 15 years – we understand that a net yield of 65% is more likely to reflect future development outcomes across Selwyn district, not the 75% assumed in the HBA. We return to this point shortly.

⁴ See page 42 of the HBA (30 July 2021).

⁵https://www.selwyn.govt.nz/_data/assets/pdf_file/0005/475466/UG-Chapter-Appendix-3-HG-Greenfield-Density-Analysis.pdf

Yet another issue with the Council's estimates of feasible capacity relate to the FUDAs identified in the 2018-2048 Our Space Strategy, which are represented by the orange blocks in the map below.

Figure 5: Map of Rolleston Future Urban Development Areas (FUDAs)



According to the HBA, these FUDAs can accommodate an additional 5,756 to 7,050 dwellings at densities of 12.5 and 15 dwellings per hectare, respectively.

While the HBA is not explicit about the land area underpinning these estimates, the lower figure translates to approximately 460 hectares of developable land, while the higher equates to about 470 hectares. Hence there is a discrepancy of 10 hectares of land within the FUDAs in these figures.

To verify the amount of land contained with the FUDAs, which seem to differ between the HBA's two density scenarios, I used Canterbury Maps to trace their outlines. The results show that these FUDAs span roughly 462 hectares in total.

Herein lies the problem. As discussed just above, not all land in these FUDAs will be available for residential development, with some instead required for roads, reserves, and other infrastructure that is expressly excluded from the definition of net density in the Canterbury Regional Policy Statement and which dictates the 12 dwellings per hectare target. Consequently, the estimates of feasible capacity residing in the FUDAs need to be scaled down too to allow for the land required by these excluded features.

Because the assumed yields of 12 to 15 dwellings per hectare for the FUDAs reflect net densities, they already account for local roads and reserves etc. To account for other non-residential land uses – such as arterial roads, stormwater areas, commercial activities, schools, and so on – we understand that the FUDA yields should be scaled down by about 15%.

Assumed Profit Margin for House Construction

Another significant issue that seriously undermines the veracity of the HBA's estimates of feasible development capacity is the profit margin that is assumed to be required by developers.

According to official guidance published by MBIE, feasibility assessments should adopt a default development margin of 20%, with this value altered only upon review from the development community. This target return is accurate, although many developers target a higher return of 25% to reflect the significant risks associated with property development.

The analysis underpinning the latest HBA for Selwyn, however, adopts a far lower development margin of only 6.6%. This much smaller margin, in turn, lowers the financial hurdle required for hypothetical developments to be considered commercially feasible, and therefore directly overstates likely future dwelling supply.

Interestingly, bullet 2 in appendix 3 of the HBA acknowledges that a 20% development margin is recommended by MBIE, but notes that the assessment has departed from it “to better recognize local and actual market parameters.”

We are unaware of any basis for this assertion. Indeed, we are unaware of any developers in the Greater Christchurch area that would risk millions of dollars of their own capital to potentially earn a 6.6% development margin. Nor are we aware of any lenders that would inject capital into a venture where the profit margins are so thin and hence the project is at risk of potential default. Interestingly, this inexplicably low profit margin also was not reviewed or endorsed by the development community, as required by official guidance.

To put it in context, a target return of 6.6% could only ever be considered a “black swan” scenario that might be used to assess the absolute worst case, but it would never be used as the baseline assumption. It simply makes no sense, so we dug deeper to better understand the origins of this rather unusual and misleading assumption.

Our query was answered on page 50 of the HBA, where the authors cite data from Stats New Zealand, which allegedly showed a development margin of only 6.6% for house construction.

We then obtained a copy of that data from Stats NZ and identified the 6.6% figure to put it in context. Regrettably, the HBA's authors appear to have mistaken two similar but entirely different financial metrics.

The first metric is the development margin, which is the profit that a developer seeks to earn over and above their costs for a given project. The second is net profit after tax, or NPAT, which measures the profit earned by a venture when all costs – including tax – are deducted.

In short, it appears that the HBA's authors have mistakenly used the NPAT figure from those financial data and assumed that it equals the developer margin. However, NPAT accounts for a wide range of costs that do not feed into the calculation of developer margins, such as fixed operating costs, depreciation, amortization, and income tax.

The upshot of all this is that the HBA has used an inordinately low developer margin to calculate the commercial feasibility of building new homes in the district, and therefore has significantly overstated the true extent of feasible development capacity. These figures are at least an improvement on the previous HBA, however, which oddly assumed that all plan-enabled capacity would be commercially feasible to develop.

Model Errors/Inconsistencies

In addition, we recently became aware that the model used to estimate feasible capacity contains several anomalies or inconsistencies, which further overstate district dwelling capacity. Specifically, the model:

- Appears to count capacity residing outside of the Greater Christchurch urban environment as defined by the NPSUD, such as the 144 lots included at Castle Hill (parcel ID 7971519). Overall, more than 1,000 lots outside the urban environment appear to have been included.
- Assumes that some district reserves will be developed for residential purposes. e.g. the Stonebrook subdivision water race is assumed to provide 6 infill sites (parcel ID 7703161 & 7703159).
- Includes residential capacity on developed non-residential sites. For example, the model assumes that the Kindergarten at 76-80 Granite drive can provide 2 infill sites, which is highly unlikely given the acute need for early childhood education provision in Rolleston. (parcel IDs 7636983 & 7636981).

To summarise, not only has the HBA understated likely future demand, but its estimates of feasible capacity are grossly overstated for several reasons. Collectively, these issues mean that the forecast shortfall in capacity identified in the HBA is likely to occur far sooner than expected.

Feasible Capacity vs Market Supply

Not only is feasible capacity significantly overstated for the reasons set out above, but there is also a critical difference between feasible capacity, as reported in the HBA, and likely market supply (which is ultimately tasked with meeting increased demand over time).

In short, while feasible capacity is an interesting metric, it should not be confused with market supply. There are several reasons why feasible capacity may not form part of market supply, particularly over the short to medium term. They include:

- *Developer intentions* - some landowners have no clear intention to develop in the short- to medium-term, nor to sell their land to others who may wish to develop it.
- *Tax implications* – greenfield land owners are liable for taxes on recent land value uplifts caused by rezoning. These taxes are greatest in the first year following the rezoning, but gradually diminish over time and then cease 10 years later. In some cases, efforts to avoid or minimise these taxes could cause land to be withheld from the market for up to a decade.
- *Land banking and drip-feeding* – other landowners intend to develop in future, but are currently withholding supply to capitalise on inevitable land price inflation, while some are drip-feeding supply to maintain prices and hence maximise returns.
- *Site constraints* – the Council’s estimates of likely supply appear to consider only infrastructure as a potential site constraint and therefore overlook other factors that affect developability, such as contamination or awkward site shape/topography.
- *Operational capacity* – some landowners face operational capacity constraints, which limit the number of new residential lots that they can supply per annum.
- *Financing* – similarly, some landowners face capital/financing constraints that also limit their ability to supply.

Given these various market forces, it follows that actual market supply will only ever be a modest proportion of feasible capacity, and hence that reliance on “just enough” feasible capacity to meet demand will invariably lead to significant and prolonged market shortages.⁶

Revised Estimates of Demand and Supply

To provide a more reliable basis for assessing the adequacy, or otherwise, of the district’s current land supply, we recreated our table 1 above to reflect the various supply/demand issues just discussed. These revised supply/demand estimates take

⁶ This is confirmed in the PC67 evidence of Mr Gary Sellars (registered valuer), who identified only 34 sections currently available – or about to become available – for sale in Rolleston. This is only a tiny fraction of the Council’s latest estimates of feasible capacity for Rolleston, which is supposedly more than 2,000 dwellings.

Table 1 as their starting point, and incorporate the following adjustments that we adopted:

- Short-term demand equals 80% of the number of new consents granted in the district over the last 5 years (plus a 20% competitiveness margin).
- Medium term demand equals 70% of the number of new consents granted in the district over the last 5 years (plus a 20% competitiveness margin).
- Long term demand equals 60% of the number of new consents granted in the district over the last 5 years (plus a 15% competitiveness margin).
- The FUDAs are excluded from medium-term capacity because they do not meet the definitions in section 3.4 of the NPSUD as being plan-enabled.
- 65% of land residing in existing greenfield areas will be available for residential development, with the other 35% used for roads, reserves, and commercial activities.⁷ For the FUDAs, 85% of the land will be available for residential development.
- Likely market supply equals 60% of short-term feasible capacity, 75% of medium-term, and 90% of long-term. This reflects the fact that the various market constraints identified above are typically more acute in the short-term but less so in the longer term.
- No adjustments are made for the inordinately low developer margin of 6.6% because it is impossible to identify the impacts on feasible capacity. Neither are any adjustments made for the various modelling inconsistencies noted earlier. Accordingly, our revised totals are conservative and continue to overstate feasible capacity and hence likely market supply.
- Sufficiency is based on the relationship between demand and likely market supply, not demand and feasible capacity.

Bearing these adjustments in mind, Table 3 presents our revised dwelling supply/demand estimates for the district.

⁷ Further, 80% of existing feasible capacity is assumed to be within the district's greenfield areas, and 20% within infill areas.

Table 3: Revised Dwelling Supply/Demand Estimates

Scenario 1: Excluding Future Urban Development Areas (FUDAs)				
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Likely Market Supply</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,090	2,454	3,886	-1,432
Medium term	5,764	4,323	11,819	-7,496
Long term	5,764	5,187	30,438	-25,251
Scenario 2: Including Future Urban Development Areas (FUDAs) @ 12.5 hh/ha				
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Likely Market Supply</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,090	2,454	3,886	-1,432
Medium term	5,764	4,323	11,819	-7,496
Long term	10,656	9,591	30,438	-20,847
Scenario 3: Including Future Urban Development Areas (FUDAs) @ 15 hh/ha				
<u>Timeframes</u>	<u>Feasible Capacity</u>	<u>Likely Market Supply</u>	<u>Demand incl buffer</u>	<u>Surplus/Shortfall</u>
Short Term	4,090	2,454	3,886	-1,432
Medium term	5,764	4,323	11,819	-7,496
Long term	11,756	10,581	30,438	-19,857

4.4. Implications for This Plan Change

Table 3 confirms that, when the Council’s supply and demand estimates are revised to better reflect reality, that there are significant shortfalls across all three timeframes. Accordingly, additional supply needs to be identified and rezoned as soon as possible (despite the findings of the HBA). Otherwise, the likely prolonged supply shortfalls will place undue pressure on house prices, which undermines affordability and limits the district’s strong growth potential.

5. Cost & Benefits of the Plan Change

Having established above that there is a pressing near-term need to identify and rezone additional land to meet forecast growth in demand, we now consider the likely economic costs and benefits of the plan change.

5.1. Boost in Market Supply

Perhaps somewhat obviously, the proposed plan change will provide a substantial, direct boost in the district's dwelling capacity, thereby helping to narrow the gap between likely future supply and demand. All other things being equal, this supply boost will help the market to be more responsive to growth in demand, thereby reducing the rate at which district house prices grow over time (relative to the status quo).

Further, although the district's housing has been reasonably affordable compared to other parts of New Zealand in the past, its prices have surged recently. This is illustrated in the chart below, which incorporates the latest data published under the NPSUD to 30 June 2021.

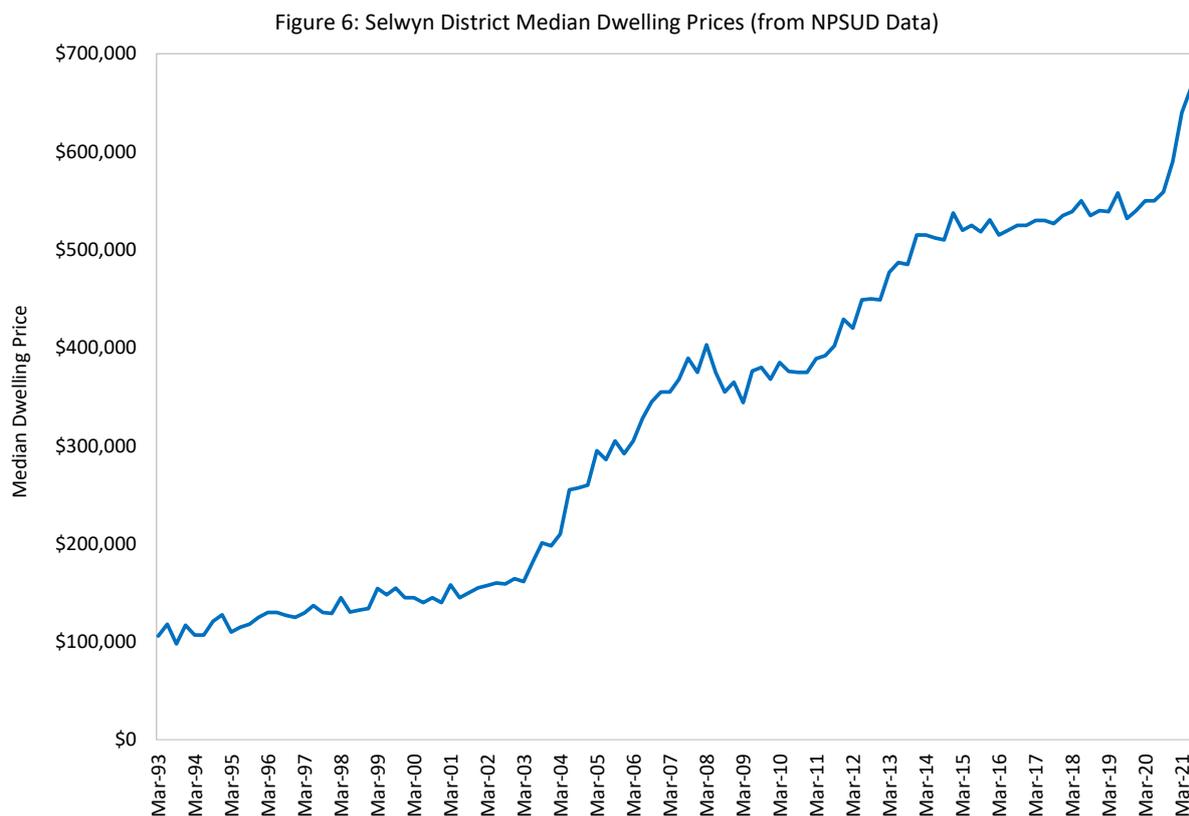


Figure 6 confirms that district dwelling prices have increased steadily over time, but recently shot up after a prolonged period of consolidation. In fact, they increased 21% over the 12 months ended 30 June 2021, which will likely be starting to reduce affordability.

Even prior to this recent spike in house prices, district housing had started to become relatively unaffordable. For example, the latest affordability report by Core Logic (as at December 2020)

showed that the median house price was nearly six times the median household income. By comparison, the benchmark for affordability is a ratio of only three.

In addition, the latest Core Logic report showed that it takes about 7.7 years to save the deposit for a new home in Selwyn. Thus, not only are house prices themselves increasingly unaffordable, but even the task of saving the deposit for a new home is an onerous task that is starting to become well beyond the reach of many households.

The plan change directly responds to this need for additional dwelling capacity by enabling the development of approximately 1,320 new homes over time.

In our view, and from an economic perspective, this represents a highly significant boost in supply. To assess whether this satisfies the definition of “significant” in clause 3.8 of the NPSUD (which relates to unanticipated or out-of-sequence plan changes), we reviewed the latest HBA. At page 10, it discusses consultation with the development community (while writing the HBA) and describes landowners that could develop 20 or more dwellings as being significant.

As such (and particularly given the shortfalls we have described), we consider that the proposed development of approximately 1,320 dwellings on the subject site represents an extremely significant increase in capacity for the Selwyn district, from both an economic and market perspective and by virtue of the way that term is used in the HBA (and by extension how it might be considered for the purposes of clause 3.8 of the NPSUD).

To put the supply boost in context, we note that the 1,320 new lots provided would increase likely short-term district supply by 54%, and medium term by 31%.⁸ We consider this a very significant contribution, especially from just one development.

5.2. Land Market Competition

In addition to directly boosting district dwelling capacity, the proposed plan change will also help to foster competition in the local land market. This is important because, as recognised through objective 2 of the NPSUD, competition is the cornerstone of economic efficiency. When the land market becomes more competitive, land developers have a greater incentive to get their product to the market in a more timely and cost-effective manner, thus further helping to keep district housing as affordable as possible.

Absent competition, landowners experience “market power”, which enables them to charge more for land and be slower in releasing it to the market. Both outcomes conspire against affordability and reduce the overall efficiency of the housing market. Indeed, this sort of market power is likely to explain some of the rapid growth in land and dwelling prices over the last 12 months, as shown in Figure 6.

⁸ Based on the likely short term supply estimate of 2,454 dwellings in Table 3, and the medium term figure of 4,323.

Moreover, not only do the direct boost in supply and increased land market competition (discussed above and created by the proposal) have direct economic benefits by making land and dwellings more affordable than they would have been otherwise, they can also have broader impacts.

Specifically, by reducing the rate at which dwelling prices grow, future residents will spend less on weekly rent or mortgage payments than they would have otherwise, which will boost disposable incomes. With a significant proportion of that extra money likely to be spent locally, lower future dwelling prices (relative to the status quo) will also create additional economic stimulus for the wider benefit of the local area through increased household spending over time.

5.3. Critical Mass to Support Greater Local Retail/Service Provision

Currently, Selwyn district residents rely heavily on centres in Christchurch City to meet their daily household needs. For example, the table below shows the destination of Selwyn district resident spend in 2019 using detailed Marketview data provided to us by Waimakariri District Council on a recent, separate matter.

Table 4: Destination of Selwyn District Resident Spend in 2019

Spending Categories	Selwyn District	CHCH City	Rest of Region	Rest of NZ	Total
Apparel and Personal	15%	73%	3%	10%	100%
Cafes, Restaurants, Bars, Takeaways	31%	47%	6%	15%	100%
Department Stores and Leisure	16%	73%	3%	8%	100%
Fuel & Automotive	44%	40%	8%	8%	100%
Groceries & Liquor	50%	39%	4%	6%	100%
Home, Hardware & Electrical	10%	80%	3%	6%	100%
Other Consumer Spending	18%	58%	6%	18%	100%
All Categories	34%	52%	5%	9%	100%

Table 4 shows that only a third of Selwyn resident spend is retained in the district, with more than half leaking out to Christchurch City. While some of that city spending may occur before, during, or after working there, others reflect specific trips.

By enabling the resident population to grow, including via additional development on the subject site, the district will eventually be able to support greater local retail/service provision and hence be less reliant on the city to meet its household needs.

This, in turn, will not only support greater district economic activity and hence employment, but also reduce vehicle travel and the harmful emissions associated with it.

More specifically, greater district critical mass – including at the subject site – will help the Council and community to realise its ambitions for a renewed Rolleston Town Centre, thereby elevating its current status as a lower-order KAC to a fully-functioning town centre that fulfils a wider range of roles and functions.

To put this in context, we estimated likely future spending originating on the subject site at full build-out by applying regional average spending from the latest Household Economic Survey. The

results are tabulated below, and reflect total annual spending by 1,320 new households. To be conservative, these estimates ignore ongoing growth in annual household spending over time.

Table 5: Projected Future Spending Originating Onsite

Expenditure Group	Annual Spend per Household	Total Annual Spend (\$ millions)
Food	\$12,270	\$16.2
Alcoholic beverages, tobacco, and illicit drugs	\$1,650	\$2.2
Clothing and footwear	\$2,400	\$3.2
Housing and household utilities	\$15,510	\$20.5
Household contents and services	\$2,360	\$3.1
Health	\$2,050	\$2.7
Transport	\$10,680	\$14.1
Communication	\$1,850	\$2.4
Recreation and culture	\$6,570	\$8.7
Education	\$1,060	\$1.4
Miscellaneous goods and services	\$6,340	\$8.4
Other expenditure	\$7,820	\$10.3
Total Household Expenditure	\$70,560	\$93.1

Table 5 shows that future households on the subject site will spend \$93 million per annum on a wide range of household goods and services, many of which will likely be purchased from the Rolleston Town Centre. Accordingly, future development of the land will provide significant commercial support for Rolleston businesses.

In addition, future residents of the plan change area will help create critical mass to support the provision of improved public transport facilities and services over time.

5.4. One-Off Economic Stimulus

Constructing the 1,320 new homes enabled by the proposal will generate significant one-off economic impacts. We quantified these using a technique called multiplier analysis, which is based on detailed matrices called input-output tables. These tables describe the various supply chains that comprise an economy, and therefore enable the wider economic impacts of a change in one sector (or sectors) to be traced through to estimate the overall impacts.⁹

⁹ The multipliers used here are for the Canterbury region, and were derived by our organization. They are widely used by a range of public and private organisations across New Zealand, including Lincoln University.

These impacts include:

- *Direct effects* – which capture onsite activities directly enabled by the proposal; plus
- *Indirect effects* – which arise when businesses working directly on the project source goods and services from their suppliers, who in turn may need to source good/services from their own suppliers, and so on; and
- *Induced effects* – which occur when a share of the additional wages and salaries generated by the project (directly or indirectly) are spent in the local/regional economy and therefore give rise to additional rounds of economic impacts.

These economic effects are usually measured in terms of:

- *Contributions to value-added (or GDP)*. GDP measures the difference between a firm’s outputs and the value of its inputs (excluding wages/salaries). It captures the value that a business adds to its inputs to produce its own outputs.
- *The number of people employed* – this is measured in terms of employment counts, which include both part-time and full-time workers, because Statistics New Zealand does not provide data on full-time equivalent employees (FTEs).
- *Total wages and salaries* paid to workers, which are often labelled ‘household incomes.’

Having defined these key terms, the following table shows the estimated economic impacts of the various activities enabled by the proposal.

Table 6: One-Off Regional Economic Impacts of Construction

Economic Impact Measures	Direct	Indirect	Induced	Total
Regional GDP (\$ millions)	\$140	\$95	\$50	\$285
Employment (people-years) ¹⁰	1,525	1,050	490	3,065
Wages/Salaries (\$ millions)	\$75	\$50	\$20	\$145

In summary, we estimate that future construction activity enabled by the proposal could boost regional GDP by \$285 million, including flow on effects, generate employment for 3,065 people years, and generate \$145 million in household incomes.

Assuming (say) a 10-year construction period, these translate to annual impacts of \$28.5 million in regional GDP, including flow on effects, full time employment for 306 people, and \$14.5 million in household incomes.

¹⁰ One person-year means one person employed for a full year. Hence, 100 people-years could mean 100 people employed for one year, 50 people employed for 2 years, and so on.

5.5. Foregone Rural Production

The main potential economic cost of the proposal is the loss of the land for rural production, namely agriculture and/or horticulture.

However, the site comprises Lismore stony silts, which are light soils. These soils are not classified as versatile (Land Use Capability (LUC) Classes 1-2) or highly productive as defined in the Proposed National Policy Statement – Highly Productive Land (LUC 1-3).

This means that the site's soil has:

“...severe physical limitations to arable use. These limitations substantially reduce the range of crops which can be grown and/or make intensive soil conservation and management necessary. In general, class 4 land is suitable only for occasional cropping (once in five years or less) although it is suitable for pasture, tree crops or production forestry. Some class 4 land is also suited to vineyards and berry fields”.

We further note that, at 110 hectares, the subject site comprises less than 0.02% of the district's total rural land.¹¹ Accordingly, the loss of this land for rural production will not undermine the district's economic potential, with an abundance of opportunities remaining elsewhere in the district.

¹¹ GIS files show that the district's rural areas span just over 6,300km². The subject site is less than 0.02% of this amount.

6. Summary and Conclusion

This assessment has shown that future development enabled by the plan change represents a highly significant boost in dwelling capacity, which will help keep pace with demand, while also helping to meet NPSUD requirements. Overall, the proposal will generate a wide range of enduring economic benefits and avoid any material economic costs, such as foregone rural production. Accordingly, we support the proposal on economic grounds and see no reason to deny it.

**BROOKSIDE ROAD RESIDENTIAL LTD
APPLICATION FOR BROOKSIDE ROAD PLAN CHANGE**

ASSESSMENT OF ECONOMIC EFFECTS

**Mike Copeland
Brown, Copeland & Co Ltd**

21 October, 2021

1. INTRODUCTION

Background

1.1 Brookside Road Residential Ltd (BRRL) controls a block of land on the western outskirts of Rolleston on Dunns Crossing Road known as the Brookside Road Block. BRRL proposes a Plan Change, the Brookside Road Plan Change, which will rezone this block of land from Rural (Outer Plains) to Residential (Living Z). The proposed Plan Change will allow for approximately 1,320 new household lots on the 110 hectare site, at an average density of about 12 households per hectare across the area covered by the Plan Change.

Report Objective

1.2 The objective of this report is to assess the economic effects of BRRL's proposed Plan Change. The report will form part of the section 32 evaluation to be lodged in relation to the application for the Plan Change.

Report Format

1.3 This report is divided into 6 parts (in addition to this introductory section). These are:

- (a) A consideration of the relevance of economic effects under the RMA;
- (b) A description of recent population and employment growth within the Selwyn District, and Greater Christchurch (i.e. Selwyn District, Christchurch City and Waimakariri District);
- (c) Identification of the economic benefits from the proposed Brookside Road Plan Change;
- (d) A discussion of some potential economic costs from the proposed Brookside Road Plan Change;
- (e) Consideration of the development capacity significance of the proposed Brookside Road Plan Change; and
- (f) Some overall conclusions.

2. ECONOMICS AND THE RMA

Community Economic Wellbeing

- 2.1** Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part II section 5(2) refers to enabling “*people and communities to provide for their ... economic ... well being*” as a part of the meaning of “*sustainable management*”, the promotion of which is the purpose of the RMA.
- 2.2** As well as indicating the relevance of economic effects in considerations under the RMA, this section also refers to “*people and communities*” (emphasis added), which highlights that in assessing the impacts of a proposal it is the impacts on the community and not just the applicant or particular individuals or organisations, that must be taken into account. This is underpinned by the definition of “*environment*” which also extends to include people and communities.
- 2.3** How the proposed Plan Change will enable the residents and businesses of the Selwyn District to provide for their social and economic wellbeing is discussed later in this report.

Economic Efficiency

- 2.4** Part II section 7(b) of the RMA notes that in achieving the purpose of the Act, all persons “*shall have particular regard to ... the efficient use and development of natural and physical resources*” which include the economic concept of efficiency¹. Economic efficiency can be defined as:

“the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs”².

- 2.5** More generally economic efficiency can be considered in terms of:

- Maximising the value of outputs divided by the cost of inputs;

¹ See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73, the Court noted that all aspects of efficiency are “*economic*” by definition because economics is about the use of resources generally.

² Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

- Maximising the value of outputs for a given cost of inputs;
- Minimising the cost of inputs for a given value of outputs;
- Improving the utilisation of existing assets; and
- Minimising waste.

2.6 The proposed Plan Change is consistent with the efficient use of resources, especially in regard to increasing competition in the market for residential land in Rolleston, Selwyn and Greater Christchurch and providing greater choice. These economic efficiency benefits are discussed later in this report.

Viewpoint

2.7 An essential first step in carrying out an evaluation of the positive and negative economic effects of the Plan Change is to define the appropriate viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. Typically a district (or city) and wider regional viewpoint is adopted and sometimes even a nationwide viewpoint might be considered appropriate.

2.8 The Brookside Road block of land BRRL control and to be covered by the proposed Plan Change, is located within the Selwyn District, but residential sections resulting from the proposed rezoning and development will also form part of the Greater Christchurch housing market. Therefore, in this report the economic effects are considered in relation to the residents and businesses within the Selwyn District economy and also in relation to the broader Greater Christchurch economy.

2.9 There will also be private or financial benefits associated with the proposed rezoning. Generally, these benefits are not relevant under the RMA and the main focus of this report is therefore on the wider economic effects on parties other than BRRL. Economists refer to such effects as “externalities”³.

³Defined as the side effects of the production or use of a good or service, which affects third parties, other than just the buyer and seller.

Trade Competition

- 2.10** Consistent with seeking to maximize competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. Importantly, the proposed Plan Change will increase the level of competition in the market for residential sections, at Rolleston, within the Selwyn District and within Greater Christchurch.

Intangible Costs and Benefits

- 2.11** This report addresses the economic effects⁴ of BRRL's proposed Brookside Road Plan Change. Relevant non-economic effects are covered in the Plan Change application main text and other technical reports appended to it.
- 2.12** In economics, 'intangible' costs and benefits are defined as those which cannot be quantified in monetary terms. Sometimes attempts can be made to estimate monetary values for 'intangible' non-economic costs and benefits using techniques such as willingness to pay surveys or inferring values on the basis of differences in property values. Once quantified in monetary terms, these effects can supposedly be considered as part of the assessment of economic effects.
- 2.13** However, such techniques are frequently subject to uncertainty and criticism. It is generally better to not attempt to estimate monetary values for these effects but to leave them to be assessed by appropriately qualified experts and for their assessments to form part of the application of the relevant legal test. This also avoids the danger of 'double-counting' of effects.
- 2.14** Just as it is necessary for decision-makers under the RMA to consider negative intangible effects and to weigh these against positive economic effects, there are sometimes positive intangible effects that need to be incorporated in the decision making process. In relation to the proposed Plan Change these will include the social benefits from increased housing affordability.

⁴Sometimes economic effects can have a social dimension – e.g. employment and income effects and housing affordability.

The Justification for Land Use Controls

- 2.15** Over the past thirty years or so, there has been a growing acceptance in New Zealand and other countries that economic efficiency is maximized when investment decisions are left to individual entrepreneurs or firms and consumers, without intervention from Government – i.e. “market based” outcomes. The reason for this is that in theory, a perfectly competitive market, where investment decisions are left to individual entrepreneurs or firms and consumers without intervention from Government, achieves an efficient allocation of resources. The essence of this policy is that the efficient use of resources, and therefore "sustainable management" results from the creation of a climate where the market enables people to make investment decisions "to provide for their economic well being".
- 2.16** Despite this, in reality markets are not "perfect", and the presence of "externalities" affects the working of the market and the results that could be expected from a totally unregulated system of resource allocation. Externalities arise because the actions of individuals or firms sometimes create positive or negative impacts on others. It is unrealistic to assume that development of particular forms of economic activity and/or the location of that economic activity will not sometimes impose costs on the community in general. Where the developer, those engaged in various forms of economic activity at the site and/or consumers do not face the incidence of these costs, externalities arise and intervention of some form may be justified. In other words, development may create costs or benefits for parties other than those commercially involved in transactions related to the development.
- 2.17** Externalities may be in the form of environmental effects such as visual, cultural, noise, water or air pollution effects. Externalities in an economic context may relate to the provision of infrastructure where a strict user pays system is not in place, and road transport congestion and safety effects.
- 2.18** Consideration of the efficient allocation of resources must encompass the extent to which externalities will or are likely to exist, but the existence of externalities does not necessarily imply the need for intervention. This is because intervention in the market, for example to limit where residential development may occur, is not costless in that it prevents optimum resource allocation from the perspective of the

market. Also there may be external benefits associated with allowing additional development to occur at a particular location (e.g. on the Brookside Road block of land) and these need to be taken into account.

2.19 Therefore, from the point of view of community economic well being and economic efficiency, market interventions such as land use constraints should only be imposed where clear external costs have been identified and the significance of these external costs is such that it outweighs the costs of the particular form of intervention proposed. Further, restricting development having considered only potential negative externalities relies on partial or incomplete analysis and will lead to suboptimal outcomes. It ignores not only positive externalities, but also the economic and other benefits inherent in market determined solutions. In other words to justify land use controls, which restrict free market outcomes, externality costs must be identified and they must be significant enough to outweigh the inherent cost of not allowing a free market solution and any positive externalities that may be associated with that free market solution. This approach is consistent with the requirements under section 32 of the RMA to assess the effectiveness, efficiency and benefits and costs of proposed provisions in district plans.

3. BACKGROUND TO SELWYN DISTRICT AND GREATER CHRISTCHURCH ECONOMIES⁵

Population

3.1 Statistics New Zealand's June 2020 population estimate for the Selwyn District is 69,700 or 1.4% of New Zealand's population. This is 5.1% higher than in 2019. New Zealand's population in 2020 was 2.1% higher than in 2019. In 2001 population in the District was estimated to be 28,000, implying an increase of 148.9% over the period 2001 to 2020, as compared to only 31.0% for New Zealand as whole. Statistics New Zealand's 'medium' population projections⁶ have the Selwyn District's population increasing to 106,500 in 2048 – i.e. an average rate of increase of 1.5% per annum over the period 2020-48, compared to an average rate of growth for New Zealand of 0.7% per annum. The Greater

⁵Data in this section from Statistics New Zealand unless stated otherwise.

⁶Statistics New Zealand prepare three sets of projections – high, medium and low – according to natural population change (i.e. the net effect of birth and death rate assumptions) and net migration assumptions. These projections do not explicitly incorporate assumptions about different rates of economic development.

Christchurch Housing Development Capacity Assessment⁷ states that on the basis of recent population growth in the District, the most appropriate population projection for the Selwyn District is Statistics New Zealand's 'high' population projection, which has the District's population increasing to 126,700 in 2048 – i.e. at an average rate of increase of 2.2% per annum, more than 3 times the average rate of growth for New Zealand as a whole.

- 3.2** Christchurch City's population has grown from 335,300 in 2001 to 394,700 in 2020 – i.e. growth of 17.7%. It is forecast to grow to 463,500 in 2043 at an average rate of growth 0.6% per annum. Waimakariri District's population has grown from 37,900 in 2001 to 64,700 in 2020 – i.e. growth of 70.7%. It is forecast to grow to 83,000 in 2048 at an average rate of growth 0.9% per annum. The Christchurch earthquakes have contributed to faster population within the Selwyn District and to a lesser extent the Waimakariri District than for Christchurch City. However this faster population growth within the Selwyn District is forecast to continue.

Employment

- 3.3** Employment within the Selwyn District has grown from 9,400 in 2001 to 19,100 in 2020 – i.e. growth of 103.2%, compared to national growth of 42.5%. For Christchurch City employment has grown from 165,200 in 2001 to 218,200 in 2020 implying growth of 32.1%. For the Waimakariri District employment has grown from 7,700 in 2001 to 15,700 in 2020, implying growth of 104.0%. Whilst the Selwyn District remains principally a “dormitory area” for Christchurch City, the District has exhibited much higher growth in employment over the 2001-20 period than for Christchurch City and for New Zealand as a whole.

Gross Domestic Product (GDP)

- 3.4** The Selwyn District's GDP in 2020 was \$2,866 million. The four main contributors by sectors were agriculture, forestry and fishing (17.6%), manufacturing (11.6%), professional, scientific and technical services (8.1%) and construction (7.0%). Over the last 10 years (2010-2020), the District's GDP has grown by \$1,205 million - i.e. growth of 72.5% -compared to GDP for New Zealand growing by 31.4%. The main contributors to the Selwyn District's growth in GDP have been

⁷Greater Christchurch Partnership; 30 July, 2021 (see page 17).

manufacturing (\$191 million), construction (\$128 million) and agriculture, forestry and fishing (\$120 million). Manufacturing has increased its share of GDP to 11.5% from 8.5% in 2010, when it then sat behind agriculture, forestry and fishing (23.2%) and public administration and safety (14.6%).

4. ECONOMIC BENEFITS OF PROPOSED BROOKSIDE ROAD PLAN CHANGE

Additional Employment, Incomes and Expenditure

- 4.1** The residential development enabled by the proposed Plan Change will bring expenditure, incomes and employment opportunities for local businesses and residents within the Selwyn District and also Christchurch City businesses and residents. However, the extent to which the proposed rezoning will generate additional expenditure, incomes and employment for the Selwyn District and Christchurch City will be limited to the extent the rezoning results in greater competition and potentially lower prices and therefore greater demand for housing within Greater Christchurch.
- 4.2** Increases in expenditure, incomes and employment within the local Selwyn District economy during the construction phase and subsequently increased population within the District are not in themselves measures of improvements in economic welfare or economic wellbeing. However, there are economic welfare enhancing benefits associated with increased levels of economic activity and population. These relate to one or more of:
- (a) Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs, hence increasing profitability or lowering prices;
 - (b) Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services to enter markets and there are efficiency benefits from increased levels of competition;
 - (c) Reduced unemployment and underemployment⁸ of resources: To the extent resources (including labour) would be otherwise unemployed or

⁸Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

underemployed, increases in economic activity can bring efficiency benefits when there is a reduction in unemployment and underemployment. The extent of such gains is of course a function of the extent of underutilized resources at the time and the match of resource requirements of a project and those resources unemployed or underemployed; and

- (d) Increased quality of central government provided services: Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the quality of such services in a community can be increased if increased economic activity maintains or enhances population levels.

4.3 To the extent that the proposed Plan Change does result in additional economic activity and population within the Selwyn District it will contribute to these types of economic benefits for the local economy.

4.4 Also, to the extent that the rezoning generates additional local employment opportunities for Selwyn District residents during the construction phase and subsequently as a result of greater population in the District, it will reduce their reliance on employment opportunities in Christchurch City and therefore potentially reduce their commuting transport costs.⁹

Increased Competition and Choice in Residential Housing Markets

4.5 As covered earlier in this report discussing the justification for land use controls, there are economic efficiency benefits from encouraging greater reliance on market determined land use outcomes and eliminating unnecessary constraints on market activity. The National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) states¹⁰:

“Competition is important for land and development markets because supply will meet demand at a lower price where there is competition. There are several key features of a competitive land market and development market. These include providing plenty of opportunities for development. Planning can impact on the

⁹There may be additional commuting costs for Christchurch residents attracted to jobs at the Brookside Road development site, depending on their place of residence and the location of alternative employment for them.

¹⁰ At page 4.

competitiveness of the market by reducing overall opportunities for development and restricting development rights to only a few landowners.

This national policy statement requires councils to provide in their plans enough development capacity to ensure that demand can be met. This includes both total aggregate demand for housing and business land, and also the demand for different types, sizes and locations. This development capacity must recognise that not all feasible development opportunities will be taken up. This will provide communities with more choice, at lower prices.”

4.6 In addition, Policy PA3 of the National Statement requires that when making planning decisions particular regard be given to:

- “a) Providing for 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*
- c) Limiting as much as possible adverse impacts on the competitive operation of land and development markets.”*

4.7 Under the heading “Responsive Planning” the NPC-UDC contains a number of policies requiring local authorities such as the Selwyn District Council with part, or all, of either a medium-growth urban area or high-growth urban area within their district or region to make available sufficient land capable of housing and business development. For example, policy PC1 requires the Selwyn District Council:

*“To factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in policy PA1¹¹, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of **at least**:*

20% in the short and medium term, and

15% in the long term.” (Emphasis added)

¹¹Policy PA1 relates to local authorities having to ensure that at any one time there is sufficient housing and business land development capacity with different requirements for the short, medium and long term.

- 4.8** The NPS-UDC places emphasis not simply on aggregate residential land capacity sufficiency but also on attempts to improve the competitiveness of the market, greater focus on land supply and not just land capacity and addressing the housing affordability issue.
- 4.9** The National Policy Statement on Urban Development 2020 (NPS-UD) came into effect on 20 August, 2020 replacing the National Policy Statement for Urban Development Capacity 2016 (NPS-UDC)). The NPS-UD is intended to place even greater emphasis on overcoming imperfections in residential (and other land) development markets to help arrest declining housing affordability trends throughout New Zealand, especially those areas experiencing high rates of urban growth. The NPS-UD, like its predecessor the NPS-UDC, establishes minimum, not maximum margins for feasible residential and business land development capacity to exceed projected demand in the short, medium and long term to overcome frictions in land markets to address housing affordability issues.
- 4.10** Objective 2 of the NPS-UD states:
- “Planning decisions improve housing affordability by supporting competitive land and development markets.”*
- 4.11** Also at section 3.22 the NPS-UD refers to the need for residential (and business) land capacity to exceed forecast demand by a “competitiveness margin” to support choice and competitiveness in housing (and business) land markets, whilst at section 3.25 the NPS-UD places emphasis on the need for housing development capacity to be reasonably expected to be realised.
- 4.12** BRRL’s proposed Plan Change will help address constraints in the residential land supply markets. It will increase supply and competition and help address housing affordability within the Selwyn District and Greater Christchurch. It is therefore consistent with Objective 2 and other sections of the NPS-UD, which places even greater emphasis on these issues than its predecessor, the NPS-UDC.
- 4.13** The proposed Plan Change is also consistent with various components of the NPS-UD’s Policy 1 in that it will help:
- “meet the needs, in terms of type, price, and location, of different households”* (Policy 1(a)(i)); and

“support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets (Policy 1(d)).

4.14 Policy 2 of the NPS-UD, like the NPS-UDC again uses the term “at least” in discussing the need for local authorities to provide development capacity for housing and for business land over the short term, medium term and long term. In Policy 7 and at section 3.6 of the NPS-UD, the term “bottom lines” is used when requiring that development capacity exceed expected demand by at least the competitiveness margin percentages specified. Therefore, the NPS-UD makes an even stronger statement than the NPS-UDC that such margins should be interpreted as minimum not maximum thresholds.

4.15 Policy 8 of the NPS-UD states:

“Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is:

(a) unanticipated by RMA planning documents; or

(b) out-of-sequence with planned land release.”

4.16 Policy 8 of the NPS-UD underscores that the NPS-UD seeks to encourage urban development rather than to unnecessarily restrict it and the proposed Brookside Road Plan Change is consistent with this and other parts of the NPS-UD.

5. POTENTIAL ECONOMIC COSTS OF PROPOSED BROOKSIDE ROAD PLAN CHANGE

Lost Agricultural Production

5.1 The areas to be covered by the proposed Plan Change are zoned Rural (“Outer Plains”) and are currently used for mostly agricultural purposes, including a specialised poultry breeding facility. However, any lost agricultural production is not an external cost of using the site for residential development. The productive value of the land in alternative uses (such as agricultural and other use) has been internalised into the cost structure of the development – in other words BRRL in agreeing to purchase the land has agreed a price reflective of future net returns from alternative uses for the land. Such costs are not costs to be borne by the

wider community. Also zoning land in excess of projected demand will mean that if the Brookside Road block land is developed in advance of other land zoned for residential development, this other land will generally¹² not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

Retail Effects

- 5.2** The proposed development includes provision for two small ‘Business 1’ zone retail developments within the Brookside Road site. The retail centres proposed are intended only to meet the convenience needs of the local residents (and possibly some weekend users of Brookside Park) and will be governed as to scope and scale by the controls for Neighbourhood Shopping Centres contained within the Selwyn District Plan. There will be no provision for supermarkets and the centres will not undermine the viability, vibrancy and amenity values of existing larger centres within Rolleston or elsewhere within the Selwyn District, noting that retail activity will be limited in each centre to a total floor area of 450m², and individual tenancies will not exceed 350m². To the extent that the Plan Change increases the extent of residential development in Rolleston and the District, the proposed Plan Change will increase the viability, vibrancy and amenity values of larger centres in Rolleston and the District.

Utilities

- 5.3** Externality costs can arise when utilities provided by central or local government (e.g. roads, water supply, stormwater and flood control systems and wastewater disposal) are not appropriately priced, requiring their provision to be cross-subsidised by other District ratepayers. In the case of residential development on BRRL’s Brookside Road block no such externality costs will arise. Development contributions, rates and user charges will cover the capital and ongoing O&M costs associated with Council provided services. In addition, petrol taxes, road user charges, and roading costs payable as part of annual rates, will meet the costs for local roads and state highways. The extent to which bulk infrastructure capacity will need to be duplicated or future increments of capacity brought forward will depend upon site specific factors. These issues are addressed in the

¹² In some cases partial development of an area zoned for residential use may preclude alternative productive use or reduce the productivity of the land not yet developed.

Infrastructure report¹³ by Fraser Thomas, which concludes that a combination of existing infrastructure and new infrastructure development could accommodate the proposed development.

- 5.4** Therefore, other Selwyn District ratepayers, residents and businesses will not be required to cross-subsidise the proposed rezoning and subsequent development of residential development on the sites.

Transport Costs

- 5.5** Rezoning land more distance from employment, retail and commercial centres, recreational and entertainment facilities, educational institutions, and public facilities such as hospitals and libraries may lead to increased transport costs if, as a result, more distant residential areas are developed in preference to those not so distant to these facilities. However, for the most part any such additional transport costs are internalised to owners (or renters) of the newly developed properties.

- 5.6** Only to the extent there are additional transport externality costs – e.g. road accidents, congestion and greenhouse gas emissions – are the effects of traffic generated by the development a relevant consideration. In the case of residential development on the Brookside Road Block, the Integrated Transport Assessment Report prepared by Stantec¹⁴ has concluded that there is adequate existing and planned infrastructure to support the wider transport needs of the proposed development. The report recommends localised transport upgrades before development on the site begins. Also, the site is adjacent to, and well connected to, the existing Rolleston urban area and therefore, travel distances to key facilities (schools, retail facilities, employment centres, parks, etc.) are likely to be similar to alternative residential development sites within the Selwyn District.

6. DEVELOPMENT CAPACITY SIGNIFICANCE OF PROPOSED BROOKSIDE ROAD PLAN CHANGE

- 6.1** As noted above in Section 4 of this report Policy 8 of the NPS-UD states:

¹³Gallina Nominees, Heinz Wattie Pension Fund, and Brookside Road Residential Ltd; Brookside Road Plan Change, Infrastructure Assessment Report; October, 2021.

¹⁴Brookside Road Plan Change Integrated Transport Assessment; October, 2021.

“Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is:

- (a) unanticipated by RMA planning documents; or*
- (b) out-of-sequence with planned land release.”*

6.2 Section 3.8 of the NPS-UD states that:

Every regional council must include criteria in its regional policy statement for determining what plan changes will be treated, for the purposes of implementing Policy 8, as adding significantly to development capacity.

Because the NPS-UD only came into effect in August 2020, Environment Canterbury has yet to revise its current Regional Policy Statement to align with this requirement of the NPS-UD and indicate the basis for determining “significant” development capacity.

6.3 However, the additional housing development capacity that would be enabled by the proposed Brookside Road Plan Change would be significant, whether in the context of Rolleston or at a wider Selwyn District level.

6.4 Selwyn District has a current population of 69,700 implying around 24,890 households, assuming an average of 2.8 persons per household¹⁵. Therefore, the proposed development of approximately 1,320 dwellings represents around 5.3% of the existing dwellings in the District. BRRL expects that once the Plan Change is approved (assumed to be sometime in late 2022/early 2023), development of the approximate 1,320 dwellings will approximately occur over a 6-year period – i.e. from say 2024 to 2029 (due to the deferral related to the completion of the SH1/Dunns Crossing Road/Walkers Road roundabout), with an average of up to 220 dwellings coming onto the market in each year. The Housing and Business Development Capacity Assessment Update (2020) report¹⁶ in section 4.1 identifies additional housing demand for the Selwyn District of 7,127 during 2020-2030. Therefore the additional approximate 1,320 dwellings enabled by the Plan

¹⁵This is the average size of household assumed by Statistics New Zealand in their medium growth forecasts over the next decade.

¹⁶ Prepared for Selwyn District Council meeting of 25 November, 2020 by Ben Baird, Policy Analyst; 25 November, 2020.

Change would be 4.1% of the District's housing stock in 2030 (i.e. when most of the development will have been brought to market).

- 6.5** Within the context of Rolleston, the development capacity enabled by the proposed Brookside Road Plan Change is even more significant. The current estimated population of Rolleston is 21,910¹⁷ or 7,825 households assuming an average of 2.8 persons per household. The approximate 1,320 additional dwellings of the proposed Plan Change represent 16.9% of the existing dwellings. The Capacity Assessment Update report does not give additional housing demand estimates for Lincoln. However, assuming the same percentage increases as for the District implies total households of 10,066 in 2030. Therefore the proposed development of approximately 1,320 additional dwellings enabled by the Plan Change would be 13.1% of Rolleston's housing stock in 2030 (i.e. when most of the development will have been brought to market).
- 6.6** Recent data from the Selwyn District Council¹⁸ identifies Selwyn District sufficiency of housing capacity of -2,089 in the medium term (2020-2030) and -13,130 in the long term (2020-2050). Plan Change requests currently (August 2021) lodged with the Selwyn District Council provide for a total of 10,230 additional dwellings.¹⁹This excludes the approximate 1,320 additional dwellings to be developed under the proposed Brookside Road Plan Change. However, in this regard:
- (a) There is no certainty that all of the Plan Changes currently lodged with the Council will be approved – either at all, or to the extent of their maximum dwelling yield proposed due to environmental, infrastructure, transport or other factors;
 - (b) Even where other plan changes are approved, they may not all result in full development of their dwelling yields due to market supply and demand factors. However, the potential for such development will play an

¹⁷ Source: Statistics New Zealand NZStat. Subnational population estimates (RC, SA2) by age and sex at 30 June 1996-2020 (2020 boundaries). Equal to the sum of Rolleston Izone, Rolleston North-west, Rolleston Central, Rolleston North-east, Rolleston South-west and Rolleston South-east statistical areas.

¹⁸Source: Growth Planning in Selwyn District (attached to PC73 s42A officers' report); Ben Baird, Policy Analyst; 19 August 2021; (Table 4, paragraph 56).

¹⁹Source: Source: Growth Planning in Selwyn District (attached to PC73 s42A officers' report); Ben Baird, Policy Analyst; 19 August 2021; (Table 7, paragraph 61).

important role in providing greater competition or “contestability” in the Selwyn District and Greater Christchurch housing markets.

- (c) The thrust of the NPS-UD is not to enable only sufficient capacity, but for supply (or at least potential supply) to exceed expected demand. Only when this occurs can we expect reductions in upward pressure on residential land and house prices to occur.

7. CONCLUSIONS

- 7.1 BRRL’s proposed Plan Change enabling the rezoning of the Brookside Road land at Rolleston to Residential land will provide for increased competition and choice in residential land markets and help address declining housing affordability. It may also increase levels of economic activity and population in Rolleston and the Selwyn District.
- 7.2 The proposed Plan Change is consistent with the Government’s recently released National Policy Statement on Urban Development 2020 and its predecessor, the National Policy Statement on Urban Development Capacity 2016.
- 7.3 The Plan Change will not give rise to economic externality costs.
- 7.4 The Brookside Road Plan Change is consistent with:
 - (a) Enabling “*people and communities to provide for their ... economic (and social) ... well being*”; and
 - (b) Having regard to “*the efficient use and development of natural and physical resources*”.
- 7.5 The Plan Change would add significantly to residential development capacity both in the context of the existing scale of Rolleston and the Selwyn District, and for the future forecast growth of both areas.