Residential Density in Selwyn District Rural Zones

Economic Assessment for District Plan Review (RU001)

21st November 2017 - Final

m.e consulting

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1 Introduction

Market Economics (M.E) is contributing to a scope of work that reviews the rural environment provisions of the Operative Selwyn District Plan (SDP or DP). The purpose of that scope of work is to provide analysis that contributes to the testing of options to manage residential density in the rural zones. This report forms an appendix of the Rural Topic: Rural Character, Density and Business Activity Report prepared by Boffa Miskell.

1.1 Summary of Density Options

Figure 1.1 summarises 7 options (scenarios) put forward by Boffa Miskell. The purpose of these options is to test or evaluate how different combinations of minimum lot sizes and subdivision exceptions might better achieve the objectives and policies of the Selwyn District Plan and the Regional Policy Statement relative to the status quo (Option 1). Figure 1.1 summarises only the minimum lot sizes and does not outline the relevant exceptions associated with each option (where applicable). The Boffa Miskell report provides a detailed explanation.

Figure 1.1 – Overview of Density Testing Options (Boffa Miskell)

Option	1	2	3	4	5	6	7
Name	Status Quo (with existing exceptions)	Operative Plan Density Standards - without exceptions	Reduced Density (existing Zone boundaries)	Reduced Density (amended zone boundaries)	Grandfather Clause provisions	Open Space Covenants	Clustering
Port Hills Lower Slopes	40	40	40	40 *	40	40	40
Port Hills Upper Slopes	100	100	100	100 **	100	100	100
Inner Plains	4	4	4	4	NA	NA	NA
Outer Plains	20	20	40		40	40	40
Outer Plains Lower				20			
Outer Plains Upper				40			
Malvern Hills	20	20	40	40	40	40	40
High Country	120	120	120	120	120	120	120

*Source: Boffa Miskell. * VAL below 160m contour. ** VAL and ONFL above 160m contour.*

In brief, Option 2 maintains operative zone boundaries and minimum lot sizes but removes the exceptions contained in the status quo (Option 1). Option 3 also excludes the operative exceptions, but suggests a lower density (higher minimum lot size) for the Outer Plains Zone and Malvern Hills Zone. Option 4 also excludes the operative exceptions and suggests a lower density for the Outer Plains and Malvern Hills Zone, but suggests some changes in zone boundaries (based on the Rural Character Assessment). These zones are described as follows:

- Changes in the Port Hills zone to align density controls with VAL and ONFL areas and the 160m contour. No change in minimum lot size.

- Rezoning of some land from the Outer Plains Zone to the Inner Plains zone (i.e. the Inner Plains Zone increases, and the Outer Plains decreases in area).
- Splitting the reduced Outer Plains Zone into an upper and lower zone with a lower density (higher minimum lot size) applied only to the Outer Plains Upper zone. The status quo density applies to the Outer Plains Lower Zone.
- Maintain status quo boundaries for the Malvern Hills Zone and High Country Zone, but a lower density for the Malvern Hills Zone.

Options 5, 6 and 7 build on Option 3 (operative boundaries but lower density for the Outer Plains and Malvern Hills Zones), and reintroduces the operative exceptions discretely. Option 5 examines just the grandfather clause in isolation. Option 6 examines the Open Space Covenant in isolation and Option 7 examines the clustering clause in isolation. All options assume '*in situ*' subdivision potential – transferable rights are excluded from the operative and proposed options.

1.2 Approach and Limitations

M.E's assessment is limited to a desktop analysis. It relies on available spatial datasets, namely Council's parcel level dataset[1] with operative zones appended[2]. We note, this file many differ (i.e. in date) from that supplied to Boffa Miskell and used in the Rural Character Assessment.

M.E has applied a simple approach. The objective was to understand the potential for further *in situ* subdivision in each of the rural zones and how this potential varies under different bundles of subdivision rules (options). The potential was estimated by quantifying the number of times individual parcels could be divided by the minimum lot size under each option. If a parcel was already below the minimum lot size, it was left unchanged. If it was at least twice the minimum lot size, subdivision was implied, and the resulting count of new lots was calculated.

The approach relies on several assumptions and has several limitations:

- Only parcels with a rural zone are considered. Road, utility, water race and other specific purpose land use parcels were excluded.
- A number of rural parcels have been excluded from the analysis based on information provided in the attribute data – statutory information. Specifically, M.E has excluded all parcels identified as state forest, marginal strips, defence land, crown land, gravel pit, reserves, cemetery, education, government purpose, railway land, wildlife land, electricity, library, fire service, conservation, endowment, ROLD Act and drainage land. Broadly, this attempts to exclude land belonging to the Department of Conservation, Department of Corrections, Department of Defence, Ministry of Education, The Crown, SDC or Environment Canterbury and assumes that they are not further sub-dividable. These exclusions remove a large area of the High Country zone from further modelling. This approach may not remove all land owned by those local/central government departments.

[1] M.E has used the shape file called: GENERAL Parcel py.shp – dated 11th September supplied to M.E by SDC.

[2] M.E has carried out its own union of operative zones to the parcel dataset.

(For the purpose of this analysis, M.E has relied on the detail provided in the Statutory field of the dataset and not the ownership detail otherwise included in the Council's rating database).

- Several statutory codes (parcels) were left in the dataset where they did not provide sufficient information upon which a clear exclusion approach could be based (based on M.E's understanding of the codes). These included 'subject to marginal strip', 'No longer crown land', 'Ngai Tahu Ancillary Claims Trust', 'Plantation Purposes', 'New Zealand Gazette' (with not further explanation), 'agricultural purpose' and one or two others. It has been assumed that these parcels may have sub-division potential. Combined with other fee simple and DCDB parcels, there is a total of 14,616 parcels utilised in M.E's model.

- The analysis splits (artificially subdivides) parcels that were intersected by a zone boundary in order to identify just the implied parcel area in each zone. This was considered necessary to isolate the parcel areas that would be subject to different density rules.

- M.E has calculated the area of each parcel using GIS and has used this calculation rather than any existing area attributes in the original files (including survey area).

- It adopts the indicative amended zone boundaries defined by Boffa Miskell Ltd relevant to Option 4 Inner and Outer Plains only. M.E has not considered the suggested zone changes from the Character Assessment for the Port Hills zone (nor analysed further subdivision potential in this relatively small area).

- The model keeps all parcels less than the minimum the same. I.e. M.E 's approach does not reflect a complete carve-up of the rural zone irrespective of current parcel boundaries – it considers only the remaining potential for subdivision keeping existing parcel boundaries in place.

- The model assumes all sites able to be subdivided are subdivided. That is, the analysis does not consider the financial or economic feasibility of subdivision and assumes all subdivision is feasible.

- It assumes all sites able to be subdivided are subdivided irrespective of rating status (i.e. rateable/non-rateable). Rating information is not appended to M.E's base parcel file and so has not been factored into any subdivision potential assumptions (if applicable).

- Subdivision potential is calculated irrespective of owner intentions for the land.

- It divides parcels greater than the minimum by the minimum, rounding down to ignore balance portions that fall below the minimum.

- It does not take account of parcels above the minimum that may be linked to an open space covenant or clusters and are therefore not further sub-dividable. This is a limitation of the analysis, but the scale of the error is limited to the extent to which such 'balance lots' occur in each zone (and that are at least twice the minimum lot size). There is insufficient detail in the data to link parcels to these subdivision arrangements. Because of this, the results

overestimate subdivision potential in the Outer Plains Zone, Malvern Hills Zone and High Country Zone to a small degree.

- It does not take account of the potential to combine adjoining land parcels to make up the minimum site requirements, including for utilisation of open space covenants (Option 6) and clustering (Option 7)[3]. That is, if one lot in the Lower Plains Zone was 10ha it could create two 4ha lots but the remaining 2ha is below the threshold. If the neighbouring lot was 6ha it could create just one 4ha lot but the remaining 2ha is also below the threshold. However, if the two parcels were combined, they could create four 4ha lots between them. Aggregating lots to increase subdivision yield would require cooperation between neighbouring land owners[4]. Nonetheless, because of this limitation, the results underestimate potential in all zones to an unknown (but assumed small) degree. This limitation may partially or totally offset the overestimation described above in all but the Inner Plains Zone.

- The analysis focuses on the potential yield of lots (parcels) and not dwellings. The analysis does not consider the current number of rural parcels that contain dwellings. Dwellings are assumed as of right according to a 1-1 relationship for lots meeting the rules. As such, the potential increase in lots quantified by the analysis (which all meet the minimum lot sizes) could all translate into additional dwellings. Average resulting densities are therefore reported in terms of 'lot density' and not residential density.

- The analysis is not able to take account of further potential to utilise the grandfather clause as there is insufficient data to determine the period in which each site was created. This means that M.E is unable to assess Option 5 for all zones, or Option 1 for all zones other than the Inner Plains.

- It assumes for Options 6 and 7 that all sub-dividable parcels are subdivided using the respective rule (i.e. does not assume a mix of standard subdivisions and open space or clustering subdivisions).

- The approach to estimating the subdivision potential for the Open Space Covenant is based on the approach used to identify minimum lot areas in Option 3. However, for every new lot that qualifies, two lots are created – the 4ha dwelling lot and the balance lot. As such, the total number of additional lots in Option 3 is doubled (but the potential for additional dwellings remains the same as Option 3). For clarity, M.E has assumed that a balance lot is created for each 4ha dwelling allotment.

- The approach to estimating the subdivision potential for the clustering clause is based on the approach used to identify minimum lot areas in Option 3. If only one additional lot can be subdivided, it is excluded from the cluster potential[5]. M.E has estimated the cluster combinations (up to the maximum of three 4ha dwelling lots in the Malvern Hills and the

[3] To do so would require a far more complex geo-spatial analysis.

[4] Some adjoining parcels may be in the same ownership, but others will not be.

[5] I.e. it would be subdivided through normal minimum lot or open space covenant mechanisms.

Outer Plains and up to five 4ha lots in the High Country[6]) that best utilise the sub-dividable portion of each parcel. For every cluster than can be created, one additional balance lot is created to meet the density requirement. The total number of lots created is the base count from Option 3, factored up according to the unique cluster combinations assessed at the individual parcel level.

- M.E is unable to take account of any landforms that might mean a site cannot be subdivided under the open space covenant or clustering clause (e.g. lakes or rivers). Again, this means that yields may be slightly overestimated in Options 6 and 7. Nor has M.E examined the ability of subdivided parcels to sustain a suitable building platform or access.

[6] That is, clusters of 2 or 3 have been considered in the Malvern Hills and Outer Plains and clusters of 2, 3, 4 or 5 have been considered in the High Country to maximise the potential of sub-dividable parcels.

2 Analysis Results

This section provides the results of M.E's high-level analysis of further subdivision potential across the rural zones based on available data, the options identified in Figure 1.1 and the approach (including assumptions and limitations) outlined in Section 1.2.

2.1 Inner Plains

Figure 2.1 – Inner Plains Potential Subdivision and Density Outcomes by Option

Option	1	2	3	4	5	6	7
Name	Status Quo (with existing exceptions)	Operative Plan Density Standards - without exceptions	Reduced Density (existing Zone boundaries)	Reduced Density (amended zone boundaries)	Grandfather Clause provisions	Open Space Covenants	Clustering
Inner Plains	Currently an estimated 4,511 lots (all sizes) and an average lot density* of 5.2ha per lot. Under these options, there is potential for 6,699 lots in total. This is an increase of **2,188 additional** 4ha lots (and dwellings). The resulting average lot density for the total zone of 3.5ha per lot.			Currently an estimated 4,838 lots (all sizes) and an average lot density* of 5.5ha per lot in this extended zone area. Under this option, there is potential for 7,469 lots in total. This is an increase of **2,631 additional** 4ha lots (and dwellings) over an above current lots in the extended zone area, or an increase of **2,958 additional** 4ha lots (and dwellings) over an above current lots in the operative zone area. The resulting average lot density for the total extended zone would be 3.6ha per lot.	NA		

*Source: M.E estimates. Refer to assumptions and limitations in Section 1 of this report. * Based on lots/parcels per hectare irrespective of dwellings and ownership. Based on all lot sizes.*

2.2 Outer Plains

Figure 2.2 – Outer Plains Potential Subdivision and Density Outcomes by Option

Option	1	2	3	4	5	6	7
Name	Status Quo (with existing exceptions)	Operative Plan Density Standards - without exceptions	Reduced Density (existing Zone boundaries)	Reduced Density (amended zone boundaries)	Grandfather Clause provisions	Open Space Covenants	Clustering
Outer Plains		Currently an estimated 8,265 lots (all sizes) and an average lot density* of 19.7ha per lot. Under this option, there is potential for 11,605 lots in total. This is an increase of **3,340 additional** 20ha lots (and dwellings). The resulting average lot density for the total zone of 14.1ha per lot.	Under this option, there is potential for 9,229 lots in total. This is an increase of **964 additional** 40ha lots (and dwellings). The decrease in density results in **2,376 fewer** lots than potentially created under the status quo minimum lot size (20ha). The resulting average lot density* for the total zone of 17.7ha per lot.	Currently an estimated 4,809 lots (all sizes) and an average lot density* of 24.2ha per lot in the reduced Upper zone area and an estimated 3,129 lots (all sizes) and average lot density of 13.9ha per lot in the reduced Lower zone area. Under this option, there is potential for 9,349 lots in total in the reduced Outer Plains Zone. This is an increase of **1,411 additional** lots (and dwellings) over an above current lots in the total reduced zone area, or an increase of **1,084 additional** lots (and dwellings) over an above current lots in the operative zone area. Additional 40ha lots in the Upper zone area account for 62% of the total potential increase. The resulting average lot density for the total reduced Outer Plains zone would be 17.1ha per lot.		Under this option, there is potential for 10,193 lots in total. This is an increase of **1,928 additional** lots (but only 964 additional dwellings). The resulting average lot density* for the total zone of 16.0ha per lot.	Under this option, there is potential for 9,332 lots in total. This is an increase of **1,067 additional** lots (but only 753 additional dwellings). NB, in addition, there may be 211 other dwelling allotments created through normal or Open Space Covenant subdivision. The resulting average lot density* for the total zone of 17.5ha per lot (excluding the 211 subdivisions through other mechanisms).

*Source: M.E estimates. Refer to assumptions and limitations in Section 1 of this report. * Based on lots/parcels per hectare irrespective of dwellings and ownership. Based on all lot sizes.*

2.3 Malvern Hills

Figure 2.3 – Malvern Hills Potential Subdivision and Density Outcomes by Option

Option	1	2	3	4	5	6	7
Name	Status Quo (with existing exceptions)	Operative Plan Density Standards - without exceptions	Reduced Density (existing Zone boundaries)	Reduced Density (amended zone boundaries)	Grandfather Clause provisions	Open Space Covenants	Clustering
Malvern Hills		Currently an estimated 1,095 lots (all sizes) and an average lot density* of 41.0ha per lot. Under this option, there is potential for 2,688 lots in total. This is an increase of 1,**593 additional** 20ha lots (and dwellings). The resulting average lot density for the total zone of 16.7ha per lot.	Under these options, there is potential for 1,752 lots in total. This is an increase of **657 additional** 40ha lots (and dwellings). The decrease in density results in **936 fewer** lots than potentially created under the status quo minimum lot size (20ha). The resulting average lot density* for the total zone of 25.7ha per lot			Under this option, there is potential for 2,409 lots in total. This is an increase of **1,314 additional** lots (but only 657 additional dwellings). The resulting average lot density* for the total zone of 18.7ha per lot.	Under this option, there is potential for 1,947 lots in total. This is an increase of **852 additional** lots (but only 618 additional dwellings). NB, in addition, there may be 39 other dwelling allotments created through normal or Open Space Covenant subdivision. The resulting average lot density* for the total zone of 23.1ha per lot (excluding the 39 subdivisions through other mechanisms).

*Source: M.E estimates. Refer to assumptions and limitations in Section 1 of this report. * Based on lots/parcels per hectare irrespective of dwellings and ownership. Based on all lot sizes.*

2.4 High Country

Figure 2.4 – High Country Potential Subdivision and Density Outcomes by Option

Option	1	2	3	4	5	6	7
Name	Status Quo (with existing exceptions)	Operative Plan Density Standards - without exceptions	Reduced Density (existing Zone boundaries)	Reduced Density (amended zone boundaries)	Grandfather Clause provisions	Open Space Covenants	Clustering
High Country		Currently an estimated 537 lots (all sizes) and an average lot density* of 295.2ha per lot. Under these options, there is potential for 1,705 lots in total. This is an increase of **1,168 additional** 120ha lots (and dwellings). The resulting average lot density for the total zone of 93.0ha per lot.				Under this option, there is potential for 2,873 lots in total. This is an increase of **2,336 additional** lots (but only 1,168 additional dwellings). The resulting average lot density* for the total zone of 55.2ha per lot.	Under this option, there is potential for 1,947 lots in total. This is an increase of **1,410 additional** lots (but only 1,161 additional dwellings). NB, in addition, there may be 7 other dwelling allotments created through normal or Open Space Covenant subdivision. The resulting average lot density* for the total zone of 81.4ha per lot

*Source: M.E estimates. Refer to assumptions and limitations in Section 1 of this report. * Based on lots/parcels per hectare irrespective of dwellings and ownership. Based on all lot sizes.*

3 Costs, Benefits and Implications

This section discusses, at a high level, the implications of the different density options in the Rural Zone on the Selwyn District economy, including the implementation of the Township and Activity Centre Network (Selwyn 2031).

3.1 General Points

Firstly, it is important to note that the options analysed above are constructed to try and isolate the effect of different controls or exceptions. The results, including the potential lot densities only apply to land that is categorised as DCDB or Fee Simple in the parcel database and not excluded based on its statutory category (refer section 1.2). That is, the total count of lots or lot density would be different is all land parcels were included (total rural zone coverage).

Not all sites able to be subdivided in the Outer Plains, Malvern Hills or High Country will realistically follow an open space covenant pathway, nor would all follow the clustering pathway, as modelled in Options 6 and 7 respectively. It is far more likely that any future subdivision will be a combination of standard *in situ* subdivision by minimum lot size, use of the grandfather clause, use of open space covenants and use of the clustering clause. It will depend on what is appropriate to each parcel of land and the objectives of the owner on a case by case basis.

However, for comparative purposes:

- All rural zones have significant potential for further subdivision.
- The proposed decrease in density in the Outer Plains and Malvern Hills will result in reduced further subdivision potential. This is the difference between Option 2 and Option 3. In the Outer Plains (operative boundaries) this could reduce potential (dwelling) allotments by 2,376 compared to the status quo, and in the Malvern Hills this could reduce potential (dwelling) allotments by 936 compared to the status quo.
- Rezoning Outer Plains Zone land to Inner Plains creates greater opportunity for subdivision (due to the smaller minimum lot size relative to the Outer Plains zone) and therefore increases residential capacity in the rural zone as a whole.
- The reduced size of the Outer Plains zone combined with the lower density for the 'upper' outer plains area (Option 4) results in less subdivision potential compared to the status quo (Option 2), but more than just the effect of the lower density in the operative zone area (Option 3).
- In general, the use of the open space covenant (Option 6) results in the most lots (of all sizes) being created due to the splitting-off of the 4ha allotment and balance lot within each minimum sized parcel. The clustering clause (Option 7) results in the next highest number of lots (of all sizes) being created due to the splitting-off of the 4ha allotments with

one balance lot for each cluster. The use of just the minimum lot size (Option 2, 3 or 4) creates the least number of lots. The dwelling capacity is the same under all options.

3.2 The Economics of Rural Subdivision

Economics and finance are key aspects of rural subdivision. The intended outcomes of controlling rural densities are (based on the objectives identified in the Boffa Miskell report) to achieve (for the wellbeing of the wider community) the mitigation of environmental and landscape effects and the mitigation of impacts on rural production. In return, the provisions enable landowners to gain financially from subdivision of rural properties, and sell the newly created lots (generating residential capacity).

The subdivision of rural land and associated land use changes have direct implications for Selwyn's rural population patterns, and the contribution of rural land to the regional economy.

Subdivision provisions enable property owners to subdivide land parcels that meet the minimum density requirements. When this happens, the property owner has potential for financial gain. This is because there is higher value in the newly created parcel, compared with the value of the same land when it was part of a larger parcel. The financial gain is typically capitalised through sale of the newly created parcel, although it may also be retained as a value gain on paper until a sale is made. Most commonly, the parcel sold will be used as a lifestyle holding, which usually means the construction of a dwelling.

The newly created lots have higher value because they offer potential for land use change and intensification, especially to enable rural lifestyle living, with a dwelling added. This value increase applies whether there is a change in zoning or land use or not. Subdivision and creation of new parcels increases the potential for land use change and intensification, and this potential is typically reflected in the property value, irrespective of the current use.

As an example, an 8ha Inner Plains parcel can have one dwelling – that is, support one household in its desired rural living activity. The subdivision of that 8ha block into 2 x 4ha blocks means the same land can support two households in rural living activity. The value of land derives *inter alia* from the potential use – which in this example has doubled – and the land area itself – which in this example is unchanged. The value of the land is increased by the net additional value of the potential use. The same applies to much larger rural land holdings (including productive farms), where a new 'in situ' parcel has greater value per sqm than the balance of the property because of the opportunity for more intensive use, including the opportunity to add a dwelling.

Related to this is the "retailing" effect where a higher value per sqm of land area typically accrues to smaller land parcels.

M.E's high-level analysis looks at the maximum potential for subdivision in each rural zone (excluding the Port Hills). This suggests a proliferation of subdivision and the creation of more lifestyle blocks and smaller rural holdings than currently exists. The likelihood/risk of this occurring (and the timeframes over which it could occur) depend on the feasibility of rural subdivision combined with future demand for rural activity living. Both aspects are outside the scope of this analysis.

3.3 Costs and Benefits of Rural Subdivision

This section briefly discusses the implications of the different options in terms of the main anticipated costs and benefits. Effects are limited to generic effects, and not the effects of specific subdivisions in specific locations. The component of the community that bears the cost or benefit is included as are comments on the likely scale of effects (if known).

3.3.1 Costs

- Loss of rural production and associated rural activity output through the development of residential buildings, driveways and gardens (direct loss of sqm used for farming) and potential reduction in productivity of remaining bare land (particularly when sites become uneconomic for productive agriculture – loss of economies of scale) or where an accumulation of residential use causes reverse sensitivity issues for farming activity. The potential loss affects the total district economy with indirect and induced effects likely to affect a large share of district households and businesses. *Refer to the Rural/Farming Consultant Report to better understand the scale of this effect in different rural zones. Greater understanding is needed on how smaller rural lots are being used (including opportunities for leasing land/grazing to larger farm operators) and the threshold size for productive rural activities (farming, forestry, horticulture).*

- Loss of rural character (more dwellings, fencing, access ways etc). This effect is widespread and affects residents and visitors to the District. To the extent that Selwyn District is intrinsically valued for its rural environment, this may affect a much wider population. *Refer to the Rural Character Assessment to better understand the scale of this effect in different rural zones.*

- Greater pressure on rural infrastructure and services. Depending on funding arrangements, this either affects many rural rate payers or all District rate payers to help fund new infrastructure and services in rural areas.

- Greater traffic on rural roads due to higher count of households living in rural area. This potentially affects all rural/state highway road users but only to the degree that the additional traffic impacts on safety and travel time.

- Greater travel distance (and time) to access urban goods and services. This affects those households living in rural areas, but is a cost accepted when choosing to live in a rural location so is less relevant.

3.3.2 Benefits

- Financial returns to rural landowners from selling rural land parcels that provide the opportunity to develop a dwelling.

- The process of subdivision increases the output of a range of professional services and well as trades associated with fencing, servicing etc.

- Increased efficiency for rural infrastructure and services (greater economies of scale).
- Increased residential capacity means greater potential household growth at the District level. This growth would not be realised if one assumes that rural households would seek to locate in another District if rural capacity was not provided in Selwyn. That is, their desire for rural living outweighs the alternative of living in an urban area within Selwyn District. A greater number of households supports a larger economy, a larger workforce and more business owners/investors.
- Larger customer base in rural centre catchments – i.e. a larger rural population helps to sustain jobs and businesses in the centre network, particularly smaller rural service centres.
- Construction of additional dwellings supports a range of sectors with associated flow-on effects.

Without quantifying all costs and benefits (i.e. taking account of the potential scale of the effects and the numbers affected) it is not possible to determine if the benefits of rural subdivision outweigh the costs or vice versa when considered across the total Rural Zone. Cumulative effects are relevant in this context.

The different subdivision options influence these costs and benefits in different ways.

- Clustering is expected to have different landscape effects compared to other types of *in situ* subdivision. M.E defers to the Rural Character Assessment as to whether this is a positive or negative effect.
- Clustering may also impact differently on the cost and efficiency of infrastructure provision and costs associated with fencing and providing access – i.e. reduced costs relative to other options.
- Minimum lot size (density) affects the overall quantum of subdivision potential (and therefore residential capacity) and this affects many costs and benefits *pro rata*.
- The findings from the Farming Assessment are key to evaluating how the different options translate to costs on rural production.

3.4 Selwyn 2031

Selwyn 2031 sets out a strategic framework for achieving sustainable growth across the district. It integrates the specific Land Use Recovery Plan actions into the broader outcome sought for Selwyn District. It is based around 5 high-level directions to guide Council's decision making. To give effect to the assumption that 80% of growth will occur in urban areas and 80% of that urban growth will occur inside the metropolitan greater Christchurch area, it establishes a township network (for managing urban growth across the District) and an activity centre network (for managing business growth across the townships).

Township Network. In brief, this assigns a hierarchy to existing urban settlements and clarifies their size and functional role in the economy. Rolleston is the District Centre, Lincoln is a Sub-District Centre, West Melton, Prebbleton, Darfield and Leeston are Service Townships and remaining settlements are Rural Townships.

Activity Centre Network. In brief, this assigns a hierarchy to existing Business 1 areas – being the focal point of employment, community activities, retail, service or convenience. These are the centres within the townships. Rolleston, Lincoln, Darfield and Leeston are all Key Activity Centres, West Melton and Prebbleton are Service Activity Centres and remaining townships with Business 1 zones are Rural Activity Centres.

3.4.1 Implications for Implementation of Townships and Activity Centre Network

Regarding potential effects on the purpose and effectiveness of the Activity Centre Network, the detail provided in Selwyn 2031 suggests that the focus is on activities that should be in Business 1 Zone in the relevant townships[7]. Rural subdivision *per se* is not expected to have a direct impact on Business 1 zones, but indirectly it is likely to increase household demand for goods and services in the catchments of centres. In relative terms, this benefit may be larger for the smaller Rural Activity Centres where rural households account for a greater share of total customers. Decreasing the density in some rural zones will mean an opportunity cost (in terms of potential sales and growth) for the centres located in and servicing those zones, relative to the status quo. However, significant subdivision potential exists even if densities are decreased so growth in rural demand is still anticipated.

Regarding potential effects on the purpose and effectiveness of the Township Network, the detail provided in Selwyn 2031 suggests that the focus is on a township hierarchy that caters for all urban growth, including industrial activity. Rural subdivision *per se* is not expected to have a direct impact on achieving that outcome as it caters for rural demand, not urban demand and it is likely that these are relatively discrete markets. This analysis has focussed on the growth of enabled residential capacity in the Rural Zone (not total enabled residential capacity in the Rural Zone). It is not possible to determine from this what share of growth the Rural Zone will account for in future (i.e. more or less than 20%). M.E would expect current rural-urban growth trends to continue.

[7] M.E's interpretation of Selwyn 2031 is that the Activity Centre Network does not also apply to other business or industrial zones.