

Before Kaipara District Council

In the Matter of the Resource Management Act 1991 (**RMA**)

And

In the Matter of an application for Private Plan Change 82 (**PPC82**) by **MOONLIGHT HEIGHTS LIMITED** to rezone 39.2 ha of land at Awakino Road, Dargaville from Rural Zone to Residential Zone

Evidence of Timothy James Heath on behalf of Moonlight Heights Limited

(Economics)

Dated 21 July 2023

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Introduction

1. My full name is Timothy James Heath.
2. I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
3. I hold a Bachelor of Arts (Geography) and a Bachelor of Planning both from the University of Auckland. I have undertaken property research work for 25 years, and regularly appear before Council, Environment Court, and Board of Inquiry hearings on economic and property development matters.
4. I advise district and regional councils throughout New Zealand in relation to industrial, residential, retail and business land use issues as well undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity implementation.
5. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, retail, industrial, and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis.
6. I have been engaged by Moonlight Heights Limited (**MHL**) in July 2023 to provide expert evidence on their behalf based on my high-level economic assessment of the economic merits and efficiency of PPC82 to rezone the subject site for residential uses.

7. Although this is not a hearing before the Environment Court, I record that I have read and agree to and abide by the Environment Court's Code of Conduct for Expert Witnesses as specified in the Environment Court's Practice Note 2023. This evidence is within my area of expertise, except where I state that I rely upon the evidence of other expert witnesses as presented to this hearing. I have not omitted to consider any material facts known to me that might alter or detract from the opinions expressed.

Scope of Evidence

8. My evidence will address the following:
 - a. Anticipated population growth and dwelling demand in Dargaville by 2054 and the development potential of PPC82;
 - b. Economic grounds for PPC82 in the context of Kaipara Spatial Plan and Kaipara Draft District Plan.
 - c. Economic impacts of the proposed rezoning and residential development to the local economy and employment;
 - d. Economic costs and benefits of enabling the proposed residential development at the subject site.
9. Following an overview of the proposed development, I will address each of these points in my statement of evidence accordingly.

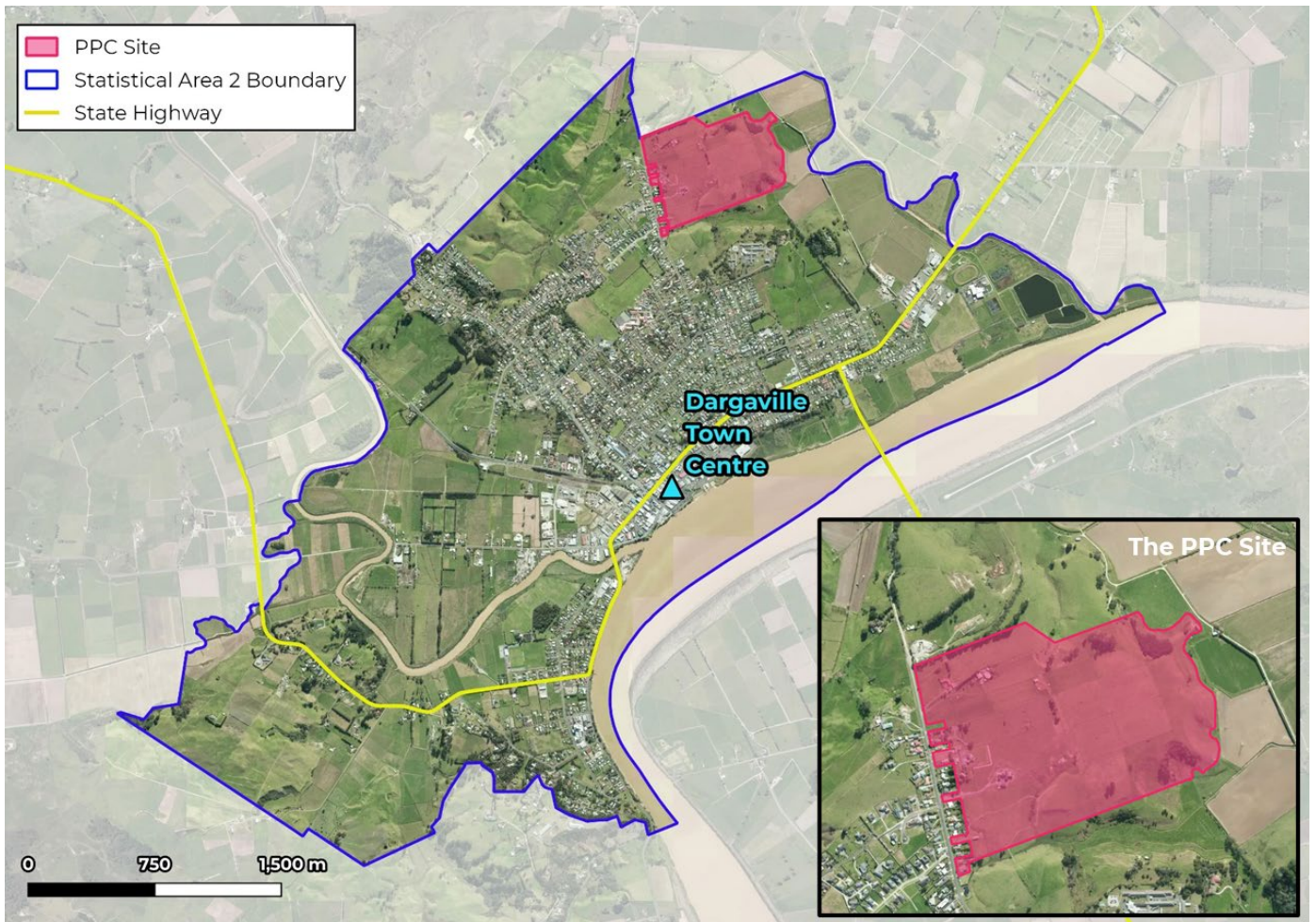
PPC82 Overview

10. MHL seeks to rezone 39.2ha of land at Awakino Road, Dargaville, from Rural to Residential under the Kaipara Operative District Plan (**ODP**), enabling the development of circa 350 dwellings. Figure 1 following shows the extent and location of the PPC site in the context of the existing Dargaville Township.
11. The PPC82 site is situated on the northern urban fringe of the existing Dargaville township and is within a 3-minute drive from the Dargaville Town Centre. The land directly west of the PPC82 site is presently zoned as

Residential, indicating that the PPC82 site represents a 'plug in' expansion of Dargaville's existing residential area and will contribute directly to its urban environment.

12. The immediate surroundings to the north and east of the PPC site primarily consist of rural areas with large rural properties. Within close proximity (1-2 minute drive) is Dargaville Hospital, Dargaville High School, Dargaville Intermediate School and Selwyn Park Primary School indicating the PPC82 would positively contribute to Dargaville as a well-functioning urban environment.

FIGURE 1: LOCATION AND EXTENT OF THE PPC SITE

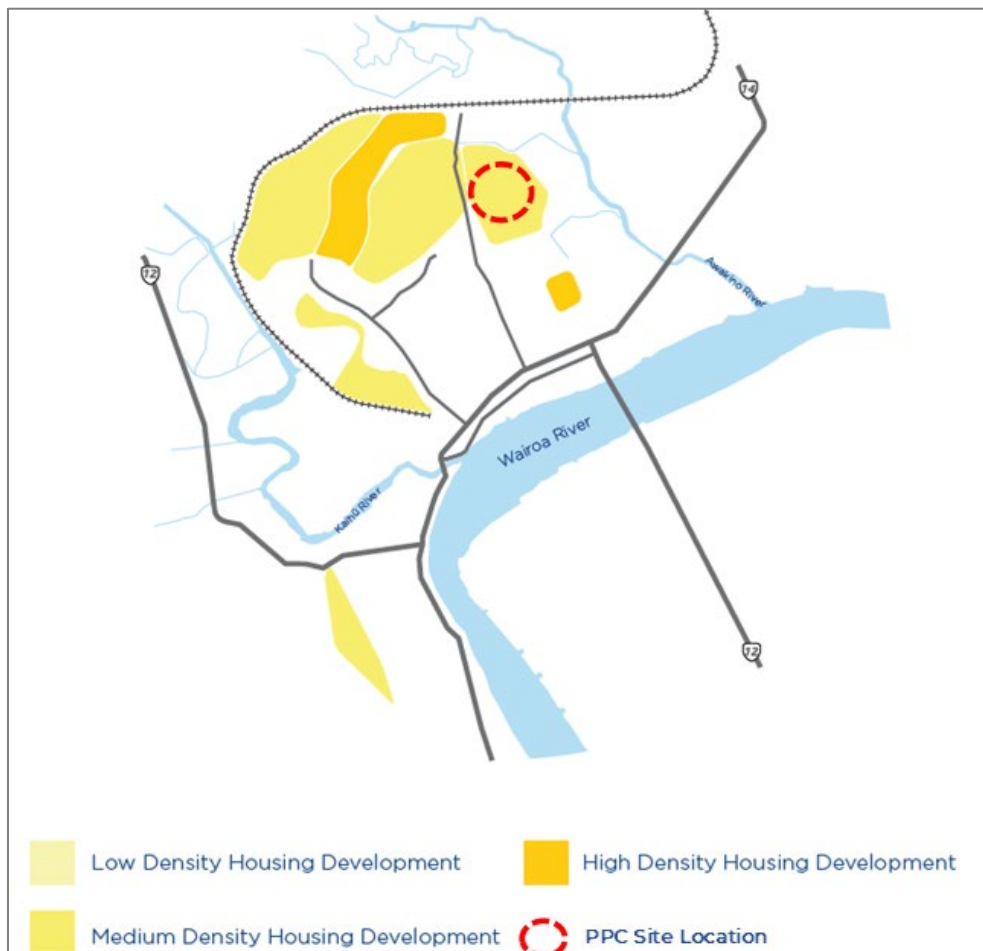


Source: Google Maps, LINZ, Stats NZ.

Implications of Spatial Plan 2020 and Draft District Plan

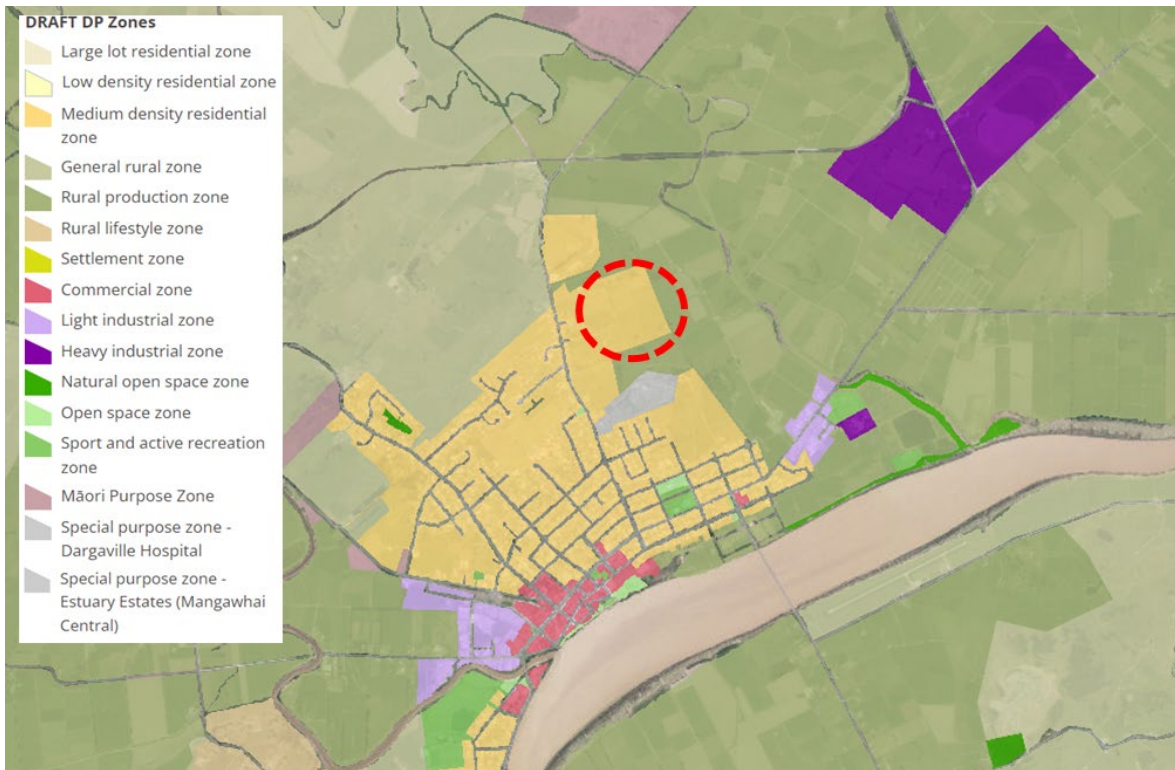
13. According to both the Dargaville Spatial Plan 2020 (**Spatial Plan**, see Figure 2) and the Draft District Plan (**DDP**, see Figure 3), the PPC82 site has been identified as an appropriate location for urban development. It is proposed to be zoned as Medium-Density Residential to cater to the expanding Dargaville community.

FIGURE 2: DARGAVILLE NEW HOUSING ENVIRONMENT UNDER SPATIAL PLAN 2020



Source: Kaipara District Council. Note: PPC site location is for indicative purposes only.

FIGURE 3: PPC SITE IN THE CONTEXT OF THE DRAFT KAIPARA DISTRICT PLAN ZONINGS



Source: Kaipara District Council. Note: PPC site location is for indicative purposes only.

14. As per the 2020 Spatial Plan, *“housing is located in areas most suitable for residential development with regard to land stability, access to existing infrastructure, avoiding floodplains and productive soils with regard to underlying ecological networks”*.
15. In particular, *“Awakino River is appropriate land for new medium-high-density residential development”* and *“houses are typically smaller, more than one storey, often attached and set on compact sites”* (Spatial Plan, page 42). It is estimated that the Awakino River Block (i.e., where the PPC82 site is located) would create approximately 400 – 800 lots once developed (page 48).
16. In terms of the locational attributes of the Awakino River block, the Spatial Plan states:

“Located at the north-eastern perimeter of Dargaville, this area of new residential land is well connected to the existing urban area of Dargaville via Awakino Road” (Page 56).

17. The identification of the PPC82 site for future urban growth is reflected in the DDP where a Medium Density Residential (**MDR**) zone is proposed for most of the PPC82 site. According to the DDP, the MDR zone *“applies to residential areas that are located in close proximity to the commercial centres and / or high amenity public open space areas in the District’s larger townships”*.
18. Given the above policy context, the PPC82 site, is expected to be an important component of Dargaville accommodating its future growth. This implies that the proposed rezoning would represent an appropriate and efficient use of land identified to be urbanised.

Dargaville Future Population and Household Growth

19. Based on the latest projections by Infometrics (February 2023)¹, Dargaville (Statistical Area 2 (**SA2**) extent) predict growth in the near term underpinned by employment opportunities in the town and surrounding rural areas. According to the Infometrics Medium growth scenario, Dargaville is expected to have a population of approximately 6,420 people by 2054, an increase from the current population of 5,214 people in 2022.
20. Regarding households, Dargaville is expected to see an increase from 2,100 to approximately 2,500 households between 2022 and 2054 under the Infometrics Medium growth scenario. This equates to a growth of 400 households, which equates to average growth of around 12 households per annum over the assessed period.
21. According to the 2018 Census data from Stats NZ, the dwelling occupancy rate in Dargaville was estimated to be approximately 90%. By applying this ratio, I determine that Dargaville would need an increase in total dwellings of approximately 440 over the next 32 years, or an average of around 14 new dwellings per year.

¹ *Kaipara District Population Projections – February 2023, Infometrics*

22. Infometrics High growth projection for the district is approximately 20% above the Medium. Applying this to Dargaville would mean up to an additional 480 households over the assessed period (+80 above the Medium scenario). Applying the 90% occupancy rate for this High growth scenario results in an additional 530 total dwelling requirement for Dargaville by 2054 under this scenario, or approximately 17 per annum on average.
23. Based on CoreLogic's property database², I identify that Dargaville currently has approximately 60 vacant residential zoned sites with an average land area of around 1,260sqm. I estimate that these available sites could potentially provide for in an order of 100 new dwellings.
24. Given the above, if Dargaville's growth aligns with the Infometrics Medium projection (i.e., 14 additional dwellings per year), the vacant residential capacity of 100 dwellings would only be sufficient to accommodate Dargaville's total dwelling growth for the next 7 years, or until 2029. Under the Infometrics High growth scenario there is sufficient capacity for the next six years, or until 2028. Basically under the High growth scenario capacity would run out one year earlier.
25. Considering the above analysis, it is my opinion that PPC82 is necessary to accommodate the anticipated growth of the Dargaville community within the medium term. While it may not be an immediate requirement in the short term (within the next 3 years), taking a proactive approach would allow the Council and the Dargaville local market to have certainty and be 'development ready' to accommodate future growth. This is important for longer term infrastructure investment and given the development lead times required to prepare the land for residential occupation of at least 2-3 years due to planning timeframes, civil / earthworks on the land, below and above ground infrastructure development requirements, etc. This strategic approach would provide market certainty for the community and the developers, and result in a more efficient and well-functioning local market.

² CoreLogic Property Guru [<https://www.corelogic.co.nz/>]

Dargaville as a “Small Urban Area”

26. On 1 March 2022, Council received an economic opinion on the Kaipara "urban environment" from Mr Derek Foy³. Mr Foy stated that *“the population of urban areas extending 5km beyond the current urban edge of Dargaville would be around 7,870 by 2038”* (page 13). This population base falls short of the numeric threshold required in the NPS-UD which specifies a minimum of 10,000 people for a housing and labour market. Consequently, Mr. Foy concluded that Dargaville should not be classified as an urban environment under the NPS-UD definition.
27. I agree that Dargaville currently does not meet the numeric NPS-UD threshold for an urban environment and is not projected to meet the 10,000 people threshold set by the NPS-UD by 2038 given its current growth trajectory. However, just because Dargaville does not satisfy a general NPS-UD threshold, does not mean that there is no community benefit from providing a well-functioning environment.
28. In my view any urban area, no matter its size, should aim to be well functioning, and the NPS-UD should not be interpreted as tool that prevents consideration of that. There are many smaller urban areas in the form of rural townships across NZ that would not meet the NPS-UD threshold for an urban environment, but it would be remiss and economically inefficient to not improve the functioning of these smaller urban areas as well and incorporate new development that generates the economic benefits and efficiencies available from urban growth.
29. It is worth noting that Stats NZ has recently updated the Urban Rural 2023 Indicator⁴ to account for real-world changes, such as net subdivisions and motorways, and to enhance the demarcation of urban areas and rural settlements. As a result, the extent of Dargaville SA2 is classified as a *"Small Urban Area"*.

³ NPS-UD Definition of Urban Environment, Derek Foy, 1 March 2022

⁴ <https://datafinder.stats.govt.nz/layer/111198-urban-rural-2023-generalised/>

30. For context, this classification is also consistent with international definitions of an "urban" population. For example, the United States Census Bureau⁵ has used a minimum population threshold of 2,500 to 5,000 people to categorise areas as "urban" since their 2020 Census. The Australian Bureau of Statistics⁶ refers to urban areas as Urban Centres, generally defined as population clusters of 1,000 or more people.
31. Therefore, in my view, Dargaville is clearly an urban area in Kaipara and represents an important urban cluster of residents, employment opportunities, commercial activity, community, educational and medical facilities, public transport and visitor facilities within the district. This means that promoting a well-functioning urban area in Dargaville with locationally efficient development such as PPC82, has the potential to generate significant economic benefits that contributes to a well-functioning urban area.
32. In this regard, PPC82 would support Objective 1 and Policy 1 of the NPS-UD in relation to enabling urban growth in a location that creates a more well-functioning urban environment.

Economic Impact Overview

33. Table 1 following outlines the resulting economic impacts on the Kaipara District economy as a result of the civils and earthworks involved in delivering the PPC82 development. These cost estimates have been sourced from Chester, the civil engineers for PPC82.
34. The 'construction multipliers' were based on the national input-output tables produced by Statistics New Zealand (based on 48 sectors), which were then assessed at a district level based on Kaipara's economic activity, composition and productivities.

⁵ <https://www.census.gov/newsroom/blogs/random-samplings/2022/12/redefining-urban-areas-following-2020-census.html>

⁶ <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/2901.0Chapter23102011>

TABLE 1: TOTAL GROSS KAIPARA ECONOMIC INJECTION

	2023	2024	2025	Total
Direct Expenditure (\$m)				
Land				
Earthworks / Civil Works	\$1.0	\$0.5		\$1.5
Civil Consultants	\$0.8	\$0.7		\$1.5
Infrastructure	\$1.6	\$8.4	\$10.1	\$20.1
Total Development Costs (excl. land)	\$3.4	\$9.6	\$10.1	\$23.1
Increased Local Spend*			\$0.2	\$0.2
Total Direct Expenditure (excl. land)	\$3.4	\$9.6	\$10.3	\$23.3
Level 2 Multiplier Impacts				
Total Kaipara Output NPV (48 sector multipliers)**	\$3.2	\$8.4	\$8.3	\$19.9
Employment (FTE Years)				
Development Employment	19	47	60	125
Other Employment	6	17	14	38
Total Employment (FTE years)	25	64	74	163

Source: Property Economics

* Increased Local Spend by employees, construction workers and additional local business spend through the different stages of development.

** The impacts on Kaipara as a result of direct, indirect and induced activities.

35. The preceding table illustrates that the total impact on business activity within Kaipara as a result of the proposed development over a 3-year construction period is estimated to be around \$20 million.

36. In terms of employment multipliers this would contribute 74⁷ jobs during the peak development year within Kaipara, with a total number of FTE years at approximately 160 over the development period.

37. The proposed development is likely to have economic impacts that are felt beyond the specific costs and benefits within the district. Additionally, there are likely to be non-economic effects, such as environmental. While these effects may result in economic impacts for the most part they have not been addressed in this analysis.

⁷ NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

Economic Costs Benefits Overview

38. Rezoning of the PPC82 land would generate a range of potential economic costs and benefits. The following outlines the high-level economic costs and benefits of PPC82 in the context of the ODP, DDP, NPS-UD and RMA.

Economic Benefits

Greater Range of Housing Typologies:

39. PPC82 to rezone circa 39.2ha of Rural land is consistent with the Spatial Plan 2020 and the DDP. As such, PPC82 satisfies the anticipated outcome delivering additional residential capacity within the Dargaville market and would contribute to accommodating the projected population growth in the area.
40. In an economic environment where the market identifies a diverse range of circumstances, expanding the residential typologies or choices available to consumers enables them to make decisions that better suit their personal needs and preferences. In this regard, the provision of any additional residential product provides more options that, putting aside the costs element, will improve the community wellbeing. However, what is important is the extent of this benefit or demand for the product in comparison to the costs.
41. A greater range of housing options (standalone (on various site sizes), terraced and duplexes) is enabled with a higher density zoning. This provides existing residents and potential future residents with a greater range of choice for their living arrangements. In turn, this provides improved accessibility as well as price points. The additional capacity and range of typologies to be provided within PPC82 will assist meeting Policy 1(a)(i) and 1(c) and 1(d) of the NPS-UD.

More Affordable Housing:

42. From an economic perspective, an increase in the supply of housing is generally positive for housing affordability in the receiving market. This is

true even when more expensive homes are added to the market. As wealthier households upgrade to higher-priced housing, they free up lower-priced housing stock.

43. However, by developing homes at a higher density as proposed in PPC82 (relative to the existing density of dwellings within the township), the effects of this development go beyond simply adding supply to the market. A developer's average costs (price per dwelling) are decreased with higher allowable densities. This is the result of a higher land price being spread over more purchasers and is typically geared toward the lower end of the pricing brackets (i.e., an increase in affordability). This provides more affordable options for the consumer to buy similarly sized homes (i.e., a three-bedroom house) at a cheaper price by sacrificing the size of the backyard.

Increased Choice of Housing Location and Price Point:

44. The proposed development would also offer residents additional choices in their living environment in respect of location and potentially impact upon the overall price point resulting from supply, within the Dargaville catchment. The PPC82 site would provide for housing products with distinctive views and living environments from existing urban areas. The opportunity for an increase in the level of competitive residential land is likely to be coupled with an increase (subject to infrastructure costs) in the relative attractiveness of the area with wider markets.

Decreased Marginal Infrastructure Costs:

45. The opportunity to develop a large master-planned area has the potential to bring with it economies of scale and lower marginal infrastructure costs. Additionally, the future provision and identification of this area allows for the future proofing of the area, the community and private infrastructure requirements. The larger number of residents in an area means greater returns on the use of the local infrastructure. This can vary depending on the level of unused capacity of existing infrastructure and the cost of replacement / upgrade of said infrastructure.

46. The proposed residential zone is a 'plug-in' extension of existing infrastructure located adjacent to other residential zones and existing urban extent. This minimises new infrastructure costs (relative to the growth areas in more distant greenfield locations) and increases infrastructure efficiency.

Increased Economic Activity / Local Employment:

47. The increased local population base will result in a net increase in the number of full-time equivalent employees able to work within Dargaville and the surrounding suburbs due to the PPC generating increased demand for local business and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.

Greater Level of Growth:

48. Growth from residential developments can often work as a catalyst that spurs further growth in the area. PPC82 as a large-scale residential development, could increase interest for additional residential / small-scale commercial activity within the Dargaville market and provide impetus for growing its local economy.

Increased Economic Activity:

49. PPC82 will generate employment opportunities particularly in the Construction sector, for the local economy. This represents an increase in employment retention which has flow on, "secondary," impacts that also boost economic activity.

Increased Amenities:

50. Master planned residential developers are able to provide higher amenity, master planned environments with purpose built, and targeted amenity values such as parks, playgrounds and community facilities in a co-ordinated and integrated manner. This can significantly improve the amenities of the receiving environment and generate community benefits and efficiencies.

Economic Costs

Loss of Productive Land:

51. Any primary production value attached to the PPC82 site would be lost if the site is developed into residential. Based on the Land Use Capability (LUC) system, and the evidence of Mr Hanmore, the PPC82 site is identified as non-highly productive soil (i.e., a mix of 4w 1, 4s 4 and 6e 7). Thus the opportunity cost of the PPC82 site for intensive rural uses and activities would be negligible and non-consequential in the context of the NPS-HPL.

Cost of Infrastructure:

52. Being directly adjacent to the existing urban area assists in limiting the extent of required infrastructure upgrades. However the cost of any upgrades to the wider network will need to be serviced by the Council.
53. These capital costs are likely to be mitigated, at least in part, through either developer contributions or the level at which the developer provides the infrastructure itself. As additional residential capacity is required over the long term, the extent to which this can be considered an economic cost depends on the relative cost of servicing the infrastructure in an alternative location at a later point in time.
54. However, alternative locations in Dargaville are likely to require increased cost of infrastructure to service. Relevant to the PPC82 location, is the relative efficiency advantage of having a single developer service the infrastructure for the entire site, rather than requiring the Council to drive not only the wider infrastructure upgrades, but also service the sites in Council driven plan changes.

Potential Impact on Existing Zoned Areas:

55. A key concern for Council and the economy in rezoning and live zoning additional residential land is the potential to redirect demand from capacity in existing residential areas (both new growth areas and potential brownfield redevelopment). This potential cost is primarily measured by both the above costs associated with infrastructure duplication and

underutilisation and the potential economic benefits associated with aggregated residential and employment activities.

56. It is important, when considering these potential costs in this instance, to recognise that in this context the potential costs are likely to be limited to the period of time prior to their requirement to meet growth, while the impetus to create additional growth has long-term term impacts.
57. Based on the growth analysis earlier, there may be some short-term economic costs, but the medium to long term benefits would likely significantly outweigh these costs with existing vacant zoned capacity for only 6-7 years under the growth scenarios for Dargaville.

Economic Costs Benefits Analysis Summary

58. In my view, balancing all the economic considerations, PPC82 would generate significantly more economic benefits for the local and regional economy and communities than economic costs. As such, I support PPC82 from an economic perspective in the context of the RMA.

Response to s42A Report

59. The s42A report⁸ concludes that *“the plan change should not be declined on the basis of negative economic effects or lack of housing demand”* (point 272, page 62).
60. The conclusion, as presented in the s42A report, is based on several factors. These factors include the projected need for 500 additional dwellings in Dargaville over the next 30 years, the identification of the site's residential growth area status in the Spatial Plan, and the advantageous location of the site, which is contiguous with existing residential development.
61. These findings align with my earlier analysis, indicating that PPC82 would expand the existing residential areas of Dargaville and the township in a

⁸ Private Plan Change 82 Moonlight Heights Section 42A of the Resource Management Act 1991 –
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location that minimises economic costs on the Council, the Dargaville community, or the broader Kaipara District.

62. I agree with the findings of the s42 report that PPC82, which allows for a residential capacity of 300+ dwellings, may not be immediately necessary to accommodate short-term demand (within the next 3 years). However, I also agree, as pointed out in the s42 report, it is important to adopt a forward-thinking approach and plan ahead for residential growth. This is particularly pertinent in relation to giving certainty to the market and in consideration of development lead times.
63. From an economic perspective, it is crucial to engage in proactive planning for residential growth, given the economic benefits to the community that can be gained as a result, particularly in efficient locations like PPC82.

Response to Submitters

64. There were eight submission points raised concerning the positive or negative economic effects of PPC82, as well as housing demand and supply considerations. All of these economic aspects have been addressed and discussed in detail in this evidence. Therefore, for the sake of brevity, I have not repeated my positions on these matters here.

Conclusion

65. Based on my economic analysis, I consider PPC82 is appropriate and efficient from an economic perspective. This conclusion is based on three key reasons.
66. Firstly, based on my estimation, the current vacant residential zoned capacity can only accommodate approximately 6-7 years of Dargaville's projected growth. While PPC82 may not be an immediate necessity within the short term, planning for the medium-term period now is imperative to facilitate the efficient provision of infrastructure and services. This proactive approach would also enhance market certainty and create the opportunity for enhanced amenity values for the local community.

67. Secondly, the PPC82 site is an identified growth node that would be a natural extension of the Dargaville township. This aligns with the anticipated outcomes specified in both the Spatial Plan and the DDP. .

68. Lastly, Dargaville is one the main urban settlements in the district. Fostering the development of a well-functioning Dargaville urban area would present an economically efficient strategy for the growth of Dargaville.

Tim Heath

Dated 21 July 2023