

BEFORE THE HEARING PANEL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Plan Change 37 - Nukuhau (private) by AN Rajasingham LPT Trustees No 124 Limited anors to the Taupo District Council to rezone c.78ha of land in the Nukuhau area from Rural Environment to a mix of General Residential and Mixed Density Residential with a Neighbourhood Shopping Centre overlay.

STATEMENT OF EVIDENCE OF TIMOTHY JAMES HEATH

Dated 20 OCTOBER 2021

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INTRODUCTION

1. My name is Timothy James Heath. I am a property consultant, retail analyst and urban demographer with Property Economics Limited, based in Auckland. I established the consultancy in 2003 and provide property development, land use research and impact assessment services to both the private and public sectors throughout New Zealand.

Qualifications and experience

2. I hold a Bachelor of Arts (Geography) (1991) and a Bachelor of Planning (1993) from the University of Auckland. I have undertaken property research analytics for 25 years, and regularly appear before Council, Environment Court and Board of Inquiry hearings on retail economic matters.
3. I provide consultancy services to:
 - a) District and regional councils throughout New Zealand in relation to retail, industrial, commercial and residential land use issues as well as strategic forward planning.
 - b) Private sector clients in respect of a wide range of property issues, including retail economic impact assessments, commercial and industrial market assessments, and forecasting market growth and land requirements across all property sectors.
 - c) Government Ministries (Ministry for the Environment and Kainga Ora) in relation to residential capacity modelling in the context of the National Policy Statement on Urban Development, and undertaking economic cost-benefit analysis of proposed planning policies and zones.

CODE OF CONDUCT

4. I have read the Environment Court Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2014 and agree to comply with it. I confirm that the opinions expressed in this statement are within my area of expertise except where I state that I have relied on the evidence of other persons. I have not omitted to consider materials or facts known to me that might alter or detract from the opinions I have expressed.

PC37

5. Property Economics has undertaken a high-level review of Nukuhau Plan Change 37 (**PC37**) housing demand calculations provided by WSP and what it may mean for wider household demand/uptake north of Control Gates Bridge (**Bridge**) in the foreseeable future. This includes reviewing recent dwelling growth across Taupo's urban area and locations of existing zoned capacity. This overview is to help understand the potential implications of PC37 on the Bridge capacity issues from an economic perspective.

SUMMARY OF EVIDENCE

6. The current split between residential land capacity between the areas south of the Bridge and north of the Bridge is 70/30 respectively. While Nukuhau will have some potential to alter that split, the general trend is relatively stable.
7. If the relative competitive nature between north and south of the Bridge remains with the introduction of PC37, I would expect to see demand for

an additional 140 dwellings (approximate) north of the bridge over the next 10 years.

8. The upgrading of the capacity of the Bridge crossing is a matter of when, not if. In this sense the economic costs of bringing forward the Bridge upgrade must be weighed against the economic and social costs of delay, such as congestion, and the increased costs of construction over time.
9. Current and future congestion levels at the Bridge, which is at Level F during peak times at present, is not specific to PC37. It is clear the Bridge capacity needs to be upgraded to fully realise the existing zoned capacity north of the Bridge.
10. According to recent Statistics NZ projections it is expected that Taupo would need to house a further 8,200 households in the next 30 years. In terms of capacity recent estimates place zoned capacity at approximately 5,200, with a further 1,200 provided through current plan changes (of which Nukuhau represents 780).
11. In terms of the existing residential capacity north of the Bridge, adding capacity at Nukuhau will not automatically generate additional development and therefore demand on network infrastructure, such as the Bridge. Rather it will enable choice and through that choice a redistribution of development within that capacity.
12. The most economically efficient approach for Taupo District Council to take is accelerate the provision of this critical infrastructure, while making

adequate provision within PC37 for additional residential land supply to come 'onstream' in the meantime.

GENERAL APPROACH

13. The methodology and approach utilised by the applicants for PC37 (**applicants**) to assess the potential additional 'uptake' of residential sites north of the Bridge based on the development of Nukuhau provides an indication of the potential addition to Bridge utilisation as a result of this development.
14. The WSP methodology applies a 70/30 split in residential capacity based on current capacity between the south and north of Taupo (divided by the Bridge), respectively. Having reviewed empirical data regarding relative development between the two areas this approach is given credence as the split is very similar. This is not to say that PC37, in and of itself, does not have the potential to alter even marginally, the relative competitiveness between the areas, but that current trends would support the approach taken.
15. If the relative competitive nature between north and south of the Bridge remains with PC37, I would expect to see demand for an additional 140 dwellings (approximate) north of the Bridge over the next 10 years.

WHAT ARE THE ECONOMIC COSTS?

16. It is important to note that while the provision of infrastructure is often expensive and it's effective and efficient utilisation an important consideration when planning for its development, there are coinciding

costs associated with both the lack of provision and delayed timing for infrastructure.

17. From an economic perspective it would therefore be important to consider an assessment looking at the economic costs associated with bringing forward the infrastructure costs associated with the upgrade of the Bridge, compared to the economic benefits associated with opening up increased capacity north of the Bridge, or the increased cost of congestion.
18. People will consider the private cost of congestion when deciding on where they will purchase a site or dwelling, i.e., there are people who live in Hamilton, work in Auckland, and face significant private travel times cost. They weigh that up in their decisions. Additionally, people who work in Auckland's CBD and purchase a home on the North Shore consider the congestion and the associated private congestion costs in their purchase decision making. They don't expect a free-flowing Harbour Bridge at peak times in the morning or evening.
19. Therefore, any increase in congestion on the Bridge in Taupo as a result of PC37 and other residential development north of the Bridge will be factored into the purchasing decision of buyers, and if buyers think those congestion costs are too high, they are likely to purchase a property south of the Bridge. This is the free market providing consumer choice and location options of where people choose to live.
20. It is considered unlikely the enablement of PC37 would materially change residential demand north of the Bridge given the considerations mentioned above, and therefore not materially alter congestion levels at Bridge to that realised with development of current zoned capacity. This is due to PC37 more likely to result in transfer of demand within the zoned

capacity north of the bridge. However, over time as congestion builds (on the basis investment in the Bridge asset remains uncommitted) the current 70/30 split between south and north of the Bridge may soften and move towards 75/25. This would have flow-on implications for all zoned capacity north of the Bridge and reduce its rate of development.

21. This means current and future congestion levels at the Bridge, which I understand is at Level F during peak times at present, is not specific to PC37. It is clear the Bridge capacity needs to be upgraded to fully realise the existing zoned capacity (which I note Taupo District Council is relying on to meet its National Policy Statement on Urban Development (**NPSUD**) obligations) north of the Bridge. An upgraded Bridge is not a 'nice to have' but a 'need to have', with deferral likely leading to increasing economic costs to the Taupo community moving forward.
22. As an example, the second Auckland Harbour Crossing has been a political football for over 20 years now. This is not an 'if' but 'when' infrastructure project. Twenty years ago, the cost for a tunnel under the harbour was estimated at around \$3b. With ongoing deferment of the project, more recent estimates have the cost between \$10b-\$15b, up to 5 times the original cost estimates. Ongoing deferral of large infrastructure projects that delay essential infrastructure delivery generally come with significant economic costs.
23. The economic cost benefit analysis (**CBA**) mentioned earlier would include such considerations. An additional consideration in this assessment would be the fact the 'Bridge cost' is not the only cost consequence for that infrastructure asset. The CBA would need to consider the additional cost of infrastructure required to service any additional growth transposed to south of the Bridge. This analysis would paint a more fulsome picture of

the economic costs associated with any ongoing deferral of investment in the Bridge asset.

24. From an economic cost and economic efficiency perspective the prudent approach is for Council to advance the redevelopment of this essential piece of infrastructure and provide adequate provision within PC37 for additional residential land supply given the long-term economic benefits to Taupo of the PC37 area being urbanised.

RELATIVE RESIDENTIAL DEMAND AND CAPACITY ASSESSMENTS

25. It is important to consider PC37 in the context of the residential market in Taupo, including the sufficiency of residential capacity in relation to projected and realised demand, and the subsequent impacts on the Taupo community. There have been a variety of material shifts in the Taupo residential housing market over recent years. The average sales price has increased by nearly 21% over the year to August 2021 (compared to 15% nationally) indicating a similar situation to the major metropolitan centres of reduced supply and increased demand.
26. There are several factors to consider when assessing the economic benefits associated with PC37 to the Taupo community including both the projected demand for dwellings and the estimated 'realisable' capacity.
27. In terms of demand, Taupo has 'outstripped' Statistics NZ 'High'¹ growth projection scenario with greater demand originating for the major centres with increased demand for lifestyle now coupled with increasing employment opportunities. I consider this trend is likely to continue with a critical mass of residents supporting a higher level of local servicing and

¹ Assumed to represent a 5% scenario.

employment, in turn facilitating high residential demand. According to more recent Statistics NZ projections it is expected that Taupo would need to house a further 8,200 households in the next 30 years.

28. In terms of capacity recent estimates place zoned capacity at approximately 5,300, with a further 1,200 provided through current plan changes (of which Nukuhau represents 780). While this would not in itself provide for sufficient capacity, these figures represent numbers considered at the higher range of potential capacity. The development of Housing Business Assessments (**HBA**) throughout NZ have considered three factors in capacity, theoretical, market feasible, and realisable. This final step anticipates that not all feasible residential development will occur over a given timeframe (e.g., families wanting to retain their backyards, historical ownership, other site-specific constraints). It is important to consider this factor, not only through the NPSUD buffer of 15-20% (for demand) but when assessing the level of risk associated with a total development capacity.
29. In relation to the factors above, Property Economics considers an approach that provides capacity with increased emphasis on foresight is the most prudent. In short, the most economically efficient approach for Taupo District Council to take is accelerate the provision of this critical infrastructure, while making adequate provision within PC37 for additional residential land supply to come 'onstream' in the meantime.

Tim Heath

20 October 2021