

Before the Independent Hearing Panel

at Taupo

in the matter of: Proposed Plan Change 36 to the Taupo District Plan –
Request under Schedule 1 of the RMA to rezone Rural
Land to Residential at Whareroa North by The
Proprietors of Hauhungaroa No. 6

to: **Taupo District Council**

Applicant: **The Proprietors of Hauhungaroa No.6**

Expert Conferencing – Joint Witness Statement Economics

Date: 5 June 2020

Introduction

1. A conferencing meeting was held on 25 May 2020 regarding the topic of economics.
2. The witnesses present were Philip Osborne (PO), on behalf of Taupo District Council, and Kevin Counsell (KC), on behalf of The Proprietors of Hauhungaroa No. 6.
3. It is confirmed that all present:
 - a. Have read the Environment Court Practice Note 2014 Code of Conduct and agree to abide by it; and
 - b. Have read the Environment Court Practice Note 2014 in respect of Appendix 3 – Protocol for Expert Witness Conferencing and agree to abide by it.
4. The economic issues, and a summary of the witnesses' positions on these issues, are set out in the sections below.

Residential property supply and demand for lots in the Taupo District

5. PO and KC agree that Statistics New Zealand data on household projections for the Taupo District is an appropriate measure of forecast future demand, by permanent residents, for lots in the Taupo District, although disagree over the best scenario for those projections (see below).
6. PO and KC agree that 30% of total demand is an appropriate measure of future demand for holiday homes in the Taupo District.
7. PO and KC agree that the future supply of lots in the Taupo District is given by the list of current zoned, or zoned and consented, lots in the District, as set out in Table 1 of PO 15 May 2020 Rebuttal Evidence.
8. KC's view is that Statistics New Zealand's "high" projections for future household demand in Taupo are a valid measure of demand. Based on these high projections:
 - a. There may be a shortfall in lots in the Taupo District in the next 10 years, with demand of 2,300 properties against supply of 2,200; and
 - b. There will be excess capacity of lots in the Taupo District in 20 years, with demand of 4,300 lots against supply of 5,600.
9. PO's view is that while the District has achieved population growth in line with statistics NZ "high" projections over the past 7 years household growth (that more closely represents dwelling demand) has been in line with medium projections. Based on these medium projections Taupo District has more than sufficient capacity for the aforementioned 10 and 20 year periods.
10. KC and PO agree that an analysis of supply and demand in the Taupo District provides some broad context, but greater weight should be placed on analysis of supply and demand in Whareroa and surrounding areas (PO believes this should more closely relate to identified "holiday home locations).

Residential property supply and demand for lots in Whareroa and surrounding areas

11. In the Whareroa/Kuratau/Omori area:
 - a. PO and KC agree that demand for new lots over the last 10-16 years has been 7-10 lots per annum. If this is projected over the next 30 years this would result in demand of 210-300 lots.
 - b. PO's view is there are 198 vacant sites here that have the potential to meet this demand for new dwellings and that existing site owners would form part of this potential demand.
 - c. KC's view is that not all of the 198 lots will be available to accommodate future demand, if their current owners intend to build on them for their own use. With demand of 210-300, and

supply of less than 198, will be a shortfall in undeveloped residential lots in this area over a 30-year timeframe.

12. In Whareroa only:

- a. PO and KC agree that demand for new lots over the last 10-16 years has been 1.75-2.5 new lots per annum. If this is projected over the next 30 years this would result in demand of 53-75 lots.
- b. PO's view is that, as above, there are 47 vacant sites in this immediate location and that regards of ownership holding they form capacity for future new dwellings. Additionally, PO holds the view that there exists capacity in competitive alternative locations for this potential demand.
- c. KC's view is that, while there are currently 47 undeveloped lots in Whareroa, not all of these lots will be available to accommodate future demand, if their current owners intend to build on them for their own use. With demand of 53-75, and supply of less than 47, will be a shortfall in undeveloped residential lots in this area over a 30-year timeframe.

Implications of COVID-19

13. PO and KC agree that the implications of the COVID-19 pandemic on the supply and demand of residential property in the Taupo District and Whareroa are highly uncertain.
14. PO's view is that there will be fundamental shifts in the housing market in terms of locations and portfolios (e.g. holiday homes) that, while potentially more acute in the short-term, have the potential to alter longer term projections.
15. KC's view is that the impacts of the COVID-19 pandemic are likely to be mostly felt in the short-term, and so the pandemic is unlikely to have a material impact on longer-term residential property supply and demand over the next 20 to 30 years.

Redirection of demand

16. KC's view is that the evidence for demand being redirected from existing zoned alternatives to Whareroa is equivocal, particularly as there will likely be a shortage of residential land in Whareroa and its surrounding areas, and the evidence of demand for properties in Whareroa suggests that it must have some unique features.
17. PO's view is that he has seen no evidence to suggest that, given existing capacity in other competitive locations, additional supply will not simply redirect growth from these areas.

Infrastructure costs

18. PO and KC agree that the initial infrastructure costs associated with the Whareroa Development are incurred by the Proprietors.
19. PO's view is that while the initial costs of infrastructure provision will be borne by the Proprietors maintenance and replace costs will be borne by the community. Council must consider these short and long-term costs (including in terms of depreciation) and therefore they must be represented in any consideration. While forecasting future costs is difficult there is a relatively low probability that these costs will be lower in the future.
20. KC agrees that ongoing maintenance costs will be incurred by TDC once the infrastructure for the Development is operational, although these are relatively small. However, KC's view is that most of the costs associated with replacing the infrastructure will only be incurred by TDC far into the future (e.g., 50+ years), given the long lifespan of most of the infrastructure assets. Such costs should not be included in an assessment of the costs and benefits, given that the assessment in this case only captures costs and benefits incurred over the next 30 years, that it is difficult to forecast cost incurred far into the future, and that the present-day value of costs incurred far into the future is minimal.

Consumer benefits

21. PO and KC agree that, in theory, an increase in supply of residential property (as provided for by the Whareroa Development) will provide benefits to consumers in the form of lower prices and increased residential property choice.
22. PO's view is that while this represents a theoretical position, existing landowners can defer decisions to market properties in an environment that has excess supply therefore reducing realisable capacity and negating any potential benefits. Additionally, any resulting benefit is likely to be relatively small.
23. KC's view is that, even if Whareroa results in demand being redirected from existing zoned alternatives, there must still be some benefit to consumers, as inferred by their decision to purchase at Whareroa rather than elsewhere.

Producer benefits

24. KC and PO agree that the Whareroa Development will likely generate a net private benefit to the Proprietors, given by the difference between the revenue received from the sale of lots, less any costs incurred.
25. PO's view is that there is a high likelihood that this private benefit is simple redirected from existing zoned land. As above if these developers are more risk adverse than the Proprietors and chose not to develop in a market with excess supply this may not result in a consumer surplus.
26. KC's view is that, if Whareroa results in demand being redirected from existing zoned alternatives, the net private benefits to different developers may net off, assuming they incur similar infrastructure costs. However, consumers will still benefit from this competition, as discussed above in respect of consumer benefits.

5 June 2020



Philip Osborne



Kevin Counsell