

**BEFORE THE INDEPENDENT HEARINGS PANEL**

**IN THE MATTER** of the Resource Management  
Act 1991 ("**the Act**")

**AND**

**IN THE MATTER** of Plan Change 42 ("**PC42**") -  
General Rural and Rural Lifestyle  
Environments under the Taupō  
District Plan

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**STATEMENT OF EVIDENCE OF PHILIP OSBORNE ON BEHALF OF THE TAUPŌ  
DISTRICT COUNCIL**

**ECONOMICS**

**27 July 2023**

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## 1. INTRODUCTION

- 1.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland.
- 1.2 My qualifications include Bachelor of Arts (History/Economics), Masters in Commerce, a Masters in Planning Practice from the University of Auckland, and I have provisionally completed my doctoral thesis in developmental economics.
- 1.3 I have 20 years' experience advising local and regional councils, as well as central government agencies, throughout New Zealand in relation to economic impacts, industrial and business and residential land use issues as well as strategic forward planning.
- 1.4 I also provide consultancy services to private sector clients in respect of a wide range of property issues, including economic impact assessments, commercial and residential market assessments, economic costs and benefits and forecasting market growth and land requirements across all property sectors.
- 1.5 Taupō District Council ("**Council**") have requested me to present this statement of evidence. The purpose of this evidence is to summarise the key findings from my economic evaluation of Plan Change 42 – General Rural and Rural Lifestyle Environments ("**PC42**") and respond to higher level issues raised in relevant submissions to assist the Commissioner(s).
- 1.6 I have read the Code of Conduct for Expert Witnesses ("**Code**") outlined in the Environment Court's Consolidated Practice Note 2023 and confirm that I will comply with it in preparing my evidence. I confirm that the issues I will address are within my area of expertise, except where I state that I rely upon the evidence of other expert witnesses. I also confirm that I will not omit to consider material facts known to me that might alter or detract from my opinions.

## 2. SCOPE OF EVIDENCE

- 2.1 Property Economics has undertaken two reports for Council analysing the both the potential rural lifestyle property market for residential activity within Taupō<sup>1</sup>

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<sup>1</sup> Taupō Rural Lifestyle Economic Assessment July 2019

and undertaking a high-level economic assessment of PC42<sup>2</sup> as proposed in relation to the Rural Lifestyle Environment (**RLE**) areas in Taupō<sup>3</sup>.

**2.2** The primary purpose of this economic statement is to summarise the key findings of this economic analysis and identify the potential economic impacts of the proposed RLE as well as specifically provide a setting for the productive land resource in the Taupō District, in the context of the National Policy Statement for Highly Productive Land 2022 (**NPS-HPL**).

**2.3** Specifically, this statement quantifies (where appropriate) and qualifies the significance of (potentially) losing land categorised as highly productive land in the context of NPS-HPL and specific characteristics of the identified RLE areas. This includes the economic costs and benefits of retaining the productive land against the provision of enabling its development for rural residential activity taking a longer-term (15-year) perspective.

**2.4** This economic evidence will outline the key points pertinent to my economic position and responds to higher level economic issues raised in relevant submissions.

### **3. PC42 OVERVIEW**

**3.1** Plan Change 42 comprises a full review of the existing Rural Chapters within the Taupō District Plan. Some of the key changes to the rural chapters include:

- Creating a new Rural Lifestyle Environment from the General Rural Environment;
- A new set of objectives, policies and rules for the Rural lifestyle Environment including relaxation of subdivision rules;
- Establishment of a new rural lifestyle zone;
- Providing for primary production and rural industry;
- More flexible papakāinga provisions;

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<sup>2</sup> Taupō Rural Lifestyle Plan Change 42 Economic Overview, May 2023

<sup>3</sup> Note that PC42 was notified prior to NPS-HPL becoming operative. However, the economic assessment incorporated NPS-HPL considerations for completeness.

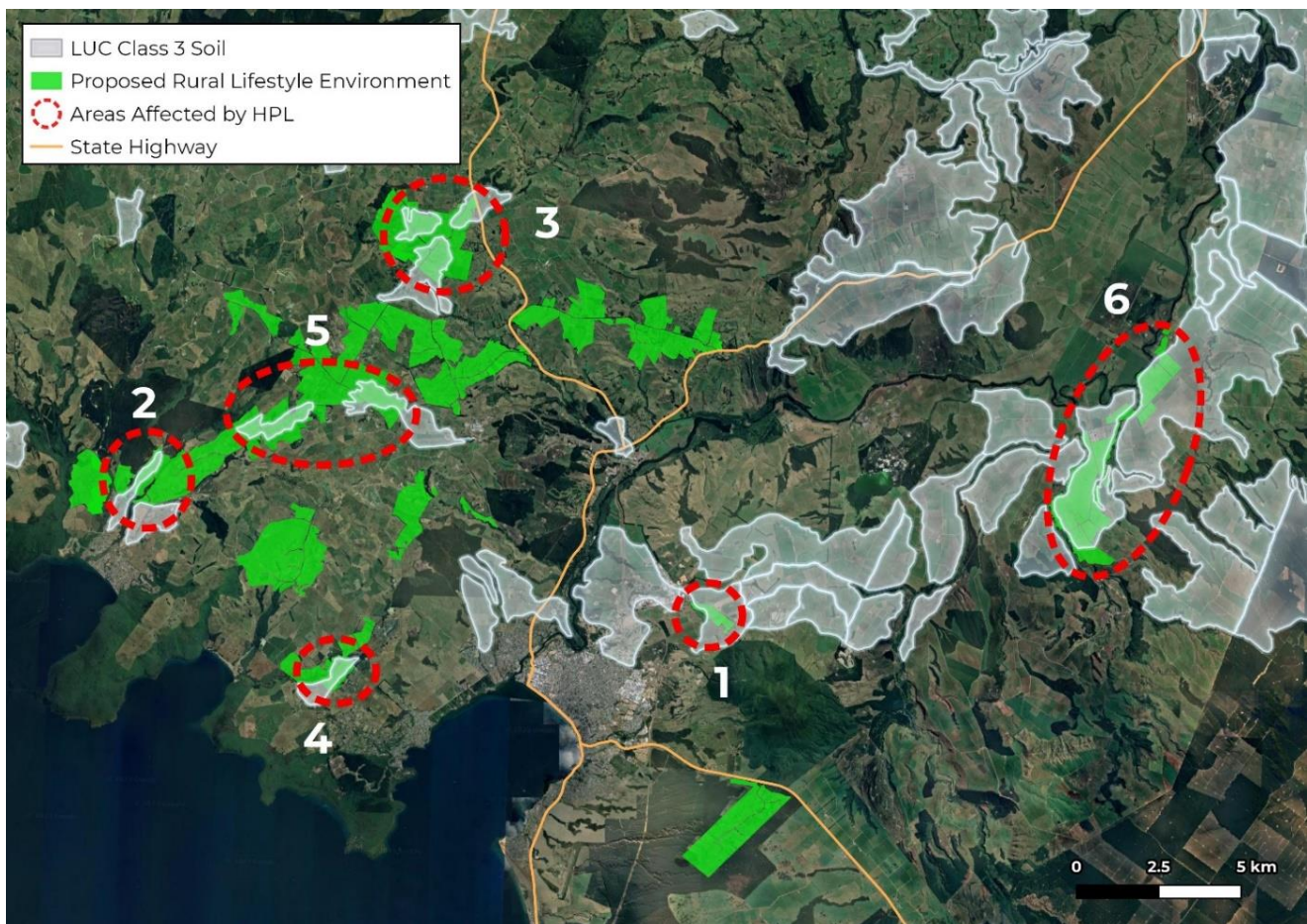
- Removal of the Mapara Valley Structure Plan, Mapara Valley Environments and associated provisions.

**3.2** Figure 1 following identifies the proposed RLE areas in relation to the underlying and surrounding soils classification.

**3.3** Given the HPL overlay, six of the proposed RLE areas encompass a tranche of the Class 3 soil and therefore are subject to the Clause 3.10 of the NPS-HPL. The highlighted areas in red in the figure correspond to the following locations:

- 1) Centennial Drive
- 2) Holyoakes Road
- 3) Oruanui and Forest Rd
- 4) Tukairangi Road
- 5) Whangamata / Poihipi Road
- 6) White and River Road

**FIGURE 1: PROPOSED RLE AREAS IN THE NPS-HPL CONTEXT**



Source: TDC, NZLRIS, LINZ, Property Economics

## **4. RURAL LIFESTYLE MARKET ASSESSMENT**

- 4.1** The 2019 Property Economics Taupō District Rural Lifestyle report provided an assessment of potential demand for rural residential lifestyle blocks within the district under 2 key scenarios over six primary areas and based on a minimum of either 10ha or 2ha lots. The report identified that the current distribution of lots that would be defined as rural lifestyle sits was relatively uniformly distributed.
- 4.2** A key finding of the report was the potential for minimum lot size to influence the extent and origin of demand for this residential product. It found that there was likely to be a relationship (although not linear) between the size of the permitted rural residential blocks, and by this factor its capacity and cost, that would influence the level of demand from both the local and wider market.
- 4.3** Overall, the report found that demand under the identified scenarios, for a 15-year ('medium term') period was likely to range between, approximately 450 and 700 sites (to 2033).
- 4.4** The report also identified a number of economic costs and benefits associated with the potential levels of demand ranging from the potential impact on infrastructure to additional economic growth within the district resulting from additional residential growth attracted to this property sector.

## **5. ECONOMIC ASSESSMENT SUMMARY**

- 5.1** The following report undertaken by Property Economics (2023) assessed six areas identified by PC42 for zoning to Rural Lifestyle Environment. This report assessed these specific areas in relation to their potential rural productive value, based on the quality of the land and the existing site sizes.
- 5.2** Table 1 following provides a summary of the economic position for each identified RLE area, based on the economic assessment utilising 4ha as a productive unit land area threshold. Essentially this table represents the relative potential impact of each identified area on the Taupō economy providing for a

scenario where each area has the potential to achieve the highest value (based on localized averages) per ha activity.

**TABLE 1: AREA ECONOMIC POSITIONS SUMMARY: 4HA SCENARIO**

Metrics	(1) Centennial Drive	(2) Holyoakes Rd	(3) Oruanui and Forest Rd	(4) Tukairangi Rd	(5) Whangamata Poihipi	(6) White and River Rd	TOTAL AREAS
Total Land Area (ha)	40.5	74.2	358.7	89.9	419.1	561.5	1543.9
Total Number of Existing Sites	25	13	66	19	56	113	292
Number of +4ha Sites	3	8	41	11	50	90	203
Land Area of +4ha Sites (ha)	12.6	64.6	305.0	75.6	406.6	519.1	1383.5
LUC Extent of +4ha Sites (ha)	11.1	25.6	151.9	35.0	159.7	403.8	787.0
Value Added Per Year (\$)	\$11,100	\$25,600	\$151,900	\$35,000	\$159,700	\$403,800	\$787,100
Value Added (15 Years Total NPV) (\$)	\$108,000	\$249,000	\$1,475,000	\$340,000	\$1,551,000	\$3,922,000	\$7,645,000
Average Production per site (\$)	\$36,000	\$31,100	\$36,000	\$30,900	\$31,000	\$43,600	\$37,700
Average Production per ha (\$)	\$8,500	\$3,900	\$4,800	\$4,500	\$3,800	\$7,600	\$5,500
Reverse Sensitivity	High	Medium	Medium	Low	Medium	Medium	n.a
Urban Connectivity	High	Medium	Low	Medium	Low	Low	n.a

Source: Property Economics.

- 5.3** Based on the economic metrics in Table 1, Table 2 below summarises the relative economic impacts associated with each site by categorizing the sites into three classifications – Lowest Relative Economic Impact, Medium / Middle Relative Economic Impact, and Highest Relative Economic Impact. These classifications are relative to each other.

**TABLE 2: RELATIVE NET ECONOMIC IMPACT COMPARISON**

Lower Impact	Medium Impact	Highest Impact
Holyoakes Rd	Centennial Drive	White and River Rd
Tukairangi Rd	Oruanui and Forest Rd	
	Whangamata / Poihipi	

Source: Property Economics.

- 5.4** As outlined the economic costs assessed include primarily land-based production value (based on a potential average for the land type classification) as well as considering any reverse sensitivity issues. The economic benefits

include the extent and location of potential residential capacity and its ability to meet future demand projections in a managed environment.

- 5.5** Essentially Table 2 outlines the potential production cost associated with each dwelling provided through the potential rezoning. This is ‘tempered’ through a ratio for reverse sensitivity (7.5% at the upper limit).
- 5.6** Table 3 following presents an additional scenario considering a larger 10ha productive unit land area threshold.
- 5.7** However, according to the current provisions of the ODP (Subdivision Rules 4b.3.1), any subdivision of land in the Rural Environment resulting in allotments of 10ha or larger is identified a Controlled Activity. Consequently, there would be no additional loss of production value if only sites with a land area over 10ha are considered productive.

**TABLE 3: AREA ECONOMIC POSITIONS SUMMARY - 10HA SCENARIO**

<b>Metrics</b>	<b>(1) Centennial Drive</b>	<b>(2) Holyoakes Rd</b>	<b>(3) Oruanui and Forest Rd</b>	<b>(4) Tukairangi Rd</b>	<b>(5) Whangamata Poihipi</b>	<b>(6) White and River Rd</b>	<b>TOTAL AREAS</b>
Total Land Area (ha)	40.5	74.2	358.7	89.9	419.1	561.5	1,544
Total Number of Existing Sites	25	13	66	19	56	113	292
Number of +10ha Sites	0	2	7	2	13	7	31
Land Area of +10ha Sites (ha)	0	27.1	127.5	38.0	225.7	121.3	540
LUC Extent of +10ha Sites (ha)	0	15.2	49.3	16.0	64.4	81.5	226
Value Added Per Year (\$)	\$0	\$15,200	\$49,300	\$16,000	\$64,400	\$81,500	\$226,400
Value Added (15 Years Total NPV) (\$)	\$0	\$147,000	\$478,000	\$155,000	\$626,000	\$792,000	\$2,198,000
Average Production per site (\$)	\$0	\$73,500	\$68,300	\$77,500	\$48,200	\$113,100	\$70,900
Average Production per ha (\$)	\$0	\$5,400	\$3,700	\$4,100	\$2,800	\$6,500	\$1,400
Reverse Sensitivity	High	Medium	Medium	Low	Medium	Medium	n.a
Urban Connectivity	High	Medium	Low	Medium	Low	Low	n.a

*Source: Property Economics.*

## **6. RECONCILIATION AND FURTHER MITIGATING FACTORS**

- 6.1** It is necessary to reconcile the two reports undertaken by Property Economic in order to give economic context to PC42.

**6.2** Initially it would appear, with approximately 260 sites of 10 hectares or less (representing current rural lifestyle minimum site size), that the total rezoning of nearly 1,550 ha would provide for an additional 500 rural residential site capacity. While this figure would fall within the range outlined for demand in the 2019 report it is not necessarily representative of the actual level of rural residential supply likely to be available to the market.

**6.3** There are several factors that are likely to impact upon the level of rural residential supply provided by PC42. These include:

- The introduction of a discretionary activity status for land areas within the Taupō HPL (LUC 3)
- Restrictions on rural residential with General Rural boundary

As well as practical restrictions such as:

- Availability of water, hazard and topography constraints

**6.4** These factors have the ability to materially impact upon the potential level of capacity within Rural Lifestyle Environments.

**6.5** The potential impact of a discretionary activity status for land identified as HPL, within the proposed Rural Lifestyle Environment is likely to be significant. Typical capacity assessment models do not consider capacity under a discretionary status due to the high level of uncertainty. Additionally, as consideration of the existing capacity within the RLE could be considered. With an estimated 787 hectares of land identified with a LUC 3 this would suggest this land would not be considered as part of capacity potential. As a calculation, however, this is not as simple as removing this as a large proportion of this lies on sites already subdivided and as part of the original 260 RL sites. The impact of the HPL provision is likely to result in an overall reduction of 120 sites (240ha) from capacity reducing the total remaining capacity to 380 additional RLE sites.

**6.6** While this figure is more in keeping with the 'Existing' scenario found in the 2019 Property Economics<sup>4</sup> report there are several other factors that are likely to impact this reconciliation. In addition to the factors outlined in 6.2 above, impacting potential capacity, the demand projections outlined in the 2019 report

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<sup>4</sup> Taupō Rural Lifestyle Economic Assessment July 2019, Table 9 Page 17



considered a medium-term period to 2033. While the long term (NPS-UD – 30 years) residential growth projections are expected to slow beyond 2033 their more subdued growth rates would still realise 50% of the growth experienced to 2033, this would suggest demand for RLE in excess of 300 sites over this period.

## **7. POTENTIAL ECONOMIC COSTS AND BENEFITS**

**7.1** This section outlines some of the high-level potential economic costs and benefits of RLE in the identified areas in contrast to the counterfactual of retention of current Rural Environment provision.

- Increased Land / Dwelling Supply
- More Affordable (Rural Lifestyle) Housing
- Protection of the wider General Rural Environment from Rural Lifestyle Subdivision (safeguarding of potential reverse sensitivity in both zones)
- Certainty around the location of rural lifestyle development
- Increased Choice of Location
- Increased Diversity of Buyer Pool
- Greater Levels of Growth
- Potential to disperse infrastructural impacts on capacity (e.g roading network)

**7.2** PC42 could also generate some potential economic costs. These include:

- Loss of Productive Land (likely mitigated, at least in part, by the inclusion of a discretionary status for HPL). According to the New Zealand Soil Classification (NZSC) system, Taupō and its surrounding areas are characterised by extensive pumice soils. Pumice soils consist mainly of sandy or gravelly textures dominated by pumice, which contains a high proportion of natural glass. These soils have rapid drainage capabilities, which significantly affects soil fertility in the district and reduces the likelihood of intensive agricultural production.

Additionally, there are existing limitations on stocking and fertility rates within the Lake Taupō catchment, as identified in the Waikato Regional Plans. These plans specify the maximum number of animals allowed per ha and per 10ha within the Lake Taupō catchment area.

Consequently, if the land is used for grazing livestock, the number of animals must not exceed the prescribed stock threshold outlined in the Waikato Regional Plans. These limitations indicate that the proposed areas for RLE within the Lake Taupō catchment would face greater constraints on fertility and productivity compared to areas outside the catchment.

- Decreased Residential Intensity Impetus
- Additional Infrastructure Upgrade and Investment

## **8. RESPONSES TO SUBMISSIONS**

**8.1** A key submitter on PC42 is the Waikato Regional Council (WRC). WRC opposes the rezoning of the rural lifestyle areas and contends that there is insufficient demand for the plan change and that, in addition there is a risk of land fragmentation and the loss of HPL<sup>5</sup>.

**8.2** The notes the 2019 Property Economics report as identifying an existing level of development capacity to meet demand. While I agree with the overarching premise of the WRC evidence, being that most residential development should be provided for in an intensified and efficient manner, there remains a need to provide for residential choice within the market.

**8.3** As identified above the 2019 report prepared by Property Economics was based on a 2033 timeframe and did not assess the nuanced position now presented through PC42. As identified above the change in position results from:

- The material impact of a discretionary activity status for subdivision of HPL land within the PC42 areas
- The limited timeframe for projected RL demand (more likely to be in excess of 300 sites, even under existing conditions, in the NPS UD longterm)
- The further limitation on capacity resulting from General Rural 'boundary restrictions.
- The overall reduce extent from the areas assessed in the 2019 report.

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<sup>5</sup> *Waikato Regional Council Submission on the Proposed Plan Changes 38-43 (PPC38-43) to the Taupō District Plan, Paragraphs 16 and 17*

- 8.4** There are a number of submitters that seek to include additional areas and sites for RLE zoning. There appear to be two corresponding arguments for this, the benefits of increased capacity and the inclusion of areas that are not recognised as HPL. Firstly, it is important to reiterate that the identification of RLE capacity discussed above does not consider land areas that are considered HPL. It is my understanding that areas within the identified RLE zone that are recognised as HPL would have a restricted discretionary activity status and therefore are not considered in the capacity enabled to meet future and current demand.
- 8.5** As outlined the PC42 areas identified by Council are likely to provide for sufficient capacity, over the longterm, for the expected demand for residential lifestyle sites. An extension of these areas is likely to increase the risk of associated economic costs, such as those identified by the Regional Council submission. I do not believe that there is a requirement to extend the RLE zone given the information currently available and the level of risk associated with increased development capacity in the rural environment.

## **9. CONCLUSION**

- 9.1** Given the level of potential demand and the net potential capacity for rural lifestyle created by PC42 the extent of zones identified are within reason. As with any land use activity there are potential economic costs associated with the proposed plan change, however, their level and extent are unlikely to materially impact the districts overall economic wellbeing, while providing choice in a market that importantly contributes to the local economy.

**Phil Osborne**

27 July 2023