

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

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

ECONOMICS

22 September 2023

1. INTRODUCTION

- 1.1** My name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd (“PEL”), based in Auckland. The company provides property development, land use research and impact assessment services to both the private and public sectors throughout New Zealand.
- 1.2** I outlined my qualifications, experience and commitment to comply with the Environment Court Expert Witness Code of Conduct in my evidence in chief (“EIC”), 21st July 2023.

2. PROPOSAL

- 2.1** This supplementary evidence is provided in response to submitter 74 (Steve Hawkins) to Taupō District Plan Change 42 (PC42) Rural Lifestyle Environments (RLE), in relation to economic evidence provided by Mr Colegrave¹.
- 2.2** Submitter 74 has proposed a rural residential development of 344 hectares at the end of Whakaroa Road, Taupō. This proposal seeks to develop 110 – 115 (3,000sqm to 5,000sqm) residential sites, along with capacity for 30 commercial guest accommodation units (lodge and chalets), a restaurant, café bar, wellness centre and chapel. Overall, the proposal seeks to develop a visitor destination alongside the residential sites.

3. EVIDENCE OF MR COLEGRAVE

- 3.1** The economic evidence, of Mr Colegrave provides an assessment of the potential economic benefits associated with the development and ongoing operation of the proposed development at Whakaroa Road.
- 3.2** In terms of attributable benefits Mr Colegrave’s evidence finds that the proposal will:
- Result in a contribution of \$111m in GDP through the development of the area,
 - Support 84 jobs per annum over a 10-year period

¹ Statement of Evidence of Fraser Colegrave, 9 August 2023

- Improve housing capacity
- Improve visitor facilities
- Is a higher and better use of the site
- Provide for 66 jobs through operation
- Generate \$10.4m in GDP through operation
- Additional \$8m visitor spend per annum.

3.3 In terms of potential economic costs, Mr Colegrave suggests that there is limited productive value loss for the 344 hectares, with the farm producing \$500,000 in revenue supporting up to 3 FTE's. In relation to infrastructure costs he states that any necessary infrastructure will be funded either directly through the development or through development contributions.

3.4 At a general level the assessment undertaken by Mr Colegrave is both appropriate in its approach and identification of the likely economic activity generated by the proposed development.

3.5 However, in considering the outputs of this assessment there are two avenues that require consideration. The first relates to the completeness of the assessment in light of the Taupō economy, and the second relates to the appropriateness of the economic impact assessment (EIA) in the context of Plan Change 42.

3.6 There are 3 issues of consideration in relation to the impact assessment including:

- Outstanding Landscape Areas (OLA)
- Demand
- General efficiency and TD2050 objectives.

Outstanding Landscape Areas

3.7 When considering the development of rural land in Taupō it is important to consider the level of contribution that the land makes to the overall value associated with the natural environment in Taupō. A crucial component to Taupō's significant visitor market (generating \$400m per annum in visitor spend) is the natural environment. In considering the potential impact of a development that alters the form and function of an area, it is important to understand the contribution of affected land, especially that which is identified as Outstanding Landscape Area. Alterations to this land may have material impacts on its value

to the natural environment, as it pertains to visitor amenity, and therefore must be considered in terms of its 'net' (what from the land remains in following alteration) impact.

- 3.8** In terms of a plan change, this impact would be weighed against the potential for other locations to meet this potential demand (for smaller sites). This would form part of an assessment into the relative efficiency associated with rezoning this location.

Demand

- 3.9** While acknowledging the position of Mr Colegrave, at his paragraph 67, relating to the utilisation of demand figures from the Property Economics 2019 report, it should be recognised that while not simply seeking to meet demand, applying the same methodology to the updated household growth projections would result in, at most, an increase in potential demand of 60 rural residential sites. The RLE capacity enabled through PC42 is still sufficient to meet this level of demand. It is important to note that while the capacity of PC42 would still meet this demand it is significant to consider the land use efficiencies of the district continuing to provide for wider rural residential demand.

- 3.10** It is also important, as outlined in Mr Colegrave's evidence, that the demand profile assessed in the Property Economics report does not consider sites as small as 3,000sqm, nor does it distinguish between 'standard' and 'luxury' demand. These site sizes would not be considered RLE under PC42 and so the potential economic impacts were not considered within the PC42 economic assessment.

- 3.11** It is my understanding that the Taupō District Council has started work on its review of the Residential Chapter of the Taupō District Plan. The operative residential chapter includes low density residential environment, and this would be the appropriate time to consider the supply and demand needs of this type of housing option.

Efficient Land Use

- 3.12** While there may well be a market for such residential product in Taupō, its development must be considered in light of both potential impacts and the overall strategic direction considered appropriate and efficient. This overall direction is made clear in TD2050 which seeks to provide for growth within urban

growth areas not within the rural environment. Part of the reason for this direction is the efficient utilisation of existing and planned infrastructure which relates not only to its provision but the cost of undergoing maintenance.

3.13 It is also important to consider the 'net' economic impact of the proposed development. While the figures presented in Mr Colegrave's evidence are significant, they do not necessarily represent a level of additional activity to the district. Nearly 70% (GDP) of the economic value identified through the development stage of the proposal is due to the construction of the residential units. The ultimate level of this contribution therefore is based on the proportion of residential units that would not have otherwise been constructed in Taupo. This is to say that unless 100% of the site occupants would not have located in Taupō without this location, then at least part of this economic activity is a redistribution and would have occurred anyway.

3.14 Mr Colegrave states that this proposal has the potential to provide for increased housing capacity within the district². The evidence of Philip Caruana³ for Taupo Council indicates that there is sufficient housing capacity within identified areas (TD2050) of the urban environments for approximately 20 years. Based on this level of sufficiency the proposal is unlikely to materially contribute to any housing capacity shortfall, as such it can be expected that a more significant extent of the economic activity identified in Mr Colegrave's evidence is likely to be a simple redistribution of activity that could occur elsewhere. Additionally, this redistribution has the potential to displace residential activity from more efficient locations.

3.15 While there are a number of issues that would need to be considered in relation to the balance of economic costs and benefits the key aspect of the proposal is the statutory context in which it is being assessed through PC42 and the potential risk associated with that.

3.16 While the EIA considers the potential impacts of the proposed development, it does not consider the impacts of the Rural Lifestyle Environment zone sought through PC42. This plan change allows for the subdivision of rural land down to 2 hectares for residential use. My understanding of this process is that if accepted through PC42 the 344 hectare site at Whakaroa could be subdivided

² Fraser Colegrave, 9 August 2023, paragraph 14

³ Philip Caruana, 25 August 2023

down to this level. Under PC42 conditions the submission site at Whakaroa has the potential⁴ to result in an over 100⁵ additional rural lifestyle sites⁶. While accepting this is not the current intent of the developer, motivations are not generally binding and with potential changes in circumstances this option would remain an option.

- 3.17** If this is the 'default' position it is important to consider the potential for a large number of 2-hectare rural residential sites to be placed on the market, competing directly with the areas identified through PC42. It is difficult to perceive under this scenario that this would result in anything but a simple proliferation of rural residential sites.
- 3.18** As outlined in my evidence in chief the areas identified in the notified version of PC42 have the potential to provide the market with a material level of capacity at approximately 380⁷ additional Rural Lifestyle sites. Importantly, for Taupō District Council, the additional rural residential capacity provided for under PC42, is located in areas that have existing levels of rural residential development and seeks to provide an environment which manages the relationship and effects between different land uses as well as the potential impacts of rural residential development on rural land fragmentation.
- 3.19** The economic evidence of Mr Colegrave appears to have been undertaken based on a particular proposal rather than a rezoning under PC42. As such he has assessed the potential levels of economic activity that are likely to result from the development and operation of the proposed facilities. I agree with his assessment of the ensuing economic activity and that the facility has the potential to provide for a high-end market and potentially lead to an increase in overall demand for residential lots in the 3,000 – 5,000sqm range. It is important to note that I have not specifically looked at the opportunities that currently (or under PC42 as notified) exist within the market to provide for this product.
- 3.20** Economically, I do not believe the submission 74 site is appropriate or necessary to be rezoned Rural Lifestyle Environment under PC42. It is my position that while the proposed development has potential to create additional economic

⁴ This does not consider site constraints of any other specific limiting factors.

⁵ The sum of potential 2 hectare blocks with 4 hectares at the rural interface

⁶ In comparison to the 110 to 115 smaller sites identified in evidence

⁷ Economic Evidence of Philip Osborne, 21st July 2023, paragraph 6.5

activity (but must be considered in terms of its impact on the OLA), the risk of changes resulting in a simple rural residential subdivision are too great to provide for this rezoning.

Phil Osborne

22 September 2023