

Summary Statement of Susan Michelle Fairgray (26/7/23) – Waikato District Variation 3 Hearing

Qualifications and Experience

1. Confirm qualifications and experience.
 - a. BSc and MSc (First Class Honours) in geography, specialising in economic geography, and including urban economics.
2. I have worked at Market Economics for the past 7 years and undertaken a range of urban economic assessments and studies, including the NPS-UD HBA for the FPP area.
3. Prior to working for Market Economics, I was employed by Auckland City Council/Auckland Council for 10 years. During that time, my roles were Planning Economist, Economic Analyst, Economist and Senior Research Economist. I was seconded for 6 months to the Chief Economist's Unit during this time.
4. My role in Variation 3 has been to assess the capacity and development patterns enabled by the different sets of planning provisions and provide assessment of the economic effects related to the different sets of provisions and resulting urban form.

Development Opportunity Enabled Under Variation 3 and Effect of Qualifying Matters

5. I have undertaken a number of assessments of the development opportunity, growth and associated economic effects across the Waikato District's urban areas and wider FPP area.
6. I conducted the residential demand and capacity assessment for the Future Proof 2021 HBA. That detailed analysis included modelling of patterns of demand and capacity enabled under the Operative District Plan, Proposed District Plan and Waikato 2070 provisions in accordance with the requirements of the NPS-UD. The assessment covered plan enabled, commercially feasible and realistically expected to be realised capacity, and drew on detailed site-level modelling.
7. The most recent modelling (in 2022 and 2023), I have undertaken has followed on from the 2021 HBA assessment, building upon this modelling capability. It has tested the effect of Variation 3 and individual qualifying matters on the urban towns.
8. The modelling from the 2021 HBA shows that the PDP provides for considerable housing capacity relative to demand. There are large medium-term capacity surpluses, particularly within the northern parts of the district in Tuakau and Pookeno.
9. The most recent modelling shows that Variation 3 provides further substantial increases in capacity and levels of development from that enabled under the PDP. I consider that Variation 3 offers a more efficient urban form than the current patterns of development.
10. The modelled capacity in relation to demand by location is contained in my primary evidence. It shows that the level of both plan enabled and feasible capacity is very large relative to projected demand.
11. Variation 3 increases the development opportunity across the towns outer suburban areas from that enabled under the PDP. This occurs through enabling up to three dwellings on each lot, which differs substantially to past patterns of growth, which have been characterised by large-scale lower density outward urban expansion.
12. I have modelled the effect of qualifying matters, which reduce the capacity in some areas. In combination, the stormwater and mine subsidence area qualifying matters reduce the plan enabled capacity and long-term commercially feasible capacity by 12% across the four urban towns where MDRS is applied.
13. I consider that, in most areas, the qualifying matters are unlikely to limit the ability for the urban towns to meet long-term demand.

Intensification Around Centres and Higher Density Residential Provision in Huntly

14. In my view, one key aspect of Variation 3 in relation to urban form is that it encourages and provides for opportunity to intensify in areas surrounding the commercial centres. Intensification within these areas is likely to occur gradually through time, resulting in the economic benefits associated with supporting the viability and vitality of the centres, which is a core aspect of a well-functioning urban environment.
15. I consider that, within the Waikato economic context, intensification around commercial centres is achieved through a combination of higher density residential provision in appropriate locations as well as differentiation within the medium density scale of development between inner and outer suburban areas.
16. In my view, a core issue for Waikato's urban towns is whether they can currently or in the future offer a sufficient level of amenity to support higher density residential development. The location of several Waikato urban towns (Pookeno, Tuakau and Ngaaruawaahia) within primary catchment areas of larger urban centres is likely to limit their ability to provide sufficient amenity to support higher density development.
17. I consider that the revised Kainga Ora proposed extent of higher density residential development, limited to Huntly Town centre and Commercial zones is likely to be more appropriate than the original proposal. Within the Waikato context, I consider that Huntly is likely to form the most appropriate location for higher density residential development among the Waikato urban towns due to the current and potential future level of amenity provided by its commercial centre. I generally agree with the economic advantages of intensification around centres outlined in Mr Osborne's evidence and consider that it will benefit Huntly's commercial centre. However, I note there is only a limited market size for higher density development, combined with low commercial feasibility.
18. I generally agree with Mr Osborne that the currently proposed 12m height limit in the Town Centre and Commercial zones is likely to limit the feasibility of higher density residential development for the reasons outlined by Mr Osborne.
19. I consider it is important that the height provisions within commercial areas and town centres, where residential development is appropriate, are sufficient to enable the feasibility of development. I note that feasibility depends on a number of factors. It is also important to take into account the level of demand at any time, the competition from new and existing dwellings of other typologies in the central areas and other locations, consumer preferences, ability to pay and so on. Other factors such as environmental considerations will also influence the appropriateness of building heights.

Minimum Lot Sizes in Outer Residential Areas

20. A core economic issue of Variation 3 relates to the initial subdivision minimum lot size in outer residential areas. It has an important influence on how a city or town will develop and how its property market will perform. The initial lot size will have a significant and long-term effect on housing, including prices and affordability, through affecting the development opportunity and value. It is important that an initial subdivision minimum lot size provides opportunity and encourages development patterns that include a range of different dwelling sizes and typologies to better align with patterns of demand. I consider that this is an important aspect of a well-functioning urban environment.
21. I have considered the potential effects of the minimum lot size on the types of development patterns that are able to be achieved in these outer suburban and greenfield areas and how these align with patterns dwelling demand over short, medium and long-term. I have

considered how it will affect different parts of the market and their ability to deliver different dwelling options.

22. In my view, the initial lot size affects the ability of different parts of the market to deliver different dwelling options and densities. These include the land development, property development and household parts of the market. Minimum lot sizes differentially affect the feasibility of different dwelling typologies. In particular, the feasibility of more intensive dwelling options are heavily influenced by different lot sizes.
23. There is an important distinction, that affects feasibility, between the appropriateness of *initial* lot sizes and the *eventual* dwelling lot sizes discussed in the urban design evidence. From an economic perspective, the MDRS-enabled development pathway of dwelling construction/design with subsequent or combined subdivision reflects this important difference, which is critical for the delivery of attached dwellings. If sites are first divided into smaller lots, then this reduces the ability for the market to then deliver attached dwellings.
24. I consider that the shape factor only approach requested by Kainga Ora is likely to produce a narrower range of dwellings that suit the needs of a smaller share of the market. These are likely to be focussed around smaller detached dwellings and limit the ability of the market to deliver attached dwelling typologies. In my view, it is likely to be more difficult for the market to deliver attached dwellings if a subdivision consists primarily of the smaller lot sizes. This would require developers to purchase multiple contiguous sites to then construct attached dwellings, which may increase the land cost to dwelling developers, and to final consumers.
25. I have participated in the expert conferencing on minimum lot sizes and listened to the views of the land developers and their planners as outlined in the 18 July 2023 JWS.
26. I consider that a minimum lot size of at least 300m² is more likely to enable and encourage the development of a range of dwelling typologies and sizes within these locations than 200m².
27. I consider that the application of MDRS to the 450m² vacant lot subdivision size would also significantly increase the development opportunities in these areas. I consider that larger lot sizes would enable a range of dwelling sizes and typologies that are able to be feasibly delivered that would have better alignment to patterns of market demand over the medium to long-term. This is important as the community and market are likely to benefit from a range of dwelling sizes and typologies.
28. In my view, there are important trade-offs that occur between minimum lot sizes of 300m² and 450m², with advantages and disadvantages associated with each size. I consider that these advantages and disadvantages differ through time and to different parts of the market. Some parts of the market, such as land developers and some households, are likely to have greatest benefit from a 300m² lot size from the short-term, while other parts of the market, such as property developers and some households, may have a greater benefit from larger initial lot sizes over the medium to long-term. These are important differences in incentives that occur between the land development market that is likely to favour smaller sites and the property development market that may instead achieve higher margins through lower costs from multiple dwellings on a larger site size as the market for house and land packages and attached dwellings becomes more established through time. These advantages and disadvantages are set out in my rebuttal evidence.
29. I support the minimum lot size of 300m² together with an appropriate mechanism to ensure that a range of lot sizes are achieved to support the delivery of a range of different sized and types of dwellings. I consider that the average lot size such as that suggested by Ms Hill in the Section 42A Addendum may form an appropriate mechanism. I consider that this is more likely to provide an appropriate balance between the ability of different parts of the market

to deliver different dwelling typologies that align with patterns of community demand over the short to long-term.

30. I consider that the smaller minimum lot size will enable land developers to provide a sizeable portion of lots at 300m². This will align with the existing well-established patterns of demand for detached dwellings on individual lots. The provision of smaller lots would increase housing affordability for these dwellings within the lower end of the market.
31. The average lot size will result in a greater range of site sizes that correspond to changing patterns of demand over the medium to long-term. They would provide greater flexibility to increase the feasibility of a greater mix of dwellings relative to a lot structure consisting primarily of smaller lots that would reduce the dwelling mix over the long-term.
32. I recognise that this issue has arisen at a later stage in the process and, in my view, it would be useful to be able to consider this further. This would include further evaluation of the likely patterns of development that could be encouraged under different mechanisms. It is important that a comprehensive approach is taken to this assessment that consider the likely outcome delivered in combination by all parts of the market over the short to long-term rather than only a short-term focus on the land development part of the market.
33. I consider that it is appropriate to have different minimum vacant lot sizes between inner urban areas of the towns that closer to commercial centres and areas further from the centres. Applying the same minimum lot size throughout the towns can be expected to directly affect development patterns and result in less differentiation among inner and outer areas of the towns, as well as less diversity in the mix of new dwellings, taking into account the existing parcel structure, built form and the type of location.