

**BEFORE A PANEL OF INDEPENDENT HEARING COMMISSIONERS IN THE
WAIKATO REGION**

I MUA NGĀ KAIKŌMIHANA WHAKAWĀ MOTUHEKE WAIKATO

UNDER the Resource Management Act 1991 (RMA)

AND

IN THE MATTER of Proposed Variation 3 to the Waikato Proposed
District Plan (PDP)

**STATEMENT OF EVIDENCE OF SUSAN MICHELLE FAIRGRAY
(Urban economics)**

Dated 20 June 2023

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INTRODUCTION

1. My full name is Susan Michelle Fairgray and I am an associate director at Market Economics Ltd. Prior to this I held a senior position in Auckland Council's Research, Evaluation and Monitoring Unit ("RIMU").
2. I hold the qualifications of Master of Science (Honours) from Auckland University (Geography).
3. I have over 15 years of experience in urban economics developing and supporting central/local government and private-sector positions across a range of areas. Residential capacity, growth and demand assessments across a range of higher and medium growth urban economies have formed an important area of focus within the context of assessing and developing district plans. During this time, I have conducted a number of substantial assessments across the Future Proof Area, including the last two National Policy Statement on Urban Development ("NPS-UD") Housing and Business Assessment ("HBA") residential assessments (and are currently preparing the 2023 HBA assessment) and more recent intensification assessments. My experience traverses a wide range and scope of urban economics including but not limited to:
 - (a) Capacity and demand assessments: NPS-UD, HBAs, intensification plan changes and Future Development Strategies;
 - (b) assessing land use patterns and effects on urban form;
 - (c) developing robust and detailed methodologies for aligning residential capacity with demand;
 - (d) retail assessments, providing advice for commercial and public sector clients on the most appropriate scale and location of retail as well as the effects of retail location on the existing network and future urban form; and

- (e) preparing and presenting evidence and expert conferencing.
4. My role in Variation 3 has been to:
- (a) Undertake residential capacity modelling to determine the effect of different scenarios of enabled urban development within the district's main urban towns. This includes different scenarios of development proposed by Council and within submissions.
 - (b) Model the effect of potential qualifying matters on the residential capacity and enabled growth patterns.
 - (c) Interpret the likely potential effects on urban form of the different modelled scenarios and potential provision for higher density development in relation to NPS-UD Policy 3(d).

CODE OF CONDUCT

5. I have read the Environment Court Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2023 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.

SCOPE OF EVIDENCE

6. My evidence covers the following matters:
- (a) A summary of the earlier HBA study (2021) which established the existing baseline market context prior to the Variation 3 modelling;
 - (b) An overview of the economic residential capacity modelling which I have undertaken to assess the capacity enabled by the IPI and the

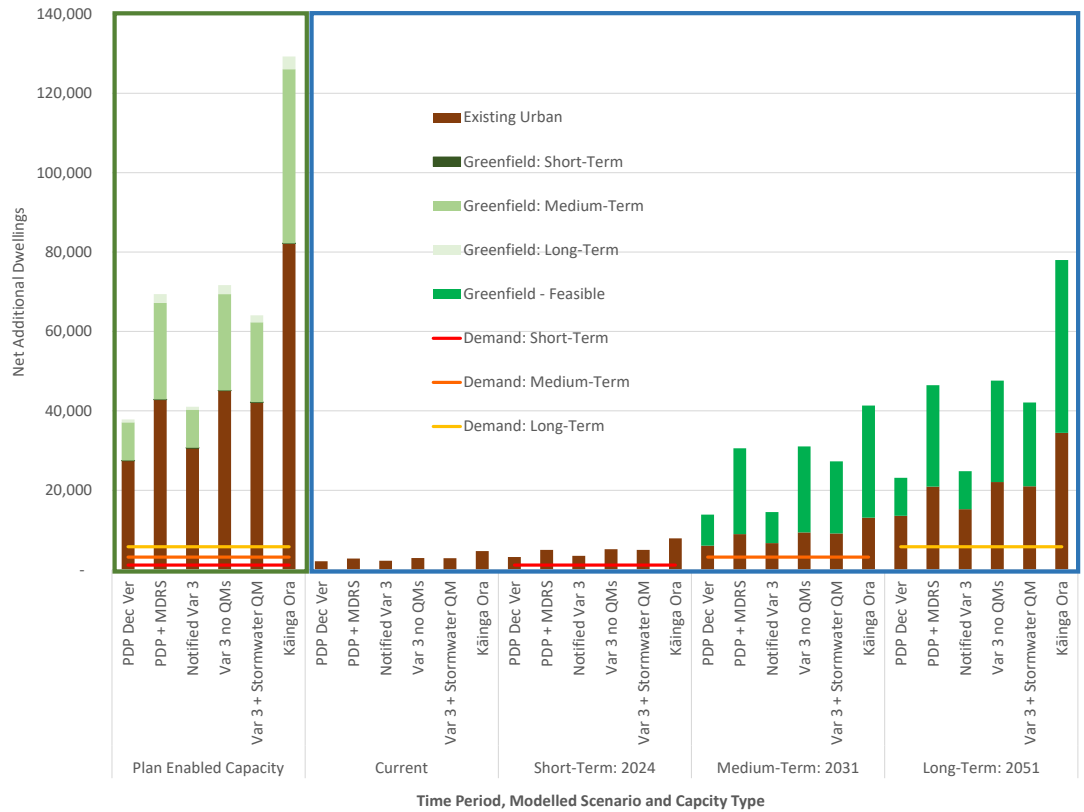
impact of qualifying matters, within the context of housing demand in the Waikato District;

- (c) Further modelling of housing capacity to show the effect of the proposed Variation 3 qualifying matters on capacity relative to an unmodified MDRS;
- (d) Assessment of the likely economic urban form implications for the Waikato District housing market of different modelled scenarios and any potential higher density residential development within the urban towns;
- (e) An analysis of the key submissions points related to residential capacity and my response to these. These relate in particular to the provision for higher density development options within the urban towns, especially in and around the town centres of Huntly and Ngaaruawaahia.

EXECUTIVE SUMMARY

- 7. Market Economics has undertaken several comprehensive studies on residential development capacity and demand growth within Waikato district's main urban towns. Capacity and growth patterns enabled by different planning provisions have been modelled. These include the existing Operative District Plan provisions, Proposed District Plan provisions (Notified and Decisions Version), intensification under Variation 3 (incorporating the MDRS) with and without qualifying matters and the intensification scenario proposed by Kāinga Ora. The most recent modelling has tested the effect of Variation 3 and individual qualifying matters on the urban towns.
- 8. The plan enabled and commercially feasible capacity modelled most recently (2023) under each scenario (PDP, Variation 3 and Kāinga Ora-proposed) is summarised together with projected demand across the short, medium and long-term in Figure A below.

Figure A: Plan Enabled and Commercially Feasible Capacity and Demand by Modelled Scenario: Pookeno, Tuakau, Huntly and Ngaaruawaahia



Source: M.E Waikato Residential Capacity Model, 2022/2023 and 2021 FPP HBA.

9. At the total level, the modelled scenarios all enable additional dwelling capacity that is large relative to demand, including with the application of qualifying matters. Plan enabled capacity under the Council-proposed scenarios ranges from 5 to 12 times the level of long-term demand. The projected level of feasible development capacity is also large relative to demand within all of the modelled scenarios. This suggests that the proposed intensification provisions provide a wide development potential for the market to take up capacity.
10. The effect of each modelled qualifying matter is summarised in Table A below. The notified urban fringe qualifying matter reduces the plan enabled capacity by 43% (-30,600 dwellings), and the feasible capacity by 22% to 53%. The stormwater qualifying matter reduces the plan enabled capacity 11% (-7,600 dwellings), and the feasible capacity by 2% to 12%.

Table A: Effect of Individual Qualifying Matters on Total Modelled Urban Capacity: Pookeno, Tuakau, Huntly and Ngaaruawaahia

MODELLED SCENARIO	Plan Enabled Capacity	Commercially Feasible Capacity			
		Current	Short-Term	Medium-Term	Long-Term
Net Additional Dwelling Capacity					
Var 3 no QMs (Scenario 3a)	71,700	2,900	5,100	31,000	47,600
Var 3 with Urban Fringe QM (Scenario 3)	41,000	2,300	3,500	14,500	24,800
Var 3 with Stormwater QM	64,100	2,900	5,000	27,300	42,100
Net Change from Variation 3 with no QMs (Scenario 3a)					
Var 3 with Urban Fringe QM (Scenario 3)	-30,600	-700	-1,700	-16,500	-22,800
Var 3 with Stormwater QM	-7,600	-100	-200	-3,800	-5,500
Percentage Change from Variation 3 with no QMs (Scenario 3a)					
Var 3 with Urban Fringe QM (Scenario 3)	-43%	-22%	-32%	-53%	-48%
Var 3 with Stormwater QM	-11%	-2%	-3%	-12%	-12%

Source: M.E Waikato Residential Intensification Model, 2022 and 2023.

11. All modelled scenarios result in significantly greater capacity than that enabled within the ODP and allow for much higher levels of intensification within the urban towns than past patterns of lower density development where much growth occurred through outward greenfield expansion. All of the Council-proposed modelled scenarios allow for and encourage intensification to occur around the commercial centres. I consider that these offer a more efficient urban form than the patterns of development currently enabled under the ODP. Intensification is likely to occur gradually through time as the market for more intensive development options becomes more established.

12. I consider that there are important differences in urban form between the modelled scenarios, with each option encouraging different spatial patterns of growth across the existing and future urban areas. These give rise to important economic effects that relate to a well-functioning urban environment and occur through a combination of the provisions for medium and higher density residential development.

13. In my view, a key issue relates to the level of intensification which is both enabled and encouraged to occur in areas surrounding the urban town commercial centres. I consider that it is important to enable and encourage it to occur around inner areas surrounding commercial centres and reduce the potential for it to be diluted across wider outer urban areas.

14. I consider that in smaller economies intensification around centres often occurs at a lower scale, with a much smaller share of higher density development. Most of the intensification around centres occurs in typologies such as terraced housing with very limited higher density vertically-attached apartment development.
15. I consider that an undifferentiated medium density residential zoning structure across the residential urban area (such as that proposed by Kāinga Ora within Pookeno, Tuakau, Huntly and Ngaaruawaahia) means that any intensification is likely to be more widespread through opportunistic development in outer suburban areas. In my view, unfocussed provision for intensification would represent a less efficient urban form as it would dilute the intensification around centres thereby undermining the benefits that are generally associated with development around centres.
16. For these reasons, I consider it is therefore important for a well-functioning urban environment that the *medium-density provisions* are appropriately scaled to this context through sufficiently differentiating between areas surrounding centres and the wider general suburban areas.
17. I consider that if higher density development is enabled, then it is important that the location, scale and spatial extent of intensification provisions are appropriate and relate to the level and nature of market demand within the local economic context. These factors influence the level of intensification around centres and the extent to which higher density development is likely to directly support the functioning of the town centres.
18. It is important, in my view, that policies suited to large cities are not simply transplanted into smaller towns. There is less potential for towns in smaller urban economies to be able to sustain this type of development

with smaller areas around centres suited for intensification than in larger urban economies where the market is more established and greater trade-offs are made with location and other dwelling choice factors across the urban area. A higher density zone that is too extensive within the context of a small market demand may undermine intensification within centres and could result in isolated developments in outer areas that do not function together with the centre and are inconsistent with the surrounding suburban area.

19. I consider that a reduced area for higher density development is likely to be more appropriate for a well-functioning urban environment and better aligned with the projected market size and level of feasibility.
20. 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.
21. 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. However, there is only a limited market size for higher density development, combined with low commercial feasibility. I therefore consider that it is more appropriate to have a reduced spatial extent of higher density provision within areas adjacent to the Town Centre Zone from that proposed by Kāinga Ora.

DEMAND FOR HOUSING IN THE WAIKATO DISTRICT

22. The Waikato district's main urban towns (Pookeno, Tuakau, Te Kauwhata, Ohinewai, Huntly, Taupiri, Ngaaruawaahia, Horotiu and Raglan) form part of the Future Proof tier-1 high growth urban area, which is anchored by the proximate larger urban economy of Hamilton City. The district's northern urban towns are also influenced by growth in the adjacent southern Auckland region. As part of this broader high growth area, the district is projected to experience significant growth over the short to long-term.
23. The following table shows the Future Proof (FPP) 2021 HBA projected urban dwelling demand for Waikato District over the short, medium and long-term. There is a total projected short-term demand for an additional 1,000 urban dwellings within the district's four main urban towns (Pookeno, Tuakau, Huntly and Ngaaruawaahia) that form part of Variation 3, and an additional 1,400 urban dwellings within the district's urban areas overall. The projected medium-term demand is for an additional 2,700 urban dwellings in the four main towns, and 5,000 additional dwellings in the long-term (4,000 dwellings and 9,700 dwellings across the district's total urban areas in the medium and long-term respectively). With a margin applied, there is demand for capacity to accommodate an additional 5,800 urban dwellings in the long-term in the four main towns, and 11,200 urban dwellings across the district's total urban areas.

Table 1: Waikato District Projected Urban Dwelling Demand by Location: 2020-2050

AREA	Dwelling Demand				Change in Demand			Change in Demand + Margin		
	2020	2023	2030	2050	Short-Term: 2020-2023	Medium-Term: 2020-2030	Long-Term: 2020-2050	Short-Term: 2023 (20% margin)	Medium-Term: 2020-2030 (20% margin)	Long-Term: 2050 (15% margin)
Pokeno	1,000	1,300	1,900	2,900	300	1,000	1,900	400	1,100	2,200
Tuakau	1,600	1,800	2,100	2,400	200	500	800	200	600	900
Huntly	2,800	3,100	3,600	4,500	300	800	1,700	300	1,000	1,900
Ngaruawahia	2,100	2,300	2,500	2,700	200	400	600	300	500	700
Total MDRS Main Urban Areas	7,500	8,500	10,100	12,500	1,000	2,700	5,000	1,200	3,200	5,800
Other main urban areas (2021 HBA)	2,800	3,200	4,100	6,700	400	1,200	3,800	500	1,500	4,400
Settlements (2021 HBA)	500	600	700	1,400	40	200	900	50	200	1,000
Total Urban	10,800	12,200	14,900	20,600	1,400	4,000	9,700	1,700	4,800	11,200
Non-Urban	16,600	17,000	18,300	22,600	400	1,700	6,100	500	2,000	7,000
Total	27,400	29,300	33,100	43,200	1,900	5,700	15,800	2,200	6,900	18,100

Source: M.E 2021 NPS-UD Housing Demand Assessment.

24. The table shows that the district is projected to become increasingly urbanised over the long-term. Nearly two-thirds of the long-term growth is projected to occur within urban areas, increasing their share of the dwelling base from a current 40% to 48% in the long-term.

25. Many of the main urban towns are projected to experience large urban growth, at rates above that of the FPP area overall. The largest growth is projected for Pookeno, which would nearly triple the size of this town. Dwelling demand in the other main urban towns forming part of Variation 3 (Tuakau, Huntly and Ngaaruawaahia) is projected to increase by between 31% and 60%. A continuation of current market development patterns would therefore result in significantly expanded urbanised areas for these towns.

A SUMMARY OF THE EARLIER BASELINE HBA STUDY (2021) FOR THE WAIKATO DISTRICT

26. There has been detailed assessment of housing demand and potential supply in Waikato over the last 6 years, starting with the 2017 Housing Development Capacity Assessment (HBA) study by Market Economics to meet the requirements of the National Policy Statement on Urban Development Capacity.

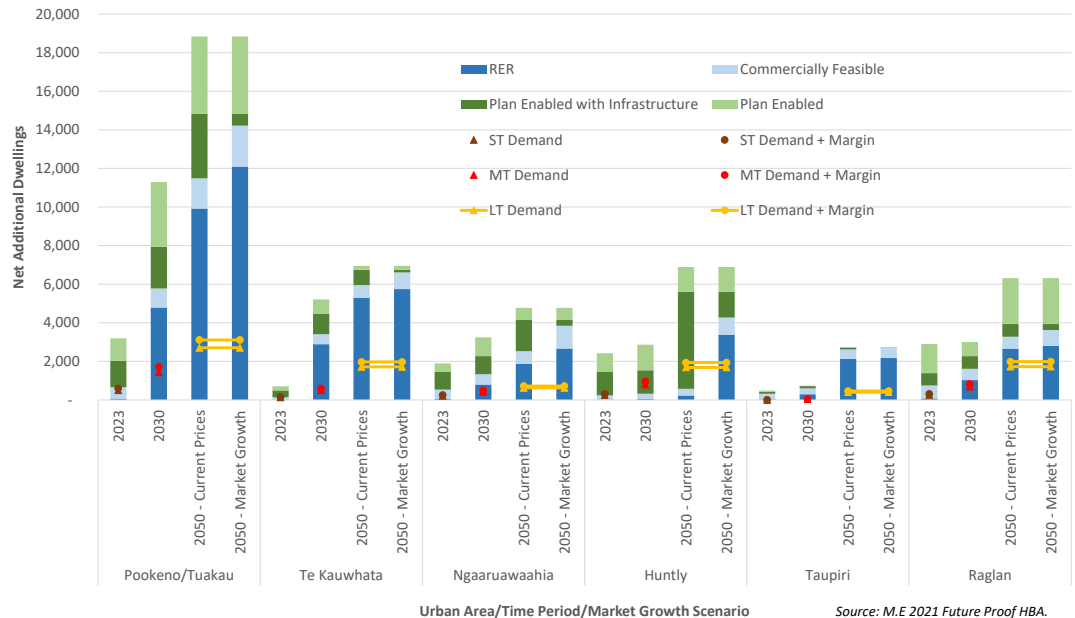
27. Market Economics was again engaged in 2020/2021 by Future Proof Partners to undertake the next HBA to meet the requirements under the NPS-UD. This assessment included modelling and analysis of the plan enabled and commercially feasible residential capacity within the district's main urban towns. It compared the estimated urban capacity with the projected urban dwelling demand in these towns over the short (2020-2023), medium (2020-2030) and long-terms (2020-2050) to assess the sufficiency of capacity.
28. The plan enabled capacity refers to the capacity enabled within each parcel (and aggregated to urban town totals) when applying the planning provisions. The greenfield capacity differentiates between capacity that is expected to be within the extent of infrastructure networks at each point in time and capacity on land with no infrastructure provision.
29. The assessment then estimates the enabled capacity that is likely to represent a feasible development option for a profit-driven commercial developer if it were available to the market. This is based on a standard feasibility modelling approach of estimating whether the likely sales price of the plan-enabled dwelling options are likely to exceed the estimated development costs by a sufficient margin.
30. As required by the NPS-UD, Market Economics have estimated the commercially feasible capacity within the current market where prices and costs reflect the existing market conditions. We have also estimated the likely future feasibility of capacity through allowing gradual changes in costs and prices through time with market growth observed across nearly all growing urban economies. I consider that market growth scenarios of commercial feasibility form an appropriate basis to understand likely future capacity over the medium to long-term. Fixed market feasibility estimates are appropriate to understand short-term capacity, and potentially medium-term capacity for a conservative lower estimate.

31. Finally, the assessment estimates the reasonably expected to be realised (RER) capacity. In our assessment, this is the estimated likely realised yield within feasible greenfield areas and the corresponding relative share of growth occurring within the existing urban area (i.e. urban intensification) based on past patterns of development and feasibility.
32. The 2021 HBA assessed the capacity to meet this growth from the existing Operative District Plan (short-term), Proposed District Plan (PDP) Notified Version (medium-term) and Waikato Strategy 2070 (W2070) growth cells (long-term) provisions within the context of the 2021 market conditions. It is worth noting that the Operative Plan had limited opportunities for additional residential growth and was based on a single residential density. The notified version of the Proposed Plan, adopted for the medium-term capacity, provided for new greenfield growth opportunities compared to the Operative Plan, but was also limited to a single residential density. The medium density zone was only introduced through the Decisions version of the PDP on 17 January 2022 in response to the Kāinga Ora submission. The Decisions version of the PDP also increased greenfield growth opportunities through additional rezoning as a result of submissions. While we adopted the notified version of the PDP for the assessment, we were aware of the potential for a medium density zoning to be included, we therefore conservatively included a small area of medium density zoning in the assessment.
33. The 2021 HBA identified that the residential market was characterised in many areas by larger dwellings on full sites. This was largely a function of the enabled planning provisions, the patterns of dwelling demand and developer responses to these combined conditions. The assessment found limited scope for more intensive development in the short-term, with some scope for more intensive development within the central parts of the main urban towns within the medium and long-term, but with

greenfield expansion limited to existing patterns of lower density development.

34. Lower density outward urban expansion in greenfield areas accounted for the largest share of growth, with the Operative District Plan provisions partly encouraging a continuation of this development pattern.
35. Figure 1 below summarises the HBA modelled urban capacity within the district’s main urban towns. It shows the reasonably expected to be realised (RER) capacity, the further commercially feasible capacity beyond the RER capacity, the further infrastructure-served plan enabled capacity beyond that feasible, and the further plan enabled capacity not served by infrastructure within each time period. The projected demand within each town and time period is overlaid on the capacity.

Figure 1: HBA Modelled Capacity and Demand by Waikato District Main Urban Area: Short, Medium and Long-Term



36. The 2021 HBA found that there was generally sufficient capacity within the district’s main urban centres to meet medium and long-term demand when allowing for gradual continued market growth. Capacity shortfalls were identified in most areas during the short-term due to a lack of

infrastructure-served greenfield land. Substantial additional zoned land and infrastructure extensions were included in the medium and long-term, resulting in large capacity surpluses in some locations.

37. While the assessment found there was sufficient capacity overall, it identified a number of likely market constraints in relation to the different types of development. It found limited plan-enabled opportunity for higher density development, with a focus instead toward lower density development of larger dwellings on full sites (reflecting the density of planning provisions). This pattern of development is considered likely to increase any housing affordability pressures within the urban towns and provide limited ability for the market to respond to future growth in demand for smaller dwellings on smaller sites.
38. It is noted that only a small share of the Medium Density Residential Zone in the Decisions Version of the PDP was taken into account due to the information available at the time of the 2021 assessment.

RESIDENTIAL MODELLING UPDATE FOR MEDIUM DENSITY RESIDENTIAL STANDARDS

39. As illustrated above, the 2021 HBA does not reflect the significant changes to the plan enabled capacity in the Waikato District as a result of the decisions on the PDP in January 2022. Early in the development process for Variation 3, I updated the modelling inputs to reflect the outcomes of the Decisions Version of the PDP, and undertook an intermediate round of modelling of the MDRS to assist the Council. The application of MDRS was modelled across all of the district's main urban areas prior to the determination of the extent of Variation 3 (i.e. Pookeno, Tuakau, Te Kauwhata, Ohinewai, Huntly, Taupiri, Hopuhopu, Ngaaruawaahia, Horotiu and Raglan).
40. This intermediate modelling, contained within the 12 June 2022 report, has been updated and replaced with more recent modelling for Variation 3. The more recent modelling, as set out below, contains

updated base spatial input and planning data on technical constraints to development across a significant number of areas.

OVERVIEW OF THE MODELLING UNDERTAKEN FOR VARIATION 3

41. Variation 3 is the Waikato district's IPI to incorporate the MDRS and give effect to Policy 3 of the NPS-UD in the PDP. As notified, Variation 3 increased the enabled densities across the district's main urban towns of Pookeno, Tuakau, Huntly and Ngaaruawaahia through the application of a Medium density residential 2 zone (MR2 Zone) and the incorporation of the MDRS, modified by qualifying matters across the balance of the urban residential zones within these towns (through the urban fringe). The incorporation of MDRS now into all the relevant residential zones without the urban fringe allows for medium-density intensification within the existing urban areas as well as medium-density development within greenfield areas. The MR2 Zone and the MRDS enable a greater range of development options, including more opportunity for attached dwellings or dwellings on smaller sites. At the time of the initial modelling, there was no proposed increase, by WDC, in the allowance for higher density residential development in or around the town centres, beyond the existing provision for 3 storey development within the Town centre and Commercial zones. A detailed description of the Variation 3 planning provisions is included within the s42A report for Variation 3.
42. Following the notification of Variation 3, M.E undertook further modelling of the residential intensification provisions and MDRS. Capacity was modelled across the district's four main urban towns where MDRS are applied (Pookeno, Tuakau, Huntly and Ngaaruawaahia), as well as the PDP provisions for the other main urban areas within the district (Te Kauwhata, Ohinewai, Taupiri, Hopuhopu, Horotiu and Raglan). A copy of our report is attached as Appendix 9 to the S42A report for Variation 3.
43. The plan enabled and commercially feasible capacity was again examined across the short, medium and long-terms. Modelling was undertaken

across the spatial extent of the urban residential zoned area included within the PDP Decisions Version, Notified Variation 3 and extended to include the proposed urban zoning extensions included within Scenario 3b (explained below). The modelling did not include capacity within the W2070 growth cells that extended beyond these areas.

44. The following scenarios were modelled as part of this assessment:
 - (a) Scenario 1: The baseline capacity enabled by the PDP Decisions Version without the application of MDRS. This provided an important updated baseline from the PDP Notified Version modelled under the HBA. Most notably, it included the full extent of the MR Zone, which was only modelled to a limited extent within the 2021 HBA and reflects an updated 2022 baseline market condition.
 - (b) Scenario 2: PDP Decisions Version with the application of MDRS in all the relevant residential zones in Pookeno, Tuakau, Huntly and Ngaaruawaahia.
 - (c) Scenario 3: Notified Variation 3, including the Urban Fringe qualifying matter.
 - (d) Scenario 3a: Notified Variation 3, excluding the Urban Fringe qualifying matter.
 - (e) Scenario 3b: Kāinga Ora proposed zoning and provisions.

45. The urban fringe qualifying matter and its relevant effects on capacity has been modelled as part of Scenario 3. This has been applied across the extent of the urban residential zoned area beyond 800m from the edge of the Commercial Zone within the four towns where MDRS is applied. This corresponds with the extent of the General residential (GR) Zone. The application of the urban fringe qualifying matter means that capacity within these areas is instead limited to the PDP Decisions Version GR Zone

provisions of one dwelling per 450m² lot rather than up to three dwellings per lot under the unmodified MDRS.

46. Table 2 below displays the maximum modelled densities by zone and location within each modelled scenario across the district’s urban areas.

Table 2: Dwelling Densities Modelled within the Capacity Assessment

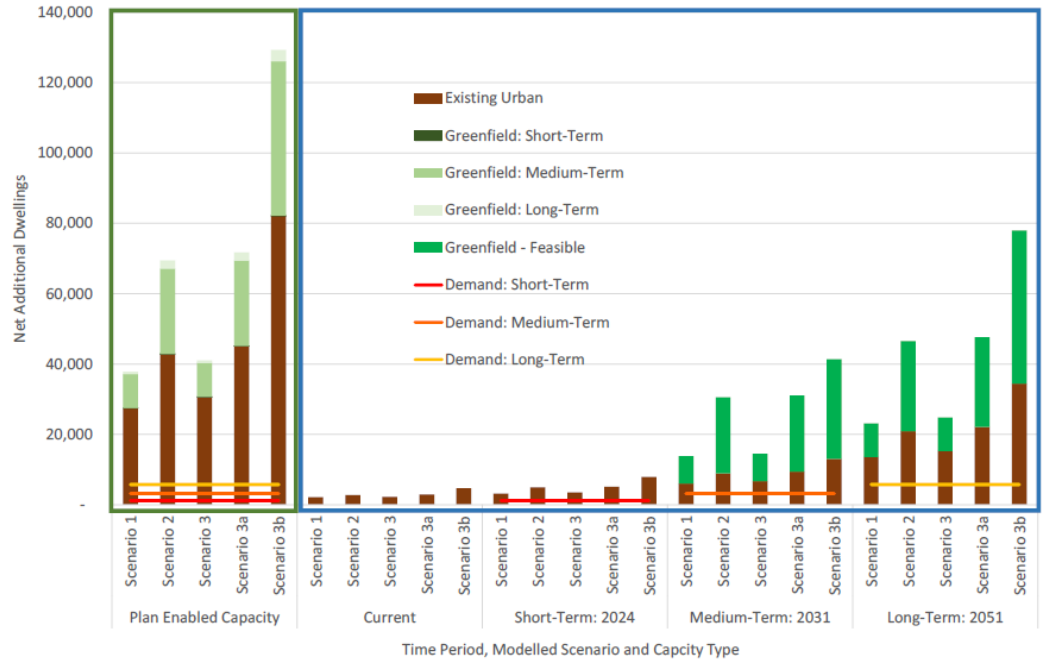
Modelled Zone	Modelled Scenario				
	1	2	3	3a	3b
	Pookeno, Tuakau, Huntly, Ngaaruawaahia				
Town Centre and Commercial Zone	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys
Commercial Zone Proposed Height Overlay Area	n/a	n/a	n/a	n/a	Up to 6 storeys
Proposed High Density Residential Zone	n/a	n/a	n/a	n/a	Up to 6 storeys
Medium Density Residential Zone (MR, MR1 and MR2)	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot
General Residential Zone	1 dwelling per 450m ² lot	Up to 3 dwellings per 450m ² lot	1 dwelling per 450m ² lot	Up to 3 dwellings per 450m ² lot	n/a
	Other Waikato District Modelled Urban Towns/Settlements				
Town Centre and Commercial Zone	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys	Up to 3 storeys
Medium Density Residential Zone (MR, MR1 and MR2)	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot	Up to 3 dwellings per 200m ² lot
General Residential Zone	1 dwelling per 450m ² lot	1 dwelling per 450m ² lot	1 dwelling per 450m ² lot	1 dwelling per 450m ² lot	1 dwelling per 450m ² lot

47. The modelled plan enabled and feasible capacity within each of the modelled scenarios is summarised below in Figure 2 (Pookeno, Tuakau, Huntly and Ngaaruawaahia) and Figure 3 (all urban areas).

48. At the total level, the modelled scenarios all enable additional dwelling capacity that is large relative to demand. Plan enabled capacity under the Council-proposed scenarios (1 to 3a) ranges from 5 to 12 times the level of long-term demand.

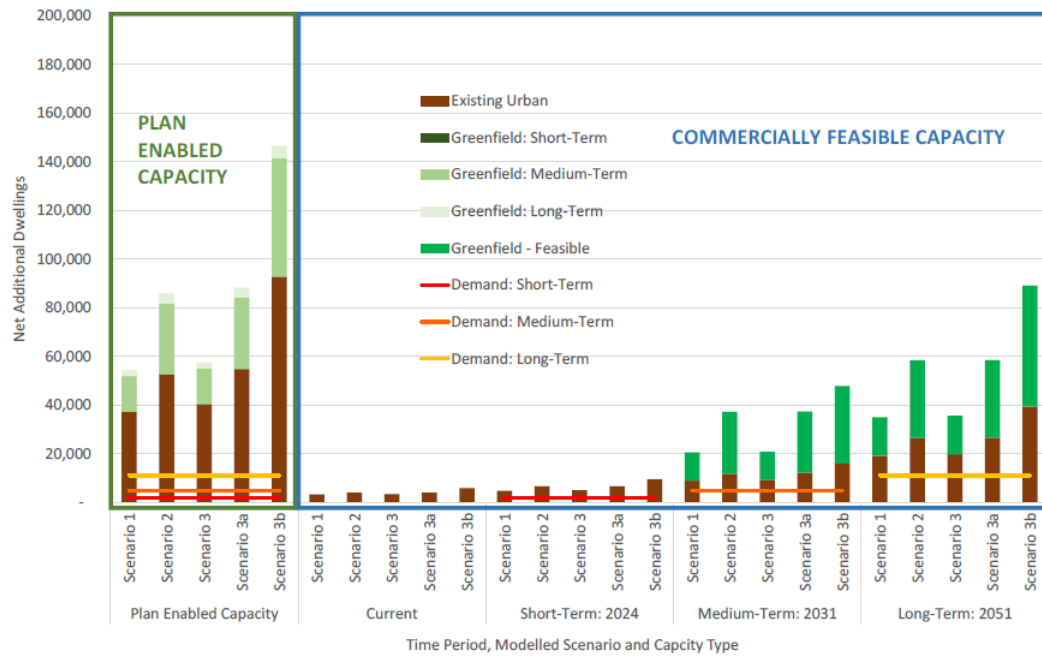
49. The projected level of feasible development capacity is also large relative to demand within all of the modelled scenarios. This suggests that the proposed intensification provisions provide a wide development potential for the market to take up capacity.

Figure 2: Comparison of Plan Enabled and Projected Commercially Feasible Capacity by Type and Modelled Scenario and Demand (Pookeno, Tuakau, Huntly and Ngaaruawaahia)



Source: M.E Waikato Residential Capacity Model, 2022/2023 and 2021 FPP HBA.

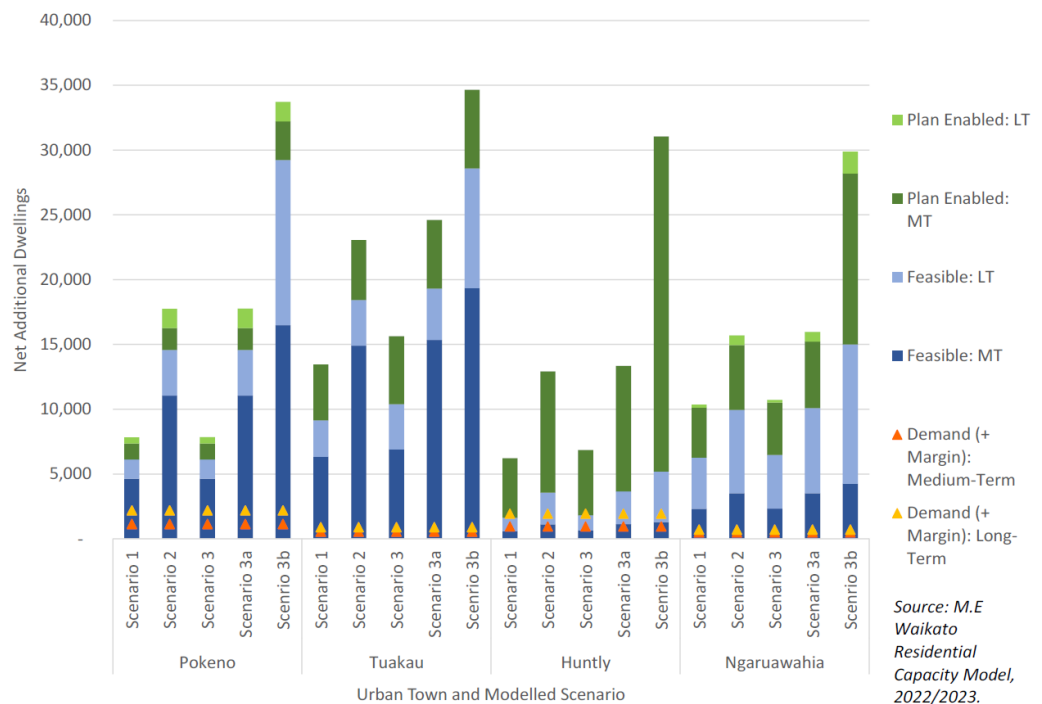
Figure 3: Comparison of Plan Enabled and Projected Commercially Feasible Capacity by Type and Modelled Scenario and Demand (All Urban Areas)



Source: M.E Waikato Residential Capacity Model, 2022/2023 and 2021 FPP HBA.

50. The differences between capacity and demand within each urban town are shown in Figure 4. It shows that commercially feasible capacity in Pookeno, Tuakau and Ngaruawaahia substantially exceeds the projected demand across all scenarios. This suggests that there is likely to be a sizeable development opportunity relative to projected demand in these locations.
51. Figure 4 shows that demand exceeds feasible capacity within Huntly in scenarios 1 and 3, and is close to feasible capacity within other scenarios. It also shows there is a large amount of zoned opportunity in Huntly beyond that which is feasible within all scenarios. The modelling shows that there are lower rates of feasibility within Huntly making it less likely that intensification options will be taken up by profit-driven developers.

Figure 4: Modelled Capacity and Urban Demand by Location and Scenario: Medium and Long-Term



52. The differences in modelled capacity between scenarios 1 (baseline PDP), 3 (Variation 3 with urban fringe) and 3a (Variation 3 excl. urban fringe) is shown below in Table 2. It shows the net and percentage difference in dwelling capacity between the different sets of provisions. The difference

between scenarios 3 and 3a demonstrates the effect of the urban fringe qualifying matter. The difference between scenarios 3 and 1 demonstrates the change in capacity from the baseline position as a result of Notified Variation 3 (incl. urban fringe).

Table 3: Difference in Capacity between Modelled Scenarios

Time Period	Comparison	Existing Urban	Greenfield	Total
		Net Change in Capacity (Number of Additional Dwellings)		
Plan Enabled Capacity	Scenario 3 vs. Scenario 3a	-14,500	-16,200	-30,600
	Scenario 3 vs. Scenario 1	3,200	0	3,200
Commercially Feasible: Current	Scenario 3 vs. Scenario 3a	-700	0	-700
	Scenario 3 vs. Scenario 1	200	0	200
Commercially Feasible: Short-Term	Scenario 3 vs. Scenario 3a	-1,700	0	-1,700
	Scenario 3 vs. Scenario 1	300	0	300
Commercially Feasible: Medium-Term	Scenario 3 vs. Scenario 3a	-2,700	-13,800	-16,500
	Scenario 3 vs. Scenario 1	600	0	600
Commercially Feasible: Long-Term	Scenario 3 vs. Scenario 3a	-6,800	-16,000	-22,800
	Scenario 3 vs. Scenario 1	1,700	0	1,700
		Percentage Change in Capacity		
Plan Enabled Capacity	Scenario 3 vs. Scenario 3a	-32%	-61%	-43%
	Scenario 3 vs. Scenario 1	12%	0%	8%
Commercially Feasible: Current	Scenario 3 vs. Scenario 3a	-22%	0%	-22%
	Scenario 3 vs. Scenario 1	8%	0%	8%
Commercially Feasible: Short-Term	Scenario 3 vs. Scenario 3a	-32%	0%	-32%
	Scenario 3 vs. Scenario 1	9%	0%	9%
Commercially Feasible: Medium-Term	Scenario 3 vs. Scenario 3a	-29%	-64%	-53%
	Scenario 3 vs. Scenario 1	10%	0%	5%
Commercially Feasible: Long-Term	Scenario 3 vs. Scenario 3a	-31%	-63%	-48%
	Scenario 3 vs. Scenario 1	12%	0%	7%

Source: M.E Waikato Residential Capacity Model, 2022/2023.

53. Table 3 shows that Variation 3 increases the plan enabled capacity within the existing urban area by 12% (8% overall). It increases commercially feasible capacity by 8% in the current market, increasing to 12% through time. With the urban fringe qualifying matter in place, the difference in capacity occurs as a result of the properties rezoned from GR Zone to MR2 Zone, in Variation 3 because those properties were within 800m of the commercial centres.
54. Table 3 shows that the urban fringe qualifying matter reduces the plan enabled capacity across these four urban towns by 43% (-30,600 dwellings). This reduction in capacity occurs within the outer urban residential areas that are beyond 800m from the commercial centres.

55. The urban fringe qualifying matter reduces the medium to long-term feasible capacity by around 50%. The reduction in feasible capacity also occurs within the outer urban residential areas that are beyond 800m from the commercial centres. It amounts to 16,500 fewer additional dwellings in the medium-term and 22,800 fewer in the long-term. The relative reductions are smaller (-22%; -700 dwellings) in the short-term as the more intensive densities restricted by the qualifying matter have lower feasibility within the short-term.
56. I consider that despite the sizeable decreases in capacity, the effect that the urban fringe would have had on overall take-up of capacity is likely to be lower. This is because both scenarios 3 and 3a enable substantial levels of capacity relative to demand in most locations, meaning that demand is still likely to be met with the reduction in capacity. Furthermore, I consider that the densities at which development is likely to occur under Scenario 3a are likely to be lower than enabled with the application of MDRS to the GR Zone. Therefore, the difference in realised development patterns between the scenarios is likely to be lower in percentage terms than the difference in *enabled* densities.

ADDITIONAL MODELLING TO UNDERSTAND THE IMPACT OF FURTHER QUALIFYING MATTERS

57. In June 2023, I have undertaken further modelling of the effect of additional qualifying matters on residential capacity. I modelled the indicative effect of the proposed stormwater qualifying matter (SWQM) on plan enabled and commercially feasible capacity. This qualifying matter applies to selected parcels beyond 800m from the edge of the Town centre zone, where MDRS is not applied to the affected parcels or portions of parcels.
58. Table 4 below shows the effect of the SWQM on modelled capacity. It compares the capacity from the application of MDRS to Variation 3 zones with no qualifying matters applied (Scenario 3a), with the application of

the SWQM to the same zoned areas (“Scenario 3a SWQM”). It also shows the increase from the baseline PDP capacity (Scenario 1) to Variation 3 with the SWQM applied.

59. The SWQM reduces the plan enabled capacity across the four main urban towns (Pookeno, Tuakau, Huntly and Ngaaruawaahia) by around 11% (-7,600 dwellings) from that enabled under Variation 3 without the application of qualifying matters. The feasible capacity is reduced by 3% in the short-term and by 12% in the long-term. The effect on feasible capacity increases through time as the market becomes more established for the more intensive dwellings that would otherwise be enabled on these sites.
60. Table 4 shows that Variation 3 with the SWQM applied still substantially increases plan enabled and feasible capacity from the baseline capacity enabled under the PDP. It increases the plan enabled capacity by 69% (+26,300 dwellings). It increases the short-term commercially feasible capacity by 56% (+1,800 dwellings), and the medium to long-term feasible capacity by 82% to 97% (+13,400 to +19,000 dwellings).
61. From the additional modelling, I consider that the application of the SWQM still enables a significant level of intensification to occur in most locations within the outer residential areas (beyond 800m of the commercial centre) of the main urban towns within Variation 3. While it restricts the capacity on some properties, the level of plan enabled and feasible capacity is still substantially greater across these areas than that modelled under the PDP, and well above long-term demand in most locations. I therefore consider that the application of the SWQM is unlikely to affect the total future size of the district’s urban towns.
62. The SWQM is modelled to have the largest relative and net effect on plan enabled capacity within Huntly. While outside the spatial extent of the qualifying matter, it is noted that the stormwater modelling covers sizeable portions of the inner residential and commercial areas within

Huntly. Although not modelled, it may affect the viability of intensification within these areas.

Table 4: Effect of Stormwater Qualifying Matter on Modelled Capacity (Pookeno, Tuakau, Huntly and Ngaaruawaahia)

Time Period	Comparison	Existing Urban	Greenfield	Total
		Net Change in Capacity (Number of Additional Dwellings)		
Plan Enabled Capacity	Scenario 3a SWQM vs. Scenario 3a	-3,000	-4,600	-7,600
	Scenario 3a SWQM vs. Scenario 1	14,700	11,600	26,300
Commercially Feasible: Current	Scenario 3a SWQM vs. Scenario 3a	-100	0	-100
	Scenario 3a SWQM vs. Scenario 1	800	0	800
Commercially Feasible: Short-Term	Scenario 3a SWQM vs. Scenario 3a	-200	0	-200
	Scenario 3a SWQM vs. Scenario 1	1,800	0	1,800
Commercially Feasible: Medium-Term	Scenario 3a SWQM vs. Scenario 3a	-300	-3,500	-3,800
	Scenario 3a SWQM vs. Scenario 1	3,000	10,400	13,400
Commercially Feasible: Long-Term	Scenario 3a SWQM vs. Scenario 3a	-22,100	-25,600	-47,600
	Scenario 3a SWQM vs. Scenario 1	7,400	11,500	19,000
		Percentage Change in Capacity		
Plan Enabled Capacity	Scenario 3a SWQM vs. Scenario 3a	-7%	-17%	-11%
	Scenario 3a SWQM vs. Scenario 1	54%	111%	69%
Commercially Feasible: Current	Scenario 3a SWQM vs. Scenario 3a	-2%	0%	-2%
	Scenario 3a SWQM vs. Scenario 1	37%	0%	37%
Commercially Feasible: Short-Term	Scenario 3a SWQM vs. Scenario 3a	-3%	0%	-3%
	Scenario 3a SWQM vs. Scenario 1	56%	0%	56%
Commercially Feasible: Medium-Term	Scenario 3a SWQM vs. Scenario 3a	-3%	-16%	-12%
	Scenario 3a SWQM vs. Scenario 1	50%	133%	97%
Commercially Feasible: Long-Term	Scenario 3a SWQM vs. Scenario 3a	-5%	-17%	-12%
	Scenario 3a SWQM vs. Scenario 1	55%	121%	82%

Source: M.E Waikato Residential Capacity Model, 2022/2023.

URBAN FORM IMPLICATIONS FROM THE MODELLED SCENARIOS: LOW TO MEDIUM DENSITY DEVELOPMENT

63. In my view, all of the Council-proposed modelled scenarios allow for and encourage intensification to occur around the commercial centres. I consider that these offer a more efficient urban form than the patterns of development currently enabled under the ODP.
64. I consider that there are important differences in urban form between the modelled scenarios. Each future can be expected to encourage different growth patterns across the existing and potential future urban areas that contribute to different degrees to a well-functioning urban environment. These arise from a combination of differences in the enabled development potential and then the effect of these differences on the feasibility of development in different locations. They are likely to

have correspondingly different effects on the economies of each town and the District overall.

65. Importantly, I consider that the total level of housing growth (i.e. take-up of capacity) is likely to be very similar under each modelled scenario at the total urban area level. One key reason for this is that the plan-enabled and feasible capacity is substantially greater than projected demand. However, there are likely to be differences in the spatial distribution of growth from the capacity enabled under each modelled scenario. It is the differences in the patterns and nature of growth (i.e. urban form) that give rise to important economic effects from the provisions. I consider that a core issue is the extent to which growth is encouraged to concentrate around the inner urban residential areas of each town surrounding the commercial centres.
66. I consider that both the PDP Decisions Version and Variation 3 with and without the urban fringe qualifying matter are likely, in my view, to increase the ability to intensify at a medium-density scale within the inner urban areas surrounding the commercial centres. The MR/MR2 Zone will enable dwelling typologies (e.g. attached and terraced housing) that would see more development around central areas. Higher potential yields within this zone will increase the feasibility of intensification within these areas.
67. In my view, provisions that have a less differentiated zoning structure (in relation to density) between central and outer residential areas may encourage patterns of growth that are less likely to support centres and contribute to a well-functioning urban environment. I consider that this may occur with the application of MDRS to the GR Zone (scenarios 2 and 3a) and to a greater extent through the expansion of the MR2 Zone across the entire residential area (scenario 3b), which enable significant levels of medium density intensification to also occur in residential areas away from the centres. Furthermore, capacity may be taken up at lower

densities than those enabled within the MR2 Zone, reducing the differentiation with patterns of development within the wider suburban area.

68. I consider that increased opportunities for intensification within outer areas may reduce the incentive to intensify in areas of higher convenience and accessibility surrounding commercial centres.
69. In my view, opportunistic development in the outer suburban areas which are further from the town centres will take a share of demand, especially in areas with relatively lower land values and/or larger lot sizes. The district's likely limited market for medium density development in the shorter term especially means that greater shares of growth occurring away from the town centres would dilute the level of intensification around those centres. I consider this would represent a less efficient urban form, and therefore limit the economic benefits of centrally focussed intensification to that would otherwise contribute to a well-functioning urban environment through supporting the viability and vitality of the centres.

URBAN FORM IMPLICATIONS FROM THE MODELLED SCENARIOS: HIGHER DENSITY DEVELOPMENT

70. I consider the provision for higher density residential development is another important aspect of urban form within the Waikato urban towns. It can play an important role in supporting the viability and vitality of commercial centres, but can also dilute potential intensification around centres if it occurs in less appropriate locations.
71. In my view, there are several aspects that determine the appropriateness of any provision for higher density residential development. These relate to the location, scale and spatial extent of the provision and are highly dependent upon the local and wider surrounding economic context. This includes the role, function and amenity of the urban town commercial centres and the level and timing of market demand, including the

feasibility/likelihood of development within different parts of the market. These are set out in the following paragraphs.

72. In my view, the appropriateness of a location for higher density development is a key initial consideration. I consider that, within the Waikato District economic context, any higher density residential development is most appropriate within and immediately adjacent to a commercial centre.
73. I consider that the appropriateness of an urban town for higher density development is a core aspect. A key consideration is whether a centre is able to provide sufficient amenity through its range of commercial activity and community services to adequately support higher density development within a location. I rely, in part, on the analysis of existing centre activity undertaken by Ms Hill, in Appendix 4 of Council's S42A report, to inform my view on the current roles of centres. My assessment is also informed by my ongoing involvement in residential and business analysis across the FPP area.
74. In my view, within the Waikato District context, the current and future roles of centres are a combined function of demand growth within their surrounding catchment areas, together with their relative positioning within the wider surrounding urban centres hierarchy. The Waikato main urban towns are currently, and projected to continue to be, smaller than other urban towns within the FPP area.
75. I consider that the current and potential future role of several urban towns are significantly influenced by their location within the primary catchment area of larger urban centres that offer an extended range of commercial activity and services. This is likely to limit the current and future relative role of these commercial centres within their local catchment areas, which translates into a continued limited range of commercial activity and services.

76. The current and future role of commercial centres within urban towns in the northern part of the district (Pookeno and Tuakau) are likely to be limited by their proximity to the larger commercial centres of Pukekohe. Despite substantial projected population growth within their catchments over the long-term, I consider that the commercial role of these centres is likely to remain limited to a smaller localised centre role with a limited range of amenity. I therefore consider that these centres are less likely to be able to provide an adequate level of amenity to support higher density residential development and therefore consider that this development is less appropriate in this location.
77. I consider that the current and future potential level of commercial activity within Ngaaruawaahia is likely to similarly be limited by its location within the primary catchment of the proximate The Base centre and other non-residential activity within the northern part of Hamilton. The assessment of Ms Hill shows that Ngaaruawaahia currently only offers a limited range of amenity to its surrounding catchment.
78. I consider that if opportunity for higher density residential development is provided within the Waikato District, then Huntly is likely to form a more appropriate location than other urban towns. It is currently, and projected to continue to be the district's largest urban town, with a potential expansion in catchment area to serve additional household demand in Ohinewai within the long-term. Ms Hill's assessment shows that there is a higher level of amenity (commercial activity and social services) provided by Huntly's commercial centre, which I consider is likely to enable it to have a larger relative role within its local catchment. Huntly is located further north of larger commercial activity within Hamilton than Ngaaruawaahia, and therefore is likely to be limited to a lesser extent by this activity than Ngaaruawaahia.
79. In my view, it is important that both the scale and spatial extent of intensification provisions are appropriate in the locations where they are

applied. This relates to the locations where they are applied, the geographical extent of these locations, and the intensification provisions themselves. Together these factors influence the degree to which intensification growth patterns are likely to occur around centres and the extent to which higher density development is likely to directly support the functioning of the town centres.

80. I consider that it is also important that the provision for higher density development relates to the level and nature of market demand, and the local economic context. Smaller urban economies, such as Waikato district's urban towns, generally have lower levels of demand for higher density development than in larger cities such as Auckland and Hamilton. This means there is less potential for towns to be able to sustain this type of development with smaller areas around centres suited for intensification than in larger urban economies where the market is more established and greater trade-offs are made with location and other dwelling choice factors across the urban area. Moreover, in towns such as Huntly and Ngaaruawaahia 800m or 400m radius intensification areas will include a substantial share of total capacity, when these more intensive living environments will not match the preferences of many in the market. An 800m walkable catchment around the commercial centres in these towns would accommodate a substantially larger share of the total population than would the same area in Auckland or Hamilton. In my view, it is important that policies suited to large cities are not simply transplanted into smaller towns.
81. In my view, provision for higher density development that is very extensive, within the local economic context, risks the dilution of higher density development across larger areas and therefore undermines the intensification benefits that would otherwise occur within the centre. If the provision is too expansive, then there is also a risk of isolated higher density developments occurring opportunistically in locations that do not function together with the commercial centre and that are inconsistent

with the surrounding urban form. These developments may also absorb a sizeable share of the demand and therefore reduce the intensification that may otherwise occur in more appropriate locations.

82. The modelling shows that the Waikato district urban towns have lower demand for higher density residential development, and it is not an established pattern of development within these towns. The feasibility analysis estimates it has low commercial feasibility for private, profit-driven developers with any activity instead more likely to be provided by other parts of the market (e.g. social housing), if it occurs.
83. The limited market size and lower levels of commercial feasibility in the Waikato towns mean that the centres are unable to sustain consistent density gradients of higher density development to the proposed spatial extent. In smaller urban economies, the intensification around centres would instead be characterised by more medium density development such as terraced housing and other medium density dwellings such as that enabled within the MR2 Zone. I note that more intensive medium-density development is likely to also be able to meet higher density demand with a level of substitutability between these markets.
84. Finally, in my view, the current provisions for three level development may limit the feasibility and consequent take-up of higher density development within the Commercial and Town Centre zone areas. Feasibility of higher density development typically relies on a greater number of storeys being developed to offset the higher development costs from this form of development.

RESPONSE TO SUBMISSIONS

85. The Kāinga Ora submission proposes a range of changes to Variation 3 that would enable a substantially greater level of development across the main urban towns where the MDRS is applied (Pookeno, Tuakau, Huntly and Ngaaruawaahia), and smaller increases within Te Kauwhata and

Raglan. The main aspects of the submission relevant to the economic capacity modelling include:

- (a) An increase in enabled building heights up to 6 storeys within the Town Centre Zone and parts of the Commercial Zone in Huntly and Ngaaruawaahia urban areas, within which residential uses are permitted to be constructed above ground level.
 - (b) A High Density Residential (HDR) Zone is proposed to be applied to urban residential areas up to 500m from the edge of the Commercial Zone and up to 800m from the edge of the Town Centre Zone within Huntly, and up to 300m from the edge of the Commercial Zone and up to 500m from the edge of the Town Centre Zone in Ngaaruawaahia. The proposed HDR Zone would enable residential buildings of up to 6 storeys to be constructed.
 - (c) No requirement for minimum lot sizes or land areas per dwelling within the HDR Zone, with development instead controlled by building standards.
 - (d) Expansion of the MR2 Zone to cover the remainder of the full extent of the urban residential area (currently GR Zone) within the main urban towns where MDRS is applied (Pookeno, Tuakau, Huntly and Ngaaruawaahia), including with a 200m² minimum vacant lot size.
 - (e) Rezoning of Large lot residential zoned properties in Tuakau to MR2 zone within 800m of the town centre.
86. The modelling undertaken (in Figures 2 to 4, above) shows that the Kāinga Ora proposed scenario (Scenario 3b) has a substantially larger plan enabled and commercially feasible capacity than all other modelled scenarios. Across the four towns where MDRS is applied (Pookeno, Tuakau, Huntly and Ngaaruawaahia), it has a long-term plan enabled

capacity for an additional 129,300 dwellings, and a long-term feasible capacity for an additional 78,000 dwellings. Within this, there is an estimated plan enabled capacity for an additional 12,200 higher density dwellings, with nearly all of these occurring within Huntly and Ngaaruawaahia. The level of modelled capacity is well above the projected long-term demand.

87. I agree that it is beneficial to intensify urban residential development around centres and key areas of amenity; and that it is important for this to be able to occur. These areas offer an efficient location for residential growth, increasing the vitality and viability of centres and being a more sustainable urban form.
88. In my view however, it is important that the location, scale and spatial extent of intensification provisions are appropriate for each town. This relates to the locations where they are applied, the geographical extent of these locations, and the intensification provisions themselves. Together these factors influence the degree to which intensification growth patterns are likely to occur around centres and the extent to which higher density development is likely to directly support the functioning of the town centres.
89. For the reasons outlined in paragraphs 70 to 83 above, I consider that provision for higher density residential development is less appropriate within Ngaaruawaahia. In my view, the current and potential future role of Ngaaruawaahia is limited by its positioning within the surrounding urban centres hierarchy. This means it is less likely to be able to provide a sufficient level of amenity, than other locations, to support higher density residential development.
90. The Variation 3 MR2 Zone that covers the inner urban residential areas of the town provides significant potential for intensification around Ngaaruawaahia's commercial centre. In smaller urban economies, the intensification around centres would instead be characterised by more

medium density development, that would be enabled within the MR2 Zone, such as terraced housing and other medium density dwellings. I note that more intensive medium-density development is likely to also be able to meet higher density demand with a level of substitutability between these markets.

91. If higher density residential development were provided within Ngaaruawaahia, then I consider that the spatial extent proposed by Kāinga Ora is too large. It is very extensive within the local economic context and risks the dilution of higher density development across larger areas and therefore undermines the intensification benefits that would otherwise occur within the centre. If the provision is too expansive, then there is also a risk of isolated higher density developments occurring opportunistically in locations that do not function together with the town centre and that are inconsistent with the surrounding urban form. These developments may also absorb a sizeable share of the demand and therefore reduce the intensification that may otherwise occur in more appropriate locations.
92. For the reasons outlined in paragraphs 70 to 83 above, I consider that Huntly forms a more appropriate location for higher density residential development than other urban towns within the Waikato district. The current and potential future range of amenity provided by the commercial centre is greater than other urban towns, is less limited by the proximity of larger urban centres and therefore more likely to be able to support higher density residential development.
93. In my view, higher density residential development within the Huntly Town Centre Zone would be likely to function together with the centre and be supported by the amenity offered by the centre. Above-ground residential development within this location would also support the commercial viability and vitality of the centre.

94. I consider that some provision for higher density residential development in areas immediately adjacent to the Town Centre Zone may be appropriate and is likely to be supported by the amenity offered by the centre. I also note there are differences in the nature and feasibility of development between a building with non-residential uses on the ground floor, and one which is fully residential on all floors (which would not be enabled within the Town Centre Zone).
95. However, I consider that the proposed spatial extent of provision for higher density residential development beyond the Town Centre Zone is likely to be too large. Kāinga Ora have proposed provision for higher density residential development at up to 800m from the edge of the Town Centre Zone. While this includes some areas of Commercial Zone, a sizeable portion of this zone is currently occupied by lower density residential uses, with the business activity component mainly oriented toward light industrial uses rather than activities serving household daily needs.
96. Smaller urban economies are able to sustain higher density development across smaller distances than large urban economies. I consider that a reduced area for higher density development, from that proposed by Kāinga Ora, is likely to be more appropriate for a well-functioning urban environment and better aligned with the projected market size. A higher density area that is too extensive within the context of a small market demand may result in isolated developments further from the centre that are inconsistent with the surrounding form and undermine intensification that would otherwise occur in areas closer to the centre.
97. I also note that Kāinga Ora subsequently supported a reduced area (I estimate, 300m to 600m walking distance) of higher density provision surrounding the Cambridge commercial centre from their originally proposed 600m to 800m extent beyond the centre. I consider this is an important comparison when assessing the appropriate spatial extent of

any provision within Huntly. Cambridge is a substantially larger urban town than Huntly (with a current and projected future urban dwelling demand based over 2.5 times that of Huntly) and is likely to play a larger relative role within its catchment area. Therefore, I consider that a smaller spatial extent of provision beyond Huntly's commercial centre than in Cambridge is likely to be appropriate.

98. I consider that Kāinga Ora's proposed expansion of the notified MR2 Zone to cover the full urban residential extent of Pookeno, Tuakau, Huntly and Ngaaruawaahia is likely to undermine the ability to achieve a well-functioning urban environment. This would enable a relatively intensive level of medium density development to occur across the current and future urban extent of these towns. At the highest density, it would enable up to three level low-rise apartment buildings. This is a significantly higher density of development than that of past patterns of development within these towns. Historically, the urban town residential areas have been characterised by development patterns of lower density detached dwellings.
99. There is only limited demand for more intensive patterns of development to occur within smaller urban towns. Much of the increase in density is more likely to occur at lower intensities than the maximum provided for within the MR2 Zone. The largest share of future net additional dwelling demand is likely to occur as detached dwellings. I consider that, within the context of intensification and changing market conditions, that this would be more likely to result into demand for development patterns of smaller detached dwellings on smaller sites (than past patterns of development) and a level of market substitution into less intensive forms of attached dwellings (e.g. 1-2 level attached units or duplex pairs). This is closer aligned to the densities which are provided for within that proposed in Council's S42A report.

100. I consider there are lower levels of likely future demand for more intensive attached dwellings within the district's urban towns. It is therefore important, in my view, to appropriately concentrate this demand into more central areas that are more likely to support the commercial centres. I consider that this more intensive density represents much of the intensification that typically occurs around centres within smaller urban economies.
101. In contrast, I consider that the Kāinga Ora submission produces an undifferentiated zoning structure across the urban extent of these towns. It would remove much of the encouragement to concentrate around the centres and enable opportunistic development to occur in locations away from the centres. This would dilute the intensification around centres and lower the level of economic benefit generally associated with intensification around centres.
102. I consider that greater heights for higher density residential development, up to a point that corresponds with the timing of market demand, may increase the feasibility of a development, including in terms of land and development costs per dwelling. However, feasibility depends on a number of factors, and 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 area and other locations, consumer preferences, ability to pay and so on. I also consider that there may be other factors such as environmental considerations that may see development at a lower height more appropriate.
103. Lastly, from an economic perspective, I consider that the additional zoned areas of urban density residential development proposed by Kāinga Ora in Tuakau are likely to represent a more efficient location for future urban growth than other already zoned areas further from the commercial centre. However, for the reasons outlined above (paragraphs 63 to 69), I do not support the enabled future urbanisation of these areas at the MR2

densities as proposed by Kāinga Ora as they are beyond the inner urban areas surrounding the commercial centre. I also accept there may be other planning factors that affect their suitability for future urban growth.

CONCLUSIONS

104. There have been several comprehensive studies undertaken by Market Economics on residential development capacity and demand growth within Waikato district's main urban towns. These include modelling of the capacity and growth patterns enabled by the existing baseline District Plan provisions, the intensification enabled through the PDP Decisions Version provisions, and further intensification enabled under the application of MDRS, including Variation 3. The modelling has tested the effect of various scenarios of intensification under Variation 3 and individual qualifying matters on the urban towns.
105. All modelled scenarios result in significantly greater capacity than that enabled within the ODP and allow for much higher levels of intensification within the urban towns than past patterns of lower density development where much growth occurred through outward greenfield expansion. Intensification is likely to occur gradually through time as the market for more intensive development options becomes more established. The modelled capacity under each intensification option is large relative to projected long-term demand at the total level, including with the application of qualifying matters.
106. I consider that there are important differences in urban form between the modelled scenarios, with each option encouraging different spatial patterns of growth across the existing and future urban areas. These give rise to important economic effects and occur through a combination of the provisions for medium and higher density residential development.
107. In my view, a key issue relates to the level of intensification which is both enabled and encouraged to occur in areas surrounding the urban town

commercial centres. I consider that it is important to enable and encourage it to occur around inner areas surrounding commercial centres and reduce the potential for it to be diluted across wider outer urban areas.

108. I consider that in smaller economies intensification around centres often occurs at a lower scale, with a much smaller share of higher density development. Most of the intensification around centres occurs in typologies such as terraced housing with very limited higher density vertically-attached apartment development.
109. I consider that an undifferentiated medium density residential zoning structure across the residential urban area (such as that proposed by Kāinga Ora within Pookeno, Tuakau, Huntly and Ngaaruawaahia) means that any intensification is likely to be more widespread through opportunistic development in outer suburban areas. In my view, unfocussed provision for intensification would represent a less efficient urban form as it would dilute the intensification around centres thereby undermining the benefits that are generally associated with development around centres.
110. For these reasons, I consider it is therefore important for a well-functioning urban environment that the *medium-density provisions* are appropriately scaled to this context through sufficiently differentiating between areas surrounding centres and the wider general suburban areas. This is achieved through the proposed vacant lot minimum site areas, with 200m² in the MRZ area and 450m² in the area known as the urban fringe.
111. I consider that higher density development may also form part of the intensification in some locations. It is also important, for a well-functioning urban environment, that it occurs within locations that are appropriate and at the appropriate scale and spatial extent.

112. 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.

113. 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. However, there is only a limited market size for higher density development, combined with low commercial feasibility. I therefore consider that it is more appropriate to have a reduced spatial extent of higher density provision within areas adjacent to the Town Centre Zone from that proposed by Kāinga Ora.

114. In my view, smaller urban economies are able to sustain higher density development across smaller distances than large urban economies. I consider that a reduced area for higher density development is likely to be more appropriate for a well-functioning urban environment and better aligned with the projected market size. A higher density zone that is too extensive within the context of a small market demand may result in isolated developments further from the centre that are inconsistent with the surrounding form and undermine intensification that would otherwise occur in areas closer to the centre.

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20 June 2023