

Before the Queenstown Lakes District Council Hearing Panel

Under the Resource Management Act 1991

In the matter of the renotification of two submissions on Stage 1 of the Queenstown Lakes Proposed District Plan concerning the zoning of land at Arthurs Point by Gertrude's Saddlery Limited and Larchmont Enterprises Limited

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**Statement of Evidence of Derek Foy on behalf of Gertrude's Saddlery Limited and Larchmont Enterprises Limited**

15 November 2022

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**anderson  
lloyd.**

## INTRODUCTION

- 1 My full name is Derek Richard Foy. My qualifications are degrees of Bachelor of Science (in Geography) and Bachelor of Laws from the University of Auckland. I am a member of the Population Association of New Zealand, New Zealand Association of Economists, and the Resource Management Law Association.
- 2 I am a Director of Formative, an independent consultancy specialising in social, economic, and urban form issues. Prior to this, I was an Associate Director of Market Economics Limited, a research consultancy for six years, and was employed by Market Economics for 18 years.
- 3 I have 22 years consulting and project experience, working for commercial and public sector clients. I specialise in retail analysis, assessment of demand and markets, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects.
- 4 I have applied these specialties in studies throughout New Zealand, across most sectors of the economy, notably assessments of housing, retail, urban form, land demand, commercial and service demand, tourism, and local government.

### *Scope of evidence*

- 5 I have been involved in assessing the likely economic effects of the requested rezoning of land the subject of submissions by Gertrude's Saddlery Limited ('GSL') and Larchmont Enterprises Limited ('LEL'). I have not produced a report but have been asked to consider the economic effects of the proposal prior to the hearing. Specifically, this has involved:
  - (a) Reviewing population and dwelling demand and capacity assessments to understand residential supply and demand issues in Queenstown Lakes District ('QLD') and Arthurs Point.
  - (b) Reviewing the planning and policy objectives for accommodating residential growth in QLD.
  - (c) Understanding the employment and economic output generated with the rural land that is proposed to be converted into residential activity.
  - (d) Establish the potential tourism activity and associated community benefits that could be expected if the rezoning is approved, including by enhancing access to Shotover Ridge Gorge and potential new trail within and beyond the Site.
- 6 I confirm that I have read the briefs of Messrs Brown, Espie, Barlett, McCartney, Faulkner, Lloyd, and Fairfax, and Ms Pfluger, to which I refer.

However, my evidence will focus on my area of expertise, being the assessment of economic effects.

- 7 In preparing this evidence, I have reviewed the following reports and information:
- (a) Utility Ltd (2020) Queenstown Lakes District Council Growth Projections – July.
  - (b) Market Economics (2021) Housing Development Capacity Assessment 2021 Main Report and Technical Report Queenstown Lakes District.
  - (c) Beef and Lamb New Zealand (2022) Economic Service Sheep & Beef Farm Survey Otago/Southland 2022-23 Forecast and Quintile Analysis of Final 2020-21 Survey data.
  - (d) Spencers Chartered Accountants & Advisers (2022) Gertrude’s Saddlery Development Budget.
  - (e) Statistics New Zealand (2022) Building Consents, Population Projections, Census, Business Demography and other datasets.
  - (f) Commercial accommodation data for Arthurs Point, collected from the main commercial accommodation<sup>1</sup> and short-stay<sup>2</sup> operators.
  - (g) Infometrics (2022) Queenstown Lakes District – Economic Profile.
  - (h) Queenstown Trails Trust (2019) Annual Report 2018/19 – Trail Usage – trail count.
  - (i) Department of Conservation (2022) Atley Road Subdivision – Proposed Structure Plan and Revised Relief – letter dated 3 November.
  - (j) Queenstown Trails Trust (2022) Rezoning of land at Arthurs Point – Gertrude’s Saddlery and Larchmont Developments – letter dated 9 November.

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<sup>1</sup> Information sourced from Nugget Point, Swiss-Belresort, Residence du Parc, Top 10 Holiday Park, and the local bed and breakfast operator websites.

<sup>2</sup> Information sourced from AirBnB

## CODE OF CONDUCT

- 8 Although not necessary in respect of council hearings, I can confirm I have read the Expert Witness Code of Conduct set out in the Environment Court's Practice Note 2014. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving oral evidence before the hearing committee. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

## EXECUTIVE SUMMARY

- 9 My evidence has examined the likely economic effects of the proposed rezoning to support possible future development of around 41 residential lots<sup>3</sup> on a 6.9ha site the subject of submissions by GSL and LEL ("the Site"). The Site is located in a bend of Shotover River, at the southern edge of the Arthurs Point urban area and north of the Shotover River Gorge.
- 10 The northern part of the Site is already zoned 'Low Density Residential' (1.6ha) which is an operative zoning beyond challenge and is capable of subdivision to approximately 14 lots, while the southern part is 'General Rural' (approximately 5.3 ha), in Queenstown Lakes District's operative District Plan ("ODP").<sup>4</sup>
- 11 The Submitters made submissions to the notified Proposed District Plan ("PDP") to rezone the entire Site to 'Lower Density Suburban Residential' and identify the Site as within an extended Urban Growth Boundary. Since those submissions were lodged, the Submitters have refined the relief sought to that which is now outlined in Mr Brown's planning evidence, with the area outside of the operative Low Density Residential proposed to be zoned for a yield of approximately 27 lots.
- 12 I have examined the alignment of the proposed residential development with key objectives and policies in the PDP and the non-statutory District Spatial Plan "Grow well - Whaiora" ("DSP"). I have also assessed the likely demand for and supply of residential dwellings in Arthurs Point and the viability of rural production on the land to determine whether it can yield viable economic returns.

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<sup>3</sup> Noting that approximately 14 lots would be created within existing LDR Zoned land, and approximately 27 lots are proposed to be added under this rezoning proposal as a mixture of LDR and LLR B zoning.

<sup>4</sup> Of the 41 lots that are proposed for the Site, 27 are outside the existing urban area and 14 are within Low Density Residential zone.

- 13 The proposed 41 residential lots that would be enabled under the rezoning sought would equate to 20% of the housing that has been developed in Arthurs Point over the last decade, or around two years of supply at the current rate of uptake. Excluding the parts of the Site that are already zoned for urban use, the proposal would equate to 13% of the housing that has been developed in Arthurs Point over the last decade, or around one year of supply at the current rate of uptake. The proposal would therefore accommodate a small but needed share of projected residential growth in the area, and would provide housing choice for residents wishing to locate on larger lots and in close proximity to Queenstown.
- 14 The Site will provide an opportunity for additional public access to the Shotover Gorge and Department of Conservation ('DoC') reserve adjoining the Site, as well as urban trail links within the Site. I understand that the landowners are working with Queenstown Trails Trust ('QTT') and DoC to incorporate new links across the Site from Arthurs Point urban area to the Kimi Ākau Trail, which will be designed to allow dual usage. Before the pandemic, the Trail had 35,600<sup>5</sup> users per annum and the addition of the new access points is likely to result in a significant increase in users.
- 15 I consider that it is likely that some of the additional Trail users that are drawn to the area will stay longer in Arthurs Point and spend more money in the local economy, which would generate additional benefits to the community and could be in the order of \$100,000 per annum or around one additional FTE job.<sup>6</sup>
- 16 DoC also supports the removal of wilding pines, revegetation, and trail improvements that are proposed in the development, because it will allow better access to public land, will result in the removal of exotic wilding trees and the restoration of native vegetation.<sup>7</sup> The larger lots which will be adjacent to the Twin Rivers Trail and the DOC reserve will be required to undertake restorative planting of native trees, which will add to and enhance ecology in the area.
- 17 The rural part of the Site is not viable as an operating farm due to the small size of the Site, its severance from other rural farm land, reverse sensitivity issues arising from the proximity of residential neighbours, and the poor productive potential of the soil resource.<sup>8</sup> At most, the rural part of the Site would produce \$11,000 per annum of agricultural gross revenue, which

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<sup>5</sup> Queenstown Trails Trust (2019) Annual Report 2018/19 – Trail Usage – trail count.

<sup>6</sup> Infometrics (2022) Queenstown Lakes District Economic Profile and Tourism.

<sup>7</sup> Department of Conservation (2022) Atley Road Subdivision – Proposed Structure Plan and Revised Relief – letter dated 3 November.

<sup>8</sup> Evidence in Chief of Dr Reece Hill (2022) at paragraph 62

would support employment of less than 0.1 FTE job, and once costs, including rates, were taken into account would likely result in a net loss for an agricultural enterprise on the Site.

- 18 The initial rezoning hearing of this site resulted in a recommendation by the Independent Hearings Panel to rezone the entire site to LDSR Zone, and include it within the Urban Growth Boundary of Arthurs Point. While that decision is suspended pending this rehearing, the decision is currently reflected in a number of QLDC's planning documents, as follows.
- 19 The DSP will have a significant influence on the likely future use of the Site, and the DSP identifies the Site as a being within the urban boundary and a residential location.
- 20 The Site was identified as suitable in the previous Hearings Panel Decisions, and confirmed by Council, as being generally suitable for future residential development. Further evidence has now been advanced by the Submitters in this hearing supporting more refined proposal for rezoning the greenfield land to a mixed zoned residential area, including in relation to landscape<sup>9</sup> and visual,<sup>10</sup> traffic,<sup>11</sup> geotechnical,<sup>12</sup> ecology,<sup>13</sup> public use,<sup>14</sup> infrastructure,<sup>15</sup> and soil quality<sup>16</sup> which concludes that there are no barriers to residential development of the Site. That being the case, in my opinion the Site should now be a high priority for development to meet immediate demand.
- 21 There is very little economic downside to the proposed residential development, and a net economic benefit overall. The proposal is for a small scale of development in a location that is directly adjacent to an existing residential area, and which is uneconomic for farming productively. The Site has good access to the existing transport network, has good proximity to Queenstown, and is located against the Shotover Gorge which provides a well-defined edge that will prevent additional urban expansion in the vicinity of the Site. Rezoning the site for residential purposes would enable additional residential choice within the Wakatipu Basin in a location which is envisaged in the DSP to accommodate residential dwellings and

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<sup>9</sup> Statement of evidence of Ben Espie

<sup>10</sup> Statement of evidence of Yvonne Pfluger

<sup>11</sup> Statement of evidence of Jason Bartlett

<sup>12</sup> Statement of evidence of Peter Faulkner

<sup>13</sup> Statement of evidence of Kelvin Lloyd

<sup>14</sup> Department of Conservation (2022) Atley Road Subdivision – Proposed Structure Plan and Revised Relief – letter dated 3 November, and Queenstown Trails Trust (2022) Rezoning of land at Arthurs Point – Gertrude's Saddlery and Larchmont Developments – letter dated 9 November.

<sup>15</sup> Statement of evidence of John McCartney

<sup>16</sup> Statement of evidence of Dr Reece Hill

incorporates a logical extension to the Arthurs Point Urban Growth Boundary, to create a contiguous and well-planned low scale urban extension.

- 22 Tourism is a key sector for Arthurs Point, with many tourists drawn to the area by the natural character and beauty of the location. That value is recognised in the Court's Topic 01 decision, which states that significant economic value is contributed through ensuring inappropriate activities are not established on ONLs which are valued by the community. However, Mr Espie and Ms Pfluger consider that the site is neither an ONL nor an ONF, and has a limited visual catchment.
- 23 For those reasons Mr Espie and Ms Pfluger conclude that development of the Site will protect adjacent landscape values, and the development may generate positive changes to the character of the area, once the exotic wilding trees are replaced by native indigenous trees, and trail links are created. I note also Dr Lloyd's opinion that rezoning of the Site would be a positive effect as it would contribute to the success of the conifer removal programme on nearby DoC land. In reliance on those three expert assessments, I do not consider the rezoning of the land would present an adverse economic effect in terms of loss of important landscapes in the District.

## **SCOPE AND STRUCTURE OF EVIDENCE**

- 24 I have structured my evidence as follows:
- (a) Summary of my evidence and key conclusions as to effects.
  - (b) Response to matters raised by submitters.
  - (c) Response to Officers' section 42A report.
  - (d) Conclusion.

## **SUMMARY OF ECONOMICS EFFECTS ASSESSMENT**

### *Arthurs Point overview*

- 25 The proposal is to rezone a 5.3ha portion of 6.9ha of land which is located in a bend of the Shotover River, immediately south of the existing Arthurs Point urban area and north of Shotover River Gorge.
- 26 Historically, Arthurs Point is important because it is where gold was discovered by Thomas Arthur in 1862, which started the largest gold rush in Otago's history. Within seven months Queenstown was established with

stores, hotels and other services.<sup>17</sup> In 1863 a gold warden estimated that the area Skippers to Arthurs Point had a population of 2,500, Arthurs Point around 1,200, and Queenstown only 600.<sup>18</sup>

- 27 After the goldrush the population went into decline, and I understand that Site was utilised as an improved farm paddock, most likely for wintering stock, until at least the 1960s.<sup>19</sup> Farming ceased sometime in the 1970s, after which self-seeded wilding exotic trees began to overrun and encroach on the Site from the Shotover Gorge. At the very least the Site has not been used productively for rural activity for more than five decades, and Dr Hill's soils report notes that the Site has significant topographic constraints, with much of the site sloping greater than 20 degrees. Therefore, he concludes, the farming utility of the site is extremely limited, in conjunction with its poor quality soils, isolation from other rural activities (being at least 1.5km from the nearest productive rural land), small size, and access difficulties (with access only provided by a single lane gravel accessway shared with local residents, and unsuited to farm machinery).
- 28 Arthurs Point is now famous for tourism, with the Shotover Jet, Shotover Canyon Swing, Onsen Hot Pools, a health spa, and wide range of commercial accommodation options, with the area being only 8km from the Coronet Peak ski area. The area is a popular accommodation option because it is quieter than Queenstown, but close enough to easily access retail, services and attractions.
- 29 There is no notable retail presence in Arthurs Point. Pre-Covid (2019) there were 660 jobs that were based in Arthurs Point,<sup>20</sup> of which around half were related to tourism.<sup>21</sup> The remainder of the local workforce is engaged in construction (23%),<sup>22</sup> professional services (22%),<sup>23</sup> community services (3%),<sup>24</sup> and transport (3%). There is very limited employment in primary industry or industrial activities (together around seven jobs, or less than 1% of the workforce). The economic data shows that the local economy is

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<sup>17</sup> Kerr, B (1939) A Town with a History – Queenstown 76 Years Ago, published in The New Zealand Railways Magazine, Volume 14, Issue 6 (September 1939)

<sup>18</sup> Heritage New Zealand (2022) Bordeau's Store, Arthurs Point

<sup>19</sup> Espie, Benjamin (2017) Landscape Evidence on Gertrude's Saddlery

<sup>20</sup> Formative (2022) Business and Employment Database, the registered address of the business, comprised of employees from all places of residence

<sup>21</sup> Accommodation and Food Services, Retail Trade and Arts and Recreation Services.

<sup>22</sup> This reflects the high level of development activity observed in Arthurs Point and the wider area.

<sup>23</sup> Likely to be small businesses operating from home offices, including: Financial and Insurance Services; Rental, Hiring and Real Estate Services; Professional, Scientific and Technical Services; Administrative and Support Services.

<sup>24</sup> Education and Training, Health Care and Social Assistance, and Other Services.



heavily dependent on the tourism sector and that rural or primary activity is no longer important. Statistics NZ data has not recorded any more than five jobs in the primary sector in the Arthurs Point statistical area<sup>25</sup> in any year since 2007.

- 30 The resident population of Arthurs Point has grown by almost 100% in the last decade, from 670 in 2010 to 1,320 in 2021. There has also been strong growth in the accommodation capacity, with considerable growth in commercial accommodation,<sup>26</sup> short-stay,<sup>27</sup> long-stay,<sup>28</sup> and holiday homes.<sup>29</sup> Based on the current resident population and the capacity of the commercial accommodation, I consider that during peak season the overnight population of the town could be expected reach 2,800 or more.

#### *Submitters' proposal*

- 31 The proposed residential subdivision will enable a total of up to 41 lots (including the existing LDR Zoning of approximately 14 lots) (Figure 1), and will include:
- (a) Up to 17 large lots in the southern part of the Site, with lots ranging in size from 2,000m<sup>2</sup> to 4,000m<sup>2</sup>. The proposed zoning provisions include mechanisms to secure the planting and ongoing retention and maintenance of large areas of these sites in mixed native vegetation, and the removal of exotic wildings along the southern edge of the Site.
  - (b) 24 residential lots adjacent to the existing residential in Arthurs Point, including 14 lots in the existing LDR, with lots ranging in size from nearly 500m<sup>2</sup> to just over 1,000m<sup>2</sup>.
  - (c) A recreation reserve or open space area of 2,800m<sup>2</sup>.
  - (d) Two new road corridors will connect the area to Arthurs Point via Atley Road (land area of 7,800m<sup>2</sup>).

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<sup>25</sup> The Arthurs Point "Statistical Area 2", a Statistics NZ geography that broadly equates to a suburb. The SA2 takes in Watties Track (south of the Shotover River), the area west of the River up Moonlight Track and Crows Nest Road, and extends south of the River for 2km towards Queenstown, but is otherwise limited to the Arthurs Point urban area.

<sup>26</sup> Hotels, residences, the campground, and bed and breakfasts have sufficient capacity to accommodate around 800 tourists per night

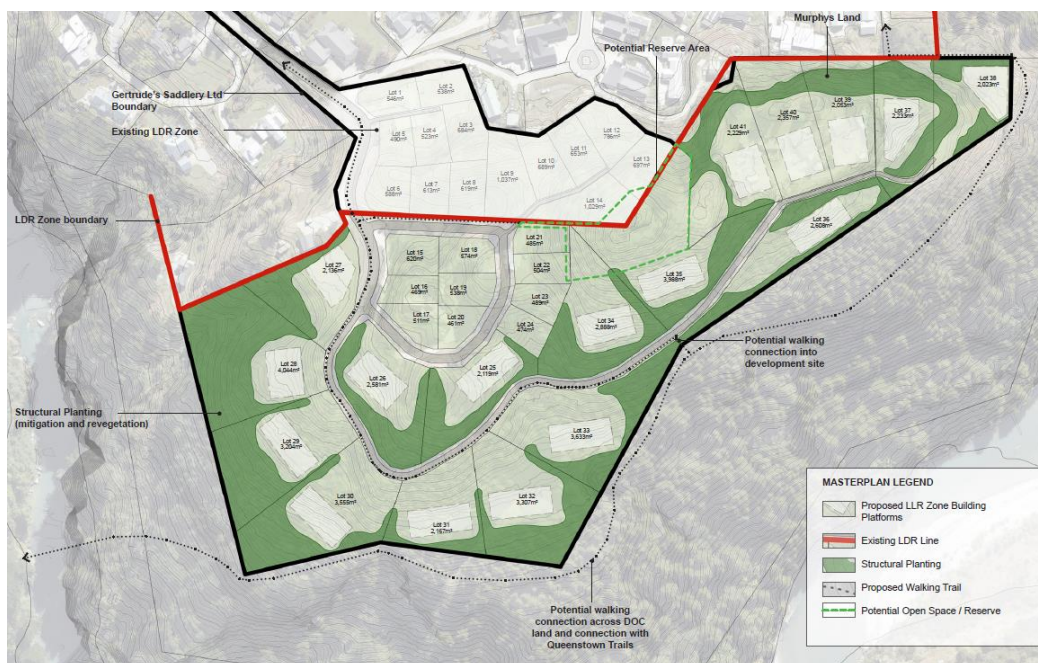
<sup>27</sup> Airbnb records 110 dwellings available for short-term rental, which could accommodate around 600 tourists.

<sup>28</sup> Shotover Lodge is being used as long-stay accommodation for students.

<sup>29</sup> There is no data available that shows the current number of holiday homes in the area. However, Census 2018 recorded 63 unoccupied dwellings, indicating that there are likely less than 50 holiday homes in the area.

- (e) Walking and biking trails will connect Arthurs Point to DOC land and proposed Queenstown Trails, to the immediate south of the Site.
- (f) The Site is readily serviceable and able to be connected to Council infrastructure.

**Figure 1: Gertrude's Saddlery Masterplan**



*Policy Context for Residential Growth*

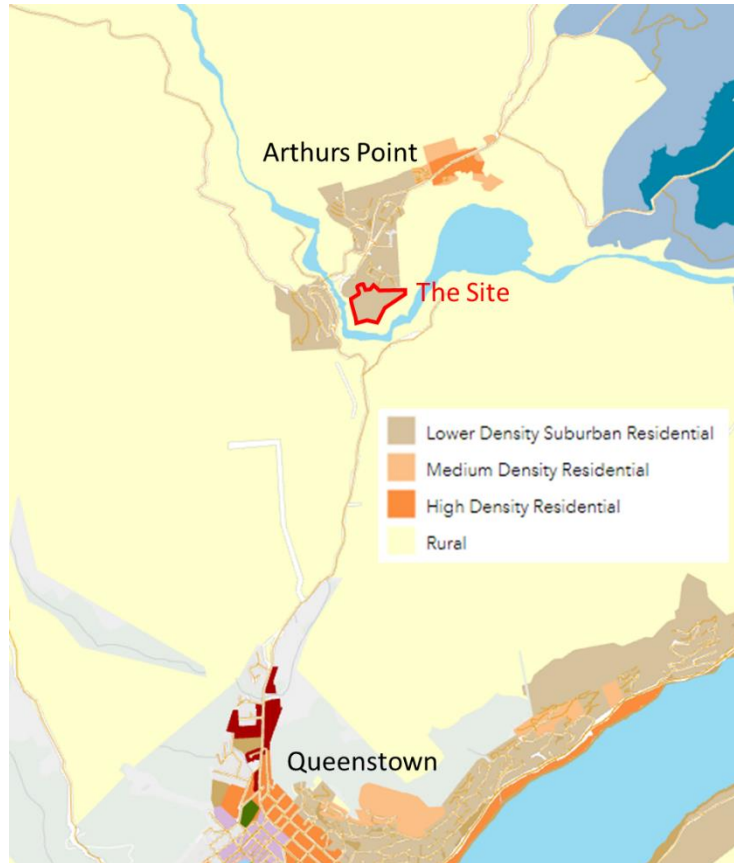
32 A number of key objectives and policies contained in the PDP are relevant to this proposal, including (relevant to economics):

- (a) Strategic Objective 3.2.2 Urban growth is managed in a strategic and integrated manner. This objective is that urban development occurs in a logical manner so as to promote a compact, well designed and integrated urban form and:
  - (i) build on historical urban settlement patterns,
  - (ii) protect rural landscapes from sporadic urban development,
  - (iii) ensure a mix of housing opportunities including affordable housing,
  - (iv) contain a high quality network of open spaces and community facilities, and
  - (v) be integrated with and manage effects on infrastructure.

- (b) Objectives 4.2.1, 4.2.2A, and 4.2.2B and associated policies aim to maintain a compact urban form limited to existing urban areas and identified growth areas, within the Urban Growth Boundary ('UGB'). The Site is a growth area inside the UGB. The objectives aim to achieve a range of urban form outcomes including:
    - (i) provision of a mix of housing density to meet demands,
    - (ii) ensuring the availability of a competitive land supply,
    - (iii) enhance connections to public recreation,
    - (iv) provision of quality affordable housing,
    - (v) minimise loss of rural productive potential, and
    - (vi) maintain or enhance areas of rural amenity.
  - (c) Policy 4.2.2.13 (d). The UGB that is proposed to be extended is defined so as to protect the values of Outstanding Natural Features ('ONF') and Outstanding Natural Landscapes ('ONL').
  - (d) Objective 7.2 Lower Density Suburban Residential zone ("LDSRZ") provides for a mix of suburban and low density residential living that is well served by public infrastructure, and compatible with the character of the existing area. The PDP encourages densities greater than one residential unit per 450m<sup>2</sup> where appropriate.
  - (e) Strategic Objective 3.2.5 Protection of ONF and ONL.
  - (f) Objective 6.3.3 Managing Activities on ONF and ONL.
  - (g) Objective 21.2.1 The key intentions are to retain land which is suitable for primary production and enable farming activities while protecting landscapes and providing for activities that support use of the Queenstown Trail and Upper Clutha Tracks network.
- 33 The proposal will provide additional residential dwelling stock in a location that is suited to those wanting to live in a lower density, semi-urban environment. It is adjacent the Arthurs Point urban area, and less than a 10 minute drive to central Queenstown via Gorge Road. That is consistent with chapter 4 of the PDP, that supports a diversity of housing choice being made available.
- 34 Arthurs Point is proposed in the PDP to be predominantly Lower Density Suburban Residential zone, with some Medium and High Density

Residential in the northern part of the urban area. The township is set apart from the main urban area of Queenstown, and much of the surrounding area is rural (Figure 2).

**Figure 2: PDP (Decision Version) zones and location of the Site**



- 35 The Site would be a logical extension of residential activity on land which is no longer useful in a rural productive sense, and is not considered to be ONL or ONF based on the Submitters' landscape evidence, as I discuss later in this section. The Site will effectively fill with lower intensity residential activity the gap between the Shotover Gorge and the residential activity in Arthurs Point to the north.
- 36 Another key policy document guiding residential growth and development in QLD is the DSP. That document anticipates residential growth of 37,000 people in the district between 2021 and 2051, broadly equivalent to 18,000 new dwellings, as identified in the Council's population projections (July 2020).<sup>30</sup> That assessment was used as input to the Housing and Business

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<sup>30</sup> Utility Ltd (2020) Queenstown Lakes District Council Growth Projections – July.

Development Capacity Assessment ('HBA') update (September and August 2021).<sup>31</sup>

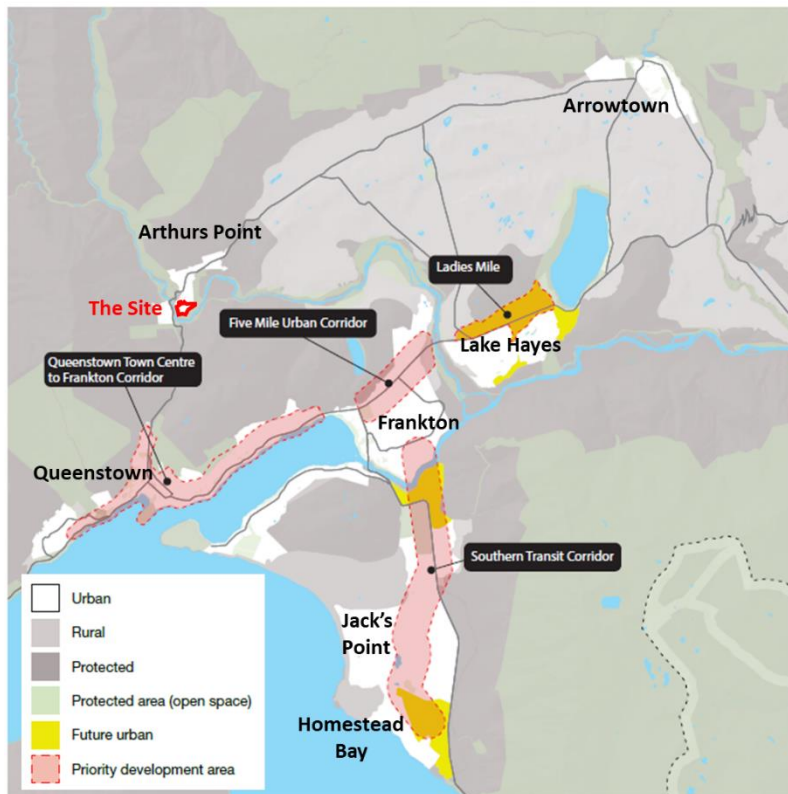
- 37 The DSP's approach for managing growth is to pursue a mix of growing up (through intensification in and around centres), and growing out (in identified greenfield locations in the UGB). Future development in greenfields locations is anticipated to achieve higher densities than in many established suburban areas, and should be linked with good public infrastructure.
- 38 The key DSP growth principles and priorities that the current application helps to achieve are: consolidating growth, providing more housing choice, including affordable housing options, integrating land use with transport, creating well-connected neighbourhoods, and enhancing the blue-green network.
- 39 Like other Tier 2 and 3 councils, QLDC is tasked with enabling intensification under NPSUD's policy 5. The aim of that policy is to achieve greater dwelling capacity throughout residential areas that are accessible to commercial activities and community services or where there is demand for housing and business use. Enabled development includes:
- (a) 5+ storey buildings in the larger town centre
  - (b) 3-5 storeys in residential areas near the commercial centres in most towns
  - (c) Up to two storeys in other residential areas including infill
  - (d) In some greenfield areas, greater housing intensity is expected to be achieved, including through some provision of terraced housing and apartments.
- 40 The Site has been identified as an urban area where growth can be accommodated (Figure 2), along with other Future Urban areas in District (Figure 3) although noting that this was based upon the rezoning decision currently subject to this rehearing. Existing urban areas are intended to be developed ahead of Future Urban Areas, however the DSP notes high priority areas in the Wakatipu Basin, which includes the:
- (a) Southern transit corridor from Frankton to Homestead Bay,

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<sup>31</sup> Market Economics (2021) Housing Development Capacity Assessment 2021 Main Report and Technical Report Queenstown Lakes District.

- (b) Ladies Mile at Lake Hayes,
  - (c) Five Mile urban corridor in Frankton, and
  - (d) the area around Queenstown Centre.
- 41 There are no Future Urban areas in the western half of the Wakatipu Basin (except for the Site, which is identified as Future Urban in the current Spatial Plan), which means that growth in that area will need to be accommodated within the existing urban area.

**Figure 3: QLDC Wakatipu Basin Priority Development Areas<sup>32</sup>**



- 42 The Submitters' revised relief which would enable approximately 41 dwellings on the Site (when combined with the existing, operative LDR) is significantly less than could have been accommodated under the LDSRZ's rules previously approved over the whole Site. A higher yield development would provide better outcomes for the district in terms of providing for residential growth, but poorer outcomes in relation to maintaining the current character of the area and amenity that is valued under the PDP. As I understand it, the proposed yield is an attempt to balance those two requirements.

<sup>32</sup> DSP, page 68  
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## *Assessment of Residential Demand and Supply*

- 43 QLDC engaged Market Economics to undertake an HBA update, which was finalised in September 2021.<sup>33</sup> The HBA assesses the likely demand for and supply of residential development capacity from 2020 to 2050.
- 44 The HBA shows total district-wide demand for an additional 5,369 dwellings between 2020 and 2030 (of which 53%, or 2,853 dwellings, will be within the urban areas of the Wakatipu catchment where the Site is), and a further 11,682 dwellings between 2030 and 2050.<sup>34</sup> While that growth will result in existing capacity being taken up, there is sufficient capacity to meet projected demand in total at the district level (based on current development provisions in the PDP). However, in some locations and typologies of dwellings there will be shortages.
- 45 For the Wakatipu Urban areas there is expected to be insufficient supply of detached dwellings, both in the medium term (-174 dwellings) and long term (-1,602 dwellings), and the additional capacity that would be enabled by the zoning change requested would assist in decreasing, albeit only by a small amount, that projected undersupply. However, there is assessed to be a sufficient supply of attached dwellings.
- 46 There is also projected to be an undersupply in Arthurs Point. While Arthurs Point is part of the broader Queenstown housing market, it is useful to understand the HBA's assessment of supply adequacy for Arthurs Point specifically.
- 47 For Arthurs Point the demand projections suggest that there will be demand for 50 additional dwellings over the coming decade. The projections suggest demand for only 5 detached, and 45 attached dwellings in the entire decade (Figure 4). Between 2020 and 2050 there is projected to be demand for 158 dwellings, 19 detached and 139 attached, in Arthurs Point.<sup>35</sup>

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<sup>33</sup> Market Economics (2021) Housing Development Capacity Assessment 2021 Main Report and Technical Report Queenstown Lakes District.

<sup>34</sup>Market Economics 2021, Technical Report, Table 2.1, Councils preferred 'Change the Path' scenario.

<sup>35</sup>Market Economics 2021, Technical Report, Table 2.2, Councils preferred 'Change the Path' scenario.

**Figure 4: HBA new dwelling demand, supply and sufficiency<sup>36</sup>**

	Medium Term 2020-30			Long term 2020-50		
	Detached	Attached	Total	Detached	Attached	Total
<b>Arthurs Point</b>						
Projected Demand	5	45	50	19	139	158
Estimated Supply	130	17	147	412	111	523
<b>Sufficiency*</b>	<b>124</b>	<b>- 37</b>	<b>87</b>	<b>390</b>	<b>- 49</b>	<b>341</b>
<b>Wakatipu Urban</b>						
Projected Demand	1,860	1,269	3,129	4,969	4,966	9,935
Estimated Supply	2,058	3,572	5,630	4,112	7,442	11,554
<b>Sufficiency*</b>	<b>- 174</b>	<b>2,049</b>	<b>1,875</b>	<b>- 1,602</b>	<b>1,731</b>	<b>129</b>
Arthurs Point % Demand	0%	4%	2%	0%	3%	2%
Arthurs Point % Supply	6%	0%	3%	10%	1%	5%

*\*Estimated supply less projected demand (including competitive margin as required in the NPSUD)*

- 48 The HBA estimates that there is sufficient supply in Arthurs Point to allow the development of 147 new dwellings by 2030<sup>37</sup> and 523 by 2050.<sup>38</sup> This means that there will be sufficient supply to meet the projected demand, with a spare capacity of 87 in 2030 and 341 by 2050.<sup>39</sup>
- 49 However, the HBA finds that there is expected to be a shortfall in attached dwellings in Arthurs Point. This outcome occurs as a result of the share of projected demand that has been assumed for each typology, which seems somewhat counterintuitive given the nature of existing typologies in the area.
- 50 At the time of preparing the HBA, the Site fell within the Arthurs Point area, and therefore I understand the entire Site was part of the capacity that was considered in the HBA, both in the medium and long term<sup>40</sup>. From communication with the author of the HBA,<sup>41</sup> the residential capacity assessed for Arthurs Point was based on the LDSR zoning for the entire Site in the medium and long term. That being the case, a large share (approximately 60%) of all remaining residential dwelling capacity in Arthurs Point would be related to the Site. That means that if the Site is not

<sup>36</sup> Market Economics 2021

<sup>37</sup> Market Economics 2021, Technical Report, Table 8.2

<sup>38</sup> Market Economics 2021, Technical Report, Table 8.3

<sup>39</sup> Note that sufficiency in NPSUD is only met if there is more supply than demand, with a competitive margin of 20% for medium term (2020-2030) and 15% for the long term (2020-2050). This is equivalent to the rounded numbers in Market Economics 2021, Main Report, Table 9.4

<sup>40</sup> The Plan Enabled capacity estimate for the medium term (Table 5.2, page 112) and long term (Table 5.4, page 116) show exactly the same capacity, which implies that the Site was modelled using the same assumptions for both periods.

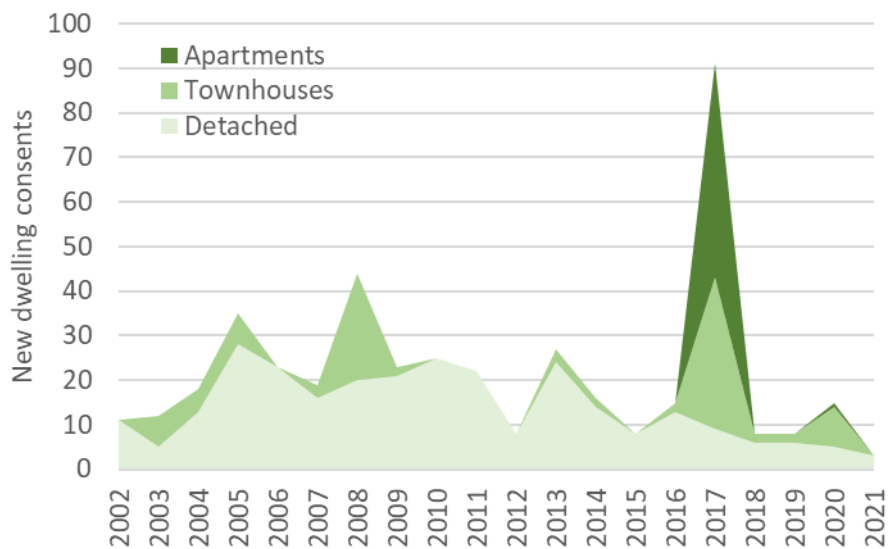
<sup>41</sup> Natalie Hampson, M.E Consulting



developed, there will be a shortfall of capacity within, by my calculations, the HBA's medium term (i.e. by 2030).

- 51 In my opinion the HBA's estimates of total demand, and the typologies that will supply that demand, do not reflect the historic demand or the potential supply that is enabled in Arthurs Point.
- 52 First, the low quantum of demand does not reflect past trends. Figure 5, shows the new dwelling consents that were issued over the last two decades. Excluding 2021 which would have been impacted by pandemic, there is not a single year where new dwelling building consents was as low as the average annual growth projected in the HBA.

**Figure 5: Arthurs Point new dwelling consents by type**



- 53 The HBA projects that dwelling demand will average less than 5 new dwellings per annum for the coming ten years.<sup>42</sup> This compares to a minimum of 3, and average of 21 new dwelling consents per year over the last two decades, and an average of 20 in the last 10 years. This includes a large number of apartments and townhouses that were consented in 2017, and the time series shows an emerging supply constraint that is now limiting consent numbers. That is, historic growth in Arthurs Point has been more than four times higher than the HBA projects.
- 54 It would be more sensible for QLDC to take a conservative approach and plan to accommodate growth consistent with recent average growth, at

<sup>42</sup> Market Economics 2021, Technical Report, Table 2.2

least 220 new dwellings in the next decade, rather than the 50 used in the HBA.

- 55 If that more (in my opinion) realistic growth projection was applied, it would reveal a shortage in dwelling supply in Arthurs Point. Specifically, the demand for 220 new dwellings would exceed the estimated capacity of 147 within the next decade, resulting in no capacity to accommodate growth within about six years, and a shortfall of around 70 dwellings 10 years from now.
- 56 As noted above, the Site was part of the capacity that was considered in the HBA. Therefore, if the Site was not developed as proposed then the shortage would be even greater, and if recent dwelling growth continues, residential supply in Arthurs Point would be exhausted within about three years.
- 57 Second, in my opinion the distribution of the projected demand between detached and attached does not concord with past demand or the capacity available in the area.
- 58 Figure 5 shows that over the past two decades 65% of new dwelling building consents in Arthurs Point were for detached houses and 35% for attached (townhouses and apartments). Over that period there were only four years where the share of attached dwellings was greater than detached, with the share of dwellings that were attached, peaking at 90% in 2017.
- 59 The HBA projections suggest that there is demand for only five new detached dwellings in the coming decade.<sup>43</sup> That is, QLDC has been planning on the basis that 90% of demand in Arthurs Point will be attached, which would represent a complete reversal of demand preferences compared to the last two decades.
- 60 In my opinion it is highly unlikely that demand preferences will change by such a large amount, particularly on a sustained basis over the course of the next 10 years.
- 61 Also, the HBA shows that there is expected to be a shortage of detached dwellings in the Wakatipu Urban areas, both in the medium term and long term. The development of the Site could accommodate some of this unmet demand.

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<sup>43</sup> Market Economics 2021, Technical Report, Table 2.5, Councils preferred 'Change the Path' scenario

- 62 The HBA also finds that most of the available capacity in Arthurs Point is for detached dwellings (88%) and only 12% for attached.<sup>44</sup> That available capacity, combined with the observed preferences, suggests to me that a large share of future growth is likely to be accommodated in Arthurs Point via detached rather than attached dwellings.
- 63 Combining those findings into what I believe to be a more realistic demand scenario indicates there is likely to be demand for 220 dwellings in Arthurs Point in the next decade, with 65% (143) of those being detached dwellings. That means that there is likely to be a shortage of dwelling supply in Arthurs Point inside the next decade, even if the Site is developed (Figure 6).

**Figure 6: Arthurs Point alternative new dwelling demand, supply and sufficiency<sup>45</sup>**

	Medium Term 2020-30		
	Detached	Attached	Total
Projected Demand	143	77	220
Estimated Supply	130	17	147
<b>Sufficiency*</b>	<b>- 42</b>	<b>- 75</b>	<b>- 117</b>

*\*Estimated supply less projected demand (including competitive margin as required in the NPSUD)*

#### *Loss of Rural Productive Land*

- 64 As discussed above, the PDP has objectives and policies that support the retention of land that could be used for rural production activities.
- 65 I have been advised by the submitter that their land has not been farmed for decades, and that in 1960s it was used on a part-time basis for wintering stock. The Site was part of a farm that was originally much larger than the Site, as Arthurs Point was developed the farm was split, resulting in the Site becoming a smaller lot cut off from other rural activity.
- 66 I understand from the evidence of Dr Hill that if classed at property scale, the Site would be classed as either LUC class 6 or 4, due to the slope of the Site.<sup>46</sup> Dr Hill also states that any future arable use of the Site would require significant earthworks to remove tree stumps from the wildings, which would remove much of the very low quality top soil.<sup>47</sup>
- 67 I have examined Sheep and Beef Farm Survey for Otago and Southland. That survey shows that the highest productive stock farming (Class 7

<sup>44</sup> Market Economics 2021, Technical Report, Table 8.2, calculated as 130/147

<sup>45</sup> Source: Formative 2022

<sup>46</sup> Evidence of Dr Hill, paragraph 54

<sup>47</sup> Evidence of Dr Hill, paragraph 57

Finishing Quintile 5) has a stocking rate of 11 units per ha, which generates \$2,000 per hectare of gross revenue and less than \$600 in farm surplus.<sup>48</sup>

- 68 If this highest productive stock farming occurred on the rural part of the Site, which the soil quality indicates is unlikely, then at average carrying rates the Site would carry 58 head of stock, and generate annual revenue of under \$11,000 and would support less than 0.05 workers. Once costs were covered (including the current \$10,200 of rates), that would result in net loss for any agricultural operation on the Site. .
- 69 Even if this high level of farm productivity was achievable on the Site, it would provide negligible economic benefit for either the owner or the local economy. In practice that level of productivity would not be achievable, given the Site's soils, separation from other rural land, access constraints for machinery and stock trucks, and likely operational constraints arising from reverse sensitivity concerns.
- 70 Currently in the Arthurs Point SA2 the only rural activity recorded is a single Sheep and Beef Cattle farm, one Other Livestock Farm, and an Agriculture Support Service business, which together support four workers.<sup>49</sup> That low level of rural activity in the area indicates limited opportunity for the Site to be used by another rural operation, and from my assessment it is very unlikely that the Site could be operated as a viable farm.
- 71 Further, I note from the evidence of Mr Lloyd his opinion that if the Site is not rezoned it will likely revert to wilding tree species again, which would be an adverse effect on the landscape in terms of detracting from character, including to areas outside the Site which are currently subject to conifer removal. I expect that outcome would have some adverse economic effects, including detracting from the quality of the natural environment that is so important for the tourism sector.
- 72 Given the existing and historic non-productive use of the land, residential use of the Site is a more appropriate and efficient use of the Site than a farm, particularly given the good locational attributes of the Site for residential activity.

#### *Tourism, Public Access and Natural Character*

- 73 The development proposal includes additional access to a new extension to the Kimi Ākau Trail, and the applicant is working with Queenstown Trails

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<sup>48</sup> Beef and Lamb New Zealand (2022) Economic Service Sheep & Beef Farm Survey Otago/Southland 2022-23 Forecast and Quintile Analysis of Final 2020-21 Survey data.

<sup>49</sup> Statistics New Zealand (2020) Business Demography database.

Trust and DoC to advance new dual usage links across the Site. The extension to the Kimi Ākau Trail is proposed to link to the Countryside and Twin Rivers Trails (Figure 7).

**Figure 7: Queenstown Trails Trust proposed Arthurs Point Trail**



- 74 Before the pandemic, the Kimi Ākua Trail had 35,600<sup>50</sup> users per annum. In my opinion the provision of new access points through the Site, and the extension of the Kimi Ākua Trail would be likely to result in a significant increase in users.
- 75 The QTT trust considers that “these trails will also provide a healthy and enjoyable way for Kiwis and international visitors to see the country and generate social, environmental, and economic benefit for the region”.<sup>51</sup> I agree with QTT, and in my opinion this proposed addition to the trails can be expected to generate additional benefits for the community and will be frequented by more tourists, both local and international. Improved access to the trails would make them easier to use, encouraging more access to and use of places adjoining the trail, therefore potentially increasing spend in the local economy.

<sup>50</sup> Queenstown Trails Trust (2019) Annual Report 2018/19 – Trail Usage – trail count.

<sup>51</sup> Queenstown Trails Trust (2022) Rezoning of land at Arthurs Point – Gertrude's Saddlery and Larchmont Developments.

- 76 I consider that it is likely that the some of the additional trail users that are drawn to the area will stay longer in Arthurs Point and spend more money in the local economy, which would generate additional benefits to the community and could be over of \$100,000 per annum or around one additional job.<sup>52</sup> That is a relatively minor effect in the context of total District tourism activity, but a positive one.
- 77 DoC supports the removal of wilding pines, revegetation, and trail improvements that are proposed in the development, because it will allow better access to public land for recreational opportunities, and will result in the removal of exotic wilding trees and the restoration of native vegetation.<sup>53</sup> Restorative planting of native trees would be required on the larger lots which will be adjacent to the extension to the Kimi Ākua Trail and the DoC reserve, which will add to and enhance ecology in the area.
- 78 As noted above, I consider that tourism is a key economic sector for the Arthurs Point community, and it is important to be mindful of this sector when assessing land use options. Specifically, many tourists are drawn to the area by the natural character and beauty of the location and where possible these aspects of Arthurs Point should be protected.
- 79 I accept that ONLs contribute significantly to the attractiveness of the District, and therefore have an economic value attached to them, because they are an important and positive part of the experience of visitors to the area. While it is not possible to quantify that economic contribution, as determined in the Court's Topic 01 decision, significant economic value for the District is contributed through ensuring inappropriate activities are not established on ONLs.
- 80 However, both Mr Espie and Ms Pfluger consider that the site is not an ONL or an ONF, and has a limited visual catchment, and is currently degraded by (recently felled) wilding pines. While natural character is outside my area of expertise, I understand from the evidence of Dr Lloyd that the development of the Site requested rezoning may generate positive changes to the character of the area, once the exotic wilding trees are replaced by native indigenous trees.
- 81 For those reasons, I do not consider that the requested rezoning of the land would present an adverse economic effect in terms of loss of important landscapes in the District. Instead, also for those reasons, and due to new trail access points, in my opinion the requested rezoning would be likely to

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<sup>52</sup> Infometrics (2022) Queenstown Lakes District Economic Profile and Tourism.

<sup>53</sup> Department of Conservation (2022) Atley Road Subdivision – Proposed Structure Plan and Revised Relief.

have a positive effect on the level of tourism activity in Arthurs Point, and the local community will benefit from having improved access to the public reserve.

#### *Economic benefits*

- 82 Any future development of the Site for residential activities would yield some economic benefits, arising from expenditure and employment on the planning, site and earthworks, and civil and building construction stages of the development. Gertrude's Saddlery has advised that preliminary costings indicate that expenditure on civil works to develop the Site would be in the order of \$7 million for the entire Site, of which a third will relate to the part of the Site that is already zoned for urban use.<sup>54</sup>
- 83 It is likely that some of the development resources that would be applied to the project would be allocated to other projects, if the current application were to be unsuccessful. That is, development of the Site may induce construction resources to be transferred from other projects in the district, For that reason not all of the economic contribution of the project will be net additional to the local and regional economies, however the development will produce a positive contribution to the local economy.

#### **KEY FINDINGS**

- 84 The Site is not viable for operating a productive rural activity due to its small size, low quality soils, and access and topography constraints, and because it is severed by Arthurs Point from other rural activity. I also understand from the evidence of Dr Hill that any future arable use of the Site would require significant earthworks to remove tree stumps from the wildings, which would remove much of the very low quality top soil. There are very limited alternative uses of the Site other than residential, and if the rezoning is not approved in some form, it is likely that the Site would revert to pest plant species again, given its unproductive and constrained nature.
- 85 Decisions on the DSP and PDP have both identified the Site as being suitable for urban growth, although subject to more detailed assessments of site suitability. Refinement of relief in this hearing has been undertaken by the Applicant and on that basis there should be no constraints to enabling residential development on the Site now, in order to meet immediate dwelling demand. My economic assessment, and those of other experts engaged by the applicant, provides the detailed assessments

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<sup>54</sup> Spencers Chartered Accountants & Advisers (2022) Gertrude's Saddlery Development Budget.  
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required to support the establishment of residential development in the area.

- 86 The requested rezoning that would enable approximately 41 residential lots on the Site will provide for two years of demand at current growth rates. Excluding the parts of the Site that are already zoned for urban use, the proposal would equate to 13% of the housing that has been developed in Arthurs Point over the last decade, or around one year of supply at the current rate of uptake. This is a small share of demand that will not result in any material unanticipated redistribution of growth within Queenstown or the Wakatipu Basin, and would not alter the viability of residential developments elsewhere being undertaken simultaneously.
- 87 The requested rezoning will, however, enable housing choice in a location that has been identified by Council as being appropriate for greenfield residential development in the DSP. I understand from Mr Espie and Ms Pfluger's landscape and visual assessments that the land use intensity of the development proposed is generally consistent with that of nearby existing residential areas and ensures that adjacent ONF features are protected. I note that in the opinion of Mr Espie and Ms Pfluger, the revised relief will reflect the semi-rural amenity and character of the existing area, and is considered to have less impacts on landscape character and amenity than the previously approved LDSR zoning .
- 88 In my opinion there is no economic downside to enabling the development which is identified in the DSP and as now refined by the Submitters' relief sought in this hearing, and there will be no adverse economic effects of the requested rezoning.
- 89 There will be some positive economic effects arising from residential development of the Site, including tourism, employment, enhanced access and recreation, nature conservation values, and spend in the economy.

## **RESPONSE TO SUBMITTERS**

- 90 Over one hundred people lodged further submissions on the urban boundary and zoning change. I have reviewed those submissions, of which approximately one third supported, the requested rezoning, two were neutral, and two thirds were opposed.
- 91 The further submissions that were neutral or in support identified the following issues relevant to my statement:
- (a) It will provide needed housing for the community.



- (b) It will support increased local business numbers.
  - (c) Improvements to public access to the Shotover River.
  - (d) Allow economic activity on a site that would have no other use.
  - (e) Positive for urban form as it would reduce urban sprawl.
- 92 The further submissions that were opposed identified the following issues relevant to my statement:
- (a) Effects on landscape values of the proposed ONL or ONF
  - (b) Rural productive use.
  - (c) Tourism implications.
  - (d) Residential development.
  - (e) Inadequate evidence available to allow assessment of the effects.
- 93 In response to the submission I make several points. First, from my review of the submissions no one is suggesting that there is a viable rural use for the land. Many of the submitters that support the proposal suggest that there is no productive use for this land if it remains as rural. That concurs with my assessment, and I agree with those submission points.
- 94 Second, a number of submitters note that visitors are drawn to Arthurs Point by the natural character of the area, in particular the alpine areas and river around Arthurs Point. None of the submitters claimed that development on the Site would reduce tourism activity in the area, although many identify the risk of the natural landscape being adversely affected. Conversely some submitters identify the benefits of increased public access to the Shotover Gorge and walking tracks. While those submissions do not refer to positive effects for tourism as a result of increased trail access, in my opinion that is a possible outcome as a result of the proposal.
- 95 Third, many submitters opposed the development of the Site because of the perception that the rules would enable residential activity to a higher intensity than the existing urban area (i.e. lots of 300m<sup>2</sup>). In my opinion that will not occur, because the development masterplan is for 85% of lots to be larger than 500m<sup>2</sup>, nearly half (46%) being larger than 800m<sup>2</sup>, and 41% being larger than 2,000m<sup>2</sup>. Far fewer lots (around 41 lots total, including approximately 14 already zoned LDR) are proposed than some further submissions indicate may eventuate (stated to be 160 many of the pro forma further submissions).

- 96 The submitters that support the development consider that the Site would provide residential supply that will meet demands of the community, noting a shortage of housing supply in Queenstown generally, and Arthurs Point in particular. I agree for reasons I have explained above. Some submissions<sup>55</sup> also identify that additional households in the area would support additional business activity such as retail and cafes, which would benefit the community. I agree that would be the case, although the small number of households proposed would have less than minor effects in that regard.
- 97 In conclusion, none of the submissions have raised matters relevant to my area of expertise that have not been assessed in my evidence.

### **RESPONSE TO OFFICER'S REPORT**

- 98 The section 42A officer's report does not identify economic issues as one of the five key resource management issues to consider when assessing the proposal. From my review of that report, there is only one matter that requires response on economics grounds, and I respond to that below.
- 99 The report concludes that "None of the proposed relief, refined relief and partial rezoning is required to meet demand for housing supply, however each option will contribute a small amount to supply."<sup>56</sup>
- 100 I agree that the requested rezoning will contribute to supply, but disagree that the supply that the proposal would provide is not required. As I explain above at paragraphs 43 to 63, my assessment indicates that, consistent with trends over the last two decades, there is likely to be demand for 220 dwellings in Arthurs Point in the next decade. At that level of demand there is likely to be a shortage of dwelling supply in Arthurs Point inside the next decade, even if the Site is developed.

### **CONCLUSION**

- 101 From my assessment the type and scale of residential development proposed is consistent with the future urban form anticipated for the Arthurs Point area by the DSP.
- 102 The availability of existing infrastructure with capacity to service the subdivision provides a good opportunity to do so. I consider the HBA demand projections are too low and that there is a real risk that there will

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<sup>55</sup> Including further submission 11

<sup>56</sup> Appendix 2, assessment against the partially operative Otago Regional Policy Statement 2019, page 9

be a shortage of supply within Arthurs Point within the coming decade. This shortage can be expected to eventuate even if the Site is developed as proposed.

- 103 The requested rezoning would provide additional dwelling supply and increased choice of housing options, and would not generate adverse effects on the distribution of growth or urban development within Queenstown or the Wakatipu Basin.
- 104 Overall it is my opinion that there would be no adverse economic effects of the requested rezoning, some positive economic effects, and therefore net positive economic effects.

A handwritten signature in black ink, consisting of a long, sweeping horizontal stroke that curves upwards and loops back to the left, ending in a small flourish.

**Derek Richard Foy**

**15 November 2022**