

Before the Queenstown Lakes District  
Council

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In the matter of            The Resource Management Act 1991 (RMA)

And                            The Queenstown Lakes Proposed District Plan Stage 3; Stream  
18; Settlement Zone

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**Statement of evidence of Michael Copeland for Universal Developments (Hawea) Limited  
#3248**

29 May 2020

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### **Qualifications and experience**

- 1 My full name is Michael Campbell Copeland and I am a consulting economist. I hold a Bachelor of Science degree in mathematics and a Master of Commerce degree in economics.
- 2 I am the joint managing director of Brown, Copeland and Company Limited, a firm of consulting economists which has undertaken a wide range of studies for public and private sector clients in New Zealand and overseas. During the period July 1990 to July 1994, I was a member of the Commerce Commission and between 2002 and 2008 I was a lay member of the High Court under the Commerce Act. Prior to establishing Brown, Copeland and Company Limited in 1982, I spent six years at the New Zealand Institute of Economic Research and three years at the Confederation of British Industry. A summary of my curriculum vitae is **attached** as **Appendix 1**.
- 3 With respect to the Resource Management Act 1991 (RMA), I have prepared evidence for clients covering a number of projects and policies. A selection of these is listed at the end of my curriculum vitae in **Appendix 1**.

### **Code of Conduct for Expert Witnesses**

- 4 I confirm that I have read the Code of Conduct for expert witnesses contained in the Environment Court of New Zealand Practice Note 2014 and that I have complied with it when preparing my evidence. Other than when I state I am relying on the advice of another person, this 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 that I express.

### **Scope of evidence**

- 5 In preparing this evidence I have reviewed the reports and statements of other experts giving evidence relevant to my area of expertise, including:
  - (a) The Hawea Community Association submission on the Proposed District Plan (PDP) Stage 3; 18 November, 2019;
  - (b) Universal Developments Hawea Limited (Universal Developments) submission on the PDP Stage 3; 18 November, 2019;
  - (c) Statement of evidence of Lane Hocking on behalf of Universal Developments in support; 29 May, 2020;

- (d) Statement of evidence of Tim Williams on behalf of Universal Developments in Support 29 May, 2020;
- (e) Evidence of Dr Douglas Fairgray on behalf of QLDC; Topic 2: Rural Landscape; 23 October, 2018;
- (f) Housing Development Capacity Assessment 2017; Prepared for QLDC by Market Economics; 27 March, 2018 (appended to Dr Fairgray's 23 October, 2018 evidence);
- (g) Reports of the QLDC Mayoral Housing Affordability Taskforce Council Reports dated 17 August, 2017 and 26 October, 2017, and Progress Reports dated October, 2017, October 2018 and September, 2019;
- (h) Queenstown Lakes District Council Quarterly Monitoring Report National Statement on Urban Development Capacity March 2019; July, 2019;
- (i) Queenstown Lakes District PDP Section 32 Evaluation Stage 3 Components For Townships; Queenstown Lakes District Council (QLDC); undated;
- (j) Section 42A Report of Rosalind Mary Devlin on behalf of QLDC, Settlement and Lower Density Suburban Residential Zones – Mapping; 18 March, 2020;
- (k) Plan Enabled Capacity in Hawea and Albert Town; Appendix 4 to QLDC Section 32 Evaluation; Market Economics; 14 August, 2019;
- (l) SH190005 – Economic Commentary on Hawea SHA Township Service Centre; Memo to Katrina Ellis, Resource Consents Team Leader, QLDC; Natalie Hampson, Market Economics; 24 January, 2020;
- (m) Demand for Additional Commercial Zoned Land in Hawea; prepared for QLDC by Insight Economics; 18 February, 2015;
- (n) Section 42A Report of Luke Thomas Place on behalf of QLDC Chapter 18A General Industrial Zone – Text and Mapping; 18 March, 2020;
- (o) Evidence in Chief of Natalie Dianne Hampson for QLDC, NPS-UDC Capacity and Economic Matters relating to the General Industrial and Three Parks Zones; 18 March, 2020. (Includes Economic Assessment of Queenstown Lakes District's Industrial Zones Stage 3 District Plan Review; Market Economics for QLDC; 22 May, 2019; and Queenstown Lakes District Interim Business Development Capacity Assessment Update Addendum; Market Economics for QLDC; 13 March, 2020); and

(p) Business Development Capacity Assessment 2017 Queenstown Lakes District; Market Economics for QLDC; 8 November, 2018.

6 I have prepared evidence in relation to:

- (a) The relevance of economic effects under the Resource Management Act (RMA);
- (b) The economic benefits and costs of rezoning additional land in Hawea for residential development;
- (c) The economic benefits and costs of rezoning additional land in Hawea for commercial development;
- (d) The economic benefits and costs of rezoning land in Hawea for industrial development.

7 My evidence is divided into the following sections:

- (a) Executive summary;
- (b) Summary of the relief sought by Universal Developments;
- (c) Economics and the RMA;
- (d) Rezoning Universal Developments' land for residential development;
- (e) Rezoning Universal Development's land for commercial development;
- (f) Rezoning Universal Development's land for industrial development; and
- (g) My conclusions.

### **Executive Summary**

8 Economic well-being and the efficient use and development of resources are relevant considerations under the RMA.

9 Because the proposed relief sought by Universal Developments enabling additional residential development, a local shopping centre zone, industrial development and a primary school at Hawea will mostly impact on the residents and businesses of the Queenstown Lakes District, my assessment of the economic effects of the relief sought by Universal Developments has adopted a District viewpoint.

10 Consistent with seeking to maximise competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects

on individual competitors. The relief sought by Universal Developments will significantly increase the level of competition in the markets for residential and industrial land supply. Universal Developments will be a significant new competitor and in the case of residential land there will also be additional competition from 5 other new suppliers.

- 11 Land use controls, restricting free market outcomes, should only be imposed where externality costs are identified and these externality costs are significant enough to outweigh the inherent cost of not allowing a free market solution and any positive externalities that may be associated with that free market solution.

*Residential Development*

- 12 The QLDC's section 32 and section 42A reports recommend against Universal Developments' proposed extension of the UGB on the basis of:
- (a) Housing capacity assessments for the Queenstown Lakes District, which conclude that for the District as a whole, aggregate residential land capacity exceeds forecast aggregate demand; and
  - (b) A view that the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) requires adequate capacity to be provided in an urban environment but does not dictate where capacity is required to be provided.
- 13 However, the housing affordability issues experienced by the Queenstown Lakes District underline that housing development capacity is not equivalent to the supply of land for housing development. Frictions such as land owner inertia, land banking and fragmented land ownership prevent zoned capacity equating to market supply. Focussing only on comparing residential demand with residential development land capacity is insufficient and there is a need for (i) a more targeted consideration of where additional capacity and zoning is required; (ii) creating greater competition; and (iii) addressing the effects of land owner inertia and other frictions in the market.
- 14 The NPS-UDC places emphasis not simply on aggregate land capacity sufficiency, but also attempts to improve the competitiveness of the market. The relief sought by Universal Developments is consistent with a number of the NPS-UDC objectives and policies, including those seeking to encourage competition in land markets, address housing affordability issues, realising not all feasible development opportunities will be taken up and providing communities with more choice. I consider the proposed extension of the UGB at Hawea to be consistent with the NPS-UDC and the QLDC's interpretation of the NPS-UDC to be selective and too narrow.

- 15 Granting the relief sought by Universal Developments enabling increased residential development on greenfield sites at Hawea, will not give rise to forgone alternative land use, public infrastructure or transport economic externality costs.
- 16 The relief sought by Universal Developments is consistent with sections of QLDC's PDP relating to future residential development.

*The Local Shopping Centre Zone*

- 17 Universal Developments wish to include a commercial service area of 3.5ha (to be zoned Local Shopping Centre Zone) within the extension of the UGB at Hawea. This would generally provide for a range of commercial activities including offices, shopping, cafes and other services for Hawea residents – both those within the existing township and the additional residents facilitated by the extension of the UGB for increased residential development.
- 18 The proposed commercial service centre would not undermine Hawea's existing commercial centre which has only been developed to a very limited extent. Nor would it undermine the larger Wanaka Town Centre and Three Parks commercial area given:
  - (a) The much greater significance of these two centres relative to what is proposed at Hawea;
  - (b) The distance between Wanaka and Hawea (17 kilometres) and the greater range of services available in the larger centres being significant disincentives to non-Hawea residents being attracted to commercial activities located in Hawea; and
  - (c) Many Hawea residents who, when travelling to Wanaka for work and non-work purposes, will combine shopping and other commercial activities with these trips.

- 19 The proposed Local Shopping Centre Zone at Hawea is consistent with sections of QLDC's PDP relating to future commercial development

*Industrial Development*

- 20 Universal Developments propose to include a General Industrial Zone of 9.2 ha within their proposed development that will provide for industrial and service activities. There will be economic efficiency benefits from this, including (i) a greater range of local employment opportunities, reducing the need for residents to commute to Wanaka, Queenstown or further afield for work. This would reduce transport costs for them as well as reduce road transport externality costs; (ii) greater critical mass for Hawea, enabling the provision of a greater range of commercial services locally; and (iii) additional competition in the industrial land

supply market within the District and Wanaka Ward and likely lower prices than in the main centres of Wanaka and Queenstown.

- 21 QLDC has forecast industrial land capacity sufficiency for the Wanaka Ward. However as with residential land capacity, industrial land capacity does not translate into industrial land supply. Also land zoned for industrial development is frequently used for other purposes.
- 22 The relief sought by Universal Developments in relation to industrial land is consistent with the objectives and policies of the NPS-UDC.
- 23 As with the proposed residential development, the capital and O&M costs of public utilities required by the industrial zone will be met by the developer, and then subsequently by the owners and occupiers of industrial activities within the zone.

#### *Covid-19*

- 24 My evidence does not address the potential economic impacts in the short, medium and long term of the Covid-19 pandemic. Whilst the pandemic has increased future uncertainty, especially given the Queenstown Lakes District's high dependency on the tourism sector, I would make the following general comments:
  - (a) Residential Market. In assessing the economic effects of the relief sought by Universal Developments, it is longer term trends that are relevant. Over the longer term, we might expect pre-Covid-19 forecasts to remain indicative of longer term trends. Also irrespective of any longer term Covid-19 effects, there is still a disconnect between land development capacity and the supply of land for development that needs to be addressed and the relief sought by Universal Developments helps do this.
  - (b) Commercial Development. The same comments apply as for residential development as the Local Shopping Centre Zone proposed is to meet the needs of local Hawea residents.
  - (c) Industrial Development. The same comments apply as for residential development. However in addition, the Market Economics 22 May, 2019 Industrial Zone report identifies how the Queenstown Lakes District does not have a significant manufacturing base. To the extent that the District (and New Zealand generally) seeks to diversify away from too greater dependence on tourism in the future, the relative importance of manufacturing and other industrial activity may increase. At the very least the District should seek maximum flexibility (which includes industrial land

being available at competitive prices and a wide choice of locations) to facilitate any such greater diversification.

### **Summary of the Relief Sought by Universal Developments**

- 25 Universal Developments own land zoned Rural General to the south of the existing Urban Growth Boundary (UGB) on Cemetary Road in Hawea. It wishes the UGB to be moved south to Domain Road and across the southern boundary of land owned by LAC Property Trustees Limited, an entity associated with Mr Hocking. The proposed extension of the urban growth boundary would enable residential development on land owned by a total of 6 different independent parties.<sup>1</sup> This would enable residential development of the land with an estimated total capacity of between 1491 and 1747 lots<sup>2</sup>, predominately low density but with some pockets of medium density.
- 26 In addition to residential development, Universal Developments proposes on the land which it owns within the site:
- (a) A Local Shopping<sup>3</sup>Centre Zone of 3.5 hectares (ha) that provides for a range of commercial uses;
  - (b) A General Industrial Zone of 9.2 ha; and
  - (c) Scope for a primary school occupying 3.5 ha - currently there is no school in Hawea, with the closest school being at Hawea Flats, approximately 7.4 kilometres away<sup>4</sup>.
- 27 The proposed rezoned area would incorporate the area of land contained in the Universal Developments' Special Housing Area (SHA) proposal recently granted resource consent.

### **Economics and the RMA**

#### Community Economic Wellbeing

- 28 Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part 2 section 5(2) refers to enabling "*people and communities to provide for their social, economic and cultural well-being*" as part of the meaning of "*sustainable management*", the promotion of which is the purpose of the RMA.

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<sup>1</sup> See the evidence of Mr Tim Williams, paragraph 7.

<sup>2</sup> See the evidence of Mr Tim Williams.

<sup>3</sup> In fact the centre is intended to include not just shops but also offices, cafes and other commercial services.

<sup>4</sup>[www.maps.google.nz](http://www.maps.google.nz)



29 As well as indicating the relevance of economic effects in considerations under the RMA, section 5 also refers to “*people and communities*” (emphasis added), which highlights that, in assessing the impacts of provisions in a plan, it is the impacts on the community and not just the Council or particular individuals or organisations, that must be taken into account. This is underpinned by the definition of “*environment*” which also extends to include people and communities. Assessing the economic effects of rezoning land for residential, commercial and industrial development requires a district-wide perspective to be adopted. Later in my evidence I discuss the economic wellbeing effects of Universal Developments proposed extension of the UGB to enable increased residential, commercial and industrial development at Hawea.

### Economic Efficiency

30 Part 2 section 7(b) of the RMA directs that, in achieving the purpose of the Act, all persons “*shall have particular regard to ... the efficient use and development of natural and physical resources*” which includes the concept of economic efficiency.<sup>5</sup> Economic efficiency can be defined as:

*“The effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs”.*<sup>6</sup>

31 More generally, economic efficiency can be considered in terms of:

- (a) Maximising the value of outputs divided by the cost of inputs;
- (b) Maximising the value of outputs for a given cost of inputs;
- (c) Minimising the cost of inputs for a given value of outputs; and
- (d) Minimising waste.

32 There are resource use efficiency considerations in rezoning land for residential, commercial and industrial development. These are discussed later in my evidence.

### Viewpoint for Economic Assessment

33 An essential first step in carrying out an evaluation of the positive and negative economic effects of decisions made under the RMA is to define the appropriate

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<sup>5</sup> See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73 at [86], the Court noted that all aspects of efficiency are “*economic*” by definition because economics is about the use of resources generally.

<sup>6</sup> Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2<sup>nd</sup> edition), Harper Collins, page 148.

viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. Typically a district (city) or wider regional viewpoint is adopted and sometimes a nationwide viewpoint might be considered appropriate.

- 34 In the case of the proposed rezoning of Universal Developments' rural land at Hawea for residential, commercial and industrial development, the actual and potential economic effects will mostly be on the community, consisting of residents and businesses of the Queenstown Lakes District and therefore a Queenstown Lakes District viewpoint is appropriate. Whilst this viewpoint will also include the perspective of existing residents and businesses of Hawea, I do not accept that such a narrower viewpoint should be adopted. Planning, by definition, should have regard to future populations and therefore must consider new residents and businesses for Hawea, as well as for the wider District. For example, housing affordability is an economic (and social) issue that probably has greater relevance for new residents than for existing Hawea residents and needs to be addressed from a district-wide perspective. Mr Williams considers this in his evidence at paragraph 143, where he discusses the wider District housing affordability and price escalation costs if the UGB is retained in its current position, versus the benefits for existing residents from increases in their property values from reduced competition and constrained supply for residential sections for development.

#### Trade Competition

- 35 Consistent with seeking to maximise competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. Importantly, the relief sought by Universal Developments will significantly increase the level of competition in the market for residential sections, especially greenfield sections at Hawea. Currently the majority of greenfield residential land available for development is owned by Willowridge Developments Ltd, which is also a major landowner of greenfields capacity in Wanaka and Luggate.<sup>7</sup> The proposed extension of the UGB will bring not only Universal Developments into this market as a significant additional competitor but will also bring into the market five other smaller competitors – Streat Group Limited, YTP Nominees Limited, Haillie Ruth Buckley & David Smith, Bruce, Stuart & Suzanne Roy and Keith Stubbs.<sup>8</sup>

#### Intangible Costs and Benefits

- 36 My evidence addresses the economic effects<sup>9</sup> of Universal Developments' proposed extending of Hawea's UGB. Relevant non-economic effects (e.g.

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<sup>7</sup> See Mr Williams evidence, paragraph 50.

<sup>8</sup> Note: Street Group Limited's is already developing its land under the provisions of the Rural Residential zone – See Mr Williams evidence, paragraph 25.

<sup>9</sup>Sometimes economic effects can have a social dimension – e.g. employment and income effects and housing affordability.

landscape effects) are covered in the evidence of other witnesses for Universal Developments.

- 37 In economics, 'intangible' costs and benefits are defined as those which cannot be quantified in monetary terms. Sometimes attempts can be made to estimate monetary values for 'intangible' non-economic costs and benefits using techniques such as willingness to pay surveys or inferring values on the basis of differences in property values. Once quantified in monetary terms, these effects can supposedly be considered as part of the assessment of economic effects.
- 38 However, such techniques are frequently subject to uncertainty and criticism. In my opinion it is generally better to not attempt to estimate monetary values for these effects but to leave them to be assessed by appropriately qualified experts (such as Mr Ben Espie) and for their assessments to form part of the application of the relevant legal test. This also avoids the danger of 'double-counting' of effects.
- 39 Just as it is necessary for decision-makers under the RMA to consider negative intangible effects and to weigh these against positive economic effects, there are sometimes positive intangible effects that need to be incorporated in the decision making process. In relation to the proposed extension of Hawea's UGB these will include the social benefits from increased housing affordability and convenience and travel benefits from having a greater range of local commercial services and possibly a primary school available within the township.

#### The Justification for Land Use Controls

- 40 Over the past thirty years or so, there has been a growing acceptance in New Zealand and other countries that economic efficiency is maximised when investment decisions are left to individual entrepreneurs or firms and consumers, without intervention from Government – i.e. "market based" outcomes. The reason for this is that in theory, a perfectly competitive market, where investment decisions are left to individual entrepreneurs or firms and consumers without intervention from Government, achieves an efficient allocation of resources.
- 41 The essence of this policy is that the efficient use of resources, and therefore "sustainable management" results from the creation of a climate where the market enables people to make investment decisions "to provide for their economic well being".
- 42 Despite this, in reality markets are not "perfect", and the presence of "externalities"<sup>10</sup> affects the working of the market and the results that could be expected from a totally unregulated system of resource allocation. Externalities

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<sup>10</sup>Defined as the side effects of the production or use of a good or service, which affects third parties, other than just the buyer and seller.

arise because the actions of individuals or firms sometimes create positive or negative impacts on others. It is unrealistic to assume that development of particular forms of economic activity and/or the location of that economic activity will not sometimes impose costs on the community in general. Where the developer, those engaged in various forms of economic activity at the site and/or consumers do not face the incidence of these costs, externalities arise and intervention of some form may be justified. In other words, development may create costs or benefits for parties other than those commercially involved in transactions related to the development.

- 43 Externalities may be in the form of environmental effects such as visual, cultural, noise, water or air pollution effects. Externalities in an economic context may relate to the provision of infrastructure where a strict user pays system is not in place, and road transport congestion and safety effects.
- 44 Consideration of the efficient allocation of resources must encompass the extent to which externalities will or are likely to exist, but the existence of externalities does not necessarily imply the need for intervention. This is because intervention in the market, for example to limit where residential development may occur, is not costless in that it prevents optimum resource allocation from the perspective of the market. Also there may be external benefits associated with allowing additional development to occur at a particular location (e.g. Hawea) and these need to be taken into account.
- 45 Therefore, from the point of view of community economic well being and economic efficiency, market interventions such as land use constraints should only be imposed where clear external costs have been identified and the significance of these external costs is such that it outweighs the costs of the particular form of intervention proposed. Further, restricting development having considered only potential negative externalities relies on partial or incomplete analysis and will lead to suboptimal outcomes. It ignores not only positive externalities, but also the economic and other benefits inherent in market determined solutions.
- 46 In other words to justify land use controls, which restrict free market outcomes, externality costs must be identified and they must be significant enough to outweigh the inherent cost of not allowing a free market solution and any positive externalities that may be associated with that free market solution.
- 47 This approach is consistent with the requirements under section 32 of the RMA to assess the effectiveness, efficiency and benefits and costs of proposed provisions in district plans.
- 48 In the remainder of my evidence I assess the economic benefits and costs associated with enabling the proposed rezoning of additional rural land at Hawea

for residential, commercial and industrial development even though the land already zoned for residential development may in aggregate at a District or Wanaka Ward level be deemed to provide sufficient capacity to meet projected demand.

## **Rezoning Universal Developments' Land for Residential Development**

### Economic Benefits

- 49 The QLDC's section 32 and section 42A reports recommend against Universal Developments' proposed extension of the UGB on the basis of:
- (a) Housing capacity assessments for the Queenstown Lakes District, which conclude that for the District as a whole, aggregate residential land capacity exceeds forecast aggregate demand; and
  - (b) A view that the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) requires adequate capacity to be provided in an urban environment but does not dictate where capacity is required to be provided.<sup>11</sup>
- 50 QLDC's Housing Development Capacity Assessment (HDCA). As covered in the previous section of my evidence discussing the justification for land use controls, there are forgone economic efficiency benefits from preventing market determined land use outcomes and this will hold true irrespective of whether aggregate residential land capacity for the District exceeds aggregate demand. The QLDC's section 32 and section 42A reports have not taken account of these forgone economic efficiency benefits in their analyses.
- 51 Furthermore, the section 32 and 42A reports wrongly place too greater emphasis on the assumed sufficiency of residential land capacity in the face of persistent increasing prices for housing and rising housing affordability issues in the Queenstown Lakes District. The authors of the HDCA themselves concede that forecasting housing demand and capacity for supply out to 2038 is a complex and detailed exercise relating to both planning and economic matters and the results are sensitive to key assumptions.<sup>12 13</sup> But more importantly housing development capacity is not equivalent to the supply of land for housing development.<sup>14</sup> Having

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<sup>11</sup> For example, see paragraph 7.16 of QLDC's Section 32 Evaluation.

<sup>12</sup> See Dr Fairgray's evidence, paragraph 4.9.

<sup>13</sup> For example, I am informed that modelled forecasts for Hawea's 2033 population by Insight Economics in 2015 had already been eclipsed by 2019.

<sup>14</sup> See for example the Market Economics November 2019 report, section 1.1, page 1: "*Capacity is defined as the number of additional residential dwellings that could potentially be constructed under the planning provisions. It is a measure of plan-enabled capacity and does not take account of the commercial feasibility of construction or other non-planning factors that may affect the likelihood of construction*"; and QLDC's Section 32 Evaluation report page 63, paragraph 9.36: "*The results of the Capacity Assessment reflect the maximum potential residential yields, and the results do not attempt to model the likely take-up of the capacity.*"

forecast aggregate housing development capacity for the District and the Wanaka Ward greater than forecast demand is not sufficient for efficient market outcomes because of frictions such as land owner inertia, land banking and fragmented land ownership (e.g. as is generally the case for infill development) which prevent zoned capacity equating to market supply. This has been amply illustrated within the Queenstown Lakes District in recent years. During a period when housing development capacity has been well in excess of demand, the District's measures of housing affordability have not improved. In 2016, the District's median salary was \$49,780, whilst the medium house price was \$803,241. This indicates a ratio of house price to income ratio of 15, compared to a ratio of 8 for Auckland.<sup>15</sup> In March 2019:

- (a) The median house price for the District had risen a further 25% to \$1,001,875, which was 9% higher than a year ago (and for Wanaka 14% higher than a year ago); Average house prices in Queenstown had grown over the previous 12 months at twice the rate as for New Zealand as a whole;
- (b) The average weekly rent for the District had risen to \$609, up \$53 or 9.5% over the previous 12 months. For Wanaka the 12 month increase was 12.5%;
- (c) The house price to rent ratio (a measure of the ease of moving from renting to home ownership) for the District was 31.7. It has not changed significantly since 2007 and like for Auckland remains high compared to the rest of New Zealand. Transitioning from renting to home ownership remains a struggle for Queenstown residents;
- (d) The Housing Affordability Measure – Buy (HAM-Buy), which measures trends in housing affordability for first home buyers, shows that 91% of first home buyer households would have a below average income after paying for housing costs. This was a 6.7% increase from 85% over the previous 12 months and now surpasses the figure for Auckland;
- (e) The HAM-Rent indicator, which measures trends in housing affordability for renting households, shows that 43% of renting households would have a below average income after paying for housing costs. This was only a 0.5% increase over the previous 12 months. Although rental affordability has generally improved across the District between 2011 and 2019, there is evidence of overcrowding and sub-letting of bedrooms in Queenstown rental properties to help manage/share high and rising costs.<sup>16</sup>

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<sup>15</sup> See Mr Williams evidence, paragraph 45.

<sup>16</sup> Source: Quarterly Monitoring Report National Policy Statement on Urban Development Capacity March 2019; Queenstown Lakes District Council; July, 2019.

52 The declines in these housing affordability indicators during periods when the District's housing development capacity has exceeded estimated demand illustrate that simply ensuring aggregate residential land capacity exceeds forecast aggregate demand will not solve housing affordability issues within the District. The QLDC in recognising this, established a Mayoral Housing Affordability Taskforce, which stated in its 17 August, 2017 report:

*"Initial findings of the Council's Dwelling Capacity Model indicate that there is sufficiently zoned residential land within the urban growth boundaries of the Queenstown Lakes District to provide for projected growth in the short, medium and long term. However while there appears to be sufficient zoned land, given current market friction driven by a range of factors including land banking by current land owners and the time it takes to get land to the market, unless substantially more land is provided, the cost of sections as they are slowly released onto the market will likely continue to increase."*

53 The Mayoral Housing Affordability Taskforce has identified that a range of measures are required to increase the supply of affordable housing within the District and QLDC cannot simply rely on aggregate residential land capacity sufficiency to meet the economic wellbeing and efficiency requirements of the RMA and the strategic directions and policies of the PDP relating to residential housing demand and supply.

54 Market Economics in preparing the District's HDCA did not expect any increase in household growth in the Queenstown Lakes District with the PDP enabled housing capacity increases. Dr Fairgray in his evidence states:

*"I note that while the changes in the PDP Decisions Version results in additional capacity, and will provide more location and density options, that is not likely to increase the level of household growth in QLD. This is because there is already a large amount of plan-enabled and feasible capacity relative to anticipated demand, and growth is not expected to be constrained by capacity."<sup>17</sup>*

55 Dr Fairgray's focus on comparing residential demand with residential development land capacity is insufficient and there is a need for (i) a more targeted consideration of where additional capacity and zoning is required; (ii) creating greater competition; and (iii) addressing the effects of land owner inertia – e.g. in the case of fragmented ownership of infill capacity, where landowners are not motivated to supply available capacity to the market.

56 Also the Market Economics HDCA states that while there will be abundant dwelling capacity in total, they concede that there will likely be shortfalls in capacity across the "lower" price bands ("under up to \$880,000") – described as

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<sup>17</sup>See Dr Fairgray evidence paragraph 9.26.

being “modest” in the short and medium terms and “more significant” in the long term. The PDP Decisions Version will only slightly reduce these shortfalls in capacity within the lower price bands.<sup>18</sup>

57 House prices within Hawea have not been immune from the increases seen elsewhere in the District. In 2013 the medium house price for Hawea was \$381,000<sup>19</sup> and this has increased to \$769,000<sup>20</sup> in February, 2020 – i.e. an increase of over 100%. However this is still lower than for the District as a whole (\$1,001,875) and the Wanaka Ward (\$967,000). Providing additional housing capacity in Hawea, as compared to other parts of the Wanaka Ward and Queenstown District will help housing affordability because it is a comparatively lower cost area<sup>21</sup>. However, more importantly as set out earlier in my evidence at paragraph 35, the relief sought by Universal Developments will significantly increase the level of competition in the market for residential sections, especially in greenfield areas. Universal Developments will be a significant new competitor and there will also be additional competition from 5 other new suppliers.

58 Consistency with the NPS-UDC. The QLDC Section 42A report’s reliance on the NPS-UDC requiring adequate capacity to be provided in an urban environment, but not dictating where capacity is required to be provided, ignores other parts of the NPS-UDC, which I consider to be just as relevant in assessing the economic costs and benefits of the relief sought by Universal Developments. In particular the NPS-UDC states<sup>22</sup>:

*“Competition is important for land and development markets because supply will meet demand at a lower price where there is competition. There are several key features of a competitive land market and development market. These include providing plenty of opportunities for development. Planning can impact on the competitiveness of the market by reducing overall opportunities for development and restricting development rights to only a few landowners.*

*This national policy statement requires councils to provide in their plans enough development capacity to ensure that demand can be met. This includes both total aggregate demand for housing and business land, and also the demand for different types, sizes and locations. This development capacity must recognise that not all feasible development opportunities will be taken up. This will provide communities with more choice, at lower prices.”*

59 In addition, Policy PA3 of the National Statement requires that when making planning decisions particular regard be given to:

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<sup>18</sup> See Dr Fairgray evidence paragraphs 8.18, 8.21 and 9.28.

<sup>19</sup> See Mr Williams evidence, paragraph 45.

<sup>20</sup> Source: [www.qv.nz/suburb/lake-hawea-2312/sold](http://www.qv.nz/suburb/lake-hawea-2312/sold)

<sup>21</sup> See Dr Fairgray evidence paragraph 9.28 (a).

<sup>22</sup> At page 4.



*“a) Providing for choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses; and*

*c) Limiting as much as possible adverse impacts on the competitive operation of land and development markets.”*

60 Among the NPS-UDC policies covering the gathering of evidence and monitoring housing (and business) land availability and demand are Policy PB6:

61 *“To ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes, local authorities shall monitor a range of indicators on a quarterly basis including:*

*(a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;*

*(b) The number of resource consents and building consents granted for urban development relative to the growth in population; and*

*(c) Indicators of housing affordability.”*

62 Policy PB7 states:

*“Local authorities shall use information provided by indicators of price efficiency in their land and development market, such as price differentials between zones, to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed.”*

63 Earlier in my evidence (see paragraphs 51 to 53) I have discussed the latest available data QLDC has collected on a number of these indicators. QLDC (including its Mayoral Task Force on Housing Affordability) and I interpret these indicators and trends in them over time to indicate that the market is not *“functioning well”*, despite aggregate residential development capacity within the District exceeding forecast demand. Similarly, Mr Williams in his evidence (at paragraphs 60 to 64) discusses the available indicators at the time the 2017 Market Economics HDCA was prepared. Whilst he notes that the HDCA report and Dr. Fairgray’s subsequent 2018 evidence cautions against relying on these indicators, I and Mr Williams consider that the NPS-UDC intended that such indicators be used to flag shortcomings in the market for the supply and demand for residential (and business) land. For a number of years these indicators and the response of the QLDC through its Housing Affordability Mayoral Taskforce make it clear that imperfections in the market persist despite aggregate residential development land capacity exceeding forecast demand. The proposed extension of the UGB at Hawea, by bringing considerably greater competition into

the market has the potential to overcome the frictions in the market created by, for example, land owner inertia, land banking and the fragmentation of land ownership. It will also target the lower price brackets where a shortfall is identified by QLDC.

- 64 Under the heading “Responsive Planning” the National Policy Statement on Urban Development Capacity contains a number of policies requiring local authorities such as the Queenstown Lakes District Council with part, or all, of either a medium-growth urban area or high-growth urban area within their district or region to make available sufficient land capable of housing and business development. For example, policy PC1 requires the Queenstown Lakes District Council:

*“To factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in policy PA1<sup>23</sup>, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of **at least**:*

*20% in the short and medium term, and*

*15% in the long term.” (Emphasis added)*

- 65 In my view the NPS-UDC places emphasis not simply on aggregate residential land capacity sufficiency, but also on attempts to improve the competitiveness of the market, greater focus on land supply and not just land capacity and addressing the housing affordability issue. Simply meeting the forecast 20% surplus capacity in aggregate is by itself not sufficient. The proposed extension of the UGB at Hawea will introduce additional competition and addresses the issues of land owner inertia and affordability. Therefore I consider the proposed extension of the UGB at Hawea to be consistent with the NPS-UDC and the Section 42A Report’s interpretation of the NPS-UDC to be selective and too narrow.

- 66 Greater Critical Mass for Hawea. Universal Developments’ proposed extension of the UGB will lead to Hawea growing in size giving it greater “critical mass”, especially if this is in conjunction with reduced minimum section sizes within and outside the existing UGB and additional land being provided for commercial and industrial development. The QLDC Section 32 Evaluation states<sup>24</sup>:

*“The most recent population figures produced by QLDC state that Hawea has a current population of 2,880 residents and 1,630 houses. These figures are*

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<sup>23</sup>Policy PA1 relates to local authorities having to ensure that at any one time there is sufficient housing and business land development capacity with different requirements for the short, medium and long term.

<sup>24</sup> QLDC Section 32 Evaluation page 38, paragraph 9.2.

*projected to grow to 4,150 residents and 2,280 houses by 2028, and 4,700 residents and 2,630 houses by 2038.”*

- 67 This implies an increase for Hawea of over 60% in population and households by 2038 is expected even without the extension of the UGB proposed by Universal Developments. Mr William’s evidence suggests Universal Developments’ proposed extension of the UGB would yield between 1491 and 1747 additional residential lots. Whilst at least initially this growth may be offset by a reduction in development and more intensive redevelopment within the existing UGB, it seems likely Hawea will have a greater population and number of households with the relief sought by Universal Developments.
- 68 Greater population and critical mass will enable a wider range of locally provided commercial services (possibly with the additional benefits of greater competition) in Hawea, benefitting local residents – for example increasing population in Hawea will provide greater opportunity for the township to sustain a small to medium sized supermarket and a primary school. There would be transport efficiency benefits associated in particular with a local school, given the Hawea Flat’s primary school is 7.4 kilometres away – a 7 minute car journey, but a 1 hour 25 minutes’ walk.

#### Potential Economic Costs

- 69 Leaving aside non-economic considerations (such as residential character and amenity (including landscape values and township size) and natural hazards)<sup>25</sup> on which I am unqualified to comment, I have identified three potential economic costs from the proposed extending of the UGB and in this section of my evidence I examine their significance.
- 70 Loss of Alternative Land Uses. The loss of land for alternative uses is not an external cost of residential development on Universal Developments’ land at Hawea. Universal Developments, in purchasing the land, has paid a price reflective of future net returns from alternative uses (such as agriculture or forestry) of the land. Such costs are not externality costs to be borne by the wider community but will be passed through to purchasers of sections. In other words these costs will be internalized to the developer and subsequent section purchasers and are not economic externality costs that need to be considered under the RMA. Because Universal Developments paid the market price for the land, developing the land for residential development is the best use of the site in economic terms, as judged by the market. In any case I understand from the evidence of Mr Hocking that the land in agricultural terms is relatively unproductive. Also zoning land in excess of projected demand will mean that if the Universal Developments’ land at Hawea is developed in advance of other

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<sup>25</sup> Listed as issues for evaluation in Section 8 of the QLDC’s Section 32 Evaluation.

land zoned for residential development, this other land will generally<sup>26</sup> not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

- 71 Public Infrastructure Costs. Externality costs can arise when utilities provided by central or local government (e.g. roads, water supply, storm water and flood control systems and wastewater disposal) are not appropriately priced, requiring their provision to be cross-subsidised by other District ratepayers. In the case of residential development on Universal Developments land no such externality costs will arise. Development Contributions, rates and user charges will cover the capital and ongoing O&M costs associated with Council provided services. In addition petrol taxes, road user charges, and roading costs payable as part of annual rates, will meet the costs for local roads and state highways. The extent to which bulk infrastructure capacity will need to be duplicated or future increments of capacity brought forward will depend upon site specific factors. In the case of the proposed Universal Developments' land I am informed that the proposed development can be fully serviced from existing or planned bulk infrastructure capacity within infrastructure networks – see the evidence of Mr Waite.
- 72 Transport Costs. Rezoning land more distance from employment, retail and commercial centres, recreational and entertainment facilities, educational institutions and public facilities such as hospitals and libraries may lead to increased transport costs if, as a result, more distant residential areas are developed in preference to those not so distant to these facilities. However, for the most part any such additional transport costs are internalised to owners (or renters) of the newly developed properties.
- 73 Only to the extent there are additional transport externality costs – e.g. road accidents, congestion and greenhouse gas emissions – are increased travel distances a relevant consideration. In the case of the proposed residential development on Universal Developments' land at Hawea, travel distances to town centres and facilities would be much the same as for infill development within the existing UGB. I note that QLDC's Section 32 Evaluation records that Hawea is located "*within easy access to Wanaka Town Centre and Three Parks commercial area, which are providers of significant commercial capacity*".<sup>27</sup> Also to the extent that the proposed commercial and industrial development on Universal Developments' land makes the Hawea township more self-sufficient in employment, retail and other commercial activities there will be less commuting and other trips out of Hawea, in turn reducing any transport externality costs. A local primary school within Hawea will also make the community less dependent upon motorised transport.

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<sup>26</sup> In some cases partial development of an area zoned for residential use may preclude alternative productive use or reduce the productivity of the land not yet developed.

<sup>27</sup> See QLDC Section 32 Evaluation, Stage 3 Components for: Townships Table 11 Group 1, under option 3, page 62, first bullet point.

- 74 Summary. The economic externality costs associated with enabling residential development on Universal Developments' land at Hawea are not significant and are unlikely to outweigh the economic benefits from enabling such development to occur.

Consistency with QLDC's PDP Strategic Directions and Policies

- 75 The relief sought by Universal Developments is consistent with sections of QLDC's PDP relating to future residential development, particularly the following policies:

4.2.1.1 *Define Urban Growth Boundaries to identify the areas that are available for the growth of the main urban settlements. (The proposed extension to the Hawea UGB will facilitate the growth of an existing urban settlement.)*

4.2.1.2 *Focus urban development on land within and at selected locations adjacent to the existing larger urban settlements and to a lesser extent, accommodate urban development within smaller rural settlements. (The proposed extension to the Hawea UGB enables urban development adjacent to an existing urban settlement.)*

4.2.1.4 *Ensure Urban Growth Boundaries encompass a sufficient area consistent with:*

*a. the anticipated demand for urban development within the Wakatipu and Upper Clutha Basins over the planning period assuming a mix of housing densities and form;*

*b. ensuring the ongoing availability of a competitive land supply for urban purposes; (The proposed extension to the Hawea UGB will lead to a significant increase in competition in the market for the supply of land for residential development at Hawea.)*

...

*d. the need to make provision for the location and efficient operation of infrastructure, commercial and industrial uses, and a range of community activities and facilities; (The proposed extension to the Hawea UGB will enable greater utilisation of existing and planned infrastructure and there will be efficiency benefits from making Hawea more self-sufficient in the provision of commercial, industrial and community services.)*

*e. a compact and efficient urban form;* (The proposed extension to the Hawea UGB will enable development adjacent to an existing urban area, whilst the proposed mix of residential, commercial, community and business activities will create efficiency benefits.)

*f. avoiding sporadic urban development in rural areas;*

*g. minimising the loss of the productive potential and soil resource of rural land.* (The proposed extension to the Hawea UGB will enable the use of relatively unproductive rural land for urban development.)

*4.2.2.23 Rural land outside of the Urban Growth Boundaries is not used for urban development until further investigations indicate that more land is needed to meet demand for urban development in the Upper Clutha Basin and a change to the Plan amends the Urban Growth Boundary and zones additional land for urban development purposes.* (The proposed extension to the Hawea UGB is needed to provide the actual supply of additional land, greater competition and improved affordability that will help the demand for residential development within the Upper Clutha Basin to be met.)

## **Rezoning Universal Developments' Land for Commercial Development**

### Economic Benefits

76 Universal Developments wish to include a commercial service area of 3.5ha (to be zoned Local Shopping Centre Zone) within the extension of the UGB at Hawea. This would generally provide for a range of commercial activities including offices, shopping, cafes and other services for Hawea residents – both those within the existing township and the additional residents facilitated by the extension of the UGB for increased residential development. As with the earlier discussion in my evidence regarding residential development, there are economic efficiency benefits from enabling commercial development reflecting free market determined locational decisions – both for providers of commercial services and consumers. For example, the QLDC Section 32 Evaluation states:

*“Many of the Townships (including Hawea) are located considerable distances from the District’s main urban centres, and provision for commercial activities within each Township assists with supporting the local economy, reducing the need to travel significant distances for employment and to provide access to local conveniences.”*

## Potential Economic Costs

- 77 Undermining Existing Commercial Centres. Universal Developments proposed Local Shopping Centre Zone will be governed by the Plan's policies and rules for limiting the extent and depth of commercial services developed within it. Whilst the development of its commercial centre will both augment and compete with the existing Hawea Local Shopping Centre (LSC) zone, the existing LSC has only been developed to a very limited extent – all that currently exists is a single site with a combined grocery store/café/takeaway on the ground floor with a separate restaurant upstairs. The significant growth in developed sections that has occurred in recent years and is forecast to occur in the future suggests significant demand for additional commercial services development at Hawea.<sup>28</sup>
- 78 The Wanaka Town Centre and the Three Parks commercial area are more significant commercial centres. However it is not expected that commercial development on Universal Developments' land at Hawea will threaten the viability, vitality and vibrancy of these larger centres given:
- (a) The much greater significance of these two centres relative to what is proposed at Hawea;
  - (b) The distance between Wanaka and Hawea (17 kilometres) and the greater range of services available in the larger centres being significant disincentives to non-Hawea residents being attracted to commercial activities located in Hawea; and
  - (c) Many Hawea residents who, when travelling to Wanaka for work and non-work purposes, will combine shopping and other commercial activities with these trips.
- 79 Therefore I do not consider the proposed commercial development at Hawea poses a meaningful threat beyond trade competition effects to the viability, vibrancy and amenity values of Hawea's existing LSC or the Wanaka Town Centre and Three Parks commercial areas.
- 80 Market Economics in its Economic Commentary on the proposed Hawea SHA Township Service Centre memo of 24 January, 2020 reached similar conclusions. It was asked to address<sup>29</sup>:
- “Is it likely or possible that the proposed commercial area will detract from the viability of the Hawea Local Shopping centre area (zoned area incorporating existing business and what could occur on vacant land)?”*

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<sup>28</sup> See Market Economics, Economic Commentary on Hawea SHA Township Service Centre memo of 24 January, 2020 (pages 5-6).

<sup>29</sup> See page 2.

And

*“Is it likely or possible that the proposed commercial area will detract from the viability of Wanaka Town Centre or Three Parks?”*

- 81 The Market Economics memo highlights the lack of growth in the provision of local commercial services at Hawea and the demand for more commercial services to be provided. The memo states<sup>30</sup>:

*“In my view, the residents and visitors of Hawea have been disadvantaged by the lack of local convenience/retail and household service supply in Hawea LSC. It has forced a greater dependence on Wanaka/Albert Town than might have been expected. As the Hawea area transitions from a holiday home settlement to a sizable resident community, a growing number of households will suffer the effects of a very limited supply of local convenience and service outlets. That is, there is increasing inefficiency in the way that Hawea and the surrounding rural households are being served.*

- 82 The memo concludes that Universal Developments' proposed commercial development within its SHA will have minimal adverse effects on the amenity provided by Hawea's LSC as currently developed and that Hawea could sustain both Universal Developments' proposed centre and the current LSC in the long-term.<sup>31</sup>As confirmed in Mr Williams' evidence the location and extent of the LSC Zone proposed is the same as provided in the SHA application.

- 83 With respect to impacts on the Wanaka Town Centre and Three Parks commercial area, Market Economics concludes that the additional commercial development at Hawea is likely to have a less than minor impact on the functional and social amenity provided by the Wanaka centres and that it will enhance the wellbeing of the Hawea and wider rural catchment community.<sup>32</sup>

- 84 The findings of the Market Economics memo's findings are consistent with an earlier (2015) Insight Economics report<sup>33</sup> which assessed the demand for additional commercial zoned land in Hawea. The Insight Economics report concluded that the risks of retail oversupply in Hawea were negligible and that any trade impact on Wanaka would be minor and short-lived, and would amount to nothing more than trade competition. The report recommended that the Council adopt a fairly liberal view to the rezoning of land for commercial

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<sup>31</sup> See pages 13-14.

<sup>32</sup> See page 14.

<sup>33</sup> Demand for Additional Commercial Zoned Land in Hawea; prepared for QLDC by Insight Economics; 18 February, 2015.



development in Hawea and a more liberal supply may enable greater self-sufficiency over the longer term.<sup>34</sup>

Consistency with QLDC's PDP Strategic Directions and Policies

85 The relief sought by Universal Developments is consistent with sections of QLDC's PDP relating to future commercial development, particularly the following policies:

3.2.1.5 *Local service and employment functions served by commercial centres and industrial areas outside of the Queenstown and Wanaka town centres<sup>2</sup>, Frankton and Three Parks, are sustained.*(The inclusion of a Local Shopping Centre Zone for a range of commercial activities within the extension of the UGB at Hawea together with the proposed increase in residential development will provide a more self-sufficient and sustainable commercial base for Hawea.)

3.3.3 *Avoid commercial zoning that could undermine the role of the Queenstown and Wanaka town centres as the primary focus for the District's economic activity.*(The inclusion of a Local Shopping Centre Zone within the extension of the UGB at Hawea will not undermine the role of the Queenstown and Wanaka town centres – see earlier in my evidence at paragraphs 78 to 84.)

3.3.9 *Support the role township commercial precincts and local shopping centres fulfil in serving local needs by enabling commercial development that is appropriately sized for that purpose.*(The proposed Local Shopping Centre Zone within the extension of the UGB at Hawea will be appropriately sized to meet the convenience shopping and other commercial services needs of the residents and businesses of Hawea and its surrounding hinterland. Hawea is too isolated for the proposed centre to attract trade away from other centres. Also Hawea residents will continue to use the District's main centres in conjunction with work commuting and other trips.)

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<sup>34</sup> See page 13 of Insight Economics Report.

## Rezoning Universal Developments' Land for Industrial Development

### Economic Benefits

86 Universal Developments propose to include a General Industrial Zone of 9.2 ha within their proposed development on its land at Hawea. This would generally provide for industrial and service activities. The latest updated Business Development Capacity Assessment (BCDA) carried out for QLDC indicates long-term industrial type land use/building typologies for the Wanaka Ward of 12.3 ha by 2048 inclusive of a margin and estimated vacant industrial land capacity at between 27-37 ha.<sup>35</sup> Despite this apparent sufficiency in industrial land development capacity, as noted in Ms Hampton's evidence (paragraphs 16.19-16.20) there are a number of factors that may see this capacity reduce significantly. Even without such reductions in capacity, I am supportive of Universal Developments proposed 9.2 ha General Industrial Zone land at Hawea because:

- (a) As my evidence has discussed in relation to residential land development, there are economic efficiency benefits from enabling industrial development reflecting free market determined locational decisions – both for providers of industrial activities and their consumers;
- (b) Industrial land capacity does not equate to industrial land supply because of frictions within the industrial land supply market; As I have discussed earlier in my evidence in relation to residential development, the NPS-UDC seeks more than simply ensuring aggregate industrial development capacity exceeds aggregate industrial demand by a particular margin.
- (c) The proposed General Industrial Zone at Hawea will introduce additional competition in the provision of industrial land for development within the District and the Wanaka Ward;
- (d) Frequently there are pressures to enable non-industrial land uses on land zoned for industrial purposes, reducing the available supply of industrial land and/or increasing the price of industrial land making development for industrial activities on that land non-viable. For example, I note Ms Hampson's evidence (Table 3, section 7) shows that for the Queenstown District as a whole, 49% of existing activities within the General Industrial Zones fall within the Prohibited or Non-Complying rules. Also her evidence at paragraphs 16.17 to 16.24 notes a number of submitters seeking rezoning of industrial land to enable non-industrial uses;

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<sup>35</sup> See the evidence of Ms Hampson for QLDC, NPS-UDC Capacity and Economic Matters relating to the General Industrial and Three Parks Zones; 18 March, 2020.

- (e) Sometimes adjacent or nearby non-industrial land uses via reverse sensitivity effects “sterilize” land zoned for industrial purposes removing it from the available stock of land for industrial purposes;
- (f) As with the zoning of land for residential development, the NPS-UDC’s general approach with respect to the zoning of land for industrial development is enabling, encouraging decision-makers to remove market impediments and constraints. In particular, Objective OA2 requires decision-makers when making planning decisions to provide: *“Urban environments that have sufficient opportunities for the development of housing and business land to meet demand, and which provide choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses;”* (emphasis added) and Objective OA3 seeks *“Urban environments that, over time, develop and change in response to the changing needs of people and communities and future generations.* Also Policy PA3 requires decision-makers to (i) provide for a range of working environments and places to locate business; and (ii) to limit adverse impacts on the competitive operation of land and development markets; and
- (g) The proposed Hawea General Industrial Zone will provide greenfield sites some distance from the main centres of Queenstown and Wanaka and therefore likely have lower land and development costs than those in alternative General Industrial Zones within the District. The Zone will also introduce a new competitor to the market.

87 In addition there are two economic benefits specific to the Hawea community from the proposed General Industrial Zone proposed by Universal Developments. Firstly, it would provide a greater range of local employment opportunities, reducing the need for residents to commute to Wanaka, Queenstown or further afield for work. This would reduce transport costs for them as well as reduce road transport externality costs – i.e. reduce vehicle emissions, road accidents and congestion. Secondly, it would help provide greater critical mass for Hawea, enabling the provision of a greater range of commercial services locally.

#### Potential Economic Costs

88 Servicing Costs. As with the proposed residential development, the capital and O&M costs of public utilities required by the industrial zone will be met by the developer, Universal Developments, and then subsequently by the owners and occupiers of industrial activities within the zone – see the evidence of Mr Waite. There will be no need for the District’s other ratepayers to cross-subsidise servicing costs for the industrial zone.

89 Incompatible Land Uses. The evidence of Mr Tim Williams explains the measures proposed to prevent activities within the proposed industrial zone negatively impacting on residents and other businesses within Hawea.<sup>36</sup>

### **Conclusions**

90 The relief sought by Universal Developments is consistent with enabling people and communities to provide for their economic (and social) wellbeing because it will address housing affordability issues within the District and provide Hawea with greater critical mass, local employment opportunities, reduced transport costs and greater convenience.

91 The relief sought by Universal Developments is consistent with the efficient use and development of resources because it will address market frictions such as limited competition, land banking, land owner inertia and fragmented land ownership in residential and industrial land markets within the District.

92 The relief sought by Universal Developments will not give rise to economic costs in the form of forgone alternative land use, public infrastructure or transport externality costs.

### **Mike Copeland**

Dated this 29<sup>th</sup> day of May 2020

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<sup>36</sup> See paragraph 129 d.

## Appendix 1

### CURRICULUM VITAE OF MICHAEL CAMPBELL COPELAND

**DATE OF BIRTH** 3 October 1950

**NATIONALITY** New Zealand

**EDUCATIONAL** Bachelor of Science (Mathematics) 1971

**QUALIFICATIONS** Master of Commerce (Economics) 1972

#### **PRESENT POSITIONS**

(Since 1982) Economic Consultant, Brown, Copeland & Co Ltd

(Since 2017) Trustee, Trade Aid, Kapiti

#### **PREVIOUS EXPERIENCE**

1978-82 NZ Institute of Economic Research  
Contracts Manager/Senior Economist

1975-78 Confederation of British Industry  
Industrial Economist

1972-75 NZ Institute of Economic Research  
Research Economist

1990-94 Member, Commerce Commission

2001-06 West Coast Regional Council Trustee, West Coast  
Development Trust

2002-08 Lay Member of the High Court under the Commerce Act 1986

2003-11 Director, Wellington Rugby Union

2010-13 Director, Southern Pastures

2010-17 Director, Healthcare New Zealand Holdings Limited

#### **GEOGRAPHICAL EXPERIENCE**

- New Zealand
- Australia
- Asia (Cambodia, India, Indonesia, Kazakhstan, Malaysia, Nepal, Pakistan, People's Republic of China, Philippines, Tajikistan, Sri Lanka, Uzbekistan, Viet Nam)
- South Pacific (Cook Islands, Fiji, Kiribati, Tokelau, Tonga, Tuvalu, Vanuatu, Western Samoa)
- United Kingdom

## **AREAS OF PRIMARY EXPERTISE**

- Agriculture and Resource Use Economics (including Resource Management Act)
- Commercial Law and Economics (including Commerce Act)
- Development Programme Management
- Energy Economics
- Industry Economics
- Transport Economics

## **RESOURCE MANAGEMENT ACT SPECIFIC PROJECTS**

- Port storage facilities at Westport;
- The proposed Clifford Bay ferry terminal;
- The proposed pipeline and related facilities to utilise water from the Waikato River for metropolitan Auckland;
- A container terminal expansion by the Ports of Auckland;
- The proposed Variation No. 8 to the Wellington City District Plan covering height and other controls on development of the airspace above the Wellington railway yards;
- Proposed expansion of Paraparaumu town centre within the Kapiti Coast District;
- Wellington City Council's heritage preservation policy;
- Solid Energy's proposed West Coast Coal Terminal at Granity;
- Solid Energy's Mt William North coal mine at Stockton in the Buller District;
- The proposed Waimakariri Employment Park;
- The designation of land for a proposed motorway extension in the Hawke's Bay;
- The Hastings District Council's Ocean Outfall – two consent renewal applications;
- A proposed new shopping and entertainment centre in Upper Hutt;
- Rezoning of land in Upper Hutt from Business Industrial to Residential;
- New regional correctional facilities in Northland, South Auckland, Waikato and Otago;
- Proposed controls on wake generation by vessels travelling within the waterways of the Marlborough Sounds;
- The expansion of marina facilities within the Marlborough Sounds;
- Southern Capital's proposed new township at Pegasus Bay, north of Christchurch;
- Renewal of water resource consents for the Tongariro Power Development Scheme;
- Economic analysis inputs to a Section 32 report for the Waitaki Water Allocation Board;
- The imposition of land use restrictions within noise contours surrounding Christchurch International Airport;
- The expansion of the Whangaripo Quarry in Rodney District;
- The economic significance of Winstone's proposed quarry at Wainui, in the north of Auckland City;
- A proposed five star hotel development for Wanaka;
- Holcim's proposed new cement plant near Weston in the Waitaki District;
- TrustPower's proposed new wind farm at Mahinerangi in Central Otago;
- TrustPower's proposed new Arnold hydroelectric power scheme on the West Coast;

- McCallum Bros and Sea Tow Limited's appeal before the Environment Court regarding extraction of sand from the Mangawhai-Pakiri embayment north of Auckland;
- The development of the Symonds Hill pit at Winstones' Hunua Quarry;
- The rezoning of land for residential development at Peninsula Bay, Wanaka;
- The rezoning of land for more intensive residential development at PekaPeka on the Kapiti Coast;
- A gondola development for the Treble Cone skifield;
- A gondola development for the Snow Farm and Snow Park skiing and snowboarding facilities;
- The extraction of gravel from the bed of the Shotover River;
- The proposed Hilton hotel development on Wellington's Queen's Wharf;
- Land use restrictions in relation to the Runway Extension Protection Areas for Christchurch International Airport;
- A new residential and commercial development by Apple Fields at Belfast on the outskirts of Christchurch;
- A proposed business park development on land at Paraparaumu Airport;
- The proposed redevelopment of Wellington's Overseas Passenger Terminal;
- The proposed Central Plains irrigation scheme in Canterbury;
- The staging of residential and business development at Silverdale North in the Rodney District;
- The redevelopment of the Johnsonville Shopping Centre;
- A Plan Change enabling the relocation of existing development rights for a residential and commercial development on Mount Cardrona Station in the Queenstown Lakes District;
- A new Pak'n Save supermarket at Rangiora;
- New supermarkets at Kaiapoi, Whitby, Silverstream and Havelock North;
- The extension of the TeRereHau wind farm in the Tararua District;
- MainPower's proposed new wind farm at Mount Cass;
- Fonterra's proposed new milk processing plant at Darfield and its subsequent expansion;
- Fonterra Pahiatua milk powder plant expansion;
- Fonterra's Studholme milk processing plant expansion;
- Renewal of resource consents at Fonterra's Edgecumbe, Edendale, Te Rapa and Te Awamutu milk processing plants;
- Fonterra's proposed new coal mine in the Waikato District;
- Assessment of the economic significance of ANZCO's Canterbury operations to the Canterbury regional economy;
- Resource consent extensions for Oceana Gold (New Zealand) Limited's gold mining operations at Macraes Flat in north-east Otago, the Globe Mine at Reefton and a proposed underground gold mine at Blackwater on the West Coast;
- Designation of land for NZTA's Waterview motorway project in Auckland;
- Designation of land and resource consents for NZTA's Transmission Gully motorway project in Wellington;
- Designation of land and resource consents for NZTA's MacKays to PekaPeka Expressway;
- Designation of land and resource consents for NZTA's PekaPeka to Otaki Expressway;
- Resource consents for NZTA's Basin Reserve Bridge Project;
- Resource consents for NZTA's Puhoi to Warkworth motorway extension;

- Assessment of the economic effects of a Queenstown Airport Corporation's proposed Notice of Requirement for the designation of additional land for aerodrome purposes;
- Assessment of the retail effects of proposed Plan Change 19 to the Queenstown Lakes District's District Plan;
- Assessment of the regional and national economic significance of Lyttelton Port;
- The economic benefits of utilising a Recovery Plan under the Canterbury Earthquake Recovery Act for the rehabilitation and enhancement of facilities at Lyttelton Port;
- The economic effects of the Lyttelton Port Company's Capital Dredging Project;
- Meridian's proposed new Mokihinui hydro scheme;
- Assessment of the economic effects of alternative wreck recovery options for the MV Rena and preparation of evidence for Environment Court hearing;
- Assessment of the economic benefits and costs of Transpower's corridor management approach to giving effect to the National Policy Statement on Electricity Transmission in District and City Plans;
- Assessment of economic effects of a proposed extension to Arrowtown's urban boundary;
- Assessment of the economic benefits of overhead deployment of ultrafast broadband infrastructure;
- Assessment of the economic benefits of the proposed Ruataniwha Water Storage Scheme;
- Preparation of evidence for Transpower in relation to the proposed Ruakura development on the outskirts of Hamilton City;
- Preparation of two reports reviewing the economic benefits of the Hobbiton movie set at Matamata;
- Assessment of the economic benefits of renewal of a water discharge consent for Silver Fern Farm's Belfast meat processing plant;
- Assessment of the economic effects of renewal of consents for the Alliance Group's Lorneville meat processing plant;
- Preparation of evidence for Winstone Aggregates in relation to the proposed extension of the Otaki quarry;
- An assessment of the economic benefits of NZTA's Waitarere Beach Road Curves Project, north of Levin;
- An assessment of the economic effects of enabling deeper quarrying in the Greater Christchurch sub-region;
- Preparation of evidence for Transpower in relation to the Proposed Auckland Unitary Plan;
- Preparation of evidence for Transpower, Ngāi Tahu Property Limited, the Lyttelton Port Company, Canterbury International Airport Limited, Tailorspace Limited, Church Property Trustees, the Roman Catholic Bishop of the Diocese of Christchurch, Pacific Park Limited, Fulton Hogan and the Christchurch Aggregates Producers Group in relation to the Proposed Christchurch Replacement District Plan;
- Preparation of evidence for Darby Planning LP, Soho Ski Area Limited, Treble Cone Investments, Lake Hayes Ltd, Lake Hayes Cellar Ltd and Mount Christina Limited in relation to economic issues concerning the Rural and Rural Recreation and Rural Lifestyle Chapters of the Proposed Queenstown Lakes District Plan;



- Preparation of evidence for Coastlands Shoppingtown Limited in relation to the proposed Kapiti Coast District Plan;
- Preparation of evidence for Tinline Properties Limited in relation to a proposed plan change to enable the establishment of an out of centre supermarket;
- The assessment of the economic effects of a proposed Plan Change for safeguarding the future efficient operations of the Rangiora Airfield;
- The assessment of the economic effects of proposed changes to Queenstown Lakes District Plan covering the Jack's Point resort area;
- The assessment of the economic benefits of the development of a marquee golf course in Christchurch;
- Economic assessment of Waitemata Harbour Crossing Project alternatives.
- Assessment of economic effects of proposed State Highway 3 Mount Messenger upgrade project.
- Assessment of economic effects of the proposed options for disposal of overburden from GBC Winstone's Otaika Quarry in Northland.
- Assessment of economic effects of Stevenson's proposed Te Kuha coal mine near Westport.
- Assessment of the economic effects of Road Metals proposed extension of its Yaldhurst Quarry in Christchurch.
- Assessment of the economic benefits from the continued operation of the Barracks Road quarry in Marlborough.
- Assessment of the economic effects of the Bay of Plenty Regional Council's proposed Plan Change 10 restricting the nutrient runoff into Lake Rotorua.
- Assessment of the economic effects of Fulton Hogan's proposed new Roydon Quarry at Templeton, Selwyn District.
- Assessment of the economic effects of the proposed Twin Rivers residential development adjacent to the Highlands Motorsports Park in Cromwell;
- Assessment of the economic effects of the Te Awa Lakes residential development adjacent to Fonterra's Te Rapa milk processing plant.