

Before an Independent Hearings Panel appointed by the Waimakariri District Council under: the Resource Management Act 1991 in the matter of: Hearing Stream Seven

Statement of Evidence of Ken Fletcher (Economist)

Introduction:

1. My full name is Kenneth (Ken) Donald Fyfe Fletcher. I am an economist, an independent resource management commissioner and a submitter on both the PDP (#99) and Variation 1(#74).

Qualifications and Experience

2. I have a BA and BCom from Auckland University, with additional economics papers from Canterbury University. I worked for 22 years as a Research Economist for Statistics NZ. As an economist I was appointed as a Deputy Commissioner of the Environment Court in 2007. I have been an accredited independent RMA commissioner since 2013.

Disclosures and Disclaimers

3. I live in Oxford and in 2022 my wife and I bought a 1.15ha block of land in Oxford, zoned Res 4A in the ODP and LLR in the PDP. We have since applied for and been granted a non-complying resource consent to subdivide it into 4 lots of 2800m², and we are in the process of implementing this consent. We are not seeking to have our site rezoned, to the best of my knowledge there are no submissions affecting our site, and there is no scope for it to be rezoned through these proceedings. We have included covenants on our subdivision, including restricting activities to only those permitted by the District Plan. Thus no further subdivision is permitted unless and until a plan change enables it.
4. I have prepared this evidence on my own behalf, in my own time, unpaid by any party, and solely to assist the Panel to get the best outcome for the district. As such I have been limited to publicly available data and my own knowledge and resources.
5. I prepared a statement of expert evidence for Hearing 8, which was similar but had a smaller scope. This statement builds on the Hearing 8 statement and covers the effects of both the PDP zone structure and the impact of Variation 1 on the zone structure.
6. This statement is relevant to both Hearing 7A and 7B.
7. With the above qualifications, I confirm that I am familiar with the Environment Court Code of Conduct and that I have complied with it in preparing this evidence. All my evidence is within my expertise and I have considered all relevant material known to me.

Summary of Evidence

8. In summary, my evidence is that both the current and proposed residential zone structure, and the way they interact with the realities of the residential land market distorts the market for residential land and results in a skewed supply of residential sections. This results in a significant segment of the residential land market being under supplied (perhaps even unsupplied). This in turn unnecessarily concentrates demand into certain market segments, placing undue upward pressure on prices in those segments of the market. As one of those market segments is the more affordable end of the market, this acts against the objectives to provide affordable housing. These problems are exacerbated by Variation 1.

Scope and Terms

9. This evidence is restricted to residential land and the proposed zone structure for residential land – General Residential (GRZ), Medium Density Residential (MRZ), Settlement (SETZ) and Large Lot Residential (LLRZ) within urban areas. Oxford is the only urban area containing significant areas of LLRZ. As such it does not relate to LLRZ areas set within the rural zones, which I consider to be more lifestyle developments rather than residential. It does not relate to Rural Lifestyle zones.
10. Throughout this statement I am using the term **demand** in the economic sense – what those seeking residential land would like, as tempered by their financial ability to pay the market price. Many prospective purchasers may desire a larger section, but it remains just a desire unless it is backed by the appropriate level of financial wherewithal. Only with the financial resources to support the desire does it become demand in the economic sense.
11. The term Rangiora/Kaiapoi/Woodend includes Pegasus and Ravenswood within Woodend.

Supply of Residential Land

12. The zone structure of the ODP and the way it interacts with the market and the economics of land development are concentrating the supply of new residential sections into discrete lumps. The table below sets out the ODP residential zones and the requirements that apply in each zone, omitting location specific requirements.
13. Although there is scope for larger size sections in Res 2, Res 3 and Res 6, the economics of subdivision and land development, and market forces will drive effective lot size down towards the minimum available to the zone. This is the result of the developers acting rationally, and seeking to maximise their returns. The more lots a developer can spread the infrastructure and other costs over, the greater the return.

14. This can be seen most clearly at Ravenswood, where all but a small piece of the residential land is zoned Res 6. (See the attached Ravenswood Masterplan from 2020). To the best of my knowledge there are no density requirements applying to the Res 6 zone, and the zone is to “...enable a variety of housing environments of differing densities, from single storey detached dwellings on spacious sections...”¹. Despite this the 1250-lot subdivision is comprised almost entirely of lots in a tight range of 400-600m², with only a few in the range of 600-800m² along the stream².
15. More recently developed, the Townsend Fields subdivision is now selling lots 119- 169 (stage 4) of what will be a 400-lot subdivision on the western edge of Rangiora. It is zoned Res 2, and is providing sections in the 700-900m² range.³
16. In Oxford, a township still largely made up of traditional one quarter- and half-acre sections despite significant infill subdivision over the last decade or so, the most recent subdivision, the Three Peaks Estate on the south-east corner of the town, provided sections in the 700-900m² range.

| ODP Provisions and Resultant New Section Sizes | | | | |
|---|---|---|--|--|
| Zone | ODP Minimum area (M²) | ODP Maximum area (m²) | Other relevant ODP requirements | Size sections will converge towards (m²) |
| Res 1 | 300 | | | 300 |
| Res 2 | 600 | | | 600 |
| Res 3 | 600 | | | 600 |
| Res 4A | 2500 | 10,000 | Average of 0.5 ha | 5,000 |
| Res 4B | 5000 | 20,000 | Average of 1 ha | 10,000 |
| Res 6 | 400 | | | 400 |
| Res 6A | | 412.5 | | Less than 412 |
| Res 7 | Area A 150 Area B 300 Area C 500 | | Average of 200 Average of 365 Average of 540 | 200 365 540 |

¹ ODP Explanation to Obj 17.1.1 and policies 17.1.1.1 and 17.1.1.12

² Lots 490-528.

³ <chrome-extension://efaidnbnmnibpcjpcglclefindmkaj/https://townsendfields.co.nz/wp-content/uploads/Section-sizes-and-prices-4.pdf>

17. The right-hand column in the table above shows the section size that developments will tend to produce under the operative residential zonings. It is apparent from this that sections in the range 1000-2500m² will not be provided unless local topography requires it, and that sections in the range 2500-3500m² are likely to be rare.

Demand for Residential Land

18. The demand for residential land is a multi-dimensional continuum. It has many dimensions, including location, lot shape and size, services, neighbourhood, zoning characteristics and many others. Of relevance to the zone structure of the proposed plan is lot size.

19. Most demand for residential land is focused towards smaller section sizes, for obvious reasons of affordability and the financial capacity of purchasers. In generations gone by this would have been for the classic 1/4-acre range (approx. 1000m²), as this was what the zoning provisions created. This was generally affordable and what was considered appropriate for an urban section. These days a standard urban section (in Waimakariri) would be in the range of 400-800m². This can be seen in the uptake of lots in Ravenswood which are generally in the 400-500m² range. Or at the Three Peaks Estate subdivision on the south eastern edge of Oxford, where the lot size is tightly converged around 800m².

20. However, there has always been significant levels of demand for larger urban sections. This has largely been supplied to date by the legacy of larger sections of 1/4-acre 1/2-acre sections, and larger dimensions, from historic subdivisions. More recently this demand has been evidenced by the uptake of larger lots in the Res4A and Res4B zones. This can be seen in the uptake of the Res4A and Res4B sections around Mandeville and Ohoka.

21. While the constraints of the zonings are forcing this demand into apparently discrete lumps (400-900m² of Res 2 and Res 6/6A, and 5000/10000m² average of Res 4A and 4B), the demand is in fact spread along a continuum. There will be demand for sections ranging greater than 1000 m² but less than 5000m², but it cannot be seen because the market is not supplying sections in these sizes. The best indication of the demand for sections in this price range would be in the demand for existing dwellings on sections within this range, adjusted for the quality of the building. Assessing the demand for larger residential lots would require data that is not available to me (and probably not available at all), and exceeds the time resource I have available for this submission.

22. The essential point is that the current and proposed residential zone structures do not match the supply of residential sections to the demand for sections. The zonings do and

will result in section supply being concentrated towards the minimum sizes enabled (600m² and 5000m² in the ODP and 500m² and 5000m² in the PDP). Demand is spread across the continuum, with a concentration in the more affordable ranges.

Mis-matched supply and demand – is that a bad thing?

23. The mis-match of supply and demand forces those buyers who would prefer something in the range of 1000-4000 m², and have financial ability to support their demand, to either buy in smaller 600-1000 m² range, or if their financial ability supports it, in the larger 5000 m² range. The effect of this is to inflate the apparent demand in these segments of the market. This has two negative effects.
- I. It puts upward pressure on prices in both segments. This has negative impact on affordability, particularly in the smaller end of the market. All those buyers who could afford to buy in the 1000-4000m² range will be able to buy in the smaller range, but significantly less will be able to buy in the more expensive larger section range. This will tend to push up prices for the smaller range sections, with consequential effects on affordability.
 - II. It increases the pressure to rezone rural land to Res 4 A/B (Large Lot Residential (LLR) in the PDP). Those who don't want a small residential section, and have the financial capacity will be forced into the Large Lot/Rural residential markets, pushing up demand for further subdivision of the rural area and potentially pushing up prices in this market, making further conversions more attractive to developers.

The market will not supply larger residential sections in response to demand.

24. Larger residential sections are enabled within the operative Res2 and proposed GRZ zones, and the argument is made in the Stream 8 s42A report that the market will supply larger sections if the demand is there for them⁴. The market will not supply larger residential sections if there still unmet demand smaller sections which produce greater return for the developer.
25. More, smaller sections out of the same land area and on the same or proportionate infrastructure costs, will provide a greater return to the developer. Regardless of there being unmet demand for larger residential sections, the market will not supply these until the demand for smaller sections is satisfied. Given the nationwide and local shortage of housing, this has not been the situation for at least two decades, and will not occur for the foreseeable future.

⁴ S42A Report: Subdivision – Urban at 343

26. The currently advertised Townsend Fields Stage 4 subdivision is being marketed as a premium product “Sized and priced to suit ... designed to provide you with complete flexibility”⁵, yet is only providing lots within the 600-900m² range⁶, although at prices that are comparable to currently available rural residential offerings⁷. There is nothing provided in the 1000-2500m² range. Nelson King⁸, a property developer in and around Oxford, has a subdivision nearly completed at 100 Bay Rd. Out of the 5446m² section he is developing seven lots of around 770m² each. When approached in the early planning stages in 2021 about providing a larger lot of 1400m², he was not interested, suggesting only that two adjoining lots could be purchased.

Proposed District Plan

27. The PDP has as one of the **General Objectives Of The Residential Zones**

RESZ-O5 Housing choice

Residential Zones provide for the needs of the community through

1. a range of residential types: and
2. a variety of residential unit densities.

This is supported by policy

RESZ-P8 Housing choice

Enable a range of residential unit types, sizes and densities where:

1. good urban design outcomes are achieved; and
2. development integrates with surrounding residential areas and infrastructure.

28. The Introduction to the **Medium Density Residential Zones** makes it clear that units will be smaller, either through smaller lot sizes or multi-unit development. The objectives and policies make it clear that densities will be higher.

MRZ-O1 Provision of medium density housing

A higher density suburban residential zone located close to amenities with a range of housing typologies providing for predominantly residential use.

MRZ-P1 Residential character

Provide for activities and structures that support and maintain the character and amenity values anticipated for the zone, which provides for:

1. higher density living in areas with better access for walking to parks, main centres or local commercial centres;

29. The objectives and policies of the **General Residential Zone** include

GRZ-O1 General Residential Zone

⁵ <https://townsendfields.co.nz/>

⁶ <chrome-extension://efaidnbnmnnibpcajpcglclefindmkaj/https://townsendfields.co.nz/wp-content/uploads/Section-sizes-and-prices-4.pdf>

⁷ <https://www.bayleys.co.nz/listings/lifestyle/canterbury/waimakariri/lots-2-and-10--barracks-road-oxford-5521351>

⁸ Recently deceased

A general suburban residential zone with a range of larger site sizes providing for predominantly residential use.

and

GRZ-P1 Residential character and amenity values

Provide for activities and structures that support and maintain the character and amenity values anticipated for the zone which:

1. provides for suburban character on larger sites primarily with detached residential units;
2. ...
3. provides opportunities for multi-unit residential development on larger sites;
4. has sites generally dominated by landscaped areas, with open spacious streetscapes;

30. The Introduction to the **Large Lot Residential Zone** begins

The purpose of the Large Lot Residential Zone is to provide residential living opportunities for predominantly detached residential units on lots larger than other Residential Zones.

The Objectives and Policies include

LLRZ-O1 Purpose, character and amenity values of Large Lot Residential Zone

A high quality, low density residential zone with a character distinct to other Residential Zones such that the predominant character:

1. is of low density detached residential units set on generous sites;
2. has a predominance of open space over built form;
3. ...

LLRZ-P1 Maintaining the qualities and character

Maintain the qualities and character of the Large Lot Residential Zone by:

1. achieving a low density residential environment with a built form dominated by detached residential units, which other than minor residential units, are established on their own separate sites;
2. ...

31. Although the adjectives used to describe the lot sizes/density are very subjective, vague and potentially overlapping (higher, lower, smaller, larger, larger than larger), it is clear the range of lot sizes required by the overall objective (RESZ-O5) and policy (RESZ-P8) are to be achieved by the progression through the zones from Medium Density (smaller units, higher density), through General Residential (larger sites, open spacious streetscapes), to Large Lot Residential (larger lots, low density).

32. Table Sub-1 proscribes minimum lot sizes and other size requirements that give some values to the adjectives in the Objectives and Policies. While in theory these enable a full range of lot sizes, the clash of the PDP provisions against market reality mean that

the lot sizes that are actually brought to market will be in discrete lumps, as shown in the table below

| PDP Provisions and Resultant New Section Sizes | | | | |
|---|---|--|--|--|
| Zone | PDP Minimum area (M²) | Other relevant ODP requirements | Size sections will converge towards (m²) | Realistic range of section sizes produced M² |
| Medium Density | 200 | Density minimum of 15/Ha (SUB-R3) | 200 | 200-500 |
| General Residential | 500 | | 500 | 500-750 |
| Settlement | 600 | | 600 | 600-800 |
| Large Lot Residential | 2500 | Average of 0.5 ha | 5000 | 3500-10000 |

33. From the above it can be seen that there will be a huge discontinuity in the range of section sizes produced under the PDP. There will be no sections produced in the 1000-3500m² range unless local conditions impose a physical constraint that results in a lot in the lower reaches of the Large Lot Residential Zone.
34. The extent to which the Urban Form and Development Objective UFD-O1, on residential development capacity, in conjunction with SUB-S3 on residential yield, will interact with the zoning structure is as much a planning/urban form question as an economic one. Presumably the yield from each subdivision and the extent to which the quantum are being delivered will have an impact on consenting decisions, leading to smaller lot sizes and higher density on larger lots achieving consent more readily than larger lots with lower density.
35. From an economic perspective, if there is a driver to deliver set quantum of new sections within preset timeframes from a given land resource, then market pressure will tend to deliver sections in the smaller sizes where enabled. The SUB-R3 requirement for ODP-subject developments to produce minimum densities of 15 households per hectare will require these larger developments to produce sections with average size of well below 500m².

36. Under the zoning structure as proposed PDP Objective RESZ-O5 will not be achieved and the range of residential lots sizes required by Policy RESZ-P8 will not be enabled.

Variation 1

37. Variation 1 does not relevantly alter the PDP Objectives and Policies quoted above other than for the Medium Density Residential Zone (MDRZ). However, the Introduction to the General Residential Zone, under Variation 1, makes it clear that this zone, which applied to most of the urban area of the district under the PDP, now applies only to Oxford under Variation 1 – the Medium Density Residential Zone now applies throughout the residential areas of Rangiora/Kaiapoi/Woodend.

38. Objective MRZ-O1 for the Medium Density Residential Zone above is replaced, and two new policies are added, that emphasise that housing types and sizes need to respond to housing need and demand by enabling higher density. Table Sub-1 is altered to remove the minimum lot size constraint from the MDRZ.

39. The impact of the changes Variation 1 introduces is to even further distort the range of section sizes that will be available in the Waimakariri market, as can be seen from the table below.

| Variation 1 Provisions and Resultant New Section Sizes | | | | |
|---|---|--|--|--|
| Zone | Var 1 Minimum area (M²) | Other relevant ODP requirements | Size sections will converge towards (m²) | Realistic range of section sizes produced M² |
| Medium Density | Density minimum of 15/Ha (SUB-R3) | Minimums only if natural hazards apply | 200 or less | Up to 500 |
| Oxford Residential | 500 | | 500 | 500-750 |
| Settlement | 600 | | 600 | 600-800 |
| Large Lot Residential | 2500 | Average of 0.5 ha | 5000 | 3500-10000 |

40. Under Variation 1 there will be less sections produced in the 500-1000m² range, as the market will generally only supply them outside the Medium Density Residential Zone (which means only in Oxford) or as a premium product within the MDRZ. Within the MDRZ area sections in the 500+m² range will be very limited by the 15/Ha requirement

of SUB-R3. This will tend to exacerbate the discontinuity in the range of section sizes supplied to the market.

41. The expansion of the MDRZ to all residential areas of Rangiora/Kaiapoi/Woodend under Variation 1 will lead to almost all the new residential lots brought to market in those areas being in the smaller sizes of 500m² or less. This exacerbates the discontinuity in the supply of sections under the PDP zoning schema by removing sections in the 500-1000m² range from all but the Oxford market, which is very limited in size, thus creating a large further gap in the market. This will put achieving Objective RESZ-O5 and Policy RESZ-P8 even further out of reach.

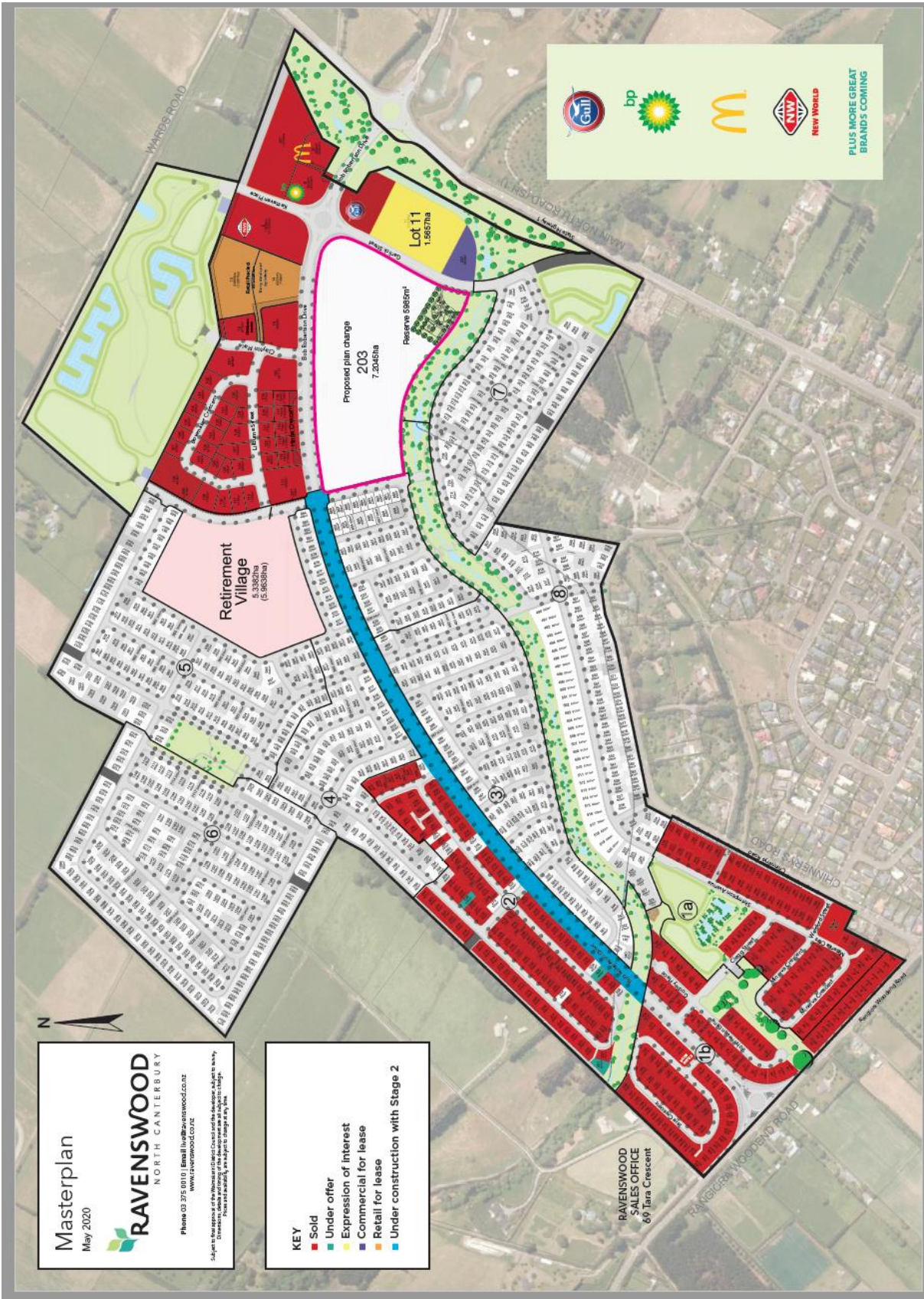
Conclusions

42. Both the operative and proposed residential zoning structure leave a hole in the supply of residential sections in the 1000-2500m² range, and probably up to 5000m². Variation 1 extends that hole such that there will be very few sections in the 500-1000m² range. This distorts the market with potentially adverse effects on the price of what are meant to be more affordable, smaller sections, and on the demand for development of rural land into Large Lot Residential and rural lifestyle developments. Variation 1 makes this distortion very much worse and exacerbates to a significant degree the adverse effects that flow from the market distortion.
43. An obvious solution is to introduce zonings aimed at these size ranges, and expanding the areas where the General Residential Zone applies to areas other than Oxford. Other possibilities include adjusting the minimums and/or the status of non-compliance with the minimums, but these are more a planning matter than an economic one.



Ken Fletcher

28 August 2024








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