PROPERTY ECONOMICS

HAUTAPU AREA 7

BDCA 2023 ECONOMIC

REVIEW MEMORANDUM

Client: Hautapu Landowners Group

Project No: 52255

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17 May 2024

ECONOMIC MEMORANDUM

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RE: HAUTAPU AREA 7 BDCA 2023 ECONOMIC REVIEW

INTRODUCTION

I prepared a statement of evidence dated 13 March 2023 on behalf of Hautapu Landowners Group (**HLG**) for the hearing of Plan Change 17 – Hautapu Industrial Zones (**PC17**) to the Waipā District Plan (**WDP**). I also prepared a statement of rebuttal evidence dated 2 June 2023. Collectively, the HLG are the landowners of "Area 7", referred to in PC17.

These statements were considered (and referred to) by the Panel in their decision on PC17. As an outcome of PC17, Area 7, has been rezoned to Deferred Industrial Zone (**DIZ**) under the WDP with a provision that it "*can be uplifted via a plan change once Area 6 of the Hautapu Industrial Structure Plan Area has reached 80% development or by 31 March 2030, whichever occurs sooner*". A further plan change is necessary to "live zone" Area 7 to an Industrial Zone.

Following PC17 becoming operative an updated Future Proof Business Development Capacity Assessment 2023 (**BDCA 2023**) was released on 3 April 2024.

For the purpose of preparing a private Plan Change to live zone Area 7, I was commissioned by HLG to undertake a high-level economic overview assessing the implications of the BDCA 2023 forecasts on their Proposed Plan Change (**PPC**) to live-zone Area 7 for industrial uses under the WDP.

In addition to assessing the implications of the BDCA, this memo assesses the PPC's appropriateness and efficiency within the context of the Waikato Regional Policy Statement (**RPS**) UFD-M49-Out-of-Sequence or Unanticipated Urban Development (**UFD-M49**), from an economic perspective.

PROPOSED PLAN CHANGE OVERVIEW

The PPC seeks to rezone Area 7 from its current zoning of DIZ to Industrial and incorporate appropriate rules within the Hautapu Structure Plan (which is part of the operative WDP). Specifically, the PPC seeks to facilitate new dry industry activities in Area 7 and replace the requirement that either 80% of Area 6 is developed or the deadline of March 31, 2030, whichever comes first with an appropriate development trigger that reflects the current and anticipated future market / demand for Industrial Zone land within the Waipā District, and avoids potentially anomalous planning outcomes.

As a replacement of this "80%" rule, the following provisions are proposed by the PPC:

- *The first subdivision of Area 6 for industrial purposes must vest in Council the entire length of the proposed road between Hautapu Road and Area 7 shown on the Hautapu Structure Plan as "Road 4".*
- *The subdivision and development of Area 7 for industrial purposes can occur either:*
  - *In conjunction with Area 6 in accordance with a coordinated subdivision consent application process covering both Areas 6 and 7; or*
  - *Once Area 6 of the Hautapu Industrial Structure Plan Area has reached 80% development. (80% development means that 80% of the developable land area is the subject of s.224 certificate(s)) or by 31 March 2026, whichever occurs sooner.*

An illustration of the proposed Hautapu Structure Plan for Area 6 & Area 7 is shown in Appendix 1.

Considering that the suitability of Area 7 within its surrounding environment and the demand for industrial land has been previously demonstrated and accepted through the PC17 process to rezone it to DIZ, the focus of this economic overview is not to evaluate the development potential and viability of Area 7 for industrial use. Instead, it serves as an overview of the economic efficiency of advancing the development of Area 7 for industrial use in light of the latest BDCA and the recent growth trends in the local Cambridge market and the broader Future Proof market.

BDCA 2023 MODELLING OUTCOMES

The BDCA 2023 seeks to forecasts the future industrial land capacity sufficiency within the Future Proof sub-region for the period 2022 to 2052. The summarised results for the sub-region are replicated and presented in Table 1 below.

TABLE 1: BDCA 2023 FUTURE PROOF SUB-REGION INDUSTRIAL LAND SUFFICIENCY

	Industrial Land Demand + Margins (ha)		
	Short Term	Medium Term	Long Term
Hamilton City	61.5	200.3	457.4
Waikato District	26.3	75.7	176.0
Waipā District	8.4	24.7	76.8
Sub-region Total	**96.1**	**300.6**	**710.2**
	Industrial Land Capacity (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	125.6	214.5	342.8
Waikato District	121.3	197.3	1,250.2
Waipā District	177.7	177.7	177.7
Sub-region Total	**424.6**	**589.4**	**1,770.6**
	Industrial Land Sufficiency (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	**+64.1**	**+14.2**	**-114.6**
Waikato District	**+95.0**	**+121.6**	**+1,074.2**
Waipā District	**+169.3**	**+153.0**	**+100.9**
Sub-region Total	**+328.5**	**+288.8**	**+1,060.4**

Source: BDCA 2023 (Page 107, Figure 7-39).

Note: short term refers to the period from 2022 to 2025; medium term spans from 2022 to 2032, and long term encompasses the period from 2022 to 2052.

According to the BDCA 2023, the anticipated industrial employment growth within the sub-region reflects a need for around 96ha of industrial-zoned land in the short term (2022 - 2025). This demand is projected to increase to just over 300ha over the medium term and to around 710ha over the long term, with the appropriate NPS-UD margins are incorporated.

Based on the estimated vacant industrial land capacity in the table above, which ranges from 425ha to around 1,771ha, the BDCA 2023 concludes that the sub-region has sufficient industrial land capacity to meet the anticipated demands over the short, medium, and long term.

For Waipā District specifically, the BDCA 2023 estimates the industrial land capacity would be around 178ha over the short, medium, and long terms. As a result, on the face of the BDCA 2023 modelling results, the Waipā District has sufficient industrial land capacity to accommodate the anticipated industrial sector growth over the next 30 years (i.e., 2022 – 2052). However, the demand / need for additional industrial land was proven and accepted in PC17 for Area 7 through a deferred zoning.

DIFFERENCES FROM THE BDCA 2021

A previous BDCA was realised in June 2021, just two years prior to the release of BDCA 2023. However, significant changes in estimated industrial land demand and capacity figures across all three districts have occurred in the intervening years between 2021 and 2023. Table 2 below summarises these changes.

It is worth noting that the forecast periods covered by the two BDCAs are slightly different (i.e., 2020-2050 in the BDCA 2021 and 2022-2052 in the BDCA 2023). However, a comparison with the earlier BDCA offers valuable insights into the sensitivity of the forecasts and how the latest market demand trends in the sub-region, if any, are incorporated into the BDCA modelling.

TABLE 2: DIFFERENCES BETWEEN BDCA 2021 AND BDCA 2023 FORECASTS

	Changes in Demand (incl. Margins) (ha)		
	Short Term	Medium Term	Long Term
Hamilton City	-1.2	-65.5	-163.2
Waikato District	11.4	9.6	9.4
Waipā District	-1.9	-13.1	-47.7
Sub-region Total	**8.2**	**-69.0**	**-201.4**
	Changes in Capacity (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	-144.7	-122.5	-296.9
Waikato District	-294.0	-507.7	75.8
Waipā District	-53.2	-53.2	-53.2
Sub-region Total	**-491.9**	**-683.5**	**-274.4**
	Changes in Sufficiency (ha)		
	Short Term	**Medium Term**	**Long Term**
Hamilton City	-143.5	-57.0	-133.7
Waikato District	-305.4	-517.3	66.4
Waipā District	-51.3	-40.1	-5.5
Sub-region Total	**-500.1**	**-614.5**	**-73.0**

Source: BDCA 2021 & BDCA 2023. Note: Figures highlighted in red indicate declines in demand, capacity, or sufficiency, while figures highlighted in green denote increases in demand, capacity, or sufficiency.

Table 3 below illustrates the comparison of industrial land sufficiency for the Cambridge – Karapiro market, based on the projections outlined in both BDCA 2021 and BDCA 2023.

TABLE 3: CAMBRIDGE - KARAPIRO INDUSTRIAL LAND SUFFICIENCY FORECASTS COMPARISON

BDCA 2021	Short Term By 2023	Medium Term By 2030	Long Term By 2050
Industrial Land Demand (ha)	5.4	15.9	51.9
Industrial Land Demand + NPS-UD Margin (ha)	6.5	19.1	59.7
Total Vacant Industrial Land (2020) (ha)	56.6		
Industrial Land Sufficiency (ha)	**+50.1**	**+37.5**	**-3.1**

BDCA 2023	Short Term By 2025	Medium Term By 2032	Long Term By 2052
Industrial Land Demand (ha)	2.5	8.6	29.4
Industrial Land Demand + NPS-UD Margin (ha)	3.0	10.3	33.8
Total Vacant Industrial Land (2023) (ha)	64.2		
Industrial Land Sufficiency (ha)	**+61.2**	**+53.9**	**+30.4**

Source: BDCA 2021 & BDCA 2023.

Having identified and considered the changes from the BDCA 2021 and reviewing the modelling approach employed in the BDCA 2023, I have identified several notable issues that undermine the reliability of the BDCA 2023 forecasts. These issues are summarised below.

ISSUES WITH EMPLOYMENT PROJECTIONS

Both BDCAs have adopted the High population growth projections conducted by NIDEA as an input agreed upon by councils for assessing employment growth and forecasting land demand.

As per the BDCA 2023, the employment projections indicate "*an improvement in the growth rate is projected over the next 3 years (to 2025) to an average of **1.7%** per annum. This is followed by a slight decrease between 2025-2032 to **1.4%** annually, before declining again in the long run to around **1.0%** annually between 2032-2052. This long-term decline in growth rates is in line with national trends and is driven by declining population growth*".

Indeed, the BDCA 2023's anticipated employment growth, as depicted in the upper section of Table 4 mirroring NIDEA's population projections, remarkably coincides with the forecasted population trends. This synchronicity stands out as unusual, given that employment expansion typically responds to various economic factors, including labour force participation, migration patterns, technological advancements, industry shifts, and more.

TABLE 4: NIDEA POPULATION AND LABOUR FORCE PROJECTIONS

Population - High	2022	2025	2032	2052
Hamilton City	179,120	193,088	213,910	270,900
Waikato District	87,870	89,760	98,660	124,010
Waipā District	60,050	61,144	66,090	80,540
Sub-region Total	**327,040**	**343,992**	**378,660**	**475,450**
		2022-25	**2025-32**	**2032-52**
Cumulative Growth Rate		+5.2%	+10.1%	+25.6%
Annual Growth Rate		+1.7%	+1.4%	+1.1%

Labour Force - High	2022	2025	2032	2052
Hamilton City	102,398	109,841	127,130	172,820
Waikato District	47,003	49,656	55,340	69,810
Waipā District	32,738	34,294	37,560	46,110
Sub-region Total	**182,139**	**193,791**	**220,030**	**288,740**
		2022-25	**2025-32**	**2032-52**
Cumulative Growth Rate		+6.4%	+13.5%	+31.2%
Annual Growth Rate		+2.1%	+1.8%	+1.4%

Source: University of Waikato

It is important to note that NIDEA has also conducted labour force projections, presented in the lower section of the subsequent table, which indicates a notable average annual growth of +2.1%, +1.8%, and +1.4% over the short, medium, and long terms, respectively. This growth trajectory is above NIDEA's population projections and seems more in line with the historical relationship between population and employment trends within the sub-region.

This observation is supported by the data presented in Table 5 below, demonstrating that the employment of the sub-region increased at a higher average annual rate compared to the population over the past 23 years. This pattern aligns with NIDEA's labour force projections and therefore can be anticipated to persist over the next 30 years he BDCA 2023 employment projections, which appear to align with NIDEA's population projections, diverge from NIDEA's labour force projections. This divergence is noteworthy and, in my opinion, highlights a discrepancy that should not be ignored when considering the reliability of the projected demand / need for Industrial Zone land. It follows that assuming all other factors remain constant over the long term, the higher growth rates anticipated by NIDEA's labour force projections imply a substantially greater increase in employment over time, thus suggesting a higher level of demand for industrial land compared to the current projections provided by the BDCA 2023.

TABLE 5: SUB-REGION RECENT AND HISTORIC POPULATION AND EMPLOYMENT GROWTH

Sub-Region	Short 2020-2023	Medium 2013-2023	Medium-Long 2000-2023
Population - Nominal Growth (#)	16,800	71,100	122,700
Population - Annual Growth Rate (%)	**+1.7%**	**+2.4%**	**+2.0%**
Employment - Nominal Growth (#)	13,165	43,179	69,608
Employment - Annual Growth Rate (%)	**+3.1%**	**+3.4%**	**+2.7%**

Source: Stats NZ

ISSUES WITH DEMAND MODELLING APPROACH

As a consequence of the BDCA 2023 employment projections, only the Waikato District is projected to experience a higher demand for industrial land in the next 30 years compared to the forecasts in the BDCA 2021. In contrast, the Waipā District is expected to experience slower growth in its industrial sectors compared to the forecasts in the BDCA 2021, with declines of 1.9ha, 13.1ha, and 47.7ha over the short, medium, and long terms, respectively.

The projections for the Cambridge – Karapiro market also reveal notable changes, particularly in demand figures. As depicted in Table 3, despite a two-year difference in forecast periods, the anticipated industrial land demand in this area nearly halves throughout the entire forecast timeframe.

Given that both BDCAs have adopted the same employment-to-land conversion ratios, the decreases in industrial land demand reflects an expectation of slower growth of the local industrial sectors over the next 30 years. This stands in stark contrast not only to the Panel's consideration in the PC17 Decision Report[1], which noted that "*there has been sufficient evidence provided by expert witness that there is a demand for additional industrial zoned land within the Cambridge area*"[2],

[1] *Plan Change Hautapu Industrial Zones – Decisions of Hearing Panel and Section 32AA Evaluation Report, August 2023*

[2] *PC17 Decision Report, Paragraph 1.8.9, Page 18*

but also to the feedback received from those working at the coal face such as estate agents and local businesses trying to source available industrial land in the market. Both underscore the real need to enhance the provision for additional industrial land in the market. This is crucial for better meeting both the current and future industrial growth demands in the market.

In my statement of evidence for PC17[3], my economic analysis revealed that both the wider Future Proof market and the local Cambridge market are undergoing a faster pace of growth in industrial employment compared to what was forecast by the BDCA 2021. Specifically, the industrial growth rate in Cambridge market had tracked at approximately double the anticipated rate stated in the BDCA 2021 (15.3% compared to 7.4%) in recent years. The Waikato Expressway in particular had fuelled the higher growth and this regionally significant infrastructure asset will continue to grow in importance as the market develops.

Considering the robust industrial employment growth in Cambridge, and the wider Future Proof area, it is reasonable to conclude that the demand forecasts in the BDCA 2023 are largely underestimated, even when compared to the estimates presented in the BDCA 2021.

It is noteworthy that significant declines are also evident in the demand estimates for Hamilton City, with a cumulative demand loss of approximately 163ha over the long term. According to the BDCA 2023[4], this is attributed to the new assumption that around 20% of the demand can be accommodated within existing buildings or urban environments. The 20% assumption, according to the BDCA 2023, stemmed from investigations conducted in support of a Plan Change (unidentified in BDCA 2023), which involved rezoning a proportion of future industrial land for residential purposes.

Based on my analysis, in my opinion, the conversion between employment growth and actual industrial land demand has already been accounted for in the observed employment density (i.e., sqm per employee) by land use type as depicted in Figure 4-1 of the BDCA 2023 (and the same input was utilised in the BDCA 2021). Therefore, a further decline of 20% is inappropriate and would underestimate the industrial land requirements in Hamilton, which in turn would impact the overall industrial land sufficiency of the sub-region.

ISSUES WITH CAPACITY MODELLING APPROACH

Overall, based on the economic factors outlined below, I consider that the capacity estimates presented in the BDCA 2023 are overstated and unreliable for understanding and predicting the industrial land sufficiency status of the Waipā District and the broader sub-region.

Hamilton City

The BDCA 2023 conducted a sensitivity analysis of Ruakura capacity, which involved applying a 40% reduction to the base capacity for this area. This analysis took into account factors such as "*the*

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[3] *Statement of Evidence of Tim Heath on behalf of the Hautapu Landowners' group, dated 13 March 2023, Points 25-30, Page 8-9*

[4] *BDCA 2023, Page 59*

leasehold status[5] *of land Ruakura which may not be attractive to a part of the industrial market, the uncertainty around the construction of the Eastern Transport Corridor, the significant land take for stormwater infrastructure, and the flat typology at Ruakura*"[6]. Consequently, the BDCA 2023 estimated that the medium-term deficit will increase to 71ha, and the long-term deficit will rise to 227ha.

These potential constraints, particularly regarding infrastructure, have significant implications on Ruakura capacity. This would consequently impact the sufficiency of industrial land in Hamilton and the broader Future Proof, considering that Ruakura represents half of the total industrial capacity in Hamilton. In my opinion, these constraints should be incorporated into the BDCA's primary capacity modelling to provide a more accurate and practical reflection of the industrial land capacity of Hamilton City and the wider sub-region.

Waikato District

The BDCA 2023 assessed the Waikato District's long-term industrial land capacity is projected to reach 1,250ha by 2053. This, in turn, results in a significant surplus of around 1,074ha within the Waikato District over the long term.

Relevantly, the BDCA 2023, in its Limitations Section 5.3.1 on Page 84, stated that an assumption was made that "*most of the land earmarked for investigation under the Waikato 2070 strategy could become capacity into the future and there is no guarantee that the areas under investigation will be re-zoned or result in capacity*". This concedes a considerable portion of the anticipated industrial land capacity over the long term is associated with significant uncertainties regarding its availability and realisation. This, in turn, markedly increases the lack of surety around the outcomes of the BDCA 2023.

To provide a context, it is noteworthy that the Draft FDS designates around 233ha of land as Strategic Industrial Nodes in Pōkeno (53ha), Tuakau (103ha) and Huntly / Rotowaro / Ohinewai (77ha). These nodes correlate with areas where greenfield industrial growth is expected to occur in the district based on projected demand and infrastructure servicing.

This allocation, however, represents only one-fifth of the additional long-term capacity for the Waikato District in the BDCA 2023, due to the inclusion of all Waikato 2070 greenfield areas. It follows that the estimated long-term land capacity for the Waikato District in the BDCA 2023 is likely overstated.

[5] *The lease arrangements on the Tainui Group Holdings (TGH, a major landowner around the edges of Hamilton City of developable industrial land) might be a barrier to development as their development model sees TGH retaining land ownership while operators will sign lease arrangements to build and operate there. This ownership model may not appeal to a proportion of the market complicating the feasibility and uptake (BDCA 2023, Page 10).*

[6] *BDCA 2023, Page 106*

As such, in my opinion, there is a significant degree of uncertainty as to whether these greenfield industrial growth areas will be "realised" over the assessed period, particularly in relation to funding, costs, and timing of infrastructure requirements to unlock these areas.

Furthermore, the actual developable area of these future industrial nodes remains unclear, but will no doubt be significantly lower than the extent of the identifies areas. This uncertainty is further clouded by practical factors such as multiple ownership, the level of adoption through the Waikato District Plan, timing around the release of capacity, and potential submissions on individual areas.

While this uncertainty primarily affects the capacity modelling for the Waikato District, its implications extend to the demand for industrial land and its sufficiency in the partner districts of Future Proof, including Waipā District. This is especially significant considering that the broader Future Proof area operates as a cohesive economic market, owing to the close economic interconnections between the partner districts.

Waipā District

The same issue of overstated capacity is reflected in the estimates for the Waipā District due to the inclusion of Lake Karapiro Events Zone and Mystery Events Zone in the capacity modelling. As stated on Page 38 of the BDCA 2023, "*the two zones provide locally significant areas of land, with the Mystery Events Zone totalling nearly 47ha. These have been included because of their ability to provide land capacity for commercial and industrial employment*".

However, according to the provisions outlined in the WDP[7], these zones are special purpose zones designated to facilitate events and recreational activities. Notably, industrial activities are not designated as "permitted" within these areas. Therefore, while these zones remain largely undeveloped, the likelihood of accommodating industrial employment within them remains uncertain. Indeed, the statements in the BDCA 2023 are misguided and potentially flawed, given the existing planning framework. In short, the conclusions are unreliable and do not reflect the reality of available capacity and capacity that can be utilised under the current legislative framework,

SUMMARY OF THE BDCA 2023 REVIEW

Based on the analysis set out above, there is a notable level of uncertainty associated with the BDCA 2023 modelling.

In summary, the primary issues associated with the BDCA 2023 modelling are as follows:

- Employment Growth Projections:
    - The BDCA 2023's employment projections seem to closely align with NIDEA's population projections, which fall below NIDEA's labour force projections and deviate from the historical relationship between population and employment trends in the sub-region. This suggests that the industrial employment projections in the BDCA 2023 are likely underestimated.

[7] *WDP Sections 8.3.1 & 9.3.1*

- Land Demand Forecasts:
    - It remains unclear to what extent the spillover demand from Auckland has been appropriately considered in the modelling process of the BDCA 2023 for the Waikato District.
    - There is a different approach to estimating the demand for Hamilton industrial land compared to BDCA 2021. The unnecessary removal of 20% of employment growth in the BDCA 2023 has the potential lead to underestimation of industrial land requirements in Hamilton and the overall sufficiency of the sub-region.
- Land Capacity Modelling:
    - The BDCA 2023's capacity modelling for the Waikato District in the long term considers all greenfield areas identified in Waikato 2070, approximately 1,000ha, which contrasts with the Draft FDS allocating only one-fifth of land in specific areas to be future Strategic Industrial Nodes, based on anticipated demand and infrastructure servicing in the district.
    - Ruakura accounts for half of the total industrial land capacity in Hamilton, but significant infrastructure constraints have not been factored into the primary modelling process for Hamilton.
    - The inclusion of the special purpose Mystery Creek Events Zone and Lake Karapiro Events Zone in the capacity modelling for the Waipā District is questionable since industrial activities are not permitted within these zones. Thus, their inclusion in the capacity should be reconsidered.

Considering this assessment, in my opinion there are fundamental issues regarding the validity and reliability of the BDCA 2023 forecasts and modelling methodologies. In my opinion, the conclusions of the BDCA do not reflect the reality of the level of demand for Industrial Zone land. As such, in my opinion, reliance on the BDCA 2023 forecasts is problematic and should be avoided when determining the economic efficiency of a development situated strategically and that can be integrated to the urban environment (which includes the Industrial Zone), particularly Area 7 as identified in PC17.

In my opinion, considering the above review and assessment, the sub-region would potentially face a shortfall in industrial land capacity over the medium and long term. Consequently, the timely and efficient provision of additional industrial land to accommodate the anticipated deficits and ongoing industrial expansion will be necessary to ensure sufficient Industrial Zone capacity.

WAIKATO RPS OUT-OF-SEQUENCE CRITERIA ASSESSMENT

Under Waikato RPS, Policy UFD-P11.3 requires that within the Future Proof area new industrial development should predominantly be located in the strategic industrial nodes in Table 35 (APP12) and in accordance with the indicative timings in that table except where alternative land release and timing is demonstrated to meet the criteria in UFD-M49. This UFD-M49 provides for some flexibility in the staged release of urban land while ensuring that the relevant growth management principles established in the Future Proof growth strategy are not compromised.

Overall, I consider that the application is consistent with UFD-M49, as well as the applicable development principles of APP11 and criteria of APP13, for the following critical economic reasons. Note that as some of these criteria / principles share overlapping requirements, the following analysis merges those with similar requirements into unified themes.

1) Meeting a demonstrated need or shortfall for business floorspace: <u>APP13 Criteria A - A</u>

My earlier statement of evidence on PC17 has shown that that the expansion of the Cambridge local and wider Future Proof industrial markets has exceeded BDCA 2021 projections, suggesting a shortfall in industrial land capacity in the short to medium-term. As I stated on Page 9 of my economic statement of evidence for PC17, "*with industrial growth in Cambridge tracking at twice the anticipated BDCA (2021) rate, if this is maintained then the estimated industrial land provision provided for within this area is likely to be consumed by 2035*"[8].

Having reviewed the BDCA 2023 and identifying the potential issues and concerns regarding the modelling approach in earlier sections of this memo, in my opinion the updated forecasts presented in the BDCA 2023 are unreliable for decision-making. Based on my high-level economic analysis, there is likely to be shortages of industrial land capacity in both the medium and long terms across the wider sub-region. This underscores the importance of enabling the PPC to accommodate the deficit in business floorspace and land provisions within both the local market and the broader sub-region.

2) Contribution to a well-functioning urban environment: <u>APP13 Criteria A - B.</u>

Hautapu has been identified as a strategic industrial node suitable for accommodating future industrial activities in the district. This alignment is evident in Table 35 of the Waikato RPS, which offers clear guidance on the preferred areas for industrial development within the Future Proof region including Hautapu.

Area 7 is situated directly adjacent to the current Hautapu industrial environment to the south. As such, its strategic position relies on its ability to integrate with existing infrastructure and established services within the surrounding vicinity. This feature sets it apart from other ongoing industrial

[8] *Statement of Evidence of Tim Heath on behalf of the Hautapu Landowners' group, dated 13 March 2023, Point 30, Page 9*

developments across the district and the broader Future Proof area, which are notably distant from the established industrial environment in Hautapu.

Given this, it is reasonable to expect that the PPC would cultivate synergies between existing urban areas and the industrial landscape in the local area. This has the potential to enhance the existing industrial land offerings, broaden the range of available price points for industrial land, and provide a competitive and appealing location for industrial businesses seeking proximity to the Hautapu industrial cluster and Waikato Expressway.

From an economic perspective, bringing forward the development of Area 7 would have no adverse impacts on the competitive operation of land and development markets, as it will ensure sufficient supply of industrial land to meet market demands with greater certainty. The existing tight supply of industrial land is driving up costs, posing a risk to the creation of a well-functioning market / urban environment.

Considering the above, live zoning of Area 7 will positively contribute to fostering a well-functioning urban environment, from an economic planning standpoint.

3) Consistency with Future Proof Strategy principles & directions: <u>APP13 Criteria A – C</u>

APP13 Criteria A – C requires that the development is consistent with the Future Proof Guiding Principles and Growth Management Directions as set out in Sections B2, B3, B6, B7, B8, B9 and B11 of the strategy.

Some of the Guiding Principles have already been extensively addressed within other criteria of APP11 and APP13, hence they are not specifically evaluated in this analysis. Of the applicable Growth Management Directions, **Section B2** (i.e., reflecting the aspiration of tangata whenua), **Section B3** (i.e., managing growth in a manner that protects and enhances the quality of the natural environment), and **Section B11** (i.e., delivering integrated and sustainable three waters services) are considered irrelevant to economic considerations and thus are not addressed in this analysis.

Section B6 requires the establishment of a rapid and frequent public transport network, supported by walking, cycling and micromobility networks. This directive aligns with the requirement outlined in APP13 Criteria A and will be elaborated upon in the subsequent analysis (refer to Point 4)).

Section B7 requires the support for compact urban development throughout the sub-region. However, it is important to note that this requirement does not inherently compromise the efficiency of new development. The underlying zoning of Area 7 (i.e., DIZ) indicates that the urban (industrial) development of the area is an anticipated outcome.

Importantly, due to its close proximity to the established industrial environment and existing as well as planned infrastructure in Hautapu, Area 7 is strategically situated to foster increased business agglomeration effects within the local vicinity. This, in turn, would contribute positively to the realisation of a more compact urban environment compared to locating the proposed development in more distant rural locations.

Section B8 requires growing a prosperous economy through understanding of and responding to medium and long term trends and changes in the business and commercial sectors. Given the robust growth of the local industrial economy, the PPC would provide a timelier response to the trends within the industrial sector. This action would effectively accommodate the anticipated shortage of industrial land in the market over the short to medium term, offering a more proactive approach compared to its current "deferred" status.

Section B9 requires that the urban and village enablement areas provide clear delineation between the rural and urban parts of the sub-region. This requirement aligns with APP11 - b. Notably, Area 7, is anticipated to form part of the future urban environment being identified as part of the C9 Industrial Growth Cell. The PPC, therefore, would not compromise the clear distinction between the rural and urban environments of the sub-region.

Considering the analysis above Area 7 will not offend the applicable Future Proof Strategy Guiding Principles and Growth Management Directions.

4) Site accessibility: APP13 Criteria A – D, M & N.

As previously noted in my statement of evidence, Area 7's strategic location adjacent to Waikato Expressway ensures convenient access to robust transportation networks spanning not just the district but also the wider region. This will enhance site accessibility and have the potential to promote a mode-shift, supporting a reduction in greenhouse gas emissions.

The locational characteristics of Area 7 also suggest that it will offer strategic and highly accessible opportunities for additional employment, services, and business activities. This contribution would a positive impact on the urban development of Cambridge / Hautapu and the broader Future Proof area.

5) Impact on the efficiency and benefits of infrastructure: APP13 Criteria A – I & J

Although Area 7 is not intended for development now due to current zoning provisions, the planned infrastructure investments in the area, especially those aimed at supporting the development of Area 6, suggest that the required infrastructure to service the PPC would probably be limited. Moreover, these capital costs are likely to be partially offset through developer contributions or the developer's provision of infrastructure. This implies that the potential burden on infrastructure would be reduced. Importantly, Area 7's proximity to the established industrial environment and infrastructure in the area suggests potential economies of scale and lower marginal infrastructure costs, maximising infrastructure utilisation efficiency.

6) Efficient use of local authority & central government financial resources: APP Criteria A – K

Area 7 demonstrates efficient use of local authority and central government financial resources as it will provide an increased supply of industrial land in response to demand surpassing availability in the market. Additionally, bringing forward the Area 7 development can be expected to increase revenue from rates for WDC, thus enhancing its financial position.

7) Compatible use with the surrounding environment: APP13 Criteria A - L

The existing industrial landscape, situated just south of Area 7, along with its strategic location, reflects Area 7's suitability for industrial purposes. This aspect has been highlighted in both my statement of evidence and the Panel's decision report on PC17, leading to the rezoning of the area from its previous Rural zoning to the current DIZ. As such, The PPC will not create a new urban area that contradicts the surrounding environments in the Hautapu industrial node, both existing and planned.

8) Avoiding areas identified as wāhi toitū on Map 44: APP13 Criteria A - O

Map 44[9] is presented at a small scale, lacking sufficient topographical details to clearly identify whether a specific site is designated as wāhi toitū. However, according to the Draft Future Development Strategy (**FDS**), wāhi toitū areas consist of the following two main components:

- Existing protected areas: Areas currently - planned or intended - to be protected from urban development. These are often areas with intrinsic environmental values, which offer ecosystem services or natural capital, or reflect important historic or cultural values.
- Constraint areas: Areas where hazards, risks or other aspects are deemed to make future urban development in the foreseeable future either infeasible and / or undesirable, such as high-risk flood zones or areas with land instability risk.

Based on these definitions, I consider that Area 7, with its underlying zoning as DIZ, is not currently or intended to be protected from urban development.

9) Impact on urban and rural areas: APP13 Criteria B - A & C

The PPC would contribute positively to fostering a more competitive industrial market and urban environment. As previously noted, this supply is necessary to accommodate the higher-than-expected growth of the industrial market and is likely to mitigate industrial land price escalation while providing adequate capacity in the sub-region.

In addition, the purpose of the PPC is not to establish an environment that would diminish the integrity of existing rural areas or compete with the rural-based industry within the district. The Mangaone Stream located to the north would serve as a natural buffer, helping to alleviate any potential adverse environmental effects on the northern rural areas stemming from future industrial operations within Area 7.

10) Intensification opportunities within the existing urban areas: APP11 a. & c.

As mentioned earlier, urban intensification and redevelopment are not practical and feasible options for accommodating the development of Area 7 due to significant uncertainties regarding timing and costs. In my view, enabling the PPC would contribute positively to promoting intensification and a compact urban form within the district and the broader Future Proof area. This is especially true if

[9] *See Appendix 5*

the alternative is to locate the proposed development in a remoter rural area lacking integration with existing and planned infrastructure.

11) Connection with existing and planned infrastructure: APP11 d & e.

Again, the strategic location of Area 7 positions it well to integrate with the existing urban / industrial environment and leverage the existing and planned infrastructure in the local area. As such, developing Areas 6 and 7 together can be expected to generate greater impetus for industrial businesses and investments in the area. This will promote more effective utilisation of existing and planned infrastructure.

In light of the economic analysis provided in this memo, along with the criteria / principles assessment above, the PPC satisfies UFD-M49, as well as the applicable development principles of APP11 and criteria of APP13.

Principles and criteria considered economically irrelevant (incl. APP13 Criteria A – E, G and Criteria B - D) or not applicable (incl. APP13 Criteria A – F, H, P, Q and Criteria B – D) are not covered in this economic analysis.

CONCLUSION

After reviewing the BDCA 2023, in my opinion there is significant uncertainty and sensitivity associated with its modelling approach and the industrial land sufficiency “status” and “level” of the sub-region. As such, in my opinion, it is inappropriate to rely on the BDCA 2023 forecasts when considering and / or determining the economic efficiency of a development situated strategically and effectively integrated to the urban environment and infrastructure, such as Area 7.

Considering the robust recent growth of the local market and the wider Future Proof area, along with the overstated capacity in the BDCA 2023, I maintain my opinion as expressed in my evidence on PC17 that there is a real need to inject additional industrial land capacity into the supply pipeline in the short term given the extended lead times required to bring industrial land to the market.

From an economic standpoint, the PPC would bring forward the economic benefits associated with the development of Area 7. These benefits, outlined comprehensively in my statement of evidence on PC17, encompass various aspects such as the facilitation of economies of scale and industrial agglomeration effects, enhanced land use efficiency, heightened industrial employment opportunities and economic profile, reduced marginal costs of infrastructure provision, among others.

Of particular significance is the additional economic merit that would arise from the joint development of Area 6 and Area 7, unlocking the full potential of the local area to better meet anticipated demand. Given the current underutilisation of Road 4 and its intersection with Hautapu Road, servicing just 20ha (gross) of land within Area 6, the proposed extension of Road 4 within Area 7 would enhance land use efficiencies without necessitating significant additional infrastructure beyond what is already planned for this area.

Such an outcome is considered an improvement in the development of the wider Hautapu Industrial Structure Plan Area and the market operating more competitively with locational choice and would enable the market to better meet the demand of industrial businesses and any overflow demand from Future Proof partner districts.

Having assessed the proposed development against the Waikato RPS, in my opinion the PPC satisfies UFD-M49 out-of-sequence criteria as well as the applicable development principles of APP11 and criteria of APP13. Essentially, the zoning of Area 7 as a Deferred Industrial Zone means that developing a parcel of land zoned and earmarked for industrial use would not negatively affect the current or future industrial areas. If Area 6 achieves the 80% subdivision threshold before 31 March 2030 under the current rules of the WDP, the proposed change by the PPC to advance the date to 31 March 2026, would not materially alter the timeline.

The order in which development is likely to occur in the Hautapu Industrial Area is: Area 6 being developed first (in the next year or two); followed by Area 7 (from 2026 onwards); followed by the Mangaone Precinct (i.e. the Bardowie Farm owned by Fonterra which is now the subject of Plan Change 14) which will not be available to the market until about 2028. The provides a steady and measured pipeline of land supply for industrial purposes.

Based on the above, the proposal to live-zone Area 7 under the WDP will provide more certainty in the market and is consistent with the WRPS and the aspirations of Future Proof. This would consequently generate significant economic benefits to local businesses and communities as well as the sustainable growth of the district and the broader Future Proof industrial sectors, from an economic perspective.

If you have any queries, please give me a call.

Kind Regards

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APPENDIX 1. PROPOSED HAUTAPU STRUCTURE PLAN FOR AREA 6 AND 7