

Appendix 15: Economic Assessment

PROPERTY **E**CONOMICS



C5 CAMBRIDGE

RESIDENTIAL DEVELOPMENT

ECONOMIC ASSESSMENT

Project No: 52119

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Client: PowerUp Business Consulting
Limited



SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics has been engaged by PowerUp Business Consulting Limited (**PowerUp**) to undertake an Economic Assessment for a proposed Private Plan Change (**PPC**) to release land within and immediately north of the C5 Growth Cell in Cambridge. The bulk of the land is currently due to be made available for urban development post 2035 under the Waipā Operative District Plan (**WDP**).

This report provides a high-level overview of Cambridge's projected household growth and dwelling demand to 2052 as well as an assessment of the sufficiency of residential capacity in Cambridge and the wider Waipā District based on a review of the Future Proof Housing Development Capacity Assessment 2023 (**HDCA 2023**).

Additionally, this report outlines the likely impacts of the proposed PPC on the pre-2035 residential cells in the context of RMA and the economic costs and benefits of expediting the C5 growth cell before 2035 and rezoning the adjoining rural land under the NPS-HPL¹ provisions.

In essence, the findings from this report will form a view of whether the proposed PPC can be supported from an economic perspective in the RMA, NPS-UD² and NPS-HPL context.

1.1. RESEARCH OBJECTIVES

The core research objectives of this economic assessment include:

- Identify the receiving environment of the proposed PPC in terms of the existing district plan zonings in Cambridge and delineate the economic catchment that the proposed PPC would primarily service.

¹ National Policy Statement for Highly Productive Land 2022

² National Policy Statement on Urban Development 2020

- Assess future dwelling demand within the catchment by typology to highlight the range of typologies required to accommodate growth and the economic benefits of choice in the context of the NPS-UD.
- Assess the existing and planned capacity within Cambridge as outlined in Future Proof HDCA 2023 over the short (3 years), medium (10 years) and long (30 years) term.
- Provide commentary on the proposed development and the likely realisation of pre-2035 residential growth cells in context of assessed demand and feasible capacity in relation to timeframes.
- Review the latest Future Proof HDCA 2023 for the Cambridge local market, including the residential sufficiency of capacity by housing typology, to assess the market potential of the proposed PPC.
- Identify the likely economic impacts of the proposed PPC on the delivery of the pre-2035 residential growth cells in the context of RMA and NPS-UD.
- Assess the economic costs associated with high-class soil loss due to the proposed PPC in the context of the NPS-HPL.
- Identify and assess any potential economic costs and benefits associated with the proposed PPC in the RMA, NPS-UD and NPS-HPL context.

1.2. INFORMATION & DATA SOURCES

Information has been obtained from a variety of reputable data sources and publications available to Property Economics, including:

- Catchment and Site Maps – LINZ, Google Maps, Waipā District Council
- Future Growth Cells – Waipā District Council
- Future Waipā District Growth Strategy and Structure Plans – Waipā District Council
- Land Use Capability Classification – NZLRIS
- Long Term Plan 2021-2031 – Waipā District Council
- National Policy Statement for Highly Productive Soil – Ministry for the Environment
- NPS-UD Future Proof Housing Development Capacity Assessment December 2023 – Waipā District Council & M.E.
- Plan Change 26 – Residential Zone Intensification - Waipā District Council
- Soil and Land Use Capability Classification Assessment – LandSystems
- Waipā 2050 District Growth Strategy – Waipā District Council
- Waipā District Plan Zonings – Waipā District Council

2. EXECUTIVE SUMMARY

This report aims to assess the economic impacts of the proposed PPC on Cambridge existing residential capacity and future sufficiency and the development of pre-2035 residential growth cells under the RMA context.

Given the locational features of the subject site, the core economic catchment of the PPC is considered the entirety of the Cambridge township and the surrounding rural areas.

Based on the HDCA 2023, it is estimated that there would be insufficient residential capacity in the Cambridge local market over the medium and long terms if prices were indexed to 2022 levels. This estimation takes into account the additional capacity enabled by the notified MDRS and relevant qualifying matters.

In light of this modelling, Cambridge would require additional residential capacity prior to 2035 to accommodate the projected growth and the proposed PPC to advance the C5 growth cell sooner is deemed appropriate.

Having undertaken a high-level economic cost and benefit analysis, Property Economics considers that the additional infrastructure servicing requirement to support the proposed development would be an economic cost and therefore requires careful consideration in the context of the proposed PPC. These costs are at least in part mitigated by the need for this capacity to be realised to meet the shortfall in supply identified and would potentially be mitigated further by any development agreement between the applicant and Waipā District Council.

The primary economic benefits attributable to the PPC would include:

- Increased medium term residential land / dwelling supply
- Potential for decreased land prices in the Cambridge and wider district market
- Potential increase in housing typology, location and house price point choice in the Cambridge market
- Potential to catalyse and cater for greater levels of growth.

Based on the conclusions in the Soil and Land Use Capability Classification Assessment undertaken by LandSystems³, the highly productive land areas within the site, individually, are *"small (<1.0ha) fragmented areas of highly productive land are not easily useable for intensive primary production" which "reduces the productive potential of these highly productive land areas and the site as a whole"* (2nd paragraph, page 13).

³ *Soil and Land Use Capability Classification Assessment for: Maungatautari Road Properties, Cambridge 3495, by Reece Hill at LandSystems (11 June 2023).*

Given the surrounding environment of the PPC site (i.e., Waikato River to the north, rural residential development to the west, and residential development close by), LandSystems considered that the highly productive land on the PPC site *“is not easily amalgamated with nearby highly productive land on several property boundaries”* (3rd paragraph, page 13).

Given LandSystems findings, the likelihood of the proposed PPC site being utilised for future primary production activities is materially limited. Meanwhile, there are no other reasonably practicable and feasible greenfield options to provide *at least sufficient development capacity within* the same locality and market and the current spatial extent of the PPC site is the most appropriate extent necessary to provide additional development capacity while facilitating a well-functioning urban environment.

As such, Property Economics considers that the opportunity cost of the subject land for more intensive rural uses and activities would be minimal in the context of the NPS-HPL.

The Environment Court's recent decision on Auckland Private Plan Change 73: O'Hara, Waiuku, offers useful interpretations on the NPS-HPL in relation to development on highly productive land. This decision indicates that new developments on highly productive land could still be permitted if they clearly demonstrate compliance with the specific exceptions set out in the NPS-HPL.

In Property Economics' view, the analysis in this assessment, along with the fact that a substantial portion of the PPC area is earmarked for future urban development (post-2035), supports the conclusion that the proposed development qualifies as 'a proper exception' under well-justified circumstances. This would be consistent with the Environment Court's interpretation from an economic perspective.

A key consideration, under the current legislation, is the potential sufficiency of current residential capacity to meet estimates of future residential demand. In the case of the wider Waipā District, there would be insufficient capacity to meet this demand both in the medium and long terms under a model that indexes prices to the height of 2022, according to the HDCA 2023. Under this scenario additional capacity is required over the medium term (i.e., by 2032). This can be satisfied with the timing of some of the post-2035 identified growth areas being brought forward.

The need for sufficient capacity addresses several economic issues at its core, including the ability for the market to provide choice (in terms of location, typology, and price) as well as the potential impact on affordability and relative competitiveness for population growth.

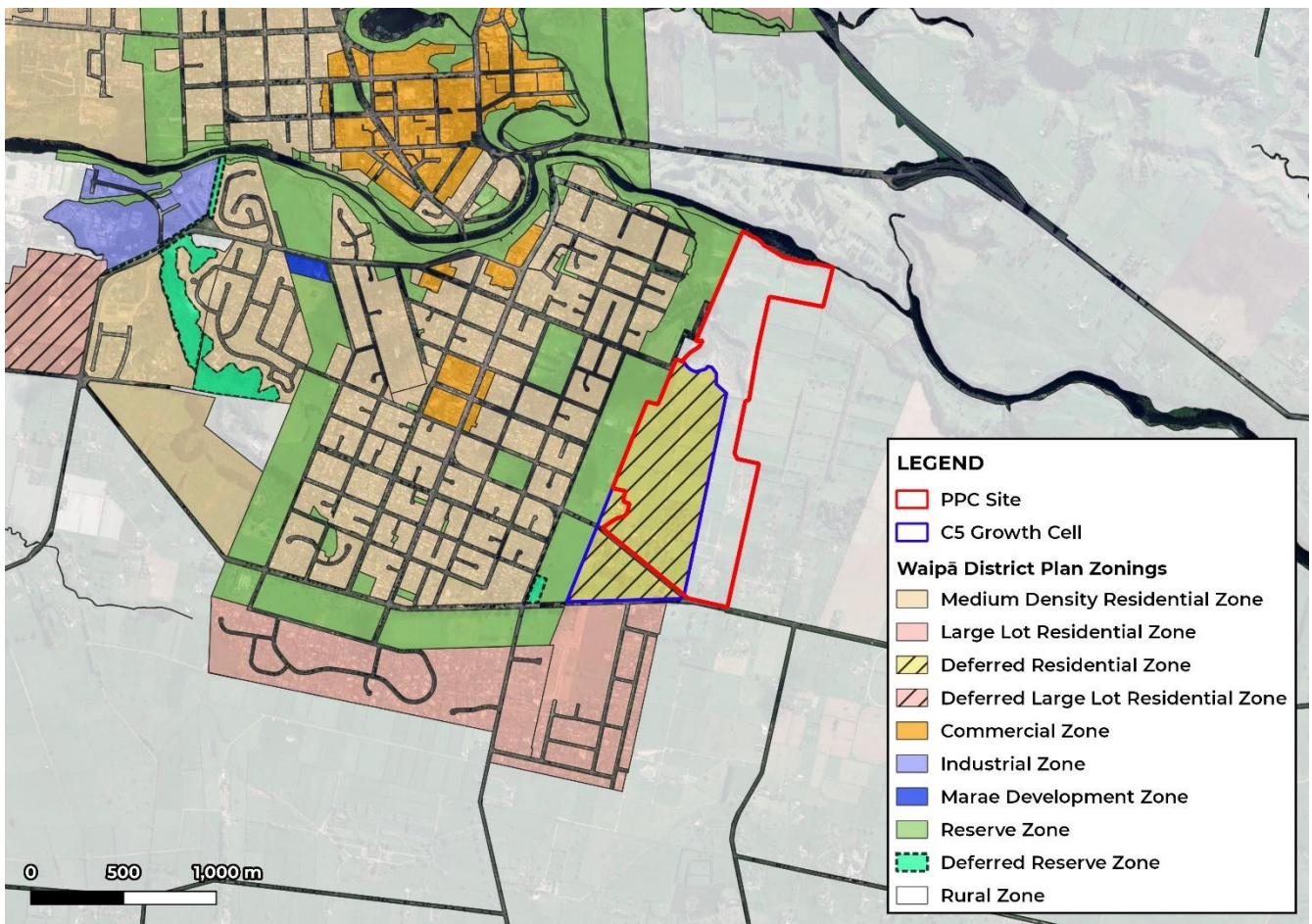
The balancing factor to these potential benefits is the costs associated with upgrading existing or constructing new infrastructure to accommodate growth. However, in this case any infrastructure costs associated with this development prior to 2035 will be borne by the developer. The fair and reasonable apportionment of any such costs will be formalised by way of an Infrastructure Works Agreement with Council.

3. PROPOSED PPC OVERVIEW

Waipā District Council (WDC) has identified several residential and industrial Growth Cells in the Waipā 2050 District Growth Strategy (Waipā 2050) to meet the anticipated growth within the district by 2050.

The C5 Growth Cell is one of the identified residential cells encompassing 61ha of land on the south-eastern edge of the Cambridge township (refer to the [Blue](#) Outline in the figure following). It is currently zoned Deferred Residential under the WDP with an identified development staging 'beyond 2035' (Stage 2). Based on Council's estimate, the release of the C5 Growth Cell would provide a total capacity of approximately 732 dwellings.

FIGURE 1: PPC SITE IN THE CONTEXT OF DISTRICT PLAN ZONINGS



Source: WDC, Google Maps, LINZ

Given the above context, PowerUp is applying for a PPC to release some land within the C5 Growth Cell before 2035 and to rezone the rural land to north and east to Residential. This proposed PPC site encompasses around 98.6ha of land (refer the [Red](#) demarcated area in the figure above). This encompasses approximately 52ha of land currently zoned as Deferred Residential within the C5 Growth Cell, along with around 46.6ha of land zoned as Rural under the WDP.

The Structure Plan of the PPC site is presented in Appendix 1. The detailed proposed land uses and zoning include the following:

- Medium Density Residential Zone (MDRZ): This residential zone is proposed to span around 50.77ha within the PPC site, with a proposed density of 25 dwellings per hectare.
- Neighbourhood Centre Zones (NCZs): This will span a total land area of around 1.89ha, distributing among two separate locations – the larger NCZ will be located close to Wordsworth Street and a smaller one within the southern residential area in proximity to the existing Maungatautari Road.
- Local Purpose Reserves: This accounts for around one-fifth of the PPC site, i.e., 21.7ha of land, with a majority of the reserves located to the immediate north of the proposed larger NCZ.
- Pedestrian / Cycling Links: This includes cycleway / footpath / shared path connections where required around the development to connect with open space, reserves and roading networks as required.

For the purpose of this economic assessment, the economic appropriateness and efficiency of the proposed residential development part of the PPC will be specifically assessed.

Note that this economic assessment does not specifically address the proposed NCZs. However, based on Property Economics' experience assessing convenience centre demand around the country for nearly 30 years, and a high level overview of the anticipated development of other residential growth cells in Cambridge, such as Cambridge North Growth Cell (87ha) which is anticipated to be facilitated by a 2ha commercial centre, the proposed size of the NCZs is of appropriate and economically sustainable size to provide required local retail and services to accommodate the convenience needs and amenity of the community within the PPC development.

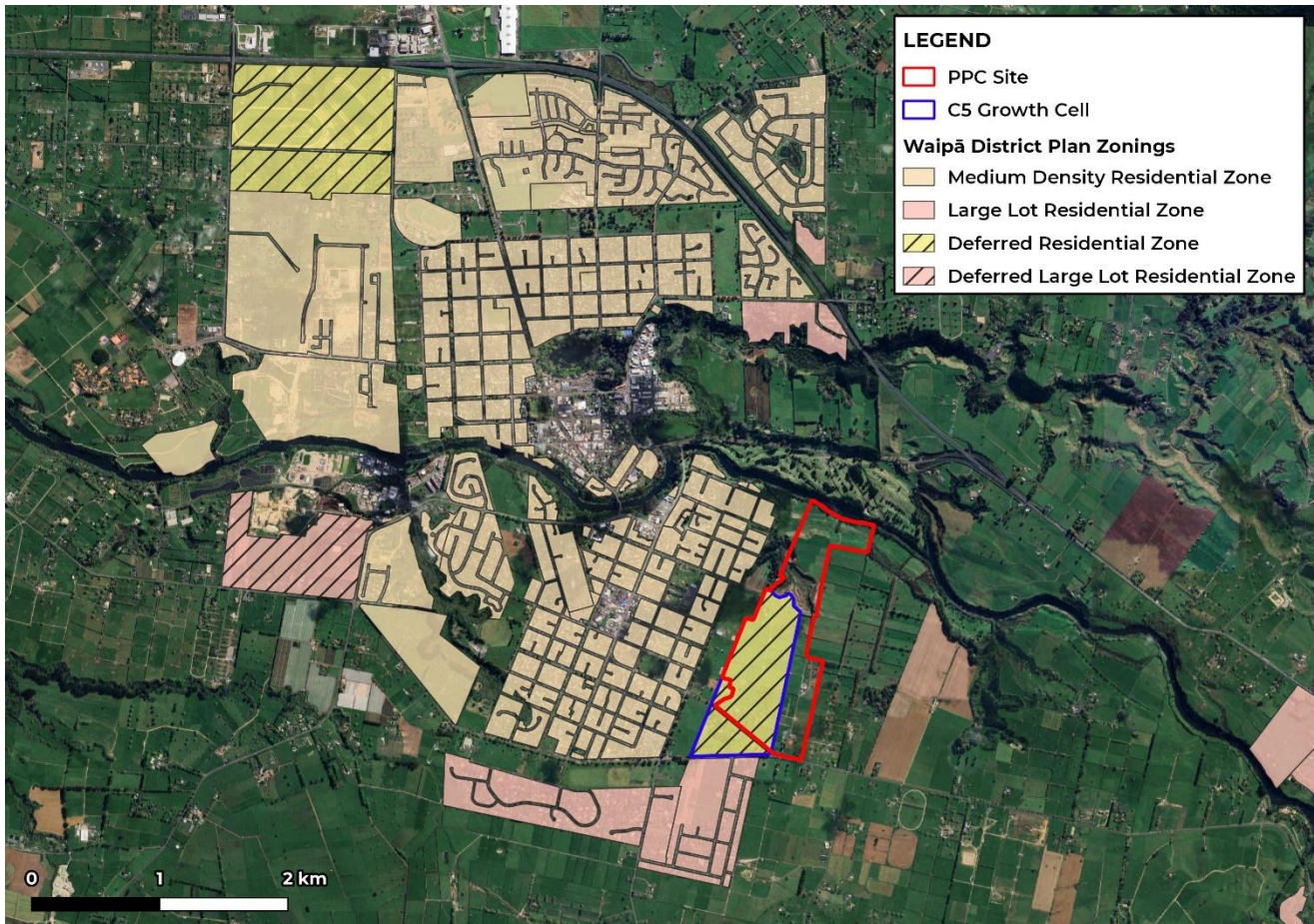
4. PLAN CHANGE 26 DECISION OVERVIEW

In 2021, Central Government brought in new statutory directives to build more houses, forcing changes to the WDP. These changes, known as Plan Change 26 (PC26), are anticipated to significantly increase housing density in the residential zones of Cambridge, Te Awamutu, and Kihikihi.

Based on the PC26 hearing decision, a new Section 2A – Medium Density Residential Zone has been introduced into the WDP. Meanwhile, the existing Section 2 – Residential and Section 6 – Commercial zones of the WDP are altered to reflect the new development opportunities across the district.

The figure below illustrates the extent of the MDRZ, specifically highlighting areas within the Cambridge Township where intensified residential development is encouraged. It shows that most areas previously zoned as Residential have been reclassified as MDRZ. Consequently, the residential areas south of Lamb Street and the C5 Growth Cell, along with the small residential pockets near Thornton Road, are now the only lower-density residential zones within the township.

FIGURE 2: EXISTING RESIDENTIAL ZONING ENVIRONMENTS AS A RESULT OF PC26



Source: WDC, Google Maps, LINZ

According to the WDP Section 2A.3.1, the objective of the MDRZ is to foster “a well-functioning urban environment that enables all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future”.

This objective is expected to be achieved through enabling a variety of housing typologies with a mix of densities within the zone, including 3-storey attached and detached dwellings, and low-rise apartments (Policy 2A.3.2.1) and a minimum target density of 25 to 35 dwellings per hectare (net after taking into account public spaces and infrastructure) (Policy 2A.2.2.2).

Over time, the appearance of neighbourhoods within the MDRZ will change, with development of typically up to three storeys in a variety of sizes and forms, including detached dwellings, terrace housing, duplexes and low-rise apartments. This supports increasing the capacity and choice of housing in the major urban environments of the district.

The promotion of higher density development in most areas of the Cambridge township reflect the potential contribution of the proposed PPC to the creation of a ‘well-functioning’ urban environment in the township through diversifying residential living options, price points, and typologies in a strategically and economically efficient location.

4. POLICY CONTEXT

4.2. DISTRICT PLAN

While the C5 Growth Cell has been identified for development beyond 2035, the WDP provides an opportunity to uplift a growth cell for development earlier than originally anticipated. This is required to be undertaken via a plan change to the WDP, subject to meeting the requirements outlined in **Rule 14.4.1.10**, including:

- *Proving to the satisfaction of Council that there is less than three years supply of land that is Development Ready⁴ for Cambridge. Additional development areas as identified in Appendix S1 as 'Development Areas – beyond 2035' may be released for development for that settlement.*
- *A structure plan for the entire growth cell, is to be approved by way of a change to the WDP.*
- *The Development Infrastructure⁵ required to service the Deferred Zone area is either in place, or Council is satisfied that there is a solution to deliver the necessary infrastructure (this can be outlined at a high level in the structure plan).*
- *No amendments are required to the District Plan objectives, policies, or rule framework*

4.3. FUTURE PROOF STRATEGY CRITERIA

Future Proof partners have developed a set of criteria to assist both local authorities and the regional council in responding to plan changes when they are either out of sequence or unanticipated in the Future Proof Strategy 2024 – 2054 (FPS). These criteria are specifically applicable to developments that are urban in nature, rather than rural-residential or rural.

The number of criteria that apply to plan changes depends on the nature and timing of the urban development proposed. It is considered that there are four potential scenarios under which a plan change could sit, as outlined in Pages 71-74 of the FPS.

Scenario 1 is considered suitable for development **within** an Urban Enablement Area or Village Enablement Area (includes Tier 1 and Tier 3 urban environment, and other towns / villages that do not meet Tier 3 criteria), but **out-of-sequence**. For example, bringing forward development

⁴ 'Development Ready' means land which is identified in the District Plan for Future Development Capacity which has not had a section 224 issued on it.

⁵ 'Development Infrastructure' means network infrastructure for water supply, wastewater, stormwater, and land transport as defined in the Land Transport Management Act 2003, to the extent that it is controlled by local authorities.

as planned for in a strategic document / District Plan. The proposed PPC's intention to bring forward part of the C5 growth cell therefore sits in this Scenario 1.

The rural extent of the PPC satisfies **Scenario 3**: Development **outside** an Urban Enablement Area or Village Enablement Area (includes Tier 1 and Tier 3 Urban Environments, and other towns/ villages that do not meet tier 3 criteria). This development could be continuous or non-continuous with an Urban Enablement Area or Village Enablement Area. This type of development is considered **unanticipated**.

Given the above context, the PPC needs to satisfy the Criteria A and B as outlined in the FPS.

Criteria A	Description
A	That the development contributes to a well-functioning urban environment. Proposals are considered to contribute to a well-functioning urban environment if they:
	<i>a) have or enable a variety of homes that: meet the needs, in terms of type, price, and location, of different households; and/or enable Māori to express their cultural traditions and norms; and/or have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and</i>
	<i>b) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets</i>
B	That the development is consistent with the Future Proof Strategy guiding principles, and growth management directives (as set out in Sections B2, B3, B6, B7, B8, B9 and B11 of the strategy).
C	That the development has good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport.
Criteria B	Description
A	That the development demonstrates that it would not affect the feasibility, affordability, and deliverability of planned growth within urban enablement areas and/ or village enablement areas over the short (0-3 years), medium (0-10 years) and long-term (0-30 years). In the interest of clarity proposals in areas currently identified for development in 30+ years and which are proposed to be brought forward into an earlier timeframe (scenario 1A) must demonstrate that they do not affect the feasibility, affordability, and deliverability of planned growth in the earlier time periods.
B	That the development demonstrates that value capture can be implemented and that cost neutrality for public finance can be achieved.

In Property Economics view, the PPC has a potential to satisfy the following criteria specifically.

Criteria A:

A(a): The development contributes to a well-functioning urban environment. The proposal includes a variety of homes that meet the needs of different households in terms of type, price, and location.

Based on the information provided to Property Economics, the proposed development offers a diverse range of housing typologies, including standalone houses, terraced houses, and potentially apartment options. Additionally, the subject site's location is characterised by its reliance on the existing landscape and amenities within the surrounding environment. This sets it apart from the ongoing residential development in a more urbanised area.

Given these factors, the PPC has the potential to enhance Cambridge's existing housing typologies, expand the range of available price points, and offer a desirable location for local communities.

The PPC is also adjacent to the existing urban extent of Cambridge rather than an isolated location. This, combined with the range of housing typologies proposed, enables the PPC to contribute positively to a well-functioning urban environment.

A(b): Support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets.

The PPC proposed to be **staged across a 15-year period** to minimise adverse impacts on land / growth cells being developed at present around Cambridge and would make a positive contribution to creating a more competitive land and development market. Additionally, as identified earlier, this supply is required to slow house price growth in Cambridge and provide sufficient capacity in the market.

B: That the development is consistent with the Future Proof Strategy guiding principles, and growth management directives (as set out in Sections B2, B3, B6, B7, B8, B9 and B11 of the strategy).

The PPC is cognisant of the FPS's guiding principles for growth and sustainable growth management approach including restore and protect the health and wellbeing of the Waikato and Waipā Rivers; connect, protect, enhance and integrate the natural environment; and recognise and respect mana whenua values in masterplanning and urban design, fostering kaitiakitanga and custodianship of urban ecosystems.

C: The development has good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including public or active transport.

The subject site is in close proximity to the established residential areas of Leamington and is conveniently located for accessing a range of urban amenities and recreational pursuits, and being on the urban extent provides a high level of access to natural and open spaces, including

Lake Karapiro. There is also employment opportunities and employment land within minutes of the subject site, as well as employment opportunities being developed within the PPC as well. This creates a more rounded and efficient development.

Criteria B:

A: That the development demonstrates that it would not affect the feasibility, affordability, and deliverability of planned growth within urban enablement areas and /or village enablement areas over the short (0-3 years), medium (0-10 years) and long-term (0-30 years). In the interest of clarity proposals in areas currently identified for development in 30+ years and which are proposed to be brought forward into an earlier timeframe (scenario 1A) must demonstrate that they do not affect the feasibility, affordability, and deliverability of planned growth in the earlier time periods.

The HDCA 2023 indicates additional residential capacity would be required over the medium term (by 2032) to accommodate growth and provide sufficient capacity in Cambridge. This indicates that the existing growth areas under development would not be adversely affected in terms of feasibility, affordability and deliverability as the demand is projected to be there to support the roll-out of each development area. While the PPC may shift some demand pre-2035 from other growth cells this can be offset by the higher demand and capacity requirement pre-2035, and overall does not affect the ongoing development of those growth areas to a material degree, i.e., there is likely to be greater public benefit than private sector cost.

B: That the development demonstrates that value capture can be implemented and that cost neutrality for public finance can be achieved.

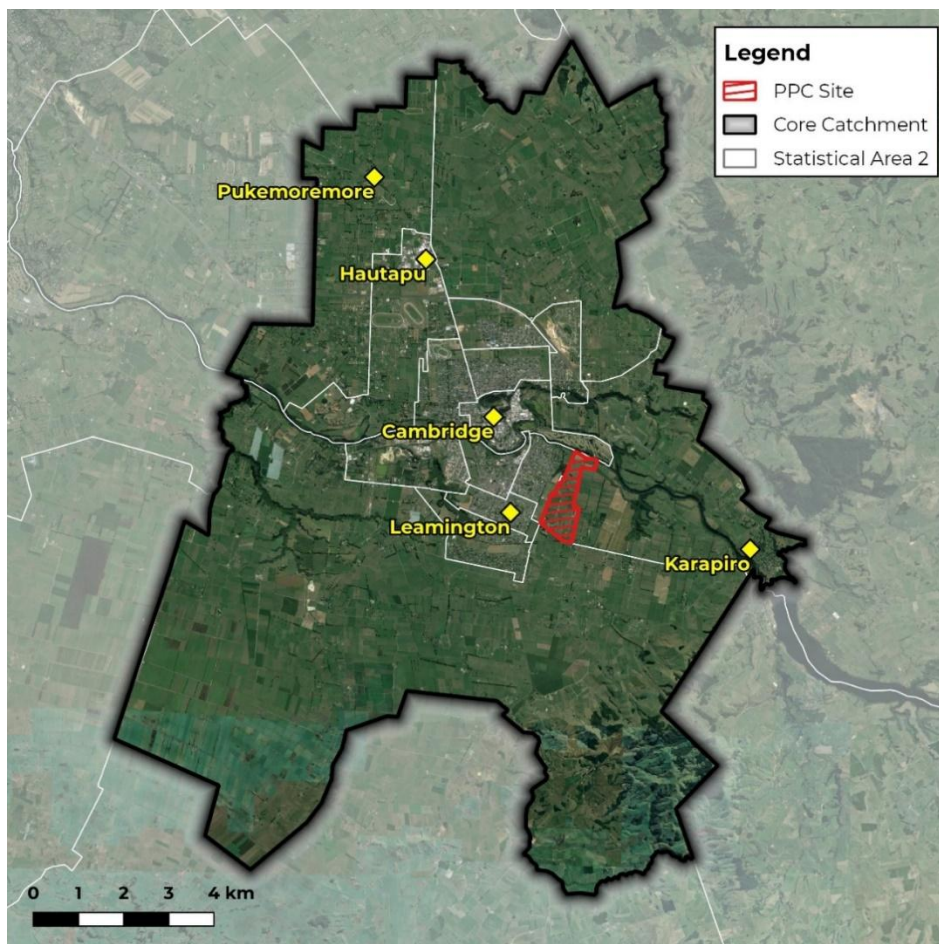
Property Economics understands a development agreement between the applicant and Council would assist in mitigating additional public sector infrastructure costs as a result of the earlier development of C5, albeit Council would need to reallocate some infrastructure funding to satisfy NPS-UD sufficient capacity requirements.

5. ECONOMIC CATCHMENT

To quantify the residential potential of the proposed PPC, it is important to delineate an area for market assessment purposes. The figure following illustrates the extent of the core Cambridge market, or conversely, where residential dwellings in the proposed area are likely to compete.

In Property Economics view, the economic catchment, or Cambridge residential market, of the proposed PPC includes the Cambridge township and the surrounding rural settlements. This area represents the key market of residential dwellings that would result from the proposed PPC. While interest would arise from outside this area, this is considered the key spatial extent of Cambridge.

FIGURE 3: GEOSPATIAL EXTENT OF THE PPC'S CORE ECONOMIC CATCHMENT



Source: Google Maps, LINZ, Stats NZ

This catchment is an important input of the following residential demand forecast. Any marginal changes to the extent of this catchment would not materially alter the findings of this economic assessment given the margins of the catchment are rural.

6. POPULATION AND HOUSEHOLD GROWTH

This section presents the population and household growth projections within the residential market of the proposed PPC – the Cambridge township and surrounding rural area.

The projections assessed in this section are derived from the latest available NIDEA (University of Waikato) Medium and High growth projections. Property Economics has generated interpolated forecasts to 2052 based on these projections.

NIDEA Projections are used for a number of reasons, including:

- These are the latest projections that have included the most recent information for a greater level of accuracy.
- These projections, particularly the High growth scenarios, as Property Economics understands, are being adopted by Future Proof Partners Councils as part of their HBA processes under their NPS-UD obligations.
- These projections have detailed household data that is not projected by Stats NZ.

The figure on the next page show the population and household estimates and projections of the identified catchment area. Based on Stats NZ's latest estimates, the residential market of the proposed PPC has an estimated current (2024) population base of just over 26,000 people. This is a cumulative +15% increase in population or a nominal growth of around +560 people per annum over the last six years, representing a continuing expansion of the PPC's residential market.

The growth in population equates to a +20% increase in households from 8,680 households in 2018 to around 10,430 households in 2024. This represents growth of around +1,750 households within the catchment over the same timeframe, or an increase of +290 households per annum over the last six years.

For comparison, another major urban area in the district, Te Awamutu, experienced a +9% increase in population and an 11% increase in households over the same period. In contrast, as shown above, the Cambridge catchment saw significantly higher growth rates, with a +15% rise in population and a +20% increase in households. This highlights that the Cambridge catchment is growing at a much faster pace than other urban areas within the district.

As Property Economics understands, the NIDEA High series household projections are an agreed input to the Future Proof HBA to reflect the high growth of the partner districts. For consistency, the following economic analysis is based on the NIDEA High growth scenario.

Under the NIDEA High growth scenario, the population of the catchment is expected to grow to approximately 37,540 people by 2054, equating to a +44% (or +11,530 people) growth above the 2024 population base.

The catchment is forecast to have approximately 14,580 households by 2054 under the same High growth scenario, representing growth of around 4,150 households above the current

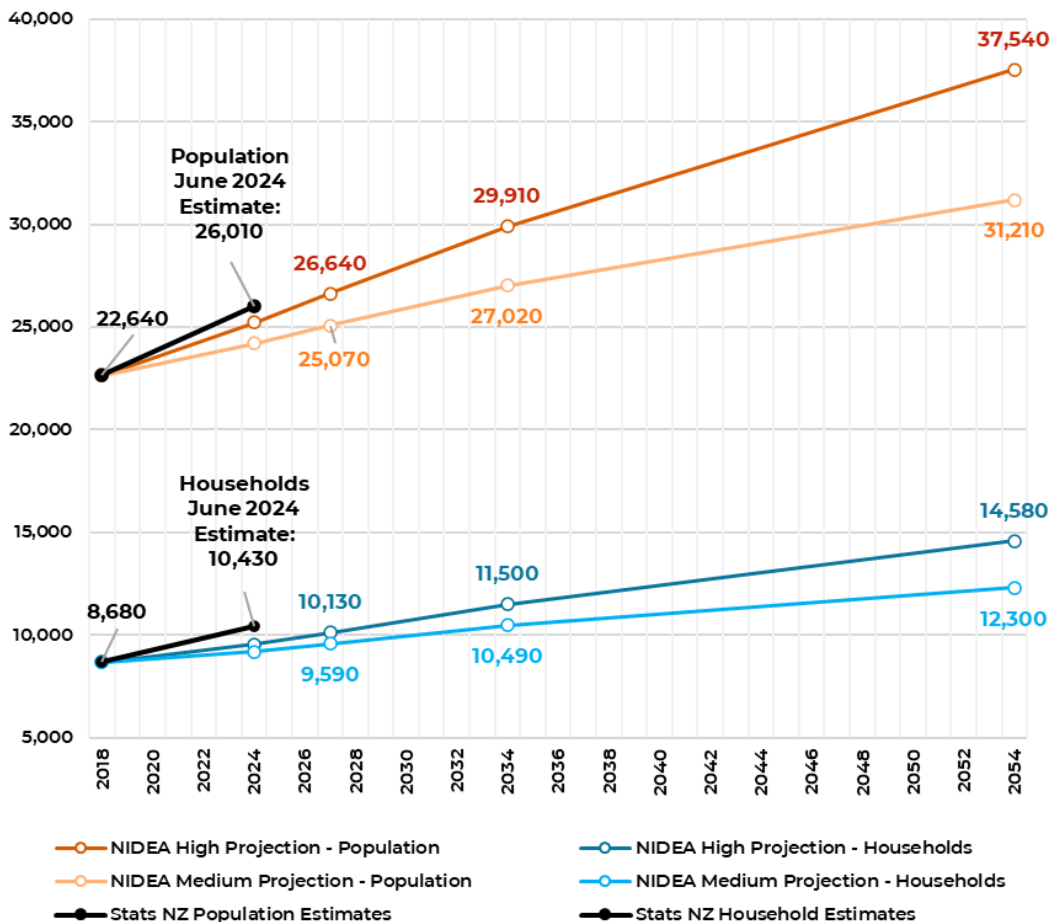
(2024) household base. This suggests that the catchment would require net additional 4,150 dwellings (or equivalently 138 dwellings per annum) on a one dwelling per household basis to accommodate the anticipated population growth over the next 30 years.

The NIDEA Medium growth scenario offers a more conservative forecast, suggesting that the population of the catchment would be approximately 31,210 people by 2054, equating to 12,300 households. Applying the one household per dwelling ratio suggests that the catchment would require additional 1,870 dwellings by 2054.

It is worth noting that the current population of the catchment has already exceeded NIDEA's High projection by approximately 3.1%, or around 780 people. More significantly, in terms of households - an indicator more directly relevant to residential market demand - the catchment contains approximately 890 more households than projected under the NIDEA High scenario.

These differences reinforce that the catchment is growing at a noticeably faster pace than anticipated, highlighting the need for residential capacity to be provided in a timely and efficient manner to meet the increasing and diversified demands of the local community.

FIGURE 4: CAMBRIDGE POPULATION AND HOUSEHOLD GROWTH FORECASTS



Source: University of Waikato, Stats NZ, Property Economics

7. RESIDENTIAL DEMAND AND SUFFICIENCY

This section reviews at a high-level the forecast residential demand and sufficiency in the local and wider district market through to 2050 based on the HDCA 2023. This assists in understanding the economic impacts of the proposed PPC to provide for additional capacity before 2035 in the context of RMA and NPS-UD, considering the recent residential market trends in Cambridge and the wider district.

8.1 HDCA 2023 RESIDENTIAL SUFFICIENCY OF CAPACITY ESTIMATES

The Future Proof Partners HDCA 2023 provides an updated sufficiency 'state' of the Waipā residential capacity with the application of the MDRS and relevant Qualifying Matters, as a result of the notified PC26 zoning and provisions. The estimated results for the Cambridge local market are presented in the table below, based on the figures presented in Tables 9-1, 9-2 and 9-3 of the HDCA 2023.

TABLE 1: DWELLING CAPACITY AND SUFFICIENCY IN WAIPĀ MAIN URBAN AREAS

Waipā District Overall	CURRENT PRICES SCENARIO			MARKET GROWTH SCENARIO
	Short Term 2022-2025	Medium Term 2022-2032	Long Term 2022-2052	Long Term 2022-2052
Additional Demand + Margin	1,300	3,500	9,400	9,400
Plan-enabled Capacity	18,100	42,000	48,500	48,500
Infrastructure Served Capacity	18,100	42,000	48,500	48,500
Commercially Feasible Capacity	2,300	7,000	10,700	29,700
RER Capacity	900	4,100	7,900	19,100
Net Sufficiency	-410	600	-1,600	9,700

Source: HDCA 2023 (Tables 9-1, 9-2, and 9-3). Note that the figures are sourced from the HDCA 2023 and due to rounding issues, the resulting net sufficiency figures do not entirely match the difference between 'Additional Demand + Margin' and 'RER Capacity'.

Note that according to the HDCA 2023, notified PC26 zoning and provisions are applied to the medium term (2026-2032) assessment. For the long term (2033 to 2052), notified PC26 zoning and provisions are applied together with the additional growth cell residential areas (e.g., C5 Growth Cell) that have a deferred zoning status.

In addition, residential capacity has been modelled against two scenarios in the HDCA 2023. The first scenario applies current (2022) prices and assumes that the feasible capacity across the current and future urban area reflects the current (2022) market and remains constant through time. The second scenario assumes an annual average growth rate of +1.5% in costs and 2.5% in prices (including the price of land).

Furthermore, the 'Additional Demand' figures in the table below are based on NIDEA's 2021 High series projection, which has not been updated to account for recent market trends. As

previously shown, the catchment's practical population has already exceeded NIDEA's High projection by approximately 3% as of 2024. This suggests that the residential demand forecast in the HDCA 2023 is likely underestimated if the district's recent growth trajectory continues, particularly in the short to medium term.

Overall, the wider district's main urban areas (i.e., Cambridge, Te Awamutu, and Kihikihi) have a small projected shortfall in capacity in the short term where demand exceeds the projected reasonably realised (**RER**) capacity by around 410 dwellings. According to the HDCA 2023, only a small portion (around 5%) of the capacity enabled under the ODP provisions is estimated to be currently feasible due to recent changes in market conditions. This reduces the RER capacity, resulting in a short-term projected shortfall in the wider district.

In the medium term, the capacity substantially increases with the application of the PC26 intensification provisions, resulting in a surplus of around 600 dwellings at the district wide level, under the current prices scenario. This medium-term surplus is anticipated to be smaller if a market growth scenario was applied.

In the long term, there is a large projected surplus in capacity of around 9,700 dwellings at the district level under the market growth scenario. This occurs due to a combination of further greenfield areas being live zoned in the long-term and an increased range of intensification opportunities becoming commercially feasible within the existing urban area. If the market is held constant under the current prices scenario, then there is a projected shortfall of around 1,600 dwellings.

Importantly, the significant differences in the two scenarios mean that the scenario that would result in sufficient capacity would require a significant increase in house prices both over the medium and long term which are higher than the height of the property market in 2022⁶. This approach requires that the market experience these prices rises (and the subsequent impacts on Waipā housing affordability) to achieve sufficiency regardless of market factors experienced.

Given the above, Property Economics consider that the HDCA 2023 capacity modelling raises material concerns regarding relying on a scenario that has the potential to require an adverse impact on affordability (a primary objective of the NPS-UD being to improve affordability) to meet future sufficiency.

Under the scenario where prices are indexed to higher 2022 prices the modelling illustrates a noticeable shortfall in RER capacity. It is therefore prudent that within this environment, there is an economic position that supports the advancement of the C5 growth cell pre-2035.

The following table presents the dwelling capacity sufficiency estimates for the Cambridge market. Under the current prices scenario, Cambridge is projected to experience significant residential capacity shortfalls over the medium and long terms. Specifically, by 2032, the

⁶ Based on house price data from REINZ, Waipā District's average house price reached a record high at around \$917,200 in May 2022. The average house price of the district over the last 2 years have remained relatively constant at around \$870,000, a 5% lower when compared to the peak in 2022.

shortfall is estimated to reach approximately 170 dwellings. By 2052, this deficit is expected to increase substantially, reaching around 2,200 dwellings under the same scenario.

In contrast, the market growth scenario projects a sizeable surplus in capacity, driven by increased feasibility for higher development densities in greenfield areas. However, as previously noted, this scenario depends on a significant increase in current (2022) prices to enhance development feasibility and expand dwelling supply, thereby improving capacity sufficiency. While theoretically resolving capacity shortfalls, this approach would likely exacerbate housing affordability challenges and introduce significant market uncertainty.

In the current prices scenario, the modest increases in long-term capacity are exclusively attributed to the spatial expansion of infrastructure-served greenfield areas, with no adjustments for changes in market conditions or densities.

TABLE 2: CAMBRIDGE RESIDENTIAL SUFFICIENCY OF CAPACITY FORECASTS

	CURRENT PRICES SCENARIO			MARKET GROWTH SCENARIO
	Short Term 2022-2025	Medium Term 2022-2032	Long Term 2022-2052	Long Term 2022-2052
Cambridge				
Additional Demand + Margin	700	2,300	5,800	5,800
Plan-enabled Capacity	9,500	21,700	25,500	25,500
Infrastructure Served Capacity	9,500	21,700	25,500	25,500
Commercially Feasible Capacity	2,300	4,800	6,200	17,800
RER Capacity	800	2,100	3,600	10,400
Net Sufficiency	200	-170	-2,200	4,600

Source: HDCA 2023 (Tables 9-1, 9-2, and 9-3).

In Property Economics' view, since the current (2022) prices considered are already at elevated levels, the market growth scenario is less applicable as affordability constraints could hinder the realisation of the projected future capacity.

While incorporating market growth would significantly increase the feasible and RER capacity in Cambridge and the wider district, linking future residential markets to the record-high price levels of 2022 would further exacerbate local housing affordability challenges and diminish the market's ability to effectively meet the community's needs.

From an economic perspective, the outcomes of the HDCA 2023 highlight the considerable sensitivity of the estimates and scenarios, indicating that small variations in key factors - such as price growth assumptions, income trends, or demand elasticity - could result in disproportionately large effects on capacity and feasibility projections.

7.2. DISTRICT SUFFICIENCY OF CAPACITY BY HOUSING TYPOLOGY

This subsection evaluates the projected sufficiency of the district's residential capacity by location and dwelling type (i.e., detached houses, attached dwellings, and apartments), based on the outcomes of the HDCA 2023.

The tables below indicate an overall shortfall in detached and attached dwellings within Cambridge and the wider district, contrasted with a surplus in apartments due to available feasible capacity in the short term.

Over the medium term, the projected shortfall in detached and attached dwelling capacity in Cambridge is expected to grow further, reaching approximately 600 dwellings cumulatively. Consequently, the overall residential capacity of the Cambridge market is anticipated to fall short over the medium term, consistent with the estimates outlined in Table 2.

Given these projections, the proposed PPC would contribute positively to the local residential market by providing additional capacity across different locations and housing typologies, aligning with the evolving demand profile.

TABLE 3: MEDIUM-TERM SUFFICIENCY BY LOCATION AND TYPOLOGY – CURRENT PRICES SCENARIO

Short-Term: 2025

LOCATION	Demand + Margin				RER				Net Sufficiency			
	Detached	Attached	Apartments	Total	Detached	Attached	Apartments	Total	Detached	Attached	Apartments	Total
Cambridge	400	200	70	700	300	70	400	800	- 30	- 200	400	200
Te Awamutu	400	30	10	400	10	-	-	10	- 400	- 30	10	400
Kihikihi	200	10	-	200	10	-	-	10	- 200	- 10	-	200
Total Main Urban	900	300	80	1,300	400	70	400	900	- 600	- 200	300	400

Medium Term: 2032

LOCATION	Demand + Margin				RER				Net Sufficiency			
	Detached	Attached	Apartments	Total	Detached	Attached	Apartments	Total	Detached	Attached	Apartments	Total
Cambridge	1,200	800	300	2,300	1,000	400	600	2,000	- 200	- 400	300	200
Te Awamutu	900	90	20	1,000	2,000	-	-	2,000	1,100	- 90	20	1,000
Kihikihi	300	10	-	300	80	-	-	80	- 200	- 10	-	200
Total Main Urban	2,400	900	300	3,500	3,100	400	600	4,100	700	- 500	300	600

Source: HDCA 2023 (Tables 6-54 and 6-55).

7.3. IMPLICATIONS ON THE PROPOSED PPC IN NPS-UD CONTEXT

NPS-UD provisions are prepared to establish objectives and policies for matters of national significance relevant to achieving the purpose of the RMA. All District and Regional Plans are to give effect to NPS-UD in their plans and policies to respond to changes in demand by allowing denser housing in areas where people want to live, that are well-connected to jobs, transport, and community facilities.

Policy 8 is particularly relevant to the proposed PPC as it states:

“Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is:

- (a) unanticipated by RMA planning documents, or*
(b) out of sequence with planned land release.”

This policy directs that providing capacity is more important (subject to some provisos) than inflexibly adhering to the development sequences in planning documents.

These objectives and policies provide support for the proposed PPC as they emphasise the importance of increasing development capacity, supporting additional competition, encouraging choice of housing types and locations, and responding to opportunities even when the sequence and timing of development does not match the assumptions in the planning documents. The emphasis is one of erring on the side of more capacity rather than less capacity.

As such, Property Economics considers that expediting the C5 growth cell gives effect to these objectives and policies and is consistent with these NPS-UD provisions. Sufficiency of capacity can be met with advancement of the identified C5 growth cell.

However, rezoning the adjoining rural land is not expected by WDP and Waipā 2050 and therefore is likely to give rise additional cost to the Council and community in relation to the additional infrastructure servicing requirement and cost and the loss of rural productive land.

Considering that the developer will be responsible for covering infrastructure costs prior to 2035 subject to an IWA, the need for further on-site infrastructure required to support the proposed development is not deemed significant enough to hinder the development's feasibility.

The assessment of the impact on productive land will be discussed in detail later in this report.

8. IMPACTS ON PRE-2035 RESIDENTIAL GROWTH CELLS

The proposed PPC is likely to have some impacts on the development of other growth cells in the receiving environment, particularly the residential cells that are to be developed before 2035. This section addresses this economic query by identifying the development status of these pre-2035 residential growth cells and providing some high-level commentary on the level of development risks associated with these cells due to the proposed PPC.

The map below shows the extent and development sequencing of the identified growth cells in Cambridge. The areas coloured Dark Green are identified to be developed by 2035 with the remainder of the growth cells (coloured Gold) to be developed beyond 2035. Noting that these areas include the blocks to be used for both residential and industrial purposes.

FIGURE 5: CAMBRIDGE GROWTH CELLS SEQUENCING



Source: WDC

Most pre-2035 residential growth cells are located on the northern and western edge of the Cambridge township, including Cambridge North, C1, C2 & C3, C4 and C6 with a cumulative land area of approximately 536ha. It is expected that these pre-2035 residential growth cells would provide a total yield of over 5,900 new dwellings to the Cambridge local market.

The following table outlines the estimated land area and expected yield of each of these pre-2035 residential growth cells.

TABLE 4: SUMMARY OF BEFORE-2035 RESIDENTIAL GROWTH CELLS

Growth Cell Name	Land Area (ha)	Expected Yield (Dwellings)
Cambridge North	87	1,044
C1	46	528
C2 & C3	284	3,400
C4	66	790
C6	53	160
TOTAL	536	5,922

Source: WDC

According to WDC, there are some projects underway within these pre-2035 growth cells:

- The Summerset Retirement Village and Health Hub in Cambridge North.
- The C1 growth cell is in the planning stages and the key infrastructure is not yet established.
- WDC has approved a resource consent for 3Ms of Cambridge Limited, within the C2 growth cell. This will bring a new residential area, retail, parks, roads, and a primary school to Cambridge, located close to the Velodrome.
- The C3 growth cell is currently in the master-planning stage.
- WDC is working alongside the developer for C4 in Leamington on three waters infrastructure and the subdivision consents have been granted.

Given that most cells are in the early planning stages, the level of economic risk associated with the proposed PPC would primarily be inadequate infrastructure capacity and the likelihood of reducing the committed infrastructure investment made by WDC to support the pre-2035 residential growth areas.

To provide a context, some of the cornerstone projects as identified in the Long-Term Plan 2021 – 2031 (LTP) to unlock Cambridge future residential areas include:

- Cambridge wastewater treatment plant - \$100.2m
- Further development in Cambridge C1 growth cell - \$21.8m

- Cambridge development in C2 & C3 growth cells - \$148.1m

There is no planned investment for the post-2035 growth cells in the LTP given their proposed sequencing. As such, to facilitate the delivery of the proposed development before 2035, additional investment in providing for infrastructure capacity in and around the proposed PPC site would be required, which includes transportation servicing, three waters, waste disposal, community services, parks, and reserves, etc.

However, as mentioned earlier, the proposed development will be cost-neutral to Council given that the developer will bear direct infrastructure costs pre-2035. This means that expediting C5 and rezoning the rural extent of the site would have limited potential to reduce the committed investment to support the pre-2035 growth cells or increase the Council's debt status over the LTP planning period (i.e., 2021 – 2031).

While the additional capacity provided by the proposed PPC would also increase residential market competition (a negative factor from the investors perspective), this is not considered as an adverse impact on the current environment as it would create significantly additional and distinguished housing location, typology and price point choice plus upgraded infrastructure and additional amenities (e.g., reserves, cycleways, walkaways, etc).

Furthermore, given the higher-than-anticipated growth of the local residential base, any potential adverse effects of the proposed PPC on the local market - such as impacts on the development potential of other pre-2035 growth cells – would be mitigated by future market expansion. In considering this growth profile and the projected shortfall in residential capacity in the Cambridge market over the medium term (by 2032), Property Economics considers that there would be no sustained impacts of the proposed PPC on the pre-2035 residential growth cells from an economic perspective.

9. NPS-HPL LOSS OF PRODUCTIVE LAND

10.1 POLICY CONTEXT

The NPS-HPL⁷ come into effect on 17 October 2022. This policy aims to provide direction to improve the way highly productive land is managed under the RMA through clear and consistent guidance to councils on how to map and zone highly productive land and manage the subdivision, use and development of this non-renewable resource.

As defined by NPS-HPL, “*highly productive land*” is in a general rural zone or rural production zone that is predominantly Land Use Capability Class (LUC) 1, 2 or 3 and forms a large and geographically cohesive area. In the transitional period, until a regional policy statement containing maps of highly productive land is operative, each territorial and consent authority is to refer to land zoned general rural or rural production and with a LUC 1, 2 or 3 as highly productive land (Clause 3.5(7)).

Note that the NPS-HPL does not apply to land “*identified for future urban development*”, which is defined to cover land suitable for commencing urban development over the next 10 years, where identified in a strategic planning document.

Around 46% of the PPC site forms part of the C5 Growth Cell in the WDP which is anticipated for development from 2035 onwards. By the time it is likely to be operative, it will fall within the period of the “next 10 years” when assessed against the 2035 timeframe in the WDP for the C5 Growth Cell. In this context, the NPS-HPL would not apply to the C5 part of the PPC site.

Property Economics is also aware of the Environment Court’s recent decision on Auckland Private Plan Change 73: O’Hara, Waiuku⁸. This decision offers valuable insights into the NPS-HPL interpretations related to development on highly productive land.

In particular, Paragraphs 13-14 of this Environment Court decision state that:

“[13] The NPS-HPL provides for certain exceptions to the use of land containing elite and prime soils for residential purposes. To be clear, this Court agrees that such exceptions should be applied strictly, and all sub-requirements must be met in order that the application meets the necessary tests.

[14] Nevertheless, we have concluded, for the reasons which we will go into in some particular detail, that the tests are not intended to exclude all development on elite and prime soils, and that where a proper exception is established, an allowance should be made on a reasonable basis.”

⁷ National Policy Statement for Highly Productive Land 2022

⁸ Decision [2025] NZEnv 058

In practical terms, this suggests that new developments on highly productive land could still proceed if there is clearly demonstrated compliance with the specific exceptions outlined in the NPS-HPL. In Property Economics' view, this signals a case-by-case approach where qualifying developments may be permitted in well-justified circumstances.

Accordingly, Property Economics has undertaken the following HPL assessment for the rural-zoned portion of the PPC site (circa 52ha), evaluating it against Clause 3.6, "Restricting Urban Rezoning of Highly Productive Land," under the NPS-HPL.

Clause 3.6(1) states that Tier 1 (e.g., Waipā District) and 2 territorial authorities may allow urban rezoning of highly productive land only if:

- (a) The urban rezoning is required to provide sufficient development capacity to meet demand for housing or business land to give effect to the National Policy Statement on Urban Development 2020; and*
- (b) There are no other reasonably practicable and feasible options for providing at least sufficient development capacity within the same locality and market while achieving a well-functioning urban environment; and*
- (c) The environmental, social, cultural and economic benefits of rezoning outweigh the long-term environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values.*

Clause 3.6(2) states that in order to meet the requirements of subclause (1)(b), the territorial authority must consider a range of reasonably practicable options for providing the required development capacity, including:

- (a) Greater intensification in existing urban areas; and*
- (b) Rezoning of land that is not highly productive land as urban; and*
- (c) Rezoning different highly productive land that has a relatively lower productive capacity.*

Clause 3.6(3) defines that development capacity is within the same locality and market if it:

- (a) Is in or close to a location where a demand for additional development capacity has been identified through a Housing and Business Assessment (or some equivalent document) in accordance with the NPS-UD 2020; and*
- (b) Is for a market for the types of dwelling or business land that is in demand (as determined by a Housing and Business Assessment in accordance with the NPS-UD 2020).*

Clause 3.6(5) states that:

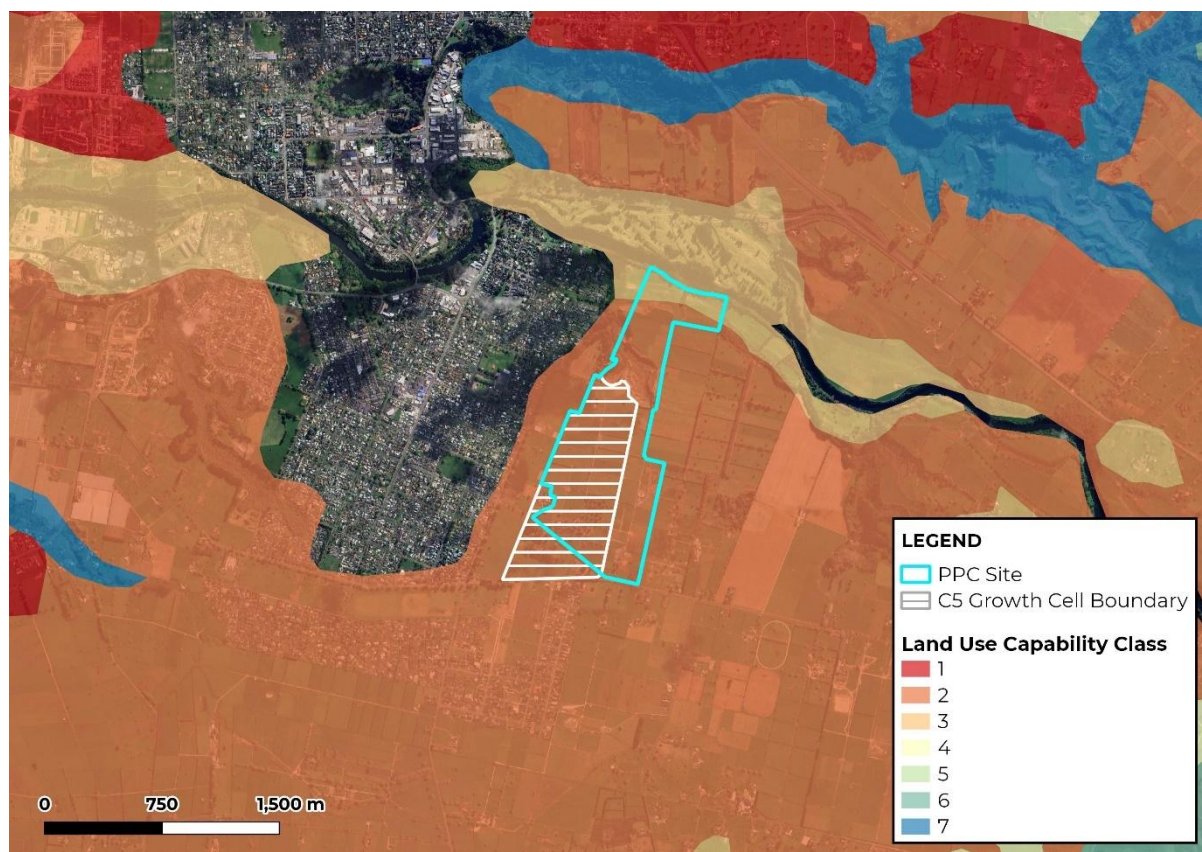
- (5) Territorial authorities must take measures to ensure that the spatial extent of any urban zone covering highly productive land is the minimum necessary to provide the required development capacity while achieving a well-functioning urban environment.

It is within this policy context that the economic cost of productive land loss due to the rural extent of the proposed PPC site is assessed in the following analysis.

10.2 HPL STATUS OF THE PPC SITE AND ITS SURROUNDS

The following figure outlines the productive land status of the land in and around the proposed PPC site based on the NZLRIS⁹ LUC classification. This shows that the rurally zoned extent of the PPC site is currently registered as a mix of LUC Class 2 and 3 soil: “Land with slight to moderate limitations for arable use and suitable for cultivated crops, pasture or forestry”.

FIGURE 6: LAND USE CAPABILITY STATUS OF THE PPC SITE



Source: LRIS, Google Maps. Note: Areas with no LUC identified are urban environments.

⁹ The New Zealand land Resource Inventory (NZLRI)

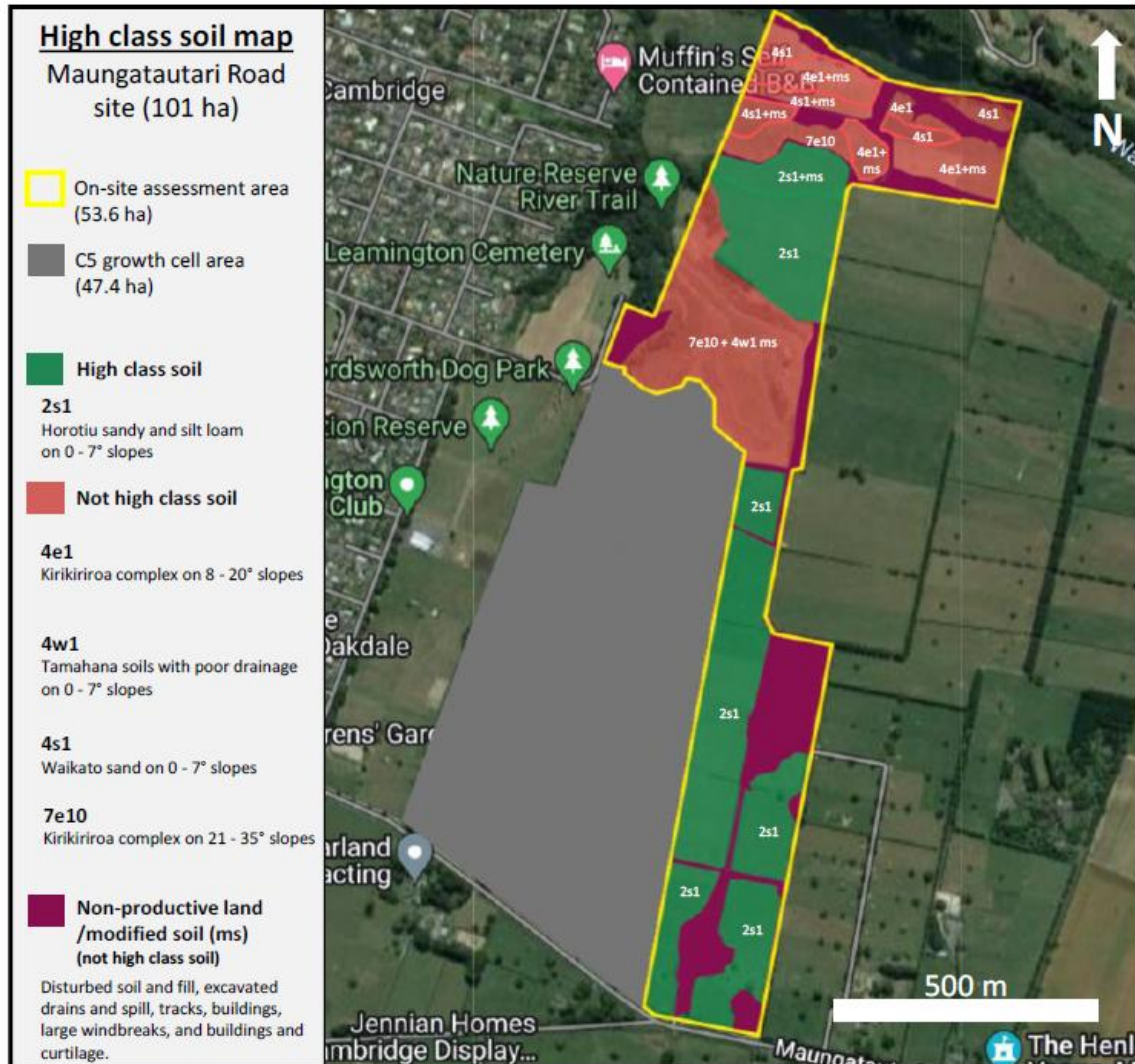
The Soil and Land Use Capability Classification Assessment undertaken by LandSystems¹⁰, concluded the following:

- *“The upper surface has predominantly Horotiu soils (predominantly silt loam) on flat to undulating slopes with some small areas with moderately well and imperfectly drained soils present (LUC 2s1)” (page 12).*
- *“the LUC 4s1 and 4e1 areas have soils with very low water holding capacity and are prone to drought. Their loamy sand and sand texture means they are prone to erosion when cultivated. The risk of erosion increases with increasing slope. Additionally, much of the area had been modified by earthworks and soil disturbance (modified soil)” (page 12).*
- *“The remainder of the assessment area is non-productive land and modified soil areas. Some modified soil areas do contain small areas of high class soil. These areas are isolated from the larger areas of high class soil by modified soil areas and highly fragmented. They are not available to contribute as productive land and have been included with the surrounding modified soil areas” (page 12).*
- *“within the site, there is some highly productive land areas (predominantly LUC 2s1 land closer to Maungatautari Road) that are fragmented by surrounding areas that are not highly productive land (buildings, curtilage and tracks). Individually, these small (<1.0 ha) fragmented areas of highly productive land are not easily useable for intensive primary production. This reduces the productive potential of these highly productive land areas and the site as a whole” (2nd paragraph, page 13).*
- *Furthermore, “the site is bordered the north by the Waikato River, to the west by rural residential development and residential development close by, and to the south by Maungatautari Road. This means that the highly productive land on the site is not easily amalgamated with nearby highly productive land on several property boundaries [relevant to NPS-HPL clause 3.9(3)(a) and mentioned in NPS-HPL clause 3.10(2)(f)]” (3rd paragraph, page 13).*

According to LandSystems' site-specific soil classifications, Property Economics approximates that the area of highly productive soil within the rural extent of the PPC amounts to approximately 21ha.

¹⁰ Soil and Land Use Capability Classification Assessment for: Maungatautari Road Properties, Cambridge 3495, by Reece Hill at LandSystems (11 June 2023).

FIGURE 7: LANDSYSTEMS SOIL ASSESSMENT OF THE PPC SITE



Source: LandSystems

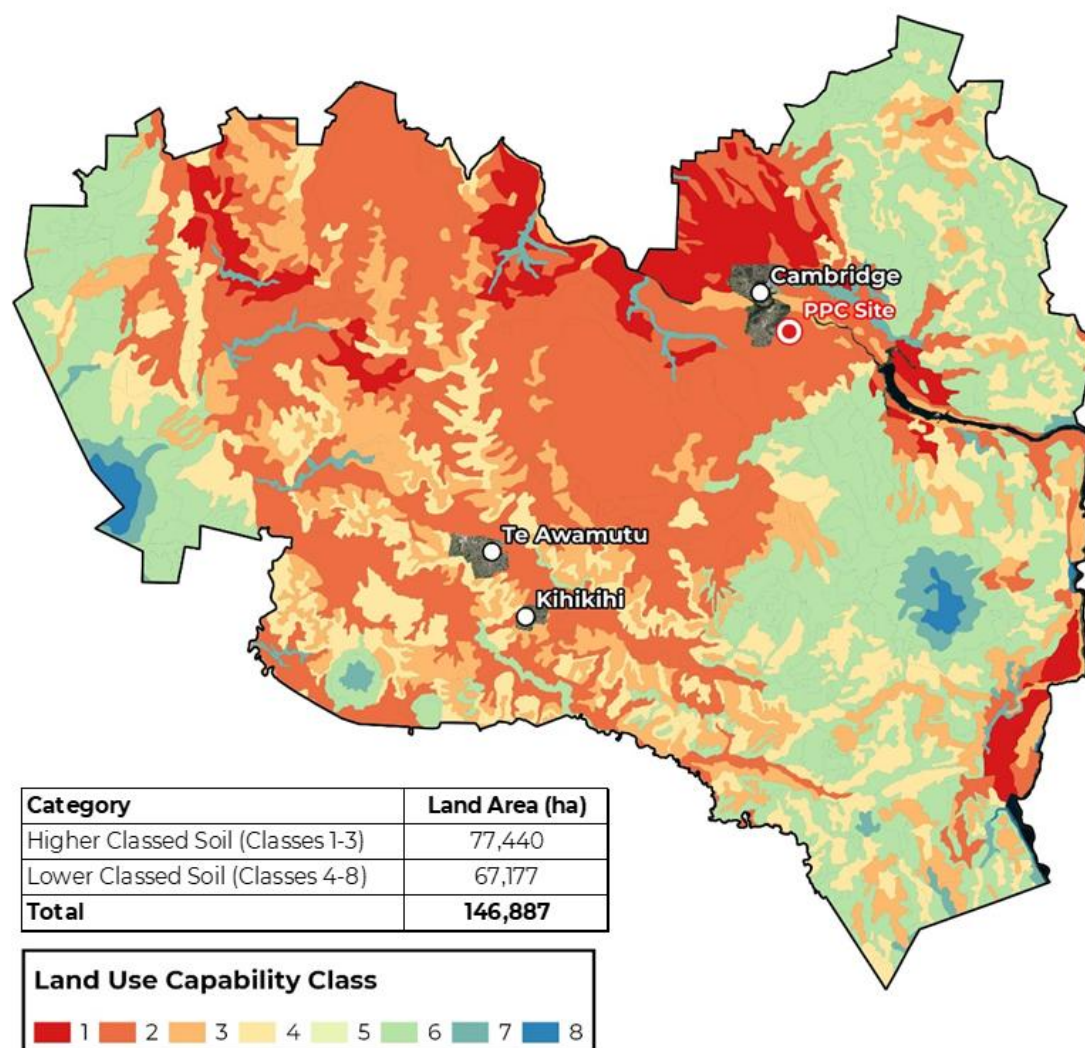
To provide context, based on the LRIS LUC geospatial data and our desktop analysis, the district has approximately 77,440ha of land identified as highly productive land (Classes 1-3), as shown in the figure below. On this basis, the proportion of the modified highly productive land within the rural extent of the PPC, 21ha out of 77,440ha (or 0.027%), is a negligible loss and unlikely to have a detrimental impact on the total level of Waipā's primary production.

For further context, there is 67,200ha on top of the 77,440ha not classed as HPL (Classes 4-8) that provide a significant level of additional rural productive capacity in the district. This means that the district has extensive rural land that could contribute to its agricultural and horticultural production in the future and would not be materially undermined by the utilisation of the PPC land in an efficient residential location.

Moreover, the environs surrounding the established urban area of Cambridge predominantly consist of high-class productive soils. This essentially means that without the loss of some

high-class soils there are very limited options to expand residential supply around the Cambridge township and accommodate the expected high growth by Waipā 2050.

FIGURE 8: DISTRIBUTION OF PRODUCTIVE SOIL WITHIN THE DISTRICT



Source: LRIS, Google Maps. Note: Areas with no LUC identified are urban environments.

10.3 PROVISION OF SUFFICIENT DEVELOPMENT CAPACITY

Under the NPS-HPL Clause 3.6(1)(a), urban zoning is required to provide sufficient development capacity to meet demand for housing land to give effect to the NPS-UD in the district.

As previously outlined, the HDCA 2023 projects that, with the application of the MDRS and relevant qualifying matters, there will be a shortfall in residential capacity within the district's urban areas (Cambridge, Te Awamutu, and Kihikihi) over the short term. By 2025, these areas are expected to require an additional 410 dwellings, with demand rising to approximately 1,600 additional dwellings by 2052.

Similarly, in the Cambridge local market, the HDCA 2023 anticipates a residential shortfall of around 170 dwellings by 2032, which is expected to grow significantly to approximately 2,200 dwellings by 2052 under the current pricing scenario.

These forecasts indicate that enabling the proposed PPC is required to meet housing demand before 2035 and to ensure sufficient development capacity, thereby satisfying Clause 3.6(1)(a).

10.4 ALTERNATIVE LOCATIONS

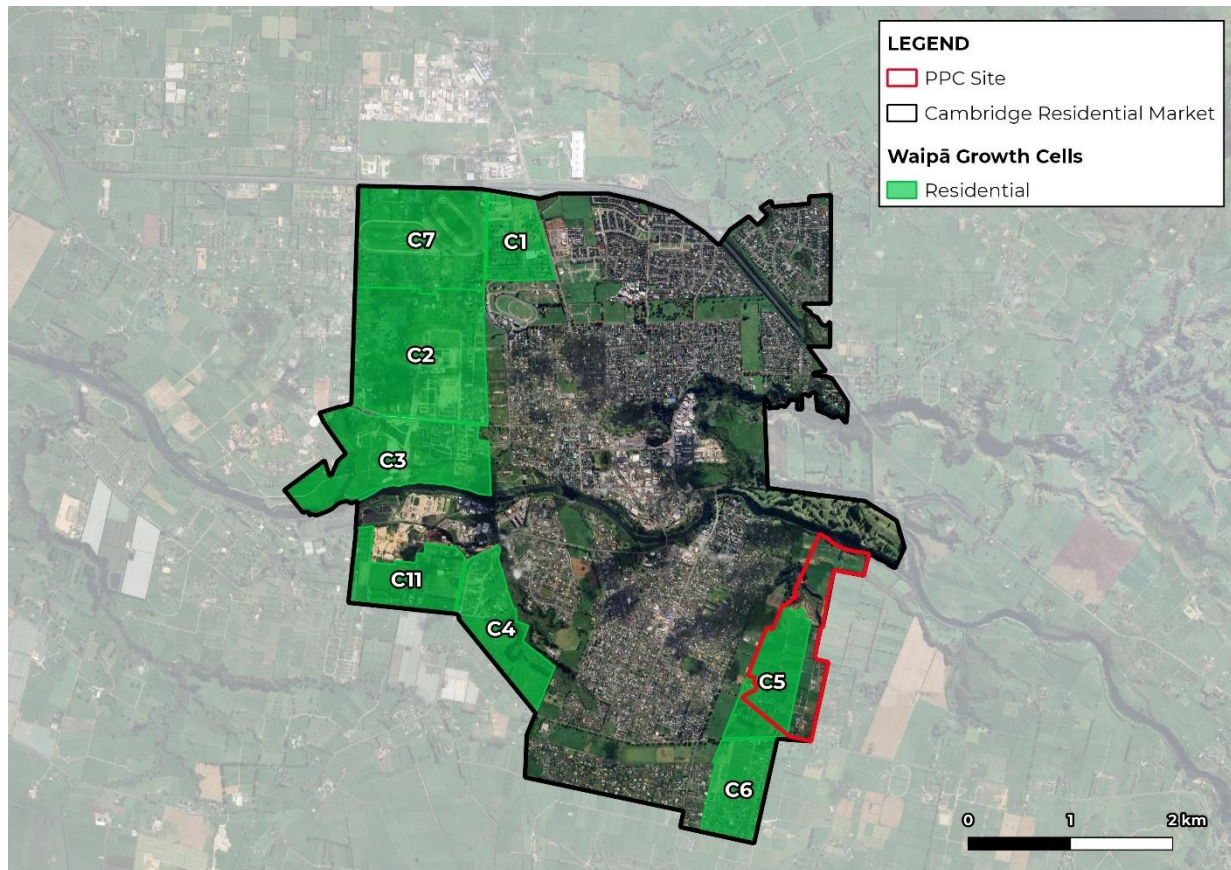
Under subclause 3.6(1)(b), it is required that *“there are no other reasonably practicable and feasible options for providing at least sufficient development capacity within the same locality and market while achieving a well-functioning urban environment”*.

The following analysis therefore aims to provide a high-level economic assessment of alternative sites within the same “locality” or “market” to efficiently accommodate additional residential development, in the context of the NPS-HPL subclause 3.6(1)(b) and 3.6(3). This section also utilises the criteria of subclause 3.6(2)(a) to (c) to evaluate whether the PPC meets the criteria of subclause 3.6(1)(b).

The map provided below delineates the residential market in Cambridge for the purposes of defining the same ‘locality’ or ‘market’ for this aspect of the analysis. The defined area encompasses the existing Cambridge urban area identified by the District Plan Urban Limit and the identified residential growth nodes within the Cambridge market.

The ‘market’ does not extend into the surrounding rural environs for this particular analysis as those areas comprise predominantly lifestyle blocks, rural residential living options and farms. These are not typologies proposed within the proposed development and therefore not considered to represent the same market or locality.

FIGURE 9: EXTENT OF SAME LOCALITY AND RESIDENTIAL MARKET FOR CAMBRIDGE



Source: LINZ, Waipā District Council, Property Economics

Greater Intensification In Existing Urban Areas

Clause 3.6(2)(a) states that to satisfy Clause 3.6(1)(b) the first reasonably practicable option to consider is greater intensification within existing urban areas. The table below illustrates the maximum projected feasible residential development options for all typologies in the existing urban areas, including infill or redevelopment, greenfield areas, and the total area over the short, medium, and long term, as per the modelling outcomes of the HDCA 2023.

The estimated maximum feasible capacity within the Cambridge existing urban area is approximately 2,300 dwellings in the short term, increasing to around 4,900 dwellings over the medium term and approximately 6,300 dwellings over the long term, under the current prices scenario.

In contrast, there are more substantial net increases in the greenfield capacity, which reflects the prevailing development pattern within the Cambridge market. This pattern is likely influenced by existing provisions that favour detached dwellings on full sites.

TABLE 5: CAMBRIDGE MAXIMUM INFILL, REDEVELOPMENT AND GREENFIELD FEASIBLE CAPACITY

Cambridge Commercially Feasible Capacity (Dwellings)	CURRENT PRICES SCENARIO			MARKET GROWTH SCENARIO
	Short Term 2022-2025	Medium Term 2022-2032	Long Term 2022-2052	Long Term 2022-2052
Max Infill	400	1,400	1,700	3,300
Max Redevelopment	1,300	2,200	2,400	7,900
Max Infill or Redevelopment	1,600	3,100	3,400	8,600
Max Greenfield	700	1,800	2,900	9,200
Max Existing Urban and Greenfield	2,300	4,900	6,300	17,800

Source: HDCA 2023 (Tables 5-21, 5-23, and 5-25).

Based on the HDCA assessment, Property Economics calculates that at least 74%¹¹ of the commercially feasible urban capacity - or the maximum potential for infill and redevelopment - would need to be realised to meet the projected housing demand by 2032 if no additional greenfield capacity were provided in the Cambridge market.

Drawing from Property Economics' professional experience nationwide, this represents an unrealistically high ratio with a very low likelihood of being achieved. In fact, the HDCA 2023 estimates the realisation rate of commercially feasible capacity at approximately 44%¹² in Cambridge over the medium term.

Therefore, relying solely on intensification within existing urban areas would be insufficient to meet future housing demand in the Cambridge local market.

Furthermore, as outlined in the Waipā 2050 Growth Strategy, "while higher density infill development is expected in some parts of Cambridge, it is considered prudent to provide for adequate greenfield development areas within which the development market can operate. On this basis, land supply for greenfield development will not be restricted as a means of promoting higher density development within the existing urban areas" (Page 31).

Therefore, while intensification through infill and redevelopment could potentially provide additional housing capacity within the Cambridge market and offer alternative locations for

¹¹ As previously indicated, the HDCA projects that additional housing demand, including the margin, will reach approximately 2,300 dwellings in the Cambridge market by 2032. With an estimated maximum infill and redevelopment capacity of around 3,100 dwellings by that time, achieving the sufficient supply would require realising 74% of the commercially feasible urban capacity - an exceptionally high rate - if no additional greenfield capacity is provided.

¹² i.e., the RER capacity for Cambridge over the medium term equates to 2,100 dwellings out of the commercially feasible capacity of 4,800 dwellings, as outlined earlier in Table 2.

the proposed residential development within the existing urban area, it is important to consider that not all of the feasible capacity may be available for development in the market, especially over the short to medium term.

On the other hand, developing infill areas requires private landowners to have the requisite capital (or access to such finance), motivation, capability, and willingness to take the respective risks to complete development. Coupled with the high level of process uncertainty and development costs associated with infill and redevelopment, the PPC site is considered as an appropriate greenfield location to accommodate the expected market demand.

Furthermore, given that the C5 portion of the PPC site has already been identified as suitable for future residential development, the rural zoned component of the site would represent an efficient 'plug in' extension of the growth node and offer a more appropriate location than other potential greenfield sites located outside the identified residential growth cells in the Cambridge market.

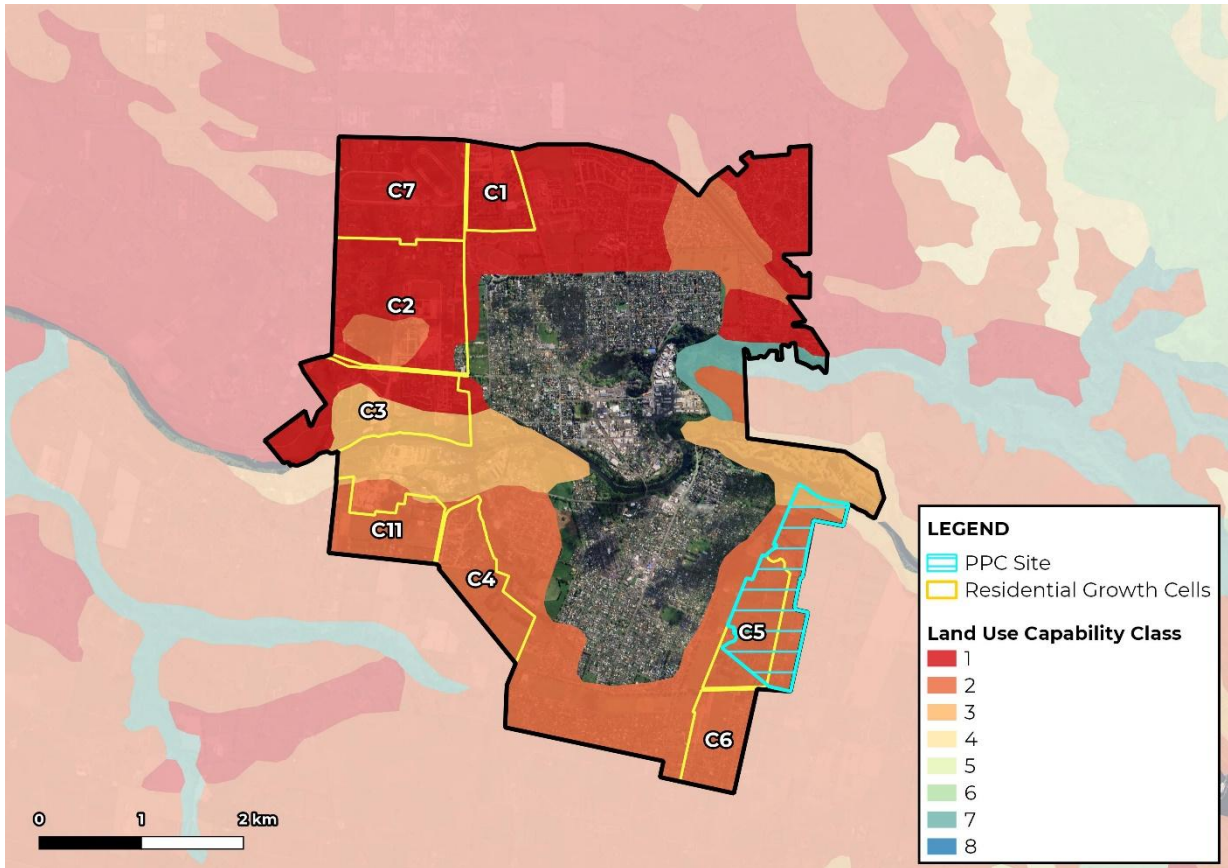
Rezoning of Land That Is Not Highly Productive Land as Urban

Subclause 3.6(2)(b) states that to meet the requirements of subclause (1)(b), the territorial authority must consider rezoning of land that is not highly productive land as urban.

The following map illustrates the LUC status of land within the identified Cambridge market. It is evident that the Cambridge market and its surrounding environs predominantly consist of high-class soils under the LUC system.

However, there is one exception within the identified Cambridge market, situated immediately east of Carter's Flat, which is currently designated as Reserve under the District Plan and is encircled by streams and steep-sided gullies. Despite having significantly lower-class soil (LUC 7), this piece of land is not considered a feasible and practical option for accommodating the additional residential supply required in Cambridge.

FIGURE 10: SOIL CLASS IN AND AROUND THE IDENTIFIED CAMBRIDGE MARKET



Source: WAIPĀ DISTRICT COUNCIL, LRIS, Google Maps.

Even when considering alternative growth areas located further away from the PPC site but still within the growth cells, the use of these areas would still involve the consumption of high-class soils. In essence, without the utilisation of some high-class soils, it would be virtually impossible to accommodate the projected dwelling requirement in the identified growth cells. Consumption of some high-class soils is inevitable for Cambridge to grow and accommodate future demand outlined in Waipā 2050.

For instance, if growth cell C7, spanning around 125ha of land, were utilised or extended instead of the PPC site, there would be a significant loss of even higher-class productive land compared to the PPC site, given C7's Class 1 status,

Similarly, another post-2035 growth cell, C11, situated west of C4, shares a similar surrounding environment with the PPC site. Both areas feature Class 3 soil, suggesting that C11 does not offer a distinct advantage over the PPC site in terms of preserving productive land.

Furthermore, the closest non-highly productive soil area to the PPC site is situated to the southwest of the Karapiro settlement. This land is approximately 4km away (travel distance) from the PPC site, making it geographically distinct from the PPC site's immediate vicinity / locality. Given its relatively remote proximity to the Cambridge Township, selecting this site as

an alternative location for the proposed development would not contribute to the creation of a well-functioning urban environment.

In light of this analysis, Property Economics considers that rezoning land classified as non-highly productive is not a reasonably practicable option for providing additional residential supply relative to the PPC site.

Crucially, as demonstrated earlier in the soil assessment conducted by LandSystems, the proposed rural zone extension of the subject site (beyond C5) primarily consists of non-highly productive soil, with only a small, isolated pocket of highly productive land that is too small to form a viable productive unit.

Consequently, rezoning the PPC site for urban residential development would not adversely affect the primary production capacity of the Cambridge market or the broader district.

Rezoning Different Highly Productive Land That Has a Relatively Lower Productive Capacity

Section 3.6(2)(c) states that to meet the requirements of subclause (1)(b), the territorial authority must consider rezoning different highly productive land that has a relatively lower productive capacity.

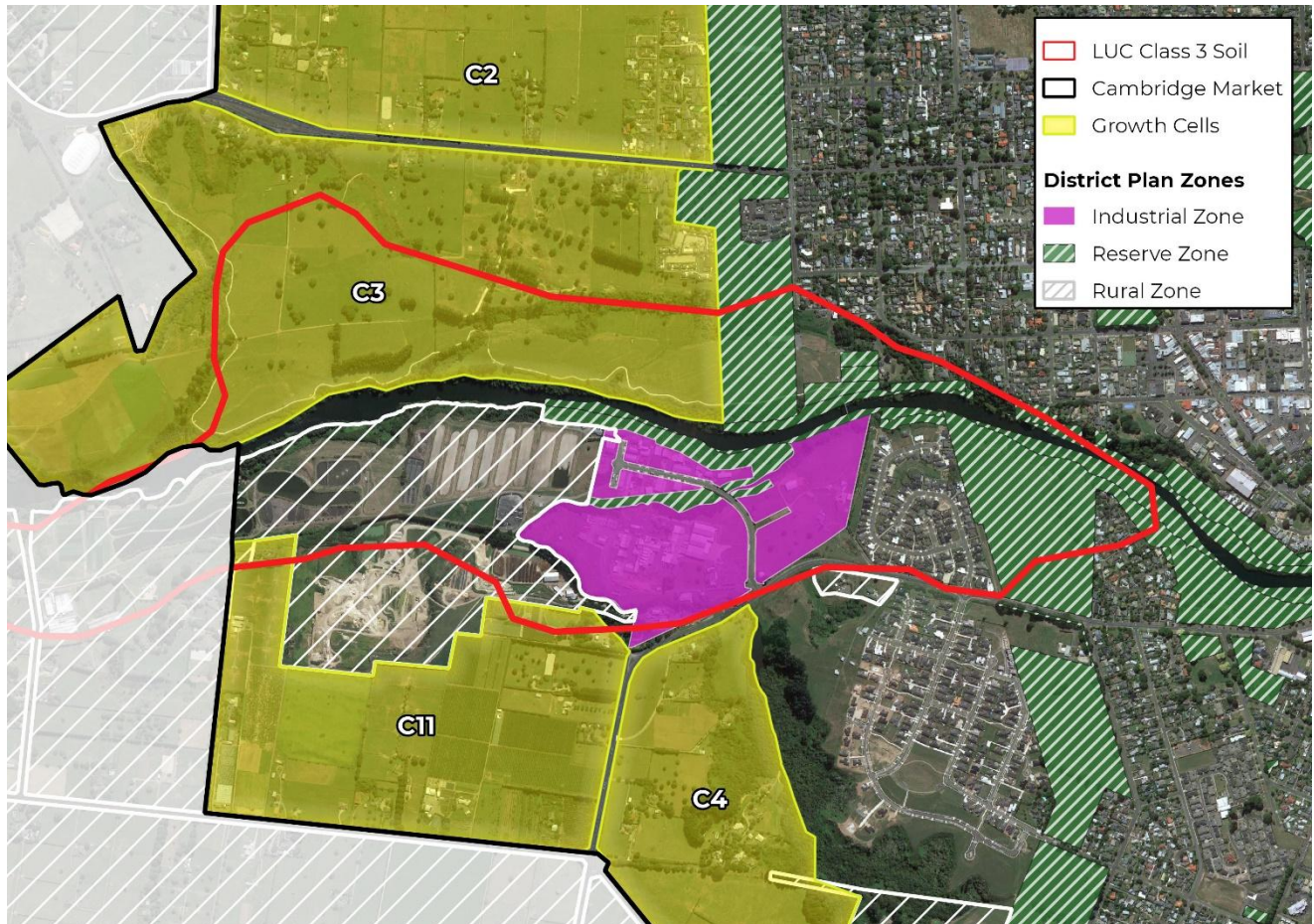
Aside from the Class 7 soil situated to the east of Carter's Flat, there are parcels of land characterised by relatively lower productive soil classes under the LUC system.

The first piece of Class 3 soil is positioned between growth cell C3 and C11, immediately to the south of the Waikato River, as illustrated in the figure below. However, it's essential to note that the eastern portion of this site has already undergone development, greatly limiting the practical potential of providing additional residential supply in this area.

Given its direct adjacency to the existing Industrial Zone, a significant portion of the rural land in this vicinity is allocated for light industrial purposes, housing facilities such as Inghams, EnviroWaste Transfer Station, Storage King, K&S Freighters, wastewater treatment plant, among others. Furthermore, some primary sector activities are also present within the Rural Zone, bordering the industrial land, including plant nurseries, crop growers, and cattle feeding operations.

As a result, the remaining vacant and developable portion of this Class 3 soil consists of a few small and isolated rural blocks. These blocks are insufficient in size to efficiently accommodate significant residential development and therefore do not offer a more viable alternative compared to the PPC site.

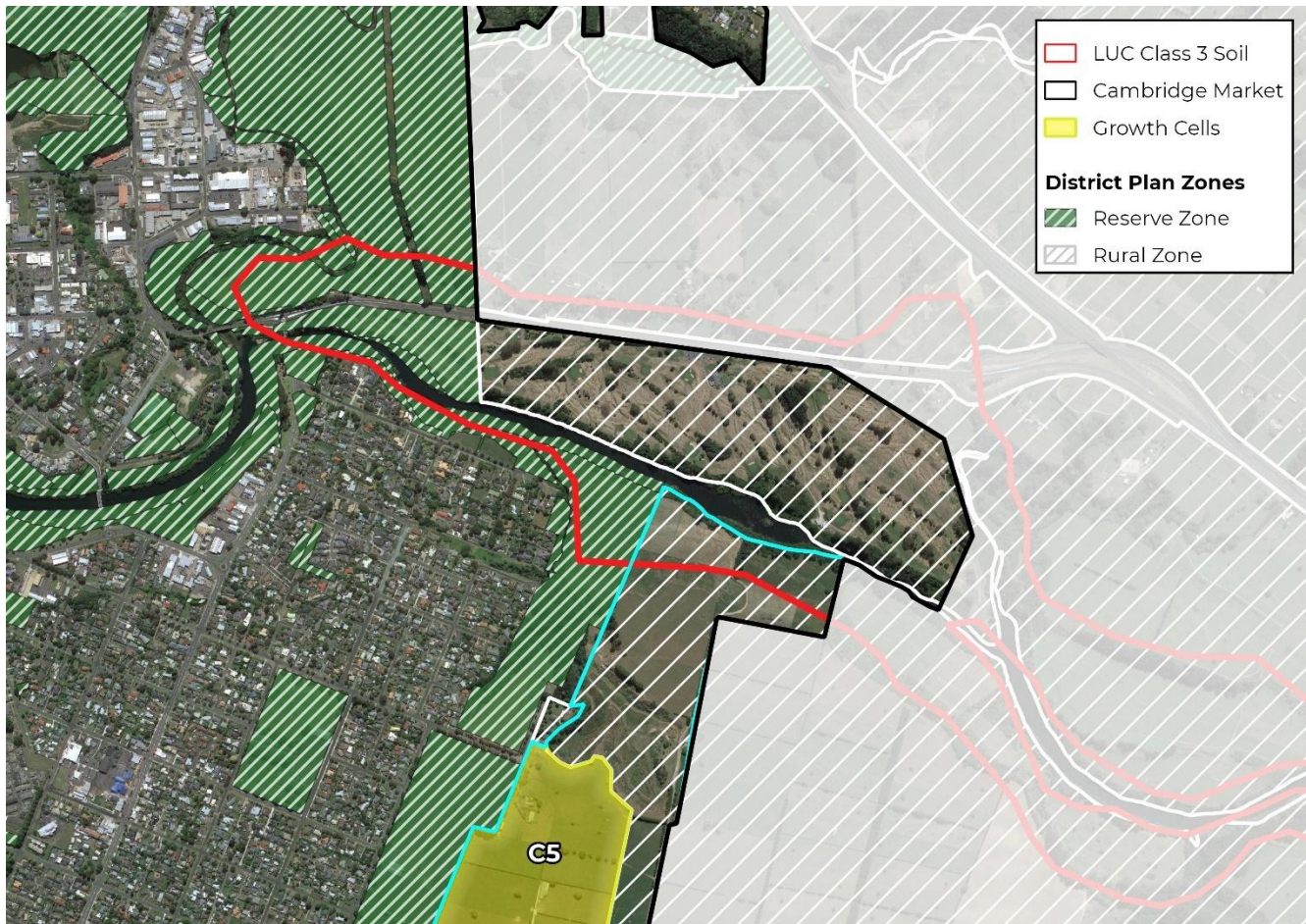
FIGURE 11: ALTERNATIVE LOWER-CLASS SOIL - SITE 1



Source: LRIS, LINZ, Waipā District Council, Property Economics

The figure below shows the presence of another section of Class 3 soil situated on the southern side of Thermal Explorer Highway, spanning a combination of Rural and Reserve zones. A portion of this Class 3 soil is currently utilised by the Cambridge Golf Club, making it unavailable and impractical for accommodating residential development.

The southern extent of this Class 3 soil coincides with the PPC site, indicating that the river-front section of the PPC site encompasses the least amount of HPL soil. This would satisfy the subclause 3.6(2)(c) requirement of rezoning lower-class soil within the same locality.

FIGURE 12: ALTERNATIVE LOWER-CLASS SOIL - SITE 2


Source: LRIS, LINZ, Waipā District Council, Property Economics

Although locating the development near the Cambridge Golf Club may involve a minor loss of productive soil, it's important to note that a significant portion of the PPC site has already been identified as suitable for residential development. Consequently, this alternative Class 3 land, currently zoned as Rural, would not represent a more practical or appropriate choice for expanding the growth cell or existing urban environment in Cambridge.

Crucially, this alternative Class 3 land is situated in a relatively isolated location, lacking any connection with existing or planned residential development. This essentially means that using this Class 3 soil, if considered, would result in a less efficient outcome compared to the PPC site in respect of its contribution to a well-functioning urban environment.

The absence of identified growth cells in and around this Class 3 soil, as outlined in the District Plan and 2050 District Growth Strategy, indicates that opportunities for urban development expansion in this location would be severely limited.

In stark contrast, earlier statutory documents, such as the Waipā District Growth Strategy 2009 and the Cambridge Town Concept Plan 2010, point to the PPC area (including the majority of the rural extent's) potential to evolve into an attractive and safe community over the long term.

As such, from the perspective of Property Economics, the PPC site is more feasible for accommodating additional residential supply than the Class 3 soil near the Cambridge Golf Course.

Overall, considering the above analysis, Property Economics considers that there are no reasonably practical or more appropriate greenfield alternatives within the same locality and market that would allow for the proposed development while also promoting a well-functioning urban environment, as specified in HPL subclause 3.6(1)(b) and 3.6(2).

Although enabling greater intensification within existing urban areas could significantly increase residential opportunity and locations within the current Cambridge urban environment, it should be noted that the expected outcome of PC26 does not imply that future residential development in greenfield sites should be removed as an option, regardless of the site's efficiency or its potential contribution to a well-functioning urban environment.

In essence, considering the projected residential capacity shortfall within the urban areas of the broader district, residential development in an economically efficient and feasible location like the PPC site is deemed appropriate to strike a balance between brownfield and greenfield residential supply in the Cambridge local market. This would provide greater certainty regarding the sustainable growth of the town, improve land resource efficiency, and contribute to the creation of a well-functioning urban environment, aligning with the NPS-UD and NPS-HPL context.

Achieving a 'Well-functioning Urban Environment'

Under the NPS-UD Policy 1, '*well-functioning urban environment*' is defined as urban environments that, as a minimum:

- (a) *Have or enable a variety of homes that:*
 - (i) *Meet the needs, in terms of type, price, and location, of different households; and*
 - (ii) *Enable Māori to express their cultural traditions and norms; and*
- (b) *Have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and*
- (c) *Have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and*
- (d) *Support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets; and*
- (e) *Support reductions in greenhouse gas emissions; and*
- (f) *Are resilient to the likely current and future effects of climate change.*

The proposed development's Structure Plan, detailed in Appendix 1, demonstrates its capacity to offer a diverse range of housing options, catering to different price ranges and typologies, encompassing general residential to medium and higher density living options. This development is situated in a locale characterised by distinct locational characteristics, views, and enhanced amenity proposed, setting it apart from the current urban environment. This aligns with Policy 1(a) of the NPS-UD.

Additionally, the development Structure Plan includes the establishment of a commercial zone, a school area, multiple pedestrian / cycling pathways, and local reserve spaces. These land uses align harmoniously with the NPS-UD, particularly addressing Policy 1(c), ensuring good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport.

Earlier analysis in this report has revealed a demand for additional housing supply within the wider district's urban areas. Consequently, any potential competitive impacts on the development market are expected to be temporal and mitigated by the projected market growth and increased demand. In other words, the proposed development has no real propensity to generate adverse impacts on the competitive operation of land and development markets, particularly with the staged approach to the development. This satisfies NPS-UD Policy 1(d).

Policies 1(e) and 1(f) do not primarily focus on economic aspects, while Policy 1(b) is not pertinent to residential development. Therefore, these requirements are not a part of this economic analysis.

Considering the aforementioned factors, from Property Economics perspective, the PPC site would make a positive contribution to the establishment of a 'well-functioning urban environment' in both Cambridge and the broader Waipā District.

Economic Benefits and Costs

Section 11 of this report addresses Clause 3.6(1)(c) of the NPS-HPL, which requires the economic benefits of rezoning to outweigh the economic costs.

The PPC application will confirm the social and cultural costs and provide a full assessment against this section of the NPS-HPL.

10.5 SPATIAL EXTENT PROPOSED FOR REZONING

Clause 3.6(5) states that Territorial authorities must take measures to ensure that the spatial extent of any urban zone covering highly productive land is the minimum necessary to provide the required development capacity while achieving a well-functioning urban environment.

Based on the information provided, Property Economics understands that the C5 site alone will not necessarily achieve a well-functioning urban environment as the proposed development will not achieve pedestrian or cyclist connectivity from C5 to other areas in Leamington such as

Addison Street or the Pa sites as the C5 area and the lower terrace will be severed. The area at the lower terraces and to the east will continue to be used for an equine purpose.

Property Economics understands that if the C5 area alone were developed, smaller swales would be installed resulting in considerably less green space, and setting aside land for a primary school may not be a possibility due to trying to achieve the maximum yield from the subdivision to ensure it is financially viable. It is likely that one of the commercial areas / neighbourhood centres would not be required also and the gateway reserves would likely become housing.

Losing reserves / open space and the gully, school land, commercial area would reduce the ability to provide a well-functioning urban environment. Allowing use of the expanded area results in a higher quality development with higher quality amenities more suitable for the long-term future of the community.

In light of the factors discussed above, Property Economics considers that the spatial extent of the PPC site would provide a more appropriate outcome that better achieves the establishment of a well-functioning urban environment. This aligns with the requirement of clause 3.6(5).

10.6 SUMMARY

Based on the aforementioned analysis, and when considered in conjunction with the projected residential capacity insufficiency in the catchment (as previously presented), the PPC aligns with subclauses 3.6(1)(a), 3.6(1)(b) (including clause 3.6(2)), and 3.6(1)(c) of the NPS-HPL.

It has also been considered that from an economic perspective the proposed area is the most appropriate to provide for additional development capacity while also achieving a well-functioning urban environment aligning with clause 3.6(5). Consequently, the PPC site is an appropriate and efficient location for the provision of additional residential supply in the Cambridge market, and this consideration is supported by three key factors.

Firstly, the HDCA 2023 modelling suggests an anticipated shortage of residential capacity in the Cambridge market and the broader Waipā District over the next three decades. This underscores the PPC site's crucial role in providing market certainty for future growth in the local residential market. This aligns with subclause 3.6(1)(a).

Secondly, when considering alternative options within the same locality and market that are reasonably practical and efficient, it becomes apparent that the PPC site stands out as the most suitable greenfield choice for accommodating additional residential supply.

While intensification through infill and redevelopment could offer additional residential development capacities and locations, this approach alone is not sufficient to fully accommodate the anticipated growth in both the local and wider district market.

The PPC site, as an appropriate, efficient, and partly anticipated location for residential development will contribute to achieving a well-balanced supply of both brownfield and

greenfield residential options in the context of additional residential supply required in Cambridge to accommodate projected demand, while also facilitating a well-functioning urban environment. This aligns with subclause 3.6(1)(b), as well as Clause 3.6(2) confirming that development of existing urban areas has been considered, rezoning land that is not highly productive has been considered, as has land that has a lower productive value.

The economic benefits and costs of rezoning the PPC site are identified in the next section to provide an assessment of subclause 3.6(1)(c). The social and cultural costs of the PPC will be outlined in the PPC application to provide a full assessment against this section of the NPS-HPL.

Lastly, the Council has already identified a significant portion of the PPC site for future urbanisation, recognising the appropriateness of the location in accommodating some of the district's forthcoming growth. This also aligns with earlier statutory growth strategies.

All these considerations collectively reinforce the PPC site's status as an efficient location within the framework of the RMA and NPS-HPL.

In Property Economics' view, the economic analysis in this section is considered to meet the Environment Court's interpretation for 'a proper exception' on elite and prime soils. As such, it should be granted allowance for development.

10. ECONOMIC COSTS AND BENEFITS

The proposed PPC would generate a range of potential economic costs and benefits to the local market and community. This section outlines the high-level economic costs and benefits of the proposed PPC in the context of WDP and RMA.

ECONOMIC BENEFITS

- + **Increased short-medium term residential land / dwelling supply:** The proposed PPC would supply the market with an increase in residential capacity. This represents a net increase in the overall residential capacity for the Cambridge market and contributes to accommodating the forecast population growth of the wider district, particularly in the short to medium term.

This proposed PPC also provide clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size. It is also important to note that unlike some of the assessed feasible capacity, in the wider district, the propensity for this 'greenfield' development to occur is potentially greater than alternative infill redevelopment and the potential for 'piecemeal' development within the pre-2035 residential areas.

- + **Increased and diversified choice of housing location and price point:** The proposed development would also offer residents additional choices in their living environment in respect of location and potentially impact upon the overall price point resulting from supply, within the catchment. Given that most residential growth cells are located on the northern and western edge of the Cambridge township, the proposed PPC site would provide for housing products with distinguished views and living environments. The opportunity for an increase in the level of competitive residential land is likely to be coupled with an increase (subject to infrastructure costs) in the relative attractiveness of the area with wider markets.

- + **Higher level of development and residential capacity certainty in the short-medium term:** The proposed PPC site is owned by one entity that would provide for a seamless development of the site. This means that the additional residential capacity provided by the proposed PPC has the potential to exhibit greater levels of certainty than other pre-2035 residential growth cells which have a multitude of land ownerships.

Given that the residential capacity sufficiency of Cambridge is anticipated to be largely dependent on the realisation of the infill and redevelopment in the existing urban areas as well as the identified growth cells, greater level of development certainty would be critical to ensure a continuous population and economic growth of Cambridge and the wider district in the future. This is also considered as one of the critical economic benefits of expediting the C5 growth cell.

- **Increased efficiency of infrastructure (relative to rezoning other greenfield sites that are remote to the existing Cambridge township):** The influence of urban development on infrastructure and amenities might be two-sided. Greater density zoning typically provides more efficient use of infrastructure. The larger number of people in an area means greater returns on the use of the local infrastructure. This can vary depending on the level of unused capacity of existing infrastructure and the cost of replacement / upgrade of said infrastructure.
- **Potential for lower residential land prices in Cambridge and the wider district:** The development of the proposed PPC site may influence Waipā house affordability by increasing the supply of residential capacity. A decrease in Cambridge house prices would benefit residents who do not already own homes, including existing renters (who pay for housing on a weekly basis) and first home buyers, such as young residents.

Consequently, the changes in house prices caused by the development of C5 would redistribute income and wealth away from high-income people, as landlords and homeowners tend to have higher income than renters and first home buyers. In the long run, this may decrease inequalities in wealth.
- **Increased local employment:** The increased local population base will result in a net increase in the number of full-time equivalent employees able to work within Cambridge due to the PPC generating increased demand for local business and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
- **Potential to cater for greater levels of growth:** Growth from residential developments can often work as a catalyst that spurs further growth in the area, particularly the Cambridge local market. The proposed PPC site to accommodate a large-scale residential development could also trigger interest for additional residential/small-scale commercial activity within the Leamington and Cambridge housing market and provide significant impetus for growing its local economy.
- **Diverse buyer pool:** Cambridge is a popular area for a broad range of homebuyers including professionals and families and retirees and additional residential development would likely stimulate demand within a diverse group of people, particularly with the increased diversity of residential typologies and range of dwelling price points.
- **Increased amenities:** The proposed development would provide for high amenity, master planned environments with purpose built, and targeted amenity values such as parks, playgrounds and community facilities in a co-ordinated and integrated manner. This can significantly improve the amenities of the receiving environment and generate community benefits.

ECONOMIC COSTS

- **Additional infrastructure investment and servicing requirements:** Land and associated infrastructure costs are the biggest cost components of residential housing development costs and tend to scale according to the size of the network. This means that expanding networks to new greenfield areas (such as the rural extent of the proposed PPC site) will tend to lead to a proportional increase in long-term operating, maintenance, and renewal costs.

In Property Economics view, these capital costs are likely to be mitigated, at least in part, through either developer contributions or the level at which the developer provides the infrastructure itself.

Furthermore, as additional residential capacity is required over the long term, the extent to which this can be considered an economic cost depends on the relative cost of servicing the infrastructure in an alternative location at a later point in time.

- **Loss of some amount of rural productive land:** Based on LandSystems' soil assessment, it is estimated that the high-productive land within the rural extent of the PPC site is around 21ha or 0.027% of the district's total high-class soil (LUC 1 - 3).

Moreover, in addition to greater intensification within the existing urban areas, there are no other reasonably practicable and feasible alternatives within the locality or residential market that would more effectively accommodate the development while achieving a well-functioning urban environment. As such, Property Economics considers that the opportunity cost of the PPC site for more intensive rural uses and activities would be minimal in the context of the NPS-HPL.

- **Impact on existing zoned areas:** A potential concern for Council and the economy in rezoning and live zoning additional residential land is the potential to redirect demand from capacity existing residential areas (both new growth areas and potential brownfield redevelopment). This potential cost is primarily measured by both the above costs associated with infrastructure duplication and underutilisation and the potential economic benefits associated with aggregated residential and employment activities.

It is important, when considering these potential costs in this instance, to recognise that in this context the potential costs are likely to be limited to the period of time prior to their requirement to meet growth, while the impetus to create additional growth has long-term term impacts.

Furthermore, considering that the proposed development aims to offer greater housing options that differ from the existing and ongoing housing typologies in other growth areas, the potential competition with these areas and established zones would not have a significant impact. It is important to remember this within the context of

the projected shortfall in residential capacity across the district over the next three decades (based on the HDCA 2023).

The projected robust market growth indicates that any minor impact on other growth areas would not be substantial and can be adequately mitigated by the overall market expansion, stages approach and increasing demand within the local market.

SUMMARY

There are a number of considerations that need to be considered when assessing the economic potential for the live zoning or rezoning of residential land. A key consideration, under the current legislation, is the potential sufficiency of current residential capacity to meet estimates of future residential demand. In the case of the Cambridge local market, there would be insufficient capacity to meet this demand both in the medium and long terms under a model that index prices to the height of 2022, according to the HDCA 2023.

The need for sufficient capacity addresses several economic issues at its core, including the ability for the market to provide choice (in terms of location, typology, and price) as well as the potential impact on affordability and relative competitiveness for population growth. As such the PPC at the C5 growth cell has the potential to increase choice, temper residential land values and improve relative competitiveness for growth.

The potential consideration in balancing these benefits is the provision of infrastructure and the associated costs that may arise prematurely. However, in Property Economics' view, this can be expected to be cost-neutral for the Council and the local community or ratepayers since the developer will bear the infrastructure costs before 2035. Consequently, it is anticipated that the proposed development would not impede the planned infrastructure investment for the growth cells before 2035 and their overall feasibility.

In conclusion, Property Economics considers that the proposed PPC would bring net economic benefits to the Cambridge market and the local community in the context of a shortfall in residential capacity.

APPENDIX 1. PROPOSED STRUCTURE PLAN

