BEFORE THE INDEPENDENT HEARINGS PANEL

UNDER	the Resource Management Act 1991 (RMA)
IN THE MATTER	of the Far North Proposed District Plan - Hearing 15D: Rezoning Kerikeri-Waipapa

STATEMENT OF REBUTTAL EVIDENCE OF ADAM THOMPSON ON BEHALF OF KIWI FRESH ORANGE COMPANY LIMITED

ECONOMICS & PROPERTY MARKET

24 September 2025

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WYNN WILLIAMS

INTRODUCTION

1 My full name is Adam Jeffrey Thompson.

2 I have been engaged by Kiwi Fresh Orange Company Limited (**KFO**) to provide independent expert advice on the Proposed Far North District Plan (**FNPDP**).

3 This rebuttal evidence relates to the evidence of Mr Lawrence McIlrath prepared on behalf of the FNDC.

4 KFO owns 197 ha of land between Kerikeri and Waipapa (**Site**), which is proposed to be zoned for Rural Production. KFO's submission seeks a live urban zoning of the Site, comprising a mix of general residential, mixed urban and natural open space.

QUALIFICATIONS AND EXPERIENCE

5 I confirm I have the qualifications and experience set out at paragraphs 5 to 7 of my statement of evidence dated 30 June 2025 (**June evidence)**.

CODE OF CONDUCT

6 I repeat the confirmation provided in my June evidence that I have read and agree to comply with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2023. This evidence has been prepared in accordance with that Code. I confirm that the issues addressed in this rebuttal evidence are within my area of expertise, and I have not omitted to consider material facts that might alter or detract from the opinions that I express.

SCOPE OF EVIDENCE

7 My evidence provides a review of evidence of Mr Lawrence McIlrath on behalf of FNDC.

8 In addition to the material that I considered, reviewed, took into account and relied on in my June evidence, in preparing this evidence, I have reviewed the s42A report, prepared by Ms Trinder and Mr Wyeth.

SUMMARY OF EVIDENCE

9 The PDP-R relies entirely on infill housing to meet future demand over the short-medium term. No additional greenfield land is recommended. The Spatial Plan, by contrast, recommends 75% of future growth in greenfield, 20% is infill, and 5% is rural lifestyle. The PDP-R does not reflect the recommendations of the Spatial Plan and places absolute reliance on infill housing to meet future growth.

10 Historically, since 2010, only 4% of growth has been infill, 36% has been greenfield, and a very large 59% has been rural lifestyle (or 11% has been infill if rural lifestyle is excluded). Without any additional greenfield land, it is reasonable to believe that this historical pattern of growth, with an unusually high proportion of rural lifestyle, will continue. This is a relatively inefficient pattern of growth for the town, with suburban-scale housing being more efficient.

11 The ODP allows infill development, specifically in the residential zone, subdivision of lots to 300m^2 as a restricted discretionary activity, and subdivision of lots of less than 300m^2 as a discretionary activity. The PDP-R provides an easier pathway for high-intensity housing, with terrace housing permitted in the General Residential zone on 200m^2 lots, and in the medium density zone to 117m^2 lots. Based on discussions with Ms O'Connor, and historical patterns of growth, there is no material barrier to lots smaller than 300m^2 for example, being developed in Kerikeri-Waipapa under the ODP, as you would typically expect a discretionary activity resource consent that was well-designed, and able to be serviced, to be granted consent. This is a fundamental consideration for the PDP-R, as if moderately intensive infill housing has been practically enabled since 2009 under the ODP, then this provides a real-world basis for understanding the pattern of growth that can be expected under the PDP-R. In particular it confirms that moderately intensive housing has been enabled since 2009, however has not occurred (i.e. only 4% of new 'market' dwellings have been on lots of under 400m^2, since the ODP has been in effect, and the only dwellings that have been on lots under 300m^2 have been built by Kainga Ora and Habitat for Humanity, which are not 'market based' houses, so do not reflect market preferences).

12 I have reviewed the comments made by Mr McIlrath in his evidence, regarding the KFO submission, and do not consider his comments to raise any material concerns, and in this regard, I continue to support the rezoning of the KFO site,

or Option F under the Spatial Plan, to ensure affordable housing is enabled for the Kerikeri-Waipapa, for over the short-medium term.

13 I note that Mr McIlrath's capacity model estimates that new standalone dwellings under the PDP-R will cost $1.28 million, and that he estimates that it will increase to $1.68 million by 2035. Mr McIlrath concludes in his evidence that *"…The HBA identified sufficiency challenges in the short and medium terms due to affordability. The PDP-R changes the price points (lower), but affordability challenges remain evident. The PDP-R will support an improvement in dwelling affordability, but the timeline associated with this process is over the long term.*" (para 3.22). Mr McIlrath further considers that only 10% of demand will be for terrace houses or apartments in the future, which I broadly agree with (I consider 15%). This places predominant reliance (85-90%) on stand-alone dwellings to meet future demand.

14 By contrast, I consider the KFO site would enable stand-alone dwellings, for $670,000, which will assist in meeting the future demand across all relevant factors: dwelling type, quantity and price.

15 I note that the s42A report reaches the same conclusion with regard to the unique housing affordability benefits of the KFO site:

> *"…the KFO proposal has the potential to improve housing affordability by supporting competitive land markets through significantly increasing plan-enabled development capacity (Objective 2). More specifically, my understanding is that the KFO proposal has the potential to improve housing affordability by delivering additional greenfield housing capacity, and in particular detached dwellings at lower price points. An increase in plan-enabled development capacity through the KFO proposal would also help give effect to Policy 2."* (s42A, para 467)

SPATIAL PLAN – GREENFIELD vs INFILL

16 The Spatial Plan concluded that, based on *"community feedback infrastructure costs, resilience to natural hazards, transport efficiency, housing affordability, and cultural and environmental considerations",* a Hybrid or growth Scenario D (Kerikeri South Focused Expansion) and growth Scenario E (Waipapa Focused Expansion) was preferred. The preferred approach is based on around 75% Greenfield, 20% Infill and 5% Rural Lifestyle, as shown in Figure 1.

Figure 1: Spatial Plan Infill vs Greenfield Preferred Scenario

	Brownfield	Greenfield
Kerikeri	15–25%	75–85%
Waipapa	30–40%	60–70%
Rural land within the study area	5%	

Table 3: Brownfield, greenfield and rural growth distribution

Source: Spatial Plan for Kerikeri–Waipapa, FNDC

17 Greenfield is broadly defined in the Spatial Plan as 'open land which has not been previously built on, often farmland on the town fringes, that requires establishing all infrastructure'.

18 The PDP-R does not adopt the Spatial Plan's preferred Hybrid scenario. It instead recommends zero additional greenfield land and relies entirely on the existing urban area to meet all future growth over the medium term. This places significant reliance on infill and redevelopment to meet the future housing needs of the Kerikeri-Waipapa community.

19 The PDP-R does not identify any Future Urban Zone land, but rather appears to rely on the new greenfield identified in the Spatial Plan preferred Hybrid scenario to potentially meet long-term demand. I say "potentially" as implementing the Spatial Plan will require a future plan change process that may not eventuate for some time, if at all, given the current Plan Stop directive. This raises questions regarding the certainty of long-term capacity, which I address later.

MR MCILRATH & MY CAPACITY MODELLING

20 There is substantial evidence on the capacity modelling, presented by Mr McIlrath and by myself in my June evidence. In his evidence and the HBA, Mr McIlrath presents a revised capacity estimate for the PDP-R. This differs from

the capacity estimate he prepared in the HBA, although he relies on the same model. I summarise the main conclusions and assumptions from our respective capacity models in Figure 2.

Figure 2: Mr McIlrath & Mr Thompson Capacity Modelling PDP-R Summary

Model	Dwelling Type	Demand 30 Year	Demand p.a.	Lot Size Assumption	Development Capacity (Current)	Development Capacity (2035)	Development Capacity (2055)	Sufficiency (2035)*	Sufficiency (2055)*
Mr Thompson	Stand Alone	5,100	170	400	1,250	1,250	1,250	-460	-3,860
	Terrace/Apartment (15%)	900	30	200	220	220	220	-90	-690
	Total	**6,000**	**200**	**370**	**1,460**	**1,460**	**1,460**	**-540**	**-4,540**
Mr McIlrath	Stand Alone	3,470	120	300-350	1,490	1,300	1,950	340	-1,970
	Terrace/Apartment (10%)	370	10	120-200	580	970	2,350	450	210
	Total	**3,830**	**130**	**240**	**2,070**	**2,270**	**4,290**	**790**	**-1,760**

Source: UE, ME

* Presents ME model version that excludes no future change in costs, values or sale prices over time (adjustment made by UE).

21 The outputs or results of capacity models are substantially impacted by the assumptions made by the modeller. As such, the assumptions need to be clearly stated so that anyone using the model to inform decisions can understand the implications for the likely market uptake. The assumptions are addressed as follows.

22 With regard to demand, my model adopts 6,000 dwellings over 30 years (200 p.a.) and Mr McIlrath's model adopts 3,830 dwellings over 30 years (128 p.a.). Mr McIlrath derives his demand estimate from the Spatial Plan. It is worth noting that the Spatial Plan also adopts a Blue Sky demand of 4,860 dwellings over 30 years (160 p.a.). The level of demand adopted can impact whether capacity is sufficient or not; however, it does not change the conclusion of my analysis, which I address later. It is also important to consider that demand is not static or fixed, as often assumed or implied. Rather, it is subject to the amount of zoned land, competing developers and potential for new dwellings, in terms of both type and price. Economists refer to this as the price elasticity of supply and demand, and it is generally agreed (e.g., the Far North District has an estimated price elasticity of supply of 0.03[1], meaning if price increases by 1%, then average prices decrease by 0.03% increase in supply, indicating that the Far North has a housing market that responds inefficiently to price increases). I address this in more detail later.

23 With regard to lot size, my model adopts an average lot size of 400m^2 for stand-alone dwellings and 200m^2 for terrace/apartment dwellings. Mr McIlrath's model adopts an average lot size of 300-350m^2 for stand-alone dwellings and 120-200m^2 for terrace/apartment dwellings. In my opinion, the lot sizes that Mr

[1] Housing Supply, House Prices, and Monetary Policy. Meltem Chadwick, Karan Dasgupta, and Punnoose Jacob, RBNZ, 2022

McIlrath has adopted are for a very intensive form of housing that is more consistent with that found in large urban centres rather than small rural towns. For example, terrace house lots of 120-200m^2 are very compact, and no market housing of this type has previously been built in Kerikeri-Waipapa[2], and is generally not built in comparable-sized rural towns. Typically, this level of intensity is found in inner and central suburban areas in large urban centres, where households are willing to accept a smaller property, as a trade-off, to be centrally located for transportation efficiency. In rural towns, the practical reality is that everything is within a short drive or walk, and households are not incentivised to make this trade-off (i.e. even a rural lifestyle or peripheral greenfield dwellings is a short drive to the Kerikeri town centre, allowing an easy commute).

24 The last major set of assumptions to be aware of in Mr McIlrath's model relates to the future change in costs and revenues. In particular, the value of existing properties in the future, the change in construction costs over time, and the change in the sale price or revenue from new dwellings over time. The NPS-UD explicitly precludes such considerations over the short-medium term; however, it does support these considerations over the long term[3]. This means that, in the short-medium term, adjustments are precluded for inflation or projected revenue or cost changes, and feasibility is judged strictly on present-day costs (e.g., land, construction, financing) against present-day revenues (e.g., achievable sale prices or rents). Only in the long term can "reasonable adjustments" be made - for example, projecting that sales prices might grow or construction costs might stabilise. My model assumes no changes to costs or revenues over the medium or long term and complies with the NPS-UD. Mr McIlrath's model makes significant adjustments to the costs and revenues over the short-medium term[4]. While these are not clearly stated in the HBA and his evidence, Mr McIlrath has confirmed via email that his model adopts the following future change assumptions to costs and revenues:

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[2] One small terrace house development has been completed, by Kainga Ora and Habitat for Humanity, which is non-market public/social housing, so does not reflect typical supply and demand drivers.

[3] feasible means: (a) for the short term or medium term, commercially viable to a developer based on the current relationship between costs and revenue, (b) for the long term, commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship

[4] His development capacity estimates increase over time, e.g. Table 5 in his evidence show detached capacity increasing from 1,415 in the short to 1,725 in the medium term, and attached capacity increasing from 2,315 in the short term to 3,065 in the medium term. This reflects a 7 year increase (2028-2035), however, meaning the increase from years 2025 to 2035 would be higher.

(a) revenue increases of circa 2.0% p.a. (22% over a ten-year period);

(b) land cost increase at 2.0% p.a. (22% over a ten-year period);

(c) cost increase of circa 1.0% p.a. (11% over a ten-year period); and

(d) capital improvement value/cost decreases of circa 1.0% p.a. (11% over a ten-year period).

25 These adjustments may appear trivial in annual percentage terms, however, they have a large impact on commercial feasibility over a 10-year or greater period. For example, for a property that has $850,000 in costs (to build) and $1,000,000 in revenue (sale price) in 2025, it would have a profit of $150,000 (18%) in 2025 and would not be feasible. Under Mr McIlrath's assumed change to costs and revenues over time, in 10 years, this same example would increase to a profit of $280,000 (29%) and become 'feasible'. It is therefore the assumed changes to costs and revenues that materially change the feasibility estimates over the medium and long term. This is contrary to the requirements of the NPS-UD (addressed earlier), and for this reason, I consider that Mr McIlrath's short-term (unadjusted) capacity estimate should be adopted for the medium term.

26 In terms of Mr McIlrath's PDP-R model results, he estimates detached capacity will increase from 1,415 in the short term to 1,725 in the medium term, and attached capacity will increase from 2,315 in the short term to 3,065 in the medium term, as a result of these cost and revenue adjustments[5]. These are significant increases. His modelling results and conclusions therefore rely, to a large extent, on the future change in cost and revenue assumptions (which roughly double his capacity estimates over the long term). I do not consider it prudent to rely on a model that is based on a series of bullish cost and revenue change assumptions that may not eventuate, when considering the importance of ensuring access to suitable and affordable housing, particularly when they assume house prices will increase at a much faster rate than build costs. In my opinion, a conservative rather than bullish approach is justified when forecasting capacity.

27 In Figure 2, I apply the requirement of the NPS-UD to not change costs and revenues over the short-medium term, for both Mr McIlrath's and my models (Mr McIlrath's 2025 capacity estimates can be taken as an unadjusted capacity estimate). This shows the PDP-R will result in a shortage of 540 dwellings in

[5] Source: Table 5 of Mr McIlrath's evidence.

2035 under my model and a surplus of 790 dwellings under Mr McIlrath's model in 2035 (noting Mr McIlrath only considers supply in terms of quantity, not price, which is contrary to the NPS-UD, and addressed below).

CAPACITY - WHAT WILL THE PRICE OF NEW HOUSING BE UNDER THE PDP-R?

28 The capacity estimates in Figure 2 account for the quantity of housing, however do not consider the price of housing. Supply and demand can only be understood as a function of both quantity and price (more goods are demanded at a lower price, and vice versa). The NPS-UD requires capacity to account for the quantity and price of dwellings (e.g. Policy 1: *"…have or enable a variety of homes that: (i) meet the needs, in terms of type, price, and location, of different households",* emphasis added).

29 In my June evidence, I conclude that there will be insufficient capacity in the existing zoned area to provide sufficient low-priced affordable family housing, and that new greenfield is required. I therefore consider capacity in terms of both quantity and price as required by the NPS-UD.

30 In his assessment of capacity under the PDP-R, Mr McIlrath only considers capacity in terms of the quantity of houses and does not consider capacity in terms of the price of houses that can be provided by the market. In his HBA, Mr McIlrath estimates the price of houses across each price range by dwelling type, which can be provided to the market under the PDP (Table 4-6). I have requested the same table be produced for the PDP-R from Mr McIlrath; however, Mr McIlrath has informed me he has not undertaken this analysis and therefore cannot provide this table. I consider this table is required to meet the provisions of the NPS-UD.

31 Having reviewed Mr McIlrath's model outputs for the PDP and PDP-R, I believe his analysis supports the following conclusions:

(a) There are insufficient lower-priced houses to meet demand under the PDP.

(b) Under the PDP-R, the MDRZ and TCZ allow very small/compact terrace houses and apartments. Mr McIlrath considers that these dwellings will be supplied to the market with lots of 120m^2 (MDRZ) to 200m^2 (GRZ) for around $840,000 (Appendices 2 and 4 of his evidence). This price level is suitable for some households, notably middle-income households, however there is no evidence

of market demand for this type of house - small terrace houses, or apartments, in a rural town. This level of intensity is, in large part, seen only in the inner and central suburbs of major urban centres. Typically, families with children prefer medium-large houses on medium-large lots, and retirees prefer single-level dwellings, both of which are key markets in Kerikeri-Waipapa.

(c) There will be some capacity for stand-alone dwellings, however Mr McIlrath estimates the price of these will be $1.28 million in 2025, and will increase to $1.68 million in 2035, and $2.51 million in 2055. This is beyond the reach of the typical low-middle-income household, and even many upper-income households would not afford this price point. It should be a key concern that Mr McIlrath estimates these houses will be unaffordable under the PDP-R, and this will worsen rather than improve over time. By contrast, the KFO site is able to offer lower-priced housing, due to its scale and efficiencies. I estimate lower-priced stand-alone dwellings on the KFO site would sell for $670,000, around half the price of the PDP-R. These growth options therefore demonstrably offer fundamentally different housing market futures for Kerikeri-Waipapa and the Far North.

32 Mr McIlrath's modelling, and by implication the future growth of Kerikeri-Waipapa, is therefore reliant on the assumption that households will accept high-intensity terrace houses and apartments. There is however, no evidence that there is any realistic demand for this type of housing in Kerikeri-Waipapa, or any other similar rural town across NZ. The practical consequence of this is that under the PDP-R, Kerikeri-Waipapa will continue to follow the same growth pattern seen under the ODP, i.e. a market dominated by rural lifestyle properties (59%) rather than urban development. This is not an optimal outcome, and in this regard, the actual trade-off to consider is between the KFO site and rural lifestyle properties for future growth.

33 I have assessed the pattern of growth that has occurred in Kerikeri-Waipapa under the ODP (refer Figures 3-4 on the following pages). This looks at the type of dwelling (infill, greenfield, rural lifestyle), its price and the lot size.

34 The main points to note are:

(a) 4% of growth has been infill (scatter blue dots, typically of 1-2 dwellings);

(b) 36% of growth has been greenfield (clusters of orange dots reflecting small-scale subdivisions);

(c) 59% of growth has been rural lifestyle (orange dots);

(d) 11% of growth has been infill if rural lifestyle is excluded;

(e) The average price of a new dwelling has been $1.16 million;

(f) Only 6% of new dwellings have been under $800,000;

(g) Only 31% of new dwellings have been under $1.0 million;

(h) The average lot size has been 900m^2 for infill and 720m^2 for greenfield. This suggests that large master-planned developments achieve higher density in Kerikeri-Waipapa. This is often the case in other rural towns, for example, large developments in Wanaka have very small average lot sizes, and are much more compact than the existing town; and

(i) Only 3% of new dwellings were on lots of less than 300m^{2,} and only 7% of new dwellings were on lots of less than 400m^2. There were a total of 25 dwellings on lots of less than 300m^2. These are all terrace houses, both single and two-storey, located adjacent to the BP service station on Kerikeri Road. They are developed and owned by Kainga Ora and Habitat for Humanity, both of which offer social or community housing, and are therefore not 'market housing' and do not reflect actual market supply and demand. As such, there are no market houses that have been built on small sites of less than 300m^2 in Kerikeri-Waipapa under the ODP, despite this being possible as a discretionary consent (which Ms O'Connor advises is achievable).

35 In summary, I consider the pattern of growth under the ODP demonstrates that even though there is potential for moderate housing, of 300-400m^2 as a restricted discretionary of less than 300m^2 as a discretionary activity, that this has not occurred, indicating that there is no or little demand for compact, more intensive infill housing. I note, however, that I consider a large master-planned development could create some demand for more intensive housing, if it is part of a master planned community. In my view, the PDP-R does not, in my opinion, make any material change to the ODP, in terms of what can be built in response to demand.

Figure 3: New Dwellings 2010-2025 (ODP)

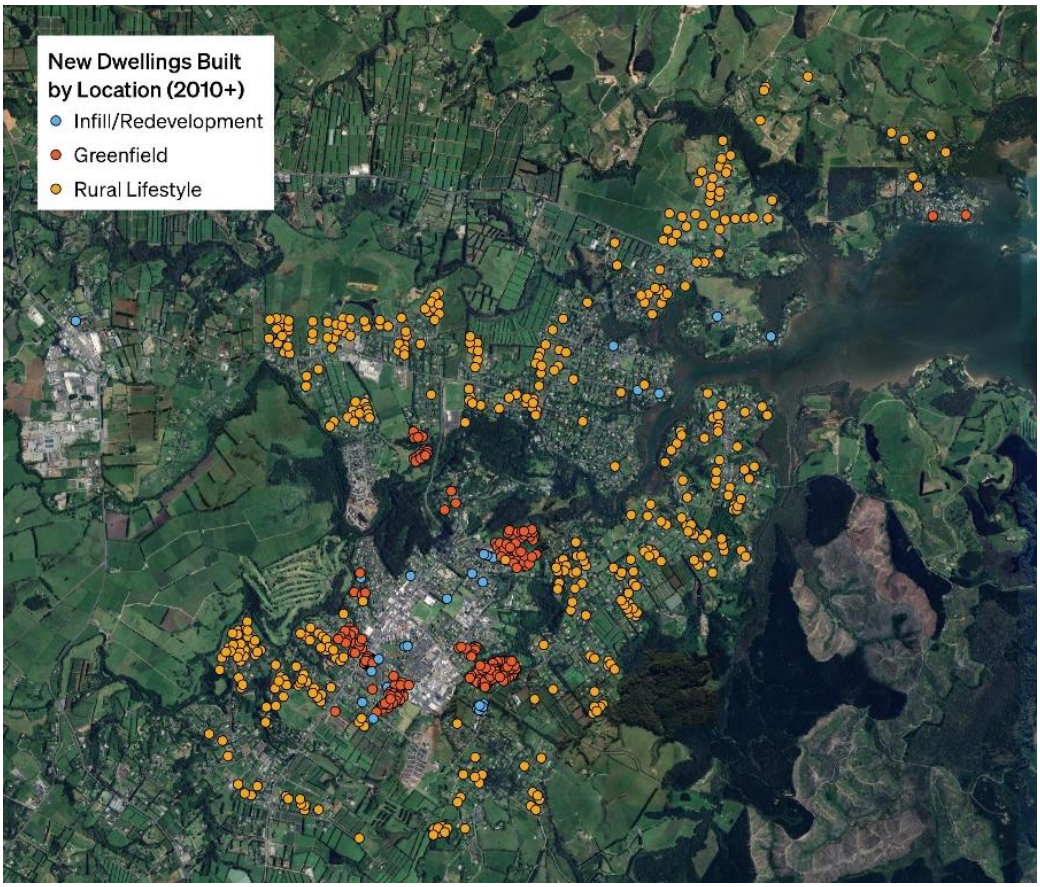

Figure 4: New Dwellings Lot Size, Price & Quantity 2010-2025 (ODP)

Capital Value	New Dwellings Built & Sold Post 2010				
	Infill	Greenfield	Rural Lifestyle	Total	%
Less than $600,000	3	0	0	3	0%
$600,000 - $700,000	1	10	5	16	2%
$700,000 - $800,000	4	20	5	29	4%
$800,000 - $900,000	1	45	10	56	8%
$900,000 - $1,000,000	7	80	25	112	16%
$1,000,000 - $1,100,000	6	50	55	111	16%
$1,100,000 - $1,200,000	2	30	65	97	14%
$1,200,000 - $1,300,000	5	10	90	105	15%
$1,300,000 - $1,400,000	1	10	55	66	9%
$1,400,000 - $1,500,000	1	0	35	36	5%
$1,500,000 - $1,600,000	0	0	15	15	2%
$1,600,000 - $1,700,000	0	0	15	15	2%
$1,700,000 - $1,800,000	0	0	10	10	1%
$1,800,000 - $1,900,000	0	0	10	10	1%
$1,900,000 - $2,000,000	0	0	5	5	1%
$2,000,000 Plus	0	0	15	15	2%
Total	**31**	**255**	**415**	**701**	**100%**
Percentage	**4%**	**36%**	**59%**	**100%**	**100%**
Average	**$990,000**	**$970,000**	**$1,290,000**	**$1,160,000**	**-**

Source: Cotality, UE

Land Area (m^2)	New Dwellings Built & Sold Post 2010				
	Infill	Greenfield	Rural Lifestyle	Total	%
Less than 200	0	15	0	15	2%
200 - 300	0	10	0	10	1%
300 - 400	2	25	0	27	4%
400 - 500	1	25	0	26	4%
500 - 600	2	30	0	32	5%
600 - 700	8	70	0	78	11%
700 - 800	1	15	0	16	2%
800 - 900	3	5	0	8	1%
900 - 1,000	2	10	0	12	2%
1,000 - 1,500	10	40	0	50	7%
1,500 - 2,000	2	10	0	12	2%
2,000 - 2,500	0	0	35	35	5%
2,500 - 3,000	0	0	45	45	6%
3,000 Plus	0	0	335	335	48%
Total	**31**	**255**	**415**	**701**	**100%**
Percentage	**4%**	**36%**	**59%**	**100%**	**100%**
Average	**900**	**720**	**4,040**	**2,700**	**-**

Source: Cotality, UE

36 A recent Environment Court decision for a medium-scale greenfield development in Waiuku addressed the importance of using actual market trends to verify or ground-truth modelling results.[6] The decision considered development capacity, as estimated in the HBA, as part of an assessment under clause 3.6 of the NPS-HPL. The decision reached the following conclusion regarding the need to consider not only modelling in the HBA, but actual "trends and patterns":

> *[222(e)] The Court is concerned that some of Dr Fairgray's assumptions, based on data averaging (both spatially and temporally) and a lack of adequate focus on the distinction between market responses to greenfield and infill development opportunities, do not provide sufficient confidence in the relevance of his quantitative estimates with respect to the NPS-HPL clause 3.6(1) exception tests.* (Emphasis added).
>
> *…*
>
> *[208] The Court would question the relevance of such data sets, if they do not identify and distinguish greenfield-based trends and patterns over time from infill-based trends and patterns over time. In this regard, the practice of averaging household growth data over periods of time can mask relevant detail."* (Emphasis added).

37 I consider the historical 'trends and patterns' demonstrate little to no demand existing for moderate intensity housing, and that this is evidence that the high intensity development sought by the PDP-R is very unlikely to eventuate in any significant numbers.

INFILL HOUSING - WILL IT DELIVER WHAT IS NEEDED?

38 The PDP-R relies in large part on infill terrace and apartment housing to meet future demand. Mr McIlrath estimates that stand-alone housing under the PDP-R will cost in the order of $1.28 million. This will not meet demand, as the majority of future residents in Kerikeri-Waipapa are low-middle income households, many of which are young family households, and typically require houses around half this price.

39 Mr McIlrath estimates that terrace and apartment housing under the PDP-R will cost in the order of $840,000 (Appendix 4 of his rebuttal). At this price point, the terrace houses are likely to be 80-100m^2 in floor area size (given a dwelling

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6 *Gardon Trust v Auckland Council* [2025] NZEnvC 58.

build cost along the lines of $320,000 - $400,000). This is unlikely to meet the requirements of larger or family households that require 3-4 bedroom houses.

40 Mr McIlrath estimates that of all 'attached dwellings' under the PDP-R, 14% will be apartments and 86% will be terrace houses, over the medium term (Appendix 4 of his evidence).

41 I agree with Mr McIlrath that terrace houses and apartments will only account for a small fraction of demand (I adopt 15% which is slightly higher than the 10% adopted by Mr McIlrath in his Table 2).

42 I consider there would be little or no demand for infill apartments in Kerikeri-Waipapa and note that there have been none developed over the past decade or so, despite there being potential under the ODP for apartments. The typical infill dwelling anticipated by Mr McIlrath is therefore a terrace house, on a 120 m^2 site in the MDRZ and on a 200m^2 site in the GRZ, with a modest 80-100m^2 terrace dwelling, for around $840,000. This would be two storey in the MDRZ and either one or two storey in the GRZ. I consider these dwellings to be more consistent with a large urban centre, rather than a small rural town, and for this reason expect modest market uptake. The size of these dwellings, at 80-100m^2, is also likely to limit demand, as most households require houses of 100-200m^2.

43 I have reviewed the evidence prepared by Mr Dennis Corbett, and note his views align with my views regarding market demand.

LARGE SCALE GREENFIELD - DOES IT REPLACE INFILL OR ADD TO TOTAL SUPPLY & DEMAND?

44 In my June evidence, I outline that the KFO site is unique, being the only opportunity for a large-scale master planned development in Kerikeri-Waipapa, and that it is able to offer a diverse range of compact housing, most importantly, including affordable housing. The s42A report acknowledges that a key benefit offered only by the KFO site is that it will enable affordable housing:

> *"…the KFO proposal has the potential to improve housing affordability by supporting competitive land markets through significantly increasing plan-enabled development capacity (Objective 2). More specifically, my understanding is that the KFO proposal has the potential to improve housing affordability by delivering additional greenfield housing capacity, and in particular detached dwellings at lower price points. An increase in*

plan-enabled development capacity through the KFO proposal would also help give effect to Policy 2." (s42A, para 467)

45 I also note that Mr McIlrath concludes that housing affordability over the medium term will continue to be unresolved under the PDP-R:

"The HBA identified sufficiency challenges in the short and medium terms due to affordability. The PDP-R changes the price points (lower), but affordability challenges remain evident. The PDP-R will support an improvement in dwelling affordability, but the timeline associated with this process is over the long term." (para 3.22, emphasis added)

46 Based on the historic trends, with 59% of growth in Kerikeri-Waipapa under the ODP being rural lifestyle, and only 4% being infill, I consider the proposal would provide a viable, more efficient and more comprehensively developed alternative for rural lifestyle development and increase the total rate of growth achieved in Kerikeri-Waipapa.

MR MCILRATH's COMMENTARY ON THE KFO SITE

47 Mr McIlraths' central conclusion is that the greenfield land recommended in the Spatial Plan (Hybrid Scenario) and the greenfield land proposed on the KFO site would, on balance, have a negative economic outcome, as it would undermine the potential for Kerikeri-Waipapa to intensify with terrace houses and apartments around the town centre:

"In terms of other matters, I have considered the potential effects of over-zoning capacity i.e., combining the PDP-R, Spatial Plan and the KFO site. In my view, such an approach would generate substantial risks that could undermine the economic benefits associated with concentrating growth in and around centres. It would also dilute and weaken intensification efforts." (para 12.8 Rebuttal Evidence, emphasis added).

48 I do not agree with Mr McIlrath's central conclusion for the following reasons:

(a) The Spatial Plan undertook a detailed analysis of different growth options and concluded that the Hybrid scenario, which includes several hundred hectares of additional greenfield land to the south of Kerikeri and to the north of Waipapa, achieved the greatest economic and social benefit. Mr McIlrath's conclusion is inconsistent with the conclusions reached in the Spatial Plan.

(b) Mr McIlrath has not provided any evidence that the high intensity housing relied upon will be taken up by the market, rather he models capacity on the assumption (or hypothesis more correctly) that there is demand for intensive housing. As noted earlier, the ODP already allows moderate levels of intensification as a restricted discretionary activity, and higher levels of intensification as a discretionary activity. Over the past 15 years, under the ODP, only 3% of dwellings have been built on lots of less than 300m^2, and all of these were social or public housing, so do not reflect market potential (indicating that no market dwellings have been supplied on lots of less than 300m^2). Similarly, only 4% of dwellings have been built in the 300-400m^2 range, indicating little demand or development potential exists for this type of housing (refer to Figure 4). In contrast, Mr McIlrath is suggesting lots sizes of 120-200m^2 for terrace houses and apartments will be built in Kerikeri-Waipapa, en masse, to meet future demand. This is very intensive housing that is typically only seen in major urban centres, not small rural towns. Further, the Spatial Plan did not indicate community preference or support for this type of housing, rather to the contrary, indicated preference for housing that is consistent with the existing character of the town, which is predominately stand-alone housing.

(c) Mr McIlrath estimates that stand-alone housing under the PDP-R will cost on average $1.28 million and will increase to $1.68 million over the medium term (in ten years). Under the PDP-R, he estimates conventional family housing will become significantly less affordable, rather than more affordable, and is therefore contrary to the outcomes sought by the NPS-UD. This presents a significant economic cost or risk for the future growth of the Far North and Kerikeri-Waipapa in particular, as its main economic and social centre. Mr McIlrath relies entirely on terrace houses and apartments to meet the future housing needs of the typical household (e.g. a local young family rather than a retiree household selling in Auckland to move to Kerikeri-Waipapa). However, no evidence has been provided that this is the preferred type of housing, with demand now or in the future. The likely outcome is that fewer households will decide to relocate to, or stay in Kerikeri-Waipapa, and will instead seek to live in other rural towns that are more affordable. Many of these households would be incentivised to commute to Kerikeri-Waipapa for work, which is not consistent with a well-functioning urban environment or to enabling planning to integrate with the delivery of infrastructure. In fact this

approach would effectively thwart the outcome the Council is endeavouring to achieve.

49 Mr McIlrath outlines his view on the KFO submission in section 7 of his evidence. I briefly respond to the key matters raised below. I note that I consider many of these matters are sufficiently addressed in my primary evidence.

50 Mr McIlrath [para 7.4] notes that I have adopted the Spatial Plan Hybrid option as Council's preferred growth option. This is correct. I understand that Council has not implemented the Spatial Plan Hybrid option via the PDP process because this can only be done to the extent that there were submissions seeking that outcome. Instead, the Council has relied entirely on upzoning the existing urban area and intensification to meet all future growth over the medium term. I understand from Mr Doesburg that an implication is that the KFO site is now the only large-scale greenfield option that can be considered over the short-medium term, or the life of the PDP. This is particularly so with the uncertainty of any future Council-initiated plan changes because of the Government Plan Stop directive.

51 Mr McIlrath [para 7.5-7.9] outlines his view on population growth and that he considers my growth projections to be "aggressive". Mr McIlrath adopts growth of 3,830 dwellings over the long term (130 dwellings p.a.). By contrast, I expect growth of 6,000 dwellings over the same period (200 p.a.) and the Spatial Plan Blue Sky growth adopts 4,860 dwellings (160 p.a.). The higher growth rates are in my opinion achievable if there is greater supply, and in particular if there are one or several medium-large-scale greenfield developments enabled. As referred to in my primary evidence, there is clear evidence that other similar towns achieve higher rates of growth only when medium-large-scale greenfield developments are enabled. I consider that a much lower rate of growth would occur under the PDP-R, as Mr McIlrath estimates that stand-alone house prices would increase significantly rather than become more affordable. The relevant economic theory is the price elasticity of demand, which confirms that as prices rise the quantity of dwellings demanded will fall.

52 Mr McIlrath [para 7.7] refers to Figure 18 in my primary evidence. The figure of 3,800 refers to the 2023 population for the Kerikeri-Waipapa Urban area as defined by the HBA and Spatial Plan, sourced from the Statistics NZ Census. The percentage growth relates to the 30-year total percentage increase in population.

53 Mr McIlrath [para 7.8/9] claims there is no evidence that the Far North has high internal migration (i.e. people moving from other parts of New Zealand to the Northland), which I consider confirms support for lifestyle-related developments. The following figure confirms that the Northland region has the highest proportion of its growth from net internal migration (59% of total growth) and, in fact, exceeds Queenstown/Otago as a lifestyle-related destination, in both nominal and percentage terms. This figure also confirms a massive exodus from Auckland, which is a large driver of growth in places like Northland (a net 109,000 people left Auckland to move elsewhere in New Zealand over the 2018-2023 period). My expectation is that the KFO site would further increase the attractiveness of Kerikeri-Waipapa as a lifestyle-related destination, given increasing house prices in Auckland and the continued wave of retiring baby boomers seeking lifestyle locations.

Figure 5: Regional Internal Migration Trends 2018-2023

Region	2018-2023		
	Net Internal Migration	Population Growth	Net Internal Migration % of Population Growth
Northland	**7,530**	**12,700**	**59%**
Tasman	2,740	5,100	54%
Canterbury	25,500	53,800	47%
Otago	6,280	13,500	47%
West Coast	680	1,500	45%
Waikato	15,000	41,200	36%
Bay of Plenty	5,260	25,700	20%
Taranaki	1,570	8,200	19%
Manawatū-Whanganui	1,300	10,300	13%
Marlborough	240	2,100	11%
Hawke's Bay	-1,310	6,600	-20%
Gisborne	-620	2,800	-22%
Wellington	-6,500	12,100	-54%
Auckland	-109,200	200,800	-54%
Southland	-1,650	2,200	-75%
Nelson	-1,230	1,600	-77%

Source: Statistics NZ

54 With regard to internal migration as a proportion of the growth in the Far North District, I estimate 58% of growth is from internal migration, which is similar to the percentage evident in the Northland region (59%). I consider the Far North also relies heavily on migration from people living elsewhere in New Zealand for

its growth, confirming it is one of the most popular destinations for both retirees and young families.

55 Mr McIlrath [para 7.10-12] states his opinion that new medium-large scale development will not result in a net addition to construction rates or growth:

> *"While I agree with Mr Thompson that residential development can respond to demand, I am not convinced that residential developments will necessarily stimulate demand for additional, above trend, housing demand."*

56 The relevant economic concept is the price elasticity of demand, or the law of supply and demand, which confirms that lower prices result in a higher quantity demanded. As noted previously, the s42A report confirms that the KFO site will offer lower prices than infill locations and will result in faster rates of growth.

57 Mr McIlrath does not consider that the rate of growth in similar-sized rural towns and other locations (Wanaka, Lake Hawea, Morrinsville, Marsden Cove and Hingaia) provides a basis for understanding market potential for greenfield development in Kerikeri-Waipapa. The concern raised is that no counter-factual is provided, i.e. towns that have no medium-large scale greenfield development experiencing lower rates of growth. I do not consider this necessary, as there is clear evidence that each new greenfield development entering a town results in an immediate increase in construction and growth. To this extent, the counterfactual is the period prior to the introduction of the greenfield development in each town, when growth is depressed.

58 Mr McIlrath [para 7.13] states that housing affordability is a key issue in the Far North. I agree, particularly for younger households purchasing their first home. Mr McIlrath [para 7.14] notes that he has adjusted future dwelling prices into 2025 dollars, and estimated that there are 800 stand-alone dwellings under the PDP-R that are feasible in the $700,000 - $1.2 million price range. I have requested a more detailed breakdown of the estimated price of dwellings by type from Mr McIlrath, in the same format as table 4-6 of the HBA, however he has said that he has not undertaken this analysis, so cannot provide these model outputs. I consider these are the required outputs for an NPS-UD assessment. Table 4-6 of the HBA (Figure 6), shows that there are no stand-alone dwellings that are feasible in the $700,000-$1.0 million price range, and this raises the important question of whether the PDP-R is able to sufficiently

address this shortfall[7]. In simple terms, the ability for the market to provide stand-alone dwellings in the $500,000 - $700,000 and $700,000 - $1.0 million price ranges is fundamental to the economic future of Kerikeri-Waipapa over the medium term, and it is not possible to know from Mr McIlrath's evidence, whether such housing is enabled, as he has confirmed he has not completed this analysis.

59 Mr McIlrath [para 7.19] provides comments on my assessment of different growth options. He considers there is a "methodological error" because I have not varied the subdivision and other costs across the different growth options outlined in the Spatial Plan, but rather adopted a subdivision cost of $150,000 and other costs of $75,000 per dwelling. Mr McIlrath considers that higher costs should be applied to the KFO site, such as those provided in the appendices to the Spatial Plan. This is not a methodological error as claimed, rather it is a difference in estimated input costs. The relevant question is 'what is the cost of developing a greenfield site', such as the KFO site, compared to an infill site, and how does this affect the final sale price (noting the developers are price takers, although are able to offer lower sale prices if the development costs, particularly the land cost, are lower). Mr McIlrath claims that I have not considered, for example, the cost of flood protection on the KFO site, which he considers would cost $10.9-19.8 million. This is incorrect. The subdivision costs are estimated at $150,000 per dwelling, which equates to $275 million from the residential part alone (for 1,830 dwellings), and in the order of $400 million including commercial development, to cover costs such as flood protection, any upgrades to transportation or other infrastructure, etc. I consider a $150,000 subdivision cost per dwelling, is sufficient to cover the cost of developing lots on the KFO site. I note that Mr McIlrath's view is that the KFO site will have higher subdivision costs than infill locations; however it is relevant here to consider his estimate under the PDP-R that the average price of a new stand-alone infill dwelling will be $1.28 million, and that he expects that this will increase to $1.68 million by 2035. This, in large part, reflects the high cost of the redevelopment site itself, which can cost, for example, $1.0 million for a 4-lot redevelopment project, equating to a $250,000 raw land cost per lot. By contrast, the KFO site has less than $5,000 raw land cost per lot, and these

[7] In the absence of the Mr McIlrath's replicated HBA Table 4-6 for the PDP-R, it is reasonable to assume that Mr McIlrath's model finds that no stand-alone dwellings a feasible for under $1.0 million, based on the conclusions he reached in Table 4-6 of the HBA, i.e. of the 800 feasible stand-alone dwellings he estimates for the PDP-R in the $700,000 - $1.2 million range, all fall within the $1.0 - $1.2 million range.

cost savings get passed on to the end purchaser. As such, I estimate the KFO site will enable stand-alone dwellings for $670,000. Ms Trinder and Mr Wyeth similarly conclude in the s42A report [para 467] that the KFO site will uniquely provide affordable housing for Kerikeri-Waipapa:

> *I consider that the KFO proposal is aligned with, and would give effect to, certain NPS-UD provisions. In particular, the KFO proposal has the potential to improve housing affordability by supporting competitive land markets through significantly increasing plan-enabled development capacity (Objective 2). More specifically, my understanding is that the KFO proposal has the potential to improve housing affordability by delivering additional greenfield housing capacity, and in particular detached dwellings at lower price points. An increase in plan-enabled development capacity through the KFO proposal would also help give effect to Policy 2.*

60 Mr McIlrath [para 7.21-25] claims that there is an error in that every additional $100,000/ha in land value would increase the per dwelling cost by $9,100, whereas I estimate an increase of $20,000 in the end dwelling value. There is no error, rather, the additional section cost of $9,100 would in turn mean a higher priced section, and this in turn means a more expensive house is required to be developed to optimise profit (i.e. sections are typically 40% of the end value of a completed house build, and builders need to ensure the dwelling is the optimal size and price for the section price, i.e. a builder would not purchase a $400,000 section and build a $200,000 dwelling, as this would result in a commercial loss). Figure 28 of my primary evidence, which Mr McIlrath attempts to recalculate in his Figure 1 and Appendix 6 to demonstrate the claimed error, simply applies 40% lot to end dwelling ratio, which reflects the standard approach most builders take (e.g. purchase a section for $400,000, build a house for $400,000 and sell the completed property for $1.0 million, resulting in a 40% lot to end value ratio, or for a cheaper property, purchase a section for $300,000, build a house for $300,000 and sell the completed property for $750,000, also reflecting in a 40% lot to end value ratio). I therefore consider my analysis correctly demonstrates that lower raw land costs directly flow through into lower-end dwelling values.

61 Mr McIlrath [para 7.26] states that housing affordability is an important issue. I agree and note that his conclusion on this issue is that the PDP-R will not fix the housing affordability issue identified in the HBA over the short-medium term:

> *"The HBA identified sufficiency challenges in the short and medium terms due to affordability. The PDP-R changes the price points (lower), but affordability challenges remain evident. The PDP-R will support an improvement in dwelling affordability, but the timeline associated with this process is over the long term."* (para 3.22).

In my opinion, the KFO site will demonstrably provide affordable housing over the short-medium term, as concluded in the s42A report [para 467].

62 Mr McIlrath [para 7.27] states that greenfield development offers economies of scale that reduce infrastructure costs and notes that using existing infrastructure can also produce efficiencies. This can be correct, if there is existing capacity, if it is actually able to be utilised by the market, i.e. if there is no or little market demand for apartments or terrace houses, then it is not possible to achieve these efficiencies (i.e. they remain hypothetical). In the case of Kerikeri-Waipapa, the main option to provide housing at a price and of a type that reflects market demand is through greenfield. All comparable small towns, and Kerikeri-Waipapa, have historically grown predominantly through greenfield (in the order of 90%).

63 Mr McIlrath [para 7.28-7.30] refers to an MFE study which he claims demonstrates infill development has lower infrastructure costs than greenfield development. This is an important point that should be carefully scrutinised. The study is a PWC/Sense Partners study that sources cost data from MRCagney study, which in turn sources greenfield infrastructure cost data from the Auckland Future Urban Land Supply Strategy 2015 (FULSS) and its infill cost data from a CIE and Arups study. The FULSS greenfield infrastructure costs are $17.7 billion ($2015) for around 100,000 dwellings, and are described as *"High-level bulk infrastructure costs Indicative, inflated capital costs prior to any detailed design"* (page 20). Accordingly, the FULSS estimates explicitly inflate or overstate greenfield costs and are therefore unreliable as a source of cost data. The CIE and Arups infill cost estimate was derived from a study of 12 recent developments in Auckland, comprising 4 low-density greenfield locations, 4 medium-density greenfield locations, and 4 high-density locations (only 3 of which are infill, and 2 of these are CBD apartment buildings). The study compared apartments in the Auckland CBD, with greenfield developments in small rural towns (e.g. Pukekohe, Riverhead). The costs are sourced from infrastructure growth charges and development contributions (i.e. excluding infrastructure provided by developers), so are not the actual total costs. Rather, they are the cost to the Council of upgrades to infrastructure necessitated by

the development, as required by the LGA. The costs also do not consider the actual previous cost of infrastructure, which may have been built and paid for decades prior, with remaining unutilised capacity.

64 Based on the above analysis, I do not consider the PWC/Sense Partners report to be based on reliable and defensible infrastructure cost data. In large part, this is because it is based on the FULSS "inflated" costings, and the CIE/Arup study only considers 3 infill developments in terms of the development contributions they incur, which reflects whether there is any upgrade required, rather than the actual per dwelling cost that would otherwise be incurred (e.g. for infill, stormwater infrastructure cost is zero because it leverages on existing network infrastructure).

65 With regard to Kerikeri-Waipapa, there are specific infrastructure costs that can be considered to determine the relative costs of the PDP-R/Spatial Plan and KFO proposals. In this regard, there is no reason to rely on a study based on Auckland infrastructure cost data, which does not have any direct application and which, in my opinion, is unreliable.

66 It is also material to consider that, even on the assumption of a high infrastructure cost (e.g. $25,000 greenfield versus $15,000 infill), the differential of $10,000 would be paid by the house purchaser, and this would be 'economic' if the relative cost of the greenfield dwellings was cheaper than the infill dwellings. Given Mr McIlrath's estimates infill dwelling costs of $1.28 million and the much lower cost within the KFO, of circa $670,000, a (hypothetical) higher infrastructure cost of $10,000 would be inconsequential to the purchaser, in terms of the end price, and the community in general in terms of the overall community cost (i.e. lower priced housing has a benefit that outweighs a small additional per dwelling (hypothetical) infrastructure cost). Mr McIlrath's suggestion that the MFE report supports his proposition [7.30] that"…greenfield developments can yield potentially lower land acquisition costs, the *total cost* — including infrastructure, environmental, and transport costs - tend to be higher than those associated with urban intensification…" for the PDP-R in Kerikeri-Waipapa, is therefore in my opinion unjustified, both in terms of the MFE report itself, which I consider is fundamentally incorrect, or if the report was accepted, to apply and metropolitan analytical framework to a small-medium scale rural town. Further, infrastructure costs are location and site-specific and depend upon the existence of capacity constraints within existing infrastructure networks, and in this regard, it is not axiomatic as suggested by Mr McIlrath that infill is more efficient for infrastructure than greenfield.

67 Mr McIlrath [para 7.32] states:

> *"I note that Mr Thompson refers to the recovered funding as 'revenue'. In my view, it is essential to remain aware of the fact that funding streams are to finance specific infrastructure investments and not a windfall or a new revenue stream. The contributions and levies (if implemented) will be paid by developers that pass on these costs as part of the sales price."*

68 I refer in my evidence to funds from DCs and "revenue" developers can levy under the IFF Act. The use of the term revenue in this regard is correct, as the IFF Act allows developers to establish Special Purpose Vehicles (SPVs) to raise finance (often debt) to pay for the infrastructure. I do not suggest they are a windfall or new revenue streams, in terms of the funding mechanisms available, as claimed by Mr McIlrath. I do, however, put forward evidence that in my opinion confirms that the KFO site, and any other medium-large scale master-planned development, would increase the rate of construction and growth, and this would increase the total infrastructure funding streams. It is also worth highlighting here that Kerikeri-Waipapa has significant infrastructure costs, for example upgrading the wastewater treatment plant, and under the PDP-R the most likely pattern of development is the status quo (as seen under the ODP) and this would see the majority of new development as rural lifestyle properties (59%), which would substantially diminish the potential DC funding available for cost recovery.

69 Mr McIlrath [para's 7.33-7.37] refers to my assessment of infrastructure funding revenue from the KFO site. He agrees that the KFO site offers 'economies of scale' that will improve infrastructure cost recovery [para 7.37], however, he considers my estimate should have accounted for interest costs on debt funding for infrastructure investments, rather than a discounted cash-flow approach. I do not agree, as the discounted cash-flow approach similarly accounts for the time cost of money sufficient to allow an estimate of the value of infrastructure, in current dollar terms, that can be funded.

70 Mr McIlrath [7.38-7.45] states he agrees with the multi-criteria analysis present, however, he makes a range of comments on the specific assessments.

71 Mr McIlrath [7.40] addresses the criteria of 'housing demand and affordability'. My assessment adopts the Spatial Plan Blue Sky population growth projection, which Mr McIlrath considers to be too high, and that this undermines my assessment. Figure 30 of my primary evidence identifies significant shortages

for family-scale dwellings under $1.0 million, ranging from 2,660 - 3,950 dwellings over the long term. If a lower growth rate (3,260 rather than 4,690 dwellings) were considered, these shortages would persist. In this regard, there would be no material difference to the results of my analysis. Mr McIlrath further claims that the dwelling price estimate I have provided, as part of this analysis, is incorrect, as he outlines in his para 7.21. I have addressed my approach to estimating end dwelling values (in paragraph 60), and in broad terms, these adopt a 40% lot to end dwelling price, which is a conventional market approach, and evident in current pricing achieved in Kerikeri-Waipapa. With regard to demand and affordability, Mr McIlrath notes in the HBA that "demand is based on the number of households that can afford dwellings in the different price bands" (page 43). I agree with this definition, as demand is a function of both quantity and price (not just quantity as often assumed). In the HBA, Mr McIlrath provides the following figure, which shows feasible capacity for each price range, which is fundamentally required to determine whether demand can be met across each price range. In his assessment of the PDP-R, Mr McIlrath has not provided the same table; rather, he appears to have reverted to consideration of demand in terms of quantity only. This is insufficient to understand whether the PDP-R will meet demand (i.e. it is not possible to meet demand if the majority of family-sized dwellings, as estimated by Mr McIlrath, are $1.28 million and estimated to increase to $1.68 million by 2035). I have requested Mr McIlrath to provide the same table (4-6) prepared for the PDP for the PDP-R, so that quantity, price and type of dwellings enabled are understood, based on his modelling, however he stated that he had not completed this analysis for the PDP-R and that he was therefore not able to provide this information. It is worth restating here that there is no capacity for stand-alone dwellings under $1.0 million over the medium-long term estimated in the HBA, which is an important economic consideration.

Figure 6: HBA Feasible Capacity of PDP by Type, Quantity and Price

Table 4-6: Feasible capacity (market-led approach): Kerikeri-Waipapa

	FEASIBLE CAPACITY - Kerikeri-Waipapa											
	CURRENT			3 YEARS			10 YEARS			30 YEARS		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
$0-$300k	0	0	0	0	0	0	0	0	0	0	0	0
$301k-$500k	0	0	0	0	0	0	0	0	0	0	0	0
$501k-$700k	0	60	60	0	0	0	0	0	0	0	0	0
$701k-$1m	40	0	40	0	30	30	0	0	0	0	0	0
$1m-$1.2m	5	20	25	0	0	0	0	30	30	0	380	380
$1.2m-$1.5m	0	0	0	60	150	210	0	5	5	0	850	850
$1.5m-$2m	0	0	0	230	410	640	880	220	1,100	70	350	420
$2m+	0	0	0	0	0	0	0	0	0	1,180	290	1,470
TOTAL	45	80	125	290	590	880	880	255	1,135	1,250	1,870	3,120

Source: HBA/ME

72 Mr McIlrath [para 7.41] addresses the 'development efficiency' criteria in my multi-criteria analysis. He states:

> *"Mr Thompson's approach to development efficiency appears to capture only a single dimension, i.e., the land parcel size (>20ha). In my view, development efficiency is wider than just the comparative ease with which a developer could develop a site. Development efficiency includes the number of lots/dwellings that could be delivered in an area (i.e., density), enabled typologies, infrastructure requirements, natural hazard considerations, total costs and total per dwelling costs (e.g., $ per house)."*

73 These matters are considered within other criteria, and I note there is some overlap between criteria when considered in terms of second-order effects. I would highlight here that master-planned developments in general, and in particular in rural towns, typically achieve higher densities than the existing town. This is because master-planned developments offer a diverse range of housing, which creates stronger communities and increases the sale rate, and this typically includes a range of higher-density housing, in this case, terrace and townhouses are expected, given the scale of the development (noting the final masterplan and consenting is not part of this proposal). This can also improve walkability. The KFO site will have its own retail centre, parks, employment, etc. and is adjacent/near to Waipapa, which offers a range of commercial and public facilities.

74 Mr McIlrath [para 7.42] addresses the infrastructure cost recovery criteria. He considers that there are no special benefits from large scale developments entering into developer funding agreements with Council. I do not agree, as these developments have the economies of scale, as acknowledged by Mr McIlrath in para 7.37, which enable major upgrades, e.g. new intersections or trunk lines, to be funded by a single entity, and this would not be possible for smaller developments, e.g. of 30-50 lots. With regard to the impact of infrastructure costs on affordability, Mr McIlrath considers that infill housing would have lower infrastructure costs, and this would improve affordability. I note Mr McIlrath estimates infill stand alone dwellings to cost $1.28 million under the PDP-R and that this will increase to $1.68 million by 2035. By contrast, I estimate the KFO site will enable new stand-alone dwellings for $670,000, which accounts for typical greenfield infrastructure costs. As mentioned, the KFO development would have subdivision expenditure of circa

$275 million for the residential subdivision component, which is sufficient to address the typical infrastructure costs for developments of this scale.

75 Mr McIlrath [para 7.43] addresses the agglomeration economies criteria. He suggests that "proximity is the core driver of agglomeration economies" and that this is a key reason for "concentrating growth in/around centres". The KFO site has the potential to achieve density around its own retail and employment centre, and provide a range of housing, including high density housing (terrace and town housing). It is also in close proximity to Waipapa, which offers these same potential agglomeration economies. I consider the PDP-R will likely result in the status quo (ODP) pattern of growth, which is predominantly (59%) lifestyle properties, which is a major challenge to agglomeration economies (although I would note this housing option has supported rapid growth in Kerikeri-Waipapa for decades, which has benefits). In my opinion, Mr McIlrath has not demonstrated that the PDP-R would offer the type and price of housing that would be taken up to enable the 'proximity' related agglomeration economies.

76 Mr McIlrath [para 7.44] addresses the 'high productive land displacement' criteria. Mr McIlrath considers that the KFO site would displace a higher total value of productive land than the PDP-R scenario. Mr McIlrath's conclusion, however, assumes a lower density in the KFO site relative to other greenfield sites. It is more likely that the KFO site will achieve a higher density than fragmented, smaller sites, as smaller sites would have no master-planning or product diversification to create community and improve the sales rate (i.e. market incentives are for the KFO site to achieve a higher average density). Given the KFO has relatively low productive land, this means it (a) displaces relatively low value land (evaluated in detail by Mr Jeremy Hunt) and (b) displaces a lower quantity of land per dwelling.

77 Having reviewed Mr McIlrath's comments about the multi-criteria analysis in my primary evidence, I do not consider that he raises significant issues, and I continue to support the conclusions of this analysis.

78 Mr McIlrath [para 7.48(a)] responds to my conclusion that there is insufficient capacity for dwellings under $1.0 million to meet demand. He claims that the PDP-R "enables significantly more capacity at lower price points", however, he has not presented any breakdown of the capacity of the PDP-R by type or price, and as such, there is no evidence presented to support this conclusion. I have requested these model outputs from Mr McIlrath, and he has stated that this

analysis has not been completed, and as such, he was not able to provide the information.

79 Mr McIlrath [para 7.48(b)] states that "Option F can provide lower priced dwellings and this point is not part of the NPS-HPL tests". The NPS-HPL s3.6(4)(a) requires an assessment of whether "the urban zoning is required to provide sufficient development capacity to meet expected demand for housing". The term development capacity relates to the NPS-UD. Section 3.2 of the NPS-UD requires sufficient development capacity to meet demand, in "existing and new urban areas" and "for both stand alone dwellings and attached dwellings". Policy 1 of the NPS-UD requires that Districts "have or enable a variety of homes that: (i) meet the needs, in terms of type, price, and location, of different households". This clearly requires different types and prices of housing to meet demand. Mr McIlrath's definition of demand in the HBA also confirms that this requires consideration of both housing quantity and the price of housing: "Demand is based on the number of households that can afford dwellings in the different price bands" (page 43). I believe this confirms that price is a required consideration under the NPS-HPL. More generally, it is fundamental to any economic assessment of housing sufficiency.

80 Mr McIlrath [para 7.48(c)] states that whether the site is centrally located is not part of the NPS-HPL test. Section 3.6(4)(c) requires consideration of economic costs and benefits, and the location of the site is therefore a relevant consideration.

81 Mr McIlrath [para 7.48(d)] states that whether the site is relatively large and offers benefits that are not also available from smaller sites is not part of the NPS-HPL test. Section 3.6(4)(c) requires consideration of economic costs and benefits, and the size of the site is therefore a relevant consideration.

82 Mr McIlrath [para 7.48(e)] states that he agrees the site has some relatively low productivity rates, however he has not been able to verify this as the data is not referenced. I have assessed this based on Council valuation data, which is a proxy for economic productive value, which is provided in my evidence. Further, the evidence of Mr Jeremy Hunt addresses these matters in detail.

83 Mr McIlrath [para 7.48(f)] states *"I have used Mr Thompson's data and I estimate that the present value of the opportunity cost of the foregone agricultural activity (over 30 years, discounted at 2%) is in the order of $138.5m."* Mr McIlrath has incorrectly made the assumption that the market value of the KFO site ($19,000/ha) represents its annual economic contribution.

It instead represents the net present value of all future annual economic contributions (i.e. the market value is the estimated net present value of all future profits, and profits broadly equate to the contribution to GDP). The Option F scenario (which includes the KFO site) has an economic value for agricultural use of $6.1 million (319 ha x $19,000/ha = $6.1 million)[8]. For context, the total economic value figure of $19,000/ha aligns with the values estimated by Mr McIlrath's firm's cost-benefit analysis that supported the drafting of the NPS-HPL. I confirm my view that the economic value of the KFO site is circa $6 million is correct and that Mr McIlraths's estimate of $138 million is unrealistic (noting there are around 50,000 farms in NZ, suggesting the total agricultural economic contribution is over $5 trillion, however by comparison New Zealand's total annual GDP across all sectors is only $400 billion).

84 Mr McIlrath [para 7.54] states that he has estimated the capacity for detached dwellings under the PDP-R plus the KFO site. His capacity analysis, however, is based on quantity only, and he does not consider the price of houses that are demanded. The PDP-R enables stand-alone dwellings of $1.28 million, which is priced above the majority of demand, which is largely for dwellings under $1.0 million, so it will not be built in the quantity he suggests.

CONCLUSION

85 Having reviewed the evidence of Mr McIlrath, I hold the opinion that the PDP-R will not meet the future housing demand of Kerikeri-Waipapa, particularly in terms of enabling lower-priced affordable housing of a type that is in demand, and that the KFO site, and Option F as outlined in the Spatial Plan more generally, is a unique opportunity in Kerikeri-Waipapa, as is required to ensure housing demand in terms of lower-priced affordable housing of a type that is able to be met over the short-medium term.

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Adam Thompson

24 September 2025

[8] Or $3.4 million if just the KFO site (179 ha) is considered.