

Before the Queenstown Lakes District  
Council

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

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

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

**3 August, 2020**

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## Introduction

- 1 My name is Michael Campbell Copeland and I am an economic consultant.
- 2 I have previously provided a written brief of evidence in relation to the relief sought by Universal Developments (Hawea) Limited (Universal Developments). That evidence is dated 29 May 2020. I also provided a supplementary statement of evidence dated 31 July, 2020. This supplementary statement of evidence was in response to the Stage 3 Hearing Panel's Minute 28 regarding the new National Policy Statement on Urban Development (NPS-UD). I consider that the NPS-UD adds weight to the main conclusions of my evidence in chief (EIC). I provide a summary of my evidence below together with responses to the rebuttal evidence of Ms Hampson on behalf of the Queenstown Lakes District Council, dated 12 June 2020, and which commented on my earlier evidence.

## Summary of My EIC

- 3 Consistent with seeking to maximise competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. The relief sought by Universal Developments will significantly increase the level of competition in the markets for residential and industrial land supply. Universal Developments will be a significant new competitor and in the case of residential land there will also be additional competition from 5 other new suppliers.

### *Residential Development*

- 4 The housing affordability issues experienced by the Queenstown Lakes District underline that housing development capacity is not equivalent to the supply of land for housing development. Frictions such as land owner inertia, land banking and fragmented land ownership prevent zoned capacity equating to market supply. Focussing only on comparing residential demand with residential development land capacity is insufficient and there is a need for (i) a more targeted consideration of where additional capacity and zoning is required; (ii) creating greater competition; and (iii) addressing the effects of land owner inertia and other frictions in the market.
- 5 The NPS-UDC places emphasis not simply on aggregate land capacity sufficiency, but also attempts to improve the competitiveness of the market. I consider this sentiment is even stronger in the new NPS-UD. The relief sought by Universal Developments is consistent with a number of the NPS-UDC ( and the new NPS-UD) objectives and policies, including those seeking to encourage competition in land markets, address housing affordability issues, realising not all feasible development opportunities will be taken up and providing communities with more choice. I consider the proposed extension of the UGB at Hawea to be consistent with the NPS-UDC (and new NPS-UD) and the QLDC's interpretation of the NPS-UDC to be selective and too narrow.
- 6 Granting the relief sought by Universal Developments enabling increased residential development on greenfield sites at Hawea, will not give rise to forgone alternative land use, public infrastructure or transport economic externality costs.

### *Housing Affordability Controls*

- 7 Mr Barr in his rebuttal evidence has recommended any zoning be required to provide for housing affordability through addition of controls as part of any subdivision. Such controls would effectively impose a tax on the affected suppliers of residential land and buildings and therefore be a disincentive to supply. In contrast I consider the Plan should encourage supply and the relief sought by Universal Developments will do that. Imposing affordability measures via the plan is likely to be inefficient and would be administratively complex. Property owners can provide dwellings for rent or sale at below market values directly and this is done by housing providers with social objectives (e.g. the Housing Corporation and some councils). This is a more transparent approach and much more flexible if changes in the levels of, and targets for, assistance are required over time.

### *The Local Shopping Centre Zone*

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

### *Industrial Development*

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

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

### **Responses to Ms Hampson's Rebuttal Evidence Dated 12 June 2020**

#### *Residential Land Supply*

- 14 At paragraph 4.5 of her rebuttal evidence dated 12 June 2020<sup>1</sup>, Ms Hampson states that “the NPS-UDC specifies that only sufficient capacity to meet 10 years’ of projected demand plus a margin needs to be zoned in district plans”. In my opinion this underscores that Ms Hampson is relying on the NPS-UDC to set a maximum area to be zoned for residential development, whereas in my opinion the overall sentiment of the NPS-UDC is not about prescribing the maximum amount of land to be zoned for residential and other forms of urban development. I consider that this sentiment is even stronger in the new NPS-UD. The NPS-UDC (and new NPS-UD) objectives and policies are about improving competitiveness, providing choice, increasing land supply and addressing housing affordability issues – see paragraphs 58 to 65 of my evidence in chief (EIC). For example, in paragraph 64 of my EIC, I have highlighted the NPS-UDC policy PC1’s use of the term “at least” in setting the required margins of feasible development capacity over projected demand.
- 15 At paragraph 4.6 of her rebuttal evidence, Ms Hampson provides figures showing additional land capacity at Hawea which she considers will be sufficient to take into account “potential for some land banking”. The effects of land banking and other frictions in land markets (e.g. land owner inertia and fragmentation of land ownership) do not lend themselves to accurate quantification. I consider in the absence of economic or non-economic costs, there is economic benefit in enabling greater areas of land to be zoned for residential (and other forms of) development, especially given the disconnect between zoned capacity and land supply highlighted in my EIC.
- 16 Similarly at paragraph 4.8 of her evidence, Ms Hampson argues that the Universal Development submission would lead to a significant increment of urban expansion. However Ms Hampson’s evidence does not identify what economic costs would be incurred should such an increment in urban expansion occur. My EIC identifies economic benefits from greater population and critical mass for Hawea and discounts a number of potential economic costs (see paragraphs 68 to 74 of my EIC). These benefits are in addition to the improvements to the market for the

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<sup>1</sup> Rebuttal Evidence of Natalie Dianne Hampson for Queenstown Lakes District Council; General Industrial Zone and Universal Development Rezoning at Hawea; 12 June, 2020.

supply of residential land that the relief sought by Universal Developments would deliver even if the increased capacity was not utilised during the Plan period.

- 17 At paragraphs 4.9 to 4.11 of her rebuttal evidence, Ms Hampson argues that I overstate the benefits from greater competition that the relief sought by Universal Developments would bring. The extension of the Urban Growth Boundary (UGB) Universal Developments is seeking would make it a more effective competitor in the Hawea land supply and housing market. Also greater competition is brought about from increasing the “contestability” or “potential competition” in markets and it is not necessary for the actual number of competitors to increase. The removal of “barriers to entry” is key to increasing market contestability and zoning restrictions are such a barrier to entry. Irrespective of Ms Hampson’s speculation about the sustainability of multiple competing greenfield developments, the benefits from greater contestability will materialise no matter if, and if so when, new competitors enter the market.
- 18 At paragraphs 4.12 to 4.18 of her evidence Ms Hampton argues that the establishment and the concerns expressed by the Mayoral Task Force on Housing Affordability address problems in the land supply market for the whole District and which are not representative of what is occurring in Hawea. In response I consider the following points are relevant:
- a. Hawea is part of the whole Queenstown Lakes District, and I consider issues of housing affordability and frictions in the residential land supply market are relevant with respect to both the market for the whole District and the Hawea sub-market;
  - b. The median house price in Hawea has more than doubled over the period 2013-20 (see paragraph 57 of my EIC); and
  - c. Whilst Universal Developments’ consented Special Housing Area (SHA) and increases in allowable housing densities within the existing Hawea urban area will contribute to meeting the objectives of the Mayoral Task Force on Housing Affordability, I see no reasons as to why additional measures to stimulate residential land supply at Hawea should not also be considered and enabled in the absence of any economic or non-economic costs associated with such measures.

#### *Industrial Land Supply*

- 19 At paragraph 4.19 of her rebuttal evidence, Ms Hampson relies on the less permissive rules of Wanaka’s GIZ notified in Stage 3 of the Plan as compared to existing ODP industrial zones to prevent non-industrial land uses on land zoned for industrial uses. The point I was making at paragraph 86(d) of my EIC is that whatever are the initial intentions of such restrictions, over time pressures will arise to remove or lessen such restrictions.
- 20 Ms Hampson, at paragraphs 4.21 and 4.22 of her rebuttal evidence, argues that the NPS-UDC does not require councils to provide business land capacity of all types in all locations. I certainly do not make such a claim in my EIC. However I do argue that the NPC-UDC is sympathetic to removing barriers to land supply markets so that land owners are able to meet the demand for

different types of land in different locations. I consider this is even more the case with the new NPS-UD. In the case of Universal Developments' proposed provision of industrial land, this will "provide both employment and business growth opportunities in Hawea" in exactly the same way as Ms Hampton agrees will be provided by the proposed Local Shopping Centre Zone (LSCZ) – see paragraph 4.22 of her rebuttal evidence. It will also provide "greater choice of GIZ locations for existing and new industrial and service businesses in the wider Wanaka area" and "further (local) employment opportunities", which Ms Hampton identifies as economic benefits at paragraph 13.3 of her 20 March, 2020 evidence in support of zoning additional industrial land at Luggate.<sup>2</sup>

- 21 At paragraphs 4.23 to 4.27 of her rebuttal evidence Ms Hampton identifies a number of private sector commercial reasons as to why she considers industrial and service activities should be concentrated in Wanaka rather than for some of these activities to be located in Hawea or elsewhere in the Wanaka Ward. Should Universal Developments' proposed industrial zone be enabled at Hawea, but private sector firms agree with Ms Hampson's assessment of these commercial considerations then I would expect these firms will locate within industrial zones in Wanaka and not in Hawea. However, there is no need for the Council or its consultants to make these judgements for them. "Commercial feasibility from a market perspective" is best assessed by actual market participants not by "multi-criteria analysis on the feasibility of different locations" undertaken by Councils or its consultants (paragraph 4.24 of Ms Hampson's rebuttal evidence). Only where externality costs or benefits exist are Council imposed constraints necessary. The only externality benefits from confining industrial development to industrial zones within Wanaka listed in Ms Hampson's paragraph 4.23 are possible agglomeration benefits for other businesses. But even if these are present, generally they will also accrue to new industrial developers and therefore will align with unconstrained market participants' location decisions.
- 22 At her paragraph 4.26, Ms Hampson is critical of my EIC for not commenting on the scale of the proposed GIZ at Hawea and its appropriateness. Ms Hampson expresses concern that it would significantly increase the current zone capacity. However Ms Hampson does not identify any costs associated with such an increase in capacity being made available. Whilst I can see why other industrial land owners may not wish this to occur, I do not believe it is the Council's role to protect their financial interests and my EIC identifies a number of economic benefits for Hawea and the District as a whole from enabling industrial development to occur at Hawea (see paragraphs 86-87 of my EIC).

#### *Local Shopping Centre Zone*

- 23 At paragraph 4.33 of her rebuttal evidence, Ms Hampson states that my evidence does not consider the distributional effects of Universal Developments' proposed LSCZ on the existing LSCZ. My EIC does cover such distributional impacts and concludes that any such impacts will not be significant beyond trade competition effects (see my paragraphs 77, 80, 81 and 82 of my

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<sup>2</sup>See Section 13, pages 70-73 of Evidence in Chief of Natalie Dianne Hampson for Queenstown Lakes District Council; NPS-UDC Capacity and Economic Matters Relating to the General Industrial and Three Parks Zones; 18 March, 2020.

EIC). In fact my EIC refers to Ms Hampson's earlier memorandum<sup>3</sup> for the Council and which reached the same conclusion.

24 Despite reaching the conclusion in her memorandum that there would be no significant distributional impacts beyond trade competition, Ms Hampton in her rebuttal evidence argues for a cap on the overall retail gross floor area (GFA) "to help mitigate the potential for retail distributional effects on the existing LSCZ (including the duration of those effects) and help ensure that convenience retail development is spread between zones in the medium-long term" (see paragraph 4.41 of her rebuttal evidence). This apparently is because of "an opportunity cost to those residents and visitors that are closest to the existing LSCZ and for whom their local convenience centre reaches its potential (including increasing its functional and social amenity) slower than would otherwise have been the case" (paragraph 4.40 of Ms Hampson rebuttal evidence). This is in spite of Ms Hampton concluding that with the proposed new LSCZ "the community as a whole will be better-off (i.e. the benefits to the many will outweigh the costs to the few) and the long-term viability of the existing LSCZ will not necessarily be undermined" (paragraph 4.41 of Ms Hampson's rebuttal evidence).

25 I consider such attempts to "micro-manage" retail development at Hawea (or anywhere else) is completely unwarranted. Development of retail and other service activities will always have convenience benefits for some and costs for others – for example, surely no-one would suggest dictating that a grocery store be placed on every street intersection within an urban area, instead of a supermarket at single central location! Market participants will address consumer convenience among a variety of factors when deciding between alternative locations for new developments. Also given that both Ms Hampson (see page 14 of her 20 January 2020 memorandum) and I agree that the proposed new LSCZ will not undermine the role and viability of the Wanaka Town Centre or Three Parks commercial centre, I see no reason why a cap of 4,000 sqm GFA should be imposed. Also I agree with Mr Williams that one retail activity be permitted to be up to 1,000 sqm GFA. Ms Hampson's proposed 400 sqm GFA maximum cap for this single retail activity (see paragraph 4.45 of her evidence) in the new LSCZ would prevent a small supermarket being developed at Hawea and this would unnecessarily constrain the local retail offering. Therefore I support Universal Developments' proposal that one retail activity of up to 1,000 sqm GFA be allowed in the new LSCZ.

Michael Copeland

3 August, 2020.

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<sup>3</sup>Market Economics, Economic Commentary on Hawea SHA Township Service Centre memo of 24 January, 2020.