

Before the Hearing Panel

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the Queenstown Lakes Proposed District Plan—
Wakatipu Basin

AND

IN THE MATTER of Hearing Submission 2332, Middleton Family Trust

**Summary Statement of Evidence of Michael Campbell Copeland
(Economics) on behalf of Middleton Family Trust (Submitter 2332)**

Dated 12th July 2018

1. I have been asked to provide evidence on behalf of the Middleton Family Trust (the applicant) on the economic effects of rezoning rural land for residential development within the Queenstown Lakes District and which may be in excess of projected demand. I prepared a statement of evidence dated 13 June, 2018.
2. This summary statement of evidence provides:
 - (a) A summary of my evidence; and
 - (b) Responses to Mr Marcus Langman's rebuttal evidence dated 27 June, 2018 and prepared on behalf of the Queenstown Lakes District Council.

Summary of My Evidence

3. Specifically my evidence addresses:
 - (a) The economic benefits from zoning areas of land for residential development in excess of projected demand; and
 - (b) The potential economic costs from zoning areas of land for residential development in excess of projected demand.
4. Community economic well being and the efficient use and development of resources are relevant considerations under the Resource Management Act.
5. From the point of view of community economic well being and economic efficiency, market interventions such as land use constraints should only be imposed where clear external costs have been identified and the significance of these external costs is such that it outweighs the costs of the particular form of intervention proposed.
6. Economists generally accept that measures which increased competition in markets provide for greater economic well-being and greater economic efficiency and that conversely interventions in markets which limit or prevent competition in markets reduce economic well-being and economic efficiency.
7. Whilst housing affordability will need to be addressed on a number of fronts, maintaining and enhancing competition in the residential land

supply market is one component of this. The National Policy Statement on Urban Development Capacity (2016) is very clear about encouraging competition in markets for land development.

8. Increasing the supply of land for residential development, even if in excess of projected demand, will generate economic benefits from increased competition. The proposed rezoning of land at Tuckers Beach to enable residential development will give rise to such economic benefits.
9. Zoning of land in excess of projected demand can give rise to land use, infrastructure and transport economic externality costs. However the proposed Tuckers Beach development is not expected to give rise to such costs:
 - (a) Lost agricultural production is not an external cost of the proposed residential development at Tuckers Beach. The productive value of the land in alternative uses (such as agriculture) will be internalised into the cost structure of the development.
 - (b) On-site infrastructure will be paid for by the developer (and subsequently section purchasers), whilst development charges will cover any additional off-site infrastructure costs. Mr Hansen's evidence explains that capacity in bulk infrastructure facilities is sufficient to accommodate the proposed Tuckers Beach development.
 - (c) The transport distances from the proposed Tuckers Beach development to town centres and facilities are less than or equal to other existing residential areas such as Lake Hayes Estate and Shotover Country. Therefore, enabling residential development at Tuckers Beach is not expected to give rise to additional transport externality costs.
10. The rezoning of land at Tuckers Beach to enable residential development will give rise to net economic benefits for the Queenstown Lakes District. It is consistent with having regard to community economic well-being and the efficient development and use of resources.

Responses to the Rebuttal Evidence of Mr Marcus Langman

11. At paragraph 7.19 Mr Langman is critical of my evidence for not assessing infrastructure and transport externalities. These have been addressed for the applicant by Mr Hansen and Mr Bartlett respectively. I have relied on their evidence for concluding that transport and other infrastructure costs can be internalised to the developer (and section purchasers) and that the proposed Tuckers Beach development will not need to be cross-subsidised by other ratepayers.
12. In the case of transport externalities this appears to also be the view of the Council's transport expert, Mr Smith (see paragraph 7.6 of Mr Langman's evidence). With respect to water and wastewater services, Mr Langman suggests some potential disagreement regarding new capacity requirements between Mr Hansen and Ms Jarvis, the Council's infrastructure expert (see paragraph 7.7 of Langman's evidence). However I remain of the view that it is possible to internalise any additional costs for this infrastructure that may be required to the developer.
13. At paragraph 7.20, Mr Langman is critical of my evidence for not identifying and assessing further externalities, such as costs associated with implications of the development on rural character and landscape values. As an economist, my evidence quite deliberately does not identify or assess non-economic effects which are properly dealt with by appropriately qualified technical experts.
14. I am aware some economists have attempted to quantify in dollar terms non-economic effects and then included such effects in an assessment of overall economic wellbeing or economic efficiency. However, such techniques are subject to uncertainty and criticism. In my opinion it is generally better to not attempt to estimate monetary values for these effects but to leave them to be assessed by appropriately qualified experts and for their assessments to form part of the application of the relevant legal test. This also avoids the danger of 'double-counting' – i.e. including them within a measure of economic wellbeing or efficiency and treating them as a separate consideration.
15. Therefore I do not accept Mr Langman's criticism of my conclusion that enabling residential development on the site will give rise to net

economic benefits because I have not considered externalities such as rural character and landscape values, because I do not consider these as economic effects.

16. At paragraphs 7.21 to 7.24 of his evidence, Mr Langman argues that my references to the National Policy Statement on Urban Development Capacity (NPS-UDC) are misdirected because the Tuckers Beach site is not an urban environment in that it is not *“an area of land containing, or intended to contain, a concentrated settlement of 10,000 people or more and any associated business land, irrespective of local authority or statistical boundar(ies)”*. In response I would state:

(a) It is my understanding that the applicant seeks that Queenstown’s urban growth boundary is extended to include the Tuckers Beach land and therefore the site will form part of the Queenstown urban area. Also given the residents of the proposed development will be in easy commuting distance from Queenstown’s CBD, I consider that Tuckers Beach will form part of Queenstown’s urban environment.

(b) Zoning land for residential development at Tuckers Beach will impact on the demand and supply of land for residential development within the existing and future Queenstown “urban environment” irrespective of whether it is defined to be inside or outside some technically defined “urban environment”.

(c) Irrespective of the definition of “urban environment” within the NPS-UDC, its objectives and policies with respect to the demand and supply of residential land, encouraging competition and providing buffers of supply over demand are relevant with respect to enabling people and communities to provide for their economic and social wellbeing and having regard to the efficient development and use of resources.

17. Therefore in my opinion the sections from the NPS-UDC which I refer to in my evidence at paragraphs 4.2 to 4.5 help underscore the economic benefits from zoning land for residential demand in excess of projected demand and encouraging greater competition in residential land markets.

18. At paragraph 7.23 of his evidence Mr Langman states the benefits I ascribe to the proposal are overstated given that sufficient capacity is already zoned. However, my evidence only addresses the economic benefits of zoning land in excess of projected demand. These relate to providing greater competition and choice – the same benefits highlighted in the NPS-UDC. The economic benefits I identify in my evidence are therefore not overstated.
19. At paragraph 7.25 Mr Langman says: *“Regardless, it is understood that the concept of competition, as identified at para 4.1 (of my evidence), is by no means accepted as promoting economically efficient outcomes, especially in terms of determining public benefits.”* Paragraph 4.1 of my evidence needs to be read in conjunction with paragraphs 3.8 to 3.18 of my evidence where I set out an economic framework for the justification for land use controls. In this section of my evidence I quite clearly accept that land use controls may be appropriate where there are economic and non economic costs (or “externalities”) that need to be taken into account.
20. However the purpose of my evidence is to highlight the economic benefits from rezoning the Tuckers Beach land that should be considered alongside any non-economic factors that need to be taken into account. Greater supply of land for residential development and greater competition and choice are key components of those economic benefits. There are considerable “public benefits” associated with more affordable housing and in my view the NPS-UDC is indicative that the Government was of the view that a lack of supply and competition in residential land markets were contributing factors to less affordable housing and falling home ownership rates in New Zealand.
21. At paragraph 7.26 of his evidence Mr Langman says that I appear to be conflating increased competition with providing endless opportunities for development. That is not the purpose of my evidence at all. There will frequently be situations where economic and non-economic costs are of such significance that they outweigh the benefits from increasing the supply and competition in residential (and other) markets for development. It is my evidence that with respect to the specific proposed Tuckers Beach development there are no such economic externality costs and the net economic benefits are positive. It is for the Panel to

decide, on the basis of others' evidence, whether there are non-economic costs of such significance that they outweigh the net economic benefits arising from increased land supply and competition that I discuss in my evidence.

22. Finally at paragraph 7.27 of his evidence Mr Langman says my statement that the proposal to enable residential development will give rise to economic benefits is not balanced with any attempt to quantify any costs associated with the proposition. I have explained earlier in this summary statement of evidence why I do not consider it is appropriate for economists to attempt to quantify non-economic costs and nor do I consider it appropriate for them to identify and assess them. I note also Mr Langman does not attempt to quantify any costs (or benefits) associated with the proposed Tucker Beach development.
23. My criticism of Mr Langman's rebuttal evidence is that it does not consider the positive economic effects of what is being proposed. Mr Langman's summation at paragraph 7.29 of his rebuttal evidence focuses only on his assessment of negative non-economic effects. In my view the Panel needs to consider the positive economic benefits identified in my evidence alongside any non-economic effects. Given the link between increased supply and competition in residential land markets and housing affordability, I believe the positive economic benefits cannot be dismissed as being insignificant.

Michael Campbell Copeland

Date: 12th July 2018