

Te Awa Lakes PPC2 Economic Assessment

Stage 1 Report

21 August 2019

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Stage 1 Report

Prepared for

Perry Group Limited

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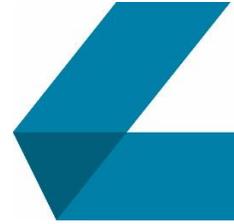
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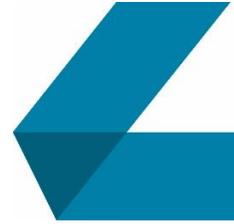
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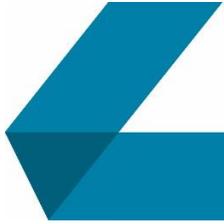
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1 Introduction

1.1 Objective

This Report examines the likely effects of PPC2 from an economic perspective. It considers the implications of PPC2 for industrial growth in the Hamilton-FPP area as the proposed change would potentially reduce the land area available for future industrial growth, and implications for residential growth and urban form since the change would increase the area available for residential and commercial activity.

This is the Stage 1 Report. It examines the key issues and the urban growth context into the medium and long term, and includes an interim assessment of the key question - the impact of removing of 62 ha of land from the potential industrial land resource in the Te Rapa North /Horotiu node. It considers the role and function of the Te Rapa North/Horotiu and other strategic Industrial Nodes in the area, and the economic efficiency of the land use outcomes which would be enabled by PPC2. It also provides assessment of the wider urban growth and urban form implications.

It draws primarily from information available and tested through the business development capacity assessment work done for the NPS-UDC, and the residential growth strategy.

Matters not addressed in this Report will be covered in the subsequent Stage 2 report.

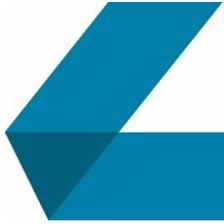
1.2 Key Issues

The proposed development raises several important issues. These arise from the proposed changes in land use and capacity, the relative location, and timing, and also relate to the overall development context - in northern Hamilton, and the wider FPP urban growth context.

The location is very important. The site is on the northern edge of the Te Rapa North Industrial Zone in Hamilton City, and immediately west (across SH1) is the Waikato District's Horotiu industrial area (Horotiu Industrial Park and the Heavy Industrial zone occupied by the Affco processing plant). The Horotiu expressway interchange on SH1 lies between the two.

The first major issue relates to the potential loss of industrial capacity. The proposed re-zoning from industrial land to residential and commercial would mean that (up to) 62 ha would not be available for industrial activity in the future. The site's location adjacent to SH1, and near the railway (NIMT) and the POAL inland port site, and to established industrial activities, highlight the importance of understanding the implications of reduced industrial capacity in a relatively advantageous location. It is also important to understand the potential for alternative industrial land capacity – including in the Horotiu part of the Te Rapa North-Horotiu industrial area - to adequately compensate for the expected reduction at TAL.

The second major issue relates to the establishment of significant residential capacity (900 or more dwellings) in a location which *prima facie* is some distance from Hamilton's current residential areas. As a potential outlier node, the location may not be considered to be consistent with the FPP strategy which seeks relatively compact urban form for Hamilton. Located on the northernmost part of the Te Rapa zone, the site is some distance from residential areas of Hamilton City (3.6km from Pukete, west of the Waikato



River; 4.2km from Flagstaff on the east of the river) and Ngaruawahia town (5km from southernmost edge in the new River Terraces subdivision).

However, in the longer term, the currently rural areas of Waikato District to the east and north east of the site (across the Waikato River) are identified as 'Urban Expansion Policy Area' in the ODP and included as Growth Cell HT1 in the Hamilton City Council/Waikato District Council Strategic Agreement. It is an area that is agreed to eventually become part of Hamilton City. The proposed development is also in line with Waikato District's PDP objectives to centralise and consolidate growth in this area.

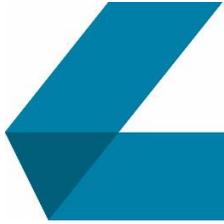
This land is some 3.5 km by road from the PPC2 site, and approximately 500m straight-line distance and connected via the Horotiu Bridge. When developed its northern urban edge would be to the north of the PPC2 site – in effect placing the site well within the future urban area. Areas to the west in Waikato District are identified as Rural, with no indication that they are intended for urbanisation in the medium-long term. Proposed PPC 7 would potentially enable substantial residential development east of Te Kowhai, some 6 km to the south west.

A related consideration is the nature of future population growth to the north of Hamilton. There is considerable potential for peri-urban development to occur – especially east of the Waikato River – through the establishment of more countryside living properties across the currently rural setting. That would place PPC2 as a residential area in a peri-urban setting in the short-medium term, before the northward advance of Hamilton sees urban development overtaking the area.

A third important issue is where – and when - the proposed development would sit in the local development context. In the medium and long term, urban development is intended adjacent to the Waikato River as an axis, extending northward to Ngaruawahia, and south from that town. The ownership structure here is highly relevant, with land on this axis held by a small number of entities. It is equally relevant to understand the place of Te Awa Lakes as one development within an integrated urban development pattern in Hamilton's north.

A fourth issue is the proposed development both *per se* and within a wider integrated growth pattern for northern Hamilton, as part of the Urban Growth Agenda's Hamilton to Auckland Corridor project (the H2A), being promoted by MHUD, MBIE and others within the context of the Urban Growth Agenda (UGA). This includes the prospect that the Hamilton Metro Plan which is being developed as a key part of this H2A Corridor initiative may look to enable a more expansive development path for urban Hamilton - particularly if the "competitive urban land markets" mantra would see some relaxation of urban growth limits and a more *laissez faire* approach to urban planning being put in place. The Metro Plan is not expected to be public within the time frame of this project.

The planning context for the Hamilton-FPP spatial economy is currently that established by the existing Future Proof Strategy. However, the Hamilton-Auckland Growth Corridor initiative was signed on August 15 as a collaborative partnership between central Government, councils, iwi and the private sector. The H2A *Hei Awarua ki te Oranga* extends from Papakura to Te Awamutu and encompasses the PPC2 site. Importantly, the PPC2 site lies on all three of the key transport networks of the H2A – the Waikato (and Waipa) Rivers, the Main Trunk Line, and the Waikato Expressway.



The H2A Initiative includes an early priority to “unlock Hamilton’s growth potential” as an “emerging Hamilton-Waikato metropolitan area”. One part of that wider initiative appears to be encouraging more of the total growth in the Auckland-Hamilton-Tauranga triangle into Hamilton.

The expected substantial growth through the next three decades and beyond would likely see the PPC2 site lie within urban Hamilton in the long term as the urban expansion areas are developed. The prospect of greater volumes of growth through Government initiatives may see the PPC2 site overtaken by Hamilton’s northward growth in the medium-long term – especially given the focus on the three components of the transport network as major growth catalysts. The H2A initiative is also likely to bring Ngaruawahia more clearly into the growth frame, given its place on the confluence of the rivers and the Main Trunk, and its significance within a partnership of iwi, Government and councils. Such a prospect is directly relevant to the PPC2 site.

These matters highlight the importance of examining PPC2 in the appropriate time frame, and in the regional as well as the urban growth and development context. Scale and time frame are highly relevant, especially if the H2A provides an extended scope and longer time frame within which PPC2 is a smaller component of the total growth pattern, and a place within a potentially major growth corridor as distinct from a place on the Hamilton urban edge in the short-medium term.

For these reasons, this Report takes a broader and longer term perspective than has been adopted in some of the technical work completed to date, which focussed quite tightly on PPC2 itself and the potential development of the site in terms of loss of industrial capacity and the feasibility of industrial development. Less attention was directed to the urban form outcomes and the development of land on the current urban edge, and where that outcome might rest within northern Hamilton and the Waikato River axis, in the longer term.

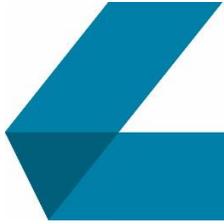
1.3 Approach

The study approach has been driven by consideration of these issues, and the requirements of the Brief including matters important to Council. In particular, the Hamilton urban economy is continuing to grow rapidly. Substantial growth is expected into the long term, and it is important that the Te Awa Lakes proposal is considered in the context of a materially larger economy in the next decade, and beyond.

This Stage 1 Report elaborates on the key issues and the urban growth context into the medium and long term. It draws mainly from the information which is currently available and tested through the business and housing development capacity assessments work done for the NPS-UDC, and the residential growth strategy. It is able to provide initial reassessment and update of the BDCA by examining the growth context for industrial activity and demands for industrial land, taking that assessment as far as practicable within the time available. It offers preliminary views on the significance of the impact of removing of 62 ha of land from the existing industrial land resource in the Te Rapa North /Horotiu node.

1.3.1 Report structure

Section 2 sets the proposed development in its local and wider development context. This is important because while the “nuts and bolts” of urban and regional planning relate to the PPC2 site in the context of the Future Proof Area’s population, business and industrial growth (with reference to the NPS-UDC) it



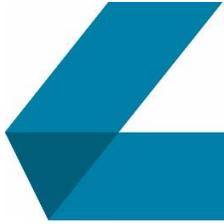
is also important to consider it among intended related developments in the locality and along the Waikato River. It includes the urban growth context and the FPP growth strategy, based on data readily to hand but without any full update of information on population, housing and employment/business activity.

Section 2 also considers the most recent developments on H2A *Hei Awarua ki te Oranga*, the Hamilton to Auckland Corridor, which has very recently become formalised in the agreement between Government, iwi, councils and the private sector. That formalisation and the stated intent is important for PPC2 by placing it in a wider growth framework.

Section 3 presents the interim (re)assessment of the industrial growth context, with particular regard to the BDCA analysis for the NPS-UDC. It provides a brief review of previous studies, and considers the underlying BDCA findings in more detail, particularly core assumptions and conventions.

Section 4 provides the interim (re) assessment of the residential growth context with regard to housing growth and capacity. This draws from the *Housing Capacity Assessment 2017* and the growth strategy to identify the residential growth outlook in the current strategy, as the basis for examining the potential effects of PPC2. It also includes the most recent population estimates, and consideration of the outlook for the southern parts of Waikato District.

Section 5 considers the urban form context, with regard to timing and scale of growth. To the extent possible, it considers the implications of H2A, recognising that may significantly re-shape the growth context for PPC2.



2 Development Context

It is important to examine PPC2 in its local and wider development context. This section briefly considers the FPP “nuts and bolts” context of urban and regional planning, then examines it among intended related developments in the locality and along the Waikato River. Finally, it addresses the most recent developments on H2A *Hei Awarua ki te Oranga*, the Hamilton to Auckland Corridor.

2.1 FPP Growth Context

The Future Proof Strategy aims to achieve development patterns across the Future Proof Area that reflect well planned and coordinated land use patterns for the region. Within this, the strategy aims to locate industrial development within key strategic industrial nodes as identified within the strategy. The PPC2 site is located within the Te Rapa North Industrial Area, one of the strategic industrial locations within the Future Proof Strategy.

The scale and timing of industrial growth in relation to infrastructure provision within these nodes forms an important part of the strategy. The integration of land use patterns and infrastructure provision is an important part of the strategy to avoid excessive dispersal of industrial activity across the region.

There are provisions within the strategy to match the supply with demand. The Future Proof Strategy land use strategic direction is implemented through the district plan provisions. The business land reconciliation undertaken by the Future Proof Partners in 2010 identified the future industrial land requirement for the Future Proof Area in relation to the level of supply. The outputs of this process are reflected in the staged release of industrial land within the Te Rapa North Industrial Zone in the Hamilton District Plan.

2.2 The Local Context

The local context relates especially to the Waikato River axis and development between Hamilton and Ngaruawahia. The longer term intention is for urbanisation to the east of Te Awa Lakes, although country living is well established. Part of the PPC2 intention is for recreational activity, especially cycle-related around the established cycleway, as well as tourism and visitor-related activity focused on the food sector.

2.3 The H2A Context

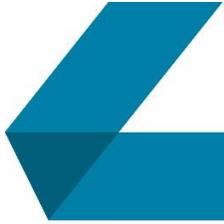
The H2A *Hei Awarua ki te Oranga* or H2A Corridor initiative is very important because it sets a wider development context for Te Awa Lakes. To date, the FPP strategy has focused quite appropriately on the expansion of the Hamilton urban economy within the central Waikato rural economy, including the towns in Waipa and Waikato Districts. Objectives to manage and accommodate growth were largely Hamilton-focused, since urban Hamilton is by far the largest mass of economic activity. Hamilton’s links with Auckland and Tauranga (in particular) were based on efficient transportation (road and rail) across the intervening distances. That focused the growth strategy on an efficient pattern of expansion for Hamilton as a city, including consolidation on the established urban economy.



The H2A initiative represents a significant change from that growth strategy. It is focused on development along the Corridor, including the small towns between Hamilton and Auckland. The short-medium term implication of this focus is an implied stretching of the major centres at each end of the corridor, on the notion that the presence of major transport infrastructure may deliver the benefits of urbanisation and development intensity more widely.

Regulatory support may see a relaxation of objectives for compact and relatively efficient urban form, to enable development more widely along the Corridor, and in the established small towns. Such an outcome would be consistent with information to date about the Urban Growth Agenda. It may also be consistent with the stated intentions of RMA reform to achieve stronger consistency between land use and infrastructure planning. Importantly, the stated focus on 'spatial planning' is not yet defined.

If these prospects do eventuate, then it implies less focus on achieving relatively compact urban form and incremental outward growth for Hamilton. That would place potentially greater emphasis on development building on transport infrastructure as a growth catalyst. That perspective is important for PPC2.



3 Industrial Land Supply and Demand

3.1 Situation and Scope

The PPC2 area covers 62ha of land within Hamilton City's industrial zoned area. The land is currently zoned Te Rapa North Industrial Zone, including an area of deferred zone status. The ODP allows for up to 7ha of the land within Stage 1B (the PPC area) of the Te Rapa North Industrial Zone to be released before 2021, and up to a further 23ha to be released post 2021. The remaining area is only available to be developed through a zoning status change when infrastructure becomes available, and upon assessment of the supply of industrial land.

The PPC seeks to instead develop 10.9ha as an Adventure Park tourist attraction (including some visitor accommodation), 5.8ha of mixed use business activities and 39.7ha of residential. The balance of the site will be open space. This would mean that all 62ha of the site is instead used for non-industrial purposes. This is a gross land area and the reality is that part of it will need to be allocated to open space and environmental protection. A key issue is therefore whether the reduction in potential industrial land supply will affect the ability of Hamilton City and the surrounding Waikato District land market to meet its future industrial land needs.

We have examined the most recent analysis of industrial land supply and demand, undertaken across the Future Proof Area (Waikato District, Hamilton City and Waipa District), to assess the potential effects of the PPC on the ability to meet future industrial land needs.

3.2 Summary of Previous PPC Reports

Two reports earlier commissioned by PGL or the Future Proof Partners ("the Berl report¹" and "the RCG report²") to understand the potential effects of the PPC, in part, examine the industrial land issue.

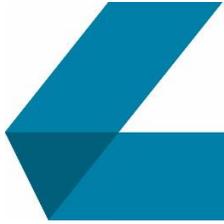
3.2.1 The Berl Report

The Berl report considers the basis for the PPC in relation to the industrial use of the site within the wider strategic context of the city and upper North Island urban centres system. It concludes that "Strategic location considerations within the upper North Island, along with national considerations would favour the site retaining industrial activities (p20)". The report finds that the site occupies a strategic location within the upper north island "golden triangle" of Auckland-Hamilton-Tauranga, largely driven by key transport linkages.

A conceptual strategic assessment forms the scope of the Berl report. It is therefore limited to assessing the strategic nature of the location and its alignment with RPS and other strategy and planning objectives.

¹ Nana, G. 2018 *Te Awa Lakes Private Plan Change – Strategic Considerations*, prepared by BERL for Perry Group Ltd, Paengawhaha 2018.

² Polkinghorne, J. 2017 *Te Awa Lakes Assessment of Economic Effects*, prepared by RCG Ltd for Perry Group Ltd, 12 October 2017.



Importantly, it does not include any assessment of the quantity of industrial space required to meet future demand. In alignment with the scope, it is therefore not able to draw conclusions on whether the PPC would prevent the city and wider Future Proof area from meeting its future industrial land demand.

3.2.2 The RCG Report

The RCG report considers the level of industrial land availability in Hamilton City and surrounding areas, and examines past rates of industrial land uptake. It finds there were earlier shortages of industrial land in the mid-2000s. These were resolved through a Future Proof Partner's 2009 implementation plan to provide large quantities (some 1,927ha) of new industrial land. This was subsequently identified as an over-supply in the Waikato Regional Policy Statement, and reduced to 1,148ha of new industrial land over 50 years for the Future Proof Area.

The RCG report found that industrial land uptake has historically averaged 8.2ha per annum in Hamilton City (1992-2008), and 18ha per year (previously 10 years in 2009 Future Proof report) across the entire Future Proof Area. It notes that the subsequent Future Proof 2010 Business Land Review report finds a future uptake rate of 16ha per annum out to 2061 to be appropriate across the Future Proof Area. Building consent floorspace data provided within the RCG report suggests an annual average uptake rate of around 14.45ha across the Future Proof Area over the last 5 years, and around 12.4ha per annum previously over the medium to longer-term³.

3.3 NPS-UDC Business Land Assessment

In 2017/2018 M.E undertook detailed analysis of the business land capacity and demand (the Business Development Capacity Assessment 2017 ("the BDCA")⁴) across the Future Proof Area to meet their requirements under the National Policy Statement for Urban Development Capacity (NPS-UDC)⁵. The analysis assessed the sufficiency of the business (including industrial) land capacity to meet demand over the short, medium and long-term.

We have further examined this analysis within the context of the PPC to determine whether the loss of industrial land is likely to affect the Future Proof Area's ability to meet its future industrial land demand.

3.3.1 Zoned Capacity

Over the long-term (to 2047), the BDCA found there is projected demand for 524.3ha of additional industrial land use in Hamilton City, and a further 356ha in the rest of the Future Proof Area (combined, 881ha). Within this total, the demand for industrial land in the southern urban settlements of Waikato District in proximity to the PPC (Huntly, Horotiu and Ngaruawahia) amounts to 75.3ha. The combined

³ This is not explicitly stated within the RCG report. M.E have deducted this from building consent floorspace data contained within the report, assuming an average floor area ratio (floorspace divided by land area) of 0.4. This is likely to represent a theoretical maximum as it may include consents that were never constructed, as well as consents for redevelopment or further intensification of sites that were already occupied by industrial uses.

⁴ M.E Ltd, 2018 *Business Development Capacity Assessment 2017*, prepared by Market Economics Ltd for the Future Proof Partners: Hamilton City, Waikato District, Waipa District, 16 July 2018.

⁵ Ministry for the Environment, 2016 *National Policy Statement on Urban Development Capacity 2016*.

Hamilton City and southern Waikato District urban settlements industrial land demand is estimated to be 599.6ha over the long-term.

The BDCA has correspondingly identified a vacant industrial land supply of 517.8ha in the short-term in Hamilton City. This estimate increases to 697.4ha in the long-term as more land is assumed to become available for development within Te Rapa North. It also identifies a capacity of 101.1ha of industrial land across the southern Waikato District urban settlements, including 89.7ha in Horotiu, immediately north of the PPC site. The overall Future Proof Area combined vacant industrial land capacity is estimated at 1,190ha in the long-term.

A comparison of the above capacity with long-term demand is contained in Table 3-1. It shows a likely net surplus of industrial land capacity within Hamilton City and the wider Future Proof Area over the 30 years to 2048. That equates to a net surplus of 173ha of industrial land within Hamilton City, and 309ha across the wider area. When considering Hamilton City together with the southern Waikato urban settlements, the net surplus of industrial land amounts to 198.9ha.

Table 3-1: BDCA Industrial Land Demand and Capacity, 2017

AREA	LONG-TERM LAND DEMAND (Ha)	VACANT LAND CAPACITY (Ha)	SURPLUS/DEFICIT (Ha)
Hamilton City	524	697	173
Waikato District	209	299	90
Waipa District	147	193	46
Future Proof Area Total	881	1,190	309
Southern Waikato District urban settlements	75	101	26
Hamilton City and Southern Waikato District urban settlements combined	599	798	199

Source: M.E Future Proof Area Business Land Development and Capacity Assessment, 2018.

3.3.2 NPS-UDC Margin

The NPS-UDC requires that a 15% margin is added to long-term demand when assessing the sufficiency of capacity. This is to “factor in the proportion of feasible development capacity that may not be developed (NPS-UDC, PC1: p13)”. That would mean the demand estimate is 689 ha in the Hamilton City and southern Waikato District area ($599.6 \times 1.15 = 689\text{ha}$), and 1,013 ha across the whole Future Proof Area combined ($881 \times 1.15 = 1,013\text{ha}$).

Including these additional margins, net surpluses remain after a margin is added to take account of capacity that may not be developed. The remaining net surpluses exceed the proposed plan change area. These are shown in Table 3-2. The net surpluses, after the 15% margin is applied amount to:

- 94.5ha of industrial land within Hamilton City;
- 177ha of industrial land across the whole Future Proof Area;

- 109ha of industrial land across Hamilton City and the southern Waikato District urban settlements combined.

The surpluses, after a margin is removed, still exceed the land area within PPC2. This suggests that if the industrial land capacity were removed from the PPC2 area, then sufficient vacant land capacity would still exist to meet the long-term demand across the area while including a margin to take account of land that may not be developed.

The BDCA does however find that the surpluses are smaller for industrial land in comparison to other land types (retail and commercial). It states that industrial land demand plus a margin in the long-term is beginning to approach capacity and that council’s need to monitor the uptake and usage of industrial land.

However, we consider that the sufficiency estimates are conservative and purposefully so, for the intent of the NPS-UDC. In our view, the demand for future industrial activity growth to occupy currently vacant industrial land is likely to be less than calculated for the purposes of the NPS-UDC. Our reassessment of the BDCA within the context of the PPC2 is set out in the following section (3.4).

Table 3-2: BDCA Industrial Land Demand and Capacity: With and Without Demand Margin, 2017

AREA	LONG-TERM LAND DEMAND (Ha)		VACANT LAND CAPACITY (Ha)	SURPLUS/DEFICIT (Ha)	
	TOTAL	TOTAL + 15% MARGIN		TOTAL	TOTAL + 15% MARGIN
Hamilton City	524	603	697	173	94
Waikato District	209	240	299	90	59
Waipa District	147	169	193	46	24
Future Proof Area Total	881	1,013	1,190	309	177
Southern Waikato District urban settlements	75	87	101	26	15
Hamilton City and Southern Waikato District urban settlements combined	599	689	798	199	109

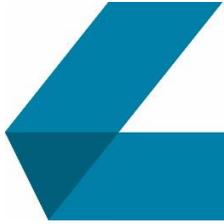
Source: M.E Future Proof Area Business Land Development and Capacity Assessment, 2018.

3.4 BDCA Revisited

We have further examined our earlier NPS-UDC assessment, in relation to its purpose, and with specific regard to the PPC.

Of note, it is important to recognise that the NPS-UDC assessment contains estimates of sufficiency which are conservative in two aspects. One is the base position that all industrial growth will occur on vacant or greenfield land, rather than through a combination of greater intensity of use on already developed industrial land plus development of vacant land. The second is the routine allowance for a margin of +15% more land – that is, 4-5 more years’ worth of growth within a 30-year time horizon. While that is mandated by the NPS-UDC, it is nevertheless important to understand the scale and implications of such provision for long term planning.

The further assessment suggests that surpluses of industrial land may be larger than the conservative estimates contained within the BDCA, and this is set out below.



3.4.1 Intensification and Incremental Expansion

The NPS-UDC assessment assumes that all industrial demand is met through new industrial development on vacant land. That approach is deliberately conservative, and the model outputs identify additional land requirements directly from the projected level of industrial employment growth across the area. An average rate of industrial land area per employee (by location) is applied to the net increase in employment to yield an overall land area required to accommodate the projected increase in employment. This calculation is applied to show the area of additional industrial land needed to accommodate the projected increase in industrial activity (demand).

This approach generates a conservative estimate of overall sufficiency when used to estimate demand for land compared to land capacity. This is because it is likely that some of the additional industrial activity would instead be accommodated through an increase in the intensity of use of already developed industrial sites. This can occur in the following ways:

- i. An increase in employment within existing industrial buildings. In some cases, existing buildings may not be being used to full capacity, with additional employees able to be hired within existing buildings to increase output. In some instances, this can occur through the division of a larger building into a number of attached smaller tenancies.
- ii. Further development on industrial sites that already contain some industrial uses. This includes the development of vacant portions of sites⁶ or, albeit less likely, vertical construction (additional storeys) on existing buildings.
- iii. Intensification of existing sites through redevelopment. This involves the demolition of existing buildings, with the site redeveloped to a higher intensity (and thus accommodating more employment and higher levels of business activity).

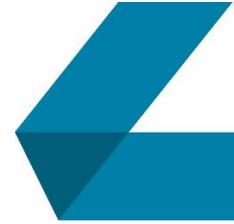
The above processes were excluded from the BDCA assessment. However, it is likely that they would account for a share of the increase in industrial activity (i.e. additional employment) through time. If a share of the industrial employment growth were instead accommodated in this way, then this would reduce the total amount of employment to be accommodated on vacant industrial land. The future demand for additional industrial land would correspondingly decrease within any time period, as demand growth would be spread across a longer time.

Stage 2 of our assessment will use the BDCA models to test scenarios of increased intensity of use on already developed industrial land and buildings. It will identify the shares of demand that could be accommodated through different levels of intensification. Included in this, the modelling will also test the shares of demand that could be accommodated through redevelopment of different shares of the existing industrial estate.

3.4.2 Trends in Employment Intensity

Further, the demand projections for the BDCA generate deliberately conservative estimates of demand and sufficiency as they apply existing parameters on the intensity of use into the long-term future. Future

⁶ The BDCA assumed that sites containing a building of 50m² GFA or greater (the size of a small apartment) were already developed and therefore did not contain capacity.



projections of land demand are based on existing employment land ratios with no allowance for increases in efficiency into the future.

Growing urban economies instead typically see some increase in the efficiency of land use through time through increasing intensity of land use (more employment per hectare of land area). This translates into a gradually decreasing ratio of land per employee through time. One part of this process is observed through the higher ratios of floorspace to land area (i.e. larger site coverage of operations) in newer developed industrial areas relative to earlier developed areas. If it were assumed that land use efficiency increases through time, then the total additional future land demand would correspondingly decrease. The effect of higher rates of land use intensity through time on overall demand, and therefore sufficiency, will be tested in Stage 2 of our assessment.

We note that our future demand estimates are higher than the historically observed rates of vacant land uptake outlined in the RCG report. For Hamilton City, our estimates equate to an uptake of 36.7ha per annum in the short-term, and 17.5ha per annum across the long-term. For the Future Proof Area overall, the estimates equate to a demand for 29.3ha per annum in the long-term.

These are substantially higher than the historic rates of uptake contained within the RCG report, which show an uptake rate of 8.2ha per annum within Hamilton City, and around 12.4ha across the whole Future Proof Area.

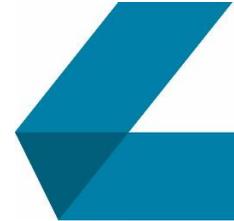
We understand that Hamilton City is currently assessing the level of vacant industrial land uptake since the BDCA and that information is likely to be available soon to examine more recent scale and rates of uptake.

3.4.3 Vacant Capacity Estimates

The BDCA estimates are potentially conservative in regard to the amount of vacant land. A number of existing vacant industrial zoned sites were removed from the BDCA capacity estimates through the consultation and feedback process. Some of these sites were removed as they were already identified for specific uses by their existing landowners and would be unlikely to become available on the industrial land market. This includes land retained for the future expansion of existing operations. A number of sites that are currently held for land banking purposes were also excluded from the capacity.

We consider that this is likely to result in conservative estimates of sufficiency. This is because in some of these cases, such as the future expansion of existing operations, these excluded sites are likely to absorb a share of the estimated demand. The future expansion operations would include additional future employment growth that would be included within the demand side of the equation. The sites earmarked for this demand should therefore be acknowledged if not included within the capacity assessment.

We also consider that sites held for land banking purposes should also be included in potential capacity estimates. They were excluded in part to remain conservative for the NPS-UDC purposes, however, they do still represent capacity and could potentially become available for future use when a particular price is achieved. They are relevant to the more detailed assessment in this report.



3.4.4 Indicative Implications of Changed Assumptions

If the above assumptions are changed, then the scale of demand could be less than projected (690ha including NPSUDC +15% margin), and the indicated surplus of capacity as at 2047 greater than that projected (109ha). Through an indicative assessment, this could arise as follows:

- If 5% of projected industrial growth were accommodated in existing areas, and only 95% required additional vacant land, then demand would be some 34ha lower for Hamilton and southern Waikato urban settlements, and 51ha lower overall;
- If there were an increase of 2.5% in employment intensity on existing and future industrial land, then demand for additional land would be around 48ha lower for Hamilton and southern Waikato, and 60ha lower overall;
- The combined effect would be a reduction of 80-85ha;
- That would mean as at 2047 the indicated surplus would be around 190ha for Hamilton and southern Waikato District, and 290ha overall.

This shows that while the potential changes would be small in percentage terms, their cumulative effect over time could be substantial. Different assumptions – such as a higher share of employment growth on existing land – would further amend the indicated surplus. Further analysis will be undertaken in Stage 2 of our assessment to verify the indicative assessment.

In addition, it is relevant to consider the scale of the +15% margin required by the NPS-UDC, which is 90ha overall (79ha for Hamilton and 11ha for southern Waikato District).

3.4.5 Location Assessment – BDCA Multi-Criteria Analysis

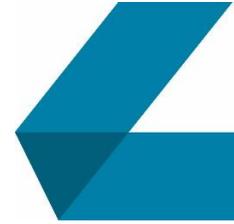
The BDCA also assesses the locational characteristics of each industrial node within the Future Proof Area. It undertakes a multi criteria analysis (MCA) against a range of key criteria. These are similar, albeit more extensive, than those used within the Berl report.

Within Hamilton City, the assessment finds that all of the main areas of industrial land capacity score relatively highly across the strategic criteria. Analysis of the BDCA figures shows that nearly all (96%) of the vacant land capacity is located within the top four scoring locations within Hamilton City. These include Ruakura (47% of capacity; MCA score of 80), Te Rapa North (28%; 85), Rotokauri (15%; 89) and Te Rapa (6%; 91). Horotiu and Huntly also have relatively high MCA scores (72 and 73 respectively), although are lower than Te Rapa North (85).

One implication of this is that if there is a reduction in capacity from PPC2, then there is potential for that requirement to be met elsewhere in a location which is not materially different in terms of suitability and attractiveness (i.e. Rotokauri or Te Rapa North).

3.4.6 Summary

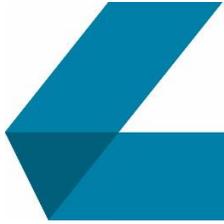
The recent and detailed assessment of industrial land capacity and demand contained within the BDCA has identified a surplus in industrial land capacity within Hamilton City and the surrounding southern urban settlements of Waikato District. This surplus still exists after the NPS-UDC margin is applied to take account of the portion of land that may not be developed.



The size of the surplus exceeds that of the plan change area (62ha), meaning that a surplus would still exist with the removal of the PPC2 area from the vacant land capacity. The surplus across Hamilton City and the lower Waikato District southern urban settlements *following the removal of the PPC2 site* would equate to 136.9ha of vacant land. When a margin is applied to demand, then the surplus becomes 47ha.

We consider that the surplus is likely to be significantly larger than this due to the conservative nature of the estimates for the NPS-UDC modelling purposes. The surplus assumes the highest rate of vacant land take-up through assuming *all* industrial activity growth is accommodated on vacant land. It also assumes substantially higher rates of demand relative to historic uptake rates. If rates of demand closer to historic rates were instead applied, and a share of demand allocated to the intensification of existing parcels (as outlined above), then the resulting surplus is likely to be significantly higher.

Consequently, we consider that the BDCA assessment of industrial capacity and demand does not demonstrate that the removal of the proposed PPC area from industrial capacity would prevent the Future Proof Area from meeting future industrial demand.



4 Housing Demand and Capacity

4.1 Situation and Scope

PPC2 proposes to include provision for around 900+ residential dwelling units. This would establish a reasonably significant node of medium-density residential development in this location in the north of Hamilton City. If developed now, or in the short-term, the residential node would currently sit significantly beyond the existing residential urban edge of Hamilton City. However, the relative positioning of this node would change through time as the Hamilton urban edge extends outward over the longer-term. The longer-term outward expansion of Hamilton City is anticipated in the Waikato Urban Expansion Policy Area that is located adjacent to the PPC2 area on the eastern side of the Waikato River.

It is also important to consider the location of this node within the context of growth in the lower parts of the Waikato District in the SH1 corridor and the area surrounding the northern part of Hamilton City. Recent analysis shows a large amount of Waikato District housing demand projected to occur across this broad area. The residential node would support planning objectives that seek to concentrate this growth into urban nodes within the SH1 corridor area and avoid demand being met through ad-hoc fragmented development through the surrounding peri-urban and rural residential lifestyle areas.

An important consideration in understanding the likely effects of PPC2 is thus to consider how the proposed development fits within the context of Hamilton City and Waikato District's housing supply. It is critical to understand the level of housing capacity in Hamilton and Waikato in relation to long-term demand for new dwellings. The level of capacity and demand will influence the rate at which urban expansion of Hamilton occurs, including around the northern urban edge. This will provide key information around how the timing of Hamilton City's urban form may occur with and without the development.

4.2 NPS-UDC Assessment Context

In 2017/2018 M.E conducted detailed modelling on the housing market in the Future Proof Area, including Hamilton City and Waikato District as the Housing Development Capacity Assessment ("HDCA") to meet the area's residential capacity requirements under the NPS-UDC. The assessment compared the capacity enabled under the district plans with the demand for dwellings over the short, medium and long-term to assess sufficiency.

The assessment included analysis within both the existing urban areas and greenfield (future urban) areas. This included capacity within the peri-urban areas with a greater focus on lifestyle properties, but excluded capacity within rural areas. As such, the assessment covered both the urban development and future expansion of urban Hamilton City as well as the adjacent development within the surrounding areas of Waikato District.

The spatial extent of the HDCA and its cross-jurisdictional scope provides important context for PPC2 as while it is positioned within Hamilton City, it forms part of the wider future development pattern that occurs within the SH1 corridor and peri-urban areas of Waikato District surrounding the urban edge of Hamilton City.



We have further analysed our findings from the earlier analysis we have undertaken in 2017/2018 for the NPS-UDC to assess the residential component of PPC2 within this context. The following sections provide key information from our HDCA and further spatially disaggregated analysis to provide the surrounding context to understand the effects of PPC2.

4.3 Housing Demand

The HDCA shows there is demand for an additional 32,000 dwellings in Hamilton City over the long-term. If a margin is applied to demand, as required under the NPS-UDC, this equates to a long-term required capacity of around 37,000 additional dwellings (see Figure 4-1). This represents an increase of 56% of the existing dwelling stock (or 65% with a margin). Growth in the short-term is projected to occur at a rate of 2.1% per annum, gradually slowing through time, with the annual growth rate over the long-term projected to average 1.6%.

Current growth to 2018 sees the FPP Area tracking very close to the StatisticsNZ medium projection.

Within the Waikato District, there is demand for a further 17,000 dwellings over the long-term (+19,400 with a margin). The HDCA shows that around half of the Waikato demand (around 8,200 dwellings) arises from within the lower half of the district in the areas surrounding Hamilton City and the lower part of the SH1 corridor.

Growth in demand is projected to occur at a faster rate within the Waikato District, with the projected net increase amounting to two-thirds of the existing dwelling stock (+77% with a margin). Growth in the short-term is projected to occur at around 2.5% per annum. This is expected to gradually slow through time, with the long-term annual average growth rate projected to occur at 1.8%.

A significant portion of this lower Waikato District demand is likely to seek a location within the urban settlements along the lower SH1 corridor area.

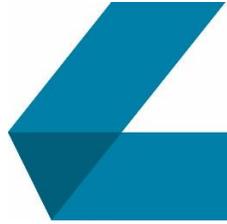
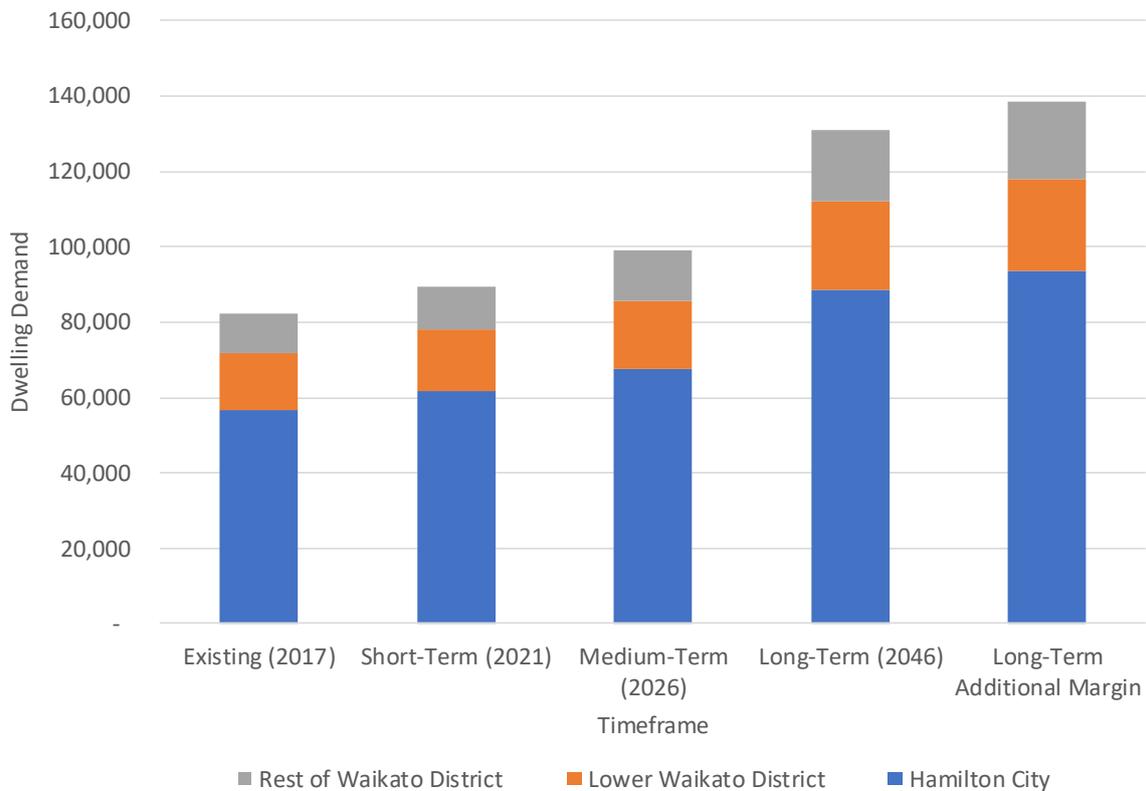


Figure 4-1: Current and Projected Future Dwelling Demand in Hamilton City and Waikato District



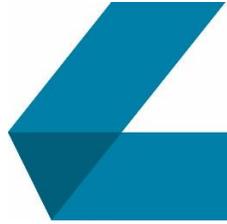
4.4 Housing Capacity

The NPS-UDC assessment also estimated the capacity for residential growth across the Future Proof Area. Within Hamilton City, it has estimated a large amount of capacity relative to demand. Overall, it estimates a plan enabled capacity of between 27,000 and 120,000 additional dwelling units within the existing urban area (excluding greenfield areas), with the inclusion of redevelopment capacity forming the upper end of the range.

The HDCA estimates a further 25,000 dwelling capacity within the greenfield areas of Hamilton City (capacity with long-term planned infrastructure). This is projected to occur through time as more infrastructure is supplied. Rototuna and Ruakura represent the main areas of capacity in the short-term, with a large amount of development capacity already being taken up within Rototuna along the northern edge of Hamilton City. Further capacity is projected to be enabled in these areas, along with Rotokauri, in the medium term. In the long-term, Peacocke⁷ and further development within Rotokauri represent the main areas of urban expansion capacity.

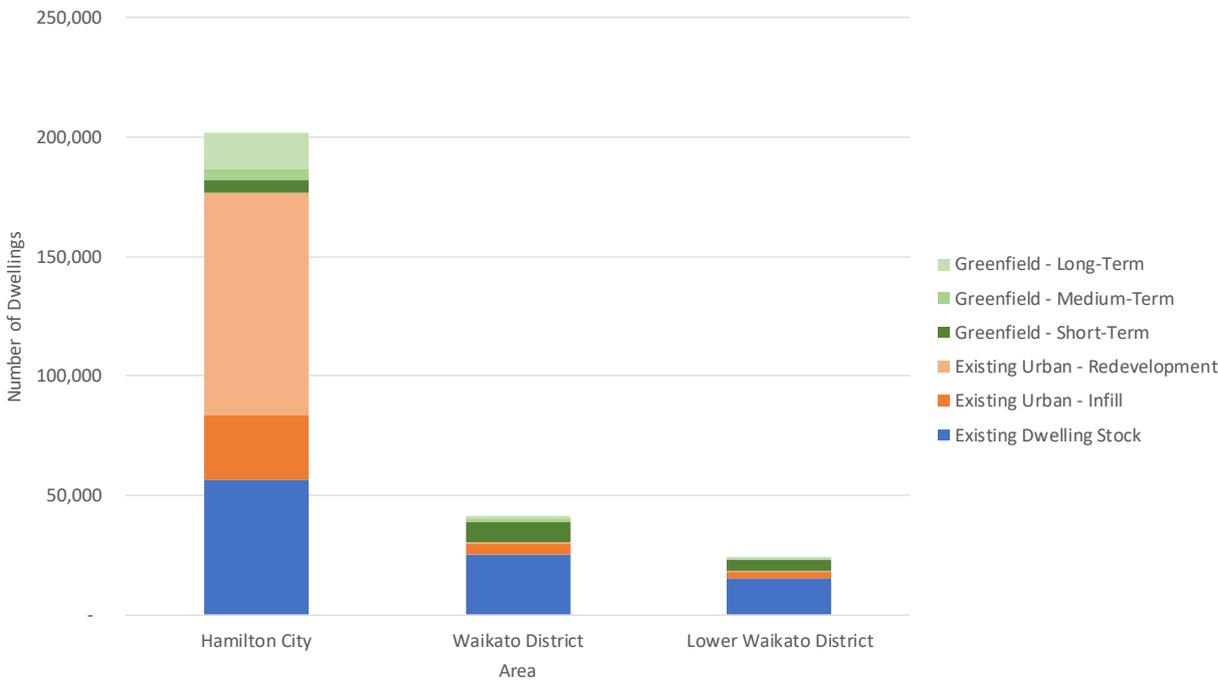
The HDCA also estimates capacity within the Waikato District. Overall, it estimates capacity for around 4,300 to 5,200 additional dwellings within already urbanised areas. However, the largest share of capacity

⁷ Since the HDCA assessment was undertaken, Peacocke is now expected to start development in 2023/2024 with the HIF funding.



with the district is through greenfield development, which is estimated to add a further capacity of 11,000 dwellings in the long-term as more infrastructure, where required, is anticipated to be supplied.

Figure 4-2: Estimated Plan-Enabled Dwelling Capacity in Hamilton City and Waikato District, 2017



Large shares of the Waikato capacity are concentrated into the urban settlements in the south of the district around SH1, and in the peri-urban areas adjacent to the Hamilton City boundary. In total, the level of capacity within the lower half of the district is estimated to be between 8,200 and 8,800 additional dwellings, with most occurring in the smaller urban settlements (such as Ngaruawahia and Taupiri) and adjacent to Hamilton City.

Table 4-1 shows that a large share of the capacity within these areas occurs within the Country Living Zone. This is the case for both the area directly adjacent to the edge of Hamilton City as well as the urban settlements. Capacity within this zone is therefore likely to yield patterns of lower density, more dispersed development across these areas, that is less concentrated into the main urban areas of these settlements themselves. It is likely to also result in higher levels of land fragmentation occurring on an ad-hoc basis across these relatively broad areas. The implications of these types of development trajectories and how PPC2 is positioned within this context is discussed further in Section 5.

Table 4-1: Plan-Enabled Dwelling Capacity by Zone in the Lower Waikato District, 2017

ODP ZONE	Existing Urban		Greenfield		
	Infill	Redevelopment	Short-Term	Medium-Term	Long-Term
ADDITIONAL DWELLING CAPACITY					
Living Zone	330	410	120	120	200
Living Zone - New Residential Areas	570	740	200	280	710
Village	-	-	10	10	10
Country Living	2,020	2,290	4,710	4,710	4,710
TOTAL	2,930	3,440	5,040	5,120	5,630
SHARE OF ADDITIONAL DWELLING CAPACITY					
Living Zone	11%	12%	2%	2%	4%
Living Zone - New Residential Areas	19%	22%	4%	5%	13%
Village	0%	0%	0%	0%	0%
Country Living	69%	67%	93%	92%	84%
TOTAL	100%	100%	100%	100%	100%

Source: M.E Future Proof Area Housing Capacity Assessment, 2018.

4.5 Sufficiency

The HDCA assesses the sufficiency of the capacity across these areas by location as well as by dwelling value band within these areas. The likely dwelling value band of the capacity is affected by location as well as the underlying zoning as this determines the potential size of the properties.

The HDCA has shown that a high share of the dwelling demand within the Waikato District occurs within the area surrounding SH1 to the north of Hamilton City. While this corresponds to reasonably large shares of the dwelling capacity, very high proportions of this capacity occur within the Country Living Zone and is therefore likely to occur as lifestyle type properties. These larger properties tend to be characterised by higher dwelling value bands, particularly in areas where there are established patterns of lifestyle property development with higher-end, larger dwellings.

This is the case for all of the capacity within the Hamilton Edge area, as well as the majority of the capacity occurring within the urban settlements of Ngaruawahia and Taupiri where the Country Living zone is located around the edges of the main urban residential zones. There is currently only limited greenfield capacity within the main urban residential zones within these settlements, and is in most cases less than the level of projected demand.

As a result, high shares of the lifestyle block capacity is likely to occur within the higher dwelling value bands due to the larger properties, and in some locations (e.g. Hamilton Edge), the correspondingly larger higher-end dwellings that are typically constructed on these properties. This is particularly the case across this area where the higher prices for these larger properties are buoyed by their relative proximity to the higher amenity values offered by the larger urban centre of Hamilton.

The HDCA sufficiency assessment shows that this type of capacity is unlikely to meet a large share of the demand occurring across this area where demand is instead concentrated into the lower value bands. It shows at the district level, there are substantial shortfalls in the sufficiency of capacity across the lower dwelling value bands within the Waikato District.

The HDCA sufficiency assessment by dwelling value band for the Waikato District overall is contained in Table 4-2. It shows the net shortfalls and capacity surpluses by dwelling value band across the district in the short, medium and long-term. It also shows the sufficiency as a percentage of total demand, where values less than 100% indicate a potential shortfall. It is important to note that the sufficiency assessment from the HDCA is based off the commercially feasible capacity (a sub-set⁸ of the plan-enabled capacity shown above). Within this context, it provides an indicative assessment of the patterns of capacity by the likely types of dwelling value band.

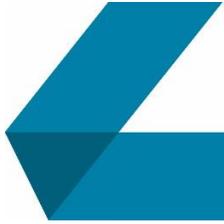
Table 4-2: Waikato District – Sufficiency Assessment by Dwelling Value Band

Dwelling Value Band	Net Sufficiency			Net Sufficiency %		
	Short-Term	Medium-Term	Long-Term	Short-Term	Medium-Term	Long-Term
Under \$300k	- 740	- 2,040	- 5,840	93%	82%	61%
\$300k to \$440k	- 880	- 2,250	- 6,190	91%	80%	62%
\$440k to \$580k	- 130	-	- 2,070	97%	100%	73%
\$580k to \$730k	1,150	660	350	154%	127%	110%
\$730k to \$880k	710	740	490	216%	208%	152%
\$880k to \$1.02m	760	930	750	387%	409%	286%
\$1.02m to \$1.17m	1,800	2,690	3,520	807%	1060%	1022%
\$1.17m to \$1.31m	1,010	1,340	2,140	531%	616%	712%
\$1.31m to \$1.45m	380	450	930	439%	434%	616%
\$1.45m to \$1.75m	- 10	- 20	- 70	89%	81%	53%
\$1.75m to \$2.05m	-	- 10	- 30	100%	81%	60%
\$2.05m+	-	- 10	- 20	100%	76%	62%
TOTAL	4,050	2,480	- 6,040	114%	108%	87%

Source: M.E Future Proof Area Housing Development and Capacity Assessment, 2018.

Given the differences between the capacity and demand profiles, we therefore consider that there is likely to be pressure for smaller, lower priced dwellings within the area around SH1 to the north of Hamilton City. We consider the medium density dwellings proposed within PPC2 are likely to be well positioned to absorb a share of the demand occurring for these smaller, more urbanised dwellings around this area, assisting to meet the apparent shortfall identified in the HDCA.

⁸ The NPS-UDC assessment required estimations of the share of capacity enabled by the district plan (plan-enabled capacity) that is likely to be commercially feasible to construct by a profit-driven commercial developer.



5 Urban Form Context

The proposed PPC2 is likely to create a node of activity at this location, including a reasonably significant concentration of residential development. A key issue for the assessment is to understand what type of urban form is generated by this node of activity and how this fits within the surrounding urban form context.

The previous section has established that although the activity occurs within the jurisdictional area of Hamilton City, it is important to consider it within the wider context of the surrounding area of the lower Waikato District. In particular, it is important to understand the positioning of the PPC2 site within the SH1 urban development corridor.

There are critical aspects of scale and timing that need to be incorporated into this approach as the configuration and function of different parts of the wider area are likely to change through time as the urban areas of Hamilton City and other smaller settlements expand. This is important because the relative positioning of the PPC2 will change through time in relation to the surrounding urban form context.

5.1 Current and Short-Term Situation

The PPC2 site currently sits within the northern most area of Hamilton City's boundary. It is located some distance away from the urban edge of Hamilton City's urban residential area. It is approximately 6km road distance from both the currently urbanising greenfield area of Rototuna (to the southeast), and the more established residential areas of Pukete to the south. It is separated from these areas by either rural or industrial land uses. There is a small amount of existing established residential development 2km to the north along SH1 in Horotiu.

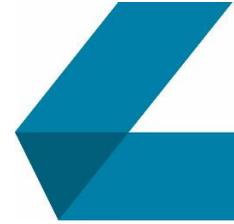
If developed now, or in the short-term, PPC2 would represent a relatively significant node of activity with a reasonable level of separation from other residential uses in the surrounding urban form.

5.2 Short to Medium-Term

The housing capacity and demand assessment presented in the previous section provides a picture of the capacity and demand growth across the surrounding (Waikato District and Hamilton City) area through time. This provides an important indication of how growth is likely to occur through time across this wider area.

In summary, the assessment indicates reasonably significant housing demand is likely to occur across the wider area through time. Demand occurs loosely within this wider area (lower Waikato District), and is likely to be concentrated into the smaller urban settlements along the SH1 corridor. This is combined with relatively small amounts of capacity for further urban greenfield expansion in and around the edges of these settlements, with larger amounts of capacity available within the surrounding Country Living Zone areas.

Some additional greenfield urban capacity is projected to come online in these settlements through the provision of infrastructure later into the medium-term. The Waikato District Proposed District Plan (PDP)



also increases the main urban capacity within these settlements through expanding their urban zoned areas.

The PPC2 site is located relatively central to this demand growth that is projected to occur across this wider area. If it were developed within this timeframe, it would bring online additional urbanised residential capacity concentrated around the SH1 corridor. This would be likely to assist with meeting some of the shortfalls in the lower dwelling value bands that are projected to become larger into the medium-term. It would provide smaller residential dwelling properties in relation to the potential number of larger lifestyle properties in the Country Living Zone that account for a larger share of the surrounding capacity. Its potential to meet these shortfalls is reinforced by the fact it is a single ownership, master-planned development, enabling a high quality medium density residential housing project, including in the lower price bands. PPC2 will also include a 10% affordable component, further ensuring that outcome.

We consider that the PPC2 sites contribution to a greater concentration of residential growth within the SH1 corridor would also produce urban form outcomes that are consistent with, and support, the Waikato PDP objectives. The PDP seeks to encourage greater concentration of residential growth into the urban settlements along the SH1 corridor. The objective is to encourage the viability of these urban settlements in their ability to support higher levels of amenity.

Increased urban zoning within these settlements and the SH1 corridor in the PDP also seeks to discourage growth from occurring in more dispersed, lower density, patterns through the surrounding peri-urban and rural areas. Past patterns of growth have seen ad-hoc development of lifestyle properties in these areas resulting in significant amounts of land fragmentation. This has particularly occurred in the areas to the north of Hamilton where demand exists for lifestyle properties that are within relative proximity to the amenity offered by the larger Hamilton urban centre.

The PDP seeks to avoid more fragmented development, particularly within the Urban Expansion Policy Area (UEPA) as it may potentially undermine the ability of this area to cater for future urban expansion of Hamilton.

The PDP proposes to expand residential urban zoning in Horotiu immediately to the north of the PPC2 site. Areas of land currently zoned Country Living Zone in the Operative District Plan are proposed for the Residential Zone under the PDP. We consider that the residential development of the PPC2 site would be consistent with the increased urban growth sought through the PDP in Horotiu. It effectively is part of Horotiu and is consistent with this urban form and is likely to function together with other areas of residential development along this part of the SH1 corridor.

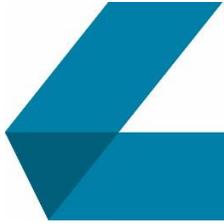
5.3 Longer-Term

In the longer-term, the node of residential activity at the PPC2 site would likely form part of the expanded urban area of Hamilton City. The land on the opposite (eastern) side of the Waikato River is identified as the Urban Expansion Policy Area (UEPA). It is anticipated that this area will be transferred to Hamilton City in the long-term to cater for future urban expansion of the city.



Once this occurs, in the long-term we consider that the PPC2 site is likely to form part of the main urban area of Hamilton City as it expands outward. In addition to the likely residential growth in the adjacent area of Horotiu, it is likely to be surrounded by further residential growth within the UEPA.

Moreover, we consider that the location of PPC2 means that it will concentrate some of the future growth across this area more centrally in relation to SH1. In our view, this supports the Waikato District planning objectives to encourage growth to concentrate more centrally around the SH1 area, and in doing so, discourage the continued fragmentation through ad-hoc development within the Country Living Zone.



6 Conclusions

This Stage 1 Report leads us to the following conclusions:

1. PPC2 would reduce the industrial capacity in the FPP area. However, our view is that this would not materially impact on the FPP growth strategy. Even if the PPC2 land is not available for industrial activity, there is sufficient land of equivalent quality to accommodate industrial growth in the long term (30+ years), including in the locality.
2. PPC2 would provide for additional residential capacity in northern Hamilton. While there is considerable residential capacity provided for in northern Hamilton-southern Waikato, that includes Country Living zone, and the proposed development at Te Awa Lakes would likely provide for a wider range of dwellings to meet community needs.
3. Currently, the PPC2 land is right at the edge of Hamilton, and its development and intensification in the short term may test objectives for compact urban form. However, the medium and longer term will see urban Hamilton extend beyond Te Awa Lakes, such that its urbanisation would be quite consistent with objectives for compact form and incremental growth. The H2A initiative may see that future urbanisation brought forward to be medium-long rather than long term. In any case, the pattern of transport infrastructure (Waikato Expressway, the Main Trunk, and the Waikato River) in combination with the Te Rapa North – Horotiu industrial land means that the Hamilton urban economy extends already quite close to Ngaruawahia. From an urban form perspective, PPC2 is not inconsistent with anticipated growth outcomes.
4. PPC2 is also consistent with wider development objectives around the Waikato River axis toward Ngaruawahia.
5. In any case, the planning and development context for PPC2 is evolving quite rapidly. This is especially because the H2A Corridor initiative is now a formal partnership between Government, iwi, councils and the private sector. That initiative is likely to see greater growth emphasis on the Corridor, with transport links as a catalyst for development, including the Waikato River as an axis. The initiative is also likely to focus some development on Ngaruawahia, which may see it emerge as the effective northern edge of urban Hamilton.
6. Overall, the main conclusion from this assessment is that PPC2 would not be inconsistent with the FPP growth strategy, and be in line with the objectives of the H2A Corridor initiative.