

**BEFORE A HEARINGS PANEL
OF THE FAR NORTH DISTRICT COUNCIL**

I MUA NGĀ KAIKŌMIHANA MOTUHAKE O TE HIKU O TE IKA

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| Under the | Resource Management Act 1991 (RMA) |
| In the matter | of a request for rezoning of land in the Kerikeri-Waipapa area under the proposed Far North District Plan |

**SUMMARY STATEMENT OF EVIDENCE OF LAWRENCE RYAN MCILRATH IN SUPPORT OF
SECTION 42A REPORT FOR HEARING 15D**

ECONOMICS

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1. INTRODUCTION

1.1 My name is Lawrence Ryan McIlrath. I prepared a statement of evidence in relation to rezoning requests in the Kerikeri-Waipapa area under the proposed District Plan of the Far North District Council (**Council**). I refer to my qualifications and experience in my original statement, dated 10 September 2025, and do not repeat those matters here.

1.2 The purpose of this statement is to provide a brief summary of my evidence and to provide an initial response to the rebuttal evidence of Kiwi Fresh Orange Limited (**KFO**), noting that a full right of reply will be provided by the s 42A team (including additional expert input as required) following the hearing.

2. SUMMARY OF EVIDENCE

2.1 My evidence covers three aspects – demand, supply and the sufficiency position of the enabled capacity. My evidence is based on comprehensive and robust analysis that is consistent with the requirements of the National Policy Statement on Urban Development (**NPS-UD**). I also comment on relevant submissions.

2.2 The Housing and Business Capacity Assessment (**HBA**) and supporting workstream identified two key points about the Kerikeri Waipapa residential landscape:

(a) housing affordability is a key challenge – this is because of the combined effects of high development costs and household income levels; and

(b) in terms of capacity:

(i) there is significant plan enabled capacity, that is there is theoretical capacity; however

(ii) there is a mismatch between the type of capacity that is commercially feasible, and the demand that is expected.

- 2.3** I assessed the change in capacity that would be enabled by the Proposed District Plan – Recommended version (**PDP-R**) and I also considered the potential role of the Spatial Plan.

Demand outlook

- 2.4** The demand of housing is dynamic and is influenced by many factors, such as population growth, population ageing, housing preferences and how households make trade-offs about typologies, budgets and location.
- 2.5** Over the long term, the change in household numbers is estimated at 3,260 in Kerikeri Waipapa, and 7,255 across the entire district. This change is the starting point for estimating how much capacity will be needed into the future.
- 2.6** The NPS-UD requires tier 1 and tier 2 territorial authorities to add a competitiveness margin of 20% over the short and medium term, and 15% over the long term. This margin is to ensure that land and development markets are not constrained and to promote choice, competition, and responsiveness in land markets. While not required in the Far North context because the district is a tier 3 location, the margin is included. This means that the demand used to estimate sufficiency is 'more than needed'. This approach is followed as a way to deal with uncertainty and to avoid supply constraints. Adding the margin increases the required dwellings by 570 in Kerikeri Waipapa, and 1,270 across the entire district.
- 2.7** I also modelled the anticipated breakdown of demand in terms of typology, that is, detached and attached dwellings. Historically, demand for detached and attached dwellings has been around 10% for detached dwelling and 90% for attached dwellings. This share is expected to slowly shift towards attached dwellings as households and the market respond to factors such as affordability, and the ageing population.

Supply – estimated development capacity

2.8 I estimated the supply situation using the same process/model as that underpinning the Far North HBA. This model is consistent with that used by other councils throughout New Zealand. The process considers different:

- (a) pathways, such as redevelopment, infill or vacant sites;
- (b) typologies, including detached and attached dwellings; and
- (c) timeframes, covering 3 years, the subsequent 7 years, and the 20 years thereafter, to cover a total of 30 years.

2.9 The analysis sequence covers three main parts:

- (a) Plan enabled capacity. This estimates the theoretical maximum as enabled by the planning provisions.
- (b) Commercially feasible capacity. This capacity is based on financial modelling of development opportunities, the development cost, likely sales prices and the potential to generate a suitable return for the developer.
- (c) Potential Development Capacity (**PDC**). The PDC considers the likelihood that the feasible capacity will be delivered by the market. This is based on price-points, typology, housing preferences and the anticipated demand.

2.10 Neither plan enabled capacity, nor feasible capacity, are guaranteed. Feasible capacity does not imply that developers will build all the commercially feasible opportunities.

2.11 Over the long term, the estimated potential development capacity is estimated at:

(a) Kerikeri Waipapa:

| | | |
|-------|--------------|--------------|
| (i) | Detached | 2,590 |
| (ii) | Attached | 2,413 |
| (iii) | Total | 5,003 |

(b) Total district:

| | | |
|-------|--------------|----------------|
| (i) | Detached | 15,654 |
| (ii) | Attached | 7,618 |
| (iii) | Total | 23,272. |

Sufficiency and other matters

2.12 The PDC is compared against demand over the short, medium and long terms to identify the sufficiency situation. The sufficiency position is estimated with the NPS-UD competitiveness margins included.¹ The analysis shows that there is sufficient capacity across the entire district and Kerikeri Waipapa with a deficit position remaining under the PDP-R only for detached dwellings over the long term in Kerikeri Waipapa.

2.13 However, in accordance with the NPS-UD, long-term estimates of sufficient development capacity include land identified for future urban use or intensification in local authority growth plans or strategies. The deficit above is reversed if the Spatial Plan is also considered, that is, there is sufficient capacity across all timeframes, typologies and locations. The Spatial Plan is relevant to assessing capacity under clause 3.5(c) of the NPS-UD.

¹ See Table 6 in my Statement of Evidence.

2.14 The PDP-R enables a significant uplift in capacity that:

- (a) supports housing choice by enabling more capacity across detached and attached typologies – 3.2 times more detached dwellings and 2.4 times more attached dwellings compared to the ODP; and
- (b) lowers the price point of feasible capacity – between -5% and -9% lower than then ODP for detached dwellings, and between -17% and -25% lower for attached dwellings.

3. RESPONSE TO MATTERS RAISED BY SUBMITTERS

Mr Thompson’s evidence in support of KFO submission and his rebuttal evidence

3.1 Mr Thompson submitted evidence in support of the KFO submission.

3.2 There are many, and significant, differences between us. These differences are start with the scale of the anticipated population growth and carry across the assessment.

3.3 I have significant reservations about Mr Thompson’s analysis, especially its conceptual/methodological robustness. I do not go over these details in this summary, but I consider the critical flaws of Mr Thompson’s analysis are:

- (a) It uses very high population growth projections which are, in my view, unrealistic.
- (b) In his case studies, Mr Thompson appears to equate correlation with causation. He does not isolate the ‘net additional’ effect of developments.
- (c) Mr Thompson does not apply any cost variation across the options and uses a single dollar value for the development costs. He uses \$150,000 per lot. This approach is despite reporting varying infrastructure costs in

his evaluation of the different options. His approach does not capture any nuances or differences between options. His approach misstates total development costs, and this issue impacts his sales price estimates.

(d) There are conceptual issues in the way Mr Thompson designed, and scored, his multi-criteria assessment (**MCA**) structure. In my view, this scoring is skewed.

(e) Two of the three tests associated with the National Policy Statement for Highly Productive Land (**NPS-HPL**) are not satisfied.

3.4 With reference to Mr Thompson's rebuttal evidence (25 September 2025), the material difference in our approaches remain. Apart from some agreement about general, theoretical matters, there is little common ground.

3.5 Several parts of my analysis are mischaracterised, and important parts are ignored. I do not list all the instances here, but the crucial points are:

(a) Mr Thompson incorrectly states that I did not analyse the distribution of capacity across price band. While it is true that Mr Thompson requested the detailed breakdown from me, I responded that I did not prepare the summary tables he requested. Mr Thompson reports this as '*did not analyse this part*'. He makes this assertion in several places.² Further, Mr Thompson states that "*he has confirmed he has not completed this analysis*".³ This is untrue.

(b) The price point that is used in the analysis is reported as \$1.28m.⁴ Mr Thompson fails to report that this is the weighted average value across all the feasible development options. In fact, Mr Thompson reports the

² For example, see Statement of Rebuttal Evidence of Adam Thompson on behalf of Kiwi Fresh Orange Company Limited (Economics & Property Market), 24 September 2025 (**Thompson Rebuttal Evidence**) at [58].

³ Thompson Rebuttal Evidence at [58].

⁴ Statement of Evidence of Lawrence Ryan McIlrath in Support of Section 42A Report for Hearing 15D (Economics), 10 September 2025 (**McIlrath Evidence**) at Appendix 4.

details about the price-point distribution⁵ as per my evidence but he ignores this in his analysis.

- (c) Mr Thompson states that my analysis “*relies entirely on terrace houses and apartments to meet the future housing needs of the typical household...*”.⁶ This is entirely inaccurate. My analysis captures historic patterns and trends towards detached dwellings and the revealed preference for this typology.⁷ I also consider the relevant price bands.⁸
- (d) Mr Thompson characterises section 7 in my evidence as a review of the KFO site.⁹ In that section, I review Mr Thompson’s evidence and his views about the KFO site.
- (e) Mr Thompson indicates that my analysis is based on quantity of detached dwellings supplied only, and that I do not consider the price of houses that are demanded.¹⁰ This is incorrect. My analysis considers the price-bands, typology (attached, detached), developer’s margins, as well as affordability to estimate the capacity.¹¹
- (f) Mr Thompson suggests that the parameters¹² I used to estimate the opportunity costs of foregone agriculture activity is the market value of the land and not the annual production values. However, I have used the parameters reported by Mr Thompson¹³. He references it as ‘average rural value add’¹⁴ and he indicates that the parameter is based on production. If this is not the case, then Mr Thompson’s scoring of the different options in his MCA is based on inaccurate information. In my view, the economic activity (and value) is ongoing, i.e., not a single or

5 Thompson Rebuttal Evidence at [58].

6 Thompson Rebuttal Evidence at [48(c)].

7 McIlrath Evidence at [5.23].

8 See for example, McIlrath Evidence at [7.14].

9 Thompson Rebuttal Evidence at [47].

10 Thompson Rebuttal Evidence at [84].

11 McIlrath Evidence at [5.22].

12 Thompson Rebuttal Evidence at [83].

13 Statement of Evidence of Adam Thompson on behalf of Kiwi Fresh Orange Company Limited (Economics & Property Market), 30 June 2025 (**Thompson Evidence**) at Figure 33, rows dealing with Highly Productive Land.

14 See Thompson Evidence at Figure 33.

one-off loss. It is therefore appropriate to consider the value over time (and then discount to present terms as I have done).

3.6 There are other methodological issues and data errors in Mr Thompson's analysis. Again, I highlight only the key issues, and I do not list all the issues:

- (a) For Mr Thompson's case studies, he suggests that counterfactual is the period before the greenfield developments occurred.¹⁵ The counterfactual is used to ensure that the analysis captures opportunity costs, displacement effects as well as any other change to isolate the additionality. The additionality aspect is fundamental to an economic analysis. It seems that Mr Thompson is equating a before-and-after situation to a with-vs-without situation, that is, he does not show the additionality in a way that isolates what would have happened regardless of the change.
- (b) Using regional migration patterns to illustrate the potential for lifestyle developments at a town-level is inappropriate. For example, Mr Thompson uses Otago-level (regional) data and says that there is more inward migration to Northland than to Otago. Otago includes Queenstown-Lakes, and locations such as Oamaru, Dunedin and Central Otago District.¹⁶ By including these smaller locations in the comparison, aggregation bias is introduced. It is inappropriate to draw on regional migration data as evidence of lifestyle-towns attracting internal migration.
- (c) Mr Thompson's approach to estimate the sales prices based on land value (which is reported as accounting for 40% of the end-price) is not robust.¹⁷ The source of this ratio is unknown, and results are problematic. While I understand Mr Thompson's explanation, it does not address the triangulation issues or the residual effect that I pointed out in my statement (implied construction costs in Appendix 6). The resulting

¹⁵ Thompson Rebuttal Evidence at [57].

¹⁶ Thompson Rebuttal Evidence at [53].

¹⁷ See Thompson Rebuttal Evidence at [60].

construction cost ratios vary between \$2,225/m² and \$5,050/m². According to Mr Thompson this difference is entirely due to differences in the cost of raw land. Mr Thompson's approach does not deliver results that can be triangulated – the \$/m² cost is inconsistent and does not align with observed construction cost rates.

- (d) With reference to the Ministry for the Environment report that outlines the cost difference between intensification/infill and greenfield options. Mr Thompson indicates that he does not agree with the report by PWC/Sense Partners, and he labels it as unreliable.¹⁸ He indicates that that values are 'explicitly overstated'. This is incorrect. The report forecasts future costs and uses official price inflators (from StatsNZ) to reflect those future values. This is best practise and appropriate. I note that work by several other entities, such as the Productivity Commission, Centre of International Economics and the OECD, all return similar findings.

- 3.7** I remain of the view that Mr Thompson analysis is flawed, with conceptual and methodological issues.

Mr Heath's evidence in support of Ken Lewis Limited's submission, and his rebuttal

- 3.8** Mr Heath provided a statement in support of the Ken Lewis Limited submission. I agree with large parts of Mr Heath's assessment. In my view, the main issue is the scale of the relief sought, and the potential risks associated with the scale. These risks are due to the size of the enabled capacity relative to the anticipated demand. The risks are related to land-banking-type behaviour.

- 3.9** The anticipated demand is for around 210 dwellings and the relief would enable circa 500 dwellings. That is more than double the anticipated growth.

18 Thompson Rebuttal Evidence at [63] - [65].

- 3.10** One way to mitigate the risks is to restrict the size of the change. Focusing on the short and medium term growth and providing for a share of that growth will required land of circa 11ha – or 18% of the site.
- 3.11** With reference to Mr Heath’s rebuttal, I again see broad agreement at a conceptual level. However, we differ in terms of the degree to which risks remain. Mr Heath’s position is that the constraints in the local market mean the risks fall away entirely. I do not share this position. The size of the enabled capacity relative to the anticipated growth means that those risks cannot be entirely discounted.
- 3.12** In my view, the trade-off is between enabling additional development that could accommodate all future demand and accepting the risk that there might be a dilution of intensification benefits. This trade-off must be considered in the local context, that is, a small local economy with a narrow employment base with a relatively low income households.

Mr Foy’s evidence in support of Ms Campbell-Fear

- 3.13** Mr Foy provides evidence in support of Ms Campbell-Fear’s submission and covers three locations, the Packhouse node, the Redwoods node and an area of land with the relief sought being Rural Residential zone.
- 3.14** In my view, the key matters relating to the two business locations to consider are related to location, and the relative performance of the locations vis-à-vis the same-sector and the Kerikeri Waipapa market.
- 3.15** In terms of employment, the Redwoods location has been declining, and losing market share relative to the wider Kerikeri Waipapa market. For the Packhouse location, employment levels have trended up, but the growth has been in-line with market trends.
- 3.16** In my view, the location of Redwoods and Packhouse nodes relative to the demand, and the Kerikeri Waipapa business areas undermine their ability to contribute meaningfully to urban efficiency. I consider that enabling additional growth in

these locations are likely to dilute activity away from the Kerikeri and Waipapa, generating adverse economic effects.

3.17 In terms of rebuttal evidence, Mr Foy presented additional information in response to the points I raised in my statement of evidence. He covers employment growth using a longer timeframe and interprets the patterns. At a high level, Mr Foy's data aligns with my data, especially:

- (a) the Redwoods location (using SA1 data) has been declining in employment and percentage terms (percentage of Kerikeri Waipapa); and
- (b) the Packhouse location's share of employment has remained relatively rangebound at around 4% over the past decade or so, with a jump more recently to around 4.5%. The share of employment shows some volatility over the past two decades, falling as low as 1.5% before the Global Financial Crisis.

3.18 In my view, the observation that the relative share has remained relatively stable means that the location is not growing faster than the benchmark (Kerikeri Waipapa) – I do, however, acknowledge the volatility and recent upward changes. Mr Foy relies on the change in employment numbers as evidence of organic growth and he frames his argument accordingly. I consider the relative performance as a relevant metric because simply growing at the same rate as the wider benchmark area does not mean that there is a locational advantage. I see this as a situation where the rising tide lifts all boats.

3.19 In note that Mr Foy indicates that I did not express disagreement about his interpretation of the HBA capacity calculations¹⁹. This is not accurate. I noted that he misinterprets the HBA timeframes and that this resulted in erroneous analysis.²⁰ Consequently, the views expressed about the short-term capacity pressures are not supported by the HBA.

19 Statement of Rebuttal Evidence of Derek Richard Foy on behalf of Audrey Campbell-Frear (Economics), 24 September 2025 at [4.2] – [4.3]. rebuttal evidence.

20 McIlrath Evidence at [3.28].

3.20 I consider that intensifying and growing business activity in the two locations are likely to dilute activity away from Kerikeri and Waipapa, generating adverse economic effects.

3.21 With reference to the residential relief sought, I remain of the view that the additional capacity is not required. Therefore, the tests associated with the NPS-HPL cannot be satisfied.

Evidence of Mr Colegrave in support of Turnstone Capital's submission

3.22 Mr Colegrave prepared an economic assessment in support of Turnstone Capital's submission. I agree with the key points, identified benefits, and risks as outlined in his report.

3.23 Mr Colegrave highlights the potential effects and risks of different sized developments, and his analysis provides some guidance. While I consider the risks of the distributional effects arising as low-to-moderate, if the panel is concerned about the potential effects on the Kerikeri centre, then one way mitigate the risk is to align with Mr Colegrave's Scenario 2. Under this scenario, the estimated trade impacts are likely to be more than offset by the growth in the market demand.

3.24 Mr Colegrave did not submit any rebuttal evidence.

Opportunity cost of over-zoning

3.25 Sufficient capacity for growth can be provided using different approaches, including greenfields and intensification options. One position that was put forward was to deliver capacity via the PDP-R, the Spatial Plan and the relief sought (KFO site) – that is all three options together.

3.26 A question that is raised is what are the opportunity costs of over-zoning? The core costs relate to undermining the spatial economy and diluting the benefits arising from concentrating growth in key locations and capturing the benefits of density,

particularly around urban centres. Concentration enhances accessibility, supports service viability, promotes sustainable transport shifts, and improves public transport efficiency. Over-zoning risks diluting these benefits, as demand could be met by a few large developments away from existing centres.

4. CONCLUSION

4.1 The PDP-R significantly increases the residential development capacity. Combined with the Spatial Plan, the sufficiency issues identified in the HBA are all addressed with sufficient capacity across:

- (a) attached and detached typologies;
- (b) price bands; and
- (c) timeframes.

4.2 My analysis shows that under the PDP-R and the Spatial Plan the Far North complies with the requirements of the NPS-UD.

Lawrence McIlrath

6 October 2025