



Stratford Properties Limited Private Plan Change Request

Economic Cost Benefit Assessment
Report

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consulting



Economic Cost Benefit Assessment Report

Prepared for

Stratford Properties Limited

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Report author(s): Rebecca Foy, and Greg Akehurst

Director approval: Greg Akehurst

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1 Introduction

Stratford Properties Limited has requested that Market Economics prepares an economic cost benefit assessment in line with the section 32 requirements for a private plan change request to rezone the properties at 272 and 278 Clevedon Kawakawa Road from Rural – Rural Coastal to Rural – Countryside Living and extend Clevedon Sub – Precinct C across those properties.


The statutory approval process that is being adopted for this project involves a private plan change request to rezone part of the land at 272 and 278 Clevedon-Kawakawa Road and the land at 274 Clevedon-Kawakawa Road from Rural – Rural Coastal to Rural – Countryside Living and to extend the Clevedon Sub Precinct C over this land and a subsequent resource consent application for the subdivision of 278 Clevedon-Kawakawa Road to create 11 countryside living lots, a shared access and amenity lot, a balance farm lot and a balance lot to be amalgamated with 272 Clevedon-Kawakawa Road. The resource consent application is being prepared on the basis that the plan change request will be approved prior to this application being considered. The resource consent application is therefore being made on the basis that the land area at 278 Clevedon Kawakawa Road to be used for countryside living activities is zoned Rural Countryside Living and the Clevedon Sub Precinct C applies to this land.

This statutory approval approach is being taken as the proposed plan change will only enable limited countryside living development opportunities on the property at 278 Clevedon-Kawakawa Road given the extent of the flooding constraints that apply to this land and the nature of the clustered countryside living subdivision and development that is provided for by the Rural – Countryside Living Zone and Clevedon Sub Precinct C provisions under the Auckland Unitary Plan. The proposal for which resource consent is being sought therefore defines the maximum extent of subdivision and development that will be enabled by the proposed plan change on the properties.

The economic cost benefit assessment is therefore based on the subsequent subdivision and development of the land that will be enabled through the approval of the plan change request, which is the proposal as detailed in the resource consent application. This is deemed to be the maximum possible development potential of the land that would reasonably be expected to occur as a result of the approval of the plan change request.

The scale of development is small – both in the context of countryside living in Southern Auckland and Clevedon itself. Currently the Clevedon Area Unit contains a little over 1,000 households, with the Clevedon Village accounting for around 160 – 170 households (2018). Based on current Statistics New Zealand growth futures the wider Clevedon area is expected to grow by around 25 households annually while the village itself is expected to grow by only 3 or 4 dwellings. This implies growth interest is in the wider rural lifestyle areas rather than directly within the village. In this context the proposal represents approximately 6 months growth from the wider Clevedon area.

We understand that the provision made within the AUP for new countryside living lots to the north and east of the Clevedon village beyond the river is relatively limited. To date there has been two clustered countryside living subdivisions completed in this part of the Rural – Countryside Living Zone in accordance with the provision made for such subdivision under the Clevedon Sub Precinct C. These subdivisions have



been completed on the properties at 252 Clevedon Kawakawa Road and 102 and 110 McNicol Road and have provided for 9 and 7 new countryside living lots respectively. M.E understand that the following properties are still available to be subdivided for countryside living purposes:

- 202 Clevedon Kawakawa Road – 6 countryside living lots
- 102 Clevedon Kawakawa Road – 6 countryside living lots
- 84 – 86 Clevedon Kawakawa Road – 1 countryside living lot
- 90 McNicol Road – 4 countryside living lots
- 150 McNicol Road – 5 countryside living lots
- 30 Otau Mountain Road – 3 countryside living lots.


There are no other properties located within the Rural Countryside Living Zone located to the north and east of the Clevedon village that can be subdivided for countryside living purpose under the Clevedon Sub Precinct C provisions as they are too small.

As such, this part of the Rural - Countryside Living Zone at Clevedon only provides for a year's growth in countryside living, even though it covers an area of some 210 hectares. In terms of the provisions of the Clevedon Sub Precinct C, only some 12% of the existing zone area is likely to be used for countryside living purposes, with the remaining 78% of the existing zone area continued to be used for the existing lifestyle purposes and the existing rural purposes.

Currently the properties at 272 and 278 Clevedon Kawakawa Rd are run as a pastoral grazing operation predominantly grazing young dairy stock before their second winter with some beef finishing as well. The current land use is predominantly driven by the fact that the properties are very low lying and are subject to flooding, meaning the land is relatively wet in nature and as such is not able to carry larger animals because of the risk of pugging and destruction of the pasture species.

Agribusiness Group has advised because of the low-lying nature of the properties and the high degree of risk of both flooding from rainfall and the risk of coastal inundation the land does not have a high number of potential productive uses. The Agribusiness Group believe that pastoral grazing of relatively light animals, because of the high degree of risk of pugging of the pastures, the making of supplements to be sold off the properties (such as hay or silage) and the growing of maize would be the only potentially viable productive land uses. The Agribusiness Group has also advised that this block of land does not provide sufficient volume of the desirable elite and prime soils that would make it an attractive proposition for a commercial vegetable grower. In addition, the location of those soils on the properties – immediately adjacent to the road, means they are not able to be amalgamated with another property to form a productive unit.

The properties are located on the eastern extent of the Rural – Countryside Living Zone that surrounds Clevedon. As a way of making the farm more economically productive, Stratford Properties' proposes to utilise that part of the land on the property at 278 Clevedon Kawakawa Road that is located outside of the flood plain for countryside living purposes. This comprises an area of some 8.45 hectares of the total 52 hectares of the land located within the property at 278 Clevedon Kawakawa Road. This equates to some



13% of the total area (67.33 hectares) of land located within the properties at 272 and 278 Clevedon Kawakawa Road.

1.1 Objectives and Scope

The key objective of this assessment is to provide an assessment under section 32 (2) (a) and 9(b) of the RMA with regards to an economic effects assessment using a cost benefit analysis. The key aspects that need to be covered as follows:

- Benefits – what are the benefits from an economic perspective – improved or retained output and/or economic (employment) retention and/or growth?
- Costs – what are the costs from an economic perspective – what losses will occur as a result of the applicants being unable to subdivide and are there any potential losses to the wider community?
- Outcome – what is the outcome, in terms of will it be a positive or negative contribution, which may or may not be able to be expressed in dollar terms?

1.2 Approach

To undertake the assessment of costs and benefits of the subdivision and development that will be enabled by the proposed plan change we have reviewed the supporting information that was supplied to us, including plans for the proposed development and the following two reports:

- Soils at 272-278 Clevedon-Kawakawa Bay Road, Clevedon. *Dr Douglas Hicks, 5 June 2019.*
- Report on the potential for intensive land use on 278 Clevedon Kawakawa Road as part of a Proposed Private Plan Change Request. *The Agribusiness Group, 2019.*

This information has given us a good overview of what is planned in relation to the soil types, and potential land uses, and flooding hazards.

We have provided a cost benefit assessment for the proposed development by considering the development within the wider planning framework that is set out in the Auckland Unitary Plan Operative In Part (AUPoIP), and have summarised the key planning issues in Section 2. Section 3 of this report outlines the likely costs and benefits to the landowner and wider community of enabling this proposal to proceed.



2 Planning Context

The Auckland Unitary Plan Operative In Part sets out the Council’s objectives for providing for residential development by location in the region. This section outlines the key objectives and policies which are relevant to the proposed plan change.

2.1 Rural Zones

There are five rural zones in the AUPoIP, including Rural – Coastal and Rural – Countryside Living. The objectives, policies and rules relating to all the rural zones are contained in Chapter H19 of the Unitary Plan, and there are a number of objectives and policies that apply to all five rural zones, and which are relevant to this application, such as:


- Elite soil is protected, and prime soil is managed, for potential rural production (Objective H19.2.1(3));
- Rural lifestyle development avoids fragmentation of productive land (Objective H19.2.1(4));
- Enable rural production activities on elite and prime soil and avoid land-use activities and development not based on, or related to, rural production from locating on elite soil and avoid where practicable such activities and development from locating on prime soil (Policy H19.2.2 (3));
- Enable a range of rural production activities and a limited range of other activities in rural areas by separating potentially incompatible activities such as rural production and rural lifestyle living into different zones (Policy H19.2.2(5)(a));
- The character, amenity values and biodiversity values of rural areas are maintained or enhanced while accommodating the localised character of different parts of these areas and the dynamic nature of rural production activities (Policy H19.2.3(1)).

2.1.1 Rural-Coastal Zone

The Unitary Plan maintains the purpose of the Rural-Rural Coastal Zone is to:

“retain and enhance the rural character and amenity values, local coastal character and biodiversity values of rural areas along Auckland’s harbours, estuaries and coastline. It is also to enable rural production activities, local non-residential activities, maintain recreational opportunities and manage the effects of existing scattered rural lifestyle development. The zone also provides opportunities to access the coastal marine area and support marine-related activities”. (H19.5.1)

The Unitary Plan recognises that parts of the zone are under significant development pressure for town and village settlement, and therefore provides objectives to enable rural production (H19.5.2(1)) and limit



rural lifestyle subdivision (H19.5.2(4)). The distinctive rural and coastal character should be maintained (H19.5.3(1)) by controlling the number, location, size and visual impact of dwellings (H19.5.3(5)).

The development site is also within the Rural – Rural Coastal Zone Tāmaki Firth coastal area (which stretches from Maraetai to the Firth of Thames. There are a number of additional objectives and policies specific to that coastal area, although they are consistent with those that apply to the Rural Coastal Zone generally:

- Enable rural production activities for their economic and social contribution and for their role in retaining the rural and coastal character of this area (Policy H19.5.10.3(1))
- Manage the location, type and scale of non-rural production activities along the Pōhutukawa Coast Highway to ensure that the rural character and scenic values are maintained (Policy H19.5.10.3(3)).


2.1.2 Rural - Countryside Living Zone

The application seeks to change the zone from Rural - Coastal to Rural - Countryside Living. The Rural - Countryside Living Zone is described as a zone that “provides for rural lifestyle living in identified areas of rural land which are generally closer to urban Auckland or rural and coastal towns. There is a diversity of topography, land quality and landscape character within the zone which results in a diversity of site sizes”. The zone “incorporates a range of rural lifestyle developments, characterised as low density residential development on rural land” (H19.7.1). Some parts of this zone reflect historic subdivision patterns, while others were established on land that did not have significant rural production values, often associated with steep topography or poor soils.

Specific objectives and policies in the Rural - Countryside Living Zone that are relevant to this application include:

- Land is used for rural lifestyle living as well as small-scale rural production (Objective H19.7.2(1))
- Rural character, amenity and ecological values are maintained (Objective H19.7.2(2))
- Development in the zone does not compromise the ability of adjacent zones to be effectively and efficiently used for appropriate activities (Objective H19.7.2(3))
- Avoids an urban form (Policy H19.7.3(1))
- Prevents subdivision from compromising the efficient operation of rural production activities (Policy H19.7.3(2))
- Acknowledges that the rural character and amenity values associated with this zone reflect its predominant use for rural lifestyle living rather than for rural production activities (Policy H19.7.3(5))

The Rural - Coastal Living Zone is a much more permissive zone for dwellings for lifestyle purposes than the Rural - Coastal Zone is. The former places an emphasis on protecting the amenity and scenic values of the coastal area, while the latter anticipates that its rural land will be used for both dwellings and small-scale production. However, it has been identified in the Landscape and Visual Assessment that this particular site



actually displays those characteristics expected within the Countryside Living Zone (i.e. dwellings on small lots and small scale production activities). In essence it has a rural residential or rural lifestyle character.

2.1.3 Clevedon Precinct C

The AUPoIP applies a precinct to an area between the Wairoa River and Taitaia Stream which comprises 847ha. The purpose is to provide for integrated growth in a coordinated manner and sustainably manage the area. There are five sub precincts:

- A is zoned Residential – Single House Zone and is generally located within an 800m radius of the village centre;
- B is zoned Residential – Single House Zone and applied to land located on the outer edge of the existing village. A homestead type residential development set within larger grounds is intended for this sub-precinct;
- C is zoned Rural - Countryside Living Zone and is located towards the outer edges of the precinct. It provides small rural holdings as a transition between the new residential area and the wider rural area surrounding the precinct. It is anticipated that the land holdings will enable lifestyle farming and other rural activities. Cluster housing will be encouraged to limit the impact on landscape character;
- D is zoned Business – Neighbourhood Centre Zone, and is intended to be the local service centre;
- E is zoned Residential – Single House Zone, or Open Space – Community Zone, or Open Space – Conservation, or Open Space – Sport and Active Recreation Zone, or Open Space – Informal Recreation Zone. The sub precinct applies to various sites throughout the wider precinct.

There are rules for the precinct which state that any housing clusters must consist of no more than 5 dwellings (where applicable) (I408.6.4 Subdivision (2) (g)), and the minimum site size must not exceed 1 dwelling per 4ha, or 1 dwelling per 2ha on land identified as areas of increased subdivision opportunity (I408.6.5).

2.2 Key issues

There are a number of key issues that we have explored in more detail in the following section that arise from the planning environment for rural residential subdivision in the Auckland Context, including:

- The use of productive soils for rural residential activity.
- Farm viability without supplementary economic activity being enabled.
- Consistency with the objectives and policies of the AUPoIP with respect to compact growth.
- Scale of growth within the Clevedon Area
- Ability to increase range of residential choices within area



3 Cost Benefit Assessment for Proposed Development

This section describes the key components of a CBA under Section 32 of the RMA, and outlines what the key costs and benefits of the subdivision and development that would be enabled by the proposed plan change are likely to be, as well as identifying the key beneficiaries and losers.


3.1 Section 32 Cost Benefit Assessment Considerations

Under s32 of the RMA, an assessment under subsection (1)(b)(ii) must:

- (a) Identify and assess the benefits and costs of the environmental, economic, social and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for:
 - i. Economic growth that are anticipated to be provided or reduced; and
 - ii. Employment that are anticipated to be provided or reduced, and
- (b) If practicable, quantify the benefits and costs referred to in paragraph (a); and
- (c) Assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.

The framework for a cost benefit assessment of a project or policy is well defined in economics. The fundamental steps are to:

1. **Clearly define the counterfactual:** The correct definition of the potential interim solutions, including counterfactual is vitally important as it directly impacts the range of costs and benefits examined, and the resulting quantum. Generally, the counterfactual is defined as the 'do-nothing', 'do-minimum' or 'business-as-usual', whereas the proposed subdivision and development includes change.
2. **Identify who gains and who loses:** It is common practice to develop a list of the people or groups that may be affected, either positively or negatively (maybe both), by the range of possible outcomes.
3. **Identification of the costs and benefits:** Prepare a list of all costs and benefits that may arise, including those that may be hard to quantify. It is important to note that costs and benefits are not limited to market value transactions. The assessment should extend to include non-market impacts, including externalities such as environmental effects.
4. **Valuation of the costs and benefits (over time):** Where possible these will be quantified and monetised, where that is not possible, it is standard practice for them to be identified and categorised. Treasury has published a guide which states that "*Valuation of costs and benefits, however, is usually more difficult. But this is not a reason not to make an attempt. Even a rough, back-of-the-envelope attempt will convey some useful information to*



decision-makers. In fact, just identifying the main costs and benefits, and summarising them in a table on one page, often reveals surprisingly useful information”¹

5. **Sensitivity Analysis:** A final step in a CBA and economic modelling is to test the sensitivity of the outcomes to key assumption changes. This is because all economic models apply assumptions because an economy is too complex to replicate exactly in mathematical terms. In the case of the subdivision and development that would be enabled by the proposed plan change, we have not undertaken any complex modelling or estimation of the economic costs to each agent, so this step has not been undertaken for this assessment.

3.2 CBA for the proposed plan change

This section summarises the key costs and benefits for the four well-beings for both the counterfactual (Figure 3.1) which would involve continuing the current farming practices on the land at 272 and 278 Clevedon-Kawakawa Road, and for allowing for limited small scale residential subdivision and continued farming operations (Figure 3.2).

Costs and Benefits of the Counterfactual “Do Nothing” Situation

The continued operation of a small-scale farm on the properties would align well with the overall intent of the AUPoiP for the property and surrounding area. However, the overall commercial viability of the property for agricultural purposes is questionable due to the frequency and range of flooding that occurs on the land, and the limited range of farming activities that can be supported. The Agribusiness Group report identifies that the land would be unsuitable for horticultural activities and that farming activities which are limited to smaller sized animals would be the main use of the majority of the land.

A report prepared for Waimakariri District Council by McFarlane Rural Business² documented that performance per hectare is equally as important as understanding whether the whole business profitability is viable, this is because the income earned off the land may only be part of the business income (for example many businesses have multiple income streams such as farm stay accommodation, leasing of paddocks, etc.).

The McFarlane Report also maintained that it is important to understand what the effective lot size would be when giving consideration to rural subdivision, as rural lifestyle properties often replace productive farm land with sub-optimal uses. It identified that the minimum productive area for dairy and dairy support, and mixed cropping and livestock was 20-40 ha, with intensive breeding finishing farms needing to be in excess of 40 ha. The existing farm and proposed remaining farm exceed 40ha, so compared to the minimum productive lot size, the farm should remain viable, notwithstanding the significant flooding issues which restrict the types of activities that can occur on the land.

¹ The Treasury (2015) Guide to Social Cost Benefit Analysis, p16.

² McFarlane Rural Business, November 2018. Waimakariri District Plan Review – Rural Production Advice – Rural Land Zoning.

Figure 3.1: CBA of Counterfactual – continued farming at 272 and 278 Clevedon-Kawakawa Road

| Costs/Benefits | Probability | Consequence | Market or Non Market | Description |
|--|-------------|-------------|----------------------|--|
| Economic Costs | | | | |
| Lost income from subdivision of the land for rural residential | High | Limited | Market | |
| Lost income may contribute to decreased viability of farming the land | High | Limited | Market | The supplementary income gained from converting a portion of the land into rural residential may help fund the remaining farm operations on land which has been identified as presenting a range of challenges for agricultural and horticulture activities. The costs would accrue to the landowner mainly. |
| Economic Benefits | | | | |
| Retention of a small-scale farming operation with limited employment opportunities | High | Moderate | Market | The retention of employment and output would be of a limited scale and would be dependant on continued viability of the farming operations. The benefits would accrue to the landowner mainly. |
| Social Costs/Benefits | | | | |
| None identified | | | | |
| Environmental Costs | | | | |
| Potential for run off from farm activities and pollution of the waterways, especially in flooding events | Moderate | Limited | Non-market | The costs would accrue to Council/community as they currently do. |
| Damage to the land from pugging and potential erosion | Moderate | Limited | Non-market | |
| Environmental Benefits | | | | |
| Retention of prime soils for future agricultural production | High | Limited | Non-market | This is a key concern of the AUPoIP, and the area of prime soils that will be retained is up to 6.03ha, which is small in the context of the provision of soils overall within the region. While the loss of those soils are permanent for the lifecycle of the housing, their isolation from adjacent land of high value soils means they have very limited productive ability in and of themselves. While we acknowledge that adverse effects arise at the macro level as a |

| | | | | |
|-------------------------|--|--|--|--|
| | | | | consequence of changes in land use patterns through key market processes occurring at the micro level (individual land holdings), in this instance the small scale and isolation of highly productive soils means the avoided impacts are limited. |
| Cultural Costs/Benefits | | | | |
| None identified | | | | |

Figure 3.2: CBA of Rural Residential Subdivision at 278 Clevedon-Kawakawa Road

| Costs/Benefits | Probability | Consequence | Market or Non Market | Description |
|--|-------------|-------------|----------------------|--|
| Economic Costs | | | | |
| Wider range of options for rural residential lifestyle may attract rural lifestyle away from other areas where it is intended | Moderate | Limited | Market | The scale of the proposed development is small in terms of the rural residential opportunities that are expected to be developed surrounding Clevedon in the future and the total size would equate to less than one year's growth. |
| Use of the site's prime soils for residential activities reduces productive capacity of the sites and contributes to a net reduction in total regional productive capacity | High | Limited | Market | The loss of up to 6.03ha represents less than 0.02% of the region's prime soils (38,600 ³ -55,356 ⁴ ha), which is small when considered on an individual basis. The isolation of the highly productive soils from other properties with the same, mean that loss of productive capacity is very small. In and of themselves this block of soils is too small for meaningful agricultural production. |
| Additional council costs of providing infrastructure to service | Moderate | Limited | Market | The additional costs would be very limited relating to rubbish collection and roading mainly. However, most additional costs are likely to be covered by user charges. |
| Economic Benefits | | | | |
| Long-term viability of the commercial farming operation by utilising a small proportion of the area for rural residential. | Moderate | Significant | Market | The benefits would accrue to the business operator and local economy. |

³ FARMLUC. <http://knowledgeauckland.org.nz/publication/?mid=1933&DocumentType=1&>

⁴ NZLRI. <http://knowledgeauckland.org.nz/publication/?mid=1933&DocumentType=1&>

| | | | | |
|---|----------|----------|------------|---|
| Additional demand for goods and services locally may help the Clevedon centre to provide more choice and scale of activity. | Limited | Limited | Market | The benefits would accrue to the local shops and services, and the Clevedon community by providing access to a wider range of goods and services. The scale of change would be limited, due to its small size and could also represent a displacement of activity from elsewhere in the Clevedon catchment. |
| Social Costs | | | | |
| None identified. | | | | |
| Social Benefits | | | | |
| Increased options for rural living are provided. | High | Moderate | Market | The nature of the rural residential offer in this location is slightly different from the offer immediately surrounding Clevedon. Likely to appeal to some additional sectors of the market. In addition, there is limited existing supply and future options appear limited. While the proposal is small (11 properties) it is additional in an area that is showing strong demand for rural residential dwellings. |
| Environmental Costs | | | | |
| Some degradation of visual aesthetics due to the creation of buildings between the road and the coast | Moderate | Moderate | Non Market | |
| Residential Growth in non-urban location. Dispersed residential in rural residential locations represent the highest level of impact on the environment (highest levels of green house gas generation). | High | Limited | Non Market | The small-scale nature of this proposed development means that the actual impact is small. In addition, demand exists and is more than likely to be met elsewhere in a rural residential development rather than in an urban setting, meaning that while it is an environmental cost, it is not a net additional cost. |
| Environmental Benefits | | | | |
| Reduction in adverse environmental effects arising from agricultural use, including reduced fertiliser use and effluent creation. | Moderate | Limited | Non Market | |
| Cultural Costs/Benefits | | | | |
| None identified | | | | |



Costs and Benefits of the Residential Subdivision Situation

There are a range of positive and negative externalities that will arise from enabling countryside living subdivision to occur on a small part of the overall farm. The main benefits would be increased choice for housing and access to retail and services, but that would be limited by the scale of development proposed. The agricultural enterprise would potentially also benefit from increased certainty about the financial viability of its operations.

The key cost associated with the proposed development would be the long-term loss of small pockets of prime soils and therefore a lower level of rural production from the existing properties. While the loss of Type 1 and 2 soils are of concern to regulators, in this instance the pockets are small and isolated from other farms meaning that they are not able to be merged to form part of a larger productive horticultural unit.



4 Summary

The proposed plan change to re-zone two properties at 272 and 278 Clevedon-Kawakawa Road from Rural Coastal to Countryside Living and extend Clevedon Sub-Precinct C across those properties will generate a range of costs and benefits.

Our assessment has shown that while the scale of the proposed plan change is small, there are a range of costs and benefits that will impact individual players such as the farm owner, local shops and services, and wider entities such as the Council and more indirectly the Auckland population.

The key consideration for the farming enterprise is whether the operation is viable in the future based on their current ability to operate on the land, and as we have not been provided with detailed information about the financial performance of the farm, we have provided our assessment based on the assertion made by Agribusiness Group that the farm is only marginally viable at present.

According to Dr Hicks, the 43.55 ha of remaining land will be “just enough for a small-scale stand-alone grazing enterprise” and this is broadly consistent with advice provided by McFarlane Rural Business regarding the size of viable farms NZ wide. On the face of it, it would seem like inclusion of the prime land in the farming operation would help to better ensure the viability of the farm.. However, it has become increasingly common for farming enterprises to seek other revenue streams to help boost their financial viability, and subdividing a section of land would be one way of gaining capital to help the long term viability of the residual farm business.

The key anticipated costs of the development that may have a negative impact are those associated with a reduction in agricultural output from the existing farming unit. The loss of elite and prime soils is a key concern for policy makers, as once built structures are developed on them, then that resource is lost. However, in this case the amount of soil is small, fragmented and isolated. They are not able to be joined into a productive unit, so other than the marginal loss of production on the existing farm unit they are not anticipated to contribute to agricultural production into the future.

Overall, our assessment has shown that, the proposed development is likely to have more positive economic impacts than negative economic impacts.