

24.08.2020

To SH16 Ltd,

RE: Response to RFI Maddies Road Kaukapakapa

This brief report provides a response to a RFI from Auckland Council, dated August 21, 2020. This is outlined as follows:

Please clarify the calculations in Figure 2 and the conclusion about the plan change showing economic benefits. Based on the purpose of the report, I understand the calculation needed is:

Economic Benefit = Value of Lifestyle Properties - Value of Rural Production

If Economic Benefit is greater than zero, then plan changes are positive for the economy, and the application should be accepted. Nonetheless, the authors claim in the report that "the proposal would direct new lifestyle lots to a non-prime/elite site". Thus, the equation would be modified to

Economic Benefit = Value of Non Prime Rural land - Value of Rural Production.

However, I understand that the authors claim that the land parcels are not in fact Prime - Elite because of steepness and isolation. Hence, Value of Rural Production = Value of Non Prime Rural land, which would render Economic Benefit equal to zero.

This comment is not to conclude necessarily that the actual value of the plan is zero or the method followed by the authors is flawed. Rather, there is confusion about the conceptual framework and the equivalency of the terms used.

In particular, please clarify why the value of Prime - Elite Rural Land is being used in this case as the land parcels have been deemed as unsuitable for agricultural production. It could be hypothesized that Value of Lifestyle Properties would encompass anything related to development and agricultural production considering the constraints of being non elite, while Value of Rural Production encompasses only the limited agricultural production without lifestyle developments. If so, wording should be checked and, potentially, the numbers used for calculation may change.

Please provide a better citation or sourcing of the values used as inputs in the calculations in Figure 2

The question asserts that an economic benefit of the proposal is the difference between using the site as a lifestyle block and using the site for agricultural production. This is however not the premise of the Section 4 analysis, which instead asserts that an economic benefit of the proposal is the difference between using this site for a lifestyle block (which is non-prime/ elite rural land) and using another rural site for a lifestyle block development (which is prime/elite rural land). In this case, the difference between using this site for a lifestyle block development would displace \$718,750 of non-prime/ elite rural land, whereas using an equivalent sized rural site for a lifestyle block development that is on elite/prime land, as enabled elsewhere by the AUP, would displace

\$2,156,250 of prime/elite rural land. The difference between these two options is estimated to be \$1,437,500, indicating a net economic benefit from the proposal of this amount. For clarification, the following formula summarizes the economic benefit assessed in Figure 2.

$$\text{Economic Benefit of Lifestyle Block Development of Site} = \text{Value of 28.75 ha Prime/Elite Rural land} - \text{Value of 28.75 ha non-Prime/Elite Rural land}$$

The values in Figure 2 have been estimated by Urban Economics using Corelogic data and have been confirmed by the applicant's valuer to be suitable estimates for the purpose of the assessment (Hollis & Scholefield).

Adam Thompson