

**Before Independent Hearing Commissioners appointed by Wellington
City Council**

In the matter of the Resource Management Act 1991 (**RMA**)

And

In the matter of hearing of submissions on the Proposed Wellington City District
Plan

Between

**Stride Investment Management Limited and Investore
Property Limited**

and

Wellington City Council

Statement of economic evidence of Timothy Heath on behalf of
Stride Investment Management Limited (submitter 470) and
Investore Property Limited (submitter 405)

Hearing Stream 4 – Metropolitan Centre Zone

Dated 12 June 2023

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MAY IT PLEASE THE COMMISSIONERS

INTRODUCTION

1. My name is Timothy James Heath.
2. I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
3. I hold a Bachelor of Arts and a Bachelor of Planning from the University of Auckland. I have undertaken property research for 25 years, and regularly appear before Council, Environment Court, and Board of Inquiry hearings on economic, property development and strategic planning matters.
4. I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well as undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity requirements.
5. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, retail, industrial, and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis.
6. I have been engaged by Stride Investment Management Limited (**Stride**) and Investore Property Limited (**Investore**) to provide expert evidence on their behalf, as they have made submissions on the Proposed Wellington City District Plan (**Proposed Plan**). In this Centres hearing, my evidence refers primarily to the Metropolitan Centre Zone (**MCZ**) Chapter of the Proposed Plan as it pertains to Johnsonville.

CODE OF CONDUCT

7. I have read and am familiar with the Environment Court's Code of Conduct for Expert Witnesses, contained in the Environment Court Practice Note 2023, and agree to comply with it. My qualifications as an expert are set out above. Other than where I state that I am relying on the advice of another person, I confirm that the issues addressed in this statement of evidence are within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

SCOPE

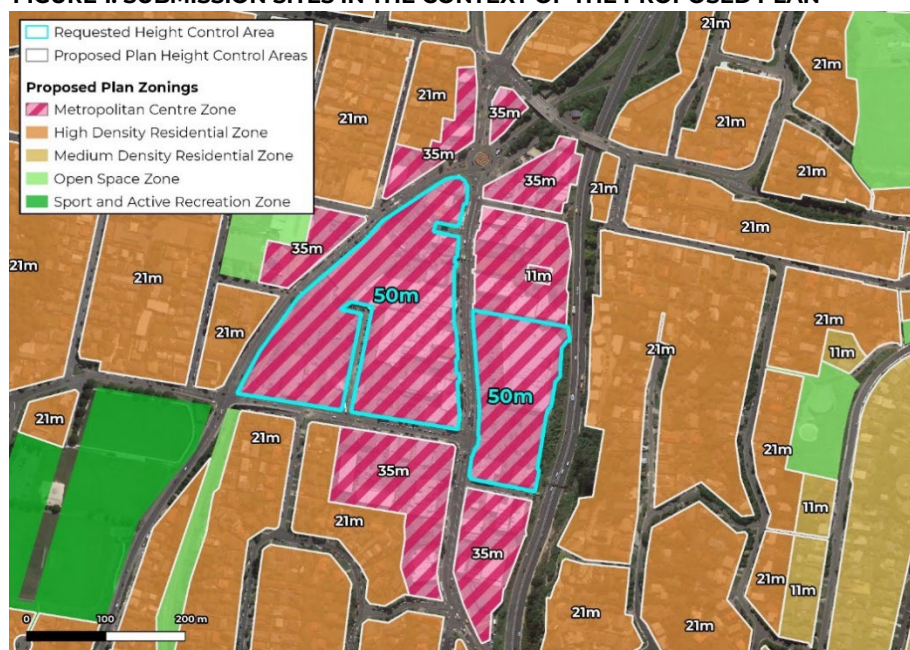
8. This statement of evidence will address two primary matters:
- (a) The economic rationale for raising the retail Gross Floor Area (**GFA**) threshold limit within the Johnsonville MCZ.
 - (b) Potential economic costs and benefits associated with increasing the permitted height control within the Johnsonville MCZ from 35m to 50m.
9. In preparing my evidence, I have reviewed:
- (a) The submissions of Stride and Investore;
 - (b) The Proposed Plan;
 - (c) Section 42A of the Part 2: Metropolitan Centre Zone;
 - (d) Statement of Evidence of Kirdan Lees on Behalf of Wellington City Council.

OVERVIEW OF THE SUBMISSION

10. The current Wellington Operative District Plan (**ODP**) came into effect in 2000. Since the ODP there have been ongoing changes in national policies, market conditions as well as in the growth profile of Wellington City.
11. Given this context, the Wellington City Council (**the Council**) is amending the Proposed Plan to incorporate the MDRS, give effect to the NPS-UD, and deal with the major planning and environmental issues facing the City.

12. Under the zoning provisions of the Proposed Plan, the Johnsonville Sub-Regional Centre is identified to be a Metropolitan Centre within the wider Wellington centre hierarchy with integrated retail activities subject to a GFA of 20,000sqm as a permitted activity. There is also a proposed Height Control Area (HCA) overlay applied to the Johnsonville Centre with a maximum permitted height of 35m.
13. The submitters, Stride and Investore, seek amendments to the Proposed Plan to “enable appropriate height limits in the Johnsonville Metropolitan Centre” and “provide appropriate controls for integrated retail activities in the Metropolitan Centre Zone given the scale of the existing and consented development, large lot sizes, land in common ownership, and the anticipated level of development in the centre”.
14. Specifically, in terms of the Johnsonville MCZ, Stride and Investore seek to increase the GFA threshold from 20,000sqm to 30,000sqm for integrated retail activities to trigger a Restricted Discretionary activity status, and to increase the permitted height control in the Johnsonville MCZ core to 50m.
15. The extent and surrounding environment of the Johnsonville MCZ under the Proposed Plan are outlined in the figure below. The Blue outline area refers to the proposed 50m HCA within the centre. This area currently has a permitted height of 35m under the Proposed Plan.

FIGURE 1: SUBMISSION SITES IN THE CONTEXT OF THE PROPOSED PLAN



Source: Wellington City Council, LINZ

POLICY CONTEXT

16. Under the ODP, centre provisions enable a range of activities from large shopping centres to small clusters of shops. The current centre hierarchy of the city is identified as: Sub-Regional Centres (Johnsonville and Kilbirnie), Town Centres, District Centres and Neighbourhood Centres.
17. Johnsonville is identified as a “regionally significant suburban centre” in the Regional Policy Statement for the Wellington Region (**RPS**), which the ODP recognises “services a significant part of the City and / or region and provides a significant retail offer”.
18. This centre hierarchy is proposed to be modified according to the National Planning Standards November 2019 (**NPS**) centre framework under the Proposed Plan, namely, City Centre, Metropolitan Centre (Johnsonville and Kilbirnie), Local Centre and Neighbourhood Centre.
19. The NPS-UD supports the importance of metropolitan centres for accommodating increased density and height. In NPS-UD policy 3 metropolitan centres sit immediately below City Centre zones but above all other centres. NPS-UD policy 3(b) in particular directly relates to intensification of metropolitan centres to reflect demand for housing and business use.
20. The Proposed Plan makes clear the strategic importance of the MCZ in accommodating growth with objective MCZ-O2 identifying the MCZ as playing a significant role in meeting commercial and residential growth needs. This is supported by policy MCZ-P1(1-4) which promotes variety and intensity of building types, high density housing, convenient access to public transport and efficient use of development sites, MPZ-P6 promoting high density housing choice and MPZ-P7(1)(b) which optimises the development capacity of land.
21. It is within this context that the economic appropriateness and efficiency of the relief sought in Stride and Investore’s submission are assessed.

WELLINGTON REGION POPULATION AND RETAIL GROWTH

22. As part of a consent application¹ in 2009, I was engaged by DNZ Property Fund to undertake a retail impact assessment on a proposed redevelopment of the Johnsonville Shopping Centre encompassing a total of around 43,000sqm of commercial and retail GFA. The findings of that retail assessment were the redevelopment of the centre as proposed was sustainable in the market and that it would not generate significant adverse retail distributional effects on existing centres, including the City Centre. The land use consent was issued on 28 September 2009, but has not been given effect to.
23. This retail impact assessment was completed nearly one and half decades ago. Since then, the population of wider Wellington has continued to grow and generates nearly \$1b more in retail expenditure on an annualised basis.
24. Furthermore, Sense Partners' growth projections² suggest that wider Wellington will experience a population increase of +16% over the next 15 years (2023 - 2038)³. This projected growth would generate an additional \$1.24b in annual retail expenditure above the current 2023 base year. This alone could sustain circa 225,000sqm of retail GFA.
25. The growth of Wellington's retail market puts into perspective the 10,000sqm GFA threshold for integrated retail increase Stride and Investore seek in their submission in the Johnsonville MCZ.
26. The increase in the GFA threshold from 20,000sqm to 30,000sqm for integrated retail activities in the Johnsonville MCZ by Stride and Investore could not have a significant impact on role, function, and future growth potential of the existing commercial centres in Wellington, including the City Centre. I consider a higher integrated retail activities threshold of 40,000sqm GFA for Johnsonville more appropriate before requiring an assessment of potential effects on the City Centre.

¹ Consent reference SR186264

² Sense Partners Population Forecast [<http://demographics.sensepartners.nz/population>]

³ based on the Sense Partners Medium (50th Percentile) growth scenario.

27. The reporting planner's Section 42A report for the Proposed Plan Part 2: Metropolitan Centre Zone has gone further and now considers the integrated retail cap in the MCZ can be removed in its entirety⁴. In my view, it is still appropriate to retain an integrated retail development threshold of 20,000sqm GFA for Kilbirnie while increasing the threshold to 40,000sqm GFA for Johnsonville to enable an assessment of potential retail effects on the City Centre above this level.
28. As noted above, a retail development of circa 40,000sqm at Johnsonville has already been assessed to have no significant retail distribution effects on the City Centre, and the retail market has significantly increased since this time.
29. It is also noted that Mr Lees considers that the assessment criteria should be amended to include "the ongoing vibrancy of the City Centre Zone and Golden Mile". In particular, he considers that from an economic lens "viability" could be interpreted as preserving existing commercial activities at the expense of potential competitors. I disagree. There is a distinction between the anti-trade competition requirements in the RMA, and the importance of the Centres hierarchy.
30. I consider that it is important to retain "viability" in the assessment criteria, and without it the bar of "vibrancy" only would be too low.

ECONOMIC COSTS AND BENEFITS AND EFFICIENCIES OF INCREASED HEIGHT

31. There are both economic costs and benefits associated with increasing the permitted building height in the Johnsonville MCZ. I have outlined these at a high-level below.
32. **Potential Economic Benefits** include:
- (a) **Catalyses development:** Liberalising of land use rights has historically been proven to increase development of associated land. The increase in height limits brings the (re)development timeframe of affected properties forward in time as the return on development is higher (more rents are now achievable). There is also a second order

⁴ Section 42A Report – Commercial and Mixed Use Zones Part 2 – Metropolitan Centre Zone, pg.39-40, paragraph 188.

effect because development encourages more development. As one parcel is (re)developed, neighbouring properties benefit off the improvement in amenity and are encouraged to (re)develop to maximise returns.

- (b) **Consolidation of high-density residential activity:** An increased permitted height creates an impetus for higher density residential (apartment) use above grade. This increases the potential for Johnsonville MCZ meeting the capacity objectives under the NPS-UD and the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021, including the provision for choice in respect of dwelling type, location and price to satisfy NPS-UD policy 1(a)(i) & (c) and intensification under NPS-UD policy 3(b).
- (c) **Enhanced housing affordability:** Restrictions on building vertical growth can be a contributor that can cause a housing shortage. More permissive building heights may have positive consequences for affordable housing where the construction of apartments become more feasible within the height change area, which in turn enables the land cost to be distributed further, and a greater range of apartment sizes and price points provided. More supply would also reduce upward pressure on housing prices within the identified area.
- (d) **Increases employment opportunities:** Greater height limits can result in greater employment opportunities. As the level of commercial floorspace increases, more people will be employed in the identified area. While retail / food and beverage space will likely remain at-grade, a broader range of commercial options are unlocked through the increased building heights better supporting NPS-UD policy 3(b).
- (e) **A stronger sense of connectedness and vitality:** The increased residential and commercial activity density means that people are in closer contact with each other. This would enhance the connectedness and vitality of the Stride and Investore sites within the Johnsonville MCZ.
- (f) **Potential for less land / green space take-up:** A higher density of agglomeration of business activity means that a greater quantity of

activity can take place within the identified area. The more efficient use of land for commercial space leaves more green space for other uses, such as public open spaces, which the local community can enjoy.

- (g) **More flexibility for land users and building tenants:** Flexibility is often an attractive part of taller buildings. With the increase of height, tenants would be able to expand to other floors within the same building, or sub-let floorspace as needed, with relative ease.
- (h) **More efficient infrastructure use:** The existing and future infrastructure that is put in place to service Wellington residents in and around the centre is used by a larger number of people. This in turn supports increased investment in that infrastructure. This includes road / footpath network, community facilities – libraries, halls, parks – power and telecommunications, three waters, urban parks, public spaces. The larger number of people come in the form of both increased employees using these resources on the way to work and increased residents living within the Johnsonville MCZ. This lowers the marginal infrastructure costs to the community.
- (i) **Reduces transport costs and associated emissions:** The increased density enabled by increased building heights will support the establishment of a mixed-use environment that will lead to reduced transport costs as a greater number of people will be able to live, work and shop at the Johnsonville centre. This has secondary benefits of lower fuel emissions, and a greater reliance on public transport as more employment and / or residential options will be co-located on a public transit node, including the Johnsonville Station.
- (j) **Generation of unique views and enhanced building profile:** A broader range of views from buildings at differing heights are attractive to residents and commercial tenants alike that want good views. This can attract high tier commercial tenants for regional / head offices. Meanwhile, for practical floorspace reasons, and sometimes for image reasons, taller buildings are more attractive to large corporations by providing a high-profile space. This is reflected in a prestige factor.

33. **Potential Economic Costs** include:
- (a) **Change in built form and character of the centre:** The character nature of Johnsonville MCZ will change as buildings get taller within the centre and existing building form is displaced. This is likely to occur overtime, regardless, as a necessary function of the city transitioning into a higher density urban form and more room for economic activity is needed. It is also preferable that, as this does occur, the economic centres are managed as much as possible to encourage the most efficient use of land. Whilst potentially viewed as a cost, this regeneration and redevelopment could also be viewed as a benefit.
 - (b) **Disruption of views:** There may be some properties that have their views disrupted by taller buildings. Though it is unlikely that many buildings behind the identified increase in height limit area in Johnsonville have significantly appreciable views currently. Again, this could also generate new views that may make it a more attractive proposition to locate business activity within the Johnsonville MCZ.
 - (c) **Increased congestion or generation of disbenefits associated with density** (crime, noise, pollution, etc.): Increased density can generate negative externalities, with the most pertinent being increased congestion. The greater level of foot traffic generated through increased development, increased employment and increased high density residential activity may impact the road network and parking space availability in the centre. The increase in disbenefits, including congestion, is unlikely to be immediately appreciable, so traffic flow mitigation will likely be possible with sufficient planning. As above, increased density will also support the use of active transport modes and public transport. At this stage, this “cost” is unlikely to materially impact the role and function of the Johnsonville MCZ.
 - (d) **Potential for inappropriate building development:** The proposed building height limit change enables relatively taller buildings within the identified area which may lead to inappropriate building development if not managed effectively. This would further reduce the

amenity value of the area and higher maintenance cost to developers / land users.

- (e) **Potential for property price fluctuations in adjacent areas:** The potential changes to built form within the identified area may impact the current amenity value, business and living environment quality of the adjacent areas. These changes would further influence the attractiveness and, therefore, property prices within the neighbouring areas. The impact of this may be off-set by the amenity provided by new development, and the planning controls that apply between height areas or zone boundaries.
34. Having considered the extent and level of the high-level economic cost and benefit analysis, the potential economic benefits associated with the proposed increased height limit within the Johnsonville MCZ core are considered to outweigh any potential economic costs, particularly when combined with the increasing demand for higher density development within the City and the wider Region and the directives of the NPS-UD.
35. The s42A report has addressed several submissions regarding MCZ heights. At paragraph 266 the report addresses a submission that seeks to lower some MCZ heights. In response the report makes two key points of rebuttal. Firstly, it identifies the importance of the MCZ as a key second tier centre within the City, with a critical role under NPS-UD policy 3(b) to maximise development potential. Secondly, this response also identifies that the NPS-UD requires significant changes to the built form to improve future generations amenity values and economic efficiencies (Policy 6(b)). I agree with the position stated in this response by the s42A officer.
36. The following paragraph (267) of the s42A report provides a response to the Stride and Investore submission seeking the increased height within a defined area of the Johnsonville MCZ. My understanding of the key issues raised by the s42A report include a potential change in the current built form, with 50m being 'out of place in the Johnsonville context', as well as a position that suggests that the current height provision of 35m provides for sufficient capacity. I disagree with the position stated in this response by the s42A officer.

37. These statements in themselves seem to contradict the officer's position found in paragraph 266 of the s42A report. While a 50m height limit is greater than the centre's current built form, as identified the NPS-UD policy 6(b) recognises the need for significant changes to the built form of centres, and that those changes are not, of themselves, an adverse effect (NPS-UD policy 6(b)(ii)).
38. Additionally, the notified MCZ provisions within Johnsonville allow for buildings 50% (approximately 52m) greater than the 35m limit under certain conditions (the provision of City Outcomes contributions). This would suggest that the 50m height limit is not out of keeping with the anticipated built form outcomes. Under the provisions in the Proposed Plan there is potential for the perverse outcome where a 34m high building delivers inferior amenity and public space outcomes than a slightly higher 37m building. In my experience developers will typically choose the path of least resistance in terms of time and cost, and in this instance are likely to focus on buildings less than 35m which do not have to satisfy the City Outcome contribution tests.
39. In relation to sufficiency, the NPS-UD directs that Council provide for a level of capacity that meets expected demand.⁵ This direction does not limit enabled capacity to this level and in fact as identified in paragraph 266 of the s42A report, the City Centre and the Metropolitan Centres must play a role that maximises development potential. While not all of this capacity will be taken up by the market, its enablement is crucial in providing a competitive development environment within efficient locations.
40. The NPS-UD also directs that district plans enable intensification in centres and areas that are well-served by existing or planned public transport.⁶ Johnsonville MCZ is an efficient location due to the existing infrastructure, development and community services, and providing more capacity would be consistent with the NPS-UD.

⁵ NPS-UD, Policy 3(b).

⁶ NPS-UD, Objective 3.

41. As such, I consider the proposed HCA increase from 35m to 50m is appropriate and efficient from an economic perspective.

CONCLUSION

42. Based on my economic assessment, the removal of the GFA threshold for integrated retail activities within MCZs is not appropriate, but I support an increase to 40,000sqm GFA in the Johnsonville MCZ. This threshold provides a balance between providing a GFA cap that would not undermine the envisaged role, function and growth potential of the Johnsonville Metropolitan Centre, whilst providing Council the ability to seek a retail impact assessment at the time of an application for a larger scale integrated retail development within Johnsonville given the future 'state' of the City Centre is unknown.
43. In my view, Stride and Investore's proposed 50m HCA would generate more economic benefits than potential economic costs. Furthermore, the 50m building height is an anticipated built form outcome in the Proposed Plan subject to the City Outcomes contributions. As such I consider the 50m is a more appropriate threshold than the 35m for the Johnsonville MCZ core.
44. Having considered all relevant economic factors, my evidence supports Stride and Investore's relief to increase the integrated retail GFA within the Johnsonville MCZ. In my view this can be increased to 40,000sqm GFA. I also support increasing the height control from 35m to 50m within the centre core as taller buildings require a larger number of tenants and therefore have an in-built incentive to deliver better quality buildings and amenity outcomes to ensure they can attract the level of demand required to tenant the building. Higher buildings would result in a greater and more efficient return on land use, which is important within a Metropolitan Centre zone.

DATED this 12 June 2023

Tim Heath