

**BEFORE THE INDEPENDENT HEARINGS PANEL
AT PORIRUA CITY**

UNDER THE

Resource Management
Act 1991

IN THE MATTER OF

the hearing of submissions
on the Proposed Porirua
City Plan

**STATEMENT OF EVIDENCE OF PHILIP MARK OSBORNE ON BEHALF OF THE
PORIRUA CITY COUNCIL**

1. Introduction

- 1.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland.

Experience

- 1.2 My qualifications include Bachelor of Arts (History/Economics) (1994), Masters in Commerce (1997), a Masters in Planning Practice (2002) from the University of Auckland and I have provisionally completed my doctoral thesis in developmental economics.
- 1.3 I have 20 years' experience advising local and regional councils, as well as central government agencies, throughout New Zealand in relation to economic impacts, industrial and business and residential land use issues as well as strategic forward planning. I also provide consultancy services to private sector clients in respect of a wide range of property issues, including economic impact assessments, commercial and residential market assessments, economic costs and benefits and forecasting market growth and land requirements across all property sectors.

- 1.4 Property Economics has been involved in assessing commercially feasible residential development for a wide range of government ministries, local governments, and private clients over a large number of local, territorial and regional economic environments.

Involvement in the Proposed Plan

- 1.1 Property Economics (“**PEL**”) has been involved in Porirua City Council’s (“**PCC**”) evaluation of the Proposed District Plan from 2017. In addition to the residential capacity work PEL have also provided assessments for other land use sectors including:

- Property Economics (2017) Porirua Business Land Assessment
- Property Economics (2017) Porirua City Business Land Demand and Supply Assessment
- Property Economics (2018) Porirua City Industrial Land Demand Assessment Part 2
- Property Economics (2019) Porirua Industrial Land Supply Assessment
- Property Economics (2019) Porirua Commercial Centres Network Assessment
- Property Economics (2019) Porirua Business Land Assessment
- Property Economics (2020) Porirua East Growth Redistribution Report

- 1.2 The work undertaken for Variation 1 (“**Variation**”) included an assessment of the commercially feasible residential capacity (supply) of Porirua City. This model was run across the Variation to the Proposed District Plan and has also been utilised to assess the development impacts associated with the identified Qualifying Matters` set out by PCC. This Variation has been sought by PCC to meet their statutory requirements under the NPS UD and the Enabling Housing Supply and Other Matters Amendment Act 2021 (“**HSAA**”) through the Medium Density Residential Standards (“**MDRS**”)

Code of Conduct

- 1.5 I confirm that I have read the Expert Witness Code of Conduct set out in the Environment Court’s Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and agree to comply with it while giving evidence. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted

to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

Scope of Evidence

1.6 My evidence with outline the following:

- Summary of economic position on residential intensification;
- A summary of the approach and methodology applied to the capacity modelling;
- The results of the modelling and associated measures;
- Response to appropriate submissions.

Economics of Intensification

1.7 While local authorities have been tasked with managing land use activities, the extent and responsibility has, more recently, been targeted through central government directives. Both the introduction of the NPS UD and the more recent HSAA have provided Councils with the assignment of providing sufficient residential capacity and facilitating the MDRS while managing the potential effects or Qualify Matters (“**QFM**”).

1.8 The NPS UD requires that:

“**Policy 3:** In relation to tier 1 urban environments, regional policy statements and district plans enable:

(a) in city centre zones, building heights and density of urban form to realise as much development capacity as possible, to maximise benefits of intensification; and

(b) in metropolitan centre zones, building heights and density of urban form to reflect demand for housing and business use in those locations, and in all cases building heights of at least 6 storeys; and (

c) building heights of at least 6 storeys within at least a walkable catchment of the following:

- (i) existing and planned rapid transit stops
- (ii) the edge of city centre zones

(iii) the edge of metropolitan centre zones; and

(d) in all other locations in the tier 1 urban environment, building heights and density of urban form commensurate with the greater of:

(i) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or

(ii) relative demand for housing and business use in that location.

1.9 The MDRS¹ itself provides for a remarkable shift in residential enablement with the permitted baseline, in general residential zones, allowing for materially more development. While providing for materially more plan enabled capacity these 'standards' also represent a management issue with their application raising a range of effects that if considered as limiting must be justified as a QFM. It is important when applying these matters to understand their limiting nature and balance the potential costs and benefits resulting.

1.10 In meeting these requirements Variation 1 for Porirua City has established a significant level of higher density residential development opportunities in and around its centres. Realisable capacity under this Variation has increased realisable urban capacity by nearly 100% with more dense typologies of residential development such as terraced housing and apartments now representing a level greater than all infill and redevelopment urban capacity without Variation 1.

1.11 These directives have a clear economic grounding that relates to the benefits attributable to residential intensification. As outlined in the following section Porirua has materially altered the focus of residential development capacity. Modelling undertaken under the PDP in 2021 indicated that over a third of all development capacity was located in areas deemed 'greenfield', as identified above, following Variation 1, this capacity plays a much less significant role.

1.12 A key consideration in the objectives for residential development, and identified in NPS UD policy, is the utilisation of appropriate land around centres (and transport networks) to provide efficient access to services (and opportunities) while providing choice in Porirua's housing supply. In considering these

¹ Ministry for the Environment, 2022. Medium Density Residential Standards: A guide for territorial authorities, 21 April 2022,

objectives, it is important to understand what impact Variation 1 will have on them. This goes beyond the act of applying a zone to an area of land and must consider the potential market response and therefore the practical outcome of applying higher density zones.

- 1.13 While acknowledging that there are inevitably constraints to applying residential; zones of increased density, as a whole, such limitations cannot be applied in isolation to the corresponding locational efficiencies. The ability for Variation 1 to accommodate future residential growth in the existing urban areas hinges on its ability to function as a catalyst for residential development of greater density. In order for the market to accept this product (residential development of greater density) there needs to be several overt factors in play. The driving force behind the market's acceptance is clarity over future demand and the certainty of development potential. In order to achieve this clarity it is important that the intensified product attains a competitive advantage in the market through high quality product and associated amenity. Accompanied by this potential change in dwelling preference must be financial viability and a manageable risk for development of the product itself.
- 1.14 The economic benefits associated with greater residential densities are implicit in the direction of the NPS – UD. As identified Policy 3 sets out the requirement to access these efficiencies:
- 1.15 An important consideration in evaluating the merits of Variation 1 (beyond simple sufficiency) are the potential economic benefits (balanced against potential risks) provided to the community in delivering increased opportunity for a greater residential yield with respect to dwelling numbers in and around the district's centres and transport nodes.
- 1.16 Variation 1 provides an opportunity for the market to deliver an increased volume of residential development in and around the centre and transport networks to a level where it is likely to provide greater economic benefits to city's performance and the economic and social wellbeing of the communities it primarily services. This is in relation to:
- (a) Increasing land use efficiencies;
 - (b) Improving access to amenities and servicing;
 - (c) The efficiency gains from a highly motivated landowner with agglomerated sites;

- (d) The potential impact on the provision of social housing within the District;
- (e) Potential to increase underlying land values in appropriate locations catalysing redevelopment rather than more remote options;
- (f) Utilising existing infrastructure capacities and decreasing the marginal cost of new infrastructure provision;
- (g) Greater levels of locational choice;
- (h) Providing more diverse lower cost housing options

1.17 Variation 1 seeks to provide greater residential development opportunities with additional capacity closer to areas with the highest levels of amenity, services and infrastructure so as to provide greater choice and competition with the lower density urban areas.

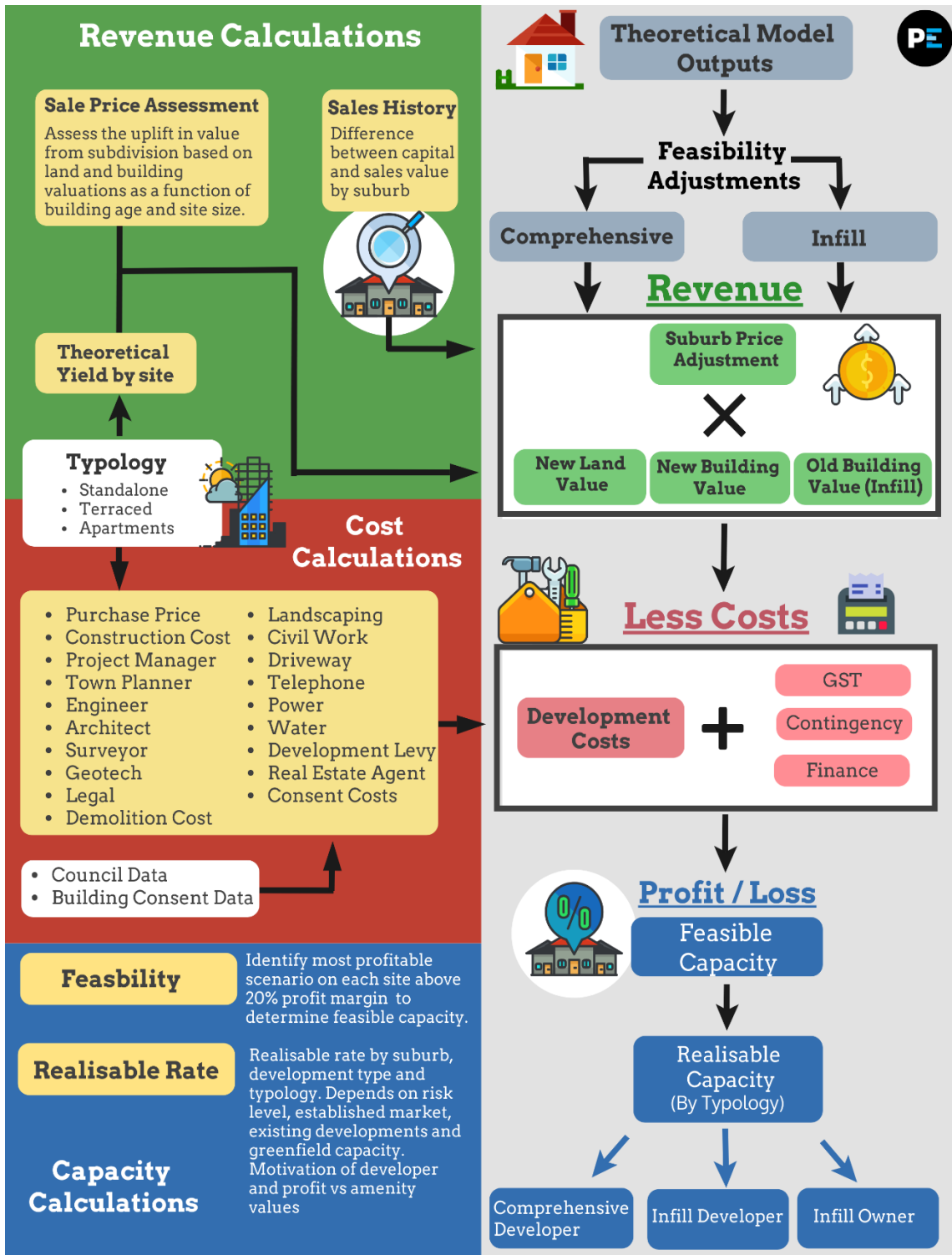
1.18 Additional to this is the increased market flexibility of the dwelling typologies that are likely to be developed, and increased opportunity and certainty for the market, to deliver higher residential densities close to the district's centre and public transport networks.

2. Housing Capacity Assessment 2021

2.1 As part of the assessment for PCC Property Economics has undertaken residential capacity modelling. Included in this modelling is the extent of dwellings that are commercially feasible under Variation 1. Four levels of capacity have been assessed through the modelling including theoretical (plan enabled), feasible (commercially viable at 20% profit), realisable (risk and market adjustment), demand reconciled (based on typology preferences).

2.2 The methodology and assumptions for each of these modelling stages are outlined in the full report provided in the Council section 42a report. This is summarised in Figure 1 below.

Figure 1: Porirua Site Specific Capacity Modelling Approach



2.3 Table 1 summarises the projected dwelling growth (demand) in relation to the dwelling capacity under the Proposed District Plan. This shows that Porirua City has a projected dwelling growth over the long term (30-years) of 10,260. Under

the National Policy Statement on Urban Development, Councils are required to provide a buffer to capacity (NPS UD Margin). This raises the total demand requirements for the Porirua City to 11,800 dwellings over the long term (to 2051).

Table 1: Residential Dwelling Capacity and Sufficiency (30 Year)

Capacity Overview	Theoretical	Feasible (Max Profit)	Realisable
Variation 1	224,767	45,742	22,589
Greenfield			6,604
Demand + NPS Buffer			11,800
Sufficiency			17,393

- 2.4 It is considered inappropriate to assume that 100% of the commercial feasible capacity would be realised, even over the longterm, as individual sites face unique restrictions and non-profit driven motivations by individual landowners as well as the potential for development outcomes that do not maximise plan enabled capacity. In the case of Porirua City capacity this further reduces estimated capacity by approximately 22,000 dwellings. As identified in Table 1, at this stage, the realisable capacity still materially meets the City's expected demand over the longterm.

Qualifying Matters and Capacity Impacts

- 2.5 The Resource Management (Enabling Housing Supply and Other Matters) Amendment Act and NPS-UD identify a range of 'Qualifying Matters' (QFM). These are allowable limitations why a council can make District Plan provisions less enabling than otherwise required by the Act or the NPS-UD.
- 2.6 The process applied to the assessment of these limiting factors is similar to the that outlined above having modelled each of these qualifying matters to identify their impacts on the plan-enabled capacity both the individual and combined impacts on feasible and realised capacity were assessed. The initial impacts of the QFM on feasibility can be broken into 3 categories:
- Direct Capacity: where the QFM directly limits the level or extent of a site or areas development potential.
 - Increased Costs: where a QFM is likely to result in increased development costs thereby reducing overall feasibility or profitability.

- Increased Risk: where an activity status (as the result of a QFM) reduces the propensity for activity to occur due to the uncertainty associated with its approval.

Table 2: Qualifying Matters Individual Impacts

Realisable Capacity	Impact Type	Apartment	Standalone	Terraced	Total
Coastal Hazard	Cost & Capacity	-383	-199	-220	-802
Natural Hazard	Cost & Capacity	251	42	-404	-111
Heritage	Capacity	-15	-34	-50	-99
SASM	Capacity	-	-13	-	-13
National Grid	Risk & Capacity	-	-	-16	-16
Noise Corridor	Cost	-332	48	-538	-822
Natural Areas	Capacity	-14	-70	-64	-148
Train Setbacks	Capacity	-	-	-	-
Heritage Height Control	Capacity	-5	-16	13	-8
Shading Height Control	Capacity	-	91	-625	-534
SASM Height Control	Capacity	-51	-	-12	-63

2.7 Table 2 above outlines the individual impacts on capacity resulting from each of the QFM. As several of these matters overlap geospatially the overall impacts are not cumulative. As such Table 3 illustrates the net impact of the implementation of all identified QFM on the residential capacity resulting from Porirua City's Variation 1 to the PDP.

Table 3: Qualifying Matters Cumulative Impacts

Realisable Capacity	Theoretical	Apartment	Standalone	Terraced	Total
Commercial Zones	15,235	1,174	515	319	2,008
Residential	43,428	16	3,557	6,409	9,982
Intensification Areas	85,787	1,012	2,733	4,615	8,360
Total	144,450	2,202	6,805	11,343	20,350

2.8 This table indicates that Variation 1 to the Porirua City PDP provides more than sufficient residential development capacity through to 2051, with a total demand of approximately 11,800 and a reconciled capacity of over 20,000 (plus greenfield capacity of some 6,600). It is also of interest to note that this capacity is evenly split between standalone (detached housing) and terraces and apartments (attached), providing significant choice in development typologies.

3. Variation 1 PDP Submission

- 3.1 While there are a number of submissions that touch upon issues of economic concerns both directly and indirectly, generally these include:
- The Porirua Variation resulting in an 'overwhelming' number of detached homes (Cawthorn OS83.15);
 - There are a number of submissions querying the role of affordability and the position of the Northern Growth Area (OS99.3)
 - The exclusion of additional areas from intensification (essentially the establishment of additional QFM)
- 3.2 As identified Table 3 above, Variation 1 to the PDP provides for a material shift in housing provision and preference. Under these zonings and market conditions the market has equal opportunity to provide attached and detached housing product depending on residents' choice. This is a substantial shift away from reliance on detached, standalone product that not only exacerbates affordability issues but reduces the economic benefits afforded by a critical mass of residential density.
- 3.3 As identified above, the provision and facilitation of residential product that requires less land area, has the potential to impact upon the overall affordability of residential housing. The inclusion of the Northern Growth Area (NGA) within Variation 1 provides for increase housing location choice and typology. Additionally, increased provision in this location (still with high degrees of accessibility) is likely to temper demand in other locations around Porirua, this 'absorption' of demand has the potential to reduce pressures else thereby reducing pressure on price increase.
- 3.4 Variation 1 of the Porirua PDP seeks to provide a residential development environment that will facilitate and encourage the intensification of this activity in and around the city's centres and primary aspects of the transportation network. As identified there are a number of QFM for which the Council believes it is necessary the manage intensified development. These matters reduce feasible and realisable residential capacity, and as identified in Table 2 above primarily impact upon more vertically intensive residential capacity in the form of apartments and terraced housing.
- 3.5 There are several submissions that seek to further reduce the intensity of these areas. As identified through the direction of the NPS UD and HSAA (and highlight above), there are significant economic benefits to the community that result from the encouragement of higher density residential development. The

utilisation of 'vertical' space and the subsequent lower land use, allows for lower residential site costs, greater infrastructure efficiency (lower marginal costs) and utilisation, improved amenity and greater access to employment and service opportunities.

- 3.6 The realisation of these benefits is unlikely to be linear with a level of critical mass required to achieve these benefits. While the capacity modelling outlined above indicates that there is likely to be sufficient capacity as a result of Variation 1 it is still critical for economically efficient outcomes that the accommodation of expected growth is targeted in the most efficient locations. The incremental 'bleeding' of this growth to less efficient locations and lower residential densities is likely to impact upon the collective economic benefits of more intensified residential development. As such it is inappropriate to consider a relaxing of residential intensified zones in the light of simple sufficiency.

4. Conclusion

- 4.1 An extensive economic assessment has been undertaken by Porirua City Council through Property Economic to indicate the likely developable residential capacity, resulting from Variation 1 to the PDP, to meet future housing demand within the City.

- 4.2 This assessment has found that:

- While the plan enabled (theoretical) capacity facilitated through the plan is significant (approximately 225,000 dwellings) this is substantially reduced when considering site feasibility (45,500), realisation rates (22,600);
- This level of capacity was still more than sufficient to meet the projected demand (11,800), both in total quantum and typology.
- The level of development impact varied markedly between QFM's. Noise Contours and Coastal Hazards exhibited the largest individual impact on development potential (800 realisable dwellings) based on its impact on costs, risk and direct capacity.
- With significant overlaps between QFM's the cumulative (realisable) development loss was estimated at approximately 2,200 dwellings.
- When considering all development factors associated with both the market and planning restriction the Porirua City Variation 1 to the PDP is estimated to facilitate approximately 29,200 dwellings, more than sufficient

to meet the requirement of 11,800 new homes, both in quantum and typology.

- 4.3 There are a number of submissions relating to development capacity under Variation 1 and economic outcomes. While these may hold some validity, in the context of the PDP and the requirements of Council under the NPS UD, they are not economically appropriate approaches to the efficient development outcomes sought by Council.

Philip Osborne

10 February 2023