

PROPERTY ECONOMICS



PORIRUA VARIATION 1 HEARINGS - RESPONSE TO PANEL QUESTION - MEMORANDUM

Client: Porirua City Council

Project No: 52169

Date: April 2023

24 April 2023

ECONOMIC MEMORANDUM

To: Porirua Variation 1 Panel

RE: Response to Economic Questions from Trevor Robinson on behalf of the Panel

*Question: Can Mr McIndoe please provide his version of maps contained in Nick Rae's Appendix F, showing the difference between the zones he would recommend as HDRZ compared to Mr Rae, and advise what the difference in area **and development capacity is between the two**.*

Property Economics has been engaged to answer the bold underlined component of the question above regarding the development capacity that is enabled by Kāinga Ora's proposed extension of the **High-Density Residential Zone (HDRZ)**.

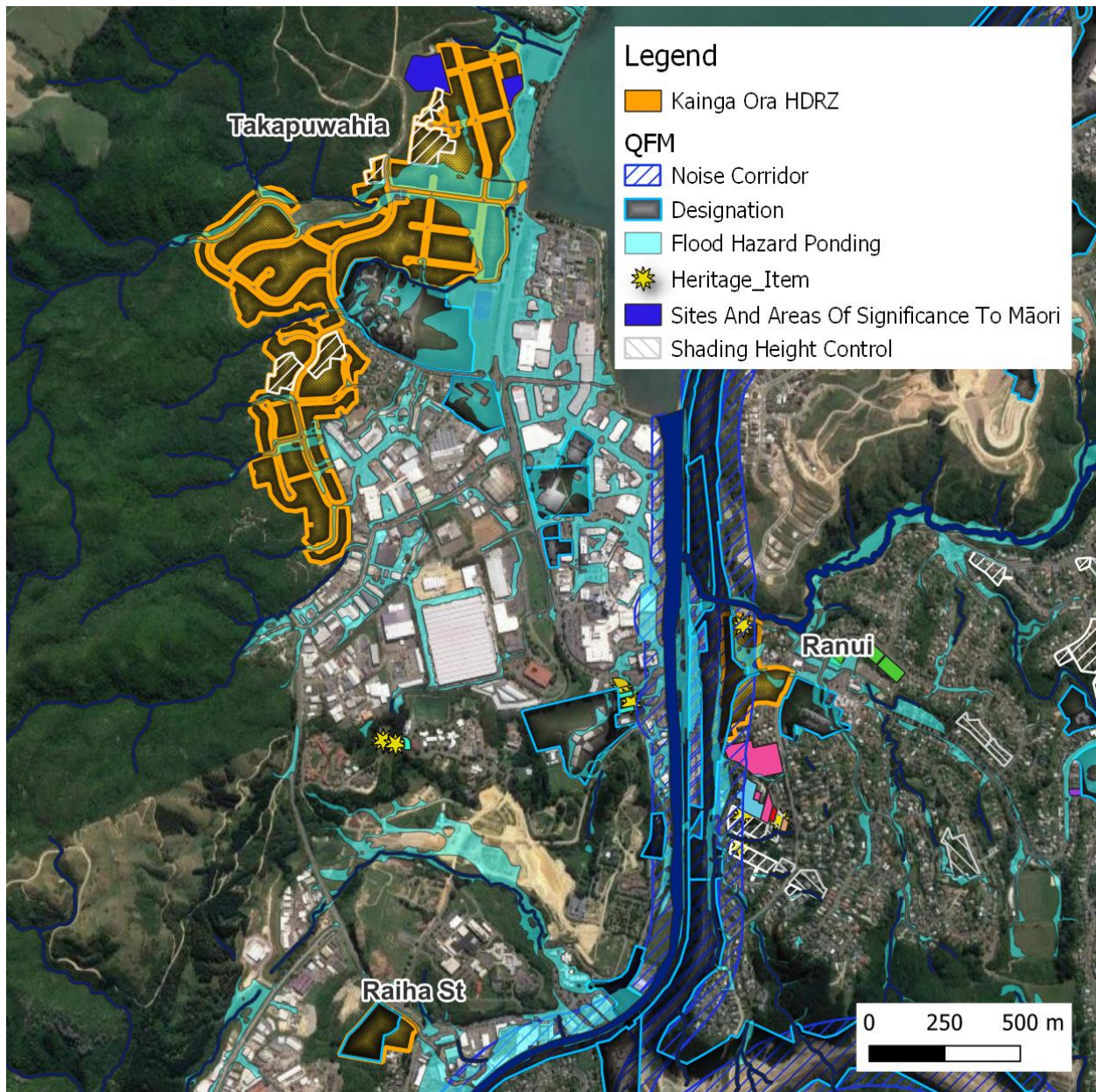
This Memo provides an outline of the Qualifying Matters affecting each of the additional High-Density Residential Areas and shows the additional capacity that is enabled by the provision of HDRZ across these sites.

As the modelling methodology has not changed from the previous assessment, an outline has not been reproduced here. Therefore, please refer to the Property Economics (2022) Porirua Variation 1 and Plan Change 19 Qualifying Matters Assessment report for the modelling details.

KĀINGA ORA PROPOSED HIGH DENSITY RESIDENTIAL ZONE

Figures 1 – 4 show the Kāinga Ora Proposed HDRZ and the Qualifying Matters that affect the capacity on these sites.

Shown in Figure 1 are the Proposed High-Density Residential areas around Porirua Central.

FIGURE 1: KĀINGA ORA PROPOSED HIGH DENSITY RESIDENTIAL ZONE CENTRAL PORIRUA


Source: Property Economics, PCC

The Takapūwāhia represents the extended walkable catchment area from the City Centre. This area is mostly unconstrained except for the Flood Hazard Ponding overlay (which raises costs for Flood Mitigation as a Low Hazard) and the Sites and Areas of Significance to Māori which affects the height in relation to boundary standards for adjacent sites.

The map also indicates several small areas that are currently affected by a 9m Height Control Overlay for shading effects. For the purposes of this QFM, Property Economics has modified the Height Overlay to 16m as this is the Shading Height Control applied in the rest of the HDRZ.

The Ranui area is zoned for Mixed Use in the PDP with a 22m height overlay. Therefore, the HDRZ does not provide any additional development capacity potential on these sites.

It is also covered by the Noise Corridor overlay (in which residential dwellings incur additional construction costs for noise mitigation) and covered by the Flood Hazard Ponding overlay. The Heritage site is removed from the capacity potential in this area however it has not been modelled to have an effect on the recession planes for the neighbouring property as the Heritage site is located on a hill.

Council has indicated to Property Economics that they agree that Raiha Street (58 and 60) should be zoned High Density Residential. However, these sites were taken out in the previous model due to the site being a school (it has a school designation overlay). As this area is not contentious, the capacity in this area has not been added to the model. However, at a high level, if 75 sqm apartments are built across the entire area, the site has theoretical capacity for approximately 500 apartments under the MDRS standards and 1,250 under the HDRZ.

Figure 2 shows the QFM overlays affecting the Paremata and Mana areas.

The entire southernmost section of Paremata is covered by the Noise Corridor Overlay, while the large site in the centre is a school that also has coastal hazard overlays. The main issue with this area however is the steep hill. Figure 2 indicates that many of the sites to the north is currently covered by the Shading Height Control while many of the other sites were deemed too steep to be practically developable in the original capacity model. Property Economics has not added these sites back in, as the HDRZ does not change the practical reality of developing these sites for multi-storey intensified residential.

The same is true of the Mana area, with some sites being removed due to sloping issues. However, this area is also less restricted by Qualifying Matters with the main overlay being the Shading Height Control.

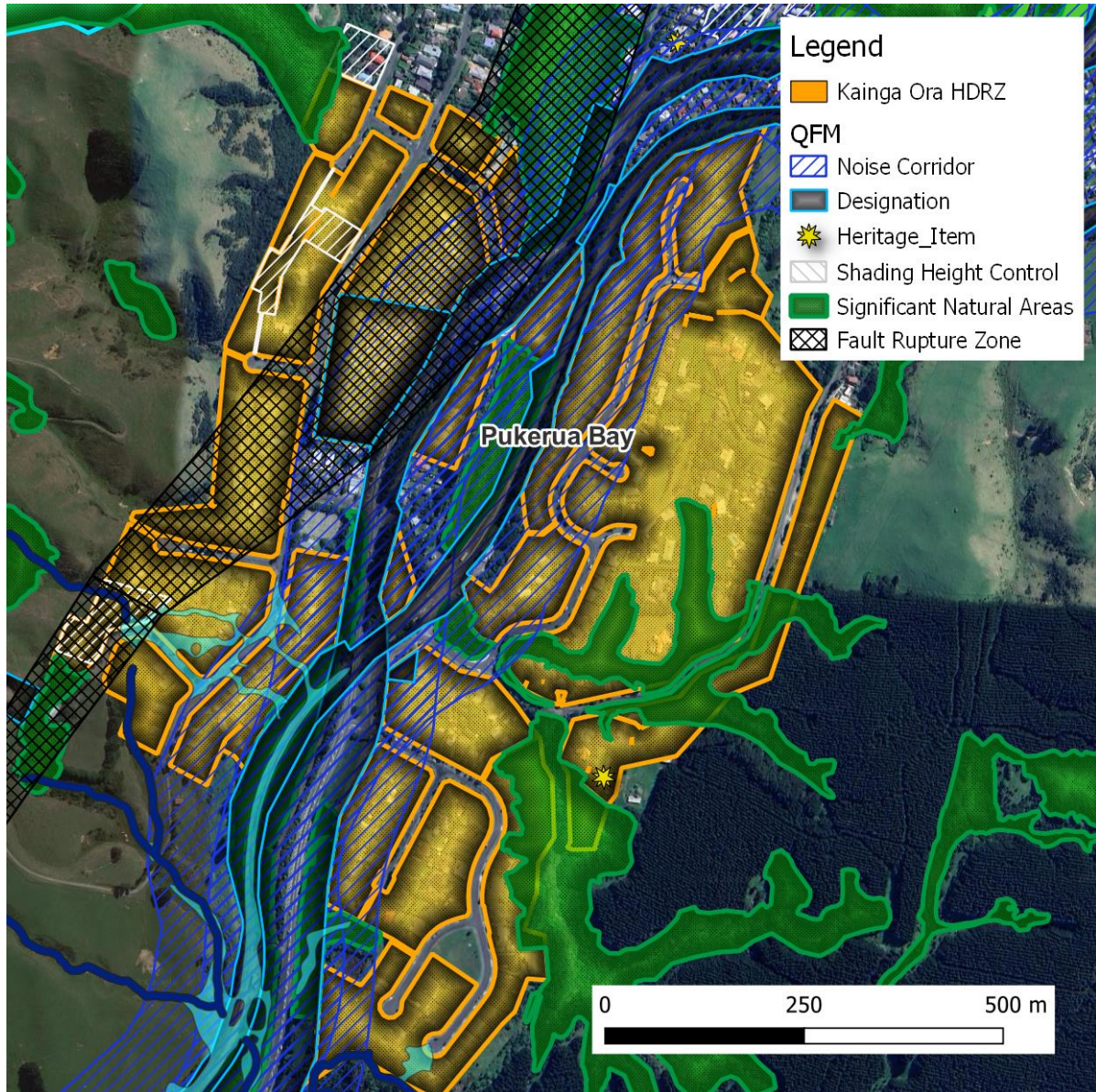
FIGURE 2: KĀINGA ORA PROPOSED HIGH DENSITY RESIDENTIAL ZONE PAREMATA AND MANA



Source: Property Economics, PCC

Figure 3 shows the QFM overlays affecting the proposed High-Density Residential Zone in Pukerua Bay. As with some of the other areas, the area close to the Highway and Railway is covered by the Noise Corridor overlay. However, Pukerua Bay the western side of the Zone is also covered by the Fault Rupture Zone. This raises the cost of compliance and the build costs for any multi-storey building. Some smaller areas are also affected by Shading Height Controls and Significant Natural Areas.

FIGURE 3: KĀINGA ORA PROPOSED HIGH DENSITY RESIDENTIAL ZONE PUKERUA BAY



Source: Property Economics, PCC

RESULTS

Table 1 shows the Feasible Capacity with Variation 1 and all QFM for each of the new Kāinga Ora HDRZ areas while Table 2 shows the additional capacity that is enabled / made feasible by the proposed KO rezoning.

In total, the new zoning raises the plan-enabled theoretical capacity by 20,565 dwellings and the Feasible capacity by 2,179. There is a slight decrease in the number of Standalone dwellings built and a large increase in the number of Feasible Apartments.

Takapuwahia, being the largest unconstrained area provides the highest level of capacity increase. This is followed by Mana and Pukerua Bay. Although Pukerua Bay is only a slightly smaller geospatial area than Takapuwahia, it is more heavily constrained by Qualifying Matters and has lower land values. Consequently, under the PDP the Feasible Capacity is almost a third and the additional capacity enabled by the Kāinga Ora HDRZ is less than half that of Takapuwahia.

TABLE 1: FEASIBLE CAPACITY WITH VARIATION 1 AND ALL QFM

| Feasible (Max Profit) | Theoretical | Apartment | Standalone | Terraced | Total |
|---------------------------|----------------|---------------|--------------|---------------|---------------|
| Mana | 341 | 0 | 5 | 78 | 83 |
| Paremata | 459 | 223 | 0 | 21 | 244 |
| Pukerua Bay | 2,552 | 0 | 132 | 460 | 592 |
| Ranui | 1,050 | 16 | 31 | 119 | 166 |
| Takapuwahia | 3,672 | 0 | 99 | 1,427 | 1,526 |
| Total KO HDRZ Area | 8,123 | 240 | 267 | 2,105 | 2,611 |
| Outside HDRZ | 197,265 | 14,391 | 2,249 | 22,012 | 38,652 |
| Total | 205,388 | 14,631 | 2,516 | 24,117 | 41,263 |

Source: Property Economics

TABLE 2: ADDITIONAL THEORETICAL AND FEASIBLE CAPACITY WITH VARIATION 1 AND ALL QFM – WITH HIGH DENSITY RESIDENTIAL ZONE

| Feasible (Max Profit) | Theoretical | Apartment | Standalone | Terraced | Total |
|---------------------------|-----------------|----------------|------------|--------------|----------------|
| Mana | + 837 | + 395 | -3 | + 49 | + 441 |
| Paremata | + 199 | + 55 | - | + 27 | + 82 |
| Pukerua Bay | + 8,997 | + 540 | -35 | -77 | + 428 |
| Ranui | - | - | - | - | - |
| Takapuwahia | + 10,532 | + 1,060 | + 21 | + 147 | + 1,228 |
| Total KO HDRZ Area | + 20,565 | + 2,050 | -17 | + 146 | + 2,179 |

Source: Property Economics,

Notably, Pukerua Bay has an increase in feasible apartments as the maximum profit option at the cost of Standalone and Terraces whereas Mana has an increase in both feasible Apartments and Terraces and only a small decrease in standalone. This suggests, that in Mana, the increase development potential pushed more sites over the line of feasibility where there were previously unfeasible to develop while in Pukerua Bay, the increase in Feasible Capacity is more of a shift in the most profitable typology.

The HDRZ is modelled to only have a small effect on Paremata and this is likely due to the Qualifying Matters and slopes that affect the site as shown on Figure 2.

The rezoning of Ranui does not affect the level of Feasible Capacity as it was previously zoned Mixed Use in the PDP with a height increase overlay to 22m.

Table 3 shows the Realisable Capacity with Variation 1 and all QFM for each of the new Kāinga Ora HDRZ areas while Table 4 shows the additional capacity that is realisable by the proposed Kāinga Ora rezoning.

This shows that Kāinga Ora's proposed HDRZ is anticipated to provide an additional 1,154 realisable dwellings over Porirua's Variation 1 position.

For the most part, the additional realisable capacity is proportional to the increase in Feasible capacity discussed previously. The main difference however, is the large reduction in the level of apartments that is anticipated to be realised. Although apartments are feasible and often the most profitable development option in some of these areas, these apartments are unlikely to be realised as the profit margins are not high enough to justify the increased risk associated with apartment developments.

TABLE 3: REALISABLE CAPACITY WITH VARIATION 1 AND ALL QFM

| Realisable Capacity | Theoretical | Apartment | Standalone | Terraced | Total |
|---------------------------|----------------|--------------|--------------|---------------|---------------|
| Mana | 341 | 0 | 23 | 37 | 60 |
| Paremata | 459 | 37 | 7 | 46 | 90 |
| Pukerua Bay | 2,552 | 0 | 265 | 154 | 419 |
| Ranui | 840 | 0 | 71 | 52 | 123 |
| Takapuwahia | 3,672 | 0 | 532 | 772 | 1,304 |
| Total KO HDRZ Area | 7,234 | 37 | 898 | 1,061 | 1,996 |
| Outside HDRZ | 137,216 | 2,165 | 5,907 | 10,282 | 18,355 |
| Total | 144,450 | 2,202 | 6,805 | 11,343 | 20,351 |

Source: Property Economics,

TABLE 4: ADDITIONAL REALISABLE CAPACITY WITH VARIATION 1 AND ALL QFM WITH HIGH DENSITY

| RESIDENTIAL ZONE | | | | | |
|---------------------------|-----------------|-------------|--------------|--------------|----------------|
| Realisable Capacity | Theoretical | Apartment | Standalone | Terraced | Total |
| Mana | + 837 | - | -7 | + 156 | + 149 |
| Paremata | + 199 | + 11 | + 8 | + 34 | + 53 |
| Pukerua Bay | + 8,997 | + 16 | + 98 | + 129 | + 243 |
| Ranui | + 210 | - | + 18 | + 13 | + 31 |
| Takapuwahia | + 10,532 | + 54 | + 5 | + 619 | + 678 |
| Total KO HDRZ Area | + 21,647 | + 81 | + 122 | + 951 | + 1,154 |

Source: Property Economics

Consequently, most of the increased realisable capacity is in Standalone and Terraces. This increase in Standalone and Terraced dwellings arises from the more permissive planning standards around site coverage and recession planes.

It should also be noted that where there was no change to the Feasible Capacity for Ranui, there is a small increase for Realisable Capacity. This is because as part of the Realisable Capacity assessment, capacity in the commercial zones was reduced to account for the competing commercial activities.

The small increase in realisable capacity in this area represents the increased propensity to deliver more residential dwellings under a HDRZ than a Mixed Use Zone. This however comes at the cost restricting other activities and reduced flexibility. Although not reflected in the model, it is also possible that the HDRZ may reduce development in this area due to the more restrictive planning standards curbing development options that include commercial activities.

If you have any queries, please give me a call.

Kind Regards

Philp Osborne

Signed:

