

**Before the Hearings Panel
At Porirua City Council**

Under Schedule 1 of the Resource Management Act 1991

In the matter of the Proposed Porirua District Plan

Between **Various**

Submitters

And **Porirua City Council**

Respondent

**Statement of supplementary economic evidence of Philip Osborne on behalf
of Porirua City Council**

Date: 13th March 2023

INTRODUCTION:

1 My full name is Philip Mark Osborne. I am employed as a Economist.

2 I have read the respective evidence of:

a. Mr Michael Cullen for Kāinga Ora

3 I have prepared this statement of evidence on behalf of the Porirua City Council (**Council**) in respect of technical related matters arising from the submissions and further submissions on the Proposed Porirua District Plan (**PDP**).

4 Specifically, this statement of evidence relates—whether the PDP including Variation 1 enables sufficient housing development capacity , the effects of permitting commercial activities in the HRZ-High Density Residential Zone; and expanding the Metropolitan Centre Zone northwards.

5 I am authorised to provide this evidence on behalf of the Council.

QUALIFICATIONS, EXPERIENCE AND CODE OF CONDUCT

6 My primary Statement of Evidence sets out my qualifications and experience.

7 I confirm that I am continuing to abide by the Code of Conduct for Expert Witnesses set out in the Environment Court's Practice Note 2023.

SCOPE OF EVIDENCE

8 My statement of evidence addresses the following matters:

8.1 Housing sufficiency

8.2 Ground floor commercial space within the High-Density Residential Zone (HRZ)

8.3 Extension of the Metropolitan Centre Zone (MCZ) to the north

Housing Sufficiency

9 Mr Cullen has expressed some concern regarding the level and assurance of housing sufficiency through the modelling of the PDP. In doing so he has raised several points he believes supports the Kāinga Ora submission in seeking greater levels of residential enablement.

10 Mr Cullen's concerns include:

10.1 Latent demand

10.2 Changes to projections

11 In terms of an existing unmet demand for housing Mr Cullen suggests that this may impact upon the requirement for the PDP to provide for greater levels of capacity than identified through the Councils modelling. This appears to be predicated from a statement in the 2019 Porirua HBA identifying market pressure on residential rents and prices. This, Mr Cullen believed, conflicted with the capacity findings of HBA modelling which found a surplus of capacity over demand (of approximately 2,500 dwellings).

12 Two factors must be considered in relation to this apparently conflict. Firstly, the immediate pressures on the market were not necessarily a result of a lack of capacity within the market. Financial factors, such as relative return and speculative demand have contributed to much of the country's housing affordability issues. This can be seen in the more recent market with a significant drop in house prices, catalysed by increasing interest rates.

- 13 Secondly, while the level of feasible and realisable capacity found through the HBA was sufficient more recent additions to the Porirua PDP, such as variation 1, has materially changed this level with more than twice the projected longterm demand.
- 14 While there is potentially some degree of latent demand in the Porirua market it is unlikely to have resulted in the significant increases in house prices within the City. While very difficult to establish the level of any degree of latent demand, it is important to put its potential extent into contest. Extensive research through the Auckland Unitary Plan context found an upper range for unmet housing demand at approximately 30,000 dwellings or about 5%, this was considered substantial at the time. If Porirua City exhibited similar levels of unmet demand this would equate to approximately 750 homes. This would increase potential demand over the longterm to approximately 14,700¹ units, well short of the estimated capacity under the PDP.
- 15 Without delving into the work undertaken by Sense Partners on the regionwide population projections, it is important to note that all information that is utilised in the assessment of housing sufficiency is based on a 'moment in time' with volatile markets not only increasing but potentially decreasing housing pressures. Given the high level of cost associated with planning for billions of dollars in required infrastructure it is both necessary and directed by the NPS UD that Councils continue to monitor these factors and their impacts on the ability for the market to supply appropriate housing to their community.

¹ Considering the demand figures now found in the RPS of 13,760 for Porirua City

Ground floor commercial in HRZ

- 16 In his section 11, Mr Cullen states that Kāinga Ora seeks to provide for commercial activities (as Restricted Discretionary) up to 200sqm at grade (ground floor) within the HRZ.
- 17 While appreciating some of Mr Cullen's points regarding both increased amenity and the level of impact there are several points that I believe remain.
- 18 Firstly, the level of impact relating to 200sqm of commercial space at ground floor of residential buildings across the entirety (a potentially theoretical position that must be tested economically) of the HRZ has the potential to be far greater than 'incidental'. This activity still has the potential to divert spend (albeit spend generated by the HRZ) from existing centres (specifically the city centre² and local centres).
- 19 While Mr Cullen identifies businesses that lie between 'at home' endeavours and centres based businesses, in reality a large swathe of business units operate from premises within 200sqm. This would ultimately provided an increased level of competition for Porirua's commercial centres. As such it is my position that there should be an ability for the plan to consider these impacts in consent assessments.

Extension of MCZ through the LFRZ

1. Finally, Mr Cullen identifies Kāinga Ora are seeking to rezone the LFRZ to MCZ. Practically, there is some validity in accessing the amenity value of the harbour, however, expanding an already struggling centre seems counter-intuitive. Over the short to medium term there is likely to be limited demand for higher density residential product in the existing MCZ, providing for additional competition (albeit with potentially, although no assessment has been undertaken, greater development feasibility) is highly likely to reduce the propensity for residential

² Metropolitan Centre Zone

development in the existing MCZ. I do agree with Mr Cullen's point at 9.14, proximity to the central city is likely to provide economic benefits relative to other more remote locations, however the key proviso here is the question of where and when to start. Given the hesitation in the current market to provide significant development within Porirua's central city expanding this focus within the timeframe of the PDP will potentially defuse any potential impetus for development within the existing MCZ.

Date: 13th March 2023

Philip Osborne