

1. EXECUTIVE SUMMARY

1.1 My name is Michael Jon Cullen. I am the Principal of Urbacity, based in Sydney, New South Wales, Australia. I am an urban planner and urban economist with 35 years' experience.

1.2 The key points of my evidence are:

- (a) I support the Kāinga Ora submissions seeking to provide:
 - (i) More significant residential development opportunities close to areas with the highest levels of amenity, services and infrastructure in part on the basis that the submissions offer greater economic potential;
 - (ii) More growth in proximity to services and transport is better than less growth; and
 - (iii) More capacity offers an affordability benefit, especially if provided ahead of demand;
 - (iv) Extensions to Otaki TCZ
- (b) Council intensification proposals do not appear to enable it to meet its "Housing Bottom Line" requirement of 16,185 dwellings by 2051;¹
- (c) Given that dwelling vacancy levels are high in Kāpiti (13% vs 9% in Greater Wellington), the target dwelling figure (to be met) might be higher than that in the HBA;²
- (d) I consider that a centre's performance should be a factor in density provision, not simply a centre's position in a hierarchy (catchment increases can restore or make centres more sustainable and reduce trips out). Raumati South and Kena Kena are the most apparent benefactors of this reverse "centre benefit" approach;
- (e) I am unable to determine the effects of PC2 on "realisable development" levels for the district. Council commissioned two

¹ Housing and Business Capacity assessment Complete Document with Appendices May 2022.

² IBID.

studies after the earlier HBA reports³ concerning residential intensification zones. However, neither provides “realisable dwelling” figures for the entire Council area. There also appears to be substantial differences between these two studies even though the assessments appear to evaluate the same residential intensification areas. The Property Economics Report assessed theoretical capacity at 76,636 dwellings and the Boffa Miskell Report at 24,240 dwellings. The Section 42A Report relies on the Property Economics assessment as it converts the theoretical capacity to a low realisable figure of between 2,128 and 3,840 dwellings;

- (f) Regrettably, we appear unable to reconcile the differences between the HBA analysis and the subsequent Property Economics Report because we do not have a net figure (we need to remove capacity enabled within the Operative Plan before adding the new figures);
- (g) I support Kāinga Ora submissions regarding the principle of incidental “commercial activity” on the ground floor of apartment buildings (outside of commercial zones). This additional commercial capacity improves walkability to centres and offers additional retail resources aligned with density.

2. INTRODUCTION

- 2.1 My name is Michael John Cullen. I am the Principal of Urbacity, based in Sydney, New South Wales, Australia. I have held this role since 1998. Prior to this, I was Sydney Manager for Thomas Consultants (market analysts based in Vancouver, Canada) and prior to that in the late 1980’s – early 1990’s was General Manager of a firm of economists and statisticians (Ibecon) for 7 years also based in Sydney.
- 2.2 I am an urban planner and urban economist with 35 years’ experience.

³ Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022, Boffa Miskell; Kapiti Coast Urban Development Intensification Assessment July 2022.
BF1STATEMENT OF EVIDENCE - MICHAEL CULLEN EVIDENCE (URBAN ECONOMICS)

- 2.3 My specialty is urban centre economics and urban and built-form design principles. These learned skills sit at the interface between urban design and urban economics. I have extensive experience in economic, social, and cultural analysis and the effects of different forms of centres on economic and social performance.
- 2.4 In addition to my current work with Kāinga Ora – Homes and Communities (Kāinga Ora), the projects that I have led both in Australia and New Zealand include developing and implementing the following:
- (a) Activation strategy for Wynyard Quarter, Auckland;
 - (b) Destination and retail strategy for The Rocks, and conceptualising and developing The Rocks Markets, Sydney to remerchandise The Rocks to locals and away from tourists;
 - (c) Numerous town centre strategies, including for Gungahlin (Canberra – I sat on the Gungahlin Development Authority Board for 7 years), Rouse Hill (Sydney), Craigieburn (Melbourne) and Margaret River (Western Australia), and Newmarket, Blenheim, Nelson, Hastings, Hutt City, Frankton and Massey North in New Zealand;
 - (d) Growth strategy for Melbourne 2030;
 - (e) Growth Strategy for South West and North West Sydney (approximately 1 million people);
 - (f) Christchurch Urban Development Strategy;
 - (g) Revitalisation strategy for Port Adelaide;
 - (h) Revitalisation and redevelopment strategy for Playford Alive (Adelaide). A Kāinga Ora equivalent renewal project;
 - (i) Wesley Redevelopment Plan (for Kāinga Ora);
 - (j) Tamaki Transformation Project; and
 - (k) Hobsonville – centres locations, master planning, and Home Based Business location advice for Waitakere Council.

- 2.5 I am familiar with Wellington centres due to my previous work and visits to the city over the past 30 years.
- 2.6 I have undertaken studies, analyses and strategies within urban design and planning teams in the following centres:
- (a) Upper Hutt city centre;
 - (b) Hutt City Centre (Spatial Plan with McIndoe Urban);
 - (c) Johnsonville centre;
 - (d) Tawa centre;
 - (e) Porirua centre;
 - (f) Naenae Centre;
 - (g) Jackson Street Petone;
 - (h) Wainuiomata centre; and
 - (i) All centres in Kāpiti Coast.
- 2.7 My work involves the following:
- (a) Analysing the current state of a place to understand how and why a “place” works now and the factors influencing its current state;
 - (b) Developing a strategy for future growth or change: How do we want the place to work in future? What do we need to change, and how do we change it? What are the rewards and risks?
 - (c) Implementing the strategy: What do we do when? What are the costs? Is there a logical strategic sequence?
- 2.8 I have developed growth strategies (including determining the location of new centres and their status) for over 3 million people.
- 2.9 I am qualified to interpret the issues and dynamics (economic, social, urban and built design) of catchments and centres proposed for Wellington and required by the national policy direction.

- 2.10 I was engaged in 2022 by Kāinga Ora to provide economics advice concerning submissions made by Kāinga Ora on the various IPI planning processes occurring across the Wellington region.
- 2.11 I undertook a site visit with Mr Nick Rae on 16 January 2023 where we focused on the centres in the Wellington region (including within the Kāpiti District) to assist with considering their role and form. The visit included all affected sites/catchments, areas, rail stations and centres relevant to the Kāinga Ora submissions.
- 2.12 In preparing this evidence, I have reviewed the following documents:
- (a) National Policy Statement on Urban Development 2020 (**NPS-UD**);
 - (b) PPC2 – PC(N);
 - (c) The Kāinga Ora submissions concerning Proposed Plan Change 2;
 - (d) Section 32 reports and supporting evidence, including but not limited to:
 - (i) Proposed Plan Change 2 to the Kāpiti Coast District Plan;⁴
 - (ii) Wellington Regional Housing and Business Capacity Assessment (RHBA - Complete Document-with-Appendices) May 2022;⁵
 - (iii) Kāpiti Coast District Council HBA Chapter 5, May 2022;⁶
 - (e) Kāpiti Coast District Council Section 42A Report – Council Officers’ Planning Evidence;⁷
 - (f) Kāpiti Coast Urban Development Intensification Assessment Boffa Miskell July 2022;⁸

⁴ https://www.kapiticoast.govt.nz/media/33be5xmp/pc2_ipi.pdf

⁵ Housing and Business Capacity assessment Complete Document with Appendices May 2022

⁶ Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022

⁷ pc2_sec 42aplanningevidence_report-3

⁸ , Boffa Miskell; Kapiti Coast Urban Development Intensification Assessment July 2022
BF\STATEMENT OF EVIDENCE - MICHAEL CULLEN EVIDENCE (URBAN ECONOMICS)

- (g) Livingstone & Associates, Community Housing Solutions Housing Demand and Need in Kāpiti Coast District January 2022;⁹
- (h) Kāpiti Coast District Council PPC 2 – IPI; and
- (i) Property Economics Assessment of Kāpiti Coast Residential Intensification Area Feasibilities May 2022.

3. CODE OF CONDUCT

3.1 Although this is a Council hearing, I have read the Environment Court's Code of Conduct for Expert Witnesses and agree to comply with it. My qualifications as an expert are set out above. 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 expressed.

4. SCOPE OF EVIDENCE

4.1 My evidence will address the following matters:

- (a) Centre Definitions and Consistency;
- (b) Expansions of the two Town Centres in Otaki;
- (c) Growth Targets and Realisable Housing;
- (d) Paraparaumu Metropolitan Centre;
- (e) Centre Hierarchies and Catchment Dynamics;
- (f) The Supply Effect on Affordability;
- (g) Commercial Activity – Apartment Ground Floors;
- (h) The Section 32 Report;
- (i) The Section 42A Report.

⁹ Livingston Associated & Community Housing Solution, Housing-Demand-and-Need-in-Kapiti-Coast-District Jan 2022

5. CENTRE DEFINITIONS AND CONSISTENCY

- 5.1 Kāpiti Coast classifies a number of centres according to a hierarchy based on functionality and relationships to other Kāpiti centres. That hierarchy accommodates the relative roles of the Kāpiti centres. However, I note that the Kāpiti approach differs from most other Council areas across Wellington. For instance, Raumati Beach is classified as a “Town Centre” but has few of the characteristics and range of service and employment functions of other nominated Town Centres across the region. However, it does have a range of other natural and urban amenities, including proximity to schools and open space.
- 5.2 I do not object to the Kāpiti Coast centre's classification as they generally inspire a greater density response than if they were to be "demoted" in the hierarchy. This is consistent with my view that all else being equal, greater enablement converts to greater levels of realisable development. This approach will therefore be more effective in achieving Council's growth targets.
- 5.3 The other consistency issue is that the Kāinga Ora submissions across the Wellington region seek to apply more expansive walkable catchment definitions to Town Centres (800 metres versus 400 metres). The response here is that Kāinga Ora recognises that a revised HDZ within the 400 metre catchment is appropriate in Kāpiti, in part as a reflection of our view that these centres do not function at the scale of other town centres in the region.
- 5.4 Town Centres such as Paraparaumu Beach are locations where high-density apartments are most “realisable”¹⁰. In my opinion, there is a case for a linear density treatment (following the beach) further than 400 metres from the two beachside Town Centres, as it is highly likely that these - even at distance - will be the most realisable in the District.

¹⁰ Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022, Summary Page 16.

6. GROWTH TARGET AND REALISABLE HOUSING

- 6.1 I have read and evaluated several reports on dwelling requirements and dwelling supply for Kāpiti. I understand that the Wellington Regional Housing and Business Capacity Assessment, May 2022 considered capacities under the Operative District Plan. The Kāpiti Coast District Council Regional Housing and Business Development Capacity Assessment – Housing update May 2022 is an expanded evaluation of the same report that disaggregates Kāpiti's global figures into various centres and locations across Kāpiti.
- 6.2 These assessments provide the same “housing bottom line” to 2051 of 16,185 required dwellings. This dwelling demand figure sits across all assessment reports that consider capacity.
- 6.3 The reports that assess dwelling capacity in the Operative District Plan determine that “realisable” infill and redevelopment capacity sits at 5,052 dwellings, with green field development adding 2,766 dwellings taking the total to 7,818. A shortfall of 8,367 dwellings by 2051.
- 6.4 The Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities Report”¹¹ (**PEAK Report**) sits apart from the two above reports in the sense that it assesses “residential intensification areas” only. I understand that the PEAK Report added the requirements of the NPS-UD “*to implement Medium Density Residential Standards (MDRS) across all residential zones to provide for increased height in and around centres and transportation nodes.*”¹²
- 6.5 I do not consider that the PEAK Report assessed “*all residential zones*” rather, it investigated walkable catchments around Kāpiti Coast centres. Therefore, I consider areas outside of the walkable catchments with their improved capacity also need to be included in the assessment to get a full understanding of all residential zone capacity within the Kāpiti District. The Council does not appear to

¹¹ Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022 Page 5.

¹² IBID Page 5.

have assessed realisable capacity across all zones – especially the residential zones outside walkable catchments.

- 6.6 The PEAK Report states: “*The purpose of this report is to provide KCDC with a high level assessment on the feasibility of residential development in these identified intensification areas to ensure it is feasible to deliver the intensified development sought, and quantify the increase in feasible urban capacity as a result of the proposed changes.*”¹³
- 6.7 The PEAK Report provided walkable catchments for the various centres as required under the NPS-UD and then applied the prescribed model for feasibility and realisability. The theoretical capacity from this assessment was 76,636. From this figure, the analysis delivers realisable capacity between 2,128 and 3,840 dwellings in these zones (with an additional sensitivity test for price drops and construction cost increases).
- 6.8 The Kāpiti Coast Urban Development Intensification Assessment Boffa Miskell July 2022 (UDIA) assessed intensification potential in and around “12 intensification study areas”.¹⁴ This assessment found an estimated theoretical capacity for an additional 24,210 dwellings. This study did not convert theoretical to realisable capacity and appeared to assess the same areas as the PEAK Report study.
- 6.9 The NPS-UD provides a baseline method requiring councils to intensify to a minimum level according to the applicable tier and quantify levels of “realisable” dwellings under the new provisions.
- 6.10 Conversion rates of “theoretical capacity” to “realisable capacity” vary wildly across the region. Porirua’s conversion rate is 10%, Lower Hutt 13% and Wellington City 52%. The Kāpiti qualities are most similar to those of Porirua and Lower Hutt, rather than Wellington City. The PEAK Report indicated a conversion rate between 2.7% and 5% for the Kāpiti intensification areas.
- 6.11 Despite the Council commissioning the PEAK Report and UDIA Report, we do not have updated information on the potential

¹³ IBID Page 5.

¹⁴ UDIA Page 29 paragraph 4.

intensification yields in the (current) GRZ (outside of the intensification areas).

- 6.12 I do not consider it appropriate to add the realisable results of the PEAK or UDIA Reports to those in the two HBA reports, as this result may overstate dwelling capacity due to double counting from the HBA assessment under the Operative District Plan. If we did, however, the total would be between 9,946 and 11,658 realisable dwelling capacity. This impact is that PC2 would still be short of 16,185 dwellings.
- 6.13 In the absence of a definitive analysis under the method of the NPS-UD, I cannot accurately confirm that the Council will achieve its dwelling targets to 2051.
- 6.14 In considering dwelling targets, I also consider the differences between occupied and unoccupied dwellings, recognising that a percentage of new dwellings will not house permanent residents. As dwelling vacancy levels are high in Kāpiti (13% vs 9% in Greater Wellington), the target dwelling figure might be higher than that in the HBA. In other words, 13% needs to be added to the target to compensate for the vacancy levels. I note that a vacancy factor for Porirua Council was factored into the Council's calculation which inflated the dwelling target accordingly. Kāpiti may have also included a vacancy factor into its calculation. However, if they have done so, I have not been able to find it.
- 6.15 Sense Partners¹⁵ have assumed for Kāpiti, however, that some of the vacant stock will contribute to capacity (convert from unoccupied to occupied). This assumption increases risk. Given that the beaches have a greater capacity for realisable development and apartments, it is unlikely that the percentage of holiday dwellings will fall as apartment projects are more likely to be “unoccupied” than houses and terraces.
- 6.16 The two other Councils I have recently assessed (Wellington City and Porirua) have a multiple of “realisable capacity” over demand above or slightly below by at least a factor of 2. Taking a similar approach to

¹⁵ Kāpiti Coast District Council Regional Housing and Business Development Capacity Assessment – Housing update May 2022 to 4.3 Page 20
BFSTATEMENT OF EVIDENCE - MICHAEL CULLEN EVIDENCE (URBAN ECONOMICS)

the other two Councils would take Kāpiti's "realisable" figure to above 32,000 dwellings.

- 6.17 That said, I am still not sure whether that multiple is sufficient (to be safe), but we do know that we need a healthy margin for market take up and changes that will take place in the market over the next 30 years.
- 6.18 I consider that "feasible" development for apartments near the beaches should facilitate a broader definition of the catchment to increase realisable capacity.¹⁶ This approach allows the Council to use the beaches' amenity as a trigger for higher yields improving its ability to meet growth targets.¹⁷
- 6.19 I consider that increases in density as proposed by Kāinga Ora have a greater conversion rate in "realisable" terms than the Council (proposed) provisions. I will cover this in more detail later in the comments on the Section 42A Report below.

7. PARAPARAUMU METROPOLITAN CENTRE

- 7.1 The Paraparaumu Metropolitan Centre lacks natural and urban amenities that switch on the demand for mixed use and residential density. Its poor urban condition essentially removes its ability to deliver density within the centre.
- 7.2 Shopping centres (which form most of the land uses in the centre) comprise a few buildings with many shops. Urban centres comprise many buildings in which there are many shops. In the centre the grain is heavy and lacking in quality architecture and spatial intimacy.
- 7.3 The shopping centre model generates low amenity urban conditions (buildings orient internally), whereas the urban centre model generates high amenity urban conditions with many fine grain buildings addressing streets. This results in pedestrians moving between shops along streets. If there are enough people in the

¹⁶ Property Economics, "Assessment of Kāpiti Coast Residential Intensification Area Feasibilities," May 2022 Page 13, first sentence.

¹⁷ IBID, Page 16 "Summary".

- streets, the centre is regarded as vibrant, creating the demand for a broader land use mix of businesses and residents within the centre.
- 7.4 The form of a centre is meaningful in terms of its economic capacity. Shopping centres generate 1 non-retail job per 2 retail jobs, whereas urban centres generate 5.2 non-retail jobs per 2 retail jobs.¹⁸ Retail jobs are the lowest paid in the economy, so leveraging urban centres' amenity creates the right conditions for higher-paying jobs (non-retail).
- 7.5 In the Paraparaumu Metropolitan Centre, most pedestrian activity is hidden within shopping centre buildings or moves from the centre's extensive car parks to the setback from the street shopping centres.
- 7.6 The ability of the Metropolitan Centre to facilitate apartments requires fundamental changes in the centre's structure and is beyond the scope of this submission to the Panel. I wish only to make the point that using the centre as a trigger for substantial numbers of dwellings would be gratifying but is highly unlikely.
- 7.7 I agree with the Property Economics analysis (no "realisable" apartments in the Metropolitan centre) that the centre does not have the requisite conditions to deliver such an outcome.
- 7.8 At this stage, Paraparaumu's potential for dwellings at density likely does not exist on the east side of Rimu Road. Still, it could occur in this zone due to an urban retail and commercial outcome between Rimu Road and the Kāpiti Highway. The most appropriate starting point would be an urban structure plan in this area that encouraged street-based retail at a scale sufficient to facilitate mixed-use and apartments (an urban street system that develops as a linked and inter-dependent node within the wider centre).
- 7.9 Therefore, I consider that the capacity for the Metropolitan Centre should increase to the level proposed by Kāinga Ora (effectively from 12 storeys to 15 storeys (or 53m)). This will allow the surrounding Metropolitan environment to take up some of the latent capacity east of Rimu Road and is unlikely to develop in the short and medium term. This approach strongly supports rail transport, with the station

¹⁸ Based on studies by Urbacity on over 100 centres of various types (excluding CBDs) across Australia and New Zealand.

nearby. It may also change the land value propositions for the owners of properties east of Rimu Road and encourage comprehensive redevelopment to a more urban condition, facilitating apartments.

- 7.10 In the short and medium term, the most appropriate short opportunity for apartments is within the Metropolitan Centre's walkable catchment – primarily the one north of Kāpiti Road.

Ōtaki Town Centre and Rail

- 7.11 I support the Kāinga Ora submissions for additional commercial capacity and increased density for the two Town Centres in Ōtaki. The centres provide a broad resource and choice for existing residents and some regional visitation. In addition, the combination of the two centres offers a comprehensive range of community facilities, schools, and employment, plus good access to the regional rail network.
- 7.12 The Ōtaki Rail Town Centre provides an urban setting for residents within the broader catchment to the rail station. The two major supermarkets (one in each TCZ) split the urban and district-wide markets between them.
- 7.13 The two-way focal point approach establishes an ideal density story in many ways. In formulating regional growth strategies, I usually pull the centre's core at least 400 metres away from a rail station. This is because a two-amenity focus provides two bites at density - one at the town centre and one at the station with its associated retail.
- 7.14 Enabling incremental expansion of the two conjoined Town Centres offers the potential for both of these centres to broaden the housing mix.
- 7.15 I consider that there are three dynamics at play:
- (a) The first is that Kāpiti District cannot cater to growth under its Operative District Plan. Interpreted another way, there is plenty of demand for housing in Kāpiti;
 - (b) The second is the shift in demographics that show single and two person households represent the majority of occupied

dwellings at 67.2% (Source: KCDC).¹⁹ The average Kapiti Coast dwelling has three bedrooms (Source KCDC);²⁰ and

(c) The third is the shortage of housing, which is aligned with housing cost.

- 7.16 Housing cost goes to my earlier point regarding supply and demand. Scarcity of a resource (such as housing) increases the cost of that resource. Kāpiti Coast District Council has recognised this in its Housing Strategy.²¹ In a subsequent section, I will comment on supply exceeding demand and the effect of an “oversupply” approach on affordability. In essence, greater enablement, especially supply ahead of demand, reduces housing cost.
- 7.17 Simply, housing is more expensive (than it should be) in Kāpiti because housing demand is not meeting or staying ahead of supply.
- 7.18 This brings us to Ōtaki. Council’s Housing Strategy States:²²
“Housing need is greatest in Otaki and projected to increase by 100% over the next 30 years (by 3,730 households)”.
- 7.19 Ōtaki needs help in releasing more housing. The Kāinga Ora submissions seek expanded walkable catchments and higher density which would assist in releasing more housing. Furthermore, as tested in the PEAK Report,²³ the current dynamics of realisable housing in Ōtaki is a very low number (1.2% of theoretical capacity). This conversion factor is (strangely) mostly standalone homes (118 standalone and 34 terraces). No apartments are deemed realisable.
- 7.20 Ōtaki is a housing anomaly in that it sits well below the average price for other Kāpiti locations. Its average house price is \$615,000, compared to \$863,000 for the District. One would assume that the affordability switch would promote Ōtaki housing. The Council’s Housing Strategy determines demand for 3,730 dwellings in Ōtaki but PC2 only enables 152 dwelling as the realisable supply for the next 30 years.

¹⁹ <https://peopleandplaces.nz/kapiti-coast/places/dwellings/number-of-bedrooms/>

²⁰ IBID

²¹ Kapiti Coast District Council Housing Strategy May 2022

²² IBID Figure 3 Page 13

²³ Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022

- 7.21 At this point I question the conclusions of the Council's Housing Strategy. Either the demand is wrong, or the realisable dwelling number is wrong. If demand exists for 3,730 dwellings and the land price is cheap, then one would assume the market would respond, building homes in Ōtaki.
- 7.22 The capacity to expand and grow both Ōtaki locations relies on flexibility and possibly on a catalyst project by an agency such as Kāinga Ora. The current price-to-value proposition assumed by Property Economics is a point-in-time assessment. At this point, the development dynamics for any housing in Ōtaki appears unhelpful. But we have 30 years of market changes to apply.
- 7.23 For Ōtaki, we appear to require the most permissible regime in relation to housing diversity.
- 7.24 I support Kāinga Ora submissions seeking minor expansions to the centre zones and enablement of increased density across the wider area.

8. CENTRE HIERARCHIES AND CATCHMENT DYNAMICS

- 8.1 Growth will improve the performance of all centres. However, using centre performance as a basis for testing the level to which growth is influential should be an additional factor in determining density, not just a current centre hierarchy.
- 8.2 Struggling centres will benefit most from more density both within and surrounding that centre, and an existing hierarchical order should not limit their potential for a marked performance improvement. In seeking improved centre performance, we may wish for more density than a centre's current status provides to amplify the performance of a centre.
- 8.3 When centres are associated with rail stations, a more vibrant centre's benefits reflect a greater propensity to use public transport, as vibrant or successful centres increase the desire to walk. Failing centres reduce the desire to walk – even to rail stations. In other words, the qualities and amenity of centres influence the size of walkable catchments to stations rather than the presence of a rail station only.

9. THE SUPPLY EFFECT ON AFFORDABILITY

- 9.1 As a starting principle, the effect of providing more than market demand results in downward pressure on prices.
- 9.2 The potential influence of competition for market share between housing developers within a market of abundant supply offers an affordability benefit to the District.
- 9.3 Typically, meeting demand has little effect on affordability or the desire of developers to deliver a product that exceeds market expectations. Objective 2 of the NPS-UD requires growth supported by plentiful housing (ahead of market demand) to improve housing affordability.
- 9.4 Enabling more housing in the market than an estimated base under today's projections will likely result in the following benefits:
- (a) Greater levels of competition within the market; therefore
 - (b) More diversity with developers competing for limited market share and based on product quality; and
 - (c) Due to more supply than demand, a drop in prices and an increase in affordability.
- 9.5 As a guide for the Panel, as outlined in the hearing process for Wellington City recently, where Kāinga Ora proposals for centres and stations are consistent with this one, I consider this added around 20% of additional dwelling capacity under Wellington City's PDP controls.
- 9.6 There are benefits to the "more is better" path for density. I support the propositions by Kāinga Ora for more significant intensification as I do not consider the proposed uplift to be an extreme solution; rather, it is based on sound economic principles.

10. COMMERCIAL ACTIVITY – APARTMENT GROUND FLOORS

- 10.1 Kāinga Ora sought a low activity status (Restricted Discretionary) to apply for up to 200m² of ground-floor commercial activity within apartment buildings in the HRZ.

- 10.2 Applying required density provisions to enable more residential intensification will materially change the character of all places across the District. Universally, this will benefit the performance of existing centres, and it also offers a design and functional activation benefit for walkable catchments.
- 10.3 Apartment ground floor adaptability (without jumping through approval hoops that dampen developer enthusiasm to provide these amenities) to enable Live/Work, Cafés, Dairies, Personal Services etc, is entirely appropriate for the following reasons:
- (a) The HBA estimates²⁴ a growth figure of 32,000 (additional) people by 2051. Whilst the number varies across New Zealand, most local authority areas' retail provision per capita is above 2m². We will use 2.2m² to check provision levels as a retail rule of thumb, but some places are as high as 3.
 - (b) If we multiply 2.2 by the estimated 32,000 additional people, we get a demand requirement for additional retail floorspace (somewhere across the District) of 64,000m². Yet, PC2 offers no new centres or expansions.
 - (c) Therefore, if we take the annual average retail spend per capita (from the Statistics NZ Household Expenditure Survey) around \$440 million of retail expenditure growth will go to existing centres as a catchment windfall. They do not need to do anything to benefit.
 - (d) Whilst increased height applies across the District's centres, the retail offer outside of major centres will always be located on ground floors.
 - (e) 200m² is a small enough figure to be an incidental activity and not threaten the viability of commercial centres, which (as stated above) will be significant beneficiaries of the increased density and associated catchment spend.
 - (f) The occasional appearance of commercial activity within an apartment environment will improve the desire to walk to

²⁴ Kāpiti Coast District Council Regional Housing and Business Development Capacity Assessment – Housing update May 2022

centres and rail stations. Research by California Air Resources Board²⁵ found that retail activity on walking journeys to transit or a regional shopping centre significantly increased the numbers of people walking and the distance they were prepared to walk to public transport. Other studies identify mixed-use, density and design as meaningful inspirers of walking generally (usually referred to as “Density, Design and Diversity”).²⁶

- (g) Street activity facilitated by active ground floor uses will improve walkable safety, with more eyes and activity on the streets.
- (h) Regarding design, commercial activity on the ground floor requires pedestrians to enter the building, which requires a relationship with the street. This requires a building’s ground floor to be pedestrian-friendly.
- (i) I am unsure of PC2 design provisions or controls for the ground floor of apartment buildings. My experience elsewhere is that they can be high-fenced, with entrances set back from the street, and comprise a single door and window with the curtains pulled and miserly in their height dimensions. A linear continuum of these features can make the street cold and unwelcoming.
- (j) The floor-to-ceiling heights for adaptable ground floors will or should be higher, adding variation to the streetscape and a sense of generosity on the ground floor.

10.4 I envisage these opportunities to be scattered in their location and eclectic in their tenancies for example having observed similar typologies in Australia, I found all sorts of tenancies; small-scale professional offices, real estate agents, dentists, wellness and health, coffee shops/cafes, hairdressers, printing, art studios, beauty etc.

²⁵ ARB, Analysis of Indirect Source Trip Activity – Regional Shopping Centres – Nov 1993.

²⁶ Duncan, Mitch & Winkler, Elisabeth & Sugiyama, Takemi & Cerin, Ester & Du Toit, Lorinne & Leslie, Eva & Owen, Neville. (2010). Relationships of Land Use Mix with Walking for Transport: Do Land Uses and Geographical Scale Matter?. *Journal of urban health : bulletin of the New York Academy of Medicine*. 87. 782-95. 10.1007/s11524-010-9488-7.

- 10.5 The proposition of these scattered amenities that improve walkability and increase commercial capacity by expanding the range of business settings in out-of-centre locations is an important economic tool for Kapiti.
- 10.6 Allowing for small, ground-floor commercial activities in the MR2 will be a meaningful addition to high-density housing areas. In some cases making a small component of the ground floor available to businesses that would prefer to be out of centre but not in a home office.

11. THE SECTION 32 REPORT AND SECTION 42A REPORT

- 11.1 Council has provided extensive evidence in its Section 32 and Section 42A Reports without determining the effectiveness of PC2 concerning the obligations and methodologies of the NPS-UD.
- 11.2 However, I consider neither report assesses or refers to Council studies or reports determining what is feasible and reasonably expected to be realised by PC2 for Kāpiti Coast. On that basis, I am concerned that PC2 as notified will not meet the targets required for 2051.

Section 32 Report Comments

- 11.3 The Section 32 Report²⁷ for Plan Change 2 states “[...] *that there is insufficient housing development capacity to meet demand, with a shortfall of 8,367 dwellings over the long-term (to 2051).*”
- 11.4 Policy 2 of the NPS-UD requires the Council to “*provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term.*” The Section 32 report states, “*PC2 contributes to implementing this policy by enabling an increase in plan-enabled development capacity in order to assist with meeting the shortfall in development capacity identified in the Council’s most recent Housing and Business Development Capacity Assessment (HBA).*”

²⁷ Kapiti Coast District Plan Proposed Plan Change 2 – Section 32 Evaluation Report 3.1.1 Issue 1 Page 57.

- 11.5 Clause 1 3.2 of the NPS-UD (Purpose of HBA) requires Council to provide sufficient development capacity for housing. It requires Councils to provide a housing bottom line, “as soon as practicable after an HBA is made publicly available (see clause 3.19(1))”.²⁸ The District Plan recognises this obligation in objective DO-019 and nominates the required dwelling numbers by term.
- 11.6 PC2 allows for greater density than the Operative District Plan. A key issue is that the total capacity uplift is not known.
- 11.7 Therefore, I consider that the Section 42A Report cannot definitively claim that PC2 can deliver the requisite number of dwellings in the short, medium and/or long term to meet demand, as I do not consider the Council has completed the analysis required by the NPS-UD. This means the realisable yield under PC2 is not known. Therefore, the Section 42A Report cannot rely on PC2 to deliver the requisite dwellings under NPS-UD requirements.
- 11.8 On that basis, I consider there is no numeric basis to refute Kāinga Ora proposals for greater density in identified commercial centres and walkable catchments on the basis that sufficient enabled capacity exists under PC2 as we do not know what the target capacity requirements are.

Section 42A Report

- 11.9 The Section 42A report states²⁹ that the Kāinga Ora submissions represent a significant increase in enablement. “...I consider that to do so to the extent requested by Kāinga Ora requires analysis to determine whether it is necessary, and evaluation of the benefits and costs. I am unable to identify any justification within the Kāinga Ora submission for the necessity of such a significant increase.”
- 11.10 The “required analysis to determine whether it is necessary” that the Section 42A Report refers to is a responsibility of Council under its NPS-UD obligations. As I have discussed, I consider that the Council has no numeric basis for claiming that PC2 plan-enabled capacity is

²⁸ National Policy Statement on Urban Development 2020 Page 21??

²⁹ Section 42A Report 238, 24 February 2023, Page 87.

sufficient; therefore, no justification exists for increasing dwelling capacity.

- 11.11 Council has not tested whether the “*Kāinga Ora submission represents a **significant** increase on that proposed by PC(N) [my emphasis].*” The report, at this point, is discussing numbers, without referring to any relevant numeric basis. Therefore, I do not consider the Council has any numeric basis to say *I am unable to identify any justification within the Kāinga Ora submission for the necessity of such a significant increase.*³⁰
- 11.12 The report continues; “*Further, it is not clear that the additional development capacity sought by Kāinga Ora would be feasible or realisable.*”³¹ As outlined above, the level at which PC2 enabled capacity is feasible or realisable is unknown. The reporting officer has determined that only 5% of the theoretical capacity “is likely to be realised” (based on the limited Property Economics assessment³²).
- 11.13 The reporting officer assumes that the realisable capacity of a smaller height apartment block transfers to the same apartment block at the same rate - despite more apartments.
- 11.14 I do not agree with this statement as realisability increases with yield uplift as stated by Property Economics in the subject report as follows. “*The results of the Feasibility Modelling show that the combination of greater height allowances and rising house prices (since the 2021 HBA report) have made apartments a more realistic development option in the Kapiti Coast housing market overall.*” Increased capacity will increase the percentage yield above 5%. To get this rate up should be an objective of PC2– not a reason to deny it.
- 11.15 What is known is that additional capacity over and above that provided for has a greater chance of being feasible or realisable as the resultant development yield can amortise the same land cost across a superior number of dwellings (i.e. the conclusion of the Property Economics report).

³⁰ IBID page 87 (239).

³¹ Section 42A Report 238, 24 February 2023, Page 87

³² Property Economics, “Assessment of Kāpiti Coast Residential Intensification Area Feasibilities,” May 2022 Page 13, first sentence

- 11.16 The report may surmise that the Kāinga Ora proposals represent a significant increase, but I do not consider we are in a position to say whether this increase is necessary or not necessary. The response implies that the Council-proposed provisions achieve the target; therefore, additional capacity is unnecessary. However, given the lack of appropriate assessment (as I have outlined above) I consider the Council has no numeric basis for his comments (238 to 242).³³
- 11.17 Additional reasons at (240)(a)³⁴ appear questionable. *“Diffuse distribution of higher density development over wider areas.”*
- 11.18 I am unable to discern the logic in this statement. A wider area with greater levels of enablement offers more opportunities – not less. One basis of the Kāinga Ora propositions is increasing support for the centres within walkable catchments. I am not aware of any evidence that suggests greater enablement reduces catchment size or reduces development opportunities.
- 11.19 The report separates apartment enablement (one high-density option) as an issue within centres and their catchments. The PEAK Report highlights the high conversion rate for apartments in some centres (especially near the beaches) and poor in others. Greater enablement is one key to an increase in high-density development capacity, as mentioned in 11.18 above.
- 11.20 Even if the Council had completed its assessments of the productive capacity of PC2, an over-achievement of dwelling numbers concerning growth would be beneficial. Both Wellington City and Porirua City have undertaken Plan Changes that deliver over two times the requirement, accepting that meeting (not exceeding) the dwelling growth target will not be sufficient given the uncertainties in the market over 30 years.
- 11.21 In this respect, the feasibility model under the NPS-UD method considers:
- (a) 30 years of growth dynamics;

³³ Section 42A Report 238, 24 February 2023, Pages 87-89

³⁴ IBID Page 88

- (b) 30 years of market demand dynamics;
- (c) 30 years of sale price dynamics;
- (d) 30 years of construction cost dynamics; and
- (e) 30 years of location preference dynamics.

It then seeks (and needs) to lock its assumptions about multiple fluctuating dynamics in time. It is accepted that these assumptions are not fixed and will change over time. Therefore, risks associated with change should be allowed for, and “bank” as much enablement / latent capacity as possible.

- 11.22 The report then states (240)(b) *“The distribution of high-density development over wider areas would, in my opinion, lead to a lower degree of certainty for the community as to where high-density development (including the localised adverse effects associated with it) will actually occur. This may also make it more difficult for the Council to plan for long-term upgrades to local infrastructure networks to support high density development.”*

Michael Cullen

10 March 2023