

STIMPSON AND CO.

**Kapiti Coast SH1 Expressway Concepts
Technical Advice to support KCDC Submission to NZTA**

PROPERTY EFFECTS

Ian Reid – Urban Economics
David Stimpson - Stimpson and Co

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Summary

1. We estimate the Western option is likely to have materially lower property costs than the Eastern route. The difference between the options is in the range of \$24 million. It therefore does not explain all of the \$90 million differential between the two options estimated by Opus.
2. Even if very high property cost estimates were made for the Western bypass route this would be insufficient to overcome the \$90m total cost advantage of the Western over the Eastern route as estimated by Opus.
3. Analysis of wider roading options, for instance extending to 100 metres from the centreline, are likely to impact on more properties and significantly increase property costs. These options are likely to increase the cost advantages of the Western option over the Eastern options.
4. A property cost differential of \$24 million needs to be evaluated in the context of a \$0.6 billion cost estimate. An additional \$24 million could equate with the costs of one additional interchange, and therefore should not be a primary driver of any route decisions.

Introduction and Methodology:

5. The following is an analysis of the property issues inherent in the two expressway options (bypass of Waikanae - "Western" option and an "Eastern" option largely along the existing state highway route) proposed by the NZ Transport Agency for the routing of State Highway traffic through the Kapiti District. We have also analysed a further option identified by Kapiti Coast District Council that is similar to the Eastern option, but running to the east of the railway line. Our analysis is intended as a basic assessment of property costs used by NZTA under the different options. The focus of the approach is to identify any errors or assumptions that may alter the difference in cost assessment, particularly between the two options proposed by NZTA.

6. The methodology was as follows:

- a. We worked with Kapiti Coast District Council (“KCDC”) to identify individual parcels of land which would likely be subject to acquisition under the Public Works Act, and categorised these on the basis of land area and route.
- b. We then considered how the assessment of property value may have been made in the NZTA analysis and considered the potential errors which may be likely in the approach. This was compared with our own assessment of likely compensation under each of the different routes. The assessments of property value are based on the recent (July 2009) rateable valuations. However, to identify any potential errors in the assessments we compared recent property sales in the past eight months against the rateable values.
- c. We then considered the difference in the potential property compensation payments and, in particular the extent to which recent zoning changes in the North West of Kapiti (Plan Change 69 and Plan Change 80) may affect the property values, and therefore the impact between the different options.
- d. We also estimated the potential additional costs in any business compensation required for properties along the route. We conclude with a number of comments on the property implications and potential strategies to reduce property impacts.

Assessment of Property Values

7. The approach to valuation of properties used in the NZTA comparison of options appears to be simplistic. The explicit assessment of property values under the different options is not clear. However, the methodology outlined in the technical document states:

“Property costs have been estimated by using land values (rates) extracted from the land valuation component of the 2008 State Highway valuation and multiplying this rate by the measured area (from AutoCAD). The land values vary depending on the land use adjacent to the state highway. The measured area extends from the existing state highway designation to the toe of the earthworks foot print. An allowance has then been made to purchase additional land in areas where the remaining area of parcels becomes unusable. This has been accounted for by multiplying the measured area by a

factor representative of any additional land take required (i.e. more in urban cases) This methodology has been used to develop an indicative cost for each stage.¹

8. The focus of the NZTA approach is therefore on a multiple of land values, which is used as a proxy for capital and compensation issues. This approach does not reflect the realities of compensating owners for land acquired in significantly urban environments, which incorporates acquisition of both property improvements and, in some case, necessitates the purchase of entire businesses. The Opus methodology may be particularly risky when comparing urban routing options with rural options.
9. The following estimates of property were calculated from information provided by Kapiti Coast District Council. It is not intended as a definitive estimate of property costs under each option. However, it does provide an indicative estimate of property values and an indication of the relative cost between the Western and Eastern options. Our approach is significantly different to that of Opus, in that it recognises that the acquiring authority may, in many occasions, need to acquire all of a property holding and therefore compensate for the total capital values, especially on small land holdings².
10. As part of the testing of the assumptions a selection of recent sales were compared with rateable values. This covered property sales in the past eight months for both houses and vacant sections along the route. In general the rateable valuations appeared to be a good estimate of current market value. On average the rateable values over-stated property prices by around 10% relative to our sample of actual sales. This difference may reflect a market continuing to decline during the year. Significantly, the rateable value of vacant residential sections was close to the sale prices, suggesting some stability continuing demand for relocation to the region.
11. Our estimate of property values for affected sites is based on a sliding scale where the compensation for smaller land parcels is assumed to equate with the capital value of the property, but on large properties the

¹ 3.0 Property Costs, Technical report

² Residential properties are commonly 15-metre frontage; a 50-metre acquisition strip would therefore require 750 sq.m of 1,000 suburban section and therefore is likely to require relocation of the house.

compensation is based on a percentage of the land value³. This approach is linked to the basis of calculation of compensation under the Public Works Act, which assesses property and acquisition and bases compensation on the difference in value. It is therefore more rigorous than the Opus approach which assumes a square metre rate for land acquired, regardless of the nature of property holdings. However, no allowance has been made for compensation for disruption or recompense for legal and valuation fees, as would be available to people having their land acquired. Our approach is therefore inherently conservative.

12. The identification of properties impacted by the roading options is based on a 50 metre roading width. Information was available for wider roading widths but this was not analysed, because the 50 metre width property data highlighted most of the issues.
13. Property cost estimates have been made for the Eastern Route, Western Route and the alternative Eastern Route, on the eastern side of the rail corridor. The result of the analysis is the following tables.

³ Assessment of compensation was made on the following basis: Properties of less than 1,000 sqm – 100% of capital value; over 1,000 sqm but less than 2,000sqm, 80% of capital value; over 2,000 sqm but less than 5,000 sqm 50% of capital value; over 5,000sqm but less than 10,000sm 50% of land value; over 10,000 sqm 10% of land value.

Table 1: Eastern Route: Estimated Property Values and Compensation

Eastern Route	Value of Total Land Affected \$	Estimated Compensation \$
McKays to Paraparaumu Rail Overbridge	244,305,800	82,995,600
Paraparaumu Rail Overbridge to Waikanae River (Option 2 (East)) (follow rail corridor	47,302,000	26,927,700
Waikanae River to Peka Peka (follow rail corridor	67,407,000	27,771,700
Peka Peka to north of Otaki	71,795,000	7,299,500
Total	\$430,809,800	\$144,994,500

Table 2: Western Route: Estimated Property Values and Compensation

Western Route	Value of Total Land Affected \$	Estimated Compensation \$
McKays to Paraparaumu Rail Overbridge	244,305,800	82,995,600
Paraparaumu Rail Overbridge to Waikanae River	44,270,000	26,893,200
Waikanae River to Peka Peka (Waikanae Beach)	43,962,700	4,021,550
Peka Peka to north of Otaki	71,795,000	7,299,500
Total	\$404,333,500	\$121,209,850

Table 3: Alternative Eastern Route: Estimated Property Values and Compensation

Alternative Eastern Route	Value of Total Land Affected \$	Estimated Compensation \$
McKays to Paraparaumu Rail Overbridge	185,213,800	72,498,200
Paraparaumu Rail Overbridge to Waikanae River	47,302,000	26,927,700
Waikanae River to Peka Peka (follow rail corridor)	67,407,000	27,771,700
Peka Peka to north of Otaki	71,795,000	7,299,500
	371,717,800	134,497,100

14. The results suggest that property acquisition costs for the Eastern route could be approximately \$24 million more expensive than the Western route. This is nearly exclusively because of the difference in the costs of the section between the Waikanae River and Peka Peka. Similarly the alternative Eastern route would be \$15 million more than the Western route.
15. The conclusion appears intuitively logical, as property along the existing state highway is more commonly smaller parcels of land that have already reflected the proximity to the transport network by higher values and more intense development. The Western route from the Waikanae River to Peka Peka impacts on around 25 properties, while the Eastern route directly impacts around 105 properties. There is a significantly greater likelihood of a need to acquire all of the property on smaller land holding, at full capital value. Conversely, on larger land holdings only a proportion of the site may be required.

16. However, the difference in the property values between the Western and Eastern routes explains less than one-third of the \$90 million difference between the total project costs as estimated by Opus at \$90 million⁴.

Impact of Recent Zoning Changes on Land Values

17. Recently two large parcels of land in the North west of Kapiti District have been rezoned to allow more intense residential development. This is in the form of intensely developed groups of housing surrounded by environmentally-focused recreation areas. The area also includes a designated wetlands and parcels of land of interest to local iwi. The impact of these changes, known locally as Plan Change 69 and Plan Change 80, are unlikely to be reflected in the NZTA assessment, which is based on simplistic land value assessments.

18. The rateable values of these affected properties may also not recognise the impact of the recent resource consents. The rateable values ascribed to the affected properties are commonly in the range of \$18-25 per square metre of land. This type of land value would equate with life-style blocks in isolated communities, which may be sold in parcels of over 1 hectare⁵. It is understood that the owners intend a significantly higher intensity of development in this area, potentially comparable with suburban developments. However, the estimate of value also needs to reflect there is no existing infrastructure such as roading, drainage or power reticulation. While parcels of land zoned and available for residential subdivision may sell for as four times this amount, these tend to be in highly built up environments.

19. The total property component of this part of the route has been estimated at around \$4 million. Therefore a doubling of the property values in this stage would only increase the Western route option by around \$4 million on the total cost. This is comparable with the purchase of only one fully developed property, such as the New World at Waikanae. The reassessment of the property values along this component of the route is unlikely to provide an argument for changing the relative costs of the Western and Eastern options.

⁴ Opus Technical Report - 2008

⁵ Examples would include various properties sold in Ohariu Valley and Flytes Road.

Impact of Business and other compensation costs

20. Neither the NZTA assessment nor our analysis considers additional compensation costs to land owners. Compensation provided for under the Public Works Act is likely to include legal, valuation fees, and compensation for time and disruption. The difference between the numbers of property owners⁶ affected between the Eastern and Western options means that compensation costs are also likely to be higher for the Eastern Route.
21. The area which is most likely to present business disruption and compensation costs, is the Waikanae Shopping Centre. In addition to the land owners, business owners would need to be compensated for their leasehold interests, cost of relocation and new fit out. In many cases the NZTA could be required to purchase the business.
22. An estimate of business relocation costs is difficult without an understanding of business owners' intentions and financial position. However, as a proxy we have estimated that business compensation could be in the range of \$6.5 million to \$7.5 million for this component of the route.⁷
23. The Council may be able to reduce compensation costs to NZTA in the Eastern option if it pro-actively works to provide alternative locations for businesses being relocated. This may be promoted by pro-active zoning changes in new locations and partnering with local property developers to provide alternative premises.
24. Options which increased the width of the road are likely to significantly increase the cost of compensation, particularly in the more urban routes. Acquiring properties out to 100 metres of the road width would increase the implications for areas such as Waikanae and Paraparaumu. In both cases it would significantly increase the businesses impacted, and in the case of Paraparaumu may begin to impact on the major retail tenancies. There is a risk that if NZTA determines to base analysis on a wider road impact then the Western route is likely to be significantly more competitive on cost.

⁶ 25 properties between Waikanae River and Peka Peka are impacted by the proposed Western route while 105 properties are affected by the same component of the Eastern route.

⁷ Estimate based on business interest being equivalent to the value of the improvements on the site, up to a maximum of \$1 million. This assumes that a small business based in a 60 sqm to 120 sqm premises would be compensated at between \$50,000 and \$100,000 for the relocation.