

IN THE MATTER The Resource Management Act 1991 ("the Act")

AND

IN THE MATTER of two applications for a land use consent under section 88 by **IPG CORPORATION LTD** to **WELLINGTON CITY COUNCIL** pertaining to 114 Adelaide Road, Mt Cook

STATEMENT OF EVIDENCE OF DENNIS PARBHU

1. INTRODUCTION

- 1.1 My name is Dennis Parbhu. I am the Managing Director of IPG Corporation Ltd the applicant company to the two proposals being considered here. I am also Managing Director of IPG Construction Ltd, which is a commercial construction company.

Qualifications and experience

- 1.2 I am 57 years of age and have been involved in commercial property development and construction since 1989.
- 1.3 I have personally carried out 12 small to medium projects over my career to date. I have built commercial warehouses, to 8-10 level commercial buildings.
- 1.4 I have designed buildings, project managed construction and development of buildings; Currently, I am carrying out a development in Auckland for a 12000 sqm, 127 room hotel 4.5 star hotel , below here is an image of the project.



1.5 Ensuring budgets and costings of construction are maintained and understood is a core skill that I have developed that has in turn ensured my success as a commercial property developer.

1.6 I have attached two references from our QS and funder to support my skill set.

2. **Involvement in project**

2.1 I am the Managing Director of Laki Maa Ltd the owner of the building at 114 Adelaide Road.

2.2 I have since 2015 attempted to receive a resource consent for the development of 114 Adelaide Road; The first resource consent application was made on the 9th of March 2017

2.3 I have prepared expert detail of feasibility calculations for the cost and viability for the second proposal here in this hearing before commissioners.

2.4 In preparing my evidence I have:

- Read the submissions.
- Read the officers reports and the appendices.

Code of Conduct

2.5 I confirm that I have read the Code of Conduct for expert witnesses contained in the 2014 Environment Court Practice Note and whilst this is a Council hearing, I agree to comply with it. I confirm I have considered all the material facts that I am aware of that might alter or detract from the opinions I express. In particular, unless I state otherwise, this evidence is within my sphere of expertise, and I have not omitted to consider material facts known to me that might alter or detract from the opinions I express.

Scope of Evidence

2.6 In this case, my evidence is focusing on the economic viability of the second application made to Wellington City Council. This is known as SR 490717.

2.7 The second is an application for partial demolition and construction of a new hotel building.

2.8 My evidence relates to the second application only.

2.9 My evidence is structured as follows:

- a. A brief description of the site**
- b. A brief description of the proposal**
- c. A summary of my original report and update**
- d. Comments of the officers S42a report**
- e. My conclusions**

3. **THE SITE**

3.1 The site is known as 114 Adelaide Road, Mt Cook. The site has been well described in the evidence of others and I will not repeat.

3.2 I would however like to reinforce the fact that the site is small at 455 sqm and so this converts to significant construction restraints on one's ability to provide necessary outlook space and economic productive design.

4. **THE PROPOSAL**

4.1 The proposal provides the commissioners with two separate options and decisions. These are:

- The total demolition of the building; or
- The partial demolition of the building and construction of a new building on the site.

4.2 A detailed description of the proposals are provided in the applications lodged with WCC and in the evidence of others.

4.3 Total demolition which is covered in the first application is the most sensible solution in regard to maintaining financial viability and represents an immediate solution to dealing with the fact that the building is a dangerous building and is a risk to life safety.

4.4 The second application is negative in terms of a financial result and is not a project that can be easily funded from the current banking system in light of all the risk surrounding the project. It would take a special owner that can absorb all of the negative value and the funding shortfalls to be able to immediately carryout the development. There is a real risk that even if the project was neutral in terms of a financial result whether any developer or owner would contemplate taking on the significant risk of developing the property.

5. **A summary of my original report and update**

- 5.1 Detailed in my report is the conclusion from Maltby (Quantity surveyor) and Colliers (valuer) which points to a deficit of some \$3.590 million on the bases of the existing building being renovated/ strengthened and made good for occupation. Both reports are dated early 2020.
- 5.2 The building Act requires that any such building works have an outcome of not only being structurally sound, but also needs to satisfy functionality. The costings and conclusions provided in this report are on the bases of achieving this.
- 5.3 My report focuses on calculations that demonstrates what the minimum amount of additional GFA is required to have an outcome whereby the two Facades of interest can be retained, and the required strengthening work can be completed that bears a neutral cost and value result on completion. I.e.: the development is not a loss-making scenario.
- 5.4 My report firstly confirms that a total additional gross floor area (gfa) of some 2581 sqm meters is required to break even on the bases of cost and value. (Referenced within the spread sheet calculations attached to the report)
- 5.5 My report then summarizes that based on the above key calculations, what is proposed in our application SR490717 a net development loss of some \$1.148 million would be the result. Our proposed development bears an additional GFA in total of only 1740 sqm .
- 5.6 Construction cost has been taken at \$4271 per sqm as at the 6th of April 2021, this is a very modest number and with the latest impact of cost increases in the market it is more than likely to be more than 30% currently.
- 5.7 The sqm value of the finished project has been taken at \$6956 plus G.S.T as at the 6th of April 2021, this value due to recent market movements is likely to have a 25% increase in value.
- 5.8 You will see in the spread sheet analysis that no developer margin has been charged and it is expected that all council fees inclusive of development contributions and the like will be exempted for this project. These are normal and expect additional costs. If these costs were to be incorporated the likely net development loss would be substantially more.
- 5.9 The report further details 6 alternative options in regard to design to allow for a better outcome, however only two options were considered workable by our Heritage designer, which were further developed to an acceptable standard

for our Heritage designer which resulted in a final building size of some additional maximum allowable GFA of 1740 sqm.

6. **Comments on Officers S42A Report**

Application one

- 6.1 With regard to application one, comments were made that no other replacement building was proposed. It should be assumed or at least understood that on the basis of application one being successful, it would be an expected or automatic scenario that a replacement building would be designed and promoted for the site.
- 6.2 It would clearly not be typical of someone demolishing a building and not looking to develop the site. Therefore, taking the view that having vacant land was going to be the long-term result, and upon taking this view concluding that the impact would be a negative effect is just wrong; This appears to be one of the strongest points made against total demolition, which I feel needs to be challenged.
- 6.3 The officer has stated that the building is listed with Heritage New Zealand. This is not correct.
- 6.4 Health and safety should be the overriding point of importance over what seems to be the only matter considered by the officer which is the social and cultural wellbeing; Certainly, these two competing issues are far from neutral as the final conclusion seems to be from the officer.
- 6.5 It is my understanding when a typical building becomes dangerous then the immediate action is demolition or a suitable instant resolution to the issue. Just because our building is a heritage building should not place by default a higher risk on the safety of the public.
- 6.6 The officer notes that there are no positive effects of demolition; I would have thought the immediate removal of a real risk to public safety was a significant positive effect; certainly, it should not be a matter that appears to be dismissed so easily as an important consideration.
- 6.7 Some would have value for the building, and some would agree that the building is downgrading the location significantly. It appears the officer has dismissed assessing the alternative point of view of the removal of what common people would assess as a derelict building that should be removed to make way for progress for the new generation of people.

6.8 The point was made that reasonable alternative solutions to demolition have not been considered; Quite clearly by virtue of the second application and all the previous applications and meetings with council officers it should be recognised that all alternatives have actually been considered. Actually, the scenario is the reverse of the point the officer makes in this regard. The second application here is actually about providing evidence that in fact a genuine attempt has been made to look to multiple alternatives. In fact, since 2015 to 2020 some 5 years of constant attempts have been made with council presenting multiple options and invitations to council to engage. However disappointingly the interest has not been mutual, and all the alternative presentations and concepts have failed to be acknowledged

6.9 With regard to the point of there being no suitable offset to or compensate for any adverse effect on the environment, just providing an offer to retain the interesting facades should be in itself be considered to be a significant positive effect to any possible adverse effect.

6.10 The factors that the officer appears to rely on in regard to summarising that the effects of the proposal will be unacceptable can be summarised as per below, all of which seem to be without substance.

- (a) Alternatives to demolition have not been considered
- (b) The social and economic value of retaining the heritage building is more important to public safety
- (c) No replacement building has been proposed.

6.11 In my view, all of these conclusions are incorrect.

7. **Comments on Officers S42A Report**

Application two

7.1 There was silence on the economic viability and feasibility of the application two (SR490717)

7.2 I do not agree with the assessments of the proposed building.

7.3 The blank concrete wall on the south side is a party wall and it is expected that the neighbour will construct hard up against our wall. The mitigations required on this wall will be minor detail variations, given the likelihood of development adjacent the building.

- 7.4 The officer is attempting to take the view that all alternatives to the development have not been considered and goes on to say that there are other options to provide additional building capacity to the site; The unfortunate part of this is the silence on what those options could be. The only way to provide additional building capacity is to allow substantial more height, than is this what is being suggested. This option was not supported during consultation.
- 7.5 For the building to be economically viable, it is so important to accommodate parking within the building as street parking is virtually nil. To operate as a hotel, it is so important to have ready access to the building by vehicle so the strong comments in the report on removing vehicle access causes the whole development to fail on its operational viability. There seems to be a complete oversight on how the building and business would function without vehicle access.
- 7.6 Adding a clear glass canopy to the building would completely mitigate any issue of wind, which is a point made by the Mr. Donn the councils wind expert, it would seem sensible to allow this to be accommodated to aid the possibility of this development; In previous meetings with council the addition of a canopy was just not supported.
- 7.7 I find it very odd that the spatial plan and the draft district plan have absolutely no bearing in terms of what would be a current acceptable development. It is common knowledge that the council themselves are actively promoting significant intensification on Adelaide Road and that 6 levels of building is looking to be the minimum allowed.
- 7.8 There seems to be complete silence on the alternative options and solutions with dealing with 114 Adelaide Road and its earthquake prone status. The strongest point the council officer makes is due to the fact the building is a listed New Zealand heritage building the building that must be preserved and all other considerations need to be secondary.
- 7.9 There is a complete lack of value on health and safety of the public, and the continued risk to public as the building currently stands and is more than likely to stand for a further 12 months in the absence of a resource consent being issued. It is absolutely shocking that this concern is not even acknowledged by council.
- 7.10 There is absolutely no reference to the expert consultancy I have provided to council confirming the cost and value of trying to preserve the building in its current form; I had expected that some response in light of this should have been provided as an answer to the significant deficit dollar amount in regard

to preserving the building. This cost should be a leading concern in the scenario where the liability of this all falls onto council.

7.11 There appears to be a total lack of consideration as to what would be the situation if both resource consents fail; The Council officers seem to be ignoring this question.

7.12 There is absolutely no solid reason other than the importance of heritage to allow this resource consent to succeed. The reasons provided here are mostly subjective and are reflective of one's personal opinions. I.e., there is no science or substance to the points made that elevate them to supersede the design work we have done and the engagement of Dave Pearson of DPA Architects who a senior heritage consultant. A number of reasons for denying the resource consent are purely technical which can be resolved by adjustment, which in light of the importance of resolution should be actively answered to by council such as the canopy solution for the potential wind issues.

7.13 We would accept conditions which modified the proposal so that it achieved a more universally approved design support, but only if this did not affect the practical functioning of the building and the GFA realised.

8. **Conclusions**

8.1 Based on the result of the two reports from Maltby's and Colliers the strengthening of the current building is clearly not financially viable, nor would it likely comply with the required functionality outcome required by the Building Act.

8.2 In order for the project to be financially viable or neutral in terms of cost and value a minimum of 2581 sqm additional sqm is required to be developed, which can be developed over a height limit of 24.2 meters should the setbacks be not required.

8.3 In order to accommodate the setbacks and the total required sqms a further 841 sqms of gross GFA needs to be added to the current proposed height of the building, which on the bases of the current top floor setbacks will require a total height of some 37 meters or a further 11 meters to the current application.

8.4 Application two confirms a net loss of some \$1.148 million of negative value on completion of the project. Please refer to the attachment below that identifies the calculations in which we base this conclusion to.



Dennis Parbhu

IPG Corporation Ltd/ IPG Construction Ltd.

Managing Director

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Ph. 021 876434

8th November 2021

Dennis Parbhu

From: James Kellow <james@nzms.com>
Sent: Wednesday, 18 March 2020 10:18 PM
To: Dennis Parbhu
Cc: Manish Rama
Subject: Reference

To whom it may concern.

I have had a personal financing relationship with Dennis Parbhu for nearly 15 years. Lending both as a finance company and previously a finance broker (to ANZ).

Due to market conditions NZMS do not wish to extend finance on Dennis's Stoddard Road Hotel Development. He is a very capable and competent developer who we think highly of as a business. Simply we are not lending during the Covid-19 period except where absolutely necessary and requesting loan repayments where available. Dennis's account is current and no interest payments have ever been late.

Do not hesitate to telephone me for further discussion.

Regards,

James Kellow | Director

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Apologies for briefness of this message. Sent from my iPhone

Dennis Parbhu

From: Darin Bayer <dbayer@whiteassociates.co.nz>
Sent: Tuesday, 6 August 2019 4:28 PM
To: Dennis Parbhu; Christine Law
Cc: 'Manish Rama'; Jesse Conradie
Subject: RE: INC Hotel - Queries Update (DRAFT)

Hi Dennis

Thank you for sending through the response below.

For this project our main focus is to ensure it is set up for success, therefore I believe we are well aligned in this respect.

As I have had the pleasure to work with you on a few projects now, I know you have the skills and tenacity required to get projects across the line.

The way I see it some of the key risks on this project are:

- Construction cost – in the event the proposed budget is not sufficient to complete the project or to reach the required quality. The risk management method proposed would be robust interrogation of each component and contingency for potential scope omissions. We can discuss this further after the building consent is approved.
- Reliance on overseas materials
- Reliance on some overseas labour
- Subcontractor pricing – in the event subcontractors pricing is not updated as design development progresses
- Design – as discussed some of the design does not appear as we would anticipate such as the balcony design and roof waterproofing. However the building consent approval will assist us in understanding if these components as designed will be acceptable. A peer review on some items could also suffice if required
- Programme – in the event the programme proposed is insufficient due to labour issues/productivity, time related costs such as P&G and funding can have a significant effect on the final cost

We would very much like to continue to work with you through the above to get them to a point where a bank could see them as at a manageable level.

I include some comments against the various items you have raised below.

Regards,

Darin Bayer

White Associates | Property & Construction Consultants

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From: Dennis Parbhu [mailto:dennis@cpcnz.com]

Sent: Wednesday, 31 July 2019 3:32 p.m.

To: Christine Law <c.law@whiteassociates.co.nz>

Cc: 'Manish Rama' <manish@cpcnz.com>; Darin Bayer <dbayer@whiteassociates.co.nz>; Jesse Conradie <jconradie@whiteassociates.co.nz>; 'James James Kim' <yeilcnm@gmail.com>; 'Ben Pauley' <Ben@squirrel.co.nz>

Subject: RE: INC Hotel - Queries Update (DRAFT)

