

1. EXECUTIVE SUMMARY

- 1.1 I have prepared evidence from an economic perspective on confined points of contention between Kāinga Ora – Homes and Communities (**Kāinga Ora**) and the recommendations of the reporting officer as set out in the Section 42A Report for Hearing Stream 1 – Part 1, plan wide matters and strategic direction and the Section 42A Overview Report on the Wellington City Proposed District Plan (**PDP**).
- 1.2 This evidence is to be read in conjunction with the planning evidence provided by Mr Matt Heale and the urban design evidence provided by Mr Nick Rae in support of the submissions for Kāinga Ora.
- 1.3 The key points of my evidence are:
- (a) I support the Kāinga Ora submissions seeking to provide greater residential development opportunities close to areas with the highest levels of amenity, services and infrastructure (including rapid transit) to provide greater choice for prospective residents.
- 1.4 The National Policy Statement – Urban Development (**NPS-UD**) directs Councils to remove restrictions on density to “*move up and out*” enabling greater height and density, particularly in areas of “*high demand and access*.” In planning for growth and development, density is regarded as a good thing if applied in these areas, with the further point that **all else being equal, more density is better (economically) than less density**.
- (a) Councils have used a centres hierarchy (classification) to apply a level of intensification and public transport stops as a parallel density inspiration. A hierarchy alone should not be the sole basis and scale for residential density. Taking a **more liberal than restrictive view of catchments and density**, I consider additional community infrastructure such as schools, parks and libraries form part of the influence package. Catchments are often malleable and subject to a range of influences. Research^[66] shows that density and grocery shops together are more accurate for identifying areas that accommodate a higher share of carless households and sustainable transport modes than those with only public transport supply.

- (b) The section 42a report recognises that **density will improve public transport use but doesn't appear to apply the same test to centres**. This one-way approach misses the use of density to improve centre performance. At the risk of oversimplifying, catchments make centres. **The most efficient strategy concerning movement is having the ability to do and obtain almost everything close to home - creating a walkable catchment that enhances economic and community well-being, so that people do not need to leave**. The second prize is if they do leave then they catch public transport.
- (c) I consider the PDP should include a **"Town Centre"** zone in the centre hierarchy category. Journey to Work data shows a broader reach for several centres and a higher retail spend. This is consistent with the recommendations from the Colliers Sense Partners Report for Council and the Council's own "Planning for Growth – Centres" 2019 report which shows Town Centres as a category, which was applied to the Karori, Miramar, Newtown, Tawa areas. The National Planning Standards (as I understand it) directs Council to a Town Centre category where a centre matches the description of a Town Centre, which I consider to be an appropriate description of these centres in the Wellington context.

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.
- 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 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), 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 Kainga Ora equivalent renewal project;
 - (i) Tamaki Transformation Project; and
 - (j) 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 Kapiti 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 across the Wellington region, including the Wellington City Proposed District Plan (**PDP**).

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 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) NPS-UD;
- (b) The PDP – Strategic Objectives, Residential, and Commercial Chapters;
- (c) The Kāinga Ora submissions in relation to the PDP;
- (d) Section 32 reports and supporting evidence, including but not limited to:
 - (i) “Retail & Market Assessment for Wellington City Council” Colliers International & Sense Partners November 2020;¹
 - (ii) “Wellington Regional Housing and Business Development Capacity Assessment” May 2022;²
- (e) “Wellington City Commercially Feasible Residential Capacity Assessment, Property Economics June 2022;³ and
- (f) Section 42A report for Hearing Stream 1;

2.13 I note the Section 32 reports refer to the Planning for Growth District Plan Review Issues and Options – Centres” WCC 2019 report. However, this document is not publicly available on the Council's website and it would be helpful if this document could be made available.

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.

¹ <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/reports/supplementary-documents/retail-and-market-assessment-november-2020.pdf?la=en&hash=29DA8EFF31B535FA6A1AECD1E3BD0602CBB790E7>

² <https://wrlc.org.nz/wp-content/uploads/2022/05/Housing-and-Business-Capacity-Assessment-Complete-Documents-with-Appendices.pdf>

³ <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/reports/supplementary-documents/wellington-city-commercially-feasible-residential-capacity-assessment.pdf?la=en&hash=F92B91D81D51FB60919D730EF765475A093F5469>

4. SCOPE OF EVIDENCE

4.1 My evidence will address the following matters:

- (a) Centre Classification and Scale;
- (b) Centre performance triggers;
- (c) Defining Walkable Catchments; and
- (d) The supply effect on affordability.

5. CENTRE CLASSIFICATION AND SCALE

5.1 I support the Kāinga Ora submissions seeking to provide greater residential development opportunities close to areas with the highest levels of amenity, services and infrastructure (rapid transit) to provide greater choice for prospective residents. As a consequence of providing greater residential development opportunities, I consider this will provide an opportunity for the market to deliver an increased volume of residential development in and around the centres and transport networks to a level where it is likely to provide greater economic benefits to the city's performance and the economic and social wellbeing of the communities it primarily services.

5.2 For this reason, I support submissions of Kāinga Ora seeking increased catchments and enabling greater density and development flexibility (a recommendation of the Colliers Sense Partners Report) in and around centres, (including expanded Town Centre zones) as this will offer easier development and more significant economic and social benefits of intensification above those adopted by the Council.

5.3 In my opinion, the performance of Tawa, Miramar, and Newtown supports the case to elevate the classification of these centres. My option is consistent with that set out in the Colliers Sense Report findings, which recommended elevating Miramar, Tawa, and Newtown to Town Centre status. As I have noted above, the Section 32 Report - Part 2 - Centres, Commercial, Mixed Use and Industrial Zones refers to relevant background information such as the Planning for Growth District Plan Review Issues and Options – Centres” 2019 (Centres 2019), but this report has not been made publicly available.

This report would be useful for understanding Councils assessment and approach to the centres hierarchy for future hearing streams, including Residential and Centres.

- 5.4 In my opinion, Tawa, Miramar, and Newtown exhibit the key indicators that support Town Centre status (noting that Council above the Local Centre Zone proposes this status), including:
- (a) Retail spending data demonstrates that these centres support a broader⁴ residential catchment than the local residential suburb base;
 - (b) More commercial and community assets than those of Local Centres;
 - (c) A more diverse employment base (by ANZSIC) than Local Centres; and
 - (d) Journey to Work data shows more extensive and extended travel patterns to these centres than to Local Centres.
- 5.5 Like the Colliers and Sense Partners Report for Council, I recommend adding centre performance, both existing and future, when assessing density and determining appropriate responses to intensification in order to appropriately implement Policy 3(d) of the NPS-UD.
- 5.6 The Centres 2019 Report raised the issue of centre performance (Page 5) as follows: *“The report concludes that district plan provisions may not be the only reason why Centres are not living up to their full potential.”*
- 5.7 Notwithstanding this, some other centres within Wellington City (proposed as Local Centre Zones) have strong performance and are suitable for supporting a commensurate increase in intensification without a consequential upscaling of the zoning hierarchy.
- 5.8 In reverse, poorly performing centres will benefit from increased density. The ability to use centre performance analysis as a density influence should be a factor in density determinations.

⁴ <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/reports/supplementary-documents/retail-and-market-assessment-november-2020.pdf?la=en&hash=29DA8EFF31B535FA6A1AEC1E3BD0602CBB790E7>

- 5.9 Like Colliers Sense Partners, I consider it is appropriate to consider a centre's performance as a density trigger, not just its hierarchical status.
- 5.10 I cover this issue in more detail in "Centre Performance Triggers" below.

6. CENTRE PERFORMANCE TRIGGERS

- 6.1 I suggest that using a centre classification as a basis for intensification should be a two-way affair. Councils are using the centre hierarchy to manage intensification without considering the influence of growth on the status and performance of a centre.
- 6.2 Growth will improve the performance of all centres. Using centre performance as a basis for testing the level to which growth is influential should be a factor in determining density, not just a current hierarchy.
- 6.3 Struggling centres will benefit most from more density, and an existing hierarchical order should not limit their potential to return to viability, (such as Linden), or to a marked improvement in performance. In improving centre performance, we may wish for more density than a centre's current status provides.
- 6.4 When we associate centres with rail stations, the benefits of a more vibrant centre reflect a greater propensity to use public transport, as vibrant or successful centres increase the desire to walk. Associated failing centres reduce the desire to walk – even to rail stations.
- 6.5 A sustainable hierarchy for **all centres** in Wellington is to perform to the limit of their roles. For some, it will elevate them to the next level in the hierarchy. Elevation is a good thing.
- 6.6 I make this point to illustrate that expanded, denser catchments allow centres to deliver more for the people in their catchments. In some cases (such as Linden), density may allow that centre to renew itself, as its catchment may have insufficient housing to switch on its current centre assets.
- 6.7 With this approach, overall centre catchment areas geographically remain the same, but the catchment yields (populations) increase.

- 6.8 There is no effect on other centres as (all else being equal) their catchment population also increases.
- 6.9 With Linden, for instance, elevating the centre to “Town Centre” status to trigger even more people close to it to improve its performance appears to be the only mechanism available. However, the proposed hierarchy mechanism promotes it to a function it cannot achieve. The centre needs more residents within walking distance to revive itself, but the proposed regulatory approach delivers a lower density around the centre and does not consider the centre’s current performance in its application of hierarchy.

7. DEFINING “WALKABLE” CATCHMENTS

- 7.1 **Defining “walkable” catchments** is as much an art as a science. Still, internationally, 400 metres is a relevant minimum for buses and shopping, whereas 800 metres is a minimum standard for trains (irrespective of frequency).
- 7.2 Auckland Transport’s 2013 report *“Walkable Catchments Analysis at Auckland Train and Northern Busway Stations”* concluded as follows *“Overall, the results from the surveys show that an 800-metre radius is accurate for some stations, but underestimates the actual walking distance for others.”* In other words, 800 metres is an average (not a maximum) walkable distance between centres and stations. Auckland’s topography overall is less demanding for walking than Wellington’s, so one should take that into account when defining catchments.
- 7.3 Most of the research into walkability finds little correlation between density and elevated levels of walking. More influential factors are the qualities of the built environment (the journey) and shops. This raises the critical issue of the role and strength of urban design and built-form controls over housing density across Wellington.
- 7.4 Research by Walkscore, Calthorpe, Cervero, Rao and Elek, California Air Resources Board (and others) shows that shops significantly extend walkable catchments to train stations.
- 7.5 An appropriate planning approach is to **create a centres catchment as a separate but complementary density inspiration to a rail station** to expand the station’s walkable catchment.

- 7.6 When undertaking growth studies in major cities and aligning centres with public transport, I prefer separating the (new) station and (new) centre.
- 7.7 Rail passengers are poor retail supporters, but stations can inspire housing density. Locating a centre within a 5-10 minute walk of the station allows for a second density hit, thereby increasing the power of the two.
- 7.8 Density is important for centres as every new dwelling added to a centre's catchment adds around \$32,000 of annual retail spend. 100 new dwellings (approximately two multi-level apartment buildings) will provide an additional ~\$3.2 million of annual retail spending. Given that the retail rule of thumb in New Zealand is around 2.2m² per person, 100 new dwellings generate the demand for around 500m² of new retail floorspace (somewhere).
- 7.9 The largest proportion of retail spend is on everyday items (such as grocery, food and beverage), with centre closeness to the home being the primary location criterion for this expenditure.
- 7.10 Catchment density and proximity are significant factors in centre health. Higher centre status (or the range of goods and services offered in a centre) significantly reduces trip distances for everyday items.
- 7.11 Mr Rae has calculated the effective additional dwelling yield of adopting the Kāinga Ora density submissions, maintaining Council's proposed height to boundary rule. This extra capacity would unlock more than \$4 billion in retail spend. If the height to boundary rule was relaxed, this spend would total almost \$9 billion.
- 7.12 The section 42A report recommends limiting the catchment for all stations on the Johnsonville line (outside of Johnsonville centre) to a 5-minute walk.
- 7.13 I have not experienced another Council or transport agency limiting a rail station catchment to a 5-minute walk. I respectfully consider the application of a 5-minute walkable limit is a mistake and removes future dwelling capacity.

- 7.14 On the Johnsonville line, I can see no positive net benefit to limiting the catchments to 5 minutes as proposed by the Council. Rather, I consider this will create future issues as it will set a precedent for future walkable catchments. The precedent being (apart from the limit) that approving this limit appears to indicate that the Council does not want to increase ridership on the Johnsonville line.
- 7.15 Adding catchment and demand on the line may inspire additional investment in infrastructure and capacity. Public transport (PT) investment usually chases ridership. Higher ridership encourages investment in PT assets and infrastructure.
- 7.16 Council's application of a restricted catchment because of the station, is similar to its one-way use of the existing hierarchy without considering the benefits of growth on centre performance. In this case, it might consider the effects of growth on PT performance.

8. THE SUPPLY EFFECT ON AFFORDABILITY

- 8.1 Using TPG's GIS and Transurban's calculations of comparative yield (applying Council's "height in relation to boundary rule"), we determined that the effect of Kāinga Ora propositions for greater density and height across Wellington would deliver a 20% increase in development capacity. However, giving greater capacity (on the same sites) will improve feasibility on a site by site basis. This increases development delivery propensity across the city (which would make it easier to achieve the Housing and Business Capacity Assessment (HBA) targets).⁵
- 8.2 The potential influence of competition for market share between housing developers within a market of abundant supply offers an affordability benefit to the city.
- 8.3 Typically, meeting demand has little effect on affordability or the desire of developers to deliver a product that exceeds market expectations. The NPS – UD Objective 2: "Planning decisions improve housing affordability by supporting competitive land and development markets"

⁵ Pages 5 & 6, Tables 1.1 and 1.2, <https://wrlc.org.nz/wp-content/uploads/2022/05/Housing-and-Business-Capacity-Assessment-Complete-Document-with-Appendices.pdf>.

requires growth supported by plentiful housing (ahead of market demand) to improve housing affordability.

- 8.4 Property Economics provided a Report to Council that follows guidelines/instructions under NPS-UD regarding projected long-term dwelling demand and margin. The Property Economics Report concluded that 31,000 dwellings were needed to meet the growth forecast.⁶ However, the 2022 HBA determined that the actual growth target is 36,600 dwellings.⁷ This is likely due to the most recent HBA being completed after Property Economics had completed their assessment. The Property Economics report further concluded that 127,000 dwellings were “realisable” under the Council proposed Draft Plan.⁸ In other words, one in every 4 sites need to be developed by 2050 on their forward growth target of 31,000.
- 8.5 It appears to me that Property Economics assessed the housing required for growth and did not consider the current housing shortfall in their target. The HBA suggests a 25,000 current dwelling shortfall across the region of which 10,222 is the shortfall in Wellington City.⁹
- 8.6 I am assuming that this takes the requirement for the Property Economics work to a target figure of around 47,000 dwellings – not 31,000 dwellings.
- 8.7 This changes the deliverability conversion equation at point 8.4 from one in every four sites to one in every 2.7 sites.
- 8.8 My opinion is that the development of sites across Wellington to 2050 will be patchy. The Property Economics Report did not assess market preferences for housing types by location or whether some areas will take more than other areas. It simply assessed realisable development under the Draft Plan for the entire city. There will be areas of the city that will achieve the density, and there will be areas of the city where market conditions and preferences do not encourage development.

⁶ See page 7 of the Property Economics Report.

⁷ Page 5, <https://wrlc.org.nz/wp-content/uploads/2022/05/Housing-and-Business-Capacity-Assessment-Complete-Documents-with-Appendices.pdf>.

⁸ See page 7 of the Property Economics Report.

⁹ Page 6, Table 1.2, <https://wrlc.org.nz/wp-content/uploads/2022/05/Housing-and-Business-Capacity-Assessment-Complete-Documents-with-Appendices.pdf>.

- 8.9 There are major variations in desirability for denser living across the city and as many feasibility issues with highly desirable places as less desirable places for density.
- 8.10 In my opinion, the Report is an adequate baseline requirement to test the Plan provisions and does not necessarily prevent the release of more development than provided for in the study. The projection is an estimate only and may be inaccurate (i.e. over or understating growth).
- 8.11 I am also concerned at the higher delivery conversion requirement of 1 in every 2.7 “realisable” sites. The Property Economics work excluded infrastructure constraints as an influence on “realisability.”
- 8.12 If we can enable more housing in the market than an estimated base under today’s projections, then the following benefits are likely:
- (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.
- 8.13 As discussed above, our assessment of additional capacity due to Kāinga Ora propositions is an estimated increase of 20%. There are benefits on the “more is better” path for density. I support the propositions by Kāinga Ora for greater intensification as I do not consider the proposed uplift to be an extreme solution, but rather is based on sound economic principles.

Michael Cullen

7 February 2023