

**BEFORE INDEPENDENT HEARING COMMISSIONERS
MAI I NGĀ KAIKOMIHANA MOTUHAKE**

UNDER

the Resource Management Act
1991 (“**RMA**”)

AND

IN THE MATTER OF

submissions on Hearing Stream 2:
Residential Zones and Design
Guides of the Proposed Wellington
City District Plan

**STATEMENT OF EVIDENCE OF BENJAMIN PHILLIP WAUCHOP ON
BEHALF OF TE TŪĀPAPA KURA KĀINGA - MINISTRY OF HOUSING AND
URBAN DEVELOPMENT**

Dated 24 March 2023

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Introduction

1. My full name is Benjamin Phillip Wauchop.
2. I am a Principal Policy Advisor with Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (“**HUD**”). My background and experience is set out in my evidence dated 16 February 2023 in relation to Hearing Stream 1. In that evidence, I provided an introduction to HUD, its involvement in the preparation of the National Policy Statement on Urban Development 2020 (“**NPS-UD**”) and the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 (“**Act**”), and its high-level strategic and policy objectives. This evidence should be read alongside that earlier statement.
3. I am authorised to give this evidence on behalf of HUD.

Scope of evidence

4. The purpose of my evidence is to address HUD’s submission on the Character Precincts included in the notified version of the Wellington City Proposed District Plan (“**PDP**”), and their inclusion as a qualifying matter under s 771(j) of the RMA to limit development otherwise enabled by Policy 3 of the NPS-UD or the medium density residential standards (“**MDRS**”) prescribed by the Act.

Character Precincts – HUD’s submission

5. The PDP proposes to control the use and development of areas of land within the Wellington City district that the Council says are worthy of protection by dint of their special character value. The notified version of the PDP proposes to do so through the use of Character Precincts. The operative Wellington City District Plan adopted the use of Character Precincts to similar effect.
6. Although the Precincts in the notified PDP cover less area than the Operative District Plan, they still cover significant areas of the inner city, and will continue, via a variety of proposed controls, to materially restrict the ability for development to be responsive in these areas. This will have a range of negative impacts.
7. The section 32 analysis provided by Council noted that the “driver of the Character Precincts is not to preclude development”. However, both the provisions and the proposed policies (which also act as the matters of discretion for a resource consent) are, in many cases, much more restrictive than those for nearby properties that are not part of the

character areas. HUD's submission noted that developers will take these provisions into account prior to applying for a resource consent, and moderate their proposal as a result, and/or consent officers will require changes to bring heights and densities into line with existing buildings.

8. In its submission, HUD highlighted the stringent tests that apply to the identification of "any other matters" as qualifying matters under s 771 of the RMA, and noted that the proposed Character Precincts were required to meet these tests.
9. HUD said that it considered these tests had not been met, particularly with regard to wider costs. It noted that there was limited evidence to suggest that the relevant costs of the restrictions, including impacts on development capacity, accessibility, and well-functioning urban environments, had been taken into account. HUD submitted that, if they were, it is likely that the proposed extent of Character Precincts would be reduced.

Character Precincts – reports and evidence

Section 42A report and evidence

10. In preparing my evidence, I have been provided with a copy of the section 42A report and the supporting evidence of Wellington City Council's technical expert witnesses.
11. I note that the section 42A report did not add significantly to the analysis presented in the section 32 report, meaning that, from HUD's perspective, the evidential requirements to justify a qualifying matter not listed in section 771(a)-(i) of the Act are still unmet.
12. I also note that the section 42A report recommended increasing the number of properties covered by Character Precincts, from 2207 in the proposed district plan, to 3293, an increase of 1086 properties.

Wellington City Qualifying Matters Capacity Assessment ("WCQMCA")

13. This report was issued in November 2022, after submissions were closed. I have now familiarised myself with this report.

Character Precincts – HUD's position

14. HUD has considered the material provided in the section 42A report, the WCQMCA, and the expert evidence provided by other parties, and in particular, the evidence of Waka Kotahi – the New Zealand Transport Agency ("**Waka Kotahi**"), and Kāinga Ora – Homes and Communities ("**Kāinga Ora**").
15. HUD's position has not changed – we consider that the justification provided for the spatial extent of Character Precincts in the notified PDP is insufficient to comply with the requirements of "any other

matters” under s 771(j). There is certainly no policy rationale, from HUD’s perspective, for extending them, as is proposed through the section 42A report.

The costs and benefits of urban development

16. Before I respond to the contentions in the section 42A report, I want to make some brief comments about the work HUD has commissioned on the costs and benefits of urban development.
17. In recent years, HUD and the Ministry for the Environment (“**MfE**”) have commissioned a series of work to develop an evidence base to inform policy development and to support the evaluation of policies for urban development. This evidence base has been bolstered by international evidence that has considered the impacts of intensification. Reports commissioned by HUD and MfE include the following:
- (a) *The costs and benefits of urban development*, 2019, MR Cagney¹;
 - (b) *The cost benefit analysis for the National Policy Statement on Urban Development*, 2019, PwC²; and
 - (c) *The cost benefit analysis for the Medium Density Residential Standards* (the “**CBA for the MDRS**”), PwC and Sense Partners.³
18. As a whole, this evidence base clearly shows the benefits of intensification in the form of:
- (a) Social benefits, resulting from greater availability of a wide range of housing typologies in areas that are close to jobs and services. This can slow or reverse the transfer of wealth from future homeowners and renters to current property owners in areas with heavy restrictions.
 - (b) Economic benefits, resulting from greater productivity. Agglomeration economies drive productivity growth in areas where higher numbers of firms and people are located near one another, as a result of improved matching between employers and employees and higher levels of innovation (due to ‘knowledge spillovers’).
 - (c) More efficient use of infrastructure, as infrastructure costs are lower, on average, for medium density developments and developments in inner-city areas.

¹ MRCagney, *The costs and benefits of urban development: Final report*, 2019, <https://environment.govt.nz/publications/the-costs-and-benefits-of-urban-development/>.

² PwC, *Cost-benefit analysis for a National Policy Statement on Urban Development: Final report for the Ministry for the Environment*, 2020, <https://environment.govt.nz/assets/Publications/Files/NPS-UD-CBA-final.pdf>.

³ PwC and Sense Partners, *Cost-benefit analysis of proposed Medium Density Residential Standards*, 2021, <https://environment.govt.nz/assets/publications/Cost-benefit-analysis-of-proposed-MDRS-Jan-22.pdf>.

- (d) Environmental benefits relative to development further from the centre of cities. In particular, intensification is a key mechanism for reducing carbon emissions, enabling shorter commute times and efficient use of infrastructure, while continuing to meet housing and urban development needs.
19. This body of evidence also identifies costs, including congestion, loss of sunshine, loss of views, environmental costs, and implementation costs. However, these are projected to be much lower in magnitude than the benefits (in the CBA for the MDRS, a ratio of benefits to costs of 1.27 to 2.477 is expected).
20. Benefits and costs are also shown to arise commensurately in response to development, with neither arising if development does not occur. Critically, this means that there is not a development scenario where costs outweigh benefits.
21. This evidence base has been well socialised with councils through written communication, workshops and the legislative process.

HUD's response to the rationale in the section 42A report

22. HUD does not support the recommendations in the section 42A report. This is because:
- (a) the proposed restrictions prevent meaningful levels of development within the proposed Character Precincts;
 - (b) if these restrictions were not put in place, there would be development in areas proposed to fall within Character Precincts;
 - (c) restricting this development in the proposed Character Precincts has high costs;
 - (d) the Council did not take these costs into account when developing the proposed Character Precincts; and
 - (e) the recommendation in the 42A report to further extend the Character Precincts requires further justification that has not been provided.
23. Below, I develop each of these reasons in more detail.

There is unlikely to be meaningful development within the proposed Character Precincts

24. The WCQMCA is clear that one effect of the restrictions imposed by the proposed Character Precincts is significantly restricted intensification. At p 21, the report says:

"Given that [development] is enabled as a [restricted discretionary] activity, it would not be entirely accurate to assume that no

development will occur within these precincts. However, the design guides do indicate that intensification will be significantly restricted on these sites.”

25. The restrictions imposed by Character Precincts, and the requirement to obtain a resource consent (with all of the attendant costs involved) limit the amount of development able to be progressed in some of the areas most suited to residential intensification. Appendix 5 to the section 42A report concludes that the proposed expansion of Character Precincts will reduce feasible development capacity across the city by 894 dwellings, from 1,637 dwellings lost in the PDP, to 2,531 in this latest proposal), and will reduce realisable capacity by 797 dwellings⁴.
26. This aligns with the wide range of New Zealand and international evidence that has demonstrated the relationship between housing pressures and restrictive regulation.

If these restrictions were not put in place, there would be development in areas proposed to fall within Character Precincts

27. There is strong evidence that restrictive zoning such as Character Precincts limits housing development and removing such zoning will lead to more development.
28. Rising land prices in areas of high demand such as inner-city suburbs of Wellington should, in theory, support more intensive land use in these suburbs, yet this has not occurred to date due to the restrictive framework under the operative District Plan.
29. A series of inquiries and studies have identified restrictive planning rules as a barrier to a responsive housing market and proposed policy interventions to address them. This has included several Productivity Commission reports,⁵ analysis undertaken by Superu and Sense Partners in 2017⁶ (which found land use regulations contributed to as much as 48 per cent to the cost of housing in Wellington) and the more recent analyses commissioned by HUD and MfE outlined above.
30. Most recently, the cost-benefit analysis undertaken to support implementation of the MDRS⁷ modelled the introduction of the new standards. It based this on the experience in Auckland following the introduction of the Auckland Unitary Plan (“AUP”). This is a useful analogy for Wellington, which has a restrictive planning environment

⁴ [Appendix 5 to Part 4 - Property Economics Assessment of Extra Character Areas \(wellington.govt.nz\)](#).

⁵ New Zealand Productivity Commission, *Better urban planning*, 2017, [Final-report.pdf \(productivity.govt.nz\)](#); Productivity Commission, *Using land for housing*, 2015, [using-land-for-housing-final-report-v2.pdf \(productivity.govt.nz\)](#); Productivity Commission, *Housing affordability inquiry*, 2012, [Final-report-v5.pdf \(productivity.govt.nz\)](#).

⁶ Superu and Sense Partners, *Quantifying the impact of land use regulation: Evidence from New Zealand*, 2017, [Impact_land_use-fullreport_110717.pdf \(swa.govt.nz\)](#).

⁷ PWC and Sense Partners, *Cost-benefit analysis*.

similar to that which existed in Auckland prior to the AUP being made operative (in part).

31. Data on the impact of upzoning residential areas through the AUP⁸ shows that it led to a significant increase in housing development. This has helped moderate rental prices in increases in recent years.
32. Modifying the Auckland experience to fit Wellington's conditions, the CBA found that introducing the MDRS in Wellington would result in 6,500 and 14,000 new dwellings in five to eight years. This would be on top of the new dwellings in areas where higher heights would be required as a result of NPS-UD policy 3(c).
33. The WCQMCA supports this argument. At p 7, it says:

“Under the High-Density Residential Zone provisions and no restrictions on development in the Character Precincts the total Feasible Capacity increases to 3,942, over half of which are apartments”
34. The section 42A analysis undertaken by Council to support the inclusion (and extension) of the proposed Character Precincts ignores this reality, and the resulting benefits that would arise from development within these areas.

Restricting development in the proposed Character Precincts has high costs

35. Development in the proposed Character Precincts would result in a wide range of benefits. As outlined above – and documented in the CBAs for the NPS-UD and the MDRS – these would take the form of social, economic, and environmental benefits and would encourage the more efficient use of infrastructure.
36. Economic theory and evidence which has informed the policy work undertaken by HUD strongly suggests that benefits are highest in well-connected areas – where the travel times are the shortest between where people live, where they work and the services they need to access.
37. In this regard, it is important to note that the majority of the proposed Character Precincts are located in highly desirable, vibrant and convenient areas. The Thorndon, Mount Cook, Mount Victoria and Aro Valley Character Precincts are all located within walking distance of the city centre and its many employment, education and leisure opportunities. The Newtown and Berhampore Character Precincts are located in suburban centres, with excellent access to community and commercial facilities and public transport.

⁸ Ryan Greenaway-McGrevy and Peter C.B. Phillips, “The Impact of Upzoning on Housing Construction in Auckland (Centre for Applied Research in Economics Working Paper no. 009, University of Auckland), [The Impact of Upzoning on Housing Construction in Auckland v2.pdf](#).

38. These areas are all located within a walkable catchment of the city centre, or high-frequency public transport routes. This means it is much easier for residents to access jobs, education, healthcare, supermarkets and other necessities without needing to rely on a private vehicle. This has the benefits of reducing carbon emissions, and traffic congestion. Living within a short distance of work and school maximises residents' ability to commute via active modes, such as walking, cycling and riding by scooter.
39. These are precisely the areas that the NPS-UD identifies as suitable for future intensification. In particular, intensification in these areas is consistent with the underlying policy rationale behind:
- (a) Objective 1, which requires that New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.
 - (b) Objective 3, which requires that district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply:
 - (i) the area is in or near a centre zone or other area with many employment opportunities;
 - (ii) the area is well-serviced by existing or planned public transport;
 - (iii) there is high demand for housing or for business land in the area, relative to other areas within the urban environment.
 - (c) Policy 1, and its focus on well-functioning urban environments that, at a minimum, and amongst other things, provide for a variety of homes and sites that are accessible, including by way of active and public transport, which support reductions in greenhouse gas emissions and which are resilient to the likely current and future effects of climate change.
 - (d) Policy 3, which requires that district plans enable building heights of at least six storeys in areas within a walkable catchment of rapid transit stops; the edge of city centres; and the edge of metropolitan centre zones; and building heights and densities of urban form within and adjacent to neighbourhood centre zones; local centre zones; and town centre zones that are commensurate with the level of commercial activity and commercial services.
40. It is also consistent with the underlying policy rationale in the NPS-UD which promotes the need for our urban environments to change over

time. In particular, a change in amenity values in these areas is consistent with the rationale behind:

- (a) Objective 4, which requires that New Zealand's urban environments, including their amenity values, develop and change over time in response to the diverse and changing needs of people, communities, and future generations; and
 - (b) Policy 6, which requires decision-makers to have particular regard to the planned urban built form anticipated by those RMA planning documents that have given effect to the NPS-UD, as well as that the planned urban built form in those RMA planning documents may involve significant changes to an area, and that those changes:
 - (i) may detract from amenity values appreciated by some people but improve amenity values appreciated by other people, communities, and future generations, including by providing increased and varied housing densities and types; and
 - (ii) are not, of themselves, an adverse effect.
41. Restricting development in character precincts close to the city centre means moving intensification to other, less well connected areas. The WCQMCA report confirms this cost at p 8:
- “The additional economic cost in regard to the Character Precincts is primarily the loss of development potential close to the City Centre. These sites have high underlying land values which leads to comparatively high feasibility rates of apartments. This simply means that with the Character Precincts QFM, more residential development is likely to occur either within the Commercial Centres or further afield that may have otherwise located in the walkable catchments.”*
42. Putting in place character restrictions will shift development to locations that are less suited to it. This means that even if development in these Character Precincts is not required to provide sufficient housing capacity, these restrictions will incur significant costs.
43. While the change in feasible capacity is not a significant reduction in development capacity overall, it is a significant loss in terms of the numbers of Wellington residents who are able to enjoy the benefits of living in these connected, convenient and vibrant communities, consistent with the directives in the NPS-UD referenced above.

Council's analysis did not take into account these costs when developing the proposed Character Precincts

44. For the reasons I have outlined above, and given the stringent nature of the tests in ss 77J and 77L, HUD would have expected the Council's analysis to not only consider the loss of capacity as a key factor when

developing potential restrictions, but also the economic, social, and environmental costs that will arise from shifting development from these areas to areas less suited. My understanding is that these should have been weighed up against any benefits to the restrictions.

45. However, the analysis contained with the section 32 and section 42A reports is almost entirely based on protecting character areas and/or the small environmental costs and benefits of retaining existing buildings. The Council's analysis does not consider the primary impacts of enabling urban development or, if restrictions are put in place, of shifting it to less connected, less-suited locations.
46. For example, the loss of agglomeration benefits, resulting from lower population densities in these areas is not mentioned. Nor are congestion costs, which arise in the form of longer commute times.
47. I note that the WCQMCA identifies that there will be economic costs associated with the creation of Character Precincts. The report acknowledges that there is a high probability of additional time and consenting costs associated with the restrictions imposed by Character Precincts, with a moderate economic consequence. Although this goes further than the core analysis undertaken by Council, it is difficult to understand whether all relevant economic costs have been considered here, such as loss of agglomeration benefits and infrastructure efficiencies, or why these should only be of a moderate economic impact.
48. Therefore, because the analysis does not consider all the potential costs and benefits associated with the restrictions imposed on development within the proposed Character Precincts, HUD's position remains that the current extent of the proposed Character Precincts has not been justified to the level required under sections 77J and 77L of the Act.
49. HUD supports the analysis of Mr Mike Scott for Waka Kotahi and Ms Victoria Woodbridge for Kāinga Ora, which effectively arrive at the same conclusion.

The recommendation of the 42A report to further extend the Character Precincts requires further justification and does not meet the requirements of sections 77J and 77L

50. In its s 42A report, the Council has proposed to extend the areas covered by the proposed Character Precincts by up to 58%.
51. The 42A author explains their approach at p 17 of the report:

"It is considered more effective and efficient to enable logical and practical precinct boundaries, acknowledging the existence of a small number of outliers in some areas."

52. There is very limited further explanation within the section 42A report as to how realigning the proposed boundaries to enable a more “logical and practical” approach is more effective or efficient in terms of s 32, or outweighs the costs of further restricting intensification.
53. HUD cannot see how further extending the character precincts by 58% can be justified in terms of s 77L, in circumstances where the existing extent of the proposed Character Precincts is not supported by robust cost-benefit analysis. In the absence of that assessment, HUD is opposed to the proposed extension.

Relief sought by HUD

54. The relief sought in HUD’s submission sought that the Panel should fully consider the costs of the proposed restrictions and review the extent of the character areas in light of these costs and the requirements of section 77L of the RMA.
55. Consistent with the conclusion reached in HUD’s submission, and if that analysis is undertaken, it is HUD’s position that the areas to be covered by the proposed Character Precincts are likely to reduce in size, and are certainly unlikely to warrant extending further as the Council has proposed in its section 42A report.

Dated 24 March 2023

Benjamin Phillip Wauchop
Principal Policy Advisor, HUD