

**BEFORE INDEPENDENT HEARING COMMISSIONERS
AT WELLINGTON**

**I TE MAHERE Ā-ROHE I TŪTOHUA MŌ TE
TĀONE O TE WHANGANUI-A-TARA**

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the hearing of submissions on Te Mahere ā-Rohei
Tūtohua the Wellington City Proposed District Plan

HEARING TOPIC: Hearing Stream 4 – Centres

**STATEMENT OF PRIMARY EVIDENCE OF MICHAEL JOHN CULLEN ON
BEHALF OF KĀINGA ORA – HOMES AND COMMUNITIES**

(URBAN ECONOMICS)

10 June 2023

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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, Overview Report, and the Section 42A Reports for Hearing Stream 4 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 for Hearing Stream 4: Centres.
- 1.3 My evidence will address the following matters:
- (a) I support the Kāinga Ora submissions seeking to provide:
 - (i) Increased density in Centres and Mixed Use Zone (**MUZ**), with the inclusion of a new Town Centre Zone to reflect the different role, function and performance of some centres in Wellington City;
 - (ii) Miramar, Tawa and Newtown to be zoned as Town Centres, as these Centres have a higher role and function than Local Centres;
 - (iii) Spatial expansion of centres; and
 - (iv) Levels of integrated retail activity commensurate with the position of a centre in the Centres hierarchy.
 - (b) I consider that when centres exhibit specific functional and urban amenity characteristics that contribute to a well-functioning urban environment, this encourages the provision of additional intensification within and around these centres. This is the basis for my support for the Kāinga Ora submissions seeking to expand the range of centres to include Town Centres, along with density increases within and around centres.
 - (c) I further consider that commercial activity will need to compete with residential activity in centres, given that the Council's (appropriate) response to the NPS-UD is to enable extensive

additional residential development in centres. In my experience in Australia:

- (i) when residential intensification has been driven in centres (for all the right reasons), those centres have lost jobs. This has been the experience in Paramatta and Sydney CBD, with former office buildings converted to apartments;
- (ii) an additional problem is that the subject town / city will never get these spaces back, given unit or strata title ownership of individual apartments.

This reinforces the importance of Kāinga Ora submissions seeking centre expansions. Presently, the Council approach is to simply go up – not out with centre zones. The feasibility preference in Wellington will be to go up with residential – not office. I consider that this issue is not addressed in any of the Section 42A or 32 reports by Council and is a major error with respect to the city's economic capacity and prospects.

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 experience has been set out in the evidence filed on Hearing Topic Stream 1 – Strategic Direction for this PDP.
- 2.4 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) Section 32 evaluation report part 1 context to evaluation and strategic objectives section 9;¹
 - (ii) Our City Tomorrow: Spatial Plan for Wellington;²
 - (iii) “Retail & Market Assessment for Wellington City Council”; Colliers International & Sense Partners November 2020;³
 - (iv) “Wellington Regional Housing and Business Development Capacity Assessment” (HBA) May 2022;⁴
- (e) “Wellington City Commercially Feasible Residential Capacity Assessment, Property Economics Jun 2022;⁵
- (f) “Planning for Growth District Plan Review Issues and Options – Centres” WCC 2019 Report;⁶ and
- (g) Section 42A reports (Overview and Parts 1 to 6) for Hearing Stream 4, including the statement of evidence of Dr Kirdan Ross Lees.⁷

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/files/hearing-streams/01/section-32-evaluation-report-part-1-context-to-evaluation-and-strategic-objectives-section-9.pdf>.

² <https://experience.arcgis.com/experience/4da3420b9d7c4cc2a00f548ef5e881a1/page/Home/>. I note that the Spatial Plan predates the density requirements of the NPS UD.

³ <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/reports/supplementary-documents/retail-and-market-assessment-november->

⁴ <https://wrlc.org.nz/wp-content/uploads/2022/05/Housing-and-Business-Capacity-Assessment-Complete-Document-with-Appendices.pdf>.

⁵ <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>.

⁶ Wellington City Council; “Planning for Growth District Plan Review Issues and Options – Centres” 2019 Report.

⁷ <https://wellington.govt.nz/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/hearings-information/hearings-topics-and-schedule/hearing-stream-4>.

4. SCOPE OF EVIDENCE

4.1 My evidence will address the following matters:

- (a) Urban Economics in Planning for Centres;
- (b) Centre Hierarchies;
- (c) The Benefits of Intensification within Centres;
- (d) The Spatial Extent of Centres;
- (e) Integrated Retail Activity; and
- (f) The Section 42A Reports for Centre Zones (Overview and General Matters; Parts 1 to 6).

5. URBAN ECONOMICS IN PLANNING FOR CENTRES

5.1 The fundamental basis for urban economics in centres is mixed-use and intensity of use. Mixed-use in centres generally relates to the level of non-retail activity.

5.2 Demand aside, mixed-use in centres requires two factors for elevated economic performance:

- (a) An adaptable built form; and
- (b) An amenity-rich physical environment.

5.3 Intensity of use requires both factors above plus a vibrant urban environment (active streets). From an economic perspective, I narrowly define the meaning of the term “urban” in centres as “street-focused.” In other words, urban centres are centres where the primary movement of pedestrians between activities is along streets. The level to which people walk the streets between activities results in urban vibrancy or “active streets”.

5.4 A vibrant urban environment occurs when a centre's built and functional assets work well together. Elegant buildings in a fine grain, spatial intimacy and continuity are required to generate an amenity-rich urban environment, otherwise known as a “well-functioning urban environment”. Urban amenity is a pre-cursor to a well-functioning urban environment.

- 5.5 Activities that activate the ground floor of street-facing buildings (ie retail, food and beverage services and personal services) are fundamental to the evolution to mixed-use and intensity of use. However, ground-floor retail activities generate the lowest wages in the economy,⁸ so only providing for these activities is a poor economic model. Urban centres leverage these ground floor activities to create urban vibrancy aligned with a built form that accommodates other activities (mixed-use) such as outlined below in the evaluation of mixed-use and jobs density in Wellington centres.
- 5.6 Appropriate planning provisions should support centre growth whilst also promoting intensity of use. Providing for incremental urban expansions to centres on their edges adds support to the intensity of use in the centres' "core", due to the increase in the range of businesses and employees supporting the centre.

6. CENTRES HIERARCHY

- 6.1 The purpose of a Centres hierarchy is twofold:
- (a) Preserve catchments for each centre (ie not allow other centres to "cannibalise" catchments of other centres, thereby generating economic inefficiencies); and
 - (b) Recognise that centres have different roles and provide a competitive space for each centre to flourish.
- 6.2 Ideally, all centres should deliver the following outcomes:
- (a) Mixed-business use (not just retail);
 - (b) Urban amenity;
 - (c) A series of robust and adaptable (usually fine grain) buildings; and
 - (d) Centre-based living.
- 6.3 Outside of the City Centre, the Council proposes only three hierarchical centre definitions: Metropolitan, Local and Neighbourhood Centres. There are two Metropolitan Centres in Wellington. The majority of the other centres are Local Centres where some of the PDP zoned Local

⁸ StatsNZ; Earnings from main wage and salary job by industry Type (ANZSIC 2006) 2013-2022.

Centres exhibit employment and resources performances so diverse that I consider there is a need for another category – Town Centre.

- 6.4 The following section of my evidence outlines the reasons why I support the introduction of a Town Centre Zone into the PDP.

Introduction of a Town Centre Classification

- 6.5 Council's PDP approach dismisses the findings of two Council studies on centres, which recommended Tawa, Newtown and Miramar centres be classified as Town Centres.⁹

- 6.6 The Journey to Work and employment density and diversity data shown in **Table 1** of my evidence demonstrates that Tawa, Newtown and Miramar differ from Local Centres such as Linden or Ngaio. The Kāinga Ora proposed Town Centre zoning for these centres (Miramar and Newtown particularly) are street-focused (not malls) and offer more mixed-use potential than other Local Centres in Wellington. These three centres' characteristics are more reflective of a Town Centre than Local Centre, for the following reasons:

- (a) More commercial and community buildings (as shown in Mr Heale's evidence);
- (b) More diverse employment base (by ANZSIC);¹⁰
- (c) More jobs;
- (d) The Journey to Work data in **Table 1** below shows more extensive and extended travel patterns to these centres; and
- (e) A functional resource list for these centres also shows higher than average levels of community facilities in these centres (as shown in Mr Heale's evidence).

Jobs and Employment in Wellington City Centres

- 6.7 To assist with understanding the data and the basis for the Kāinga Ora submissions, I have used a methodology that I have previously developed for the analysis of centres hierarchies.

⁹ Colliers International & Sense Partners; "Retail & Market Assessment for Wellington City Council"; November 2020; WCC, "Planning for Growth District Plan Review Issues and Options – Centres" 2019 Report.
¹⁰ StatsNZ; Earnings from main wage and salary job by industry Type (ANZSIC 2006) 2013-2022.

- 6.8 In 2005, the Western Australia Planning Commission (**WAPC**) commissioned my firm (Urbacity) to analyse all centre hierarchies in Perth to review the efficacy of the hierarchical planning system related to employment. I have carried the methodology of this analysis to all centre reviews I have been involved in since.¹¹
- 6.9 The WAPC surveys showed that urban centres, irrespective of hierarchical position, generated more and higher paying jobs than centres higher in the hierarchy with a large shopping mall. Urban centres generated 2.6 non-retail jobs per 1 retail job, whereas shopping malls generated 0.5 non-retail jobs per 1 retail job.
- 6.10 These studies demonstrated that vibrancy initiates demand for other businesses and residents to want to be in the same place. I have applied a similar methodology to evaluate jobs performance, density and diversity of all Local and Metropolitan Centres in Wellington (see **Table 1** below).

Table 1 – Wellington Jobs by Centre Hierarchy & Areas (Source NZStats)

Centre by Hierarchy	Employment Category 2022				JTW		Zone Area	With Extn	
	Grocery	Food & Bev	Other	Total Jobs	Walking	Total	Ha	Ha	Jobs per Ha
Local									
Brooklyn	25	60	545	630	30	546	1.6835	1.6835	374.22
Churton Park	120	140	356	616	24	321	2.7572	2.7572	223.42
Crofton Downs	190	25	300	515	9	222	2.927	2.927	175.95
Hataitai	9	95	242	346	30	318	0.9559	0.9559	361.96
Island Bay	180	180	648	1,008	63	714	1.9579	1.9579	514.84
Karori	228	295	914	1,437	99	1,014	2.7793	13.3227	517.04
Kelburn	40	35	202	277	42	255	0.4483	0.4483	617.89
Khandallah	150	270	341	761	75	480	1.4670	1.4670	518.75
Linden	0	35	170	205	0	201	1.3836	1.3836	148.16
Newlands	120	45	324	489	36	288	1.7066	1.7066	286.53
Total Local Centre Jobs				6,284			18.0663	28.6097	347.83
Average Jobs Per Local Centre				628					
Town									
Miramar	260	155	660	1,075	147	1,524	2.3332	5.5810	460.74
Newtown	490	385	8,777	9,652	855	3,891	6.1829	8.4159	1,561.08
Tawa	320	180	1,518	2,018	99	984	4.2930	6.4598	470.07
Total Town Centre Jobs				12,745			12.8091	20.4567	995.00
Average Jobs Per Town Centre				4,248					
Metropolitan									
Johnsonville	450	510	1,483	2,443	165	1,557	13.7109	21.2622	178.18
Kilbirnie	550	180	1,706	2,436	207	1,806	10.3061	12.5778	236.36
Total Metropolitan Centre Jobs				4,879			24.0170	33.8400	203.15
Average Jobs per Metro Centre				2,440					
City									
Wellington	4980	6320	110,316	121,616	14,793	106,823	150.1554	150.1554	809.93

¹¹ The analysis covered all centre and associated jobs by ANZSIC and assigned each of the 63 centres (excluding the CBD) into three built-form categories; Traditional Town Centre, Mall-Dominated Town Centre and Shopping Centre.

- 6.11 As shown by the **Table 1** data, a centre's walkable condition (which is a clear indicator for vibrancy) is a precursor to the amount, diversity and economic value of jobs in a centre.
- 6.12 Local Centres average 347 jobs per ha of centre zone, proposed Town Centres (Tawa, Miramar and Newtown) average 995 and Metropolitan Centres 203 jobs for the same comparable area. When the hospital employment is removed, the Newtown average jobs density drops to 610/ha, and the proposed Town Centres average drops to 535/ha, which is still much higher than the existing Metropolitan centres.
- 6.13 If the same per hectare jobs density is applied to the proposed increase in the spatial extent of the centre zone areas for Local Centres (excluding the Kāinga Ora proposed Town Centres), the result requires a total additional 66,000 m² of employment-capable space across these centres (an average of 6,600 m² per centre). I would not expect the same density to occur over the period of the forecast, but simply wish to make the point that such additional capacity delivers meaningful economic and sustainability benefits. The Section 42A report seems to see expansions in economic capacity within centres as a problem, but provides no evidence as to why.
- 6.14 **Table 1** above shows that Newtown performs better than the Johnsonville and Kilbirnie Metropolitan centres. When employment is overlaid across these centres¹² (Johnsonville 2,400 jobs, Kilbirnie 2,400 jobs):
- (a) Newtown has 9,700 jobs;
 - (b) Miramar has 1,500 jobs (excluding the workshops in the north that further contribute to the centre); and
 - (c) Tawa has 2,000 jobs.
- 6.15 The retail to non-retail ratio demonstrates the number of non-retail jobs generated per retail job. The average retail-to-non retail ratio is 2.6 jobs in urban centres (excluding CBDs) across over 100 centres in Australia and New Zealand. When the ratio is applied in Wellington:
- (a) Local Centres generate 1.8 non-retail jobs per retail job; and

¹² NZStats; Geographic Units by Industry and Statistical Area 2000-2022.

- (b) Metropolitan centres generate 1.9 non-retail jobs per retail job.
- 6.16 In comparison, the three Town Centres proposed by Kāinga Ora combined generate an average of 6 non-retail jobs per retail job. However, the ratios for the three Town Centres is skewed because of the hospital in Newtown. If all hospital and associated employment is removed, the Town Centres ratio drops to 2.2 non-retail jobs per retail job. However, even with the hospital employment figures removed, Newtown still has higher employment ratios than the Metropolitan Centres, indicating a higher economic output per employee.
- 6.17 Scoring centres such as Newtown, Tawa and Miramar as if they are the same as other Local Centres such as Linden is counter-productive and unnecessarily reduces the dwelling yield around these centres (assuming Council continues to apply Local Centre equivalent dwelling yield overlays).

Centre Qualities and Density

- 6.18 Research I have been involved in over the past approximately 20 years shows that physically attractive centres attract more jobs. Such centres are also attractive to greater housing density, from a market (not hierarchy) perspective.
- 6.19 When functional and urban amenity qualities in Local Centres are high, this tends to push Food and Beverage Services employment above that of Grocery. These are places where people enjoy being – rather than somewhere they have to be. Centres with these qualities include:
- (a) Brooklyn;
 - (b) Hataitai; and
 - (c) Khandallah.
- 6.20 The jobs data for these centres correlate with the presence of elegant architecture, public realm quality and (likely, but not proven) increased levels of walking.

- 6.21 To indicate the relative importance and growing capacity of the Local and “Town Centres” we can compare the year 2000 jobs data for centres with the year 2022 jobs data.¹³
- 6.22 Local Centres (excluding the three proposed Town Centres) added 2,500 jobs and the proposed Town Centres 4,000 jobs, (a cumulative 6,500 jobs). The two Metropolitan Centres added just 500 jobs over 22 years.
- 6.23 This highlights that the capacity for employment growth is strongest in Local and Town Centres – not in Metropolitan Centres. Indeed, the higher urban quality centres added 1,700 of the total 2,500 Local Centre jobs.
- 6.24 This confirms the WAPC study findings, which showed that urban qualities are meaningful in employment creation. While I consider that Island Bay and Karori are examples of quality urban centres that could fall into consideration as Town Centres, I consider that there is a need for these centres to further develop as employment generators before they would meet the levels identified in Newtown, Miramar or Tawa. This proposed category sits comfortably between Local Centres and Metropolitan and allows an easier intensity transition for these centres than a large jump to Metropolitan, which is the only transition possible under the Proposed Plan. I consider such a transition to be too great and therefore counter-productive (it will never happen). We want centres to grow in capacity along with commensurate increases in catchment via additional density provisions. Again, the Section 42A report approach appears to want to freeze all centres in time, with no allowance for economic growth.

Catchment Dynamics

- 6.25 I consider that growth will improve the performance of all centres. 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, more density than a centre’s current status provides is optimal in order to amplify the performance of a centre.

¹³ IBID.

6.26 Therefore, while I have highlighted that the existing Metropolitan Centre Zones (Johnsonville and Kilbirnie) are currently underperforming compared to the proposed Town Centres (Newtown, Miramar and Tawa), facilitating growth through increased density within these centres will encourage uptake of commercial opportunities. The same is true for those centres on the cusp of being suitable for upzoning to Town Centres – Island Bay and Karori – and I therefore support the Kāinga Ora submissions seeking increased density in and around these centres as well.

Conclusion on the inclusion of a Town Centre zone

6.27 There is a clear gap between the current economic performance of Metropolitan Centres and Local Centres in Wellington that justify a middle centre category, which I propose should be a Town Centre category. The key economic factors supporting Newtown, Miramar and Tawa being zoned as Town Centre are:

- (a) High average employment yields and employment diversity (significantly, a ratio of higher-paying jobs than Local Centres and Metropolitan Centres);
- (b) The fact that these centres have jobs as well as urban amenity and are therefore well suited to higher levels of intensification;
- (c) Numbers walking to work and the urban qualities of these centres (assists with the justification of catchment intensification and increased levels of walking); and
- (d) A wide range and scale of resources within each centre.

6.28 The proposed Town Centres are generally spatially larger than the other Local Centres, but smaller than the Metropolitan Centres, and the Kāinga Ora proposed spatial extensions reinforce these differences.

6.29 An erroneous assumption is implied in the PDP that the hierarchy should remain as is, forever. Therefore, Local Centres should never grow in the order (despite increasing catchments) and become Town Centres. The basis of the assumption is role suppression, which is the opposite of the need for economic growth and contrary to the intent of the NPS-UD.

- 6.30 If the Tawa, Newtown and Miramar centres were to grow, the only growth category available to Local Centres is the Metropolitan Centre category under the PDP Centres hierarchy. I consider the change between a Local Centre to a Metropolitan Centre to be too significant, particularly for a city like Wellington. While the Council could instigate a plan change to introduce a new Town Centre zone, this would take significant time and expense, would not promote growth and increased density, and is unnecessary given three centres are already functioning as that type of Centre. It also risks missing development opportunities.
- 6.31 Journey to Work data shows meaningful differences between walking to Local Centres and proposed Town Centres, comparable to the Metropolitan Centres (which we would expect to be higher than shown).
- 6.32 The urban qualities of Miramar and Newtown and their employment performance are such that they will be attractive to the market for higher levels of residential intensification than almost all other Local Centres. I consider it appropriate that the zone density provisions should support this outcome, rather than restrict it by applying a lower-density overlay as if these centres are not worthy of market appeal.
- 6.33 This includes taking a more liberal rather than restrictive view of centres and their edges, as highlighted in Kāinga Ora submissions. I consider it appropriate for the PDP to seek to increase the economic capacity of all centres, not restrict business growth.

7. SPATIAL EXTENT OF CENTRES

- 7.1 Kāinga Ora submissions align with the NPS-UD-inspired growth around centres, improving centres' performance across Wellington and generating demand for more centre-zoned land. I support this position.
- 7.2 A key objective is for centres to deliver as many goods and services as possible for optimum sustainability. Providing for such centres increases local interaction and recognition (reduces social isolation) and reduces the need for travel.
- 7.3 Prior to the PDP, Council recognised an issue concerning the amount of business land in its Operative District Plan.¹⁴ It identified problems with loss of business land to retail and residential uses and the difficulty for

¹⁴ Wellington City Operative District Plan 33 Business Areas 33.1 Introduction para 3.

small and medium businesses to “*find land and premises within the city boundaries.*” As far as I can tell there is no Council data or evidence that suggests this issue has been resolved.

- 7.4 Ideally, centres need to offer a range of business settings at a range of price points. This is the primary basis for the proposed extensions. Existing retail assets (for instance) will likely remain where they are and trade better with more populous catchments.
- 7.5 Assuming 1.5 jobs per household, we must find jobs for 47,000 people in Wellington over the next 30 years – many of these will be in centres.¹⁵
- 7.6 The City’s Regional Housing and Business Development Capacity (HBA)¹⁶ only provides infill and redevelopment opportunities for Business Land availability for the next 30 years. It does not consider appropriately located incremental zone extensions. The HBA does not explain why incremental zone extensions were not considered.
- 7.7 An increase in growth demands an increase in jobs in centres. Despite this, the PDP offers no centre expansions. The NPS-UD encourages a philosophy of “up and out” in relation to growth. The PDP in relation to business growth is “up” only.
- 7.8 The Section 32 Evaluation Report for Hearing Stream 1¹⁷ at paragraph 9.1.8 in relation to Urban Form and Development (UFD-01 to UFD-07) also canvasses the need to provide for more employment over the next 30 years. Given the level of growth, it should be clear that centres should be able to grow, not just up, but out. Building up increases costs, reduces the range of settings and limits the kinds of businesses to those that wish to be above ground floor (a narrow focus). It will be new space and expensive.
- 7.9 The Kāinga Ora submissions for the extensions encourage relatively low-entry-cost for people (often in these centre catchments) to establish their business within a centre at a relatively low rent.
- 7.10 The edges of centres offer these opportunities and act as incubator spaces for businesses that cannot afford high rents or do not wish to locate in a centre’s “core”. Shopping malls do not have such spaces, as

¹⁵ Wellington Regional Housing and Business Land Development Capacity 2019.

¹⁶ Wellington Regional Housing and Business Land Development Capacity 2019 .

¹⁷ Section 32 evaluation report part 1 context to evaluation and strategic objectives section 9.

their capital value relies on the presence of “strong” national chains – not new or emerging businesses. However, these businesses are a standard part of the economic composition of **urban** centres.

7.11 The Kāinga Ora proposed extensions more accurately reflect Policy 1(b) of the NPS-UD, which states; “*urban environments that, as a minimum, have or enable a variety of sites that are suitable for **different business sectors in terms of location and site size***” (My emphasis in bold)

7.12 To summarise, the basis for the extensions is to:

- (a) provide a broader range of settings within an extended centre zone at relatively low price points and thereby grow centre capacity (Policy 1 NPS-UD);
- (b) encourage new and emerging businesses to attach to centres at relatively low entry costs (Policy 1 NPS-UD);
- (c) recognise that centre catchments will grow significantly due to intensification within catchments and therefore, incremental expansion is warranted (Council’s Operative Plan);
- (d) address some difficult land-use transitions (such as single-family homes adjacent to industrial uses in places like Kilbirnie and Miramar); and
- (e) address the expressed Council concerns about the lack of suitable centre space for small businesses (Council’s HBA and Operative Plan).

Zone Extensions in Karori

7.13 Karori exhibits three critical characteristics that encourages additional economic capacity and density, requiring zone extensions.

- (a) Generally flat within the walkable catchment;
- (b) A deformed grid that mostly directly feeds Karori Road; and
- (c) Two “pulse points” that are close to each other.

7.14 I consider that Karori has potential to grow its business base and reduce levels of travel out of the centre.

- 7.15 I consider that even with an extended and linear business zone, existing land use patterns and helpful topography will condense the form of Karori to a series of pulse points.
- 7.16 The basic premise is to allow, if not encourage, business growth and residential density within the zone.
- 7.17 In summary, I support the Kāinga Ora submissions relating to centre extensions in Karori. However, I do not consider that these fringe extensions are most likely to be retail. Indeed, I consider most will be non-retail business and services and will support the existing zones and businesses.

8. THE BENEFITS OF INTENSIFICATION WITHIN CENTRES

- 8.1 The benefits of intensification in centres are relatively clear and obvious. They include:
- (a) Increased immediate catchment size and expenditure potential with revenue benefits to local centre businesses;
 - (b) Increased levels of walking to secure the things of everyday life;
 - (c) A broader activity cycle for centres (living in centres switches on demand for food and beverage services, especially in the evenings); and therefore;
 - (d) More cafes, restaurants, pubs and clubs;
 - (e) Increased demand for creative arts (theatres, galleries etc);
 - (f) Easier access to higher education;
 - (g) Improved public transport access; and
 - (h) Greater safety in centres, especially in the evenings, with more eyes on the streets.
- 8.2 The Kāinga Ora submissions seek increased density and, therefore, more significant benefits for centres due to increased catchment populations and more efficient finite resource use.
- 8.3 For Hearing Stream 2, I estimated that the effects of increased density levels as suggested by Kāinga Ora would be around 20% more density than that of the proposed PDP. Every new household will add over

\$30,000 to the retail spend, most of which will be spent in the centre in which they live. Similarly, employment is a major feature of urban centres, and most centres are well connected to the major employment nodes across the city by public transport.

- 8.4 This goes to the “more is better” approach in economic terms when we’re seeking to improve the performance of centres and reducing the need for travel – especially by private motor car.
- 8.5 Increasing the size of a centre’s proximate catchment is the most effective means of creating the demand for more resources in centres and improving the performance of existing centre assets.
- 8.6 Further, I note that because the underlying value of housing is higher than commercial uses such as office space, over time housing has been added to centres through the conversion of office buildings to residential uses. In my experience, this has been happening since the 1980s and continues today. Due to unit title arrangements, it is near impossible for a commercial building converted to residential uses to revert back to commercial uses.
- 8.7 In my view, Council’s PDP approach of building up but not out will likely see a loss of jobs from centres due to the continual conversion of potential commercial space to residential uses. This reinforces the Kāinga Ora submissions of why it is necessary to build out, as well as up, in Centre Zones.

9. INTEGRATED RETAIL ACTIVITY

- 9.1 The Section 42A reporting planner proposes the following Integrated Retail Activity thresholds:
 - (a) Metropolitan Centre Zone: unlimited;
 - (b) Local Centre Zone: 20,000m²; and
 - (c) Neighbourhood Centre Zone: 10,000m².¹⁸
- 9.2 I note that these thresholds differ from the limits notified in the PDP, with the Section 42A reporting planner accepting the recommendation of

¹⁸ Section 42A reports (Overview and Parts 1 to 6) for Hearing Stream 4.

Dr Lees¹⁹ to remove a maximum threshold in the Metropolitan Centre Zone.

- 9.3 Despite the change by the reporting officer in the section 42A report, I do not understand the basis for the proposed thresholds and am concerned that it does not have a filter applied to it. In line with Dr Lees, I consider the Council needs to provide quantifying costs and benefits to determine the appropriateness of the proposed thresholds²⁰. For example, while a 20,000m² GFA may be appropriate in Johnsonville, it will likely create a major problem for most Local and Neighbourhood Centres by ruining the urban amenity of each and reducing employment diversity.
- 9.4 I consider that relying on an inappropriate threshold level has the potential to undermine the urban qualities of most Wellington centres. I consider that there are better ways to manage such activity, including design controls that establish public realm quality as an economic factor in centre status and performance (see **Table 1** above).

10. COUNCIL'S SECTION 32 AND SECTION 42A REPORTS

Section 32 Evaluation Report Part 2: Centres, Commercial, Mixed Use and Industrial Zones

- 10.1 My consideration of this report does not cover industrial activities.
- 10.2 I note that many, if not all, of the technical assessments²¹ were undertaken prior to the release of the NPS-UD, and therefore, to an extent, would likely have different approaches if aware of the obligations of the NPS-UD.
- 10.3 The Wellington Outer Suburbs Assessment and Evaluation 2020 undertaken by Beca and Studio Pacific, identified Tawa, Johnsonville, Khandallah, Kelburn, Hataitai and Island Bay as "*preferred areas for medium density*". The last four of these have urban qualities that will be inspirers of density.
- 10.4 The Section 32 Report proposes adoption of a centres hierarchy, with associated definitions, that aligns with National Planning Standards, as follows: Metropolitan, Local and Neighbourhood Centres. The Section 32

¹⁹ Statement of evidence of Dr Kirdan Ross Lees, para 50.

²⁰ IBID Paragraphs 46,50

²¹ Section 32 Evaluation Report Part 2 Centres, Commercial, Mixed Use and Industrial Zones, section 5.0

Report's summary of consultation confirms support for the general approach to a centre hierarchy.

10.5 The centre zones in the NPS are:

- (a) Neighbourhood;
- (b) Local;
- (c) Commercial;
- (d) Mixed Use;
- (e) Town centre
- (f) Metropolitan centre; and
- (g) City centre.

10.6 The Section 32 Report uses all NPS standard definitions except "Town centre." There is no justification in the Section 32 Report for its omission, other than for reasons relating to the provision of a 'simplified' hierarchy. I consider that this results in a less responsive hierarchy, which I consider to be more important than simplification. In removing a category, we lose capacity and a transition point for centre growth. This simplified approach also appears to be a selective use of the Standards. It is noted that Chapter 6 of the Operative District Plan establishes the existing centres hierarchy and includes "Town Centres". The PDP seeks to remove it.

Section 42 Report

10.7 The Section 42A report states²² "*It is noted that the Sense Partners Report recommends that a TCZ is included in the PDP centres hierarchy and that Karori, Miramar, Tawa, Khandallah, Kelburn, Linden and Newlands should be zoned TCZ. Notably, this report also recommends that Newtown be zoned MCZ, particularly if their other suggestion to combine Newtown with Adelaide Road is adopted. In his statement of evidence for Hearing Stream 4, Dr Lees clarifies where each of these centres should sit in the zone hierarchy, given that no TCZ is proposed.*"²³

10.8 Dr Lees does not provide an economic basis to support the removal of the Town Centre Zone classification. I note his evidence is contrary to his

²² Section 42A Report Part 1: Overview and General Matters, 26 May 2023, Page 28.

²³ See in section 3.2 of Dr Lee's evidence dated 24 May 2023.

firm's position in the Sense Partners Report provided as part of the Section 32A Report.

- 10.9 As outlined earlier in my evidence, there are clear economic factors that demonstrate that there is a case for upzoning Miramar and Tawa. While I note the Sense Partners Report proposed Newtown be zoned as a Metropolitan Centre,²⁴ and the economic data outlined in my evidence demonstrate that this could be supported, I support the Kāinga Ora submission that states that on balance of planning, economic and urban design factors, Newtown would be best placed as a Town Centre Zone in the Centres Hierarchy.
- 10.10 In urban economics, the greatest possible opportunities for businesses to setup in and around centres is sought. The Section 42A Report²⁵ recognises the different characteristics of some centres (such as Newtown) and offers a more expansive approach to density, but does not see any nexus between density and the need for a centre to grow (or increase in status) to match the additional needs created by such density.

11. CONCLUSION

- 11.1 As stated in my evidence for the Hearing Stream 1, the Government regards density as a good thing. From an economic viewpoint, density associated with centres adds spending capacity and will improve centre performance. In other words, density is a good thing for centres.
- 11.2 Indeed, the entire NPS-UD makes the nexus between the locations of density and centres. It seeks to put density where it is most useful and achieve "at least" the densities within the NPS-UD commensurate with centre status. It is my opinion that by selectively removing the Town Centre Zone category, Council is selectively reducing its density obligation and in doing so reduces the potential for a greater level of intensity and economic growth to be enabled in these catchments.
- 11.3 The Council approach is to deny these benefits to these potential Town Centres, without any economic or social basis for doing so. Neither the Section 32 Report or the Section 42A Reports offer any economic comparison of the economic or social effects of excluding or including a Town Centre Zone.

²⁴ <https://wellington.govt.nz/-/media/your-council/plans-policies-and-bylaws/district-plan/proposed-district-plan/reports/supplementary-documents/retail-and-market-assessment-november->

²⁵ Section 42A reports (Overview and Parts 1 to 6) for Hearing Stream 4.

- 11.4 The Section 32 Report and the Section 42A Report do not consider the competitive relationship between housing density and loss of employment in centres. Some of the terms used in these reports tend to bias centre activity toward retail. It is easy to put retail on the ground floors of future apartment buildings, but where do the more valuable jobs go and what will be the effect of residential density converting former employment space into living space? My experience shows that the centre will lose jobs. Neither report deals with this issue.
- 11.5 The Kāinga Ora submissions at least realise that adding a city the size of New Plymouth or Rotorua to Wellington over the next 20-30 years will require more business space in centres.
- 11.6 The PDP is silent on this issue and over-emphasises retail activity.
- 11.7 In conclusion, I am of the opinion that the amendments sought by Kāinga Ora are appropriate.

Michael Cullen

12 June 2023