

**Before Independent Hearing Commissioners appointed by Wellington  
City Council**

In the matter of the Resource Management Act 1991 (**RMA**)

and

In the matter of hearing of submissions on the Proposed Wellington City District  
Plan

Between

**Precinct Properties New Zealand Limited**

and

**Wellington City Council**

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Statement of corporate evidence of Kevin Pugh on behalf of  
Precinct Properties New Zealand Limited (submitter 139)

Hearing Stream 4

Dated 12 June 2023

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## MAY IT PLEASE THE COMMISSIONERS

### INTRODUCTION

1. My name is Kevin John Pugh.
2. I hold a Bachelor of Business Studies degree from Massey University majoring in Valuation and Property Management.
3. I currently hold the position of Head of Wellington at Precinct Properties New Zealand Limited (**Precinct**) and I have been in this position since 2015.
4. My previous work experience includes working for AMP Capital Investors and the former NZX listed Capital Properties in property and asset management roles whereby I have been involved in a wide range of leasing, development and divestment transactions.
5. I provide this evidence in support of Precinct's submission on the Proposed Wellington District Plan (**Proposed Plan**). This statement relates to the City Centre zone (**CCZ**) Chapter of the Proposed Plan.

### SCOPE

6. My evidence will address the following matters:
  - (a) Background to Precinct, and its Wellington City Centre properties;
  - (b) It is important that the Proposed Plan enables development in Wellington City Centre;
  - (c) Certainty and timing are key to development;
  - (d) Unlimited building heights are therefore appropriate in the CCZ; and
  - (e) The rules and standards in the CCZ should provide flexibility to meet functional requirements without triggering consent.
7. In preparing my evidence, I have reviewed:
  - (a) The CCZ chapter and the city outcomes contributions in the Proposed Plan;

- (b) the statement of planning evidence of Joe Jeffries on the CCZ; and
- (c) the statement of urban design evidence of Cameron Wallace on the CCZ.

## **BACKGROUND TO PRECINCT, AND ITS WELLINGTON CITY CENTRE PROPERTIES**

8. To provide some context, NZX listed Precinct is the largest owner and developer of premium inner-city real estate in Auckland and Wellington. Precinct's business model is designed to generate, and regenerate, sustainable value.
9. Precinct currently has a portfolio of commercial buildings in the Wellington CBD, which total 158,000m<sup>2</sup> in size and are valued in excess of \$1.1 billion. Precinct's portfolio is occupied by the New Zealand government and corporate offices, retail businesses and associated hospitality operations. Precinct also owns Generator New Zealand Limited, which owns flexible working spaces in Auckland and Wellington.
10. Precinct's Wellington interests are listed below:
  - (a) NTT Tower (157 Lambton Quay);
  - (b) Aon Centre (1 Willis Street);
  - (c) 30 Waring Taylor Street;
  - (d) No. 1 The Terrace;
  - (e) Mayfair House (54 The Terrace);
  - (f) Charles Fergusson Building (34 Bowen St);
  - (g) Defence House (38 Bowen St);
  - (h) Freyberg Building (20 Aitken Street);
  - (i) 1 Bowen Street;
  - (j) 40 Bowen Street; and

(k) 44 Bowen Street.

11. Precinct manages its portfolio with a high level of performance excellence and careful planning for each phase of market cycles. This includes investing in upgrading its existing buildings to maximise their highest and best use and acquiring new buildings to meet market demand and opportunity. Having rules in the Proposed Plan that enable new buildings and additions to existing buildings are critical.

**IT IS IMPORTANT THAT THE PROPOSED PLAN ENABLES DEVELOPMENT IN WELLINGTON CITY CENTRE**

12. With over 25 years commercial property experience in both Wellington and Auckland, I lead Precinct's Wellington property team with the overall responsibility for the financial and operational performance of Precinct's Wellington assets.
13. In my view, the geography of Wellington plays a big part in the development potential of land. The national push for intensification of cities needs to be considered in Wellington in light of the constrained geography. The surrounding hills mean Wellington is not a city that can sprawl, and it must be a city that grows upward.
14. Additional constraints on development in Wellington are the seismic and other natural hazard risks that affect the City Centre. Property owners in the City Centre are investing in adapting to these risks and providing seismic and sustainability resilience measures. These measures are important to protect the CBD and assets within in it, but these measures also come with cost.
15. This then impacts on the feasibility of a project. To cover the additional construction costs, developments need to provide more rental space for a greater return. There are also increased operational costs to address these risks, in addition to rates and insurance which are continuing to increase.
16. These factors already need to be managed when considering investing in Wellington, and so it is important that the Proposed Plan does not unnecessarily restrain development. Investment in Wellington is also inevitably measured against investment in other cities – and if it is easier,

more efficient, and has a greater return to invest somewhere else, that is what will happen.

17. Wellington CBD needs to be a market that people want to own land and develop in, so there needs to be flexibility to build and rebuild. I suggest the Hearings Panel keep this in mind when considering Precinct and other submitters' comments on feasibility and amendments sought to the Proposed Plan.

### **CERTAINTY AND TIMING ARE KEY TO DEVELOPMENT**

18. Timing is important to property development, and in my experience developers try to develop in a time efficient way as possible. This is because completion of development needs to be timed with demand in the market. Speculative building in Wellington is rare, especially for office space.
19. To generalise, an office development takes approximately three to three and a half years from concept to completion. This takes into account a 12-18 month detailed design period, and 24-26 month build period. If a development needs a resource consent, and it is notified, this can add up to 18 months – or longer. If a consent process takes this long development timelines can be pushed out to four or five years, and sometimes with no certainty that they will proceed as planned.
20. This means that most developments in the City Centre are designed to be as compliant as possible with the confines of district plan provisions, even though a better design outcome or more efficient use of the site may be available through the consenting process. This includes trying to avoid any triggers for resource consent that might lead to notification or other uncertainty or delay.
21. For example, Precinct has recently redeveloped buildings at 34 and 38 Bowen Street. Precinct bought the buildings in 2013 and utilised the existing structures to fully refurbish and upgrade the buildings, including new building services and exterior façades.
22. Further Precinct obtained an additional floor on 44 Bowen St. This exceeded the permitted 27m height limit – and the additional floor delivered approximately an additional 1,500m<sup>2</sup> gross floor area. I expect there would

be demand to build higher at this property, but in the interests of speed and certainty the focus was to develop within the rules.

23. Prescriptive rules and standards are not helpful. Therefore it is important that the rules and standards in the Proposed Plan enable an appropriate level of development as of right, rather than imposing unnecessary triggers for consent – that in practice, developers will need to work within.

#### **UNLIMITED BUILDING HEIGHTS ARE APPROPRIATE IN THE CCZ**

24. Precinct's submission sought unlimited building heights in the CCZ (CCZ-S1). I consider that unlimited buildings heights are appropriate in the CCZ to make Wellington CBD both a market that people want to own land, and an area which has enough flexibility to make high-quality development of land feasible.
25. Height equals value in the development of office and commercial buildings. The lower the potential building height, the tighter the economics on feasibility. Additional building height provides additional lettable area and also an uplift in value of the lettable area (as higher levels can demand premium rents) and therefore overall value.
26. Maximising the development potential of a site enables buildings that are high quality, enduring and sustainable because it becomes feasible to invest in amenities and what tenants really want.
27. Since buildings are generally designed to comply with permitted height standards to the extent possible, I agree that it is appropriate to avoid this constraint in the Wellington City Centre.
28. I understand that all new buildings and additions to existing buildings will still require resource consent under the Proposed Plan. This gives the Council officers control of new developments. Height should not be an additional trigger for consent.

**THE RULES AND STANDARDS IN THE CCZ SHOULD PROVIDE FLEXIBILITY TO MEET FUNCTIONAL REQUIREMENTS WITHOUT TRIGGERING CONSENT**

29. Precinct's submission also sought a number of amendments to the provisions in the CCZ to provide more flexibility for developments in the City Centre. These include:
- (a) Deleting the city outcomes contributions (CCZ-P11);
  - (b) Removing mandatory notification of at-grade carparks and changing the activity status to restricted discretionary (CCZ-R14);
  - (c) Refining the matters for alterations and additions and construction of buildings and structures (CCZ-R19 and CCZ-R20);
  - (d) Deleting the minimum ground floor height (CCZ-S5);
  - (e) Reducing the requirement for sites to be built up to the full width of a street boundary (CCZ-S8); and
  - (f) Deleting the maximum constraint on building depth (CCZ-S12).
30. Amenity and street presence are important to any development, and developers aim to maximise the potential of the site and provide what is needed from a functional perspective. However, flexibility is needed to ensure that the Proposed Plan enables the best outcome to be achieved for any given site, without triggering an unnecessary consent requirement.
31. I consider the changes sought by Precinct provide an appropriate balance of flexibility of development while still resulting in good quality, functional buildings that meet the needs of occupants and the public. This may include providing appropriate lobby heights, constructing the necessary access for occupants such as carparks and truck docks, and adding specific security measures. The provisions as notified in the Proposed Plan which restrict at-grade carparking, ground floor height requirements and active frontages may constrain Precinct from having the freedom to provide these amenities without triggering consent requirements – and therefore a trade-off occurs – and often they are foregone to avoid another consent trigger.

32. On the other hand, the city outcomes contributions provisions similarly may constraint Precinct from having the freedom to provide the amenities that meet the needs of tenants and the public. I understand that these are now proposed to be linked to a height threshold, and above this threshold that they are required. I think this approach is at odds with removing the height limits and the benefits that come from enabling taller buildings in the City Centre. The matters and points system are not practical, could be applied subjectively, and take away the certainty that additional height is enabled.
33. These are just a few examples, and Mr Jeffries will address others in his planning statement. We want to invest in buildings and cities that contribute to the life of a city and be places where people and businesses can thrive. We also need certainty that developments can proceed on time, and with the ability to meet the needs of occupants. It is important that the Proposed Plan provides flexibility to achieve these outcomes and ensure that Wellington continues to be attractive to investment.

#### **CONCLUSION**

34. For the reasons provided above, I seek that the Hearing Panel grant the relief sought by Precinct in relation to the CCZ.

**DATED** at Wellington this 12 June 2023

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**Kevin Pugh**