

**BEFORE INDEPENDENT HEARING COMMISSIONERS
IN CHRISTCHURCH**

TE MAHERE Ā-ROHE I TŪTOHUA MŌ TE TĀONE O ŌTAUTAHI

IN THE MATTER of the Resource Management Act 1991 (RMA)

AND

IN THE MATTER of the hearing of submissions on Plan Change 14
(Housing and Business Choice) to the Christchurch
District Plan

**SUMMARY STATEMENT OF HAYDEN DOODY ON BEHALF OF
CAMBRIDGE 137 LIMITED
HISTORIC HERITAGE
12 APRIL 2024**

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Summary Statement

- 1 My name is Hayden Doody. My qualifications, experience and confirmation I will comply with the Code of Conduct for Expert Witnesses are set out in my Evidence in Chief dated 20 September 2023 and I do not repeat those here.
- 2 I have prepared evidence on behalf of Cambridge 137 Limited (**Cambridge 137**) providing valuations based on a range of development options for the Harley Chambers building with reference to reinstatement and replacement option cost estimates prepared by Mr Keeley Pomeroy of AECOM in respect of Cambridge 137's submission seeking Harley Chambers be removed from Appendix 9.3.7.2 Schedule of Significant Historic Heritage of the Christchurch District Plan.
- 3 In preparing my evidence I have completed an external inspection of the property. However, given the state of the building, I have not completed an internal inspection. This is an unavoidable departure from International Valuation Standards. Where I was unable to independently verify matters of fact such as the rentable floor area of the existing building, my valuation conclusions rely on data supplied to us and my own investigations. I would point out that the scope of my evidence largely refers to the property following repairs and therefore the lack of an internal inspection is of little consequence to my conclusions.
- 4 I have been requested to establish the amount that can be paid for the property in its existing state (value 'as is'). I would point out, however, that this is complicated by a damaged building with a heritage listing remaining on the land. Given the heritage listing, and there being restrictions on alteration and demolition of heritage buildings under the Christchurch District Plan, the client has obtained costings for a number of scenarios from AECOM to remediate and seismically strengthen the building.
- 5 In my evidence, I have addressed the marketability and realistic value of the Harley Chambers Building in light of the five reinstatement and replacement options considered for the development of the Building and outlined in Mr Pomeroy's summary.
- 6 I have prepared a valuation and consultancy report in relation to each of these options.

- 7 In order to assess the values 'as is' based on the AECOM costings, I have adopted the 'Residual Approach' to value. The 'Residual Approach' requires that I first assess value on an 'as if complete' basis, assuming the works have been completed, and then deduct estimated costs to complete the works, together with an allowance for 'profit & risk' to compensate the purchaser an entrepreneurial return on investment. This approach reflects the process a prudent and informed purchaser would consider when pricing the asset.
- 8 To establish Market Value 'as if complete', I have utilised the Income Approach to value. The Income Approach is predicated on the conversion of net actual or market income, which either is, or could be, generated by an owner of the interest, to value. This method encompasses the conversion of net income (actual, market or notional) to value via the application of a capitalisation rate or yield (investment return). The two main variables, namely income and yield, are analysed from available rental and sales evidence; a range of rental and sales evidence considered in completing my valuations is outlined in my valuation & consultancy report. This is the principal method purchasers adopt for pricing an asset such as this property.
- 9 The concluded valuations for the property based on the Reinstatement and Replacement Options prepared by AECOM are summarised below, with full rationale detailed in my valuation report:

Option	1A - 34% Strengthen + Repair	1B - 67% Strengthen + Repair	1C - 100% Strengthen + Repair	2A - Façade + New Build	2B - New Open Plan Build
Value 'as if complete'	N/A	13,225,000	13,460,000	13,825,000	15,860,000

Table 1. Summary of values 'as if complete' from the various options based on costings established by AECOM.

- 10 Option 1A: Building Reinstatement & Strengthening (34% NBS) is not a realistic scenario to undertake given the leasing and investment markets would not accept a building of this nature at 34% NBS. As such, I have adopted a valuation scenario whereby a developer would seek to remove the heritage listing. I have established a value of \$3,335,000 via this method.
- 11 The concluded valuations 'as is' have been derived using the cost estimates for the reinstatement and replacement options prepared by Mr Keeley Pomeroy of AECOM as follows in Table 2.

Option	1A - 34% Strengthen + Repair	1B - 67% Strengthen + Repair	1C - 100% Strengthen + Repair	2A - Façade + New Build	2B - New Open Plan Build
AECOM costings	19,380,000	25,400,000	27,830,000	20,850,000	13,630,000

Table 2 – AECOM costings

- 12 The 'as is' valuations are summarised below in Table 3. It should be noted that these figures are not simply derived by subtracting the costs from the 'as if complete' valuations in Table 1. As is detailed in my report the residual value figures also include an allowance for the profit and risk on outlay.

Option	1A - 34% Strengthen + Repair	1B - 67% Strengthen + Repair	1C - 100% Strengthen + Repair	2A - Façade + New Build	2B - New Open Plan Build
Residual value/value 'as is'	N/A	(14,715,000)	(16,955,000)	(9,795,000)	(340,000)

Table 3. Summary of Residual values from the various options based on costings established by AECOM.

- 13 As can be seen from Table 3, all scenarios are uneconomic from a commercial pragmatic feasibility perspective.
- 14 The disconnect between the costs of repairing and strengthening the existing improvements and the end value that is achievable is significant. The reason for the substantial variation is that the significant costs to undertake the works to repair a heritage listed asset are extraordinary and not reflective of a typical market development scenario where a contemporary building is constructed on a bare site. A significant loss would be incurred by any person undertaking the repair and strengthening programme.
- 15 Based on the costs to complete the various reinstatement and replacement options in this instance, and the scale of impairment, in my opinion no prudent and informed party would undertake the works.

Dated 12 April 2024



Hayden Doody