

**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

**AND**

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

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**STATEMENT OF PRIMARY EVIDENCE OF TIMOTHY JAMES HEATH ON  
BEHALF OF CHRISTCHURCH CITY COUNCIL**

**PROPERTY ECONOMICS**

Dated: 11 August 2023

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## EXECUTIVE SUMMARY

1. The heights across the suite of residential and commercial zones enabled under PC14 as recommended by Council represents a substantial increase to the development opportunity and capacity of both residential and commercial activity relative to the status quo provisions of the District Plan. These material increases would enable, and accommodate, a level of residential and commercial growth that is more than the demand requirement for those land uses in Christchurch and go well beyond the 30-year timeframe.
2. From an economic perspective zoning provisions are important tools in directing residential and commercial activity and development to achieve greater degrees of density, efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning impacts upon business fundamentals such as locational efficiency, competitiveness, and productivity.
3. Some of the potential economic benefits enabled by PC14's increased suite of heights include increased amenity of centres, increased agglomeration of activities and productivity gains, reduced marginal infrastructure costs on community infrastructure assets and increased land use efficiencies.
4. Christchurch central area (four avenues) has made a steady recovery in terms of employment since the earthquakes but it is not back to its pre-earthquake employment level yet. The City Centre Zone has almost 4,600 fewer employees in 2022 than in 2011 (pre-February earthquake), at the same time the wider Christchurch economy employment base grew 18%. As such in my view the City Centre is still in recovery.
5. For Christchurch to improve economic wellbeing and efficiency, it is fundamental that business locations, particularly the City Centre, are competitive, not just as a business environment but also a residential environment. As a highly influential competitive asset it is critical to the ongoing recovery of the City Centre (and wider Christchurch economy) as a whole that emphasis should be placed on generating appropriate activity within this principal centre.

6. High value-added employment as typically seen in City Centres requires high amenity, accessible locations exhibiting convenience to other services, agglomeration benefits and often high profiles. In terms of competitiveness, it is important to recognise that these larger businesses servicing larger national markets often have locational options in most major centres.
7. The situation experienced by Christchurch is unique in that commercial office activity has been unavoidably removed and relocated from the City Centre. For both the ongoing recovery and primacy of the City Centre it is considered necessary for PC14 to facilitate this relative competitiveness and continue with the existing office tenancy threshold provisions.
8. In order to achieve the economic benefits of a centralised city and facilitate the recovery of the City Centre it is considered necessary to continue with the existing limits on the basis of a hierarchy, with the City Centre and surrounds possessing the greatest development opportunity followed by the identified Large Town Centres. This hierarchy is based on the primacy of the City Centre in terms of its role and function. The City Centre fulfils a regional role providing a level of profile and potential agglomeration benefits that typically attract and sustain medium to large businesses.
9. In seeking to facilitate the recovery of the City Centre, businesses over 500sqm ground floor area (**GFA**) are crucial. Given that over 70% of medium to large commercial office businesses were once located in the City Centre there is a clear need for provisions that actively seek to redirect this activity into the City Centre.
10. Enabling office tenancies greater than 500sqm as a permitted activity outside the City Centre Zone is likely to have significant impacts on the competitive advantage afforded to the City Centre. In fact, the resulting decrease in competitive advantage on the Central City Zone is likely to result in a decrease in the Central City Zone's effective density, a disaggregation of office activity leading to lower central city value, decreasing the potential for development and improved quality, and negative impact on efficiency, agglomeration benefits and the viability of office development in the City Centre.
11. The continued economic development of the City Centre requires competitive changes to occur. It is now, more than ever, crucial that the

economic environment within the City Centre is as competitively and efficiently managed as possible. Business location and the consolidation of commercial activity is key in the creation of this environment.

12. A significant increase in building height would maximise these residential, commercial business and employment value generators and provide the most benefit from agglomeration and centralisation of such activities.
13. Some of the fundamental economic reasoning for supporting the 90m enabled height threshold in the City Centre Zone include:
  - (a) Relative competitiveness between the City Centre and other centres / zones. A key factor in relative competitiveness is enabled height of buildings;
  - (b) The marginal nature of feasible development at 60m within the City Centre and the inherent link between height and feasibility;
  - (c) Increased risk of flight if relative competitiveness of the City Centre is reduced. The potentially reduced ability for developers to build profitably within the City Centre has the potential to redirect that development to other less efficient locations;
  - (d) Improve the City Centre's profile domestically and internationally, with an unnecessary restriction on height within the City Centre potentially impacting the city's profile, competitiveness and ability to attract larger higher value businesses to the city;
  - (e) Higher buildings have the potential to speed-up the recovery of the City Centre but re-establishing its natural competitive advantages; and
  - (f) Better satisfies Policy 3(a) of the NPS-UD to realise as much development capacity as possible to maximise benefits of intensification.
14. The Large Town Centres service a wide catchment for retail, employment, recreation, community and residential needs that generates a critical mass of agglomerated activity for additional benefit and amenity to their respective catchments.

15. Increased height in all three Large Town Centres has the potential to result in an increase in the level of intensification within the centre primarily in residential and commercial uses. The eased restrictions may spur some (re)development in centres which could result in increased retail / commercial office GFA, new community infrastructure and / or increased high density residential (apartments). These all promote the centre as a hub of employment and locations of higher levels of amenity.
16. I consider it appropriate to increase the Large Town Centre heights to 32m from Notified PC14 in order to create a competitive advantage and market differential over other Town Centres. Increased development density around these Large Town Centres represent a more efficient outcome with better access to goods and services, employment, public transport, community facilities, etc relative to the Town Centres.
17. Based on my high-level modelling of the assessed QMs in relation to commercial space, I consider the heights recommended for PC14 would enable substantial development opportunity and capacity for commercial activity relative to the status quo provisions in the operative district plan. This material increase in enablement could accommodate a level of commercial growth that is significantly more than the demand requirement for commercial (retail and office) land uses in Christchurch and go well beyond the 30-year timeframe.
18. Overall, the City Centre, being the foremost commercial hub of the city and most economically efficient location for built form density to occur, should have the highest enabled height threshold, followed by the surrounding City Centre zones and walkable catchment, then the preeminent suburban centres and surrounds, followed by a tapering down in heights based on a centre's classification, role and function in the market. This is to ensure relative competitiveness between zones and centres so intensive development has a higher propensity to occur in the most economically efficient locations and significant economic benefits to the community can be realised.

## **INTRODUCTION**

19. My full name is **Timothy James Heath**.

20. I have prepared this statement of evidence on behalf of the Christchurch City Council (the **Council**) in respect of economic matters arising from the submissions on Plan Change 14 (**PC14**) to the Christchurch District Plan (the **District Plan**).

#### **QUALIFICATIONS AND EXPERIENCE**

21. I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
22. I hold a Bachelor of Arts (Geography) and a Bachelor of Planning both from the University of Auckland. I have undertaken property research work for 25 years, and regularly appear before Council, Environment Court, and Board of Inquiry hearings on economic and property development matters.
23. I advise district and regional councils throughout New Zealand in relation to industrial, residential, retail and business land use issues as well undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity implementation.
24. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, retail, industrial, and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis.
25. I was engaged by the Council to advise on the economic cost benefits of various height limit options being considered in the Central City and suburban commercial centres to inform the drafting of PC14. I authored or co-authored the following reports which influenced the notified version of PC14:

- (a) Property Economics report dated July 2022 entitled "*Christchurch Central City and Suburban Centres (PC14) Economic Cost Benefit Analysis*"; and
  - (b) Property Economics report dated August 2022 "*Christchurch City Residential Zones and Intensification Precincts (PC14) Economic CBA*".
26. Except where I say otherwise in this evidence, I agree with the content and analysis set out in the above reports. I rely on, and refer back to, those reports as relevant to the matters I cover in this evidence, but do not intend to repeat the content of those reports in order to minimise duplication.
27. Mr Phil Osborne and myself have split the economic evidence into two separate statements. My statement focuses on the height limits across the City Centre and commercial centres and surrounds of the city's network. Mr Osborne assesses the potential economic impacts associated with the Qualifying Matters (**QM**) and financial contributions for urban tree canopy.

#### **CODE OF CONDUCT**

28. While this is a Council hearing, I have read the Code of Conduct for Expert Witnesses (contained in the 2023 Practice Note) and agree to comply with it. Except where I state I rely on the evidence of another person, I confirm that the issues addressed in this statement of evidence are within my area of expertise, and I have not omitted to consider material facts known to me that might alter or detract from my expressed opinions.

#### **SCOPE OF EVIDENCE**

29. The purpose of this evidence is to highlight the proposed changes introduced by PC14 relevant to commercial centre heights, identify some of the key economic benefits associated with intensified commercial and residential development, summarise the high-level economic costs and benefits of allowing greater height limits for development within the City Centre and the Large Town Centres of Christchurch, and form a view on the most appropriate heights across the city's suite of commercial centres from an economic and city network perspective.



30. In particular, my statement of evidence addresses the following matters:
- (a) The proposed changes within PC14 relevant to centre heights;
  - (b) The economic benefits of greater levels of consolidated activity (residential and commercial) as a result of proposed increased heights in the City Centre, other zones within the four avenues and Large Town Centres (i.e., Hornby, Papanui, Riccarton);
  - (c) The extent of the City Centre's economic post-earthquake recovery to date;
  - (d) Vacant capacity within the City Centre and four avenues to accommodate future demand;
  - (e) Demand for commercial office floorspace within the City Centre;
  - (f) The 500sqm GFA office tenancy threshold;
  - (g) Economic costs and benefits of enabling a 90m height limit within the City Centre (exceptions being 45m around Cathedral Square, and 28m around the Arts Centre and New Regent Street), 39m in the High Density Zone immediately around the City Centre Zone and 22m in the balance of the High Density Zone within the four avenues (with more specific height limits of 8m on New Regent Street and 16m in the Arts Centre), and 32m in Large Town Centres;
  - (h) High-level impacts of QMs on floorspace in business zones;
  - (i) Provide a high-level response to economic considerations in relevant submissions.

31. I address each of these points in my evidence below.

### **PC14 OVERVIEW**

32. PC14 aims to bring the District Plan in line with government direction that has been given via the NPS-UD and the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 (**Amendment Act**) to enable more development in the city's existing urban footprint.

33. PC14 follows a centres-based approach that recognises the primacy of the City Centre in a hierarchy of centres in Christchurch City when managing commercial activity in the City's centre network.
34. Additional centre height enablement not only contributes to additional residential capacity but may also provide retail, employment and community opportunities and increased residential environments. This is not only for the Central City but the suburban centres spread throughout Christchurch.
35. For brevity, and given the NPS-UD objectives and policies are well known and traversed in other statements of evidence for Council, I will refrain from incorporating them in this statement. However, the key policy considerations under the NPS UD most pertinent to economic considerations are Objectives 1, 2 and 3, and Policies 1(a)(i), (b), (c), (d), 2, 3(a-d), 6(c-d).
36. As a summary, the key focus of the NPS-UD relevant to economics matters are:
  - (a) the creation of well-functioning urban environments;
  - (b) planning decisions that improve affordability, housing variety and choice;
  - (c) support competitive land and development markets;
  - (d) improve accessibility to housing, employment, community services and open spaces; and
  - (e) in the city centre zones realise as much development capacity as possible to maximise benefits of intensification.
37. PC14 also introduces a strategic objective to have a "well-functioning urban environment". This aligns with objective 1 and policy 1 of the NPS-UD which focuses on creating well-functioning urban environments.
38. PC14 creates a range of residential and commercial zones in Christchurch, which enable more development to happen at different heights, with the highest development enabled in the central city and suburban commercial centres.
39. Table 1 below outlines the proposed zones and corresponding maximum building heights within the respective Christchurch City centre hierarchy

under PC14. A visual presentation of the proposed provisions is outlined in **Appendix 1**.

**TABLE 1: PROPOSED HEIGHTS WITHIN AND AROUND COMMERCIAL CENTRES**

Centre type	Building height
Neighbourhood Centre and Small Local Centres <i>Small isolated commercial areas, like local dairies</i>	Increased to 12 metres, in line with Medium-Density Residential Zone
Medium Local Centres <i>Bishopdale, Prestons*, Barrington, Belfast/Northwood**</i>	Increased to 14 metres (four storeys, depending on building design), in line with being a precinct within the Medium-Density Residential Zone
Large Local Centres <i>Sydenham, Merivale, Church Corner</i>	Increase to 20 metres (six storeys, depending on building design), in line with High-Density Residential Zone
Town Centres <i>Linwood, Belfast/Northwood**, North Halswell, Shirley/Palms*</i>	Increase to 20 metres (six storeys, depending on building design), in line with the High-Density Residential Zone
Large Town Centres <i>Riccarton, Hornby, Papanui</i>	Increase to 22 metres for commercial developments (six storeys, depending on building design) and 20 metres in the surrounding High-Density Residential Zone
City Centre <i>(This area is currently the Commercial Central City Business Zone in the District Plan)</i>	90 metres, except for: <ul style="list-style-type: none"> <li>• 45 metres – Victoria Street commercial area</li> <li>• 45 metres – sites around Whiti-reia Cathedral Square <ul style="list-style-type: none"> <li>– 28 metres – New Regent Street interface, or 8 metres on New Regent Street</li> <li>– 16 metres – Arts Centre</li> </ul> </li> </ul>

Source: Christchurch City Council<sup>1</sup>

40. The proposed height of development enabled is based on access to services, public transport, walking and cycling networks and infrastructure available in these commercial centres. The commercial centre boundaries are not changing, but the height of what can be built within and surrounding them is increasing.
41. In particular, within the City Centre Zone, it is proposed that resource consent will still be needed to ensure that development is of a high quality but building heights up to 90m are anticipated. Lower height limits will apply around Whiti-reia Cathedral Square and Victoria Street to manage shading and building dominance on important public spaces and adjoining lower-rise residential neighbourhoods. Qualifying Matters apply to areas like New

<sup>1</sup> Christchurch City Council, PC14 (Housing and Business Choice) and PC13 (Heritage) Consultation Document, page 14.

Regent Street and the Arts Centre where limiting heights will protect heritage values.

42. As per PC14, the City Centre Zone is the main employment and business centre for the region and requires the highest-quality public space and private development.
43. PC14, while seeking to enable significantly more residential and commercial development capacity to contribute to long term sufficiency, is unlikely to result in a surge of such development in the short – medium term.
44. PC14 takes a longer term 30-year+ perspective that would facilitate the transition of urban development from what has traditionally been a '*sprawl and infill*' approach to a more nuanced method to deliver more efficient urban development that results in a more productive use of the scarce land resource.
45. When considered in the round, the height across the suite of residential and commercial zones would enable a substantial increase the development opportunity and capacity of both residential and commercial activity relative to the status quo provisions of the District Plan. These material increases would enable, and accommodate, a level of residential and commercial growth that is more than the demand requirement for those land uses in Christchurch and go well beyond the 30-year timeframe.

#### **ECONOMIC BENEFITS OF CONSOLIDATED RESIDENTIAL AND COMMERCIAL ACTIVITY**

46. First it is important to outline some of the economic benefits attributable to consolidation and higher density development enabled through increased height within the existing commercial network across Christchurch.
47. From an economic viewpoint zoning provisions are important tools in directing residential and commercial activity and development to achieve greater degrees of density, efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning impacts upon business fundamentals such as locational efficiency, competitiveness, and productivity.

48. The need for exogenous intervention into the market is necessitated by the fundamental intent of seeking to maximise community wellbeing either through improvements in equity or an improvement in economic efficiency. The fact that the market will not seek to maximise community wellbeing but pursue individual party interests is key in understanding whether the market requires a balancing mechanism in order to redress the potential imbalance between community interests and individual interests. It is important to note that this is not simply an academic exercise, as the result of an individual party or parties gaining an additional proportion in profits (or simply a decrease in costs) could result in the loss of a tangible resource for the community hundreds of times more valuable, e.g., industrial pollution.
49. There is a distinct thread running through the RMA that deals with community wellbeing in terms of efficiency. A primary guiding principle of the RMA is the efficient (and sustainable) utilisation of scarce resources within a community. There has been recognition from the Environment Court that efficiency, as it pertains to the RMA, relates to economic efficiency and there is a need for this to instruct policy governing the utilisation of these resources. This implies that the decisions by which these resources are consumed are derived in an economically efficient manner.
50. The market is indeed a powerful mechanism for the efficient allocation of resources and all too often unnecessary intervention causes markets to operate inefficiently with potential benefits lost to the community in order to protect private concerns. However, the essential proviso here is that society's resources are priced according to their real value to society as a whole rather than value to individuals. This is the basis for Council's economic argument that left to its own devices the commercial and residential markets will not operate efficiently given the fact that the market fails to consider total community wellbeing.
51. Economic efficiency is essential when providing for sustainable resource use. As stated and consistent with the RMA, this efficiency should not be a rationalization for the protection of individual businesses, developers or business locations through simple trade competition. However, what is essential is the identification of any distributional effects from the market's operation. These distributional effects are costs or benefits that are not considered by the market and yet are critical to enhancing the community's

economic and social wellbeing. In relation to PC14 these are not simply the potential decreases in business or residential activity in any given area but the additional real benefits to the community of having these activities in these specific locations.

52. In term of residential activity, Councils curb the spread of residential development to more intensive zones because the cost of allowing dispersal are significant and are not considered by the market, such as increased infrastructure costs, reduced transport efficiencies, inefficient land use, as well as reduced community amenity. These are factors that an individual participant in the market does not always consider, not just the impact of these costs on themselves but the cost of their decision on others. While Councils generally seek to improve the overall attractiveness of appropriate locations, this 'reinforcement' however is seldom enough to change individual behaviours sufficiently and generally requires some form of regulation.
53. The opposing costs of not allowing residential to spread are potentially a short-term increase in residential prices and reduced development. These are costs that in commercial business are likely to be less than in residential and yet the net benefits of restricting residential expansion are clear. The continued expansion of residential development would not only incur increasing community costs but has the potential to stifle innovation and produce a dispersed community. Planning is about informed value judgements and potentially restricting individual choice for the benefit of the entire community's wellbeing.
54. A fundamental factor in operating competitive vibrant business centres is the level of amenity offered; key to this is the level and choice of activity within a given area. To remain competitive and fulfil its role and function in the community it is crucial that a primary business centre provides an appropriate level of both retail and commercial (office) activity. This is a symbiotic relationship where one relies on the level of activity produced by the other. This relationship primarily between commercial and retail activities creates more vibrant community centres which translates to greater community wellbeing.
55. It is important to note that this appropriate level of activity is proportionate to the competitive size of the district and economy in general. It is not

appropriate to assume that the level of centralised activity, in the primary centre, within a larger economy is the same as in a small district. Larger economies typically have a greater number of business centres that represent a smaller proportion of the total activity while still creating economies of scale and efficient resource use. The recent global economic decline and the devastating earthquakes have however elevated the importance to the Christchurch economy of centralising activity to improve efficiency and competitiveness. As businesses seek to improve efficiency and productivity it is vital that Christchurch City offers a competitive centre network.

56. Market decisions are primarily made based on private costs and benefits. Typically costs or benefits borne by the community that are not recognised by the participants and therefore lead to an inefficient allocation of resources. Businesses and residential developers choose locations based on a series of criteria that are balanced against their own costs and benefits and therefore produce the highest net gain for themselves. These criteria generally include but are not limited to; suitable profile / exposure, accessibility for customers and suppliers, feasible costs, potential profit and appropriately shaped sites.
57. In the presence of externalities, or wider market failures, (impacts not considered by the market) pricing mechanisms can fail resulting in either an over or under production of business and residential activity in the wrong locations. Without regulation business and residential locational decisions in Christchurch will continue to be based on private cost benefit decisions that do not address wider community considerations of overall economic prosperity and recovery. Given the opportunity operators and developers will continue to locate based on their own returns and will not have regard for what is best for the community.
58. Individual businesses and developers within Christchurch are sometimes motivated by private benefits that carry with them costs to community that far outweigh these individual gains.
59. Spatially it is important to note that decentralisation also refers to the sprawl of residential and business activity (centres), as opposed to the residential and commercial growth of centres, where capacity exists within the identified centre but activity often takes the path of least individual resistance and

spreads throughout the periphery. This in effect undermines the potential efficiencies of intensified land use. The argument that some businesses and residential developments require these locations to operate effectively simply reflects an individual position and does not consider the net impacts on the economy as a whole. While it is important that the market has a degree of choice and flexibility it is also important that the parameters of this flexibility are as clear as possible to provide residential developers and commercial activities with the ability to balance locational decisions. These parameters function as release valves to provide clear choices while still considering the wider community wellbeing.

60. Given that there are potential costs associated with regulation, not least of which is the muting of market indicators, there needs to be a clear understanding of the level of potential effects associated with the market failure. These assessments are not intended to quantify the direct impact of proportional decentralisation but to indicate the potential social and economic values that are jeopardised.
61. The economic proposition for intervention is based on the fact that the market fails to consider significant community benefits achieved through the consolidated location of business and residential activity. These failures conceal the true value of consolidation and if unchecked are likely to result in an inefficient use of resources. It is important to note that the loss of these potential benefits is not confined to the impacts on existing consolidated activity but must also be considered in terms of the potential future efficiencies that could be achieved. In these terms a lost social benefit is tantamount to a social cost.
62. The potential loss to the community of 'decentralised' activity is coined in this section in terms of the benefits of 'in-centre' activity. The benefits (or alternatively dis-benefits) discussed here include the decline in centre function and amenity along with adverse effects on the roading network, public transport provision, resource productivities, land efficiencies, community facilities, productivity and centre infrastructure. Each is also assessed in terms of whether they should be regarded as 'true' externalities and to what level the market may (or should) be considered to have regard for them.



## **Amenity of Centres**

63. The amenity of a centre is directly related to its vitality and vibrancy, which in turn has a strong correlation with the level and potential level of people within a centre. A loss of residents and patronage to a centre is not only likely to result in decreased infrastructure efficiencies and a fall in other activities but is very likely to reduce the value residents place on the vibrancy and sense of community achieved there.
64. It can be argued that this activity and vibrancy act as a competitive advantage for the centres and thereby work as trade competition. However, the value of a centre to patrons is not just determined by their own decisions but those of other participants who do not consider this loss in their decision making, resulting in a direct resource effect on a third party. By dispersing activity the value of a vibrant centre is reduced, there is little doubt that, allowing for congestion, there is typically a direct relationship between the level of activity in a centre and the average amenity value achieved from it.
65. For Christchurch this is crucial as dispersed activities are unlikely to result in 'additional' business and residential activity within the City and simply detract from the potential efficiencies of this activity being consolidated. In simple terms once again although there may be some benefit to the individual business and residential developments in locating in less intense areas the loss to the economy as a whole will inevitably outweigh this.
66. In terms of benefits to the wider economy vibrancy and local amenity are often key factors in the housing and employment decisions made by skilled labours. This environment is more likely to lead to increases in value added goods and productivity gains for the local economy. The current framework under which residential development in particular locates in Christchurch City is likely to exacerbate the dispersal of this activity reducing Christchurch's overall competitiveness not only for residential in general but also in terms of its appeal as a visitor destination, business location and place to live.

## **Agglomeration and Productivity Gains**

67. The arguments for agglomeration pertain mainly to specific productive activities within an economy. The basis for these arguments is that

increased densities lead to synergies, improved flow, economies of scale and utilisation of resources. The presence of agglomeration effects within the New Zealand market is somewhat contentious, however the supporting academic and empirical evidence identifying the economic benefits are particularly strong and widely accepted.

68. Work undertaken in 2007 by Ascari Partners and Richard Paling Consulting (Williamson, Paling & Waite, 2007) has shown a doubling of employment densities accompanied by accessibility will result in productivity gains of around 6%. Work undertaken in Britain (Dan Graham 2006) found that the doubling of the effective density rate (in a given area) resulted in average productivity gains of 12.5% and service sector gains of 22.1%. It is important to note here that these productivity gains would need to already exist in a market for them to be considered by individual firms and are therefore less likely to occur without other incentives for them to locate here.
69. Agglomeration benefits are generally based around the ability for clusters of activities and higher density areas, typically in the form of centres, to provide the following:
  - (a) increased specialisation;
  - (b) knowledge spillovers, both between firms in the same sector and across sectors, leading to increased innovation;
  - (c) competition – the presence of lots of firms offering similar products spurs on competition, innovation and efficiency and there are lots of buyers to compete for;
  - (d) larger labour markets offer wide choices for employers and the opportunity to recruit staff with specialist skills; and
  - (e) economies of scale are created by serving larger markets.
70. It is important to note that agglomeration is not restricted to large cities but is the result (at differing levels) of diversity and the ability for an area to attract more productive sectors into the economy that would otherwise service Christchurch from outside the area. These sectors will typically only locate in accessible areas that exhibit synergies (spatially) with the local market. The consolidation of activity, within the existing Christchurch centres, is a

fundamental means by which Christchurch will attain a degree of these agglomeration benefits and improve its economic competitiveness.

71. The agglomeration of commercial and residential activity in the form of a centre has two effects which are important to distinguish between. The first is the increased profile created by a critical mass of activity. There are obvious 'flow-on' benefits to suppliers of locating within a vibrant and active centre along with the potential for some economies of scale. These benefits however are for the most part considered by the market in its locational decisions. Based on these benefits alone there would be no requirement for intervention as the market would operate efficiently.
72. However, the second impact of agglomeration has to do with the environment that is created through this critical mass. Centralised business activity creates both amenity and diversity with the local area. The agglomeration of activity into centres provides an environment that will facilitate that agglomeration of other activities and allow for the productivity gains identified above.

#### **Effects on community infrastructure**

73. The provision of community facilities and infrastructure is a social investment. The justification for this investment is the social value that these services and facilities provide to the community. This is considered to be significant enough that they are publicly funded and supplied. The reason they are publicly supplied is because given their social value the free market would not supply enough of them given a patrons individual value (price).
74. These facilities may include libraries, civic and administrative functions, community centres, public meeting areas, police stations, etc. These are generally provided in centres with high activity so as to coincide with other land uses. The scale of these facilities also coincides with the scale of activity located within the centre. This in, and of itself, is reason to suggest that there is a direct relationship between use of community facilities and other activity such as residential, retail and commercial activity. Simply put the greater the level of activity and accessibility in a centre the greater the utilisation of such public assets. Not only is profile important for these types of facilities but they are located to make good use of multi-use trips.

75. The provision of these facilities is sometimes seen as 'sunk costs', dismissing their relevance and their potential underutilisation as costs to decentralised activity. Although this line of thinking is correct with regards to the fixed investment it fails to consider the return from the community investment that is lost if these assets are undermined. The utilisation of these assets has community value that must be considered when potentially reducing their usage. I believe what are seen, in this regard, as sunk costs are in fact community investments that must be considered in terms of their initial costs (and hence on-going opportunity cost) to society. Even if the investment is irrecoverable (hence not property etc) there is still a need to have regard for this investment, especially if not considering their value is likely to lead to a duplication of facilities.
76. There are two potential effects of reduced usage of community facilities within centres. The first is that the marginal cost per patron increases thereby reducing efficiency and reducing the social benefits through its provision, and the second is that the infrastructure has to be duplicated (even on a small scale) elsewhere causing significant inefficiencies of community resources. The costs involved in underutilisation of these resources or indeed their duplicate are relatively obvious and must be considered when locating associated activities.
77. The Council provides these resources because they have significant social benefit to the community, to undermine their use, in any way, diminishes that benefit. The basic principle here is to try and maximise the net social benefit gained through provision of these goods, therefore the location of these is extremely important. To put a library in the middle of nowhere and then to argue that people still have the choice to use it if it enhances their own wellbeing is absurd, it increases the private cost and reduces the social benefits associated with that facility. Co-location also has the potential to increase accessibility and efficiencies in terms of travel.
78. The argument pertains to whether the choice made by patrons is an informed one and whether the 'free' market will take into account the true value of these resources to the community. Society is continually restricting consumer choice based on what is most beneficial to the community as a whole, cigarettes, drugs, pollution etc, private choice is restricted for the

betterment of society. Individual choices must be held accountable to the community.

### **Transportation Efficiency**

79. The basis for this argument lies in the transport efficiencies achieved through the agglomeration of activities with the key generators or these travel patterns being residential, employment and retail activities.
80. Transportation efficiencies are fundamental when considering the economic costs and benefits associated with this intervention. These values are inherently linked to the level of accessibility to activities and assets within these areas. In terms of costs, relating to PC14, it is crucial that consideration is made for the capacity of this infrastructure as the benefits are likely to be tempered by a 'crowding out' effect.
81. In terms of transportation this is often referred to as congestion. The impact of this is to reduce the benefits attributable to these locations while increasing the costs in terms of reduced convenience and increased travel times. Given the conditions that exist in Christchurch it is unlikely that this will occur.
82. Efficient transportation networks provide obvious benefits to the community that are not considered in these decisions. These benefits include:
  - (a) Reduced public costs for roading and transport infrastructure (reducing the need for duplication);
  - (b) Reduced pollution;
  - (c) Increased certainty around public and private sector infrastructure investment; and
  - (d) Reduced marginal cost (reducing the 'per trip' cost).
83. It is generally accepted that there are transport efficiencies associated with centralised activity. It is fundamental to note that not all these benefits are considered in individual decisions. Given that the level of investment into this form of infrastructure climbs into the billions of dollars it is critical that this be given some level of security as to its efficient utilisation and therefore effective return. Residential and commercial location is essential both

directly and indirectly in the provision of transport infrastructure, due both to the level of activity generated by this market and the co-location of other activities due to amenity.

### **Land Use Efficiencies**

84. A key purpose of planning is to produce the most efficient use of an economy's land resource. Planning regulations are designed to control private uses for this resource so as to produce a sustainable long-term outcome. Inherently there are two potential shortfalls of the market in achieving this with regards to residential and business location.
85. The first issue is associated with the potential lack of information available to private developers. This may take the form of making decisions without full knowledge of competitor investment plans. Inaccurate forecasts of future demand may affect the efficient allocation of this land resource. This potentially leads to an oversupply of commercial space or residential land within the market. The relevance to centre locations is that there is a propensity of out-of-centre development to have a greater degree of viability (and lower risk) in the short-run thus resulting in the over-supply.
86. Secondly potential efficiencies are lost where a resource is over allocated as the market has no necessity to utilise these efficiently, e.g., without restrictions on residential land, or residential development opportunities, some efficiencies would be lost from higher density living. The efficient use of land is fundamental to community wellbeing. The provision of relatively cheap land in inefficient locations provides the market with misleading signals which has the potential to reduce the productivities of land for the entire economy.
87. This position is only partly tempered by the need to provide adequate quantities of land in appropriate locations to meet the potential demand and provide a competitive environment. However, the negative impacts of an oversupply of land are most acutely felt in the commercial market and so are most crucial in terms of net effects. Within a market the provision of what is seen as low-priced commercial land will inevitably result in reduced land efficiencies.

## CHRISTCHURCH CENTRAL CITY RECOVERY

### Central City Employment Trends

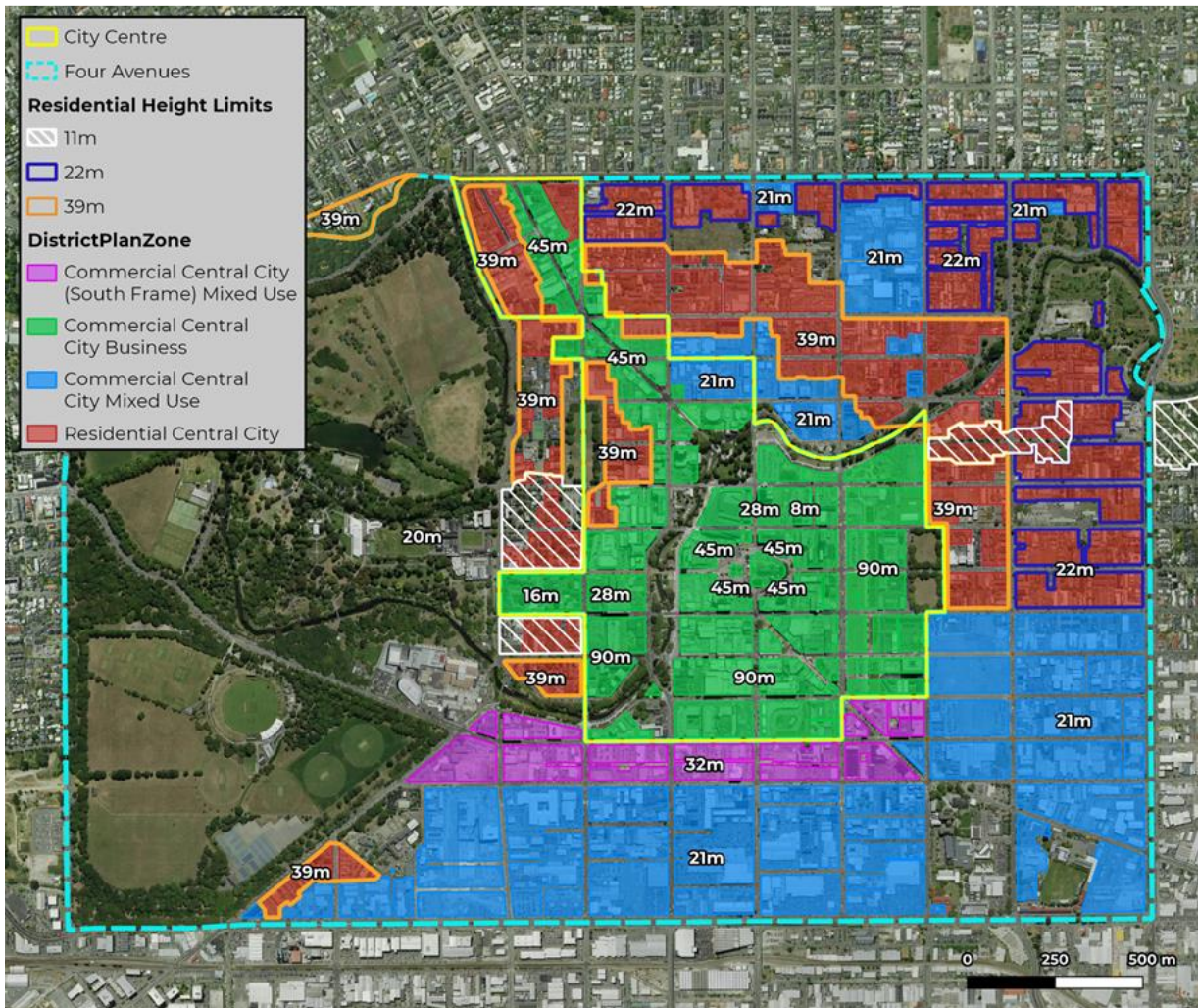
88. The City Centre is the primary commercial centre of Christchurch and is identified as the principal employment and business centre for the city. It was for these reasons that, in the post-earthquake period, further provisions granting the City Centre a competitive advantage in the Christchurch Central Recovery Plan (followed by the District Plan) were enacted to help revitalise the City Centre and concentrate employment and business activity there.
89. Without the advantages granted to the City Centre to attract additional development and employment the City Centre would be competing on a more even playing field with other Key Activity Centres (**KACs**) around the city. This would detract office employment from concentrating which would lead to a less efficient distribution of office employment activity and a slower recovery period post-earthquake.
90. A key policy implemented to promote the City Centre as a hub of employment and business activity was the restriction of office tenancies greater than 500sqm GFA outside of the City Centre. These medium-large employers tend to be the largest value generators and also benefit the most from agglomeration and centralisation of their businesses. As a result of restricting these businesses to the City Centre there are positive impacts on productive and allocative efficiencies of Christchurch, and the broader region as a whole. This policy was reviewed during the IHP process for the proposed replacement district plan.
91. This policy directed larger businesses to the City Centre but also lowered the value (rents) of office space and increased the available capacity in KACs making them relatively more affordable for smaller SME office enterprises where they could service a more localised market.
92. The success of a City Centre is generally determined by its ability to attract businesses, especially high value commercial businesses, and increasingly residential activity. There are two reasons for this, the first is that these businesses are both more productive than others and are the drivers of productivity growth. The second is that a high profile and successful City Centre provides a national and international profile for business and

residential activities and therefore contributes to a city's competitive advantage.

93. The general level of employment and residential activity is also critical to a successful city centre as it creates additional footfall for shops, bars, and restaurants and together these developments contribute to the overall social amenity provided. This amenity, in turn, influences people's decision to live in the City Centre.
94. Figure 1 following shows the extent of the City Centre (named Central City Business), and Central City, defined by Stats NZ meshblock boundaries. These geographic areas are used to show employment trends within Christchurch's City Centre. The meshblock boundaries do not perfectly align with the City Centre but do provide a close approximation of the City Centre area for the purposes of determining the level of employment activity within Christchurch's foremost employment hub. As discussed above, the employment metric is an important economic indicator of the current position of the City Centre's recovery.
95. The extent defined as the 'City Centre' shows the location of the City Centre land while the extent of the 'Four Avenues' area includes the remainder of the area circumscribed by Moorhouse Avenue, Deans Avenue, Bealey Avenue and Fitzgerald Avenue. Together these areas form Christchurch Central and represent the main area of interest for consolidated activity in the post-recovery period of the 2011 earthquakes in this evidence.



**FIGURE 1: CHRISTCHURCH CENTRAL CITY (MESHBLOCK BOUNDARIES)**



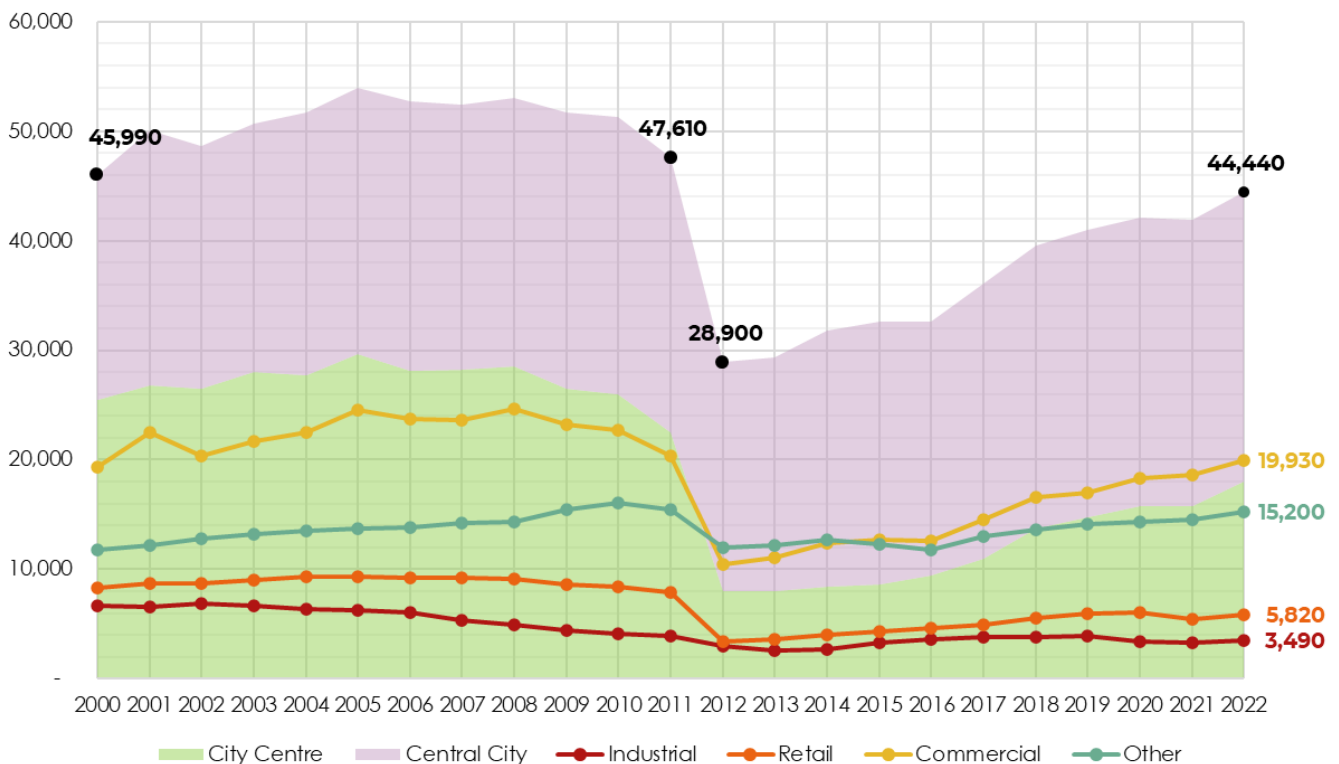
Source: Bing, Stats NZ, Christchurch City Council, Property Economics.

96. Figure 2 below shows the employment by zone and by sector for central Christchurch. The coloured area shows the total employment by City Centre and the remainder of the four avenues stacked. The lines show the total employment across both zoned areas that comprise the Christchurch Central City area (City Centre and remainder of four avenues), by broad ANZSIC<sup>2</sup> sector.
97. The graph shows that commercial and retail activity in the central city were both, understandably, significantly impacted negatively by the February 2011 earthquake. Both sectors have made robust gains towards pre-earthquake levels despite subsequent challenges posed by COVID-19 and the post-COVID recovery period.

<sup>2</sup> Australia New Zealand Standard Industrial Classification 2006.

98. The employment base of the Central City pre-earthquake totalled around 47,600 employees. About 47% were located within the City Centre and the balance 53% in the remainder of the four avenues (broadly the Central City Mixed Use Zone (CCMUZ) and High-Density Residential Zone (HRZ), named Residential Central City in the District Plan). This 'bottomed out' at around 28,900 employees in 2012, with a progressive shift towards the rest of the four avenues area with 72% of employees in the Central City outside of the City Centre and just 28% in the City Centre as the city began its recovery.

**FIGURE 2: CHRISTCHURCH CENTRAL CITY EMPLOYMENT BY SECTOR AND ZONE**



Source: Stats NZ, Christchurch City Council, Property Economics.

99. In 2022 total employment in the Central City area grew to around 44,440 as employment builds back into the Central City – 40% of Central City employees located in the City Centre and 60% outside the City Centre. This shows that current total employment within the Central City is still below the pre-earthquake total by just over 3,170 employees.

100. This difference is made up entirely out of businesses leaving the City Centre post-earthquake. The City Centre area has almost 4,600 fewer employees

in 2022 than in 2011 (pre-February earthquake), whereas the remainder of the Central City has experienced a net increase in the total number of employees of just over 1,320 employees since the earthquake. This contrast suggests the areas outside the City Centre in the Central City have recovered their commercial and employment base, which has potentially been at the expense of City Centre.

101. With the wider Christchurch economy employment base growing 18% since 2010, on a relative basis the recovery of the City Centre has lagged behind with its employment base still 7% below its 2010 level. This highlights the importance of improving the relative competitiveness of the City Centre as a business location over other locations in Christchurch if the City Centre recovery is to maintain momentum.
102. The City Centre has, however, experienced significant redevelopment and investment that has resulted in solid growth in employment since the earthquake occurred. The total employment in the immediate aftermath of the earthquake was just over 8,000 employees and has grown by just around 10,000 employees to a 2022 total of just over 18,000 employees. This shows there has been significant progress in its recovery, however there is still significant development and business consolidation to occur before it could be considered in a 'recovered state' from an economic perspective.
103. Commercial employment represented 43% of employment in the Central City pre-earthquake and 36% post-earthquake. Commercial employment now represents 44% of total employment in the Central City, a return to its pre-earthquake proportion. Note this is off a lower employment base, but indicates commercial employment is recovering ahead of the other sectors on a proportional basis.
104. Retail employment represented 17% of the Central City total employment base pre-earthquake dropping to 12% immediately post-earthquake. However, the recovery of retail sector employment has stalled at around 13% of total employment in the Central City. COVID-19 has had a bearing on this proportion with many retailers culling staff during COVID and now trying to rebuild as the retail sector starts its post-COVID recovery.

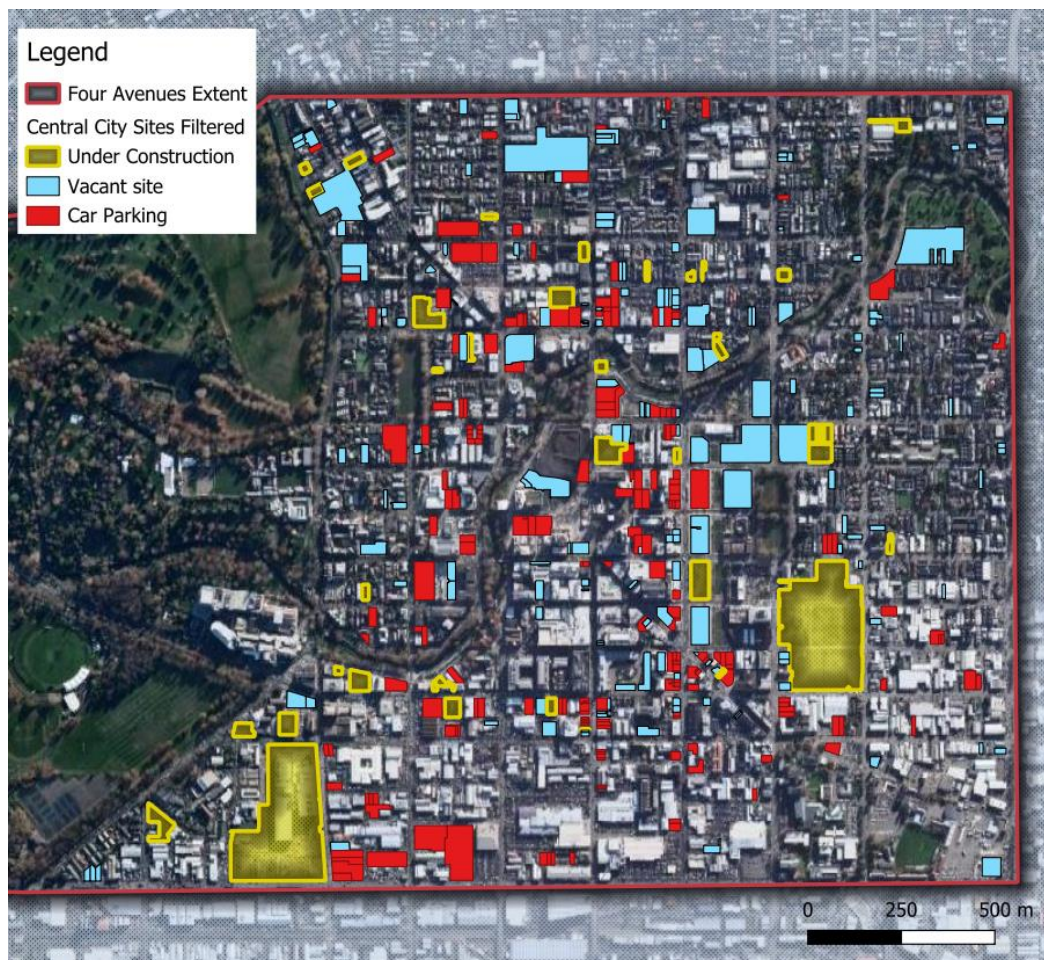


105. Based on the key employment metric, the Central City appears still to be in post-earthquake “recovery” mode. This is not unexpected given the extent of buildings that had to be demolished and it is only just over a decade since one of the country’s most impactful natural disasters. The recovery and redevelopment of the Central City requires a significant amount of resources and investment over a sustained period. Over the last two years the recovery has been further hampered by the COVID-19 pandemic and the enduring adverse effects this has had (and continuing to have) on the economy.

### CENTRAL CITY CAPACITY (EXCLUDING VACANT BUILDING SPACE)

106. **Figure 3** shows the geospatial distribution of vacant, temporary parking and sites with development under construction within the four avenues of the city based on information provided by Council as at January 2023.

**FIGURE 3: GEOSPATIAL DISTRIBUTION OF UNDER CONSTRUCTION, VACANT AND TEMPORARY CARPARKING SITES IN THE FOUR AVENUES**



Source: CCC, Property Economics

107. Figure 3 shows that the vacant and temporary parking sites are spread-out haphazardly rather than being concentrated in any one area.
108. Table 2 accompanies Figure 3 by breaking down the land area extent (in hectares) of vacant and temporary carparking sites across the relevant City Centre zones within the four avenues. Hagley Park is excluded.

**TABLE 2: UNDER CONSTRUCTION, VACANT AND TEMPORARY CARPARKING LAND AREAS IN THE FOUR AVENUES**

Zone	Residential Zones	Commercial Local Area	Central Mixed Use	Central Business Area	Central Mixed Use (South Frame)	Total
Temporary Parking Land	4.20	0.09	9.26	8.00	2.54	24.08
Total Vacant Land	7.83	0.13	2.38	6.96	1.00	18.30
<b>Vacant + Parking</b>	<b>12.03</b>	<b>0.22</b>	<b>11.63</b>	<b>14.95</b>	<b>3.54</b>	<b>42.38</b>
Under Construction	2.19	0.00	11.94	1.26	1.11	16.50
<b>Total Land Area</b>	<b>96.98</b>	<b>1.14</b>	<b>102.58</b>	<b>55.46</b>	<b>13.84</b>	<b>269.99</b>
% Parking	4%	8%	9%	14%	18%	9%
% Vacant	8%	11%	2%	13%	7%	7%

Source: CCC, Property Economics

*Note this table excludes any special purpose zones (i.e., schools, transport) and open space areas. Parking buildings are not included as they have built form activity on the site.*

109. Table 2 shows that within the four avenues there is around 24ha of temporary parking land and a further 18.3ha of vacant land, making a combined total of just over 42ha that could potentially accommodate future development. Nearly 15ha of that total is within the City Centre Zone (Central Business Area), indicating a material level of development capacity remains in this crucial area to the central city's recovery.
110. There was 16.5ha of land that had developments under construction as at January 2023. There are two major development sites at present within the four avenues, both within the Mixed Use Zone, Te-Kaha Christchurch Stadium and Parakiore Recreation and Sports Centre.
111. Both Figure 3 and Table 2 highlight assessing vacant site capacity alone (including temporary carpark sites) and excluding vacant building space,

there is significant development capacity remaining within the four avenues of the city.

112. This also indicates getting the relative competitive heights between the four avenue zones is important as given the significant level of vacant and temporary parking site choice, residential and business location demand would have a high degree of substitutability within the four avenues.

### **CHRISTCHURCH CBD OFFICE FLOORSPACE DEMAND**

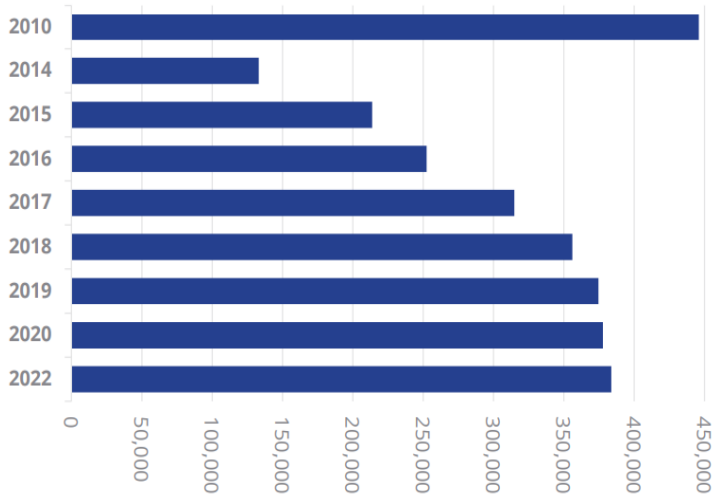
113. I have reviewed Colliers' and CBRE's Christchurch market research<sup>3</sup> to assess the vitality and attractiveness of the CBD / City Centre in recent years.
114. As the largest category of commercial activities within the CBD, office stock has reached over 383,700sqm in 2022 (refer to Figure 4 following). This accounted for approximately 86% of the market size prior to the earthquakes, equivalent to 446,000sqm in 2010. Consequently, there was a difference of 62,260sqm between the office stock in the CBD before and after the earthquakes.
115. According to CBRE, about 75% of office stock is Prime quality new space, which is materially different from the pre-quake period. This changed quality composition, increases the demand from occupiers and investors, and encourages the recovery and overall vitality and financial performance of the central city.
116. Unlike the rise in office stock following the earthquakes, the CBD office vacancy rate has experienced a steady decline of approximately 12%, dropping from 22% in 2015 to just above 10% in 2022. This decrease in vacancy highlights the growing appeal of commercial office properties and tenancies within the City Centre in recent years, and the growing quality and critical mass of the City Centre as it redevelops as a commercial destination.

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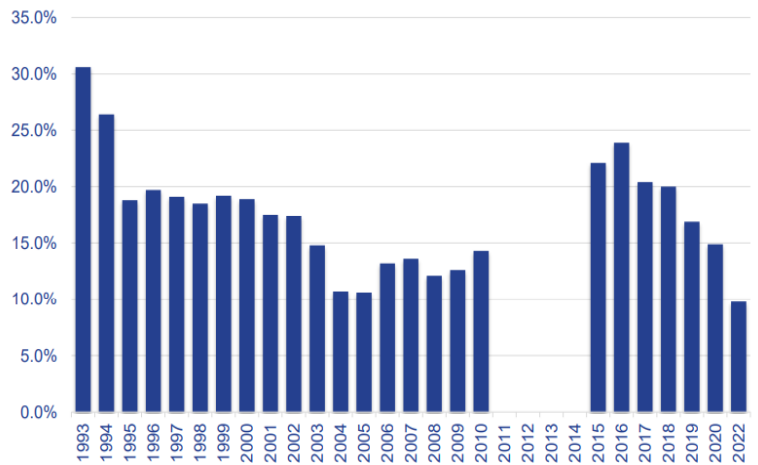
<sup>3</sup> PCNZ Market Summit Christchurch by Gary Sellars & Marius Ogg, June 2022; Christchurch: City of Resilience, Q4 2020 by CBRE.

**FIGURE 4: CHRISTCHURCH CBD OFFICE STOCK (SQM) AND VACANCIES**

**Total Christchurch CBD Office Stock**



**Christchurch CBD Office Vacancies**



Source: Colliers

**OFFICE TENANCY THRESHOLDS**

- 117. Larger tenancies (>500sqm GFA) are key contributors to the recovery, continuous growth, and primacy of the City Centre. While these potential businesses made up less than 20% of Christchurch’s commercial office companies, they contributed around 70% of employment to these sectors. The ongoing recovery of the City Centre is dependent on it accommodating medium to large commercial office businesses.
- 118. The current situation facing Christchurch is one of dislocation with businesses operating in locations that are driven by individual decisions. This reflects a city that does not currently possess the economic benefits within centres to drive the market appropriately. The key centre in providing this centralised activity is the City Centre.
- 119. Some of the costs of business dislocation in the case of Christchurch’s economy include:
  - (a) A decline in centre amenity and a social value potentially not achieved elsewhere, i.e., a net loss of value. There is a social value placed by the community on a vibrant Central City, if this activity is simply dispersed throughout the city this value is likely to be lost altogether;
  - (b) Loss of agglomeration benefits. The proportional decline of commercial activity within the City Centre and the dispersal of this

commercial activity throughout Christchurch impacts upon productivity, which decreases both the value and competitiveness of businesses in Christchurch; and

(c) With the \$billions spent on projects upgrading public City Centre assets, the loss of activity within the City Centre increases the marginal cost of this infrastructure while reducing the social value attributable to these public goods and services.

120. For Christchurch to improve economic wellbeing and efficiency, it is fundamental that business locations, particularly the City Centre, are competitive, not just as a business environment but also a residential environment. As a highly influential competitive asset it is critical to the ongoing recovery of the City Centre (and wider Christchurch economy) as a whole that emphasis should be placed on generating appropriate activity within this principal centre.
121. High value-added employment requires high amenity, accessible locations exhibiting convenience to other services, agglomeration benefits and often high profiles. In terms of competitiveness, it is important to recognise that these larger businesses servicing larger national markets often have locational options in most major centres.
122. The Christchurch community must therefore consider carefully the business environment its planning direction is producing and, where appropriate, intervene to facilitate greater community wellbeing through this development.
123. The need for exogenous intervention into a market is necessitated by the fundamental intent of seeking to maximise community wellbeing either through improvements in equity or an improvement in economic efficiency.
124. There are clear priorities that endure through the Commercial Chapter of the District Plan that relate to the Christchurch City Centre. Not only is this prioritised by the community through the District Plan but is fundamental in terms of Christchurch's economic wellbeing. A vibrant and vital City Centre offers a unique environment for economic activity that is unlikely to be replicated elsewhere in Greater Christchurch. The timely recovery of the City Centre is fundamental in driving recovery for the rest of Christchurch



and Canterbury economies. Given the City Centre has not yet recovered in respect of employment or business activity this should remain a priority.

125. The commitment from central and local government to invest into the City Centre provides a clear indication to the market of the objectives sought for the City Centre's role, however the City Centre continues to face significant hurdles. An insufficient supply of B and C grade office space, high rebuild costs, and uncertainty coupled with the current dispersal of its previous tenants combine to place pressure on the timely recovery of the City Centre.
126. The situation experienced by Christchurch is unique in that commercial office activity has been unavoidably removed and relocated from the City centre. For both the ongoing recovery and primacy of the City Centre it is considered necessary for PC14 to facilitate this relative competitiveness and continue with the existing office tenancy threshold provisions.
127. In order to achieve the economic benefits of a centralised city and facilitate the recovery of the City Centre it is considered necessary to continue with the existing limits on the basis of a hierarchy, with the City Centre possessing the greatest development opportunity followed by the identified Large Town Centres. This hierarchy is based on the primacy of the City Centre in terms of its role and function. The City Centre fulfils a regional role providing a level of profile and potential agglomeration benefits that typically attract and sustain medium to large businesses.
128. In seeking to facilitate the recovery of the City Centre, businesses over 500sqm GFA are crucial. Given that over 70% of medium to large commercial office businesses were once located in the City Centre there is a clear need for provisions that actively seek to redirect this activity into the City Centre.
129. As with any intervention, maintenance of the office tenancy threshold is likely to have some economic costs associated with it. By its nature this may result in short-term costs for individual businesses. They are also likely to result in some transactional costs through the need for some businesses to obtain resource consents. Generally, transactional costs accompany appropriate regulation. In the case of PC14 these costs will inevitably be outweighed through the City Centre's timely recovery.

130. Additional economic risks associated include:
- (a) Decreased choice;
  - (b) Insufficient capacity;
  - (c) Increased operational costs; and
  - (d) Impact upon KAC efficiencies.
131. There is also a potential increase in business costs relating to rents. This occurs in a free market where the agglomeration benefits are recognised and realised by the market and considered in their locational decisions. These increases are generally a market reaction to the increases in productivity achieved. Without intervention into the market through the maintenance of the office provisions there would be no corresponding increase in production to outweigh the potentially higher rent levels.
132. The costs of continued office sprawl in the case of the City Centre's economy include:
- (a) A decline in centre amenity and a social value potentially not achieved elsewhere, i.e., a net loss of value. There is a social value placed by the community on a vibrant City Centre - if commercial activity is simply dispersed throughout the wider City this value is likely to be lost altogether;
  - (b) Loss of agglomeration benefits: The proportional dispersal of this commercial activity throughout Christchurch and the proportional decline of commercial activity within the City Centre is likely to have a significant impact upon productivity rates within the City Centre; and
  - (c) Any public funds allocated in the Long Term Plan on upgrading City Centre public assets and loss of activity within the City Centre increases the marginal cost of this infrastructure while reducing the social value attributable to these public goods and services. The City Centre typically attracts the greatest range and scale of these assets and so loss of activity in this central location often results in more significant costs.

133. Enabling office tenancies greater than 500sqm as a permitted activity outside the City Centre Zone is likely to have significant impacts on the competitive advantage afforded to the City Centre. In fact the resulting decrease in competitive advantage on the Central City Zone is likely to result in:
- (a) A decrease in the Central City Zone's effective density;
  - (b) A decrease in associated agglomeration benefits;
  - (c) A negative impact upon efficiency gains resulting from centralised office activity and a condensed City Centre;
  - (d) A disaggregation of office activity leading to lower central city value, decreasing the potential for development and improved quality; and
  - (e) A negative impact on certainty for investment in the Christchurch City Centre decrease the viability of office location.
134. Policy settings that reduce the effectiveness of the City Centre provisions to provide for an intense and consolidated City Centre Zone and in doing so disperse office activity within wider Christchurch reduces the City Centre's overall attractiveness and competitiveness.
135. Provisions that would facilitate the dispersal of office activity either in out-of-centre locations or in the unnecessary expansion of centres is likely to result in the diffusion of activity, economic inefficiencies and a fall in Christchurch's overall productivities and competitiveness.
136. The continued economic development of the City Centre requires competitive changes to occur. It is now, more than ever, crucial that the economic environment within the City Centre is as competitively and efficiently managed as possible. Business location and the consolidation of commercial activity is key in the creation of this environment.
137. Overall, the potential to increase business costs is more than met through the increased density while additional economic benefits would accrue to the community as a whole. In my view the continuation of the 500sqm office tenancy cap remains the most appropriate means by which to achieve the timeliest recovery of the City Centre.

138. In terms of the CCMUZ, the current District Plan provisions restrict retail activities to:
- (a) the display and sale of goods produced, processed or stored on the site and ancillary products up to 20% of the net floor area on the site used to produce, process or store these goods, or 350m<sup>2</sup> retail floor space, whichever is the lesser;
  - (b) second hand goods outlet;
  - (c) food and beverage outlet;
  - (d) small scale general convenience store where grocery items are offered for sale with a maximum GLFA of 250m<sup>2</sup>; and
  - (e) one supermarket with a maximum GLFA of 2500m<sup>2</sup> located within the Commercial Central City Mixed Use Zone block bounded by Manchester, Salisbury and Madras Streets.
139. These provisions are designed to support and not compete with the City Centre in the post-earthquake period. As per Figure 2, retail activity within the City Centre has not recovered to its pre-earthquake levels and represents a sector where opportunity for retail growth should be preserved. Maintaining the established retail restrictions would further support the City Centre in its recovery and further acknowledge the City Centre's primacy in the hierarchy of centres.
140. Additionally, the CCMUZ's role and function is not to act as a centre location but to support the City Centre in its recovery. The restrictions support the CCMUZ's role and function as a support zone for the City Centre.

## **ECONOMIC COSTS AND BENEFITS OF CENTRAL CITY HEIGHT ENABLEMENT**

### **Central City Recovery Direction**

141. The proposed policy settings in PC14 seeks to further facilitate development enablement in the Central City to increase its market competitiveness within a planning framework designed to support more intensified and efficient commercial (including short stay visitor accommodation) and residential development. Increased enablement and development capacity through

heights represent a positive economic effect to achieve a higher level of development, flexibility and market certainty, all vital to the City Centre's recovery.

142. I consider it is important that Council continue to advance policy direction that encourages and facilitates growth of commercial, retail and high-density residential activity in the Central City and improves the City Centre's competitiveness in order to facilitate the ongoing recovery of the City Centre.
143. To maximise enablement and efficiency from an economic perspective, identification of a precinct within the City Centre with a significant increase in height above the current 28m to encourage the highest possible land use and intensified activity would represent the most efficient economic outcome. The extent of the City Centre is large and may encourage dispersed rather than consolidated development.
144. A significant increase in building height would maximise these residential, commercial business and employment value generators and provide the most benefit from agglomeration and centralisation of such activities. City Centres are designed to be the areas of tallest buildings in a city and focal point for a city's commercial activity.
145. However, context is important. This is Christchurch City, not Sydney or New York who individually have population bases and commercial markets more than 10 times the size of Christchurch City. As such the question from an economic perspective is what the economic costs of a higher height threshold are.
146. Under PC14 as notified the proposed height limit in the City Centre is 90m, with 45m in the Victoria Street commercial area and the site around Cathedral Square, 28m at the New Regent Street interface (8m on New Regent Street) and 16m in the Arts Centre).
147. The probability of a large number of 90m high buildings being developed in Christchurch's City Centre given the size of the city's commercial and residential apartment market is considered low. Additionally, the economic transactional costs associated with seeking a taller building with a Discretionary activity status with the few, if any, who may seek to develop taller buildings is not considered material in the overall context of the likely

building cost and associated risk. A Discretionary activity status is considered to compromise the level of enablement that would facilitate the development of tall buildings and generate economically efficient outcomes.

148. Some of the fundamental economic reasoning for supporting the higher 90m height limit in the City Centre Zone include:

- (a) **Relativity:** In considering the height limit within the City Centre Zone it is important to understand the market's perception of relative competitiveness between zones. While there exist a number of physical and market constraints to development in the City Centre it is important that planning provisions provide the City Centre with an advantage that directs efficient growth into this location. A key factor in this competitiveness is the relative height limits. The differential in height limits also needs to have a practical consideration where the differential is likely to be realised. For example, an unlimited height in the City Centre may provide seeming justification for 90m in the city fringe, or 60m in a Large Town Centre.
- (b) **Feasibility:** Ms Allen's assessment of feasibility provides a clear indication, within the market, of the marginal nature of feasible development at 60m within the City Centre and the inherent link between feasibility and the height limit. In essence, the higher the more profitable (and by that nature the more competitive) and therefore the higher propensity for development in the City Centre.
- (c) **Increase Risk of Flight:** When considering heights in relation to the competitive nature of a location such as the City Centre it is important to understand the development opportunities are not a given in this location. The inability for developers to build, profitably, within the City Centre has the potential to redirect that development to other less efficient locations within Christchurch. The practical outcome of not permitting higher buildings therefore is not necessarily the retention of that space / activity at lower heights within the City Centre but the dispersal of that activity and growth to other fringe locations. The analysis indicated by Ms Allen would indicate that the development of a lower rise building (less than 60m) has a greater feasibility and therefore propensity to occur in the fringe of the City Centre. So

projected growth for the City Centre is not fixed, as it can be redirected to alternative / more competitive / profitable locations.

- (d) **City Centre Profile:** The ability of a city to accommodate large buildings is typically linked to both the national and international profile of that city. Restricting heights within the City Centre, unnecessarily, could impact upon Christchurch's national and international profile, competitiveness of the city, and ability to attract larger and higher value-added businesses to the city and fundamentally impact the community's wellbeing.
- (e) **Uptake of Vacant Sites:** There is no evidence to indicate a lower height limit in the City Centre, e.g., 60m, would lead to an increased uptake of vacant sites in the City Centre. In fact, there is a risk that the lack of competitiveness through restricting heights in the City Centre could lead to a greater number of persistently vacant sites. As such, a 90m City Centre Zone height would not materially impact the uptake of vacant sites or the distribution of growth relative to the competitiveness of realistic alternatives.
- (f) **Potentially Slow Down Recovery:** The potential for redirection of development is likely to exacerbate the recovery of the City Centre. The factors outlined above are exacerbated by the fact the City Centre has not yet fully recovered and is therefore has not re-established its natural competitive advantages.
- (g) **Tall Building Investment:** Greater heights require increased capital investment and can also lead to improved quality in the build form, internal space and public amenity areas. This is typically the result of requiring a greater quality building to attract the higher level of demand required to tenant the space. Greater heights also provide the ability to achieve economies of scale that allows for improved investment in common areas and generally improved interaction with public space.
- (h) **NPS-UD:** A 90m height limit in the City Centre Zone most appropriately satisfies (in the Christchurch context) Objective 1 and Policy 1 of the NPD-UD focusing on planning decisions that contribute to those aspects of a well-functioning urban environment that anticipate a range of residential typologies, price points and locations,

a variety of locations and site size for business sectors, have good accessibility for all people, and limit as much as possible adverse impacts on the competitive operation of land and development markets.

- (i) Furthermore, Policy 3(a) of the NPS-UD states district plans, in city centre zones, enable building heights and density of urban form to realise as much development capacity as possible to maximise benefits of intensification. This is a clear policy directive. In my view the 90m height limit in the City Centre Zone is considered most appropriate as it provides the balance between this policy directive, development feasibility analysis from Ruth Allen indicating that (generally speaking) the higher the development the more feasible it becomes, relativity with existing built form height in the City Centre (86m height of Pacific Tower including antennae), and the potential risk of 'development flight' as a result of a lower height limit to more competitive locations.

149. As identified above, a lower height limit would reduce the development potential and City Centre capacity. This would result in a significantly reduced level of development enablement (relative to 90m) and could reduce the economic efficiency and productivity of the City Centre long term. This would generate long term economic costs to the community relative to the 90m. As such this is considered an economically inferior height enablement to PC14's notified position.

150. Fundamental to development feasibilities for large scale buildings is certainty, particularly in relation to the planning process. In my experience, developers prefer to avoid uncertainty and design tall buildings within the enabled planning framework and height limits. This may not result in the most efficient use of the land or potentially the best building for a site, but avoids the risks associated with the consenting process and provides more certainty for the developer<sup>4</sup>.

151. As such a lower height limit in the City Centre would likely result in lower buildings which could reduce economic efficiency, reduce relative

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<sup>4</sup> Evidence of Jarrod Thompson on behalf of Stride Investment Management Limited (submitter 470) and Investore Property Limited (submitter 405) Hearing Stream 4 – Metropolitan Centre Zone, Wellington City Council Proposed District Plan, 12 June 2023, paragraphs 25-27.



competitiveness of the City Centre (both within Christchurch and domestically with Auckland<sup>5</sup> and Wellington CBDs<sup>6</sup>).

152. A zone wide cap on height enablement of 28m as currently in the operative district plan introduces significant economic costs that could compromise the future development of the City Centre. By enabling areas of higher built form and more efficient land use Council would signal to the market that these areas are intended for this purpose and are the most efficient locations for highest density developments.

#### **PC14 Commercial Centre Height Economic Benefits**

153. The following outlines the high-level economic costs and benefits associated with the increase in heights for the identified Central City areas, i.e., Central City densification, and the Large Town Centres. There may be other relevant costs and benefits associated with increasing building heights in the non-economic fields, but they are not discussed in this statement.

154. These economic benefits associated with increasing height limits in commercial centres, and in particular the City Centre, include:

- (a) **Catalyses development:** Liberalising of land use rights has historically been proven to increase development of associated land. The increase in height limits brings the (re)development timeframe of affected properties forward in time as the return on development is higher (more rent is now achievable). There is a second order effect also because development encourages further development. As one parcel is (re)developed, neighbouring properties benefit off the improvement in amenity (assuming development and urban design standards are appropriately set to deliver such outcomes) and are encouraged to (re)develop themselves to maximise returns.
- (b) **Increases the impetus for intensified (re)development:** The ability to build up to a higher level generates an impetus for developers to maximise their build envelope.

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<sup>5</sup> Auckland Council PC78– unlimited building heights in the core city centre except where special height controls apply.

<sup>6</sup> Wellington City Council Proposed District Plan, CBD East up to 93m and CBD West up to 95m (Mean Sea Level).

- (c) **Increases the impetus for consolidation of activity:** Increases the impetus for consolidating activity (retail, employment, residential, commercial, etc.) into centre locations rather than sporadic development in unplanned areas.
- (d) **Enhanced housing affordability:** Restrictions on building vertical can contribute to housing shortages. More permissive building height restrictions, therefore, can have positive consequences for delivering more affordable / serviceable housing where the construction of apartments and other higher density dwellings become more feasible within the height change area.
- (e) **Increases employment opportunities:** Greater height limits mean more employment GFA opportunities as the level of commercial floorspace increases more people will be employed in the identified area.
- (f) **A stronger sense of connectedness and vitality:** The increased residential and commercial activity density mean that a greater mix of people are in closer contact with each other. This allows for more 'free flow' of ideas between people and creative thinking.
- (g) **Potential for less land / green space take-up:** A higher density and agglomeration of business activity means that a greater quantity of activity can take place within the identified area. This would suggest that more efficient use of land for commercial space leaves more land / space available for other uses, such as parks, green space, environmental amenity which the local community can enjoy.
- (h) **More efficient land use:** Taller buildings mean land is being used more efficiently as the vertical space is being used more effectively. While premium retail / food and beverage space will predominantly remain at ground level, a broader range of commercial and residential options are unlocked through the increased building height limits.
- (i) **More flexibility for land users and building tenants:** Flexibility is often an attractive part of taller buildings. With the increase of height limits, tenants would be able to expand to other floors within the same

building (or potentially on the same floor, particularly in larger floorplate buildings), or sub-let floorspace as needed, with relative ease.

- (j) **More efficient infrastructure use:** The existing and future infrastructure that is put in place to service local residents in and around the Central City is used by a larger number of people. This includes road / footpath network, community facilities – libraries, halls, parks – power and telecommunications, three waters, etc. The larger number of people in the form of increased employees using these resources on the way to work, increased residents living in apartments and tourists in visitor accommodation in the Central City, the lower the marginal cost of infrastructure.
- (k) **Increased internalisation of retail spend and centre spend:** The (re)development of properties will encourage increased foot traffic to the area through employment, local residents and tourists attracted by the amenity. This improves the Central City long term as it establishes it as a hub of activity, employment, culture, public transport, community and living.
- (l) **Reduces transport costs and associated emissions:** The increased density enabled by increased building heights will reduce transport costs as a greater number of locals will be able to access the benefits of the Central City. This has flow-on benefits of lower fuel emissions, and possibly a greater reliance on public transport as more employment options will be collocated on public transit routes.
- (m) **Adds profile as a commercial hub:** Development and height create a general feel of commercial professionalism that attracts high tier commercial tenants and main brands to the Central City. This profile adds prestige to the Central City location and creates significant economic value for the Central City.
- (n) **Adds profile as a hub of residential activity:** The development and height create a feel of community and sense of place that can attract a diverse demographic of home buyer and / or renter.
- (o) **Generation of new views and enhanced building profile:** A wider range of views from buildings at differing heights are attractive to

commercial tenants that want a good view for their office. This can attract high tier commercial tenants for regional / head offices. Meanwhile, for practical floorspace reasons, and sometimes for image reasons, taller buildings are more attractive to large corporations by providing a high-profile space. This is reflected in a prestige factor.

- (p) **Provide greater market certainty and simpler planning process that lower transaction costs:** Greater heights are allowable within the area but require a resource consent, PC14 will remove some cost and wait time for the resource consent process up to the chosen height limit in the respective areas or make the consent process timeframe shorter / less costly as there is a lower threshold for heights to pass. This also increases market certainty – a critical element to investment in a market.
- (q) **Higher level of specialisation and productivity:** As levels of economic activity increase in the same footprint, so does the ability of businesses to specialise and increase efficiency, due to increased competition. This would also increase the prevalence of knowledge spill overs, increasing innovation density allows businesses to have access to larger markets of suppliers (especially labour supply) and consumers, allowing competition to enhance the quality of inputs and outputs.
- (r) **Potential to safeguard productive land:** A large proportion of urban centres are currently surrounded by the most productive, or versatile, soils, across the country. As urban centres expand into these productive areas there has been a concern that productive land is not being adequately protected. As such, more floorspace being built higher within the same footprint will ensure the district has somewhere for its growing population to live and work– mitigating effects on the future rate of consumption of its productive land resource.

### **Economic Costs**

- (a) **Increased congestion of road / footpath networks:** Increased density can generate increased congestion. The greater level of foot traffic generated through increased development, increased employment and increased high density residential activity may impact

the road network and parking space availability in some Central City locations. The increase in disbenefits, including congestion, is unlikely to be immediately appreciable, so traffic flow mitigation will likely be somewhat mitigated with sufficient planning.

- (b) **Increased levels of crime:** There is a direct correlation between greater numbers of people and levels of crime. This tends to be at all levels of crime from petty theft / public nuisance to serious assaults. Crime can be somewhat mitigated with design outcomes such as more open / visible spaces, more lights, etc., and greater levels of investment in the form of security cameras, guards and police presence.
- (c) **Increased pollution / waste:** Waste and pollution are also more common in areas with a greater number of people present. Increased road network and foot traffic increase pollutant runoff in stormwater systems and the cubic meterage of waste produced in an area. This can be somewhat mitigated with design (such as increasing the number of rubbish bins and stormwater capture / filtration) and increasing the number of collection days / road cleaning.
- (d) **Increased noise:** Increasing the amount of people / traffic in an area will increase the level of ambient noise in that area. This can be mitigated with urban design and architecture such as increased greenspaces and trees or greater levels of noise acoustic absorption materials in buildings, thicker walls / glass, etc.
- (e) **Increased levels of vagrancy and transient population:** Higher density areas attract homelessness and transient populations. This can negatively impact the general amenity of an area and discourage community participation including demand for residential, retail, and employment.

155. It is worth noting that the costs identified above are all associated with public safety and amenity and can all be mitigated, to some degree, by urban design and good planning policy. Poor quality policy and design can, however, further exacerbate the economic costs associated with increased density enabled by greater height enablement.

## **LARGE TOWN CENTRE HEIGHT ENABLEMENT**

156. An appropriate building height within the Large Town Centres assessed in my research and this statement need to be considered in the context of the wider suite of heights across the residential and business zones. This is important to not undermine the efficient location of higher density residential and commercial activity with more competitive areas for such development that ultimately undercuts the aspirations of densification in and around the Central City area.
157. The identified Larger Town Centres considered in PC14 for proposed height limit changes to 32m, and 22m in the surrounding High-Density area, are:
  - (a) Hornby;
  - (b) Papanui; and
  - (c) Riccarton.
158. These centres currently have a zoning of Commercial Core Zone in the operative district plan, which is anticipated to become Town Centre Zones (as a default) with the adoption of National Planning Standards. The current height limit enabled by the operative district plan zoning allows for 20m. Notified PC14 proposed a height of 22m, roughly 6 storeys. This is the baseline height limit for the centres that are part of my assessment and there are currently only a small handful of buildings in these centres that approach or exceed this height limit. The 22m height limit is also the baseline height now recommend by Council for other (smaller) Town Centres.
159. Broadly speaking, the costs and benefits of increasing height limits in these other centre locations are similar to increasing height limits in the specifically identified centres. Since the change in height limits do not approach those of the proposed heights for City Centre (90m) or CCMUZ (39m as now recommended by Council) it is unlikely that the impact will be drastic.
160. All three centres service a wide catchment for retail, recreation, community and residential needs that generates a critical mass of agglomerated activity for additional benefit and amenity to their respective catchments. These are the primary activities that the National Planning Standards indicate that a Town Centre should contain.

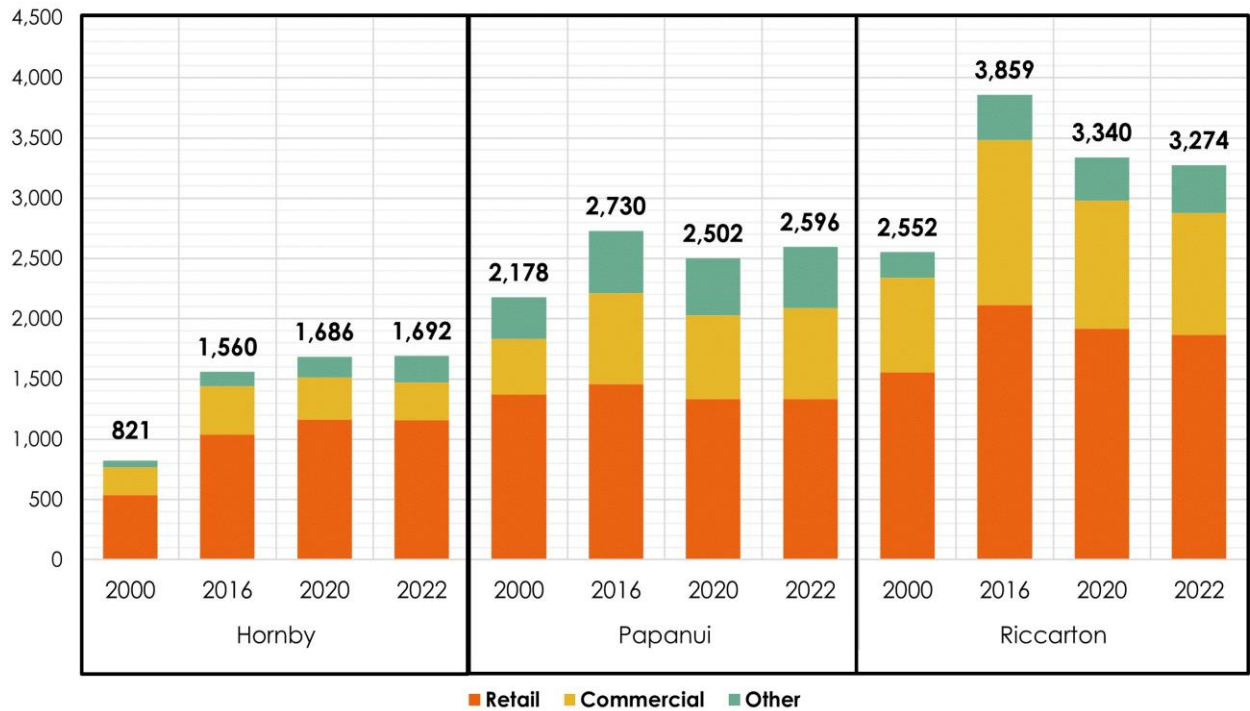
161. Increased height in all three centres has the potential to result in an increase in the level of intensification within the centre primarily in residential and commercial uses. The eased restrictions may spur some (re)development in centres which could result in increased retail / commercial office GFA, new community infrastructure and / or increased high density residential (apartments). These all promote the centre as a hub of employment and locations of higher levels of amenity.
162. While any increase in height limit is likely to notionally facilitate additional development within the respective centre location, the greatest benefit of height increases occurs at the margin i.e., enabling an extra 1m above the existing limit (20m) has a greater benefit than enabling an extra 1m above 32m.
163. Inversely, an increase in height limit of a competing Large Town Centre has an increasing disbenefit on other centres (with the City Centre being, generally, the most economically efficient). As the height limit of a Large Town Centre approaches the height enablement in the City Centre the marginal costs on the City Centre increase exponentially.
164. The increased impetus to develop the centre may help focus intensification into the centre, which could help with infrastructure management / development, and keep sporadic pockets of higher density development from occurring within residential areas. This would result in a more efficient outcome from an infrastructure use and investment perspective.
165. The impetus to develop higher density within these Large Town Centres may also detract from (re)development of the City Centre (and even the CCMUZ and HRZ) as the development land would be, comparatively cheaper and may result in a less efficient resource use and unplanned intensification that could result in infrastructure capacity shortfalls.

#### **Hornby, Papanui & Riccarton employment trends (excluding industrial)**

166. **Figure 5** below shows the employment counts by broad sector of the centres and respective blocks subject to the increase in heights. This employment count data is measured at the meshblock level which does not perfectly align with proposed height change areas but represents a 'best fit'.

167. The employment count provides a high-level understanding of the activity mix and land uses within the area. While it does not identify all activity, such as residential, religious, cultural or community, it provides some understanding of the productive use of the land.

**FIGURE 5: HORNBY, PAPANUI & RICCARTON EMPLOYMENT BY BROAD SECTOR**



Source: Stats NZ

168. The proposed height-increase would encourage additional employment as the area is (re)developed to greater scale. The increase in heights enables more intense commercial office employment and residential density (i.e., more floors → more offices → more dwellings → more people) and any investment in the built form or increase in foot traffic of the area will encourage further retail activity and employment.

169. Hornby centre transitioned from a highly industrialised area in 2000 to a retail centre with a mix of other activity including commercial office workers. Between 2016 and 2022, the centre grew by roughly 130 net additional employees which is an increase of just over 20 net additional employees per annum on average.

170. In May 2023 I undertook an assessment of the present role, function, vitality, and economic 'health' of key commercial centres across Christchurch relative to a previous evaluation I completed in 2017. This was to present



observations and insights into the present economic situation of each evaluated commercial centre and whether there had been an improvement, decline or a change in the role and function of evaluated centres. Based on this evaluation, for the Hornby commercial centre I make the following summary observations:

- (a) Recent investment in the Hornby mall upgrade key has paid dividends from a shopper perspective and improved the functionality, amenity and attractiveness of the mall considerably;
- (b) The mall contains a vastly improved offer, environment and integration of different components of the centre;
- (c) The centre is not the finished article yet, but a work in progress that is going in the right direction;
- (d) Dress Smart has also improved with investment and represents a unique pitch relative to other centres in the network. This is a positive difference and serves the wider City; and
- (e) The Chappie Place Large Format Retail (**LFR**) centre is relatively small in LFR centre terms but is easy to access, has good national banner brands, is modern and simple to navigate and overall plays its role and function well.

171. Papanui is a large employment centre with around 2,600 employees as of 2022, which represents a slightly lower employment level than in 2016. The employment decline in the centre post-2016 has been offset more recently by the development of the Langdon's Road LFR Centre. The relocation of employment back in the City Centre over this time would be a likely contributor to this decline.

172. Based on my May 2023 evaluation of Papanui / Northlands I make the following observations:

- (a) The Northland Shopping Mall component of the centre has got most of the staple specialty branded stores for a major shopping destination plus movies making the centre attractive to consumers;

- (b) The balance of the Papanui centre (non-mall) is getting some investment, but the retail environment and offer I consider second tier and well below that of Merivale immediately south of the centre;
  - (c) Part of the wider retail environment includes the Langdon's Road LFR centre. This is a new modern centre with the major national banner LFR brands. The centre is easy to access, has no vacant tenancy but a vacant site for future expansion. This retail destination plays its role and function well; and
  - (d) Northlands / Papanui centre as a whole is almost a 3-tier centre with its different components all functioning separately – Northlands Mall, Langdon's Road LFR and the balance of Papanui. Better integration of these elements in the future would improve the centre.
173. Riccarton is a large employment centre with around 3,300 employees as of 2022. Riccarton benefited significantly from the post-earthquake employment movement out of the City Centre as seen by the employment peak in 2016. As the Central City rebuild gained momentum, employees moved back into the City Centre which has driven the material drop in employment over the last six years.
174. Based on my May 2023 evaluation of Riccarton I make the following observations:
- (a) The centre has two distinct components – the Westfield Mall and the main street strip. The mall contains most of New Zealand's national shopping mall brands, is a good quality retail environment and plays its role and function well;
  - (b) The linear retail strip is lagging behind in terms of quality of environment, offer and shopping experience. However, recent investment in some strip retail and commercial sites is resulting in new development of retail and office space that is improving the quality and environment of the shopping experience; and
  - (c) There remains a lot of redevelopment potential in the strip as historic development patterns have been very low-level, but its heading in the right direction (vertically).

175. Despite the loss of employment across in recent years (Hornby exception), all three centres appear to have bounced back to either just above (Hornby and Northlands) or just below (Riccarton) their respective pre-COVID employment levels. Maintaining a healthy level and mix of employment. All three centres appear to be robust in terms of breadth and mix of activity and will likely improve their level of employment as they develop and the market continues to grow in the future.

### **Economic Costs benefits for Large Town Centre height enablement changes**

176. The economic costs and benefits for the Large Town Centre increased height enablement are the same as identified previously, albeit proportionally lower respectively.
177. **Table 3** following outlines the suite of heights across the centre network of the city and important to my recommendation is the relativity between each centre to ensure an appropriate competitive advantage is provided. Height limits and relative competitiveness are directly related. This shows the layered approach to heights based on efficiency of location and the role and function of centres in the network.
178. For example, I support a 39m height limit in the HRZ immediately surrounding the City Centre Zone on the basis of my recommended 90m height limit in the City Centre Zone. If the height limit in the City Centre Zone was lower, e.g., 60m, then I would not agree with the 39m height in the HRZ surrounding the City Centre as the City Centre would lose a significant amount of its competitive advantage and feasible development potential. This is likely to result in a dilution of the City Centre Zone development potential and ultimately likely reduce the level of development the City Centre Zone may experience in the future.
179. Consideration of Table 3 heights as a suite is important to understanding the appropriateness of my position on the most appropriate height thresholds for the Large Town Centres.

**TABLE 3: RECOMMENDED HEIGHTS BY CENTRE CLASSIFICATION**

Central City	Centre	Operative District Plan Height (m)	Notified PC 14 Height (m)	Tim Heath Recommended Height (m)
City Centre Zone	CBD	28	90	90
City Centre Mixed Use Zone + South Frame	Central City Four Aves	21	32	32
City Centre Mixed Use South Frame	Central City Four Aves	21	21	22
High Density Zone	Central City Immediate Surrounds	14	32	39
High Density Zone	Central City Wider but within Four Aves	14	20	22
Classification/Zone	Centre	Operative District Plan	PC 14 Height	Recommended Height
Large Town Centres	Riccarton	20	22	32
	Papanui	20	22	32
	Hornby	20	22	32
Town Centres	Linwood	20	20	22
	Shirley	20	20	22
	Belfast	20	20	22
	North Halswell	20	20	22
Classification	Centre	Operative District Plan	PC 14 Height	Recommended Height
Large Local Centres	Merivale	12	20	22
	Sydenham	12	20	22
	Church Corner	12	20	22
	Ferrymead	12	20	22
	New Brighton	12	14	22
Local Centres	Barrington	12	14	14
	Prestons	12	14	14
	Bishopdale	12	14	14
	Lyttleton	12	12	14
	Wigram	12	12	14
	Woolston	12	12	14
	Avonhead	12	12	14
	Addington	12	12	14
	Sydenham South	12	12	14
	Cranford	12	12	14
	Edgeware	12	12	14
	Halswell	12	12	14
	All other Local Centres	12	12	14
Neighbourhood Centre	Neighbourhood	8	12	14
Residential Zones	Centre	Operative District Plan	PC 14 Height	Recommended Height
High Density Zone	Large Town Centres (Riccarton, Papanui, Hornby)	11 (RMD)	20	22
High Density Zone	Town Centres	11 (RMD)	20	22
High Density Zone	Local Centres (Large)	11 (RMD)	20	22

180. I consider it appropriate to increase the Large Town Centre heights to 32m from Notified PC14 in order to create a competitive advantage and market differential over other Town Centres. Increased development density around these Large Town Centres represent a more efficient outcome with better access to goods and services, employment, public transport, community facilities, etc relative to the Town Centres.
181. Some submitters seek the Large Town Centres are more appropriately classified as a Metropolitan Centre. There are numerous economic factors and potential consequences to consider with such a classification in a Christchurch context and in an environment where the City Centre is still in its post-earthquake recovery. A Metropolitan Centre classification in effect elevates the market status of any such centre in the network that means on a relative competitiveness and layered height approach basis should result in increased heights. This principle, which I would agree is appropriate given such a status, is a key reason why the height limit in Large Town Centres has increased 10m to 32m from Notified PC14. This new height limit balances consideration of the relative competitiveness with other Town Centres but not to a height where the Large Town Centres unduly compromise the relative competitiveness of the City Centre Zone and HRZ within the four avenues, i.e., it increases the propensity for more intensive development to occur within Large Town Centres but not at the expense of the propensity for such development within the City Centre zones.
182. This is particularly relevant in the context of the City Centre having not yet recovered and I would have concern if a higher height limit was introduced for a Large Town Centre as it would likely dilute the potential residential development in and around the City Centre. This could put at risk the rate of the City Centre's recovery.
183. Furthermore, a Metropolitan Centre Zone with a height limit above 32m would likely conflict with NPS-UD Policy 3(b) which is to facilitate *"building heights and density of urban form to reflect demand for housing and business use in those locations"*. Neither my investigations over the 20+ years analysing Christchurch, nor any recent data, suggests additional capacity is required for residential or commercial activity above 32m for any of the Large Town Centres.

184. The suite of height limits across the City Centre Zone, CCMUZ, HRZ, Large Town Centres and High-Density Areas need to be considered as a whole and changing the height in a single zone / centre may undermine the relative competitiveness across the network and catalyse intensive development in locations / centres that may not represent the most economically efficient outcome.
185. The MDRS has shifted the height baseline in which to consider relative competitiveness up to 12m. In effect 12m represents the new ground level when considering the relativity of heights between zones. This is important to setting a suite of heights that proactively guide the geospatial distribution of intensive development, and increasing the propensity for intensive development to occur, in the most efficient locations.

#### **IMPACTS OF QUALIFYING MATTERS ON COMMERCIAL CAPACITY**

186. This section provides a high-level quantitative assessment of the impacts of the QMs on the potential theoretical capacity of commercial floorspace within Christchurch's centre zones<sup>7</sup>.
187. As part of PC14, Council has identified numerous QMs that constrain development in specific areas relative to the extent provided under Policy 3 of the NPS-UD or the MDRS.
188. The following is a list of QMs where development is not enabled and for the purposes of this modelling exercise capacity has been removed.
- (a) Airport Noise Contour;
  - (b) Coastal Inundation Zone;
  - (c) District Plan Port Influence;
  - (d) Heritage Setting, Item's and Area's including both District Plan and Proposed;
  - (e) District Plan Designation;
  - (f) District Plan Water body Setback;

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<sup>7</sup> Includes City Centre, Commercial Central City Mixed Use, Commercial Mixed Use, Town Centre / Local Centre / Neighbourhood Centre zones.

- (g) Powerline and Structure;
  - (h) Railway Building Setback;
  - (i) Styx River Setback;
  - (j) Tree Setback; and
  - (k) Wastewater Constraint.
189. Additionally, the City Centre Zone has four precincts / overlays with a reduced height limit. Within these areas, the maximum height has been reduced from 90m to:
- (a) Art Centre Height – 16m;
  - (b) Cathedral Square and Victoria Street – 45m;
  - (c) City Heritage Interface 28m; and
  - (d) New Regent Street Height – 8m.
190. Lastly, there is a Flood Ponding Management Area which has additional controls that reduce development potential to manage flooding. This has been modelled by assuming a 50% site coverage maximum.
191. **Table 4** below shows the maximum height and site coverages assumed for each zone. Although there is no maximum site coverage in commercial zones, it is unpractical to expect that every site would be developed to this extent even in a saturated market. Instead, I have based capacity on the site coverage of the upper quartile of existing sites within each zone.
192. The maximum height has been translated into a maximum number of storeys using a minimum average storey height of 4m. The modelling was undertaken just prior to the notification of PC14, and subsequently some height limits are proposed to be increased. As such, the assessed impacts outlined below can be considered to provide a general guide to lost capacity only on a proportional basis.

**TABLE 4: ZONE ASSUMPTIONS**

Zone	Maximum Height	Site Coverage	Notes
City centre zone	90m	90%	Consent required where road wall height exceeds 21m.
Central City Mixed Use	32m	80%	
Mixed Use Zone	15m	70%	
Local centre zone (Small)	12m	65%	
Local centre zone (Medium)	14m	80%	
Local centre zone (Large)	20m	80%	Ferrymead Limited to 36,500sqm of Retail.
Neighbourhood centre zone	12m	65%	
Town Centre zone	20m	80%	North Halswell limited to 30,000sqm of Retail and Office.
Town Centre zone (22m)	22m	80%	Riccarton, Hornby and Papanui.

*Source: Property Economics*

193. **Table 5** below shows the total current floorspace, potential floorspace and the impact of each QFM on this potential additional floorspace.



**TABLE 5: SUMMARISED TOTAL OF ESTIMATED QM IMPACTS**

	Total
<b>Total Current Floorspace</b>	<b>3,820,977</b>
<b>Total Additional Floorspace Potential before QFM</b>	<b>27,393,030</b>
Airport Noise Contour	499,897
Art Centre Height	365,152
Cathedral Square And Victoria Street	201,296
City Heritage Interface	247,185
Coastal Inundation Zone	475,314
Dirstrct Plan Port Influence	18,359
District Plan Heritage Setting	3,744
District Plan Designation	531,786
District Plan Heritage Item	1,860
District Plan Water body Setback	38,589
Flood Ponding Management Area	106
New Regent Street Height	33,307
Powerline and Structure	43,865
Proposed Heritage Item	58,728
Proposed Heritage Setting	91,242
Railway Building Setback	27,562
Styx River Setback	4,826
Tree Setback	131,070
Waste Water Constraint	525,188
<b>Total QFM Impact on Floorspace Potential (See Notes)</b>	<b>3,200,362</b>
<b>Proportion of Total Potential</b>	<b>12%</b>

*Source: Property Economics*

194. In understanding the results of this table there are two important things to note.
- (a) Firstly, the total QM impact is not intended to be exactly equal to the sum of QM impacts. The individual QM impacts outlined in Table 5 represent the impact of each QM on Commercial Floorspace without accounting for the effects of any other QM. However, the calculated total identifies the effects of multiple overlapping QM's. For each site where the combined QM impact would exceed the potential floorspace, the additional floorspace is set to zero, rather than a negative. This limits the overestimation of the total QM impact on sites where the resulting potential floorspace subject to the QMs is less than the existing floorspace.

- (b) Secondly, the current floorspace has not been distinguished by activity type. This therefore may include residential and industrial activities on sites that could be redeveloped to commercial.
195. In respect of commercial (retail and office) demand for Christchurch over the 30-year period 2021-2051, this was assessed in the Greater Christchurch Partnership Business Capacity Assessment 2022. This report estimates a total of 1,840,500sqm<sup>8</sup> (rounded) of additional demand is required to be accommodated by 2051. With estimated QM impacts of 3,261,195sqm in the context of additional theoretical commercial floorspace potential of over 27,393,000sqm, the increased commercial development potential provided through PC14 adds significantly more than required if the commercial zones are efficiently utilised.
196. Based on my high-level modelling, I do not consider the overall impact of QMs on the ability of the assessed business zones to accommodate the cumulative future commercial requirements (retail and office) at a citywide level is likely to be more than minor.
197. Even with the assessed QMs, I consider the heights recommended for PC14 would enable substantial development opportunity and capacity for commercial activity relative to the status quo provisions in the operative district plan. This material increase in enablement would accommodate a level of commercial growth that is significantly more than the demand requirement for commercial (retail and office) land uses in Christchurch and go well beyond the 30-year timeframe.

## **RESPONSES TO SUBMISSIONS**

### **Central City (height)**

198. There is a range of themes relating to height and intensification enablement within the City Centre among submissions. These range from submitter #814 (Carter Group) which seek greater use of the permitted activity status in the Commercial Chapter to enable intensification to better meet NPS-US Policy 3, to submitter #378 (Marina Steinke) who seeks no increase in City

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<sup>8</sup> Greater Christchurch Partnership Business Capacity Assessment 2022 (Draft), Table 2 (row 2) and Table 3 (row 5), page 25.

Centre height and therefore maintain the current height restrictions in the City Centre (28m).

199. I disagree with these respective positions from an economic perspective for reasons outlined in this statement and consider 90m is the most appropriate height limit to adopt in the City Centre Zone.
200. As discussed earlier, it is important for PC14 when considering the most appropriate height for zones to consider the suite of zones across the city as a whole rather than on an individual zone or centre basis. This is to increase the propensity for intensification / density to be developed in the most efficient locations through a layered approach to zone heights factoring in the relative competitiveness of locations / zones through height status.
201. The City Centre, being the foremost commercial hub of the city and most economically efficient location for built form density to occur, should have the highest height limit, followed by the surrounding City Centre zones and walkable catchment, then the preeminent suburban centres and surrounds, followed by a tapering down in heights based on a centre's classification, role and function in the market. This is to ensure relative competitiveness between zones and centres so intensive development has a higher propensity to occur in the most economically efficient locations.
202. In my opinion, the City Centre should have the highest height threshold, whatever suite of heights the Independent Hearing Panel considers most appropriate, and then the height thresholds are staggered down from there. The City Centre's relative competitiveness is undermined where there is a loss in the competitive advantage for intensified development to occur. This is particularly important when considering the need to catalyse development in the City Centre whilst still facilitating the recovery from the 2011 Canterbury earthquakes.
203. In terms of the HRZs around the City Centre there were two height limits proposed in Notified PC14 – 32m in the HRZ immediately surrounding the Central City and 20m in the HRZ across the wider Central City area within the four avenues. These areas were differentiated given the extensive HRZ area associated with the four avenues and the fact higher density development is more economically efficient in the blocks immediately surrounding the City Centre Zone (the core area of the four avenues).

204. The most appropriate height for these HRZs needs to be considered in the context of the City Centre feasibility and realisable demand. Too much height / development potential provided in more distant areas (from the City Centre Zone) increases the risk for intensive development in less efficient locations relative to the City Centre zone or HRZs surrounding the City Centre zone. It would increase development potential to the point where it starts undermining the competitiveness and propensity for intensive development in the Central City zone, and absorb a significant level of future market demand for vertical typologies. In my view there is a material case for demarcating the HRZs as proposed.
205. An example showing the economic considerations when assessing the merits of height within the two HRZs in the four avenues is the specific example of 380 Durham Street North (the former Christchurch Woman's Hospital site). This is a large (approximately 2ha) vacant site with a Specific Purpose (Hospital) zone ripe for high density residential development. The height threshold I recommend for the site is 22m.
206. At a broad level a 22m height could yield around 400 dwellings on the site. If the height was increased to 32m the potential residential yield increases to around 640 dwellings. This differential equates to an extra 240 dwellings. This is a material difference in the Christchurch context and is of a scale that has the potential to undermine City Centre zone residential development through a significant level of singular competition. This undermines the City Centre zone's competitiveness and propensity for development. Therefore, I support a lower height in the wider Central City HRZ relative to the HRZ surrounding the Central City zone.
207. For the HRZ surrounding the Central City zone, Mr Kleynbos has recommended increasing the 32m building height to 39m, in light of the evidence presented by Ms Allan. I agree with the 39m as it fits well with the staggered suite of heights across the centres / zones, improves the relative competitiveness of the zone (albeit marginally less efficient than the City Centre Zone) and do not consider that this increase in height will have any material economic effect on the city centre, and refer to the s42A report of Mr Kleynbos and the evidence of Ms Allan.

208. As such, I consider the most appropriate height settings across the commercial and HRZs from an economic perspective are as outlined in Table 3.

### **Rezoning**

209. Submitter #249 Paddy and Jackie Snowdon (City Salvage) request a rezoning of the residential zoned portion of 544 Tuam Street and the adjoining land at 102-104 Mathesons Road to Neighbourhood Centre (or Commercial Local). I am neutral on the potential for extending the Neighbourhood Centre Zone on this land at this point. No economic material is provided in the submission to either support the rezoning or identify potential economic impacts. As such, I do not support the relief sought at this point but will consider any additional information provided at the hearing.
210. Submitter #386 Balmoral Limited request a rezoning of 336 and 340 Prestons Road and 427 and 435 Marshlands Road from Rural Urban Fringe Zone to Local Centre Zone. This submission seeks a considerable expansion of an existing Local Centre Zone without any economic basis provided on potential impacts and demand. The existing Local Centre Zone at Prestons Road has significant expansion potential to accommodate growth in future retail demand, and therefore without any economic basis provided, I consider it inappropriate to rezone the subject land.
211. Submitter #690 Redwood Gardens Holding Limited request a rezoning of 567 Wairakei Road, Harewood to a commercial zoning. This represents a spot-zoning within an established industrial area resulting in a disjointed zoning pattern and potentially increase risks associated with reverse sensitivity effects. There is no economic material provided to show it is the most appropriate zone for the site, represents an efficient outcome and contributes positively to a well-functioning urban environment. As such I do not support the rezoning. Submitter #821 Athena Enterprises Limited and Josephine Enterprises Limited request a rezoning of 9, 9A and 9B Sheffield Crescent, Harewood to a commercial zone. For the same reasons outlined in my response to Submitter #690 above I do not support the rezoning sought in this submission.
212. Submitter #848 Peebles Group Limited request a rezoning of 468-470 Cranford Street, Christchurch from Rural Urban Fringe Zone to Local Centre Zone. There is no assessment of potential economic effects provided as part of the

submission. The submission is simply a rezoning request without any economic basis provided. As such, I do not support the rezoning.

213. Submitter #883 Miles Premises Limited request a rezoning of 400 Russley Road, 475 Memorial Avenue and 500, 520 and 540 Avonhead Road from Industrial Park Zone to a full range of business and related activities including industrial, office, accommodation, health, community, entertainment, recreation activities and / or rezone in full or part Future Urban Zone or Medium Density Residential with no restrictions in activity type or standards due to airport noise effects. There is no economic analysis provided in the submission to support the extensive range of potential land uses such a rezoning would enable and no economic basis provided to understand the extent of potential economic effects of such a broad suite of land uses sought. As such, I do not support the relief sought in this submission.
214. Submitter #823 The Catholic Diocese of Christchurch request a Brownfield Overlay is applied to 2 Lydia Street. The current zone of the site is Industrial General Zone. There is a significant amount of change consented on adjacent sites with a new Pak'N Save supermarket and Foodstuff's South Island head office development which is changing the area significantly. I understand the 2 Lydia Street site has a consent and is currently being developed for education purposes as a school. As such, I support the Brownfield Overlay request as from an economic perspective the overlay better reflects the reality of actual changes occurring in the area and industrial activities no longer an appropriate or efficient use of the land, particularly in a market where there is sufficient long term industrial land supply.
215. Submitter #917 Belfast Village Centre Limited, Submitter #749 Ryman Healthcare Limited and Submitter #904 880 Main North Road Limited all requested either rezoning or a Brownfield Overlay be applied to their respective land holdings. These submissions are all in the Belfast area and interrelated to some extent. I consider a wider strategic planning exercise is required for the area to determine the most appropriate zones, extent of zones and efficient use of the land within a wider context rather than on an individual piecemeal basis. The Northwood Supa Centa is under pressure to maintain its position in the city's centre network with large footprint tenants leaving (Woolworths recently relocated out with that space to be tenanted to Spotlight, and The Warehouse, Warehouse Stationery and Noel Leeming closing in the near future). This combined with Belfast Village to the north growing and Ryman developing Commercial Core Zone (KAC) land for a retirement village means a complete

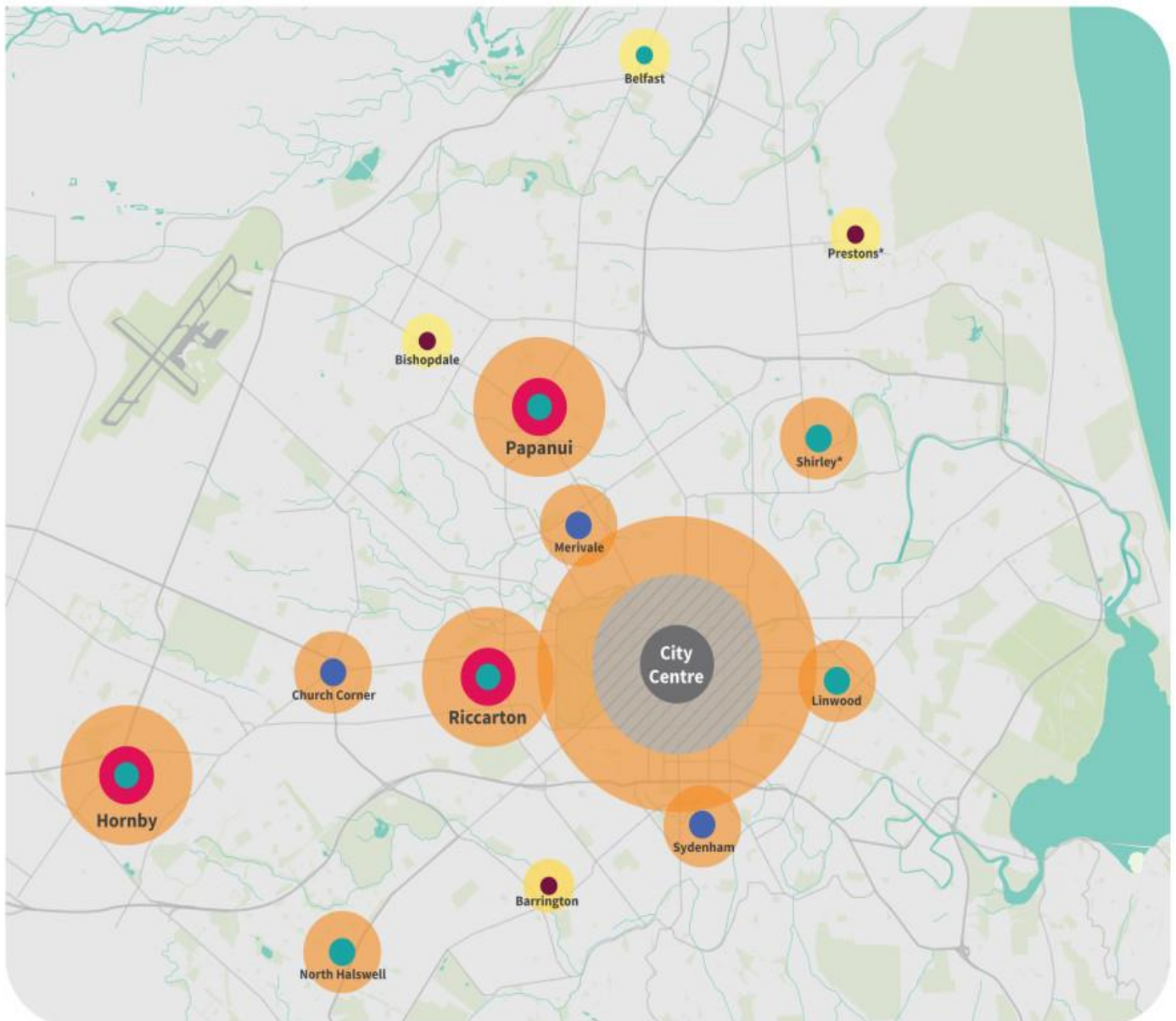
rethink of Belfast is required from a strategic planning perspective. Submitter #749 Ryman Healthcare Limited; sought rezoning would represent a practical outcome given the retirement village development is well advanced and therefore would represent the reality of the land use.

216. Submitter #915 25 KBR Limited has, unbeknown to me, attached a retail impact report I undertook for a specific resource consent application for a small neighbourhood centre as part of their submission on PC14. KBR Limited's submission seeks to rezone the subject site Neighbourhood Centre Zone. To avoid potential conflicts, I have not advised Council on the merits of this submission and do not make any comment on this submission in this statement.

11 August 2023

**Tim Heath**

## APPENDIX 1. PROPOSED PC14 NOTIFIED BUILDING HEIGHTS



### Key

- City Centre Zone:**  
 90 metres; 45 metres around Cathedral Square and Victoria St, and 28 metres around the Arts Centre and New Regent St
- High Density Zone:**  
 32 metres enabled (10 storeys, depending on building design)
- High Density Area (Residential and Commercial):**  
 20 metres enabled (six storeys, depending on building design)
- Larger Town Centre:**  
 22 metres enabled (six storeys, depending on building design)  
 – applies to Riccarton, Hornby and Papanui
- Town Centre:**  
 20 metres enabled (six storeys, depending on building design)
- Local Centre:**  
 14 metres (four storeys, depending on building design)
- Larger Local Centre (Significant):**  
 20 metres enabled (six storeys, depending on building design)
- Medium Density Zone Precinct:**  
 14 metres enabled (four storeys, depending on building design)

### Note:

Central City Mixed Use Zone: 32 metres enabled

Rest of the city – Medium Density Zone– enables at least 12 metres (unless Qualifying Matters apply).

\*For areas outside of the vacuum sewer wastewater constraints only.