

**BEFORE THE INDEPENDENT HEARING COMMISSIONERS
IN CHRISTCHURCH**

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

IN THE MATTER OF 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

JOINT STATEMENT OF PLANNING EXPERTS

in relation to 32 Armagh Street (also known as 325 Montreal Street)

2nd May 2024

INTRODUCTION

1. This Joint Witness Statement (*JWS*) relates to expert conferencing on the topic of the “The Blue Cottage” at 32 Armagh Street (also known as 325 Montreal Street), a scheduled heritage item which is the subject of “de-listing” submissions by Carter Group Limited¹.
2. In particular, this *JWS* focuses on scheduling policy 9.3.2.2.1(c)(iv) and whether *‘there are engineering and financial factors related to the physical condition of the heritage item that would make it unreasonable or inappropriate to schedule the heritage item’*. Among other things, this evaluation accounts for the different scopes of work and cost estimates prepared by Mr Gavin Stanley and Mr Tom Chatterton discussed in their *JWS* dated 29 April 2024, to inform what might make scheduling unreasonable or inappropriate and whether or not this clause applies.
3. This *JWS* has resulted from views exchanged via email conferencing between 30 April and 2 May 2024.
4. The following participants were involved in this conferencing and authored this *JWS*:
 - (a) Mr Jeremy Phillips for Carter Group Limited; Mr Phillips is the author of a statement of evidence dated 20 September 2023 and
 - (b) Mrs Suzanne Richmond for Christchurch City Council; Mrs Richmond is the author of a statement of evidence dated 11 August 2023 and rebuttal evidence dated 9 October 2023.

CODE OF CONDUCT

5. This joint statement is prepared in accordance with sections 9.4 to 9.6 of the Environment Court Practice Note 2023.
6. We confirm that we have read the Environment Court Practice Note 2023 and agree to abide by it.

PURPOSE AND SCOPE OF CONFERENCING

7. The purpose of the conferencing is to evaluate the submission to “de-list” or remove the Blue Cottage from the schedule of heritage items in the context of policy 9.3.2.2.1(c)(iv) and whether *‘there are engineering and financial factors related to the physical condition of the heritage item that would make it unreasonable or inappropriate to schedule the heritage item’*.
8. The scope of the conferencing is confined to this policy and the related evidence and information that is relevant to its evaluation.

¹ Submissions 814, 824 and 2045.

SCOPE OF REPAIRS AND REINSTATEMENT

9. We agree that the building is damaged/has deteriorated and requires repair and reinstatement and any works required under the Building Act for a specific use. We note that the scope of work required for an end use is not agreed by the relevant experts and to the extent that it may fall within District Plan definitions other than 'repairs' that is not material to our assessment of policy 9.3.2.2.1(c)(iv) and we do not consider those definitions further in this statement.
10. We agree that under the applicable Specific Purpose (School) zoning² the permitted uses of the building are: 'education activities and education facilities'³; and 'residential activity'⁴. The alternative zoning of the site proposed in PC14 is Medium Density Residential⁵. We agree that the adaptive re-use of the building for other purposes, such as those described in the evidence of Mr Tim Holmes, may be achievable by way of a resource consent, but there is no certainty as to the outcome of that process. Therefore, we agree that the scope of repair work should be based on an end-use for education or residential purposes. Mr Chatterton and Mr Stanley's cost estimates anticipate a permitted use of the building.
11. With reference to the JWS of Messrs Stanley and Chatterton, we note that there is a significant degree of alignment between those experts with regard to measure and rates, and it is primarily the scope, level of risk and contingencies which differentiates the cost estimates⁶.
12. We agree that Mr Stanley's estimate of costs in relation to the scope of works is less than Mr Chatterton's primarily because:
 - (a) Mr Stanley's updated scope⁷ applies a conservation approach⁸ which seeks to replace only the minimum heritage fabric needed in order to bring the building up to a

² To which the heritage item and heritage setting exemptions from zone and transport rules in Appendix 9.3.7.4 do not apply under the operative zoning.

³ Rule 13.6.4.1.1 P1.

⁴ Rule 13.6.4.1.1 P4, which refers to permitted activities in the alternative zone for the site (being the Residential Central City Zone and Rule 14.6.1.1 P1 and Medium Density Residential Zone proposed in PC14 via Council submission 751.53).

⁵ Council submission 751.53.

⁶ Joint Witness Conferencing Statement of Quantity Surveyors Blue Cottage (325 Montreal Street), 29 April 2024 - Appendices 1/A and 1/B.

⁷ Mr Stanley's scope has been updated following a site visit to view the interior of the building on 8 April 2024 and subsequent discussions with Mr Holmes (Conservation Architect for Council) and Mr Chatterton.

⁸ The definition of Conservation in the ICOMOS New Zealand Charter for the Conservation of Places of Cultural Heritage Value (ICOMOS New Zealand Charter 2010) is: "Conservation means all the processes of understanding and caring for a place so as to safeguard its cultural heritage value. Conservation is based on respect for the existing fabric, associations, meanings, and use of the place. It requires a cautious approach of doing as much work as necessary but as little as possible, and retaining authenticity and integrity, to ensure that the place and its values are passed on to future generations." Sourced from: <https://icomos.org.nz/charters/>

habitable standard under the Building Act (including meeting the Healthy Homes Standard).

(b) Mr Chatterton's scope reflects the works *'likely to be required to bring the building up to a functional and useable state that meets the market's expectations'*⁹.

13. We note that Mr Holmes has discussed adaptive reuse of the building in his primary evidence on 32 Armagh Street¹⁰, and that some of these uses would be subject to resource consent and therefore are uncertain. Mr Phillips is also concerned that a conservation repair strategy may not provide a functionally suitable or desirable building for those uses.

14. Mrs Richmond notes that the intention of a conservation repair strategy is to reinstate the building for a range of possible uses, and a resource consent application for building code-related works or alterations in conjunction with a conservation repair strategy will be supported by Council's Heritage Advisors where it retains heritage significance under the policy framework.

15. In addition, Mrs Richmond references Mr Holmes' rebuttal evidence¹¹ in which he comments that (with exceptions) alterations in relation to section 112 (1)(b)(ii) of the Building Act 2004 "do not need to comply with the building code to a greater extent than they did immediately before the building work began". Mrs Richmond notes that many scheduled heritage buildings have been repaired and brought back into use following the Canterbury Earthquakes, and as Mr Holmes observes¹², there are companies in Christchurch which undertake biological cleaning as an alternative to replacement of affected timbers, and "the decontamination and making good of buildings left for several years before undergoing restoration is common in Christchurch following earthquake damage and delayed construction projects". Mr Stanley has factored in a deep commercial clean and minimum compliance with the Healthy Homes Standard following discussion with Mr Holmes since inspecting the interior of the building on 8 April 2024.

16. Mr Phillips considers a scope providing for a functional and useable building that meets the market's expectations is more appropriate in this case, given that there is no guarantee of commercially viable permitted uses of the building following repairs to a conservation minimum standard or Building Act 2004 minimum/exempted standard, and it would be unreasonable and

⁹ See paragraph 8 of Tom Chatterton's summary statement.

¹⁰ Paragraph 16 of the rebuttal evidence of Mr Timothy Holmes on behalf of Christchurch City Council, dated 9 October 2023.

¹¹ Paragraph 16 of the rebuttal evidence of Mr Timothy Holmes on behalf of Christchurch City Council, dated 9 October 2023.

¹² Paragraph 22-23 of the rebuttal evidence of Mr Timothy Holmes on behalf of Christchurch City Council, dated 9 October 2023.

inappropriate to expect repair works and costs to be incurred on this basis.

COSTS OF REPAIRS AND REINSTATEMENT VS. VALUE

17. We agree that, following conferencing between the Quantity Surveyors, the repair costs based on Mr Stanley's conservation scope lie between \$585,429 and \$861,151 excluding GST (between \$673,243 and \$990,323 including GST), and the costs based on Mr Chatterton's scope for a functional and useable building that meets the market targeted by the submitter lie between \$999,810.81 and \$1,283,474.20 excluding GST (between \$1,149,782 and \$1,475,995 including GST).¹³
18. Mr Chatterton has submitted evidence that the cost for a replacement new build of the same size and shape as the Blue Cottage using Linea Weatherboards and low-medium cost fittings is estimated at \$533,000 excluding GST (or \$612,950 including GST)¹⁴.
19. Mr Shalders has provided valuation advice appended to Mr Carter's evidence¹⁵. We note that Mr Shalders assessed the market value of the Blue Cottage and heritage setting¹⁶ if subdivided and repaired to Mr Chatterton's scope as being \$1.35m.
20. Mr Phillips' position is that the total cost for repairing or rebuilding the Blue Cottage under either Mr Stanley's or Mr Chatterton's scope and with or without the costings in dispute, including GST and underlying land value would exceed Mr Shalders' estimated market value of \$1.35m for the property with a repaired building based on Mr Chatterton's scope. His rationale for this is set out in the summary table in Appendix A to this statement which records the different cost estimate scenarios (including GST and land costs) relative to Mr Shalders' estimates of market value.
21. Mrs Richmond's position is that Mr Stanley's estimate for a conservation repair of \$585,429 excluding GST¹⁷ based on his scope updated following conferencing, or \$999,810.81 excluding GST¹⁸ when applying adjustments based on Mr Chatterton's scope, is somewhat less than the market valuation provided by Mr Shalders for the land with a repaired building, noting that Mr Shalders' valuation has been based on Mr Chatterton's scope. The valuation is based on the reduced extent of the heritage setting

¹³ Paragraph 20 of Joint Witness Conferencing Statement of Quantity Surveyors Blue Cottage (325 Montreal Street), 29 April 2024.

¹⁴ Paragraphs 12 and 15.2 of Mr Chatterton's summary statement, dated 16 April 2024.

¹⁵ Appendix 1 of Mr Carter's evidence, dated 16 April 2024.

¹⁶ Heritage setting as amended in Appendix 21 to primary evidence of Ms Amanda Ohs, dated 11 August 2023.

¹⁷ Paragraph 17 of Joint Witness Conferencing Statement of Quantity Surveyors Blue Cottage (325 Montreal Street), 29 April 2024.

¹⁸ Paragraph 14 of Joint Witness Conferencing Statement of Quantity Surveyors Blue Cottage (325 Montreal Street), 29 April 2024.

supported by Ms Ohs¹⁹, and this reduced heritage setting may allow for greater development capacity on the balance of the site. Mr Phillips considers that Mrs Richmond's position above fails to account for the underlying land costs, which would be accounted for by a building owner when determining whether or not to undertake repairs.

WHETHER IT IS UNREASONABLE OR INAPPROPRIATE TO SCHEDULE THE HERITAGE ITEM

22. Mrs Richmond accepts that financial factors relating to the physical condition of the heritage item in clause (c)(iv) of the scheduling policy could include repair-related considerations such as property valuation following repair. She considers that when assessing whether these financial factors meet the "unreasonable" test in clause (c)(iv), opportunities which could facilitate repair of a heritage building, including the potential to finance the repair from the development and/or subdivision of the surrounding land in the same ownership by the current or a future owner should be taken into account. The "unreasonable" test in clause (c)(iv), in Mrs Richmond's view, is understood in the wider context of the scheduling policy which is premised on the status of heritage under section 6(f) of the RMA. Therefore the public good-related economic values of retaining a repaired heritage item on its site, which are particularly associated with its landmark significance²⁰ are also relevant considerations.
23. Mr Phillips considers that the matters identified in paragraph 22 by Mrs Richmond are not of themselves '*financial factors related to the physical condition of the heritage item*' (emphasis added) and therefore are not relevant when assessing policy 9.3.2.2.1(c)(iv).
24. Mr Phillips considers that based on the quantity surveying and valuation evidence (or rateable land value information for 471 Ferry Road), the Blue Cottage, Harley Chambers building²¹, and building at 471 Ferry Road are equivalent insofar that the estimated costs of repair or rebuilding would exceed the assessed end value, taking into account GST and land value. Mr Phillips considers that whether the total cost of repair or rebuilding exceeds the likely value is a key factor in assessing the policy given that is likely to be critical to any building owner when making a prudential decision to undertake or not undertake repair works.
25. We agree that the magnitude of costs for repairing or rebuilding the Blue Cottage is broadly comparable to 471 Ferry Road²² based on a conservation repair scope. Mrs Richmond noted in her

¹⁹ Heritage setting as amended in Appendix 21 to primary evidence of Ms Amanda Ohs, dated 11 August 2023.

²⁰ Paragraph 8.1.154 of the primary evidence of Suzanne Richmond, dated 11 August 2023.

²¹ Circa \$20m-25.4m for different repair scenarios, circa \$13.6m to rebuild to same floor area, \$13.2m valuation for repaired building.

²² Estimated repair costs of \$1.041m (being \$705K repair + GST + \$230K rateable land value, paragraph 38 of evidence of Gavin Stanley, dated 11 August 2023, and Christchurch City Council Rates and Valuation Search: <https://ccc.govt.nz/services/rates-and-valuations/rates-and-valuation-search/>).

primary evidence in relation to 471 Ferry Road²³ the limitations of the relatively small site and location on the potential for a development which could otherwise have offset the cost of the repair.

26. Mr Phillips considers that whilst the financial resources of the respective building owners (including the opportunity to offset or recoup repair costs through other development) may affect what works they are *capable* of funding, that this is not a financial factor '*related to the physical condition of the heritage item*' and cost relative to end-value is the key factor when assessing whether such works are 'reasonable or appropriate'.

27. Mr Phillips also notes that value relative to costs was relevant to 471 Ferry Road and Harley Chambers, insofar that: Mr Gareth Wright's evidence for 471 Ferry Road stated '*the capital value of the property is \$280,000, so a sale is unlikely to recoup the cost of repair. Thus if a significant repair cost shortfall of at least \$550,000 is considered a relevant financial factor in this context, then it would preclude the building remaining on the schedule*²⁴'; and Mrs Richmond's rebuttal evidence for Harley Chambers observed that '*the evidence before the panel is that it appears very likely that the investment required to reinstate the building would exceed the valuation of the repaired building by a significant margin*²⁵.

CONCLUSIONS

28. Accounting for the views expressed above, the revised costings in the JWS of Mr Stanley and Mr Chatterton, and the assessment of Mr Shalders regarding the end value of the property, we set out the following conclusions as to whether '*there are engineering and financial factors related to the physical condition of the [Blue Cottage] heritage item that would make it unreasonable or inappropriate to schedule the heritage item*':

- (a) Mr Phillips considers that the financial factors related to the physical condition and the costs of repair or replacement relative to end value, make it unreasonable or inappropriate to schedule the heritage item, with the associated expectation that the owner will repair the building. Therefore, Mr Phillips considers policy 9.3.2.2.1(c)(iv) is engaged, and removing the Blue Cottage from the schedule of heritage items is warranted. Mr Phillips notes that clause 9.3.2.2.1(c)(iv) is limited in its scope to '*the engineering and financial factors related to the physical condition of the heritage item*', and therefore financial factors related to things other than the physical condition of the item (including the financial resources of the owner, development potential for the site, the offsetting

²³ Paragraph 8.1.60 of primary evidence of Suzanne Richmond, dated 11 August 2023.

²⁴ Paragraph 31.

²⁵ Paragraph 15.

of costs, or public good related economic values) are not relevant.

- (b) Mrs Richmond considers that financial factors do not meet the “unreasonable” test under 9.3.2.2.1(c)(iv), when interpreted in the wider context of the intent of the policy which is to protect heritage under section 6(f) of the RMA: the pricing of a conservation repair is somewhat less than the market valuation provided by the submitter with a repaired building; the loss of development capacity associated with the heritage setting, which is proposed to be reduced in response to the Carter Group Limited submission, is limited in relation to the development capacity of the wider site which has the potential to offset the repair costs; and there are public good-related economic values associated with the landmark significance of the repaired building.

Date: 2 May 2024

A handwritten signature in blue ink, appearing to be 'JP', written in a cursive style.

Jeremy Phillips

A handwritten signature in blue ink, appearing to be 'S Richmond', written in a cursive style.

Suzanne Richmond

APPENDIX A: SUMMARY OF ESTIMATED COSTS AND VALUE

Mr Phillips' summary of costs (repair costs, GST and land value) vs. market value – per Messrs Stanley, Chatterton and Shalders					
	Agreed costs (i.e. minimum)		Agreed costs + disputed costs (i.e. maximum)		Market Value (per Shalders)
Chatterton scope of repair/ restoration	\$999,810.81	Repair cost	\$1,283,474.20	Repair cost	\$1,350,000
	\$149,971.62	GST	\$192,521.13	GST	
	\$750,000.00	Land value (encumbered) ¹	\$750,000.00	Land value (encumbered)	
	\$1,899,782.43	TOTAL	\$2,225,995.33	TOTAL	
Stanley scope of repair/ restoration	\$585,429.00	Repair cost	\$861,151.00	Repair cost	Less than \$1,350,000³
	\$87,814.35	GST	\$129,172.65	GST	
	\$750,000.00	Land value (encumbered)	\$750,000.00	Land value (encumbered)	
	\$1,423,243.35	TOTAL	\$1,740,323.65	TOTAL	
Rebuild	\$533,000.00	Rebuild cost	\$533,000.00	Rebuild cost	Approximately \$1,350,000 as a minimum
	\$79,950.00	GST	\$79,950.00	GST	
	\$975,000.00	Land value (unencumbered) ²	\$975,000.00	Land value (unencumbered)	
	\$1,587,950.00	TOTAL	\$1,587,950.00	TOTAL	

Notes:

- Land (encumbered) = underlying land value with heritage listing in place but building unrepaired, per Mr Shalders scenario 2. The adoption of this land value is conservative, based on Mr Shalders' scenario 3 which indicated that the underlying land value could be \$975K following completion of repairs.
- Land (unencumbered) = underlying land value with no heritage listing in place, per Mr Shalders scenario 1.
- Market value of 'less than \$1.35m' based on the rationale that a building repaired to a lower standard per a 'conservation repair strategy' would have less value than the same building repaired to a higher standard, per the Chatterton scope which was valued at \$1.35m.