

BEFORE THE HEARINGS PANEL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of proposed Plan Change G: Aokautere Urban
Growth to the Palmerston North City Council
District Plan

**STATEMENT OF REPLY EVIDENCE OF MICHAEL CULLEN ON BEHALF OF PALMERSTON NORTH
CITY COUNCIL**

URBAN ECONOMICS

Dated: 28 November 2023

TABLE OF CONTENTS

A.	INTRODUCTION.....	3
B.	SCOPE.....	3
C.	RESPONSE TO MR THOMAS.....	4
	National Policy Statement on Urban Development 2020 (NPS-UD)	4
	(Proposed) North Village Neighbourhood Centre	8
D.	RESPONSE TO MR TEO SHERRELL	10
	Commercial Land	10
	Medium Density Area	11
E.	RESPONSE TO MR FUGLE.....	13
F.	RESPONSE TO MR FARQUHAR.....	13

REPLY EVIDENCE OF MICHAEL CULLEN

A. INTRODUCTION

- [1] My full name is Michael John Cullen.
- [2] I prepared a s 42A report dated 15 September 2023 on Urban Economics (**s 42A Report**) on behalf of the Palmerston North City Council (**Council**) for proposed Plan Change G: Aokautere Urban Growth to the Palmerston North District Plan (**PCG**).
- [3] My experience and qualifications are set out in my s 42A Report.
- [4] In this reply evidence I use the same defined terms as in my s 42A Report.
- [5] I repeat the confirmation given in my s 42A Report that I have read and will comply with the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2023, and that my evidence has been prepared in compliance with that Code.
- [6] I attended a pre-hearing meeting on 25 September 2023 on the topic of Neighbourhood Centre/Local Business Zone and Housing Matters.

B. SCOPE

- [7] My reply evidence responds to points made in evidence by:
 - (a) Paul Thomas on behalf of CTS Investments Ltd., Woodgate Ltd., and Terra Civil Ltd. (Submitter 58), regarding various issues around the need, demand and feasibility of the neighbourhood centre, a South Village centre location and mixed-density housing; and
 - (b) Lay evidence of Chris Teo Sherrell (Submitter 43), Les Fugle (Submitter 58), and John Farquhar (Submitter 51 and Further Submitter 5).
- [8] The fact that this reply statement does not respond to every matter raised in the evidence of witnesses in the areas of urban economics, catchment analysis and supportive centre planning should not be taken as acceptance of the matters raised. Rather, I rely on my s 42A Report, my technical assessment of the demand for the centre entitled “North Village – Review of Development Framework & Potential for a

Village Centre” dated May 2022, and the complementary evidence of Mr Andrew Burns and Ms Anita Copplestone to address these matters.

C. RESPONSE TO MR THOMAS

- [9] My reply will focus on paragraphs 41- 64 of Mr Thomas’ evidence and Mr Thomas’ points on the North Village Neighbourhood Centre (paragraphs 91- 101).

National Policy Statement on Urban Development 2020 (NPS-UD)

- [10] I believe that Mr. Thomas' interpretation of Policy 6 of the NPS-UD may be causing some confusion, as it appears to suggest that "amenity led adverse effects on the environment be disregarded." Although I do not consider this is a fair interpretation of the Policy, I leave that to others to respond to.
- [11] From my perspective, however, I'd like to express my view that a well-functioning urban environment should aim to provide a typically high amenity space for all people. While achieving this through development may come with trade-offs, including impacts on amenity values in private spaces, the overall provision of high-amenity spaces is critical for the well-being of the community.
- [12] I note that urban environments encompass private spaces and the quality and qualities of public spaces accessible to everyone, such as gully areas and mixed-density housing in relation to neighbourhood centres. I do not consider that PCG is misdirected in its efforts to achieve the desired qualities.
- [13] Mr Thomas sees *“the relative remoteness of Aokautere as a relevant factor in determining demand for different forms of housing”*.¹ While I agree this could be a relevant factor, it is but one amongst many others, including:
- (a) The opportunity to enhance the residential offerings across the city; broadening the range of home developer products in areas like Aokautere is desirable (as outlined in my s 42A Report);²

¹ Statement of Evidence of Paul Thomas dated 27 October 2023 At [54].

² Section 42A Technical Report of Michael Cullen dated 15 September 2023 at [35].

- (b) The demographic shifts apparent in Palmerston North (as outlined in my s 42A Report)³, as well as similar trends in almost every other Western nation. Embracing and promoting diversity in housing options can contribute positively to the community's overall appeal and cater to this varied demographic;
- (c) The large size of the Aokautere development area and, therefore, the ability to provide for a more comprehensive housing mix and a village centre as an amenity and amenities feature with a Structure Plan approach;
- (d) The ability to use housing diversity to vary housing price points, and, for instance, opening up the market for those currently not able to afford a deposit due to the large land and house sizes that are a dominant feature of Aokautere;
- (e) The ability to use housing diversity to cater to a wider variety of market segments;
- (f) The ability to use housing diversity to cater to changes in lifecycle preferences for new and existing residents;
- (g) The ability to use mixed density to support the neighbourhood centre, reduce trips out and increase levels of walking and cycling; and
- (h) The ability to use mixed density in association with a neighbourhood centre to develop a well-functioning urban environment, recognising their synergistic dynamic that adds to the accessibility and vitality of neighbourhood centres.

[14] In my opinion, it is necessary to consider and balance all of these relevant factors or considerations (and perhaps others), when considering the appropriateness of housing typologies.

[15] Mr Thomas goes on to state that the density is "*principally about creating a catchment size to support the proposed neighbourhood centre*".⁴ This statement requires further clarification. The centre will inspire density and will benefit by being close to denser housing, but denser housing will support the neighbourhood centre and therefore, its

³ From [63].

⁴ Statement of Evidence of Paul Thomas dated 27 October 2023 at [54].

residents will receive advantages from its location. As noted above, it is a symbiotic relationship with shared benefit, that is a standard consideration and feature of modern growth planning.

- [16] My experience over many years is that people are attracted to density around centres; it's a significant reason why they choose denser housing and affirms the adage "density with amenity". For an urban economist, it is necessary to associate services with as many people as possible in place as it offers efficiencies, reduces trips out, and encourages greater social engagement. This engagement factor, often called a "social score" is also associated with a lower incidence of a range of bio-medical factors. If we're socially active, we're healthier, bringing wellbeing benefits.
- [17] Mr Thomas discusses the "*relative remoteness*" of Aokautere at paragraph 54 of his evidence. However, in my opinion, developing large sections of almost identical size without services and facilities means that continuing this development pattern would require a resident to leave Aokautere for almost every daily activity. This approach has obvious drawbacks, impacting the fundamental qualities that make a community vibrant and connected, such as walkability and accessibility. Mr Thomas offers no alternative, but I consider the absence of the centre and mixed-density housing in favour of what I would categorise as 'sprawl', would only exacerbate Mr Thomas' perception of Aokautere's "isolated" nature.
- [18] Mr Thomas suggests at paragraph 60 that there should be market research and survey work on "*current buyer's preferences*" and that a proposed medium-density zone within existing residential environments may satisfy demand.⁵ Mr Thomas suggests that research should include a survey of real estate agents. My experience of "real estate agent surveys" is that they tend to adopt a retrospective stance on housing, limited to specific typologies. The market experience of real estate agents is often confined and their exposure to different typologies might be limited. In my opinion, this narrows their perspective, limiting their ability to adapt to changing trends.
- [19] In my assessments of demand that include consideration of demographic trends, we have seen lifestyle shifts created by enormous changes in the way we live over the past

⁵ At [55], [58]-[60].

decades, variations in housing occupancy ratios, the loss of the nuclear family, and the recent trend of high proportions of people within one or two person households. These shifts create demand for more diverse housing. In my assessment, Palmerston North residents are not materially different in their life choices and demographic trends than people in other parts of the country, where these trends have been evident.

- [20] Location, levels of maintenance needed, age, sex, family composition, number of cars, income levels, land values, market competition, dwelling size, dwelling configuration, proximity, and access to services etc are all factors in the appeal of various housing types. These factors are meaningful in housing product choice in all housing markets, and supply-side availability influences demand for products.
- [21] Housing preference surveys confirm that demographic shifts drive changes in housing demand, with growing requirements for product diversity and reduced land sizes. In my view, it is also evident that when we do not offer a range of choices, there will be a latent demand for greater diversity.
- [22] I noted in my s 42A Report, the Market Economics report for Auckland Council, that demonstrates a gap between what housing developers provide and what people want, namely more housing diversity and density.⁶
- [23] I am aware of growing interest in higher density development. I am engaged by Horowhenua District Council to work on Tara-Ika (growth area), Ō2NL (responding to NZTA propositions and effects on Tara-Ika), and Levin Town Centre. Recently completed on Mabel Street (an ordinary suburban street in west Levin) is a terrace housing project of some 43 dwellings called Mabel Central. Unlike the Aokautere proposed mixed density, the project is nowhere near amenity or amenities. Homestead Construction Ltd sold the entire project off the plan in 2021-2022. The project has only just been completed.
- [24] Ms Amanda Coats also on behalf of Heritage Estates (2000) Ltd, raises the issue of the prescriptivity and feasibility at paragraph 31 of her evidence.

⁶ Section 42A Technical Report of Michael Cullen dated 15 September 2023 at [64].

- [25] In her evidence, she references attending a meeting of home builders “*experiencing difficulties in selling medium-density dwellings in parts of the central city.*” Her evidence continues:⁷

I consider it unlikely that a medium-density typology will be attractive to buyers in most of the PC-G area and I question why the structure plan needs to prescribe outcomes that may not be desirable to develop.

- [26] Ms Coats gives us no further understanding of the location of the central city projects or the typologies, so we cannot check or verify further the particular issues that affect these builders.
- [27] Suffice to say, that her evidence, along with Mr Thomas and that of developers in growth areas, in my experience, is a common thread of almost all growth area density propositions, where mixed density is not an available product.
- [28] I understand that such landowners have no risk associated with selling what they’ve been selling for years.
- [29] This is, unfortunately, the reason for directive planning. The council has a need to increase housing density and diversity, as expressed in its housing strategy and in higher order documents like the NPS-UD.

(Proposed) North Village Neighbourhood Centre

- [30] Concerning Mr Thomas’s point at paragraph 95, my experience in growth planning and development in all states and territories of Australia for over 3 million people is that the promise of a centre is often enough for a developer to build housing density and diversity around the centre site.
- [31] However, all places are different, and in the case of Aokautere, it is not a part of an extended urban continuum that experiences continual through traffic from other places. Therefore, I conclude that Aokautere growth will be the dominant factor in the timing of the centre.

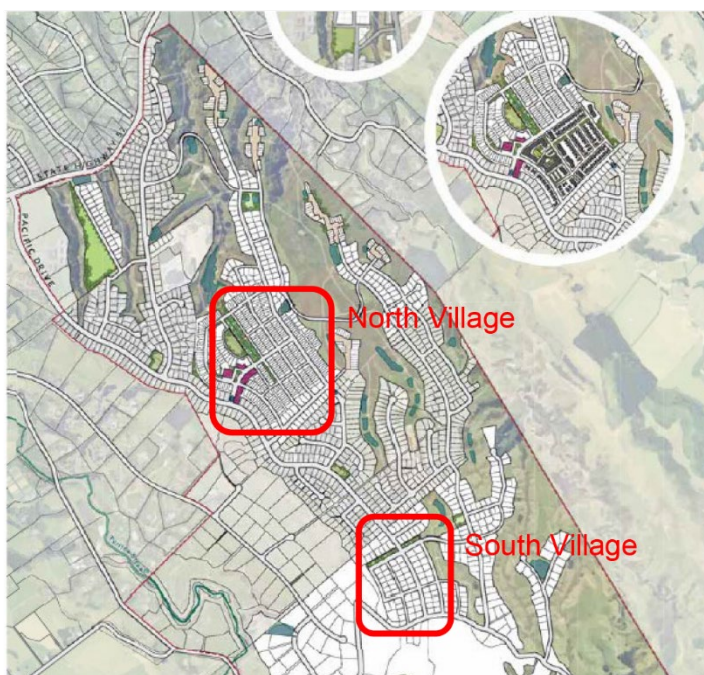
⁷ Statement of Evidence of Amanda Coats dated 3 November 2023 at [31].

- [32] I assume Mr Thomas' point at paragraph 93 refers to his "submission" about feasibility. I consider the catchment sufficient to generate the centre at or around the scale proposed.
- [33] Mr Thomas recommends that 129, 133 and 135 Pacific Drive "*be zoned Local Business Zone, and the road remain on 131 Pacific Drive.*"⁸ I would support rezoning 133 and 135 Pacific Drive as suggested by Mr Thomas, but not at the cost of losing 129 as the street entrance. The reason for this relates to cost of implementation (this approach would increase land acquisition costs) and raise an added risk of 133 and 135 not moving or converting. If this did happen and the street remains on 131 then the centre would have an exposure problem for returning traffic and a less ideal south-east facing condition.
- [34] Although most of the issues here are covered in my s 42A Report, for clarity, I consider that there are a few key principles relating to development cost, amenity and movement in response to Mr Thomas' points relating to the centre's location:
- (a) Ensure lowest possible land cost (not land already developed and therefore more expensive);
 - (b) Ensure appropriate orientation for solar access to "active" public realm;
 - (c) Ensure appropriate exposure to returning traffic (therefore buildings facing returning traffic);
 - (d) Ensure centre location at the most congested part of the network within Aokautere; and
 - (e) Ensure that the centre is at the most accessible point for residents (overall) in Aokautere.
- [35] Mr Thomas suggests that South Village should be an option for the centre.⁹ Attached is an image from Mr Burns' s 42A Report.¹⁰

⁸ Statement of Evidence of Paul Thomas dated 27 October 2023 at [97].

⁹ At [101].

¹⁰ Section 42A Technical Report of Andrew Burns dated 15 September 2023, Figure 6 at [34].



- [36] South Village is at the end of the Aokautere “cul-de-sac” and would be counterflow for almost all residents. I consider a centre at South Village would fail.

D. RESPONSE TO MR TEO SHERRELL

Commercial Land

- [37] The submitter states:¹¹

I have seen no change to the zoning to provide for greater dispersal of commercial activity (as I suggested in point 2 on page 4 of my submission #68). I believe increasing the locations where clean, quiet businesses can operate would make the development more suited to walking and riding. People need destinations within the area not just roads to take them out of it.

- [38] And further:¹²

I seek that other locations within the Plan Change area be zoned for a restricted range of commercial activity to complement the Neighbourhood Centre.

¹¹ Statement of Chris Teo-Sherrell dated 4 November at [6].

¹² At [7].

- [39] An important economic principle suggests that 'consolidation' rather than 'dispersal' enhances economic yield through agglomeration. It appears the submitter's focus is not necessarily to diminish economic output but to broaden the areas where commercial activity can occur. However, economic dispersal risks remain if we expand the settings and locations where such activities may occur.
- [40] In considering the potential location of commercial activities, I remain of the opinion that the Structure Plan and Aokautere generally offer only one realistic commercial site opportunity apart from the neighbourhood centre, that is, at the corner of Johnstone Drive and Aokautere Drive. However, the entire area consists of completed housing, which seems unlikely to change.
- [41] My understanding is that home occupation as a form of commercial activity will be provided for within the broader PCG. While this is not the scale of commercial activity that the submitter is seeking, I consider that such a provision offers the opportunity to expand commercial activity to an appropriate degree in the circumstances.

Medium Density Area

- [42] The submitter states:¹³

I seek that the medium density zone is differentiated from the low density areas by greater provision of amenity in public space to create a people-friendly public realm.

- [43] I agree with this sentiment. The centre's design, setback controls, street network dynamics and location all point to a public realm-focused, high amenity centre. Unlike shopping centres, the streets of the centre are intended to be of high amenity, fronted by buildings. Ideally, the associated medium-density housing behaves the same, streets fronted by buildings with limited setbacks.
- [44] I consider that PCG, within the limits of the regulatory framework (so far as I understand it) seeks the same outcomes as the submitter. My experience leads me to

¹³ At [22].

prefer more robust design controls over built form, but I understand that the degree of prescription I am used to seeing is uncommon in New Zealand.

- [45] Principally, the tradition of centre design in the last 70 years relates to shop design, not building design. Consequently, modern design practice is the construction of a few buildings within which there are many shops (function before form).
- [46] Ideally, we should have many buildings with one or two shops in each. This traditional approach (seen in centres built before World War 2) creates a more varied and visually interesting composition for pedestrians. Form is more important than function in centres, and to achieve the submitter's objective, we need a variety of fine-grained buildings interacting with public space, generating spatial intimacy and continuity, thereby achieving (the submitter's) "*people-friendly public realm*."

Urban Connectors

- [47] The submitter seeks to insert cycle lanes in the Neighbourhood Centre through Urban Connectors A, B and C.¹⁴ In all urban centres, cyclists should not have dedicated cycle lanes. Like motorists, cyclists accessing the centre should slow down, ideally getting off their bikes and walking. The centre is not a place for unimpeded movement of vehicles at speed – cyclists included. The primary movement priority in centres should be for pedestrians.
- [48] The submitter seeks to control the speed of cars through the centre, but not cycles.¹⁵ Dedicating a cycle lane increases the street's width, increases design speed, and reduces the ability for pedestrians to access both sides of the street easily. The submitter's design solution would place relatively high-speed cyclists adjacent to pedestrians.
- [49] I consider that cycling to other destinations and places via dedicated cycle lanes can occur elsewhere within Aokautere, but I do not support it through the centre.

¹⁴ At [33], [38], and [54].

¹⁵ At [34], [39], and [55].

- [50] In principle, I could support these street/s as shared zones, which may better suit the submitter. Such an approach would require cars (and cycles) to behave like pedestrians and “walk” through the space.

E. RESPONSE TO MR FUGLE

Commercial Zone

- [51] Mr Fugle’s evidence opposes the Commercial Zone (Neighbourhood Centre), and suggests that the business case “*is clearly flawed*” but provides no supportive independent assessment by a qualified person.¹⁶ I am unsure whether Mr Fugle has any relevant personal experience in developing such a centre, but he does not refer to any in his evidence.
- [52] Mr Fugle says there is an “*insufficient catchment*” for such a centre,¹⁷ but again I am not sure what this analysis is based on.
- [53] In my view the catchment is sufficient for such a centre at the proposed scale and that the proposed Neighbourhood Centre will generate around 6,000+ square metres of retail floorspace demand, as outlined in my report on the centre and catchment for Council.¹⁸ The centre will not satisfy all of this demand, but it is reasonable to provide for some of it at the scale shown in the various plans (around 1,500 square metres or 25%).
- [54] My experience and expertise qualify me to assess centre catchments and floorspace capacity, and I refer to my qualifications in my s 42A Report. I believe it is important to acknowledge that economic analysis in this context is quasi-science, partly subjective, and influenced by the assessor's experience and expertise. While I am not sure of Mr Fugle’s experience in these matters, I am confident in my own.

F. RESPONSE TO MR FARQUHAR

- [55] Mr Farquar provides his opinions on planning and the market. While I am not entirely confident in the level of independent analysis in support of Mr Farquhar’s opinions, I

¹⁶ Brief of Evidence of Les Fugle dated 4 November 2023 at [48].

¹⁷ At [49].

¹⁸ Section 32 Report – Plan Change G: Aokautere Growth Area, July 2022 at Appendix 12.

can say with confidence that I consider that PCG is a timely (and indeed overdue) planning response, as in my opinion there is a need for comprehensive master planning for communities of this scale and complexity.

- [56] I consider PCG a fitting expression of this process and aligns with numerous master planning endeavours in which I have participated across Australia and New Zealand. It reflects a positive step in the ongoing effort to plan well-functioning communities of similar magnitude, particularly where intricacy is required.

28 November 2023

Michael Cullen