

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 RUTH ALLEN ON BEHALF OF PALMERSTON NORTH CITY
COUNCIL**

FEASIBILITY ASSESSMENTS

Dated: 28 November 2023

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REPLY EVIDENCE OF RUTH ALLEN

A. INTRODUCTION

- [1] My full name is Ruth Allen.
- [2] I prepared a joint s 42A report with my colleague Gareth Nicholl, dated 15 September 2023 on the feasibility of medium density development (**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] 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.

B. SCOPE

- [5] My reply evidence responds to points made in evidence by:
- (a) Amanda M. Coats on behalf of Heritage Estates (2000) Ltd regarding the commercial viability of medium density housing, including the costs used in the development model; and
 - (b) Paul Thomas on behalf of CTS Investments Ltd, Woodgate Ltd, and Terra Civil Ltd regarding the commercial viability of medium density housing, including the costs used in the development model.
- [6] Please note that I use the terms 'feasibility' and 'commercial viability' interchangeably.
- [7] The scope of my reply evidence is limited to the commercial viability of development in Aokautere. It does not extend to matters of demand for housing that have been raised by submitters. These have been, and will be, addressed in the evidence of Mr Michael Cullen and Ms Anita Copplestone.

C. RESPONSE TO HERITAGE ESTATES (2000) LTD

- [8] Ms Coats explains that she considers it unlikely that medium density will be attractive to buyers in most of the PCG area.¹ She states that:²

...if the infrastructure roading is not constructed because the costs of the roading exceed any return for the developer, then the yield that results from the Structure Plan underpinned by a Master Planning system is too uncertain to confirm PC-G.

- [9] The feasibility modelling that has been undertaken incorporates the costs of site development (including delivery of internal roads) and development contributions payable. The costs used in the modelling are included at **Attachment A** for transparency. These were informed from the construction costs provided by a Quantity Surveyor included as Appendix C to my s 42A Report.

D. RESPONSE TO CTS INVESTMENTS LTD, WOODGATE LTD AND TERRA CIVIL LTD

- [10] Mr Thomas comments on the National Policy Statement on Urban Development 2020 (**NPS-UD**) requirement for sufficient development capacity to be, among other matters, feasible and reasonably expected to be realised.³

- [11] He quotes the definition of the word ‘feasible’ from the NPS-UD, which is repeated here as meaning:⁴

- (a) For the short term or medium term, commercially viable to a developer based on the current relationship between costs and revenue.
- (b) For the long term, commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship.

- [12] The methodology and assumptions that we have used to test the commercial viability of development in Aokautere is consistent with the above definition. The short term

¹ Statement of Evidence of Amanda Coats dated 3 November 2023 at [31].

² At [31].

³ Statement of Evidence of Paul Thomas dated 27 October 2023 at [46]-[50].

⁴ At [48] quoting National Policy Statement on Urban Development 2020 at cl 1.4(1).

analysis provided is based on an assessment of current market values (revenues) and construction costs. The long term assessment has been undertaken adjusting these costs and revenue inputs to the model based on a review of past market performance during a more stable period in the construction sector. The methodology is set out in my s 42A Report.⁵

[13] Mr Thomas notes that:⁶

It is not clear to me what costs were included for land development including earthworks and infrastructure, but it found looking forward that high density was more likely to be profitable than low density over time.

[14] In response to this, as noted above at paragraph 9 I have attached all the inputs that were used in the feasibility model for completeness and transparency, and to assist the Hearing Panel's understanding of the costs used in the model for land development.

[15] Mr Thomas considers that research and survey work should have been undertaken on current buyers' preferences.⁷

[16] Mr Cullen provides some response to this point.⁸ I add that whilst no direct engagement with real estate agents or potential buyers was undertaken as part of the feasibility analysis, market research was undertaken to inform the modelling assumptions.

[17] This research is outlined in Appendix D to my s 42A Report. The market research was used to establish assumptions around likely values that would be achieved for medium density development in Aokautere. Due to the limited number of sales within Aokautere itself, evidence of recent sales from Palmerston North and the neighbouring suburb of Fitzherbert were used to establish revenue assumptions.

28 November 2023

Ruth Allen

⁵ Section 42A Technical Report of Ruth Allen and Gareth Nicholl dated 15 September 2023 from [19].

⁶ Statement of Evidence of Paul Thomas dated 27 October 2023 at [50].

⁷ At [60].

⁸ Statement of Reply Evidence of Michael Cullen dated 28 November 2023 at [18].

ATTACHMENT A: FEASIBILITY ASSEMENT COST ASSUMPTIONS

| | | | | |
|--|-----------|-------------|-------------|-------------|
| Less Construction Costs | | 2021 | 2023 | 2030 |
| Detached dwelling - 3 bed | | \$2,975 | \$3,500 | \$4,760 |
| Detached dwelling - 4 bed | | \$2,975 | \$3,500 | \$4,760 |
| Enabling works, civil works, services and landscaping per unit | | \$42,500 | \$50,000 | \$68,000 |
| Contingency on construction | | 7.50% | 7.50% | 7.50% |
| Less professional fees | | | | |
| Design, engineering, QS, project management | | 12% | 12% | 12% |
| Development contributions | | \$7,993 | \$9,403 | \$12,788 |
| Resource consent fees | | 0.05% | 0.05% | 0.05% |
| Building consent fees | | 0.05% | 0.05% | 0.05% |
| Survey and title fees per unit | | \$2,125 | \$2,500 | \$3,400 |
| Design/fees contingency | | 5% | 5% | 5% |
| Less indirect costs | | | | |
| Finance on Total Outlay | 12 months | 4.5% | 7.5% | 6.5% |
| Rates | 12 months | \$14,450 | \$17,000 | \$23,120 |