

29 August 2025

By Email: mckayla.jaggard@pncc.govt.nz

Attention: Mckayla Jaggard

C/O: David McMahon and Independent Hearing Panel for Proposed Plan Change I: Increasing Housing Supply and Choice

Palmerston North City Council
32 The Square
Palmerston North 4410

Proposed Plan Change I to the Palmerston North District Plan - Crest Hospital Limited

1. Introduction

- 1.1 We act for Crest Hospital Limited (**Crest**).
- 1.1 Palmerston North City Council (**Council**) notified Proposed Plan Change I to the Palmerston North District Plan (**Plan Change**) on 20 November 2024. Crest made a submission (SO197) and further submission (FS02) on the Plan Change on 4 February 2025 and 24 March 2025 respectively.
- 1.2 Crest's primary submission requests that part of the Crest Hospital at 21 Carroll Street (**Site**) be rezoned from Residential to Institutional rather than from Residential to Medium Density Residential Zone (**MDRZ**).
- 1.3 The Council's section 42A reports for the Plan Change¹ support rezoning the site from MDRZ to Institutional, as this would apply a consistent zoning across the site, reflect its current institutional use, and result in no additional adverse environmental effects.
- 1.4 Crest has opted not to appear at the Hearing and asks that this letter be submitted to the Independent Hearing Panel (**IHP**) in lieu of attendance.

2. Background to Crest and its submission

- 2.1 As set out in paragraphs 6-11 of Crest's primary submission, Crest Hospital is a joint venture between Southern Cross Healthcare Limited and Aorangi Hospital and owns and occupies Crest Hospital and Specialist Centre in Palmerston North (**Hospital**). This Site was first established as a purpose-built surgical hospital in 1987.
- 2.2 Since its establishment, the Hospital has been expanded with the purchase of the three residential sections (Lots 77, 78, and 79 DP 8236) between Carroll Street and the established hospital in 2009. In 2014 the records of title for the established hospital (WN28A/691 and WN198/244) and the three residential sections (WN20B/89, WN20B/90, and WN10C/79) were amalgamated into a single allotment and record of title (Lot 1 DP 478857, RT 666143).
- 2.3 The majority of the Site is zoned Institutional, however the Specialist Centre entrance fronting Carroll Street is currently zoned Residential and is proposed to be rezoned to MDRZ under the Plan Change. Crest's submission primarily seeks that the area proposed to be rezoned MDRZ is instead rezoned Institutional, to align with the Institutional zoning that applies to the remainder of the Site.

¹ Released on 25 July 2025.

3. Support for section 42A Report

- 3.1 The Planning section 42A report prepared by Sarah Jenkin recognises that the Crest Hospital Site is an anomaly, in that approximately 75% of the Site is currently zoned Institutional and the remaining 25% zoned as Residential. The portion of the Site currently zoned Residential is occupied by a Specialist Centre building, which forms part of the Hospital.
- 3.2 Regarding the scale of effects associated with the relief sought, the section 42A report concludes that the proposed relief would rationalise the Site's zoning to reflect its existing use, and that the resulting effects on adjoining residentially zoned land would be less than if the site were zoned MDRZ, as currently proposed in the Plan Change.
- 3.3 On behalf of Crest, we agree with the s42A reports position that the rezoning of the Site will appropriately reflect the historical and current use of the Site without imposing any additional adverse effects than those already anticipated by the Plan Change. The operational needs of the Hospital are best served through the Institutional zoning provisions, which anticipate hospital use.

4. Section 32 and Section 32AA analysis

- 4.1 As noted in the section 42A report, the section 32 report for the Plan Change² did not consider the rezoning of the Site to Institutional as alternative option to the MDRZ rezoning proposed by the Plan Change. Therefore, in accordance with 32AA of the Resource Management Act 1991 (**RMA**), set out below is an evaluation of the recommended amendments to provisions since the initial section 32 evaluation is required.³ As noted above, the anticipated effects are considered to be less than if the Site were rezoned MDRZ. Therefore, a high-level summary section 32 analysis is provided below (corresponding to the significance of the impacts anticipated⁴), to supplement the initial council analysis.⁵
- 4.2 It is submitted that the objectives of the RMA and the Plan Change will be most appropriately achieved through the rezoning of the Site to Institutional. As set out in the section 32 report, the Plan Change was initiated in response to the Council's obligation under the National Policy Statement on Urban Development 2020 (**NPS-UD**). As a tier 2 territorial authority the Council is required to give effect to all provisions of the NPS-UD, including the requirements to "enable" social infrastructure, community services and business land to service the additional residential capacity anticipated under the NPS-UD.
- 4.3 Policy 10 provides that local authorities are to engage with providers of additional infrastructure to achieve integrated land use and infrastructure planning. The NPS-UD requires local authorities to enable not only residential intensification but also the development and expansion of essential social infrastructure, including hospitals. The rezoning of the Crest Hospital site to Institutional would support a well-functioning urban environment by ensuring that critical healthcare services are appropriately provided for in the planning framework and would therefore give effect to the NPS-UD.
- 4.4 We provide a high-level analysis in accordance with Section 32(1)(b) and (2) in the table **attached**. In relation to section 32(3) we note that the proposed rezoning does not introduce new objectives but seeks to amend the zoning provisions to better align with existing objectives related to infrastructure, community wellbeing, and efficient land use. The Institutional zoning is consistent with the overarching goals of the District Plan and the proposed Plan Change.
- 4.5 Overall, the site is part of a long-standing hospital facility. The effects of the rezoning are well understood, and the proposed change is limited in geographic scope but significant in terms of support for strategic infrastructure and community benefit.

² Section 32 Evaluation Report - Plan Change I: Increasing housing supply and choice – dated 30 October 2024

³ Resource Management Act 1991, section 32AA(1).

⁴ Resource Management Act 1991, section 32AA(1)(c).

⁵ Provided in Section 9 of the Section 32 Evaluation Report.

- 4.6 We also note that, based on the reasons set out at 3.2 of this letter, the section 42A report also concludes it would be more efficient and effective to rezone the relevant part of the Site to Institutional Zone than to retain the notified proposal of rezoning to MDRZ.

5. Conclusion

- 5.1 Crest supports the conclusion of the section 42A report, that it would be most efficient and effective to rezone the relevant part of the Site to Institutional Zone than to retain the notified proposal of rezoning to MDRZ.
- 5.2 For the reasons set out above, and detailed in the table attached to this letter, the relief sought by Crest is the most appropriate way to achieve the objectives of both the RMA and the Plan Change.

Yours sincerely
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Attachment: Analysis of relief sought by Crest under section 32AA of the RMA

Option	Benefits / Costs / Efficiency / Effectiveness
<p>Relief sought: Rezone the Site to Institutional</p>	<p>Rezoning the site to Institutional is considered the most efficient and effective way to achieve the objectives of both the RMA and the proposed Plan Change, for the following reasons:</p> <ul style="list-style-type: none"> • It would rationalise the zoning across the Site, acknowledging its established and future use as a hospital. This provides consistency and clarity for future planning and development. • It supports existing strategic infrastructure and enables complementary institutional activities that benefit both the hospital and the wider community, as required under the NPS-UD, by facilitating well-functioning urban environments and delivering social benefits. • The proposed rezoning is not expected to result in adverse environmental effects beyond those already anticipated by the Plan Change. The anticipated environmental effects (e.g. traffic, noise and waste) are consistent with existing hospital operations and are managed under the Institutional zone provisions which would apply (unchanged). <p>Rezoning to Institutional removes the opportunity to provide medium-density housing in this area, however, as explained this Site is part of a long standing hospital facility.</p> <p>The risk of acting is low risk, as the Site is already used for hospital purposes and the future use is well-understood. The risk of not acting is higher because it undermines the existing use and is inconsistent with community health needs.</p>
<p>Option Proposed by the Plan Change: Rezone to MDRZ</p>	<p>Although rezoning the site to MDRZ is a reasonably practicable alternative, it is not considered the most appropriate way to achieve the purpose of the RMA or the objectives of the proposed Plan Change, for the following reasons:</p> <ul style="list-style-type: none"> • The MDRZ does not meet the requirements of the NPS-UD, particularly in facilitating the development and expansion of essential social infrastructure such as hospitals. • The Site is not being used for residential purposes, and MDRZ zoning would not contribute to or enable residential intensification in a meaningful or integrated way. • MDRZ zoning would fail to recognise and provide for the Site's current and future use for Institutional purposes associated with healthcare delivery, which is a critical community need. • MDRZ zoning would enable housing opportunities, but at the cost of displacing the existing hospital use. <p>No specific cultural benefits or costs are identified, other than potential disruption to hospital services.</p>

Option	Benefits / Costs / Efficiency / Effectiveness
Alternative option: Retain the current Residential zoning (i.e. Maintain the status quo)	Retaining the current Residential zoning of the Site is inefficient in achieving the purpose of the RMA and delivering the Councils strategies. We refer to the analysis of this option at pages 72 to 74 of the section 32 report for the Plan Change.