

**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

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**SUPPLEMENTARY STATEMENT OF RUTH ALLEN ON BEHALF OF PALMERSTON NORTH CITY  
COUNCIL**

**FEASIBILITY**

**Dated: 11 March 2024**

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## SUPPLEMENTARY STATEMENT OF RUTH ALLEN

### A. INTRODUCTION

- [1] My full name is Ruth Allen.
- [2] I prepared a s 42A report dated 15 September 2023 with Gareth Nicholl on Feasibility (**s 42A Report**) for proposed Plan Change G: Aokautere Urban Growth to the Palmerston North District Plan (**PCG**). I also prepared a Statement of Reply Evidence dated 28 November 2023 on Feasibility (**Reply Evidence**).
- [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 supplementary statement responds to the following matters:
- (a) Clarification of the dwelling types and densities considered in the feasibility assessment;
  - (b) Feasibility of development in the medium term; and
  - (c) The impact of remediation costs on the feasibility.
- [6] I refer to the short, medium, and long term timeframes in my evidence. The timeframes are adopted from the National Policy Statement on Urban Development 2020<sup>1</sup>– that is, within 3 years for short term, 3-10 years for medium term, and between 10-30 years for long term.

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<sup>1</sup> Section 1.4(1), National Policy Statement on Urban Development 2020 (updated May 2022).

### C. CONFIRMING DWELLING TYPES ASSESSED

[7] The s 42A Report provided an overview of the assessment that had been undertaken to test the financial feasibility of medium density development at a range of densities (80 and 50 dwellings per hectare) on a 5,750m<sup>2</sup> site located centrally within the PCG Medium Density Village Area. This included a mix of the following medium density typologies:

- (a) Semi-detached dwellings (duplex);
- (b) Attached dwellings (terraces houses); and
- (c) Low rise (walk up) apartments.

[8] For the purposes of comparison, the feasibility assessment also included an assessment of low density development (16 dwellings per hectare) as enabled by the operative zoning (Residential Zone). This was based on a development scenario of single detached dwellings on typical 700m<sup>2</sup> lots within the same 5,750m<sup>2</sup> development area.

[9] It is important to note that PCG also continues to enable single detached dwellings in the proposed Medium Density Village Area of the Aokautere Greenfield Residential Area (GRA). However, the proposed minimum lot size of 150m<sup>2</sup> means that, where single detached dwellings are developed, these would be smaller dwellings than could be achieved under the operative zoning, for example single storey two to three bedroom dwellings, between 70-100 m<sup>2</sup> gross floor area.

[10] Alongside the ability to deliver on the medium density typology I refer to above at [7], enabling these dwellings on smaller lots is another way of achieving an increase in density from the operative general residential zoning. In our view, the lot size provides flexibility across a mix of typologies and increased density within the plan change area. In terms of uplift in yield, I understand that 296 houses could be delivered in the Medium Density Village Area, compared with 186 houses under the operative zoning.<sup>2</sup>

[11] We did not test single detached dwellings on the smaller lot sizes in the original analysis. However, as part of sensitivity testing, a subdivision only scenario was

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<sup>2</sup> Based on indicative lot layout testing undertaken by Mr Burns.

modelled, which excluded build costs from the analysis. This demonstrated that the resulting smaller lots could be put to the market as ‘development ready’ lots at current market values and still achieve a profitable development. This reinforced to us that current high construction costs are a key factor currently affecting the feasibility of development. As I discuss below, based on the results of the modelling the construction of standalone dwellings was previously feasible in 2021 market conditions.<sup>3</sup>

#### **D. FEASIBILITY OF DEVELOPMENT IN THE MEDIUM TERM**

[12] Our earlier modelling demonstrated that development of medium density (as per the typologies outlined above at [7]), is challenging in current market conditions (due to high construction costs and reduced house values), although it is anticipated that this will improve over time, with it eventually becoming a more feasible option than low density development (standalone dwellings) in the longer term (10 years).

[13] The higher costs are because medium density typologies (as described in [7] above) have higher per square metre build costs than single story detached dwellings, due to costs associated with fire wall requirements and vertical build costs such as lifts (refer to development costs provided by RLB, included as Appendix C to the s 42A Report).<sup>4</sup>

[14] The modelling analysis also showed that the construction of low density standalone dwellings, whilst also challenging in current market conditions, was previously a feasible development scenario in 2021 and it is anticipated that it will be a more feasible option than medium density in the medium term (3-10 years) as the market recovers.

[15] For the purposes of this supplementary evidence a high level analysis of building single detached dwellings on the smaller lots (150m<sup>2</sup>) has been undertaken.<sup>5</sup> This analysis demonstrates that building a single detached dwelling on a 150m<sup>2</sup> lot would have also

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<sup>3</sup> At [14].

<sup>4</sup> Rider Levett Bucknall Wellington Ltd, Letter dated 14 June 2023, Re: PNCC – Aokautere, Palmerston North Development Costs.

<sup>5</sup> This analysis involved rerunning the same model used in the earlier s 42 report with updated parameters to test for smaller standalone dwellings in the same sized development area to allow for comparison. This included adjusting assumptions to include development costs and revenues associated with smaller dwellings.

been a feasible development option in 2021 and therefore is likely to be a feasible development option in the medium term.

- [16] In summary, our analysis showed that the market needs to shift to a point where the higher construction costs of medium density typologies are offset by increased house values, and this becomes the more profitable outcome. However, the financial viability of medium density is anticipated to improve over time. Our modelling showed that this is anticipated to occur within ten years. In the interim, other typologies that can be delivered in the Medium Density Village Area under the PCG provisions, such as small, detached dwellings, are likely to be more feasible in the medium term.

#### **E. THE IMPACT OF REMEDIATION COSTS**

- [17] Where remediation of land (both removal of contamination and importing of engineering fill) is required to allow for development, this adds an additional cost to development and therefore impacts on the development feasibility.

- [18] The modelling in this assessment did not include specific costs of remediation as this would require a detailed site evaluation to determine accurate costs. However, a contingency of 7.5% on site works was included to cover potential site constraints, such as remediation works required.

**11 March 2024**

**Ruth Allen**