

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

**SUPPLEMENTARY STATEMENT OF DAVID MURPHY ON BEHALF OF PALMERSTON NORTH
CITY COUNCIL**

STRATEGIC PLANNING

Dated: 11 March 2024

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SUPPLEMENTARY STATEMENT OF DAVID MURPHY

A. INTRODUCTION

- [1] My full name is David Richard Murphy.
- [2] I prepared a s 42A report dated 15 September 2023 on Strategic Planning (**s 42A Report**) 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 Strategic Planning (**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 raised by the Hearing Panel during the hearing in the week of 4 December 2023:
- (a) Confirmation of the housing numbers in my section 42A reports, following the Housing and Business Needs Capacity Assessment 2023 (**HBNA**) being finalised.
 - (b) Timeframes for the delivery of housing in the City, including the proportion of housing demand to be met by PCG and when.
 - (c) Discussion regarding the draft Long-Term Plan (**LTP**) programmes and allocation of funding responsibility for infrastructure over the short to medium-long term, including by reference to the National Policy Statement for Urban Development 2020 (**NPS-UD**).
 - (d) Update on progress of the Future Development Strategy.

C. STRATEGIC DOCUMENTS

[6] In my s 42A Report, I refer to various strategic documents regarding housing needs in the City, including the 2019 Housing and Business Needs Assessment, the Housing Capacity Assessment 2021, and the draft Housing and Business Needs Assessment 2023 (**draft HBNA**). I referred to the draft HBNA again in my Reply Evidence in reference to a point about how PCG can assist in moving away from existing land use patterns.

Housing Business Needs Assessment

[7] I confirm that the draft HBNA was adopted by the Council on 6 December 2023. The adopted HBNA is available on the Council's website now.¹ Other reports and indicators relating to urban development capacity can be found in this footnote.²

[8] Figure 2 in my s 42A report contained the draft 2023 Housing Bottom Lines and 'Projected residential preference – based on housing bottom lines'.³ The HBNA confirms the figures within Figure 2 as final, other than the figure shown for the medium-term for greenfield which is 1505, not 1504.⁴

[9] The table below (Figure 1) sets out the key findings in the HBNA regarding housing demand over the short, medium, and long terms, as those terms are defined in the NPS-UD. Housing demand is categorised by location and type.

¹ <https://www.pncc.govt.nz/files/assets/public/v/1/documents/council/research/urban-development-capacity/housing-and-business-development-capacity/housing-and-business-development-capacity-2023.pdf>

² <https://www.pncc.govt.nz/Council/Official-documents/Research/Urban-development>

³ At paragraph 32, page 10-11.

⁴ See the table on page 4 of the HBNA

	Short term <i>within the next 3 years</i>	Medium term <i>between 3 - 10 years</i>	Long term <i>between 10 – 30 years</i>	30 year total
Housing location				
Greenfield	393	1,505	3,240	5,138
Infill	541	1,354	2,357	4,251
Rural/ rural-residential	49	150	295	494
Housing type				
Standalone dwelling	865	2,588	4,595	8,048
Attached dwelling	118	421	1,296	1,835

Figure 1: Housing demand, location and type over the short, medium and long term

- [10] In terms of housing ‘type’, I note that the Council’s demand estimates for ‘attached dwellings’ could be understated.⁵ This is because demand projections were based on recent resource consent data for multi-unit residential developments,⁶ as a proxy for attached dwelling demand.⁷ Other attached dwellings may not require a resource consent under the District Plan, and therefore have not been captured in the data. Accordingly, there is likely to be some undercounting of the supply of attached dwellings, and this affects the conservatism of future projections for this dwelling type.
- [11] As noted in the HBNA, the Council is projecting increases in household types that will require smaller homes, and attached-dwellings (including multi-unit developments) and smaller standalone dwellings are the typologies most likely to cater to this need.
- [12] The HBNA does not break down the housing demand projections into how many of each dwelling type (attached/standalone) is expected to be supplied across the various locations.

⁵ See section 4.3.3 of the HBNA.

⁶ The percentage of these types of developments that are made up of ‘attached dwellings’ is about 80%.

⁷ Defined in the District Plan as three or more self contained dwelling units that are located on one site.

- [13] To date, infill dwellings have generally been the most common type of housing (in the form of detached (standalone) single-story housing of 3 or 4 bedrooms). However, as noted above, the HBNA expects to see increased demand for greater density housing as the household types needing smaller homes increases across the city over time. Mr Cullen addresses the ‘supply-side distortion’ apparent in Aokautere, and the wider city and the evidence of demographic changes and lifestyle preferences driving demand for increased diversity in housing typologies in his s 42 Report.⁸
- [14] In respect of development at Aokautere specifically, the HBNA identifies this area as feasible and likely to be realised across both the medium and long terms. The HBNA projects 300 dwellings in the medium term, and 700 in the long term. I replicate Table 25 of the HBNA below, showing these projections (see Figure 2).
- [15] I note that there is no expressed expectation in the HBNA that these dwellings be any set housing typology, as this is simply projected in dwelling numbers (which could be either standalone or attached dwellings). That is, there is no expectation that the 300 dwellings required in Aokatuere in the medium term have to be medium density.

⁸ Section 42A Technical Report – Urban Economics (15 September 2023), para 65-68

Table 25 Commercially feasible and reasonably expected to be realised development capacity in the short, medium, and long terms.

			Short term	Medium term	Long term
	Housing Location	Dwellings	<i>Feasible and reasonably expected to be realised</i>	<i>Feasible and reasonably expected to be realised</i>	<i>Feasible and reasonably expected to be realised</i>
Infill	Residential Zone	12,789	1,196	3,238	3,238
	Milson	25	25		
	Hokowhitu Lagoon Residential Area	110	52		
	Kingsgate Grove	30	30		
	Roxburgh Crescent (Draft)	105	105		
Greenfield	Kikiwhenua Residential Area	280	280		
	Whakarongo Residential Area	499	88	411	
	Napier Road Residential Area	50	50		
	Napier Road Residential Extension Area	50	50		
	Mātangi Residential Area	160	60	100	
	Aokautere Residential Area (Proposed)	1,000		300	700
	Ashhurst Growth Areas (Draft)	400		400	
	Kākātangiata Urban Growth Area (Draft)	7,200		1,035	6,165
Rural	Rural Residential Overlay	1,964	117	273	780
	Total	24,662	2,053	5,757	10,883

Figure 2: Feasible and reasonably expected to be realised development capacity in the short, medium and long terms by location

- [16] As to anticipated ‘timing’ of housing capacity for Aokautere, the HBNA recognises that PCG would make the Aokautere ‘plan enabled’ for housing, but it also recognises that PCG requires supporting infrastructure including local reserves, stormwater, wastewater, drinking water and transport upgrades to be in place as a precursor to

enable that development. The HBNA anticipates these upgrades will occur in 2026. Actual timing will be subject to the final decisions made on the 2024-34 Long Term Plan, the outcome of the Aokautere business case with NZTA Waka Kotahi and the nature of any development agreements regarding the provision of local reserves and stormwater.

[17] The Hearing Panel has queried whether there is some ‘misalignment’ between the timing/housing demand I have explained in evidence and above, and the reporting of Ms Allen. Ms Allen considered the feasibility of medium density development in Aokautere. After accounting for the necessary assumptions, I understand the modelling reported on by Ms Allen indicates that medium density would be feasible from ten years. Given PCG is a medium to long term plan change, and the figures I have set out above (300, medium term, and 700 long term),⁹ this is not out of alignment.

[18] Further I note that Ms Allen examined a range of medium density typologies, although not the option of a standalone dwelling on the minimum lot size provided for as medium density within Aokautere, which is 150m². Evidence in the hearing confirms that a standalone dwelling can be constructed on this lot size.¹⁰ Ms Allen’s modelling shows that but for the recent market shift, low density standalone dwellings were feasible as of two years ago (2021) and are anticipated to be feasible in the medium term as the market recovers. As set out in her Reply, Ms Allen has subsequently undertaken a further high level analysis which demonstrates that building a small standalone house on a 150m² lot would also have been a feasible development option in 2021 and is therefore likely to be a feasible development option in the medium term.

Sufficient development capacity

[19] In terms of the NPS-UD, it is important to note that the Council’s primary obligation is to provide ‘sufficient’ development capacity for housing under clause 3.2. The Council considers PCG to be necessary as part of its strategy to meet this obligation.

⁹ At paragraph 14.

¹⁰ Mr Burns confirms this in his supplementary statement at [19].

- [20] The NPS-UD requires Council to provide sufficient development capacity for housing and business land to meet the needs of people and communities. To be “sufficient” development capacity must be:
- (a) Plan-enabled (land zoned for short and medium term demand and identified for future urban zoning for long term demand);
 - (b) Infrastructure ready; and
 - (c) Feasible and reasonably expected to be realised.
- [21] While ‘sufficient’ under clause 3.2 means that the capacity must be both ‘plan enabled’ and ‘infrastructure ready’ (which means different things at different times under cl 3.4), I understand that there is no requirement for a Council to be ‘infrastructure ready’ before making land ‘plan enabled’ through rezoning, and vice versa, there is no requirement for land to be ‘plan enabled’ to justify funding decisions to be made.
- [22] Development capacity is ‘infrastructure ready’ in the medium term if there is either adequate existing development infrastructure¹¹ to support the development of the land, or funding for adequate development infrastructure to support development of the land is identified in a Long Term Plan. Then, in the long term, there must be funding for adequate development infrastructure to support development of the land identified in the Long Term Plan or in the Council’s Infrastructure Strategy (as part of the Long Term Plan). The ability to provide for funding within the Infrastructure Strategy is indicative of flexibility being provided around funding when the timing of delivery of that infrastructure is further away (<10 years).
- [23] ‘Development infrastructure’ excludes third party infrastructure (which is defined as ‘additional infrastructure’ under the NPS-UD). Instead, Clause 3.5 of the NPS-UD sets out a consideration that is lesser, and more manageable for Councils to achieve: *they must be satisfied that the additional infrastructure to service the development capacity is likely to be available*. The plan change area forms part of PNITI, with Council also having committed funding to a business case with Waka Kotahi (important to the Waka

¹¹ ‘Development infrastructure’ is defined in the NPS-UD to be network infrastructure (water supply, wastewater or stormwater) or land transport controlled by a local authority or council controlled organisation. See section 1.4 of the NPS-UD.

Kotahi funding decision-making process), and included work programmes for the upgrades to the State Highway in the draft 2024-34 Long Term Plan (to accommodate funding options). In my opinion, this requirement under the NPS-UD is met for PCG.

[24] I explained in my s 42A report that draft work programmes for stormwater network and transport infrastructure had been prepared for inclusion in the Draft 2024-34 Long Term Plan. The draft work programmes responded to reporting by technical experts as part of the plan change process and reflect a range of new and improved infrastructure.¹² The programmes also provided for infrastructure under the control of Waka Kotahi, anticipating that these works may need to be funded in a range of ways. Further, the draft 2024-34 Long Term Plan sets aside funding for a business case for Waka Kotahi upgrades. The draft 2024-34 Long term Plan also includes programmes for local reserves, wastewater and drinking water to provide additional infrastructure capacity at Aokautere and support PCG.

[25] Since my s 42A report, and as noted before the Hearing Panel, interim decisions of the Council have been made on the Draft 2024-34 Long Term Plan. These decisions confirm that that infrastructure funding for PCG will be met via Council debt, or through an alternative funding mechanism such as the Infrastructure Funding and Financing Act 2020 and/ or the use of development agreements with the landowners/ developers. Therefore, while Council is committed through its Long Term Plan to funding the necessary infrastructure, its funding decisions are presently informed of a range of funding options, without necessarily settling on one.

[26] Funding of growth programmes for PCG was addressed in a Council report dated 13 December 2023. The relevant extracts from this report are included as Attachment 1. The extracts include written commentary and a table showing the growth programmes for Aokautere to be included in the 2024-34 Long Term Plan. The Council subsequently approved the Draft 2024-34 Long Term Plan and supporting material, including the Aokautere growth programmes, to proceed to audit on 14 February 2024.

[27] Such an approach is becoming more common amongst local authorities, with the challenges around the ability for local authorities to access funding having been

¹² Including water, wastewater and local reserves, along with stormwater and transport.

recognised in the Regulatory Statement for the NPS-UD (**RIS**).¹³ Specifically, assistance from Crown partnerships (and other parties) was anticipated, given the challenges of funding were recognised, and particularly the inability for Councils to be able to recover funding from development contributions for additional/excess capacity (not related to the development).¹⁴

[28] Further, to illustrate the need for a flexible approach, the proposed works by Waka Kotahi in the short term (including proposed speed limit adjustments) are likely to impact on the timing of Council-funded infrastructure works. While the Council acknowledges the necessity of the works, the execution of Waka Kotahi's initiatives, coupled with subsequent safety assessments, means there may not be presently any immediacy, and further work can be done to confirm the contributing sources of funding of the necessary works.¹⁵

Future Development Strategy

[29] I addressed the preparation of Council's Future Development Strategy ("**FDS**"), as required by the NPS-UD, in my s 42A Report.¹⁶ At this stage, the draft FDS is set to be adopted for consultation by Palmerston North City Council and Horizons Regional Council on the 6th and 12th of March respectively. The draft will be consulted on alongside the 2024-2034 Long Term Plan. Broadly speaking, the FDS confirms the city's previous growth planning work and 2024-34 Long Term Plan assumptions.

11 March 2024

David Murphy

¹³ See page 33, section 6.2.2 & 6.2.3 of the Regulatory Impact Statement for the NPS-UD.

¹⁴ At Section 6.2.2 & 6.2.3, page 33-34.

¹⁵ See the JWS – Traffic, 14 November 2023, Issue 3.4, 4.1 and Topic 5, para. 11.4 of Corporate Evidence of Ms Downs for Waka Kotahi and Transport Evidence of Mr Connelly for Waka Kotahi, para 2.4-2.5 and para 11.4.

¹⁶ At page 17, para [49]-[50].

ATTACHMENT 1: EXTRACTS FROM COUNCIL REPORT DATED 13 DECEMBER 2023.

3. AOKAUTERE GROWTH PROGRAMMES

- 3.1 The National Policy Statement for Urban Development (NPS-UD) requires the Council to provide development capacity that is infrastructure ready. For medium term urban development this means having funding for adequate development infrastructure identified in a long-term plan (or in the case of long term development, the Council's Infrastructure Strategy). For this reason, the capital growth schedule contains a series of infrastructure programmes to support planned residential growth at Aokautere.
- 3.2 Given the requirements of the NPS-UD, Officer advice is that Council fund infrastructure for urban growth areas already zoned for urban development, or about to be rezoned for urban development (such as Aokautere) via Council debt. Notwithstanding that advice, it is accepted that alternative funding assumptions can be made for some urban growth programmes given the constraints on Council's overall borrowing capacity.
- 3.3 The Council earlier resolved **189.8-23** to fund all Aokautere growth programmes from year 4 onwards via an alternative funding mechanism such as the Infrastructure Funding and Finance model to provide additional borrowing capacity to consider other capital programmes.
- 3.4 Having further considered the requirements of the NPS-UD, informed by Council evidence presented to the Aokautere District Plan Change hearing, an amended set of funding assumptions are recommended that provide a similar financial outcome with regards to Council's overall borrowing capacity.
- 3.5 It is recommended that:
- 1) The Aokautere stormwater growth programmes are funded by Council via an alternative funding mechanism such as the IFF and / or a development agreement with the landowners / developers. While the stormwater growth programmes are also required to help address existing network deficiencies, there are two major landowners / developers at Aokautere who will be the main benefactors of the new stormwater infrastructure. The same landowners / developers also contributed to the current network deficiencies. A development agreement is therefore a realistic funding mechanism, alongside the IFF or other off-balance sheet funding options. It is noted that the developers have a vested interest in the stormwater infrastructure being delivered. A development agreement could involve all parties working together on design, consenting, funding and construction.

- 2) The Aokautere local reserve purchase (not reserve development) programmes are funded by Council via an alternative funding mechanism such as the IFF and/or a development agreement with the major landowners / developers. Like stormwater, the two major landowners / developers are the main contributors / benefactors of the local reserves. A development agreement is therefore a realistic funding mechanism, alongside the IFF or other off-balance sheet options. It is recommended that reserve development programmes are funded in the LTP via Council debt as reserve development typically occurs after subdivisions are approved, local reserves are set aside and titles are issued by the Council. This also allows the Council to better tailor the development of the local reserve to the needs of the local community.
 - 3) It is recommended the water supply and wastewater programmes are funded in the LTP via Council debt as they will have benefits beyond the immediate Aokautere development land owned by the two major landowners / developers and are therefore less likely to be able to be funded via a developer agreement.
 - 4) It is recommended that transport improvements are deferred 3 years based on the traffic evidence presented at the Aokautere District Plan Change hearing and continue to be funded 51% by Waka Kotahi and 49% Council debt. Like the water supply and wastewater programmes, the transport programmes will have benefits beyond the immediate Aokautere development land and are therefore less likely to be able to be funded via a developer agreement. A business case undertaken in collaboration with Waka Kotahi and key stakeholders, including the two major Aokautere landowners / developers, has been included in year 1 of the LTP as an operational budget. Waka Kotahi has committed to supporting the business case process.
- 3.6 Under the recommendations above, the application of development contributions for each asset type would depend on the final funding mechanism utilised and the nature of the infrastructure provided. For example, development contributions would not be applied if a developer agreement was used to deliver catchment specific stormwater infrastructure whereas they would apply to transport programmes delivered by the Council and Waka Kotahi.
- 3.7 The resolution passed by Council to fund all Aokautere Growth Programmes from year 4 onwards via an alternative funding mechanism such as the IFF removed \$37M of borrowing from the LTP. The revised recommendation detailed in items 1-4 above will remove \$38M of borrowing from the LTP.

Capital Growth	2023/24	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29	Year 6 2029/30	Year 7 2030/31	Year 8 2031/32	Year 9 2032/33	Year 10 2033/34	10 Year Expenditure Total	External Funding Total	Net Capital Expenditure
Other														
1846 - City Reserves - Walkway Extensions - Capital New	\$213	\$184	\$189	\$211	\$321	\$327	\$206	\$476	\$485	\$218	\$222	\$2,840		\$2,840
1856 - City Reserves - Manawatu River Park - Roxburgh Entrance Development	-	-	\$128	-	-	-	-	-	-	-	-	\$128		\$128
1861 - Urban Growth - Matangi - Whiskey Creek - Reserves Purchase and Development	-	-	-	-	\$228	-	\$23	\$432	\$177	-	-	\$861		\$861
2226 - Urban Growth - Terrace End Bare	\$200	-	-	-	-	-	-	-	-	-	-	-		-
2299 - Urban Growth - New Northern Water Supply Bore (Milson Line)	-	\$1,000	\$1,538	\$2,632	\$2,700	\$221	-	-	-	-	-	\$8,091		\$8,091
2324 - Urban Growth - Stormwater Roxborough Crescent Infill	-	\$293	\$140	-	\$1,813	\$801	-	-	-	-	-	\$3,046		\$3,046
697 - Clearview Reserve Development	\$41	-	-	-	-	-	-	-	-	-	-	-		-
Aokautere														
1704 - Urban Growth - Aokautere - Stormwater	-	\$1,052	\$3,053	\$3,198	\$801	\$2,215	\$4,771	\$5,020	-	-	-	\$20,109	\$20,109	-
1855 - Urban Growth - Aokautere - Reserves Purchase and Development	-	\$89	\$184	\$2,865	\$227	\$1,709	\$209	\$435	\$207	\$211	\$215	\$6,350	\$5,889	\$461
1880 - Urban Growth - Aokautere - Water Supply	-	-	-	-	\$224	\$1,719	-	-	\$95	\$605	-	\$2,642	\$2,642	-
2030 - Urban Growth - Aokautere - Wastewater	-	-	-	-	\$270	\$344	\$793	\$1,101	\$710	-	-	\$3,218	\$3,218	-
2389 - Urban Growth - Aokautere - Transport Improvements	-	-	-	-	-	\$4,364	\$4,456	\$4,545	\$4,636	\$4,728	\$4,818	\$27,547	\$14,049	\$13,498
708 - UG - Aokautere - Reserves Land Purchase	\$34	-	-	-	-	-	-	-	-	-	-	-		-
Ashhurst														
1412 - Urban Growth - Ashhurst - Wastewater	-	-	-	-	-	\$277	\$1,756	\$232	\$592	\$1,209	-	\$4,065		\$4,065
1841 - Urban Growth - Ashhurst - Water Supply	\$1,359	-	-	-	-	\$277	\$566	\$841	\$592	-	-	\$2,276		\$2,276