

**BEFORE HEARING COMMISSIONERS  
FOR THE PALMERSTON NORTH CITY COUNCIL**

**I MUA NGĀ KAIKŌMIHANA WHAKAWĀ  
MO TE KAUNIHERA O PAPAIOEA**

**IN THE MATTER**

of the Resource Management Act 1991

**AND**

**IN THE MATTER**

of proposed Plan Change I: Increasing Housing  
Supply and Choice to the Palmerston North District  
Plan

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**SECTION 42A TECHNICAL REPORT OF JONATHAN FERGUSON-PYE  
ON BEHALF OF PALMERSTON NORTH CITY COUNCIL**

**STRATEGIC PLANNING**

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Dated 25 July 2025

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## A. EXECUTIVE SUMMARY

1. The key conclusions of my s 42A technical report are:

- (a) When considered within the broader strategic context of the city's urban growth settings, Plan Change I ("**PC:I**") sits comfortably within the 'Growing-In, Growing-Up and Growing-Out' elements of the Future Development Strategy ("**FDS**"). PC:I forms part of a coordinated programme of plan changes to deliver sustainable outcomes that contribute to meeting the Housing Bottom Lines ("**HBL**") in the Regional Policy Statement.
- (b) The policy development and review processes associated with the Housing and Business Needs Assessment ("**HBA**"), FDS and Palmerston North District Plan ("**District Plan**") require monitoring of the efficiency and effectiveness of outcomes against the HBLs in the Regional Policy Statement. If monitoring indicates demand for medium density is not being met by current policies and rules of the District Plan, the Council can amend these provisions via a review of the Residential Zone ("**RZ**").
- (c) PC:I delivers the "Growing-Up" element of the FDS by enabling medium density development in infrastructure-ready, well-connected areas. This approach reinforces compact urban form, utilises existing infrastructure efficiently, avoids productive land and liquefaction risk, maintains development within flood protection schemes, and promoted accessibility to employment and services.
- (d) All growth options face stormwater management challenges. PC:I's targeted approach recognises the technical and fiscal challenges of stormwater management. Rather than requiring major new infrastructure investment, the Stormwater Overlay ensures development can progress where stormwater impacts can be appropriately managed, making efficient use of existing network capacity while requiring site-specific mitigation where needed.
- (e) Considering the fiscal constraints and lead-in times for new funding mechanisms, the targeted approach of PC:I is prudent. PC:I provides housing supply through intensification where infrastructure capacity can

be managed more efficiently. Submissions requesting significant MRZ extensions would push against financing constraints and raise unrealistic development expectations.

## **B. INTRODUCTION**

2. My name is Jonathan Ferguson-Pye.
3. I am the Manager City Planning for the Palmerston North City Council ("**the Council**") and was the Asset and Planning Manager 2019-2021.
4. I have a Bachelor of Resource and Environmental Planning (First Class Honours) with a second specialisation in Economics, from Massey University. I am a full member of the New Zealand Planning Institute and have over 20 years of planning experience with the Council.
5. The Manager City Planning role is responsible for the strategic land use planning of Palmerston North, including District Plan policy administration, development of land use strategies and implementation of central government national direction to support decision-making under the Resource Management Act 1991 ("RMA").
6. I have been involved with PC:I since November 2021. I am responsible for overseeing the progression of PC:I on behalf of the Council.
7. I am very familiar with Palmerston North, and the resource management issues underpinning the regulatory framework developed to manage the use and development of the natural and physical resources in the City.

## **C. CODE OF CONDUCT**

8. I confirm that I have read and agree to comply with the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2023. I confirm that I have stated the reasons for my opinions in this report and have considered all the material facts that might alter or detract from those opinions.
9. Statements expressed in this report are within the scope of my expertise.
10. I have all the information necessary to assess the application within the scope of my expertise and am unaware of any gaps in the information or my knowledge.

## D. SCOPE

11. PC:I seeks to increase housing supply and choice in Palmerston North by establishing a MRZ that enables more diverse housing types including duplexes, multi-units, townhouses and apartments. The plan change aims to accommodate the urban growth by allowing buildings up to 11 metres high (typically 3 storeys) with smaller sections and closer spacing, while reducing regulatory barriers. The 2024 LTP estimated a requirement for 3,993 new homes over 10 years, and 9,885 homes over the 30 years period.
12. My evidence provides an overview of the strategic planning matters that informed the approach to PC: I. Where strategic drivers for PC:I are relevant to submissions on the plan change, I address these matters; however, I do not directly respond to individual submissions as my intention is to provide overview evidence.

## E. STRATEGIC PLANNING CONSIDERATIONS

### *National Policy Statement for Urban Development*

13. The National Policy Statement for Urban Development ("**NPSUD**") is the key driver for initiating this plan change. I comment on some of the key interactions between PC:I and the NPSUD below.
14. Policy 2 of the NPSUD requires the Council to provide sufficient development capacity to meet the expected demand for housing over the short, medium and long term. Policy 5 requires the Council through its District Plan to provide for heights and density of urban form commensurate with the greater of accessibility or relative demand.
15. The Council is a 'tier 2' urban environment under the NPSUD, meaning we must establish HBL for inclusion in our HBA. These HBLs set the quantum of development capacity that is sufficient to meet expected housing demand, plus an appropriate competitiveness margin.<sup>1</sup>

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<sup>1</sup> NPS-UD, cl 3.6.

## *Housing and Business Needs Assessment*

16. The 2023 HBA identified a demand for 4,251 additional dwellings from infill (medium density) development over a 30-year period (long-term) for the whole city. However, PC:I is not required to (and does not aim to) meet the total demand for infill development capacity for the whole city.
17. Rather, PC:I is required to provide for market choice by enabling higher density development in parts of the city that are infrastructure ready and connected and walkable to key employment nodes, business centres, open green space and schools. Ms Andrews' analysis demonstrates that this approach will enable PC:I to make a meaningful contribution to supply capacity for infill development within the Council's broader land use strategy responding to growth, as set out in the FDS.<sup>2</sup>
18. Different methodologies between the HBA and PC:I have led to varying estimates of development capacity. The original PC:I modelling conservatively estimated that the MRZ would meet 41.4% of total infill demand for the city. However, Ms Andrews' sensitivity testing, which applies amended assumptions to address methodology differences, indicates the MRZ could provide between 60% and 75% of total demand for infill development over the long-term.<sup>3</sup> This range reflects the uncertainty inherent in capacity modelling and the impact of assumptions.
19. The quantitative analysis provides important evidence for how PC:I will meet the HBLs under the NPSUD framework. However, the modelling also sits within a wider strategic context and broader evidence base that collectively informs planning decisions under the NPSUD framework such as to guide the preparation of urban design policy.
20. The testing of the modelling process for PC:I identified methodology issues with the HBA that require attention. A project improvement plan has been developed for the 2026 HBA to enhance practice in this area and better prepare the Council for the heightened focus on data analysis signalled in the government's recent Going for Housing Growth discussion paper (June 2025).

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<sup>2</sup> Ms Andrews SOE, paragraph 1(c).

<sup>3</sup> Ms Andrews SOE, paragraph 35.

21. Horizons Regional Council's ("the **Regional Council**") submission raises concerns about whether PC:I would enable sufficient development capacity to meet the infill development targets in the HBA. However, I consider it important to note that the development capacity enabled by PC:I is not the only contributor to providing sufficient supply to meet the demand identified in the HBA.
22. I am confident that the Council will meet its HBA obligations for the following reasons:
- (a) The HBA sets a city-wide HBL for infill development of 4,251.<sup>4</sup> Sensitivity testing indicates the MRZ may provide between 60% and 75% of total demand for infill development for the city over the long-term (2,816 – 3,173 dwellings).
  - (b) The proposed MRZ is formed from approximately one third of the RZ. The RZ (once PC:I is operative) remains as a source of additional infill development capacity over the long-term and this zone continues to provide for medium density under Discretionary Rule 10.6.4.3.
  - (c) Greenfield growth areas at Mātangi and Aokautere<sup>5</sup> (Plan Change G) provide for multi-unit housing development, and the proposed Kākātangiata Future Development Zone will also promote density alongside larger lot provision.
  - (d) The 'Growing-In' elements of the FDS enable medium density development in the RZ (Hokowhitu Lagoon Residential Area and the proposed Roxburgh Crescent Residential Area).
  - (e) The city's growth points to steady expansion over the long-term. The diverse economic base through a variety of sectors means the city generally does not experience the same volatility in economic cycles than other centres. This allows for more predictable land use and infrastructure planning responses. While current conditions show short-term weakness in both population and economic growth due to the present economic cycle, this typically impacts the timing of

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<sup>4</sup> HBA, Table 26.

<sup>5</sup> RZ Rules 10.6.3.3(h) and 10.6.3.3(i).

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development rather than the scale over the long-term. This allows for more predictable land use and infrastructure planning responses.

23. When considered within the broader strategic context of the city's urban growth strategy articulated in the FDS, PC:I sits comfortably within the 'Growing-In, Growing-Up and Growing-Out' elements of the FDS and forms part of a coordinated programme of plan changes to deliver sustainable growth outcomes and contributing to meeting the HBL in the Regional Policy Statement ("RPS").

#### **F. POLICY DEVELOPMENT PROCESS AND REVIEW OF THE DISTRICT PLAN**

##### *Monitoring HBA and District Plan outcomes*

24. The Council is required to monitor progress against the HBA annually and update the assessment on a three-year basis. This includes information about resource and building consent numbers, including by type of dwelling. Similarly, the Council is required to monitor plan effectiveness by s 35 of the RMA. This includes monitoring the efficiency and effectiveness of policies and rules in the MRZ for achieving the outcome of more medium density housing in that zone.
25. The NPSUD requires the Council to regularly review its FDS, and this review must inform the Council's three-yearly Long-Term Plan ("LTP"). The FDS Implementation Plan must be review and updated annually.
26. The Council will resource implementation and monitoring of PC:I in accordance with these obligations.
27. Despite this, there is inevitably a lag between enabling further supply and understanding whether the development market is responding to this enablement, as this monitoring depends on resource consent and building consent data.
28. These monitoring obligations provide the Council with meaningful data about whether the development capacity enabled by PC:I is making the expected (or a greater) contribution towards the HBL in the RPS. If there are trends suggesting that demand for infill housing will not be met by the current policies and rules, the Council can amend these provisions. This includes via an upcoming review of the RZ.

29. Beyond this regular monitoring cycle, additional mechanisms will likely ensure the Council's ability to respond to changing market conditions and regulatory requirements.
30. The pending resource management reform to replace the Resource Management Act 1991 ("**RMA**") will require a review of the RZ and will provide a further opportunity to review how the District Plan provides for medium density development. The government's reform agenda is focused on enabling development through streamlined regulatory approaches and raising thresholds for effects management.
31. Under the new regime, Nationally Standardised Zones ("**NSZ**") are likely to take a more permissive approach than current provisions. This will replace the existing regulatory framework with streamlined development controls, likely increasing development opportunities both within and outside the proposed MRZ.
32. In the interim, current plan change work will continue under existing processes. The government's 'stop to plan changes' announcement is not expected to hinder Council's growth programme. Based on the limited information known at this time, I anticipate that the Council's growth-focused plan changes may be viewed positively by the Minister when applying for exemptions.
33. Modelling feeding into PC:I provides an indication of supply capacity, but the market will ultimately drive demand and delivery of medium density. As noted by Ms Andrews, modelling is based on a set of assumptions that are unlikely to eventuate collectively, providing instead a range of development estimates that could be accommodated within the proposed MRZ.
34. The extent to which a planning framework influences market demand needs to be considered against a range of drivers. For example, Minor Dwelling Units ("**MDU**") were introduced to the District Plan as a permitted activity in the RZ in 2018 in response to a demand for affordable housing options.<sup>6</sup> Uptake has been low, with MDUs comprising only 0.5 to 3.6% of consented dwellings between 2018 and 2022. In my view this example shows that the creation of enabling planning regimes certainly provide no guarantees of market uptake.

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<sup>6</sup> District Plan, Residential Zone Rule 10.6.1.2.

35. Market drivers affecting development include financing conditions, construction costs, development community capability, and economic cycles. The extent to which development opportunities are realised depends on these broader economic factors that shape the timing and nature of market investment, not just the planning framework.

*Future Development Strategy*

36. The city vision is “*big city ambition small city benefits*”. The challenge facing the city and the FDS is how do we best plan, fund and deliver on big city ambition while retaining small city benefits such as compact urban form, connectivity, accessibility, convenience, equity and affordability for our community,
37. In responding to the vision, the Council faces challenges in balancing increasingly complex issues, changing national direction, changing statutory obligations, and working within fiscal constraints while making progress on rezoning proposals to give effect to the FDS.
38. In assessing options for housing growth over the next 30-years, the FDS landed on a balanced approach of growing the city up, in and out:
- *Growing-Up*: meeting demand for growth within city’s existing urban environment through increasing density.
  - *Growing-In*: meeting demand through repurposing or rezoning pockets of industrial land (such as Roxburgh Crescent and reserve land for housing development).
39. *Growing-Out*: providing for housing growth through greenfield development on the fringes of the city.
40. The City Planning Team (“**CPT**”) have a coordinated programme of work to ensure NPSUD obligations to provide development capacity to meet the expected demand for housing (as outlined in the FDS) are met.
41. The 2023 HBA housing assessment found the city had sufficient development capacity over the short, medium and long term.<sup>7</sup> However, updated data and

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<sup>7</sup> 2023 HBA, page 118.

engagement with the development community revealed a shortage of greenfield land supply over the short-term (1-3 years) as a critical constraint.<sup>8</sup>

42. Current monitoring shows greenfield capacity in the city of 217 lots, creating a 176 dwelling shortage compared to the 3-year demand.<sup>9</sup> This shortage stems from a lack of plan-enabled capacity and infrastructure-ready land. There will likely be a shortage of feasible development capacity for the next 3-4 years. Plan-enabled greenfield development exists at several locations (most recently Aokautere), but subdivision remains constrained due to State Highway intersection capacity and safety issues that the New Zealand Transport Agency ("NZTA") is working to resolve with Council.
43. This greenfield constraint places greater pressure on housing supply being met by infill development, directly supporting the need for PC:I to enable residential intensification.
44. PC:I primarily delivers the "Growing Up" element of the FDS by enabling medium density development in infrastructure-ready, well-connected areas. This approach reinforces compact urban form, utilises existing infrastructure efficiently, avoids productive land and liquefaction risk, maintains development within flood protection schemes, and promotes accessibility to employment and services.
45. The plan change also contributes to "Growing-In" through rezoning three sites at the Huia Street Reserve (6,714m<sup>2</sup>), Summerhays Street Reserve (7,642m<sup>2</sup>), and 216 Ferguson Street (2006m<sup>2</sup>) from Local Business Zone to MRZ, repurposing underutilised land within the existing urban area.
46. PC:I forms part of a coordinated programme of plan changes designed to meet NPSUD obligations. While greenfield plan changes progress at Kākātangiata and Aokautere, PC:I addresses housing supply pressures through intensification in areas already served by infrastructure and services, reducing dependence on constrained greenfield capacity.

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<sup>8</sup> 2024 FDS, page 220.

<sup>9</sup> 2023 HBA, page 119.

47. This balanced approach ensures the city can meet its growth obligations while maintaining the compact, accessible urban form that delivers "small city benefits" alongside "big city ambition."

## **G. MANAGING STORMWATER**

48. All growth options face stormwater management challenges. Stormwater brings flood risk for people and properties and affects freshwater ecosystems, while also restricting how we provide and manage growth.
49. An advantage of PC:I is the way in which it addresses these challenges systematically using the Stormwater Overlay within the proposed MRZ. Three quarters of the proposed MRZ contains a Stormwater Overlay that requires a site-specific assessment of the potential effects of flooding and identification of any required mitigation.
50. This systematic approach is driven in part by infrastructure constraints, which are reflected in Council's strategic risk planning. The Council's Risk Register identifies failure to adapt to climate change as a key risk.
51. The Risk Register identifies sponge city principles, mitigation requirements for new impermeable surfaces, continuous review of existing infrastructure capacity, vegetation planting to reduce flow rates and zoning to avoid future high-risk areas as key controls for climate change risk. Key actions identified include:
- Preparation of a District-wide stormwater strategy;
  - Preparation and implementation of guidance and controls over new impermeable surfaces / runoff in private development and public asset design;
  - Updating statistical data for flood modelling to include future projections; and
  - Changes to the District Plan to consider climate future proofing.
52. The Risk Register is clear that stormwater management and land use decisions relating to urban growth are key components to adapting to climate change. The scale of investment required to manage stormwater over the long-term and

funding constraints at national and local levels mean investment needs to be targeted strategically. PC:I's focused approach addresses broader social, cultural, economic and environmental risk by concentrating development where infrastructure capacity can be effectively managed.

53. Supporting this strategic approach to stormwater management, the inclusion of a programme to prepare a city-wide Stormwater Strategy ("the **Strategy**") in the 2024 LTP originated from a submission from Rangitāne o Manawatū ("**Rangitāne**") on the FDS. Rangitāne supported the FDS balanced approach but noted significant concern about existing stormwater management in the context of urban growth decision-making.
54. The purpose of the Strategy is to provide high-level, integrated direction on how the city and its residents can live and grow with stormwater, recognising that stormwater both restricts and requires careful management of urban growth. Once complete, it will be a critical tool for guiding future development and investment decisions. Specific to the PC:I context, it will be important for identifying mitigation options that allow appropriate development while managing stormwater risks.
55. The draft Strategy identifies stormwater challenges and sets out a series of strategic outcomes sought in response to these challenges. It also outlines a number of supporting implementation principles and priorities to guide how these will be achieved. It is intended to inform and support future Council decision-making relating to the FDS, LTP, District Plan, Bylaws, and Asset Management Plans. However, at the 18 June Sustainability Committee Councillors did not adopt the draft Strategy for consultation but instructed staff to undertake further engagement with key stakeholders (*Resolution 16-25*).
56. While the Strategy is still being developed, PC:I cannot wait for its completion to address immediate housing supply pressures. Instead, PC:I incorporates comprehensive and appropriate stormwater assessment requirements, while accommodating discretion that allows consideration of the Strategy when it becomes available.
57. From a land use management perspective, stormwater management remains one of the most complex resource issues when providing for urban growth. While greenfield development offers opportunities for new stormwater infrastructure, it

comes with significant costs - for reference, the forecast capital cost for stormwater solutions in Plan Change G: Aokautere exceeds \$19m, and the cost of the recently completed Whakarongo stormwater detention area was \$8m.

58. Growing-Out through greenfield development is expensive but offers opportunities for best practice, nature-based and future proofed stormwater systems such as detention ponds and stormwater corridors. Growing-In and Growing-Up through intensification in the existing urban areas is more complicated and will require considerable investment in network upgrades and interventions for us to live with stormwater in these places. PC:I acknowledges these intensification complexities
59. PC:I's targeted approach within existing urban areas acknowledges these fiscal realities. Rather than requiring major new infrastructure investment, the Stormwater Overlay system ensures development occurs where stormwater impacts can be appropriately assessed and managed, making efficient use of existing network capacity while requiring site-specific mitigation where needed.

#### **H. FINANCIAL AND INFRASTRUCTURE CONSTRAINTS**

60. The local government sector, including the Council, faces fiscal constraints in funding and financing growth infrastructure, including for stormwater systems that support urban development. The 2024 LTP moved away from development contributions as the primary funding mechanism for greenfield development to external funding mechanisms and / or developer agreements.
61. Central government has signalled work has commenced on improving infrastructure funding and finance settings to assist Councils with responding to growth pressure. This includes replacing development contributions with a development levy regime, making changes to improve the Infrastructure Funding and Finance Act 2020 ("IFFA"), and improving the flexibility of targeted rates for growth infrastructure.<sup>10</sup> It will take time for these new funding mechanisms to be developed and bedded into planning practice.
62. Affordability and funding infrastructure to support urban growth is an emerging issue. In preparing its 2024 LTP, the Council proposed to use a mix of Council debt

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<sup>10</sup> Going for Housing Growth, Discussion Paper, MUHHD, June 2025, paragraph 20.

(LTP funded) and off-balance sheet funding mechanisms (such as IFFA funding or developer agreements) to fund growth infrastructure. Infrastructure to support urban growth at Kākātangiata, and Ashhurst was proposed to be funded off balance sheet. For Aokautere, infrastructure has proposed to be funded by a combination of Council debt (for water, wastewater and transport) and an external funding mechanism (for stormwater and local reserves).

63. The 2024 LTP identified significant infrastructure funding challenges, including a \$550 million wastewater treatment requirement and growth-related capital expenditure of \$1.61 billion, necessitating increased rates and debt levels approaching policy limits.
64. Given these fiscal constraints and lead-in times for new funding mechanisms, the targeted approach of PC:I is prudent. Rather than relying solely on expensive greenfield development, PC:I provides housing supply through intensification where infrastructure capacity can be managed more efficiently. Submissions requesting significant MRZ extensions would push against financing constraints and raise unrealistic development expectations.

**Jonathan Ferguson-Pye**

**25 July 2025**