

2010/11 DAP Call-and-Response Assessment

Issue	Originator	Acknowledged	Action Committed	Action Taken
<b>Community Facilities</b>				
Bus shelter improvements	WCC			
Basin Reserve capex	WCC			
Enviroschools	WCC			
<b>Climate Change</b>				
Vulnerability Assessment	WCC			
Electric Vehicle Pilot	WCC			
Energy Efficiency	WCC			
Energy Savers	WCC			
Lambton Quay car ban	MVRA			
Courtenay Place bus lane	MVRA			
Active mode promotion	MVRA			
Congestion charging	MVRA			
Paterson St tunnel advocacy	MVRA			
Light rail corridor	MVRA			
<b>Central City Design</b>				
Wellington 2040	WCC			
Community Facilities	WCC			
Community Centre funding	WCC			
<b>Rugby World Cup</b>				
RWC Village	WCC			
RWC sculpture	WCC			
Maori Heritage Trail	WCC			
CBD street cleaning levy	WCC			
Courtenay Place toilets	WCC			
Parking signs	WCC			
Waterloo Quay upgrades	WCC			
<b>MVRA Issues</b>				
Heritage Audit	MVRA			
Kent/Cambridge crossing	MVRA			
Overhead lines	MVRA			
WCC Website	MVRA			
Clyde Quay boat harbour	MVRA			
Mt Vic roads and footpaths	MVRA			
RMA tree protection	MVRA			

Oral Submission – DAP 2011 Swanns

Tuesday 24<sup>th</sup> May 2011-05-22

Thank you for the opportunity to speak today and presume the full submission has been read so just want to repeat some of the points already made.

### 5.3 Recreation Services

We do not support the feasibility study of \$675,000 for the construction of a deep water pool at the Wellington Regional Aquatic Centre at Kilbirnie. It is not so long ago that improvements were made to this centre and we repeat this money would be better spent allocated to the school pool grant funding as with the loss of the dedicated Learn to Swim facilities at the Boys and Girls Institute there has been an increased demand on all the public pools in the region and many children are missing out on lessons. Out of interest how many of you councillors voted for the Resource Consent for the supermarket/apartment complex (still a barren desert) when there is already another one planned close by in John Street. Part of this money would also be better spent on the retractable roof at Thorndon Pool which would provide facilities all year round

On the subject of Feasibility studies over many years we have questioned this expenditure with little feedback to ratepayers....as an example in May 2004 two such projects were mentioned Expanding the Event Centre \$700,000 starting this project and then the plan to spend \$6.2 m in 2005/06 to complete the redesign and similarly the feasibility study for the ice skating rink/ten pin bowling on the former showground site and I quote from the Absolutely Positively Wellington (May issue) the allocation of \$50,000 in the coming year and \$70,000 a year after that....where can we find these items in past reports?

### 7.3 Parking

We are totally opposed to the increase to \$5 an hour and the extension of evening parking to 8 pm and Friday 10.00 pm. If this is implemented the Council risks an empty soulless city, not only in the evenings but during the day as people coming into the city by car to shop, dine, catch a movie, theatre, ballet, concerts, exhibitions, will balk at spending another \$10-\$15 and even worse a fine as in attempting to move their car every two hours, their reasons for coming to the city, ie lunch or dinner with friends, concerts etc will be ruined. Since I spoke to you in September 2010 re restriction to two hours on Sundays (suggesting a compromise of 3 hours) a number of members of the many groups I am a member of, ie Probus, Walking, U3A, charitable organisations, have indicated on top of this threat to a ticket on a Sunday, \$5.00 an hour will make them think very seriously about coming into the city when there are alternatives in the region, like Expressions in Upper Hutt, Pataka in Porirua (where parking is free) the Dowse and Te Rauparaha stadium and for residents in Kapiti there are many concerts and attractions.. As a volunteer manager of a charity shop in the city, \$4.00 an hour is considered too high by many customers and preference is growing to shop in the suburbs or the Hutt Valley, Porirua and Petone. Similarly with the movie theatres in Petone, Brooklyn, Miramar, Island Bay the suburbs will win out. LIKE IT OR NOT FOR MANY OF THEM THE MOST VIABLE AND CONVENIENT WAY TO GET INTO TOWN IN THE EVENING IS BY CAR.

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Finally on this subject the Council concern was reported on in the DomPost May 19<sup>th</sup> that Wellington slips as Art Leader.....and so I repeat add \$10-\$15.00 to tickets the patrons will reduce in numbers

Another comment from a young ratepayer from Newlands with 4 children under 13 and one income, that his rates keep going up with no benefit to him and another comment, what is the point in writing a submission as 99% of the time decisions have been made.

### WATERFRONT DRAFT DEVELOPMENT PLAN

We have many reservations about the Review of the 2001 Framework not the least the cost quoted of \$500,000. especially as over the years there have been a number of surveys – last year's survey showed Wellingtonians are strongly attached to the waterfront and see it as the ultimate multi purpose and recreational destination. Of greatest concern are the developments proposed for it, ie the height of the proposed buildings and the cumulative effect of privatising the waterfront. The need for more research is doubtful as in the latest report "The findings (from research and consultation) indicate that the values Wellingtonians place on the waterfront have not changed significantly since the current framework was put in place"

I would also like to quote here again from comments from my walking group last week, how can we stop the Designer Dummies! And as most of them do not make submissions feeling it is a waste of time, could they please give me their vote!

FINALLY of grave concern to my husband and me (since we made our submission) was an article in the Dompost on Saturday May 14<sup>th</sup> with regard to AMP selling Chews Lane Holdings where I quote "Although the building was on leasehold land, there was a 250 year ground lease in place for Chews Lane from Wellington City Council at a peppercorn rental of \$1 a year with no reviews." This values it effectively on a freehold basis given the significant term and peppercorn rental. Our understanding that a similar arrangement continues for the old retail centre now Greenstone Energy. We would appreciate answers to this Query and how many other similar case of peppercorn rental on Council leasehold land.

Pauline and Athol Swann

**ECONOMIC EFFECTS FOR WELLINGTON CITY OF ADDITIONAL OFFICE BUILDING DEVELOPMENT TO  
THE NORTH OF WELLINGTON RAILWAY STATION**

**Prepared for  
The Wellington Company Limited**

**Brown, Copeland & Co Ltd**

**23 May, 2011**

# Tabled Information reference 125/11P(c)

## 1. INTRODUCTION

### Background

1. The Wellington Company Limited has commissioned Brown, Copeland & Co Ltd to prepare this report on the economic effects of significant office development to the north of Wellington's existing Central Business District. This follows the completion of a number of new office buildings on CentrePort's waterfront space and a significant office development directly opposite the Wellington railway station and in which the Inland Revenue Department is a major tenant.
2. Development of new office space to the north of the Wellington's existing CBD in the short to medium term diverts office workers from existing office space within the central city. In the longer term it prevents office renewal and development projects within the city centre and which would intensify office development within the existing CBD.
3. Wellington City's office building tenants are critical to the economic, social and cultural wellbeing of the whole of the City. Wellington City does not have significant primary or secondary sector economic activity within its boundaries. The 'driver' for current and future economic activity within the City is office space principally located within or close to the Central Business District (CBD). Even tourism activity within the City is dependent upon the economic base largely provided by office tenant activity<sup>1</sup>.
4. Therefore the location of office development in Wellington City and consequential impacts on the efficient operation and attractiveness of Wellington's CBD for office worker employers is of fundamental importance to the economic and social wellbeing of the City's businesses and residents.
5. The next section of this report briefly summarises the economic importance of office development to Wellington City. Section 3 of the report details a number of economic costs for Wellington City from allowing new office development to the north of the existing Wellington CBD. The report's conclusions are summarised in Section 4.

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<sup>1</sup> For example Te Papa, the Westpac Stadium, the Courtney Place and other area entertainment centres, the cruise ship visits and events held at various venues throughout the City are unlikely to exist were it not for the economic and population base provided by the office employment opportunities within the CBD.

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## 2. THE IMPORTANCE OF OFFICE EMPLOYMENT TO WELLINGTON CITY'S ECONOMY<sup>2</sup>

6. There can be little doubt that the most significant “driver” of the Wellington City economy is its core of central city office employment. This is a function of its capital city status with central government departments and a number of private sector corporations locating their head offices in the city. There is very little primary sector (i.e. agriculture, forestry, fishing and mining) or secondary sector (i.e. manufacturing) activity within Wellington City. Nor is there much of such activity now located in the adjacent cities of Porirua, Lower Hutt and Upper Hutt and Kapiti District. Whilst further to the north the Manawatu-Wanganui region and Wairarapa District have significant primary sector activity, these areas are relatively self-sufficient (via Palmerston North, Wanganui, Masterton and smaller service towns) and Wellington City is not really a service centre to them apart from the role of CentrePort and to a lesser degree, Wellington International Airport.
7. The three industry groups, public administration and safety, professional, scientific and technical services and financial and insurance services account for 39.1% of Wellington City's employment.<sup>3</sup> This compares with the same industry groups representing only 15.8% of employment for all New Zealand. Wellington City employment data for other industry groups including manufacturing, electricity, gas, water and waste services, construction, transport, postal and warehousing, information media and telecommunications, rental, hiring and real estate services, administration and support services, and other services will include a large proportion of office workers located in CBD office space. Also much of the growth in employment in the education and training sector (now accounting for 7.4% of Wellington City employment) has increasingly located in the City's CBD offices.
8. Agriculture, forestry and fishing accounts for only 0.1% of the City's employment; mining accounts for only 0.09%; and manufacturing accounts for 2.9%. However again many of those recorded as being employed in these sectors will in fact be office workers.
9. The other industry groups with significant employment in Wellington City (health care and social assistance (7.9%), retail trade (6.7%), construction (3.2%), wholesale trade (2.7%) and arts and recreation (2.7%)) will also have a number of office workers recorded in their employment data. But in addition demand for the services provided by these industry groups will in the main be driven by demand from the City's residents, employees from

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<sup>2</sup> This section of the report draws on previous work prepared for the Wellington Property Council in 2010, updated to include more recently available data. (See Letter to Wellington Property Council dated 10 February, 2010 re: The Economic Case for Incentives to Retain or Enhance Office Employment in Wellington City.)

<sup>3</sup> Statistics New Zealand data for 2010.

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elsewhere in the region who commute into the City for work and City businesses. Therefore these sectors cannot be considered as “drivers” of the City economy and activity in these sectors is very much dependent on the prosperity of the office sector of the Wellington City economy.

10. Significant “drivers” of the Wellington City economy apart from the office sector, would appear to be only the film industry and tourism, if the education and training industry is considered to be part of the office sector. Despite the successful profile and growth of these two industries they are of second order importance to the City economy as compared to the office sector. Also the office sector has provided a base of sufficient critical mass to enable these two industries to develop and grow. For example the attraction of visitors to the City would be much more difficult without the range of hospitality, entertainment and recreational facilities, which are financially underpinned by local demand for 365 days a year, every year.
11. In addition, many of the visitors to the City are on business and therefore many of the visitor days and nights and much of the associated expenditure are because of the office sector’s presence in the City and not because the City’s features as an attractive tourist destination.
12. Aside from economic or financial considerations, the office sector of Wellington City provides the critical mass for the range of services and facilities available to residents of the City (and region) and which enhance their quality of life.

### **3. THE ECONOMIC COSTS FOR WELLINGTON CITY OF ALLOWING ADDITIONAL OFFICE DEVELOPMENT TO THE NORTH OF THE EXISTING CBD**

#### **Loss of Trade for Wellington City Retailers**

13. Wellington City’s retail trade outlets are concentrated within the existing CBD along the “Golden Mile” of Lambton Quay, Willis Street, Manners Street and Courtney Place and adjacent streets including Cuba Mall and Cuba Street to the south. Whilst cafes, restaurants and other service providers (e.g. hairdressers) may to a limited extent be incorporated within any new office developments to the north of the CBD<sup>4</sup>, this will not be the case for other retail outlets such as department stores and specialty shops. As a consequence office

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<sup>4</sup> Thus far such outlets serving office developments to the north of the existing CBD can best be described as sporadic, with the range and level of competition much more limited than is the case within the existing CBD.

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development to the north of the existing CBD will result in a loss of trade for Wellington City retailers located within the CBD. Office workers to the north of the CBD will find it less convenient to shop at the inner city retail outlets before or after work, during lunch breaks or other breaks.

14. This does not simple mean a redistribution of retail trade between Wellington City retailers but a loss of trade. Firstly, Wellington City provides considerable office employment for workers who commute in and out of the city from Lower Hutt, Upper Hutt, Wairapapa, Porirua, the Kapiti Coast and Manawatu. Being located to the north of the existing CBD and therefore being discouraged from using Wellington City retailers during their working day, these commuters will instead transfer some of their retail shopping to outlets in their place of residence – i.e. shopping centres outside Wellington City. This may be in conjunction with their journey to or from work or during weekends.
15. Secondly, even for Wellington City residents, the disincentive to shop within Wellington's CBD during the working week will mean some will instead choose to shop at retail centres (e.g. shopping malls at Lower Hutt and Porirua) outside of Wellington City during the weekend.
16. Reducing the number of customers and turnover for Wellington City's retailers will negatively impact on the City's economy. Levels of expenditure, employment and incomes will be lowered. As indicators of levels of economic activity, economic impacts in terms of changes in expenditure, employment and incomes are not in themselves measures of improvements in economic welfare or economic wellbeing. However, there are economic welfare enhancing benefits associated with increasing or retaining levels of economic activity. These relate to one or more of:
  - Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs with higher turnover, hence increasing profitability or lowering prices;
  - Increased competition: Increasing or retaining the overall demand for goods and services allow a greater number of providers of goods and services to enter markets and there are efficiency benefits from increased levels of competition;
  - Reduced unemployment and underemployment<sup>5</sup> of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, increasing or retaining levels of economic activity can bring

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<sup>5</sup> Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.



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efficiency benefits when there is a reduction in unemployment and underemployment; and

- Increased quality of central government provided services: Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the quality of such services in a community can be increased if increased or retained levels of economic activity maintains or enhances population levels.

17. It is reasonable to presume that retaining economic activity within Wellington City by preventing the loss of retail trade to retail centres outside the City will give rise to one or more of these four welfare enhancing economic benefits. Indeed this is the justification for the Wellington City Council providing assistance to encourage or retain various events within the City.

### **Amenity Values from Greater Vitality and Vibrancy of Existing Commercial Centres**

18. Local authorities throughout New Zealand seek to maintain and enhance the level of economic activity within existing commercial centres in their cities and districts because of perceived benefits from having clearly identifiable commercial hubs with certain levels of critical mass. There is a perception at least that the concentration of a greater level of commercial activity within confined areas is more attractive to residents (as both employees and customers) and to visitors than to have such activities dispersed at a number of different locations within a city or district. This relates to not only the absence of business closures and vacancies within existing business centres, and which might lead to urban blight and the gradual decay of existing centres but also a perception that “more is better” – for example, both businesses and customers benefit from having similar businesses located close to one another for more convenient comparison shopping.

### **Greater Efficiency from Agglomeration Economies**

19. It is now becoming accepted among economists that the higher the density of commercial centres within urban areas the greater the level of business productivity. For example a study for the New Zealand Transport Agency (NZTA) quantified the positive relationship between higher densities and business productivity for different industries in different regions within New Zealand. A report on the study stated:

*“Links between density of activity and economic performance have been well established and explored by studies internationally. Although the exact sources or causes of these agglomeration effects have proved harder to pin down, it is generally accepted that when firms locate close to each other a number of tangible benefits emerge. Benefits can include more opportunities for labour market pooling, opportunities to share knowledge and technologies, and ease of process specialisation within an industry.*

...

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*Overall, as a very high-level summary, we can estimate that firms in an area with 10% higher effective density will have productivity that is 0.69% higher, once we control for industry-specific production functions and the sorting of more productive firms across industries and locations.”<sup>6</sup>*

20. This study's focus was on the potential productivity improvements of agglomeration economies resulting from improved transport links and therefore has a broad regional or district perspective rather than just that of a city centre or town centre. This study's finding and that of overseas research have been used to help justify Government expenditure in major road improvement projects, which effectively increase the concentration of a region by reducing transport impediments. The same broad principle has been applied in other studies, focussing on agglomeration economies from increased density in commercial centres.
21. For example, a report by Property Economics was commissioned by the Wellington City Council in 2005, with the latest draft dated February 2006.<sup>7</sup> Its purpose was to evaluate the economic impacts of CentrePort's then proposed Harbour Quays development on Wellington City's CBD. The principal findings of the Property Economics report was:

*“The primary impact upon the Wellington CBD is centred around its (the Harbour Quays development) long term potential. Based on the current floor space supply available in the CBD, the Harbour Quays development could proceed, over the next 7 years by absorbing the natural expansion of office demand for this area.*

*In the short-run the Harbour Quays development fulfils a need that is present in the office market. It allows for the consolidation of fragmented businesses and creates a potentially more efficient environment. Although initial indications are that it is unlikely to create any 'new' business it may have some potential to attract businesses that would not have otherwise located in the Wellington area. Over the immediate period, it relieves the pressure on a market that has seen substantial growth over the last 5 years and is now straining under the confines of the current CBD. In short, due primarily to the CBD markets' current (2005/06) inability to service this market, this development appears to be beneficial to the region.*

*The long-run opportunity cost of this development however outweighs the potential short-run benefits to the region. Both developers and agents have indicated that there is a significant level of potential redevelopment capacity within the existing CBD. They have also*

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<sup>6</sup> See *Agglomeration Elasticities in New Zealand*, NZTA research report 376; reported in NZTA Research, December 2009.

<sup>7</sup> Harbour Quays Port Development Economic Assessment; Prepared for the Wellington City Council by Property Economics; February 2006

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*stated that the pressure currently experienced by the CBD office market is sufficient to allow for this redevelopment to occur within the next 5-10 years.*

*The impact of the Harbour Quays development is to release some of this pressure for short-term gains, however this is detrimental to the region in the long run. The removal of 3,000 potential FTEs from the CBD will release pressure that will (given the current market indicators) restrict vital redevelopment potential. This pressure is unlikely to build again given the growth projections over the next 20 years. Therefore Wellington CBD is at a crucial point where this pressure to redevelop may not occur again.*

*The potential net (economic) opportunity cost to the region of accommodating this growth outside of the current CBD is in the order of \$6.7 m per annum. Although, the Harbour Quays development may provide economic benefits in the short-run, allowing this to eventually be accommodated in the CBD will provide these benefits as well as some ongoing increased efficiencies.”*

22. The basis for Property Economics’ conclusion was that office activity exhibits a range of efficiencies, including economies of scale, when able to achieve critical mass, and that these efficiencies continue to grow along with density until a point of congestion is reached. Property Economics did not believe the Wellington CBD was at or even near that point of congestion.
23. The Property Economics report utilised quantitative information from the Department of Economics at Tufts University in America regarding the relationship between productivity and employment density to estimate the economic efficiency benefits from limiting future growth in office developments to within the existing CBD. The Property Economics report also stated that the Harbour Quays development would result in additional costs with respect to retail spend and quality, amenity, public transport and CBD vibrancy. However it did not attempt to quantify these costs.
24. Subsequently the Wellington City Council commissioned SGS Economics and Planning Pty Ltd (SGS) to review the Property Economics analysis. SGS produced its report in April 2006. SGS raised concerns about Property Economics applying the Tufts University quantitative research finding to estimate productivity gains for Wellington from preventing the Harbour Quays development. This reservation is explained in more detail below. However the SGS peer review was strongly supportive of the link between density and productivity. SGS stated:

*“We strongly support the general propositions in the PE (Property Economics) report that there is a nexus between density and productivity. In this context, we see density as a proxy for a range of factors essential to high levels of livability, such as vibrant street life, a local residential ‘culture’ and a rich, walkable array of entertainment, retail, educational and*

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*employment opportunities. We also strongly agree with the implied proposition that the 'density' of the existing CBD core helps underpin the broader competitiveness of the City of Wellington.*

*We further agree with the position taken in the PE report that the vibrancy of downtown Wellington, and its links with density (broadly defined), cannot be taken for granted. By comparison with other cities in Australasia, Wellington has some way to go in terms of densification. It is true that Wellington's CBD core residential density (Lambton Quarter) is quite high (Table 1). However, its rank on employment density is less favourable. Jobs per hectare in the CBD core (Lambton Quarter) are comparable with that of Sydney, but well below the figures for Melbourne and Brisbane (Table 2). If Harbour Quays were considered as an extension of the CBD core in Wellington, it would reduce employment densities in this core, as it is planned to accommodate an employment density of only 400 employees per hectare (including connecting road space)."*

**Table 1. Core Residential Density – Selected Australasian Cities**

	Total Residential Population	Area (ha)	Residents/ha
Wellington CBD Core	3,702	98	38
Melbourne CBD Core	8,195	191.9	43
Sydney CBD Core	6,549	371.7	18
Brisbane CBD Core	1,995	70.32	28

**Table 2. Core Employment Density – Selected Australasian Cities**

	Total Employment Population	Area (ha)	Jobs/ha
Wellington CBD Core	47,930	98	489
Melbourne CBD Core	146,147	191.9	762
Sydney CBD Core	186,826	371.7	503
Brisbane CBD Core	63,991	70.32	910

25. SGS cautioned against the use of the Tufts University econometric evidence to quantify the relationship between productivity and CBD densities for only part of Wellington City (i.e. the CBD), since it believes that the Tuft University calibrated data which Property Economics had used should only be used in relation to whole metropolitan areas.
26. Both the Property Economics report and the SGS peer review report identified major negative economic effects on the existing CBD that would flow from new office development being located to the north of the existing CBD.

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27. Two subsequent reports commissioned by the Wellington City Council were not opposed to further office block developments to the north of the existing CBD. The first of these, the Kemp Report<sup>8</sup>, despite being finalised shortly after the Property Economics and SGS reports did not address the findings in these two reports. Rather this report was a somewhat subjective analysis based on Kemp's

*"... professional judgment, practiced eye and practical experience elsewhere."*

28. As such the report contains a number of contradictions and is out of touch with reality. With respect to Harbour Quays lack of access to basic facilities and services, Kemp suggested the following three opportunities arose:

*"One opportunity is for Harbour Quays to compensate by providing world class, 'all weather' public places and spaces to create an exceptional working environment and exceptional settings for business and employee networking, entertainment, and relaxation.*

*The second opportunity is to provide important shared business and quality employee facilities that will strengthen, rather than compete, with the rest of the Central City. For instance, boutique conference and workshop facilities, community and executive health and fitness and indoor sports facilities, corporate function and display space, video conferencing and 'time shared' boardrooms, meeting rooms and multi-media facilities, 'one-stop' government services.*

*The third opportunity is to provide exceptional visitor attractions and sporting facilities that will strengthen, rather than compete, with the rest of the Central City. For instance, robust 'community art' and 'sculpture garden' to play and climb on, exceptional 'adventure playgrounds' for pre-school and school aged children and for teenagers; an ice skating rink, squash, indoor sports and fitness centre; an all weather events and City market venue (which people will know will be an alternative venue for outdoor City events in inclement weather); a world class skate park with skate board trails; band rehearsal, multi-media, computer aided music and recording studios, computer games and games creation software centre (that will attract visitors, including grand parents minding young children; provide non-mainstream youth with 'diversion activities' and help them learn potentially marketable 'new age' skills).*

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<sup>8</sup> Assessment of Likely Urban Development Impact of Centreport's 'Harbour Quays' and Implications for Future Planning of Wellington's Central City. Prepared for the Wellington City Council by Derek C. Kemp 'Prosperous Places'; July 2006.

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Yet none of these developments have or seem likely to occur. There is no justification for public money to be spent on such attractions to compensate for office development occurring too far from existing facilities. Indeed if any public or private funds were available for such facilities and if such improvements were considered likely to improve the attractiveness of office buildings, then they are more likely to be spent on facilities located in or adjacent to the existing CBD than to the north of the railway station.

29. Kemp believed any loss in office employees frequenting the retail heart of the city would be more than offset by new residents planned to be living within walking distance of Wellington's retail heart and any loss of vibrancy and pedestrian activity resulting from the transfer of office workers from the existing CBD will be offset by these same new inner city residents. However these new residents will live in the inner city whether or not new office developments are located north of the existing CBD and therefore a net loss of vibrancy, pedestrian activity and retail turnover will occur if new office developments are allowed to locate outside the existing CBD.
30. Kemp's professional opinion in favour of the Harbour Quays development was contrary to some of the points he made in his report – for example that:
  - i. *“My considered professional opinion is that significant office developments, at dispersed or disconnected locations, more than 800m from the retail, or business hearts and public transport, could constitute sufficient threat to warrant government planning, development and design intervention”;*
  - ii. *“The Harbour Quays development ... will inevitably require additional public investment”;*
  - iii. *“The Harbour Quays development is within walking distance of Lambton Quay and the northern (government) end of the Wellington retail heart. However, the present pedestrian environment is not conducive to this walk. The northern end of the Lambton Quay also has relatively few retail, recreation, cafes, restaurants and hospitality opportunities”;*
  - iv. *“Workers from the Harbour Quays development are unlikely to penetrate further into the retail heart during their lunch breaks and are unlikely to venture as far as the Cuba St retail and entertainment precinct. Therefore, office development closer to the retail heart would be preferable”.*

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31. The second subsequent report, the Market Economics Report<sup>9</sup> was commissioned by CentrePort to examine the potential impact on the CBD of one of several buildings proposed to be built as part of CentrePort's Harbour Quays development. To assess the impact of the building on the existing CBD, Market Economics compared the number of employees to be engaged in the building with the projected employment growth in the Wellington CBD over the period 2006 to 2011 and concluded that because the number of persons to be engaged in the building was projected to be only between 15.4% and 16.4% of expected growth in CBD employment over this period the impact would be relatively low.
32. However this type of analysis is an 'after' versus 'before' analysis instead of a 'with' versus 'without' analysis. The impact of further office developments by CentrePort on the waterfront space north of the existing CBD has to be assessed by comparing the differences that will occur between a future 'with the development' scenario and a future 'without the development' scenario. The Market Economics report does not do this.
33. By carrying out only a 'before' versus 'after' comparison the Market Economics report was essentially presupposing that the current level of employment density within the CBD had reached its optimum. It took no account of the benefits of increased employment density within the existing CBD above the levels pertaining in 2006. Both the Property Economics and SGS reports argue strongly that Wellington's core CBD employment density had not reached its optimum and that there remain significant economic and other benefits that will be lost if future growth in office and retail employment is allowed to be located outside the existing CBD area.
34. Had the Market Economics report done a proper 'with' versus 'without' comparison the analysis would show that by diverting up to 1,651 employees from the existing CBD to the Harbour Quays area the development will result in a lower CBD's employment density than if the CentrePort development did not proceed. The Property Economics and SGS reports commissioned by the Wellington City Council argue very strongly that this will result in losses in economic efficiency, as well as losses in the vibrancy of the CBD and the competitiveness of the City of Wellington.
35. Also the Market Economics report failed to consider the "creep" effect associated with the development. The Market Economics report identified that it is the intention of CentrePort that 10 further buildings be developed as part of the Harbours Quays development. If the marginal or incremental effect of each individual building is all that is going to be assessed as each individual building seeks Council resource consent then clearly the aggregate or cumulative effect of the total development, and indeed any other breaches in the existing CBD boundary elsewhere in the city, will be overlooked.

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<sup>9</sup> Impact Assessment: CentrePort Building F1/F2; Prepared for CentrePort by Market Economics; 4 August 2006.

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## **Economies of Scale in the Provision of Public Infrastructure**

36. The provision of public infrastructure such as roads, footpaths, lighting, landscaping, security surveillance, street furniture and parks and other public spaces is likely to benefit from economies of scale – that is the capital and ongoing operating and maintenance costs for the provision of these services is likely to be lower from the concentration of office development within Wellington’s existing CBD. While it may be possible to set development levies and specific user charges to ensure any additional infrastructure costs and services are internalised within the cost structure of out of centre developments, where this is not possible there is again a justification for using land use controls to minimise such costs and to avoid any unnecessary duplication of public facilities and services.

## **Redevelopment and Improvement of Inner City Building Stock**

37. Measures which prevent reducing the density of the inner city will encourage redevelopment of the existing building stock. In particular such encouragement of inner city development is more likely to lead to seismic strengthening of existing inner city buildings than policies which allow new office building development to spread further to the north of the existing CBD.

## **Transport Cost Savings**

38. Having office and other commercial development concentrated within Wellington City’s existing CBD may result in savings in transport costs, and in particular, the external costs of transport such as congestion costs, road accident costs and environmental costs. By allowing the City’s CBD to expand to the north of Wellington’s railway station increases the need for motorised transport to attend meetings or for shopping and entertainment purposes. Also land to the north of the CBD is not well served by existing public transport services. Extending existing public transport services increases costs for taxpayers and ratepayers.

## **4. CONCLUSIONS**

39. Wellington City’s office building tenants are the key driver to the economic prosperity of the City. Therefore the location of office development in Wellington City and consequential impacts on the efficient operation and attractiveness of Wellington’s CBD for office worker employers is of fundamental importance to the economic and social wellbeing of the City.
40. New office developments to the north of the City’s existing CBD will result in the following economic costs:



## Tabled Information reference 125/11P(c)

- Retail trade sales will be lost to retail centres outside of Wellington City, with consequent reductions in turnover, employment and incomes for Wellington City businesses and residents;
- The vitality, vibrancy and other public amenity values of Wellington's CBD will be reduced;
- Reductions in agglomeration economies will reduce the productivity and efficiency of Wellington City's businesses;
- The provision of public infrastructure will cost more;
- The deferral of seismic strengthening of existing inner city office buildings; and
- There will be an increase in transport costs for Wellington City businesses and residents.