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Attention: Sam Hansen

9th November 2012

MVAU RESPONSE TO BARNZ

Sam

Thank you forwarding the correspondence from Zomac Planning Solutions and Market Economics for BARNZ. Generally their comments are in line with my expectations, with the main area of disagreement coming down to the extent of 'non-residential' land uses and our assumptions around consenting and phasing of the development. I will address these directly on the following pages.

Firstly, a quick review of our skills and experience. I was the lead designer / urban planner for this project. I am a Director of Common Ground Studio (CGS - one of New Zealand's leading Urban Design and Masterplanning consultancies in New Zealand), and have over 14 years experience in practice as a Planner and Urban Designer. My fellow Director and Principal of the company with over 30 years experience, James Lunday, was also heavily involved in this work. Both of us have been involved in many significant masterplans, plan changes and consents within Auckland and New Zealand. We have an international profile with masterplanning experience in the UK Sri Lanka, South Africa, Kuwait, Oman and China.

The main focus of CGS work in recent years has been Private Plan Changes for the private sector. In Auckland specifically we have been involved in the Gulf Harbour Masterplan (Eastern Boat Harbour), Silverdale, New Lynn TOD, Tamaki, Albany Centre, and numerous smaller resource consents.

We are currently involved in major land developments at in Hamilton, Raglan and Christchurch as well as major urban developments in Northern Australia.

This work requires a thorough understanding across a range of disciplines including economics, services and infrastructure, transport and traffic, sustainability and much more. We are constantly working in complex mixed use development projects and exposed to some of the best economic and development research available which informs our design.

In addition, James has had an involvement in the shaping of the Auckland Plan and is fully aware of the growth pressures facing Auckland and the land use and locational issues of absorbing growth whilst retaining a sustainable and desirable city form.

On this project I utilised a number of planning resources (and some of the background documents to these) available or in production around 2009, which is the baseline period for the MVAU.

Context: Productivity Commission

The New Zealand Productivity Commission is an independent Crown Entity that began operating on 1 April 2011. The principal purpose of the Commission is to provide advice to the Government on improving productivity in socially desirable ways. The Commission was established through the New Zealand Productivity Commission Act, 2010.

The Commission was established in response to concern highlighted in documents like the Motu Working Paper "Labour Productivity in Auckland Firms," by David C. Mare¹ in 2008, that started to explore the links between urban form and productivity. Mare found that:

"It is unsurprising that Auckland's productivity and economic performance is higher than elsewhere in New Zealand. There is a clear positive relationship between urban density and good economic performance the world over – a relationship that is captured in the phrase 'agglomeration effects'.

He also found that value added per worker in the Auckland region is 30 to 50 per cent higher than that of regions outside Auckland and for Auckland's CBD the premium is even

¹ Mare, DC (2008) "Labour and Productivity in Auckland Firms", Motu working paper 08-12.

higher (120 to 150 per cent). This is consistent with international research on cities of world scale.

The Commission released a draft report for a Housing Affordability Inquiry in 2011 that focussed heavily on Auckland. While the draft report was released in 2011 the research material and thinking behind it (such as the Motu work) was being collated earlier. It is therefore very relevant to the development of the MVAU model.

While not specifically focussed on , Auckland is New Zealand's only city of scale and its growth and economic vitality is a matter of national importance. The Commission identified amongst other things that 50% of New Zealand population growth over the last 10 years occurred in Auckland and that the average household size was dropping².

The draft report quoted Edward Glaeser on several matters, whose views on the future of the city are important to understand:

"Cities are the absence of physical space between people and companies. They are proximity, density, closeness. They enable us to work and play together, and their success depends on the demand for physical connection. [C]ities have grown because technological change has increased the returns to the knowledge that is best produced by people in close proximity to other people.

*Within the United States, workers in metropolitan areas of big cities earn 30 percent more than workers who aren't in metropolitan areas. These high wages are off-set by higher costs of living, but that doesn't change the fact that high wages reflect high productivity. The only reason why companies put up with the high labour and land costs of being in a city is that the city creates productivity advantages that off-set these costs. Americans who live in metropolitan areas with more than a million residents are, on average, 50 percent more productive than Americans who live in smaller metropolitan areas. These relationships are the same even if we take into account the education, experience and industry of workers. They're even the same if we take individual worker's IQ's into account."*³

The weight of research on the links between urban form and productivity was recognised in the report as the agglomeration effects in the discussion of 'smart growth' .

Urban areas are characterised as places where multiple activities exist in close proximity and through this provide greater access to people, goods and services. This in turn

² Productivity Commission, Housing Affordability Inquiry Report , March 2012, pg 84 & 85

³ Glaeser, E (2011) "Triumph of the City" Penguin Press NY. Pg 6

facilitates higher levels of economic, social, and cultural activity. The reinforcing nature of these relationships suggests that urban areas which are able to maximise the benefits of exchange would be likely to be more attractive and productive locations.

Context: Auckland Strategic Planning

The Auckland Regional Growth Strategy was adopted in 1999 and established the Metropolitan Urban Limit (MUL) that aimed to contain growth within defined urban boundaries - predominantly in defined centres or growth corridors. Other regional plans and policy documents aligned to the RGS. At that point the Auckland population forecasting high projection indicated 1.5million residents by 2012, increasing to 2 million by 2031. Auckland population has increased in line with this projection.

An evaluation of the ARGV in 2007⁴ revealed:

“ On the ground, urban form in Auckland is beginning to change and there has been a strong market for more intensive urban living. Nearly half of the housing built since the year 2000 has been in the form of terraced housing, town houses or apartments, increasing housing choice in a wide range of areas. Areas of greenfield land identified in the RGS are being planned and developed. Passenger transport use has increased rapidly, particularly since 2000.”

It goes on to say:

“The RGS has correctly anticipated a market shift towards medium and high density living, which supports its aim of providing more housing choice for Aucklanders. Much of the development has, however, occurred outside identified growth centres and has been located in business zones or in attractive areas where there is high amenity (due to open space, views, or proximity to water).”

The ARGV (later to be adopted into the Auckland Plan) sought to achieve 75% of residential growth over the next few decades within the Rural Urban Boundary, seeking to improve the urban intensity and thereby, productivity. We were cognisant of these comments at the time of preparing the MVAU model.

In Auckland, a number of areas that could accommodate more intensive urban residential or mixed use developments are either heritage suburbs (which have become no-go

⁴ Growing Smarter – The Auckland Region in the 21st Century, An Evaluation of the Auckland Regional Growth Strategy 1999. A Technical Report for the Auckland Regional Growth Forum, July 2007

areas for development), or are so fractured in terms of ownership that it is difficult to get any critical mass for development.

The map below shows the extent of urbanised areas within Auckland in 2009.



As can be seen quite clearly on the map, the lack of development or urbanisation in the highlighted area was an anomaly caused by three factors:

- The Auckland International Airport
- The Mangere Wastewater Treatment Plant
- The Wiri Oil Storage Terminal.

By 2000 Watercare Services had embarked on the removal of the oxidation ponds and remediation of the waterfront for public open space.

It seems logical therefore that, given this signal of urbanisation combined with significant growth pressures, there would have been intense pressure for development in this area. It is my opinion that this area would have been developed in time, in a comprehensive manner, regardless of whether it sat within the MUL or not.

Furthermore, it was clearly identified by numerous commentators and planning agencies that Auckland was lacking the urban neighbourhoods that are common in larger cities elsewhere and which contribute so much to the amenity of those cities and support

productivity. As espoused by Edward Glaeser and other academics that helped shape the Productivity Commission's viewpoint on Auckland (and therefore also influencing the development of the Auckland Plan), the development of such urban neighbourhoods within Auckland were, and still are - hugely desirable. The development we propose is exactly the sort of urban development strategic planners were seeking.

Context: Housing and Urban Form

For a given set of market conditions, the house price reflects the desirability of a place to live for potential purchasers. This is commonly referred to as amenity. There are three types of amenity⁵ considered when buying a house.

1. The site – the size, design and quality of the house, the outdoor amenities such as garden, pool etc, plus solar orientation and views, and the impact of neighbouring properties. Provision of services is also part of this category.
2. Local amenity provided within walking distance – the shops, parks, schools, the quality of local streetscapes, trees, perhaps a beach or access to major open space, and access to public transport.
3. Regional amenity – major shopping centres, cinemas and theatres, art galleries and zoos, cafes and bars, regional parks and beaches, airports, and all the other amenities that attract people to Auckland.

Increasingly proximity to employment, reduction in transport needs and costs, neighbourhood identity and quality public realm are starting to influence demand – a natural outcome of the transition to more intensive urban living.

Addressing the question of the impact of amenity on affordability and house prices, the Productivity Commission report noted that:

“surveys of residential preference indicate that some households which could purchase ‘entry level’ housing continue renting in order to enjoy high amenity locations close to the central city or around the harbour foreshore in Auckland...”⁶

Further to that, the report also quoted Australian research which found that

⁵ Graeme Scott, Submission to the New Zealand Productivity Commission on its housing affordability inquiry draft report, Office for Urban Research

⁶ Productivity Commission, Housing Affordability Inquiry Report , March 2012, pg 183

“...fundamental planning policies, such as decisions to contain urban growth by limiting the release of land for urban development, are inherently inconsistent with affordability goals. Containment may affect affordability... because the amenity affect of consolidation is positive and so enhances house prices.”

This is a significant alternate view to the often cited view that it is restricted land supply alone that pushes up prices. It is also a crucially important point with regard to the development, since by having affordability (not to be confused with low-cost housing) as one of our core tenets, we always acknowledged that the high level of amenity provided would make it highly desirable.

I found this issue to be nicely summarized by the submission of Graeme Scott (well regarded architect and commentator) to the Commission on the draft report for the Office for Urban Research, in which he stated:

“It raises a key dilemma which demands further consideration – in our efforts to supply affordable housing, must we deliberately reduce amenity? A 110 square metre builder’s standard house on a 450 square metre bare section on the outer edge of Massey or Papakura, suitably removed from shops and schools and bus routes, might be affordable by the Demographia criterion, but overall amenity will be low. Social considerations of who will live there, what they will spend on car transport, and what sort of community will emerge there, are important to consider alongside a narrow analysis of affordability.”⁷

This key dilemma of growing cities, particularly for the likes of Auckland, has not been fully grasped by either Zomac or Market Economics in their responses. It is simply not possible to extrapolate data trends to paint a picture of Auckland for the future, and both the Productivity Commission and the growth planners for Auckland have acknowledged the limitations of such an approach. It was therefore a core design principle to provide adequate amenity and this underpins the space provided for non-residential purposes in the MVAU plan.

Demand for Non-Residential Land Uses

The BARNZ submission, with reference to the Zomac Planning Solutions (ZPS), Market Economic (ME) and PAL expert advice, challenged the level of perceived demand for commercial land.

⁷ Graeme Scott, Submission to the New Zealand Productivity Commission on its housing affordability inquiry draft report, Office for Urban Research

Firstly, Common Ground in a letter to Auckland Airport dated 14 October 2011 and provided to BARNZ, clarified their use of the terminology “commercial” rather than “non-residential” and also demonstrated the application of the “non-residential” land to the MVAU plan. This is reiterated and further expanded on following pages and addresses the points raised by BARNZ and their experts. It should also be noted that Colliers in its valuation of this land, and through discussion with Common Ground throughout the process, understood the “non-residential” nature of this land and valued the land accordingly.

Much has been made of the apparent amount of ‘non-residential’ land use that I unfortunately titled “commercial” in earlier versions. This was simply a loose description used to encompass all ‘non-residential’ activities that might be expected in communities and that would have a commercial component. In addition to anticipated ‘commercial activities’, this could include (but is not limited to):

- Visitor accommodation
- Social infrastructure such as medical centres, schools, churches
- Retirement complexes and nursing homes
- Childcare facilities
- Sporting facilities, gyms, swimming pools

And later...

- Carparking

This activity is distributed across 10 precincts in varying amounts.

To give an example of how this compares, the suburb of Kohimarama covers 228ha (but includes the large Madills Farm Reserve) and has a population of 7,360 (circa roughly 3,000 houses). Even at this density (13hhu per ha) it supports 2 primary schools and one secondary school⁸. It has a number of neighbourhood shopping and commercial centres (including a comprehensive medical complex⁹), community facilities and visitor accommodation options.

⁸ Kohimarama School (primary school, 493 pupils), St Thomas School (668 pupils), Selwyn College (846 pupils)

⁹ Eastmed Centre, 188 St Heliers Bay Road includes podiatrist, diagnostic centre, audiologists, radiology, pharmacy, rheumatologist, physiotherapists, general practitioners.

Its equivalent in the MVAU plan is the Harbour Edge Precinct which covers 180ha but with 20% more houses (3,616) and a population exceeding 9,000. The total non-residential component for this neighbourhood is estimated at 25,831m².

Market Economics has also looked at other uses that might be anticipated showing a possible need for 13 schools requiring up to 86,200m² gfa¹⁰. While I am no position to say whether this is a valid quantum or not, there has been another shift occurring within Auckland – that of displacement. As the inner suburbs are getting more expensive and the demographics of inner areas change, schools (predominantly private) are seen as valuable real estate. A number of these schools are now establishing themselves in semi-commercial areas closer to their target markets. I would anticipate that this development would be a prime location for such a new or displaced private school.

Furthermore, it was understood that development of this scale would also require attracting one or more significant commercial drivers (ie tertiary institute, hospital, research centre etc.). The Market Economics report refers to these as "special areas".

For example, Auckland has 4 major hospitals the largest of which, Auckland City Hospital encompasses in excess of 115,000m² of space and employs over 1,300 people, excluding Auckland University Medical Campus and the many private medical facilities that are in the immediate surrounds. While attracting a hospital of this significance is highly unlikely (as the DHB's will tend to consolidate existing facilities), something the size of the private Ascot Hospital complex (6,400m²) or larger would be a realistic objective.

Another factor influencing demand for 'non-residential' growth is the increasing shortage of business land, particularly that close to the cities population areas. Again, from the 2007 AGS review:

"The Auckland region continues to experience growth in the numbers of businesses and employees at a higher level than that of the population and dwelling growth rates."

Overall, a new town with a population exceeding 40,000, having an intensive urban quality and having a 'special area'¹¹ driving it, would push development closer to the 'Sub

¹⁰ Auckland Alternative Use Review, Market Economics, December 2011, pg 18

¹¹ Auckland Alternative Use Review, Market Economics, December 2011, pg 10

Regional' categorisation than a 'Large Suburban Centre'. Proximity to the existing Kirkbride business area (which will likely remain, given the shortage of business land as outlined above) supports complimentary 'non-residential' activities and intensification. As Market Economics rightly pointed out, such 'business areas' provide for approximately 35% of all employment opportunities – and the Kirkbride area is within walking and cycling distance from the development.

They have also pointed out that a significant number of commercial and industrial tenants both within the airports land area and outside of this would downscale and depart without the airport being there. I agree with this. However, this also presents an opportunity for new tenants to access commercial/industrial land at (probably) cheaper rates. So while change is inevitable, and there may be an economic impact on those landowners short term, these short-term impacts will have been absorbed by the time the bulk of the 'non-residential' comes to market.

Likewise, the area of existing commercial land adjacent to the land in the MVAU but not designated as RAB or Future Land Use, while not designed, was acknowledged in the design. Market Economics and Zomac pointed out that this area would provide sufficient retail and commercial amenity for the development – and they're right to some extent. It would provide an initial and immediate supply for a limited period, but is insufficient for long term sustainability. Even if some of this component is used for additional residential short term, its underlying long-term future is mixed use.

The importance of Auckland's growth context cannot be overstated. There will come a point at which it becomes more effective to develop new mixed use activity (the urban core) and why proposed developed phasing saw predominantly mixed use developments as the later parts of the development.

ME has stated in its assumptions in concluding that employment would be significantly less than implied in the non-residential land:

“Assuming that under the MVAU future AIA residents were employed in the same types of locations as the average Aucklanders, and that the AIAL land did not retain its role as a major employment node within Auckland...”

I have already addressed the latter, ie. That the Kirkbride / north runway area will remain a viable business area. Furthermore, as has been demonstrated overseas in numerous examples (and why the ARGS identified growth corridors and centres) urban populations

will tend towards centres and transit corridors that embody quality urban design fundamentals:

- Unique location
- Walkability
- High levels of amenity
- Access to employment
- Access to services

These are the very components that underpin the MVAU development model. Yet again, while it is not on the rail line, rail serves a very small percentage of the Auckland population anyway. Completing the missing link between State Highways 20a&b would provide exactly the corridor function sought, allowing good public transport connections (bus ways) throughout the city. There is also the opportunity for ferry services to link other Manukau Harbour communities.

As is clearly outlined here, there is overwhelming support for the level and demand for land with non-residential uses and this demonstrates how quickly the “non-residential” component of the development will be used, and why it should be safeguarded in the design.

Scale, Consentability and Timeframes

The BARNZ submission, with specific reference to advice received from Property Advisory Limited (PAL) questioned the “aggressive” approach to consent-ability of the Common Ground master plan in terms of commercial and residential mix, and the planning and construction timeframe. Although there is no further explanation or justification in the PAL advice in relation to the consent-ability claim, I would like to address both of these points below to provide support for the conclusions reached in the MVAU plan.

Once again reference needs to be made to the thoughts and structural elements underpinning strategic planning for Auckland at the time of the MVAU plan design at 2009 and 2011. There was already significant demand for large-scale integrated developments. If the land wasn’t utilised for an airport, then it is highly likely that it would have had a combination of future urban, commercial and recreational zonings, and if not already in place, then they certainly would be considered. Furthermore, the area already has a significant commercial, industrial and recreational hinterland that, notwithstanding the short term impacts of change, would still support the initial development phases.

The development has been designed around phased development of the distinct neighbourhoods. This ensures that more intensive forms of development, particularly the

more intensive mixed use components are undertaken when the market is more responsive to these residential types, and that the amenities have already been built in to cater for it.

The initial development area of Puhinui, was already a heavily modified landscape with limited cultural or environmental impacts to be assessed and mitigated. It is my opinion that there would be a strong case of running a structure plan/masterplanning/ zoning process concurrently with resource consent applications for this development. This could not only truncate timeframes (perhaps down to a year for the master planning and zoning phases) but some of the infrastructural physical works for Puhinui could potentially be initiated through Resource Consents within a matter of months.

Summary

I believe that the scale, rationale and design outlined in the MVAU is not only achievable, but would be highly desirable by both the Auckland Council and the private sector today if the Airport was not there.

By defining the 'non-residential' components as mixed use, we have future proofed them for the ability to change and adapt over time depending on market conditions. Certainly Aucklanders acceptance of higher density housing forms is increasing, particularly in environments of high natural and built amenity.

As evidenced through this memo, the previous letter dated 14 October 2011 and the MVAU plan itself, I strongly refute the claims made by BARNZ and its experts. The steps taken in development of the MVAU report and its conclusions support the Schedule A requirement that development is appropriately justifiable and legally permissible.

Claims made by PAL that a "thorough evaluation of the prevailing market conditions, the current and projected catchment extent and market size, including population and employment projections, plus detailed supply and demand analysis" was not carried out by Common Ground and Colliers as part of the Highest and Best Use and MVAU analysis is incorrect.

In my opinion, I do not believe Zomac and Market Economics have paid sufficient attention to the nature and form of future intensification and development in Auckland. Furthermore, I believe that the outcomes put forward for the MVAU are not only realistic

but perhaps even conservative given the population growth pressures anticipated and the urban form required to respond to this.

Yours faithfully



Bruce Weir
Director