

**Before the Independent Hearings Panel
At Wellington City Council**

Under Schedule 1 of the Resource Management Act 1991

In the matter of Hearing submissions and further submissions on the
Proposed Wellington City District Plan

**Statement of supplementary planning evidence of David Stanley Norman on
behalf of Wellington City Council**

Date: 25 July 2023

INTRODUCTION:

- 1 My full name is David Stanley Norman. I am employed as Chief Economist for Australia and New Zealand at GHD.
- 2 I have read several of the submissions that included discussion of changes to three waters policy, but this evidence responds more specifically to the evidence submitted by:
 - a. Craig Alan Stewart on behalf of Stratum Management Limited (Submitter 249) on Hearing Stream 5.
 - b. Maciej Wiktor Lewandowski on Behalf of Stratum Management Limited (Submitter 249) on Hearing Stream 5.
- 3 I have prepared this statement of evidence in response to expert evidence submitted by the parties listed above to support the submissions and further submissions on the Proposed Wellington City District Plan (the Plan / PDP).

QUALIFICATIONS, EXPERIENCE AND CODE OF CONDUCT

- 4 I have the following qualifications and experience relevant to my evidence:
 - a. I hold a Bachelor of Arts degree in Economics and Mandarin Chinese, a Post-graduate diploma in Management, and a Bachelor of Science in Psychology and Genetics.
 - b. I have 17 years of experience in increasingly senior roles as an economist in the private sector (BERL, PwC, Westpac and now GHD), research (the Building Research Association of New Zealand) and in government (Auckland Council).
 - c. I have led, worked on, or reviewed at least 550 projects over those 17 years.

- d. My role immediately prior to joining GHD was as Chief Economist at Auckland Council, a role I held for almost five years. My role at Auckland Council included the review of plan change and resource consent economic assessments, in particular to evaluate their robustness and defensibility.
 - e. My report *Economic assessment: Requirements for water sensitive design for four-plus unit developments* was completed for Wellington City Council as part of the process of considering the impacts of the proposed water sensitive design requirements.
- 5 I confirm that I am continuing to abide by the Code of Conduct for Expert Witnesses set out in the Environment Court's Practice Note 2023, as applicable to this Independent Panel hearing.

SCOPE AND SUMMARY OF EVIDENCE

- 6 My statement of evidence addresses the evidence of those listed above, specifically as they relate to the economic arguments of how improving stormwater quantity and quality outcomes should be accommodated and where the burden of improvement should fall.
- 7 My evidence below highlights that the state of stormwater is inadequate and improvements are needed. The cost of a centralised stormwater response would be prohibitive. Existing development has resulted in today's existing stormwater challenge, and economic principles require us to ensure those responsible for an (existing) impact pay for the improved stormwater outcomes. The advantages of Wellington City Council's approach include that it acknowledges that the existing stormwater challenge is the result of existing development; provides flexibility for how different sites might handle the requirements; signals clearly to the market that existing development does not adequately account for its stormwater needs; and triggers an "on-paper" reduction in raw land values, rather than an actual increase in rates on current landowners. Some developers may have a financial impact to deal with if they have overpaid for land on the assumption that they would not

have to accommodate the infrastructure to meet the existing demands of a particular site as well as for any growth, but this is no argument against the change.

RESPONSES TO EXPERT EVIDENCE

8 The two statements of evidence responded to below are complementary. As such, I begin by reviewing the relevant contentions of each piece of evidence, and then respond to them together.

Maciej Wiktor Lewandowski on behalf of Stratum Management Limited (Submitter 249) on Hearing Stream 5

9 On the issue of water sensitive design, Mr Lewandowski argues that the requirements of the policy are “uncertain, would apply universally including in areas where compliance with the requirements may be overly onerous, will impact on the design of development in an uncertain way, will impact on resultant development capacity and in-turn the efficient use of land.” (paragraph 3.6)

10 Further, on the issue of hydraulic neutrality, Mr Lewandowski is concerned that a starting point for evaluation of a site’s effects as its “undeveloped state” is inappropriate (paragraph 3.9) rather than its “pre-development state” (e.g. paragraph 3.16). It appears from the context that Mr Lewandowski in fact means, by “pre-development state”, the state of a site before **re**development in the case of a site with existing constructed areas.

11 Mr Lewandowski’s view appears to be that any redevelopment of a site with existing construction should only have to accommodate the impacts of additional stormwater rather than what the pre-redevelopment contribution of that site toward poor water quantity and quality outcomes may be.

**Craig Alan Stewart on behalf of Stratum Management Limited (Submitter 249)
on Hearing Stream 5**

12 Mr Stewart is concerned that the “requirements for hydraulic neutrality will ignore existing built development (and other existing hard surfacing) on any given site.” (paragraph 3.1)

13 Mr Stewart is further concerned about how the rules for hydraulic neutrality and water sensitive design may affect efficiency of land use in the city centre in particular or alternatively, the cost and complexity of development in the city centre in particular, given how densely used sites there already are. (paragraph 3.2 and paragraph 3.8)

A combined response to these submissions

14 My previous work for Wellington City Council focused primarily on the economic arguments for water sensitive design. But there are at least two reasons it is applicable to discussions of water sensitive design and hydraulic neutrality:

- a. Practically, the costs and benefits of stormwater quantity and stormwater quality improvements are hard to separate out. **Hydraulic neutrality and water sensitive design are very closely linked.** For instance, rainwater gardens or swales can be used to manage both the amount of run-off and the quality of run-off.
- b. **The same economic principles apply equally across hydraulic neutrality and water sensitive design**, such as that those who benefit from infrastructure should bear the costs, or that those who cause a negative impact should pay to offset it.

15 The premise of the National Policy Statement on Freshwater Management (NPS-FM) and numerous studies by others across New Zealand and in Wellington is that **the state of stormwater is**

inadequate.¹ My own work for Wellington City Council touched upon this. Neither quantities nor quality are currently managed particularly well.

16 Consequently, **improvements are needed** and have been mandated, through the NPS-FM for example.

17 Work by Wellington Water suggests **the cost of a centralised response would be prohibitive**, at between \$72,000 and \$124,000 per additional new dwelling added just for stormwater management to meet three waters quality standards.² If more localised solutions are available that are more efficient, they should be enabled.

18 Outward growth in the city that increases impervious surfaces from whence stormwater needs to be managed would certainly add to the problem, but **a significant problem already exists as current infrastructure is inadequate.**

19 As a result, when we consider an appropriate way to pay for improvements, **we need to think about who causes the challenge or adds to it, and ensure they pay their share** toward the cost of remediating the stormwater problem. There are a few available tools to local government:

- a. Development contributions (DCs): DCs can only be charged where new development adds to existing burdens on infrastructure. Economic principles are clear that growth should pay for itself, and so DCs should be set at a level that accurately reflects the additional network impacts of growth. But **DCs cannot be used to remediate**

¹ See for instance: Wellington City Council. *Tō mātou mahere ngahuru tau. Our 10-Year Plan*. Retrieved December 15, 2022, from <https://wellington.govt.nz/media/your-council/plans-policies-and-bylaws/plans-and-policies/longtermplan/2021-31/wcc-long-term-plan-2021-31-volume1.pdf?la=en&hash=F2462CB9DAD2300511A9D2368DDFA13ECE09B67E>

² Wellington Water. (2020). Addendum Report – Outer Suburbs: WCC Spatial Plan – Three Waters Assessment. Retrieved December 12, 2022, from [wellington-water-three-waters-assessment---addendum-report-\(2020\).pdf](#).

the fact that existing development and site coverage has caused the existing problems.

- b. General or targeted rates: As the problem already exists, general or targeted rates could be used to require all households and businesses to pay for improved, centralised infrastructure. This spreads the cost across all households, regardless of whether they intend to redevelop or not. But **the scale of funding required to remediate could lead to rates increases for all households and businesses.**
- c. On-site management tools: Existing development could be required to better accommodate their existing demand (as well as any additional demands) on the stormwater network through water sensitive design and hydraulic neutrality, the approach Wellington City Council proposes.

20 The advantages of Wellington City Council’s approach are that it:

- a. Acknowledges that **the existing stormwater challenge is the result of existing development.**
- b. **Provides flexibility for how different sites might handle the requirement** for water sensitive design and hydraulic neutrality such that developers can determine the most efficient approach for a particular site.
- c. **Signals clearly to the market that existing development and design does not adequately account for its stormwater needs**, such that the price of “raw land” will fall to the appropriate level to account for the extra on-site infrastructure needed. This point – that raw land values fall when the true cost of infrastructure is included – was covered in detail in my earlier report and in previous work by Auckland Council’s Chief Economist Unit.³

³ See p. 5-6 of my report *Economic assessment Requirements for water sensitive design for four-plus unit developments*.

d. As a result of (c), the fact that redevelopment will incur a cost of adequate infrastructure provision for the existing extent of site coverage will **trigger an “on-paper” reduction in raw land values, rather than an actual increase in rates** (cashflow impact) for current land owners, which would be the only viable alternative.

21 **Some developers** who have overpaid for land on the assumption that they would not be required to pay for the existing burden of the property on the stormwater network **may have a financial impact to deal with.** However, persisting in an approach that does not require existing as well as new development to pay for itself will simply perpetuate the underpayment and under-provision of infrastructure, and the ongoing challenge of poor stormwater outcomes.

Date: 25 July 2023

Name: David Norman

Position: Chief Economist, Australia and New Zealand, GHD, on behalf of Wellington City Council

means managing stormwater runoff from subdivision, use and development through either on-site disposal or storage, so that peak stormwater flows and volumes are released from the site at a rate that does not exceed the modelled peak flows and volumes from the site prior to development occurring in an undeveloped state.

- 27 Mr Lewandowski states that his proposed amendments are appropriate and effective in achieving objective THW-O3, and consistent with the established practice of considering the existing environment as sought by Stratum. I consider my assessment in paragraph 23 of my rebuttal evidence addresses the matters raised by Mr Lewandowski. Accordingly, I do not recommend any changes.

Hydraulic Neutrality

- 28 At paragraph 3.30 Mr Lewandowski considers that the Central City Zone (CCZ) should be exempt from the requirements set out in THW-R5 and THW-R6 as site coverage for any given site within this zone is already high, with a large number of sites having total built site coverage, or total impervious coverage.
- 29 I note that Mr Lewandowski has not provided a s32aa evaluation for his recommended amendments. I have considered whether his recommended changes would be more efficient or effective than the notified provisions in achieving the objectives. As shown in the modelling provided by Wellington Water in the [WCC's Spatial Plan - Preferred Growth Scenario Three Waters Assessment](#), the Wellington Central area, which is part of the City Centre Zone, already has existing infrastructure capacity issues. The absence of stormwater treatment contributes to none of the city's water bodies meeting the environmental limits anticipated under the National Policy Statement

for Freshwater Management 2020.² In my opinion and taking in account the supplementary statement of evidence from Mr David Norman, the benefits from requiring hydraulic neutrality for all development across the city including in the CCZ outweigh the costs. Therefore, I do not recommend any changes to THW-R5 and THW-R6.

Water Sensitive Urban Design

30 Mr Lewandowski seeks that THW-R4 is deleted in its entirety or that the rule does not apply to the CCZ (paragraph 3.34). Mr Lewandowski considers that the rule is too uncertain, across all zones, to be approved in its current form as it will result in case-by-case determinations for any non-residential building or development of 4 or more residential units in consultation with Wellington Water. This will add time and cost to any development proposal without the certainty of an end outcome.

31 I agree with Mr Lewandowski that THW-R4 does not have clear baselines and would require site-by-site assessments however I note that this was the intention of the rule framework. The intention of the provisions was to avoid prescribing WSUD solutions to developers based on zones as that does not take into consideration site constraints and would likely cause more contention during the consenting process. The provision framework for WSUD was written in a way to strike the balance between enabling development with acknowledging the current infrastructure limitations and the Council's obligations under the NPS-FM 2020. The intent is to cause a shift in best practice for the consenting process with a greater emphasis put on working collaboratively with Council and Wellington Water in the pre-application process. Therefore, I do not recommend any changes to THW-R4.

² The Mayoral Taskforce on the Three Waters Report, page 14.