BEFORE THE PLAN CHANGE 1 HEARING PANEL

IN THE MATTER	of the Resource Management Act 1991
AND	Plan Change 1 to the proposed Second Generation Dunedin City District Plan (2GP)

STATEMENT OF EVIDENCE ON ECONOMIC IMPACTS OF HERITAGE PROTECTION OF GREGORY MICHAEL AKEHURST FOR DUNEDIN CITY COUNCIL

Dated: 16 April 2025

QUALIFICATIONS AND EXPERIENCE

1. My name is Gregory Michael Akehurst

2. I am a Director of Market Economics Ltd.

3. I hold a Bachelor of Commerce (Economics and a Bachelor of Arts (Geography)) from the University of Auckland. I have 30 years' consulting experience in the areas of Economics and Economic Geography across New Zealand. During this time, I have been engaged by both local authorities, central government agencies and private companies to advise on a wide range of economic matters.

4. I am a member of the Resource Management Law Association and the New Zealand Association of Economists.

5. I have read the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2023. This evidence has been prepared in accordance with it and I agree to comply with it. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

INTRODUCTION

6. Plan Change 1 (PC1) to the Dunedin City Council's Second Generation Plan (2GP) includes adding some 146 buildings to the city's heritage schedule. During the submission process concerns were raised about the potential economic impact of scheduling 16 specific properties from this group.

7. I have been engaged by Dunedin City Council to provide an expert economic assessment on the implications of including these 16 buildings (shown in the table below) in the District Plan's heritage schedule.

Address	Building Number	Zone	SubZone	Submitter	Protection required
38 Michie Street	BX015	Residential	General Residential 2	Vaughn Malkin	Entire external building envelope and concrete block/timber fence to road boundary
54 Manor Place	BX076(i)	Residential	Inner City Residential	Michael Krekeler	Façade to Manor Place and east wall
217 Musselburgh Rise	BX078	Residential	General Residential 2	Pauline Geddes	Entire external building envelope
169 Forbury Road	BX093	Residential	General Residential 1	Marcel Choo, Isabelle Ang, Sharmaine Pang, Petrus Yen, Weta Family Trust	Entire external building envelope of the c.1931 dwelling
14 Clyde Street	BX122(i)	Residential	Inner City Residential	Barbara Kennedy	Façade to Clyde Street
16 Clyde Street	BX122(ii)	Residential	Inner City Residential	Barbara Kennedy	Façade to Clyde Street
20 Clyde Street	BX122(iv)	Residential	Inner City Residential	Barbara Kennedy	Façade to Clyde Street
18 Clyde Street	BX122(iii)	Residential	Inner City Residential	Barbara Kennedy	Façade to Clyde Street
22 Clyde Street	BX121(i)	Residential	Inner City Residential	Mark Thom	Façade to Clyde Street
24 Clyde Street	BX121(ii)	Residential	Inner City Residential	Mark Thom	Façade to Clyde Street
580 Highgate	BX023	Residential	General Residential 2	John Milnes	Entire external building envelope, excluding the hall and extension to the northwest dating from 1997
421 Highgate	BX021	Residential	General Residential 2	Stephen Cristensen	Entire external building envelope and stone boundary wall and gates
56 Carroll Street	BX087	Commercial and Mixed Use	Princes, Parry and Harrow Street	Mark Thom	Entire external building envelope excluding the rear elevation
60 & 60A Carroll Street	BX049(i)	Commercial and Mixed Use	Princes, Parry and Harrow Street	Mark Thom	Façade to Carroll Street and northeast elevation
58 Carroll Street	BX049(ii)	Commercial and Mixed Use	Princes, Parry and Harrow Street	Mark Thom	Façade to Carroll Street
5 Melville Street	BX091	Commercial and Mixed Use	Princes, Parry and Harrow Street	South Link Health Services	Entire external building envelope excluding additions to the side elevation on Melville Street and excluding the wall along the southern boundary

8. Prior to preparing this evidence, I co-authored the report prepared for DCC; "*Plan Change 1: Dunedin Heritage Protections, Economic Impact of Heritage Protections on Selected Properties*"[1]. This report focused on the economic impact of scheduling the 16 properties listed above, by setting up an experimental analysis of redevelopment potential of the properties. The foregone opportunities this highlighted represented a portion of the private costs associated with the proposed heritage scheduling. My evidence draws upon the findings of that work.

9. In preparing this evidence, I have reviewed the relevant submissions from affected property owners and other stakeholders. I have also reviewed other reports and studies into the values associated with heritage listing from both New Zealand and other jurisdictions, as outlined in the attached report[2].

SCOPE OF EVIDENCE

10. My evidence covers the following matters:

    a) Observed and potential economic effects on landowners of heritage listings, including impacts on property values, maintenance costs and redevelopment potential.

    b) Public benefits arising from heritage protection and considerations of equitable policy design.

    c) The balance of economic costs and benefits for the 16 properties.

    d) Responses to key issues raised by submitters, including possible ways to manage or mitigate adverse effects.

11. My evidence does not assess the costs and benefits from any buildings proposed to be added to the schedule other than those listed above. Nor does it address the technical heritage criteria or architectural significance of these buildings, as that is outside my field of expertise.

SUMMARY OF EVIDENCE

12. There is an inherent tension between public benefits and private costs of heritage protections, especially those relating to properties such as the 16 included in my assessment. While public benefits are diffuse, other costs such as compliance and maintenance tend to be borne by landowners. In this case, the economic benefits arising from including these specific buildings in the schedule are limited.

13. Statistical analysis of heritage listings in Dunedin shows that including a property in the schedule was associated with an 13% lower sale price over the coming years, though this finding is correlative rather than proving causal inference.

14. City-wide capacity to meet future housing or business development remains sufficient and would be unaffected by these additions to the heritage schedule.

[1] Dated 18 March 2025 and appended to this evidence.
[2] ibid

BACKGROUND TO HERITAGE PROTECTIONS AND PC1

15. Heritage protections in Dunedin have existed for several decades. After being formally introduced through the 1995 District Plan, the schedule and provisions have been developed and honed through subsequent Plans. Notified in 2015, and now partially operative, the Second Generation District Plan (2GP) lists 763 buildings and 43 structures. PC1 proposes to extend Dunedin's existing heritage schedule by adding 146 buildings.

ECONOMIC PRINCIPLES ASSOCIATED WITH HERITAGE PROTECTIONS

16. Globally, property prices, urban development patterns and tourism/leisure choices all illustrate there is rarity and value in the things that withstand time. However, isolating the specific contribution or net impact of heritage from the activities related to or embedded within it presents myriad challenges.

17. Heritage protections can create an imbalance between those who bear the costs – usually property owners through maintenance, compliance or other costs – and those who benefit. While private benefits can exist, especially when financial value can be extracted from a heritage asset through visitation, the majority of benefits for the 16 buildings would accrue to the public. These public beneficiaries might be owners of nearby properties, the general public who are non-owners and non-visitors to heritage buildings, and tourists and other visitors to Dunedin.

18. Economic studies tend to find that heritage buildings provide a 'halo' or 'amenity' effect to proximate sites, resulting in increased residential property prices or enhancing tourism and economic vibrancy in commercial areas. However, protections can simultaneously impose penalties on property owners.

ECONOMIC MATTERS RAISED IN SUBMISSIONS

19. Submissions raised a variety of economic considerations, with key themes being:

    19.1 Financial burdens are placed on property owners. This is due to compliance, maintenance, insurance and consent costs. Structural constraints can limit functional upgrades to buildings. And the support mechanism is untransparent, and grants are limited.

    19.2 Heritage listings can reduce property values. They prevent redevelopment and future buyers price in this lost potential. Investment is also discouraged, which can limit resale opportunities.

    19.3 Economic growth and development are constrained. Land supply is further restricted by the schedule, exacerbating rising land and construction costs. Operational flexibility in commercial settings could also be constricted.

20. Some submitters put forward alternative approaches including owner agreement before imposing restrictions, making conservation voluntary and incentivised, indemnifying owners for loss of market value or costs incurred due to restrictions and amending zoning rules to enable adaptive reuse of buildings.

PUBLIC BENEFITS VS PRIVATE COSTS

Impacts on property values

21. My analysis assesses potential value losses by estimating a series of hedonic price models for Dunedin properties using Ordinary Least Squares (OLS), applying these to sales data from the city. Due to data limitations for earlier years, we can only analyse the impact of properties which were added to the heritage schedule through the 2GP. The analysis suggests that residential properties newly scheduled for heritage protection sold for 13% less on average relative to non-scheduled properties in the same market, controlling for a range of other explanatory variables.

22. This correlation does not establish causality. Factors such as pre-existing condition, owner actions or unique building attributes may also contribute. For example, prices may be lower due to underinvestment in these properties, rather than the scheduling itself. Nonetheless, the regression findings indicate a statistically significant negative price differential.

23. Importantly, lower property values remain unrealised until a sale, or if an owner wishes to recapitalise against the value of their asset, given that the value may have decreased following the scheduling meaning recapitalising yields less.

Maintenance costs and development potential

24. Property owners also face potentially higher maintenance costs for heritage buildings, compounded by stricter regulatory standards. These expenses may be capitalised into a property's overall value. They may also lead to underinvestment, which could also lower a property's value. The extent to which that loss is attributable to heritage protections, however, is difficult to assess.

25. I have not quantified the potential increase in maintenance, compliance or insurance costs for this evidence because of differences in each individual property's circumstances and owners' autonomy regarding discretionary spending.

26. An illustrative analysis of development potential indicted that there might be forgone profit to be made on several of the sites if demolition or major modification was no longer permitted. However, I also recognise that on some sites, projects might still be feasible given the proposed protections on the site. Whether profit would eventuate from redevelopment is also highly uncertain and would depend on the nature of works.

Impacts on business

27. Adaptive reuse is a principle of Dunedin's Heritage Action Plan, particularly Outcome 1. It is possible to retain the historic character of a building while also allowing for a change in function that will enhance it going forward. Buildings can be effectively maintained as active contributors to the local economy through flexibility around the activities permitted there.

28. 5 Melville Street is used as a head office of South Link Health Services. Their submission states that on-site activities are moving towards more office-based functions, which is a non-complying activity in the Princes, Parry and Harrow Street (PPH) zone. In this case, an exemption for office use in the PPH zone presents minimal economic risks. The heritage buildings within the PPH zone are concentrated north of Market Reserve, an area that directly adjoins the CBD. Given this proximity and the limited number of affected sites, permitting office use in these heritage buildings is unlikely to undermine the established centres hierarchy. However, it is also important to acknowledge that changes can set precedents, encouraging others to seek plan changes on comparable grounds.

Public benefits assessment

29. The direct economic benefits of adding these 16 properties to the heritage schedule appear limited. Most of the properties are privately owned residences with no public access, limiting their direct public use benefits such as tourism or cultural education.

30. Nevertheless, heritage protections can bolster neighbourhood amenity and urban character, indirectly enhancing community satisfaction and city-wide identity. This aligns with broader research and findings from DCC's 2023 survey, in which 67% of respondents reported strongly valuing heritage buildings. Despite the intangible nature of such values, they factor significantly into heritage policy rationale. These protections align with the Ōtepoti Dunedin Heritage Action Plan, further supporting the city's identity as a distinct historical and cultural destination.

31. A "halo effect", whereby proximity to heritage-protected sites can lift surrounding property values, may partly counterbalance negative financial impacts on individual scheduled properties. However, quantifying this – and identifying whether the heritage listing itself is the cause of the halo effect – would require rigorous property-specific analysis throughout the city.

CONCLUSION

32. Based on my analysis, adding the 16 properties to the heritage schedule is unlikely to result in significant positive economic benefits or adverse city-wide land-supply impacts. The main issue lies in distributing the costs and benefits equitably between private owners and the broader community.

33. I support measures that preserve Dunedin's heritage fabric, provided that Council remains cognisant of the potential financial implications for private owners and addresses them equitably. There are a variety of ways to achieve this, including owner agreement to place new properties on the schedule, appropriate plan provisions, streamlined consenting pathways and targeted financial assistance.

DATED this 16 day of April 2025

Full name

Gregory Michael Akehurst