

Regulatory Impact Statement

Implementing the Christchurch Central Recovery Plan

Agency Disclosure Statement

1. This Regulatory Impact Statement has been prepared by the Canterbury Earthquake Recovery Authority (CERA).
2. It provides an analysis of options for the government's response to the recovery of Christchurch Central from the September 2010 and February 2011 earthquakes. The analysis of options is based on the draft Recovery Plan for the Central Business District (CBD) which was prepared by the Christchurch City Council as required under section 17 of the Canterbury Earthquake Recovery Act 2011 and alternatives for the Minister to take into account when considering under section 21 whether or not to approve the draft Recovery Plan and whether or not to make any changes.
3. While the draft Recovery Plan for the CBD is focused on regulatory interventions through the Christchurch City Council's District Plan, this Regulatory Impact Statement covers the full range of tools the government has available to it to intervene in the earthquake recovery process at a high level.
4. The level of detail in the analysis of options is constrained by gaps in the level of information available about the impact of options. Some assumptions have been made about job creation and the national economic growth effect of Christchurch's recovery. Impacts will be sensitive to the speed of the central city's reinstatement without government intervention. There is also limited information available about the financial implications of the various scenarios. This information will develop over time. In particular, analysis of the regulatory options for amendments to the District Plan are constrained by limitations in knowledge about how investors and developers might react to changes to the rules, methods and objectives in the District Plan. The assumptions made in designing amendments to the District Plan have been informed by written and oral submissions made during the public hearing on the draft Recovery Plan for the CBD.
5. **[Withheld under sections 9(2)(f)(iv) and 9(2)(i) of the Official Information Act 1982]**

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Regulatory Impact Statement

Implementing the Christchurch Central Recovery Plan Background

1. The Canterbury earthquake sequence that began in September 2010 has cost 185 lives and caused an estimated \$20 billion of damage.
2. The government's legislative response following the February 2011 earthquake was to enact the Canterbury Earthquake Recovery Act 2011 (CER Act). The CER Act provides the Minister for Canterbury Earthquake Recovery and the Chief Executive of the Canterbury Earthquake Recovery Authority (CERA) with a wide range of powers which must be exercised in accordance with the purpose of the CER Act. These powers enable the collection of information; investigation; to enter land, perform work, construct structures, maintain structures and remove fixtures and fittings; construct or deconstruct buildings; survey and subdivide land; to demolish buildings; require land or buildings to be vacated; close roads; require a local authority to take any action necessary or to stop taking any action contrary to achieving the purpose of the CER Act; collate and disseminate information about structures and infrastructure; approve local authority contracts; and suspend, amend, cancel or delay any local authority plans and policies. In addition, the Minister for Canterbury Earthquake Authority can 'call up' and exercise any functions, rights or responsibilities of any local authority when this is considered necessary to achieve the purpose of the CER Act. Liability for damage and nuisance, except through negligence, is excluded. Compensation provisions are limited, though for the compulsory acquisition of land they are broadly in line with those under the Public Works Act 1981.
3. Section 17 of the CER Act requires that the Christchurch City Council (CCC), in consultation with affected communities, lead the development of a draft Recovery Plan for the Central Business District (CBD)¹. The draft Recovery Plan for the CBD was delivered to the Minister for Canterbury Earthquake Recovery in December 2011. Written comments were invited from the public by February 2012. The draft Recovery Plan prepared by CCC provides a strong vision for the recovery of Christchurch, where, after extensive consultation, the residents of Christchurch expressed their desire not merely to restore the central city but to enhance it so that it becomes a vibrant and distinctive place to live, work and play. The document was less specific about how the Plan was to be implemented and the Minister chose not to adopt the Plan unchanged.
4. On 1 April 2012, on the advice of the Minister for Canterbury Earthquake Recovery, the Cabinet mandated CERA to lead and facilitate the recovery of the Christchurch CBD as defined in the CER Act [CAB Min (12) 11/20 refers].

¹The draft Recovery Plan for the CBD covers the area bounded by Bealey Avenue, Fitzgerald Avenue, Moorhouse Avenue, Deans Avenue and Harper Avenue ("the Avenues"). The "city centre" or "central Christchurch" are terms used to describe this area too. The commercial area pre-earthquake was much smaller than this area.

5. On 18 April 2012 the Minister for Canterbury Earthquake Recovery announced the establishment of a special unit within CERA, the Christchurch Central Development Unit (CCDU), would provide clear leadership for the rebuild of Christchurch Central, working in partnership with CCC, Te Runanga o Ngai Tahu, Environment Canterbury and other public and private sector stakeholders.
6. The Minister for Canterbury Earthquake Recovery tasked CCDU with preparing the Christchurch Central Recovery Plan within 100 days of its establishment. The Christchurch Central Recovery Plan is based on the draft Recovery Plan for the CBD prepared by CCC under s.17 of the CER Act.

Status quo

7. For the purposes of this Regulatory Impact Statement, the status quo is therefore accepting the draft Recovery Plan for the CBD as prepared by CCC. What this would entail regarding regulation, government investment, [withheld under sections 9(2)(f)(iv) and 9(2)(i)] is outlined below.

The Regulatory Framework

8. Development in the central city is regulated by the provisions of the Christchurch City Council's District Plan. The operative District Plan effectively enables traditional central city activities such as offices, retail activities, tourist accommodation and the like to establish throughout a significant portion of central city (essentially everywhere except the residential/living zones). This has enabled activities to spread across an extended area resulting in pockets of low or no activity, significant ratios of lower grade, semi-occupied buildings, and diminished amenity values which have in turn disincentivised residential occupation and development.
9. The current provisions of the District Plan also provide for a number of Living Zones within the central city. These zones share common characteristics with subtle distinctions based principally on existing character. All of the inner city living zones were recently modified by Plan Change 53 which sought to improve urban design and increase density. An analysis of the existing living zone provisions has confirmed that they are not a hindrance to immediate recovery but the variety of living zone rules in the District Plan, including Special Amenity Area rules, should be reviewed at a later date as part of a wider investigation into residential development of the central city.
10. Under section 24 of the CER Act the Recovery Plan can direct CCC to make necessary amendments to the District Plan (among other statutory documents) to give effect to the Recovery Plan.
11. As required by the CER Act, CCC prepared a draft Recovery Plan for the CBD which included proposed changes to its District Plan.

12. Having received written public comments, the Minister considered that further amendments may be necessary. When announcing the establishment of the CCDU to build on the work of CCC, the Minister acknowledged support for the draft Recovery Plan. He directed a new Recovery Plan for Christchurch Central be prepared that contained a spatial blueprint. He did not support the changes proposed to the District Plan (contained in Volume 2 of the draft Recovery Plan for the CBD) but sought a review of the changes to the District Plan be undertaken. The Minister has therefore committed the Government to have a Recovery Plan.
13. Recovery Plans approved under the CER Act must be consistent with the Recovery Strategy for Greater Christchurch. The Recovery Strategy is an overarching long-term strategy for the reconstruction, rebuilding and recovery of greater Christchurch. Furthermore, persons exercising functions or powers under the Resource Management Act 1991 (RMA) must not make a recommendation or decision which is inconsistent with a Recovery Plan. Specified instruments, tools, plans and policies developed under the Local Government Act 2002, the Land Transport Management Act 2003, the Public Transport Management Act 2008, the Conservation Act 1987, the Reserves Act 1977 and the Wildlife Act 1953 must not be inconsistent with an approved Recovery Plan. They are read with the Recovery Plan and if there is an inconsistency, the Recovery Plan prevails.

Investment

14. CCC planned approximately \$617 million of investment in key public amenities in central Christchurch. These investments were considered necessary to replace assets that had been damaged or destroyed and to try to provide more vibrant public spaces in central Christchurch. It was proposed that central government contribute at least \$70 million for the upgrade of the Convention Centre, with the expectation of further funding being provided.

Incentives

15. The main incentives outlined in the draft Recovery Plan for the CBD were contingent on central government funding. For example, the draft Recovery Plan for the CBD proposed a per employee grant, with the expectation that central government would fund it.

Assessment

16. The key strength of the draft Recovery Plan was the vision (as provided through the consultation process undertaken by the CCC) and the use of anchor projects as a means to stimulate and catalyse redevelopment of the city centre. There are also defining elements which will help to improve amenity values – such as the strong linkages to the Avon River.

Problem definition

17. Christchurch has not had a functioning central city since the February 2011 earthquake destroyed much of Christchurch Central's built assets, public facilities and infrastructure. Without those facilities and assets, the usual activities that occur in a functioning central city cannot occur. As a result, the usual market signals about demand for various types and levels of activity in the CBD are absent.
18. The level of destruction means that there is limited clarity or information about the future spatial layout and use characteristics of the central city. This creates first mover issues, whereby investors, developers and potential tenants are reluctant to commit to construct or lease space in the central city because it is unclear what facilities will or will not be provided.
19. There is also an oversupply of land, combined with fragmented land ownership. Pre-earthquake, the Christchurch Central City contained a large amount of low-grade and widely dispersed building stock with high vacancy rates. Combined with a low level of institutional investment, new development in the central city was relatively uncommon, and low vacancy rates for higher grade stock were not met with increased levels of supply. This is indicative that attempting to construct a new central city on the basis of the past will not achieve the agglomeration benefits that a compacted commercial core would achieve and would be met with failure. Research indicates that the demand base for office space is estimated at 180,000sqm for the rebuilt central city compared to 390,000sqm of office space in the central city prior to the earthquakes.² The fragmented nature of land ownership means that the potential for whole-scale block redevelopment that meets the vision promoted through the draft Recovery Plan for the CBD is unlikely because of individual holdout owners, or because of a lack of capital to participate in such a redevelopment.
20. Given this environment, it is unlikely that investment in the rebuilding of Christchurch Central will occur in a timely and coordinated manner. Attracting investment to fund the redevelopment of Christchurch Central will also be difficult. To the extent that investment and redevelopment does occur, it is likely to result in an ad-hoc, spatially uncoordinated central city. The result will be an economically unproductive environment from a slow, uncertain recovery because investors are unwilling to take development risk and are unwilling to risk being the first mover in an uncertain environment.

² CBRE and Lincoln University (February 2012); *The Impacts of the Canterbury Earthquake on the Commercial Office Market*;

21. The root cause of this problem is the lack of clarity and a lack of accurate information about the demand for land use (residential, commercial, social) in central Christchurch and the supply of space to meet any demand:
 - a. *Demand side*: lack of confidence about the redevelopment of central Christchurch; little information about the potential location of retail, social, and other commercial activities so that tenants/occupiers can identify appropriate or preferred locations; little information about the cost of tenancy (rent, insurance, etc.)
 - b. *Supply side*: lack of certainty in demand for tenancy sufficient to gain development funding; land agglomeration issues; inaccurate or uncertain information about geotechnical conditions; inaccurate or uncertain information about insurance availability.
22. While the vision from the draft Recovery Plan for the CBD provides the basis for the recovery of central Christchurch, it contains insufficient information on how it would be implemented, however. It contains changes to the District Plan that would require resource consent applications for new buildings in most of the central city. The future development of Christchurch's central city under the proposed changes in the draft Recovery Plan for the CBD would be slower than necessary to achieve self-sustaining recovery as quickly as possible, which international research has shown to be important for the success of the recovery effort. The complexity of the District Plan and the additional considerations proposed by the draft Recovery Plan reduce certainty for investors and developers over what proposals will gain consent, and therefore also work to slow the recovery effort. Further, the draft Recovery Plan for the CBD does not respond to the over-supply of land issues, which will be detrimental to achieving spatially coordinated development that provides the agglomeration benefits of a city.
23. The costs and benefits of the status quo are assessed as part of Option 1 of this analysis (ref to paragraphs 65-71 below).

Objectives

24. The key objective is for Christchurch Central to become an investible city that is self-sustaining in the medium-to-long term. This is one which is:
 - a. fit for purpose, providing social, cultural, residential and commercial facilities that people want (as a city serving almost 560,000 people with no other city of more than 300,000 within 300km), with an internationally acceptable level of services and thus risk and return to investors, residents and visitors; and
 - b. operates without the need for extraordinary Crown intervention.

25. To achieve this objective, central government's interventions are aimed at delivering the following outcomes:
- a. A city that is used by people for a diverse range of activities day and night
 - b. A compact commercial core which enables people and businesses to exchange ideas, engage in commercial activity and that maximises access to and the connections between a range of complementary activities
 - c. A range of living options within the central city that allow for a substantial and diverse residential population
 - d. High quality public space consistent with the vision in the draft Recovery Plan for the CBD
 - e. A mix of uses of the city's built environment, reflecting the organic diversity of cities that have successfully developed over time
 - f. A local identity that reflects the past while embracing new opportunities
 - g. An investment environment that is as stable and as commercial viable as other Australasian cities
 - h. Allowing the central city to continue to evolve (such as options of allowing the "core" to expand in the future, if there is demand, and if that is desired by the people of Christchurch).
26. These outcomes have been derived from the draft Recovery Plan for the CBD, which was the product of a major public consultation process, as well as from the lessons that CERA has identified from disaster recovery experience in other locations.

Assessment criteria

27. The options identified are assessed against the following criteria, which reflect the objectives identified above:
- a. Ensuring that residents, investors, developers and tenants have accurate information in order to understand the opportunities available and the true costs of their decisions;
 - b. Enabling the market to provide the mix of activities sought by providing certainty of location and avoiding pockets of low or no activity;
 - c. Providing opportunities for residential development throughout the central city, recognising the need to increase the number of people living within the Avenues in order to sustain other activities
 - d. Providing signals to the market by ensuring that the planning regime is consistent with the vision of the Recovery Plan and delivers quality urban design and a compact commercial core;

- e. Providing the necessary regulatory environment to ensure a spatially coordinated city development, reflecting the diversity of cities successfully grown across time;
 - f. Providing central government with an exit strategy for its extraordinary role in Christchurch in the medium-term. The exit strategy will include re-establishing the place of local government in the planning and decision-making for the future of Christchurch by ensuring that recovery occurs promptly and efficiently
 - g. Providing adaptability to preserve optionality for future decisions
28. The assessment criteria are measures of what CERA hopes to achieve from the implementation of the Recovery Plan under the CER Act.
 29. Assessment criteria (a) to (e) all seek to assess the extent to which options will contribute towards delivering an investible city as discussed in the objectives. The option which enables the market for land development in Christchurch Central to return to a level of operation equivalent to any other New Zealand city the fastest will be the option that best meets these criteria, and therefore contributes most strongly to the objective.
 30. Criterion (f) seeks to identify the extent to which any option proposed provides central government with an ability to withdraw from day-to-day intervention in the local affairs of Canterbury as the recovery builds momentum and becomes self-sustaining. The option which most quickly returns Christchurch to a governance state similar to other New Zealand towns and cities will be the option that enables central government to withdraw from day-to-day intervention in Christchurch, and thus contributes towards achieving the objective.
 31. Criterion (g) recognises that the government has some significant decisions to make and it could be locked into significant fiscal risk. Adaptability will address the limited information available about the financial implications of the various scenarios, and this information will develop over time.

Regulatory impact analysis

32. The recovery of Christchurch Central is dependent on a wide range of factors controlled by different agents all coming together to successfully deliver the inspiration provided by the citizens of Canterbury through the draft Recovery Plan for the CBD. The government has a significant role to play in implementing recovery. The broad parameters for government intervention are:
 - a. *Information provision*: ensuring that residents, investors, developers and tenants can accurately assess risk and make decisions accordingly.
 - b. *Acquisition, ownership and control*: using central government's powers under the CER Act to acquire land and therefore control outcomes achieved with the development of that land.
 - c. [Withheld under sections 9(2)(f)(iv) and 9(2)(i)]

- d. *Regulation*: using the government's regulatory powers to direct what development can or cannot occur, achieved either within the powers already enabled under the CER Act or through additional regulatory change.
33. These parameters are explained in more detail below. Analysis has been undertaken at a qualitative level, taking into account international experience in disaster recovery adapted to the context in Christchurch. Option scenarios are developed below, applying the parameters on a low, medium or high scale against the four broad parameters for government intervention in the above paragraph (noting however that the low medium high dial has already been set at high by the government in relation to information provision (paragraph 0 refers).
34. The impact assessments that follow will be used to feed into the assessment of each option against the assessment criteria.

Information provision

35. As identified above, the fundamental problem facing the residents of greater Christchurch is the lack of accurate information about land supply and demand for land, and the uncertainty created by this lack of accurate information. Ensuring that all groups affected by the Canterbury earthquakes have access to accurate information has been the major objective to be achieved from the government's involvement in the recovery of greater Christchurch because the wide availability of accurate information on land supply and land demand de-risks investment decisions for both land owners and potential tenants of residential, commercial and industrial buildings and land. Reducing the perceived risks to investment will help all individuals affected by the Canterbury earthquakes to make well-informed decisions about reinvestment, and consequently, will drive the recovery process forward faster.
36. The CER Act provides CERA with a powerful set of information gathering tools. These powers form the government's primary response to the Canterbury earthquakes, and have been part of CERA's role since its formation.
37. The making available of accurate information about land will not be sufficient on its own to ensure a successful, self-sustaining recovery, however. First-mover concerns – such as being the only occupant in a new location / area and not having access to complementary business and retail services will prevent recovery from occurring promptly. Over-supply of land zoned for central city activities will also not be resolved through the provision of accurate supply and demand information.
38. There is a lack of information, and therefore government's first role is to improve the level and availability of information for investors, businesses, land owners and residents to allow the market to function effectively and more efficiently. Improving the level of information available and enabling access to it is considered to be a baseline approach for all options seeking to advance the recovery of Christchurch Central.

39. The government has already instructed CERA to prepare a “data room”, which draws together data about geotechnical conditions which can be used to provide investors and developers with sufficient information to make informed decisions, and to de-risk insurance markets. CERA has also been instructed to prepare an investment and marketing strategy to attract private sector investment, for which the data room will be a key resource. These actions are not considered to be a differentiating factor between options, and will be progressed alongside any additional measures, which are explored in more detail below.

Acquisition, ownership and control

40. This parameter uses the government’s ability to purchase land and buy assets to deliver the desired recovery outcomes. Ownership of land enables the government to control what developments occur where and when development is undertaken, either through its own resources or by the structured release or sale of land to the private sector. Some ownership has already been achieved through the purchase of residential red zoned land. Additional ownership could be achieved through open market purchase of non-residential land or by using CERA’s powers of compulsory acquisition.

Low

41. The low level application of this tool would limit acquisition to that already authorised through the offers to owners of residential red zoned properties.

Medium

42. A medium level application would extend ownership and control to land that is necessary to deliver the anchor projects identified in the Recovery Plan. The anchor projects are large-scale civic developments which stimulate economic activity by drawing people and commercial activity to particular areas.
43. Based on current land acquisition and build cost estimates, the gross capital cost of the anchor projects in the Recovery Plan is around \$2.625 billion. The breakdown by project is below:

[Withheld under sections 9(2)(i), 9(2)(j), 9(2)(k) and 9(2)(g)(i)]

44. It is proposed that final decisions on most of the anchor projects are not considered until the projects have been through appropriate business case processes. In the interim and to maintain momentum and build confidence, it is proposed that substantive decisions be taken on three projects. These are expected to be:

- a. The Frame: to be created to encompass the new form of central Christchurch, the Frame borders the north, east and south of the central city. The Frame will assist to reduce the oversupply of land by focussing the area available for redevelopment and 'take out of play' some of the more marginal commercial land.
 - b. A request for proposals for design work on the Convention Centre Precinct and Metro Sports Facility. These anchor projects will replace key facilities that have been destroyed by the earthquakes and provide high quality indoor and outdoor public space and recreation facilities, and it is anticipated that they will also catalyse private sector development in the surrounding areas and elsewhere in the city and provide Christchurch with enhanced opportunities for growth regionally and nationally. The Convention Centre Precinct will provide a strong signal to the business sector that Christchurch remains the key business hub of the South Island;
 - c. The Avon River Park / Papa o Ōtakaro, which will create an attractive river corridor throughout the central city to contribute towards providing high public amenity spaces that attract people back to the city. The Park will also provide value uplift for adjacent private sector development and investments as well as reducing the amount of roading located on some of the most seismically susceptible land.
45. These projects have been selected on account of their criticality to the recovery (the Frame and the Convention Centre Precinct) and their straightforward nature, enabling early amenity improvements (Avon River Park / Papa o Ōtakaro).

High

46. High use of the acquisition, ownership and control tool would involve central government using its powers under the CER Act to acquire much or all of the land in central Christchurch and control its development across time.

Potential impacts of low, medium or high levels of central government acquisition, ownership and control of property

Groups	Low	Medium	High
Business	Business owners unaffected, however, also 'unassisted' in development opportunity.	Placement of anchor projects helps to build the structure of the city, which will be helpful to business owners making relocation and investment decisions. Greater chance of private sector investment.	Private sector effectively crowded out of investment decision-making in the central city.
Local Govt	Little impact. Could be seen to be providing space for local govt. to respond to the disaster in its own way.	Anchor projects have been established in conjunction with CCC, so this option still gives local govt some influence. Has potentially significant funding and operational impacts	Little ability to influence city-shaping decisions.
Central Govt (cost)	Low cost. Exit strategy simple.	Medium cost. Has potentially significant funding and operational impacts.	High cost. Exit strategy less clear because of the risk that central government is not an effective developer.
Residents	Low impact on residents. Failure to show implementation of draft Recovery Plan may imply lack of commitment to recovery. Limited public participation in public amenity areas	Development of anchors is based on feedback from development of draft Recovery Plan, so shows government's commitment to achieving the vision. Opportunity to participate in quality public spaces.	High impact. May not provide adequate opportunities for public participation or provide these in an ill-targeted manner. The government controls future development, but may also show strong commitment to draft Recovery Plan vision.
Land owners	Little impact. Could be negative if it restricted future purchasing of additional properties deemed unsuitable for redevelopment	May preserve land value through restricting supply. Investment in anchors positive, though will impact on those affected by the placement of the anchor projects; this can be mitigated by compensation for acquisition.	Significant impact on those owning land in central city. Private sector effectively shut out.
Net impact	Little impact overall. Low cost to implement, but unlikely to stimulate recovery action.	Net positive impact. Cost is not insignificant, however shows clear commitment to recovery through actions that will overcome first-mover problems and land oversupply problems. Leaves room for Crown's eventual exit	Net positive impact. Extremely costly, and makes Crown's exit potentially difficult because of the high number of assets owned. Private sector investment may be crowded out.

[Paragraphs 47-56 withheld under sections 9(2)(f)(iv), 9(2)(i) and 9(2)(g)(i)]

Regulation

57. Regulatory tools could be implemented at the local level through Resource Management Act tools such as plan changes to the District Plan using the First Schedule processes to the Resource Management Act – requiring public consultation, calling for submissions and further submissions, requiring a full hearing and appeal process through the Environment Court and beyond. Under the CER Act, however, it is possible to over-ride the provisions of existing legislation and regulatory schemes through an Order in Council. Changes to the District Plan through a direction in a Recovery Plan provides a combination of the existing regulatory tool with expedited changes.

Low

58. Regulation under the low scenario would mean that most activities and their development are permitted so no resource consents are required. This would result in a lack of controls such that there could be adverse effects on neighbours and would provide a level of uncertainty about future amenity values (and in particular promoting good urban design outcomes). This could compromise returns on investment, including government investment.

Medium

59. A medium level of regulation would specify underlying zoning for Christchurch Central, which would prescribe activities within broad areas. This would provide specific rules to control attributes, such as height limits, recession planes, the location of car parking, set backs and requirements for ‘active’ street frontages in the commercial core. The anchor projects would be consented through a ‘spot zone’ or provided for by a designation.³ The attributes of the chosen design would be restricted in their discretion to ensure good urban design outcomes. There could, however, be no control on existing use rights as afforded by section 10 of the RMA.

High

³ A ‘spot zone’ is the application of zoning to a specific parcel of land within a larger zoned area. This is usually undertaken when the rezoning is at odds with a city’s master plan and current zoning restrictions in order to enable a specific activity.

60. A high level of regulation would seek to significantly control the design, look and architectural merit of specific buildings with unrestricted discretion, in addition to the attributes above, through the District Plan. Zoning in areas outside the central city would prevent large scale commercial or retail development being undertaken in order to focus commercial development inside the new commercial core. This approach is reflective of some of the provisions provided in the draft Recovery Plan for the CBD.

Potential impacts of low, medium or high regulation through the District Plan

Groups	Low	Medium	High
Business	Potentially very stimulatory initially as no activities would be prevented, however, in the medium term could result in co-location of undesired activities which might compromise returns on investment and slow recovery.	Attempts to provide certainty over quantifiable attributes, so as to provide certainty, so a positive impact.	Requiring discretionary consent for all activities creates uncertainty of outcomes because it is unclear whether development opportunities are likely to gain consent. Over prescription of permitted and controlled activities leads to administrative costs of compliance. The impact is potentially highly negative.
Local Govt	Negative impact because of the problems created by co-location of non-complementary activities.	Simplified planning regime (compared to current District Plan) delivers greater certainty of outcomes, so positive impact.	Negative impact because of the likelihood of poor recovery outcomes in the medium term caused by a restrictive approach to regulation.
Central Govt (cost)	Low financial cost	Low financial cost	Low financial cost
Residents	Negative impact for residents because it does not show commitment to delivering the vision from the draft Recovery Plan for the CBD.	Positive impact from greater certainty over outcomes of consenting processes, but within the framework set by the vision of the draft Recovery Plan for the CBD.	Strong commitment to delivering the draft Recovery Plan vision so may be perceived as a positive impact in the short-term. In the medium-term, however results are unlikely to match this perception because of the negative impact on achieving recovery.
Land owners	Lack of restrictions on the use of land might stimulate demand strongly, which would be positive, but might also discourage first movers due to lack of certainty. Second round effects are likely to be negative because of poor co-location of non-complementary activities.	Greater certainty provided over activities that can be undertaken in each zone, so a positive impact. Land owners directly impacted by designations may perceive this negatively.	Restrictions on development potential would be negative for land owners generally.

Net impact	Net negative impact. Low cost and stimulatory to private sector investment in the short term, but likely to create poor outcomes inconsistent with the draft Recovery Plan vision in the medium-term.	Net positive impact. Low cost to implement. Results in simpler but adaptable planning regime that increases certainty, and reflects the vision of the draft Recovery Plan.	Net negative impact. Low cost, however this approach to planning would decrease certainty of outcomes for developers and would prevent the achievement of a dynamic regulatory environment that will facilitate promptly delivering on recovery outcomes.
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Options analysis

61. Six option packages have been prepared for analysis. These are arrived at by varying three of the four parameters (acquisition, [withheld under sections 9(2)(g)(i)], regulation) with low, medium or high settings. The level of information provision is a constant and has already been determined by Ministers as being high.
62. [Withheld under sections 9(2)(g)(i) and 9(2)(i)]
63. The role for central government after the 4 September 2010 earthquake, which clearly fitted within modelled seismic risk and resulting building codes, was moderate and involved the establishment of the CER Commission – which was a relatively low key oversight and coordination entity. At a one in several thousand year event for Canterbury, the 22 February 2011 event was a tail-end risk of the type markets typically do not carry, and the government’s response must therefore provide confidence to domestic and international investment and insurance markets that the New Zealand government will act to help mitigate the effects on the community of catastrophes that fall at the outside of accepted probability bands.
64. Accordingly, options 1 to 6 that follow are reflective of the response expected of a government to a tail-end risk event.

Option 1: status quo – no additional acquisition, [withheld under sections 9(2)(i) and 9(2)(f)(iv)], no regulation

65. Option 1 is the status quo – the Minister for Canterbury Earthquake Recovery would approve the draft Recovery Plan for the CBD without change. The CCC would be responsible for implementing the Recovery Plan.

Benefits

66. This option would provide strong moral support for the vision contained in the draft Recovery Plan for the CBD and the public process of developing the plan. CCC would have a clear role as the entity responsible for achieving a successful recovery from the Canterbury earthquakes.

Costs

67. The draft Recovery Plan for the CBD does not respond to the problems identified in Christchurch Central. It does not respond to the over-supply of land issues, which will be detrimental to achieving spatially coordinated development that provides the agglomeration benefits of a thriving city centre.
68. The draft Recovery Plan for the CBD prepared by CCC also contains insufficient information on how it would be implemented. Further, it contains changes to the District Plan that are onerous and do not simplify the existing complex document. CCC does not have access to the powers afforded to CERA under the CER Act, so while the approval of the draft Recovery Plan would implement changes to the District Plan instantly, new development within the new rules would still be subject to standard RMA processes. This would result in development timelines similar to those before the earthquakes, which do not accord with international best practice for recovery from disaster. The CCC's proposed changes to the District Plan reduce certainty for investors and developers over what proposals will gain consent, and therefore also work to slow the recovery effort.
69. Without the financial resources of central government, it is unlikely that the anchor projects identified in the draft Recovery Plan could be developed in a timeframe consistent with best practice recovery from a disaster of this scale.
70. The current situation has a significant cost to the economy. The dislocation of businesses following the February earthquake has already had a substantial economic cost. Preliminary estimates suggest the impact of business dispersion has been about \$370M or about 2.5% of the Christchurch economy per year. This is an ongoing cost that accrues to the national economy as lost growth and lost output, as these businesses will continue to operate sub-optimally unless agglomeration economies in the core can be restored. Depending on assumptions regarding the restoration of a productive core, the overall productivity gains across the 30-year assessment horizon used for the Recovery Plan, equates to between NPV\$2.0 - NPV\$5.0b in lost output, assuming a 1.8% PY real GDP growth rate.

Risks

71. This option would exacerbate the risk that the public investment in achieving recovery would fail to stimulate private sector investment, and consequently fails to deliver a self-sustaining recovery. Central government would then face further difficult decisions about whether or not to intervene at that much later point in time where recovery would be much more difficult to catalyse.

Option 2: Medium acquisition; [withheld under sections 9(2)(i) and 9(2)(f)(iv)]; medium regulation

72. Option 2 uses the existing powers enabled by the CER Act to implement changes to the Christchurch District Plan with respect to the planning controls for the central city and surrounding areas. The degree of change implemented decreases as distance

from the central city increases. [Withheld under sections 9(2)(f)(iv) and 9(2)(i)], while land would be acquired to develop a number of anchor projects, such as civic facilities.

73. Structures which do not comply with the new underlying zoning and associated rules would still have to be assessed against the purpose and principles of the RMA.

Benefits

74. The anchor projects are expected to stimulate economic activity by drawing people and commercial activity to particular areas. The Avon River Park and the Central Area Frame will contribute towards the enhanced amenity and green space sought through the draft Recovery Plan for the CBD, while also soaking up some of the excess commercial land in the central city, helping to focus development in a more compact commercial area.
75. [Withheld under sections 9(2)(f)(iv) and 9(2)(i)] The placement of a significant number of government employees in the rebuilt city will stimulate confidence in the rebuild process and will have second round benefits for demand for retail and hospitality space.
76. Regulation is focused on matters for which it is simple to draft definitive rules. Compared to the operative District Plan, some land owners in the new commercial core will benefit from greater development opportunities because the majority of commercial and retail development will be most likely to occur there. The change to the District Plan is a strong signal that a new, enabling regime is in play, rather than continuing with the rules under the operative District Plan which was perceived by developers and land owners as restrictive.
77. Creating a denser urban form will have additional benefits beyond simply restoring the productivity that had existed historically. Density, higher output and job creation are historically linked, and restoring and exceeding the existing densities could lead to an increase of between 4,000 - 8,000 net new jobs, which would further increase densities. This would result in a net increase to New Zealand GDP of between 0.2-0.5%.
78. [Withheld under section 9(2)(g)(i)]

Costs

79. Compared to the situation under the operative District Plan, some land owners will face different development opportunities and constraints, while a few land owners outside the commercial core (but inside the former “central city”) will in some cases face greater constraints on the development of their land.
80. Overall, the approach to regulation in Option 2 is less prescriptive than under the operative District Plan. This is likely to provide less certainty for residents about achieving the vision sought through the draft Recovery Plan for the CBD, however, provides greater certainty for developers in relation to their ability to construct new buildings in a timely manner.

[Paragraphs 81-84 withheld under sections 9(2)(i), 9(2)(j) and 9(2)(g)(i)]

Option 3: Medium acquisition; [withheld under sections 9(2)(i) and 9(2)(f)(iv)]; high regulation

85. Option 3 varies from Option 2 by taking a stronger approach to regulation. This would include creating explicit rules around the appearance of buildings in Christchurch Central, as well as creating requirements for improvements to public amenity through building design and redevelopment. Expert assessment panels would also be created to determine development propositions.

Benefits

86. This option would deliver greater confidence to residents that the vision created through the draft Recovery Plan for the CBD was being implemented through the District Plan because it provides the decision maker with the power to require development to be consistent with this vision. Confidence for residents of Christchurch is desired because it gives people more certainty in outcomes, and makes them more likely to undertake investment, and thus contribute towards achieving the recovery outcomes sought for Greater Christchurch.

Costs

87. This option could be very costly because the imposition of rules on the appearance of buildings creates a perception of a lack of certainty, which discourages investors and developers from undertaking developments in Christchurch Central. Recovery outcomes would be deferred because development would be slow to consent, and potentially subject to protracted appeal proceedings.

Risks

88. Implementation risks are considered to be high for this option. There is a risk that it is not possible to draft rules for the District Plan that are sufficient to deliver the outcomes sought, and that this increases the degree of uncertainty faced by investors and developers. The benefit perceived by residents is likely to decrease over time because it is heavily dependent on the interpretation of consent applications against rigid criteria for outcomes which are subjective.

Option 4: High acquisition; [withheld under sections 9(2)(f)(iv) and 9(2)(i)]; low regulation

89. Government's intervention would occur primarily through its power to acquire all land in the central city and control its development across time. Some sub-options exist within this approach with regard to how development would be undertaken in future years and how the private sector would, or would not, be able to participate in future development.

Benefits

90. The government would be able to control all development in Christchurch Central, so would be able to deliver the vision shared through the draft Recovery Plan for the CBD. This would show a very strong commitment by central government to the future recovery of Christchurch.

Costs

91. This option would be very costly to central government. There would be very little room for the private sector to participate in the redevelopment of Christchurch Central in its own right; therefore all risk would lie with central government.

Risks

92. This position would potentially alienate private sector developers from the future development of Christchurch because they would be dependent on central government choosing how and when to open up the development process to private sector participation. It could also be perceived as reducing the ability for the residents of Christchurch to be able to assert their local democratic rights through the local authority because there would be little ability for them to influence outcomes in their communities. There is also a risk that it would be difficult for central government to exit day-to-day involvement in Christchurch when it owns the majority of land (and potentially major assets) in Christchurch Central.

Option 5: medium acquisition; [withheld under sections 9(2)(f)(iv) and 9(2)(i)]; low regulation

93. Option 5 implements the anchor projects, but takes the same minimalist approach to regulation as Option 4, [withheld under sections 9(2)(f)(iv) and 9(2)(i)].

Benefits

94. This light-handed approach to regulation would likely provide strong initial confidence to developers and investors since they would have a free rein in the development of their land. The implementation risks of this option are low, since development decisions would be made by the private sector.

Costs

95. The financial cost would be lower than some of the other options.

Risks

96. This option is assessed as having a low probability of achieving the recovery outcomes sought in the long-term through the draft Recovery Plan for the CBD because there would be little spatial coordination of activity across the city. This lack of spatial coordination is likely to result in a cityscape which is less economically productive than under a coordinated approach because agglomeration benefits are unlikely to be delivered to the extent they would be with coordination. Investor certainty would be

likely to fall after the first movers have invested because of inconsistent and/or undesired activities occurring in close proximity, which would slow recovery.

97. [Withheld under sections 9(2)(i), 9(2)(f)(iv) and 9(2)(g)(i)]

Option 6: Medium acquisition; [withheld under sections 9(2)(f)(iv), 9(2)(i)] and 9(2)(g)(i) ; low regulation

[Paragraphs 98-103 withheld under sections 9(2)(f)(iv), 9(2)(i) and 9(2)(g)(i)]

Consultation

104. The draft Recovery Plan for the CBD, upon which the Christchurch Central Recovery Plan is based, was the subject of extensive public consultation before its submission to the government. Within 10 weeks of the February earthquake, the Christchurch City Council launched 'Share an Idea', a public engagement campaign aimed to maximise community involvement in the redevelopment of the Central City. A series of 10 public workshops were attended by about 450 residents, there were drop boxes for ideas at the University of Canterbury and Christchurch Polytechnic and schools were also involved. Ideas were also sought through Facebook and Twitter. More than 100 stakeholder meetings were also held during this period, including one-off meetings with individual organisations, weekly meetings with business representatives and various workshop-type gatherings to formulate ideas.
105. Under section 17 of the CER Act, CCC was required to hold at least one public hearing during the development of the draft Recovery Plan for the CBD, which occurred in October 2011, after calling for public comment in September. Following this, the draft Recovery Plan for the CBD was submitted to the Minister and written comment was sought, as required under s.20 of the CER Act. While the public were supportive of the vision promoted through the draft Recovery Plan for the CBD, there was also significant opposition to the lack of clear guidance on how it would be implemented.
106. The Minister for Canterbury Earthquake Recovery considers whether or not to approve the draft Recovery Plan under s.20 of the CER Act. There is no requirement for consultation under s.20, and seeking to do so would potentially be problematic under the terms of s.20 as it could potentially open the Minister up for judicial review (as in *Whangamata Marina Society Inc v The Attorney-General of New Zealand*).
107. No additional consultation has been undertaken on the Christchurch Central Recovery Plan, although the Minister invited further comment on the CCC's draft Recovery Plan in early 2012 to inform his decision-making. In finalising the Christchurch Central Recovery Plan, there has been engagement with central government departments (through the Urban Oversight Group and the Canterbury Earthquake Recovery Senior Officials' Group) and with CERA's strategic partners: Christchurch City Council, Te Rūnanga o Ngāi Tahu, Environment Canterbury, Selwyn District Council and Waimakariri District Council.

Conclusions and recommendations

108. The table below summarises the net impacts of each of the option combinations. The net impact is defined as the total benefits less the total costs of each individual option.

Table: Net impact of options

Option	Acquisition		Regulation	Net impact
1	Low	Withheld under sections 9(2)(f)(iv) and 9(2)(i)	Low	Negative
2	Medium		Medium	Positive
3	Medium		High	Neutral
4	High		Low	Negative
5	Medium		Low	Neutral - positive
6	Medium		Low	Negative

109. Based on the qualitative analysis undertaken, the following conclusions have been reached in Table below:

Table: Options compared to assessment criteria

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Access to accurate information	x	✓	✓	✓	✓	✓
Enabling the market to provide the mix of activities sought	x	✓	x	x	✓	✓
Coordinating market activity through the planning regime to deliver the vision	x	✓	x	x	x	✓
Residential opportunities	✓	✓	✓	✓	✓	✓
Regulatory environment that ensures spatial coordination of the city	x	✓	✓	x	x	x
Avoiding locking central government in to long-term involvement in Christchurch	x	✓	✓	x	✓	x
Providing adaptability	x	✓	✓	x	✓	x

110. Option 2 (medium acquisition, [withheld under sections 9(2)(f)(iv) and 9(2)(i)], medium regulation) is preferred. Option 2 seeks to implement a phased approach to central government's involvement in the recovery process by using the investment central government is required to redevelop for its day-to-day operations in Christchurch to stimulate complementary private sector investment. The regulatory approach under

option 2 seeks to leverage the existing understanding of RMA-based planning tools and to implement the changes proposed quickly in order to facilitate the re-development process. [Withheld under sections 9(2)(f)(iv), 9(2)(i) and 9(2)(g)(i)]

Implementation

111. A specific role is to be established for the CCDU within CERA to lead and be accountable for:
 - a. the implementation of the Christchurch Central Recovery Plan;
 - b. definition, procurement and delivery of the anchor projects; and
 - c. use of the implementation toolkit
112. This implementation role reflects the original role of CERA and the role contemplated for the CCDU by the government [CAB Min (12) 11/20 refers].
113. The preferred option will require changes to the rules, objectives and policies in CCC's District Plan to implement the desired regulatory changes. The CER Act requires that a local authority must amend an RMA document if directed through an approved Recovery Plan. The CCDU will work with CCC to implement these changes as simply as possible. The costs of complying with the new District Plan will be minimised to the extent possible by the role that CCDU will play in the on-going facilitation of redevelopment in Christchurch Central and the recovery across the wider Canterbury region.
114. Overall, the amended District Plan is assessed as being more enabling than the operative District Plan, therefore, compliance costs should be lower than the situation before the earthquakes began. This will vary to some extent by the location of any development – in areas outside the new commercial core, some previously existing development rights will be removed, and therefore, compliance costs may well be greater. The actual incidence of these costs will vary dependent on the sort of development attempted. CERA and CCC will be able to assist in keeping compliance costs as low as possible by ensuring that the regulatory implications of the Christchurch Central Recovery Plan are well understood by those affected and that facilitation work between CCDU and affected property owners seeks to assist them to understand the implications of the changes and the opportunities created.

115. A part of CCDU's future role is to establish a process for evaluating the effectiveness of the achievement of the objectives of the Recovery Plan. As a part of this process, the comparative effectiveness of the tools that are used by government to deliver those objectives will be assessed. The timing for this review is dependent on the speed of recovery on the ground. A review will initially be scheduled to occur one year after the release of the Christchurch Central Recovery Plan. This will include as assessment of the effectiveness of the regulatory measures in achieving the outcomes sought and the appropriateness of the District Plan in providing for the medium- to long-term future of Christchurch City post-recovery. It is anticipated that the District Plan provisions delivered through the CER Act, with its focus on recovery from disaster, may not be the best regulatory approach for managing the long-term development of Christchurch Central.

116. [Withheld under sections 9(2)(f)(iv) and 9(2)(i)]

117. The CER Act expires five years after the day it commenced, on 19 April 2016. The Christchurch Central Recovery Plan will also cease to have effect on that date. A plan to transition beyond that date will be created with strategic partners by April 2015 to ensure continuity of the recovery process.

Monitoring, evaluation and review

118. Active monitoring and evaluation will be undertaken directly by CCDU in the rollout of the tools proposed through the Christchurch Central Recovery Plan.

119. Monitoring and evaluation will be depend on the tools implemented. Responsibility for monitoring the effectiveness of the amended District Plan provisions contained within the Christchurch Central Recovery Plan will sit with the CCC. This will be undertaken through the same processes as are used now.

120. [Withheld under sections 9(2)(f)(iv) and 9(2)(i)] More detail will be determined once this information is generated. Initial indications of the sorts of things CERA anticipates monitoring include:
- a. Consenting activity;
 - b. data on the number of telephone connections and energy use in central Christchurch; and
 - c. informal market testing on insurance and credit availability and conditions.
121. Section 22 of the CER Act enables the Minister for Canterbury Earthquake Recovery to review and amend or replace the Recovery Plan. The Minister need not consult on any review or amendment, however may do so if desired. Minor errors can be corrected without formal process.