

## **The Inner City**

The Council's Plan for the inner city is fatally flawed and should be scrapped.

If responsibility for the planning and control of the inner city rebuild is not moved to a new and competent commercial body, incorporated under CERA, Christchurch could be facing tragic circumstances in 4-5 years from now.

## **The Council Plan**

The Plan is what one would expect when a plan has been drafted around ~~ideas~~ rather than emerging from a structured and disciplined strategic planning process.

The ~~corner stone~~ of the Council's plan appears to have been lifted out of the plan provided, three years ago, by the Council's Danish advisers.

The corner stone of that plan was to essentially remove, or to generally discourage the use of, motor vehicles in the inner city. A plan suited to Copenhagen (a city half the size of Christchurch with three times the population), but entirely inappropriate for Christchurch.

Christchurch is typical of a New Zealand city that has developed (and continues to develop) around the Kiwi home on a quarter acre section with a double garage. We love our space and we love our cars. We have close to the highest ratio of cars-to-population in the world.

As the Council continues to approve the expansion of suburban malls, a plan for the inner city that scraps our highly used one-way streets, reduces speed limits, closes some roads to cars completely, and limits the number of car parks, will make the inner city a very unpopular place to work or visit.

## **The application of the Plan**

The application of the plan, as things stand currently, is for an ad hoc redevelopment of the inner city by the private property owners.

Under this approach, there are several factors that virtually guarantee the failure of the redevelopment.

The Council have stated that they will not interfere with the city's grid of streets, or touch private property. This means that the existing network of property titles will remain unchanged, and that property owners will redevelop their existing sites, as they please and when they please.

## **Inner City Redevelopment Period**

Given the capacity of the existing commercial construction industry (including the Council consenting dept), and recognising the industry's likely involvement in the rebuilding of properties in the greater Christchurch area, it is unlikely

that we will see more than 25 average-size construction projects completed by mid-2013. From that point on, we may see up to 30 project completions per year . one every 12 days.

A new building completed in the inner city every twelve days sounds encouraging until you consider, that at this (possibly optimistic) rate of redevelopment, it will take twenty years to replace just half of the buildings that are to be demolished.

Most firms, who were evacuated from the inner city following the earthquakes, are expressing an intention to relocate back to a redeveloped inner city within five years. The truth is that given the rebuild rate, few firms would find space to move to, and if current policies are continued, even fewer would find the inner city environment, at that point in time, acceptable to move into.

### **The reconstruction environment**

Under the current situation, and using the above projections, we could expect to see just 130 new, average sized, buildings completed over the next 5 years. These would be spread across about thirty city blocks.

Some blocks would develop more quickly than others, but after five years, we may expect to see just four or five new developments completed within each city block.

Most blocks contain 20-25 titled sites, and what we could expect to see after five years, is an inner city consisting of blocks each containing 7-8 older buildings (that survived the earthquakes), 4-5 new buildings, 1-2 construction sites, and up to 10 bare demolition sites.

As our inner city consisted of terraced buildings, where the side wall of one was built up against the side wall of the next, these walls were out of sight and no consideration was given to how they looked. What has happened following the earthquakes is that where one building has been demolished, and the adjoining building has survived, the unattractive side walls, which contain no doors or windows, stand in full view.

Because the Council's plan is for an uncoordinated & uncontrolled (in terms of timing) redevelopment of the existing sites by their private owners, the replacement buildings will, of necessity, be designed the same way. Windows will be confined to the street front, and solid side walls to the adjoining site - which may not be built on for another ten years!

A good example of this situation is the new building under construction on Victoria St next to the, now demolished, Saggio Di Vino restaurant site on the corner of Bealey Avenue.

A concrete wall is facing one of the city's most important intersections, which will stay in full view until the corner site is redeveloped.

## **Other impacting factors**

Owing to substantially increased structural specifications, replacement buildings will, in many instances, cost more than the replacement sum insured creating a capital gap to be funded by the owners or their mortgagees.

Hundreds of the properties being demolished are mortgaged, and in many cases, the debt is higher than the indemnity cover of the demolished building. Added to this, is the term of the business interruption cover, which is currently being used to pay the mortgage interest and other property outgoings. In most instances, this cover was for 12 months and will cease on 22 February 2012.

With most of these, the replacement cover is for an amount higher than the mortgage debt, and the bank is offering to roll the debt into a replacement building, in an effort to re-secure their advance.

But what the banks appear not to have realized, is that firstly, their client is not competent to develop a new commercial building, and secondly, that it may be several years before they find a contractor available to build one. In the mean time their client may not have the resources necessary to service their debt.

This situation is likely to result in either poor quality buildings being built and sold quickly, or, large numbers of sites being sold under mortgagee auction at fire sale prices. Given the extraordinary number of sites available, values are likely to drop to 20-30% (or less) of those existing prior to the earthquakes.

In the opposite situation, where owners have no debt or urgent need of cash, they are likely to sit on their sites until the market has recovered in ten or more years. As many of these sites may be in key locations, this practice will seriously frustrate the overall inner city redevelopment.

## **The point of failure**

After three or four years of enduring an unpleasant demolition/construction environment throughout almost all of the inner city, it will become apparent to the wider community that it will be something in excess of ten years before the inner city is likely to reach a point of completion and become a pleasant place to work or visit.

The result of this realisation will be that firms, who had been considering entering into leases and relocating to the inner city, will reconsider. If this happens, the redevelopment stalls as retailers close shops, office buildings fail to find tenants, construction projects are stopped, and property prices spiral downward.

To reinvigorate the development of inner Christchurch at that point would be extremely difficult!

## **The alternative approach**

The Victoria Street development(s), mentioned above, provide a useful example of an (unrealised) alternative opportunity.

If the two sites had been combined, a larger and far more attractive building, with windows on all sides and maybe a storey higher, with facades to both Bealey Avenue and Victoria Street, could have been built. The building could have been set back from the street slightly and provide off-street parking behind. The considerably larger floor plates thus created, would have been of far greater economic proportions.

The result would have been, a considerably more attractive building on this highly visible location, which would also have provided the joint venture owners with a higher return than what they could possibly achieve individually.

This is the approach that should be applied to the entire inner city.

If all of the properties contained in a particular city block were combined, an entire new approach to the design and development of that block could be adopted. This would provide the opportunity to drop the low-quality terraced approach and develop stand-alone buildings, providing considerably higher-quality working environments. The buildings would be arranged in a complementary manner incorporating open spaces, courtyards and the like.

Each block could be developed as a campus and could integrate office, retail, parking, and open spaces with cafes etc. The temporary retail container-based development in Cashel Mall provides an excellent example of how, in a smaller area, buildings can be arranged. These buildings form a mini campus and create a considerably more interesting environment than had they been assembled in a straight line to the street front.

Each block could be owned and developed under a joint venture company involving those existing property owners that wished to participate, together with the controlling corporate body.

The key to the success of the redevelopment of the inner city, is to have the ability to stage and programme the redevelopment block by block, precinct by precinct. This would require control, hence the requirement to structure the corporate body under CERA.

With the control this would provide, and a staged redevelopment plan in place, the corporate body could work with property owners, their financiers and insurers, of properties throughout the inner city. Owners of properties in areas that were not scheduled for redevelopment until later could transfer their interests in a replacement building to an alternative location that, in everyone's interests, should be redeveloped earlier.

A lot of negotiation and legal structure would be required, but with the support of the majority of property owners (including their banks and insurers) and

central Government, a pleasing city environment could soon be created and the value of the inner city land maximised.

### **Action Required**

In 1666, after the Great Fire of London, responsibility for planning and rebuilding the city was not left to the City officials.

Instead, the King appointed six competent commissioners, led by Christopher Wren, to plan the rebuild (within the financial constraints of the time) and establish building codes etc.

Virtually no one on our (largely dysfunctional) Council, or among its officers, is competent to manage the multi-billion dollar redevelopment of inner Christchurch . nor should they be expected to be!

Government must recognise this and move responsibility for the project to a commercially structured corporate organisation having access to CERA's special powers.

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