

**BEFORE THE INDEPENDENT HEARINGS PANEL - DAVID HILL (CHAIR), GREG HILL
AND SHEENA TEPANIA**

UNDER the Resource Management Act 1991

IN THE MATTER of Various applications by Te Tūāpapa Kura Kāinga - the
Ministry of Housing and Urban Development (MHUD) to
the Rotorua Lakes Council

BETWEEN **MINISTRY OF HOUSING AND URBAN DEVELOPMENT**
Applicant

AND **ROTORUA DISTRICT COUNCIL** Consent Authority

AND **SUBMITTERS**

**SUMMARY STATEMENT OF NATALIE
HAMPSON Dated 18 / 10 / 2022**

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INTRODUCTION

1. This Summary Statement (**Summary**) has been prepared on the basis that the Independent Hearing Panel (**Panel**) has read my pre-circulated full Statement of Evidence (**SoE**). It is on this basis that my Summary simply records:
 - (a) A summary of the key points of my SoE dated 22 September 2022; and
 - (b) Areas of disagreement, points requiring clarification and updates to my expert opinion as a result of my review of the evidence subsequently filed by other parties relevant to my area of expertise.

KEY POINTS OF MY SoE

2. The causes of Rotorua's current housing issues, which includes strong demand for emergency (and transitional) housing (EH), are complex and integrated. Mr McNabb provides additional factual information on this in his evidence, including confirmation of the approximate number of households in CEH (249) and in non-contracted EH (258) as at August 2022. The total scale of this issue is therefore around 507 households living in tourist accommodation at present. There is considerable effort being made from a range of stakeholders, including regulatory changes, that will all make a positive contribution. Mr McNabb states that demand for EH is trending downwards. It will however take time – the occupants in EH and CEH are not the only households on the housing register. I consider that Rotorua will be in a better position to address housing availability and affordability issues in the short-medium term future.
3. The concentration of EH of all forms has had a significant adverse effect on crime, non-crime incidents and other Police activity in the Fenton Corridor catchment, but not other communities. This has been building incrementally over several years. There is little evidence in the data that

CEH has had a material or noticeable effect on those existing social conditions (neither improving or worsening community effects). Relative to the permitted baseline, I consider that the 13 CEH sites are likely to have only a minor and temporary adverse effect on crime, incidents and Police activity in the respective local communities.

4. When social housing is concentrated in already deprived areas, the literature indicates that the value (sales price) of private residential dwellings is negatively affected. I consider that the cumulative effects of all forms of EH in the existing environment on property values in the Fenton Corridor and Koutu catchments are potentially significant in economic terms. However, I do not consider that consenting the CEH sites will have a material adverse effect on the existing environment over the next five years.
5. Relative to the permitted baseline, I consider that the potential adverse economic effects on property values within 500m of CEH is likely to be more than minor, but not significant and temporary in nature. The proposed consent conditions will help mitigate those effects in my view.
6. My analysis does not support claims made in submissions that consenting CEH will have significant adverse effects on tourism capacity in the next five years. In a currently over supplied market, taking out 295 stay units in CEH establishments would represent a minor and temporary adverse effect on tourist capacity relative to the permitted baseline – estimated at an 8% loss of stay unit capacity. In the context of projected demand for commercial tourist accommodation over the next five years (with international tourism recovering), an 8% loss in capacity would be easily absorbed by the rest of the market in my view. There would be no material loss in guest arrivals and therefore no material opportunity cost on tourism spending directly attributable to the continued use of the CEH establishments for up to 5 more years.
7. I accept that CEH capacity is part of a wider loss of capacity of tourist accommodation in the existing environment associated with all forms of EH, TH and also Covid (some temporary and permanent closures). Had it

not been for the revenue provided by EH-SNGs and MHUD contracts over the past few years (including pre-dating Covid), many motels would have closed by now – as evidenced by the CEH motel operators. Commercial capacity to accommodate tourist demand would have been less in any case. There has not been a material capacity issue for most of the last two years and some capacity has recently returned. Several back packers for example are still to come back on line commensurate with the return of their customer base. Occupancy rates across active motels and hotels is still low, meaning they have capacity to accommodate increased demand in the near future. If the cumulative effect of all forms of EH result in some constraints in low-mid priced motel accommodation in the next five years, then CEH can only be apportioned a share of that effect.

8. I agree that Rotorua's reputation as a tourism destination has deteriorated. EH (of all forms) has had a more than minor role in that. Mixed EH carries the greatest risk, followed by incidents of anti-social behaviour that tourists encounter and visual amenity effects of establishments in prominent tourist areas. My sense is that media coverage of Rotorua's EH issues are now doing the greatest damage to New Zealanders' perceptions of Rotorua (particularly around the safety of the central city).
9. My concern is that those perceptions do not match the experience of the significant majority of visitors who do decide to come to Rotorua. Overall, I consider it likely that EH (of all forms) has had a more than minor adverse effect on Rotorua's tourism reputation in the last 12 months and if it continues at its current scale over several more years (with continued negative media coverage), the economic effects could be significant.
10. Importantly, reputational damage is not the sole cause of a decrease in domestic tourist arrivals in recent times. It is important to recognise that Rotorua competes with other destinations within New Zealand (and overseas travel options) for market share. A change in the balance of marketing spend is likely to account for a minor share of recent declines. I disagree that a lack of tourist capacity per se in the last two years (due

to tourist accommodation operators choosing to accept EH-SNGs or MHUD contracts) has contributed materially to recent declines in the domestic market. Rather, it is the reputation effects of that change in use that has had an impact.

11. I support the approval of all 13 CEH sites for a period of five years from an economic effects perspective. A shorter term of consent is not supported on the basis that a more permanent housing solution to Rotorua's wider emergency housing (EH) issue is anticipated to take at least five years to achieve.
12. Mr McNabb considers that the demand for EH in motels will be 'minimal' in five years' time. Monitoring will help determine if this aspiration holds true. If MHUD *are* in a position to reduce the number of CEH sites before the end of the consent period, then I recommend that priority consideration be given to releasing sites that are in close proximity to tourist attractions (specifically the Apollo Hotel) and/or that reduce the geographic concentration of CEH to help mitigate potential economic effects.

AREAS OF DISAGREEMENT, POINTS REQUIRING CLARIFICATION AND UPDATES

Evidence of Mr Shamubeel Equb for MHUD

13. Mr Equb provides a discussion of EH, what CEH is (how it differs and is better than the alternative) and what the consequence of not consenting the 13 sites are. He also talks about the support services provided with CEH as the mitigating factor of the effects of spatial poverty concentration arising from EH based on EH-SNGs. I note only that this approaches 'mitigation' from a different perspective to that of the s42A team, who focus on how consent conditions could help mitigate the effects of CEH.
14. There is only one aspect of disagreement with Mr Equb's evidence that I wish to raise in this summary statement and that relates to his evidence on crime effects (specifically high-level assessment of the victimisation data available spatially). Mr Equb makes the assumption that "*fear and*

a perception of rising crime associated with emergency housing in Rotorua” would only be real if:

- (a) There were greater rates of victimisation in Rotorua as a whole relative to the New Zealand average; and
 - (b) There was a greater concentration of victimisations in the Fenton Street neighbourhood.
15. On point (a), Mr Eaqub identifies that victimisation trends at the district level are the same as national trends and therefore states that there is no evidence of local additional causes of victimisations. That is, the effects of EH are not apparent at the district level. This is consistent with my evidence, that EH (of all models) is not having an adverse effect on crime at the district level. However, I do not believe that there are claims that the ‘fears and perception’ of rising crime associated with EH is a district wide issue¹. It is a localised issue as backed up by the geographic concentration of submissions. The lack of district level effects is still important to establish as it provides focus to the assessment of effects, but it should not be used as a means of disqualifying the accuracy of stated fears and perceptions (and actual effects) occurring at the local level.
16. With reference to the second validation test (b above), in paragraph 7.5 Mr Eaqub finds that the reported Fenton and Glenholme East area unit victimisations as a share of the district total is the same or similar between the year ending August 2019 and the year ending (YE) August 2022 - therefore further discounting the validity of claims of rising crime that may be associated with EH. These results differ from my own analysis of the victimisation data.
17. My evidence looks at monthly trends and specifically addresses the changing share of victimisations (offences) in the Fenton Corridor catchment. I have tested the more aggregate YE August trends as per Mr Eaqub’s approach but continue to find that the Fenton Corridor accounts for a rising share of district crime over time. For example, 19% in the YE

¹ Unless there is media coverage make such claims that I have not seen.

August 2019 increasing to a 29% share in the YE August 2022 (with a corresponding drop in share in the Rest of Rotorua catchment). Importantly, Mr Eaquib groups just the two central census area units (CAUs), while my Fenton Corridor catchment includes the northern and southern CAUs (Victoria and Whakarewarewa). While I have not re-run my analysis to replicate the smaller central catchment of Fenton Street, the implication is that while the central area of Fenton Street may have been relatively stable in its share of district victimisations over time (as calculated by Mr Eaquib), the real net changes that I have modelled have (by inference) been at the geographic extremes of the Fenton Corridor. This spatial pattern was identified in the Beca SIA crime analysis (Figure 13), concluding that Victoria and Whakarewarewa CAUs were areas of significant victimisation growth in recent years.

18. I think this just highlights that trends can be masked depending on what spatial areas are defined. There are sub-communities within catchments that may be experiencing effects differently than the average.
19. On the matter of crime data analysis, I make reference in my SoE of an Official Information Act request for the raw data of offences and incidents at a non-aggregated, coordinate level. This is the same data that was subsequently obtained in report form (but presumably not raw form) by a Restore Rotorua submitter (and published in the Herald). My intent of analysing that data was to complement the catchment/local community level analysis, by providing potential insight on the scale and significance neighbour level effects surrounding CEH and other EH sites and the depth of spill-over effects into surrounding communities. By way of an update, I am informed that the request is currently with Ministerial Services for executive approval and so am unsure on when the data may be in hand.

Evidence of Mr Vincent Murphy

20. There are just a few matters of clarification or disagreement with Mr Murphy's evidence that I would like to table. Starting at paragraph 69, Mr Murphy discusses alternatives to CEH within tourist accommodation

concentrated along the Fenton Street corridor. He states that alternatives should have been considered in the applications, and that redistributing CEH demand to motels outside the Commercial 4 Zone is a potential alternative. I discuss this alternative scenario further with regard to Mr Counsell's evidence below. However, Mr Murphy then refers (in paragraph 73) to my evidence which he states "*discusses the potential for transferability of lost CEH demand elsewhere in Rotorua, considering there to be the potential for meeting and accommodating total demand transfer within Rotorua*".

21. My paragraph 219 referenced by Mr Murphy related to transferability of tourists to other establishments operating as tourist accommodation as a result of the stay unit capacity lost if all 13 sites are consented for CEH. My evidence does not consider transferability of CEH occupants to alternative sites (including alternative EH establishments). I therefore consider that Mr Murphy has referenced my evidence in error on that particular matter.
22. In paragraph 78, Mr Murphy discusses alternative consent durations for the 7 CEH sites that could be approved in his view, stating that the "*durations considered generally correspond to times where predicted increases in international tourist to pre-Covid level ..., in addition to domestic demand, would likely see material demand for **hotel** use in the Commercial Zone 4 City Entranceways zone along Fenton Street*" (emphasis added). Given that CEH is occupying motels (in function if not in name), could Mr Murphy perhaps clarify if he meant demand for motels? If his evidence is not a typo, then clarification would be needed on how shorter consent terms (and reduced CEH capacity) benefits increased demand for hotels in the coming years.
23. I disagree in part with Mr Murphy's paragraph 79 where he suggests that because of Plan Change 9 (and the now operative MDRS provisions), that the reduced consent periods (and CEH capacity) proposed in paragraph 77 of his evidence provide "*reasonable time for building dwellings more densely and intensively*" that will "*meet the housing needs currently being*

addressed by EH and CEH". I maintain my evidence that while the MDRS provisions significantly increase plan enabled capacity, it will take time for these new forms of residential development to be adopted by the Rotorua market. As stated by Mr Eaqub, the increased supply will only help meet the housing shortage if it is targeted at, and affordable to, low income households (to buy or rent). In the short-term, it is more likely that supply of public and community housing, and not market housing, will help move EH/CEH tenants into permanent housing. I therefore consider that Mr Murphy overstates the positive impact of the MDRS provisions on reducing EH/CEH demand over the next 5 years.

24. Mr Murphy makes reference² to "*proof*" of "*increased anti-social incidences (increased alcohol and drug incidents, and hospital admissions) at CEH addresses across 2021 and 2022 which coincides with the commencement of CEH use*" and attaches³ a letter from Te Whata Ora Health New Zealand that responds to an Official Information Act request.
25. I consider that the data requested/provided is not materially helpful. It lacks any context to understand the scale and significance of the data provided.⁴ This includes a lack of comparison between alcohol and drug related incidents, hospital admissions and other variables sought at the CEH sites relative to sites used for un-contracted EH (or simply other residential areas) during the same time periods.
26. Further, with respect just to trends in the data for CEH sites, it does not show an increase in drug related offences between 2021 and 2022 as claimed by Mr Murphy. Also, the increase in alcohol related offences (from 5 to 8) is neither material or a clear and reliable trend. Last, I do not consider that hospital admissions per se are "*anti-social incidences*".

² Paragraph 55.

³ Attachment 2 of Mr Murphy's Evidence.

⁴ For example, what share of total incidents the CEH sites make up, or the ratio of incidents to occupants at those sites relative to ratios in other residential areas of Rotorua.

Evidence of Mr Kevin Counsell for RRI

27. Given that aspects of my SoE were in direct response to Mr Counsell's original evidence, I provide a brief summary of the key changes between that original evidence and his updated evidence. Key changes include:
- (a) Adoption of the September 2022 Accommodation Dashboard data on tourist accommodation and associated status as used in my evidence for consistency. Associated with that change in data (and date of snapshot) Mr Counsell has now identified that MIQ (and linked Defence Force) tourist accommodation facilities are no longer operating and have returned to tourist accommodation use.
 - (b) Updated data from the Accommodation Data Programme (ADP data) to July 2022 and updated victimisation data (presented at the same level of detail). Both covered in my evidence.
 - (c) Revised conclusions that economic effects of the CEH sites will be for the duration of the consents and not last over the "*longer term*" as previously stated.
 - (d) Loss of tourism expenditure modelling has been extrapolated to 13 CEH motels instead of just 6 (and based on updated, and higher average daily spending by domestic tourists due to dividing total non-accommodation domestic tourist spend with just domestic tourist guest arrivals each month rather than total guest arrivals and calculating the average over a longer period that includes more months without the impact of Covid lockdowns).
 - (e) New evidence that discusses an alternative proposal for CEH in combination with Mr Murphy's evidence and the estimated feasibility of achieving this alternative from a demand and capacity perspective and the implications for adverse economic effects. I discuss this in more detail further below.
 - (f) More discussion on the cumulative effects of CEH with other non-contracted EH activity.

- (g) New discussion on whether there is a positive effect of CEH in retaining employment in tourist accommodation businesses. With reference to my analysis of employment effects, he (at paragraph 97) states that I have not controlled for wage rates and the overall economic climate and therefore my conclusion of a minor positive effect of EH/CEH on employment in the tourist accommodation industry is speculative. This is a fair point – I have not controlled for those factors. However, I do feel that I appropriately qualified my analysis in terms of potential and likely cause and effect relationships in light of the high-level nature of the assessment. I maintain my conclusions despite Mr Counsell’s concerns on robustness – they make intuitive sense based on my experience. Many of those tourist accommodation establishments would otherwise have closed or reduced staff as has been confirmed by the evidence of nearly all of the CEH motel operators. A key reason for accepting EH-SNGs and the MHUD contracts was to retain staff.
28. In paragraph 98, Mr Counsell sets out Mr Murphy’s alternative proposal which retains only 7 of the 13 CEH sites, and reduces the remainder to a consent period of between 1-3 years. Mr Counsell considers that this scenario will help mitigate adverse economic effects. Reasons (a) and (b) of paragraph 99 are that declined motels will allow these motels to be released to tourist accommodation straight away, and the shorter terms of the remainder will also release those motels to tourist accommodation sooner. Central to achieving these mitigating effects, Mr Counsell assumes that the displaced CEH occupants will be met by existing establishments that provide non-contracted EH that are not located in Fenton Street, in order to achieve a reduced concentration of EH in the Fenton Street area and no net increase in EH establishments of all models across the district.
29. Mr Counsell estimated that the 6 declined CEH sites equate to finding 69 units elsewhere in Rotorua (based on occupancy assumptions). He then

identifies 30 non-contracted EH establishments that are not located on Fenton Street that cover motels, hostels, bed and breakfast and lodges, which have a total stay unit capacity of 462, or 194 spare stay units assuming a similar occupancy rate of 58% - more than enough to cater for 69 deferred CEH units in his view.

30. I have a number of concerns with this approach (which Mr Counsell acknowledges is intended only to provide a rough order of magnitude of spare capacity) including:

(a) The CEH motels are primarily to provide for families with children. While other motels that provide uncontracted emergency housing *may* be a suitable alternative in terms of functional space for families (and there is evidence presented for this hearing highlighting the many considerations that determine what is suitable and what is not), hostels almost certainly will not be suitable for families to move to.

(b) It is MHUD's evidence that there is demand to utilise the 13 sites for up to five years. Mr Eaqub and I agree. As such, the displacement of CEH capacity under the alternative scenario needs to consider capacity over 5 years. Mr Counsell considers only the displaced activity of 6 declined CEH. This is applicable for year 1 only. In year 2, the lost capacity of the 2 motels afforded a 1 year consent by Mr Murphy also needs to be accounted for in addition to the six declined sites. In year 3, added to this is the lost capacity of the 2 motels assigned only a two year term. In year 4, added to this is the lost capacity of 3 motels afforded only a three year term by Mr Murphy's scenario. In year 5, displaced capacity for all 13 CEH sites needs to be accommodated elsewhere. This is a different proposition than just 69 displaced units considered by Mr Counsell.

(c) The alternative scenario places a significant number of would-be CEH occupants into the inferior un-contracted service model. This will substantially reduce the positive effects of the wrap around

services available in CEH and is likely to have detrimental effects for many families.

- (d) I am not aware of how demand would be directed to non-Fenton Road non-contracted EH establishments in practice – that is outside the ability of the consents to control. The displaced CEH occupants will mostly revert back to using EH-SNGs to pay for accommodation and I understand they choose their own accommodation provider that accepts those vouchers.
 - (e) There is no guarantee that any of the declined/released establishments will revert to providing tourist accommodation. I consider that there is a high likelihood that many of the motels could not survive on tourists alone given the suppressed demand for commercial tourist accommodation (improving with respect to international tourists over the course of several years but not necessarily the Chinese coach market that many low cost motels relied upon), and below average occupancy rates in the motel sector currently. As a result, many of the motels ‘released’ under Mr Murphy’s scenario would be likely to take on uncontracted emergency housing (in a mixed or total MSD model) in order to survive.
 - (f) The evidence of the CEH operators corroborates this with many stating what they would do in the absence of the MHUD contracts.
31. I therefore have doubts that the alternative scenario put forward by Mr Murphy and supported by Mr Counsell would lead to any effective change in the concentrations of EH overall in the Fenton Corridor, or improvements in tourist capacity within the next five years on those sites so long as un-contracted EH is able to keep operating in a non-regulated way.
32. In paragraph 68, Mr Counsell highlights the importance of assessing the cumulative effects in the context of other EH occurring in tourist accommodation within Rotorua. He is critical that much of my evidence (and the evidence of Mr Eaqub) isolates the effects of just the 13 CEH

applications and “*effectively ignores the effects of non-contracted emergency housing*”. My evidence considers carefully the effects of both the 13 CEH on the ‘existing environment’ which includes all models of EH in use in Rotorua, and the effects of the CEH site against the permitted baseline. This dual assessment approach was applied to my evidence on crime, property values, tourism capacity and tourism reputation. Cumulative effects have therefore not been ignored.

33. Overall, while the update of Mr Counsell’s evidence now addresses some of the issues that I identified in my SoE, the approach taken is essentially the same (such as inferring the loss of tourism spend if CEH is consented), and I maintain my conclusions on those approaches and assumptions.

CONCLUSION

34. I have read the evidence provided as it pertains to economic effects and do not have cause to amend my conclusions. My conclusions are based on the effects of consenting all 13 CEH sites. From an economic perspective, I therefore support all sites being granted consent on the basis that the cumulative effects do not result in more than minor adverse economic effects. If it is decided to consent fewer CEH sites, then this will further mitigate those adverse minor effects. I continue to support a 5 year term for the consents and advocate for conditions that will ensure a strategic approach to reducing the CEH establishments if and when the opportunity presents itself.



Natalie Hampson

18 October 2022