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# Re-emerging from the rubble: What is delaying regeneration of Christchurch CBD?

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## **ABSTRACT**

Nearly ten years since the February 2011 earthquakes devastated Christchurch CBD, partially demolished, derelict buildings and poorly maintained vacant sites remain in the post-earthquake landscape. While Christchurch City Council has made significant progress in recent years to reduce the level of vacant and derelict land across the city, several property owners remain reluctant to improve their buildings. This project documents the current inventory of derelict properties and investigates issues that are delaying progress on these sites (e.g. insurance disputes, supply and demand of commercial and residential space in the CBD, delays in consenting, absentee owners, lack of funds etc). Furthermore, we explore regulatory levers that can be used to influence action on these buildings/sites (e.g. provisions in the Building Act, compulsory acquisition etc). As we approach the 10-year anniversary of the earthquakes, this project offers a timely reminder of the mammoth struggles that the city has overcome evident in the numerous modern buildings, yet a few ‘battle sites’ slow the much-needed regeneration towards a resilient city centre.

## **1 INTRODUCTION**

The February 2011 earthquake caused widespread damage across Christchurch, especially in the central city and eastern suburbs. In the aftermath of the disaster, the city was faced with a challenge of filling in empty sites that appeared in place of the 70% of the central city buildings that came down in demolitions. The central city lost half of its workforce and 2/3 of inner-city residents were forced to move out. The rebuild was focused on attracting people back into the city. The government set plans for major anchor projects as a catalyst to boost commercial and recreational activities in the CBD, while private developers got on with the redevelopment of commercial buildings as insurance money began to flow and more land became available as edges of the cordon moved back.

Most recent economic and residential statistics show positive signs of recovery, yet after a decade since the 2011 earthquake central city is still peppered with vacant sites and derelict buildings which are impacting re-investment in local infrastructure and are considered as barriers to successful regeneration. In this paper, we present analysis of the Christchurch City Council’s programme targeted at progressing action on buildings neglected because of the earthquakes.

## 2 BARRIER SITES

Naturally, city centre revitalisation was among highest priorities for the Council. In 2016 the Council began focusing their attention on sites and buildings where owners have made no effort to remediate damage (CCC, 2017). The council believed that by that time, sufficient period has passed to resolve even complex insurance disputes and/or to investigate and commence reconstruction/refurbishment. At a meeting in May 2017, the Council considered a report that outlined framework and strategies for progressing action on problematic central city sites and was presented with an initial list of 30 derelict buildings and vacant sites (Ccc.govt.nz, n.d.). The list was made publicly available (Newslines.ccc.govt.nz, 2017), quickly dubbed ‘Dirty 30’ and receiving wide coverage in the media. The combination of soft and hard measures developed by the Council were applied progressively/gradually on property owners to result in repair, restoration, or redevelopment of their sites (Figure 1).

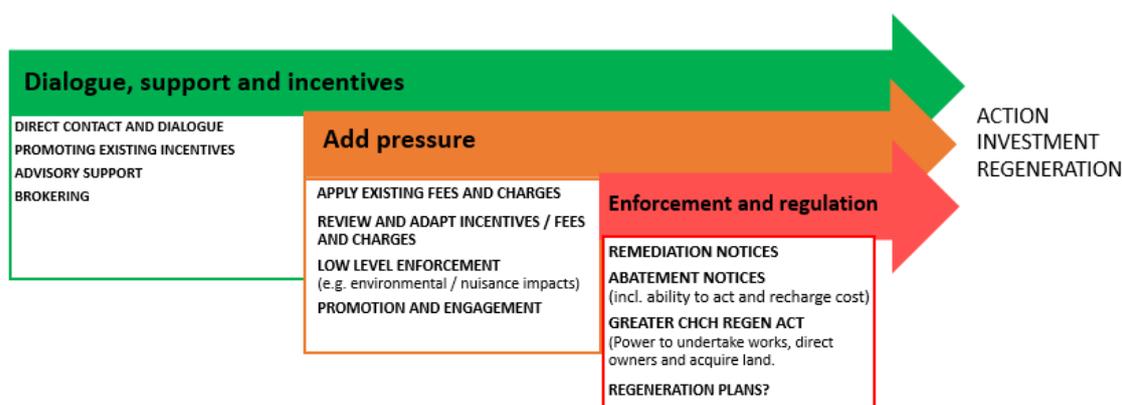


Figure 1: Barrier sites framework (Source Christchurch City Council).

To encourage compliance, the Council adopted a VADE model – Voluntary, Assisted, Directed, Enforcement. The intention of the programme was to operate within the Voluntary and Assisted part of VADE spectrum. Once the soft options are exhausted, the Council would then resort to directing property owners to act by issuing notices to fix or abatement notices, with the final step being enforcement action which would fall in the realm of council bylaws and various pieces of legislation such as the Building Act, Local Government Act and Health Act. From the outset the enforcement route was not favoured within the Council and was perceived to be costly and legalistic. Since the launch of the programme, the Council was able to achieve action on majority of the barrier sites operating within voluntary and assisted spectrum. Given that a significant number of heritage buildings succumbed to the earthquakes, several buildings in the programme received generous heritage grants to assist with restoration ranging from \$170,000 to \$1.9 million.

### 2.1 Evolution of the ‘Dirty 30’

The publication of the original list of neglected properties was meant to be a living document, with sites coming off the list as plans for redevelopment were being finalised while new problem sites would be added to the list. The first list featured 31 sites and by the end of 2018 a further 14 sites were added. As evident on the map below (Figure 2), the largest cluster of sites is in the core of the city centre as most likely those

buildings were inaccessible longer due to cordon. In fact, the post-earthquake office market has shifted its prime centre from the core with a new precinct emerging in the west end of the CBD along Cambridge Terrace. As one local property developer explained, development along the edges of the cordon resulted in ‘unloved streets’ in the core of the city with rows of vacancies and abandoned buildings.

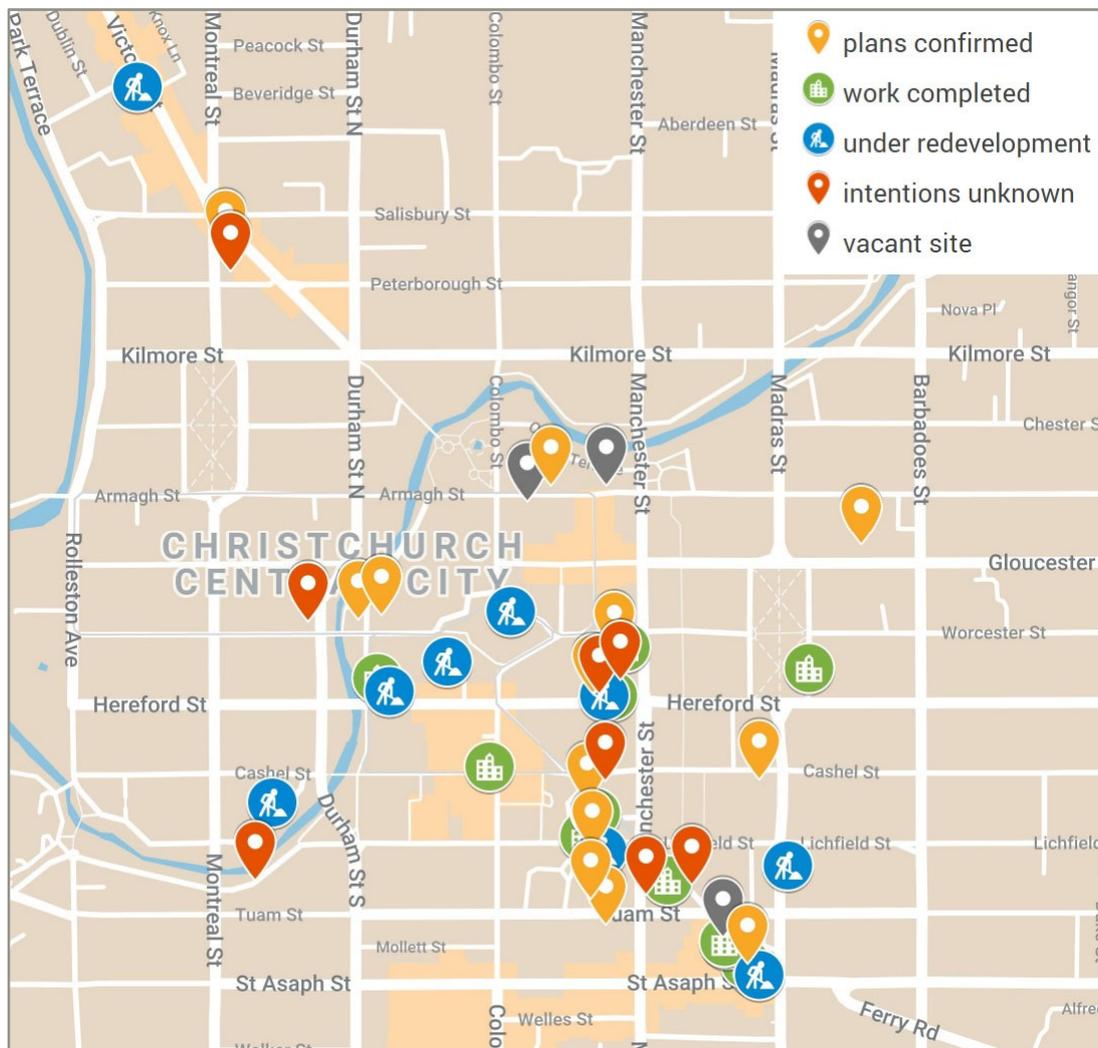


Figure 2: Map of the central city barrier sites.

Table 1 provides the full list of the central city barrier sites. Twenty four of the 45 sites have been permanently removed from the list with the owners either completing or being in the process of redevelopment, including three sites that have been cleared, tidied and now held in vacant possession. Most of the buildings on these sites have been repaired/restored. A cluster of heritage buildings in High Street – also known as Duncan’s building - had their facades restored and new structures going behind. With the numerous heritage buildings destroyed in the earthquakes, preservation of these buildings is an important reminder of the city’s rich history for future generations.

The Council is actively pursuing the remaining owners to take action on the sites. Thirteen owners indicated to the Council their plans for the buildings. Some of the owners have applied or already received building consents and work on those sites is eminent. These plans include the development of a new Catholic precinct in Armagh Street on the sites of the former PWC building and the adjacent cleared site of the former Copthorne hotel. The development will include a replacement for the damaged Cathedral of the Blessed Sacrament. Awaiting redevelopment, the PWC site famously became home to a colony of the endangered

black-billed gulls (Figure 3(a)). Restoration of the Old Municipal Chambers, another prominent historic building, is about to commence as the Council entered into an agreement with a private developer to develop and lease the building (Figure 3(b)).



a) PWC site



b) Old Municipal Chambers

*Figure 3: Sites with confirmed plans for redevelopment.*

Most recently, plans for redevelopment of two notorious buildings featured on the list have been signalled. The first is the Malvern House – arguably the poster child of the barrier sites programme – the most tagged building in the city and a magnet for squatters (Figure 4 (a)). The other is the former IRD premises – built in 2007, it sat damaged and vacant since the quakes (Figure 4 (b)). While redevelopment of barrier sites is a signal of recovery and confidence in the city, the Council understands a commitment to action does not always equate to completed projects. Several of the sites featured on the list have exchanged owners (some of them multiple times) since the earthquakes, with each new owner announcing plans for development only to then abandon them.



a) Malvern House



b) Former IRD building

*Figure 4: Sites likely to be redeveloped.*

*Table 1: List of barrier sites and progress indicators.*

Street address	AKA	Status	Scope of work	Use
124 Worcester St	Former Trinity Church/Shands Bldg	work completed	repair	commercial
152 Oxford Ter	Public Trust Office	work completed	repair	commercial
81 Lichfield St	Lincoln House	work completed	repair	commercial
167-169 Hereford St	Hereford Chambers	work completed	repair	commercial
201-203 High St	Victoria Black	work completed	original façade/new build	commercial
231 High St	Former Work & Income	work completed	repair	commercial
12 Latimer Square	Park Tower	work completed	repair	residential
135 High St	High Street	work completed	new build	commercial
143-157 High St	High Street	work completed	original façade/new build	commercial
163 High St	High Street	work completed	original façade/new build	commercial
165 High St	High Street	work completed	original façade/new build	commercial
673 Colombo St	Pagoda Court	work completed	new build	commercial
143-145 Armagh St		removed from the list	cleared site	Catholic precinct
128 Armagh St	Former PSIS building	removed from the list	cleared site	tbd
167 High St	High Street	removed from the list	cleared site	tbd
79 Hereford St	Former Scorpio Books	under redevelopment	repair	hotel
31 Cathedral Square	Old Post Office	under redevelopment	repair	commercial
96 Lichfield St	Living Space	under redevelopment	repair	residential
216 Madras St		under redevelopment	cleared site	sport and recreation
155 Victoria St	Spagalimis / 28 Dorset	under redevelopment	new build	residential
100 Cathedral Square	Anglican Cathedral	under redevelopment	repair	religious
129-133 High St	High Street	under redevelopment	repair	commercial

165 Hereford St	Broadlands House	under redevelopment	repair	commercial
79 Cambridge Ter	Nuttal Bradley Building	under redevelopment	repair	hotel
235 - 237 High St	235 - Brick, 237 - vacant site	plans confirmed	repair	commercial
92 Lichfield St	Sol Square (part)	plans confirmed	repair	tbd
159 Oxford Ter	Our City	plans confirmed	repair	office
210-214 Tuam St	Old CCC Offices and Odeon Theatre	plans confirmed	repair	commercial
116 Worcester St	Kaplan/State Insurance	plans confirmed	repair	residential
119 Armagh St	Former PWC Building	plans confirmed	exposed foundations	Catholic precinct
249 Gloucester St	Stonehurst Hotel/Motel	plans confirmed	cleared site	residential
226-234 Cashel St	Former IRD Premises	plans confirmed	repair	medical
179 Tuam St	Sol Square (part)	plans confirmed	repair	tbd
91 Victoria St	Victoria Mansions, 368 Montreal	plans confirmed	repair	residential
141 High St	High Street	plans confirmed	repair	tbd
170 Oxford Ter	Old Rydges Hotel	plans confirmed	vacant building	hotel
159 Hereford St	Malvern House	plans confirmed	vacant building	tbd
158 High St	Cotters	intentions unknown	cleared site w/ original façade	tbd
25 Peterborough St	Peterborough Apartments	intentions unknown	repair	tbd
170 Cashel St	Former Holiday Inn	intentions unknown	exposed foundations	tbd
137 Cambridge Ter	Harley Building	intentions unknown	vacant building	tbd
112-114 Manchester St	2 Fat Indians	intentions unknown	vacant building	tbd
66 Oxford Ter		intentions unknown	vacant building	tbd
161 Hereford St	Hereford Suites	intentions unknown	vacant building	tbd
205 Manchester St	Blue Jean Cuisine	intentions unknown	vacant building	tbd

## 2.2 Enforcement tools

A number of property owners seem resistant to engage in a dialogue with the council and so far have not shared any proposals for redevelopment. For the eight sites that are still unresolved, the Council is considering the use of enforcement tools. As mentioned earlier, this is not the favoured approach as the council would want to maintain the role of a facilitator rather than enforcer of change. Any legal action is likely to be strongly opposed by owners, and would amount to significant burden on the resources and finances of an already overstretched council. Nevertheless, the council has commissioned a review of enforcement tools which include a range of acts and council bylaws (Table 2).

*Table 2: Statutory tools favoured by the council.*

Legislation/bylaw	Relevant section/clause	Nuisance
<b>Christchurch City Council Public Places Bylaw 2008</b>	<ul style="list-style-type: none"> <li>- Clause 7: Requires permits for obstructions in public places</li> <li>- Allows for fees to be charged for permits</li> <li>- To be read in conjunction with Council 's Policy on Structures on Roads 2010</li> </ul>	Public realm encroachment
<b>Christchurch City Council Traffic and Parking Bylaw 2008</b>	<ul style="list-style-type: none"> <li>- Clause 20: Permits required for use of legal road</li> <li>- Enables charging for use of public roads and footpaths when containers/skips/fences and hoardings need to occupy public roads and footpaths</li> <li>- Requires TMP to be submitted with application for permit</li> <li>- s357 of LGA: Offence to put something on the road or allow it to remain without Council authorisation. Offence to allow water for mud to flow from land on to a road. In a successful prosecution, defendant may be ordered to pay Council's costs in removing materials. To be read in conjunction with Council's Policy on Structures on Roads 2010</li> </ul>	Public realm encroachment
<b>Local Government Act 1974</b>	s.459; Power to require work be done on private land for storm water drainage. Power to complete work, if not done, and costs recoverable	Temporary gravel carparks
<b>Building Act 2004</b>	s.123: Building can be insanitary if; hazard to health, in state of disrepair, lacks moisture penetration protection.	Derelict buildings; partial building/site clearance
<b>Christchurch City Council (Operative) District Plan</b>	Transport - Rule: 7.4.2.3: RD6: (Restricted Discretionary): Temporary car parking activity – resource consent required, expires 30 April 2018. Transport - Rule: 7.4.2.3: RD8 (Restricted Discretionary): Commercial car parking lots. Transport - Rule: 7.4.2.5 (Non complying if activity doesn't comply with 7.4.3.1.d)	Temporary gravel carparks

Transport: Rule: 7.4.3.10 - High traffic generator  
 Transport: Rule: 7.4.4.8 - Illumination of parking areas  
 Transport: Rule: 7.4.4.9 - Surface of parking areas.17:  
 Duty to landowners to avoid, remedy or mitigate adverse effects arising from activity. *High threshold/test.*

<b>Health Act 1956</b>	<p>s.29: Nuisance – accumulation or deposit which is offence or injurious to health, and/or harbours rats or other vermin, and premises which are offensive (health related)</p> <p>s.33: Council may issue proceedings in the District Court for nuisance to be abated. Court may allow Council to recover costs of doing work if owner/occupier fails to abate nuisance and Court orders Council to carry out work.</p>	<p>Derelict buildings;          Temporary gravel carparks</p>
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Source: Christchurch City Council

### 3 FACTORS CONTRIBUTING TO SLOW REGENERATION

The scale of destruction and loss experienced in the Canterbury earthquakes was unprecedented for New Zealand. Amidst fatalities and decimation of the CBD, emerged an opportunity to rebuild a city that is resilient. The city’s Blueprint made the CBD more compact through rezoning and strategic land acquisition. The CBD got a head start with a handful of government-led anchor projects aimed at revitalising the city. A decade after the quakes, regeneration of Christchurch remains a tale of two sides: for some progress has been too slow and other would say that a lot has happened. Numerous statistics indicate that central city is bouncing back – workers and residents are returning – but still well below the pre-earthquake levels requiring more government and private investment towards full regeneration.

#### 3.1 Inner-city living

The council has an ambitious goal of increasing inner-city population to 20,000 by 2028. Project 8011 is the Council’s initiative to creating a CBD that is compelling to ‘live, work and play’ for thousands of people. Central city is on the back foot when it comes to competing against the attraction of the suburbs just outside the CBD. The CBD is relatively small in comparison with other main urban areas, which means that within a short commute of the CBD, potential buyers are spoilt for choice with houses priced about 20% less offering better parking and access to popular schools. According to a recent REINZ report (REINZ, 2019), buyers attracted to inner-city living are making a lifestyle choice more than anything else and the location is more popular among singles and young couples with preferences for one- or two-bedroom units. In addition to higher land values, developers are factoring in more strict building requirements pertaining to central city developments into the cost of construction making housing more expensive.

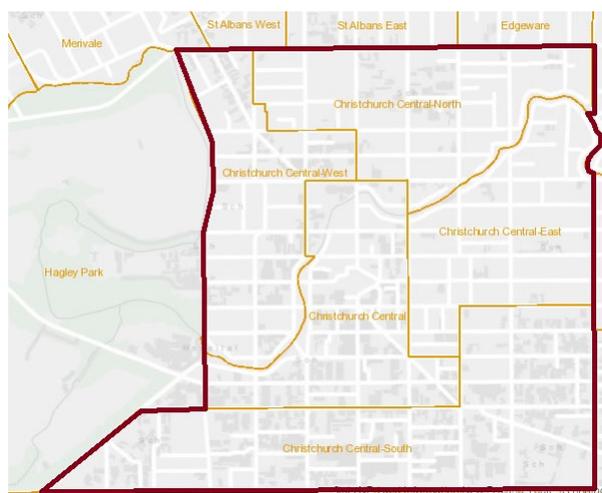


Figure 5: Boundaries of central city’s Statistical Areas 2 (SA2) (Source: Statistics NZ)

Using Statistics NZ definitions, we collected population summary for the last three Censuses. The central area is made up of five statistical areas (SA2),

namely Christchurch Central, Central-West, Central-East, Central-North and Central-South. Their outlines are depicted in Figure 5.

During the 2006 Census, 12,960 people resided in the central city. As the city began to rebuild, the size of the population fell below 6000. In the latest Census, this number sits at around 8000 falling short of the critical mass necessary to support residential developments planned for the city. The biggest loss of population was from Christchurch Central SA2, the epicentre of destruction (Figure 6).

Breaking down the population statistics into specific age groups (Figure 7), we can see that central city is popular among working age population. School-age children is the least represented group within the CBD, echoing the lack of education and recreation facilities sought after by families. Across all age groups, there are signs that population is returning to the city centre but sitting below pre-earthquake levels.

Council commissioned research into the attraction of inner city living (Research First, 2020), points to the unrealistic targets set by the Council. Developers operating in the market were concerned that the 2028 timeframe was too compressed for the current level of demand. Some suggestions included greater effort in the delivery of major economic initiatives aimed at attracting businesses and people, for example delivery of the Multi-Use Arena and Metro Sports Facility, both would increase hospitality offerings and provide convenient recreation options for residents. In addition, the Council should consider placing restraints on the residential developments outside of the city centre and offering greater incentives for inner-city building.

### 3.2 Working in the CBD

The impact of the 2008-09 global financial crisis combined with the 2011 earthquake significantly altered the landscape of the central city's economy. Just before the earthquake, employment in the CBD lost all of the additional workers it gained in the previous decade contracting to pre-2000 level (Figure 8). As the CBD began to re-open, the size of the labour market in the city centre was hovering above 22,000. After the earthquakes, central city businesses dispersed into the suburbs. This pattern of dispersion is evident in the latest 2018 Census, that shows a new trend of falling proportion of employed people commuting into Christchurch CBD from outlying suburbs and districts. For example, nearly half of working population from the neighbouring districts of Selwyn and Waimakariri worked in the CBD in 2013, this proportion fell to 38% and 32% respectively (Statistics NZ, 2020). In other words, like housing, commercial property market in the CBD is forced to compete with suburbs in a post-earthquake environment.

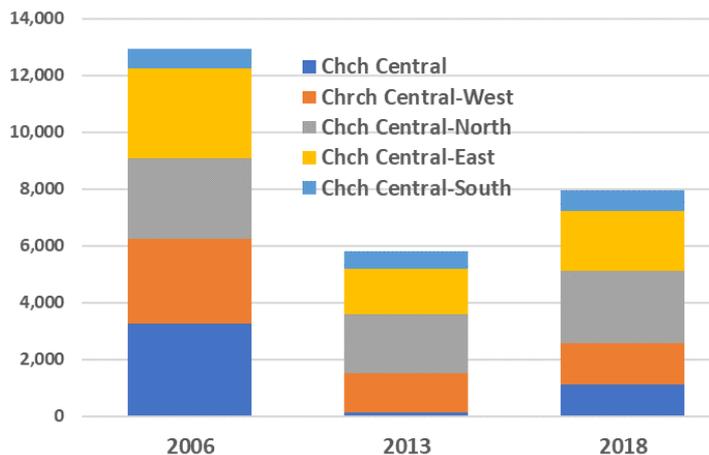


Figure 6: Inner-city population counts.

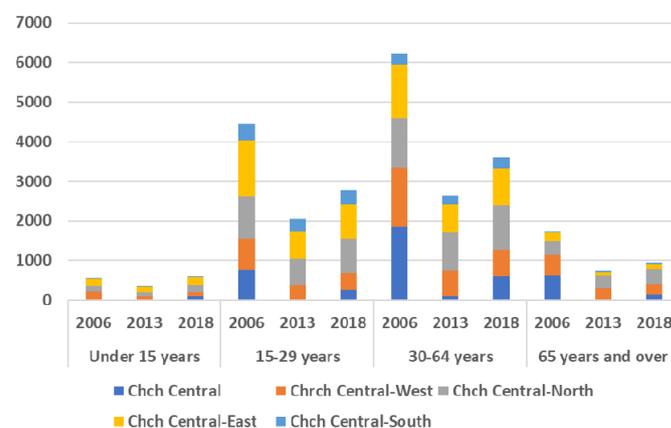


Figure 7: Inner-city population by age group.

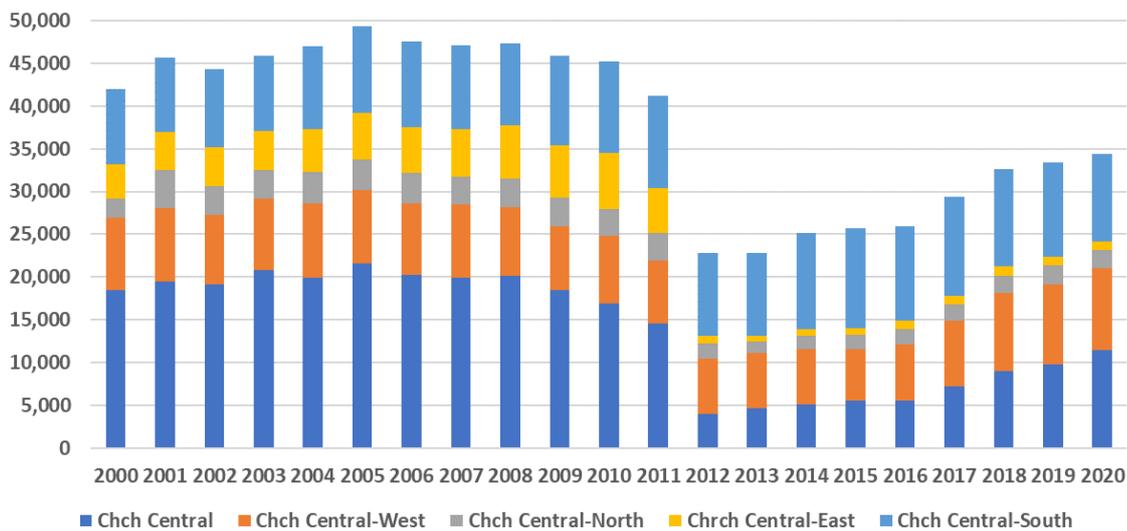


Figure 8: Central city workers by SA 2, 2000 – 2020. (Source: Statistics NZ – Business Demography)

Employment in the CBD has been growing steadily. Early in the rebuild, property developers re-entered the CBD helped by insurance settlements from damaged buildings, starting on the fringes of the centre as cordons progressively moved back. First developments went up along the riverfront and Victoria Street. Building in these areas are now experiencing the highest level of demand. Replacement of the commercial building stock seemed like an impossible task, with the city centre being a blank canvas, reduced to rubble. The pace of reconstruction was unprecedented (Table 3). With developments completed over the last 10 years, the stock is now at 85% of the 2010 level (Figure 9). One of the factors that contributed to the fast recovery of the building stock is the historical ownership of commercial property within the CBD being heavily skewed towards locally based high net worth investors which collectively owned over 80% of buildings and 2/3 of the total stock (EYTAS, 2012). Earlier research suggests that these investors had strong place attachment to the city and wanted to help it rebuild. Another interesting observation is that the west end of the CBD is experiencing high tenant demand with employment size in the Central-West SA2 similar to Central SA2.

Table 3: CBD office construction.

Year	Stock added (m2)
2014	106,901
2015	142,507
2016	94,485
2017	32,637
2018	9,542
2019	1,452
2020	0

Source: Colliers NZ (2020)

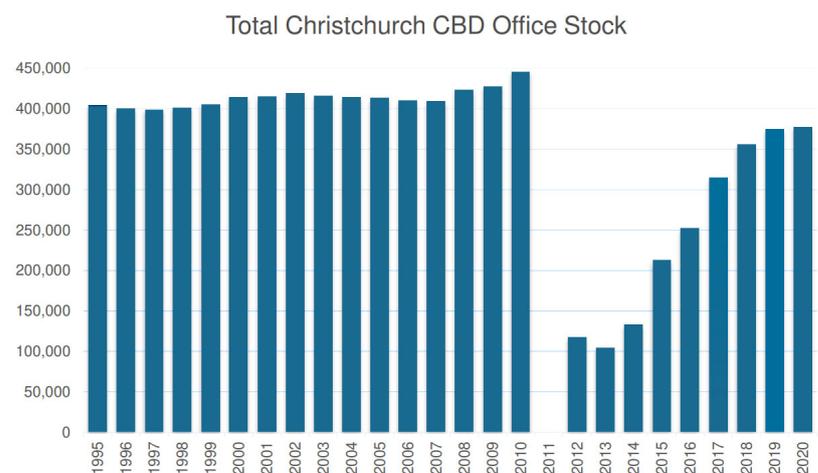
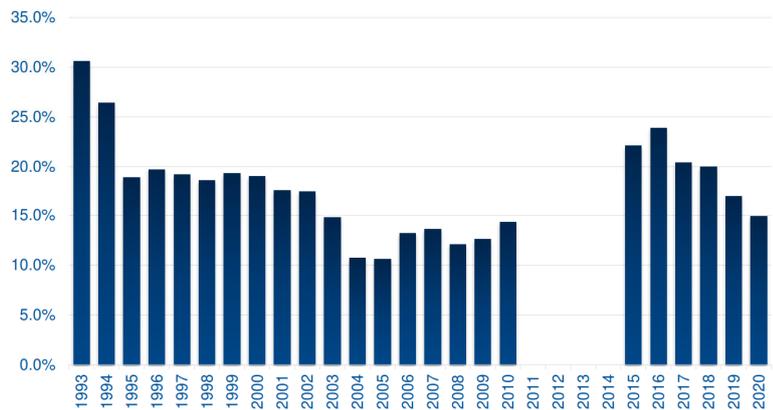


Figure 9: Inventory of Christchurch CBD office stock.

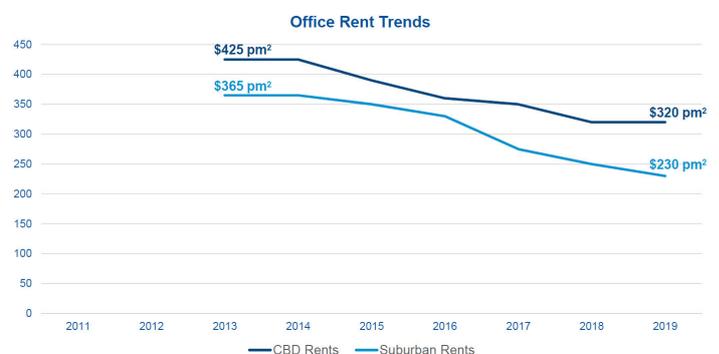
(Source: Colliers NZ (2020))

It is important to keep in mind that any recovery in the commercial market is not going to be fast. To give some perspective, the market experienced only moderate growth from the 1990's leading up to the earthquakes. In the early 90's, vacancy rates reached 30% (Figure 10). The only significant building to enter the market was a building at 250 Oxford Terrace in 2007. By then vacancies reduced but this has been helped by the removal of older office stock converting to hotels. Office rents achieved in 1989 for premium grade buildings were at \$225 per sqm, by 2010 net rents only increased to \$270 per sqm, which equates to an annual growth rate of less than 1%. New structural design requirements introduced after the earthquakes and the added risk margin of the uncertain outlook for the central city rebuild, meant that financial viability of new developments required rental income at \$460 per sqm, on par with premium rents achieved in Auckland at that time. While businesses expressed their desire to return to the CBD, the pre- and post-earthquake rent gap was unachievable for vast majority. The CBD, however, is beginning to look more attractive to tenants currently leasing in the suburbs. Rental rates have reduced since the post-earthquake high of \$450 per sqm and appear to have stabilised at \$320 per sqm (Figure 11). As leases terminate, tenants in suburban locations would be looking to shift into the CBD, since those tenants would have signed up in the suburbs in 2012/13 at rent levels not too dissimilar to the rents charged in central office precincts presently.

**Christchurch CBD Office Vacancies**



*Figure 10: Survey of office vacancies in Christchurch CBD (Source: Colliers NZ)*



*Figure 11: Comparison of suburban and CBD office rents (Source: Colliers NZ)*

While the current available space is absorbed, plentiful stock of suburban office space will continue to moderate the CBD rents, meaning that rents are unlikely to increase. As discussed earlier, construction costs demand rents higher than what is currently achieved in the market. Therefore, no significant new supply is expected to hit the market. In addition, the Reserve Bank's quantitative easing aimed at stimulating the economy during COVID, resulted in low property holding costs for owners (i.e. low interest rates) providing little incentive to redevelop vacant buildings/sites and take a wait-and-see approach for the property market to turn.

### 3.3 Anchor projects

The much anticipated rebuild blueprint for the quake-damaged Christchurch city centre was revealed to public in July 2012. The plan included 12 major anchor projects to be delivered by 2017, some have been scaled back (e.g. South Frame) while some are still waiting to break the ground (e.g. Canterbury multi-use arena). Their intention was to attract new residents, visitors, businesses, and private market-led redevelopment. Concerns around prolonged delays in turn are putting breaks on the ability of the city centre

to attract private investments in residential and commercial construction. Timely delivery of the anchor projects is crucial in the full regeneration of the CBD as this sends a signal of commitment of the local and central governments, providing much needed certainty and confidence to the public. Having a complete picture of what the CBD would look like post-rebuild, helps define plans for developments to go around the anchor projects. Evidently, barrier sites where no active work is currently being done (i.e. plans confirmed but no work started and intentions unknown) are clustered around anchor projects that are yet to be fully completed, specifically around the East Frame, CMUA and South Frame (Figure 12).

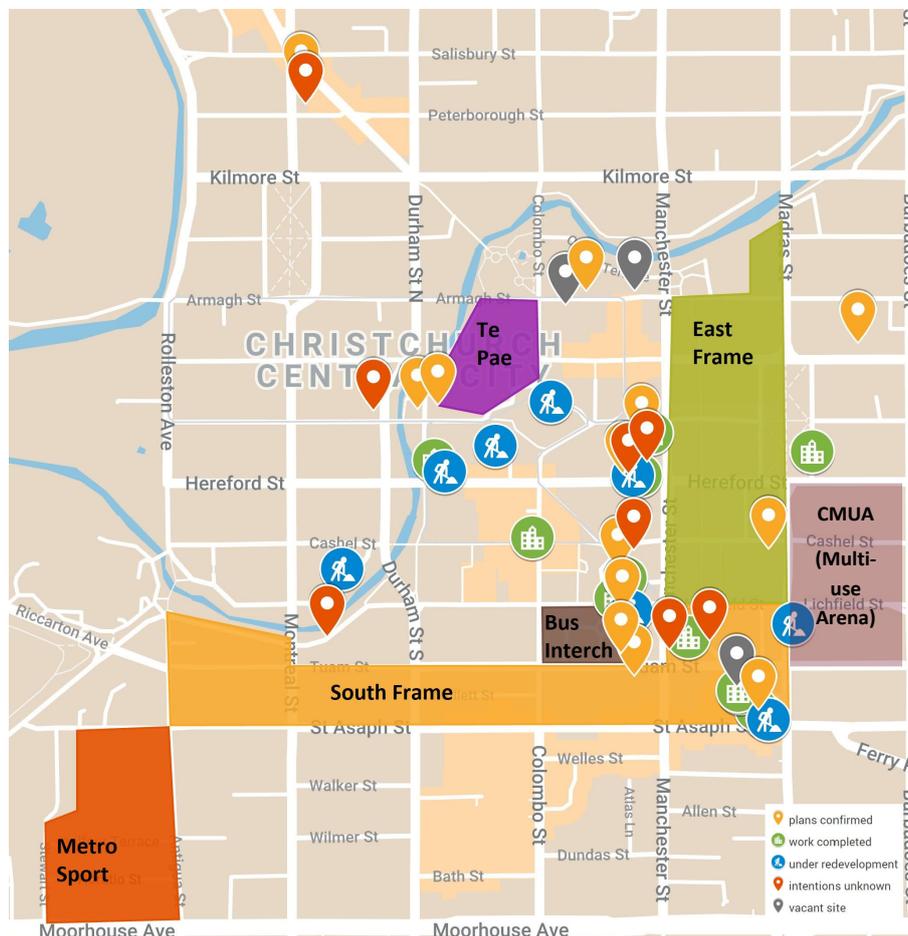


Figure 12: Location of anchor projects and barrier sites around the CBD.

#### 4 CONCLUSION

While the Council might be resorting to applying pressure on the sites lingering on the barrier sites programme, including enforcement actions ranging from a set of legally prescribed orders under the council bylaws and Acts, it is more likely that the redevelopment would be organic, market-led rather than strictly dictated by the council. Any regulatory tool can only reach so far into the strongly guarded private property rights. The Council plays an important role in addressing uncertainties of the central city redevelopment in terms of the development of the key assets for the city. Important interdependencies exist in the rebuild in the sense that developers are waiting for these key projects so that they can get underway. Their delivery will determine the speed at which the city is fully regenerated. Distraction that is barrier sites, undoubtedly, takes away council's focus and resources from these key projects. At the same time, it is important that the negative impacts of the neglected buildings and unkempt vacant sites are contained. As the city charges towards full recovery, abandoned buildings stick out as a sign of reversing fortunes. Research links abandoned properties with increased crime, risk to public and a burden for local governments. Moreover,

barrier sites have negative spillover effects that can spread to neighbouring properties, threatening to become the latest additions to the ‘Dirty 30’.

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