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THE EFFECT OF A NON-RESIDENTIAL USE IN A RESIDENTIAL ZONE

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Abstract:

This paper uses a case study of placing a Marae (Maori meetinghouse and ancillary services) in a residential neighbourhood to examine the process and implications of placing a non-residential facility in a residential zone. The consent has been granted but is being appealed by the community on the basis that it is not a residential use and will have adverse effects on amenity values. The applicant has also appealed as time of operation conditions have been applied.

An unwanted facility in a residential zone is often referred to as a NIMBY (Not in My Back Yard). As technology increases and social responsibility is put back onto the community, more NIMBYs are being placed into our neighbourhoods. These are essential services to the community but residents would prefer them to be placed in someone else's back yard.

Current research regarding NIMBYs has varying results as to the loss of property value, over the long term. If the facility blends into the neighbourhood with no distinguishing difference from its neighbours. i.e. appears the same as the standard neighbourhood house, then the effect will be short-lived and only appear as a temporary negative adjustment in the market. However if the facility is not homogeneous with the neighbourhood then unless it can be seen as a benefit to the immediate neighbourhood, then the decrease in value is likely to remain over time.

Introduction

This paper uses a case study of placing a Marae (Maori meetinghouse and ancillary services) in a residential neighbourhood to examine the process and implications of placing a non-residential facility in a residential zone. The case study has arisen out of a Resource Consent hearing which was heard in Palmerston North regarding the siting of a Meeting house / Marae within a residential zone, and any possible effects on property values of the neighbouring houses. There is disagreement between the applicant and the objectors as to whether the activity is a discretionary use or a non-complying use within the Palmerston North District Plan. A Marae is classified as a Meeting house and ancillary facilities to cater to the spiritual and physical wellbeing of Maori. The proposed activities for this study include a health clinic, iwi (tribal) administration offices, Maori

radio station, chapel and Meeting house. The Meeting house has caused the main concern to the local community as functions such as weddings, 21st, and tangi (funeral service that goes on for up to 7 days, day and night) are to be held. As an added twist the majority of the local community is not Maori and therefore cannot use the facility. This raises a problem in the valuation of surrounding properties as it is uncertain what effect the presence of the Marae will have, when the community opposes its presence.

The subject of this paper is located in the southern part of Palmerston North City close to the rural boundary. The immediate neighbourhood surrounding the site consists of predominantly single family residences. The majority of the land is owner occupied with the exception of one property, which is owned by the Palmerston North City Council. The houses in close proximity have been predominantly built in the 1970s and 1980s. A new subdivision with houses built in the late 1990s is situated adjoining to the east. To the rear of the site is Otira Park and land designated as Conservation Amenity, which is partly leased by the local Pony Club. The area provides a peaceful environment with a rural outlook. The council have recently beautified the Otira Park walkway and reserve with a 'wetlands' and plantings. This is an appealing neighbourhood because of its tranquillity and residents have taken pride in the presentation of their homes as well as gardens.

Literature Review

The effect of NIMBYs (Not In My Back Yard syndrome) or unwanted facilities on property values has been researched throughout the world. There has been no research

done in New Zealand specifically on the effect of a Marae in a residential area because it is not a usual occurrence. Those Marae that are located on 'general land ' in residential zones have been established prior to the development of residential property or are situated adjacent to commercial / industrial / or rural zone. These zones allow for the development of facilities that are already providing a community service and subject to increased traffic and noise. The land designated 'Maori land' or 'Marae Development Zone' is noted on the Council District Plan and therefore prospective purchasers are aware of the potential use of the site. Palmerston North's District Plan has a 'Future Development Zone' in a different area of town, which has been set aside for Marae development which has not yet been utilized.

The research that has been carried out on placing a NIMBY or non-residential use within a residential zone has produced varying results, regarding the loss of property value, over the long term. If the facility blends into the neighbourhood with no distinguishing difference from its neighbours. i.e. appears the same as the standard neighbourhood house, then the effect will be short-lived and only appear as a temporary negative adjustment in the market. However if the facility is not homogeneous with the neighbourhood then unless it can be seen as a benefit to the immediate neighbourhood, then the decrease in value will remain over time. (Callanan 1995)

Jaconetty.T, (1996) uses asbestos as an example of how the existence of a negligible health hazard was blow up to an extreme problem. The community believed there was a problem which once investigated was proven to be incorrect. If market participants

believe a negative effect does exist then this will influence their behaviour and have a direct impact on the market. As the basis of residential property valuation is based on the sales comparison approach, the existence of sales based on 'fear' is projected onto neighbouring property values. The term 'market value' is defined as the price on a specified date reached by a willing, fully informed, knowledgeable and not over anxious buyer and seller. If either party is not fully informed and knowledgeable regarding the NIMBY then the selling price cannot be described as market value and should not be used as a comparable sale within the sales comparison approach. This information is very hard for the Valuer to determine and therefore will be overlooked in the majority of cases.

The presence of an unwanted facility within any zone will create feelings of fear or stigma. These feelings can arise either as a fear for physical safety or more generally a fear that property prices will decline. Kinnard (1997) states three possible effects on market value that have been identified with the presence of fear or stigma. These can be identified on their own or in a combination as follows:

- Diminished price. Prices are compared with prices from a control area and any diminished price is identified.
- Increased marketing time. An increase in marketing time will mean a loss to the vendor as the holding costs and duration is extended.
- Decreased sales volume. If buyers choose not to purchase close to the NIMBY through fear of the effect of the NIMBY or confirmed depreciation then fewer buyers will want to purchase and therefore prices will be driven down.

As defined by Wilson (1993) and Reichert (1997) "Stigma may be viewed as the marketplace's reaction to the perception of a problem that will impact value...stigma may be defined as being composed of objective and subjective uncertainty". The extent and duration of the decline in marketability and value relates to the real and perceived risks associated with owning, financing or enjoying the property. Along similar lines, Mundy (1992) states. "An environmental stigma results from perceptions of uncertainty and risk".

On contacting property valuers from around New Zealand in regard to whether there is any precedent set on placing a Marae on General, Residential zoned land. The following was determined:

- Marae are generally placed on rural land.
- If the Marae is in town then it is placed on land that is set aside by the Council as 'Maori Development Land' or placed on 'Maori' land.
- There are some instances where the Marae was developed a very long time ago and the town has grown out to encompass the site.
- There is a proposal before the Hastings City Council for a Marae in Flaxmere, which is being built next to residential land. There is opposition to this proposal from the local council, however the users of the Marae are the immediate residents. This case is going to the Environment Court.

Resource Management Act 1991

The local City Council in deciding whether the facility fits the criteria outlined in the Resource Management Act 1991 must have regard to: Visual amenity, Physical amenity, Traffic, Tangata Whenua.

Visual Amenity

The current development of the proposed site is not homogeneous with the neighbourhood. The front boundary fence has an immediate visual impact as it is constructed of white painted blocks with Manuka timber sticks in between the pillars. The pillars have red painted concrete heads placed on them as decoration. The buildings have painted concrete decorations over the entranceways. The purchasing of residential property usually has a high emotional, subjective component attached to it. The first impression has a large bearing on the monetary value to a potential purchaser.

Home ownership has been inbred into the psyche of most New Zealanders, with 73% of adults owning their home as opposed to renting. New Zealanders therefore have a strong sense of pride in their home and also have the majority of their assets tied up in the family home. The amenity value of the neighbourhood is an important component of market value. The Palmerston North District Plan reiterates the importance of maintaining or enhancing the amenity values within the residential zone.

Physical amenity

From the large number of submissions opposing this development, who site a fear of a decline in property values as one of their objections, it can be surmised that the public perception is; that the meeting house / Marae is an unwelcome facility in the immediate community. If market participants perceive a likely reduction in property values then this will influence their purchasing decision. As the basis of residential property valuation is based on the sales comparison approach, the existence of sales based on 'fear' is projected onto neighbouring property values. The term 'market value' is defined as the price on a specified date reached by a willing, fully informed, knowledgeable and not over anxious buyer and seller. If either party is not fully informed and knowledgeable regarding the NIMBY then the selling price cannot be described as market value and should not be used as a comparable sale within the sales comparison approach. This information is very hard for any valuer to determine and therefore will be overlooked in the majority of cases, and as a consequence property values in the vicinity will decline. Stigma or fear relating to property values, is often a perception and subjective, and whether it is logical or grounded in fact, it is not easy to reverse or alleviate. Social benefits from having a Marae are spread throughout the city, however the costs are borne by those living in close proximity, who in this instance are not the ones benefiting from this facility.

Stigma / Fear can be defined as a reduction in the marketability of, and therefore demand for property in the vicinity of the unwanted facility. An article published in the local

newspaper in 1980 relating to the previous Marae proposal in Carter Crescent (application put forward in 1974). This application involved the Maori committee purchasing 3 sections in Carter Crescent, which was at the time comprised predominantly vacant sections. The applicant decided not to go ahead with the proposal and withdrew the application in 1980. According to council records, the 3 sections in question was to be sold to a buyer on the condition that a Marae did not go ahead. The article quotes " *In his tabled report on the matter Mr Apthorp (Town Clerk) said the uncertainty of the Marae has delayed sales (of sections) in stage 3B of the Maxwells Line subdivision. He said this delay has been to a greater extent than would otherwise have been expected for the medium to low-priced sections "even taking into account the general downturn in section sales". This is evidence by the nature of inquiries from would be purchasers and by the fact that of the 10 sections placed on the market in April 1978 only three have been sold. The committee (City Council's Housing Committee) feels that now the uncertainty has been removed section sales will improve, especially with an active promotion of sections by the council in the Carter Crescent area.*

The effects of an unwanted facility can be mitigated against if local communities trust the developer of the facility and gain their confidence. The communities also need to have trust in the local authority that any imposed conditions on the facility will be adhered to. Both the local authority and the applicant have demonstrated to the neighbours and the wider community that they will not abide by, or enforce conditions. Therefore the residents lack confidence in the local authority in enforcing any mitigating conditions imposed on this application.

Historical sales in the area surrounding the site will not indicate any change in market value that is out of line with the rest of Palmerston North, as the event is only now happening. Up until early 1999, residents and potential buyers were assured by media reports and verbally from the Palmerston North City Council that there would be no Marae placed in Maxwells Line. The council has made provision for a Marae under the Future Development Zone, therefore leading residents to believe that a Marae is a non-complying activity in the residential zone. As a consequence market value has not been affected to date.

The potential impact from a development of a Marae is dependant upon whether the development is imposing or not, and serving the immediate community. Marae have generally been placed either, on rural land or been notified in such a manner that potential buyers are aware of the prospect of a Marae being developed on that land. Therefore the market value has adjusted over time, in the anticipation of the Marae development.

Traffic

Adequate parking needs to be provided to avoid 'spill-over' of parking into the street and therefore blocking neighbours access to their properties. The other consideration is access of increased traffic turning into the site. Providing on site parking has alleviated potential traffic problems in this case and Maxwells Line is already a moderately busy road.

Tangata Whenua

There has been opposition to the development by the local tangata whenua who regard the site as sacred. Easy access to the site by public transport is also considered to be a problem, as the majority of visitors to the site will need to use public transport.

Conclusion

Overseas research in conjunction with my own research has shown that an unwanted facility, commonly referred to as a NIMBY, has a decrease in value if the site is not homogeneous with the neighbourhood. The size of the structure and whether it is obtrusive or not, plays an important role in whether communities oppose the development. The public perception or fear of a decrease in property values is difficult to quantify, as it is a subjective matter. If the character of the neighbourhood is to change, or if the facility is unwanted, with no benefit to the immediate neighbourhood, then this will translate into a decrease in property values. An important consideration in any case involving a NIMBY is to determine whether neighbouring property owners have been aware of the proposed development of the structure or facility prior to purchasing. If there was awareness then a discount factor will already be built into the purchase price. If not, then compensation will need to be calculated.

This case study is still before the Environment Court, with both the applicant and local residents objecting. The applicant is objecting on the basis that there should not be any conditions imposed (the local city council imposed time of operation conditions). The residents are objecting to the change of character, noise and amenity values.

References

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Picture of site from the road



Picture of surrounding property



Map of area