

IN THE MATTER of Section 149E of the Resource Management Act 1991

AND

IN THE MATTER of a submission by Tram Lease Limited on the New Zealand Transport Agency's proposed East West Link project, which involves two notices of requirement and applications for 23 resource consents

**STATEMENT OF EVIDENCE OF ANTHONY JAMES CATTON
ON BEHALF OF TRAM LEASE LIMITED**

INTRODUCTION

1. My full name is Anthony James Catton. I hold the position of General Manager Property at Tramco Group Limited ("**Tramco**"). I hold a Bachelor of Business Studies from Massey University and have over 24 years' experience in the property industry. I have been employed by Tramco since August 2016 where I lead a team responsible for acquisition, disposal, development and asset management of privately owned property portfolios. Prior to joining Tramco, I held the position of Property Strategy Manager at Foodstuffs North Island Limited – a senior role responsible for the acquisition, lease negotiation and resource consent processes concerning the development of new supermarkets and the refurbishment of existing supermarkets.
2. Tramco is a New Zealand owned and operated property management and investment company, with over \$1.5 billion in assets across the country. The submitter, Tram Lease Limited ("**TLL**"), is a related company to Tramco. It owns a significant property portfolio based mainly in the upper North Island with a diverse range of site sizes and development scale. This includes large tracts of former railway land around Newmarket as well as a portfolio of commercial and industrial sites across the North Island, which includes the sites at 1-7 Sylvia Park Road and 19-21 Sylvia Park Road. Both sites are

ground leased to tenants and are affected by the NZTA's proposed East West Link project.

3. I am authorised to give this evidence on behalf of TLL in support of its submission to the NZTA's proposed notices of requirements and applications for resource consent to establish the East West Link project.

TLL INTERESTS AT SYLVIA PARK ROAD

1-7 Sylvia Park Road

4. This site is zoned Light Industry in the Auckland Unitary Plan. It is ground leased by Southern Capital who subleases parts of the site to Hirepool and VTNZ. NZTA has proposed to designate and construct the East West Link project over the entirety of TLL's property at 1-7 Sylvia Park Road. If the East West Link is confirmed, there appears to be no practicable way of constructing the project without requiring the entirety of the site, and therefore I do not address this property any further.

19-21 Sylvia Park Road

5. 19-21 Sylvia Park Road ("**Stratex site**") is also zoned Light Industry in the Auckland Unitary Plan. It is ground leased to Stratex Group Limited ("**Stratex**"), which sub leases parts of the site to Z Energy and Central Landscape Garden Supplies and owns its building improvements.
6. The Stratex site has to date been considered an attractive long term investment by TLL because it comprises over 2 hectares of centrally located industrial land, with excellent access to the Southern Motorway and good exposure due to its corner position on Great South Road. However, the East West Link project has the potential to significantly impact the long term attractiveness of the Stratex site.
7. NZTA proposes to designate only part of the Stratex site for construction and operation of the East West Link project, although there will be significant impacts upon access to and from the site as a result of the project. Stratex has lodged a separate submission on the East West Link, which raises concerns regarding the impact of the proposal on its industrial operations on the Stratex site.
8. The proposed designation area has been the subject of a number of iterative changes as a result of attempts by NZTA to address Stratex's concerns by reducing the amount of land required. However, notwithstanding the reduction in overall area required, it is clear that the designation will result in the loss of a significant amount of land, and the creation

of an oddly wedge-shaped piece of residue land, with most of the property's carparking and hard-stand areas having been subsumed within the designation footprint.

ENGAGEMENT WITH NZTA – CHANGES TO PROPOSAL

9. TLL was originally advised by NZTA that any changes to Sylvia Park Road, and particularly the intersection with Great South Road, would be “at grade” (see email and plan from NZTA dated 16 June 2016 attached as **Attachment 1**). It was not until shortly before submissions were due to be lodged that TLL discovered that NZTA had amended its design for the Great South Road / Sylvia Park Road intersection to provide for grade separation, which resulted in a significantly compromised access arrangement.
10. When TLL's submission to the East West Project was lodged, TLL understood that NZTA was proposing to take 7,254 m² of the 21,858m² Stratex site. The traffic reporting suggested that the Stratex site would maintain its main entrance, but as a left-in / left-out arrangement only. The existing secondary access would be maintained only for “occasional” use, or by emergency vehicles, again on a left-in / left-out basis. Other entrances currently enjoyed by the parts of the site occupied by Central Landscape Supplies and Z Energy would be removed. The significant area of land proposed to be taken, its potential effects on the functionality of the site for both the existing tenant and potential future tenants, and the significant constraints on access to and from the site came as a surprise given our previous understanding, and was of real concern to TLL.
11. Shortly before lodging TLL's submission, we learned from our tenant that NZTA had approached Stratex, and was proposing that a third left-in / left-out access might also be established at the eastern end of the site to assist with truck circulation. However, in our view, this remained a significantly compromised arrangement that did little to mitigate the effects of particular concern to TLL. Accordingly, TLL lodged its submission in opposition to the project.
12. To obtain clarity on the proposed access arrangements to the Stratex site, we initiated a meeting with NZTA on 19 April 2017, which was attended by TLL personnel, legal representatives and its consultant traffic engineer, Mr Burgess. NZTA provided a high-level overview of their latest proposal but were unable to provide the required detail to fully assess the traffic impacts on the site. It was agreed NZTA would provide further information regarding the extent to which the footprint of the designation might be reduced, the operation of the accesses to the Stratex site and the feasibility of the proposed U-turn facilities on Sylvia Park Road.

13. TLL and Mr Burgess still had significant concerns about the safety and efficiency of access to and from the site given the changed traffic environment as a result of the project, and particularly in respect of the operation of “U-turn” facilities under the elevated East West Link carriageway for traffic using Sylvia Park Road. These concerns are addressed more fully in Mr Burgess’s evidence.
14. Another meeting was scheduled for 27 April 2017 for NZTA to present the information referred to above. At that meeting, Mr Nancikivell of NZTA confirmed that the designation footprint could be slightly reduced. NZTA also confirmed its view that the accesses and U-turn facilities could operate safely, albeit detailed design would need to be subject of further safety audit processes once the designation had been confirmed, and further restrictions may therefore be required outside of this process. Mr Burgess on behalf of TLL confirmed that he considered there were significant safety concerns in relation to all access points to the Stratex site and in respect of the U-turn facilities. I have read Mr Burgess’s evidence and understand Mr Burgess still holds these concerns. We confirmed with NZTA representatives that TLL would need to prepare evidence on that basis. We asked if a finalised plan showing the land areas required by NZTA from TLL could be provided to assist with evidence preparation. That was provided on 1 May 2017. I have included a copy of the plan provided to TLL as **Attachment 2**.
15. TLL wishes to take this opportunity to express its concern regarding the lack of clarity from NZTA regarding the scope of its designation and the proposed means of addressing the adverse effects that will be generated. As mentioned above, it was only shortly before our submission was filed on 22 March 2017 that TLL discovered that NZTA had already engaged directly with the tenant Stratex and was well underway with discussions concerning the site and Stratex’s ongoing tenure. While TLL appreciated the opportunity to meet with NZTA representatives after lodging its submission to the proposal, the information provided by NZTA has remained unclear and subject to change.

IMPLICATIONS OF PROJECT FOR TLL AND LONG TERM USE OF SITE

Implications if the Stratex operation is no longer feasible

16. As the land owner, TLL is concerned about the East West Link project effects in two ways – its impact on our tenant, Stratex; and the effects on the residual site.
17. TLL is concerned that the effects of the proposal on the Stratex operations will be so significant that Stratex will need to vacate the premises. Those concerns are reinforced

by the range and severity of effects identified by Stratex's consultants in their evidence to the panel.

18. Stratex has been a long term tenant of TLL and their investment in the improvements on the site is significant. The improvements are unique to the Stratex manufacturing business and are fully integrated into the building, including foundations to the basalt underground. Part of the floor slab has been removed to allow plant and equipment to operate in essence "underground".
19. If Stratex was unable to continue operating from the site, these tenant improvements would have no residual value to TLL or a future tenant. As a result, TLL would almost certainly require that the improvements were removed from the site at termination of the ground lease.
20. I consider that a vacant Stratex site with a severely reduced land area, an odd shape to the residual land (which would impact on the feasibility of developing the land), elevated roadways along both the northern and western boundaries, left in and left out access only to and from Sylvia Park Rd and very compromised connections to the Southern Motorway (whether relying on U-turns on Sylvia Park Road or a lengthy detour along Vestey Drive) would have little market interest as a ground lease or premises lease. Those factors would impact severely on the level of rent achievable and the range, intensity and efficiency of productive activities to which the land could be put, even if a tenant was able to be found.
21. With the existing rail line at the rear, and the grade difference to Great South Road to the west of the building (and the proximity of that frontage to the signalised intersection with Sylvia Park Road), access to the site is only available from Sylvia Park Road. The restrictions on access as a result of the East West Link, and in particular whether and how access might be achieved across Sylvia Park Road remains unclear. However, from the information provided to TLL and Mr Burgess to date, we consider that the safety of access to and from the site may be compromised. It is TLL's view that restrictions on access to the site would be a significant consideration for any potential tenant should TLL have to re-lease the site, as the ability and ease of egress and ingress into the site will directly affect what the site can reasonably be used for.
22. The site currently benefits from being on the corner of Great South Road and Sylvia Park Road and having some 398 metres of Sylvia Park Road frontage. The exposure of a site is considered by potential tenants, as well as lessors, as valuable. The proposal sees

Sylvia Park Road, as well as the East West Link proper, elevated above the site. This will necessarily, and dramatically, reduce the exposure enjoyed by the site and further restrict the ability to re-lease the property in the event Stratex is unable to remain. It is also relevant that the roading structures proposed to the north and west of the Stratex site will create dominance and potentially additional noise effects from traffic on both Sylvia Park Road and the East West Link. Additional traffic will also have adverse effects on local air quality. All of these effects will affect the ongoing attractiveness of the site.

23. The shape of the property as a result of the NZTA proposal will also limit the desirability of the property for any new tenant as parts of the sites are rendered almost unusable due to resulting narrow site widths of approximately 10-15 meters at the eastern end.

If Stratex is able to be accommodated on the site

24. Notwithstanding the level of investment and development that Stratex has already undertaken in relation to the site, even if Stratex confirms that it is able to stay on the site during construction and following completion of the project, it is TLL's view that the site will remain significantly compromised for Stratex's future use:
 - (a) The existing lease between Stratex and TLL provides a possible future tenure of 32 years. This time frame in most circumstances allows a tenant the opportunity to expand or redevelop the business. However the reduction in the area of the site caused by the designation and the unusual and awkward shape of the remaining vacant land dramatically reduces, if not limits completely, the future development potential of the site and the existing business on the site.
 - (b) As Mr Devlin of Stratex discusses in his statement of evidence, Stratex's long term redevelopment aspirations appear to be compromised by the project even with their best efforts to find a sustainable redevelopment scenario for the site with a confirmed East West Link designation.
 - (c) In the circumstances, TLL is concerned that Stratex will ultimately choose not to exercise its rights of renewal and that, as a consequence, its business will not be maintained on the site for the full length of the future lease. If that occurs, TLL will face the same difficulties then that it would face now if Stratex were to leave the premises at this stage.
25. The evidence on behalf of Stratex raises a range of issues of concern to it. There is, however, an additional operational issue that TLL considers will face Stratex if it does

continue to operate on the site but which is not addressed in Stratex's technical evidence. We understand that a key driver of the Stratex business is that their deliveries are met on time. My understanding is that there are approximately 100 truck movements in and out of the site each week (i.e.: an average of 20 truck movements per day if they all occur during the working week). It is TLL's view, based on the advice of the traffic engineer, that the proposed access routes and limitations associated with the development of the East West Link will have a significant impact on the efficiency of truck movements each week.

26. If the factors discussed in this evidence ultimately result in Stratex departing the site, the characteristics of the remaining land will severely limit the market for potential tenants and will suppress the rental that can be obtained if a tenant can be found. In summary, TLL's concern is that the adverse effects of the proposal on the site are so significant that it will not be able to be used efficiently for the range of activities that are provided for in the relevant zone and will, in effect, become a residual site for low intensity activities.

CONCLUSIONS

27. The East West Link has significant implications for TLL as ground lessor of the Stratex site. Despite NZTA's attempts to reduce the area of land required, and to accommodate continued occupation by Stratex, it is clear to NZTA that:
 - (a) Stratex's long term aspirations for their business are unlikely to be able to be accommodated on the site, even if they are able to continue in occupation in the medium term. Continued occupation will be on a compromised basis as described in Stratex's own evidence, and there are significant concerns regarding safety of traffic movements to and from the site as described by Mr Burgess.
 - (b) When Stratex does vacate the site, the effects on convenient access to and from the site, odd shape of the residue land and loss of exposure of the site mean that TLL will find it difficult or impossible to find a replacement tenant.
28. In light of all of the above, and in the absence of a significant redesign of the East West Link project to avoid the effects referred to, TLL considers that NZTA should designate and acquire the Stratex site in its entirety.

Anthony James Catton

22 May 2017

ATTACHMENT 1 – CORRESPONDENCE WITH NZTA

From: Paul Gunn
Sent: Thursday, 16 June 2016 1:56 PM
To: Angela Bull <angela@tramco.co.nz>
Subject: Fwd: East West Link

Sent from my iPhone

Begin forwarded message:

From: "Scott Wickman" <Scott.Wickman@eastwestlink.co.nz>
To: "Paul Gunn" <paulgunn@tramco.co.nz>
Cc: "Sarah MacCormick" <Sarah.MacCormick@eastwestlink.co.nz>
Subject: East West Link

Good afternoon Paul,

I realise I'm a bit delayed in getting back to you with the agreed actions from our last discussion – please accept my apologies for this. As discussed, please find attached an A3 size diagram showing the proposed EWL alignment as it relates to Sylvia Park Rd – please note that this may differ from the map you receive enclosed with your letter. Also, the following are the key dates for our upcoming engagement programme:

20 June – potentially affected property owners notified (via door-knocking, phone calls, email, and letters)
24 June – press release announcing engagement period
15 July – engagement period closes

Between the 24th of June and 15th of July, we will be meeting with property owners, stakeholders, and general public via a variety of avenues, including public open days, drop in sessions, targeted workshops, and individual meetings with interested property owners and stakeholders.

Can you please confirm to whom you would like the letter to Tram Lease Limited addressed?

Further to our discussion, I am advised that as Stratex and Southern Capital Ltd are both registered leaseholders, we are required to send a separate letter directly to them advising each of the proposed activity. As a courtesy, I am letting you know ahead of time so that you can appropriately plan for this event.

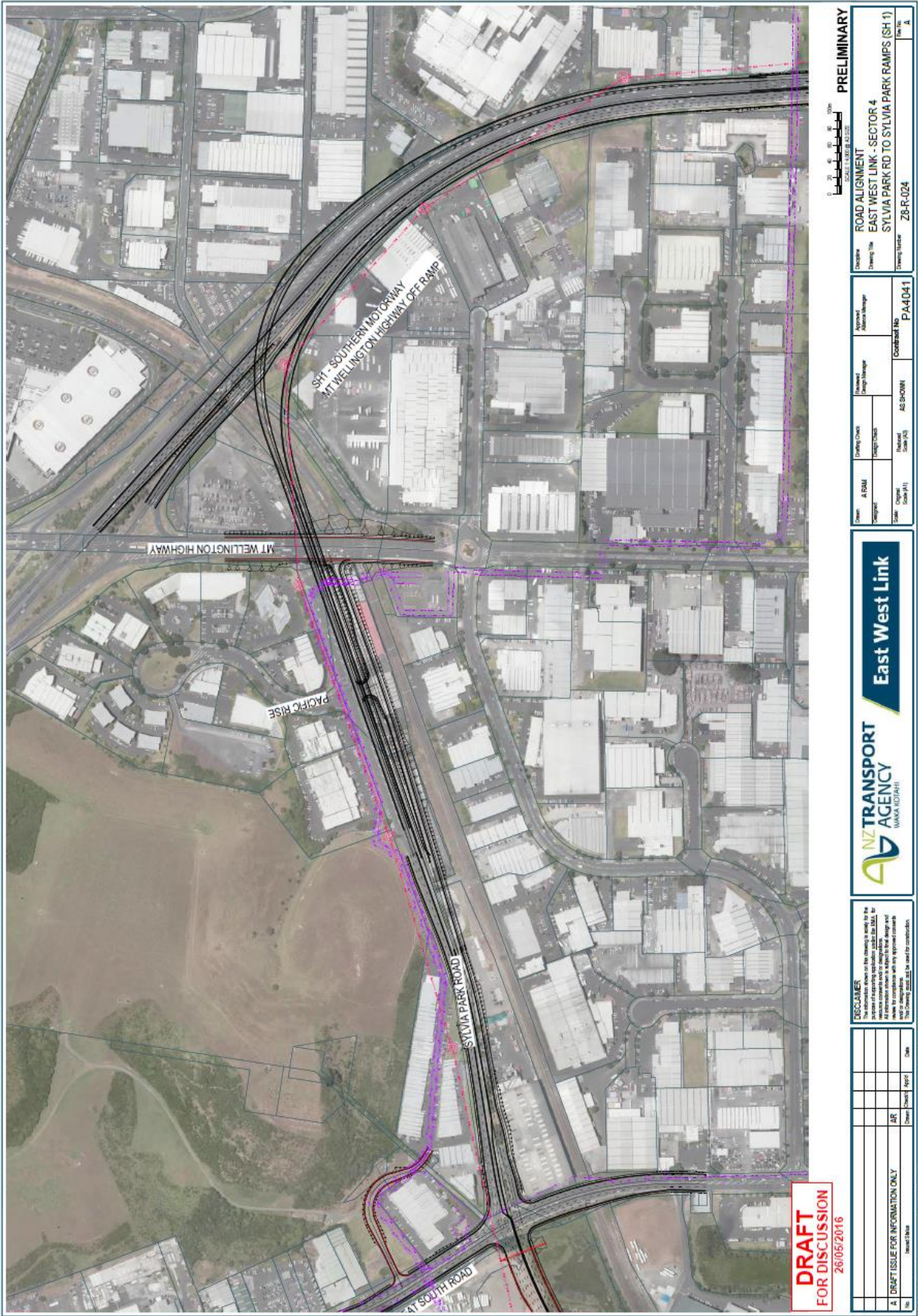
Please let me know if you have any questions

Regards

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nzta.govt.nz/east-west <http://scanmail.trustwave.com/?c=2838&d=iL671INXsb_PXYd-->

[Email attachment]



ATTACHMENT 2 – PROPOSED LAND TAKE 19-21 SYLVIA PARK ROAD

