

## Chapter 6 KDCC DP Working Environment – Economic Summary

- Over the next 17 years economic activity in the Kapiti District is expected to increase at a rate materially higher than that forecast at a national level. The accommodation of this growth within the District in appropriate locations is important in developing a sustainable and competitive economic environment that provides for the community's economic well-being.
- A clear objective of the Kapiti PDP (objectives 2.3, 2.16,2.17) is the management and consolidation of commercial and retail activity into centres. The economic objectives associated with this are both market and non-market driven.
- It is clear from typical market responses to location decisions nationally and internationally that individual business locational decisions do not uniformly consider the potential impact of their decisions on the community as a whole and the potential economic costs associated with them. While it is important that the market is afforded some degree of flexibility it is also equally important that there is a level of certainty around both private and public investment decisions.
- Aside from the certainty conferred upon the market the consolidation of activity within centres is likely to result in additional economic benefits that are not routinely considered in business locational decisions (positive externalities) including:
  - Improved centre amenity, social value, vitality and vibrancy
  - Agglomeration benefits associated with spillover gains
  - Community/Social infrastructure efficiency gains (lower marginal costs, reduced duplication risk, increased returns)
  - Transportation efficiencies
  - Land efficiencies
  - Reduced infrastructure costs
- The context of the Kapiti District economy and composition play a central role in the level of the likely economic benefits achieved through the centres based consolidation of business activity. While infrastructure is inherently based on capacity and the ability to service a given market efficiently it is unlikely that the existing Kapiti market will result in the 'crowding out' of these economic benefits. Additionally, the differential between dispersed business activity and centralized activity within Kapiti is likely to result in millions of dollars per annum resulting from agglomeration benefits.
- Intervention into the market is likely to have an impact on the flexibility of the market and potentially result in some economic costs. These may include:
  - The retention or increase in the price of business land. This is most likely to occur if the identified business areas do not provide for sufficient capacity

through the life of PDP. Earlier reports presented by Property Economics would suggest this is an unlikely risk.

- Congestion leading to crowding out of some benefits. As identified earlier this is highly unlikely in the Kapiti context.
- Potential exclusion of some development models. While the ability for some retailers or commercial activities to locate on industrial land, for example, provides cheaper alternatives for some businesses the economic costs associated with the community often far outweigh the benefits to the individual businesses.
- Increased transaction costs. The regulation of activity comes at a direct cost of that regulation. These costs are generally time constrained while the economic benefits associated with appropriately located business activity are enduring.
- In light of the potential losses to the community of allowing continued decentralisation in this environment, and the likely risks to the economy of proposed commercial changes are limited, it is prudent to assume a proactive stance on this issue. There is an important balance to be maintained between protecting community benefits and potentially stifling positive market growth.