

BEFORE THE KAPITI COAST DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER the Proposed Kapiti District Plan 2012

**STATEMENT OF ECONOMIC AND PROPERTY MARKET EVIDENCE
OF ADAM JEFFREY THOMPSON
ON BEHALF OF PROGRESSIVE ENTERPRISES LIMITED
(Submitter No. 255)
Dated: 29 August 2016**

INTRODUCTION

1. My full name is Adam Jeffrey Thompson. For the past 15 years I have provided consulting services in the fields of urban economics, property market analysis and property development advisory. For the past 13 years I have owned and managed two consulting firms that have provided services in these fields. I am presently the director of Urban Economics Limited.
2. I have a Bachelor of Resource Studies from Lincoln University (1998), a Master of Planning from Auckland University (2000) and a Dissertation in Urban Economics from the London School of Economics (2014). I have studied urban economics at Auckland University and environmental economics at Lincoln University.
3. I have undertaken approximately 200 economic assessments of proposed commercial and residential developments. For private sector clients I have prepared assessments of market demand for approximately 150 new commercial and residential developments.
4. I have read the Environment Court's Code of Conduct and agree to comply with it. My qualifications as an expert are set out above. I confirm that the issues addressed in this statement of evidence are within my area of expertise.
5. The data, information, facts and assumptions I have considered in forming my opinions are set out in the part of the evidence in which I express my opinions. I have not omitted to consider material facts known to me that might alter or detract from the opinions I have expressed.

THE SUBMISSION

6. Progressive Enterprises Limited is seeking a number of amendments to the provisions for Supermarkets in the Proposed Kapiti Coast District Plan (the "PKCDP"). My evidence provides a specific evaluation of the economic costs and benefits of a Discretionary activity status for supermarkets in the Industrial zone and the Outer Business Centre zone (the "submission").

SCOPE OF EVIDENCE

7. My evidence covers the following:
 - (i) An analysis of the supply and demand for commercial and industrial land in Kapiti.
 - (ii) An evaluation of the site and locational requirements for Supermarkets.

- (iii) An evaluation of the economic approach to retail land-use regulation, including a review of the background Section 32 reports prepared by Property Economics Ltd and Urbanism Plan Ltd.
- (iv) An evaluation of the proposal in respect of the relevant objectives, policies and rules in the PKCDP.

SUMMARY OF EVIDENCE

8. The Kapiti Coast retail market is in strong commercial condition, with a vacancy of only 5,500m² or 5.7%. All vacancies except one are small specialty stores. This vacancy rate is at a normal level, however may in part be due to the structural shift from smaller specialty stores to large format retail stores that has occurred in New Zealand since the early 1990's with the first Warehouse store. I note the exception of supermarkets which started several decades earlier.
9. The retail market is forecast to achieve strong growth over the life of the PKCDP, with Council's estimates indicating an additional 30,000m² of new retail construction will occur by 2031. In addition, strong growth in a wide range of other commercial buildings, for example for office and medical buildings, is also forecast.
10. Council's research has found that the only vacant commercial land under the PKCDP will be in the Paraparaumu Town Centre, and namely in the area of its planned expansion. The structure plan includes provision for 5 hectares of additional retail land and 10 hectares of additional commercial services land, meaning that there is a total of 15 hectares of vacant commercial land provided in Kapiti under the PKCDP.
11. Council's research has indicated that there will be demand growth for approximately 30 hectares of commercial land over the period ending 2031. Given the quantity of vacant commercial land under the PKCDP (15 hectares) this indicates that there would be a shortfall of approximately 15 hectares.
12. Mr Tim Heath has advised the Council on the economics of retail distribution. In his various reports, Mr Heath does not specifically address the distribution of supermarkets, rather addresses the distribution of retail in general. However, Mr Heath has however provided detailed evidence on the distribution of supermarkets in evidence for other localities across New Zealand, and his views can be paraphrased as follows:
 - 1) Supermarkets are a unique because they are both "large format" and a convenience retail offer that services a localised market area,

- 2) Supermarkets face significant challenges in finding suitable sites due to their large foot print, at grade layout, and the proximity of competing stores of the same and other brands,
 - 3) Supermarkets should be allowed in out-of-centre locations if applications are assessed on their merits, as a Discretionary activity. A supermarket should be approved in an out-of-centre location if it is unlikely to undermine the role, function and viability of the existing centres, and
 - 4) Supermarkets in out-of-centre locations would utilise a relatively small amount of industrial land and are therefore unlikely to undermine the industrial market.
13. I agree with the majority of Mr Heath's evaluation and his recommended approach to the distribution of supermarkets. I believe that his approach is consistent with the "centres-based" approach as it would primarily support centres, however would also provide sufficient flexibility for an application to be tested on its merits when needed.
14. I have reviewed the objectives, policies and rules of the PKCDP and conclude that the above approach to supermarket distribution is not inconsistent with them.
15. In my opinion, an important distinction should be made for supermarkets, because unlike other large format retail stores, they are a convenience retail offer, and therefore need to be located in specific localities to be convenient for residents.
16. In my opinion Progressive's submission would provide a range of economic benefits, most notably convenient access to supermarkets and a competitive market. It is also my opinion that a Discretionary activity status for supermarkets is able to properly evaluate any potential effects on existing centres. In conclusion I support the submission.

SUPPLY AND DEMAND FOR COMMERCIAL FLOORSFACE AND LAND

17. The most recent report completed by Property Economics that analyses the supply and demand for retail floorspace is entitled "Kapiti Coast District Plan Retail Review", dated July 2016. In Table 2 (page 9) of this report, Mr Heath concludes:
- Demand for retail floorspace of 101,200m² in 2015.
 - A supply of retail floorspace of 96,100m² in 2015.
 - Additional supply (capacity) of 10,000m² at the Airport in 2015.
 - An estimate that demand exceeds supply by 5,100m² in 2015.

- If future potential supply at the Airport is accounted for (of 10,000m²) that supply would exceed demand by 4,900m² in 2015.
 - An estimate that between 2015 and 2028, the approximate lifespan of the District Plan, that there would be demand growth for an additional 30,000m² of retail floor space. If the additional capacity at the airport (of 10,000m²) is accounted for, then there is demand for an additional 20,000m² of retail floorspace in the District by 2028.
18. In Table 1 of this report, Mr Heath estimates that there is 5,500m² of vacant retail floorspace in Kapiti, out of a total of 96,100m² of floorspace. This equates to a vacancy rate of 5.7% which is a normal vacancy rate, and confirms that the District does not have any excess supply of retail space which may cause adverse economic effects.
 19. I have reviewed Mr Heath's demand forecasts and confirm they are approximately consistent with my estimates.
 20. Based on these estimates of supply, demand and vacancy, I conclude that the District presently has a strong retail market, and that over the life of the PKCDP the District will continue to have a strong retail market, particularly given the low vacancy rate and forecast construction of 30,000m² of retail floorspace.
 21. In addition to capacity estimated by Mr Heath at the Airport, of 10,000m² of retail space, there allocation within the Town Centre for an additional 10,000m² of retail floorspace¹. In total therefore, the District has potential for an additional 20,000m² of retail floor space.
 22. Based on this estimate of existing capacity (20,000m²) and future demand to 2018 (30,000m²), I conclude that the District will have a shortfall of approximately 10,000m² of retail floorspace over the life of the PKCDP. This indicates a need for flexibility to accommodate additional retail space in the District.
 23. Mr Heath concludes² that the quality of retail in the District is not at a "sustainable productivity level" because of the poor "quality" of the stores, including, for example, the level of store fit-outs and in store service. I am opposed to the use of land use policy, and in particular the quantity of land made available for commercial activity in a District Plan, as a market intervention that has the objective of improving "quality" as defined by Mr Heath. Such an approach would have the net effect of removing the lowest performing retailers from the market, and over time this would stifle innovation

¹ Page 34, Structure Plan for Paraparaumu Town Centre Prepared, Urbanism Plus, October 2012

² Page 11, Kapiti Coast District Plan Retail Review", Property Economics, July 2016

and growth in the retail market, for example it would make it very difficult for new retail start-up businesses to find suitable and affordable premises. This would also reduce employment and economic output in the District.

24. Mr Heath estimates that there is 36.1 hectares of vacant commercial land within the Paraparaumu Town Centre, and that there is no other vacant commercial land in the District³. Based on this, he concludes⁴:

“Little / no market growth of demand for commercial floorspace. Total demand of an additional 30 hectares to 2031 is predicted, with some 36.1ha already available in Paraparaumu. Localised issues as to flexibility of location. All consolidation focal points and local centres overprovided.”

25. Mr Heath also concludes⁵:

“With a 100% (averaged out) density level Kapiti Coast would require just 30 hectares of commercial land to 2031. The current supply of vacant commercial land in the Kapiti District appears to be nearly wholly limited to the Paraparaumu Town Centre area. This is likely to provide Kapiti with an opportunity to create a „denser“ business environment that will improve efficiencies, productivity and the Districts competitiveness.”

- 25.1 Mr Kobus Mentz concludes⁶:

“The amount of land set aside for Commercial Services development within the Structure Plan area (land abutting the proposed Expressway, and areas on Kapiti Road) is approximately 10ha.”

26. I have reviewed Mr Mentz' structure plan⁷ and estimate that land has been allocated for an additional 5 hectares of retail. In total therefore, the structure plan has provision for approximately 15 hectares of retail and commercial land. The balance is set aside for community uses and open space. This is less than half of the amount estimated by Mr Heath (36.1 hectares) and indicates that there may be a significant undersupply of commercial land under the PKCDP, given his estimated demand for 30 hectares over the period to 2031.

27. In my opinion, the Paraparaumu Town Centre cannot be solely relied upon to meet all of the District's future commercial demand growth, as many commercial activities will

³ Page 45, Kapiti Employment Areas Study, Property Economics, October 2011

⁴ Page 76, Kapiti Employment Areas Study, Property Economics, October 2011

⁵ Page 110, Kapiti Employment Areas Study, Property Economics, October 2011

⁶ Page 37, Structure Plan for Paraparaumu Town Centre, October 2012, Urbanism Plus

⁷ Page 13, Structure Plan for Paraparaumu Town Centre, October 2012, Urbanism Plus

require other locations, particularly within various sub-catchments, and other types of premises that may not be available in this centre. Given that there will be demand for additional commercial space outside the Paraparaumu Town Centre, and that there is no commercial vacant land in other centres, it is necessary in my opinion that the District Plan anticipates this shortfall and includes provision to evaluate the effects of such development.

28. Appendix 1 provides the results of an analysis of the supply of centre-zone land under the PKCDP. The main finding from this analysis is that there is approximately 33.9 hectares of land with moderate - high redevelopment potential, including the 15 hectares within the Paraparaumu Structure Plan area. Based on Council's forecast demand of approximately 30 hectares, and given the practical constraints for redevelopment outlined in Appendix 1, I conclude that the commercial market is likely to be under-supplied under the provisions of the PKCDP.

SITE AND LOCATIONAL REQUIREMENTS FOR SUPERMARKETS

29. The development of a supermarket within a centre often faces the challenge of finding a site that meets the following key criteria:
- **Commercially feasible price:** All businesses have a limit in terms of the rent (or price) they pay for premises, including supermarkets.
 - **Sufficient size:** For a medium to large modern supermarket a site of at least 1.0 hectare is required.
 - **Access:** Supermarkets are a convenience retail business and require sites that are accessible to a market, both in terms of site access and location.
30. In addition, there are several other criteria that are necessary for a site to be suitable for a supermarket development. As general context, I note that these "functional requirements of supermarkets" have recently been recognised in the appeals version of the Proposed Hamilton District Plan. They have been identified as follows:
- **Store profile/visibility** that is easily identifiable when viewed from the street and surrounding area.
 - **The provision of appropriate customer car parking**, which is clearly visible and accessible to motorists approaching the store from the local roading network and to customers on site.
 - **Adequate and accessible servicing area** that are preferably separated from customer vehicle traffic and pedestrian movements.

31. These requirements are important to consider when assessing the suitability of a site for a supermarket development, and highlight the need for a range of site and location opportunities for supermarkets.

THE ECONOMIC VALUE OF CENTRES

32. Mr Phil Osborne has prepared a report entitled “Kapiti Coast District Economic Value of Centres”, dated August 2016. In his report, Mr Osborne concludes that there are agglomeration benefits from regulating to location of commercial activity strictly to the centre zones. The academic literature is however not conclusive on this topic, and finds that agglomeration economies are only evident at the city-wide level, and are not evident at the centre-level for smaller towns such as those in Kapiti.
33. I do not intend to go through the detail of the academic literature on agglomeration economies. A practical matter that I would highlight however is that it is not possible to assume that every site within a centre zone results in a net economic benefit when it has a commercial use, and conversely that every site within an industrial zone (or Outer Business Centre zone in the case of Kapiti) results in a net economic cost when it has a commercial use. This is because it is not possible to anticipate and evaluate every possible future need of every business, in respect of its site and location requirements.
34. I would highlight that the only vacant commercial land under the PKCDP is in the Paraparaumu Town Centre, and it is unlikely that all of the future needs of commercial firms can be met in this single location.

LAND USE REGULATION FOR RETAIL AND SUPERMARKET DISTRIBUTION

35. It is conventional for retail activity in non-centre zones to be a Discretionary Activity, in broad terms subject to whether there is sufficient capacity in the centre-zones or/and whether there are any adverse effects on the economic performance of existing centres.
36. This principle has been established by a group of economists that often advise local authorities on the retail land use. Namely, the following was agreed recently by an expert group that advised on the Proposed Auckland Unitary Plan:

*“Further capacity for retail development may be required as a last option (where the role and function of centres would not be undermined) in other locations that cannot be met in preferred alternatives. **This should be accommodated only as a discretionary activity so that a full assessment of the effects to determine the appropriateness of the activity can be undertaken.**”*

(page 17, Expert Conference Joint Statement for hearing topics 051-054 Centre Zones, Business Park and Industries zones, Business Activities and Business Controls On Matters relating to the Identification of Locations for Further Future Retail Development Date: 29 July 2015, emphasis added)

37. This approach was agreed by the following experts:
- Greg Akehurst, ME Spatial Ltd
 - Douglas Fairgray, ME Spatial Ltd
 - Susan Fairgray, Auckland Council Ltd
 - Tim Heath, Property Economics Ltd
 - Robert Philpott, McDermott Miller Ltd
 - Mark Tansley, Market Place Ltd
 - Adam Thompson, Urban Economics Ltd
38. In my opinion, this is the optimal economic approach to retail land use planning because it focuses retail activity in centres, as a first priority, however supports retail in non-centre locations as a Discretionary activity.
39. The assessment criteria should, in my opinion, include an evaluation of whether there is capacity in centres, including consideration of whether any potential sites have suitable characteristics for the retail store, and an evaluation of whether there would be any adverse effects on the commercial performance, and subsequent economic performance, of any existing or planned centre.
40. The Hamilton City Plan outlines a set of assessment criteria that provide an example of how the economic effects of retail in non-centre locations are evaluated. The following evaluation criteria are identified as part of Appendix 1: District Plan Administration, 1.2.2.19 Centre Assessment Report.

“The information shall include:

- i. A summary of the methodology and data sources used to prepare the assessment.*
- ii. The following comparative indicators on the current vitality, functions and amenity of the Central City and sub-regional centres for the activity and a summary analysis of discernible trends:*
 - *Retail expenditure patterns*
 - *Floorspace and activity mix*
 - *Employment by type*
 - *Pedestrian environment and flows*

- *Parking and public transport services and connections*
 - *Retail and office demand and supply, including vacancy levels.*
- iii. *The existing and consented development located outside of the Central City and/or sub regional centres, which has been taken into account when assessing the potential adverse effects of the development.*
- iv. *Any external non-development factors such as macroeconomic trends or site specific factors that could influence the above indicators*
- v. *Information should be included to demonstrate the appropriateness of the timeframes used to demonstrate trends and future predictions.”*
41. In my opinion the Hamilton City Plan’s “Centre Assessment Report” criteria provide a good example of how the economic effects of the retail activity outside centre zones can be properly evaluated on a case by case basis.

Land use regulation for supermarket distribution

42. Mr Heath has not specifically addressed the issue of supermarkets operating on non-centre zone land as part of his background research for the PKCDP. However, he has recently provided a detailed evaluation of this as part of the Hamilton City and Auckland City District Plan reviews.
43. In respect of the Hamilton City District Plan review, Mr Heath concluded:

*“National Trading Company and Progressive’s seek provisions that enable supermarkets to have greater flexibility in their future location options, particularly within Industrial Zones. The rules within the proposed Plan have been designed to encourage supermarkets to locate within centres (existing or new), **whilst if that proves not possible then appropriate tests applied to ensure any out of centre location is unlikely to undermine the role, function and viability of the centre network, or in other words not generate significant adverse retail distribution effects on a centre in a RMA context.** This balanced approach is considered appropriate and in my view provides a pragmatic pathway forward for both Council and supermarket developers / operators.” (paragraph 133, Evidence in Chief of Timothy James Heath on Behalf of Hamilton City Council, Retail Economics, 9 October 2013, emphasis added).*

44. The Proposed Hamilton District Plan includes the following provision in respect of supermarkets operating in industrial land:

“Whether and to what extent the proposed Supermarket activity in the Industrial, Business 1 or 4 zones:

a) Avoids adverse effects on the vitality, function and amenity of the Central City and sub-regional centres that go beyond those effects ordinarily associated with competition on trade competitors.

b) Avoids the inefficient use of existing physical resources and promotes a compact urban form.

c) Promotes the efficient use of existing and planned public and private investment in infrastructure.

d) Is located within a catchment where suitable land is not available within the business centres.

e) Reinforces the primacy of the Central City and does not undermine the role and function of other centres within the business hierarchy where they are within the same catchment as the proposed supermarket. (Proposed District Plan, 1.3 Assessment Criteria H, Functionality, Vitality and Amenity of Centres, emphasis added).

45. With regard to the Auckland City District Plan review, Mr Heath provided a more detailed evaluation and policy recommendation⁸, and concluded:

“In this statement I will focus on the specific categorisation of supermarket activity within the Light Industrial zone as a Non-Complying activity. While very specific in its focus, this has very important implications for supermarket operators and developers, and by default the community given their heavy reliance and high frequency use of supermarkets in the community’s fundamental daily and weekly grocery requirements.” (paragraph 3.2)

*“One of the grounds raised in opposition to the proposal to provide for supermarkets in the Light Industrial zone is that doing so **will put pressure***

⁸ Statement of Evidence of Timothy James Heath Retail Economics (Supermarkets) 14 August 2015, emphasis added.

on a scarce resource, namely the supply of industrially zoned land. I do not consider that to be a risk in practice.” (paragraph 5.1)

“Supermarkets are convenience oriented store types albeit operating from a large footprint store due to the breadth of the product range offered to consumers and the efficiency generated through delivering products and services to the market through comparatively large scaled stores.” (paragraph 6.1)

“Being a convenience store there are a high number of largely homogenous stores of this type dispersed right throughout Auckland. In effect supermarkets predominately service the localised market in which they are sited.” (paragraph 6.2)

“Supermarkets also can comfortably exist in non-centre locations where they are economically and socially beneficial for the community. This is typically in locations where securing relevant land holdings is problematic or not possible so, instead of not offering a community a supermarket provision at all, an alternative non-centre location affords the community the economic wellbeing, social amenity and access equivalent to other communities in Auckland. Typically, such supermarkets have required resource consent and the assessment involved consideration of effects on nearby commercial centres.” (paragraph 6.6)

“In my view supermarkets can and should be treated differently to other non-convenience LFR store types (e.g. department, furniture and electrical stores) in respect of planning provisions in the PAUP. This matter is addressed in the Joint Planning Statement and in the evidence of Angela Bull for NTC and I support the analysis and conclusions in those statements.” (paragraph 6.7)

“Supermarkets represent a fundamental local convenience retail offering for the market. This is shown by the current number and distribution of supermarkets across Auckland. They are brands that have one of the largest nominal retail store counts in Auckland to service the market, with well integrated multi-store networks.” (paragraph 6.8)

“With most centres in Auckland already containing a supermarket (or more than one in many instances), and the number of new supermarkets required in the future as identified earlier, the challenge for supermarket operators and the PAUP is identifying capacity in the right locations in the future where supermarkets could locate. Given that these store

types are localised convenience stores, the most robust retail modelling in the country would not be able to accurately predict where and when supermarkets will be required at a localised level.” (paragraph 6.9)

“A Discretionary activity status for supermarkets in the Light Industrial zone will provide the Council more than enough ability to turn down any supermarket application made within the zone in the future. Such status allows any supermarket application to be fully tested on its merits in a more balanced way if assessed off a more applicable planning base. In this regard the risk to Council of adopting a Discretionary activity status for supermarkets in the Light Industrial zone is in my opinion considered trifling, particularly when it is highly probable some light industrial zone land may be required to accommodate new supermarket development in the future given Auckland’s tight land supply across most zones.” (paragraph 6.13)

“Supermarkets can be treated as unique large format retail stores given their strong convenience function, high frequency of use and return visits, and large physical store presence (nominally) required in the market compared to other large format store types. The PAUP planning provisions for the Light Industrial zone restrict other retail uses in the zone, ensuring that the establishment of large format clusters around a supermarket is a highly improbable outcome. As such, in effect a new supermarket in the Light Industrial zone would represent stand-alone retail.” (paragraph 6.14)

“Being a large foot print store type, supermarkets have less site flexibility and locational choice compared to most other retailers. They represent some of the largest retail stores in NZ, and as such will increasingly find it difficult to locate in and around centres in Auckland where a multitude of land uses will be competing for the scarce and highly attractive land.” (paragraph 6.16)

“Supermarkets are also typically ‘at grade’ operators, meaning trading from a multi-storey proposition is impractical and inefficient. Other competing land uses (residential, office, commercial services, health facilities, etc.) have more flexibility to be part of a multi-storey development.” (paragraph 6.18)

“What is likely to be driving new supermarket location across Auckland in the future are factors such as the existing store network of the brand, residential location and localised market growth, competitor

locations, brands in the market, existing centre network, availability of sites of sufficient size (or lack of) on land appropriately zoned. The planning provisions alone will not determine a supermarket's location in a high growth / land tight market as commercial market realities and attributes identified above will also constrain the range of possible sites." (paragraph 6.20)

*"A high degree of uncertainty remains at this point in time in the PAUP process as to the location, distribution and intensification of residential activity in Auckland. Given this activity is a major driver of supermarket demand and location, there is simply no way a rigid policy framework can be robustly justified in relation to supermarket activities at this point in time in my opinion. **A flexible framework is required for local convenience oriented supermarkets that would enable applications to be fully assessed on their merits, and this should include the Light Industrial zone given the negligible 'worst case scenario' risk.**" (paragraph 7.1)*

*"**A Discretionary activity status for supermarkets in the Light Industrial zone in my view is a pragmatic and balanced approach** in the PAUP given the uncertainties in the market forecasting, the high level of growth in demand projected (for all property sectors and land uses) and the unyielding strain this will place on centre capacities over the forecast period." (paragraph 7.2)*

46. Mr Heath's evidence in the Hamilton City and Auckland City District Plan reviews can be paraphrased as follows:

- (1) Supermarkets are a unique because they are both "large format" and a convenience retail offer that services a localised market area,
- (2) Supermarkets face significant challenges in finding suitable sites due to their large foot print, at grade layout, and the proximity of competing stores of the same and other brands,
- (3) Supermarkets should be allowed in out-of-centre locations if applications are assessed on their merits, as a Discretionary activity. A supermarket should be approved in an out-of-centre location if it is unlikely to undermine the role, function and viability of the existing centres, and
- (4) Supermarkets in out-of-centre locations would utilise a relatively small amount of industrial land and are therefore unlikely to undermine the industrial market.

47. I agree with the majority of Mr Heath's evaluation and the principles he establishes for the economics for supermarket distribution. I believe that this approach is consistent with the "centres-based" approach as it would primarily support centres, however would also provide sufficient flexibility for an out-of-centre retail application to be tested on its merits if needed.
48. I review the relevant Objectives, Policies and Rules in respect of the proposal as follows.

Proposed District Plan Objectives

49. The PKCDP proposes a relatively inflexible approach in respect of the distribution of supermarkets. The relevant objectives are as follows:

"to maintain a consolidated urban form..." Objective 2.3:

"a variety of living and working environments in a manner which reinforces the function and vitality of centres" Objective 2.3 (b):

"...an adequate supply of housing and areas for business/employment to meet the needs of the districts anticipated population which is provided at a rate and in a manner that can be sustained within the finite carrying capacity of the District." Objective 2.3 (f):

"encouraging business activities in appropriate locations within the District, principally through differentiating and managing various types of business activities both on the basis of the activity, and the potential local and strategic effects of their operation" Objective 2.6(a):

"encouraging commercial consolidation and the co-location of community services and facilities primarily within the Paraparaumu Sub Regional Centre and Town Centres;" Objective 2.6(b):

"To have vibrant, safe and economically viable centres that function as key employment and economic nodes and as a focus for social and community life, as public transport and local service hubs, and as places for living, entertainment and recreation that:

a) provide the primary focus for commercial and community activities within the District;

b) support community cohesion and a sense of place;

c) reinforce a compact, well designed and sustainable district and regional form, through promoting and reinforcing a close proximity and good accessibility between living, business and employment areas.

d) encourage economic, employment opportunities and business activities in a manner which promotes:

i) the Paraparaumu Sub-Regional Centre as the principal commercial, cultural, civic and tourist Centre for Kapiti Coast District, to be developed in a manner that

a. achieves an integrated and compact town centre, linking all Precinct's through a permeable transport environment and a high quality building environment;

b. provides for a broad range of mutually compatible activities and employment opportunities that are integrated with public transport;

c. is supported by opportunities for moderate density residential living; and

d. consolidates commercial and community activities within Precincts 'A' and 'B';

ii) the District's Town Centres at a scale and form that provides the urban focus for the commercial, tourism, education, entertainment, community and civic activities as well as opportunities for medium density residential living, where these meet the needs of the surrounding township community.

iii) the District's local centres to provide for commercial activities, within a residential context, to primarily serve the local convenience, community and commercial needs of the surrounding residential community.

50. In my opinion, the outcome sought in Progressive's submission is consistent with, or not inconsistent with, these objectives. The proposal would support consolidation, and would reinforce the function and vitality of centres, because it would only enable supermarket development as a Discretionary activity which requires the impact on the function and vitality of centres to be evaluated. Mr Heath also appears to support the relief sought, based on his economic principles of supermarket distribution, for example for the Hamilton District Plan review he concluded:

*“The rules within the proposed Plan have been designed to encourage supermarkets to locate within centres (existing or new), **whilst if that proves not possible then appropriate tests applied to ensure any out of centre location is unlikely to undermine the role, function and viability of the centre network, or in other words not generate significant adverse retail distribution effects on a centre in a RMA context.** This balanced approach is considered appropriate and in my view provides a pragmatic pathway forward for both Council and supermarket developers / operators.” (paragraph 133, Evidence in Chief of Timothy James Heath on Behalf of Hamilton City Council, Retail Economics, 9 October 2013, emphasis added).*

Proposed District Plan Policies

51. The PKCDP proposes a set of policies that are relatively inflexible in respect of the distribution of supermarkets. The main themes of the policies, relating to the distribution of commercial activity, are summarised in the following excerpts (emphasis added):

“Policy 6.1 – Consolidation of business activities

*Business activities within the District will be enabled to **create consolidated and convenient business areas** within identified working environments, to:*

- a) meet the economic needs of businesses and provide the community **with convenient access to goods and services**, and opportunities for employment and social interaction;*
- b) ensure an **adequate supply of land** to meet commercial and industrial demands so as to encourage economic growth and development;*
- c) integrate with the provision of strategic and community infrastructure...”*

“Policy 6.2 – Business distribution

The distribution, scale and form of business activities both in terms of the nature of the activity, and the potential local and strategic effects of their operations will be managed in accordance with the following principles:

- a) **retail activity will be primarily focused within the District Centre Zone, Town Centre Zone and Local Centre Zone, and***

otherwise avoided where it will disperse business activity to the detriment of the efficient operation, function, viability and sustainability of the District's centres...

“Policy 6.6 – Retail, commercial and industrial activity not within the working zones

Retail activities located outside of the District Centre Zone, Town Centre and Local Centre Zone; commercial activities located outside of the Working Zones and industrial activities located outside of the Industrial Zone, will be avoided where:

a) it may, either individually or cumulatively, disperse retail and commercial activity to the detriment of the efficient operation, function, viability and sustainability of the district's centres, especially Paraparaumu Sub-Regional Centre Precinct A;

b) the proposed retail activity serves a market beyond the daily convenience needs of the immediate local residential neighbourhood;

c) it is an inefficient use of existing infrastructure;

In determining whether or not retail or commercial activities outside of these areas are appropriate in terms of this policy, particular regard will be given to the following design and amenity considerations:

a) whether or not the activities adversely affect the function, role, viability and vitality of the centres and other working environments;

b) whether or not the activities are an inefficient use of infrastructure;

c) the location, scale and intensity of the proposed activities...

52. In my opinion, the outcome sought in Progressive's submission is consistent with, or not inconsistent with, these policies, for the same reasons outlined in paragraph 50. Policy 6.6 is particularly relevant to supermarkets, where it states “the proposed retail activity serves a market beyond the daily convenience needs of the immediate local residential neighbourhood”. A key concept here is that the most efficient distribution of

supermarkets is a network of supermarkets that are located across a range of specific localities, to reduce the travel time/cost for consumers, and by definition, to increase convenience for these people.

Proposed District Plan Rules

53. The PKCDP proposes a set of rules that are relatively inflexible in respect of the distribution of supermarkets.
54. In the Industrial zone and the Outer Business Centre zone, supermarkets are a Non-Complying activity. This appears to be contrary to Mr Heath's recommendations for evaluating the distribution of supermarkets.
55. In my opinion, the optimal approach is for supermarkets is to have a Discretionary activity status in the Outer Business Centre zone and Industrial zone. I would highlight that under this approach there would be very few sites that are suitable for a supermarket, and it these would generally be limited to sites that are immediately adjacent an arterial road and centrally located to a market area. This is evident in the section on the site and location requirement of supermarkets.
56. With regard to the out-of-centre retail development that has previously occurred in Kapiti, in my opinion this development has not resulted in any adverse consequential economic effects. I base my conclusion on the fact that Kapiti has a "normal" level of retail vacancy, and particularly that this vacancy is almost entirely in the smaller speciality stores, and therefore is likely to reflect the structural shift from smaller speciality to large format retail stores that has occurred nationwide, rather than the distribution of retail in itself. For these reasons, in my opinion a Discretionary activity status for supermarkets in the Outer Business Centre zone and Industrial zone would provide a suitable regulatory approach to evaluate any adverse effects on existing centres.

INDUSTRIAL LAND

57. Property Economics have estimated the demand for 9.7 - 19.6 hectares of industrial land over the period ending 2031.⁹ Property Economics have also estimated that there is 30.1 hectares of vacant industrial land under the PKCDP.¹⁰ This indicates that the quantity of vacant industrial land is in the order of 1.5 – 3.1 times the demand for the period ending 2031.

⁹ Page 102, Kapiti Employment Areas Study, 2011, Property Economics

¹⁰ Page 45, Kapiti Employment Areas Study, 2011, Property Economics

58. Based on Mr Heath's estimates, there appears to be sufficient industrial land under the PKCDP to meet demand for the period out to 2031.
59. If a supermarket was approved to establish on Industrial zone or Outer Business Centre zone land, it would utilise in the order of 1 hectare of land. Given the quantity of vacant land (30.1 hectares), and the forecast demand (9.7 – 19.6 hectares), this degree of utilisation would not result in any significant impact on the industrial market.

CONCLUSION

60. I conclude that Progressive's submission seeking Discretionary status for supermarkets in the Outer Business Centre zone and Industrial zone would result in a net economic benefit. I support the submission.

Adam Thompson

29.08.2016

APPENDIX 1: RESIDUAL LAND VALUE ANALYSIS