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PC29 TOWN CENTRE POLICY REVIEW

SELWYN DISTRICT COUNCIL



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1. INTRODUCTION

Property Economics has been engaged by Selwyn District Council (SDC) to review the proposed Town Centres Policy (Plan Change 29 – (PC29)) to be included in the District Plan, and provide comments and suggested changes / additions to strengthen the proposed Plan Change.

This report provides a ‘high level’ review and does not aim to ‘drill down’ to detailed levels of specificity on exact policy wording at this stage of the process. This review is more a high level appraisal to make sure proposed PC29 can be supported from an economic sense and has an overlay of retail commercial market realities to ensure town centre development and vision is practical from a retail economics perspective and will result in a positive enhancement of the town centre environments within the District.

2. PC29 – PROPOSED TOWN CENTRE POLICY

The first element of proposed PC29 discusses the importance of centres as community focal points and how the quality of public space is an important component of a centre’s success. While the quality of the ‘public realm’ is important, in my view centres are often defined by the success (or otherwise) of the commercial elements of a centre such as retail and other commercial tenants, the built form (i.e. quality of the buildings), and the interface / integration these have with the public realm.

Quality environments are more than simply ‘nice’ public areas. They are created, and a by-product of, a centre being successful across a number of important commercial elements, and it is the integration of these elements that often define a centre and determine its relative success in the community it serves.

For example, a centre with low quality retail stores, attracts fewer shoppers, and therefore generates less retail sales and in turn trades at lower level retail productivities comparatively. A flow-on effect of lower commercial activity is often lower levels of community usage in the public realm of such centres. This leads to less of the community enjoying public spaces as less people are using the centre, and lowers the viability and economic and social benefits of capital investment in the public spaces of that centre as such money is likely to be better spent elsewhere in the District, i.e. where the people are shopping or enjoying public space.

This shows the importance and value of a centre's economic and social function to the community. Economic and social function must go hand-in-hand as they are both people reliant, and as commercial activities generate most visits to a centre (or alternatively is the main reason behind most visits to a centre), and therefore without this economic function the social value of a centre is greatly diminished. As a general rule, the lower a centre's economic / commercial function the lower the centre's social value to the community as less people visiting, less vibrancy, less economic activity generated, etc.

Poor performing centres often not only have poor integration, but are generally limited in their land uses provided. A limited range of land uses and activities, i.e. retail only, limits the opportunities and range of reasons for people to visit the centre, and as a result can only provide a restricted benefit to the community it services. Centres generally need to have a diversity of land uses to be a successful centre and include activities, services and facilities from sectors of commercial, community, religious, social, residential, retail and transport. While it is not essential every centre has elements across all these sectors, as it will depend on the role and function of the centre within the wider centre network of the area, a centre should encompass a diversity of uses across a number of these sectors. The larger the centre's role and function, the more sectors are likely to be represented.

PC29 also discusses the concept that more concentrated centres result in more people shopping longer in a smaller area and therefore encourages consumers to spend more. In my experience there is not a direct correlation between length of time in a centre and average shopper expenditure. Retail expenditure is not directly driven by being a more concentrated centre but by having a wide range of activities and uses (retail, commercial and social). People will stay longer and spend more if they have the opportunity and desire to do so. For this to occur there needs to be a multitude of reasons to stay and shop, and a good quality environment (in respect of offer, built form and public realm).

Public spaces are important to centres and tend to work better and experience increased centre usage if there are 'people oriented' commercial activities integrated around their fringes. However, while providing these 'people oriented spaces' is important, it does not necessarily translate into commercial advantages. It is generally a by-product of having commercial activity already available in a centre. Typically public space is more well utilised when supported by commercial activities, e.g. restaurants around the outside of a

town square. This is common practise in many European civic spaces and shows how a strong integration of 'people activities' and public space can increase commercial activity, usage and sense of place for the community, and often 'sets the scene' for the centre / city as a whole.

Good community space needs to be located where people will use it, or closely linked to commercial areas where people unwittingly know they are using it which adds to the social value of the space and other users of the space. There is no point in locating a space for people-watching where there are no people to watch, however, in my opinion, many public spaces developed in NZ centres have unfortunately been quite good at this with little consideration to people (i.e. who will use it, when will they use it, how will they use it), with often little to no integration with the centre's commercial activity.

By contrast, blank walls or car parking detracts from public space and often represent a lost opportunity for 'people interest activities'. This is not just a matter of aesthetics; it is also about the amount and type of activity that takes place, and the amount of commercial activity it can generate for a centre which if not managed properly can lead to lost opportunities for a centre.

This can also occur when a large tenancy occupies a long mainstreet frontage, but the store maybe internalized and offer little amenity and value to the mainstreet it is located on, i.e. Woolworths Kilbirnie in Wellington which occupies a significant amount of the mainstreet but 'turns its back' on the street with a long blank wall and trades to a carpark at the back of the block.

Long blank walls and extensive carparks remove the ability to provide commercial stimuli on mainstreets, unnecessarily adds to the length of a centre, and prevents additional commercial opportunities from drawing customers in or maintain the interest of existing shoppers on a mainstreet. As a result, typically less retail expenditure occurs, the 'look' and quality of the centre can be compromised and importantly keeping consumers' interest in a varied retail / commercial environment is weakened. It is also usually a sign of a centre in decline when mainstreet space should be in demand by specialty stores and such space at a premium in a centre.

Proposed PC29 also discusses the preferred location of anchor (major) tenants in a centre and how access to these is ideally via walking past a number of specialty stores instead of straight into an anchor store from a carpark as it provides a wider benefit to other smaller specialty retail and commercial activity in a centre.

A key 'no no' in most centres / mall design is to allow shoppers into / out of a major anchor store without passing other stores if possible. Mall owners, retail developers and centre designers try to avoid this as it adversely affects the trading performance of smaller 'feeder'

stores. At the end of the day retailing is a simple science – the more shoppers (ala wallets) that walk past a store's front door, the more people are likely to go in a purchase an item, and the more sales the store will do. This hasn't changed and is still fundamental to a centre's success (even more so now with the emergence of Internet retailing). Often the better this is achieved in a centre / mall, the better the performance of that centre or mall as a whole, the better the environment, built from, offer, quality, etc, and the positive flow-on benefits this brings.

There is also a need to ensure any link between a carpark and shops / mainstreet is of good quality, safe, inviting, short, with possibly some activity. People will spend more time in a town and will increase the amount of activity only if the economic fundamentals of a centre are in place, i.e. quality and range of offer / stores, quality of environment, quality of amenity, range of activities, parking in close proximity to key stores, etc. As discussed previously, more shoppers walking past a store's front door equals higher store productivity and sales within the stores, and the flow-on benefits this generates such as increased local employment, higher rents, increased demand for space, higher wages, re-investment into buildings / store fitouts / public realm, increase in local GDP, etc.

PC29 also identifies carparking as not the most important determinant of whether a centre is successful. It states *"people also value the amenity a centre offers and are mostly attracted by the mix of shops. They seek opportunities for shopping as a leisure experience (not just a chance to run errands) and the amenity of the centre is important for this"*. While this has an element of truth, there must be a balance achieved where carparking is not compromised and amenity is not lost. The vast majority of people travel to a centre in a car, and this is unlikely to change in the foreseeable future, so cars are a very important component to a centre's success. Ultimately, both are very important to the success of a centre. Note the more successful the centre, the more carparking is required so it is not all bad – and therefore the integration, number, access and location of carparking in a centre needs to be managed carefully.

In regard to Council investment options and actions that can achieve better outcomes for centres, Council, investors, developers, retailers and the community should work together to maximise resources, opportunities and ultimately benefits. All have different skill sets and resources that when utilised properly can add value to the formation of centre and generate increased long term benefit, i.e. community 'buy-in' to a centre will increase usage and performance over the longer term to the benefit of all.

Some of the actions required will be things that Council is best placed to deliver, i.e. perhaps the provision of large areas of public space. Others are things that private developers maybe best placed to deliver. Ultimately a combination of all is required to get the best results for the townships. However, what is considered very important for Council to

understand is 'investment' should not always be translated as a 'cost' due to the wider positive economic and social benefits and advantages investment in a centre can generate.

Council investment should also not be one dimensional and focus only on community facilities and public realm. Centres aren't one dimensional and therefore investment shouldn't be as well. For example investment in securing a strong retailer to a centre could have significant economic and social flow-on benefits for a centre and community.

Centre investment opportunities will differ from centre to centre as their respective 'needs' and 'weaknesses' that need to be addressed will vary. Council need to be proactive and monitor centres on an on-going basis to keep abreast of emerging performance issues to ensure any capital investment opportunities and remedies are known and focused, i.e. targeted in the right areas.

An important component of PC29 is the determining of an appropriate threshold between large format retail (LFR) and small specialty retail. 450m² is what Property Economics typically apply as a 'cut-off' between specialty retailing and LFR, and is comfortable this threshold is an appropriate level to adopt for Selwyn.

Historically, 500m² has been the traditional benchmark, but this has come down a fraction in recent years as LFR centres have developed in smaller provincial areas and some of the more 'typical' LFR tenants have adopted slightly smaller store footprints to reflect the smaller market they are servicing in these areas. It is also common now for a few stores below this threshold to be developed. These are predominantly cafes to allow the LFR centre to 'feed' and 'water' shoppers, which improves shopper wellbeing and doesn't generate any adverse effects if they are capped at 1-2 stores maximum (depending on total centres size).

A detailed breakdown of some mature and successful LFR centres spread across NZ is provided in Appendix 1 which outlines the basis for the 450m² threshold as being appropriate to adopt for PC29 for LFR.

Proposed PC29, in relation to Pedestrian Routes, raises concerns about the current level of pedestrian integration in and around the centre, and states *"Councillors have made it clear that the poor level of integration in the town centre in Rolleston is of concern to them. Developments have been carried out with limited regard to the ability to walk between them"*. This is common among centres with multiple individual owners, and developments are usually carried out on an individual basis and sometimes in an ad hoc manner, not in consideration of the overall centre as a whole or master plan (if there is one), or how the centre functions, etc.

Individual development in centres is often undertaken on a specific cost / benefit basis to the developer, rather than factoring the costs or benefits to the community or centre as a

whole as a result of that development. This is simply identifying a fact rather than a problem, but it provides sound rationale for Council to implement a master plan / vision for centres in the District as community costs and benefits should already be factored into such a plan with appropriate controls in place to guide future centre development based on community needs and aspirations.

3. SUMMARY

Higher quality centres typically perform better and at higher retail productivities, e.g. Merivale, Christchurch. They attract more shoppers and visitors to the centre as higher level of amenity and better quality centre environment is provided. Better quality shops tend to equate to some higher priced goods sold which elevates the average purchase price point and average shopper spend in a centre.

Walking does typically translate into more localised shopping (proximity being the main driver), but also the likelihood that other retail / commercial facilities / public realm and community facilities are more frequently utilised.

Good economic fundamentals in a centre typically equal good performing centres and higher levels of economic and social wellbeing afforded to the community. Good quality centres also perform their economic role and function in the community better than low quality / under performing centres, and as such getting the economic elements of a centre right is crucial to the viability of the centre and has a direct effect on the level of social amenity and wellbeing generated.

APPENDIX 1 – LFR THRESHOLD ANALYSIS

The benchmark for the minimum size of LFR stores has traditionally been around the 450-500m² plus threshold. To help determine a typical LFR store size range and appropriate minimum LFR store size Property Economics has assessed nine mature and successful LFR centres from around the country, and broken down their tenancy composition in more detail.

Note the figures in following paragraphs are based on information derived from the Property Council of New Zealand's NZSCD 2009/10 Edition, and previous Property Economics retail audits.

- **Manukau Supa Centa, Auckland**

Manukau Supa Centa has nearly 44,000m² of retail GFA and currently has 7 key anchor tenants (i.e. stores greater than 2,000m² gross), and 16 additional LFR stores. The 16 LFR tenants have a combined GFA of 13,260m², at an average tenancy size of 830m² gross. Many of these stores are below 1,000m² GFA in size, but within the 400-1,000m² range.

Stores within this range equate to around 70% of the Manukau Supa Centa's LFR tenants, showing a strong level of demand in the 450m² plus store size range.

- **Albany Mega Centre, North Shore**

Albany Mega Centre has 5 key anchor tenants, each with GFA greater than 2,500m², and 24 additional LFR stores. The 24 LFR stores have a combined gross floorspace of 15,710m², at an average of 655m² gross, again indicating a strong LFR tenancy demand for 450m² plus store sizes.

- **Harvey Norman Centre, Auckland**

This LFR centre has 21,700m² of retail GFA and included 5 anchor stores with a GFA greater than 1,000m². The Harvey Norman Centre has 4 LFR stores ranging from 460m²-520m² GFA - namely Tile NZ (460m²), Plastic Box (520m²), Hannahs (510m²) and Godfreys (490m²).

It is also worth noting some of these LFR stores are both trade and retail focused, i.e. they service both sectors of the market. For example, Godfreys has industrial machines and a maintenance and repair area.

- **Ronwood Centre, Manukau**

Ronwood Centre is a small LFR centre with only one tenant with GFA greater than 1,000m² (DSE Power Centre). The centre totals 5,170m² GFA and is comprised of five LFR tenancies. Four of the tenants are under 1,000m² GFA, with two of these between 400m²-500m² GFA. This shows 80% of tenants in this centre being within the 400-1,000m² store size range.

- **Wellington Airport Retail Park, Wellington**

This LFR centre has a total retail GFA of 19,400m². The Warehouse, Briscoes and Number 1 Shoes are the only three stores with GFA greater than 1,000m² in the Centre. There are 10 other LFR stores in the centre, meaning 80% of LFR stores in this centre are below 1000m².

- **Northridge Plaza, North Shore**

Northridge Plaza has a retail GFA of 6,900m² and has no tenants with GFA greater than 1,000m². The biggest LFR store within the Plaza is an Asian Supermarket with GFA of 820m². The majority of tenancy sizes are between 450m²-600m², including Pumpkin Patch, Bed Factory and Arbuckles.

- **Bay Central Shopping Centre, Tauranga**

The Bay Central LFR centre contains 11,500m² retail GFA and is the LFR centre in close proximity to the Tauranga CBD, and has three major tenants over 2,000m² each, one being a non-retail tenant NZ Post occupying 2,950m² GFA. Briscoes and Rebel Sports are the other two retail anchor tenants.

This centre has an average tenancy size of 680m² excluding the NZ Post tenancy. Nine of the tenants have a GFA under 500m², signalling the demand for some slightly smaller LFR store sizes.

- **Porirua Mega Centa**

This centre is arguably the primary LFR destination in the Wellington region. These stages total 17,955m² GFA and encompass 28 retail stores, an average store size of 640m² GFA. If The Warehouse of 6,820m² GFA was removed from the calculation, the average store size is 412m² GFA over the remaining 27 tenancies.

This confirms the strong demand for LFR tenancies between 400m²-1,000m², and that these tenancies form an integral component of LFR centres.

- **St Lukes Mega Centre, Auckland**

This LFR centre encompasses 7,210m² of retail GFA across 10 tenants. There are two major tenants over 1,000m², namely Noel Leeming 2,240m² and Hill & Stewart 1,120m². The average tenancy size of the remaining eight stores is 430m², again underlining the need for LFR tenancy sizes of between 400m²-1,000m².

From the analysis above it is clear that stores between 400-1,000m² are 'normal' LFR tenants, and in my opinion 450m² is considered an appropriate LFR threshold.