

# **Private Plan Change Request – Hughes Developments Limited**

## **Appendix I – Economic Assessment**



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Jake Hughes  
Hughes Developments Ltd  
[jake@hughesdevelopments.co.nz](mailto:jake@hughesdevelopments.co.nz)

## Faringdon South East and West Plan Change – Economic Memo

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### Introduction

Hughes Developments Ltd (HDL) has proposed a change to the Selwyn District Plan by rezoning two blocks of land south of Rolleston from rural (Rural Inner Plains) to urban (Living Zone, with two Neighbourhood Centres).

As part of the planning process HDL has commissioned Market Economics (M.E) to conduct an economic assessment of employment that could be supported by the proposed Faringdon South East and West (FSEW) development. We understand that this memo will be used to support the planning process. This memo discusses the results of the economic assessment.

### Background

Over the last two decades, Selwyn District has experienced rapid growth in population, from around 28,300 in 2001 to 65,600 in 2019.<sup>1</sup> Population in the District has grown by 4.8% per annum, which is much faster than almost every other district in New Zealand, only Queenstown Lakes has grown at a similar rate. The Christchurch earthquakes and displacement of population to Selwyn District has been a key contributor to growth in the District. Since 2010 growth in the district has accelerated to over 5.4% per annum.

Complimenting strong population growth, the Selwyn District economy has also experienced strong employment growth up from around 12,500 jobs in 2001 to 22,600 in 2019.<sup>2</sup> Employment in the District has grown by 3.3% per annum, again much faster than almost every other district in New Zealand (only Queenstown Lakes grew faster at 5.5%).

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<sup>1</sup> Statistics New Zealand (2020) Estimated Resident Population for Territorial Authority Areas, at 30 June (1996-2019) (Annual-Jun).

<sup>2</sup> Market Economics (2020) Modified Employment Count.



Market Economics forecasts show that strong growth in the District is expected to continue in the future.<sup>3</sup> This growth has important implications for Council planning, with most growth likely to be located around the existing urban areas. Rolleston is the largest town in the District, as such it is likely to play a significant role accommodating both new residents and economic activity.

Selwyn District Council (SDC) and Greater Christchurch Partnership (GCP) conduct research into the quantum of urban land demanded and supplied, across the District and the wider Greater Christchurch Urban area.<sup>4</sup> This research suggested that there could be a shortage of urban land in Selwyn District, which may eventuate in the later part of this decade.<sup>5</sup> As a result, the GCP released a Future Development Strategy that updated settlement patterns in Selwyn District.<sup>6</sup> The strategy defined future development areas, which includes the FSEW sites.

We consider that an update of the GCP assessment would (again) show insufficient zoned capacity to meet demands in Selwyn District.<sup>7</sup> This is because growth over the last three years has matched or exceeded expectations, and the time period has shifted forward three years since the last assessment. This means that shortages projected for Selwyn in the longer term, will now occur in the medium term, i.e. a point between 2026-2028.

The following discussion provides a brief outline of key characteristics of the FSEW development, before focusing on each development component; residential and business. The memo then provides outputs of the economic assessment in terms of jobs and economic activity supported during the phases of development – consenting, land development, build development and then completion. The memo concludes with findings from this economic assessment.

### Faringdon South East and West Developments

Faringdon South East and West developments are located on the southern edge of Rolleston, within the SDC Infrastructure Boundary. The sites are adjacent to two Special Housing areas that were developed under the Housing Accord (Acland and Faringdon South). Immediately north of the site is Faringdon, which was developed by HDL over the last decade.

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<sup>3</sup> Market Economics (2020) Selwyn Capacity for Growth Model and Economic Forecasts.

<sup>4</sup> National Policy Statement on Urban Development Capacity 2016.

<sup>5</sup> Greater Christchurch Partnership (2018) Greater Christchurch Housing and Business Capacity Assessment.

<sup>6</sup> Greater Christchurch Partnership (2019) Our Space 2018-2048: Greater Christchurch Settlement Pattern Update Whakahāngai O Te Hōrapa Nohoanga

<sup>7</sup> High growth areas are required to complete an update of the capacity assessment every three years, this work is meant to be completed by December 2020. However, the Government has proposed changes to this requirement which was meant to “come into force in the first half of 2020” - National Policy Statement on Urban Development (Proposed). Also, Covid19 has impacted many councils, we are aware that some high growth councils have postponed research that is required to report on the capacity research. Therefore, there may be delays in the update of the GCP capacity assessment.



Faringdon South East and West developments are proposed to be developed over the coming decade, with subdivisions occurring in 4 or 5 stages. HDL is aiming for consents to be completed in 2020, while earthworks and infrastructure is expected to occur 2021 to 2025, with sales of land being completed around 2026 or 2027.

Figure 1.1 shows Faringdon South West subdivision plan. The development is bounded by Goulds Road, East Maddisons Road and Selwyn Road. In total the area covers 46.3 hectares, most of which will be subdivided for residential lots (approx. 500). The development will include a range of lot sizes from low density (700m<sup>2</sup> to 1,000m<sup>2</sup>) to medium density (400m<sup>2</sup> to 650m<sup>2</sup>). The residential development has been prepared on the basis of achieving a net density of 12 households per hectare. The larger, lower density lots have been deliberately located around the periphery of the site so as to provide an appropriate level of density along the Rural-Urban interface.

The development also includes local amenities, reserves (green blocks, total of 1.4 hectares) and a neighbourhood centre (pink block - 0.4 ha), which are intended to meet the needs of the local community.

**Figure 1.1: Faringdon South West Subdivision Plan**



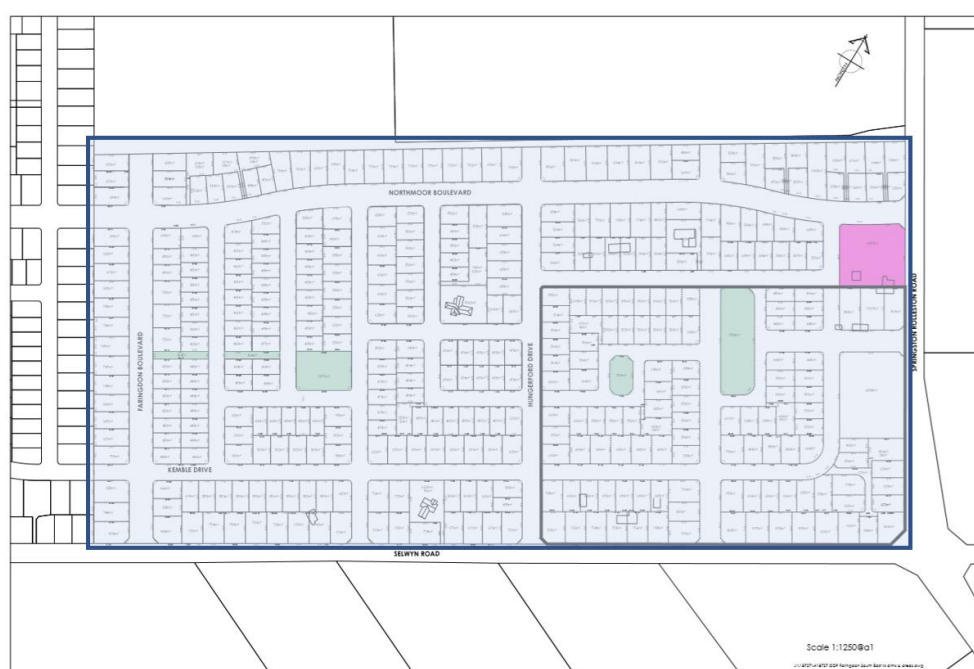
Figure 1.2 shows the Faringdon South East subdivision plan. The development is a rectangular block of land sitting on the north-western corner of Springston-Rolleston Road and Selwyn Road. In total



the area covers 35.6 hectares, most of which will be subdivided for residential lots (approx. 430). The development will include a range of lot sizes from low density (700m<sup>2</sup> to 1,000m<sup>2</sup>) to medium density (400m<sup>2</sup> to 650m<sup>2</sup>). The residential development has been prepared on the basis of achieving a net density of 12 households per hectare. The larger, lower density lots have been deliberately located around the periphery of the site so as to provide an appropriate level of density along the Rural-Urban interface.

The development also includes local amenities, reserves (green blocks, total of 0.8 hectares) and a neighbourhood centre (pink block - 0.6 ha), which are intended to meet the needs of the local community.

**Figure 1.2: Faringdon South East Subdivision Plan**



### Faringdon South East and West Residential

The FSEW development is proposed to enable around 930 new dwellings to be developed in Rolleston. The residential capacity enabled within FSEW sits within the context of Rolleston's existing housing stock of approximately 6,440 dwellings<sup>8</sup> and construction of around 500 new dwellings per annum<sup>9</sup>. In this context FSEW would represent less than two years of growth in the Rolleston residential market, or approximately 1% per annum growth in the town over the coming decade.

As another point of context, the Faringdon and Faringdon South areas (also HDL sites) were developed between 2012 and 2020. In total 1,850 lots were developed which is a rate of over 200 per annum. In

<sup>8</sup> Stats New Zealand (2019) 2018 Census – Private Dwellings (occupied, unoccupied and under construction).

<sup>9</sup> Stats New Zealand (2020) Building Consents – 2013- 2020.



this context FSEW would represent less than five years' demand or uptake. Also of importance is that the dwellings constructed in these areas have (mostly) been affordable, ranging from \$400,000 to \$650,000.

This context shows that FSEW is important, but well proportioned, in the context of the Rolleston residential market and within the scale of development seen at comparable sites in the immediate area. It is likely that the development will provide a range of dwellings, with most being valued at less than \$650,000.

Also, research commissioned by SDC<sup>10</sup> and HDL<sup>11</sup> suggests that there is limited capacity in other parts of Rolleston to accommodate future growth in this decade. While there are differences between the capacity estimates and methods adopted, the results both suggest that Future Development Areas will need to be zoned for urban activity in the near future.

This is especially important as it can take many years to develop a greenfield site for residential uses. Generally greenfield development has a lead time which includes,

- **Zoning:** planning process around changing of the District Plan to enable land development to commence (more than a year),
- **Land development:** the process required to subdivide land, which includes earthworks, roads, infrastructure, subdivision, etc (approx. 2 or more years),
- **Building development:** the process of building a house, which includes design, building consent, construction, code of compliance, etc (more than a year).
- **Staging:** developments are generally spread over a number of stages, which minimises the costs of development and ensures that supply is released according to market demands (5 or more years).

Given the impending shortage of residential land in Rolleston, it would be prudent to rezone FSEW land as quickly as possible. If a shortage eventuates, the price of land could increase, which may negatively impact affordability of housing. The change in zone for FSEW will alleviate the potential shortage, which will enable the District Plan to meet the needs of the community.

In conclusion, we consider that the immediate zoning of residential land in FSEW will have a positive impact on the community. Also, FSEW is within the infrastructure boundary, as such it will be efficient to allow this site to be developed. Based on our economic assessment, we consider it likely that FSEW would be built out over a 6 to 8 year period.

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<sup>10</sup> Greater Christchurch Partnership (2018) Greater Christchurch Housing and Business Capacity Assessment.

<sup>11</sup> Davie Lovell-Smith (2019) Rolleston Residential Land Capacity Assessment.



## Faringdon South East and West Business

HDL is proposing to establish two Neighbourhood Centres in FSEW, which are intended to meet the daily convenience needs of each community. These centres will also provide an opportunity for a community focus/heart and functions as a gateway to aid legibility. These two new centres will be located on East Maddisons Road (land area of 6,215m<sup>2</sup>) and Springston Rolleston Road (land area of 4,505m<sup>2</sup>), which also enables ready access for residents in adjoining areas such as Acland Park and Faringdon South.

The Operative District Plan defines Neighbourhood Centre as “a grouping of principally convenience stores (in the order of 6-15 stores) predominantly servicing the local communities weekly and day-to-day retail requirements”. Local centres are defined as “a small grouping of convenience stores (in the order of 1-5 stores) servicing residents’ day-to-day retailing requirements and predominantly draws people from a localised area”. In parts of Rolleston covered by Outline Development Plans (Appendix 38 of the District Plan), neighbourhood centres larger than 2,000m<sup>2</sup> GFA are non-complying, and for local centres the non-complying threshold is 450m<sup>2</sup>.<sup>12</sup>

Currently, there is a neighbourhood centre in Faringdon, which is less than a kilometre from much of FSEW. This centre is situated on 3,500m<sup>2</sup> of land, with approximately 1,200m<sup>2</sup> of floorspace. The tenancies at the Faringdon centre includes a convenience store, a bar/café (The Pedal Pusher), Indian takeaways, fish and chips, hairdresser, beauty salon, clothing boutique and dance studio.

While the existing Faringdon centre offers a range of goods and services, residents in the area will regularly make the short trip into the Rolleston town centre for the majority of their retail and service needs. The Rolleston town centre offers a wide range of goods and services including, supermarkets, department store, banking, health services, dining options, community facilities, automotive, etc. Also, many residents will make trips into to Christchurch to access specialist goods and services that are unavailable in Selwyn, but are available in the larger centres, both in Hornby and further into Christchurch CBD.

Broadly, in any economy there is a natural hierarchy of centres, from large CBD down to neighbourhood centres. Each centre in the hierarchy plays a different role in providing for the community’s needs. The hierarchy of centres needs to be considered when assessing the potential needs of the new community that will be located in FSEW.

For this memo we have utilised our centres model, which assesses retail and services demand and supply across the hierarchy of centres for the entire country.<sup>13</sup> The model provides a rule of thumb, that can be readily adopted to establish the demand per household for each centre type in the

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<sup>12</sup> We note that the business zones in the National Planning Standards 2019 are different to the SDC District Plan. Of importance to FSEW is that the hierarchy of neighbourhood centre and local centre is the opposite in the NPS. It is likely that SDC will adopt this new hierarchy during the District Plan Review.

<sup>13</sup> Market Economics (2020) Retail Centres Model.



hierarchy. This model shows that the average household generates enough demand to support less than 1m<sup>2</sup> of floorspace within a neighbourhood centre.

This rule of thumb suggests that the households in FSEW could support no more than 1,000m<sup>2</sup> of floorspace or the equivalent of one centre approximately the size of the existing Faringdon neighbourhood centre – i.e. 3,500m<sup>2</sup> of land, although that 1,000m<sup>2</sup> might appropriately be spread across two centres to service the two parts of the FSEW. Two centres totalling just under 1,000m<sup>2</sup> GFA would make each centre more like a local centre (than a neighbourhood centre) using District Plan definitions. As another comparison the Rolleston Square Shopping Mall<sup>14</sup> is 9,500m<sup>2</sup> of land and 3,300m<sup>2</sup> of floorspace.

The proposed subdivision plans for FSEW includes 10,500m<sup>2</sup> of neighbourhood centre land area, which is three times the size of the existing Faringdon neighbourhood centre or approximately the same scale as the Rolleston Square Shopping Mall. This land could be used to develop 3,500m<sup>2</sup> to 4,000m<sup>2</sup> of new floorspace, which could enable 20 to 25 tenancies and 100 to 150 local jobs in the area.<sup>15</sup>

The relative scale of the proposed centres compared to the proposed residential population suggests that FSEW will have capacity for much more floorspace than will be needed to provide for the convenience retail needs of the local community. That means that either the proposed centres would have to draw demand from a wider catchment than just the FSEW, or that there would need to be a substantial non-retail component in the centres (probably servicing a broad geographic catchment) to occupy a majority of the floorspace. Some non-retail presence (such as medical services) is appropriate in centres to provide for the non-retail needs of the population. In summary, our assessment indicates that the size of the residential catchment in FSEW would support two local centres (as defined in the District Plan), but is not large enough to support two neighbourhood centre, unless there were to be a substantial non-retail component in the centre.

While we have not undertaken a detailed assessment of the centres for this memo, we consider that the scale of the proposed neighbourhood centres would be unlikely to significantly undermine the role of the other centres within Rolleston and may not be successfully opposed on retail distribution effects grounds. However, support from Council would be more likely to be forthcoming if the two proposed centres were to be closer in size to the District Plan's definition of Local Centre rather than Neighbourhood Centre.

From this assessment it may be worthwhile considering allocating some of this land to residential uses, or at least to be aware that a significant non-retail presence would be needed to sustain the quantum of floorspace broadly indicated by the size of the proposed land area for the FSEW centres.

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<sup>14</sup> Excluding the vacant building that was used by The Warehouse.

<sup>15</sup> Assuming that the entire area of neighbourhood centre was in fact viable.





In conclusion, we consider that the centres proposed should be local centres under the operative plan definition, and therefore be limited as to total floorspace. One possible exception to this is if a large non-retail tenant (e.g. a medical centre) is anticipated, in which case the total retail component of the centre could be close to the 450m<sup>2</sup> indicated in the District Plan's definition of local centres, supplemented by additional non-retail space. Development of centre activities in FSEW will support local jobs for the community, both during the construction phase and on an ongoing basis through in-centre employment.

### Faringdon South East and West Economic Role

The economic activity associated with FSEW will change throughout the development phases. This memo estimates the economic activity supported during Consenting, Land Development, Build Development and then residents spend once the development is completed.

HDL has provided financial data which provides an estimate of the direct expenditure that is likely to occur during the land development phase and the development timeframes.<sup>16</sup> HDL has also provided dwelling typology data from the two existing Faringdon developments.<sup>17</sup> The dwelling typology data is combined with build cost data<sup>18</sup> to estimate the likely construction expenditure that could occur during the build development phase. Finally, M.E has used retail expenditure data to establish the scale of economic activity that could be supported by the new households that will live in FSEW after the development is completed.<sup>19</sup>

Once identified, the direct expenditure impact was run through a Multi-Regional Input Output (MRIO) model which is similar to the commonly applied Economic Impact Assessment (EIA) method. This model allows the calculation of all flow-on effects associated with the direct activity generated by the FSEW development.

In summary, HDL, builder developers and the new residents that live in FSEW will purchase goods and services from other local businesses, which generates additional economic activity which is commonly referred to as indirect value. Also, the staff of the businesses will receive wages and salaries which they spend on goods and services, which generates additional economic activity which is commonly referred to as induced value. These additional flow on values have been established by inputting the direct expenditure into Market Economics MRIO model.

Table 1.1 shows the development timeframes that have been assumed in this assessment, with consent occurring in 2020 and land development beginning in 2021. The land is assumed to be

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<sup>16</sup> Hughes Development Limited (2020) Faringdon South East and West Land Development Budget (received 13/07/2020)

<sup>17</sup> Hughes Development Limited (2020) Faringdon and Faringdon South Dwelling Typologies 2012-2020.

<sup>18</sup> Market Economics (2020) Build costs data sets.

<sup>19</sup> Market Economics (2020) Retail Centres model.



developed in five stages, with first lots being available in late 2021. This memo assumes that build development starts in 2022 and is completed by 2028. The construction and uptake of land follows an S-shaped development path, with construction activity ramping up over a three-year period which is then followed by reduced construction activity as the development is full built out. FSEW development is assumed to be completely built out in 2028. Based on this development path, the residential population in the area would grow from 280 in 2022 to over 2,606 by 2028.

**Table 1.1: Development Timeframes of Faringdon South East and West**

Timeframes - FSEW	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Consenting</b>										
<b>Land Development</b>		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5				
<b>Build Development</b>			100	150	200	200	150	100	30	
<b>Residents</b>			280	701	1,261	1,821	2,242	2,522	2,606	2,606

The direct expenditure associated with the FSEW development was estimated for each year and over forty types of spending. Table 1.2 provides a summary results of total expenditure for each of the four phases of development. The consenting phase is estimated to cost \$0.5 million and occur in 2020. The Land Development phase is estimated to cost \$80 million in total, spread over five years. The largest expenditure will occur when dwellings construction occurs, in total \$409 million will be spread over seven years. Finally, Residents are expected to spend a total of \$55 million in the local economy over the period 2022 to 2029.<sup>20</sup> In total the new development will support approximately \$545 million in direct expenditure between 2020 and 2029. The direct expenditure will peak in 2024, with \$110 million being spent in total. Once FSEW is completely developed the direct expenditure will be approximately \$10 million per annum in the local economy.

**Table 1.2: Direct Expenditure Faringdon South East and West**

Direct Expenditure (\$m)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Consenting</b>	\$ 0.5									
<b>Land Development</b>	\$ -	\$ 17	\$ 17	\$ 17	\$ 17	\$ 11	\$ -	\$ -	\$ -	\$ -
<b>Build Development</b>	\$ -	\$ -	\$ 44	\$ 66	\$ 88	\$ 88	\$ 66	\$ 44	\$ 13	\$ -
<b>Residents Spend</b>	\$ -	\$ -	\$ 1	\$ 3	\$ 5	\$ 7	\$ 9	\$ 10	\$ 10	\$ 10
<b>Total</b>	\$ 0.5	\$ 17	\$ 62	\$ 86	\$ 110	\$ 106	\$ 75	\$ 54	\$ 23	\$ 10

The direct expenditure flows through the local economy, supporting jobs and economic activity in other industries and locations. The economic impact of the FSEW is shown in Table 1.3, which indicates that the development would support \$684 million in GDP and approximately 12,400 job years over the development period. The peak of activity will be in 2024, with \$109 million in GDP in

<sup>20</sup> This spend only includes spend by residents in the Selwyn economy. It does not include spend by these residents in the rest of the region or New Zealand.



Canterbury Region and employment of over 2,000 for that year. As the development is completed the impact will stabilise at around \$12 million in GDP per annum and 340 jobs in the Canterbury region.

**Table 1.3: Economic Impact of Faringdon South East and West**

Economic Impact	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Value Added (GDP, \$m)</b>										
Canterbury Region	\$ 1	\$ 18	\$ 62	\$ 85	\$ 109	\$ 106	\$ 74	\$ 54	\$ 25	\$ 12
Rest of New Zealand	\$ 0	\$ 5	\$ 16	\$ 22	\$ 28	\$ 27	\$ 19	\$ 13	\$ 6	\$ 3
<b>Total</b>	<b>\$ 1</b>	<b>\$ 23</b>	<b>\$ 78</b>	<b>\$ 107</b>	<b>\$ 137</b>	<b>\$ 132</b>	<b>\$ 93</b>	<b>\$ 68</b>	<b>\$ 31</b>	<b>\$ 15</b>
<b>Employment (jobs years)</b>										
Canterbury Region	10	340	1,168	1,618	2,086	2,040	1,477	1,118	575	339
Rest of New Zealand	1	53	184	253	323	311	218	158	70	32
<b>Total</b>	<b>11</b>	<b>393</b>	<b>1,352</b>	<b>1,871</b>	<b>2,409</b>	<b>2,351</b>	<b>1,696</b>	<b>1,276</b>	<b>645</b>	<b>370</b>

**Caveat:** it must be noted that although the FSEW development will generate local benefits to Rolleston, that some of these benefits will merely be a transfer from other locations in the Region or Selwyn itself. Specifically, it is likely that if FSEW was not zoned for development that the demand for housing would be satisfied in another location within the region. This means that at a regional level much of the economic value associated ('supported') with FSEW may not be net additional or new, as this value would occur regardless of whether the FSEW development occurs or not. It is not possible to assess the magnitude of the transfer effects in this memo, so we are unable to establish the quantum of economic benefits that are caused ('generated') by FSEW.

## Findings

It is considered that the development of Faringdon South East and West would produce positive benefits for local community, both in terms of allowing households to purchase affordable housing and it will support local jobs.

Based on the existing research there is likely to be a shortage of residential capacity in the coming decade, both in Selwyn and Rolleston. There is a clear case for more residential land to be zoned to meet the needs of the community. Also, timeframes associated with greenfield developments means that rezoning needs to occur soon to ensure that shortages do not eventuate. We consider that it is likely that if Faringdon South East and West was zoned in 2020 that the residential component would be easily developed in the coming decade.

The Neighbourhood Centre zones that are proposed for FSEW would need to be significantly reduced in area to be a size that would be sustained by the immediate population, especially with the Faringdon neighbourhood centre within a kilometre of large parts of the FSEW. That reduced size would minimise the possibility that the centres were difficult to tenant and that they would generate adverse effects on Rolleston's other centres, and would be more likely to gain support from SDC. Even smaller centres would generate a number of local jobs which will benefit the local community.



Finally, the economic role of the FSEW suggests that the development is expected to generate approximately \$545 million in direct expenditure over all phases of the development. This would support total economic activity of \$684 million in GDP and employment of 12,400 jobs years between 2020 and 2028. Notwithstanding the likely transfer effects, the Rolleston community and economy is likely to benefit from additional economic activity that FSEW will generate in the local area.

As such we consider that the zoning of FSEW should occur immediately, it will generate employment<sup>21</sup>, increase housing supply<sup>22</sup>, contributing to well-functioning urban environments<sup>23</sup> and efficiently utilise infrastructure<sup>24</sup>.

### **Rodney Yeoman**

Associate Director

#### **Market Economics**

email [rodney@me.co.nz](mailto:rodney@me.co.nz)

mob 021 118 8002

[www.me.co.nz](http://www.me.co.nz)

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<sup>21</sup> COVID-19 Recovery (Fast-track Consenting) Act 2020 – s19d (i)

<sup>22</sup> s19d (ii)

<sup>23</sup> s19d (iii)

<sup>24</sup> s19d (iv)