

# **Plan Change 66**

**Economic review**

**Prepared for Selwyn District Council**

**Final**

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# 1 Introduction

## 1.1 Scope

Formative Limited was commissioned by Selwyn District Council (“SDC”) to undertake an economic review of proposed private Plan Change 66 to the Selwyn District Plan (“PC66”). The plan change request was lodged by Rolleston Industrial Developments Limited (“RIDL”). This report provides our professional opinion on PC66 from an economics perspective, including the economic assessment lodged with the application, submissions on the application, and other matters we consider are relevant.

## 1.2 Documents reviewed

We have reviewed the following documents in the course of preparing this review:

- ❖ Application for a Plan Change to Rezone Rolleston Industrial Holdings Limited Site in Maddisons Road to a General Business 2A Zoning: Assessment of Economic Impacts, Brown Copeland and Co Ltd, 5 September 2020 (Appendix D to the request).
- ❖ Application for a Plan Change to Rezone Rolleston Industrial Holdings Limited Site in Maddisons Road to a General Business 2A Zoning: Clause 23 Request for Additional Information, Brown Copeland and Co Ltd, 31 October 2020 (“the RFI response”).
- ❖ Application for a Plan Change to Rezone Rolleston Industrial Holdings Limited Site in Maddisons Road to a General Business 2A Zoning: Assessment of Economic Impacts, Brown Copeland and Co Ltd, 6 November 2020 (“the BCL report”).
- ❖ Request for Change to the Selwyn District Plan, Novo Group, 6 November 2020 (“the section 32 report”).
- ❖ The summary of submissions compiled by SDC.
- ❖ Statement of Evidence of Michael Copeland for the “Our Space 2018-2048 Greater Christchurch Settlement Pattern Update” hearing, 15 February 2019.

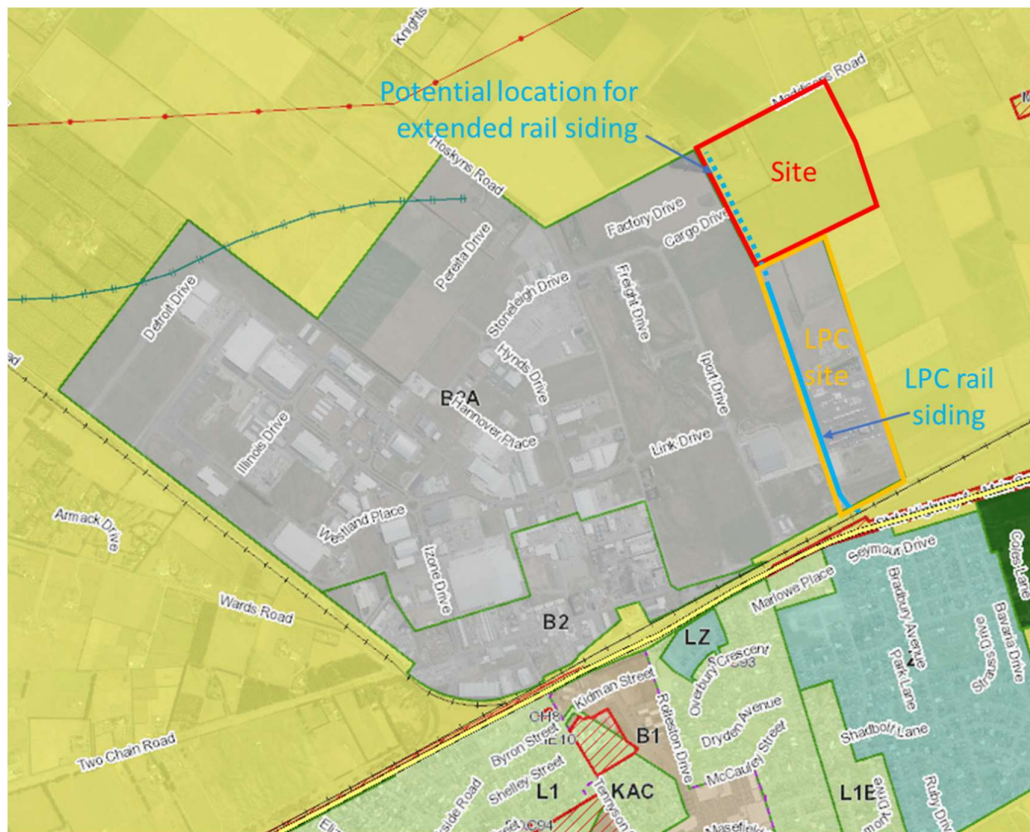
## 2 PC66 summary

As outlined in the section 32 report, the plan change requested would provide an extension to the existing Business 2A Zone industrial area, of approximately 27.27 hectares, on Maddisons Road, Rolleston, between Hoskyns and Weedons Ross Roads (“the Site”). The Site is currently predominantly rural pasture and is zoned Rural Inner Plains. It is located inside the Projected Infrastructure Boundary.

The plan change requested would change the spatial extent of the Business 2A Zone as depicted on the Outline Development Plan at Appendix 43A, as provided in Appendix 2 of the Plan Change Application.

The Main South railway line runs parallel to Jones Road, and a rail siding extends from the main line north into the LPC site, nearly to the boundary of the PC66 Site (Figure 2.1). The BCL report discusses the possibility of that siding being extended onto the PC66 Site (if the plan change request is approved) to allow longer trains to use the siding. One potential location/orientation of that extended siding is shown in Figure 2.1, although is our interpretation of that potential location, and is not based on any information provided in the request.

**Figure 2.1: Location of the Site**



## 3 Economic assessment

### 3.1 Content

The economic assessment was provided in three parts:

- ❖ The Brown Copeland Limited report dated 5 September 2020 (“the September report”)
- ❖ A response to the request for further information dated 31 October 2020 (the “RFI response”).
- ❖ An amended version of the 5 September report dated 6 November 2020 (“the BCL report”)

The BCL report was substantially the same as the September report, differing only in the removal of some references to Dairy Processing Management Areas as requested be undertaken pursuant to the clause 23 request for further information. The September report is not referred to further, with the review addressing the November version of that report only. This section summarises the content and findings of, and responds to, the BCL report and the RFI response, keeping the same structure as those documents.

### 3.2 Review of the BCL report

#### 3.2.1 Economics and the RMA

The BCL report summarises Mr Copeland’s understanding of economics and the RMA. We agree with most of that summary, although address later in this review the assertion that:

*The proposed Plan Change to rezone RIHL’s site in Maddisons Road to 2BA is consistent with the efficient use of resources, especially in regard to increasing competition in the market for industrial land in Selwyn and providing industrial land users greater choice.<sup>1</sup>*

We agree with Mr Copeland’s assessment of effects against both the Selwyn and wider Canterbury region economies.

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<sup>1</sup> Paragraph 2.6

### 3.2.2 Selwyn and Canterbury economies

In section 3 of the BCL report Mr Copeland provides a summary of Selwyn and Canterbury population and employment trends and gross domestic product (GDP). The information provided is consistent with our understanding of the current and projected future state of those trends.

### 3.2.3 Economic benefits of PC66

The BCL report identifies the following potential economic benefits of PC66:

- ❖ The rezoning is expected to attract industrial activities to the site.
- ❖ Those activities would represent either a relocation of activities from somewhere else within Selwyn (or Canterbury), or could be new businesses to Selwyn.
- ❖ If activities that establish on the site relocate from elsewhere in the District or Region, that will not create additional economic activity. There will, however, be increased efficiency for the businesses that choose to locate on the site, and increased competition in the industrial land market.
- ❖ If activities that establish on the site are new to Selwyn, they will create additional economic activity, including indirect and induced effects, and increased economics of scale, agglomeration economies, competition, and quality of government services, and reduced unemployment and underemployment.

The BCL report acknowledges that the additional economic activity likely to be generated will be relatively small, but notes that it will reduce reliance of working in Christchurch. The conclusions in relation to economic benefits provided in the BCL report are generally accepted, although additional information was requested to allow the potential benefits to be placed into a broader District and regional context. Response to that is provided in section 3.3.

### 3.2.4 Economic costs of PC66

The BCL report identifies the following potential economic costs of PC66:

- ❖ The Site will cease to produce agricultural output, although that has already been “internalised into the cost structure of the development”, and is not a cost borne by the wider community.
- ❖ The developer will meet the capital cost of infrastructure connections, and occupiers will meet ongoing costs through rates, taxes and fees, so ratepayers will not be required to cross-subsidise the infrastructure required for the proposed rezoning.

While the new landowner may have paid a premium for the land, and the lost agricultural output will be only very small, and more than compensated for by increased industrial output,<sup>2</sup> the use of the Site for non-agricultural activities would result in the loss of productive agricultural soils. That loss is recognised in the AEE (Table 1, p16):

*Some loss of soil resource will inevitably occur through the physical establishment of industrial development (buildings and hard surfaces), though the area of soils lost will be very small relative to the expanse of the wider rural zone (<27ha).*

That loss may be small given the small size of the Site in the context of total agricultural land in Selwyn and Canterbury, however is a matter that should be taken into account in assessing the overall merits of PC66.

### 3.2.5 Conclusions

The BCL report concludes that the rezoning will:

- ❖ Provide for the efficient development of industrial activities on the Site.
- ❖ Contribute to the economic wellbeing of Selwyn District, if the rezoning attracts industrial activities which would not otherwise be located within the Selwyn District.
- ❖ Maintain and improve resource use efficiency.
- ❖ Not give rise to externality costs.

Subject to the further information that was requested, and responded to below, we agree with the findings of the economic assessment, including that the proposed zone change would increase economic output from the Site and should not require any cross subsidisation (externality costs) to fund infrastructure.

## 3.3 Further information provided

The RFI response addressed five requests for additional information, summarised under the following subheadings.

### 3.3.1 Historic change in the economy

*Question 1: That the economic assessment considers historic changes in the importance of different employment sectors relative to the size of the Selwyn District and Canterbury Region economies.*

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<sup>2</sup> As discussed in the further information response, summarised below in section 3.3.3.

*Reason for Question: The economic report summarises the current importance of a range of economic sectors but does not consider how that has changed, or may change in the future. Consideration of that future importance is relevant to understanding the appropriateness of providing an expanded industrial zone.*

The additional information provided confirms that:

- ❖ Employment growth in Selwyn District has been, and continues to be, at or well above the national average.
- ❖ Total employment in Selwyn District in the last decade increased by over 8,500 jobs, with manufacturing and construction being the most significant growth sectors.
- ❖ Agriculture remains the largest employment sector, but manufacturing has increased its comparative share.
- ❖ Growth in demand for industrial land is expected to continue as a result of strong population growth, goals to reduce commuting distances, and the increased comparative significance of manufacturing and related industries employment.

This additional information shows that the District economy's recent high growth is expected to continue, which tends to support some need for additional industrial land to facilitate economic growth. However, there is already plentiful industrial land zoned in Greater Christchurch, as discussed below in section 3.3.4.

### 3.3.2 Estimates of effects on GDP

*Question 2: That the economic assessment provide some quantitative estimates of effects on District and regional GDP.*

*Reason for Question: Quantifying the effects of the proposal in terms of contribution to GDP would help to place the economic effects of the proposed PC in a broader economic context.*

The additional information provided confirms that:

- ❖ GDP growth in Selwyn District has been, and continues to be, at or well above the national average.
- ❖ Total GDP in Selwyn District in the last decade increased by over \$1,242 million, with manufacturing and construction being the most significant growth sectors.
- ❖ The agriculture and manufacturing sectors are likely to remain key economic drivers of the District's GDP growth, with manufacturing, construction and transport, postal and warehousing activities underpinning the demand for additional industrial land.

The additional information provided under this heading is important to be able to place the contribution of the proposed PC66 into a broader District and regional context. That context is reviewed under the next subheading.

### 3.3.3 Economic output of PC66 site

*Question 3: That the economic assessment quantify the potential economic output from the PC66 site in terms of net additional employment and GDP.*

*Reason For Question: To understand the economic effects of PC66 it is necessary to understand what net additional contribution to the economy (Selwyn and Canterbury) the proposal might make. This should take into account the existing output from the PC66 land from agriculture.*

The additional information provided confirms that:

- ❖ The site would accommodate in the order of 60-80 workers, part of an estimated 90-120 workers throughout the District (including workers supported indirectly).
- ❖ Those workers would generate GDP of \$17-53 million (0.7-2.0% of District GDP).
- ❖ Current agricultural output from the land would be insignificant by comparison and is not quantified.

The Site will support a small workforce, both on and off site, including to provide for needs of the businesses and workers on the site. Those workers are projected to generate many millions of dollars of GDP, and although both employment and GDP are small in a District-wide context (<2%), PC66 would result in a positive economic contribution, and would increase GDP relative to the existing agricultural land use. We agree with the BCL report's assessment that the economic production of the Site from its current agricultural use is very small, and will be insignificant in relation to the potential alternative industrial use.

### 3.3.4 Demand for industrial activity

*Question 4. That the economic assessment discuss demand for additional industrial activity on the PC66 site.*

*The application states that the PC will provide for anticipated demand, including by LPC Midland Port (p30). However no evidence is presented of that demand, and there has been no assessment of the adequacy of current industrial land supply in the context of projected demand. That context would help to understand the need for the requested plan change.*

The additional information provided refers to evidence presented for the Our Space 2018-2048 Greater Christchurch Settlement Pattern Update ("Our Space"). Our Space concluded that "the demand for industrial land in Selwyn will not increase significantly reflecting "the ending of the earthquake rebuild and the reduction in demands for inputs to the rebuild efforts, which has flow on impacts to sectors that tend to locate in industrial zones".<sup>3</sup> The RFI response states that there is additional demand for industrial land in Selwyn, and at Rolleston, due to:

- ❖ The role of the I-Zone and IPort industrial parks in servicing growth in Greater Christchurch and the Canterbury Region.
- ❖ Greater use of inland ports, and demand for freight transport and handling near those ports.
- ❖ Predicted growth in container handling through Port of Lyttleton, and space constraints there to accommodate growth.
- ❖ Increased demand for local employment opportunities as a result of population growth and demand to reduce commuting out of the District.
- ❖ Benefits from increased choice in industrial land.

The RFI response states that Site is adjacent the LPC Midland Port and rail siding, which is a special characteristic of the Site that cannot feasibly be replicated on other industrial land, and LPC (Lyttleton Port Company) has previously supported an industrial rezoning of the Site to support its inland port activities.

We note that LPC projects growth in container volume to increase at greater than GDP levels over the next 30 years,<sup>4</sup> and that strong growth would be consistent with a continuation of recent (excluding Covid) national trends in container volumes. In that context it is likely that LPC's Midland Port will handle increased volumes in the future. However, no information was provided in the application as to how any additional demand for port activity would translate into additional industrial land needed to support an expansion of LPC activities, either on the LPC Midland Port site or elsewhere (such as the PC66 Site). It is not possible to tell from the information provided how much vacant capacity there is on the LPC site to accommodate its growth, or the extent to which the PC66 Site will be required to support LPC's activities.

We accept the BCL report's observation that the Site is well placed to accommodate an extension to the rail siding that services the Midland Port, as indicated in Figure 2.1. We also note that the Site is

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<sup>3</sup> Business Development Capacity Assessment Report; Greater Christchurch Partnership Te Tira Tu Tahī One Group Standing Together; March 2018, page 60

<sup>4</sup> <http://www.lpc.co.nz/looking-forward/>

adjacent to the existing Business 2A zone, and so is a logical location for expansion of that zone should an expansion be required.

However, while we agree with the BCL report's assessment that the geographic location of the Site does offer unique locational advantages that could not be replicated elsewhere (such as ability to accommodate an extended siding), it is not at all certain that an expansion of the Business 2A zone is required. It is also uncertain whether the Site's locational advantages will be required for the activity that will establish on the Site, because as the BCL report notes, "there is (sic) as yet no specific tenants in mind".<sup>5</sup> While the ability to accommodate an extended siding is one of the unique characteristics of the Site, no need for an extended siding has been identified, either in the BCL report, the AEE or by any submitter. Consideration of the merits of the PC66 request should be cognisant of the range of uses that might be accommodated on the Site, which is discussed further in section 4.

### 3.3.5 Recent growth indicators

*Question 5. That the economic assessment is updated to include recent growth indicators.*

*Indications are that Selwyn is a high growth District, and is experiencing growth pressures. There is little in the economic assessment that addresses these pressures, which are relevant to understanding the current demand-supply balance of industrial land.*

Those indicators are largely provided in response to previous questions, and the RFI response restates the previous observations about high recent rates of growth for population and employment, that prima facie imply a growing need for industrial land.

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<sup>5</sup> Paragraph 3.10

## 4 Business 2A zone

The intent of PC66 is to rezone land from rural uses to industrial uses. The economic report and other material lodged by the applicant suggest that the site is well placed to be used for industrial activities. As noted above in the review, we agree that the use of the land for industrial purposes would be a good economic outcome, as compared to rural use.

However, it is important to note that the Business 2A zone is also being used for non-industrial activities, such as retail and commercial, and the zone provides for a diverse range and large amount of retail space. While the applicant has indicated a preference for industrial use, it is possible that (at least some of) the Site could be used for non-industrial uses. The following discussion outlines the issues related with that possibility.

### 4.1 Interpretation of Rule 22.10.1.3

Uncertainty as to the correct interpretation of Rule 22.10.1.3 lead to the development of a practice note which explains how the rule should be interpreted. That practice note can be summarised as follows.

Rule 22.10.1 is headed “Permitted Activities — Retailing and Related Activities within the Business 2A Zone, Rolleston”, and provides, in Rule 22.10.1.3, that within the ODP defined in Appendix 43 (which would include the Site given the changes requested in PC66) six listed activities are permitted:

- a. Ancillary retail
- b. Service stations
- c. Trade suppliers
- d. LFR up to 17,000m<sup>2</sup> and Trade Retail up to 10,000m<sup>2</sup> excluding supermarkets and department stores
- e. Food and beverage outlets (with some limits as to tenancy size)
- f. Ancillary offices.

Any other retail activities are permitted under Rule 13.1.1.1, subject to compliance with the provisions in chapters 14-23. Any other commercial activities (i.e. non-retail commercial activities) are permitted.

### 4.2 Activities consented in the Business 2A zone

That interpretation shows that a wide range of commercial activities could be enabled on the Site. Already there have been many commercial activities established within the Business 2A zone,

including a costume hire business, a real estate office, a convenience retail development of nearly 2,500m<sup>2</sup> fronting Jones Road, a copy shop and electrical goods repair outlet.

### 4.3 Potential effects of PC66

In previous reviews of applications for commercial activity in the Business 2A zone, we have cautioned against a proliferation of commercial activities in the Business 2A zone, on the grounds that that would be contrary to Objective B4.3.8 (“Commercial growth is primarily focused within the Key Activity Centres of Rolleston and Lincoln”). The current request raises the same issue, and could contribute to the ongoing agglomeration of retail and other commercial activity within the Business 2A zone.

There remains significant potential for non-industrial activities within the Business 2A zone, and PC66 would increase that potential. At some point an agglomeration of retail and commercial activities in the Business 2A zone would begin to function as a centre, whether or not the planning environment recognised it as a centre. The potential establishment of Costco in the Business 2A zone<sup>6</sup> would add additional retail gravity to the Business 2A zone, and potentially support further commercial and retail activities to establish in close vicinity.

We do not consider that retail or commercial development is the most likely use of the Site, given its location north of the Midland Port, and in a less accessible location than parts of the B2A zone that are further south (closer to Jones Road). However the potential for non-industrial uses on the Site must be considered when assessing the merits of the proposal, the potential effects it could have on Selwyn’s centres, and consistency with Plan objectives and policies.

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<sup>6</sup> We understand a Certificate of Compliance has been granted for a Costco for a site near Link Drive, between Hoskyns road and IPort Drive.

## 5 Submissions

There were 12 submissions received on PC66, of which two have been withdrawn. The live submissions raise a number of issues including related to traffic, noise, amenity and landscaping. Only two submissions raise issues that require some economic response:

- ❖ Submission 7: Environment Canterbury
- ❖ Submission 8: Lyttleton Port Company.

Those two submissions are summarised and responded to below.

### 5.1 Submission 7: Environment Canterbury

This submission neither supports nor opposes the proposed Plan Change and seeks to highlight matters to assist consideration of the proposal. Matters highlighted include:

- ❖ Our Space 2018-2048 did not recommend any Future Development Areas for Business be advanced through changes to the CRPS. The associated findings were that sufficient industrial land was already zoned across Greater Christchurch to meet anticipated demand through to 2048.
- ❖ The need to consider whether PC66 would add significantly to development capacity.
- ❖ The AEE identifies potential benefits if the rezoning attracts industrial activities that would otherwise not be located within the Selwyn District. It identifies that a rail siding through the site cannot be feasibly replicated on other industrial land areas, however it does not consider whether at a regional level the rezoning would generate additional economic benefits or simply transfer demand from one district to another.

The conclusion of Our Space 2018-2048 that there is already sufficient industrial land zoned across Greater Christchurch is relevant. It means that there is no need for additional industrial land to be zoned, based on the best current understanding of the demand-supply situation. One justification for rezoning additional industrial land could be land with specific locational attributes such as the Site is described in the request as having. However, as discussed both earlier and below (in response to submission 8) no evidence has been provided that there is demand for industrial land with the Site's specific characteristics.

When considering whether the Site would add significantly to development capacity, it is important to consider that in the context of not only Rolleston and Selwyn, but in Greater Christchurch as a whole. In this regard the Site would add an additional 27ha to the total of vacant industrial land in

Rolleston (just over 200ha),<sup>7</sup> but that there is around 1,000ha of surplus capacity industrial land identified in Greater Christchurch.

The submission raises the issue of whether activity on the Site would be additional to the Selwyn or regional economies, or transferred from elsewhere within those economies. I agree with the BCL report, and do not consider that issue can be answered at present given there are no confirmed tenants for the Site. It is in my opinion equally likely that new business on the Site could be relocations or new businesses to the District/region, and in reality it is likely that would be a number of businesses and some in each category.

## 5.2 Submission 8: Lyttleton Port Company

This submission is in support of the proposed rezoning of 27.3ha from Rural Plains to Business 2A zone. The submission supports (subject to relief sought in relation to noise and transport effects mitigation) the rezoning because it would:

*enable a broad range of general industrial activities of a character and amenity which are compatible with Midland Port operations amenity and character, and accordingly is seen as an appropriate 'buffer' activity to more sensitive rural activities (para 5.10)*

The submission notes that

*whilst not opposed in principle to the potential use of rail infrastructure to facilitate freight movements as identified in the accompanying section 32, such would require consequential amendments to resource consents held by LPC (RC155101), and / or consequential amendments to the District Plan to insert appropriate noise contours to prevent the potential for reverse sensitivity effects on Strategic Infrastructure represented by the Port (para 3.3).*

The submission does not indicate support for the extended rail siding that the request suggests could be constructed, nor does it indicate that there is any current need for an extended rail siding. The submission also does not indicate that LPC requires any additional land from which to conduct its activities, or identify any need for additional zoned area to accommodate any independently-owned, but port-related activities. Instead, the submission supports the rezoning as an enabling of a range of industrial activities that could function as a buffer between the Midland Port and rural area.

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<sup>7</sup> Our Space 2018-2048, Table 4, p17

## 6 Conclusion

We agree with many findings of the BCL report, including that Selwyn is a high growth economy, the Site offers good and unique location characteristics that suit the accommodation of industrial activity, and that a Business 2A zoning on the Site would increase the Site's economic output. Considering those aspects there is strong economic merit to the proposed PC66.

However, the economic assessment has not shown that there is a need for additional Business 2A zoned land, and Our Space 2018-2048 concludes that demand for industrial land in Selwyn will not increase significantly. LPC's submission also does not indicate any need for additional industrial land to support its operations, and is only "not opposed in principle" to, rather than being actively supportive of, a potential extension of the existing rail siding onto the Site. The opportunity to accommodate that siding is one of the unique characteristics identified in the request that recommend the Site for rezoning, however no need for an extended siding has been identified.

A further consideration when assessing the merits of the proposal must be that proposed Business 2A zoning, and inclusion within the Appendix 43 ODP area, would enable a wide range of retail and commercial activities to establish on the Site. Should such commercial activities establish on the Site the outcome would in our opinion be inconsistent with the District Plan's Objective B4.3.8 ("Commercial growth is primarily focused within the Key Activity Centres of Rolleston and Lincoln"). Some conditions restricting the use of the Site for retail and commercial activities should be considered, particularly given the applications lack of assessment of impacts created by those activities, and exclusive focus on the intended use of the Site for industrial activities.

We acknowledge that the Site would not be the most attractive location for such commercial activities due to its location on the rural side of the established Midland Port. However, even if were not to accommodate commercial activity, the Site would provide an alternate destination for industrial activity within the Business 2A zone, freeing up other more accessible parts of the Business 2A zone that could then accommodate commercial activity. It may be prudent to include some rules restricting retail or commercial activities on the Site to ensure the request is consistent with Objective B4.3.8.

While the Site is an appropriate location for industrial activity, being adjacent to the existing Business 2A zone and the Midland Port, and within the Infrastructure Boundary, from our review the application has not shown any economic need for additional Business 2A land.