

Proposed Plan Change 80

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 80 to the Selwyn District Plan (“PC80”). The plan change request was lodged by Two Chain Road Limited (“the applicant”). This report provides our professional opinion on PC80 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 Two Chain Road Limited’s Site in Two Chain Road to a General Business 2A Zoning: Assessment of Economic Impacts, Brown Copeland and Co Ltd, 21 September 2021 (Appendix D to the request, the “BCL report”).
- ❖ Plan Change 80: Response to Request for Further Information, Novo Group, 11 February 2022 (“the RFI response”).
- ❖ Request for Change to the Selwyn District Plan, 7-183 Two Chain Road, Rolleston, Novo Group, February 2022 (“the section 32 report”).
- ❖ The summary of submissions compiled by SDC, and the original submissions where relevant to this report.
- ❖ Statement of Evidence of Michael Copeland for the “Our Space 2018-2048 Greater Christchurch Settlement Pattern Update” hearing, 15 February 2019.

2 PC80 summary

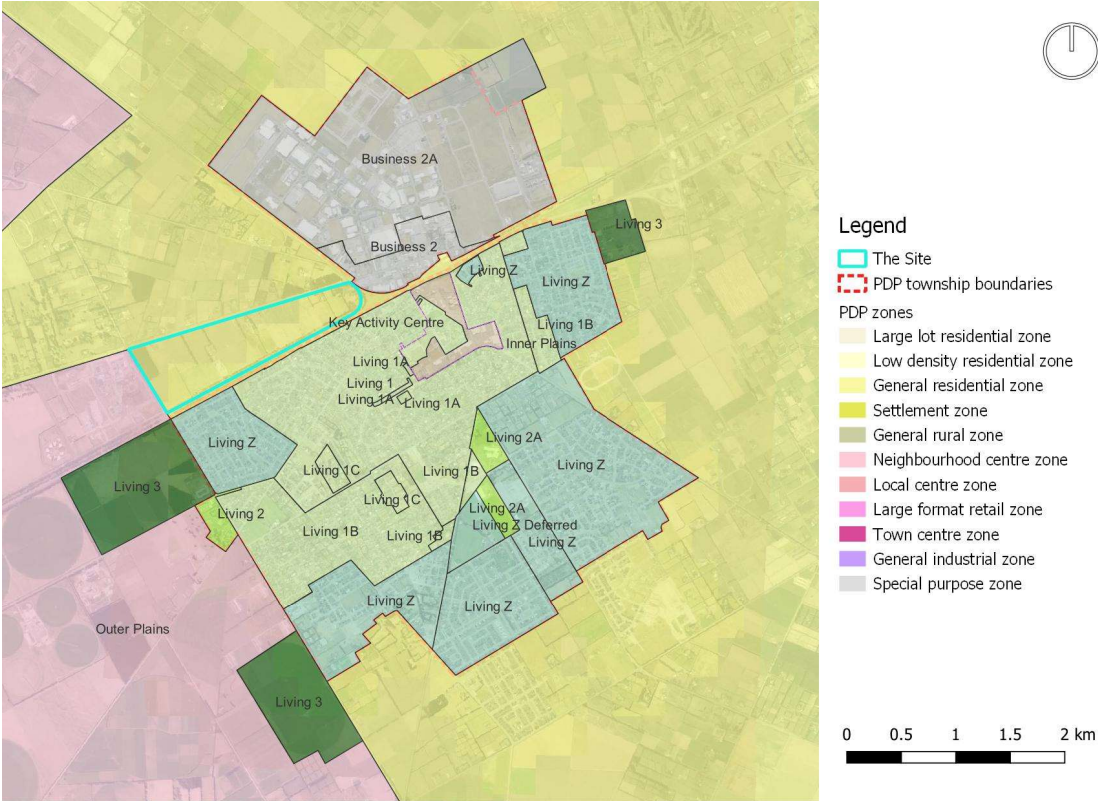
As outlined in the section 32 report, the plan change requested is located at Two Chain Road, between Walkers and Wards Road to the west and east respectively, and the Main South Rail corridor and State Highway 1 to the south (“the Site”). The Site is approximately 98.3ha, and is currently predominantly rural pasture and is zoned Rural Inner Plains in the Operative District Plan and General Rural Zone in the Proposed District Plan (“PDP”). It is located outside both the Operative District Plan’s Projected Infrastructure Boundary, and the PDP’s township boundary (Figure 2.1).

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

The Main South railway line runs parallel to Main South Road, along the Site’s southern boundary. The BCL report discusses the possibility of the Site being developed as a rail hub for logistics/manufacturing/industrial-type businesses, via a number of proposed rail sidings to be constructed on the Site.¹

¹ BCL report, paragraph 1.2

Figure 2.1: Location of the Site



3 Economic assessment

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.

3.1 Review of the BCL report

3.1.1 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 TCRL's site in Two Chain 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 Greater Christchurch and providing industrial land users greater choice.²

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

3.1.2 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. We accept the BCL report's assessment³ that given projected growth in Selwyn's population it is likely that local employment will increase substantially, particularly industrial and manufacturing activity, which the BCL report notes has grown faster than other employment sectors. That being the case, the proposed zoning of the Site would contribute to accommodating some of this growth in employment demand.

3.1.3 Economic benefits of PC80

The BCL report identifies the following potential economic benefits of PC80⁴:

- ❖ 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.

² Paragraph 2.6

³ Paragraph 3.4

⁴ Section 4

- ❖ 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,⁵ but notes that it will reduce reliance of working in Christchurch. While the BCL report does not estimate the economic productivity (GDP or employment) of the existing rural uses, it does note that the use of the land for industrial activity would support much more employment, wages and salaries, rental return and return on investment than those rural uses. Associated with that the BCL report notes economic benefits, including increased economies of scale, increased competition, reduced unemployment and underemployment of resources.⁶

The conclusions in relation to economic benefits provided in the BCL report are generally accepted.

3.1.4 Economic costs of PC80

The BCL report identifies the following potential economic costs of PC80:

- ❖ 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.⁷
- ❖ 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,⁸ 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 2, p20):

⁵ Paragraph 4.11

⁶ Paragraph 4.10

⁷ Paragraph 5.1

⁸ As discussed in the further information response, summarised below in section **Error! Reference source not found.**

Some loss of soil resource will inevitably occur through the physical establishment of industrial development (buildings and hard surfaces). Adopting the CRPS definition of versatile soils, being LUC classes I and II, there will be no versatile soil loss from the rezoning and site development.

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 PC80. The importance of those productive soils is outside our area of expertise.

3.1.5 Demand for industrial activity

The BCL report refers to the author's (Mr Copeland) involvement with providing evidence to the "Our Space" hearings in 2019. That summary states that Mr Copeland's position in 2019 was that there is additional demand for industrial land in Selwyn, and Rolleston in particular, for several reasons. Those include:⁹

- ❖ Increasing demand for freight logistics space and greater use of inland ports, and the role of the I-Zone and IPort industrial parks in servicing growth in Greater Christchurch and the Canterbury Region.
- ❖ Predicted growth in container handling through Port of Lyttleton, and space constraints there to accommodate growth.
- ❖ Greater demand for freight transport and handling near those ports.
- ❖ Benefits from increased choice in industrial land.
- ❖ Population growth.
- ❖ Demand for more local employment opportunities so as to reduce commuting out of Selwyn for work.

We note that Lyttleton Port Company ("LPC") projects growth in container volume to increase at greater than GDP levels over the next 30 years,¹⁰ 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 there will be strong demand for LPC's Midland Port, and other industrial land with access to rail sidings in Rolleston (such as PC80) to handle increased container volumes in the future. However, no information has been 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 PC80 Site).

⁹ Paragraph 4.15

¹⁰ <http://www.lpc.co.nz/looking-forward/>

It is not possible to tell from the information provided how much vacant capacity there is on the LPC site or now approved PC66 site to accommodate inland port-related growth, or the extent to which the PC80 Site is expected to be required to accommodate additional industrial activities. In fact it is not at all certain from the BCL report how much additional industrial zoned land is required to accommodate projected industrial demand in Rolleston/Selwyn. Nevertheless, providing for additional industrial zoned land in Selwyn has limited economic costs if the plan change area can be supported by either existing or new infrastructure (at the developer's expense¹¹), as discussed more in section **Error! Reference source not found.**.

Further, my understanding is, from work undertaken by Formative for SDC, that some additional industrial land is projected to be required to adequately provide for growth in the long-term, and that the proposal would contribute to enabling that provision.¹² That assessment is broadly consistent with the additional information provided in response to questions 22 and 23 in the RFI, as discussed below at section 3.2.2.

Notwithstanding this quantity of land issue, we accept the BCL report's observation that the Site is well placed to accommodate activities that would benefit from direct access to rail sidings (paragraph 4.16), and is relatively unique in that regard (being adjacent to both the railway and the existing industrial zone). The fact that the Site stretches east-west along the railway would allow it to leverage off accessibility to the railway and to create new sidings, which is some justification for the Site having a limited length of shared boundary with the operative industrial zone, rather than a longer shared boundary but less exposure to the railway.¹³

3.1.6 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 by increasing economic activity and population in the Selwyn District by: enabling increased economies of scale in the local provision of goods and services; increased competition and choice in the industrial land market; reducing commuting costs; and providing the potential for agglomeration economies to occur.

¹¹ BCL report, paragraph 5.3

¹² Per the NPSUD, where long-term is defined as 10-30 years

¹³ The Site only shares a short (c.100m) boundary with the existing Business 2A zone, with the Site extending perpendicular to the existing industrial area's boundary.

- ❖ 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.

3.2 Further information provided

The RFI response addressed two requests for additional information, summarised under the following subheadings using the numbering applied in the RFI response.

3.2.1 Provisions of the Business 2A zone

Question 21 in the RFI requested some consideration of the potential for non-industrial uses to generate adverse economic effects on Selwyn's centres, in particular the Rolleston and Lincoln Key Activity Centres.

Those potential effects were discussed in Plan Change 66, as a result of which the applicant in that case agreed that Rule 22.10.4 was appropriate, and that rule was subsequently applied to the PC66 site (which was also in the Business 2A zone). The RFI response volunteers that that rule be applied to the PC80 area, which adequately addresses Question 21, from an economics perspective.

Rule 22.10.4 would limit the development of commercial activity in the Business 2A zone, consistent with previous advice we have provided (including on PC66 and extending back as far as the LURP hearings). That limitation is desirable and appropriate given Objective B4.3.8 ("Commercial growth is primarily focused within the Key Activity Centres of Rolleston and Lincoln") of the operative District Plan.

3.2.2 Industrial land supply

Questions 22 and 23: These two questions requested the provision of some discussion around the adequacy of industrial land supply in Greater Christchurch generally, and proximate to the main rail corridor and State Highway 1 in particular. That is another matter that was addressed in PC66, and is relevant to evaluation of PC80.

The RFI response made six key points

- ❖ Freehold industrial land in Greater Christchurch, and in particular in Selwyn, is in high demand. While there may be land that is 'zoned' industrial, practically speaking, that does not mean there is sufficient freehold industrial land supply to meet current demand;

- ❖ Most demand for industrial land is for owner occupier land, and there is a real shortage of that type of industrial land, which is reflected in the recent significant increase in industrial list values;
- ❖ Based on the constraints of many of the existing industrial sites in Greater Christchurch, demand is anticipated to substantially outweigh supply for freehold unencumbered industrial land long before 2048;
- ❖ Christchurch, and particularly Rolleston is very close to an acute shortage of industrial unencumbered, freehold land.
- ❖ IPort Business Park (which is close to both State Highway 1 and the main rail corridor) saw land sales in 2021 of 11.5ha, with another 6.6ha of land either under contract or under offer.
- ❖ There have been discussions with large logistics operators who are very interested in the location (being proximate to the State Highway 1 and main rail corridor) which are evaluating their property needs within the year of 2022 and are likely to consider investing in Rolleston.

We generally agree with those observations, and they are consistent with our understanding that additional industrial land will be required in Selwyn to meet the needs of projected growth within the NPSUD's long-term.

4 Submissions

There were 12 submissions received on PC80. Of the submissions made, there are several that require some economic response, and those relate to the demand for industrial zoned land. Submissions 3 (Sadie Scott) and 10 (David Middleton) include points that question the need for additional industrial land to be enabled on the Site. Submission 10 states that the plan change would determine where the majority of future capacity for growth would be in the entire district. Submission 3 states that there is land available in Izone, and significant industrial areas in Hornby and Sockburn.

While Selwyn District is working together with Waimakariri District and Christchurch City to coordinate an holistic assessment of business (and residential) land demand and supply, we do not consider it is appropriate to rely on land provision in Christchurch to provide for Selwyn's land demand, and note that:

- ❖ There appears to be quite limited vacant industrial land in Sockburn.
- ❖ There appears to be around 125ha of vacant industrial land in Hornby South, although much of this has recently been sold, and of the 41ha in the Mania Business Park there is only a single 0.6ha lot remaining to be sold.¹⁴ Of the balance (84ha), it is not clear whether the land has been offered for sale or is available for development or occupation, or is effectively being "land-banked", however we note that a single landowner¹⁵ owns approximately 53ha, leaving only 31ha of other vacant industrial land in that area.
- ❖ Neither Sockburn nor Hornby offer the same level of accessibility as the Site to the Main South Line, because although that line passes near or through those industrial zones, there are existing roads and buildings adjacent the railway that limit direct accessibility to the railway, and presumably would constrain the ability to create rail sidings.
- ❖ There are other industrial developments nearby, such as another Ngai Tahu development off Wilmers Road ("Kairua", c.5.3ha) which is more than half sold down.¹⁶

Further, there are no real economic downsides to providing industrial land in excess of current estimated demand, other than:

- ❖ The removal of the alternative (previous) zone and disablement of the existing use (namely rural activities in this application). Converting all of the Site from farming to non-farming uses will not result in a decrease in economic output from the land, even if much

¹⁴ 320 Shands Road, Hornby, advertised on Trade Me Property, part of a Ngai Tahu development: <https://ngaitahuproperty.co.nz/industrial/shands-road/>

¹⁵ Calder Stewart Land Holdings Limited, from data sourced from CoreLogic

¹⁶ Trade Me Property

of the Site remains undeveloped for some time, and assuming some industrial activities do establish on the Site, due to the much greater economic production of industrial than agricultural uses.

- ❖ What would be an irreversible occupation of productive rural land for non-rural uses.
- ❖ Potential inefficiencies related to urban form and infrastructure provision being required in an area where they would not otherwise be required. In this case we understand from the BCL report that infrastructure provision to the Site is available and would be connected to at the developer's expense.¹⁷

Instead, providing industrial land supply somewhat in excess of existing demand is consistent with the objectives of the NPSUD's objectives to encourage competitive land and development markets,¹⁸ by enabling a variety of sites that are suitable for different business sectors in terms of location and site size¹⁹ and providing for long term demand²⁰ (a 30 year horizon). Existing and projected demand for industrial land, as discussed in section 3.1.5 above and from the evidence provided, appears to be strong, and so we disagree with submissions 3 and 10 that question the need for additional industrial land in Selwyn.

As to the point made in submission 10 that the plan change request would determine where the majority of future capacity for growth would be in the entire district, we do not think that is a bad thing, and Rolleston is an appropriate place to accommodate such a majority of new industrial land. The reasons for that are the strategic value of the Site (adjacent infrastructure links and close to Christchurch) and presence in the largest settlement in the District, and therefore proximity to the largest workforce in the District. There are natural economic benefits that flow from similar activities co-locating, as identified in the BCL report.²¹ There are also industrial zones with vacant capacity elsewhere in the District (in Darfield and Leeston) and smaller presences of industrial activities in the District's smaller townships, including in the proposed Settlement zones, and so there are opportunities for new industrial activities to establish elsewhere in Selwyn.

For these reasons, we disagree with submission 10's implication that concentrating much of Selwyn's industrial zoned land into Rolleston is a bad thing, and on the contrary believe that Rolleston is the most appropriate urban area in Selwyn in which to accommodate a majority of the District's industrial growth.

¹⁷ BCL report, paragraph 5.3

¹⁸ NPSUD, Objective 2

¹⁹ NPSUD, Policy 1(b)

²⁰ NPSUD, Policy 2

²¹ BCL report paragraph 4.13

5 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 PC80.

While the economic assessment has not quantified how much industrial land is required in Selwyn to meet projected demand, there are no more than minor economic downsides to providing industrial land in excess of current demand, and providing additional supply is consistent with the NPSUD's aims to accommodate growth.

The applicant has volunteered to have Rule 22.10.4 apply to the PC80 area, so as to provide some confidence that the wide range of retail and commercial activities otherwise enabled in the Business 2A zone would be disabled on the Site. That is in our opinion a positive move by the applicant, and a necessary and appropriate change to the original application to ensure that the Site is developed predominantly for industrial activities.