PROPERTY ECONOMICS



SELWYN BUSINESS ZONE POLICY ASSESSMENT (BS004)

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SCHEDULE

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TABLE OF CONTENTS

LIST OF FIGURES

1. INTRODUCTION

Property Economics has been engaged by Selwyn District Council (**SDC**) to undertake an assessment of the Business 1 (**B1**) and Business 2 (**B2**) business zones in the District as they relate to the commercial centre network to ensure the suite of planning policies is appropriate to deliver an economically efficient network, and appropriately manages potential economic effects of future commercial development in the context of the RMA and the envisaged role and function of each centre as outlined in the Selwyn 2031 District Development Strategy (**DDS**).

This report will assist in Council's replacement Selwyn District Plan (**rSDP**) process and ensure that centres are economically efficient and can successfully perform their role and function in the market. The outcomes of this report are to provide applicable and robust justification to any rSDP policy responses addressing centre and business zone policy development from an economic perspective.

At a high level, this study will focus on economic effects and economic efficiency of centres within the broader context of the Selwyn District. This is important as centres, and business zones in general, do not function in mutually exclusive markets, but operate within a layering of catchments where a consumer could be in the core economic market (primary catchment) of multiple centres. This is important to understand as the centre network of Selwyn is not only affected by the Selwyn market, but their role and function is influenced by the centre network and shopping patterns beyond the District's boundaries. This is particularly the case for Selwyn, where significant retail and commercial (re)development in Christchurch as part of the post-earthquake recovery of the city will influence decisions on where Selwyn residents choose to undertake their shopping.

This is natural market competition at play, but this broader economic context needs to be considered and understood to determine the commercial realities around appropriate regulation when assessing policy settings on centre activities and potential economic effects.

The report will balance commercial realisms and appropriate regulation (market intervention) to minimise the risk of significant adverse retail economic effects being generated by centre development. This will provide a robust and relevant economic rationale for managing activity within centre business zones from a policy perspective and identify a range of activities considered most appropriate for business zone to enable the rSDP to deliver an economically efficient and commercially practical district centre network.

In this process a careful balance need to be struck between regulation and 'ease of doing business' / investing in Selwyn's centres. If development opportunities are too restrictive through difficult to understand and costly planning policies this can unnecessary increase economic costs and lower investment certainty in the market. Policy needs to be concise, easily interpreted and administered, and *'turn off'* developers from investing in Selwyn's centres. A policy framework too onerous to navigate increases uncertainty in possible outcomes (from both developer and Council perspectives) and makes it more difficult for centres to better service their market's needs. This can limit a centre's economic potential and their ability to play their role and function more economically efficiently. However, developers do not always work in the best interests of the community, and therefore the scale and type of activities need to be appropriately managed to ensure adverse economic effects / costs are not generated to the detriment of the community, a centre's future and contribution to the local economy.

Any identified policy enhancements recommended in this report around centre activity type and scale will be economic in their genesis.

1.1. KEY RESEARCH OBJECTIVES

The main objectives of the research and analysis are:

- Identify the status of each centre and envisaged role and function within Selwyn 2031 DDS.
- Outline the difference between trade economic effects and retail distributional effects in the context of the RMA
- Outline convenience retail activity types and their importance to the community.
- Identify appropriate activities for Key Activity Centres, Service Activity Centres and Rural Activity Centres.
- Assess the B1 and B2 zones in the context of enabling the centres to economically fulfil their role and function in the market.

- Identify any recommended restrictions that should be incorporated into the policy settings to manage potential economic effects and improve economic efficiency of the centre network.

1.2. INFORMATION SOURCES

Information has been obtained from a variety of sources and publications available to Property Economics, including:

- Selwyn 2031 District Development Strategy – SDC
- Selwyn District Plan - SDC
- Plan Change 7 Section 42a Assessment – Property Economics
- Malvern Area Plan Assessment – SDC / Market Economics
- Ellesmere Area Plan Assessment – SDC / Market Economics
- Rolleston Large Format Retail Centre Market Assessment – Property Economics
- Selwyn District Commercial Centre Assessment – Property Economics
- Commissioner Decision on Plan Change 29 - SDC

2. SELWYN 2031 DISTRICT DEVELOPMENT STRATEGY

The purpose of the Selwyn 2031 DDS, in the context of commercial centres, is to provide a strategic framework for achieving sustainable growth and development of centres out to 2031 that supports their envisaged role and function. The DDS has placed focus on improving the district's self-sufficiency (in the economic context this relates to employment, retail expenditure, and business activity in particular) through providing higher quality living environments, stimulation of innovative business opportunities and enhance the district's natural features and rural landscape.

Combined this creates the Selwyn 2031 vision

> *"To grow and consolidate Selwyn District as one of the most liveable, attractive and prosperous places in New Zealand for residents, businesses and visitors"*[1].

This Selwyn 2031 document also outlines the strategic direction of the district which are designed to guide Council's future decision making. These five key strategic directions (and subordinate elements) are:

1. **A More Sustainable Urban Growth pattern**
   - 1.1. Strategic approach to managing urban growth
   - 1.2. Concentrate urban expansion within the greater Christchurch area
   - 1.3. Integration of land use and infrastructure
   - 1.4. Compact urban form
2. **A Prosperous Community**
   - 2.1. Self sufficiency
   - 2.2. Economic growth
   - 2.3. Transport Systems
3. **A Great place to Live**
   - 3.1. Character and identity
   - 3.2. Variety and choice
   - 3.3. Development quality
4. **A Strong and resilient Community**
   - 4.1. Community facilities
   - 4.2. Community support
5. **Sustainable managing Rural and Natural Resources**
   - 5.1. Natural connections
   - 5.2. Rural context

The planning framework and supporting policies of the strategic direction, and the management of district growth, flow through to three key growth concepts.

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[1] *Selwyn 2031 District Development Strategy*

1. Establishment of a township network, which provides a support framework for managing the scale, character and intensity of urban growth across the whole district.
2. Establishment of an activity centre network, which provides a support framework for managing the scale and intensity of business areas throughout the district's townships.
3. Encouraging self-sufficiency at a district wide level.

These key growth concepts in effect are targeted at the commercial centre network of the district, and highlights the desire to manage (where appropriate) the scale and type of activity within centres from an economic effects and efficiency standpoint to ensure the higher order vision and strategic direction can be achieved.

To facilitate the implementation of Selwyn 2031, a range of key action points have been identified. The most relevant key action point for the purposes of this analysis is:

> *"Building our Economic Strengths*
>
> - *Strengthening the economic activities by protecting the function of Rolleston, Lincoln, Darfield and Leeston as Key Activity Centres.*
> - *Ensuring an appropriate scale and distribution of rural, retail and industrial activities.*
> - *Facilitating development within existing or identified priority business areas within Rolleston and Lincoln.*
> - *Safeguarding the continued operation of strategic infrastructure"*[2].

The envisaged role and function of each centre in Selwyn 2031 is identified under Activity Centre classification in Strategic Direction 2 - A Prosperous Community. An Activity Centre is described as:

> *"An activity centre is the existing commercial / business centre identified as focal points for employment, community activities, retail, services or conveniences"*[3].

Selwyn activity centres are currently zoned B1, however growth in the market means some of these centres are likely to experience growth beyond the current B1 zoned provision in the future. Note this is the subject of an alternative piece of work in the rSDP process.

Selwyn 2031 does recognise that activity centres will vary in size, purpose and level of service, so Selwyn 2031 categories each centre on their anticipated / envisaged role, diversity, scale and intensity of activities anticipated by 2031.

The following centre categories have been determined in Selwyn 2031, with these classifications forming the basis of this assessment:

[2] *Selwyn 2031 District Development Strategy*
[3] *Selwyn 2031 District Development Strategy*

Key Activity Centres (KAC)

Rolleston Town Centre is the largest activity centre and is the primary focus of much of the district's retail and commercial activity. The Rolleston KAC would have a diverse variety and range of retail and commercial activities and in conjunction with the smaller centres will be able to support the district's retail and commercial needs.

Lincoln will also have a range of retail and commercial services but not to the same extent as Rolleston. As such it will act as a secondary commercial centre to Rolleston, but work in conjunction with the Rolleston Town Centre to support the community's requirements.

Darfield and Leeston will also have a range of retail and commercial services but will play a secondary role to the Lincoln and Rolleston Town Centre activity centres. These centres will likely have a rural focus on the goods and services provided compared to Rolleston and Lincoln. They will serve a large rural area and in some cases small townships in the surrounding area of each town.

Service Activity Centres

West Melton and Prebbleton will provide goods and services to residents of the town as well as the wider rural area they primarily service. However, there will still be a reliance on Key Activity Centres for larger scale businesses and more variety in retail and commercial activities.

Rural Activity Centres

These are the balance of centres in the Selwyn centre network, are the smallest activity centres, and are primarily focused on convenience of local residents with some services offered to the surrounding rural area. For more variety in retail and commercial activities these communities will rely on the Service Activity Centres or the Key Activity Centres.

2.1. OTHER KEY DOCUMENTS

There are two other documents that are foundation stones of this assessment. These are the two area plans of Malvern and Ellesmere. Both these area plan reports estimate no consequential increase in B1 or B2 land demand requirements in any centre in Selwyn to 2031 given the current centre B1 and B2 zone capacity.

In the Malvern area plan report Darfield was estimated to require an additional 2ha (rounded) of business land by 2031. However, this was heavily caveated around whether existing (non-commercial) vacant land could be developed for commercial uses, whether existing businesses would accommodate the growth as growth equated to less than one extra employee per business, and whether existing undeveloped B1 land could be developed. Other towns in the Malvern area plan report of Coalgate, Hororata and Kirwee required no additional B1 zone land.

B2 land in Darfield, Sheffield and Hororata required no material additional land, albeit Property Economics would note that these provisions are very small and could be influenced by a single business entering / exiting the market.

In the Ellesmere area plan report Leeston was estimated to require an additional 1ha of B1 zone land by 2031. This again is small in the context of the retail and commercial service market, and would likely be convenience retail focused. Dunsandel and Southbridge required no additional B1 zone land.

In terms of B2 zoned land, Leeston is estimated to require up to 1.3ha, with this offset by the amount of the 1ha of vacant B2 land being developable. The area plan report considers this requirement would provide flexibility for different types of industrial businesses to locate in Leeston. Southbridge and Dunsandel require no additional B2 zoned land.

Overall, the area plan reports indicate very little change is required from the current B1 and B2 zone provisions in the centre and district by 2031. Existing vacant / undeveloped B1 and B2 zoned capacity appears to have the potential to accommodate future increases in demand out to 2031.

3. TRADE COMPETITION VS DISTRIBUTIONAL EFFECTS

Prior to assessing the need for changes in any of the commercial policy settings for centres in Selwyn in the context of economic effects and economic efficiency, there is a need to understand the difference between trade competition generated effects and retail distribution effects. This is a very important differentiation to understand in the context of the RMA.

To assist in understanding differences between trade and retail activity effects, and the general ability of retail activity to generate consequential economic impacts under the RMA, there is first a need to differentiate between trade competition effects and flow-on retail distribution effects.

Trade competition effects (in a generalised retail sense) are the retail trade impacts of retail activity on other similar or 'like' retail activity. It basically reflects a direct cause / effect relationship as a result of a simple repatriation of retail sales among retailer operators. In essence, it represents a redistribution of retail sales as opposed to a loss to the community brought about by the relocation of those sales.

Retail distribution effects are generated as the result of consequential trade competition effects. These effects can range across the spectrum (positive and negative) depending on the level of effects generated, which is heavily dependent on the scale, type and location of the proposed retail activity, among other attributes. Where the patterns of performance, amenity and commercial activity within an existing centre (or associated flow-on benefits from retail activity within that location) would not change significantly within a locality, then the retail distribution effects are not considered to be significant in a RMA context.

Conversely, the 'significant effect' threshold is breached where a new business (or cluster of businesses) affects key businesses in an existing centre to such a degree that the centre's performance (and potentially viability) is eroded, causing a significant decline in its function and amenity, and disenabling the people and communities who rely upon those existing (declining) centre(s) for their social and economic wellbeing.

Retail distributional effects are differentiated from the effects of trade competition on trading competitors, which are to be disregarded pursuant to s104(3)(a) of the RMA with reference to any resource consent applications. Although retail distributional effects are a relevant consideration for a consent authority, it should be noted that Environment Court case law has made it clear that those effects must be significant[4] (but not necessarily ruinous) before they could properly be regarded as going beyond the effects ordinarily associated with trade competition.

[4] *Northcote Mainstreet v North Shore City Council* (High Court, CIV-2003-404-5292), Randerson J stated:
"In regard to shopping centres, I would not, with respect, subscribe to the view that the adverse effects of some competing retail development must be such, as to be ruinous before they could be considered. But they must, at the least, seriously threaten the viability of the centre as a whole with on-going consequential effects for the community served by that centre."

4. CONVENIENCE RETAILING

All centres in Selwyn predominantly play a convenience role and function in the market, servicing the retail and commercial service convenience needs of the core economic markets (or primary catchment) each centre is principally designed to service, which is the geospatial extent of where each centre has a strategic locational advantage over other centres in the network, and generates its most frequent customer use.

Convenience retailing can be generally defined as stores used for 'quick-stop' and frequently required shopping and are used, primarily, due to their close proximity and easy accessibility for the customer. These stores are not exclusive to any one retail category with examples of such stores including, supermarkets, dairies, bakeries, fruit & vegetable stores, cafes and restaurants and takeaway food outlets. Conversely, specialty and large format retail store types are generally classified as comparison stores where shoppers often compare prices between stores before making purchases, and consumers also have a higher propensity to travel greater distances (relative to convenience stores) to purchases goods.

Based on retail surveys of centres around the country over the last 20 years, convenience stores typically occupy store footprints less than 450sqm GFA as they generally service smaller more localised markets with a specialist range of goods, and therefore cannot typically sustain large stores. The exception to this are supermarkets (and potentially some other larger fruit and vegetable and grocery stores), which while convenience oriented offer a large number of stock keeping units (SKUs) in their stores which lead to a larger store foot print requirement.

Supermarkets occupy the largest store footprint of convenience store types, and can range in size from anywhere between 1,000sqm – 6,500sqm GFA, depending on market size, site size competition, and market growth among a range of market attributes. The 1,000sqm GFA threshold is what many 2nd Generation District Plans are utilising as the store size to determine whether a food and grocery stores is a supermarket (amongst a broader definition containing other features). This threshold has been accepted by the major supermarket operators in recently revised District Plans.

The total quantum of convenience activities in an area often reach a natural equilibrium in terms of number and type of stores / tenancies, based on natural market workings and size of the community the centre is servicing. Typically, the only variable that may change this is the level of tourist / visitor activity in the area, which can elevate the level of retail and commercial service activity that can be sustained in a centre.

Providing a more local example, Akaroa is a location that experiences significant inflow of tourists / visitors (both domestic and international), and retail expenditure, on a regular basis throughout the year. This increases the level of retail and commercial service activity / GFA that can be sustained in Akaroa. It also enables a few tourist oriented stores to establish that would not be sustainable otherwise. Queenstown is another larger example of this, with more than half the retail sales in Queenstown not derived from locally generated expenditure. In other words, Queenstown's retail and commercial service provision would not be of the extent it is today without visitor and tourist spend. Selwyn is not considered likely to have a town that generates a level of retail inflow from tourists / visitors that would generate the requirement to alter the policy settings based on local market requirements.

To provide a more detailed understanding of convenience retail and commercial service store types, and the activities these encompass, a more comprehensive list of convenience store types is provided in Appendix 1.

Convenience centres play an important role and function in the market (local residential, local businesses and visitors) by providing the essential goods and services to local communities. Due to the small scale of the vast majority of convenience store types, they benefit from clustering together in small concentrations which improves efficiency and accessibility for consumers. Clustering offers the opportunity for other retail stores in a centre to draw custom from shoppers who may be visiting another store in the centre as their primary purpose of the trip. This can generate efficiencies by removing the need for shoppers to undertake additional trips to access the same good(s) if not located in a centre.

This is also efficient in respect of infrastructure requirements, as co-locating convenience activities into a small centre enables critical infrastructure services (above and below ground such as roading, waste water, electricity, etc) to be shared to improve the utilisation of the capacity provided. This minimises the potential for unnecessary duplication on scare resources, which an important base principle of the RMA.

Clustering convenience activities into a centre also improves the amenity a centre can afford the community, by providing increased choice within one location. However, for balance the economic benefits generated are significantly less than in larger town centres, so are scaled according to centre size. For perspective, small local centres do not create a significant level of social amenity comparatively, but they produce social amenity benefits compared to no local centre at all, or a scattered convenience provision.

Small centre clusters also increase store competition which encourages an environment / centre with more competitive pricing structures to the benefit of the local community. Convenience centres also often act as the '*heart*' of a local community, particularly in rural areas, providing a place for social gatherings / events for the local community and a sense of place for the area the centre is located. Fundamentally convenience centres are important for the level of economic wellbeing and social amenity within a local community.

5. SELWYN COMMERCIAL CENTRE HIERARCHY

Being on the outskirts of one of New Zealand's main metropolitan centres (Christchurch) which has significantly larger retail centres with more extensive offerings, Selwyn has a fairly flat commercial centre hierarchy. Christchurch is within close proximity of Selwyn in terms of retail drive times (and is quick to access with the new southern motorway, with drive times reduced even further once the southern motorway extension is completed), and Selwyn falling into the primary catchment of many centres in Christchurch, particularly the Christchurch Central City, Riccarton and Hornby. The growth and redevelopment these centres, among others, in Christchurch will continue to draw custom from Selwyn residents.

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in Selwyn does not necessarily equate to the level of retail sales within the district. Residents can freely travel in and out of the district, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility and price points. A good quality centre will attract customers from beyond its core market, whereas a low quality centre will have retail expenditure leakage out of its core market.

For that reason, it is appropriate for modern retail markets to be assessed on the basis of "layered catchments". This is where consumers spread their retail spending across a wider spectrum of centres, with the majority of their "higher order" spend going to "higher order"' centres (predominantly large scale regional or main metropolitan shopping destinations with a broader range on both retail and non-retail activities). Meanwhile, convenience spend tends to remain more localised, triggering a layering of centre catchments across the district. In other words, a consumer could be in the primary catchment of numerous centres, not just one. This is likely to be the case for the Selwyn District with Christchurch (and in particular Hornby), in such close proximity and travel to work patterns (significant employment leakage to Christchurch from Selwyn).

CENTRE ROLE AND FUNCTION

All centres in Selwyn perform a core role and function of servicing the convenience retail and commercial service needs of their respective localised catchments. The exception is the Rolleston Town Centre which plays a broader town centre role (including its core convenience function) for the majority of the southern component of the Selwyn District. This centre is the top of the district's centre hierarchy as is identified as a Key Activity Centre in Selwyn 2031 DDS. This is Selwyn's flagship centre of the future and as such should have a more enabling policy setting in respect of commercial development than other centres in the district to enable the centre to broaden its retail and non-retail activity base, as this is the centre where the majority of capital investment needs to occur for it to fulfil its envisaged role and function.

The Rolleston Town Centre is the largest commercial centre in Selwyn and identified as being so for the future. For the Rolleston Town Centre to play its broader role and function in the market (than purely convenience), it is desirable to have its retail and commercial service offer and scope widened, particularly in the Large Format Retail (**LFR**) sectors and comparison speciality store types such as fashion retailing (woman's clothing, men's clothing, shoe stores and fashion accessory store types, and department stores). This broader offer is to assist in improving the retail expenditure internalisation and efficiency within the district, as at present a significant proportion of Selwyn resident generated retail expenditure leaves the district and is spent in Christchurch[5].

The other Key Activity Centres in Selwyn, as identified in Selwyn 2031, are Lincoln, Darfield and Leeston. The commercial reality is that these centres are significantly smaller in respective role, function and scope, and sit well under Rolleston Town Centre from a retail perspective in terms of functionality and ability to attract custom from across the district. Their retail anchor stores are not of the same size or number to challenge the Rolleston Town Centre for its position in the hierarchy, and nor will they over the forecast horizon in this report of 2031.

Lincoln, which also contains Lincoln University in its core market, has a growing market to service and it likely to be larger in extent than Darfield and Leeston, so while they all have KAC status only Rolleston Town Centre has the realistic potential of playing a broader role in the market.

The Service and Rural Activity Centres as defined in Selwyn 2031, including West Melton, Prebbleton, Southbridge, Hotorata, Dunsandel, Coalgate, Castle Hill and Kirwee are comparatively small in extent and play a supporting role to the larger Kay Activity Centres. They service very localised catchments, and this is unlikely to change out to 2031. Growth in the commercial provision within these centres will directly reflect growth in each of the respective local markets they service. The centres closest to Christchurch, such as West Melton, are likely to experience higher rates of commercial growth relative to the centres more distant on the back of higher levels of residential development.

EXCLUDED ACTIVITIES FROM CONSIDERATION

With the rSDP policy framework and definitions still to be determined, it is important to outline the activities that have been excluded from consideration by Property Economics in this assessment that sometimes occupy centre tenancies or figure in centre composition.

With this in mind, trade activities have been excluded from Property Economics B1 considerations. These are the trade activities currently categorised as retail activities under the ANZSIC[6] categorisation system:

[5] *Property Economics' Selwyn District Commercial Centre Assessment – December 2012*
[6] *Australia New Zealand Standard Industrial Classification*

- Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)

- Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

The above retail store types have been excluded because they are not considered to represent core retail expenditure, nor fundamental retail centre activities in terms of visibility, location, viability or functionality. Modern retail centres do not rely on these types of stores to be viable or retain their role and function in the market, as these activities predominantly locate in non-centre (industrial) locations, as such these stores types only have the potential to generate non-consequential trade competition effects rather than flow-on retail distribution effects. Therefore, the retail centre network's economic wellbeing and social amenity cannot be unduly compromised.

Trade oriented activities generally have difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activity types it would be unviable to establish new stores in centres given their modern store footprint requirements and sometimes untenable to remain located within them for an extended period of time (beyond an initial lease term) in successful centres due to property economic considerations such as rent, operating expenses, land value and site sizes.

Trade orientated activities such as kitchen showrooms, plumbing stores, electrical stores and paint stores are also excluded from this analysis for similar reasons. This is not to imply that these activity types are not situated in centres, as in many instances some of these stores types remain operating in centres as a historical overhang.

However, in the future, it is increasingly difficult from a retail economic perspective to see these store types establishing in centres (new or redeveloped), albeit they may have equal planning opportunity to do so. Also, these store types are not typically convenience store types, and therefore have limited ability to impact a centres role and function in this instance. As such, these store types have not had an influencing consideration in the B1 analysis of this report. However, for B2 zoned land with a more industrial focus that are considered appropriate.

6. SELWYN BUSINESS ZONES

The Business zones relevant to the purpose of this analysis are the Business 1 and Business 2 zones.

The Business 1 zone applies to commercial centres that contain retail, offices, and community facilities. This zone typically forms the zone basis of the centres in the District and can range in size from a small cluster of local shops, through the main streets centres such as Leeston and Darfield, and larger town centres such as Lincoln and Rolleston.

The district's industrial activities are provided for through the Business 2, B2A, and B2B zones. The largest of these zones is the B2A I:Zone industrial park to the north of Rolleston, with a smaller B2B zoned greenfield site located in Lincoln south of the University. B2 zoned areas with long-established industrial activities are located in Darfield, Leeston, Doyleston, Southbridge, Dunsandel, and Glentunnel.

The commercial activity zoning pattern for the two largest centres in Selwyn are shown in Figures 1 and 2 following.

FIGURE 1: ROLLESTON TOWN CENTRE BUSINESS ZONES

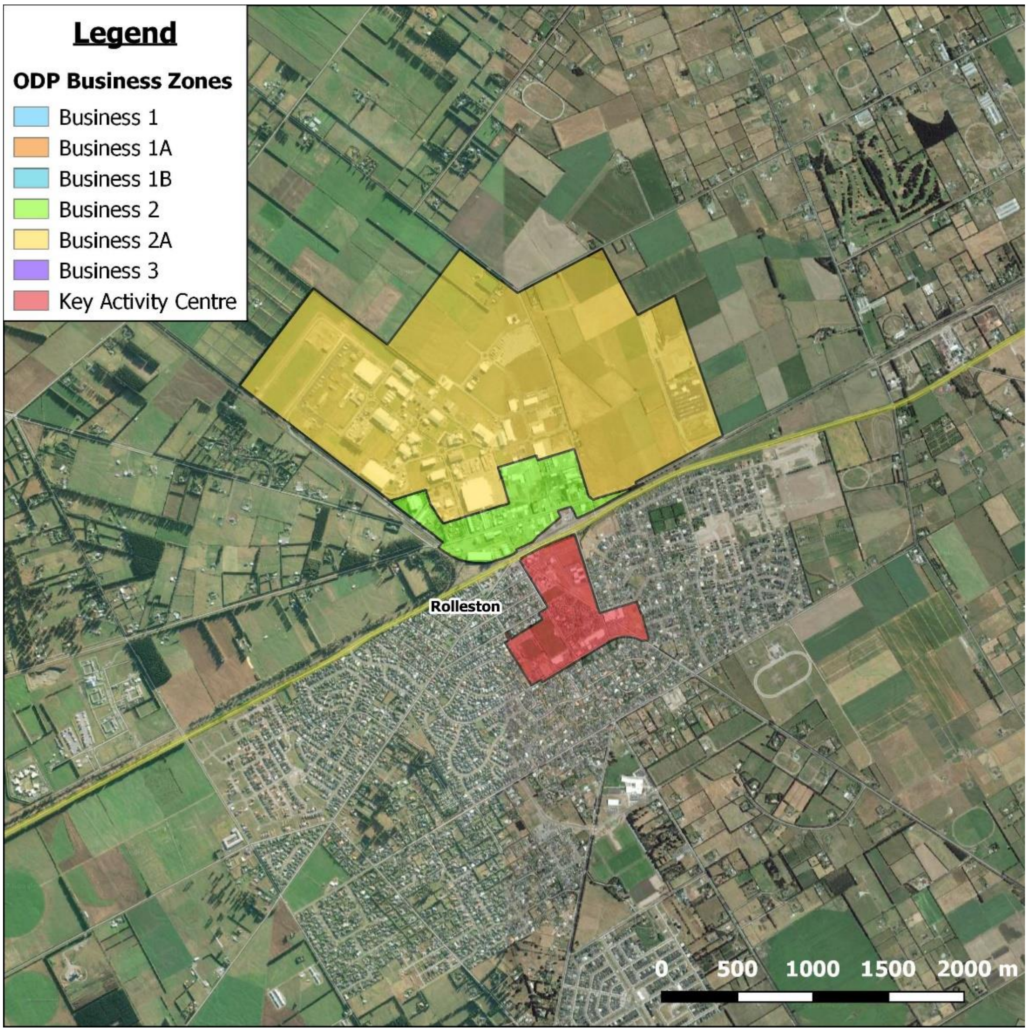
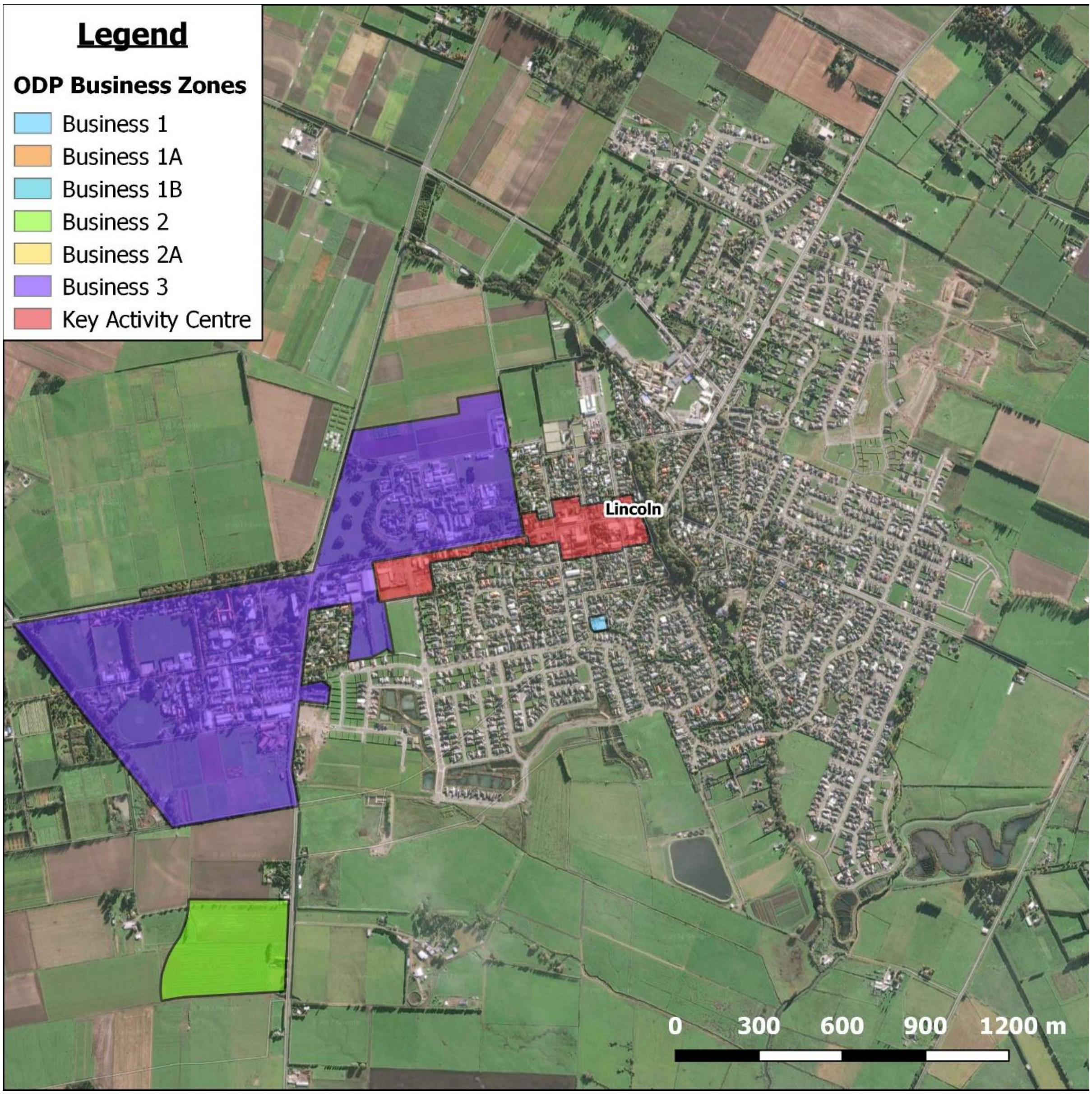


FIGURE 2: LINCOLN TOWN CENTRE BUSINESS ZONES



6.1. ZONING OVERVIEW

The key zone that provides for commercial activities in Selwyn District is the Business 1 zone. As identified above, this zone applies to all the centres and villages within the District. The smaller villages do not tend to have a Business 1 zone and instead commercial activities tend to be located within a Residential zone. These 'out of zone' commercial activities are subject to a separate report (BS001) as part of the rSDP background work programme. The extent and type of these activities are managed by the market naturally and are unlikely to require additional provisions in the rSDP to manage economic effects.

The current District Plan provisions were developed initially as part of the wider District Plan Review over ten years ago and were limited to restrictions on activities that could locate in the Business 1 zone and to bulk and location controls on matters such as building height and boundary setbacks. These general zone provisions where then expanded through Plan Change 29 which introduced urban design controls to the Business 1 zone, including a difference in approach for small development below 450sqm and larger developments which required consent through a qualitative urban design assessment.

6.2. BUSINESS ZONING PROVISIONS

In respect of the B1 zone there is a clear distinction in the centres network between the Key Activity Centres, the Service Activity Centres and the Rural Activity Centres. The latter two categories, and Darfield and Leeston from the Key Activity Centre list, are predominately convenience centres and are likely to remain that way to 2031.

Rolleston (in particular), and Lincoln are the two primary centres in Selwyn and should have some 'policy recognition' in the rSDP to ensure they can fulfil their role and function in the way envisaged by the Selwyn 2031 Strategy, including managing any potential compromise from unforeseen future commercial development not located in these centres.

SDC needs to have some policy '*teeth*' in the plan that would enable a land use consent for new commercial development to be considered, manged and even declined, if it is deemed to represent a significant potential threat to these higher order centres, their role and function, viability and significantly undermines their development future. This '*threat*' could come from the expansion of an existing centre, or a new greenfield proposal.

For Selwyn to facilitate an efficient and effectively distributed commercial centre and business network, it is important the smaller Service and Rural Activity Centres contribute to their communities of interest and the overall centre network. There is a trade-off for any centre between the benefits associated with a critical mass (or economies of scale), and the convenience and accessibility for these centres to provide for their communities of interest (or catchments). In order to grow effectively, and offer the amenity and accessibility necessary to provide convenience retail and commercial services, it is crucial that smaller centres are efficiently developed, and are accessibly located, so as to meet the local community's requirements.

The development of these centre and their associated benefits must, however, be balanced with the potential impact they will have on existing centres, the catchments they support, and their role and functions in the community. It is not considered appropriate to sacrifice the vitality within existing centres for increased convenience for smaller sections of the community. As such it is necessary to compare, even at a general level, the likely distributional costs associated with new retail developments and their benefits to the community. Centres sizes are a function of the catchment they serve, and if a centre grows at a level disproportionate with the catchment (households) it provides those services for, it will potentially do so to the detriment of an adjoining centre, reducing the amenity of that centre and its ability to provide functional and social amenity for its community.

It is important that such an assessment is not considered with simple trade competition and the protection simply of existing retailers, but is focused on the potential wellbeing of the community and whether any new development is in their best interest with regards to the location of the services.

It is a clear outcome sought from Selwyn 2031 that the existing centres should have their role and function provided for, and their wider community values and associated amenity recognised. Given the potential for retail impacts and adverse economic effects to be generated as a result of proposed expansions of centres or new townships, it is clear the rSDP should include strategic recognition of the wider community values associated with existing centres.

The community, depending on the scale of the centre, has sunk a significant level of capital investment and economic expense into the existing centre network including infrastructure, community facilities and assets, etc, as well as the historic value many of the existing centres have in their local communities.

In this regard Selwyn's replacement District Plan in Property Economics view should contain policy provisions and checks'n balances that appropriately test the merits of commercial applications to ensure no existing centre is likely to be adversely economically affected in a RMA context by a new commercial proposal. This is important as not all future threats are foreseen or known at the time of writing a District Plan, so it is considered important to have some policy triggers in place that enables commercial applications to be appropriately tested, and it provides increased certainty in the market (which is important to stimulate commercial development in the district).

For smaller Service and Rural Activity Centres a 450sqm GFA maximum for an individual retail tenancy is considered appropriate. This enables the vast majority of convenience retail and commercial service stores to be developed with convenience centres typically having an average store tenancy size of around 120sqm GFA. The smaller rural communities are unlikely to have a market size large enough to viably sustain stores larger than 450sqm unless on abnormally low rental structure. Food and grocery stores, and sometimes pubs / taverns can sometimes be larger than 450sqm, in which case if less than 1,000sqm GFA, can be assessed as a Restricted Discretionary (RD) activity.

Supermarkets are generally considered to be over 1,000sqm GFA, but being a convenience store should be assessed as a Restricted Discretionary (RD) activity with economic impacts on existing centres part of the RD criteria. It is unlikely most of the rural centres in Selwyn would be able to sustain a large supermarket, and those that could already have an incumbent.

Other retail stores larger than 450sqm GFA (generally referred to as Large Format Retail stores) should have a Discretionary activity status, which should include an economic effects assessment of the centre network and enables the wider objectives and policies of the Plan to be considered also.

In terms of office activity, Property Economics recommend an individual office tenancy floor space maximum of 200sqm GFA. This allows small professional office and commercial service based businesses to locate in their local centres, but prevent head office or larger scaled businesses that serve a wider district, regional or national market to establish. These larger (over 200sqm GFA) office businesses are better and more efficiently provided in the Rolleston Town Centre, and will assist the centre better play its role and function in the market.

The size of the market itself is likely to manage the extent of retail and commercial office tenancies in any one centre, but the provisions above provides the requisite flexibility the market requires, whilst also providing SDC some relevant thresholds to ensure potential economic effects are appropriately managed. It is also likely that these triggers also represent appropriate thresholds to consider both the compatibility of activities generated by such proposals (noise, building bulk, and traffic) within their receiving environment.

It is important to keep in mind that the RMA is an enabling document and encourages development. The rSDP should focus on developing a policy framework that encourages, supports and facilitates new development as long as its results in a net positive benefit for the wider community. Selwyn needs to be 'open for business' and draw investment into the district as it's a competitive market and if Selwyn is perceived in the market as a difficult place to do business, many investments may be channelled into other districts to the potential economic detriment of Selwyn and its growth profile.

The above applies for Lincoln, Darfield and Leeston as well.

The Rolleston Town Centre is a slightly different proposition with a lot more scope to develop a wider retail and commercial office offer. Retail and office activity in Rolleston Town Centre should not be restricted, but encouraged. This enables the market the ability to deliver development that grows the centre into a larger, more diverse town centre that better meets the growing demand and community requirements. This includes potential for LFR and large office activity to try and improve the retail and employment retention of the district. It will be important that design controls are not set at such a high level as to discourage such investment.

The Rolleston Town Centre is the centre in Selwyn where most retail and office development should occur based on Selwyn 2031 DDS, so less economic restrictions should apply. Ease of centre investment and commercial redevelopment should be encouraged.

Any LFR development in Selwyn in the commercial business zones should be restricted to stores over 450sqm GFA, and be assessed as a Discretionary activity. Provision for no more than two small (below 450sqm GFA) food and beverage stores within such developments are considered acceptable as they would not threaten the economic viability of existing centres.

In respect of Business 2 (industrial) zones, retail activity should be restricted to food and beverage stores, and the quantum of these are usually self-regulated due to the limited level of amenity offered in the area from a retail and consumer perspective. Any other retail should Non-Complying sending a strong message to the market that retail development is not anticipated in this zone, and also provides more certainty for retail investment in centres.

In terms of office activity, this should be restricted to ancillary office activity to the primary activity on the site. The potential for stand-alone office developments or office parks to be established in the Business 2 zone should be restricted. These activities assist in the role, function, amenity and development of centres, and in particular will be an important component of Rolleston Town Centre's development to 2031. The more stand-alone office development outside of centres, the slower and more difficult commercial growth within the centres will be.

The Business 2 (industrial) zone should enable all industrial activity to be developed (in an economic context, i.e. there may be other non-economic factors that may limit certain types on industrial activity), and restrict the potential for non-industrial uses consuming this scarce land resource.

These proposed policy settings are designed to assist and encourage appropriate commercial development in centres that assists centres to play their envisaged role and function in the market, whilst being cognisant not to be too onerous in the policy settings and provide no flexibility in the market that would discourage investment in Selwyn.

APPENDIX 1: CONVENIENCE STORE TYPES

Note this is not intended to represent an exhaustive list of appropriate store types

EXAMPLES OF CONVENIENCE RETAIL STORE TYPES

- Supermarket / Superette / Dairy / Mini-mart
- Fish shop
- Butcher
- Bakery
- Post Shop / Stationery
- Fruit & Vege Shop
- Delicatessen
- Cake Shop
- Ice Cream Parlour
- Liquor / Wine Shop
- Takeaways (Fish & Chips, Pizza, Chinese, Thai, Turkish, Indian, etc.)
- Cafés & Restaurants
- Video store
- Stationery Shop / Newsagent
- Pub / Bar
- Florist
- Gift Shops
- Pharmacy

EXAMPLES OF CONVENIENCE COMMERCIAL / PROFESSIONAL SERVICES AND OFFICE ACTIVITIES

- Camera / Photography Shop
- Optometrist
- Locksmith
- Hairdresser
- Drycleaners
- Doctors
- Accountants
- Physiotherapists
- Medical practitioners
- Dentists
- Child care facilities
- Gym
- Lawyers