

Appendix H – Economic Assessment



Final Report: 13 February 2024

Economic Assessment for Proposed Rezoning of 157 Levi Road, Rolleston

Prepared for: **Foodstuffs (South Island) Properties Ltd**

Authorship

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1. Executive Summary

Foodstuffs (South Island) Properties Limited (**Foodstuffs**) is seeking to rezone 157 Levi Road, Rolleston (**Site**) from Medium Density Residential Zone (**MRZ**) to Large Format Retail Zone (**LFRZ**) subject to an Outline Development Plan (**ODP**) within the Partially Operative Selwyn District Plan (**PODP**). The proposed ODP includes key elements to guide the form and location of development that, in combination with the proposed amendments to the LFRZ rules and matters of discretion, will enable a supermarket (already consented) and a trade retail and trade supply store on the Site. This report assesses the likely economic effects of the proposed rezoning of the Site.

The report begins by describing the Site and its consented/proposed future development as a PAK'nSAVE supermarket and a trade retail and trade supply store, such as a Mitre 10 Hardware store. Then, it identifies key site and location criteria for trade retailers like Mitre 10 and applies them to the Site, plus three other nearby areas, to determine the optimal location from an economics perspective.

Overall, we conclude that the Site is a superior location for a new trade retailer and supplier such as Mitre 10 because it:

- provides a highly visible and easily accessible location on an arterial road near the bulk of future growth and hence building activity;
- is large enough to meet its needs;
- is relatively flat, free of contamination, and is a suitable shape;
- creates potential for synergies with the consented PAK'nSAVE; and
- can be developed in a financially viable manner.

Although the Site is close to the Rolleston TCZ, a trade retailer and supplier such as Mitre 10 will not undermine its role, function, health, and vitality because there are no hardware stores there to be directly affected. In addition, the proposed Mitre 10 store would not otherwise locate in the Rolleston TCZ if the Site was unavailable. Accordingly, a new trade retail and trade supply store will neither divert trade from the Rolleston town centre, nor deprive it of a new store.

Similarly, although the proposed Mitre 10 will occupy land currently zoned for residential development, we consider its effect on residential land supply to be less than minor. Specifically, the proposed Mitre 10 will reduce long-term district dwelling capacity by 0.15%, with a cumulative effect (i.e. with the consented PAK'nSAVE) of 0.35%.

Despite Selwyn being New Zealand's fastest growing territorial authority, it has an anomalously low level of hardware, building, and garden retail supply. In fact, it is 8 times lower than the national average relative to building activity in 2023, and 4 times lower than the national average relative to population size.

The proposed amendments acknowledge and directly respond to this acute shortage by enabling a new, modern trade retailer such as Mitre 10 in an easily accessible and highly visible location. In addition to greater district retail self-sufficiency, this will have enduring economic benefits, including:

- The economic stimulus of store construction and operation, with 65 full-time workers permanently employed over the longer term; and
- Reduced commuting compared to the status quo, where nearly all district hardware/building/garden retail needs are currently met in Christchurch City.

Finally, we consider the most appropriate zoning for the Site and concur with the planning analysis which identifies the LFRZ as the best fit.

Overall, we support the proposed rezoning of the Site as LFRZ on economic grounds.

2. Introduction

2.1 Context and Purpose of Report

Foodstuffs (South Island) Properties Limited (**Foodstuffs**) is seeking to rezone 157 Levi Road, Rolleston (**Site**) from Medium Density Residential Zone (**MRZ**) to Large Format Retail Zone (**LFRZ**) subject to an Outline Development Plan (**ODP**) within the Partially Operative Selwyn District Plan (**PODP**).

The proposed ODP includes key elements to guide the form and location of development that, in combination with the proposed amendments to the LFRZ rules and matters of discretion, will enable a supermarket (already consented) and a trade retail and trade supply store on the Site. This report assesses the likely economic effects of the proposed rezoning of the Site.

2.2 Structure of Report

The remainder of this report is structured as follows:

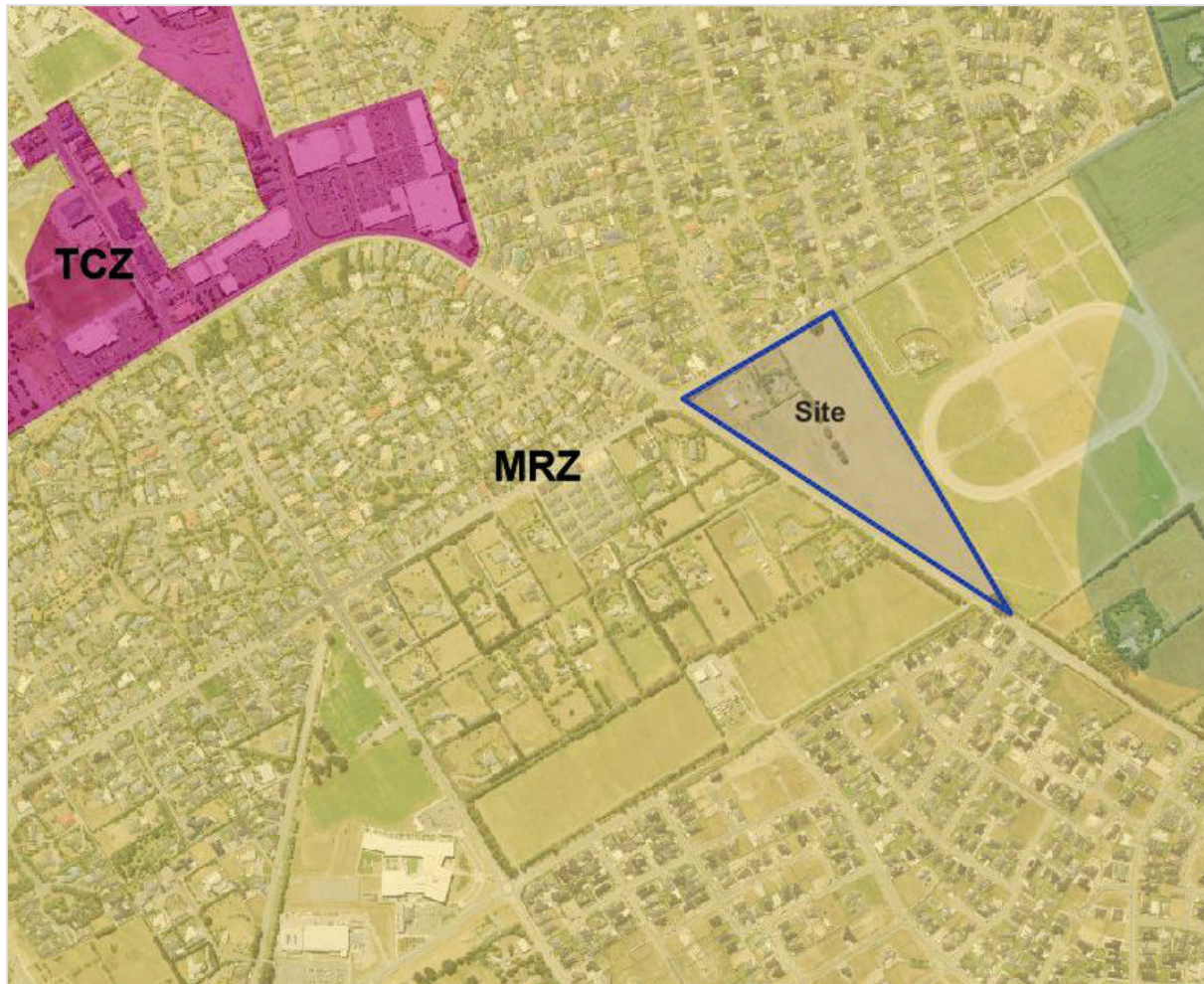
- **Section 3** identifies and describes the Site.
- **Section 4** examines key site and location criteria for trade retail and trade suppliers.
- **Section 5** identifies and assesses other potential locations for a trade retail store.
- **Section 6** considers the potential adverse effects on nearby commercial areas.
- **Section 7** assesses the proposal's impact on residential land supply.
- **Section 8** considers the likely economic benefits of the proposal.
- **Section 9** considers the most appropriate zone for the balance of the Site.
- **Section 10** provides a summary and conclusion.

3. About the Site & Proposed Development

3.1 Site Location and Description

The Site is bound by Levi Road to the north, MRZ land to the east, and Lincoln Rolleston Road to the southwest. It is relatively flat, triangular, and spans about 7.2 hectares. The Site contains a single residential dwelling, and sheds used for lifestyle activity. Figure 1 below identifies the Site using the PODP (Appeals Version) map.

Figure 1: Subject Site with the PODP Zoning Overlaid



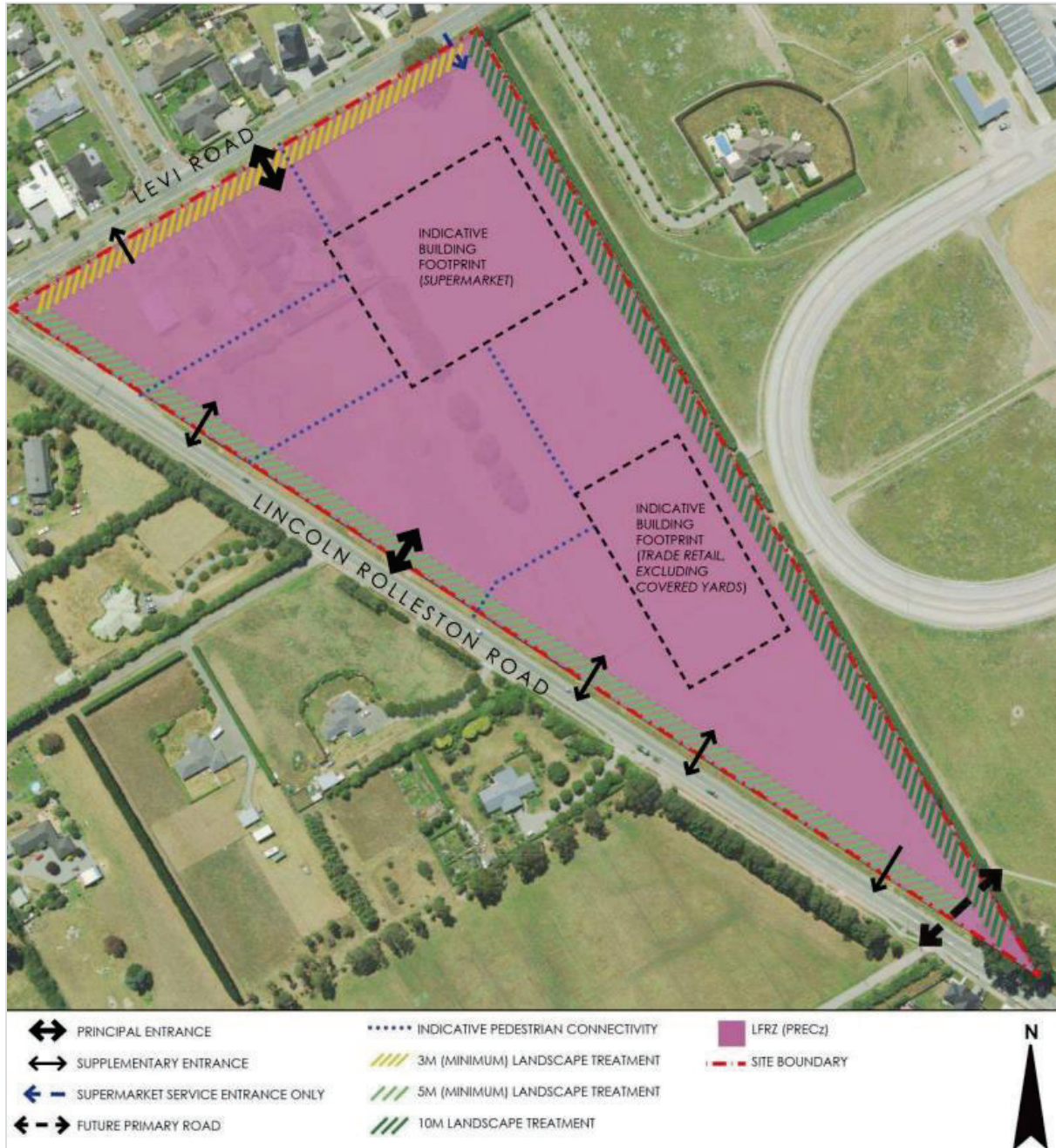
3.2 Proposed Development for the Site

The proposed development for the Site comprises:

- the consented PAK’nSAVE store on the northern portion of the Site; and
- a Mitre 10 hardware store on the southern portion of the Site.

Figure 2 displays the proposed ODP for the Site.

Figure 2: Proposed ODP for the Site



4. Site & Location Criteria for Trade Retail

4.1 Introduction

Retail is, by definition, a numbers game. Longevity depends on ensuring that stores are highly visible, accessible, and attractive to customers. Thus, new stores must be optimally located and positioned to maximise the chances of success. While the exact site and location criteria applied by each retailer will likely vary to some extent to reflect (say) differences in their target markets, we consider the key site and location criteria for a new trade supplier and retailer like Mitre 10 below.

4.2 Location Characteristics

- Distance from competing stores.
- Distance from other stores in the same chain to minimise the potential for sales cannibalisation.
- Proximity to complementary stores (i.e. scope for agglomeration).
- Proximity to customers.
- Projected future building activity (new builds & alterations/additions).
- Current and projected future catchment spending power.

4.3 Site Characteristics

- Accessibility and visibility from the street.
- Size; large enough to accommodate the store plus roading, customer and employee carparking, landscaping, stormwater management, yards, setbacks, landscape buffers, and so on.
- Appropriate site shape, topography, and geotechnical conditions.
- Freedom from contamination.
- Proximity to main roads/highways.
- Road frontage onto an arterial road with highly visible car parking.
- Land price.
- Zoning and consenting considerations.

5. Other Locations for Proposed Mitre 10

5.1 Introduction

We understand that Mitre 10 has assessed various potential locations using similar criteria to that identified in Section 4 and concluded that the Site was the best choice. However, for completeness, this section evaluates other potential site/location options in and around Rolleston to determine the best place for trade retail and trade supply activities from an economics perspective.

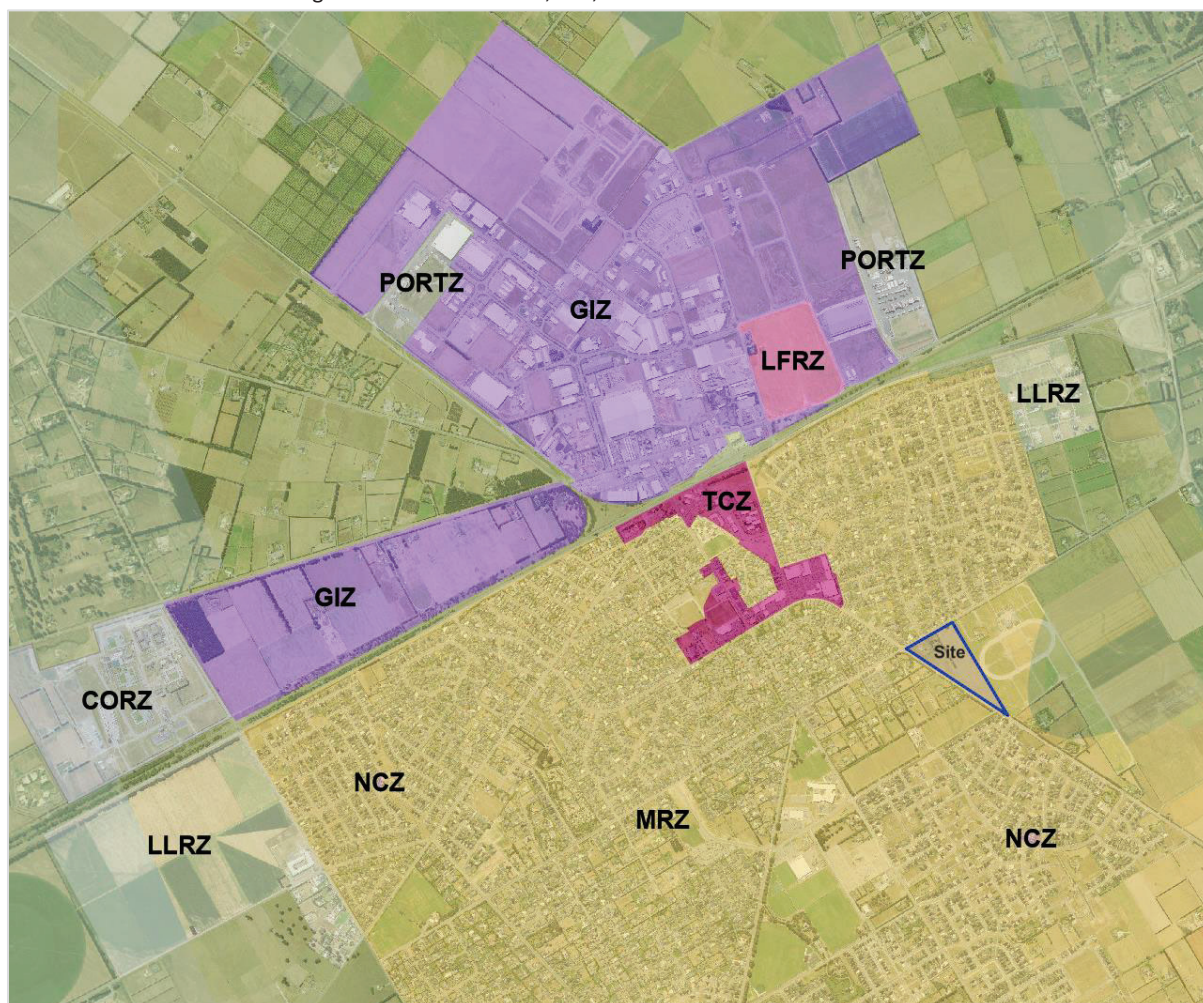
5.2 Context

Trade retailers are permitted activities in two commercial zones under the PODP other than the LFRZ, specifically the Town Centre Zone (**TCZ**), and the General Industrial Zone (**GIZ**). Accordingly, we consider the options and merits of locating the proposed Mitre 10 store either in:

- The LFRZ area on Jones Road;
- The TCZ underlying the Rolleston Town Centre; and
- The GIZ north of the state highway.

For context, Figure 3 below shows the location of these areas.

Figure 3: Location of LFRZ, TCZ, and GIZ in and around Rolleston



5.3 Locating at the Jones Road LFRZ

The PODP rezones approximately 13.1 hectares as LFRZ north of the state highway on Jones Road. As shown above, it is the only area zoned as LFRZ in Rolleston, and notably the only LFRZ in the district.

In theory, the proposed Mitre 10 could locate there because it would be a permitted activity. However, the entire area is owned by a subsidiary of the Carter Group which, according to public information, has lodged an application for resource consent for a comprehensive development of the entire area.¹ This is represented by the indicative layout below.²

¹ https://www.selwyn.govt.nz/_data/assets/pdf_file/0009/950580/021008-IPORT-LFR-Centre-RC-07072022-FINAL-complete.pdf

² <https://www.stuff.co.nz/business/property/129246076/south-islands-biggest-bulk-retail-centre-planned-for-rolleston>

Figure 4: Proposed Development of the Existing LFRZ in Rolleston



Because of this proposed comprehensive development, which alludes to a potential Bunnings tenancy, the LFRZ on Jones Road is a poor location for the proposed new Mitre 10. This is because, as per the location criteria above, new retail stores avoid establishing too close to major competitors (like Bunnings is to Mitre 10).

In addition, we understand that Mitre 10 strongly prefers to own the land and buildings for its new stores. However, to the best of our knowledge, Carter Group plan to develop this site on a “design, build, lease” basis, where they retain ownership of the land and buildings and lease them to tenants. This further undermines the merits of the Jones Road LFRZ for the proposed Mitre 10.

More generally, we consider the Jones Road LFRZ a second-rate location because it fails to meet visibility and customer proximity criteria. Specifically, the LFRZ on Jones Road is set back from, and is north of the State Highway and Railway tracks, while the district’s population is mostly concentrated south of there.

To elaborate, according to Statistics New Zealand, 76% of the district’s population currently reside south of the State Highway and Railway tracks. By 2048, this is projected to remain above 75% because nearly 75% of population growth (and thus residential building activity) will occur south of the State Highway and railway tracks. Consequently, the Jones Road LFRZ is not an ideal location from the perspective of visibility, accessibility, nor customer proximity.

Overall, for the reasons set out above, we consider the Jones Road LFRZ area to be an inferior location for the proposed Mitre 10 store and dismiss it on that basis.

5.4 Locating in the Rolleston Town Centre

Like the LFRZ, the proposed Mitre 10 would also be a permitted activity in the TCZ. However, most TCZ land is already developed or is in the process of being developed, with all remaining parcels being too small for a Mitre 10.

That aside, the TCZ may not be ideal for a new hardware store like Mitre 10 because of the trade supplier and retailer's large land requirements and its higher rates of heavy vehicle trip generation (for the receipt and distribution of hardware and building supplies).

For these reasons, we rule out the TCZ too.

5.5 Locating in the General Industrial Zone

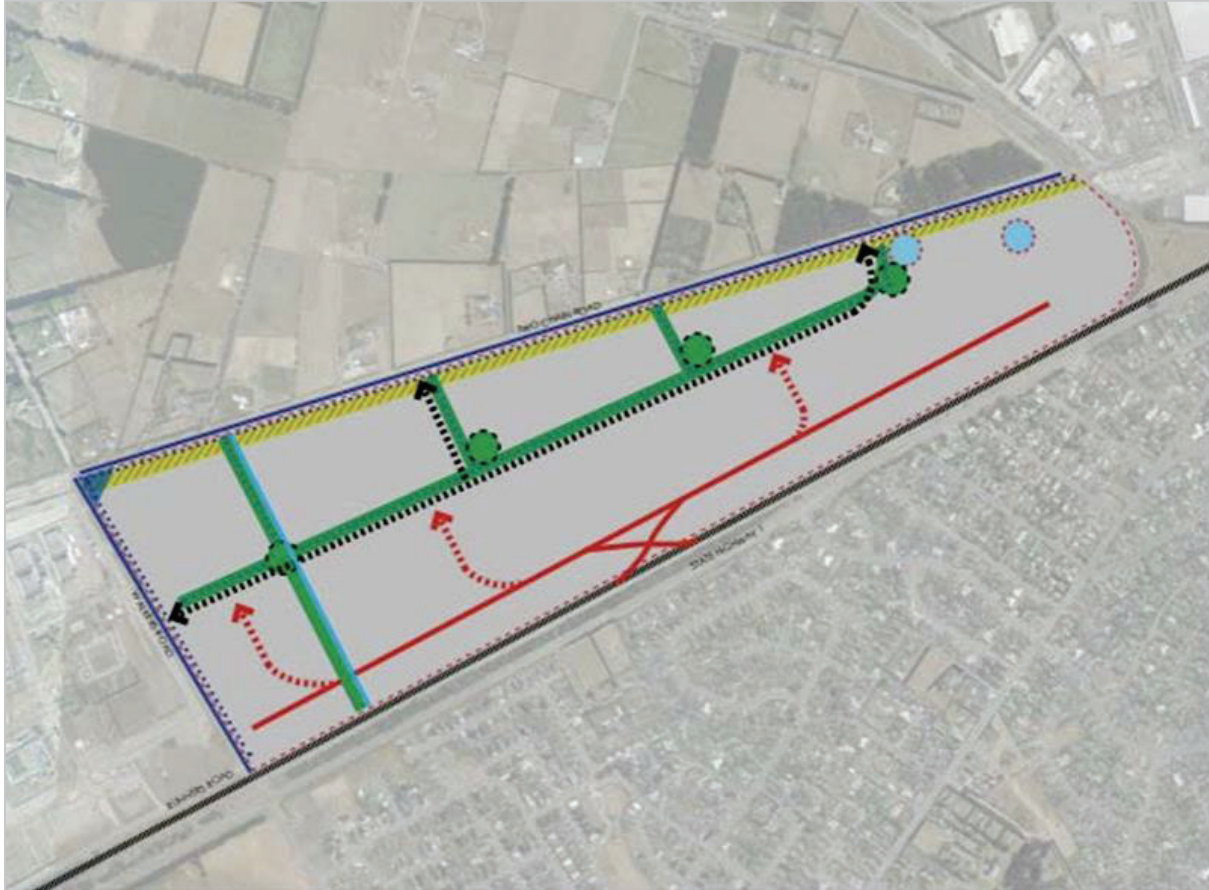
The final locational consideration is the GIZ, where the proposed Mitre 10 would also be a permitted activity. However, like the Jones Road LFRZ area, all GIZ land in Rolleston is located north of the State Highway. As per the discussion above, this is not an ideal location for a trade supplier and retailer because most customers, and future building activity, will occur south of the State Highway.

This conclusion is reinforced by the fact that most GIZ land visible from the State Highway has already been developed, which would cause the Mitre 10 to be located even further north. That, in turn, would reduce convenience, accessibility, and visibility, all of which are crucial to retail success.

The main exception is the recently rezoned PC80GIZ area, which abuts the State Highway west of the established GIZ area, and is thus more visible and slightly more accessible.

However, the Rolleston West Industrial Precinct (PREC6A) ODP indicates that it is largely designed for industrial businesses that need or want a rail siding. This is illustrated by the red lines in the ODP diagram below, which represent rail infrastructure.

Figure 5: Rolleston West Industrial Precinct (PREC6A) ODP (Rail infrastructure shown in red)



Since Mitre 10 does not seek a rail siding, this land is also a poor fit with its site and location criteria (notwithstanding that it is on the “wrong” side of the State Highway).

5.6 Most Appropriate Location for the Proposed Mitre 10

Overall, we consider the Site the most appropriate place for the proposed Mitre 10 because it:

- Provides a highly visible and easily accessible location on an arterial road near the bulk of future growth and hence building activity;
- Is large enough to meet its needs;
- Is relatively flat, free of contamination, and is a suitable shape;
- Creates synergies with the consented PAK’nSAVE as indicated by the two stores choosing to co-locate elsewhere recently³; and
- Can be developed in a financially viable manner.

³ Specifically, there are four locations where Mitre 10 and PAK’nSAVE are directly adjacent to one another. They are in Papamoa, Henderson, Te Awamutu, and Queenstown. There are also a further 13 instances where the two stores are located within 500 metres of one another.

6. Effects on Existing Commercial Areas

6.1 Introduction

Although the proposed Mitre 10 is well-suited to the Site and cannot feasibly or logically locate elsewhere in Rolleston, it is still important to consider whether it might adversely affect the role, function, health, and vitality of existing commercial areas.

Accordingly, we now consider the likelihood of retail distribution effects arising on the Rolleston Town Centre, which is the closest commercial area and is the district's largest Key Activity Centre (**KAC**).

6.2 Impact of Proposed Mitre 10 on Rolleston Town Centre

In our view, a trade supplier and retailer such as Mitre 10 poses no threat to the role, function, health, and vitality of the Rolleston TCZ because:

- The Rolleston TCZ does not contain any major hardware stores whose trade would be affected by the proposed Mitre 10;
- Instead, the new store's trade impacts will be felt almost exclusively by hardware stores in Christchurch City;
- Furthermore, if the proposed Mitre 10 could not locate on the Site, it would not otherwise move to the Rolleston TCZ for the reasons above.
- Accordingly, the new store will neither divert trade from the Rolleston TCZ nor deprive it of a store that would otherwise locate there.

As a result, the proposal does not pose any threat to the role, function, health, or vitality of the Rolleston TCZ.

7. Impacts on Residential Land Supply

7.1 Introduction

As noted earlier, the Site is zoned MRZ under the PODP, which enables medium density residential dwellings. Consequently, we now consider the extent to which the proposed rezoning reduces the supply of residential land in and around Rolleston.

7.2 Residential Land Utilisation and Impact

To advance the analysis, we used the proposed Site ODP to calculate Mitre 10's share of the land area, which we calculated to be roughly 40%. Thus, the Mitre 10 will consume almost three hectares of land.

Assuming a realistic density of (say) 15 dwellings per hectare gross, this translates to the loss of approximately 45 new dwellings.

To put that in context, the latest capacity assessment by Formative for SDC⁴ estimates long-term district feasible capacity to exceed 30,000 dwellings. Consequently, the Mitre 10 site will reduce long-term district capacity by 0.15%.

When the cumulative impact of the proposed Mitre 10 and consented PAK'nSAVE are considered, the loss of residential land equals 0.35% of long-term capacity.

7.3 Conclusion

While we acknowledge that the loss of 45 potential future dwellings will affect residential land supply, we consider it to be less than minor.

Moreover, as explained below, the proposed Mitre 10 store is highly likely to be a more valuable use of the Site because it helps to plug a significant retail and trade supply gap in the market.

⁴ https://www.selwyn.govt.nz/_data/assets/pdf_file/0005/1787936/Selwyn-Residential-Capacity-and-Demand-Model.pdf

8. Benefits of Rezoning & Enabled Mitre 10

8.1 Introduction

This section considers the likely economic benefits of the proposed rezoning and the enabled Mitre 10 store.

8.2 Context

Despite being New Zealand's fastest growing territorial authority by a clear margin, Selwyn has an anomalously low level of hardware, building, and garden retail supply. This is illustrated in the two graphs below, which plot (respectively):

- The number of hardware, building, and garden supply employees per \$100 million of buildings consented in 2023; and
- The number of hardware, building, and garden supply employees per 1000 population in 2023.

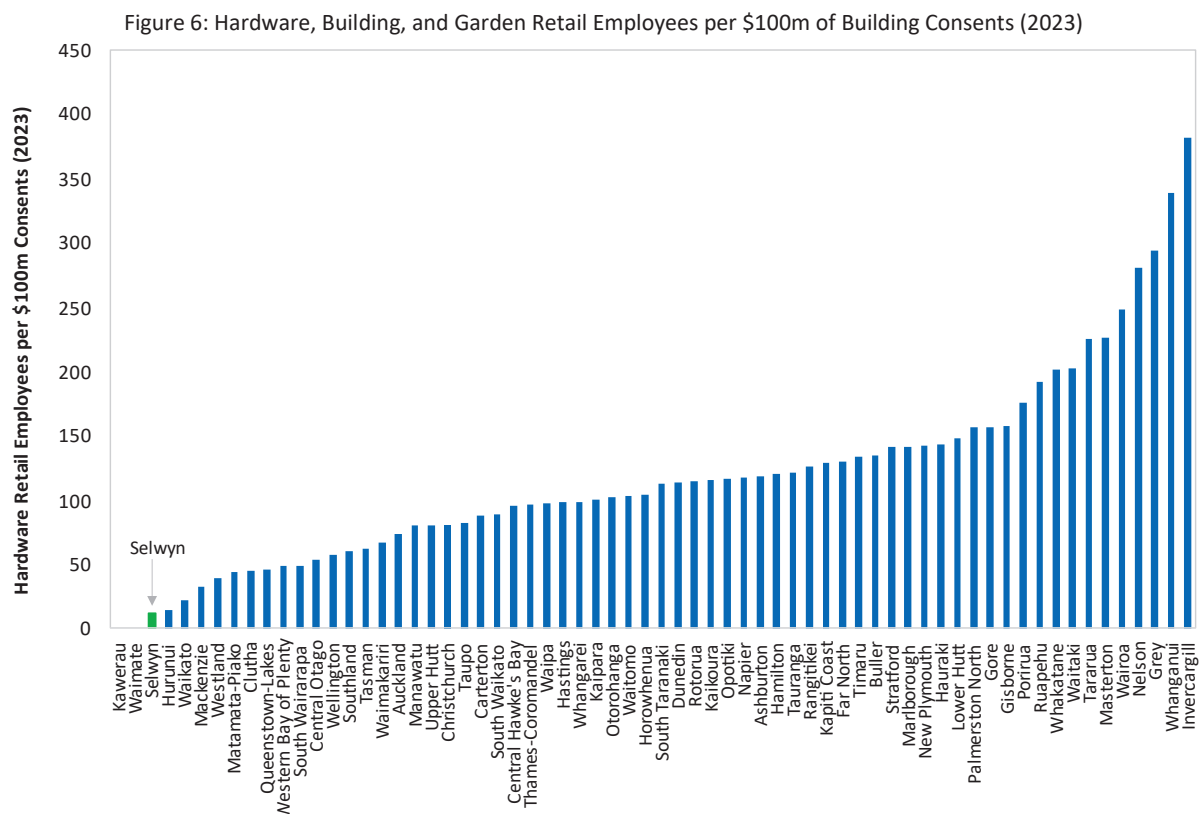
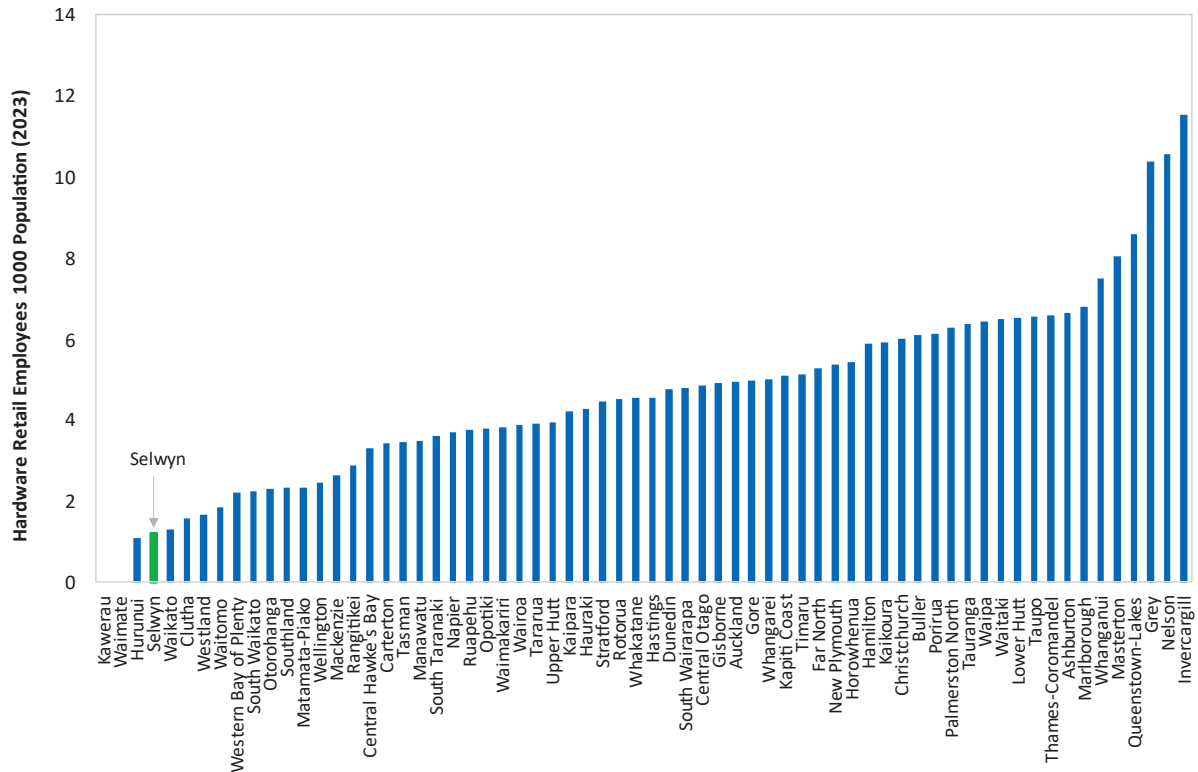


Figure 7: Hardware, Building, and Garden Retail Employees per 1000 Population (2023)



Clearly, Selwyn's inordinately low level of hardware/building/garden supply is an outlier, particularly when expressed relative to building activity and population size.⁵

In fact, the district's current provision of hardware/building/garden retail supply – as measured by employees – is:

- 8 times lower than the national average relative to building activity; and
- 4 times lower than the national average relative to population size.

The proposed rezoning acknowledges and directly responds to this pressing shortage of district hardware, building, and garden retail supply by enabling a large, new, modern trade retailer like Mitre 10 in an easily accessible and highly visible location. That retail supply boost, in turn, will have several economic benefits.

8.3 One-off Construction Impacts

The process of planning for, designing, constructing, and stocking the proposed Mitre 10 store will draw in workers from a diverse range of fields and hence create hundreds of (temporary) jobs for many district workers while also lifting household incomes. For example, the following workers would be required to complete the project, many of which would be sourced from the district.

⁵ Kawerau, Hurunui, and Waimate districts, though ranking lower than Selwyn, have minimal but present hardware retail, such as Hammer Hardware and ITM.

- Architects
- Planners
- Lawyers
- Quantity surveyors
- Civil and structural engineers
- Site preparation workers
- Building contractors and sub-contractors
- Plumbers
- Electricians
- Glaziers, and so on.

8.4 Ongoing Onsite Employment

Once operational, the new store will provide permanent employment for approximately 65 full-time equivalent staff.

8.5 Improved Commute Times and Emissions

The new store will significantly reduce the need for households and tradespeople to commute to/from the city to source hardware and building supplies. With more than 30,000 new dwellings needed to be built over the next 30 years, this effect will confer significant and enduring benefits via lower:

- Vehicle kilometres travelled (and hence vehicle wear and tear);
- Fuel consumption;
- Harmful emissions;
- Travel time and cost;
- Congestion; and
- Accidents.

8.6 Summary and Conclusion

We have not attempted to quantify these benefits because they depend on several assumptions, many of which cannot reliably be gauged ex-ante. However, we expect them to run into the tens of millions of dollars over time (relative to the status quo of MRZ).

For example, we estimated that the consented PAK'nSAVE on the Site would generate nearly \$7 million of benefits annually due to the impacts of reduced commuting. While we don't expect the

proposed Mitre 10 store to generate the same level of benefits because supermarkets are frequented more often than hardware stores, they will still be significant, particularly over the longer term.

Overall, we consider the LFRZ-enabled activity to generate significant and enduring economic benefits for the district.

9. Most Appropriate Zoning of Site Balance

9.1 Introduction

As noted above, Foodstuffs is in the process of implementing its resource consent for the PAK'nSAVE store. The planning assessment prepared as part of Variation 1 to the Proposed Selwyn District Plan identified LFRZ as the most suitable zoning for the northern portion of the Site, and logically the whole Site. We accept and rely on this conclusion here and turn to considering the most appropriate zoning for the balance of the Site from an economics perspective.

9.2 Most Appropriate Zoning for the Balance of the Site

In our view, zoning the whole Site as LFRZ is logical because the proposed Mitre 10 store earmarked for the balance of it:

- Is consistent with the purpose of the zone. For example, the sole objective of the LFRZ is that it provides primarily for retail activities with large floor or yard areas; and
- Would be a permitted activity there under rule LFRZ-R8.

We further note that the Council's economic advisor, Mr Foy, has previously concluded that enabling new LFRZs to establish across the district to accommodate new supermarkets (and other large format retailers) is likely to make sense from a customer proximity and accessibility perspective.⁶

9.3 Conclusion

We agree with Mr Foy, and therefore conclude that the LFRZ is the most appropriate zone for the whole Site.

⁶ https://www.selwyn.govt.nz/_data/assets/pdf_file/0006/692214/Statement-of-evidence-of-Derek-Foy.pdf

10. Summary and Conclusion

This report has considered the economic merits of rezoning the Site as LFRZ and enabling a trade retail and trade supply store such as Mitre 10 to establish adjacent to the consented PAK'nSAVE. Overall, we consider the proposed rezoning to be the most appropriate for the Site, and expect the proposed development enabled by it to generate significant and enduring economic benefits. Accordingly, we support the proposed rezoning on economic grounds.