

IN THE MATTER OF

the Resource Management Act 1991

AND

IN THE MATTER OF

Proposed Variation 2 to the Operative District Plan

BY

Foodstuffs (South Island) Properties Limited

Statement of evidence of Derek Foy

on behalf of Selwyn District Council

(Economics)

12 February 2025

1. INTRODUCTION

- 1.1 My full name is Derek Richard Foy. I am a Director of Formative, an independent consultancy specialising in social, economic and urban form issues. Prior to this, I was an Associate Director of Market Economics Limited, an independent research consultancy for six years, and was employed at Market Economics for 18 years.

Qualifications and experience

- 1.2 I hold the degrees of Bachelor of Science (in Geography) and Bachelor of Laws from the University of Auckland.
- 1.3 I have 25 years consulting and project experience, working for commercial and public sector clients. I specialise in retail analysis, assessment of demand and markets, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects.
- 1.4 I have applied these specialties in studies throughout New Zealand, across most sectors of the economy, notably assessments of retail, urban form, land demand, commercial and service demand, housing, tourism and local government. I have been involved in many assessments throughout Selwyn district over the last decade, including providing input to the development of area plans and strategic growth documents, and advising Selwyn District Council (**SDC** or **Council**) on the District Plan hearings, appeals, private plan change and resource consent applications.
- 1.5 I am a member of the Resource Management Law Association, the New Zealand Association of Economists and the Population Association of New Zealand.

Code of conduct

- 1.6 Whilst I acknowledge that this is not an Environment Court hearing, I confirm that I have read and am familiar with the Code of Conduct for Expert Witnesses contained in the Environment Court Consolidated Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving any oral evidence during this hearing. Except where I state that I am relying on the evidence of another person, my evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of Evidence

- 1.7 I have been asked by SDC to review the application from an economics perspective. I have reviewed:
- (a) The economic assessment prepared by Insight Economics on behalf of the applicant as Appendix H of the updated and notified plan change request: "Economic Assessment for Proposed Rezoning of 157 Levi Road, Rolleston", Insight Economics, 13 February 2024 (the **IEL report**).

- (b) The economics response to SDC's clause 23 request for further information (Appendix B to the RFI response): "Technical Memo: PC240002: Private Plan Change Request to the Partially Operative Selwyn District Plan (V2) by Foodstuffs (South Island) Properties Limited at 157 Levi Road, Rolleston – Request for Further Information – Economics Response", Insight Economics, 19 August 2024 (the **IEL RFI memo**).
- (c) The application: "Private Plan Change Request – Large Format Retail Zone – 157 Levi Road, Rolleston", Aurecon, 22 February 2024 (the **s32 report**).
- (d) Various other application materials as relevant.
- (e) Submissions identified by SDC as containing submission points relating to economics.

1.8 My evidence is structured as follows:

- (a) Section 2 outlines the key issues
- (b) In section 3 I review the applicant's assessment
- (c) In section 4 I review and respond to submissions on the application that contain submission points relating to economics.

2. KEY ISSUES

2.1 In my opinion, the key issues requiring consideration are:

- (a) The potential retail distribution effects on the Rolleston town centre, and other Selwyn centres, of the range of activities that would be permitted within the proposed LFRZ zoning of the area subject to the application (the **PPC area**).
- (b) The need for the requested LFRZ.
- (c) Alternative options for providing the types of activities that the PPC seeks to enable in the PPC area.
- (d) The potential effect on land use activities located between the PPC area and the Rolleston town centre.
- (e) The potential effects on the adequacy of residential land supply arising from changing the zoning of the PPC area from residential zoning to Large Format Retail Zone (**LFRZ**).

3. REVIEW OF APPLICANT'S ASSESSMENT

3.1 I accept and adopt the site description provided in the s32 report and IEL report, including the location, zoning and description of existing activities.

- 3.2 I accept the methodology applied in the applicant's economic assessment (the IEL report) in relation to the demand for and supply of large format retail (**LFR**) activities, and the retail distribution effects that might arise from the PPC request.
- 3.3 I agree with the IEL report's assessment of:
- (a) The need for additional supply of hardware, building and garden supply in Selwyn District generally, and Rolleston in particular.
 - (b) The likelihood that the PPC area will necessarily accommodate a supermarket and a Mitre 10 hardware store, and not potentially other types of retail outlets, due to the Outline Development Plan proposed. I note, however, that there appears to be permitted capacity for a substantial presence of food and beverage outlets in the PPC area under proposed rule LFRZ-R4 PREC13, which I discuss later.
 - (c) The magnitude and effect of retail distribution effects arising from the activities that the PPC request would enable.
 - (d) The potential effects on the adequacy of residential land supply arising from changing the zoning of the PPC area from residential zoning to LFRZ.
 - (e) The appropriateness of the PPC area to accommodate LFR activities, including with respect to accessibility, visibility, and the size and flat nature of the land.
 - (f) The economic benefits of the PPC request, including ongoing retail employment on the site, reduced commuting to access LFR supply, and one-off construction impacts.
- 3.4 There is one aspect of the IEL report's assessment with which I disagree, namely that there are no other locations in Rolleston where the indicative Mitre 10 hardware store might locate, and therefore the IEL report's statement that the Mitre 10 would not locate elsewhere in Rolleston if it could not locate in the PPC area. I have undertaken my own assessment of that matter, and have determined that despite the likelihood that the Mitre 10 could establish in other locations, the PPC area is an appropriate location for that store.
- 3.5 In the rest of this statement, I explain why I agree and disagree with those matters, including in response to submissions received.

Need for additional hardware supply in Rolleston

- 3.6 The IEL report assesses the supply of hardware, building, and garden centre activities in Selwyn, and draws strong conclusions that there is a large undersupply of such activities in the District now, both relative to the current population and the amount of building activity.
- 3.7 I agree that the population of Rolleston in particular, and Selwyn more broadly, is now sufficiently large to support (and require) additional supply in this retail category, and that the PPC request would enable economic benefits in terms of improved access to this supply.

- 3.8 I note that a Bunnings hardware store has been consented¹ in Rolleston within the LFRZ on Jones Road. The IEL report acknowledges the possible future existence of a Bunnings store within that LFRZ, but the IEL report has not assessed how that consented store would affect the need for additional hardware supply in Rolleston. It is not clear whether the PEL report includes the Rolleston Placemakers store in IZone, over the road from the consented Bunnings site. If that (consented) Bunnings store and the potential Mitre 10 store both establish, and the Placemakers store continues to operate, that would significantly improve the current undersupply of hardware store supply in Rolleston, or potentially result in an oversupply.
- 3.9 While it may be that the establishment of two large new hardware stores increases per capita hardware store space to more than a 'minimum' level necessary to make that supply acceptable for the community, in my opinion there is no real downside in providing more space, and in fact there are some upsides from an economics perspective (particularly increased competition and range).
- 3.10 So while the IEL report has not assessed the cumulative effects of a Placemakers, Bunnings and Mitre 10 establishing in Rolleston, in my opinion those cumulative effects will not generate economic effects in excess of those assessed in the IEL report, other than trade competition effects.

Likely activity within the PPC area

- 3.11 The LFRZ enables a wide range of retail, trade supply, and food and beverage activities. The PPC request proposes to limit those permitted activities by applying an Outline Development Plan (**ODP**) over the PPC area. As explained in the s32 report,² and the IEL RFI memo, the ODP has been designed to ensure that no more than two large retail businesses (being the consented Pak'n Save supermarket and a trade retail activity) may establish in the PPC area. The minimum permitted gross floor area of each of those two activities will be 6,000m², as proposed in the amended LFRZ-R6 and LFRZ-R8 for the proposed precinct.
- 3.12 In my opinion those proposed provisions are (subject to my proviso in the next paragraph) appropriately detailed and specific to give a high degree of confidence that a Pak'n Save and single large hardware store will be the only retail activities that establish within the PPC area, with other activities being non-complying. That being the case, there should also be a high degree of confidence that the economic effects assessed are predictable, and will be related to those two stores, and not more or other types of stores, establishing in the PPC area. That certainty is in my opinion a very positive feature of the application from an economics perspective.
- 3.13 The proviso to my conclusion immediately above is that the proposed rule LFRZ-R4 PREC13 would permit a substantial presence of food and beverage outlets in the PPC area. As proposed, food and beverage activities in the PPC area would be limited in three ways:

¹ RC07072022

² At section 4.2.2

- (a) LFR activities need to be established within the footprints illustrated on the ODP, and are required to have a minimum floor area of 6,000m² to avoid retail distribution effects with the TCZ
 - (b) Proposed rule LFRZ-R4 PREC13 requires food and beverage to be ancillary to a trade retailer and supplier.
 - (c) Proposed rule LFRZ-R4 PREC13 also requires that food and beverage tenancies do not exceed 250m².
- 3.14 The ODP building footprint is not explicitly stated, but my understanding³ is that the footprint of the supermarket building is approximately 8,000m², and the other (Mitre 10) building footprint is just under 6,200m². From my understanding of the rules proposed, it would be possible to construct the supermarket and Mitre 10 at 6,000m² in size each (excluding covered canopy), and still have space left in the footprint to establish multiple food and beverage outlets that were ancillary to the LFR activity and less than 250m².
- 3.15 That potential for multiple food and beverage tenancies could be of some concern in relation to the Rolleston town centre, as a proliferation of those activities in the PPC area would compete directly with many businesses in the town centre, and possibly draw custom away from the town centre to what could become a food and beverage node within the PPC area (even if ancillary to the LFR activities).
- 3.16 Accordingly, it may be appropriate to require some limitation on food and beverage activities in the PPC area. That could be achieved by imposing a limit to the number of food and beverage tenancies permitted in the PPC area. If that limit were to be set at two, and those tenancies were subject to a 250m² maximum floorspace, that would, in my opinion, be sufficient to limit food and beverage floorspace in the PPC area, and avoid the potential for retail distribution effects on the Rolleston town centre. While it would likely take many more than two such tenancies before retail distribution effects would begin to be generated, a single tenancy ancillary to each of the two LFR businesses would be sufficient to play an ancillary role of providing for shoppers' needs as they are shopping, and would preclude the development of any more substantial hospitality node in the PPC area.

Retail distribution effects

- 3.17 That surety as to the types of activities enabled within the PPC area provides confidence that the retail distribution effects of those activities will be as described in the IEL report. If the amendments to LFRZ-R6 and LFRZ-R8 did not form part of the PPC request, a wider range of activities would be enabled within the PPC area, with less certainty as to retail distribution effects.
- 3.18 However, as proposed, I agree with the IEL report's assessment⁴ of retail distribution effects, including that a trade supplier such as the Mitre 10 poses no threat to the role, function, health, and vitality of the Rolleston TCZ because the town centre does not

³ From communications with SDC's appointed urban designer, John Lonink

⁴ Section 6

contain any comparable stores, meaning trade will be diverted from Christchurch stores, not stores in Rolleston.

- 3.19 Because the Pak'n Save supermarket is consented, the PPC request would not enable any greater supermarket presence within the PPC area that under the consented baseline. That means that the PPC request will not give rise to retail distribution effects in relation to the supermarket component of the request.
- 3.20 Together then, I agree with the IEL report's conclusion that "the proposal does not pose any threat to the role, function, health, or vitality of the Rolleston TCZ",⁵ and in my opinion the PPC request aligns with Policy 6.3.6 of the Canterbury Regional Policy Statement (CRPS).
- 3.21 The establishment of a Mitre 10 store in the PPC area would have the effect of generating trade competition effects on the Bunnings store that is consented in the operative Rolleston LFRZ (assuming that store does come to establish). While the IEL report has not assessed the cumulative effects of both a Bunnings and Mitre 10 store operating in Rolleston, it is reasonable to infer that because the operators of the proposed Mitre 10 are aware of the Bunnings consent and are still pursuing their plans to establish a Mitre 10, that Mitre 10 believes the market is sufficiently large to allow both stores to operate profitably.
- 3.22 If that is not the case, and it transpires that Rolleston/Selwyn is only a large enough market to support one of the two stores, in my opinion there would be only two potential negative economic effects of that outcome:
- (a) The ability to access hardware store supply would be limited to a single location (either the Bunnings or the Mitre 10 site), resulting in some slight difference in accessibility to hardware supply that under a two-store future. The two stores are located only 2km apart, meaning that no consumers would be significantly disadvantaged if either of the two stores were to cease (or not start) operating.
 - (b) There would be an area that was to be used for a hardware store but comes to not be so used. If a building had already been built that would mean an empty tenancy becomes available for occupation by another activity, potentially leaving that space empty for some time. A long-term vacancy is a possible outcome in the PPC area where only a large hardware store is permitted, and an alternative use requires consent. This effect may result in the inefficient use of land/buildings for some time, however I would expect any such effect to be only temporary, and to have no material adverse effects on the Rolleston or Selwyn communities.
- 3.23 I refer to my conclusion above that in order to avoid retail distribution effects arising from the provision of food and beverage activities in the PPC area, there should be a maximum limit of two ancillary food and beverage tenancies in the PPC area, each with a maximum floorspace of 250m².

⁵ IEL report, page 12

Residential land supply

- 3.24 The PPC request would enable use of part of the PPC area for a large hardware store, and therefore would be likely to preclude use of that land for dwellings. I agree with the IEL report's assessment that that would have a less than minor effect on Rolleston's residential land supply, because, from work that has been completed for SDC modelling residential land demand and supply in Rolleston, there is sufficient residential supply in other locations to enable SDC to meet its obligations in the medium-term under the National Policy Statement on Urban Development (**NPS-UD**).
- 3.25 In the long-term there is considerable uncertainty with regards residential land supply, with the possibility of a number of large new residential areas being made available for residential development closer to the time when any shortage of residential land supply comes about well after 2040. For that reason, it is my opinion that the PPC request does not conflict with the intent of CRPS Objective 6.2.1a.

Alternative location options

- 3.26 One part of the IEL report's assessment with which I disagree is that there are no alternative location options for the potential Mitre 10 store.
- 3.27 I disagree with the IEL report's assessment that the proposed Mitre 10 could not "feasibly or logically locate elsewhere in Rolleston",⁶ a position which was clarified in the IEL RFI memo to be that "the Mitre 10 cannot be optimally located elsewhere in Rolleston".⁷
- 3.28 In my opinion if the potential Bunnings store can feasibly establish north of the railway in Rolleston, as Bunnings appears to believe it can, given their secured consent to do so, it is logical to expect that Mitre 10 might also feasibly establish in that same area, given the similarity of their operations.
- 3.29 There are large areas of new General Industrial Zone in Rolleston that could accommodate a Mitre 10 as a permitted activity, including the Plan Change 80 area (north of State Highway 1 and west of IZone), and other areas within IZone.
- 3.30 From my company's assessment of industrial land demand and supply there is sufficient industrial land in Rolleston to provide for future industrial land needs over the next 30 years, and so use of a small part of that land to accommodate a Mitre 10 would not adversely affect future industrial land availability.
- 3.31 However, I accept the IEL report's observations that access to those places is inferior to the PPC area, and that the PPC area is more attractive from a commercial perspective for Mitre 10. Further, because of the other elements of the economics assessment which indicate there is very limited economic downside associated with the PPC request, it is my opinion that zoning the whole PPC area as LFRZ would be appropriate, even if there are other places which could feasibly accommodate a Mitre 10.

⁶ IEL report, page 12

⁷ IEL RFI memo, page 2

Urban form

- 3.32 The section 92 request for further information included query 2.3:

Query 2.3: Please provide some commentary of the possibility of the PPC request encouraging commercial activities to seek to establish along Masefield Drive, between the PPC area and the eastern edge of the town centre.

Reason for request: Because the PPC area is only 400m from the edge of the Rolleston town centre along Masefield Drive, it is possible that if the PPC request is approved, and a large format retail development is established within the PPC area, then the area along Masefield Drive will come to be attractive to commercial activities, including small format retail, food and beverages, and offices. This may have the effect of some of these activities not establishing in the town centre, and therefore detracting from the Town Centre Zone being the primary focus point for commercial activities in the District.

- 3.33 Response to that in the IEL RFI memo included that the intervening area along Masefield Drive is already developed, and subject to zoning and other District Plan restrictions and rules that limit the realistic possibility that commercial activities might seek to establish as discussed in Query 2.3.
- 3.34 I agree that there are District Plan rules in place that would require assessment of the effects of any such future development proposal if any future proposal is put forward. I do not agree with the IEL RFI memo's conclusion that because dwellings in the part of Masefield Drive have been built recently that "redevelopment is improbable in the foreseeable future."⁸ The reason I disagree that redevelopment might occur is because similar redevelopment has already occurred in other parts of the Rolleston town centre, including the 11 properties in the 220m stretch of 43-63 Tennyson Street, all of which housed residential dwellings as recently as 2017, and all of which now accommodate commercial buildings that were built as part of several comprehensive redevelopment projects within the last eight years.
- 3.35 In my opinion it is possible that such redevelopment might seek to establish along Masefield Drive as presented as a possibility in the RFI request. While I accept that any such applications would be heard on their merits, such applications could point to a positive effect of "filling in the commercial gap" between the town centre and the PPC area to support their merits.
- 3.36 The potential expansion of commercial activity into that ribbon would result in an expansion of the town centre in a manner that is potentially inefficient and results in poor urban form.
- 3.37 Ultimately the likelihood of that occurring, and the consequences of any such redevelopment, are a matter that might be considered as part of the PPC request. In my opinion the economic effect of the current application on any such future redevelopment

⁸ IEL RFI memo, page 4

pressure is limited to being a minor negative economic effect, and would not on its own be grounds for declining the PPC request.

- 3.38 Notwithstanding the potential for the PPC to generate future pressure to expand the town centre towards the PPC area, in my opinion the proposal will contribute to a well-functioning urban environment by providing efficient access to retail goods and services in an accessible location within Rolleston, in a place that avoids urban expansion. For that reason I believe that the proposal is consistent with the Partially Operative Selwyn District Plan's (POSDP) objectives and policies relating to urban form.⁹

4. REVIEW OF SUBMISSIONS

- 4.1 In this section I identify matters raised in submissions that are relevant to this statement, and provide my opinion on the submission points, in light of the assessment of effects provided above in section 3.

Economic benefits

- 4.2 A number of submissions support the application as being an asset to Rolleston that would have positive economic effects, such as improving retail provision and choice for consumers,¹⁰ employment options,¹¹ efficient access to large format retail,¹² and generating economic activity during the construction phase.¹³
- 4.3 As I have stated above in response to the IEL report, I agree with those submission points that the PPC request will generate a range of positive economic effects that will benefit Rolleston and residents and businesses of both that town and surrounding parts of Selwyn District.

Canterbury Regional Council submission (#6)

- 4.4 CRC's submission does not support or oppose the PPC request, although does make submission points on four matters related to economics. I respond to each of those submission points below.
- 4.5 First, the submission states that the request meets the broad intent of the CRPS by avoiding urban development outside greenfield priority areas (Objective 6.2.1) but does not fully comply with Policy 6.3.1 as it proposes commercial development in an area that has been prioritised for residential 'greenfield' activities.¹⁴ As I have stated above it is my opinion that zoning the whole PPC area as LFRZ would be appropriate, and reducing the

⁹ SD-UFD-O1, SD-UFD-O2, SD-UFD-O3

¹⁰ Submissions 1 (Adams-Gavin), 8 (Wright), 10 (Cameron), 11 (Murray), 12 (V van der Zwet), 13 (E van der Zwet), 16 (Carneiro), 17 (Beattie Air), 23 (Shatford)

¹¹ Submissions 2 (Jones), 10 (Cameron)

¹² Submissions 7 (Bartley), 10 (Cameron), 11 (Murray), 12 (V van der Zwet), 13 (E van der Zwet), 17 (Beattie Air), 23 (Shatford)

¹³ Submission 17 (Beattie Air)

¹⁴ Submission point 6.1, paragraph 8

zoned area available for residential dwellings would have a less than minor effect on Rolleston's residential land supply.

- 4.6 Second, the submission states that where commercial activities are locating out of centre, Policy 6.3.6 requires that development should not give rise to significant adverse distributional or urban form effects. The submission notes that the IEL report's assessment of retail distribution effects has not been peer reviewed, however states that "if accurate, the proposal aligns with Policy 6.3.6, which allows for development that does not have a significant adverse distributional effect on key activity centres and neighbourhood centres."¹⁵ As I have stated above, I agree with the IEL report's retail distribution effects assessment, and for that reason I believe the PPC request aligns with Policy 6.3.6.
- 4.7 On the matter of retail distribution effects, it is my opinion that "being built away from the town center and zone"¹⁶ does not give rise to any adverse economic effects in and of itself, although that location could give rise to such effects if the range of activities enabled were to be broader, and/or the amount of floorspace enabled in the PPC area larger than what would be enabled by the application. The conditions proposed by the applicant to limit the amount of floorspace in the PPC area, the number of tenancies (to two), and the range of activities (to a supermarket and a hardware store) are appropriate to ensure that retail distribution effects do not arise.
- 4.8 Third, the submission concludes that the PPC request does not conflict with the intent of the CRPS (Objective 6.2.1.a) given there is projected to be a surplus of housing supply in the medium term and uncertainty in the longer term forecasts.¹⁷ As per my response to the first submission point, I agree with the CRC submission and IEL conclusion that modelled residential supply is sufficient to provide for medium term housing demand, and so the proposal does not conflict with the intent of CRPS Objective 6.2.1a.
- 4.9 Fourth, for the reasons I have provided earlier, I agree with the CRC submission that aside from the departure from Map A, the proposal supports self-sufficient business growth (Objective 6.2.2), consolidated and intensified business growth (Objective 6.2.6) and providing business development close to labour supply and transport networks (Policy 6.3.6).¹⁸
- 4.10 Overall, in my opinion the CRC submission contains no points that provide any reason why the PPC request should not be granted on economics grounds.

5. CONCLUSION

- 5.1 In my opinion the applicant has adequately assessed the appropriateness of the PPCR area being changed to a LFRZ zoning, and the anticipated economic outcomes are appropriate

¹⁵ Submission point 6.2, paragraph 11

¹⁶ Submission 21 (White)

¹⁷ Submission point 6.3, paragraph 16

¹⁸ Submission point 6.4, paragraph 19

and are effectively managed by the proposed provisions, including in respect to economic distribution effects and any impacts on housing and business sufficiency.

- 5.2 The PPCR is consistent with the direction and framework of the CRPS, the NPS-UD and the POSDP, insofar as those documents relate to urban growth and relevant economics matters.
- 5.3 There are a number of positive aspects of the PPC request, and overall I support the PPC request from an economics perspective.

Derek Foy

12 February 2025