

## **Appendix 8**

# **Economic Impact Assessment Report prepared by ME Consultants**





# Mangawhai Private Plan Change Retail Impact Assessment

Prepared for: North City Developments Ltd

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**m.e** spatial

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## North City Developments Ltd

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# 1 Introduction

Market Economics Ltd (M.E) has been commissioned by North City Developments Ltd (NCD) to provide an economic assessment of the effects of NCD's Private Plan Change application for a property at Mangawhai Heads, in the Kaipara District.

## 1.1 Background

The Plan Change application is to change the zoning of Lot 1 DP 341981 (the property at the corner of Estuary and Molesworth Drives) from Residential to Commercial. The application site is 7,863m<sup>2</sup> land area, and is located opposite the Mangawhai Museum. The subject site has an approved land use consent for a petrol station and future commercial development, which expires in 2017.

There are as yet no plans for activity on the site, but we understand that NCD envisage that the site might accommodate commercial space (indicatively retail and service tenancies) on the ground floor, possibly with some above ground living or office space.

## 1.2 Objective and Scope

This report assesses the economic effects of the zone change that would be created by the Plan Change. The scope of the assessment is guided by the objectives and policies of the Kaipara Operative District Plan (KDP), and the requirements for Plan Change applications as laid down in section 32 of the Resource Management Act (RMA), namely:

- Is the application appropriate to meet the overarching purpose of the Resource Management Act (RMA)?
- Is the application appropriate to meet the objectives rules and policies of the KDP?
- A summary of the costs and benefits that the development is expected to result in. Pursuant to guidelines in the RMA (s32(1)(c)), the scope of the cost benefit assessment is in proportion to the expected effects of the proposed Plan Change.

## 1.3 Methodology

To assess the economic effects of the proposed Plan Change we have analysed projected future demand for and supply of retail and commercial space in Mangawhai, and compared the potential floorspace yield from the Plan Change area against existing supply in the town. This section outlines the methodology used in this assessment, including assumptions and data origins.

Our approach has been to:

- quantify current and future demand for commercial activities (retail, household services and offices) in Mangawhai;
- understand current retail supply and location, including the range of activities represented;
- assess how introducing new supply would affect existing supply;
- assess the degree to which any changes to the range and quantum of commercial activities in Mangawhai would be consistent with the KDP objectives and policies, and therefore the degree to which the Change is appropriate under the KDP.

### **1.3.1 Household Projections**

Households are used as the base demographic unit for this assessment because they are the core unit of consumer demand. Also important in Mangawhai is the influence of tourism, especially people with holiday homes in the area, and especially over summer, although averaged out over the entire year resident households are the most important supporter of retail and service activity in the town.

For this assessment we have applied the Statistics NZ (SNZ) Medium growth scenario projections, published in October 2012. The recent (February 2015) Statistics NZ projections are not available at detailed geographic level, only for a Kaipara District total (and only for population, not households), so we have used the earlier 2012 projections, but rebased those to take into account the findings of the 2013 Census. The projections applied are therefore the most recent and up-to-date projections available for the required geographic level of detail (Mangawhai township).

### **1.3.2 Retail Demand Projections**

Retail demand projections (in dollar terms) for this assessment have been sourced from M.E's Market Meter projections model (see Appendix 1), and are based on the household projections discussed above in section 1.3.1. Projections are made for 42 retail categories, which for the purposes of this assessment are grouped to the 32 core retail and hospitality storetypes, excluding automotive retail and services. These projections include demand 'resident' in Mangawhai, which accounts for spending from permanent residents, second-home owners, other tourists holidaying in the area, and businesses.

### **1.3.3 Floorspace Demand Projections**

The retail demand projections have been converted into floorspace equivalents for this assessment. That process applies regional floorspace productivity factors to each storetype from the dollar demand projections to quantify the total sustainable floorspace the future population of Mangawhai will support.



## 2 Kaipara District Plan

The Kaipara District Plan (KDP) provides a relatively permissive approach to the location of commercial activity in Mangawhai. The Commercial and Industrial zones are both dealt with in section 14 of the KDP, which states that the Plan “seeks to manage the effects of new activities in these areas, so that they are compatible with these existing activities”. The Chapter does not specify what can or cannot be done in these zones, but rather sets out standards that identify acceptable effects. As long as standards are met, “landowners have flexibility on what they do on their property” (14.2).

Although the Plan identifies that there are two commercial centres (Mangawhai Village and Wood St at Mangawhai Heads), and a planned third centre at Estuary Estates, there is nothing in the KDP that limits commercial use to those two existing (and one planned) commercial centres.

The assessment of an additional commercial zoning (commercial centre) must therefore look to the relevant issues, objectives and policies in the KDP that relate to the location, scale and effects of commercial centre activities. The parts of the KDP relevant to this assessment are Chapters 3, 3A and 14. Section 14.4 of the KDP includes:

- Issue 14.4.2: The importance of diverse and appropriate business activities to support the social and economic wellbeing of the community. Business activities are vital to support the economic and social wellbeing of the community. If the District Plan does not provide for these activities, the social and economic wellbeing of the community could be adversely affected.
- Objective 14.5.2: To continue to provide for a mix of business activities around and within existing settlements, while avoiding adverse environmental effects on natural and physical resources and adverse effects impacts on existing surrounding land uses.
- Policy 14.6.3: By providing clear direction on the appropriate scale and location of business activities across the District. The Council will seek to manage the effects of activities and provide direction on where they are most appropriately located by establishing thresholds for types of effects that are considered acceptable in certain areas of the District.

Chapters 3 and 3A of the KDP provide the following:

- Objective 3.4.1: To encourage and establish an effective and sustainable supply of residential and business land to meet the current and future demands of the Kaipara District and enable the community to provide for their social and economic well-being.
- Policy 3.5.3: By providing for a diverse range of residential and business opportunities in appropriate locations that enable their effects to be effectively managed.

- Outcome 3A.7.3: Well functioning residential and business markets that are able to cater for and respond to demand without generating adverse environmental effects, particularly effects from poor infrastructure supporting these land uses.
- Outcome 3A.7.5: Private initiation of Plan Changes of or within identified development areas within Mangawhai, to realise individual economic and development opportunities.
- Outcome 3A.7.6: Recognition of Mangawhai as a key area of residential growth in the District.
- Outcome 3A.7.7: Development of a contained urban area in Mangawhai.

Many District Plans contain specific reference to a hierarchy of commercial centres, the amenity and social resource that is contained in centres and the need to manage development so as to safeguard the community resource that centres offer. The KDP contains no such references, and the Plan references above indicate that the Plan has a very low threshold for what will be acceptable effects from the development of new commercial activity. Most of the policies in the KDP relate to managing the adverse effects beyond the Zone of an activity, and avoiding reverse sensitivity effects.

The parts of the KDP that are relevant to this assessment then essentially require that a range of diverse and appropriate business activities are provided for the wellbeing of the community, and that these be of an appropriate type and scale to avoid adverse effects on surrounding areas. Specific reference is made in the KDP to Mangawhai's role as a key growth area within the District, which when read in conjunction with other objectives and policies in the Plan (e.g. Outcome 3A.7.5) show that Council recognises the importance for planning to accommodate this growth, and the likelihood that this planning may need to be developer – led.

It is these targets that current Plan Change application must meet. The permissive nature of the KDP indicates that a full retail impact assessment on nearby retail centres is not required.

# 3 Demand and Supply Environment

To understand the potential effects of Plan Change proposal, it is first necessary to understand the demand environment for the types of economic activity that will be affected by that zoning. This section summarises the current and projected quantum of demand in terms of household counts and spending and floorspace.

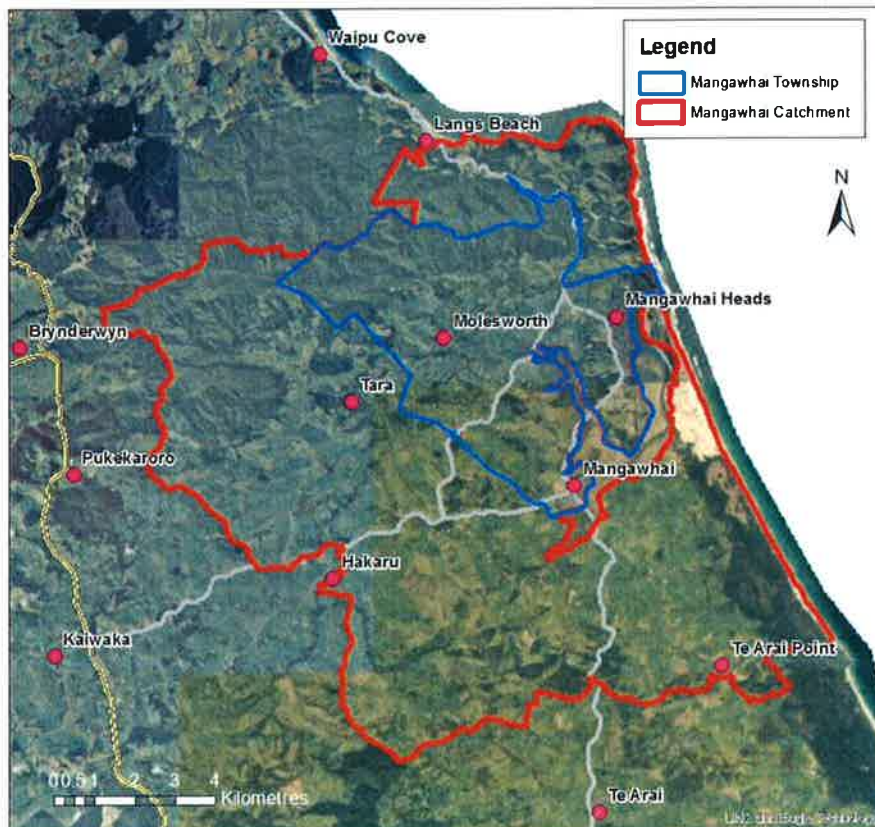
## 3.1 Catchment

We present data in this report for two defined spatial areas:

- the Mangawhai catchment, which is a relatively broad area which takes in the township and surrounding rural areas, extending broadly halfway to the nearest alternate retail destinations, and;
- the Mangawhai township, which is defined as an aggregation of all of the meshblocks which include any part of the town. This area extends into the rural surrounds due to the large size of some of these meshblocks.

The spatial extent of the catchments applied is shown in Figure 3.1.

Figure 3.1: Study Catchment Definitions



## 3.2 Households Counts

In 2013 there were just under 1,100 households resident in the Mangawhai township, and nearly 1,600 in the broader catchment. Moderate growth is expected in the future, averaging 23 new households per year in the Mangawhai catchment, which equates to average annual growth of 1.3%. By 2031 some 300 additional households are projected to be resident in the town, and 420 in the wider Mangawhai catchment (Figure 3.2). These projections take into account changing socio-demographic structures of the population, such as an aging population and declining average household size, based on Statistics NZ demographic projections of these variables.

**Figure 3.2: Mangawhai Household Projections**

	2013	2016	2021	2026	2031	Growth 2013-31	
						n	%
Mangawhai Township	1,080	1,140	1,230	1,320	1,380	300	28%
Mangawhai Catchment	1,600	1,680	1,810	1,930	2,020	420	26%

In addition to these permanent resident households, many more holiday homes are likely to be built in Mangawhai, given the popularity of the area for domestic tourism. No projections exist for the number of holiday homes likely to develop in the area, although our base demand projections include the demand coming from all domestic tourists (including those staying in their own holiday homes, visitors to commercial accommodation and those staying with family and friends), as derived from subnational tourism projections.

## 3.3 Demand Projections

The retail demand projections used in this assessment have been sourced from M.E's Market Meter retail model (Appendix 1). Those projections include an allowance for the average spend per household to continue increasing over time (at a rate of 0.5% per annum) in line with trends observed over the last 20 years. Other factors affecting retail demand growth include changing household composition and the household growth rates described in section 3.2. The retail demand projections in this section include demand from all sources, not just households, although households are responsible for the vast majority of retail spending.

### 3.3.1 Retail Demand (Dollars)

There is around \$33m in core retail and hospitality spend resident in Mangawhai Township, and a further \$14m in the rest of the Mangawhai catchment. That spending is projected to grow slightly faster than household growth, in line with historic trends of slowly increasing spend per household over time. Average growth in spend across the Mangawhai catchment out to 2031 is projected to be around 1.5% per annum, resulting in an additional \$15m of retail spend resident in the catchment by 2031.

**Figure 3.3: Mangawhai Retail Demand Projections (\$m)**

	2013	2016	2021	2026	2031	Growth 2013-31	
						n	%
Mangawhai Township	\$ 33.2	\$ 35.0	\$ 38.1	\$ 41.0	\$ 43.4	\$ 10.2	31%
Mangawhai Catchment	\$ 47.5	\$ 50.2	\$ 54.4	\$ 58.6	\$ 62.0	\$ 14.6	31%

These demand data refer only to retail and hospitality services, and exclude turnover of other businesses than tend to locate in commercial centres such as medical offices, banks, hairdressers etc., as these types of businesses are not covered in Statistics NZ's Retail Trade Survey.

Note that these data refer to the spend resident in the catchment (households living there, tourists spending nights there etc.) and do not equate to the amount of retail spending in the catchment. Significant amounts of the spend resident in the catchment are likely to leave the catchment as residents travel to other destinations to purchase the many goods and services not available in Mangawhai. There are likely to be strong outflows of retail spending (e.g. to Wellsford, Warkworth, and even Whangarei and Auckland) in many retail categories, especially comparison retail, which includes apparel, furniture and homewares, sporting goods etc.

This tendency for spending to leave the Kaipara District is likely to be a motivating factor for the permissive nature of the KDP. With a reasonably small population base compared to that living in the nearest large retail market catchments, certain types of retail (e.g. department stores, larger supermarkets, furniture stores etc.) will not be financially viable in many parts of Kaipara. However the KDP appears to make provision for such activities in most parts of the District should the opportunity arise, and the value of a diverse and appropriate range of business activities to support the social and economic wellbeing of the community is recognised in the KDP (14.4.2).

### 3.3.2 Retail Demand (Floorspace)

These dollar demand projections can also be expressed as a floorspace equivalent to describe the space that level of spending would support in all locations. At national average productivity figures, the retail and hospitality demand resident in the Mangawhai catchment would equate to around 7,500m<sup>2</sup> (gross floor area, or GFA) in 2013 (Figure 3.4). In addition to that there are a range of other services that tend to collocate with retail and hospitality businesses, and those services business tend to occupy 20-30% of the space in retail centres. In total then, we estimate that in 2013 the Mangawhai catchment supported some 10,000m<sup>2</sup> of retail, hospitality and services space in all locations. This quantum is expected to grow in line with growth in retail spending, and is projected to increase by another 3,100m<sup>2</sup> by 2031.



**Figure 3.4: Mangawhai Floorspace Demand Projections (GFA, m<sup>2</sup>)**

	2013	2016	2021	2026	2031	Growth 2013-31 n %	
<b>Retail and Hospitality</b>							
Mangawhai Township	5,200	5,500	6,000	6,500	6,800	1,600	31%
Mangawhai Catchment	7,500	7,900	8,600	9,200	9,800	2,300	31%
<b>Retail Hospitality and Services</b>							
Mangawhai Township	6,900	7,300	8,000	8,700	9,100	2,200	32%
Mangawhai Catchment	10,000	10,500	11,500	12,300	13,100	3,100	31%

### 3.4 Supply Environment

We have measured the amount of commercial floorspace in Mangawhai from aerial photographs using GIS, to place in context the amount of current demand. Our estimates indicate that there is some 8,600m<sup>2</sup> GFA of commercial activities on Commercial zoned land in the township, and a further 1,400m<sup>2</sup> of commercial activities on Residential zoned land (Figure 3.5). The areas referred to are shown in Figure 3.6.

In total then there is around 10,000m<sup>2</sup> GFA of commercial activities in Mangawhai in the categories that are comparable to the categories included in Figure 3.4. In addition there are other businesses on Commercial zoned land, including offices, automotive workshops, service stations, and the Bennett’s chocolate factory (the factory component only – the restaurant and store is included as a commercial activity in column 1). A further 5,000-6,000m<sup>2</sup> of built space is occupied by (predominantly industrial) activities in the Industrial zone, although that is not of relevance to this assessment.

**Figure 3.5: Mangawhai Commercial and Industrial Supply (GFA, m<sup>2</sup>)**

	Commercial Use on Commercial Zone	Commercial Use on Residential Zone	Other Use* on Commercial Zone	Industrial Zone**	Total
A MPL Landscapes	-	-	-	250	250
B Mangawhai Heads/Wood St	3,380	-	980	-	4,360
C Molesworth Dr Industrial Centre	-	-	-	5,520	5,520
D Moir St Tavern	390	-	-	-	390
E+F Mangawhai Village Shops	4,830	1,360	2,360	-	8,550
<b>Total</b>	<b>8,600</b>	<b>1,360</b>	<b>3,340</b>	<b>5,770</b>	<b>19,070</b>

\* Includes offices, vacant, automotive workshops, service station, fire station, residential and Bennetts factory

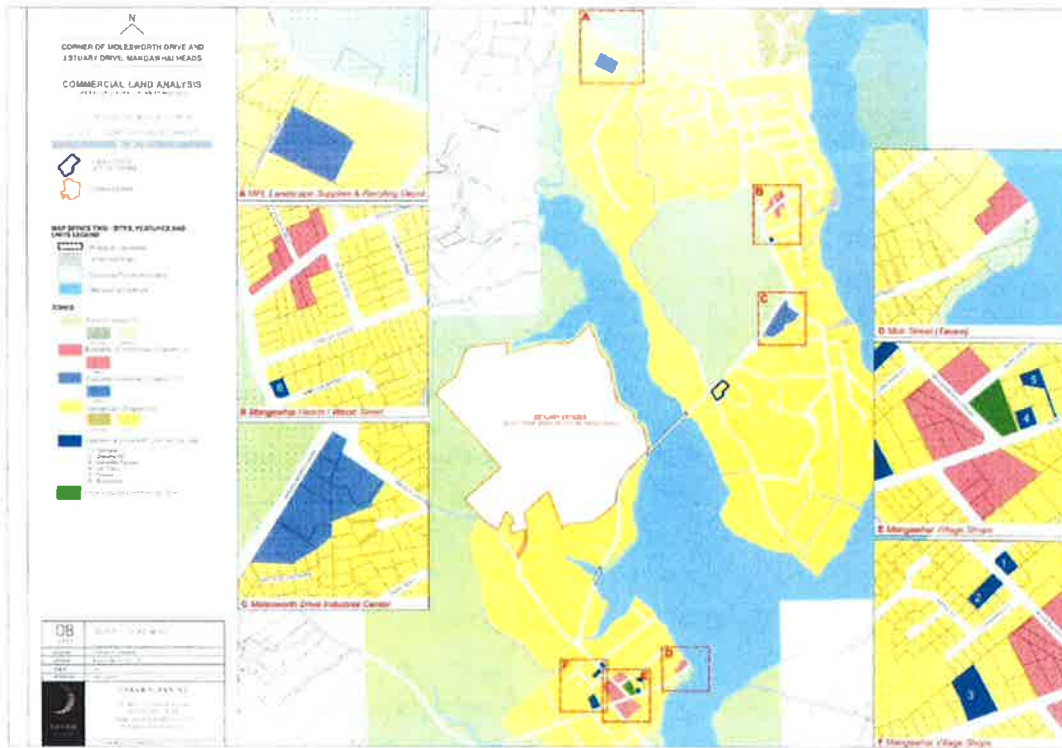
\*\* From site coverage estimates

Of the 10,000m<sup>2</sup> GFA of retail and hospitality space in Mangawhai, a relatively narrow range of storetypes are represented. An estimated 45% in in hospitality businesses (cafes, pubs, restaurants), 20% in food retail (grocery stores, fruit and vegetables, butchers etc.), 12% is general retail stores, 10% is office space, 7% is the Carters hardware store in the Village and 6% is service businesses (hairdresser, vet, dentist etc.). In urban Auckland hospitality space is around 20% of total GFA in these sectors, food and liquor is around 25%, and comparison retail 50%.

Another notable characteristic of Mangawhai retail is that there are two main centres: the Mangawhai Heads/Wood St centre is some 4,400m<sup>2</sup> GFA, and the larger Mangawhai Village centre is some 6,200m<sup>2</sup> of commercial uses. These two centres play a very clear convenience retail role for their catchments, and there is a noticeable emphasis on businesses supplying tourism and short-term stay visitors, especially in hospitality.

The KDP makes no provision for future Commercial zoned land within Mangawhai, despite the town being a growing town that will require additional commercial activities to support the community. Further, the use of Residential zoned land for commercial activities (the Bennetts complex, a childcare, real estate offices etc.) indicates that there may be a lack of suitable commercial space in Mangawhai now.

Figure 3.6: Mangawhai Commercial and Industrial Land Locations





# 4 Effects Assessment

## 4.1 Scope

The scope of this report is to assess whether the proposed Plan Change would better satisfy the objectives of the KDP than either the status quo KDP zoning or the range of alternatives identified in Dream Planning's Section 32 report. Unlike in many other territorial authority areas, trade competition effects that might have flow-on distributional effects to the amenity, vibrancy and vitality of the other commercial areas are not relevant considerations in the KDP, as explained in section 2.

The only considerations relevant to this assessment require that a range of diverse and appropriate business activities are provided for the wellbeing of the community, because these activities are vital to support the economic and social wellbeing of the community. The permissive nature of the KDP indicates that a full retail impact assessment on nearby retail centres is not required, and the scope of the effects assessment should be limited to assessing whether the Plan Change would be more or less appropriate than the status quo KDP zoning or other alternative development scenarios, at meeting that objective.

## 4.2 Development Alternatives

Dream Planning has identified five options for the proposed Plan Change site for its Section 32 assessment of alternatives. Those options are:

- Option 1: Status Quo – the existing Land Use consent is not acted on, the site remains Residential, and any commercial land use different to the approved land use consent can be applied for as a resource consent;
- Option 2: Implementation of the existing Land Use consent (for the petrol station and future business area);
- Option 3: Rezone the site to the existing Commercial zone in the District Plan;
- Option 4: Rezone the site to the existing Commercial zone in the District Plan however prepare additional provisions (rules and design guidelines) specific to the site and the locality (adjacent to residential development);
- Option 5: Rezone the site to an entirely new Commercial Zone.

For the purposes of this assessment, Options 3, 4 and 5 would be expected to generate the same quantum of commercial activity on the Plan Change site, and the same range of activity. This is because Options 3 and 4 are distinguished in any substantive sense only by built form design differences, and in the absence of any specific difference in planning rules Options 3 and 5 are also for the purposes of this assessment identical.

We have therefore in this report assessed the appropriateness of three options, Options 1, 2 and 3 from the list above at meeting the economic objectives of the KDP. The appropriateness of the options from other perspectives (e.g. built form) are assessed in Dream Planning's Section 32 report, and are outside our area of expertise.

## **4.3 Assumptions: Commercial Activities Enabled**

### **4.3.1 Option 1: Status Quo Residential**

No commercial activities would be developed on the site if the site remains zoned Residential, unless a new resource consent is applied for. If a resource consent was successfully applied for, an unknown amount of commercial activity could develop on the site such as per Option 2 or 3. For this assessment we assume that there would be no commercial development consent application and the site remains vacant or is developed for residential.

### **4.3.2 Option 2: Land Use Consent Implemented**

The approved resource consent for the site was for a 620m<sup>2</sup> commercial development, and a 550m<sup>2</sup> Mobil service station building, including a service station store. The site under this Option would accommodate the equivalent of a grocery store (in the Mobil service station) and say four to six commercial tenancies in the second building on the site. No specific tenancies are identified in the consent, although we would assume that they might be similar in nature to the types of tenancies in the Village or Wood St commercial areas.

### **4.3.3 Option 3: Commercial Zoning**

The site of the proposed Plan Change is 7,863m<sup>2</sup>. We understand that there have not yet been any development plans confirmed if the Plan Change is successful, and so this assessment must necessarily make assumptions as to the amount of activity that might develop on the site. From our experience, and also considering the existing Commercial zones in Mangawhai, we would expect any development on the Plan Change site to occupy 30-35% of the site, which would equate to say 2,400-2,800m<sup>2</sup> in round terms. Assuming then an average tenancy size of between 125 and 250m<sup>2</sup>, the Plan Change site would yield:

- somewhere between 10-20 tenancies, or;
- alternatively two larger tenancies totalling say 1,000m<sup>2</sup> and 6-14 other smaller tenancies.

Given the strong emphasis of serving local convenience needs and supplying the tourism-based demand for hospitality, we would expect that the Plan Change development would have a similar focus to Mangawhai's existing commercial areas. That is, tenancies in the Plan Change development might include several café/takeaway/restaurant tenancies, a grocery store, household services businesses (e.g. a hairdresser), some office space (real estate agent, medical or accountants etc.). Other types of businesses would also be likely, although it is not possible to know what these might be at present.

## 4.4 Effects of Plan Change

### 4.4.1 Range of Businesses in Mangawhai

#### Option 1: Status Quo Residential

No commercial businesses would be developed on the site, with no change to the range of business activities in Mangawhai.

#### Options 2 and 3: Land Use Consent or Plan Change

Options 2 and 3 would both result in commercial development on the site, and an increase in the range of businesses in Mangawhai, as explained below. The difference between the two options would be that the range would be smaller under Option 2 than under Option 3, because the scale of development would be smaller.

The development of new retail and service businesses on the Plan Change site could result in a range of different effects on a continuum. At one extreme would be the situation in which all of the new Plan Change tenancies are occupied by businesses that already operate in Mangawhai, and choose to relocate to the Plan Change area. At the other extreme is the situation where all the tenancies are occupied by businesses that are not present in Mangawhai now, but instead are new businesses to the town.

The first scenario (relocation) would result in many vacant tenancies in the existing Mangawhai Village or Wood St commercial areas. This is not identified as an adverse effect that would be contrary to KDP objectives or policies, and that eventuality would result in the same number of businesses be present in Mangawhai, although distributed differently to the status quo. That would be consistent with Objectives 3.4.1 and 14.5.2, Policy 3.5.3 and Issue 14.4.2, which identify the importance of diverse and appropriate business activities to support the community, and would mean that under that scenario the Plan Change would be equally as appropriate at meeting District Plan objectives as the status quo.

However it is highly unlikely that the Plan Change development would be tenanted entirely by businesses already operating in Mangawhai, and many of the Plan Change tenancies would be likely to be occupied by businesses that were new to Mangawhai. That scenario, which is the scenario that would in our opinion be expected, would result in:

- more retail and service businesses in Mangawhai;
- different brands of stores if they are of a storetype already located in Mangawhai, and;
- probably also some new storetypes that are not currently present in the town.

All of these factors would contribute to Mangawhai accommodating a more diverse range of businesses with the Plan Change than under the status quo zoning. That more diverse range means that the Plan Change would be a more appropriate way of meeting the objectives of the KDP.

These new businesses in the Plan Change development may have trade competition effects on existing Mangawhai businesses, possibly even causing them to close. However these trade competition effects are not relevant considerations under the RMA, and the KDP does not contain any objectives or policies that relate to the importance of avoiding adverse flow-on effects to safeguard existing commercial areas. In any case, given the growing permanent and holiday population in Mangawhai, there will be an increasingly large market to support more retail and services businesses, mitigating any trade competition effects that might arise.

#### **4.4.2 Location of Plan Change Site**

The Plan Change site is located on the corner of Estuary and Molesworth Drives. Molesworth Drive is the main road between Mangawhai township in the south and Mangawhai Heads in the north, and so people travelling between the two parts of the community would travel past the Plan Change site. Estuary Drive is the southernmost of three roads leading onto the Molesworth Peninsula, where 17% of Mangawhai's households are located and where a number of new residential subdivisions are currently being developed or are planned.

The location of the site therefore means it is very accessible within Mangawhai, both for residents and tourists, and this accessibility makes it a strategically important site to accommodate commercial activity in Mangawhai. For this reason, in our opinion the site would be better suited to commercial development than residential development, and the zoning should reflect that.

Dream Planning has assessed the potential residential development yield of the site at some 12 dwellings, which in our opinion would play a much smaller role in contributing to meeting KDP objectives for the accommodation of additional dwellings than it would in contributing to KDP objectives in providing for new commercial developments for the wellbeing of the community.

## 5 Other Cost and Benefits

Section 32 of the RMA (as amended by the 2013 Amendment Bill) sets out a requirement to consider benefits and costs of plans and policies, so as to take into account the potential effects of alternatives. It promotes a cost and benefit evaluation approach to capture or quantify the wide range of consequential and often less tangible (though no less important) effects accruing to a district or region, which are typically associated with plans, policies or large scale projects.

An important consideration for the application and interpretation of a Section 32 cost and benefit framework is that effects of plan provisions that arise indirectly and are more widely dispersed are typically more difficult to quantify than direct effects which arise locally. Social, cultural and environmental effects are often less measurable than economic effects. It is important that more easily measurable effects are not given greater weight in decision making than those which are less precisely measured or observed.

As stated in the scope, this assessment is not a full cost-benefit assessment per se of the Plan Change proposal and the alternative development options listed, and we instead provide an overview of the expected flow-on social and economic effects that would be expected to result from the core effects assessed above. The extent to which the PDP and the submitted alternatives contribute to net benefits or net costs depends on how much economic growth each option might stimulate and the consequent implications for the community in providing for their needs.

### 5.1 Costs/Opportunities Reduced

There are many other net costs that may result from the different development options listed, and for each we have estimated the potential significance of the cost across Mangawhai as a whole (given in brackets at the end of each item), taking into account the likely scale of the effect and the implications of the effect.

The costs of the status quo option (no commercial development, or development for residential) might include:

- An opportunity cost of occupying land that cannot be developed for commercial activities, including no potential for employment on the land or provision of retail and service activities to the community (small to moderate, significance of effect given the strategic value of the location).

The costs of developing the Plan Change site for commercial uses might include:

- Effects on the two existing commercial areas, including reduced public and private investment, reduced employment, reduced range and choice of goods and services, reduced people activity and community interaction in (nil to very small, depending on the degree to which existing activities relocate).

- Increased travel time and cost for access to goods and services (shopping) across a more dispersed supply environment (nil to very small, depending on the degree to which existing activities relocate).
- Potentially reduced land value for private landowners in the two existing commercial areas (small, and not relevant under the RMA).
- An opportunity cost of occupying land that cannot be developed for residential dwellings (very small).

## 5.2 Benefits/Opportunities Created

The benefits of the status quo option (no development or residential development only) are limited to the creation of dwellings on the site, which would be of very small benefit to the Mangawhai community (increased housing stock) and economy (increased household spending resident in the town, and short-term construction industry effects).

There are also a number of benefits that may flow from developing the site for commercial uses, including:

- A new employment location in Mangawhai, and a net overall increase in township employment, and retail and service businesses, and therefore consumer choice (moderate).
- Increased retail and service provision to service the tourist industry (small, compared to the range of activities already present).
- Short-term benefits for the construction industry during the construction phase (small).
- Opportunity for commercial activities located in other than commercial zones (e.g. residential) to relocate to a commercial zone and benefit from co-location with other commercial businesses (small).
- Reduced travel time and cost for access to some types of goods and services, especially given the development might accommodate some types of businesses not currently operating in Mangawhai (moderate, given if some businesses are new to Mangawhai they may reduce travel to destinations outside Mangawhai).

## 5.3 Cost-Benefit Summary

A range of benefits and costs are anticipated to arise from each of the different development options. Most of these are expected to be of a very small scale and significance within the context of the existing Mangawhai economy and community, although in net terms our opinion is that greatest net benefits would arise from commercial development on the site. The benefits of providing for residential on the site would be very limited, and in our opinion would not represent an efficient use of what is a strategically valuable site.

Commercial development on the site would have the benefit of introducing new commercial supply to Mangawhai, improving accessibility and increasing township employment. Those benefits would be countered by potential small trade competition impacts on the two existing commercial areas if business there choose to relocate to the new development, although those impacts are not identified as an issue in the KDP. For that reason a larger amount of commercial development on the site is better, because it would be likely to result in a more diverse range of business types in Mangawhai than a smaller commercial development.

For that reason, in our opinion the most appropriate development option for the Plan Change site from those assessed is the Plan Change option.

## 6 RMA Purpose

In addition to assessing the Plan Change proposal and the alternative development options against the District Plan, and against each other, it is also important to understand the degree to which they satisfy the overarching purpose of the Resource Management Act. That purpose (in section 5) is to promote the sustainable management of natural and physical resources by:

*managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being*

In the context of the Plan Change proposal, the key question is: which of the development options would best enable people and communities to provide for their wellbeing. Because the KDP objectives are formulated to achieve the purpose of the RMA, in our opinion the option that best meets the objectives of the KDP, as assessed above, also best meets the purpose of the RMA. That is, the community's wellbeing would best be enabled by the Plan Change option and the development of commercial activity on the site, rather than by purely residential development or the smaller scale of commercial development such as would be possible under the granted resource consent.

Any trade competition effects that result in the relocation of businesses within Mangawhai (e.g. from any existing commercial zone to the Plan Change site) would be to the benefit of some residents (increased accessibility to the stores, being closer to their homes) and to the detriment of others (loss of existing stores which are close to their homes). Overall accessibility would be expected to average out across the whole community with some winners and some losers in terms of proximity to supply, or possibly to increase slightly given the accessibility of the site to most residents.



## 7 Conclusions

This report has assessed the degree to which the proposed Plan Change for of Lot 1 DP 341981 (the property at the corner of Estuary and Molesworth Drives) from Residential to Commercial would meet the objectives of the Kaipara District Plan and the purpose of the RMA.

We have compared that against other potential alternative uses of the site, and our conclusion is that the Plan Change would meet the objectives of the KDP (and the purpose of the RMA) by increasing the number and range of commercial businesses in Mangawhai, which would support the social and economic wellbeing of the community. Further, the Plan Change development option would better meet the KDP objectives than alternative uses.

In our opinion the Plan Change application should be accepted, and there are no reasons to refuse the application on retail and economic grounds.

# Appendix 1: Market Meter Model

This Appendix provides a summary of the M.E Market Meter model used in the assessment.

The demand projections used in this assessment have been sourced from M.E's 'Market Meter' tool. Market Meter is a proprietary tool that synthesises all of M.E's retail demand data in a single dataset, providing market demand estimates and projections for 42 retail storetypes at a meshblock level, and accounts for all retail spending by households, businesses and international and domestic tourists.

Household numbers, rather than population, are the core driver of retail demand, because most retail product purchases are coordinated by households for their consumption. Our demand assessment takes into account the changing structure of households over time, so that a 14% increase in household numbers will not necessarily equate to a 14% increase in retail demand, as the declining average size (people per household) of households will result in average spend per household also declining. Household spending is divided into components of total spending power from home and from work.

Demand data in Market Meter are calculated based on:

- The number of consumers (households, businesses, workers and tourists) resident in each location. This data comes from Census 2013 and SNZ household projections (for households) and SNZ's Business Frame (businesses and workers). While residential consumers are by far the most dominant component of total demand, it is important that the other components are also included in the assessment.
- Meshblocks' socio-demographic composition. This socio-demography applies 210 segments defined by age (six segments), household composition (seven segments) and income (five segments), from Census 2013 data.
- The spending power of each consumer segment (households and non-household consumers). The spending power of each segment is sourced from customised output from Statistic's NZ's (SNZ) Household Economic Survey, and calibrated at a national level to total retail spending identified in SNZ's Retail Trade Survey.
- Economic prospects and expected short to medium term spending trends (such as an increase in spending per household). These trends are based on a range of macroeconomic indicators and consensus forecasts of the economic outlook, and drive spend projections.

The output used in this assessment is a meshblock level dataset of total retail demand arising from each meshblock in Invercargill from the base year (2013) and then for every Census year (five-yearly from 2016) out to a 2036 horizon.