

**BEFORE AN INDEPENDENT HEARINGS PANEL
OF THE UPPER HUTT CITY COUNCIL**

IN THE MATTER OF The Resource
Management Act 1991

IN THE MATTER OF Upper Hutt City
Council's Proposed
Intensification Planning
Instrument

**EVIDENCE OF TIM HEATH
ON BEHALF OF SILVERSTREAM LAND HOLDINGS LTD**

(Economic)

14 April 2023

1. INTRODUCTION

1.1 My name is Tim James Heath.

1.2 I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.

1.3 I hold a Bachelor of Arts (Geography) and a Bachelor of Planning both from the University of Auckland. I have undertaken property research work for 25 years, and regularly appear before Council, Environment Court, and Board of Inquiry hearings on economic, property development and strategic planning matters.

1.4 I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well as undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity requirements.

1.5 I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, retail, industrial, and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis.

1.6 I have read the Code of Conduct for Expert Witnesses outlined in the Environment Court's Practice Note 2023 and confirm that I have complied with it in preparing my evidence. I confirm that the issues I address are within my area of expertise, except where I state that I rely upon the evidence of other expert witnesses. I also confirm that I have not omitted to consider material facts known to me that might alter or detract from my opinions.

1.7 I have been engaged by Silverstream Land Holdings Ltd (**SLHL**) to provide economic evidence in relation to the St Patrick's College Silverstream site (**Site**).

1.8 I confirm that, in preparing this evidence, I have read the relevant provisions of the Intensification Planning Instrument as notified (**IPI(N)**), the Upper Hutt City Council's (**Council**) section 32 report, the IPI recommendations in the Section 42A Report version (**IPI(R1)**), and the other evidence prepared for SLHL.

2. SCOPE OF EVIDENCE

2.1 This statement of evidence will address:

- (a) The anticipated demand for residential typologies within Upper Hutt, and the capacity to meet this demand.
- (b) The appropriateness of the High Density Residential Zone (**HRZ**) being applied to the Site.
- (c) The economic rationale and market potential for the provision of Large Format Retail (**LFR**) within the Site.
- (d) The potential economic benefits of LFR activities on the Site, and on the role, function and growth potential of the existing centres within Upper Hutt.
- (e) The high-level economic costs and benefits associated with SLHL's proposed Mixed Use Zone (**MUZ**) for the Site relative to the Council's proposed HRZ.

3. SUMMARY OF EVIDENCE

3.1 In my opinion, the development of residential units across the entirety of the Site is not required to accommodate the anticipated short (3 years), medium (10 years) and long term (30 years) residential growth within Upper Hutt City.

3.2 Given the anticipated residential demand within Upper Hutt for higher density residential typologies,¹ and in light of the NPS-UD and MDRS context, higher density residential typologies are more efficiently provided in and around the Upper Hutt City Centre, to maximise agglomeration effects, infrastructure efficiencies and community benefits.

3.3 There is growing demand for additional LFR (including supermarket) activity over the next 30 years within the identified economic catchment. The Site is an

¹ Higher density for the purposes of this evidence represents joined dwellings, i.e., terrace houses and apartments.

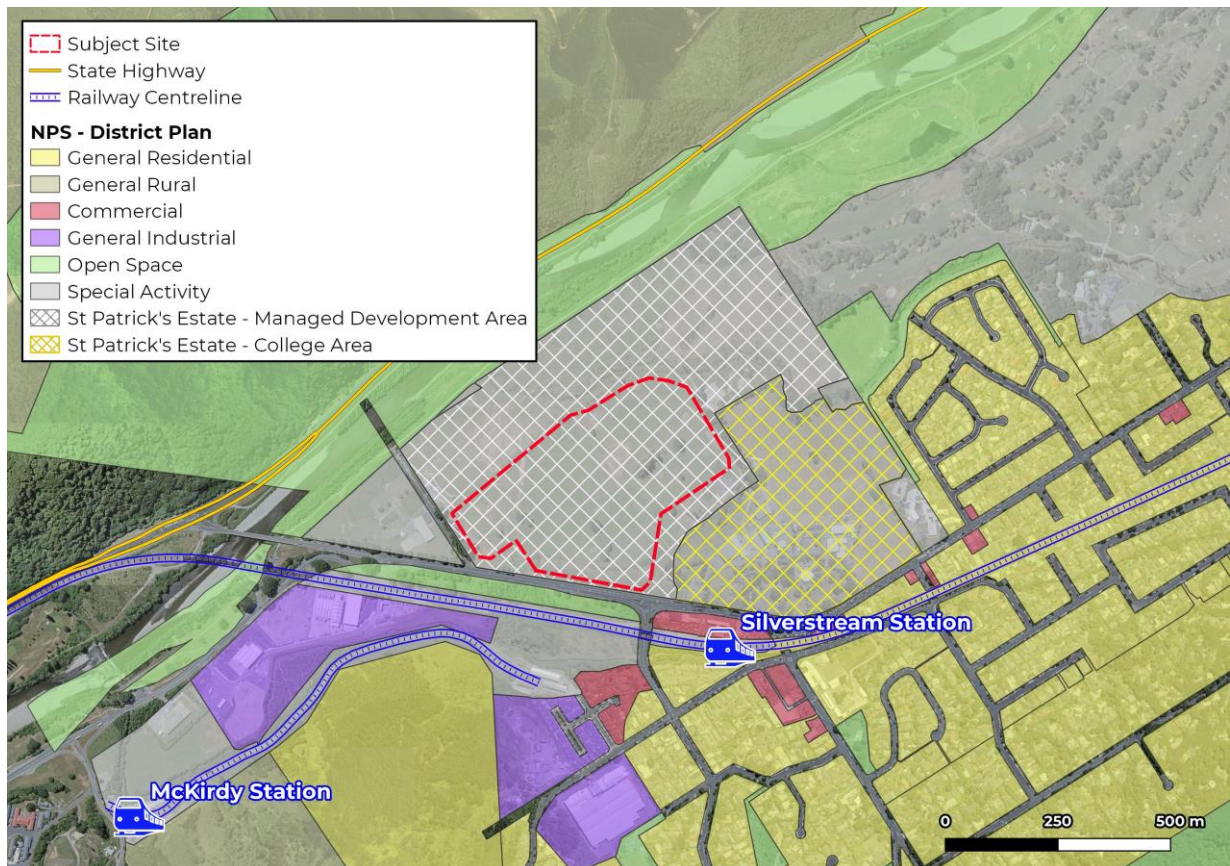
appropriate and efficient location to provide for such activities, having the potential to generate net economic benefits to the Upper Hutt community.

3.4 In my opinion, the MUZ proposed by SLHL - with retail activities being a Restricted Discretionary activity, as proposed in Mr Lewandowski's evidence - represents a more appropriate zone for the site from an economic perspective and would generate more economic benefits for Upper Hutt than the HRZ proposed by Council, while still enabling residential activity on the Site.

4. OVERVIEW OF THE IPI AND SLHL'S SUBMISSION

4.1 Section 77G of the RMA requires that the Council incorporates the MDRS and give effect to policy 3 of the NPS-UD in all relevant residential zones.² Given this context, the IPI(N) proposes to amend the Operative Upper Hutt City District Plan (**ODP**) to enable high and medium density development in existing residential areas. Figures 1 and 2 below show the location of the St Patrick's Site in the ODP and proposed IPI context.

FIGURE 1: SUBJECT SITE IN THE ODP CONTEXT



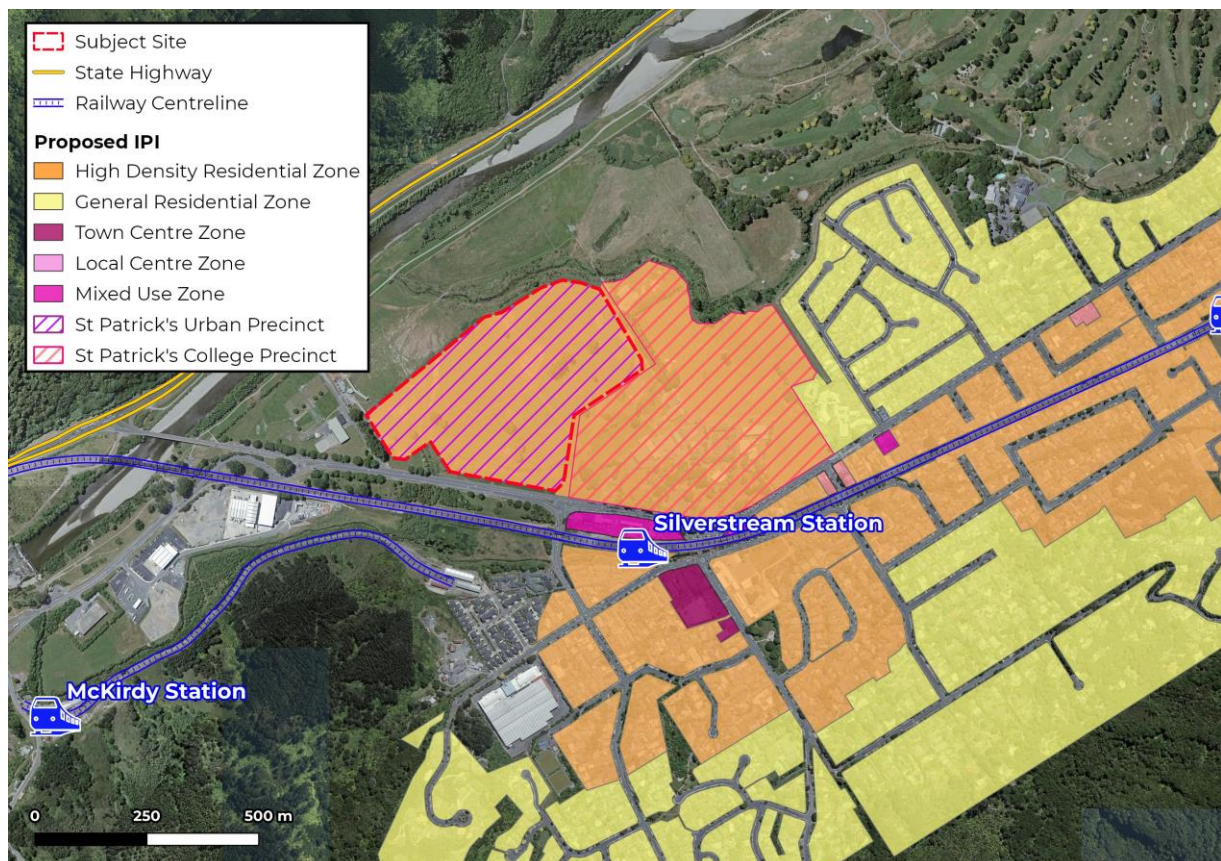
Source: UHCC, LINZ, Property Economics

4.2 As indicated, the Site is currently situated within the Special Activity Zone (**SAZ**) under the ODP. It is located on the key arterial spine running through Upper Hutt (Fergusson Drive) and in close proximity to the railway station at Silverstream and the key State Highway 2 / Fergusson Drive intersection.

4.3 Given its location, I consider the Site to be an important strategic site in Upper Hutt, particularly in providing a range of land uses (and associated economic and community benefits) to Upper Hutt City and the wider region. This is reflected in the objectives and policies applying to the Site under the ODP, which are outlined in detail in Mr Lewandowski's evidence.

4.4 Under the IPI(N), the Council has proposed that the Site is rezoned HRZ to enable higher density residential developments (refer to Figure 2 below).

FIGURE 2: SUBJECT SITE IN THE PROPOSED IPI CONTEXT



Source: UHCC, LINZ, Property Economics

4.5 In its submission, SLHL seeks to rezone the site to MUZ to preserve the wider range of land uses provided for under the operative SAZ. Table 1 below provides a comparison of the differing activity statuses under the operative SAZ, the notified HRZ, and the MUZ sought by SLHL.

TABLE 1: COMPARISON OF PRESENT AND PROPOSED ACTIVITIES AND ACTIVITY STATUS

Activity	Special Activity Zone (Operative District Plan)	High Density Residential Zone (Proposed IPI)	Mixed Use Zone (Submission)
Car parks	Controlled Activity	Discretionary Activity	Discretionary Activity
Commercial Development	Controlled Activity	Discretionary Activity	Permitted Activity (Commercial Service Activity)
Business and Professional Offices	Controlled Activity	Discretionary Activity	Permitted Activity
Active Recreation	Controlled Activity	Discretionary Activity	Permitted Activity (Sport and Active Recreation)
Places of Entertainment	Controlled Activity	Discretionary Activity	Permitted Activity (Entertainment Facility)
Places of Assembly	Controlled Activity	Discretionary Activity	Permitted Activity (to the extent this overlaps with a Community Facility).
Community Facilities	Controlled Activity	Discretionary Activity	Permitted Activity
Conference Centres	Controlled Activity	Discretionary Activity	Permitted Activity (Entertainment Facility)
Garden Centres	Controlled Activity	Discretionary Activity	Permitted (Retail Activity)
Education Activity	Controlled Activity	Discretionary Activity	Permitted Activity
Early Childhood Centres	Controlled Activity	Restricted Discretionary	Permitted (by the definition of Educational Facility)
Residential Activities	Controlled Activity	Permitted	Permitted Activity
Visitor Accommodation	Controlled Activity	Discretionary Activity	Permitted Activity
Medical Facilities	Controlled Activity	Discretionary Activity	Permitted Activity (Healthcare Activity)
Retail Activity	Non-Complying Activity	Discretionary Activity	Permitted Activity
Large Format Retail	Non-Complying Activity	Discretionary Activity	Permitted Activity
Commercial Service Activity	Permitted (Commercial Development excluding retail)	Discretionary Activity	Permitted Activity
Food and Beverage Activity	Controlled Activity (as restaurants are exempt from definition of retail)	Discretionary Activity	Permitted Activity
Drive-through Activity	Non-Complying Activity (due to retail component)	Discretionary Activity	Permitted Activity
Rest Homes	Non-Complying Activity	Permitted Activity	Restricted Discretionary Activity
Community Care Housing	Non-Complying Activity	Permitted Activity	Discretionary Activity
Home Business Ancillary to Residential	Non-Complying Activity	Permitted Activity	Discretionary Activity
Passive Recreation	Permitted Activity	Permitted Activity	Discretionary Activity
Marae	Non-Complying Activity	Controlled Activity	Discretionary Activity
Veterinary Clinics	Controlled Activity (Medical Facilities)	Discretionary Activity	Discretionary Activity

Source: Mitch Lewandowski

4.6 A critical difference between the HRZ and the MUZ is that the latter is less restrictive for non-residential activities, enabling offices, retail, light commercial development and community and recreational activities.

4.7 The proposed HRZ significantly restricts non-residential land use activities for the Site when compared to the SAZ under the ODP. This change has a significant impact on the development potential of the Site, including its potential economic value and social and community benefit.

4.8 Mr McGuinness's evidence outlines an indicative development scheme for the Site. For ease of reference here, a breakdown of the land area proportions at the Site under this scheme include:

- a) 60-80% being utilised for residential or residential type (retirement) uses, comprising:
 - i. apartments / terrace housing
 - ii. terrace and duplex housing
 - iii. duplex and stand-alone homes
- b) 0-10% being used for mixed use (commercial and neighbourhood retail); and
- c) 20-30% being used for mixed use (retail and large format retail, this being located to the south-east of the Site, along Fergusson Drive)³.

4.9 Important considerations in this evidence are: the market potential and economic effects of the commercial and LFR activities proposed in the indicative scheme; the appropriateness of the scale of these activities within the Site; and SLHL's proposed regulatory mechanisms (discussed in Mr Lewandowski's statement) to manage potential adverse effects.

5. POLICY CONTEXT

5.1 An important strategic direction under the ODP is to promote efficient urban form and development (**UFD**). This requires the City to achieve sufficient development capacity to meet anticipated housing demand. As such, the Council has set the following housing bottom lines (including NPS-UD competitiveness margins⁴):

- Short – Medium Term (2021 – 2030): 4,713 dwellings
- Long Term (2031 – 2051): 7,510 dwellings

³ Primary Statement Mr B.McGuinness, 14 April 2023, paragraph 6.3

⁴ <https://e-plan.upperhuttcity.com/eplan/rules/0/40/0/538/0/36> – pg.1, paragraph 1.

- 5.2** Sufficient residential development capacity in Upper Hutt is achieved without any residential development on the Site. Therefore residential sufficiency is not a basis for rezoning the Site HRZ.
- 5.3** In terms of dwelling locations, the UFD section of the ODP states that, “*higher density residential development is best located in close proximity to retail, service and public transport centres specifically near the City Centre Zone (central business district), neighbourhood centres and major transport nodes*”⁵.
- 5.4** Furthermore, it emphasises that “*higher density housing options may suit the needs of certain groups of the community. It is important to locate higher density housing in appropriate areas*”⁶.
- 5.5** Given the Site’s location on Fergusson Drive, including its close proximity to Silverstream Train Station, State Highway 2 and the Silverstream commercial centre, it is appropriate to provide for increased residential density at the Site. This is enabled under both the HRZ and MUZ zones. This is also provided for under SLHL’s indicative scheme, with its range of dwelling typologies (standalone, terraces and apartments).
- 5.6** In my view, because both zones enable residential development on the Site, opportunity for higher density residential development is not in issue. Rather, the potential negative effects of limiting the whole Site to residential use is what requires greater consideration.
- 5.7** From an economic perspective, the economic rationale and appropriateness of rezoning the entirety of the Site (17.4ha) depends on the future residential demand for higher density dwellings across Upper Hutt. If there is sufficient capacity for higher density development relative to anticipated demand for higher density typologies (particularly if in more efficient locations), then it is not appropriate to limit non-residential uses of the Site.
- 5.8** Notably, the Council’s section 32 report does not consider the benefits of rezoning the Site as MUZ against its HRZ proposal. Therefore, it is unclear on what basis the proposed HRZ is considered the most appropriate zoning in terms of community economic benefits and social wellbeing. Indeed, I note that

⁵ <https://e-plan.upperhuttcity.com/eplan/rules/0/40/0/538/0/36> – pg.1, paragraph 6.

⁶ <https://e-plan.upperhuttcity.com/eplan/rules/0/40/0/538/0/36> - pg.1, paragraph 13.

the section 32 report highlighted some degree of risks in the rezoning, commenting that:

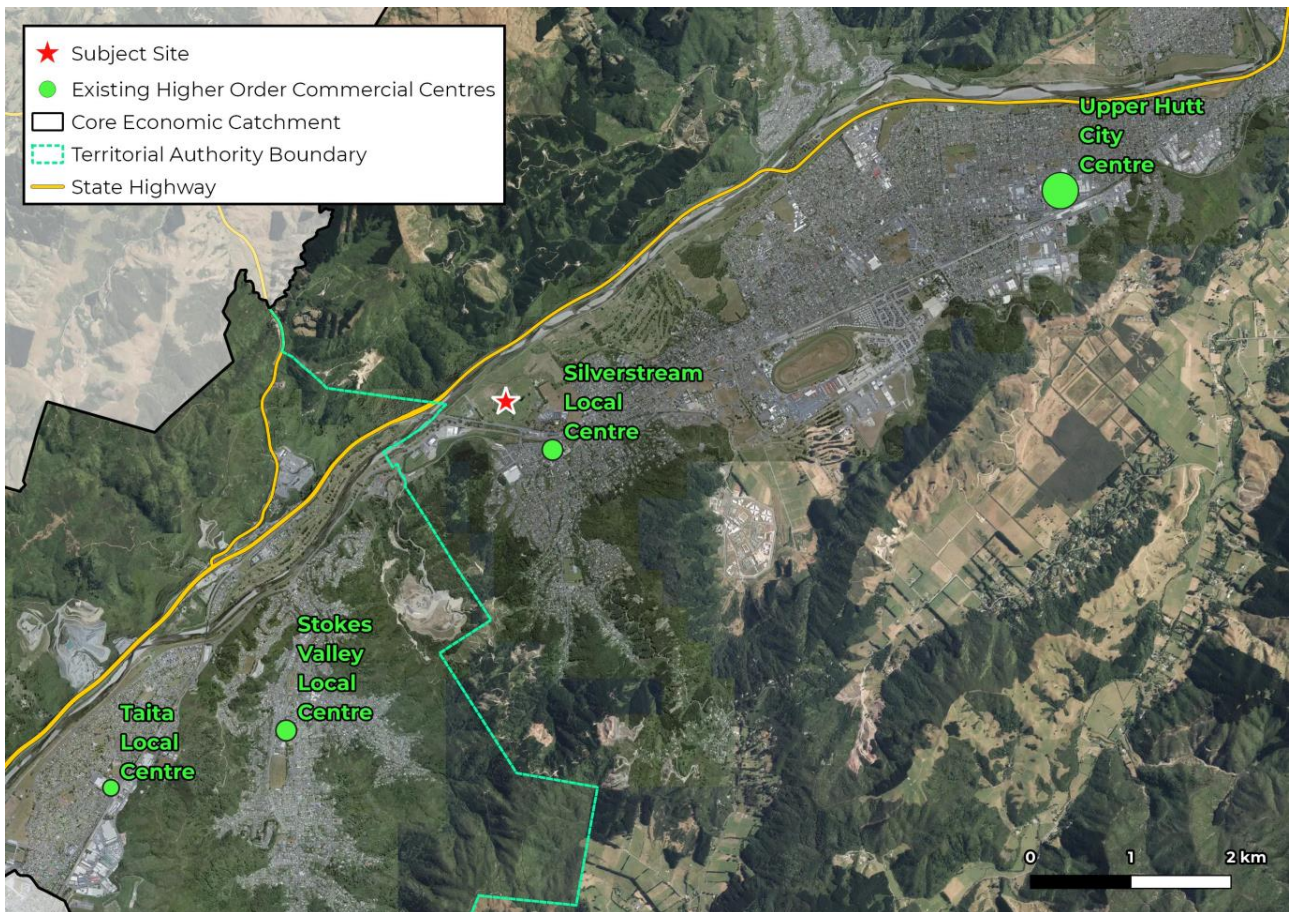
It could be that the implementation of the MDRS and the NPS-UD results in there being no shortfall in plan enabled housing capacity. This situation would reduce the policy support and justification for rezoning part of the St Patrick's Estate area in particular.

6. CORE ECONOMIC CATCHMENT AND ANTICIPATED GROWTH

6.1 To understand the potential for LFR activity on the Site, and of SLHL's proposed scenario, the figure below illustrates the indicative core economic trade catchment for a small LFR & commercial cluster at the St Patrick's Site. This core economic catchment has been based on:

- (a) the proposed extent of LFR & commercial activities in SLHL's indicative scheme;
- (b) proximity to 'like' retail and commercial activity (i.e. centres fulfilling similar role and function);
- (c) demographic distribution,
- (d) Stats NZ Statistical Area 1 (SA1) boundaries for statistical analysis purposes;
- (e) the roading network,
- (f) other natural and physical geographic barriers; and
- (g) my own opinion, factoring in known retail spending patterns and trade areas for similar activities and centre types around New Zealand.

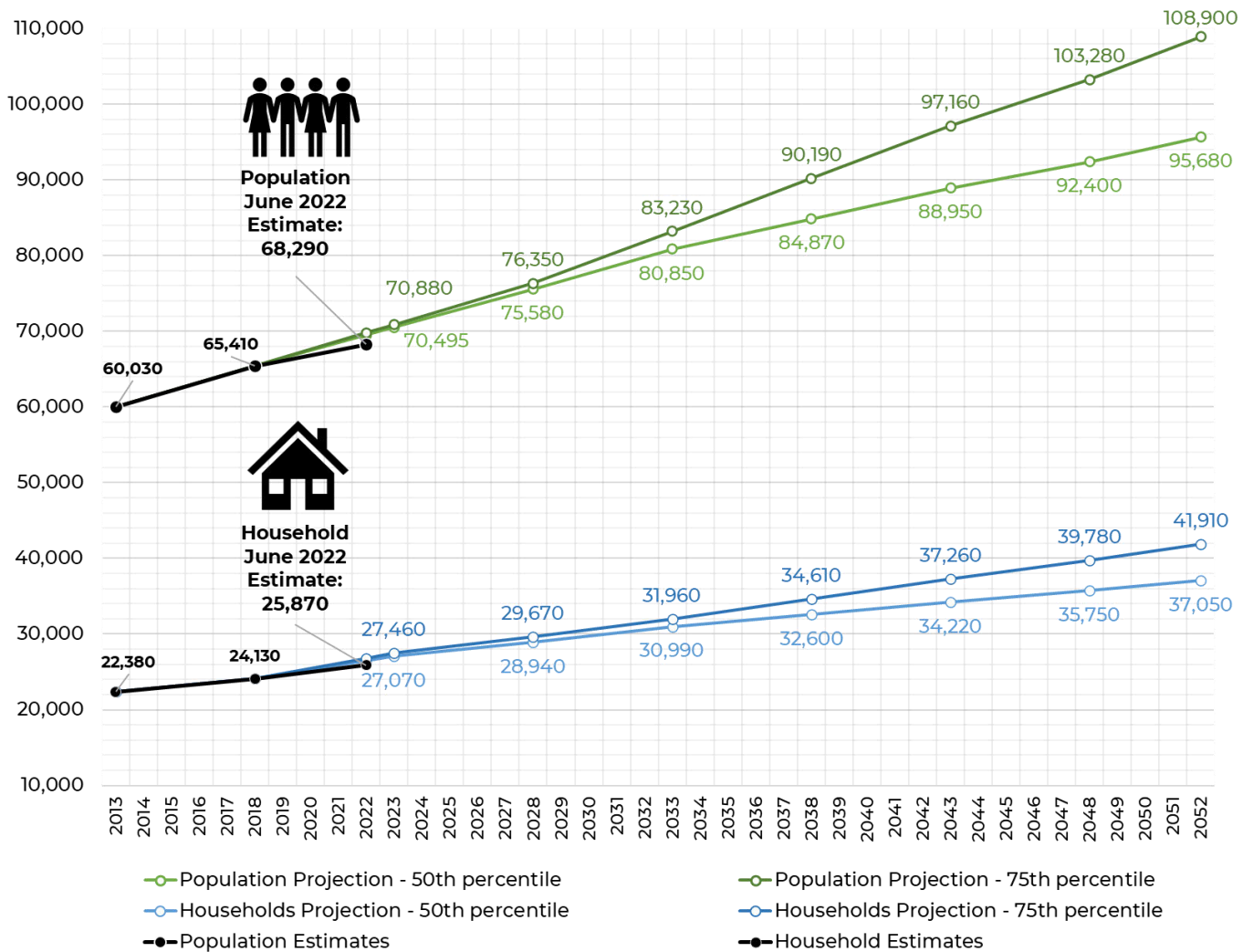
FIGURE 3: CORE ECONOMIC CATCHMENT OF THE SLHL COMMERCIAL / LFR SCENARIO



Source: Google Maps, LINZ, Property Economics

- 6.2** Any marginal reshaping of the catchment boundaries is unlikely to materially change the population and household base, and is therefore unlikely to change the catchment and market potential.
- 6.3** Figure 4 below shows the population and household projections of the core economic catchment. This is derived from Stats NZ's current population base estimate and the latest available projections from Sense Partners - 50th Percentile (Median) and 75th Percentile (High).
- 6.4** According to Stats NZ the identified core catchment has an estimated population base of 68,290 persons as of June 2022, which represents +4.4% growth in population from the 2018 Census population level. To provide a comparative context, the wider Wellington Region experienced a +3.3% growth over the same period (2018 – 2022). This indicates the catchment is growing faster than the balance of the region.

FIGURE 4: CORE ECONOMIC CATCHMENT POPULATION AND HOUSEHOLD PROJECTIONS



Source: Sense Partners, Stats NZ, Property Economics.

6.5 Sense Partners Projections 50th Percentile growth scenario projects population growth within the identified catchment of nearly 27,400 people to a total population base of 95,680 people by 2052 (or +40% above the 2022 base). This is equivalent to around 910 additional people, on average, each year out to 2052.

6.6 A more optimistic Sense Partners High growth scenario, the 75th Percentile, shows net additional growth of 40,610 people within the identified catchment and would bring the total market size to around 108,900 people by 2052.

6.7 Currently, the catchment is estimated to have around 25,870 households, which is a continuous growth of around 7% from the 2018 Census household level. By 2052, under the 50th Percentile growth scenario, the catchment is projected to have approximately 37,050 households, equivalent to an additional 11,180 households from the 2022 base. This equates to an average dwelling

requirement of around 370 per annum on a one household per dwelling assumption.

- 6.8** Given recent population and household growth figures within the identified market, in conjunction with the Sense Partners' projections, the population and household base of the catchment is anticipated to show continued growth. This will increase demand for not only residential dwellings, but also retail, and commercial development to meet the needs of the growing localised population base. The need to provide for commercial activity and community services alongside residential growth, in my view, underlies the NPS-UD policy framework.

7. RESIDENTIAL CAPACITY SUFFICIENCY OVERVIEW

- 7.1** This section provides a high-level overview of the residential capacity / sufficiency of Upper Hutt City in the short, medium and long term based on the most recent (2022) update of the Wellington Regional Housing and Business Capacity Assessment (**HBA**).
- 7.2** Table 2 (following below) breaks down the anticipated residential capacity by typology. It is anticipated that future residential demand within the district would be a mix of standalone and joined (terraced and apartment) dwellings.
- 7.3** In particular, the demand for joined dwellings over the 30-year assessed period total an estimated 2,828 dwellings. These dwelling typologies are estimated to account for around 27% of the total residential demand over the next 30 years. Standalone dwellings would remain the predominant demanded typology within the district.
- 7.4** Given the significant level of existing infill and greenfield residential capacity, the HBA concluded that Upper Hutt City has sufficient capacity for at least the next two decades (refer to Table 3, also following below).
- 7.5** Note that the estimates in Table 3 do not include any increase in housing capacity that might arise from implementation of the MDRS. It can be expected that the Feasible and Realisable Capacity would be increased because of the higher density residential yields that can be achieved on each site under the MDRS.

TABLE 2: UPPER HUTT HOUSING DEMAND BY TYPOLOGY

Area (SA2)	2021-23		2024-2030		2031-2051	
	Standalone	Joined	Standalone	Joined	Standalone	Joined
Akatarawa	2	1	7	0	41	0
Birchville-Brown Owl	57	56	154	45	320	100
Brentwood (Upper Hutt City)	55	3	110	19	292	41
Clouston Park	61	4	116	27	304	65
Ebdentown	96	6	129	48	310	109
Elderslea	63	4	155	26	332	64
Heretaunga	73	4	131	30	343	68
Mangaroa	20	0	90	0	162	0
Maoribank	71	28	135	21	304	50
Pinehaven	31	17	120	149	222	400
Poets Block	58	2	138	14	350	30
Riverstone Terraces	51	0	85	2	217	587
Silverstream (Upper Hutt City)	70	3	159	22	331	43
Te Marua	25	0	63	49	170	106
Totara Park	43	2	163	16	313	42
Trentham North	86	10	118	73	252	150
Trentham South	59	20	38	74	79	292
Upper Hutt Central	15	1	36	3	108	10
Wallaceville	84	7	106	50	93	125
Total	1,012	170	2,056	677	4,546	1,981

Source: Upper Hutt City Council, Property Economics, pp.22

TABLE 3: UPPER HUTT HOUSING CAPACITY SUFFICIENCY FORECASTS

	Short term	Medium term	Long term	Total
Demand (+NPS-UD Margin)	1,414	3,299	7,510	12,223
Greenfield capacity	543	1,268	3,622	5,433
Realisable capacity	593	1,382	3,952	5,928
Total Capacity²	1,136	2,650	7,574	11,361
Difference	-278	-649	+64	-862

Source: Upper Hutt City Council, Property Economics, pp.9

7.6 Wellington Regional Leadership Committee has engaged Property Economics to update the 2022 HBA to reflect feasible and realisable capacity sufficiency of Upper Hutt based on incorporating the MDRS and removing capacity based on Qualifying Matter constraints. This modelling is yet to be completed at the time

of writing this statement but is likely to be completed by the time of the hearing. However, joined typology demand of around 2,800 dwellings over the next 30 years as determined in the 2022 HBA, of which less than 7% is for apartments, is unlikely to materially change.

- 7.7** Nominally, this small number of apartments (circa 200 apartments) does not come close to requiring the total 17.4ha site of Site to accommodate the aforementioned demand. Conversely, if the Site was entirely zoned HRZ, it could comfortably accommodate, by itself, the entire district's 30-year demand for apartments, and likely still have more than sufficient capacity to accommodate apartment demand within the district for a further 30+ years.
- 7.8** Based on these forecasts, SLHL's indicative scheme provides a more appropriately scaled and balanced development option within a smaller residential land footprint (circa 11ha), while the balance of the site (around 6.4ha) can be utilised for retail, commercial, community and other MUZ activities to satisfy growing market demand in an efficient location.
- 7.9** In other words, the entirety of the Site (17.4ha) is not required for high density residential development given long term demand in the district. In fact, the entirety of the district's 30-year residential demand could be met without any use of the Site for residential activity. A more diverse range of activities would better facilitate development of the Site and better meet community demand for commercial and retail activities.
- 7.10** From an economic perspective, the appropriate location to provide for higher density residential development is in and around the Upper Hutt City Centre, it having better access to services and amenities, public transport and infrastructure. Rezoning the entire Site for higher density residential development may have the negative consequence of diluting the potential for higher density development in the most economically efficient location within the district – Upper Hutt City Centre.

8. RETAIL DEMAND GROWTH


8.1 This section provides a high level estimate of the total retail expenditure generated in the economic catchment (identified in section 6 above) on an annualised basis. LFR is provided as a subset of the total.


8.2 Retail expenditure and sustainable GFA forecasts have been based on the aforementioned Sense Partners population and household growth projections and have been prepared using the Property Economics Retail Growth Model (refer to tables 4 - 5 below). The detailed inputs of the Retail Growth Model is attached in Appendix 1.

8.3 Table 4 shows that, for 2023, the catchment currently generates a total annualised retail spend of approximately \$641m under the Medium growth scenario.

8.4 Under the Medium and High growth scenarios, the identified catchment is projected to have an increase in annualised spend of \$509m and \$660m by 2053 over the 2023 base year. This equates to an increase of 79% and 102% from 2023.

TABLE 4: CATCHMENT ANNUALISED RETAIL SPEND (\$M) FORECASTS


Medium Growth Scenario 	2023	2028	2033	2038	2043	2048	2053	Growth (2023 - 2053)
Total Generated Retail Expenditure (\$m)	\$641	\$716	\$796	\$871	\$949	\$1,049	\$1,150	\$509
Total LFR Expenditure (\$m)	\$342	\$380	\$423	\$462	\$503	\$558	\$611	\$269
Supermarket Expenditure (\$m)	\$232	\$259	\$290	\$317	\$347	\$382	\$419	\$187
Other LFR Expenditure (\$m)	\$110	\$121	\$134	\$144	\$156	\$175	\$192	\$82


High Growth Scenario 	2023	2028	2033	2038	2043	2048	2053	Growth (2023 - 2053)
Total Generated Retail Expenditure (\$m)	\$647	\$723	\$820	\$924	\$1,034	\$1,168	\$1,307	\$660
Total LFR Expenditure (\$m)	\$344	\$384	\$435	\$490	\$548	\$622	\$697	\$353
Supermarket Expenditure (\$m)	\$233	\$262	\$298	\$337	\$378	\$426	\$478	\$244
Other LFR Expenditure (\$m)	\$111	\$122	\$137	\$153	\$170	\$195	\$219	\$108

Source: Property Economics

- 8.5** Analysing the LFR market specifically, approximately \$342m - \$344m of LFR expenditure is currently generated within the catchment area. This is estimated to grow between \$269m and \$353m annually by 2053.
- 8.6** Supermarket retail spend, under both Medium and High growth scenarios, is anticipated to grow quickly, and represent a total annualised supermarket spend in the order of \$419m - \$478m by 2053.
- 8.7** Table 5 below illustrates the level of sustainable GFA within the LFR sectors that can be sustained by the generated spend within the catchment between 2023 and 2053 under the Medium and High growth scenarios.
- 8.8** In particular, the catchment currently generates enough LFR expenditure on an annualised basis to sustain around 86,200sqm – 86,600sqm of LFR GFA, of which 26,500sqm – 26,700sqm is attributed to supermarket store types.

TABLE 5: CATCHMENT ANNUALISED RETAIL SUSTAINABLE GFA (SQM) FORECASTS

Medium Growth Scenario 	2023	2028	2033	2038	2043	2048	2053	Growth (2023 - 2053)
Total Sustainable GFA (sqm)	122,000	135,500	150,700	164,200	178,700	198,100	216,900	94,900
Total Sustainable LFR GFA (sqm)	86,200	95,400	106,000	115,200	125,200	139,600	153,000	66,800
Sustainable Supermarket GFA (sqm)	26,500	29,600	33,100	36,300	39,700	43,700	47,900	21,400
Other Sustainable LFR GFA (sqm)	59,700	65,800	72,900	78,900	85,500	95,900	105,100	45,400

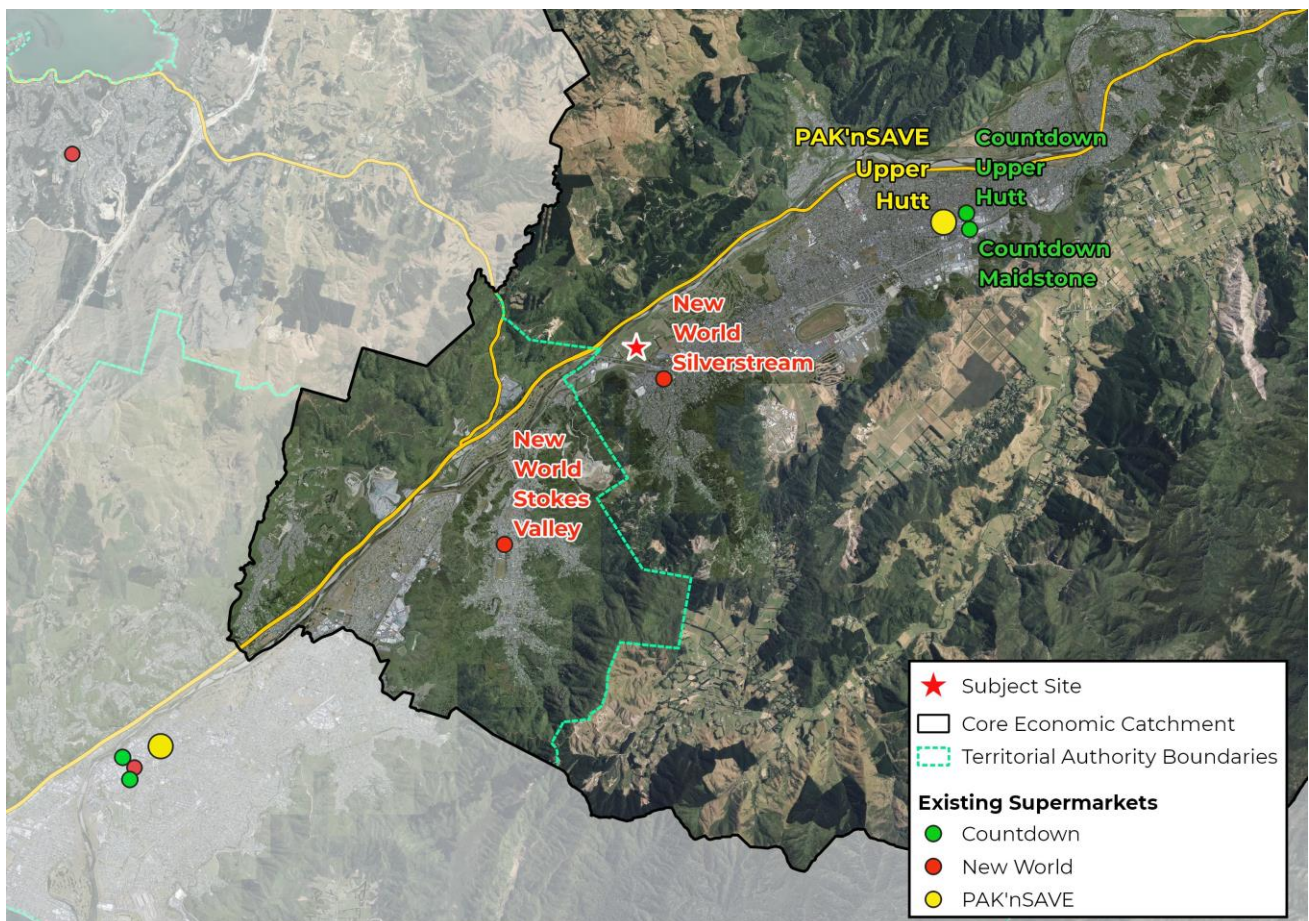
High Growth Scenario 	2023	2028	2033	2038	2043	2048	2053	Growth (2023 - 2053)
Total Sustainable GFA (sqm)	122,700	136,800	155,000	174,000	194,500	220,400	246,700	124,000
Total Sustainable LFR GFA (sqm)	86,600	96,300	109,000	122,300	136,500	155,700	174,500	87,900
Sustainable Supermarket GFA (sqm)	26,700	29,900	34,100	38,500	43,300	48,700	54,600	27,900
Other Sustainable LFR GFA (sqm)	59,900	66,400	74,900	83,800	93,200	107,000	119,900	60,000

Source: Property Economics

- 8.9** Between 2023 and 2053, the Medium growth scenario anticipates the catchment will be able to support an additional 66,800sqm GFA of LFR floorspace by 2053. Under the High scenario the same figure is 87,900sqm GFA by 2053.

- 8.10** This contextualises the extent of LFR under the Site's indicative scheme and demonstrates that this potential provision would only satisfy a portion of the future requirement.
- 8.11** In terms of the supermarket sector, under the Medium scenario the retail expenditure increases by \$187m annually by 2053 over the current base year. This is sufficient to sustain an additional 21,400sqm GFA, clearly showing growing demand for this fundamental store type in a community.
- 8.12** Figure 5 and Table 6 below identify the location of the proposed development in the existing supermarket network within the catchment. Currently, there are five existing full-service⁷ supermarkets located within the catchment, providing an estimated total supermarket GFA of around 13,800sqm.

FIGURE 5: EXISTING SUPERMARKET NETWORK



Source: LINZ, Property Economics

⁷ This excludes stores such as Four Square, which have a GFA of less than 500sqm and primarily cater to the quick stop 'top-up' needs of their immediate residential base, are not considered direct competitors to full-service supermarkets in terms of main food and grocery shop or market share.

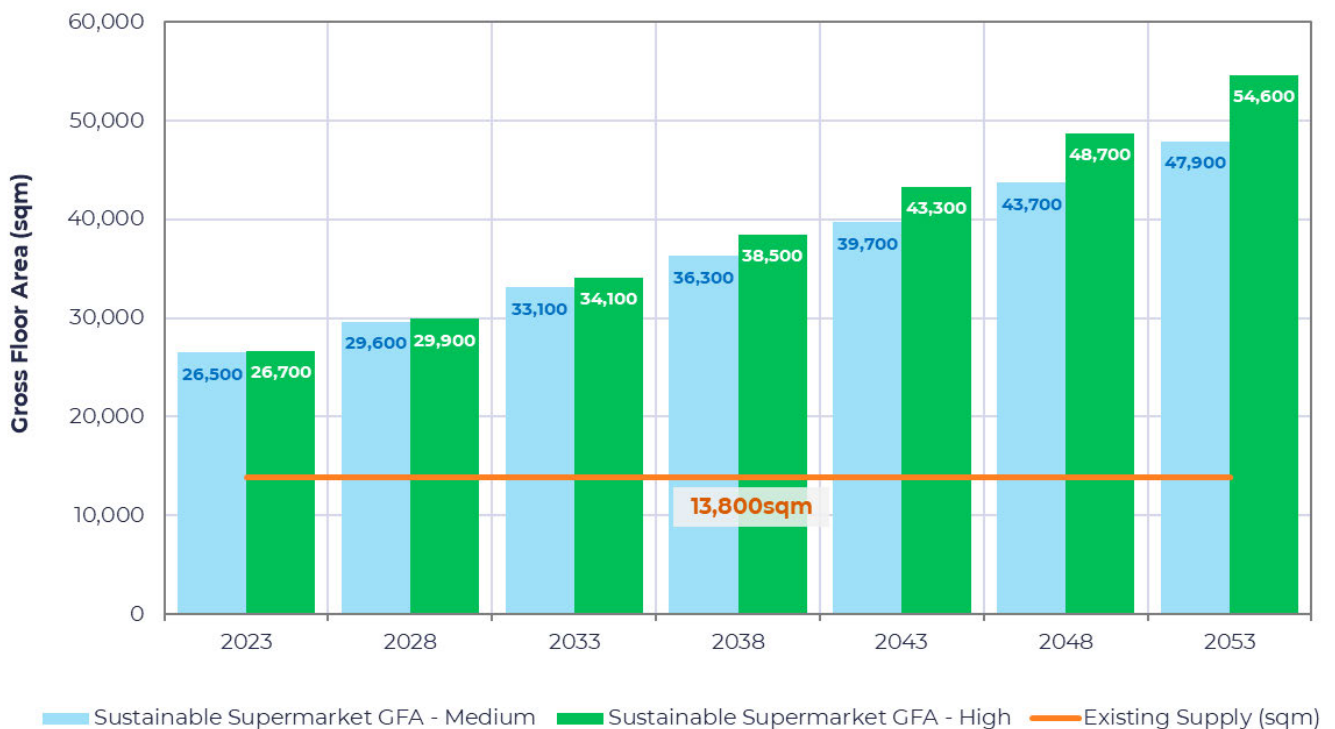
8.13 Having cross-referenced the current supermarket provision of around 13,800sqm GFA against sustainable supermarket demand outlined earlier, this shows that there is a potential in the catchment for additional supermarket GFA with sustainable demand exceeding supply by a clear margin. This indicates a market that suffers significant supermarket spend leakage, i.e., spend generated within the catchment but spent in stores outside the catchment.

TABLE 6: ESTIMATED EXISTING SUPERMARKET GFA (SQM) WITHIN THE CATCHMENT

Existing Supermarkets	Estimated GFA (sqm)	Location
Countdown Upper Hutt	2,900	Upper Hutt
Countdown Maidstone	3,000	Upper Hutt
PAK'n SAVE Upper Hutt	4,500	Upper Hutt
New World Silverstream	2,200	Upper Hutt
New World Stokes Valley	1,200	Lower Hutt
Catchment Total Existing Supply	13,800	

Source: Property Economics

FIGURE 6: CATCHMENT SUPERMARKET SUPPLY AND DEMAND DIFFERENTIALS (SQM)



Source: Property Economics

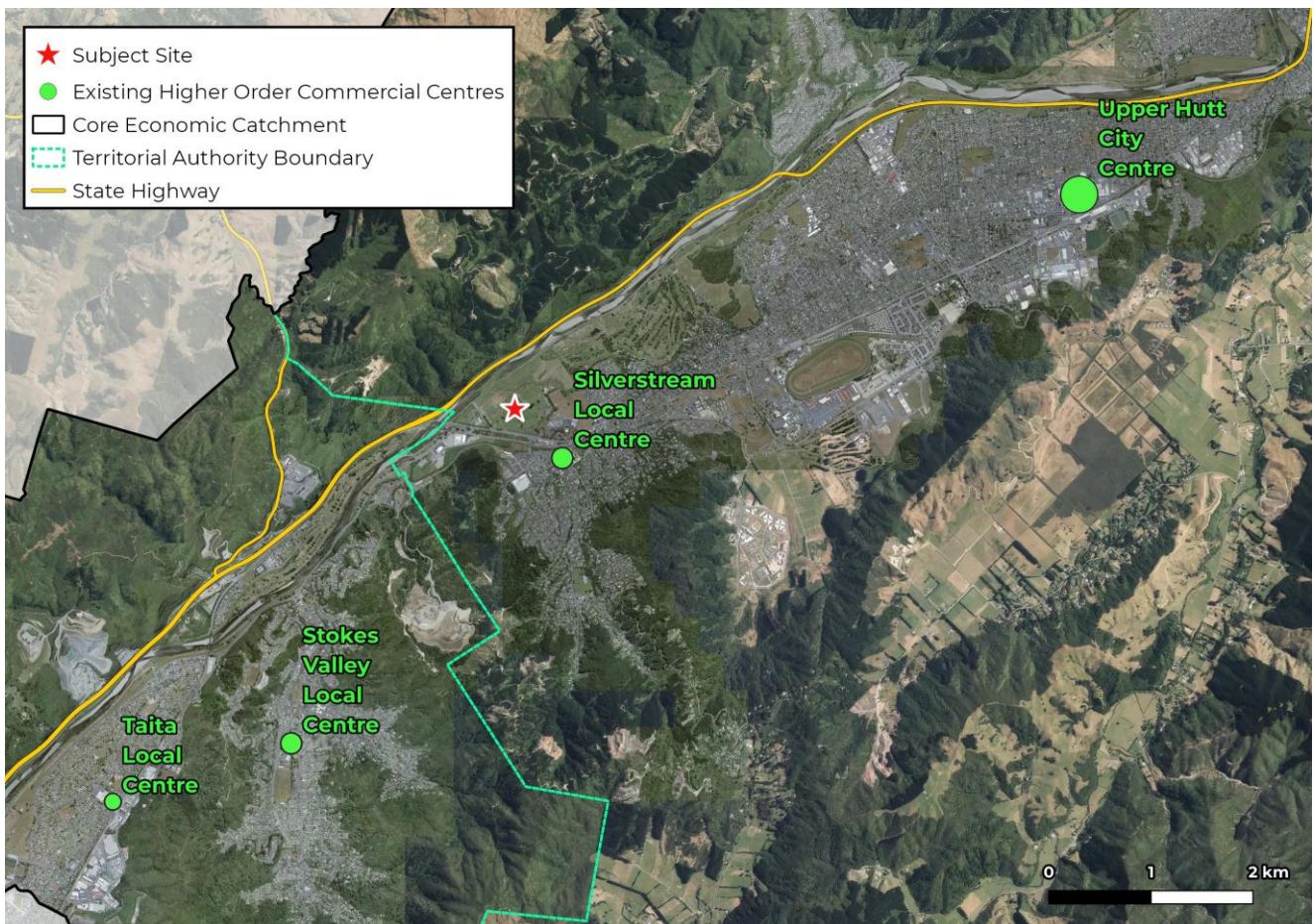
8.14 Note that not all of the expenditure that is generated by the catchment is likely to be internalised and captured by the local retailers. This is because leakage

occurs to other larger centres such as Lower Hutt and Wellington. However, with supermarket supply in the catchment only around half the sustainable demand, there is clear room for improvement in the internalisation rate of supermarket spend in Upper Hutt and demand to support an additional supermarket.

9. CENTRE IMPACT ANALYSIS

9.1 As depicted in Figure 7 below, there are four existing commercial centres (excluding neighbourhood centres) within the identified catchment. In particular, the proposed commercial and LFR development at the St Patrick's Site is expected to have greatest potential for adverse effects on the Silverstream Local Centre and the Stokes Valley Local Centre in terms of a new supermarket tenancy, and Upper Hutt City Centre in terms of LFR activity.

FIGURE 7: EXISTING HIGHER-ORDER COMMERCIAL CENTRE NETWORK WITHIN THE CATCHMENT



Source: LINZ, Property Economics

9.2 The Upper Hutt City Centre is within 10-minutes' drive (or 6.2km via Fergusson Drive) of the Site and covers an area of approximately 13ha. It serves as the

highest-order role and function in the Upper Hutt market and draws spending from across the district and parts of South Wairarapa. The centre contains a number of major national banner retail brands, such as Noel Leeming, Briscoes, Mitre 10 MEGA, Farmers, Countdown, PAK'n SAVE and McDonald's as anchor stores.

- 9.3** Aside from its anchor stores and extensive retail offer, the City Centre also offers a broad range of commercial, community recreational and public transport facilities. As larger centres tend to cater to more extensive catchments and provide a more diverse set of commercial and retail functions, the City Centre serves as a central point of focus and the preeminent commercial hub within the City. According to Stats NZ's latest Business Demography data, the Upper Hutt City Centre⁸ accounts for approximately 37% of the district's total retail, commercial and community service employment base.
- 9.4** Given this, the Site's land use breakdown in SLHL's indicative scheme are not of a scale that could generate significant adverse effects on the Upper Hutt City Centre or undermine its envisaged role and function and growth potential.
- 9.5** The Silverstream Local Centre is located towards the southeast of the St Patrick's Site and covers an estimated area of 1.2ha. It offers a range of retail goods and services, including lifestyle, health, hair & beauty services, entertainment, and a diverse selection of food and beverage options at the intersection of Kiln Street and Whitemans Road. This Local Centre's primary focus is to cater to the convenience retail and commercial service needs of the surrounding residential areas, anchored by an existing New World supermarket.
- 9.6** Although the Silverstream Local Centre is the closest retail centre to the Site, it is unlikely that the proposed development would undermine its role, function, or future growth potential. As outlined earlier, the retail expenditure generated by the market and steady growth projections means the market is well-positioned to sustain additional retail and commercial activities in the area throughout the forecast period (i.e., 2023 - 2053). Therefore, any adverse effects are likely limited to inconsequential trade competition and quickly offset by growth in the market over the short term. This indicates any adverse economic effects resulting from a mixed use development of the Site would be temporary.

⁸ See Appendix 2 for the assessed Meshblock extent of the Upper Hutt City Centre. Meshblocks are the smallest geographic units defined by Stats NZ

- 9.7** Moreover, the LFR activities proposed within the Site are more likely to complement the existing offerings of the Silverstream Local Centre and those near the Silverstream Rail Station. This, in turn, would assist in internalising more retail spend within Upper Hutt, enhancing the retail offer of Upper Hutt and economic profile of the district as a whole.
- 9.8** This would have a two-fold positive effect:
- (a) first, internalising a higher proportion of retail expenditure and attracting more retail spend into Upper Hutt, thereby boosting its economy;
 - (b) second, generating additional employment opportunities in Upper Hutt.
- 9.9** Apart from the two higher-order commercial centres in Upper Hutt, the catchment also encompasses two existing commercial centres in Lower Hutt, namely the Stokes Valley Local Centre and the Taita Local Centre.
- 9.10** The Stokes Valley Local Centre is approximately a 6-minute drive from the Site and occupies about 0.8ha of land in the Suburban Mixed-Use Zone. It is anchored by a small New World supermarket and provides a range of convenience offerings, including a few cafes, a dairy shop, a liquor store, a pharmacy, and a few banks, as well as community services.
- 9.11** The Stokes Valley Local Centre is surrounded by Medium Density Residential and General Residential zones and primarily caters to the immediate residential environment. As such, the proposed LFR and commercial activities at the Site would not undermine the existing role and function of the Stokes Valley Local Centre. Moreover, since there are no existing LFR offerings within the Stokes Valley Centre (excluding the supermarket), and because the centre is primarily a convenience centre, the proposed development would not compete directly with the centre.
- 9.12** The Taita Local Centre, situated at the intersection of High Street and Tocker Street, is a smaller convenience centre mainly offering food and beverage services. Similar to the Stokes Valley Local Centre, it primarily caters to the local market and does not provide LFR or a significant commercial offering. Therefore, the proposed development at the St Patrick's Site would not directly compete with the Taita Local Centre or adversely affect its role and function.

- 9.13** As the population density around higher-order centres and rapid transit rail stations increases, additional retail and commercial development can enhance the attractiveness of the Silverstream local market and satisfy the growing local consumer demand.
- 9.14** Having undertaken the above analysis, in my opinion, SLHL's proposed development scenario under a MUZ is unlikely to have any material consequential trade competition effects or significant retail distribution effects in the context of the RMA. The proposed LFR and commercial development would offer more competition in a market where demand can sustain additional retail GFA and support the area's growing population.
- 9.15** In theory the MUZ could see retail activity developed across the Site's entire 17.4ha area. This could result in, for example, a LFR centre with a retail provision of circa 75,000sqm GFA. In my view, this would cause significant adverse effects on the Upper Hutt City Centre. This scale of retail development would be of a size I could not support from an economic perspective based on my analysis, particularly if developed early in the 30-year period.
- 9.16** Mr McGuinness's evidence makes it clear that the scenario described above is not what the landowner envisages, and instead a significant proportion of the Site would be used for residential and other non-retail activities. However, to ensure the District Plan has a robust mechanism to address this potential issue, SLHL have proposed an activity status of Restricted Discretionary for retail and commercial development, with a requirement for a centre impact assessment. I support this approach. Importantly, this provides the Council with an opportunity to assess the merits and evaluate the potential effects of any such development at the time a resource consent application is made. This supplies a safety net for Council by providing the opportunity to decline any application that is considered to cause significant adverse economic effects on centres.

10. ECONOMIC COST BENEFIT COMPARISON OVERVIEW

- 10.1** Both proposed zones (HRZ and MUZ) are likely to generate a range of economic costs and benefits. The following analysis provides a high-level economic cost and benefit overview of each proposed zoning to provide a comparative context to assist my determination of the most appropriate zone.

10.2 HRZ:

Economic Benefits

- **Increase residential capacity certainty over the longer term:** The proposed HRZ would theoretically supply the market with a high level of residential capacity covering all 17.4ha of the St Patrick's Site.
- **Increase in range of price points and locational choice:** The proposed HRZ would offer residents additional choices in their living environment in respect of location and potentially impact upon the overall price point within Upper Hutt.
- **Potential for more affordable housing:** The development of the St Patrick's Site may assist housing affordability in Upper Hutt by increasing the supply of residential capacity.
- **Efficiencies of infrastructure:** The opportunity to develop an extensive land area has the potential to bring with it economies of scales and lower marginal infrastructure costs.
- **Increased local economic activity (i.e., primarily via construction of dwellings):** The building and operation of a large residential development will create local employment opportunities and generate a boost in economic activity in the Upper Hutt economy.

Economic Costs

- **Commercial and retail development opportunity cost:** The proposed HRZ over the entire Site represents a significant opportunity cost for a range of other land uses currently enabled under the SAZ (and what could be enabled under the MUZ), particularly LFR development. Given the locational attributes of the Site, a diverse range of land uses would be economically efficient.
- **Reduces High Density Residential Development Elsewhere:** The HRZ across the entire St Patrick's Site dilutes the potential for such development to occur in more efficient locations in Upper Hutt City Centre and surrounds.

- **Lower level of land use efficiency:** Given the significant opportunity cost associated with the potential loss of commercial development from the Site, in conjunction with the low level of higher density residential development required to meet anticipated demand in Upper Hutt over the next 30 years, the proposed HRZ would lower land use efficiency.

10.3 MUZ:

Economic Benefits

- **Increase residential capacity:** The proposed MUZ, while providing less theoretical capacity than the HRZ, would still represent a significant increase in residential capacity and provide the ability to deliver the same level of feasible and realisable capacity as the HRZ, if needed to suit market demand.
- **Increase in range of residential and business price points and locational choice:** The proposed MUZ would offer both residents and businesses additional locational choices and create a more competitive market. Increased business choice is a competitive advantage of the MUZ over the HRZ.
- **More affordable housing and business floorspace:** Development of the Site under the MUZ zoning may assist housing affordability in Upper Hutt by increasing the supply of residential capacity. The MUZ would also place downward pressure on business floorspace (rental and sales) prices.
- **Efficiencies of infrastructure:** This benefit remains consistent with the proposed HRZ. The level of efficiency from realised residential development may be slightly less but this would be offset by the increased business activities in this location, which would also enhance the efficiency of existing infrastructure. Economies of scale would still apply as would lower marginal infrastructure costs.
- **Increased local economic activity (i.e., primarily via construction of dwellings and business premises):** The building and operation of a large residential and business premises will create local employment opportunities and generate a boost in the Upper Hutt economy. SLHL's MUZ proposal would also increase the local commercial and LFR activities. This is considered one of the benefits of the proposed MUZ over the HRZ.

- **Improved accessibility to employment opportunities:** By having job opportunities close to where people live, it improves commuting efficiency. This reduces average travel to work distances which relieves capacity on the transport network, improves transport efficiencies, and lowers CO2 emissions.
- **Better accommodate future community requirements:** The proposed MUZ would not only accommodate some of the district's future residential demand but also the growing commercial and retail demand of the growing local community.
- **More vibrant and diverse communities:** The proposed MUZ would create a diverse range of land uses and internalise spend and activity. This can lead to increased economic activity, as well as increased social interaction and community engagement.
- **Better contributing to a well-functioning urban environment:** The proposed MUZ would give better effect to the NPS-UD Policy 1, which requires that urban environments have or enable a variety of sites that are suitable for different business sectors and have good accessibility for all people between housing, jobs, community services, natural spaces, etc. A broader mix of activities on the Site better represents a well-functioning urban environment relative to the more singular focused HRZ.

Economic Costs


- **Reduced level of residential capacity (opportunity cost):** The proposed MUZ would provide less theoretical residential capacity on the St Patrick's Site relative to the HRZ. However, the higher density yield in reality would be similar as the demand for higher density typologies for the entire district for the next 30 years can be accommodated within the MUZ.

10.4 Based on the above analysis, in my opinion, the economic benefits of the proposed MUZ significantly outweigh the economic benefits associated with the proposed HRZ. There are no material economic costs associated with the proposed MUZ relative to the HRZ.

11. CONCLUSION

- 11.1** Based on my economic assessment, it is not appropriate to apply a HRZ zoning to the Site. This could generate more adverse effects on the Upper Hutt City Centre through lost high density residential development. The MUZ would represent a more appropriate zone from an economic perspective.
- 11.2** Provision for LFR on the site - as provided for in SLHL's indicative scheme - is supported by the growth in demand for LFR within the identified catchment and would not undermine the envisaged role, function and growth potential of existing commercial centres in the surrounding network.
- 11.3** SLHL's proposed restricted discretionary activity status is an appropriate mechanism to alleviate any concerns around potential retail impacts, as the effects of any retail development can be appropriately assessed at the time of resource consent application.
- 11.4** The MUZ would generate more economic benefits and lower economic costs than the HRZ. As such I consider the MUZ a more appropriate zone than the HRZ for the site and Upper Hutt community.

DATED 14 April 2023


/_____
Tim Heath

APPENDIX 1. PROPERTY ECONOMICS RETAIL GROWTH MODEL

This overview outlines the methodology that is applied to estimate retail spend generated for an identified catchment for a specific projection period.

Statistical Area 1 2018 Boundaries

All analysis has been based on Statistical Area 2 2018 boundaries, the most recent available.

Household Estimates

As a key base input into Property Economics Retail Model. Specifically, the household count projections from Stats NZ, based off the 2018 Census (available at the SA1 level) and Stats NZ's population growth projections, have been applied in the model. These projections also make adjustments for changes in the population per household ratios at a national level. The Sense Partners household projections are cross referenced with any more specific projections provided by the client.

Population Growth

The population growth projections used in projecting future household retail growth are outlined in the report. These are derived from Sense Partners most recent population projection series. These are cross referenced with any more specific population growth projections provided by the client.

Although the demographics at the household level drive the estimates in the distribution of the household retail spend, the growth in population has been used as the input to project future retail growth.

Sense Partners latest household projections are based on the assumption of a decreasing household size, resulting in proportionally greater household growth than population. However, the Stats NZ Household Expenditure Survey shows a clear positive relationship between household size and retail expenditure. Therefore, relying solely on the household growth as an indicator without adjusting for the changing demographic would artificially inflate the projected retail growth.

Given the recent trends of an increasing household size contrary to the projection assumptions, Property Economics considers projecting the retail growth based on future population growth rather than households is a more appropriate assumption. This is ultimately a conservative assumption in the decreasing household size scenario and will be more accurate the less the demographics shift.

International Tourist Spend

The total tourism retail spend has been derived from the Tourism Satellite Account and distributed to each district according to the data as published by MBIE. Within each district, this has been distributed on a 'spend per retail employee' basis. Employees are the preferred basis for distributing regional spend geo-spatially, as tourists tend to gravitate toward areas of commercial activity, however they are very mobile.

Total Tourist Spend Forecast

Growth is forecast in the model at 3% per annum.

Average Household Retail Spend

The Household Expenditure survey breaks down average weekly spend by retail category on a national level by annual household income brackets and by the average number of usual residents. These have been applied to each of the geospatial units based on the distribution of household size and income for that geospatial unit, as determined in the 2018 Census.

While there are variables other than household income that will affect retail spending levels, such as wealth, access to retail, population age, household types and cultural preferences, the effects of these are not able to be assessed given data limitations and have been excluded from these estimates.

Real Retail Spend Growth (excl. trade-based retailing)

Real retail spend growth has been factored in at 1% per annum. This accounts for the increasing wealth of the population and the subsequent increase in retail spend. The following explanation has been provided.

Retail Spend is an important factor in determining the level of retail activity and hence the 'sustainable amount' of retail floorspace for a given catchment. For the purposes of this outline 'retail' is defined by the following categories:

- Food Retailing
- Footwear
- Clothing and Soft goods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores

- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other (Retail) Stores.

These are the retail categories as currently defined by the ANZSIC codes (Australia New Zealand Standard Industry Classification).

Assessing the level and growth of retail spend is fundamental in planning for retail networking and land use within a regional network.

Internet Retail Spend Growth

Internet retailing within New Zealand has seen significant growth over the last few decades. This growth has led to an increasing variety of business structures and retailing methods including; internet auctions, just-in-time retailing, online ordering, virtual stores, etc.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a proportional decrease in on-the-ground spend and floor space demand. To account for this, a non-linear percentage decrease of 8% in 2020 growing to 12.5% by 2053 has been applied to retail expenditure encompassing all retail categories in our retail model. These losses represent the retail diversion from on-the-ground stores to internet-based retailing that will no longer contribute to retail floor space demand.

Retail Spend Determinants

Retail spend for a given area is determined by: the population, number of households, size and composition of households, income levels, available retail offer and real retail growth. Changes in any of these factors can have a significant impact on the available amount of retail spend generated by the area. The coefficient that determines the level of 'retail spend' that eventuates from these factors is the MPC (Marginal Propensity to Consume). This is how much people will spend of their income on retail items. The MPC is influenced by the amount of disposable and discretionary income people can access.

Retail Spend Economic Variables

Income levels and household MPC are directly influenced by several macroeconomic variables that will alter the amount of spend. Real retail growth does not rely on the base determinants changing but a change in the financial and economic environment under which these determinants operate. These variables include:

Interest Rates: Changing interest rates has a direct impact upon households' discretionary income, as a greater proportion of income is needed to finance debt and

typically lowers general domestic business activity. Higher interest rates typically lower real retail growth.

Government Policy (Spending): Both monetary and fiscal policy play a part in domestic retail spending. Fiscal policy, regarding government spending, has played a big part recently with government policy being blamed for inflationary spending. Higher government spending (targeting on consumer goods, direct and indirectly) typically increases the amount of nominal retail spend. Much of this spend does not, however, translate into floor space, since it is inflationary and only serves to drive up prices.

Wealth / Equity / Debt: This had a dramatic impact in the early-mid 2000s on the level of retail spending nationally. The increase in property prices has increased homeowners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumer spending. This debt spending is a growth facet of New Zealand retail. In 1960, households saved 14.6% of their income, while households currently spend 14% more than their household income.

Inflation: As discussed above, this factor may increase the amount spent by consumers but typically does not dramatically influence the level of sustainable retail floor space. This is the reason that productivity levels are not adjusted and similarly inflation is factored out of retail spend assessments.

Exchange Rate: Apart from having a general influence over the national balance of payments accounts, the exchange rate directly influences retail spending. A change in the \$NZ influences the price of imports and therefore their quantity and the level of spend.

General consumer confidence: This indicator is important, as consumers consider the future and the level of security/finances they will require over the coming year.

Economic / Income growth: Income growth has a similar impact to confidence. Although a large proportion of this growth may not impact upon households' MPC (rather just increasing the income determinant), it does impact upon households' discretionary spending and therefore likely retail spend.

Mandatory Expenses: The cost of goods and services that are necessary has an impact on the level of discretionary income that is available from a household's disposal income. Important factors include housing costs and oil prices. As this increase, the level of household discretionary income drops, reducing the likely real retail growth rate.

Current and Future Conditions

Retail spend has experienced a significant real increase in the early-mid 2000s. This was due in large part to the increasing housing market. Although retail growth is tempered or crowded out in some part by the increased cost of housing it showed significant gains as homeowners, prematurely, access their potential equity gains. This resulted in strong growth in debt / equity spending as residents borrow against capital gains to fund retail spending on consumption goods. A seemingly strong economy also influenced these spending trends, with decreased employment and greater job security producing an environment where households were more willing to accept debt.

New Zealand's economy has been impacted on by several key events over the last two decades. Firstly, this trend temporally reversed in the light of the worldwide GFC recession in 2008 with economic uncertainty and job losses reducing consumers' willingness and ability to accept debt. Following this however, New Zealand's economy recovered with growth in the first half of the 2010-2020 decade fuelled by the Christchurch earthquake. Additionally, rapid inflation in the construction industry has contributed to the rapidly rising house prices. This has had a significant impact on reducing disposable income, which has flow-on effects to the rate of retail growth. Finally, most recently the COVID-19 global pandemic resulted in a national lockdown with retailers forced to close under alert Level 3 and 4.

Despite this, New Zealand's economy so far has not fallen to the extent economists predicted heading into the first lockdown during the first quarter of 2020. Data available on Stats NZ showed that total retail expenditure declined by only 0.2% between 2020 and 2019. This is in comparison to the average annual growth of just over 5% per annum between 2010 – 2019.

From an economic perspective, COVID-19 represents significant uncertainty and thereby making the already difficult job of anticipating the future, that much harder. There are several unpredictable factors that will decide the fate of worldwide economy and it is difficult to accurately predict what long term impacts this global pandemic will have on international travel, the domestic economy and retail trends as it relates to internet retailing.

Impacts of Changing Retail Spend

At this point, a 1% real retail growth rate is being applied by Property Economics over the longer term 30-year period. This rate is highly volatile however and is likely to be in the order of 0.5% to 1% over the next 5 – 10 years rising to 1% - 2% over the more medium term as the economy stabilises and experiences cyclical growth. This would mean that

it would be prudent in the shorter term to be conservative regarding the level of sustainable retail floor space within given centres.

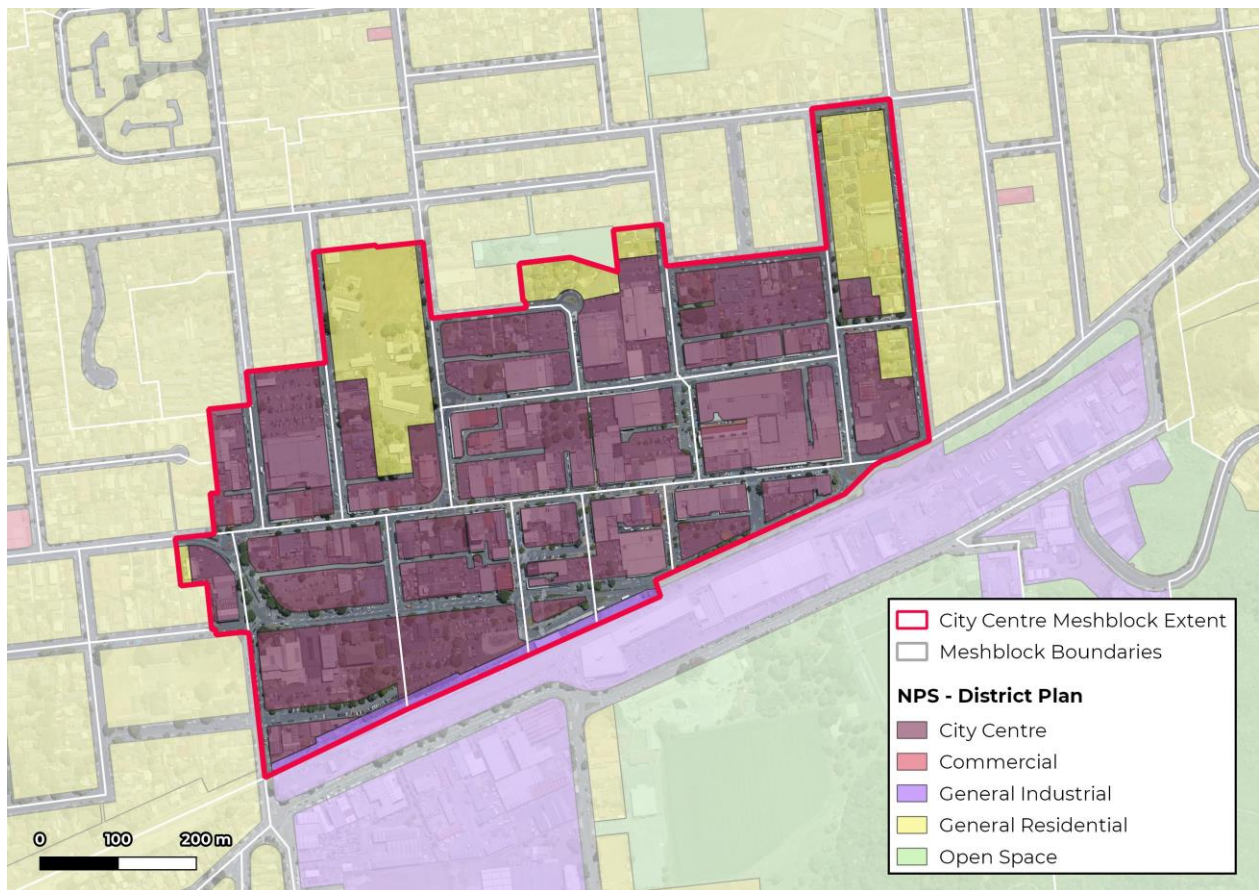
Business Spend

This is the total retail spend generated by businesses. This has been determined by subtracting International tourism retail spend and the household retail expenditure from the total retail sales, as determined by the Retail Trade Survey (RTS) which is prepared by Stats NZ. All categories are included with the exception of accommodation and automotive related spend. In total, business spend accounts for 36% of all retail sales in NZ. Business spend is distributed based on the location of employees in each census area unit and the national average retail spend per employee.

Business Spend Forecast

Business spend has been forecasted at the same rate of growth estimated to be achieved by household retail sales in the absence of reliable information on business retail spend trends. It is noted that while working age population may be decreasing as a proportion of total population, employees are likely to become more productive over time and therefore offset the relative decrease in the size of the total workforce.

APPENDIX 2. MESHBLOCK EXTENT OF UPPER HUTT CITY CENTRE



Source: UHCC, LINZ, Stats NZ, Property Economics