

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of a submission in respect of the **PROPOSED WAIKATO DISTRICT PLAN** by **AMBURY PROPERTIES LIMITED** pursuant to Clause 6 of Schedule 1 of the Act seeking the rezoning of land at Ohinewai

STATEMENT OF EVIDENCE OF TIMOTHY JAMES HEATH

1. INTRODUCTION

- 1.1 My name is Timothy James Heath. I am a property consultant, retail analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 and provide property development, land use research and impact assessment services to both the private and public sectors throughout New Zealand.

Qualifications and experience

- 1.2 I hold a Bachelor of Arts (Geography) (1991) and a Bachelor of Planning (1993) from the University of Auckland. I have undertaken property research work for 24 years, and regularly appear before Council, Environment Court and Board of Inquiry hearings on retail economic matters.
- 1.3 I advise district and regional councils throughout New Zealand in relation to retail, industrial, commercial and residential land use issues as well as strategic forward planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including retail economic impact assessments, commercial and industrial market assessments, and forecasting market growth and land requirements across all property sectors.

Involvement in the Ohinewai project

- 1.4 Property Economics Limited was engaged by Ambury Properties Limited (“APL”) to undertake an assessment of potential economic effects of the proposed Ohinewai Structure Plan (“OSP”) on:
- (1) The commercial centre network in the vicinity of Ohinewai and
 - (2) The impact of the OSP on the demand for / provision of housing in the nearby towns of Huntly and Te Kauwhata.
- 1.5 Two other economists are involved, namely:
- (1) Philip Osborne of Property Economics; and
 - (2) Dr Brent Wheeler of Brent Wheeler Group Limited.
- 1.6 The three of us have collaborated closely in analysing the data available and have all focussed on a different aspect of the economic picture. The retail effects and residential implications outlined in this statement should be read in conjunction with Mr Osborne’s and Dr Wheeler’s statements on the economic impacts of the OSP on the economy. Cumulatively, they provide a more complete picture of the potential economic impacts of APL’s proposed development. My evidence should therefore be read alongside those two.

Purpose and scope of evidence

- 1.7 The purpose of my evidence is to address the potential economic effects (particularly from a spatial perspective) of the proposal by APL to achieve a rezoning to enable The Comfort Group (“TCG”) to realise a substantial mixed use development on a site owned by the company at Ohinewai to be known as The Sleepyhead Estate.
- 1.8 The two key issues that are the focus of this statement of evidence are the two issues outlined in paragraph 1.4 above.
- 1.9 In dealing with these issues, I will address the following:
- (1) The Sleepyhead Estate Project (Section 3);
 - (2) The economic effects and benefits of a local convenience retail provision (Section 4);
 - (3) Assess the viability of Discount Factory Outlet (“DFO”) stores (Section 5);

- (4) Impact of the residential component of The Sleepyhead Estate (Section 6);
- (5) Comment on the economic impact of Covid-19 on the economic analysis (Section 7);
- (6) Comment on issues raised by submitters relevant to my area of expertise (Section 8).
- (7) Comment on the Council Officer's Report and proposed amendments to plan provisions (Section 9).
- (8) Provide a brief conclusion (Section 10).

1.10 A summary of my evidence is contained in Section 2.

Expert Witness Code of Conduct

1.11 I have read the Code of Conduct for Expert Witnesses, contained in the Environment Court Consolidated Practice Note (2014) and I agree to comply with it. I can confirm that the issues addressed in this statement are within my area of expertise and that in preparing my evidence I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

2. SUMMARY OF MY EVIDENCE

2.1 TCG has proposed a fully master planned 178ha mixed-use urban development located around 7km north of Huntly on State Highway 1 and the North Island Main Trunk Railway.

2.2 The primary activity on the site will be a newly built 100,000sqm Sleepyhead factory (on a site of 37ha), which is intended to be an amalgamation of TCG's production operations eventually employing around 1,000 staff. Additionally, the development will provide for a further 106,000sqm of general industrial activity (on a further site area of 26ha) with an estimated 32,400sqm of commercial gross floor area ("GFA") (8.7ha) and potential for a further 1,600 jobs.

2.3 The residential component is proposed to encompass 1,100 higher density dwellings (on 52.2ha of land) with the majority specifically targeting TCG's employees. I understand that if the residential component of the TCG development does not proceed, the entire development is unlikely to proceed.

- 2.4 As identified in the evidence of Mr Osborne, the localised market in which TCG is proposing to develop has seen limited growth over the past 18 years. The local catchment has seen a relatively consistent drop in retention of employment over this period. While the Waikato District itself has seen significant growth in employment over the past 18 years (55%), it continues to exhibit lower employment retention than other surrounding districts. This has been driven in part through more rapid population growth without the subsequent employment base, i.e. people living in the district but working outside the district, and in particular Pokeno. In essence, the local catchment has struggled to generate employment and economic growth which has led to years of steady decline to the detriment of the economic and social wellbeing of the local community.
- 2.5 The OSP development is expected to generate an additional \$6.4m (excluding supermarket spend) in convenience retail spend annually, which can support around 2,500 sqm of convenience retail and commercial service floorspace. Of the supermarket expenditure generated by the Ohinewai market, the majority is likely to be supporting the Huntly Town Centre retail GFA.
- 2.6 The success of the unique DFO centre will be dependent on its ability to attract customers from the Auckland and Hamilton markets. The rule restrictions ensure delivery of a centre with consistent discount requirements, and there being no other retail centre like it in the market creates a point of difference for consumers. As it draws from a large market, it is not expected to undermine the role, function, amenity or commercial vitality and viability of other commercial centres in the network.
- 2.7 The HBA for the Waikato District estimates a residential feasible capacity shortfall at a district level and at a more localised Huntly level over the period to 2048. The TCG development will only 'add to' residential demand within the local Ohinewai / Huntly area and assist in meeting the estimated long term feasible capacity shortfall in a location that is likely to provide net economic benefits to the district economy when considering the development as a whole.
- 2.8 Establishing homes at an average price point of around \$500,000 (albeit prices likely to range from low \$400,000s to mid \$500,000s depending on typology) enables the OSP to deliver sufficiently cheaper homes compared to Auckland, or the new homes in Te Kauwhata. This will enable TCG to develop a range of schemes that enables some workers to purchase their own home in Ohinewai.

- 2.9 It is my understanding that the residential element of TCG development is vital to the underlying viability of the development as a whole and also to the opportunities that TCG wishes to provide for its workers. Without the residential component the entire development could be put at risk of not locating within the Waikato District, which in my view would represent a significant lost economic opportunity for Waikato.
- 2.10 The development aligns with a number of the district plan requirements in that it promotes employment and retail efficiency in close proximity to its resident population being located directly across State Highway 1 from the existing Ohinewai Village.
- 2.11 Promoting the use of rail supports the growth and development of the rail network within the high growth 'Golden Triangle' area of Auckland - Hamilton - Tauranga.
- 2.12 When considered as a whole, TCG development is a unique / 'one off' development that is unlikely to locate in the district when considered as isolated components. It is a multipurpose combination of manufacturing, residential, recreational and retail that distinguishes the development from other single purpose developments.
- 2.13 TCG's development provides the opportunity to realise some of this 'projected' growth by generating a significant number of jobs locally and stimulate the local economy. This is something that the Huntly / Ohinewai area has required but not achieved for the last few decades. This type and scale of development represents the type of economic stimulus the Huntly / Ohinewai area needs to improve the settlement's current economic position and reverse the area's recent trajectory of economic decline.

3. **THE SLEEPYHEAD ESTATE PROJECT**

- 3.1 TCG's development is proposed to be a 178ha mixed-use urban development located around 7km north of Huntly on State Highway 1 ("SH1") and the North Island Main Trunk Railway.
- 3.2 The primary activity on the site will be a newly built 100,000sqm TCG factory and rail siding facility (on a site of 29.95 hectares (net)), which is intended to be an amalgamation of TCG's production operations, eventually employing around 1,000 staff. Additionally, the development will provide for:

- (1) 106,000 sqm GFA of general industrial activity (on a further site area of 26ha);
- (2) 28,000sqm GFA Discount Factory Outlet ("DFO") on an approximate site area of 5.5ha;
- (3) 2,500sqm GFA Neighbourhood Centre;
- (4) 1,500sqm GFA Service Centre; and
- (5) 400sqm GFA Corner Shop.

3.3 These activities generate commercial space and potential for a further estimated 1,500+ jobs, giving a total employment base at full capacity up to 2,600 employees¹ across the entire Sleepyhead Estate.

3.4 This development is designed to achieve two main goals for the company:

- (1) To consolidate and expand its current operations and improving TCG's productive efficiency by doing so. (The existing TCG facilities in Otahuhu and Avondale have significant site restrictions with no meaningful expansion potential and are considered to be past their "use by" date (or useful economic life)).
- (2) The owners of TCG are committed to investing into residential homes priced at a level that would enable their workers who typically earn lower wages and face financial difficulties securing permanent living arrangements in Auckland.

3.5 Currently, the site is predominantly vacant of improvements aside from a few rural properties and is primarily comprised of lower-lying rural farmland which has necessitated the requirement for significant civil works. Some retail activities (convenience and large footprint discount factory store types) are proposed, and other industrial activity would be predominantly Light Industrial.

3.6 Table 1 provides a summary of the different activities and associated land areas proposed within the OSP development including the industrial, residential, open space and commercial activities.

¹ Economic Joint Witness Statement 12 June 2020, Issue 3, page 3.

TABLE 1: PROPOSED OHINEWAI DEVELOPMENT LAND USE BREAKDOWN

Land Use	Net Land Use Area (ha)
Industrial	56.5
Commercial	8.6
Residential	32.7
Open Space	59.8
Internal Roding	20.9
Total	178.5

Source: Property Economics, ADAP+

3.7 The residential component of the proposed development has a land coverage of 32.7 ha and is proposed to accommodate approximately 1,100 homes. Two-thirds of these homes are proposed to be a higher density terraced housing, while the balance is proposed to be general density stand-alone typology.

3.8 The Sleepyhead Factory, commercial and other industrial activities comprising 65.1ha are primarily to be located to the western half of the development (closer to SH1 and the main trunk railway line), while residential activities and open space / reserve areas extend to the east. The residual 59.8ha and 20.9ha of the development is accounted for by open space and internal roading respectively.

4. **ECONOMIC EFFECTS OF RETAIL ACTIVITY**

4.1 This section assesses the economic effects of the proposed retail activity within the OSP. Of the 32,400 sqm in commercial floorspace proposed, the proposal has outlined two retail centres:

- (1) A small cluster of convenience retail and commercial service / office activities to support the local residential and business base within the OSP development. This small convenience provision is limited to 2,500sqm GFA and has specific rules to ensure any potential adverse effects on other centres are appropriately mitigated; and
- (2) A 28,000sqm DFO designed to serve a much broader market by providing discount goods, with some from manufacturing activity within the Ohinewai development.

- 4.2 These two retail centre types have quite different catchments and are designed to service target markets, and therefore will be assessed separately.
- 4.3 A 1,500 sqm petrol station / service centre, truck stop, emergency service buildings and bus depot making up the balance of the commercial provision. These activities do not generate any relevant retail impacts in the context of the Resource Management Act 1991 ("RMA") so will not be considered further in the impact analysis.
- 4.4 The process in the following sections sets out the projected retail expenditure and sustainable GFA forecasts that are likely to be generated factoring in the 1,100 households, the employment and business base within the OSP development. This statement further assesses the potential economic effects arising from its development to ensure the retail provision in the OSP does not generate significant adverse distribution effects on the wider commercial centre network.
- 4.5 The first centre to be assessed is the Neighbourhood (convenience) Centre.

Neighbourhood centre catchment

- 4.6 The local catchment for a small cluster of convenience shops in the OSP development is Ohinewai itself, i.e. any convenience retail shops within the OSP would primarily service the local Ohinewai residents and workers, and not rely on drawing custom from further afield.
- 4.7 This analysis is based on the Property Economics Retail Model. This has two main components:
- (1) The approach and process which is outlined in **Attachment A**; and
 - (2) The retail expenditure growth model itself outlined in **Attachment B**.

Convenience stores

- 4.8 Convenience retailing can be generally defined as stores used for quick stop and frequently required shopping, used primarily due to their close proximity and easy accessibility for the customer. These stores are not exclusive to any one retail category with examples of such stores including, dairies, bakeries, fruit & vegetable stores, cafes and restaurants.

4.9 Supermarkets, albeit being a large footprint store, are also classified as convenience stores given that they predominantly service more localised catchments. The food and grocery items supermarket brands sell are largely homogenous with the distribution of supermarket stores typically spread fairly evenly across an area’s urban fabric.

Convenience retail offering

4.10 To assess a suitable convenience centre size, Table 2 breaks down the total convenience spend that is expected to be generated by residents, workers and businesses at Ohinewai.

4.11 TABLE 2: ANNUAL OHINEWAI CONVENIENCE RETAIL EXPENDITURE (\$M)

Convenience Spend	2030
Residents	\$4.0
Workers and Business	\$2.4
Total	\$6.4

Source: Property Economics

4.12 At a broad level, convenience retail expenditure is estimated to represent around 19% of all retail expenditure (excluding supermarket spend) and this proportion has been adopted for the purpose of this analysis.

4.13 The 1,100 households coupled with the workers and businesses in Ohinewai are estimated to generate around \$6.4 million per annum of convenience expenditure by 2030, i.e. once fully developed and occupied².

Sustainable GFA Forecast and centre land requirements

4.14 Table 3 shows the level of sustainable convenience retail GFA and the resulting land requirements by 2030 under the assessed growth scenario. It excludes supermarkets, any land for parks, reserves, playgrounds and community facilities. Land for these land uses would be additional to the land areas identified in Table 3.

4.15 With a small population base once fully developed, a large modern full-service supermarket is not considered to be a viable proposition in Ohinewai. The majority of the supermarket spend generated at Ohinewai is likely to be

² For the purposes of this analysis, Property Economics has assumed the OSP development will be finished and occupied by 2030.

spent at the Huntly Countdown store, the closest full-service supermarket to Ohinewai.

4.16 TABLE 3: SUSTAINABLE CONVENIENCE RETAIL GFA AND LAND REQUIREMENTS

Ohinewai Catchment	2030
Net Convenience Retail Demand Increase (\$m)	\$6.4
Retail GFA (sqm)	1,660
Non-Retail Commercial Service (sqm)	830
Total Retail / Commercial Service Requirements (sqm)	2,490
Retail Land (sqm)	3,320
Non - Retail Commercial Service Land (sqm)	1,660
Likely Convenience Centre Land Requirement (ha)	0.5

Source: Property Economics

- 4.17 The sustainable levels of convenience retail GFA from estimated convenience expenditure generated within Ohinewai is expected to be around 1,660sqm. However, convenience centres typically incorporate some small-scale commercial service activity as well. This is often around half the retail provision in a small convenience centre, which would bring total sustainable convenience floorspace in Ohinewai to around 2,500sqm GFA.
- 4.18 For small convenience shops, parking provision is often directly outside the stores on the road which the centre is located. This reduces the land requirement for parking on centre land. Applying a 50% GFA to land ratio, the Ohinewai convenience land requirement based on the available spend generated would be a minimum of 0.5ha. This may not necessarily all be located in one location but a couple of smaller convenience nodes to improve resident accessibility within the OSP.
- 4.19 To ensure a small neighbourhood centre with a convenience function is delivered in the OSP, a specific set of planning provisions has been developed. To safeguard against the centre morphing into another role and function, and mitigate any potential unintended outcomes in terms of

potential effects on retail offerings elsewhere, the following provisions have been tailored under RD1 17.6.2 – Land Use Effects³:

- (1) A neighbourhood centre that comprises a grouping of commercial activities that meet all of the following conditions:
 - (i) Individual leasable retail units shall have a gross floor area of no more than 400sqm.
 - (ii) Any grocery store (a retail unit primarily selling prepared fresh food / groceries and beverages, together with other non-food goods that are ancillary) shall have a gross leasable floor area of no more than 1,000sqm.
 - (iii) Offices shall have a gross leasable floor area of no more than 200sqm.
 - (iv) The total combined gross leasable floor area of commercial activities shall not exceed 2,500sqm.
 - (v) It is located in accordance with the Ohinewai Structure Plan.

Trade Competition versus Distribution Effects

- 4.20 In terms of assessing potential retail economic effects under the RMA, there is first a need to differentiate between trade competition effects and flow-on retail distribution effects.
- 4.21 By themselves, trade competition effects are not justification for declining a retail application under the RMA, unless they are of a level that generates significant adverse flow-on retail distribution effects on the existing centre network of the area. It is within this broader context that any retail impacts of the application need to be considered.
- 4.22 It is accepted case law that councils should have regard to significant effects on the amenity of the public caused by any reductions in the viability or vitality of the commercial centres that arise as a consequence of trade competition, i.e. often termed “distributional” or “consequential” effects.
- 4.23 Retail distribution effects are generated by, and are the result of, consequential trade competition and retail activity disbenefit effects. These effects can range across the spectrum (positive and negative) depending on

³ Under Chapter 17.6 of the Waikato PDP titled "Specific Area – Ohinewai Structure Plan Business Zone Rules.

the level of effects generated, which are heavily dependent on the scale, type and location of the proposed activity, among other attributes.

- 4.24 Where the patterns of support and retail activity within an existing centre would not change dramatically within a locality as a consequence of a proposed activity, then the retail distribution effects are not considered to be significant. Justice Randerson stated in the Northcote Mainstreet decision:⁴

"The key point of distinction between the adverse effects of trade competition on trade competitors and adverse effects which may properly be considered under the RMA, is that trade competition effects focus specially on the impacts on individual trade competitors. In contrast, where a proposal is likely to have a more general effects on the wider community, then the RMA permits consideration of those effects".

- 4.25 The Supreme Court in the Discount Brands decision⁵ stated:

"An important matter which the Council's Regulatory and Hearings Committee needed to inform itself upon was the effect which the activity proposed might have on the amenity values of the existing centres – on the natural or physical qualities and characteristics of those areas that contributed to people's appreciation of their pleasantness, aesthetic, coherence and cultural and recreational attributes. Such effects on amenity values would be those which had a greater impact on the people and their communities than would be caused simply by trade competition".

- 4.26 Collectively, those and similar decisions emphasise and establish that where trade competition produces social and economic effects that are not significant and are not beyond the effects ordinarily associated with trade competition, those effects are to be disregarded when assessing an application.
- 4.27 Put another way, retail distribution effects would occur where a new business (or cluster of businesses) affects an existing centre to such a degree that it would erode a centre's coherence, vitality and viability, thus causing a decline in its function and amenity, and disabling the people and

⁴ *Northcote Mainstreet vs Discount Brands Limited (High Court, CIV-2003-404-5292)*, paragraph 60
⁵ *Discount Brands Limited v Westfield (New Zealand) Limited (2005) 2 NZLR 597 (SC)* also reported as *Westfield (NZ) Ltd v North Shore CC [2005] NZSC 17; [2005] NZRMA 337 (SC)*.

communities who rely upon those existing (declining) centres for their social and economic wellbeing.

- 4.28 Retail distributional effects are differentiated from the effects of trade competition on trade competitors, which are to be disregarded pursuant to s104(3A) of the RMA when considering resource consent applications.
- 4.29 Although retail distributional effects are a relevant consideration for a consent authority, it should be noted that the Environment Court has made it clear that those effects must be significant⁶ (but not necessarily ruinous) before they could properly be regarded as going beyond the effects ordinarily associated with trade competition.
- 4.30 It is within this context the following assessment of retail impacts is considered.

Existing retail provision in Huntly and Te Kauwhata

Te Kauwhata

- 4.31 The purpose of this section is to assess, at a high level, the current retail provision within the centres in closest proximity to Ohinewai and their respective composition. This is important to assist in evaluating the receiving centre environments and determining the potential for retail impacts to be generated.
- 4.32 Tables 4 and 5 contain the employment and business counts for retail stores within the Te Kauwhata and Huntly centres.

⁶ *Northcote Mainstreet vs Discount Brands Limited (High Court, CIV-2003-404-5292)*, Randerson J stated: "In regard to shopping centres, I would not, with respect, subscribe to the view that the adverse effects of some competing retail development must be such, as to be ruinous before they could be considered. But they must, at the least, seriously threaten the viability of the centre as a whole with on-going consequential effects for the community served by that centre."

TABLE 4: NUMBER OF RETAIL STORES AND EMPLOYMENT COUNT FOR TE KAUWHATA

Store Types	No of Stores	% of Stores	Employment Count	% of Employment
Cafes, Restaurants and Takeaway Food Services	3	21%	6	17%
Pubs, Taverns and Bars	2	14%	12	33%
Supermarket and Grocery Stores	3	21%	15	42%
Other Store-Based Retailing	6	43%	3	8%
Total	14		36	

Source: Property Economics, Statistics NZ

- 4.33 The Te Kauwhata retail centre is located 10 minutes' drive north of Ohinewai, slightly inland to the east from SH1. It has a small convenience provision for its local community. Te Kauwhata contains 14 retail stores employing around 36 employees. Convenience food and beverage store types dominate the centre's retail provision accounting for around 60% of its retail offer. This clearly underlines the centre's convenience role and function.
- 4.34 Given the centre's distance from Ohinewai, and extent of retail provision, I consider there is no potential for a modest convenience retail provision in Ohinewai to attract significant custom away from Te Kauwhata to purchase similar convenience goods. Some non-consequential trade competition effects may arise at best, but nothing that would undermine the role, function and viability of the Te Kauwhata centre as a whole.
- 4.35 Additionally, offsetting any trade competition effects is the projected robust residential growth for Te Kauwhata (Lakeside in particular) which would contribute significantly more retail spend to the Te Kauwhata market relative to any potential trade competition loss as a result of the OSP.
- 4.36 As such, in my opinion, the proposed local convenience provision in Ohinewai has no potential to generate any adverse RMA effects of significance or consequence on Te Kauwhata retail centre.
- 4.37 In reality, the OSP is likely to 'add to' the residential market demand in Te Kauwhata with some of the OSP's 2,600 workers likely to reside in Te Kauwhata. Therefore, the OSP is likely to result in a net benefit to Te Kauwhata as a whole.

Huntly

4.38 Huntly is the main commercial centre for the wider catchment. It has a significantly larger commercial provision than any other centre in the area with just under 30 retail stores employing around 275 people.

TABLE 5: NUMBER OF RETAIL STORES AND EMPLOYMENT COUNT FOR HUNTLY

Store Types	No of Stores	% of Stores	Employment Count	% of Employment
Food and Beverage Services	12	44%	122	45%
Food Retailing	6	22%	112	41%
Other Store-Based Retailing	9	33%	39	14%
	27		273	

Source: Property Economics, Statistics NZ

4.39 Huntly is focussed on small speciality stores and convenience-oriented store types with no meaningful large format retail offer. The Countdown supermarket is the largest footprint retail store in the wider centre and services both Huntly and surrounding rural environs. This supermarket will continue to play this role and function once Ohinewai is developed, with no food and grocery store over 1,000sqm permitted within the OSP.

4.40 Food and beverage related retail stores dominate the Huntly town centre offer accounting for 85% of the centre's retail provision, with small scattering of non-food retail stores across the balance of the centre.

4.41 Huntly also has a broad non-retail store presence in terms of commercial services and community facilities. These non-retail tenancies are important to the role and function of Huntly in the community.

4.42 Huntly is in close proximity to Ohinewai (approximately 5 minutes by car) and would benefit from attracting additional convenience spend generated by the Ohinewai development. Being the primary commercial centre in the Ohinewai / Huntly / Taupiri area (and only supermarket), Ohinewai residents would travel to Huntly on a regular basis for retail and commercial services requirements. This would assist to enhance the performance, vitality, amenity and vibrancy of the Huntly Town Centre. Any town centre would benefit from an injection of 1,100 homes and 2,000+ new employment hub within 5 minutes of its location to the tune of millions of dollars per year, and Huntly would be no different.

4.43 As such, any small grouping of convenience shops in Ohinewai has no propensity to adversely affect Huntly. In fact, the contrary would be the reality with Ohinewai adding significant economic value to the Huntly town centre and improve its current 'state' of performance and economic 'health'.

4.44 Like for Te Kauwhata, the OSP development would likely increase residential demand in Huntly that might not have otherwise occurred, with some workers at Ohinewai likely to choose Huntly as their preferred place of residence. This only provides positive impacts for the Huntly town centre.

Other commercial development in FutureProof area

4.45 Policy 6.16 of the Waikato Regional Policy Statement outlines important considerations for new commercial development within the FutureProof area (Waipa and Waikato Districts, Hamilton City). The policy has a focus as stated:

"Management of the built environment in the Future Proof area shall provide for varying levels of commercial development to meet the wider community's social and economic needs, primarily through the encouragement and consolidation of such activities in existing commercial centres, and predominantly in those centres identified in Table 6-4 (section 6D)".

Table 6-4: Future Proof hierarchy of major commercial centres

Functional type	Location	Function description
Regional and City centre	Hamilton Central Business District	The primary centre in the region for commercial, civic and social activity.
Primary sub-regional centres	Te Rapa North Commercial Centre*	A significant integrated retail centre in the region, with relatively limited provision of non-retail economic and social activity.
Secondary sub-regional centre	Chartwell	An integrated retail centre in the sub-region, with limited provision of non-retail economic and social activity.
Town centres	Cambridge Te Awamutu Huntly Ngaruawahia Raglan Te Kauwhata	Retail, administration, office and civic centres providing most commercial and servicing needs, together with non-retail economic and social activity, to their urban and rural hinterland.

4.46 Ohinewai is not an identified area in Table 6-4 and as such commercial development is to be managed to:

- a) Support and sustain the vitality and viability of existing commercial centres identified in Table 6-4 (section 6D);
- b) Support and sustain existing physical resources, and ensure the continuing ability to make efficient use of, and undertake long-term planning and management for the transport network, and other public and private infrastructure resources including community facilities;
- c) Recognise, maintain and enhance the Hamilton Central Business District as the primary commercial, civic and social centre of the Future Proof area;
- d) Recognise that, in addition to retail activity, the Hamilton Central Business District and town centres outside Hamilton are also centres of administration, office and civic activity. These activities will not occur to any significant extent in Hamilton outside the Central Business District in order to maintain and enhance the Hamilton Central Business District as the primary commercial, civic and social centre;
- e) Recognise, maintain and enhance the function of sub-regional commercial centres;
- f) Maintain industrially zoned land for industrial activities unless it is ancillary to those industrial activities, while also recognising that specific types of commercial development may be appropriately located in industrially zoned land; and
- g) Ensure new commercial centres are only developed where they are consistent with a) to f) of this policy. New centres will avoid adverse effects, both individually and cumulatively on:
 - (i) the distribution, function and infrastructure associated with those centres identified in Table 6-4 (section 6D);
 - (ii) people and communities who rely on those centres identified in Table 6-4 (section 6D) for their social and economic wellbeing, and require ease of access to such centres by a variety of transport modes;

- (iii) the efficiency, safety and function of the transportation network; and
- (iv) the extent and character of industrial land and associated physical resources, including through the avoidance of reverse sensitivity effects.

4.47 Policy 6.16(g) is of most relevance for the proposed retail activity in Ohinewai from a retail economics perspective. The proposed small convenience provision is serving its local community of fundamental and frequently purchased retail goods and services. Ohinewai represents the most efficient location to service these requirements from an economic perspective and is simply too small in scale to have any propensity to undermine the role, function, amenity and viability of any existing centre.

4.48 In effect, the expanded Ohinewai village will require some basic retail and commercial service requirements to ensure its social and economic wellbeing are being appropriately catered for.

5. **DISCOUNT FACTORY OUTLET CENTRE**

5.1 In addition to a small convenience retail provision, a DFO centre is also proposed within TCG development. As indicated in the masterplan, around 5.5ha of land has been allocated to DFO activities with an anticipated yield of 28,000 sqm GFA.

5.2 Due to its uniqueness and size, the DFO centre is targeting markets well beyond the localised area. The commercial reality is that the DFO centre would have to draw the vast majority of its customers from well beyond the localised market as the local Huntly and Ohinewai area does not generate sufficient annualised retail spend to sustain a centre of this size and type.

FIGURE 1: DISCOUNT FACTORY OUTLET CATCHMENT AND COMMERCIAL CENTRES



Source: Property Economics

- 5.3 Figure 1 contains an identified catchment for a large DFO centre at Ohinewai and the relevant commercial centres within the vicinity of the proposed centre. A DFO centre of this scale and type would be unique across the southern Auckland, Waikato District and Hamilton markets.
- 5.4 What makes the DFO unique compared to other retail centres in the market is its proposed planning rules restricting what can be established within the centre into two types of retail:
- (1) The first type comprises any retail goods manufactured within the OSP;
 - (2) The second is specific to store types that fall within the furniture, homewares, soft furnishings or bedding category. These stores

must have heavily discounted goods with 50% of their stock having a discount of 40% or more off the recommended retail price.

For the purpose of this analysis, I have assumed all retail store types within the DFO fall within either of these two retail categories. The specific planning provisions proposed for the DFO as discussed later in this statement.

- 5.5 This core catchment is not intended to represent the DFO's entire catchment, but its core economic market and the geographic extent where the centre is likely to draw the majority of its custom and sales, and area of its greatest sphere of influence.
- 5.6 Given the proximity of these markets, consumers would likely travel to the DFO for goods heavily reduced in price. Delivering this DFO point of difference is important to ensure the centre is unique and would attract customers from these markets, otherwise the proposed centre would have the potential to become the equivalent of any other centre in the market.
- 5.7 DFO store types transcend most retail categories. The only retail sectors not included in the analysis is food retailing, which includes supermarkets, bakeries, butchers, fish shops, etc. as these stores are not proposed for the DFO.
- 5.8 Table 6 contains an overview of the total retail spend generated within the identified catchment on an annualised basis. In 2019, the retail market size was \$3.6b. This is estimated to increase to just over \$4b annually by 2023 and nearly \$5.5b by 2038.

5.9 TABLE 6: RETAIL SPEND WITHIN DISCOUNT FACTORY OUTLET CATCHMENT (\$M)

Total Spend ex Food Retailing	2019	2023	2028	2033	2038
Clothing, footwear and personal accessories retailing	\$430	\$483	\$536	\$593	\$651
Furniture, floor coverings, houseware and textile goods retailing	\$229	\$257	\$283	\$311	\$339
Electrical and electronic goods retailing	\$305	\$341	\$376	\$414	\$450
Pharmaceutical and personal care goods retailing	\$240	\$265	\$293	\$323	\$354
Department stores	\$504	\$556	\$615	\$679	\$743
Recreational goods retailing	\$273	\$301	\$334	\$369	\$405
Other goods retailing	\$438	\$485	\$539	\$599	\$662
Food and beverage services	\$1,219	\$1,348	\$1,501	\$1,670	\$1,844
Total	\$3,640	\$4,036	\$4,476	\$4,959	\$5,447

Source: Property Economics

5.10 To sustain 28,000 sqm of DFO retail floorspace in Ohinewai, the sales required are estimated to be in order of \$84m annually. This puts into context the DFO sales relative to total market size (\$84m in 2019) equates to around 2.3% of the retail spend generated in the identified catchment. Moving forward this proportion falls due to market growth.

5.11 The staging plan (as set out in the evidence of Mr Olliver) provides for the first half of the DFO to be developed by 2024. Using 2023 as a conservative base year for full completion, the sales proportion to market size would equate to only 2.1%. The \$84m sustainable sales estimate is roughly equivalent to less than 1 years' retail sales growth in the catchment.

5.12 In terms of where the \$84m retail sales would likely be derived, Table 7 shows an estimated breakdown based on the territorial authorities contained within the DFO catchment. A map showing this is in **Attachment C**.

TABLE 7: BREAKDOWN OF DFO SALES ORIGIN

Territorial Authority	Proportion	Sales
Auckland	35.0%	\$29.4
Waikato District	15.0%	\$12.6
Hauraki District	2.5%	\$2.1
Hamilton City	40.0%	\$33.6
Waipa District	5.0%	\$4.2
Matamata-Piako District	2.5%	\$2.1
Total	100.0%	\$84.0

Source: Property Economics

Retail centres

5.13 In order to draw an estimated \$84m of retail spend from the identified catchment, the DFO will need to be competitive against the other retail options. As identified in Figure 1 at a broad level, there are two main classes of retail centres in the catchment:

- (1) Convenience retail, including the Huntly Town Centre for example, which contain store types primarily to support the local market and passing traffic; and
- (2) Major centres of different sizes which are designed to compete across a wider market and have a broad range of store types across all sectors with large trading catchments.

5.14 There are two discount centres that would compete more directly with the proposed DFO within the catchment, the DressSmart in Onehunga, Auckland and the small The Base Outlet cluster at The Base Primary Sub-regional centre in Hamilton. Both of these outlet centres have a strong fashion focus meaning any overlap with the proposed DFO centre would be negligible.

5.15 These two centres were very popular when they opened as it was a new concept and pre-Internet retailing. Their performance and 'draw' have slipped somewhat over more recent years as discounting among many retailers became more normalised (i.e. Briscoes), and Internet retailing has grown in popularity offering significantly cheaper prices on goods on a comparative basis. However, the appetite for Internet retailing simply represents another avenue for consumers to access discounted goods from retailers, often with no presence in NZ.

5.16 Given the estimated distribution of retail sales diversion in Table 7, which shows an estimated \$33.6m being derived from Hamilton City, the two primary non-Waikato District centres due consideration are The Base / Te Awa and the Hamilton CBD.

The Base / Te Awa

5.17 The Base opened in 2005, with the Te Awa Mall component completed in August 2011. The centre currently encompasses 84,400 sqm GFA⁷ with a range of retail and commercial service activities. There are currently an estimated 107 specialty stores, 20 mini major tenants, 7 major tenants, Hoyts Cinemas and 2 office tenancies. Key tenants at The Base / Te Awa

⁷ *NZ Shopping Centre Directory 2016, NZ Property Council.*

include: The Warehouse, Mitre10 Mega, Farmers, Briscoes and Noel Leeming.

- 5.18 The Base / Te Awa captures sales of around \$320m annually. If the Countdown, Kmart and recently consented Pak’N Save supermarket across the road were included, retail sales in this retail destination would equate to over \$400m annually.
- 5.19 Given that the estimated \$33.6m that the Ohinewai DFO centre might attract will be derived from all centre and non-centre stores across Hamilton City, there is in my opinion no potential for the proposed DFO to have consequential adverse retail distribution effects on The Base / Te Awa in the context of the RMA or for its role and function jeopardised.

Hamilton CBD

- 5.20 The Hamilton CBD is the largest commercial centre in Hamilton and services the entire Waikato regional market. The centre as a whole has retail sales in excess of \$450m annually. The Hamilton CBD plays a broader function than purely that of a retail centre. It contains important professional services, recreational, transport, educational, community and commercial office activities that strengthen its role and function. As a whole, in my professional opinion the Hamilton CBD has no potential to have any consequential adverse retail impacts as a result of the DFO.
- 5.21 As such the Hamilton CBD is in my opinion likely to be unaffected by the proposed DFO, nor its role and function jeopardised in any way.

Ability to draw customers from a larger market

- 5.22 The success or failure of the DFO centre in the OSP will ultimately depend on the extent to which it is able to draw from the wider Auckland and Hamilton markets. Compared to the current outlet and shopping centres, the Ohinewai site is geographically less convenient to access, so will need to provide a compelling reason for people to drive the extra distance to the centre.
- 5.23 This will first and foremost be price. Within the identified catchment, around 60% of the population base is further than 40-minute drive from the Ohinewai site. The proposed centre will need to overcome the challenges faced by the current outlet centres and distinguish itself to overcome this distance barrier.

- 5.24 In order to achieve a point of difference in the market, and ensure that a unique DFO centre is developed, like for the neighbourhood centre, planning provisions have been tailored to provide this certainty of outcome. These are detailed later in the statement.

Potential DFO impacts

- 5.25 The size of the market in which the DFO centre competes in relation to the centre's estimated sales highlights the reality that the DFO has no potential to generate significant adverse retail distribution effects on any centre in the broader network. Robust growth in the catchment (estimated \$100m annually excluding Food Retailing sector) would also ensure any of the non-consequential adverse trade competition effects would be offset within one year of the DFO centre becoming operational.
- 5.26 The commercial risk of the DFO centre is in reality with TCG development itself, as if the DFO centre fails to draw the level of patronage as envisaged there would be no adverse impacts generated and the wider market and centres will continue operating as a business as usual scenario. As such, my analysis represents a worst-case scenario in terms of potential adverse retail effects from the DFO.

Policy 6.16 of the WRPS

- 5.27 Policy 6.16(g) is the most relevant economic policy consideration in respect of the WRPS. In terms of the proposed DFO, the scale of the centre is such that, without specific limitations, it would have the potential to adversely affect other centres in the network. Clearly, a DFO centre was not envisaged for Ohinewai when the WRPS and FutureProof documents were developed. It represents a new and unforeseen opportunity, as does the entire OSP development.
- 5.28 However, the proposed DFO would be a niche / unique centre in the market that is not duplicating another centre types given its focus either on goods manufactured by OSP businesses or within the specific furniture, homeware, soft furnishings or beddings sector. To ensure that the DFO centre maintains this unique position, the developer has offered self-imposed planning restrictions on the centre as outlined under RD2 17.6.2 – Land Use Effects⁸:

⁸ Under Chapter 17.6 of the Waikato PDP titled "Specific Area – Ohinewai Structure Plan Business Zone Rules.

A Discount and Factory Outlet centre that comprises a grouping of retail activities that meet the following conditions:

- (i) They sell goods manufactured by the manufacturing activity located within the Ohinewai Structure Plan Area, or;
- (ii) They sell furniture, homewares, soft furnishings or bedding where at least 50% of the stock must have a discount of at least 40% off the recommended retail price including clearance, damaged, seconds and / or end of line goods;
- (iii) The total gross floor area of Discount and Factory Outlet retail activities does not exceed 28,000sqm;
- (iv) It is located in accordance with the Ohinewai Structure Plan.

5.29 Policy 6.16(a) states that new centres should support and sustain the viability and vitality of existing centres. Policy 6.16(g) states that new centres will avoid adverse effects both individually and cumulatively.

5.30 Huntly is the key centre of concern and, as outlined earlier in this section, the proposed DFO centre is not a retail offer of a nature that exists in Huntly, or any other centre in the wider FutureProof area commercial network. As a result, it is my opinion that no individual existing centre would have their role and function, vitality and future viability jeopardised as a result of the proposed DFO centre (with its proposed restrictions).

5.31 If the DFO centre is successful, the centre would be drawing the majority of its estimated \$84m retail spend into the district, predominantly from Auckland's southern and Hamilton City markets as identified in Table 7 earlier in this statement.

5.32 In terms of efficiency, the WRPS policy under 6.16 appears to focus on transport network efficiency rather than geographic or locational efficiency. The location is such that the DFO would draw customers from Auckland and Hamilton, whereas a more city-centric location (i.e. located in either Hamilton or Auckland) would likely diminish the market penetration in the city the centre is not situated and potentially generate more trade competition effects than the proposal.

6. **RESIDENTIAL DEMAND**

6.1 According to the Housing and Business Assessment (HBA)⁹, prepared to satisfy Council's NPSUDC obligations, there is anticipated to be a shortfall of feasible residential capacity at both a district and local Huntly / Ohinewai level.

6.2 This HBA assessment determined the following:

For Waikato District:

- (1) Long-term dwelling demand (to 2046) in the Waikato District, based on FutureProof medium projections, was expected to be 19,425 (including the required NPS 15% buffer).
- (2) Total Capacity is comprised of infill potential and Greenfield capacity. This totals between 19,485 dwellings (without infrastructure constraints) and 13,285 (with current infrastructure constraints factored in).
- (3) Overall, commercially feasible capacity by 2046 is estimated at 13,062.
- (4) This results in an overall estimated shortfall of residential capacity in the order of 6,400 by 2046 (predominately at the lower price points).
- (5) As such, at a District level, the HBA project a long-term feasible capacity shortfall based on projected residential demand.

For Huntly/ Ohinewai (excluding influence of the OSP):

- (6) Total additional residential demand for Huntly by 2046 is expected to be 1,047 dwellings. This excludes the positive impact the TCG development will have on dwelling demand, which when factored in would potentially push this expected to around 1,700 dwellings¹⁰.
- (7) Plan enabled greenfield capacity (including infrastructure constraints) is expected to be 174 dwellings by 2046.

⁹ Undertaken for FutureProof by ME, Housing Development Capacity Assessment 2017 Future Proof Area – Waikato District, Hamilton City and Waipa District 17 July 2018 – final.

¹⁰ Assuming 60% of the proposed 1100 OSP dwellings represent 'new' dwelling demand.

- (8) By 2046 the additional commercially feasible capacity in Huntly is expected to be approximately 463 dwellings under the high growth scenario.
- (9) This leaves an overall shortage of 585 dwellings in Huntly excluding the increased demand resulting from TCG development, which would potentially increase Huntly's shortfall to over 1,000 dwellings.
- 6.3 The Waikato 2070 document¹¹ plans for an almost doubling of the current population base in the local Huntly / Ohinewai area from 7,000 people to 13,500 people. This would equate to an additional requirement of around 2,200-2,500 dwellings (feasible capacity) to accommodate projected growth.
- 6.4 In essence, Waikato District estimates a feasible residential capacity shortfall at a district level and at the more localised Huntly / Ohinewai level. TCG development will only 'add to' residential demand within the local Ohinewai / Huntly areas and assist the district in meeting the estimated long term feasible residential shortfall, and satisfy its NPSUDC obligations.
- 6.5 To assist with meeting this potential shortfall, the Waikato 2070 document has identified areas for future residential development. These areas include the residential activity within the OSP to accommodate growth over the short term, indicating residential activity in this location is part of Council's both short and long term plan for Huntly and Ohinewai. This is shown in **Attachment D**.
- 6.6 Enabling residential development within the OSP would provide positive economic efficiencies in home to place of work travel and promotes employment and retail in close proximity to its resident population.
- 6.7 For completeness, while I recognise there are also likely to be some economic costs associated with locating residential dwellings within the OSP, (i.e. some travel inefficiencies) on balance, I consider that these are likely to be significantly outweighed by the positive economic benefits associated with the development as a whole as determined in Mr Osborne's and Dr Wheeler's statements.
- 6.8 It is my understanding that the residential element of TCG development is vital to the viability of the development as a whole and also to the opportunities that TCG wishes to provide for its workers. Without the residential component, the entire development could be put at risk of not

¹¹ *Waikato 2070 Growth and Economic Development Strategy, pg 34.*

locating within the Waikato District, which in my view would represent a significant lost economic opportunity for Waikato.

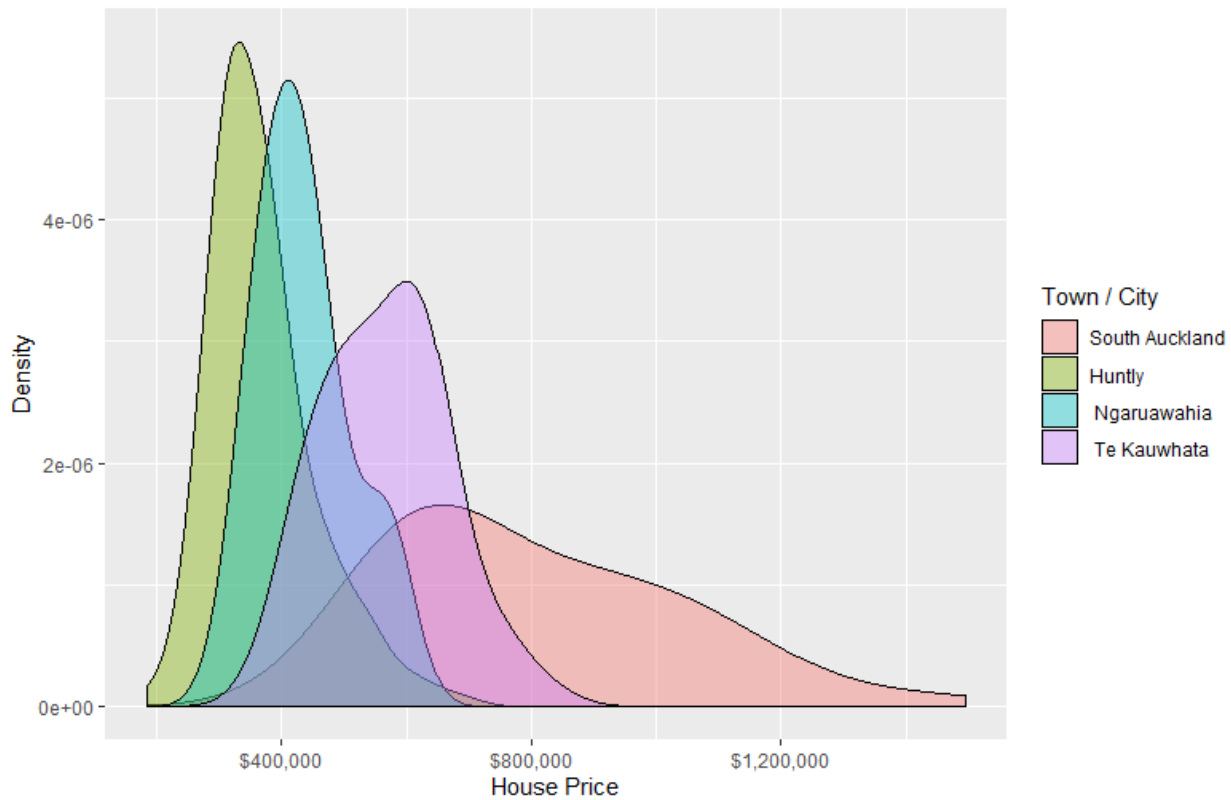
Residential property prices

- 6.9 In order to assess an envisaged residential price point that would be competitive based on the surrounding property markets, it is useful to assess residential house price bands across different settlements in close proximity (i.e. areas of alternative buying options for workers / residents of the future OSP).
- 6.10 Figure 2 contains a distribution of 2019 house price sales within Huntly, Ngaruawahia, Te Kauwhata and general South Auckland markets for comparative context¹². The first observation to note is that the closer a township is to a main urban centre, the higher are the house price. This suggests the Huntly / Ohinewai area being a more distant location between Auckland and Hamilton is well positioned to provide a competitive house price point and more 'accessible'¹³ housing stock comparatively.
- 6.11 The significant majority of homes sold in Huntly are priced below the \$500,000 mark with an average of around \$380,000. Ngaruawahia has a higher average house price at around \$460,000. In comparison, Te Kauwhata, which has been recently subject to a new large-scale masterplan housing development (Lakeside), has experienced high growth in the area's average house price and is currently around \$600,000.
- 6.12 The house prices for the South Auckland market, while not directly relevant to Ohinewai, provides important base context to reasons behind Auckland buyer flows into Waikato District and, of course, is particularly relevant to the rationale for TCG wishing to move to Ohinewai to make housing financially accessible to its workers. The higher average price points in South Auckland has fuelled Pokeno's growth in recent years. At present, South Auckland house prices range from just below \$400,000 to over \$1.2 million. While the mode of the dwelling price distribution is closer to that of the Te Kauwhata market, the longer tail towards higher house prices indicates the average price is closer to \$800,000.

¹² South Auckland is included in this analysis as this is the market TCG workers are predominantly residing / renting in at present.

¹³ Accessibility in the context of this statement relates to the range of housing provision solutions as outlined in the statement of Mr Wheeler.

6.13 FIGURE 2: DENSITY PLOT OF HOUSE PRICES BY TOWNSHIP / CITY



Source: Property Economics

6.14 I understand that the housing in Ohinewai is likely to be valued around the \$500,000 price point on average, with prices likely to range between the Low \$400,000s – mid \$500,000s depending on typology. This is above the averages in Huntly and Ngaruawahia (which is predominantly older house stock), but below the Te Kauwhata average house price which contains a growing proportion of new housing product.

6.15 Ohinewai’s residential product will comprise new dwellings which would have a price point at the lower end of the new housing stock in the surrounding areas. It will be both competitive and represent an attractive proposition for buyers in the market, and is one of the most attainable price points for new housing stock in the wider area.

6.16 The residential homes in Ohinewai will be adjacent to a significant employment hub and form part of Ohinewai Village. The TCG development has been specifically designed to deliver an integrated mix of land uses with an underlying employment base rather than a dormant township from which residents have to leave the area for work. This generates a high level of economic efficiency for workers, e.g. less travel time to place of employment,

less vehicle trips on SH1 north / south to and from work and therefore freeing up capacity on this resource.

- 6.17 Ohinewai will deliver net new growth to the areas of Ohinewai Village and Huntly (predominantly), with circa 2,600 employees within TCG development (post construction). The increase in demand for residential stock at the localised level will also have positive benefits for Huntly's residential market.
- 6.18 Critical to any market, and Huntly / Ohinewai's long term growth potential is employment. Without local employment growth, the population growth projections for the Huntly / Ohinewai area is likely to remain theoretical aspirations. TCG's development provides the opportunity to realise some of this 'projected' growth by generating a significant number of jobs locally and stimulate the local economy. This is a reality the Huntly / Ohinewai area has required for the last few decades. This type and scale of development is the type of stimulus the Huntly / Ohinewai needs to improve the settlement's current economic position and reverse the settlement's recent trajectory of economic decline.

7. **THE ECONOMIC IMPACT OF COVID-19 ON MY ANALYSIS**

- 7.1 The full scale and extent of the economic fallout from the Covid-19 pandemic is yet to be realised; however, there are clear economic indicators that suggest the residential and retail markets are likely to be weaker than the pre-Covid environment. This 'new' environment accentuates the significant opportunity that the Ohinewai proposal represents and its importance to the Waikato market.
- 7.2 The DFO is proposing to sell goods at lower price points than the general retail market. In the post-Covid market, consumers will likely be more price sensitive and will place greater importance on value, making the DFO proposition a more attractive offer to the market in this new environment.
- 7.3 A similar scenario applies to the residential product. Competitive new house price points relative to the surrounding market for similar new product are likely to be an increasingly attractive option for many in the market, particularly Ohinewai workers.

8. **ISSUES RAISED BY SUBMITTERS RELEVANT TO MY AREA OF EXPERTISE / COMMENTS ON COUNCIL OFFICER'S REPORT**

8.1 There is material overlap in the issues identified by submitters relating to retail impacts and residential economic matters relevant to my areas of focus for the plan change, and those identified in Ms Trenouth's section 42A report. These were largely the same issues canvassed in the economic Joint Witness conferencing sessions held on 11 / 12 June 2020 and outlined in the Economics Joint Witness Statement dated 12 June 2020.

8.2 To avoid duplication, I will discuss the remaining issues of disagreement between the economic experts relevant to my evidence as I understand them.

The appropriateness of the location for the large-scale development proposed and expansion of Huntly township.

8.3 Apart from being a broader question than just economics, the development, largely driven by the criteria for the new Sleepyhead factory, has quite specific and unique site requirements. The scale of the site required to accommodate the Sleepyhead factory is very large in a NZ context (37ha), as is the scale of the factory proposed (100,000sqm). Furthermore, the site has to be able to access the main trunk rail line with its own rail siding. These few criteria alone reduce site options down substantially. These criteria are not attributes that can simply be transferred to what other people deem 'appropriate locations'. There are no other sites within Huntly that I am aware of that could accommodate the new Sleepyhead factory with the key criteria identified above. As such, the question of its appropriateness as a location for the expansion of Huntly is a moot point in my view. The Sleepyhead Estate cannot locate in Huntly, and the counterfactual is the development would not occur in this area at all.

The sufficiency of demand for residential product priced around \$500k.

8.4 As identified earlier in this statement, the indicative \$500k residential dwelling price point for Ohinewai represents an average price. The proposed development will have a range of dwelling typologies and typology sizes that mean there will be a spread of dwelling prices with the bulk likely to range between the low \$400,000s to mid \$500,000s.

Short or long term shortfall in housing capacity in the district.

- 8.5 This residential price point range could accommodate the short term (2017-2021) district shortage of sufficient capacity within the lower (under \$580k) price bands as determined in the 2017 HDCA¹⁴, i.e. the Ohinewai development could deliver residential product at price points which the HDCA has already determined there is a material shortage. The district short term shortfall identified in the \$440k-\$580k price bracket alone is identified at over 500 dwellings. This is without consideration of the increased demand for product under \$580k as a result of the OSP. Over the long term this shortfall increases to over 3,100 dwellings in this price bracket¹⁵.

Will the DFO centre have any significant adverse effect on the townships of Huntly and Te Kauwhata.

- 8.6 My position and supporting analysis is outlined earlier in this statement. The planning rules have been specifically narrowed to ensure what can be established within the DFO centre will not duplicate retail activity or retail function of the Huntly or Te Kauwhata town centres.

The level of food and grocery retailing permitted at the DFO and industrial zone leading to competition with retail of manufactured food.

- 8.7 The basis for this concern remains unclear to me as any industrial site in the district can have 10% retail and sell anything they manufacture on site. This is promoted in the Waikato District PDP. I am therefore unsure how this can be an issue for the OSP but not an issue for all other industrial land in Huntly and the Waikato District. This issue in my view is a red herring.

The proportion of retail sales the DFO would be required to be captured from furniture, floorcoverings, housewares and textile goods.

- 8.8 This sector's estimated retail sales are shown in Table 6. This sector is based on the primary classification of these store types according to ANZSIC 2006 categories. However, these store are not the only store types and sector the DFO centre would draw sales from, albeit it would represent the primary sector of sales diversion. The reality is the products sold from furniture, floorcoverings, housewares and textile goods store types are also sold from store types classified in other retail sectors, i.e. department stores, other

¹⁴ *Housing Development Capacity Assessment 2017, Market Economic, Figure 74, pg 110.*

¹⁵ *Housing Development Capacity Assessment 2017, Market Economic, Figure 76, pg 112.*

store-based retailing (which includes antique stores and furniture)¹⁶. As such, assessing estimated sales of the DFO centre solely against the size of the furniture, floorcoverings, housewares and textile goods market is considered inappropriate.

9. **CONCLUSIONS**

- 9.1 TCG has proposed a fully master planned 178ha mixed-use urban development located around 7km north of Huntly on State Highway 1 and the North Island Main Trunk Railway.
- 9.2 The primary activity on the site will be a newly built 100,000sqm Sleepyhead factory (on a site of 37ha), which is intended to be an amalgamation of TCG's production operations eventually employing more than 1,000 staff. Additionally, the development will provide for a further 132,000sqm of general industrial activity (on a further site area of 26ha) with an estimated 43,400sqm of commercial GFA (8.7ha) and potential for a further 1,000 jobs.
- 9.3 The residential component is proposed to encompass 1,100 higher density dwellings (on 52.2ha of land) with the majority specifically targeting TCG's employees. I understand that if the residential component of the TCG development does not proceed, the entire development is unlikely to proceed.
- 9.4 As identified in the evidence of Mr Osborne, the localised market in which TCG is proposing to develop has seen limited growth over the past 18 years. The local catchment has seen a relatively consistent drop in retention of employment over this period. While the Waikato District itself has seen significant growth in employment over the past 18 years (55%), it continues to exhibit lower employment retention than other surrounding districts. This has been driven in part through more rapid population growth without the subsequent employment base, i.e. people living in the district but working outside the district, and in particular Pokeno.
- 9.5 The OSP development is expected to generate an additional \$6.4m (excluding supermarket spend) in convenience retail spend annually, which can support around 2,500 sqm of convenience retail and commercial service floorspace. Of the supermarket expenditure generated by the Ohinewai market, the majority is likely to be supporting the Huntly Town Centre retail GFA.

¹⁶ Refer Attachment E for more detailed store type classification breakdown.

- 9.6 The success of the unique DFO centre will be dependent on its ability to attract customers from the Auckland and Hamilton markets. The rule restrictions ensure delivery of a centre with consistent discount requirements, and there being no other retail centre like it in the market creates a point of difference for consumers. As it draws from a large market, it is not expected to undermine the role, function, amenity or commercial vitality and viability of other commercial centres in the network.
- 9.7 The HBA for the Waikato District estimates a residential feasible capacity shortfall at a district level and at a more localised Huntly level over the period to 2048. The TCG development will only 'add to' residential demand within the local Ohinewai / Huntly area and assist in meeting the estimated long term feasible capacity shortfall in a location that is likely to provide net economic benefits to the district economy when considering the development as a whole.
- 9.8 Establishing homes at around the \$500,000 price point enables the OSP to deliver sufficiently cheaper homes compared to Auckland, or the new homes in Te Kauwhata. This will enable TCG to develop a range of schemes that enables some workers to purchase their own home in Ohinewai.
- 9.9 It is my understanding that the residential element of TCG development is vital to the underlying viability of the development as a whole and also to the opportunities that TCG wishes to provide for its workers. Without the residential component the entire development could be put at risk of not locating within the Waikato District, which in my view would represent a significant lost economic opportunity for Waikato.
- 9.10 The development aligns with a number of the district plan requirements in that it promotes employment and retail efficiency in close proximity to its resident population being located directly across State Highway 1 from the existing Ohinewai Village.
- 9.11 Promoting the use of rail supports the growth and development of the rail network within the high growth 'Golden Triangle' area.
- 9.12 When considered as a whole, TCG development is a unique / 'one off' development that is unlikely to locate in the district when considered as isolated components. It is a multipurpose combination of manufacturing, residential, recreational and retail that distinguishes the development from other single purpose developments.

9.13 TCG's development provides the opportunity to realise some of this 'projected' growth by generating a significant number of jobs locally and stimulate the local economy. This is something that the Huntly / Ohinewai area has required for the last few decades. This type and scale of development is the type of stimulus the Huntly / Ohinewai needs to improve the settlement's current economic position and reverse the area's recent trajectory of economic decline.

Tim Heath

9 July 2020

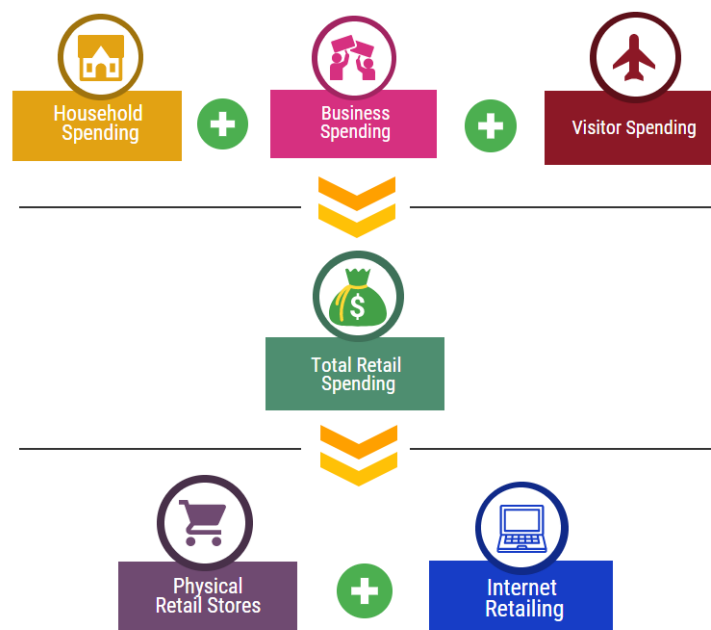
ATTACHMENT A

PROPERTY ECONOMICS RETAIL MODEL PROCESS

This attachment sets out the modelling process to determine the 2030 retail demand once the OSP residential is fully developed– (which for the purposes of this analysis is assumed to be 2030). These forecasts have been based on the proposed residential and workers based within the OSP. and have been prepared using the Property Economics Retail Growth Model.

A more detailed breakdown of the growth utilised in the retail expenditure model and its inputs is set out in **Attachment B**.

The following flow chart provides a graphical representation of the Property Economics Retail Expenditure Growth Model process and inputs.



GROWTH IN REAL RETAIL EXPENDITURE

For the purposes of projecting retail expenditure, growth in real retail spend has been incorporated into the model at a rate of 1% per annum over the forecast period. This 1% rate is based on the level of debt retail spending, interest rates and changes in disposable income levels, and is the average inflation adjusted increase in spend per household over the assessed period.

LAYERED RETAIL CATCHMENTS

It is important to note that the retail expenditure generated in the identified market do not necessarily equate to the sales within that particular area. Residents can freely travel in and out of the area, and they will typically choose the centres with their preferred range of stores, products, brands, proximity, accessibility and price points. A good quality offering will attract customers from beyond its core market, whereas a low-quality offering is likely to experience retail expenditure leakage out of its core market.

Therefore, the retail expenditure generated in an area represents the sales centres or retail stores within that area could potentially achieve and is the key influence on what the market can potentially sustain. This should not be interpreted as a negative for any potential retail activity in Ohinewai, but simply represents normal commercial market mechanisms (competition) and is a consideration that needs to be appropriately accounted for in any retail economic analysis.

EXCLUDED ACTIVITIES

The retail expenditure figures below are in 2019 NZ dollars and exclude the following retail activities, as categorised under the ANZSIC categorisation system:

- (1) Accommodation (hotels, motels, backpackers, etc.)
- (2) Vehicle and marine sales & services (petrol stations, car yards, boat shops, caravan sales, and stores such as Repco, Super Cheap Autos, tyre stores, panel beating, auto electrical and mechanical repairs, etc.)
- (3) Hardware, home improvement, building and garden supplies retailing (e.g. Mitre 10, Hammer Hardware, Bunnings, PlaceMakers, ITM, Kings Plant Barn, Palmers Garden Centres, etc.)

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

The latter two bullet points contain activity types that generally have great difficulty establishing new stores in centres for land economic and site constraint reasons, i.e. the commercial reality is that for most of these activity types it would be unviable to establish new stores in centres given their modern store footprint requirements

and untenable to remain located within them for an extended period of time (beyond an initial lease term) in successful centres due to property economic considerations such as rent, operating expenses, land value, operational and functional requirements and site sizes.

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

However, in the future, it is increasingly difficult from a retail economic perspective to see these store types establishing in centres (new or redeveloped), albeit they likely have equal planning opportunity to do so. As such, demand for these store types is additional to the retail demand assessed in this analysis.

SUSTAINABLE GFA

This analysis uses a sustainable footprint approach to assess retail demand. Sustainable floorspace in this context refers to the level of floor space proportionate to an area's retainable retail expenditure that is likely to result in an appropriate quality and offer in the retail environment. This does not necessarily represent the 'break even' point, but a level of sales productivity (\$/sqm) that allows retail stores to trade profitably and provide a good quality retail environment, and thus economic wellbeing and social amenity.

It is also necessary to separate the Gross Floor Area into:

- (4) Net retail floorspace (Sustainable Floorspace); and
- (5) Back office floorspace does not generate any retail spend (Back Office Floorspace)

A store's net retail floor area only includes the area which displays the goods and services sold and represents the area which the general public has access. By contrast, the Gross Floor Area typically represents the total area leased by a retailer. Back Office Floorspace in a retail store is the area used for storage, warehousing, staff facilities, admin functions, toilets and other 'back office' uses.

These activities on average occupy around 25-30% of a store's GFA but can vary (higher and lower) between individual retailers based on operational and functional requirements. It is important to separate out such back office floorspace from sustainable floorspace because back office floorspace does not generate any retail spend. For the purposes of this analysis a 30% ratio has been applied to net retail floorspace to provide an appropriate level of sustainable GFA.

ATTACHMENT B

PROPERTY ECONOMICS RETAIL EXPENDITURE MODEL

This overview outlines the methodology that has been used to estimate retail expenditure generated at Census Area Unit (CAU) level for the identified catchment out to 2038.

CAU 2013 Boundaries

All analysis has been based on Census Area Unit 2013 boundaries, the most recent available.

Permanent Private Households (PPH) 2013

These are the total Occupied Households as determined by the Census 2013. PPHs are the primary basis of retail spend generation and account for approximately 71% of all retail sales. PPHs have regard for (exclude) the proportion of dwellings that are vacant at any one time in a locality, which can vary significantly, and in this respect account for the movement of some domestic tourists.

Permanent Private Household Forecasts 2006-2038

These are based on Statistics NZ Census Area Unit (CAU) Medium Series Population Growth Projections and have been adjusted to account for residential building consent activity occurring between 2006 and 2018, with this extrapolated to the year of concern. This accounts for recent building activity, particularly important for the 5-10-year forecasts, and effectively updates Statistics NZ projections to reflect recent trends.

International Tourist Spend

The total international tourism retail spend has been derived from the Ministry of Economic Development Tourism Strategy Group (MEDTSG) estimates nationally. This has been distributed regionally on a 'spend per employee' basis, using regional spend estimates prepared by the MEDTSG. Domestic and business-based tourism spend is incorporated in the employee and PPH estimates. 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 conservatively forecast in the model at 2% per annum for the 2015-2038 period.

2013-2038 PPH Average Household Retail Spend

This has been determined by analysing the national relationship between PPH average household income (by income bracket) as determined by the 2013 Census, and the average PPH expenditure of retail goods (by income bracket) as determined by the Household Economic Survey (HES) prepared by Statistics NZ.

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 Softgoods
- Furniture and Floor coverings
- Appliance Retailing
- Chemist
- Department Stores
- Recreational Goods
- Cafes, Restaurants and Takeaways
- Personal and Household Services
- Other 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.

As some of internet spend is being made to on-the-ground stores, a proportion of internet expenditure is being represented in the Statistics NZ Retail Trade Survey (RTS) while a large majority remain unrecorded. At the same time this expenditure is being recorded under the Household Economic Survey (HES) as a part of household retail spending, making the two datasets incompatible. For this reason, Property Economics has assumed a flat 5% adjustment percentage on HES retail expenditure, representing internet retailing that was never recorded within the RTS.

Additionally, growth of internet retailing for virtual stores, auctions and overseas stores is leading to a decrease in on-the-ground spend and floor space demand. In order to account for this, a non-linear percentage decrease of 2.5% in 2018 growing to 15% by 2038 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 are able to 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 floors pace since it is inflationary and only serves to drive up prices.

Wealth/Equity/Debt: This in the early-mid 2000s had a dramatic impact on the level of retail spending nationally. The increase in property prices has increased home owners unrealised equity in their properties. This has led to a significant increase in debt funded spending, with residents borrowing against this equity to fund consumable 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 but 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 these 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 massive gains as home owners, 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 recent spending trends, with decreased unemployment and greater job security producing an environment where households were more willing to accept debt.

In 2008 this reversed with the worldwide GFC recession took grip, while over recent years an economic recovery has emerged. As such, the economic environment has undergone rapid transformation. The national market is currently experiencing low interest rates (although expected to increase over the short term) and an inflated \$NZ (increasing importing however disproportionately). The recent rebound in the property market and an increase in general business confidence as the economy recovers from the post-GFC hangover. These factors will continue to influence retail spending throughout the next 5 or so years. Given the previous years (pre-2008) substantial growth and high levels of debt repayment likely to be experienced by New Zealand households it is expected that real retail growth rates will continue to be subdued for the short term.

Impacts of Changing Retail Spend

At this point in time a 1% real retail growth rate is being applied by Property Economics over the longer term 20-year period. This rate can be highly volatile however and generally falls within the range of 0.5%-2.0%. It is considered prudent in the shorter term to be conservative with regard to the level of sustainable retail floor space within given centres and as the economy stabilises and experiences cyclical growth longer term rates might be slightly higher.

Business Spend 2013

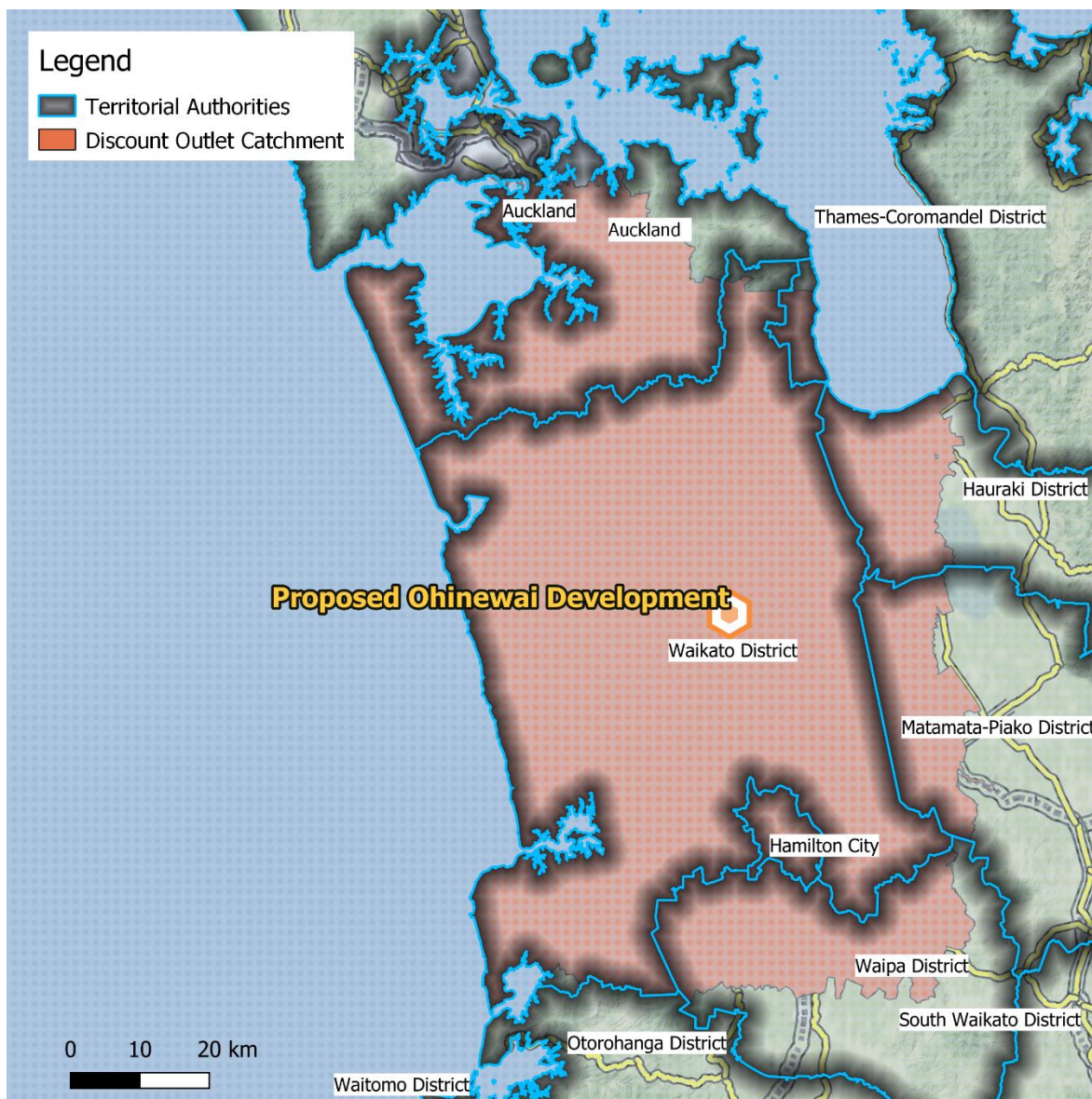
This is the total retail spend generated by businesses. This has been determined by subtracting PPH retail spend and Tourist retail spend from the Total Retail Sales as determined by the Retail Trade Survey (RTS) which is prepared by Statistics NZ. All categories are included with the exception of accommodation and automotive related spend. In total, Business Spend accounts for 26% 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 2013-2038

Business spend has been forecasted at the same rate of growth estimated to be achieved by PPH retail sales in the absence 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.

ATTACHMENT C

DFO CATCHMENT WITH TA BOUNDARIES




ATTACHMENT D

WAIKATO 2070 – HUNTLY / OHINEWAI

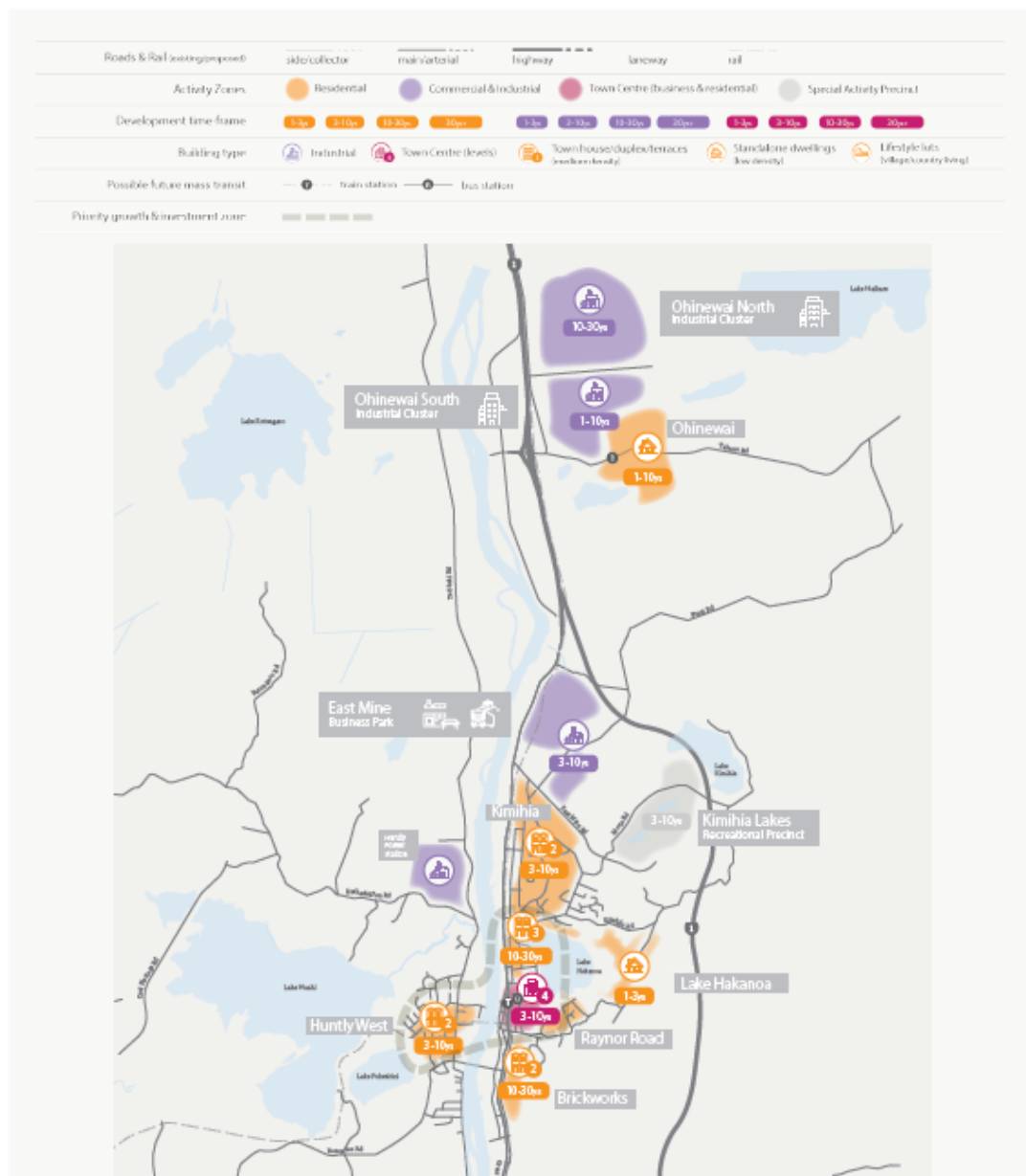
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HUNTLY & OHINEWAI DEVELOPMENT PLAN 50-YEARS

LOCATION: HUNTLY IS LOCATED ON THE BANKS OF THE WAIKATO RIVER, AT AN INTERCHANGE OF SH1, AND ON THE RAIL LINE BETWEEN OHINEWAI AND TAUPIRI. THE COMMERCIAL, INDUSTRIAL AND RESIDENTIAL AREAS OF THE TOWN ARE BISECTED BY THE RIVER, SH1, AND THE RAILWAY.



Current population and possible future population



ATTACHMENT E

STORE TYPE CLASSIFICATIONS

Storetype Grouping	ANZSIC	ANZSIC Description
Supermarket & grocery stores	4110	Supermarket and grocery stores
Specialised food	4121	Fresh meat, fish and poultry retailing
	4122	Fruit and vegetable retailing
	4129	Other specialised food retailing
Liquor retailing	4123	Liquor retailing
Furniture, floor coverings, houseware, textil	4214	Manchester and other textile goods retailing
	4211	Furniture retailing
	4212	Floor coverings retailing
	4213	Houseware retailing
Electrical and electronic goods	4221	Electrical, electronic and gas appliance retailing
	4229	Other electrical and electronic goods retailing
	4222	Computer and computer peripheral retailing
Recreational goods	4242	Entertainment media retailing
	4241	Sport and camping equipment retailing
	4243	Toy and game retailing
	4244	Newspaper and book retailing
Clothing, footwear and softgoods	4251	Clothing retailing
	4252	Footwear retailing
	4253	Watch and jewellery retailing
	4259	Other personal accessory retailing
Department stores	4260	Department stores
Pharmaceutical and personal care retailing	4271	Pharmaceutical, cosmetic and toiletry goods retailing
Other store based retailing	4273	Antique and used good retailing
	4274	Flower retailing
	4279	Other store-based retailing n.e.c.
	4272	Stationery goods retailing
Food and beverage services	4512	Takeaway food services
	4520	Pubs, Taverns and Bars
	4511	Cafes and Restaurants
	4530	Clubs (Hospitality)
	4513	Catering services