

BEFORE A COMMISSIONER APPOINTED BY ASHBURTON DISTRICT COUNCIL

UNDER the Resource Management Act 1991 ("RMA")

IN THE MATTER OF An application for a resource consent under section 88 of the RMA by **Tricroft Properties Limited** to use part of an existing building for a Smiths City retail tenancy of circa 1002m²; a 360m² storage and administration area and a yard area of circa 437m² with ancillary car parking, signage and access areas. At 363 West St, Ashburton (Application No. LUC21/0029)

**EVIDENCE OF DEREK FOY
ON BEHALF OF TRICROFT PROPERTIES LIMITED**

Date: 1 SEPTEMBER 2021

1. INTRODUCTION

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

Qualifications and experience

- 1.2 I hold the degrees of Bachelor of Science (in Geography) and Bachelor of Laws from the University of Auckland.
- 1.3 I have 21 years consulting and project experience, working for commercial and public sector clients. I specialise in retail analysis, assessment of demand and markets, the form and function of urban economies, the preparation of forecasts, and evaluation of outcomes and effects.
- 1.4 I have applied these specialties in studies throughout New Zealand, across most sectors of the economy, notably assessments of retail, urban form, land demand, commercial and service demand, housing, tourism and local government.
- 1.5 I am a member of the New Zealand Association of Economists and the Population Association of New Zealand.

Code of conduct

- 1.6 Whilst I acknowledge that this is not an Environment Court hearing, I confirm that I have read and am familiar with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving any oral evidence during this hearing. Except where I state that I am relying on the evidence of another person, my evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Key Issues

- 1.7 In my opinion, the key issues requiring consideration are:
- (a) Smiths City would be a non-complying activity in the Business C zone, which location could be inconsistent to an objective and policies in the District Plan that seek that the majority of retail activity will be accommodated within areas zoned for retail activity, in particular the Business A and B zones, and to a lesser extent the Business C zone.
 - (b) The recent Plan Change 4 ("PC4") to the District Plan has strengthened recognition of the function and role of centres.
 - (c) The proposed relocation of Smiths City from the Business B zone to the Business C

zone would represent additional out-of-centre retail supply in Ashburton, with the potential to generate adverse effects on the sales of other Ashburton retail businesses, and, relevant to this assessment, the centres they are located in.

Scope of Evidence

- 1.8 I have been asked by the applicant to provide evidence regarding the economic effects associated with the proposed relocation of the Ashburton Smiths City store to 363 West Street (“the Site”).
- 1.9 My evidence is structured as follows:
- (a) Section 2 outlines the details of the proposed activity, and the reasons behind the application.
 - (b) Section 3 provides a brief summary of the relevant planning context.
 - (c) Section 4 assesses the health of the Ashburton central business area.
 - (d) Section 5 identifies some of the consequences of constrained location options in Ashburton.
 - (e) Section 6 describes retail spending patterns in Ashburton District.
 - (f) Section 7 contains my assessment of economic effects of the application.
 - (g) Section 8 provides my response to the section 42A officer’s report, relating to economic matters.
 - (h) Section 9 summarises conferencing I have undertaken with Council’s economics expert, Mr Heath.
 - (i) Section 10 contains my conclusion.
- 1.10 In preparing my evidence I have reviewed the following documents and evidence:
- (a) “Smiths City Ashburton Economic Impact Assessment”, Market Economics Limited, 6 May 2020. I prepared this report when still employed at Market Economics.
 - (b) “Ashburton Town Centre Zoning Economic Assessment”, Property Economics Limited, December 2019.
 - (c) “Ashburton Smiths City Economic Review”, Property Economics Limited, June 2021.
 - (d) The Ashburton District Council’s section 42A report (“the s42A report”).
 - (e) Relevant parts of the Ashburton District Plan.
 - (f) Drafts of the statement of evidence by Messrs Harford and Gilbert.

2. THE PROPOSED ACTIVITY

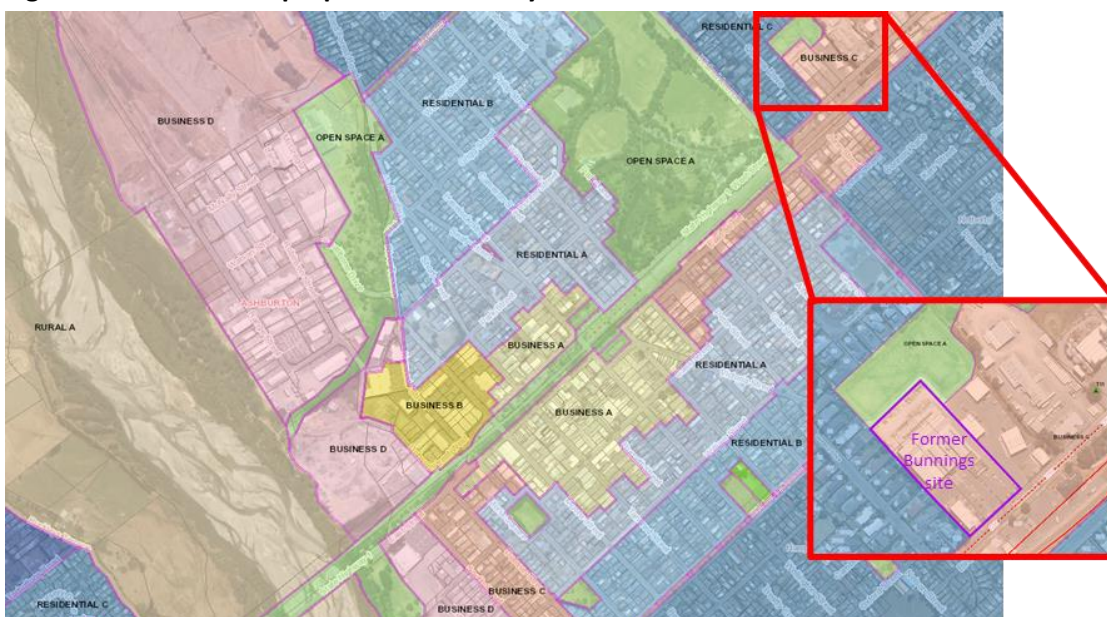
Reason for relocation

- 2.1 Smiths City Ashburton was located at 38 Kermode Street (in the Business B zone). The store has been negotiating a new lease for the premises, however I understand that there was a breakdown in those negotiations, and Smiths City has vacated those premises.
- 2.2 The background to that situation is explained in a letter from Smiths City's Properties Manager to the applicant, which is attached to my statement as Appendix 1. In summary, that letter confirms that apart from the Site "there were no other options immediately available in Ashburton", that Smiths City have recently been on a month-by-month lease, and finding suitable premises quickly was very important.

Details of the proposed store

- 2.3 The former Smiths City tenancy is around 1,500m² gross floor area ("GFA"), and the proposed store will occupy a tenancy of 1,745m² total floor area, comprised of 1,362m² GFA for retail floorspace (1,002m²) and storage (360m²), with a secured yard area at the rear at the rear. The tenancy is within the former Bunnings Warehouse building on the Site (Figure 2.1). Bunnings departed Ashburton in June 2020 and the building has remained vacant until now.
- 2.4 The proposed store will offer for sale the same range of products sold at its existing store, including primarily beds and furniture, whiteware, appliances, TV and audio, and computers, albeit from a smaller retail floor area. I understand the proposed Smiths City store is the smallest store (in terms of retail area, 1,002m²) in New Zealand within the brand, and sells a more limited range of products than most other stores in the brand.

Figure 2.1: Location of proposed Smiths City at 363 West Street



Location options

- 2.5 The applicant’s letter in Appendix 1 states that they found no alternative location options apart from the Site, and that they require a store of at least 1,000m² of “shop floor area”, in addition to which back of house space is required). In total then Smiths City would require a store of around 1,750m² GFA.
- 2.6 I have independently assessed what options might be available. A key constraint to the options available is the relatively large size of the Smiths City store. A store the size of Smiths City (c. 1,750m²) would require approximately 4,000-5,000m² of land to establish on, given carparking requirements, or a large tenancy within an existing building. Given the pressing nature of the applicant’s requirements, they do not have time to wait for new premises to be built for them.
- 2.7 I have undertaken several searches of online commercial property listings since May, and have not identified in those listings¹ any retail tenancies of larger than 1,000m² that are available for lease in Ashburton (excluding the Site). My most recent search, in mid-August 2021, found that there are currently only nine retail tenancies listed for lease in Ashburton (excluding the Site). None of those are in the Business B (LFR) zone.

Figure 2.2: Ashburton retail tenancies available for lease (count of tenancies, m²)

Tenancy size m ²	Business A	Business B	Business C	Total CBD
0-200	2	0	1	3
200-450	2	0	2	4
450-1000	2	0	0	2
1000+	0	0	0	0
Total	6	0	3	9

- 2.8 The largest tenancy available for lease in Ashburton (excluding the Site) from my most recent search is a 604m² tenancy at 160 Tancred Street, in the Business A zone. The next largest are 519m² (246 Tancred Street, in the Business A zone) and 411m² (326 Burnett Street, in the Business A zone) tenancies. That is, there are currently only two LFR tenancies available for lease in Ashburton, and both are less than half the size required by Smiths City (and those two are not contiguous). These are shown in Figure 4.1.
- 2.9 There are currently no retail properties listed for sale in Ashburton.
- 2.10 Notwithstanding the applicant’s need for premises that are available for immediate occupation there are no obvious development options available to them to meet their permanent needs. There are very few, if any, vacant sites in the Business A or Business B zones that are large enough to accommodate a retail activity of the size required (c.1,750m² GFA), particularly immediately or without a prolonged process of site acquisition and (potentially) amalgamation.

¹ Including Trade Me Property, realestate.co.nz, oneroof.co.nz, and various commercial property agents

- 2.11 The largest site I have been able to identify is 2,200m² in the Business B zone, comprised of two adjacent vacant lots on Dobson Street West, at the rear of the building Smiths City formerly occupied. That site is not owned by Smiths City, does not satisfy Smiths City's scale, visibility and carparking requirements and there are, as far as I am aware, no development plans for the site.
- 2.12 A retail development proposed for 22-34 Kermode Street (also in Business B zone) has been planned for a number of years, and while construction is expected to commence in 2021, that would not allow Smiths City to move in until late 2022 at the earliest, leaving Smiths City without premises for more than a year, a commercially unpalatable outcome. Further, I understand that the Kermode Street development has one LFR anchor tenant (two brand provisions) already signed up prior to Smiths City requiring to move from their former site in May. Additional tenancies in the Kermode Street development are understood to be smaller retail and hospitality offerings.
- 2.13 There are no existing LFR tenancies in the Business A zone that are vacant and available for Smiths City's occupation.
- 2.14 PC4 makes it easier for larger retail activities to establish in the Business A zone by making them permitted activities. However, that change has not yet yielded any built space, or, as far as I am aware, resulted in any new development plans. While well intentioned, the change is of no immediate assistance to Smiths City in finding new premises.
- 2.15 Similarly, amalgamating small parcels of Business A land to enable LFR development would take many years, be time consuming and contingent on acquiring land from multiple landowners. There are 267 parcels zoned Business A, of which 252 are 100m² or larger. Those 252 parcels are owned by 124 different owners, and the average parcel size is 767m². To achieve a 4,000m² block of land (the minimum Smiths City would need) would require the amalgamation of five or six average sized parcels, and they would likely be owned by at least two or three owners.
- 2.16 I note the observation in the section 42A report that policy 5.1D appears to indicate that
“the scale of retail activity “difficult to accommodate in the Business A zone” is some 500m² of GFA (see Rule 5.8.2 g)). This is considerably less than the 1360m² of GFA required by Smiths City. In the context that PC4 was drafted in clear knowledge that the existing capacity for additional LFR within the Business B zone was limited, PC4 provides mixed guidance for additional LFR now seeking to establish in Ashburton.²
- 2.17 Two large vacant sites are already earmarked for development that does not include any LFR tenancies. The large vacant site on Baring Square East opposite the Clock Tower is the site of the new Ashburton civic centre and library, and the 2,700m² vacant site on Cass Street is the site of the proposed Eastfield development. There do not appear to be any other vacant sites in the Business A zone that would be anywhere near large enough to accommodate the Smiths City store.

² Page 18

- 2.18 My understanding of LFR operators' requirements is that they have specific locational requirements, and if those cannot be met they will walk away from a market rather than make significant compromises. Because the Business B zone is effectively full (as recognised in the s42A report, p19), Smiths City has no location options in that zone, and requires some alternative location with a large enough site or another premises with adequate carparking.
- 2.19 It is my understanding that if Smiths City cannot occupy the East Street tenancy as proposed, they will exit the Ashburton market (per Appendix 1). That would be a poor outcome for Ashburton consumers, and would worsen the already significant retail leakage that leaves Ashburton for urban Christchurch (as identified in Mr Heath's evidence for PC4).³
- 2.20 In my opinion, after the Business A and Business B zone, the Business C zone (in which the Site is located) is the next best zone to accommodate LFR in the context of District Plan objectives and policies relating to the location of retail activities, for reasons I explain below.

3. PLANNING CONTEXT

- 3.1 Mr Harford assesses the adherence or otherwise of the application to District Plan objectives, policies and rules in his statement of evidence. Below I summarise the relevant parts that are relevant to my assessment.

District Plan

- 3.2 The operative Ashburton District Plan ("ADP") identifies that the inappropriate location of business activities or the fragmentation of business areas can result in loss of vitality, convenience, accessibility and the identity of such areas (section 5.2.1). The Plan recognises that the town centres are an important community resource, the commercial heart of towns, and an important influence on community perception of their local environment. Centres are also important to provide good access to goods and services, and commercial activities "should be located in reasonably accessible areas that are or can be economically serviced".
- 3.3 I accept and agree with that position.

Business zones

- 3.4 The three main business zones that are relevant to my assessment are:
- (a) Business A: this provides principally for small scale retail activity, and includes the inner commercial area of Ashburton, and smaller suburban shopping centres in Ashburton and in rural towns. This zone provides for a wide range of residential, visitor accommodation, community and commercial activities.

³ Paragraph 32

- (b) Business B: this zone provides for large format retail activities, and shopping malls are intended to be prevented from the zone to avoid the dispersal of retail activity and avoid detracting from the Business A zone. Only limited smaller retailing premises is anticipated.
- (c) Business C: this provides for limited commercial activities, service and community activities, as well as a range of light industrial activities. Generally the Business C zone is usually located adjacent or close to Business A and B zones. A maximum permitted retail tenancy size of 750m² in the Business C zone has been removed by proposed Plan Change 4 (“PC4”), as described below.

Proposed Plan Change 4

3.5 PC4 was notified in November 2020 and approved by an independent commissioner in mid-June 2021. PC4 was instigated:

- (a) To strengthen the role and function of the Business A zone as the District’s primary commercial, retail, recreation, cultural and entertainment centre.
- (b) amid concerns the CBD is in poor health, a position established in an economic assessment commissioned by Council (“Ashburton Town Centre Zoning Economic Assessment”, Property Economics Ltd, 2019).
- (c) in response to applications for out of centre (i.e. not in the Business A or B zones) large format retail activities including a new Kmart.⁴

3.6 The relevant changes to rules regarding retail activity, included:

- (a) Changing small-scale retail in the Business B zone from discretionary to non-complying.
- (b) Permitting trade suppliers in the Business B, C and D zones in an attempt to induce relocation of trade suppliers out of the Business A zone.
- (c) Removing the maximum 500m² threshold for permitted retail activities in the Business A zone.
- (d) Removing the permitted maximum 750m² GFA for retail activity in the Business C zone, so that retail activity in the Business C zone is non complying unless the activity is food and beverages, trade suppliers, yard-based suppliers and ancillary retail to goods produced or processed on the site.
- (e) Changes to the definition of commercial activities to improve clarity and certainty.

Key objectives and policies

3.7 Key objectives and policies relevant to this assessment include:

⁴ PC4 Section 42A report, paragraph 15

(a) **Objective 5.1: Business Area Development and effects .**

The contribution of business activities to the economic and social wellbeing of the district is recognised and provided for, with:

- 1. commercial activities and retail activities primarily focused to support vibrant and viable centres, and*
- 2. business activities able to operate efficiently and effectively within the District's business zones as subject to environmental standards which reflect their function, location and role*

(b) **Policy 5.1A: Reinforce and strengthen the function, integrity, convenience and viability of the inner commercial areas (Business A zones) of Ashburton, Methven and Rakaia, and small villages, including through avoiding activities with the potential, either individually or cumulatively, to impact on the continuing ability of town centres to provide for:**

- 1. their community's social and economic wellbeing;*
- 2. maintained or enhanced amenity and vibrancy; and*
- 3. the function and role of Ashburton Town Centre (Business A zone) as the primary commercial, retail, recreational, cultural and entertainment centre for the district.*

(c) **Policy 5.1B: Provide opportunities in the suburban areas of Ashburton for the establishment and on-going operation of business activities, limiting retail activities and commercial activities to where these:**

- 1. meet the convenience needs of local neighbourhoods.*
- 2. are ancillary to, or support anticipated business activities; and*
- 3. do not compromise the viability or vibrancy of Town Centres (Business A zones);*
- 4. provide for supermarket development as associated with the supermarket overlay and in accordance with Policy 5.1C.*

(d) **Policy 5.1D: Provide through the Business B zone limited opportunities for the establishment of large format retail activities and trade suppliers:**

(a) that are difficult to accommodate in the Business A zone due to their scale or functional requirements; or

(b) that generate high volumes of traffic and require large areas of parking; and,

(c) where such activities do not detract from:

- 1. from the amenity of adjoining areas,;*
- 2. the safety and efficiency of the roading network; or*
- 3. from the consolidation of the inner retail area of central Ashburton*

through limits on the establishment of small-scale retail activities or offices.

3.8 The explanation and reasons for these policies include that:

- (a) Inner commercial areas are focal points for a broad range of commercial, professional and administrative activities in the District's towns.
- (b) The ADP aims to encourage the continued vitality, pleasantness and convenience of these centres and their role in the attractiveness and identity of the District's towns.
- (c) The consolidation of business areas is critical to ensure that people have access to well-maintained and functioning business areas with a wide range of business activities that maintain their vitality, pleasantness and convenience.
- (d) The dispersal of commercial activities to new locations can leave existing Business A zoned areas vacant, under-utilised, unattractive, and unable to provide the services or identity the community desires.
- (e) The occupation and redevelopment of existing sites is to be encouraged through enabling a broad range of activities to establish throughout the business areas.

3.9 In summary then, it is anticipated that the majority of retail activity will be accommodated within the Business A or B zones.

Key rules

3.10 There are two key rules that existed under the Operative Ashburton District Plan that would have been relevant to this assessment:

- (a) Business A zone: the maximum gross floor area of any individual retail tenancy shall not exceed 500m² (5.8.2 (f)). Larger tenancies are discretionary activities (5.8.5 (f)).
- (b) Business C zone: the maximum gross floor area of any individual tenancy shall not exceed 750m² (5.8.2 (h)). Larger tenancies are non-complying activities (5.8.6 (i)).

3.11 However, PC4 has amended both of those rules where the maximum areas are removed and in the case of rule 5.8.2 (f) and 5.8.2 (h) this states:

- (a) Retail Activity (excluding service stations) [is permitted] in the Business A Zone, other than where specified as a Controlled, Discretionary or Non-Complying Activity
- (b) h) Retail Activity [is permitted] in the Business C and D Zones, other than where specified as a Non-Complying Activity, provided that:
 - *retail display and sales shall be limited to single retail outlets selling goods produced or processed on the site and may include only ancillary products*

to goods produced or processed on the site, each with a minimum gross floor area of 150m² located within buildings,

except that this limitation shall not apply to:

- food and beverage restaurants and take-away food outlets;

- trade suppliers vehicle sales and other outdoor display and sales.

- yard based suppliers.

- 3.12 The amended rule under PC4 makes the proposal non-complying in the Business C zone. The proposal would be a permitted activity (in relation to tenancy size) if it were in the Business B zone, and would be appropriate in that zone, although there is insufficient vacant capacity there to accommodate Smiths City.
- 3.13 Overall, the new rules introduced by PC4 that limit commercial activities within Business zones have been included for a range of reasons for limitations on including:
- (a) to ensure the consolidation of the business areas and the functioning, integrity, convenience and viability of the inner commercial areas (Business A zones) of the towns is realised;
 - (b) to protect adjoining environments from the adverse effects of retail activity, including pedestrian and vehicle traffic generation;
 - (c) to limit the attraction of the general public to areas of noxious or heavy industrial activity;
 - (d) to avoid, remedy or mitigate vehicle and/or pedestrian conflicts, and protect traffic safety and efficiency.
- 3.14 The rules aim to avoid, in inner commercial areas:
- (a) the closure of shops
 - (b) a reduction in the range of services available
 - (c) a loss of vitality and attractiveness to shoppers
 - (d) undermining their roles as principal areas for comparison retailing, and as focal-points and sources of identity for their communities
 - (e) a loss of convenient, walkable access for pedestrians.

Summary of District Plan provisions

- 3.15 Understanding key ADP coverage in relation to economic and retail matters is important for this report, and an assessment of the key relevant District Plan content indicates that:
- (a) There is a recognition of the importance of the Ashburton inner commercial area as the focal point of retail and economic activity in the town;

- (b) The proposed Smiths City would be permitted in the Business A and B zones subject to compliance with relevant site and zone standards and any general rules;
- (c) The ADP anticipates that some out of zone development can be appropriate to provide opportunities for growth which may otherwise be precluded from establishing as permitted or discretionary activities.
- (d) The proposal is non-complying irrespective of the amendments to various objectives and policies of the Business zones in PC4.

4. HEALTH OF ASHBURTON CBD

4.1 It is important to understand the condition of the existing environment when assessing the effects of a proposal under the RMA. In this case that requires an assessment of the health of Ashburton's CBD, particularly given the apparent concern about that health which is identified in the economic assessment (by Mr Heath's company) underpinning PC4, which is then used as a rationale for the need for PC4.

CBD health check

- 4.2 Over the last few years there has been significant private investment in the Ashburton town centre, and many new buildings have been developed, including, since 2015:
- (a) Gabites building redevelopment: now fully tenanted by Kiwibank, and several national chain businesses.
 - (b) Eastfield: a \$60m mixed-use development planned to include space for commercial, accommodation, apartments and offices. Development was delayed by Covid-19.
 - (c) Murney building: Four storey building with hospitality, retail and office space.
 - (d) Holmslee Square: Retail, gym, bank and hospitality space.
 - (e) Ashburton Club and MSA redevelopment: a multi-million dollar rebuild and refurbishment of a major hospitality and function centre.
 - (f) Cleavers Corner building: includes three hospitality businesses.
 - (g) Formosa Restaurant: new building for a restaurant tenant.
 - (h) Argyle Welsh Finnigan building: two storey development containing offices and household services businesses.
 - (i) Tavendale & Partners building: offices and medical tenancies.
 - (j) Darryl Phillips car dealership: redevelopment of premises on East Street.
 - (k) Ashburton Civic Centre and Library: development in progress.

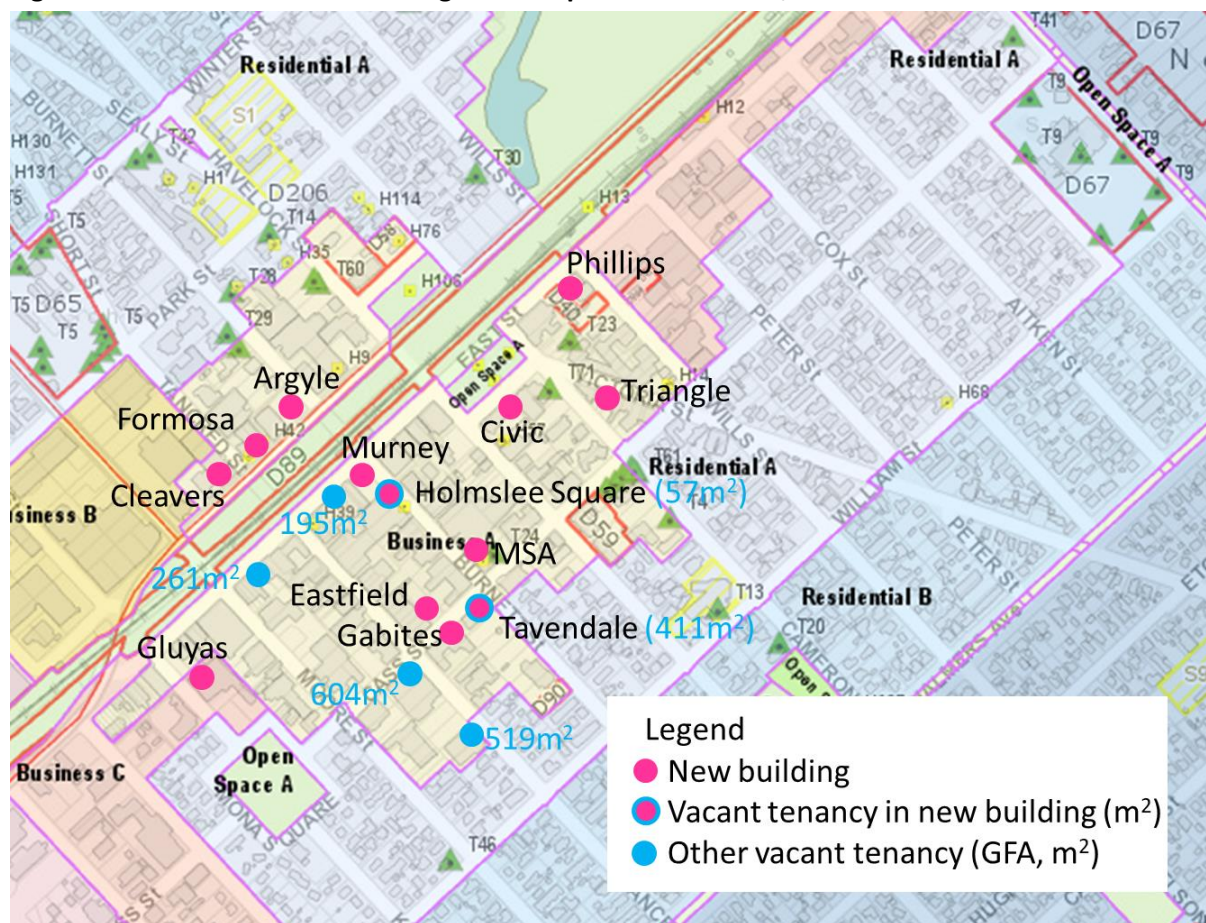
- (l) Triangle café and commercial offices: redevelopment of premises on Victoria Street.
- (m) Gluyas car dealership: expansion to accommodate an additional brand, including redevelopment of two earthquake prone premises, to commence late 2021 on a Business C site immediately adjacent Business A zone.

4.3 These developments are shown on Figure 4.1, and their number, and location in the core of the Business A zone indicates to me that there is a high level of confidence in the town centre and that it is a sound location in which to invest.

4.4 In general, these new developments have been tenanted by high quality tenants, predominantly national chain brands of retail and service providers, and office tenants, but also providing for established Ashburton businesses. Many of the national brands are new to Ashburton, and have specific requirements about the premises they require, which are likely to require new builds, given the limited selection that was previously available.

4.5 The redevelopment of these sites appears to have provided the opportunity for some businesses to establish in Ashburton when they may not otherwise have chosen to, or to remain in Ashburton when they may not have had adequate accommodation not been available.

Figure 4.1: Business A zone: Building redevelopment since 2015, and current vacant tenancies



- 4.6 Outside the Business A zone, I am also aware of the following three recent or imminent retail developments:
- (a) 22-34 Kermode St, Business B zone. A proposed new LFR centre of up to 3,000m² across the road from Mitre 10 Mega. Work is expected to commence in late 2021.
 - (b) 519 East St, Ashburton, Business C zone. A total of 760m² GFA, now accommodating three tenancies, across the road from the Ashburton North Countdown supermarket. This was consented in April 2019.
 - (c) Cass St and South St, Ashburton, Business D zone. A proposed new Kmart department store and small format retail space totalling some 7,130m², adjacent to Countdown Ashburton.
- 4.7 I acknowledge that despite these significant redevelopments within the Business A zone that many buildings there remain in need of investment or replacement due to age and structural concerns.
- 4.8 Redevelopment of those buildings will be expensive, and it is likely that some landowners are not motivated to, or not financially capable of redeveloping their sites. That inertia has resulted in many poor-quality tenancies in the town centre becoming vacant in the last decade, a fact identified in the 2019 Property Economics report. Ongoing investment and redevelopment of other poor quality buildings will assist the rejuvenation of the town centre, although I expect that will happen gradually over time as landowners' financial situations permit.
- 4.9 The 2019 Property Economics report identified 10 vacant premises of some 3,570m² GFA in Ashburton's Business A zone.⁵ Those stores were stated to be 11% of stores by number, and 13% by GFA. From my recent searches for vacant tenancies there are now only seven tenancies of 2,047m² GFA (a vacancy rate of 7% by GFA), in the Business A zone (Figure 2.2, and Figure 4.1).
- 4.10 That indicates that either vacancy rates in the Business A zone have decreased by 43% since 2019, or not all vacant properties are available for lease (or a combination of the two).⁶ Either way, my interpretation of the data differs from Mr Heath's interpretation in 2019, and I do not agree that the Ashburton town centre is in poor health now.
- 4.11 Mr Heath presented evidence to the PC4 hearing, including a town centre health assessment. In that assessment Mr Heath concluded that because there were a large number of retail stores in a miscellaneous "other" retail category that that was another indication of poor health.
- 4.12 However, absent any analysis of which stores are included in his audit, it is not possible to draw that conclusion, and many stores in that category are not necessarily the "smaller,

⁵ Table 6, page 39

⁶ For example, although site visits would record a store as being vacant, it is not available for occupancy because it is not identified in lists of properties available for lease, so may be considered to be vacant by design. One possible reason for that is that a tenancy may not be fit for occupation, such as if it requires earthquake strengthening.

lower quality” stores he suggests. The category merely includes stores not common enough to warrant their own grouping, including art shops, florists, gift shops, instrument retail, pet shops and baby shops. Inclusion in this miscellaneous category says nothing about the quality of the store, and more about the diversity of retail supply.

- 4.13 Property Economics’ 2019 report contains an assessment of Ashburton employment trends. That assessment confirms the development of the significant large format retail zone in Ashburton, and shows that total retail activity in Ashburton has increased significantly over the last decade.
- 4.14 The 2019 report identifies that growth in Ashburton’s retail employment has occurred mostly outside the Business A zone, and in the town centre there has been a slight decline in retail employment, although corresponding increase in hospitality employment. That is a trend observed in many New Zealand retail centres, and is consistent with a national emergence of significant LFR nodes in the last 10 to 20 years. It is, as noted in the section 42A report (p15) “occurred in compliance with the District Plan zoning framework, therefore such effects must have been anticipated and considered acceptable”.
- 4.15 In my opinion much of the retail employment that has established in Ashburton’s LFR zone would be unlikely to have established in smaller format stores had LFR space been unavailable, and the ability of LFR to establish in Ashburton has had net positive effects for the community. In the absence of an LFR zone (Business B) Ashburton would be significantly less well served by retail stores than it is.
- 4.16 It is important that there continues to be availability of premises or development sites for new retail entrants to the town, and to accommodate the changing needs of existing retailers.
- 4.17 In summary, although there are many vacant premises in the Ashburton town centre, recent redevelopments indicates a high level of investor confidence in the town centre. In my opinion the town centre (Business A zone) is likely to remain very dominant within Ashburton District, even if the current application is approved. That is consistent with findings in my impact assessment in section 7.

5. CONSEQUENCE OF SITE UNAVAILABILITY

- 5.1 The National Planning Statement on Urban Development (“NPS-UD”) requires that “local authorities, at all times, provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term” (Policy 2).
- 5.2 In the context of providing for LFR, that requires ADC to provide sufficient development capacity for new LFR stores to establish, including to accommodate a range of different size options. The land available must be suitable (clause 3.3(2) (c)) to meet the demands of the LFR sector, which in practice means the space is:
- (a) located in a suitable location, one that is accessible to consumers, and with a

reasonable profile to attract those consumers;

- (b) adequately sized so as to enable provision for the on-site carparking that retailers of bulky goods such as Smiths City require;
- (c) available for development or occupation, so not occupied by some established use that will take some time to be displaced.

5.3 PC4 may stimulate the creation of additional capacity to accommodate larger stores such as Smith City eventually, however it does little to address the current shortage of LFR premises and sites. That shortage influenced both Countdown and Kmart to establish in the Business D zone, and remains a factor today.

5.4 The existing undersupply of suitable LFR space is an issue for Smiths City, and will also be an issue for other LFR retailers who may wish to establish in Ashburton. PC4 might encourage some redevelopment in the Business A zone to accommodate LFR, however that will take some time to occur and may well provide only smaller LFR premises (c.500-1,000m²), given the land fragmentation issues identified above.

6. ASHBURTON RETAIL SPEND PATTERNS

6.1 Marketview data sourced for the Ashburton retail model (which was developed for the Kmart assessment) shows that there is very high leakage in some categories, especially the sectors in which Smiths City is focused: furniture (where 61% of total spend by Ashburton residents is not spent in Ashburton but leaks to other destinations), housewares (also 61%), recreation (56% leakage), and electrical (39% leakage) (Figure 6.1). For this assessment I assume that leakage will remain at these current levels. I have provided detail relating to the Marketview data in Appendix 2.

6.2 As identified in my Appendix 1, Smiths City has stated that if they were unable to occupy the tenancy that is the subject of this application, then the brand would leave Ashburton. If Smiths City leaves Ashburton, in my opinion it is very probable that the already high leakage would increase, as consumers who would choose to shop at Smiths City no longer can, and are left with limited choices in Ashburton to purchase their furniture and electrical appliances. That outcome would be poor in terms of providing for the needs of the community, travel efficiency, and also, in my opinion, for how retail supply in Ashburton is perceived by the market.

Figure 6.1: Destination of spend by Ashburton residents

	Spend destination			Total
	Ashburton	Christchurch	All other places	
Furniture	39%	48%	13%	100%
Housewares	39%	41%	20%	100%
Electrical	61%	30%	9%	100%
Recreation	44%	36%	21%	100%
Department stores	74%	15%	11%	100%
Apparel	35%	45%	20%	100%
Other retail and hospitality	66%	21%	13%	100%
Total all categories	68%	16%	16%	100%

6.3 The Marketview data assessed indicates that Ashburton’s retail stores make around 70-80% of their sales from Ashburton District residents, around 5-12% to people living in Timaru, Mackenzie and Waimate, and the balance to people living further away. This indicates that Smiths City is likely to attract most of its sales from locals, and for this assessment I have made the conservative assumption that the relocated Smiths City will attract consumers from the same geographic distribution as Ashburton’s current retail stores.⁷

6.4 Online spending is taken into account in the Marketview data, and is therefore built into my impact assessment. Nationally online spending was just over 9.1% when the Marketview data, and although that figure is not known for Ashburton households there is no reason to suspect it is materially different to the national average.

7. EFFECTS OF RELOCATION

Methodology

7.1 I accept Mr Heath’s observations that little description of the methodology applied in my assessment was provided in my report. I accept Mr Heath’s point, and have summarised that methodology below.

7.2 The section 42A report notes that that methodology was the same as was used in the Kmart application, which Mr Heath reviewed, and did not raise concerns about.

7.3 Because the proposed Smiths City store is nearly the same size (in fact slightly smaller) as the existing store, its retail impacts will be a transfer, and I have assumed that its sales will remain unchanged. There may be a slight change in sales due to the different location of the store, but I would expect any such change to be within the margin of error of the modelling. I understand from the applicant that the application is not motivated by any expectation that sales will increase materially in the new store, only by the need to find replacement premises.

⁷ Data for Smiths City specifically is unavailable, due to Marketview’s data confidentiality rules.

- 7.4 The retail distribution effects of the application will therefore arise from Smiths City's current store being (potentially) retented upon their vacation of the premises. Because Smiths City will have moved within Ashburton, the effect of that retenting would be a net increase in total Ashburton retail floorspace, and sales. That increase in sales is what would generate retail distribution effects.
- 7.5 I note that it is by no means certain that the existing tenancy will be retented, and if it is it may be by a non-retail tenancy, or a retail store that is more trade-based and less likely to generate adverse distributional effects on the Business A zone.
- 7.6 For my assessment I assumed that the tenancy would be retented by a retail business that would draw sales from the Business A, B and C zones in proportion to their current sales levels. From a detailed floorspace audit undertaken for my Kmart assessment, and still relevant now, I assessed the total retail sales in the three Ashburton CBD zones. I have updated those estimates for the current application taking into account changes in retail demand in the interim, and estimate that current retail sales are as follows:
- (a) Business A: \$124.8m, 49.9% of CBD retail sales
 - (b) Business B: \$74.2m, 29.7% of CBD retail sales
 - (c) Business C: \$50.9m, 20.4% of CBD retail sales
 - (d) Total Business A, B and C zones: \$249.9m.
- 7.7 Sales of some existing retail businesses would be expected to decrease if a new store establishes in the current Smiths City tenancy. I have assumed that any new retail store there would not increase total retail spend in Ashburton, instead would capture all of its sales by causing a redistribution of existing spend.
- 7.8 I estimate that a new store in the current Smiths City premises would generate about \$4.5m in retail sales, given the store's GFA (1,500m²) and average sales per m² typically observed in LFR stores of around \$3,000/m².
- 7.9 My assessment then assumes that that \$4.5m in sales would be diverted away from stores in Business zones A, B and C, as described above. That diversion is compared against baseline (without a Smiths City relocation) sales to quantify a percentage change in sales in each zone.
- 7.10 The impact assessment takes into account the proposed retail development at 22-34 Kermode St, in the Business B zone (a proposed LFR centre of some 3,000m²).

Household projections

- 7.11 The household projections applied in this assessment are based on⁸ the population projections recently (2020) published by Statistics NZ. There are currently (2021) nearly

⁸ SNZ population projections are converted to household projections, by applying projected ratios of population per household from SNZ's previous (2013 Census-base) projections set

40,000 households living in the broad catchment, with 13,700 in Ashburton District. The projections indicate that modest growth is expected in the catchment, with average annual growth approaching 1% in Ashburton.

Figure 7.1: Modelled household projections (derived from Statistics NZ medium growth scenario)

	2021	2023	2033	2043	Growth 2021-2033		
					n	%	avg ann
Ashburton district	13,700	13,900	15,000	16,200	1,300	9%	0.8%
Timaru district	20,100	20,300	21,100	21,400	1,000	5%	0.4%
Mackenzie district	2,100	2,200	2,500	2,500	400	19%	1.5%
Waimate district	3,500	3,500	3,600	3,500	100	3%	0.2%
Total these districts	39,400	39,900	42,200	43,600	2,800	7%	0.6%

Retail demand projections

7.12 Projections of retail demand show similar patterns to household projections. In this section not all retail demand is shown, and supermarkets and other food demand is excluded because demand in those other sectors, such as supermarkets, is unimportant for Smiths City's sales. However, spend in other retail sectors, and non-retail sector activity, is important to understand as the base for total centre activity that may be impacted by the proposed development.

7.13 Household growth in Ashburton district is expected to drive an increase in retail demand of \$30m to 2033 (21%) (Figure 7.2). That is an average annual growth rate of 1.6%, which takes into account historically observed trends for households to spend more on retail goods over time, which is why growth in retail demand exceeds household growth.

7.14 Because retail demand is increasing, any retail effects that occur as a result of the proposed Smiths City relocation will be greatest upon opening of the new store, before decreasing as growth mitigates those effects over time.

Figure 7.2: Modelled non-food retail demand projections

	2021	2023	2033	2043	Growth 2021-2033		
					n	%	avg ann
Ashburton district	\$ 144.0	\$ 148.6	\$ 174.4	\$ 202.8	\$ 30.4	21%	1.6%
Timaru district	\$ 193.3	\$ 197.9	\$ 222.0	\$ 243.5	\$ 28.7	15%	1.2%
Mackenzie district	\$ 38.2	\$ 40.9	\$ 51.0	\$ 55.0	\$ 12.8	34%	2.4%
Waimate district	\$ 30.1	\$ 30.6	\$ 34.1	\$ 35.8	\$ 4.0	13%	1.0%
Total these districts	\$ 405.6	\$ 418.0	\$ 481.5	\$ 537.2	\$ 75.9	19%	1.4%

Direct effects

7.15 The existing Smiths City store is located outside the Business A zone, and the proposal to relocate will not result in a larger store, and any changed effects on the Business A zone will be limited to:

- (a) Those which occur if Smiths City’s sales increase by virtue of being in an improved location/premises.
 - (b) Any additional non-Business A retail activity that would arise if Smiths City’s tenancy is retented by a different retailer.
- 7.16 The magnitude of those effects would be very small. To quantify the expected magnitude of those effects I applied a spreadsheet based impact model developed for the Kmart consent application (as discussed above), updated to take into account current information about population growth projections.
- 7.17 My assessment for the proposed Smiths City relocation indicates that if the Smiths City relocation resulted in the reoccupation of the existing store by a new tenant that competed directly with stores in the Business A zone, the relocation would result in trade competition effects of less than 2% on the Business A zone. That is, the total sales made by all retailers in the Business A zone would reduce by less than 2% (Figure 7.3).
- 7.18 If the new tenant of the existing Smiths City building were a trade supplier, some other retailer that did not compete with stores in the Business A zone, or was not a retail activity, the total sales made by all retailers in the Business A zone would be unchanged, and the Smiths City relocation would have generated no retail distribution effects. That would be equivalent to the data in the grey rows in Figure 7.3 being all zeroes, and the two white rows having the same numbers in each column.

Figure 7.3: Direct retail impacts on centre sales (\$m, in 2021, assuming retentanting by comparable retailer)

	Business A	Business B	Business C	Total CBD	Business C (incl new Smiths City)
Pre-impact	\$ 124.8	\$ 74.2	\$ 50.9	\$ 249.9	\$ 50.9
Post-impact	\$ 122.9	\$ 73.1	\$ 50.1	\$ 246.0	\$ 53.2
Impact \$m	-\$ 1.9	-\$ 1.1	-\$ 0.8	\$ 3.9	\$ 2.3
Impact %	-1.5%	-1.5%	-1.5%	1.5%	4.5%

- 7.19 The indirect effects, which are valid under the RMA, would be even smaller, because not all trips to Smith City will result in a decrease in trips to the town centre, given the limited range of products sold at Smiths City. In fact, most trips to the Business A zone would continue to occur as they do now, and in my opinion there would be no noticeable change in visitation, vibrancy or vitality of the Ashburton town centre if the Smiths City were to establish at 363 West Street.
- 7.20 Those conclusions are predicated on the Smiths City store being a net addition to Ashburton’s retail supply. It is entirely possible that those premises remain vacant for an extended period, or are retented by a non-retail activity. If that is the case, there would be no net addition to Ashburton’s retail supply, and the relocation proposed would

generate no net additional trade competition effects on the Business A zone.

Bunnings

- 7.21 I note also that the Site's former retail tenant, Bunnings, sold a broad range of retail goods, and much more than just hardware and building supplies. Bunnings stores typically sell appliances (including vacuums, ovens, dishwashers, dryers and washing machines), outdoor furniture, play equipment, heaters and fans, BBQs, lighting, storage and cleaning.
- 7.22 The former Bunnings store was much larger than the proposed Smiths City, and I understand sold many of the types of products I listed, which are also sold in stores located in the Business A zone. That means that Bunnings would likely have prevented sales from being directed to the Business A zone, and therefore effectively had a trade competition on Business A retailers.
- 7.23 I have not quantified the scale of that effect, although I expect it would have been less the 1.5% I have estimated will arise as a result of the proposed Smiths City. The former existence of a trade competition from a retail activity on the Site therefore mitigates against the trade competition effects of the proposal.
- 7.24 That is, some of the effects anticipated to occur as a result of the proposal have occurred previously as a result of the Site's former tenant, notwithstanding that the Bunnings has not operated on the Site for just over a year now.

Cumulative effects

- 7.25 Also relevant to consider is that a new Kmart has been consented, and is scheduled to open in late 2022. That store, together with the proposed Smiths City relocation would generate cumulative effects.
- 7.26 I assessed that the Kmart store's direct effects on the Business A zone would be 8.9%, assuming opening in 2020. However that opening has been delayed, and is now not expected until 2022. Growth in the interim (2020-2022) will serve to mitigate some of the effects of the Kmart opening, and replicating the Kmart assessment but now assuming a 2022 opening yields direct effect estimates on Business A sales of 8.3%.
- 7.27 If it is assumed the Smiths City store is a net retail addition rather than a transfer (i.e. the exiting Smiths City premises are filled by a different retailer), the cumulative effects of the Kmart and the Smiths City relocation would together be less than 10%. Given recent and projected market growth, that level of effects would result in Business A centre sales once the Kmart opens returning to about 2019 levels.
- 7.28 Assuming that businesses operating as of the 2019 baseline can be assumed to be viable, this indicates that most would still be viable after the proposed development opens, and the future Ashburton retail environment would be little different to what it was immediately pre-Covid.
- 7.29 That level of effects would translate into indirect economic effects that fall well short of being considered significant in terms of RMA case law.

Economic benefits

- 7.30 The proposed relocation would have some economic benefits, including retention of an established Ashburton retailer that would otherwise be unlikely to remain in the market, with the attendant benefits for consumer choice, competition, and employment. The magnitude of those positive effects would also be relatively small; however they would be positive effects.

8. RESPONSE TO SECTION 42A OFFICER'S REPORT

- 8.1 The section 42A report notes that PC4 has made LFR a permitted activity in the Business A zone, in an attempt to provide additional capacity for LFR in Ashburton, presumably at least partly motivated by Council's need to meet its obligations under the NPSUD. I accept the report's observation that over time PC4 is likely to assist in providing suitable land for LFR, however PC4 has not yet had that effect, and Smiths City have, as I have discussed above, effectively no location options in the Business A or B zones.
- 8.2 The section 42A report disagrees with my conclusion that not all trips to Smiths City will result in a decrease in trips to the town centre (p15). Presumably to disagree with this the author must believe that all trips to Smiths City will result in a decrease in trips to the town centre. Although the separation of the Site from the Business A and B zones will increase the likelihood that specific trips will be made to the new Smiths City location, that does not mean that there will be a corresponding decrease in trips to the Business A zone. A consumer who would previously have visited a pharmacy, clothing store or post shop in the Business A zone will not stop doing so because Smiths City moves 1.6km from its current site. That relocation may result in less efficient travel, or more trips overall, but it is very unlikely to result in a noticeable change in trips to the Business A zone.
- 8.3 The section 42A report notes the much different conclusions reached by Mr Heath and I. I have outlined above my interpretation for the reasons for those differences, and in the next section I summarise outcome of the expert witness conferencing we undertook in late August, to provide further clarification for what the differences between us are, and why those differences remain.

9. ECONOMICS CONFERENCING

- 9.1 Next, I summarise the key points of agreement and disagreement between my position and that of Mr Heath, Council's economics expert.
- 9.2 I undertook expert witness conferencing with Mr Heath on 31 August 2021, in order to determine outstanding points of agreement and disagreement on economics issues. A summary of that conferencing will be provided in our Joint Witness Statement, although that document has not been finalised as of the time of submission of this statement on 1 September.

10. CONCLUSION

- 10.1 The proposed relocation of Smiths City is necessitated by the ending of their current lease, and absence of alternative tenancies given the very limited supply of LFR premises in Ashburton.
- 10.2 The very limited supply of suitable retail space for Smiths City is in my opinion contrary to Council's obligation under the NPS-UD to ensure the provision of sufficient, suitable business land. The relocation of Smiths City to the Site represents a pragmatic solution to Smiths City's location difficulties.
- 10.3 The existing Smiths City tenancy may or may not be retenanted with a retailer that would compete with Business A businesses. If it is not retenanted by such as business, the relocation will simply represent a transfer of retail activity from the Business B zone to the Business C zone.
- 10.4 If it is retenanted, the direct effects of the relocation on the Business A zone would be equivalent to less than a year's growth in the retail market, meaning that the effects would be only temporary, and less than minor.
- 10.5 Taking into account cumulative effects, the Smiths City relocation and the new Kmart together would have only marginally greater impacts than those assessed for the Kmart alone, which were determined to be acceptable (given the granting of that application).
- 10.6 There would be some economic benefits arising from the proposal, and although relatively small, they would be positive effects.
- 10.7 Overall, the proposed development is consistent with the economic and urban form objectives and policies in the operative Ashburton District Plan, because the Plan encourages the occupation and redevelopment of existing sites outside the Business A zone, as long as they do not detract from the consolidation of Ashburton's inner retail area and provided that the adverse effects of this growth are avoided, remedied or mitigated.

Derek Foy

1 September 2021

APPENDIX 1: SMITHS CITY LETTER



Smiths City (2020) Ltd

6th May 2021

Tony Gilbert
Tricroft Holdings
367 West Street
Ashburton 7740

Email: tony@tricroft.co.nz

Dear Tony

The decision made by Smiths City to move to the new site at 363 West Street was forced upon us through failed negotiations with our current landlord. There were no other options immediately available in Ashburton at the size and rental rate needed to ensure the business was viable, and we were on a month-by-month lease by this stage. Continuity of business was vital, so immediate availability of another site option was crucial in our decision.

A large part of our business involves the trade of larger goods (whiteware/appliances, beds and furniture for example) which places a strong onus on the site to provide appropriate and safe parking and loading facilities for large trucks.

We also require a shop floor size of at least 1000m² which places further limitations on appropriate site procurement.

The new West Street site meets these requirements.

If we had not secured the new site, Smiths City would have left Ashburton.

Yours Faithfully

A handwritten signature in blue ink, appearing to be "M. J. O.", written over a horizontal line.

Compliance Officer/ Properties Manager

APPENDIX 2: MARKETVIEW DATA

- A2.1 For this assessment Marketview data was used to understand the current retention of local spend in Ashburton, and inflows from other areas. Marketview data identifies credit and debit card transactions from BNZ customers, and establishes the geographic link between the residential address of the cardholders and the location and type of merchant involved in the transaction. It is estimated that the Marketview transactions data accounts for approximately 15% of all spending in the NZ economy. Marketview data is only made available in an aggregated form that protects the confidentiality of customers and the commercial sensitivity of merchants.
- A2.2 Data for this project was commissioned for my Kmart retail impact assessment in 2018, and covers the year ending March 2018. Data was provided for:
- (a) Merchant location being the following territorial authorities: Ashburton, Christchurch, Timaru, Selwyn, Rest of NZ.
 - (b) Consumer place of residence: Ashburton, Timaru, Mackenzie, Waimate and all other places combined;
 - (c) Spending in the following storetypes: apparel, appliances; department stores; food and liquor retail; furniture/flooring; homeware; other retail; toys, games and sports. These categories were defined to reflect the general competitive sectors for Kmart sales, and were limited by the availability of data from Marketview give their confidentiality rules that require a minimum level of activity in each published group.