

**BEFORE THE HEARINGS PANEL
FOR THE QUEENSTOWN LAKES PROPOSED DISTRICT PLAN**

IN THE MATTER of the Resource
Management Act 1991

AND

IN THE MATTER Hearing Stream 08
- Business Zones
(relevant to Local
Shopping Centre
chapter 15 and Airport
Zone chapter 17)

**STATEMENT OF EVIDENCE OF TIMOTHY JAMES HEATH ON BEHALF
OF QUEENSTOWN LAKES DISTRICT COUNCIL**

RETAIL / ECONOMIC MATTERS

2 November 2016

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TABLE OF CONTENTS

1. INTRODUCTION	3
2. EXECUTIVE SUMMARY	5
3. LOCAL SHOPPING CENTRE ZONE	6
4. AIRPORT ZONE – WANAKA AIRPORT	14

1. INTRODUCTION

- 1.1 My full name is Timothy James Heath.
- 1.2 I am a Property Consultant, Retail Analyst and Urban Demographer for Property Economics Limited, based in Auckland. I hold a double degree from the University of Auckland:
- (a) Bachelor of Arts 1991 (Geography); and
 - (b) Bachelor of Planning 1993.
- 1.3 I am also a member of The Property Council of New Zealand and proprietor and founding director of Property Economics Limited, a consultancy providing property research services to both the private and public sectors throughout New Zealand. I have undertaken such work for 20 years, with the last 14 years of these as Managing Director of Property Economics Limited. I regularly appear before Council, Environment Court and Board of Inquiry hearings on retail economic matters.
- 1.4 I advise district and regional councils throughout New Zealand in relation to retail, industrial and business 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.
- 1.5 I am familiar with the Queenstown, Frankton Flats and wider Queenstown Lakes District (**District**) retail environment having undertaken detailed retail, commercial and industrial assessments across the District over the last 20 years. Much of this work involved assessing retail markets, distributional and economic effects of new development, and longer term strategic outlooks and implications for the purpose of forward land use planning. More recently, I provided retail economic evidence before the Environment Court in relation to the Plan Change 19 hearings (relating to Frankton Flats) in Queenstown.

- 1.6** Further to this, I have more recently assisted Christchurch International Airport Limited in relation to their Plan Change 84 to the Christchurch City Plan, which sought to expand their enabled activity baseline to include non-aviation related activity within the context of not generating adverse retail economic effects on the wider commercial network of the city. This was particularly in the context of retail activity and commercial office enablement.
- 1.7** Although this is a Council hearing, I confirm that I have read the Code of Conduct for Expert Witnesses contained in Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.
- 1.8** I have been asked to provide evidence on discrete issues relating to the:
- (a) Local Shopping Centre zone (**LSCZ**) in Chapter 15 of the Proposed District Plan (**PDP**); and
 - (b) the recommended Airport Zone as it applies to Wanaka Airport, in particular the types of commercial activities covered by the definition of "airport related activity".
- 1.9** The key documents that I have used, or referred to, in forming my view while preparing this brief of evidence are:
- (a) the Council's recommended position in its reply on the Strategic Directions Chapter 3 of the PDP;
 - (b) notified Chapter 15: Local Shopping Centre Zone, PDP Part Three, August 2015 and recommended chapter in the s42A report;
 - (c) the section 32 Evaluation Report for the LSCZ chapter;

- (d) QAC's submission and legal submissions presented in the Rural hearing, relating to the appropriate zoning for the Wanaka Airport; and
- (e) the Council's recommended amendments to notified Chapter 17 Airport Mixed Use (**AMUZ**), to rezone the Wanaka Airport to Airport Zone.

2. EXECUTIVE SUMMARY

2.1 The key findings from my evidence are that:

LSCZ

- (a) in relation to the LSCZ, I consider a maximum of 300sqm gross floor area (**GFA**) for an individual retail tenancy is required within the zone to better meet the zone's purpose, objectives and policies;
- (b) in addition to a retail tenancy maximum, I consider non-convenience retail store types should be excluded from being able to establish within the LSCZ due to their reliance on drawing custom from beyond the local area of any LSCZ;
- (c) for the 1 Hansen Road site specifically I consider the same 300sqm retail tenancy cap should be implemented, the extent of the LSCZ is reduced, and a maximum size for individual office tenancies is implemented to a maximum of 200sqm GFA. These provisions, if accepted, would make the requirement for a retail store number cap superfluous on the 1 Hansen Road LSCZ. This would in my opinion ensure developed outcomes better meet the zone's purpose, objectives and policies; and

Proposed AMUZ for Wanaka Airport

- (d) in relation to the definition of "airport related activity" as it applies to the proposed Airport Zone for the Wanaka Airport, I consider a total non-aviation commercial provision of 1,000sqm GFA is sufficient to accommodate foreseeable demand within the Wanaka Airport Zone, with an individual tenancy cap of 100sqm GFA.

3. LOCAL SHOPPING CENTRE ZONE

3.1 I have been asked to consider whether there is a need to restrict retail activities in the LSCZ. This has been raised in the submission of Willowridge Developments Limited (249), who seeks the introduction of the following controls:

- (a) a restriction on retail activities to those providing a local service (eg, dairies, off-licence, bakery); and
- (b) a maximum GFA of retail tenancies, of no more than 400m²; or
- (c) rules to like effect.

3.2 To assist in my evaluation of this submission, I first have given consideration to the relevant LSCZ objectives and policies of the PDP, and the intended purpose of the LSCZ. These are as follows (relevant extracts only and may not be representative of the entire purpose, objective or policy).

3.3 The notified LSCZ purpose states:¹

The Local Shopping Centre Zone enables small scale commercial and business activities in discrete pockets of land that are accessible to residential areas and people in transit.

1 In 15.1 of the notified LSCZ chapter.

The zone seeks to reduce the necessity for people to travel longer distances to town centres to purchase convenience goods and access services. Due to the nature of the Zone's locations in predominantly residential environments, Zone standards limit the potential adverse effects on residential amenity and discourage the establishment of inappropriate activities. Visitor accommodation and residential activities are provided for in the Zone, adding to the vibrancy and viability of the Zone, whilst contributing to the diversity of the housing options enabled by the District Plan.

3.4 In essence, I understand that the zone seeks the enablement of people to purchase convenience goods and services without the requirements to travel (potentially) greater distances to larger (town) centres.

3.5 The LSCZ locations within the District are predominantly in residential environments, which indicates the geospatial distribution of the LSCZ has been an important consideration in determining the purpose of the zone, and its role and function in the District's commercial network.

3.6 I note that visitor accommodation and residential activities are also in the Zone Purpose to add vibrancy and vitality.

3.7 The Zone Purpose clearly distinguishes small scale commercial and business activities from other commercial activities. Larger commercial activities are not identified in the Zone Purpose as being encouraged or enabled. This reinforces to me that the LSCZ in the PDP as notified, is focused on providing for small scale commercial activities.

3.8 Notified Objective 15.2.1 states:

Enable a range of activities to occur in the LCSZ to meet the day to day needs of the community and ensure that they are of limited scale that supplements the function of town centre (my emphasis added).

3.9 This objective is supported by notified Policies 15.2.1.1 and 15.2.1.2. Policy 15.2.2.1, sitting under Objective 15.2.2. which states *Buildings*

respond to the existing character, quality and amenity values of their neighbourhood setting, states:

Control the height, scale, appearance and location of buildings in order to achieve a built form that complements the existing patterns of development and is consistent with established amenity values (my emphasis added).

- 3.10** This policy demonstrates that small scale buildings and activities are anticipated within the LSCZ. This is reinforced as the policy acknowledges the currently established amenity values in the LSCZ. In other words, the policy seeks to recognise the current activity, role and function of the local shopping centres, but does not provide for the centres to be developed in a manner that is inconsistent with what they currently represent. The LSCZ is designed to complement higher order town centre activity (i.e. within the Town Centre zones in chapters 12), not undermine or compete with those centres to any material degree by drawing consequential volumes of retail sales away.
- 3.11** Read cumulatively, notified Objectives 15.2.1 and 15.2.2, and Policies 15.2.1.1, 15.2.1.2 and 15.2.2.1, clearly identify the anticipated retail status and function of the LSCZ in the commercial network of the District. Additional vibrancy through non-commercial activity such as residential and visitor accommodation is enabled, which by itself would not elevate the commercial role of LSCZ centres, instead adding vibrancy and vitality to the LSCZ centres themselves given their focus on servicing local residential markets.
- 3.12** Convenience goods and services are typically those goods and services that are frequently required / purchased by consumers. They typically involve 'quick stop' or short stay visits and typically involve 'top up' purchases or 'purchases on the run' tapping into the drive-by market. Stores offering these types of goods and services tend to have a strong food and beverage bias if a retail store, and small office tenancy or store tenancy if a commercial or professional service.
- 3.13** In my view, at a general level, the LSCZ purpose, objectives and policies are appropriately pitched to accommodate and facilitate the

development of appropriate activity and tenancy types. However, to give further surety on development outcomes I support Willowridge Developments' submission (249) in relation to outlining a maximum GFA for such tenancies, and restricting some store / activity types which are more suitable and aligned, and indeed important, to larger town centres.

- 3.14** Willowridge has sought a GFA of no more than 400m², or rules to a like effect. In respect of a maximum tenancy size within the LSCZ, I would support a maximum cap of 300sqm GFA (slightly below the 400sqm GFA maximum as sought by Willowridge Developments). In my experience convenience store stores (supermarkets excluded) fall well below 400sqm GFA. The average store size in higher order town centres I have audited in recent years has been between 275sqm-330sqm GFA. This includes larger department stores and supermarkets in the provision. In smaller convenience centres I have audited in recent years the average store size has been around 170sqm GFA. Both fall well below the 400sqm GFA maximum sought by Willowridge Developments.
- 3.15** The 300sqm GFA maximum I consider more appropriate for meeting the 'small scale' purpose of the zone, whilst at the same time providing an appropriate level of flexibility for the market without compromising the purpose, intent and objectives of the zone. In my view a 400sqm GFA store represents a large store in the context of the LSCZ, and has the potential to draw customers from well beyond its local area. As such I consider a 300sqm GFA tenancy maximum in the LSCZ to be a more balanced position in the context of the Zone purpose and for better meeting the Zone objectives.
- 3.16** This reflects the 'scale' focus in the objectives and policies. Stores larger than 400sqm are getting closer to being considered large format retail (**LFR**) stores, which will attract shoppers from well beyond local residential areas (and will have to remain viable), which would create a tension with LSCZ objectives and policies. The general 'tipping point' between stores being identified as a smaller specialty store and LFR store in district plans around the country is 500sqm GFA for major metropolitan centres, and around 450sqm for smaller provincial markets. This shows the 300sqm LSCZ maximum will not enable any

opportunistic LFR stores to be developed in the LSCZ (or close to an LFR store), which will be confined to more suitable higher order town centres that play a wider role in the market.

- 3.17** Without the maximum GFA limit within the LSCZ, a LFR store may develop within the zone as the term 'small scale' is not defined in the PDP. A maximum GFA will provide increased certainty to the market of the likely outcome of development within the LSCZ. Further, a maximum 300 sqm GFA is more appropriate to satisfy the zone objectives and policies as identified earlier in this statement.
- 3.18** In my view, restricting certain store types would also provide greater certainty of outcome. The vast majority of retail stores nominally in a market (typically above 80%) are below 300sqm GFA. These encompass stores right across the retail spectrum – convenience and non-convenience store types. Some of these non-convenience store types (i.e. fashion stores – clothing, footwear, personal accessories) are important store types to have in town centres in order for town centres to perform their role and function in the market successfully. However, these store types are generally under 300sqm GFA, which would mean that they may be eligible to establish within the LSCZ even with a maximum 300 sqm GFA.
- 3.19** Such stores are not convenience stores per say, but comparison stores (i.e. consumers tend to compare prices across stores more readily than convenience stores due to the typically larger price point of individual items sold). For example, a loaf of bread (convenience item) may not have a large price differential between stores so consumers are prepared to forego travelling a greater distance to save say 5 cents, whereas a dress (comparison item) is more likely to have a larger price differential, and consumers therefore have a greater propensity to travel further afield as the price differential may be \$50. Furthermore, comparison goods and convenience goods have different purchasing frequency and therefore operate / function quite differently to each other. As such, comparison goods are more appropriate to locate in town centres, and convenience goods in local residential areas where consumers can have quick and easy access to frequently required purchases.

- 3.20** As such, I support the exclusion of some non-convenience store types from the LSCZ including fashion stores, electronic and electrical goods stores, appliance stores, and furniture and floor covering stores as they are non-convenience store types that would rely on attracting consumers from well beyond any local market to generate sales. This would conflict with the LSCZ purpose, objectives and policies. Department stores are self-regulating in that these store types are typically well above the recommended 300sqm GFA maximum threshold, and therefore wouldn't be permitted given my recommendations above to include a 300sqm GFA limit within the LSCZ.
- 3.21** The proposed limit of 300sqm GFA per tenancy and the store type exclusions from the LSCZ I have discussed above give me a greater level of confidence that the PDP's purpose and sought development outcomes for the LSCZ is more likely to be realised. As such, I consider it appropriate to include such provisions in the LSCZ Chapter.

1 Hansen Road

- 3.22** The concern raised in the Willowridge Developments' submission is the LCSZ is permissive of both commercial and retail activities which provides for a range of activities, and that this has the potential to undermine the town centres and other commercial centres. 'Commercial' includes office activities.
- 3.23** In relation to 1 Hansen Road, which is located within the LSCZ, notified Rule 15.5.4 outlines some additional standards for this centre. Of particular relevance to my area of expertise is notified Rule 15.5.4 (a) which states "*the total gross floor area dedicated to retail uses shall not exceed 4,000sqm, with no individual tenancy larger than 700sqm, and no more than 10 retail tenancies across the site in total*"; while 15.4.5 (b) states "*the total gross floor area dedicated to office uses shall not exceed 3,000sqm GFA*".
- 3.24** These two standards combined enables a potential LSCZ of 7,000sqm of commercial activity, which in my view goes well beyond a local centre

convenience provision, particularly in the context of the Queenstown market and the LSCZ purpose. This is particularly relevant to 1 Hansen Road given its extensive land holding in the context of the LSCZ.

- 3.25** The other aspect to consider in notified Rule 15.5.4(a) is the retail tenancy cap of ten (10) for the 1 Hansen Road site. This becomes problematic when considered in conjunction with my proposed 300sqm GFA tenancy limit and the size of the 1 Hansen Road land holding at nearly 18,000sqm (1.8ha). In essence, 10 retail tenancies under (my recommended) 300sqm GFA would not 'fill' the extensive zoned land area, which becomes problematic with enabled residential and visitor accommodation activity requiring ground floor commercial activity (as I understand through notified Rule 15.5.5). In my view the notified LSCZ provisions and the zoned land area at 1 Hansen Road are incompatible and potentially in conflict with one another, with the sought outcome problematic for both land use activities.
- 3.26** For example, the requirements for ground floor commercial activity is likely to result in a centre significantly larger than a local convenience centre, while at the same time residential and visitor accommodation development will be potentially hampered by limited demand (albeit extensive requirement) for ground floor commercial activity (which could adversely affect residential development feasibilities). This could result in a 'stalemate' situation where development does not occur at all, or is very slow and limited in extent given satisfying the rule framework could be problematic.
- 3.27** In my view (and I acknowledge that no submissions have asked for a change in the zone boundary) the LSCZ at 1 Hansen Road should be reduced in size to a land area similar to other centres in the LSCZ zone (particularly given there is retail and commercial activity across the road already, so the market is not 'short' of convenience opportunity in the area), and the balance of the land enabled for residential and visitor accommodation that does not have the ground floor commercial requirement.
- 3.28** This would also remove the requirement to have what in my view is an arbitrary cap (ten) on the number of retail tenants in the centre. If the

4,000sqm GFA retail maximum is maintained at 1 Hansen Road, my 300sqm GFA retail tenancy cap placates my primary concern (the prevention of LFR from establishing within the zone), albeit the current 7,000sqm commercial potential of 1 Hansen Road (4,000sqm retail, 3,000sqm office) remains of concern due to its cumulative size. My proposed reduction in the 1 Hansen Road LSCZ would provide a 'win win' in terms of likely outcome with a smaller, more consolidated and appropriately scaled LSCZ centre, and enhanced flexibility for residential and visitor accommodation development adjacent to a LSCZ centre. This still enables commercial activity to be developed at ground level within any residential and visitor accommodation development, but does not have it as a requirement.

- 3.29** 1 Hansen Road is a high profile location in terms of passing traffic, and from a retailer's perspective would be an attractive location to service a market significantly wider than the local residential area. This is compounded by the ability under notified Rule 15.5.4(a) to establish some LFR tenancies (i.e. 500sqm+ GFA) within this location. In my view, such commercial activities are not contemplated by the LSCZ objectives and policies as set out in notified 15.1 and 15.2 of the LSCZ, as the activity would not be primarily servicing the local residential market, but attracting customers from right across the District.
- 3.30** Development of LFR retail in this location would also compete directly with the higher order retail destinations of 5 Mile and Remarkables Park shopping centres, which are facilitated and enabled within the Frankton Flats B Zone and the Remarkables Park Zone of the Operative District Plan. It would draw retail sales away from higher order centres to a LSCZ, and compete directly with these higher order centres to their detriment. In effect, the location would no longer be a local shopping centre.
- 3.31** Furthermore, the provision of 3,000sqm GFA dedicated to office space at 1 Hansen Road would also in my view be 'at odds' with the objectives and policies under notified 15.1 and 15.2 of the PDP. There is no tenancy cap, so a large office tenancy (i.e. 1,500sqm GFA) could establish within the site. An office tenancy of this scale could support 60 employees if tenanted at an efficient average of 25sqm per

employee (which 'new builds' can comfortably accommodate). Such an office activity would service more than the local area, and is more likely to service the district market (potentially beyond). This is considered a large business and a tenancy not in keeping with the purpose and intent of the scale of activity within the LSCZ.

- 3.32** Large scale office activity is more appropriately located in the higher order centres of the District's commercial network where economic efficiencies and agglomeration benefits can be generated. Such activity is also important for the longer term sustainability, vibrancy and amenity of the town centres, and the economic and social wellbeing that the town centres offer the community.
- 3.33** I consider that an office tenancy cap of around 200sqm per tenancy maximum within the LSCZ would ensure that any office establishing in the LSCZ is small scale and focused on the local residential area, as contemplated by the purpose, objectives and policies of the LSCZ.
- 3.34** Overall, in my view the provisions for 1 Hansen Road need to be revised to ensure LFR activity and the ability for large scale office tenancies to establish is removed to ensure the site more appropriate meets the objectives and policies of the PDP.

4. AIRPORT ZONE – WANAKA AIRPORT

- 4.1** I am aware of the background to the recommended Airport Zone as it relates to Wanaka Airport. I understand that Wanaka Airport was notified as part of the Rural Zone of the PDP. The submission of Queenstown Airport Corporation Limited (**QAC**) (433) (which operates Wanaka Airport on behalf of the Council, as landowner and requiring authority of the designations) on the PDP sought amendments to the Rural Zone to provide specifically for airport related activities at Wanaka Airport. As part of the Rural Hearing 02 of the PDP, QAC and the Council agreed that an underlying zoning similar to the notified Queenstown Airport's Mixed Use Zone would be more appropriate. The proposed rezoning of Wanaka Airport is therefore being considered as part of the current hearing on the Business Zones of the PDP.

- 4.2** I understand a key reason for the proposed rezoning of Wanaka Airport is that, although designations (Designation #64 Aerodrome and Designation #65 Airport Approach and Land Use Controls) exist for Wanaka Airport, only the requiring authority (Council) can rely on the designation provisions. Accordingly, all other people building, operating and leasing aircraft facilities and buildings in the area have to rely on the incompatible underlining Rural zoning.
- 4.3** The provisions for the proposed Wanaka Airport Zone are proposed by way of amendments to the notified version of Chapter 17 Queenstown Airport Mixed Use Zone (**AMUZ**). As a starting point, QAC proposed a working draft of a revised chapter, and the Council has taken that draft chapter and further refined it.

Proposed addition to the purpose of the AMUZ

- 4.4** The purpose of the Airport Zone, as recommended by Ms Rebecca Holden in her s42A report, is:

The Airport Zone is to provide for a range of airport and airport related activities at Queenstown and Wanaka Airports and to recognise the unique role of the airports in providing for the social and economic wellbeing of the community.

- 4.5** There are two clear focal points of this purpose as I view it. First, is the focus on airport related activity to support the successful functional and operational requirements of the airports themselves. This is considered fundamental to their very existence. Second, the unique role of airports in providing economic and social wellbeing, albeit I note there is no reference to commercial activity as a core basis to achieving this.
- 4.6** The purpose provides no definitive link between airports and non-aviation related commercial activity to achieving the AMUZ's purpose. In this regard, they are a 'nice to have' rather than a fundamental driver of the airport's existence.

Non-aviation commercial activity at Wanaka Airport

- 4.7** In my experience in assessing the potential for non-aviation commercial activity² within airport zones, development potential and opportunities need to be carefully managed due to the scale of land typically involved (i.e. large land holdings giving rise to large scale development potential). Airport zones have the potential to undermine the commercial network of the cities or towns in which they are located by potentially diverting retail and office activity growth from centres. Wanaka Airport is no different.
- 4.8** Queenstown and Wanaka Airports are vastly different beasts at present in terms of scale and function. Queenstown Airport is a fast growing international airport and a primary travel gateway into and out of the Queenstown Lakes District (**District**). It is also a tourism service hub in relation to scenic flights (helicopters and fixed wing aircraft) and transport to and from exotic / remote visitor destinations, and an important (and burgeoning) air freight hub for the District.
- 4.9** Wanaka, on the other hand, is a small scale airport zone for small aircraft that tend to have a local and tourism focus only. I understand domestic travel options with Air New Zealand could potentially be realised, but the extent of this is not known, albeit that it would be significantly smaller in terms of passenger throughput compared to Queenstown Airport. This means that the source of commercial demand in Wanaka is more distant than that of Queenstown Airport.
- 4.10** There are also important locational differences that require consideration. Queenstown Airport is located in a high growth urban setting, within the Queenstown Urban Growth Boundary, whereas Wanaka Airport is located in a more isolated rural environment some distance from the urban area of Wanaka itself. This means that the source of commercial demand in Wanaka is more distant than that of Queenstown Airport.

² Auckland International Airport, Christchurch International Airport, Wellington International Airport, Palmerston North Airport, Hamilton Airport.

- 4.11** In considering these high level differences, the level of non-aviation related commercial activity enabled at Wanaka Airport should be kept to a minimum. It would be inefficient to satisfy such demand at Wanaka Airport (i.e. with the demand source derived from Wanaka's urban areas, the supply is more efficiently provided closer to that demand source in Wanaka itself). I understand future growth in Wanaka is proposed to be focused within the Wanaka Urban Growth Boundary notified in the PDP. This means that growth in retail and commercial demand is more appropriately accommodated in Wanaka itself, rather than the airport locale.
- 4.12** As such, demand for non-aviation commercial activity at Wanaka Airport is likely to be very low, and simply reflect the generated demand predominantly from localised airport business activity. The provision for non-aviation commercial (retail and office) activity should in my view be small at less than 1,000sqm GFA in total, with an individual tenancy cap of 100sqm GFA, have a convenience activity focus, and predominantly food and beverage. Such a provision would in effect 'feed and water' employees and visitors to Wanaka Airport, which by default is ancillary to the aviation related activity occurring at Wanaka Airport.
- 4.13** Such a limited provision would have no consequential retail economic or commercial effects on Wanaka's commercial centres, whilst at the same time providing some flexibility for Wanaka Airport to provide some small scale retail, commercial service or office activity to support Wanaka Airport's operations and employment base.

Definition of 'Airport Related Activity Wanaka Airport'

- 4.14** I am generally comfortable with the recommended definition of 'Airport Related Activity Wanaka Airport'.

- 4.15 I support the words "and ancillary to the use of the airport" as in my view they provide a cleaner provision and more clarity around the intent of the definition focusing on activities that support the operation and function of the airport itself.



Timothy James Heath

2 November 2016