



Economic Cost Benefit Analysis of:
Proposed Plan Change, 301 &
303 Buckland Road,
Pukekohe

PREPARED FOR
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CONTENTS

1.	EXECUTIVE SUMMARY	4
2.	INTRODUCTION	6
3.	BUSINESS ZONES IN PUKEKOHE	7
4.	PUKEKOHE CATCHMENT	8
5.	LAND DEMAND ASSESSMENT	9
5.1.	Specific Types of Demand	10
5.2.	Commercial Agent Interviews	11
6.	LAND SUPPLY ASSESSMENT	11
6.1.	General Business and Light Industry Land for Sale in Pukekohe	11
6.2.	General Business and Light Industry Land Capacity in Pukekohe	11
6.3.	Historic Business Land Prices.....	15
7.	REDEVELOPMENT CAPACITY IN THE PUKEKOHE TOWN CENTRE	15
8.	SITE SUITABILITY FOR VARIOUS BUSINESS ZONES.....	18
9.	LARGE FORMAT RETAIL DISTRIBUTION.....	20
10.	LIGHT INDUSTRY & GENERAL BUSINESS ACTIVITY OVERLAP.....	23
11.	PUKEKOHE STRUCTURE PLAN.....	23
12.	EFFICIENT USE OF INFRASTRUCTURE.....	25
13.	ECONOMIC COSTS & BENEFITS	26
14.	DISTRICT PLAN PROVISIONS	27
15.	AUP ZONING PRINCIPLES	28
16.	CONCLUSIONS & RECOMMENDATIONS.....	31
17.	APPENDIX 1: CAR YARDS.....	32
18.	APPENDIX 2: DISTRICT PLAN ZONE OVERLAP	33



1. Executive Summary

Pukekohe has historically been a rural town that services a wide rural (secondary) catchment that extends between southern Auckland and Hamilton.

Pukekohe and its rural catchments are forecast to have rapid population growth, increasing from 68,000 in 2018 to 100,000 by 2038. This rapid population growth will generate demand for additional business zone land. To put this into context, Whangarei presently has a population of 80,000.

On average there is 27.8m² of General Business and Light Industry land per capita in Auckland. Pukekohe has 15.8m² of General Business and Light Industry land per capita, slightly lower than the regional average.

Pukekohe has 108 hectares of General Business and Light Industry zoned land. Land demand is forecast to increase to 133 hectares, an increase of 25 hectares or 23% over the next decade.

There is presently no General Business zone land for sale in Pukekohe.

There is presently one Light Industry zoned site for sale in Pukekohe. This is a large 19,400m² site located at 60 John Street which is currently under contract. It should be noted that the proposed Plan Change is for General Business land rather than Light Industry land, however the General Business does enable some Light Industry activities.

Discussions with several commercial agents that operate in Pukekohe have been interviewed to provide an insight into the day operation of the commercial and industrial land markets. All agents believe there is a definite shortage of commercial, retail and industrial land in Pukekohe. Increasing the supply of this land will promote local employment growth in Pukekohe.

The historic commercial and industrial land prices in Pukekohe were relatively constant over the 1980-2000 period, at around \$100-\$200/m², however since 2000 prices have increased at a rapid rate and are now \$500 - \$1,000/m². This rapid appreciation in prices also indicates a supply shortage of both commercial and industrial land in Pukekohe.

The site is located to the immediate south of the Manukau Road business node. This is the largest business node outside the town centre. It is mostly comprised of a mix of light industry, trade retail and large format retail. There is a conventional range of uses, including car yards, car servicing, wholesale, trade retail and some large format retail along the main road, with some more traditional light industry uses (transport, manufacturing, etc.) on the sites that are set back from the main road (e.g. on Crosbie Road).

The 'zoning principles' that Auckland Council have outlined for General Business land are in broad terms to enable a range of commercial and associated employment activities that are unable or unsuited to locate in centres, for example, trade suppliers and large format retail (with the exception of department stores and supermarkets). These activities should not adversely affect the role and function of centres.



The relevant question is therefore whether there is potential capacity for activities such as trade suppliers, and large format retail in the Pukekohe town centre that would otherwise be likely to establish on the proposed General Business land.

A detailed analysis of the capacity for additional business activity within the Pukekohe town centre has been undertaken. This found that there is practically no remaining capacity for the types of activities envisaged on the proposal property.

By contrast, there is strong demand growth forecast for the types of activities envisaged on the proposal property. For example, there is approximately 80,000m² - 85,000m² of large format retail in Pukekohe, and in this sector, there would be demand for 64,000m² of additional floorspace over the period to 2038.

The Pukekohe town centre is in strong commercial condition, with very low vacancies and strong rental rates. This is most clearly evident from a site visit.

Based on the Auckland Council's cost to service land with bulk infrastructure, the rezoning of the proposed site would utilise existing infrastructure with a value of \$14.0 million (7.9 hectares * \$1.3 million = \$10.3 million). Practically, the proposal property is one of the largest undeveloped sites in Pukekohe that is presently serviced with bulk infrastructure. This is a substantial economic benefit to weigh up in the rezoning decision. Pukekohe has historically been a rural town that services a wide rural (secondary) catchment that extends between southern Auckland and Hamilton.



2. Introduction

This report provides an assessment of the economic costs and benefits for a Proposed Plan Change (the “proposal”) of 7.9 hectares of land at 301 & 303 Buckland Road in Pukekohe (the “property”). In particular, the proposal is for 7.9 hectares of General Business zone land.

A practical consideration that arises is the likely composition of uses that would result if the proposal were approved. This is because the General Business zone enable a range of activities.

The following activities are considered likely uses on the proposal property:

General Business zone

- Car yards
- Large format retail, particularly less frequently visited stores such as hardware or furniture
- Trade retail
- Light industry

The main reasons supporting the General Business Zone and its likely uses are:

1. They are a logical extension of the current activity in the Manukau Road business node.
2. They are destination uses because of their infrequent customer visitation. Conversely, frequently visited stores such as department stores are considered less likely.
3. The location is on the southern edge of the town and would be subject to competition from high-visitation stores located ‘up-stream’, i.e. stores that are passed first by residents entering the town from the north.
4. There has been interest expressed from some specific firms in these sectors.

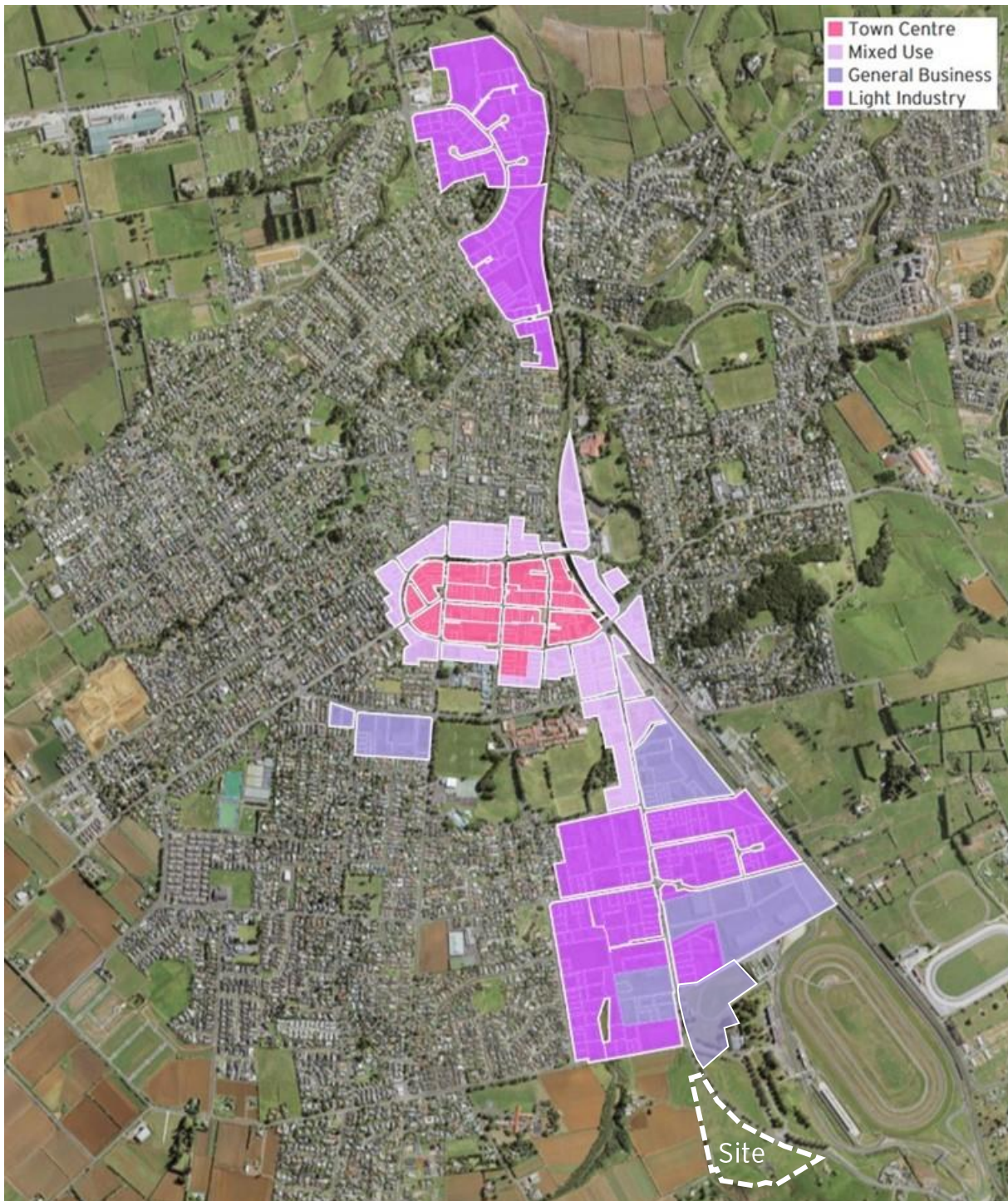
The other potential zone for the site that is considered is the Light Industry zone. This zone enables many similar activities as the General Business zone, and would also provide an expansion of the Buckland Road business cluster, which includes a pattern of both General Business and Light Industry zone land.



3. Business Zones in Pukekohe

Figure 1 outlines the main business zones in Pukekohe. The distribution of business land in Pukekohe is characterised by a Town Centre surrounded by Mixed Use, a northern Light Industry node, and a southern Light Industry and several cluster of General Business land that is interspersed within, and forms part of, the southern business node. There are a number of Large Format retailers that have established in the Manukau Road business node.

Figure 1: Commercial Zone Map

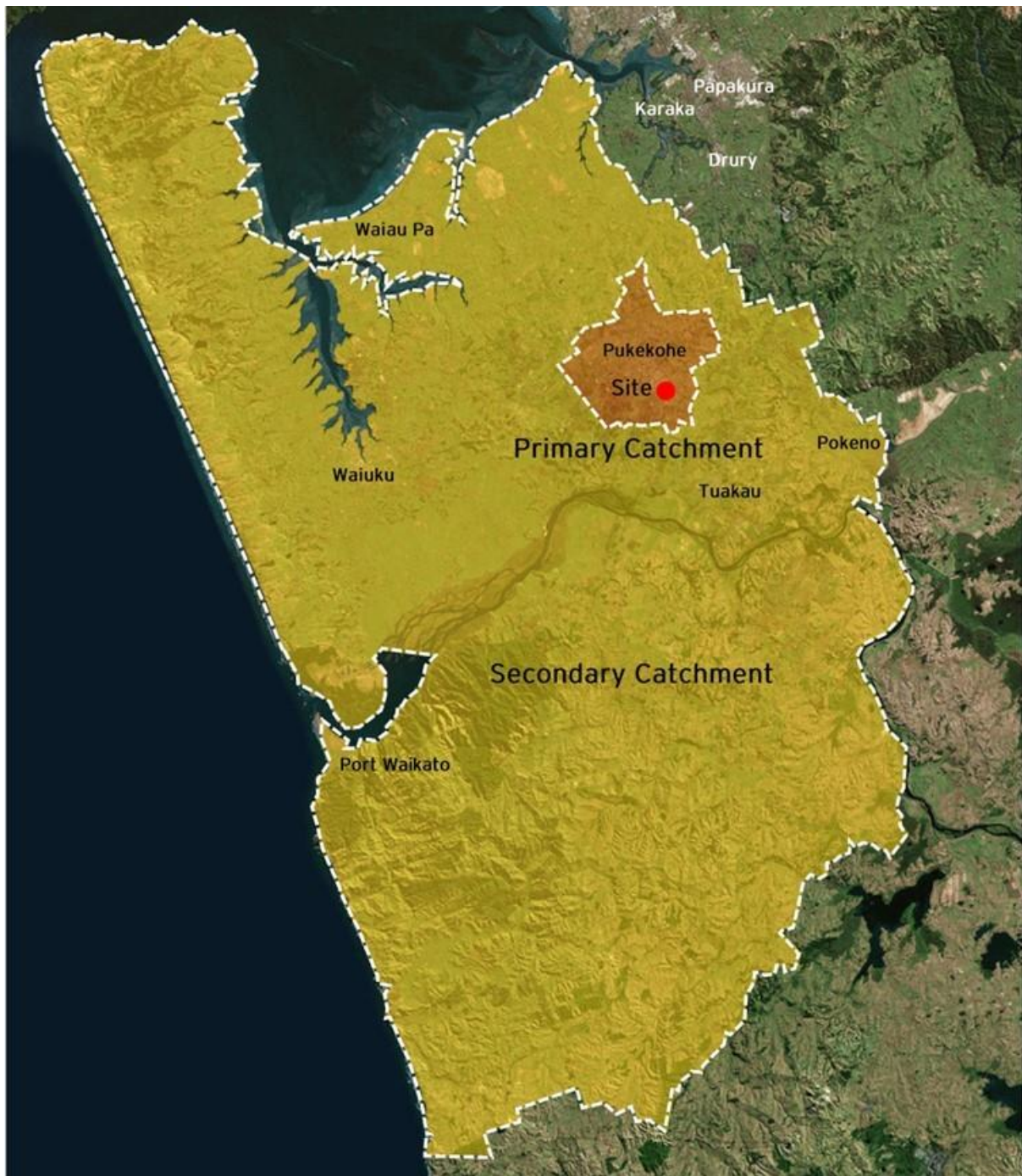




4. Pukekohe Catchment

Pukekohe has historically been a rural town that services a wide rural (secondary) catchment that extends between southern Auckland and Hamilton. These catchments are illustrated below and are used as the basis of analysis in this report.

Figure 2: Catchment Map





5. Land Demand Assessment

The following figure shows the General Business and Light Industry land per capita for Auckland, by ex Territorial Authority area, for various zones. On average there is 27.8m² of General Business and Light Industry land per capita in Auckland. There are however notable variations in this ratio across the City, indicating that each locality has a different business and employment composition. There may also be some overlap between the various zones. Pukekohe has 15.8m² of Commercial zone land per capita, indicating an overall shortage of commercial land in the regional context.

Figure 3: General Business & Light Industry Land Per Capita

Sub-Region	Population 2018	Land (Ha)			Land Per Capita (m ²)		
		General Business	Light Industry	Sub-total	General Business	Light Industry	Sub-total
Auckland Central	537,000	50	720	770	0.9	13.4	14.3
Franklin	58,000	30	220	250	5.2	37.9	43.1
Manukau	421,000	40	1,830	1,870	1.0	43.5	44.4
North Shore	261,000	100	460	560	3.8	17.6	21.5
Papakura	60,000	0	370	370	0.0	61.7	61.7
Rodney	126,000	30	370	400	2.4	29.4	31.7
Waitakere	237,000	30	470	500	1.3	19.8	21.1
Total Auckland	1,700,000	280	4,440	4,720	1.6	26.1	27.8
Pukekohe	68,440	35	73	108	5.1	10.6	15.8

Source: Urban Economics

Figure 4 applies the General Business and Light Industry land per capita ratios to the future populations of the Primary and Secondary catchments to estimate future land demand.

Based on this approach, future demand for General Business and Light Industry land is estimated to be 25 hectares per decade. This means that the current demand for 108 hectares in 2018 will increase by around 33% to 159 hectares by 2038.

As outlined in the next section, there is very little unutilised or vacant General Business and Light Industry land remaining in Pukekohe, and many firms are not able to find suitable land or premises.



Figure 4: Pukekohe General Business & Light Industry Land Demand 2018-2038

Population	2018	2028	2038	2018-2028	2028-2038
Primary	25,550	30,720	36,940	5,170	6,220
Secondary	42,890	53,750	63,640	10,860	9,890
Total	68,440	84,470	100,580	16,030	16,110

Land Demand	2018	2028	2038	2018-2028	2028-2038
General Business	35	43	52	8	8
Light Industry	73	90	107	17	17
Total	108	133	159	25	25

Source: Statistics NZ, Urban Economics

5.1. Specific Types of Demand

Medium and Large Format retail is a key growth area regionally and within Pukekohe. With the Pukekohe population forecast to double over the next few decades, there will be ongoing demand for this type of retail space.

There is potential for new car yards to establish in Pukekohe. Appendix 1 shows the location of car yards in Pukekohe. The main concentrations are around the town centre and at the southern end of Manukau Road, near the property. This site is ideally suited to car yard firms, due to its size, price, profile and proximity to existing car yards. There is also some potential that the car yards around the town centre relocate, over time, to low price land, such as the proposal property. This would free-up land around the town centre for other, more intensive, commercial uses.

Agricultural equipment retailers have similar land requirements to car yards and are considered to be a possible use for the property. As with car yards, there are a number of agricultural equipment retailers along Manukau Road.

Hardware stores, such as Bunnings and Mitre 10, require large flat sites, with a strong profile. They are infrequently visited stores, and therefore do not benefit greatly from being in a central town centre location. As they often require 1.5-2.0 hectares or relatively low price land, this is rarely available in central locations. Given the range of activities along Manukau Road, which include various trade retail and hardware stores, the site is considered to be ideally suited to a hardware store.



5.2. Commercial Agent Interviews

Several commercial agents that operate in Pukekohe have been interviewed to provide an insight into the day operation of the commercial and industrial land markets. The main findings are as follows:

- Agents believe there is a definite shortage of commercial, retail and industrial land in Pukekohe.
- One agent noted that there are no remaining sites for additional large format retail tenants.
- Several agents noted that many purchasers of business land in Pukekohe have a preference for freehold land, however the large majority of industrial land in Auckland is tightly held and is only available for lease/design-build (i.e. Auckland Airport, Hugh Green, James Kirkpatrick Group Limited, etc., do not sell industrial land rather offer lease/design-build). Other similar locations, such as the Stevenson's Quarry and Pokeno, have a similar trend, with many purchasers also having a preference for freehold land. Many businesses choose to locate in these locations to access freehold land. This is a relevant economic consideration, as land ownership offers greater certainty for business operation.

6. Land Supply Assessment

6.1. General Business and Light Industry Land for Sale in Pukekohe

There is presently no General Business zone land for sale in Pukekohe.

There is presently one Light Industry zoned site for sale in Pukekohe. This is a large 19,400m² site located at 60 John Street, however this site is currently under contract. It should be noted that the proposed Plan Change is for General Business land rather than Light Industry land, however the General Business does enable some Light Industry activities.

6.2. General Business and Light Industry Land Capacity in Pukekohe

This section evaluates the availability of other sites in the existing Light Industry and General Business zones that are not currently available for purchase or lease.

For a site to be considered as potential capacity it must be commercially feasible for development¹. This is fundamentally a question of the 'residual land value' of brownfield land. The residual land value is the price a developer would effectively pay for land if the value of the existing building is included in the purchase price and then demolished before the construction of a replacement building.

The following two figures show the residual land value for the Light Industry Land and General

¹ A central concept in the National Policy Statement – Urban Development Capacity.



Business land in Pukekohe. In simple terms, properties coloured green have moderate - high development potential, whereas properties coloured in red have low - no development potential. The figures can be interpreted as follows:

Colour	Residual Land Value	Redevelopment Feasibility
Dark Green	\$0-\$250 / m ²	High
Light Green	\$250-\$500 / m ²	Low-Moderate
Yellow	\$500-\$750 / m ²	Low
Orange	\$750-\$1,000 / m ²	Very-Low
Red	\$1,000 plus / m ²	Infeasible

It is evident from the following two figures that:

- There is 39.6 hectares of Light Industry land that has a residual value of \$500 or less that has a moderate-high redevelopment feasibility. This represents a high proportion (54%), of the total stock of Light Industry land
- There is 10.2 hectares of General Business land that has a residual value of \$500 or less that has a moderate-high redevelopment feasibility. The location of this land is shown in Figure 9 (in green). The majority of the 10.2 hectares is in the Large Format Retail Centres off Wrightson's Way. This centre is however mostly developed.

Figure 5: Residual Land Value of Light Industry Zone

Light Industry Zone				
Residual Land Value (\$/m ²)	Number of Properties	Percentage of Properties	Land Area (Ha)	Percentage of Land Area
Less than \$250	11	5%	13.0	18%
\$250-\$500	58	28%	26.6	37%
\$500-\$750	62	30%	14.9	20%
\$750-\$1,000	59	28%	15.7	22%
\$1,000 Plus	20	10%	2.5	3%
Total	210	100%	72.8	100%

Source: Corelogic, Urban Economics



Figure 6: Residual Land Value of General Business Zone

General Business Zone				
Residual Land Value (\$/m ²)	Number of Properties	Percentage of Properties	Land Area (Ha)	Percentage of Land Area
Less than \$250	1	2%	0.1	0%
\$250-\$500	9	16%	10.1	29%
\$500-\$750	12	21%	7.0	20%
\$750-\$1,000	10	18%	9.9	28%
\$1,000 Plus	24	43%	8.0	23%
Total	56	100%	35.2	100%

Source: Corelogic, Urban Economics

Based on the assessment of vacant and other Light Industry and General Business zone land in Pukekohe, it is concluded that there is insufficient capacity presently available to meet market demand.

Figure 7: Residual Land Value Light Industry Zone (North Block)





Figure 8: Residual Land value Light Industry Zone (South Block)

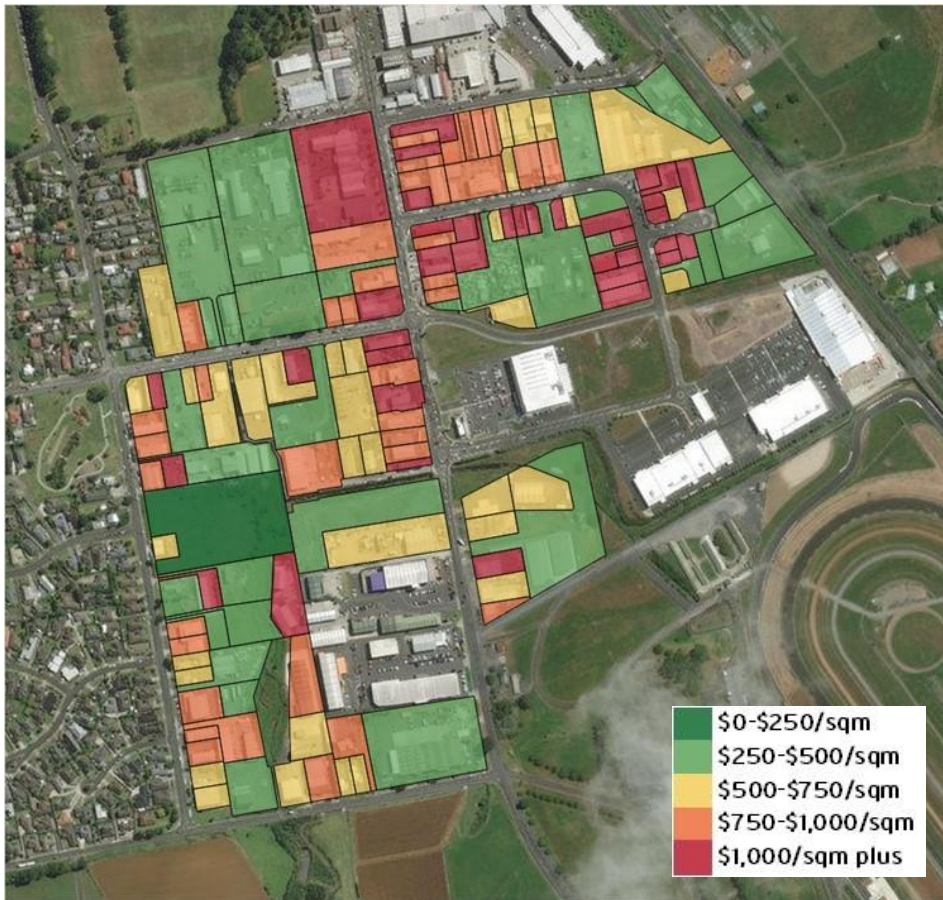


Figure 9: Residual Land Value General Business Zone





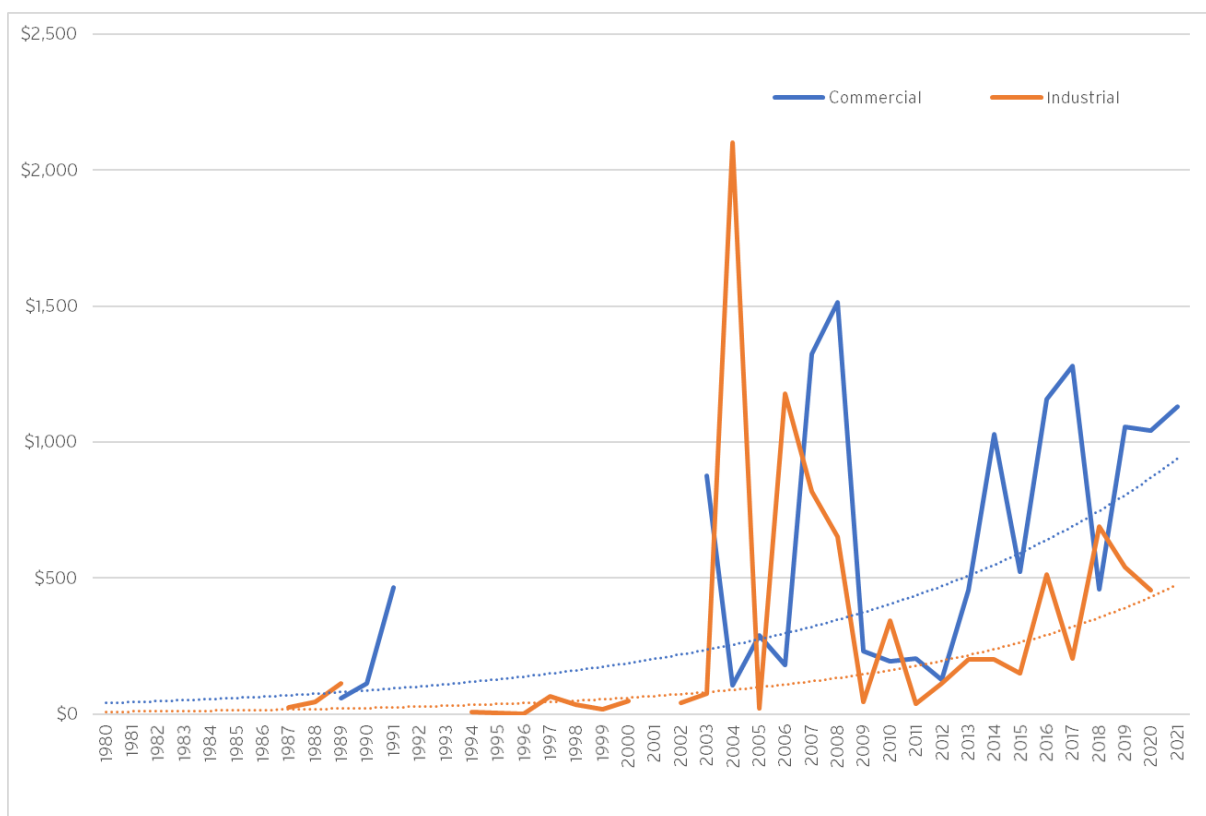
6.3. Historic Business Land Prices

The following figure shows the historic commercial and industrial residual land values for Pukekohe.

It is evident that prices were relatively constant over the 1980-2000 period, at around \$100-\$200/m², however since 2000 prices have appreciated at a rapid rate and is now \$500 - \$1,000/m².

This rapid increase in prices indicates a supply shortage of both commercial (i.e. General Business) and industrial (i.e. Light Industry and to an extent General Business) land, relative to demand.

Figure 10: Commercial & Industrial Residual Land Values (per sqm) 1980-2021



Source: Corelogic

7. Redevelopment Capacity in the Pukekohe Town Centre

This section evaluates the existing for large format retail (being the main commercial activity enabled within the General Business zone) to occur within the Pukekohe Town Centre is assessed using a 'residual land value' analysis. The residual land value is the price a developer would effectively pay for land if the value of the existing building is included.

The following figure shows the residual land value of commercial properties within the Pukekohe Town Centre zone. In simple terms, the properties that are coloured green and yellow have high to low-moderate redevelopment potential. Red and orange properties would not be commercially



feasible for redevelopment, as the cost to purchase them and demolish the existing building is prohibitive. The figure can be interpreted as follows:

Colour	Residual Land Value	Redevelopment Feasibility
Dark Green	\$0-\$250 / m ²	High
Light Green	\$250-\$500 / m ²	Low-Moderate
Yellow	\$500-\$750 / m ²	Low
Orange	\$750-\$1,000 / m ²	Very Low
Red	\$1,000 plus / m ²	Infeasible

Figure 11: Pukekohe Town Centre Zone Residual Land Value Map



Source: Auckland Council Rating Database, Urban Economics

As shown in the figure the majority of the Pukekohe Town Centre would be commercially infeasible for redevelopment for large format retail. There are however several “blocks” which may have development potential.

The “blocks” shown in the following figure have been assessed to identify their practical suitability for large format retail development.

Practical constraints may include for example a public use of the property such as a school or church, site size or dimension constraints, and the financial and practical difficulty of amalgamating several sites.



Figure 12: Pukekohe Town Centre Zone Residual Land Value Map



Block 1 is approximately 7,000m² and consists of several sites containing large commercial buildings. This block has already been developed and is therefore unavailable.

Block 2 is approximately 4,500m² and has low feasibility for commercial redevelopment. The block contains three residential dwellings and two commercial buildings. The block may have potential for redevelopment. However, this would require the amalgamation of 5 sites, which may be difficult and costly.

Block 3 is approximately 4,500m² and contains the Pukekohe War Memorial Hall and RSA Franklin. It is very unlikely that the site would be available for redevelopment due to its current use.

Block 4 is approximately 6,800m² and is occupied by two significant areas of public car parking and two commercial buildings. Areas of public carparking are not typically available for redevelopment, unless alternative parking options can be created elsewhere. Due to the size and shape of the block, the block is considered feasible for the placement of a small number of small - medium sized retail outlets, likely no larger than 500m². The block is therefore considered to be a difficult proposition for redevelopment.

Block 5 is approximately 4,400m² and is occupied by a large public carpark. As noted above carparks are typically unavailable for redevelopment and therefore this block is considered to be unlikely to be able to be developed.

Block 6 is approximately 2,500m² and is parking for the adjacent Countdown. It is therefore unavailable for redevelopment.

The analysis of the commercial and practical feasibility for redevelopment of the Pukekohe Town



Centre indicates there is very little or no potential for new large format retail development within the town centre.

8. Site Suitability for Various Business Zones

This section evaluates the site suitability for various potential business zones, given its locational characteristics.

There are two key economic factors to evaluate in respect of the optimal business zone for the site. These are the potential adverse effect on the commercial performance of the town centre, and whether there is market demand for the range of activities generally enabled by the proposed zone. The results of this analysis are outlined in Figure 13.

The main points to note are:

- The centre zones would have a potential adverse effect on the town centre and are therefore not suitable for the site.
- There is no/little demand for Business Park zone activities (i.e. an office park) in this location and it is therefore not a suitable zone for the site.
- The General Business zone enables a range of retail, commercial and industrial activities. These would not have any potential adverse effects on the town centre. There are several notable clusters of General Business zone land in the Manukau Road Business node, and the proposal would therefore provide a natural extension of this cluster. The General Business zone is therefore a suitable zone for the site.
- The Manukau Road Business node includes a significant cluster of Light Industry zone land. This zone would form a natural extension of this cluster. The Light Industry zone is therefore a suitable zone for the site.
- Heavy Industry zone land is not considered suitable.
- The General Business and Light Industry zones are the only two business zones considered suitable for the site.



Figure 13: Evaluation of Economic Factors of Business Zone Options

Zone	Potential Adverse Impact on Town Centre Retail Function	Market Demand
City Centre	Yes	No
Metropolitan Centre	Yes	No
Town Centre	Yes	No
Local Centre	Yes	Yes
Neighbourhood Centre	Yes	Yes
Business Park	No	No
Mixed Use	Yes	Yes
General Business	No	Yes
Light Industry	No	Yes
Heavy Industry	No	Yes

Source: Urban Economics

The site is located at the southern boundary of the Manukau Road Business Node. This is the largest business node outside the town centre and is mostly comprised of light industry, trade retail and large format retail. It has a conventional range of uses, including car yards, car servicing, wholesale, trade retail and some large format retail along the main road, with some more traditional light industry uses (transport, manufacturing, etc.) on the sites that are set back from the main road (e.g. on Crosbie Road). This existing pattern of activity also supports either the General Business or Light Industry zones for the site.

The General Business zone allows some Light Industry uses and a range of other uses, most notably large format retail uses. The General Business zone therefore provides a greater flexibility to respond to market demand (i.e. it can respond to demand for light industry and large format retail). This additional flexibility would support the optimal development of the site and elevates General Business over the Light Industry as the optimal zone for the site.

The Pukekohe-Paerata Structure Plan raises the potential for a substantial addition to the business zones, particularly the Industrial zones. It is however uncertain when this will occur, and it could be several years at least. There is presently an acute shortage of both Light Industry and General Business zone land in Pukekohe, and the provision of additional land, albeit a relatively small quantity, would help meet this demand in the interim period before the Pukekohe-Paerata Structure Plan (and subsequent Plan Change) enables additional land to be released to the market.



9. Large Format Retail Distribution

This section provides an analysis of the distribution of existing large format retail in Pukekohe. The following figures show distribution and store types for existing large format retail stores in Pukekohe. This demonstrates that the Manukau Road Business Node is the main cluster of Large Format Retail in Pukekohe, and it is therefore the optimal location for additional Large Format Retail, due to the agglomeration benefits that can be expected (i.e. efficiency for shoppers to visit several shops in one location).



Figure 14: Large Format Retail Map



Source: Various, Urban Economics



Figure 15: List of Stores by Location

Number	Store	Store Type
1	Placemakers	Trade Supplier
2	New World	Supermarket
3	Countdown	Supermarket
4	Farmers	Department
5	Farmlands	Trade Supplier
6	Pak'n'save	Supermarket
7	Bunnings Warehouse	Trade Supplier
8	Kathmandu	Clothing
	Repcos	Motor Vehicle Parts
	Warehouse Stationery	Other
	Lighting Plus	Trade Supplier
	Number One Shoes	Clothing
	Postie	Clothing
	Boneyard	Clothing
	Mico Plumbing	Trade Supplier
9	Cracker Jack	Discount
	Computer Food	Electronic Goods
	Home & Kitchen	Furniture & Houseware
	Storage Box	Furniture & Houseware
10	Mama Africa	Grocery
	The Warehouse	Department
	Bed Bath & Beyond	Furniture & Houseware
11	Beds R Us	Furniture & Houseware
	Countdown	Supermarket
12	Furniture Now	Furniture & Houseware
	Stihl Shop	Trade Supplier
	Perfect Air	Trade Supplier
	Flooring Xtra	Trade Supplier
13	Guthrie Bowron	Trade Supplier
	Mitre 10 Mega	Trade Supplier
14	Harvey Norman	Electronic Goods
	Hunting & Fishing	Recreational Goods
	Noel Leeming	Electronic Goods
15	Briscoes	Furniture & Houseware
	Rebel Sport	Recreational Goods
16	Spotlight	Furniture & Houseware
	Bedpost	Furniture & Houseware
17	Wrightsons	Trade Supplier
	Carpet Court	Furniture & Houseware
	Cory's Electrical	Trade Supplier
	Plumbing World	Trade Supplier
	Horticulture	Trade Supplier
18	RD1	Trade Supplier
	Fresh & Save	Grocery
19	ITM	Trade Supplier

Source: Urban Economics



10. Light Industry & General Business Activity Overlap

The Light Industry and General Business zones allow a wide range of commercial and industrial activities, with considerable overlap between the two. Appendix 2 displays the commercial and industrial permitted and restricted discretionary activities. The activities that are permitted and restricted discretionary in both zones are highlighted in yellow. The key activity overlaps to note are:

- Industrial activities,
- Trade suppliers, and
- Motor vehicle sales.

An important implication is that the General Business zone also enables several of the major activities enabled by the Light Industry zone, when considered in terms of total demand. For this reason, the General Business zone can also be used to a large extent to provide for industrial activities. The practical implication is that if the General Business zone is applied to the site, it could provide for a range of activities, including a large proportion of those activities otherwise enabled by the Light Industry zone.

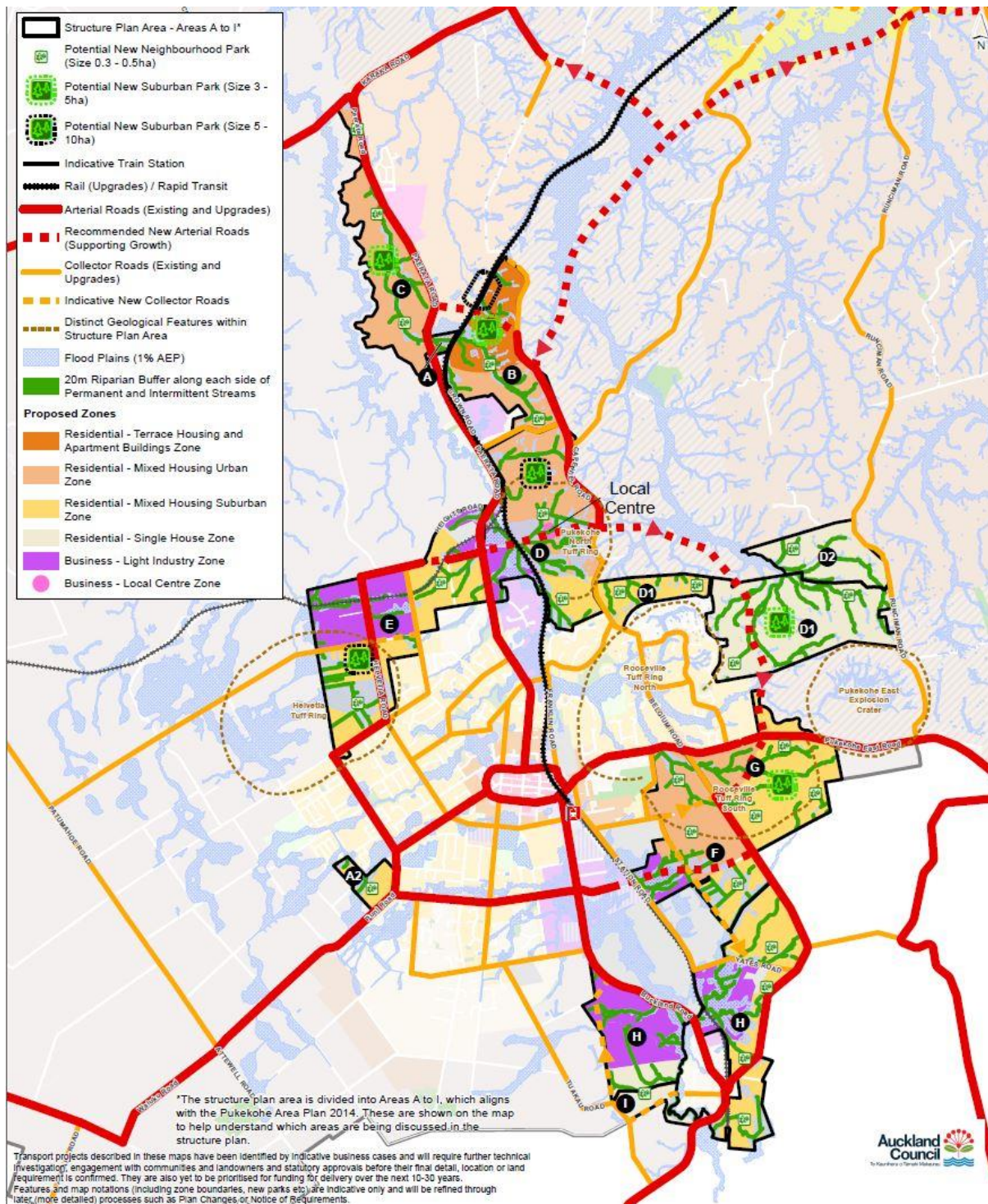
11. Pukekohe Structure Plan

The following figure displays the Pukekohe-Paerata Structure Plan. This identifies a significant expansion southward of the Manukau Road Business Node, with approximately 90 hectares of additional Light Industry zone land noted as “H”.

It is worth noting that the structure plan identifies a large amount of additional Light Industry zone land, one small additional Local Centre in the north, and no other additional business zone land. This raises some potential prima facie issues, for example, given the approximately doubling of the Pukekohe population, there will be a need for additional centre zone and General Business zone land, roughly in proportion to this growth, and this is likely to lead to significant shortages as the population grows. It is unlikely, for example, that the town centre can double in size in its current location, given the zoning and current land uses. This will lead to some need for additional centre zone land elsewhere.



Figure 16: Pukekohe-Paerata Structure Plan 2019 Map



Source: Auckland Council



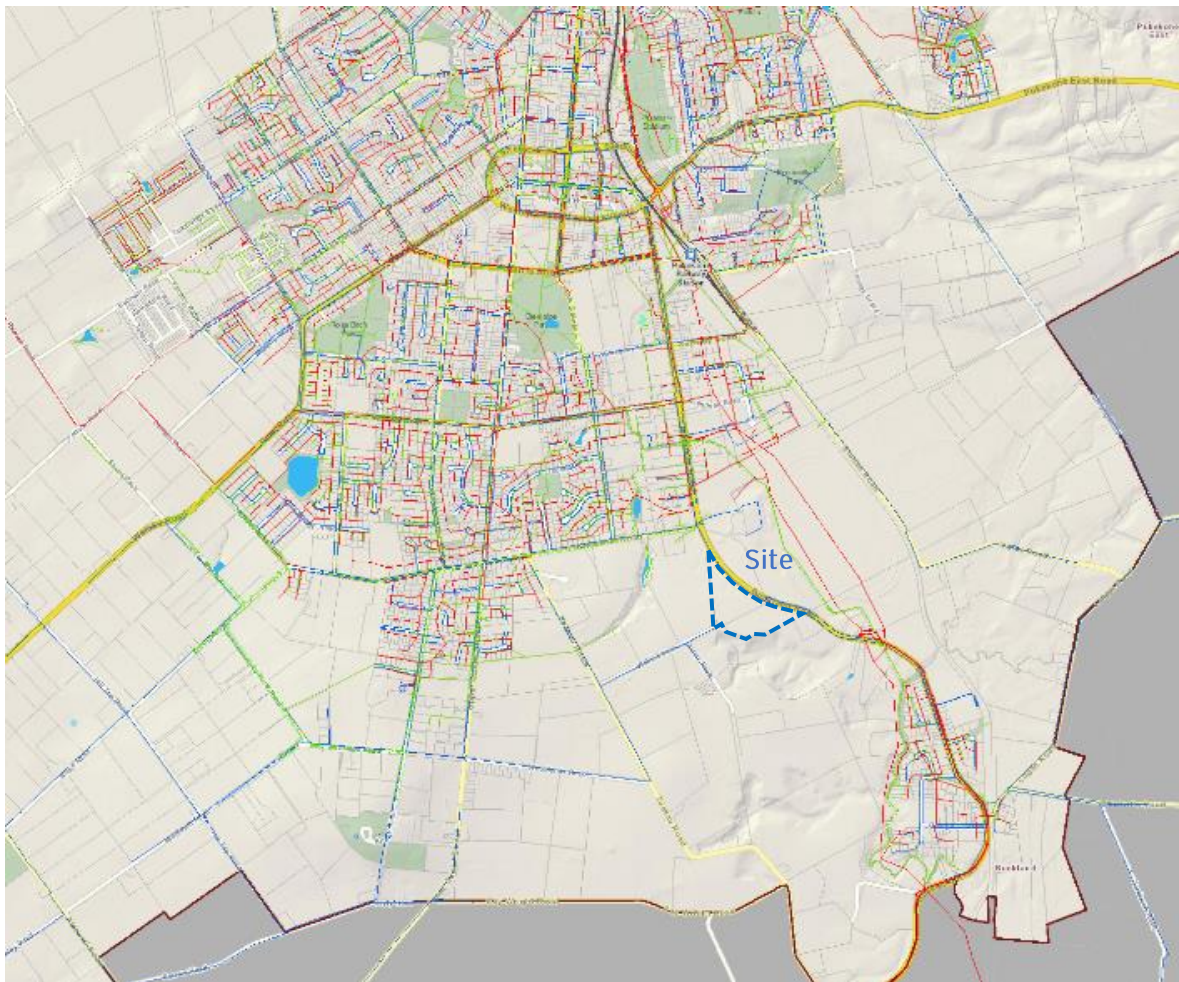
12. Efficient Use of Infrastructure

Auckland Council estimate that the City requires \$19.9 billion of expenditure on the infrastructure network for future urban areas (Auckland Future Urban Land Supply Strategy, July 2017, page 20). This equates to expenditure of \$1.3 million per hectare of land (15,000 hectares / \$19.9 billion = \$1.3 million).

The site presently has access to bulk infrastructure available in south Pukekohe, as shown in the following figure.

Based on the Auckland Council's cost to service land with bulk infrastructure, the rezoning of the site would utilise existing infrastructure with a value of \$10.3 million (7.9 hectares * \$1.3 million = \$10.3 million). This is a substantial economic benefit to weigh up in the rezoning decision.

Figure 17: Infrastructure Map





13. Economic Costs & Benefits

The following provides a summary of the economic costs and benefits for the proposal.

As there are many significant economic benefits, and no economic costs, it can be concluded with a high degree of certainty that the proposal has a significant economic net benefit. The key economic benefits to note are:

- The proposal would increase the supply of general business land by approximately 22% of existing supply, and 50% of future general business zone demand. This contributes significantly to the capacity for the town to accommodate the expected population growth.
- The proposal would utilise existing bulk infrastructure with a value of \$10.3 million, which is a substantial economic benefit.
- The proposal will provide access to services and employment and allow people to 'live and work' within the town, contributing towards the self-sufficiency identified by the Council for rural towns.
- The proposal site is optimally located for the town's southern commercial expansion, which will encourage the establishment of new local businesses while reducing the pressure on existing business land in Pukekohe. Both Light Industry and General Business zoned land are suitably located as a southward expansion of the existing Buckland Road Business Cluster.

The key economic costs to note are:

- The potential trade competition and related economic effects on the town centre are addressed when the rapid rate of demand growth is considered. There is approximately 80,000m²-85,000m² of large format retail in Pukekohe, and in this sector, there would be demand for approximately 64,000m² of additional floorspace over the next 2 decades. This rate of growth however, offsets any competitive impact on the town centre.



14. District Plan Provisions

The main economic consideration for the proposal is its potential impact on the town centre.

It should be first noted that the General Business zone is specifically designed to only enable activities that do not impact the commercial performance of the town centre, as follows.

Business - General Business Zone Objectives

(6) A range of business activities outside centres are provided for, while ensuring activities within the zone do not compromise the function, role and amenity of centres.

Business - General Business Zone Policies

(16) Enable a range of business activities, including large format retail, trade suppliers, light industry and small service activities that are either:

(a) difficult to accommodate within centres due to their scale and functional requirements;

(b) more appropriately located outside of the Business - City Centre Zone, Business - Metropolitan Centre Zone or Business - Town Centre Zone; or

(c) already established in locations where they are able to continue.

(17) Avoid commercial and retail activities of a scale and type locating within the zone that will compromise the function, role and amenity of the Business - City Centre Zone, Business - Metropolitan Centre Zone and Business - Town Centre Zone beyond those effects ordinarily associated with trade effects on trade competitors.

With regard to the core office and retail activities that may otherwise occur in a centre zone, the main points to note are:

1. **Department Stores and Supermarkets** are Restricted Discretionary activities. These are the main anchor tenants for town centres. They need to be assessed in respect of the "...expected future function, role and amenity of other Centre zones..." (H14.8.1(2)(c)). A proposed Department Store or Supermarket on the property could therefore be either approved or declined based on the competitive impact on the town centre, or in terms of whether it is consistent with the objectives to not compromise the function, role and amenity of town centre. The General Business zone is therefore considered to include a suitable mechanism for ensuring the function and role of the town centre is supported and not compromised.
2. **Retail up to 200m²** is Non-Complying. This provision ensures a local, neighbourhood or town centre, which rely on many smaller stores, cannot establish.
3. **Retail greater than - 450m²** is Permitted. However, in H14.8.1(5), any large format retail greater than 1,000m² needs to be assessed in terms of its effects on the town centre. Therefore, in regard to large format retail, only non-supermarket or department store between 450m² and 1,000m² in size, is Permitted. This is considered to be a very small area of the market, as most retail tenants require smaller specialty store of less than 450m² or large format stores of greater than 1,000m² in size. As there is little market demand for



stores of this size, it is considered highly unlikely that there would be any significant development of this type of retail, and therefore no potential adverse effects on other centres are anticipated.

4. **Retail of 200m² – 450m²** is Discretionary. This provision ensures a local, neighbourhood or town centre cannot establish. These activities would be subject to the same assessment of effects outlined in point 1 above, which is considered to include a suitable mechanism for ensuring the function and role of the town centre is supported and not compromised.
5. **Offices up to 500m²** are Permitted, at a rate of one per site. This could in theory lead to a relatively large quantity of office floorspace. However, there is very little demand for office space in this part of Pukekohe, as there is a clear preference for office space in the town center, and no notable existing office space on business zone other properties along Manukau Road. It is considered highly unlikely that there would be any significant development of this type of office, and therefore no potential adverse effects on other centres are anticipated.
6. **Offices greater than 500m²** are Discretionary. These activities would be subject to the same assessment of effects outlined in point 1 above, which is considered to include a suitable mechanism for ensuring the function and role of the town centre is supported and not compromised.

The remaining Permitted business and community activities are not considered to be core town centre activities, and therefore do not present any potential for adverse competitive impacts on the town centre.

15. AUP Zoning Principles

Mr John Duguid, General Manager Plans and Places at Auckland Council, outlined the “zoning principles” for allocating the various business zones in his evidence to the Auckland Unitary Plan Independent Hearing Panel in 2015. The zoning principles Mr Duguid outlined for the General Business zone are as follows:

“General Business Zone

18.45 The General Business zone provides for business activities that may not be appropriate for, or are unable to locate in, centres. This includes activities ranging from light industry to large format retail and trade suppliers. This zone also enables limited office activities.

18.46 In the Council's evidence for Topics 051-054, amendments proposed to the General Business zone policies clarify that although this zone is located primarily in areas close to the City Centre, Metropolitan or Town Centre zones, it is applied “in other areas where appropriate”.⁵⁷ The activity status for large format retail (greater than 450m²) is also proposed to be amended from a Restricted Discretionary activity to a Permitted activity, to recognise that the zone has been applied to existing cohesive areas of large format retail.



18.47 The Council's adopted zoning principle is to primarily apply this zone to existing areas of large format retail within close proximity to the city centre, metro centres or town centres. The Council's position, supported by the Council's evidence for Topics 051-054, is that the future application of this zone should be limited, as commercial activity is expected to locate within and reinforce the roles of the city centre, metropolitan centres and town centres. Chapter B3.1 Policies 7 and 8 are relevant to submissions seeking changes to the spatial application of the General Business zone."

Before the Auckland Unitary Plan Independent Hearings Panel, Statement of Primary Evidence of John Michael Duguid on behalf of Auckland Council, (Zoning), 3 December 2015, emphasis added.

The General Business zone is therefore to enable activities that are unable to locate in centres, most notably large format retail and trade suppliers, however with the important qualification these activities are primarily intended to locate in centres, to support their role. This principle is also outlined in Objective 6 of the General Business zone:

"A range of business activities outside centres are provided for, while ensuring activities within the zone do not compromise the function, role and amenity of the centre."

The General Business zone therefore appears to be based around a conventional centres-first policy. The relevant question is therefore whether there is potential capacity for large format retail and trade suppliers in the Pukekohe town centre that would otherwise be likely to establish on the proposed General Business zone.

The General Business zone permits retail stores of 450m² or greater, with the specific exception of supermarkets (which require an economic impact assessment on other centres). The General Business zone therefore enables a range of large format retail and trade supplies stores. For example, see Figure 14, which shows the large format retailers currently represented in Pukekohe.

These stores range in size from 1,000m² to 10,000m² and require sites of 3,000m² to 3 hectares. The sites, including any existing buildings, also need to be priced at less \$500/m² in general, to enable development that is commercially feasible².

In terms of demand for large format retail and trade suppliers, the Pukekohe population is forecast to have rapid growth, of an approximate 50% increase over the next two decades. This will have at least a 50% increase in the demand for large format retail.

There is approximately 52,500m² of large format retail in Pukekohe, and in this sector there would be demand for 25,000 – 30,000m² of additional floorspace over the period to 2038. This rapid rate of demand growth would offset any competitive impact on the town centre within a short time period.

More generally, the town centre is in very strong commercial condition, with very low vacancies and

² Retailers have rent ceilings based on their turnover and this generally means developers are only able to develop low-mid priced land for this type of tenant.



strong rental rates. This is most clearly evident from a site visit.

Figure 14 shows the distribution of large format retail in Pukekohe, and notably a large amount of this is in the Manukau Road Business Node area. This is commonly the case where town centres are comprised of smaller parcels that are not able to be easily aggregated and redeveloped for large retail stores.

The proposed General Business zone would enable additional large format retail in the Manukau Road area. This would add to the existing critical mass of large format retail in the Manukau Road area and would offer co-location of agglomeration economies. In practical terms, consumers would be able to easily visit 2-3 stores in one trip and compare goods before making a purchase. Under this scenario, retailers are more likely to compete for customers in terms of product range, price and service.

In summary, the proposed General Business zone meets the zoning principles established by Mr Duguid, in particular it would enable a range of commercial activities that “may not be appropriate for, or are unable to locate in, centres”.

This zoning principle aligns with the commensurate economic principle. Namely, that commercial activities should occur in centres, however if there is no capacity in centres, they should be able to occur elsewhere. This ensures the land and premise needs of businesses are met in full. It is worth noting that the centres-first approach was agreed by economists during the AUP review process as a central principle for the distribution of commercial activities:

“Further capacity for retail development may be required as a last option (where the role and function of centres would not be undermined) in other locations that cannot be met in preferred alternatives. This should be accommodated only as a discretionary activity so that a full assessment of the effects to determine the appropriateness of the activity can be undertaken. (page 17, Expert Conference Joint Statement for hearing topics 051-054 Centre Zones, Business Park and Industries zones, Business Activities and Business Controls On Matters relating to the Identification of Locations for Further Future Retail Development Date: 29 July 2015, emphasis added)

This approach was agreed by the following experts:

- *Greg Akehurst, ME Spatial Ltd*
- *Douglas Fairgray, ME Spatial Ltd*
- *Susan Fairgray, Auckland Council Ltd*
- *Tim Heath, Property Economics Ltd*
- *Robert Philpott, McDermott Miller Ltd*
- *Mark Tansley, Market Place Ltd*
- *Adam Thompson, Urban Economics Ltd*



16. Conclusions & Recommendations

The site is relatively small (7.9 hectares) and represents a small expansion to Pukekohe's business land supply. This economic assessment has been prepared with a level of detail that reflects the scale of the proposed land use.

There is also a requirement for specific activities that may occur on the site to be assessed in terms of their impacts (if any) on the town centre at the Resource Consent stage³. This means that a detailed assessment of the effects of a wide range of activities on the site is not required for this report.

Based on the research in this report it is concluded that the proposal would have significant economic benefits and no economic costs.

The proposal is recommended for approval.

³ Based on the comments of Mr Robert Scott.



17. Appendix 1: Car Yards

Figure 18: Car Yard Location in Pukekohe



Source: Google



18. Appendix 2: District Plan Zone Overlap

The following tables display the permitted and restricted discretionary commercial and industrial activities in the respective zones. It is important to note that these zones are relatively interchangeable in nature as there is a significant overlap in what is allowed in each zone, which has been outlined in yellow in the tables. The key overlaps to note are:

- Industrial activities,
- Trade suppliers,
- Motor vehicle sales, and
- Food and beverage.

Figure 19: General Business Activity Table

Zone	Activity	Status
General Business Zone	Commercial Services	P
	Department Stores	RD
	Drive-through Restaurants	P
	Entertainment Facilities	P
	Food and Beverage	P
	5+ Food and Beverage activities part of integrated development	RD
	Garden Centres	P
	Marine Retail	P
	Motor Vehicle Sales	P
	Offices up to 500m ² GFA per site	P
	Retail greater than 450m ² GFA per tenancy	P
	Service Stations	RD
	Supermarkets Greater than 450m ²	RD
	Trade Suppliers	P
	Industrial Activities	P

Source: Auckland Unitary Plan, Urban Economics



Figure 20: Light Industry Activity Table

Zone	Activity	Status
Light Industry Zone	Dairies up to 100m ² GFA	P
	Drive-through Restaurant	P
	Food and beverage up to 120m ² GFA	P
	Garden Centres	P
	Garden Centres within 100m of Heavy Industry Zone	RD
	Motor Vehicle Sales	P
	Motor Vehicle Sales within 100m of Heavy Industry Zone	RD
	Marine Retail	P
	Marine Retail within 100m of Heavy Industry Zone	RD
	Offices up to 100m ² GFA	RD
	Offices accessory to primary activity on site	P
	Offices accessory to primary activity on site exceeding 30% of buildings	RD
	Retail accessory to industrial activity no more than 10% of buildings	P
	Service Stations	P
	Show Homes	P
	Trade Suppliers	P
	Industrial Activities	P
	Wholesaler	P
	Storage and Lock-up facilities	P

Source: Auckland Unitary Plan, Urban Economics