



Economic Cost-Benefit Analysis of:  
Proposed Mixed Use zone for  
1, 3, 5, 7, 10 and 12 Florence  
Carter Avenue, Flatbush

PREPARED FOR  
James Kirkpatrick Group Limited



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#### **Development Advisory**

We provide development planning and costing advisory services to support small and large-scale developments.

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P: 09 963 8776

5b Crummer Road, Ponsonby, Auckland

adam@ue.co.nz

www.ue.co.nz



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# 1. Executive Summary

The properties at 1, 3, 5, 7, 10 and 12 Florence Carter Avenue (the “site”) have a Resource Consent for 65,000m<sup>2</sup> of commercial space. This is a mixed-use development comprised of:

- 12,000m<sup>2</sup> of ground level retail space,
- 11,000m<sup>2</sup> of upper level office space or similar use
- 7,000m<sup>2</sup> of motel space, and
- 35,000m<sup>2</sup> of hotel and conference centre space.

This mix of activities is the permitted baseline.

The proposal is to apply the Mixed Use (“MU”) zone to the site (the “proposal”). This initially raises the practical question of what will likely be built on the site and the extent that this may exceed or differ in scale or composition to the consented baseline. The subsequent question then arises of whether there are any economic effects from the proposal, for example on the performance of existing centres<sup>1</sup>.

The permitted baseline for the site includes 12,000m<sup>2</sup> of retail space. In the MU zone retail stores of up to 200m<sup>2</sup> GFA are permitted. Based on a conventional at grade development yield of 35%, 33,000m<sup>2</sup> of retail space could occur on the site under the MU zone, around three times the permitted baseline. When combined with the retail on the balance of the JKGL site (2, 4, 6 and 8 Florence Carter Avenue) the proposal could result in a total of around 45,000m<sup>2</sup> of retail GFA, the scale of a small sub-regional shopping centre such as Glenfield Mall.

The MU zone provisions do not in themselves enable a large shopping centre to establish, as only smaller retail stores are permitted and sub-regional retail centres require a number of larger anchor tenants, most notably department stores. However, the proposed MU zone in combination with the retail enabled by the permitted baseline could result in a large sub-regional centre establishing on the site, and this would potentially have adverse economic effects, particularly on the Ormiston Town Centre.

A retail GFA cap is common mechanism to address such potential economic effects. Given the permitted baseline of 12,000m<sup>2</sup> of retail space, it is recommended that a retail GFA cap of 15,000m<sup>2</sup> is applied to the site. The net difference between the consented baseline for retail GFA and the recommended retail cap, of 3,000m<sup>2</sup>, would not have any discernible economic effect on existing centres.

The permitted baseline for the site includes 11,000m<sup>2</sup> of office floorspace. In the MU zone offices of 500m<sup>2</sup> GFA per site are permitted. The MU zone allows sites of 200m<sup>2</sup> and the site could therefore enable over 200,000m<sup>2</sup> of office space.

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<sup>1</sup> Auckland Council's consulting economists (Market Economics Limited) have identified five economic issues to consider. These all relative to the proposal's potential impact on the commercial performance of existing centres.



An office GFA cap is also common mechanism to address the potential economic effects relating to the distribution of office. Given the permitted baseline of 11,000m<sup>2</sup> of office space, it is recommended that an office GFA cap of 15,000m<sup>2</sup> is applied to the site. The net difference between the permitted baseline for office GFA and the recommended office cap, of 4,000m<sup>2</sup>, would not have any discernible economic effect on existing centres.

The recommended retail and office GFA caps would completely remove any potential for adverse trade competition and associated economic effects on centres raised by the application of the MU zone to the site. There are no other potential adverse economic effects from the proposal. This also appears to have been concluded by Council's consulting economists (Market Economics Limited) as they have not identified any other potential economic effects in the list provided by the Auckland Council<sup>2</sup>.

Economic assessments often focus primarily on the potential adverse effects and tend to overlook the economic benefits of a proposal. One of the most important economic benefits from the proposal is a practical one, namely it would enable a large-scale intensive development that can adapt and respond to specific tenants needs and changes in the market over time.

The existing Resource Consent was based on a concept plan for 20-30 buildings with a total of 65,000m<sup>2</sup> GFA. The concept plan was based on estimates of future demand and the building requirements for a range of tenants. It is however inevitable that the consented development plan is not the optimal commercial use of the site, and that particular parts of the consented development plan may not find suitable tenants. As a development of this scale moves through the construction period of 5-10 years, the concept plan is likely to become increasingly out-of-step with the needs of specific tenants and the market.

The MU zone would ensure the significant investment in land and building resources on the site (several hundred million dollars) is directed to its most efficient use over time. For example, the owner could allocate parts of the site and design buildings to meet the specific needs of businesses as they arise over time. This flexibility to change during construction and then with tenant changes over time, is fundamental to the success of mixed-use developments and precincts.

Since the AUP became operative, around half of commercial development has been consented on greenfield rather than urban infill sites. This highlights the inherently difficult and slow process of redeveloping brownfield sites in existing centres. The same trend has been evident in the housing market, with two thirds of new dwellings being built on peripheral greenfield rather than urban infill sites. The economic value of a large undeveloped urban infill site within this context is significant, particularly as it would make an important contribution to the AUP's 'quality compact city' objective.

It is worth noting the principles for allocating business zones land outlined by Mr John Duguid in his evidence for the Plan review. Mr Duguid describes the MU zone as being applied to areas that are adjacent to centres and along arterial roads, and to enable a range of uses which will not impact the

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<sup>2</sup> Email from Mr Michael Luong to Mr Hamish Firth, dated Thursday, August 30, 2018.



vitality and viability of centre existing centres. The proposal meets both business zone allocation principles outlined by Mr Duguid.

When considered in terms of the ex Territorial Authority areas, Manukau has a disproportionately low 'per capita supply' of 'centre zone' land (around 85% of the regional average) and the lowest supply of 'other commercial' zone<sup>3</sup> land (around 41% of the regional average). By contrast, the ex Manukau Territorial Authority area has a relatively strong supply of industrial zone land (around 163% of the regional average).

Within the sub-regional area including Botany, Ormiston and Manukau CBD, there is only 2 hectares of vacant 'other commercial' zone land. Auckland Council's recent study estimates demand for a further 130 hectares of 'other commercial' zone land in Urban South area over the next decade. This indicates a significant shortage of this type of land.

The proposal would enable a large intensive commercial mixed-use development and would increase the supply of 'other commercial floorspace' in this part of Auckland which is presently in short supply.

## 2. Methodology

### 2.1. Approach of Economic Evaluation

The approach is to evaluate the key economic considerations, as follows:

1. The potential mix and scale of activities enabled by the proposal
2. The site and location attributes,
3. The value of large urban sites for intensive development,
4. The retention of business capacity,
5. The distribution of commercial activities and the centres network, and
6. The supply and demand of business and residential zone land.

Based on this analysis an evaluation of the costs and benefits is undertaken.

A brief assessment of the economic matters raised in the RPS and AUP objective and policies is also undertaken.

Finally, a response is provided to the Auckland Council's consulting economists (Market Economics Limited) identified economic factors for consideration<sup>4</sup>. The identified factors are only concerned with the proposals potential impact on other centres and this is addressed in Section 8 (point 5 above).

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<sup>3</sup> Mixed Use, General Business and Business Park zones.

<sup>4</sup> Email from Mr Michael Luong to Mr Hamish Firth, dated Thursday, August 30, 2018.



### 3. Consented Development & Existing Baseline

The site (1, 3, 5, 7, 10 and 12 Florence Carter Avenue) is zoned currently Light Industry (“LI”) which enables a range of industrial, commercial and other uses.

The site has a Resource Consent for an intensive commercial mixed-use development. This quantity and mix of activity is considered to be the ‘existing baseline’ for this economic analysis<sup>5</sup>, and is comprised of the following retail, office, motel and hotel gross floor areas (“GFAs”).

Figure 1: Resource Consent Activity GFA for Florence Carter Avenue

Consented GFA							
Street Number	Land Area	Retail	Office	Motel	Hotel	Total	FAR
1,3*	32,652	11,553	11,202			22,755	0.7
5,7*	19,151			7,336		7,336	0.4
10,12	41,641				34,555	34,555	0.8
Total	93,444	11,553	11,202	7,336	34,555	64,646	0.7

Source: McCondach Design

\* includes minor adjustment

The Resource Consent permits approximately 65,000m<sup>2</sup> GFA across 16 buildings that range in height from 1-4 levels. There is also basement parking which enables a more intensive above ground development.

The site has a total area of 93,400m<sup>2</sup> (9.3 ha). The Resource Consent achieves a relatively high FAR of 0.7 (64,600/93,400). To put this in context, this FAR is higher than the average achieved across all other commercial zones, except the Metropolitan Centres and the CBD (which is not included in this table). The existing baseline is therefore a relatively intensive commercial mixed-use development.

Figure 2: Zone FARs

Zone	FAR
Metropolitan Centre	0.8
Town Centre	0.5
Local Centre	0.5
Neighbourhood Centre	0.5
Mixed Use	0.6
General Business	0.5
Light Industry	0.4
Heavy Industry	0.4
Average	0.5

Source: Auckland Council

<sup>5</sup> I have relied on Mr Hamish Firth’s opinion on the definition of the existing baseline.



## 4. Potential Mix & Scale of Activities Enabled by Proposed Plan Change

The MU zone enables a wide range of commercial, community, industrial and residential activities. An initial step for evaluating the economic effects of the proposed Plan Change is to identify the mix of activities that are likely to occur on the site. This is in large part a practical exercise that accounts for the site attributes, surrounding activities, access to potential markets, demand and the AUP zone provisions.

The commercial activity at the Ormiston/Te Irirangi intersection includes the Botany Junction centre (a mid-size convenience centre), a service station and live-work units, an area of THAB zone, and the wider JKGL site.

The wider JKGL site (1-12 Florence Carter Avenue) has a Resource Consent for a range of other activities, outlined in the following table. In addition, there is in the order of 10,000m<sup>2</sup> - 15,000m<sup>2</sup> of other commercial GFA at the Ormiston/Te Irirangi intersection.

Figure 3: Wider JKGL Site GFA (sqms)

Street Number	Land Area	Consented GFA				Total
		Retail	Office	Motel	Hotel	
<b>Proposal Site</b>						
1,3*	32,652	11,553	11,202			22,755
5,7*	19,151			7,336		7,336
10,12	41,641				34,555	34,555
Sub-total	93,444	11,553	11,202	7,336	34,555	64,646
<b>Balance of Site</b>						
2,4,6	28,409	12,235	2,382			14,617
8	29,460	13,391				13,391
Sub-total	57,869	25,626	2,382			28,008
<b>Total</b>	<b>151,313</b>	<b>37,179</b>	<b>13,584</b>	<b>7,336</b>	<b>34,555</b>	<b>92,654</b>

Source: McCondach Design

\* includes minor adjustment

The consented retail GFA on the wider JKGL site is of a relatively large scale (37,000m<sup>2</sup>). Given the proximity of the Botany, Ormiston and Manukau centres, and the substantial retail offer at these centres, it is unlikely that the site would be commercially feasible for any significant addition to the consented retail floorspace in the foreseeable future<sup>6</sup>.

Similarly, the consented office GFA is of a relatively large scale (13,000m<sup>2</sup>). To place this in context, a total of 105,000m<sup>2</sup> office GFA was consented in the past year, with nearly half of this in the CBD. As with retail, given the proximity of the Botany, Ormiston and Manukau centres, and their existing and potential offer, it is unlikely that the site would be commercially feasible for any significant

<sup>6</sup> I have analysed the retail market in previous reports however do not undertake this analysis in this report.





addition to the consented office floorspace in the foreseeable future<sup>7</sup>.

The consented accommodation GFA is substantial, in the order of 42,000m<sup>2</sup> or 700 units. To put this in context, the total Auckland market has only increased by around 500 units over the past decade, however based on current low vacancy rates, there is an estimated latent demand for 2,000 - 4,000 units.

The site is situated in east Auckland, however the majority of accommodation demand is in the CBD and Airport locations, with only a small fraction being in the suburban locations (as shown in Appendix 2). It is concluded that it is unlikely that the site would be developed to include additional accommodation to the consented baseline of 700 accommodation units.

When compared to the consented baseline and LI zone, the MU zone enables a wide range of other commercial activities. For example, these include:

- Care centres,
- Commercial services,
- Community facilities,
- Education facilities,
- Entertainment facilities,
- Funeral directors,
- Healthcare facilities,
- Recreation facilities,
- Retirement villages, and
- Supported residential care.

The above list of activities does not raise any issues regarding the commercial performance of other centres. This in large part reflects the intention of the MU zone, which is in general terms to enable non-core town centre activities.

The only possible exception to note from this list is commercial services. This includes, for example, banks, real estate agents, travel agents, dry cleaners and hair dressers. These activities are enabled by the consented baseline development and have the potential to occur to the extent that there is market demand. As commercial service firms serve local market areas, they typically only establish in proportion to the size of the local market. For this reason, it is sufficient to rely on the size of the local market as a de facto restriction on the quantity of commercial service firms that establish on the site.

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<sup>7</sup> I have analysed the office market in previous reports however do not undertake this analysis in this report.



## 5. Site Location Attributes

### 5.1. Adjacent Activity Map

The following figure shows the activities within close proximity (2kms) of the site. The proximity of the site to this range of activities highlights the efficiencies that can be achieved by large scale urban sites.



Figure 4: Site Surrounding Activity Map



Number	Amenity Type	Amenity	Description
1	Education	Mayfield Primary School	This decile 1 school has a roll of 340 students
2	Education	Community Kindy Johnstones Road Childcare	This childcare is licenced for 80 children aged 2-5
3	Park	Hampton Park	This park is a heritage site which is currently being restored
4	Education	ABC Dannemora Childcare	This childcare is licenced for 105 children aged 0-5
5	Education	EduKids Baverstock Road Childcare	This childcare is licenced for 100 children aged 0-5
6	Education	Baverstock Oaks School	This decile 6 school has a roll of 700 students
7	Retail	Bishop Dunn Centre	This centre contains 12,070m <sup>2</sup> retail floorspace, and is largely bulk format
8	Education	Sancta Maria Catholic Primary School	This decile 5 school has a roll of 360 students
9	Education	Sancta Maria College	This decile 7 school has a roll of 1,030 students
10	Retail	Botany Junction Shopping Centre	This centre contains 3,740m <sup>2</sup> retail floorspace
11	Retail	Chapel Road Mixed Use	This retail strip is comprised of 18 retail live-work tenancies with road
12	Civic	Ormiston Activity Centre	This 190m <sup>2</sup> facility is available for hire and adjacent to a skate park
13	Park	Barry Curtis Park	Barry Curtis Park, will include an education centre and other facilities
14	Retail	Ormiston Town Centre	Ormiston Town Centre
15	Civic	Ormiston Town Centre Library	A new library as part of the town centre is planned for construction
16	Education	Ormiston Senior College	This decile 7 school has a roll of 600 students
17	Education	Ormiston Junior College	This decile 7 school has a roll of 290 students
18	Education	Ormiston Primary School	This decile 7 school has a roll of 520 students
19	Education	EduKids Flat Bush Childcare	This childcare is licenced for 100 children aged 0-5
20	Park	East Tamaki Reserve	This local park has sports facilities such as tennis courts
21	Park	Ferguson Oaks Reserve	This local park has two playgrounds and is adjacent to the Tupu Youth Library
22	Park	Preston Road Reserve	This local park features fruit trees for locals to harvest
23	Education	Rongomai School	This decile 1 school has a roll of 170 students
24	Park	Rongomai Park	This local park has sports facilities such as the Rongomai Sports Centre
25	Education	Tangaroa College	This decile 1 school has a roll of 850 students
26	Education	Ferguson Intermediate School	This decile 1 school has a roll of 460 students
27	Civic	Tupu Youth Library	This is New Zealand's only dedicated youth library
28	Retail	Dawson Road Local Centre	Local Centre
29	Education	Chapel Downs Primary School	This decile 2 school has a roll of 560 students
30	Park	Sandbrook Reserve	This is a small local reserve
31	Education	Flat Bush Primary School	This decile 1 school has a roll of 400 students
32	Park	James Watson Reserve	This is a small local reserve
33	Education	Kia Aroha College	This decile 1 school has a roll of 230 students



## 5.2. Road Integration Analysis

The following figure provide a road integration map of East Auckland.

Figure 5: Road Integration Map for East Auckland

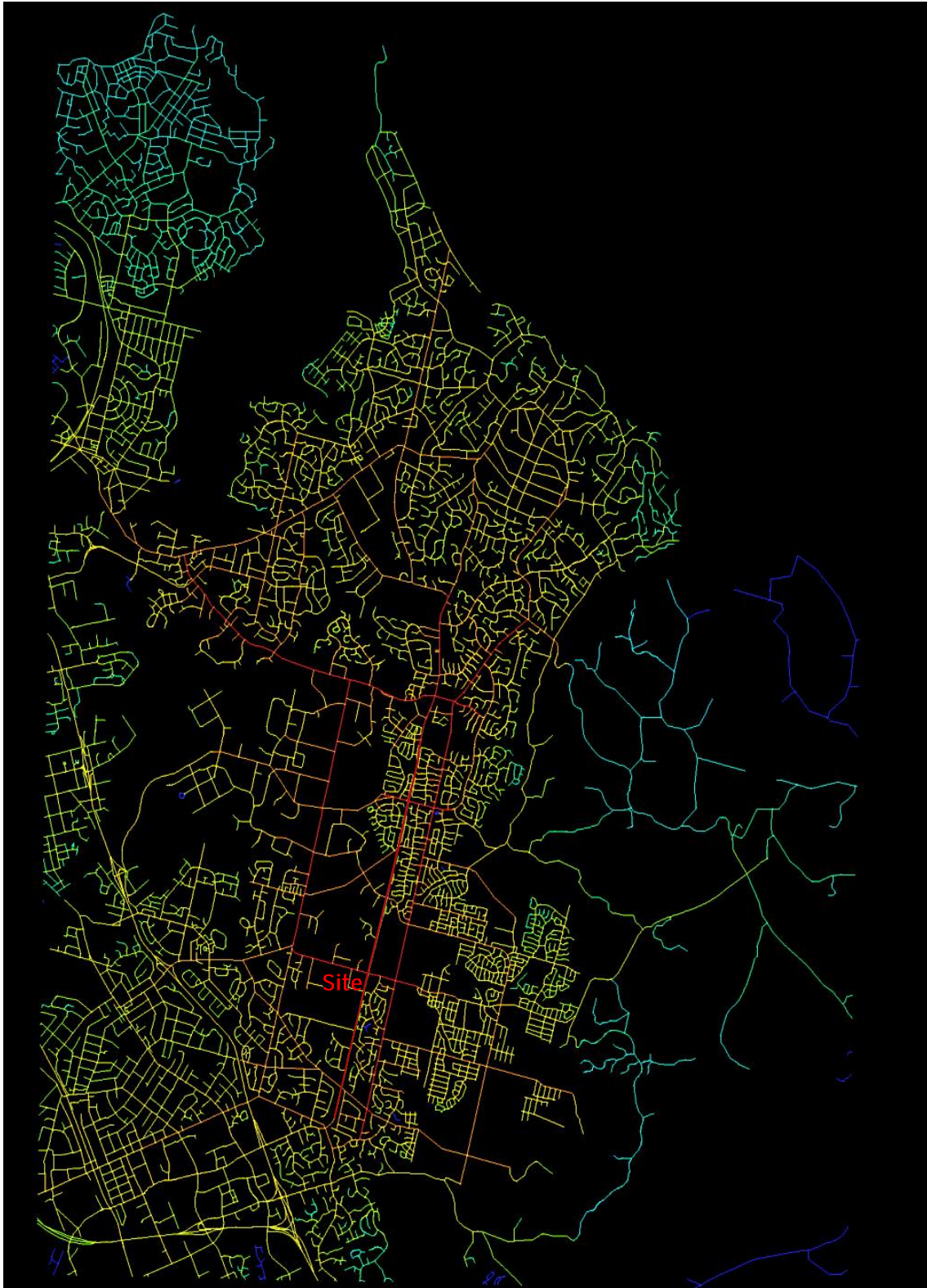




Figure 5 shows the extent that a road is connected to all other roads using integration analysis performed by software developed by Space Syntax. Road integration is measured by the number of steps required to get from one road to all other roads. In more general terms, it shows the extent to which each road is connected to all other roads. This is different to a traffic flow map, which shows traffic flows along each road, however does not consider the connections between roads. If a road requires fewer steps to get to other roads, it is more integrated. Hotter colours (i.e. red) indicate a road is relatively more integrated, whereas cooler colours (i.e. blue) indicate a road is relatively less integrated.

Figure 5 confirms that the site has a very high level of access to the east Auckland market. This is a relatively unique and defining attribute of the site. The activities that operate on the site are therefore able to be easily accessed by the east Auckland population. This has a range of economic benefits relating to reduced transportation costs, particularly for customers accessing firms on the site. By contrast, other less accessible sites, for example on the urban periphery, would tend to have high transportation costs.

## 6. Value of Large Urban Sites for Intensive Development

The most notable economic benefit of the proposal is that it would enable a large, intensive commercial mixed-use development in an established urban location. Developments of this scale are critical for achieving intensities sought by the AUPs 'quality compact city' objective or the 'smart growth' objective more generally. This is achieved by masterplanning and development planning process to provide a level of certainty about the quality and composition of the development that firms and people are buying into.

The existing Resource Consent for the site is for a masterplanned intensive commercial mixed-use development. This range of activities is however not necessarily aligned with the market, given it is ultimately difficult to predict the tenant mix and the building requirements for a site of this scale ahead of time. For example, the site has a large consented hotel, however a hotel operator may not necessarily express interest in the part of the site that is consented for this use for a variety of reasons (e.g. the site profile or scale of the consented hotel).

The proposed application of the MU zone would enable the site to be developed in a way that responds and adapts to market opportunities as they arise over time. This flexibility is critical to the timely and successful completion of a development of this scale and complexity.

### 6.1. Intensification vs Greenfield Development

The AUP has the objective that a large proportion of new development occurs in the existing urban part of the City, rather than as greenfield expansion. For example, the following objective of the RPS:

*"Urban growth is primarily accommodated within the urban area 2016" (RPS B2.2.1(2))*



The AUP became operative broadly at the start of 2017 and there has been enough time for the market to respond to the development opportunities that it has created. A review of the location of business and residential development provides an understanding of the extent that growth is occurring in urban infill and greenfield locations.

Appendix 1 shows the location of new office, retail and high-density residential housing that have occurred since 2017. These are considered to be three indicators of the total market.

With regard to high-density housing that has occurred since 2017, an analysis of Certificate of Code Compliances issued finds that:

- 32% of Stand Alone housing has been on greenfield land
- 83% of Terrace Houses has been on greenfield land
- 34% of Apartments have been on greenfield land
- 66% of all new housing has been on greenfield land (the same rate as seen in 2015 before the AUP become operative).

The most notable finding is that since the AUP became operative, 66% of new housing, and in particular high-density terrace housing, has been built on greenfield land. mostly on the urban periphery. This indicates that there is a need for more urban infill housing to achieve the 'quality compact city' objective.

It is worth highlighting the important function that large masterplanned developments have in delivering high-density housing developments. The likely reason for this is the masterplanning process provides certainty to home buyers and can internalise any adverse effects (e.g. shading, noise).

Of the **230,500m<sup>2</sup> retail floorspace** that was consented in the last 12 months:

- 94,000m<sup>2</sup> or 41% was in Newmarket (Westfield new shopping centre),
- 57,000m<sup>2</sup> or 25% was at the Ormiston Town Centre,
- 10,000m<sup>2</sup> or 4% was at the new Long Bay centre,
- 5,000m<sup>2</sup> or 2% was at the new Beachlands Centre, and
- 4,000m<sup>2</sup> of 2% was at the Albany Metropolitan Centre.

In total, approximately half of new retail development occurred on greenfield land, mostly on the urban periphery. This highlights the importance of large commercial mixed-use developments in existing urban areas for achieving high density and the 'quality compact city' objective.

Of the **105,000m<sup>2</sup> of office floorspace** that was consented in the past 12 months:

- 46,000m<sup>2</sup> or 44% was in the CBD,
- 19,000m<sup>2</sup> or 18% was at Hobsonville,



- 8,000m<sup>2</sup> or 8% was at the Airport,
- 6,000m<sup>2</sup> or 6% was at Albany,
- 4,000m<sup>2</sup> was at East Tamaki (High Brook), and
- 3,000m<sup>2</sup> was at Westgate.

In total, as with retail, approximately half of new office development occurred on greenfield sites, mostly on the urban periphery, again highlighting the importance of large commercial mixed-use developments in existing urban areas for achieving high density and the 'quality compact city' objective.

The intensive development of a 9.3 hectare site in an established urban part of the City is therefore a relatively unique opportunity to contribute to the AUP's 'quality compact city' objective, and provide a market opportunity in an existing urban rather than new greenfield peripheral location.

## 6.2. Large Development Sites in Auckland

There are relatively few large urban infill development sites that are suitable for mixed-use development in Auckland.

The following large sites (of five hectares or greater) have been identified. Appendix 4 provides additional information on these sites.

Figure 6: Large Commercial Mixed-Use Development Sites in Auckland (5+ hectares)

Site	Zone	Size (hectares)
Small Road, Silverdale	General Business	7
Massey University, Albany	Mixed Use	30
North West Shopping Mall	General Business	5
Fred Taylor Drive Massey	Mixed Use	11
Hobsonville Road	Mixed Use	6
Karaka Centre	Mixed Use	12
Moyes Panmure	Mixed Use	6

Source: Urban Economics

It is evident that there are only a small number of opportunities for large masterplanned developments outside the centre zones in Auckland. This highlights the importance of the site for increasing for the wider region.

## 6.3. Economic Value of Large Integrated Developments

This economic benefits of large masterplanned mixed-use developments are significant and is one of the most important economic considerations for this application.

The application of the MU zone to the site has a number of important economic benefits, most notably it allows the development to respond and adapt to market over time. This is particularly important because developments of this size take many years, often in the order of 5-10 years, and



during this time there are likely to be many changes in the market.

The wider site is a large greenfield site in a central and accessible location within an established part of the City. Such sites present a relatively unique opportunity for an intensive development that would not otherwise be possible. This is because a large site can be masterplanned to incorporate a diverse and complimentary set of uses. By comparison, smaller sites are not able to be masterplanned in this way and tend to have lower density development outcomes.

Large masterplanned developments offer a range of economic benefits, however the research for this tends to be anecdotal rather than analytical. The main practical benefits are that it allows a developer to accommodate complementary uses, set design standards and provide a level of certainty for tenants.

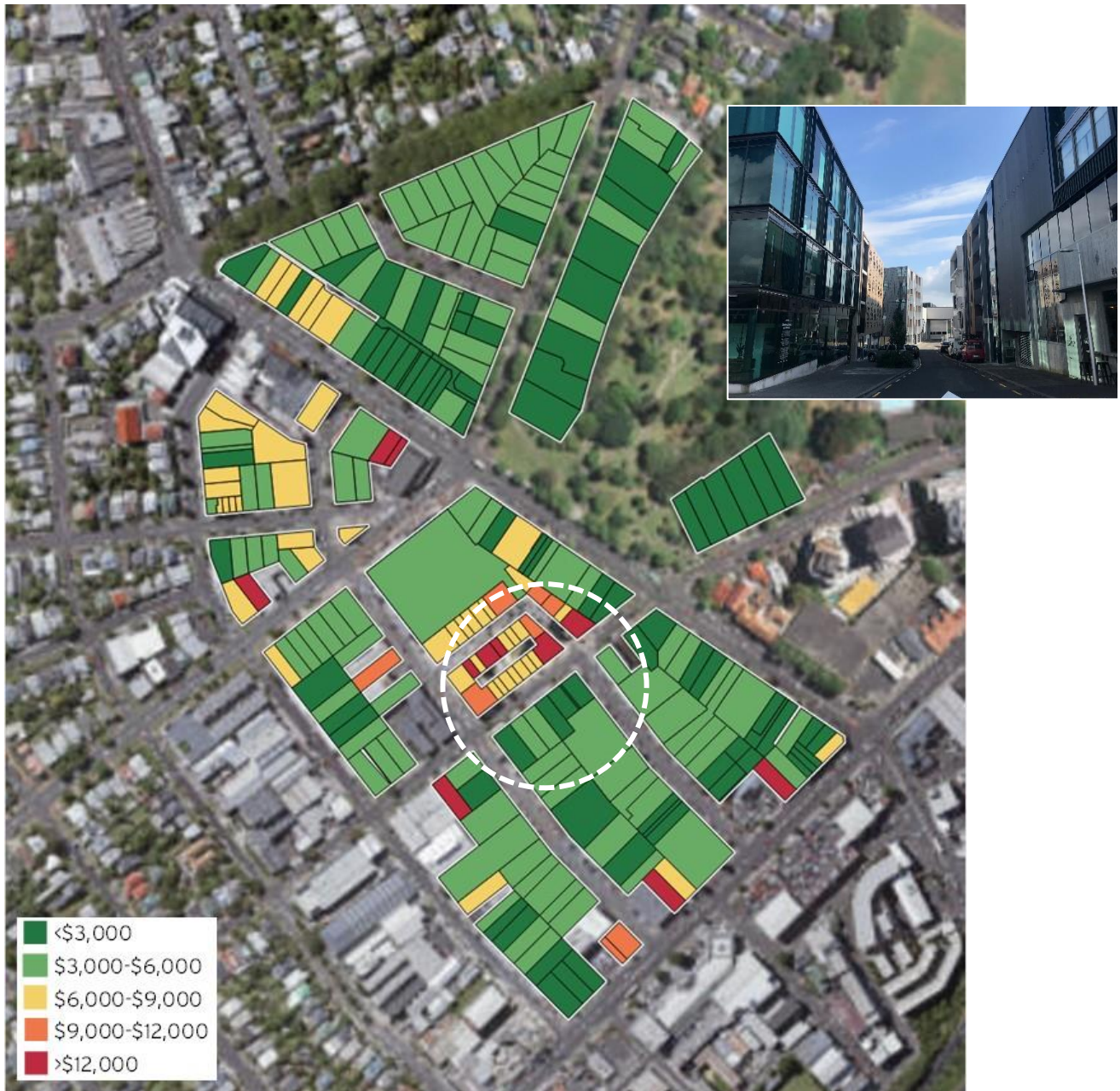
A current example of this type of development is Vinegar Lane in Ponsonby, Auckland. This development is comprised of 30 lots, ranging from 100m<sup>2</sup> to 300m<sup>2</sup>. Each lot was developed by an individual owner and complied with a design manual. There was flexibility in terms of uses, ranging from retail, to office and apartments.

The success of this masterplanned approach is evident in the land values, as shown in the following figure. Vinegar Lane has achieved some of the highest values in this part of Ponsonby and has correspondingly achieved some of the highest apartment values in the area.





Figure 7: Vinegar Lane, Ponsonby, Masterplanned Development



Source: Corelogic

The AUP provides a summary of the benefits for a compact urban form, as follows. These benefits align with the economic literature on the benefits of masterplanned mixed-use developments.

- (1) *A quality compact urban form that enables all of the following:*
  - (a) *a higher-quality urban environment;*
  - (b) *greater productivity and economic growth;*



(c) *better use of existing infrastructure and efficient provision of new infrastructure;*

(d) *improved and more effective public transport;*

(e) *greater social and cultural vitality;*

(f) *better maintenance of rural character and rural productivity; and*

(g) *reduced adverse environmental effects.*

(2) *Urban growth is primarily accommodated within the urban area 2016 (as identified in Appendix 1A).*

(3) *Sufficient development capacity and land supply is provided to accommodate residential, commercial, industrial growth and social facilities to support growth.*

(4) *Urbanisation is contained within the Rural Urban Boundary, towns, and rural and coastal towns and villages.*

(5) *The development of land within the Rural Urban Boundary, towns, and rural and coastal towns and villages is integrated with the provision of appropriate infrastructure.*

*(RPS B2.2.1, emphasis added)*

## 7. Retention of Business Capacity

The permitted baseline is a large commercial-mixed use development, comprising 65,000m<sup>2</sup> GFA. There is a benefit in retaining the business capacity of the site to meet the range of commercial needs of east Auckland. The application of the MU zone is well placed to achieve a significant commercial use of the site.

An important characteristic of mixed-use developments or precincts is that the mix of activities changes over time, perhaps more than other zones. This ability to respond to market changes has important economic benefits, most notably it ensures the needs of businesses are met in full and that there is strong competition in the marketplace.

## 8. Commercial Distribution & the Centres Network

### 8.1. Auckland Plan & AUP Centre Network

The Auckland Plan and AUP sets out a centre network. This is most clearly defined by the allocation commercial centre zoned land and the provisions for each. The RPS also provides some useful direction, in particular:

*B2.5. Commercial and industrial growth*



#### B2.5.1. Objectives

(1) *Employment and commercial and industrial **opportunities meet current and future demands.***

(2) *Commercial growth and activities are **primarily** focussed within a hierarchy of centres and identified growth corridors that supports a compact urban form.*

....

#### B2.5.2. Policies

(1) *Encourage commercial growth and development in the city centre, metropolitan and town centres, and enable retail activities on identified growth corridors, to provide the **primary focus** for Auckland's commercial growth.*

....

(6) *Enable commercial activities, where appropriate, in business zones in locations other than the city centre, metropolitan and town centres and identified growth corridors, having regard to all of the following:*

(a) *the matters listed in Policy B2.5.2(5)(a) to Policy B2.5.2(5)(h) above;*

(b) *the extent to which activities would compromise the achievement of policies B2.5.2(1) and B.2.5.2(2): and*

(c) *the extent to which activities would compromise the hierarchy of locations identified in policies B2.5.2(1) to B.2.5.2(5).*

*(RPS, emphasis added)*

The RPS holds two key simultaneous objectives - the support of the centre network as the primary focus for commercial activity, and the provision of sufficient business land to meet the needs of business in full. In some instances, the centres network is not able to fully meet the needs of all businesses, and other locations are required. This is acknowledged in B2.5.2(6) above. It is also acknowledged by the agreed approach to business location or distribution that was established 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*

The distribution of commercial activities was addressed in detail under an Appeal on the RPS. This Appeal was mediated and the following agreement reached. This confirms the AUP does not intend to exclusively focus commercial activity in the centre zones.

*An addition to Objective B2.5.1(2) to clarify that commercial growth and activities are to be **primarily** focussed within a hierarchy of centres and identified growth corridors that supports a compact urban form.*

*Reasons*

*Addition of the word “primarily” acknowledges that **commercial growth and activities will not be focussed exclusively within the hierarchy of centres and identified growth corridors** - the policy framework also provides for commercial growth to be located in other locations where appropriate. In particular this is reflected in Policy 7 which enables commercial activities in business zones in locations other than the city centre, metropolitan and town centres and identified growth corridors having regard to a number of matters relevant to maintaining the “centres plus” commercial growth strategy e.g. adverse effects on the function, role and amenity of centres, adverse effects on the quality compact urban form etc.*

*(Memorandum of Parties in Support of Draft Consent Order, ENV-2016-AKL-000202, emphasis added)*

The agreed principle is that commercial activity can establish outside the centres zones as a Discretionary activity, if there is insufficient capacity in existing centres and there are no adverse effects on other centers.

In evaluating this proposal, the potential for retail and office to occur to any significant extent beyond the consented baseline is addressed with the recommended retail and office GFA caps. Therefore, the question of whether retail and office should optimally be located in other centres does not arise.

More generally, the proposal would enable a range of other commercial, community and other uses. However, as outlined in the subsequent sections, the additional capacity created by the proposal is required to fully meet the needs of business over the next 5-10 years. For this reason, the proposal is consistent with the provisions of the RPS and AUP and the agreed principle relating to commercial distribution.

## 8.2. Trade Competition & Economic Effects on Existing Centres

The proposed retail and office GFA caps, the general provisions of the MU zone, and the strong growth in demand for commercial floor area, provide a high level of certainty that the proposal would not result in any adverse trade competition effects on other centres.



## 9. Business Land Supply & Demand

The Auckland Plan identifies demand for an additional 338,000m<sup>2</sup> per annum of commercial floorspace (outside the CBD) over the next decade. This is consistent with the rate of consented commercial floorspace seen in Auckland over the past year (335,000m<sup>2</sup> as shown in Figure 8 below). This confirms strong demand growth of a scale that is equivalent to the size of the Sylvia Park shopping mall every two months.

Figure 8: Consented Business Floorspace Year Ended Jul 2018

<b>Retail</b>	
Supermarkets	8,600
Restaurants, bars, and cafes	4,400
Other shops and retail buildings	217,500
<b>Total</b>	<b>230,500</b>
<b>Office</b>	
Office and administration buildings	104,500
<b>Total</b>	<b>104,500</b>
<b>Industrial</b>	
Storage buildings	262,600
Factories and other industrial buildings	99,000
<b>Total</b>	<b>361,600</b>
<b>Grand-Total</b>	<b>696,600</b>

Source: Statistics NZ

The following table shows the supply and demand for business zone land by location. The vacant land data is sourced from an on-the-ground survey completed by Urban Economics in 2016<sup>8</sup>, and the land demand estimates are sourced from a report commissioned by the Auckland Council in 2016<sup>9</sup>.

While it is not crucial to understand these numbers in detail for this proposal (due to the permitted baseline for the site), it worth noting that in Urban South over the next decade, there is a forecast shortage of 89 hectares of commercial land (8 hectares of which is MU and 20 hectares of which is General Business). By contrast, in Urban South over the next decade, there is a forecast surplus of LI zone land. This confirms the needs of businesses in Urban South would be better met, on balance, with a slight increase in the overall supply of MU zone land.

<sup>8</sup> 2016 Auckland Vacant Business Land Survey, Urban Economics, June 2016.

<sup>9</sup> PAUP Business Land - Land Demand by Activity and PAUP Supply, ME Spatial, March 2016



Figure 9: Supply & Demand of Business Land by Location

Vacant Land (Urban Economics)	City Centre	Metropolitan Centre	Town Centre	Local Centre	Neighbourhood Centre	Mixed Use	General Business	Business Park	Commercial	Heavy Industry	Light Industry	Industrial	Total
Urban Central	0	-	1	1	0	10	-	-	12	8	19	27	39
Urban North	-	16	4	15	5	11	50	8	109	2	58	60	169
Urban South	-	0	15	2	2	22	0	0	41	28	353	381	422
Urban West	-	6	-	1	0	12	4	-	23	0	73	73	96
Rural North	-	-	3	4	1	0	6	-	14	-	43	43	57
Rural South	-	-	-	1	1	0	3	-	5	205	260	465	470
<b>Total Vacant Land</b>	<b>0</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>9</b>	<b>55</b>	<b>63</b>	<b>8</b>	<b>204</b>	<b>243</b>	<b>806</b>	<b>1,049</b>	<b>1,253</b>

10 Year Land Demand (Auckland Council)	City Centre	Metropolitan Centre	Town Centre	Local Centre	Neighbourhood Centre	Mixed Use	General Business	Business Park	Commercial	Heavy Industry	Light Industry	Industrial	Total
Urban Central	-	10	30	10	10	100	10	0	170	50	70	120	290
Urban North	-	20	20	10	10	20	30	10	120	0	80	80	200
Urban South	-	30	30	10	10	30	20	-	130	90	230	320	450
Urban West	-	30	10	10	0	10	10	-	70	10	50	60	130
Rural North	-	-	10	0	0	0	0	-	10	-	20	20	30
Rural South	-	-	0	10	10	10	10	-	40	-	20	20	60
<b>Total</b>	<b>0</b>	<b>90</b>	<b>100</b>	<b>50</b>	<b>40</b>	<b>170</b>	<b>80</b>	<b>10</b>	<b>540</b>	<b>150</b>	<b>470</b>	<b>620</b>	<b>1,160</b>

10 Year Supply-Demand Differential (Urban Economics and Auckland Council)	City Centre	Metropolitan Centre	Town Centre	Local Centre	Neighbourhood Centre	Mixed Use	General Business	Business Park	Commercial	Heavy Industry	Light Industry	Industrial	Total
Urban Central	-	-10	-29	-9	-10	-90	-10	0	-158	-42	-51	-93	-251
Urban North	-	-4	-16	5	-5	-9	20	-2	-11	2	-22	-20	-31
Urban South	-	-30	-15	-8	-8	-8	-20	0	-89	-62	123	61	-28
Urban West	-	-24	-10	-9	0	2	-6	-	-47	-10	23	13	-34
Rural North	-	-	-7	4	1	0	6	-	4	-	23	23	27
Rural South	-	-	0	-9	-9	-10	-7	-	-35	205	240	445	410
<b>Total</b>	<b>-</b>	<b>-68</b>	<b>-77</b>	<b>-26</b>	<b>-31</b>	<b>-115</b>	<b>-17</b>	<b>-2</b>	<b>-336</b>	<b>93</b>	<b>336</b>	<b>429</b>	<b>93</b>

Source: Urban Economics, Auckland Council

The Auckland Council has recently updated their business floorspace demand forecasts<sup>10</sup> and these are presented in the following table. This shows that outside the CBD, when considering commercial floorspace, there is approximately equal demand for centre zone<sup>11</sup> floorspace (140,000m<sup>2</sup> per annum) and 'other commercial'<sup>12</sup> floorspace (142,000m<sup>2</sup> per annum).

As estimated in section 9.1, the Botany Town Centre, Ormiston Town Centre, and Manukau CBD areas have only one small parcel, in the order of 2 hectares, of vacant 'other commercial' zone land. This raises the question of where the Urban South's share of the 1.4 million m<sup>2</sup> additional demand for floorspace over the next decade (in the order of 300,000m<sup>2</sup>) will be accommodated. The analysis of specific sites indicates that there is very little remaining capacity in the immediate sub-region.

The Auckland Council has studied various redevelopment scenarios using a regional model to determine whether the City has sufficient potential capacity for growth. Given that there are only a small number of MU and GB zone properties in Botany Town Centre, Ormiston Town Centre, and Manukau CBD, it is recommended that any analysis of development capacity should identify specific

<sup>10</sup> Auckland Business Land Demand and Supply NPS-UDC, Methodology and Key Findings, 19/12/2017, Figure 3-4

<sup>11</sup> Metropolitan Centre, Town Centre, Local Centre and Neighbourhood Centre zones

<sup>12</sup> General Business, Mixed Use and Business Park zones



sites that have potential capacity, rather than a regional model. In other words, if the Council's modelling shows that there is sufficient capacity for growth in this part of Auckland, the specific sites that are considered to provide this capacity in the Botany Town Centre, Ormiston Town Centre and Manukau CBD should be identified.

Figure 10: Business Floorspace Demand Per Annum by Zone

Zone	Floorspace Demand (sqm) per annum 2018-2028
City Centre Zone	73,000
Metropolitan Centre Zone	58,000
Town Centre Zone	55,000
Local Centre Zone	17,000
Neighbourhood Centre Zone	10,000
Mixed Use Zone	103,000
General Business Zone	32,000
Business Park Zone	7,000
Heavy Industry Zone	59,000
Light Industry Zone	152,000

Source: Auckland Council

## 9.1. Sub-regional Distribution of Centre Zones & Other Commercial Zones

The proposal would enable a range of uses that are 'non-core town centre' or 'other commercial' activities. These activities typically occur in either fringe centre locations or on major arterial roads, often such locations have historically been industrial.

Examples of 'non-core town centre' activities are:

- furniture stores,
- sporting goods stores,
- education facilities,
- drycleaners,
- marine and vehicle retail,
- trade suppliers,
- garden centres,
- emergency services, and
- medical services.

The surrounding part of East and South Auckland has a relatively simple distribution of 'centre zone' and 'other commercial' zone land. Figures 11 and 12 outline the current level of supply of the MU and GB zone land.

The main points to note are:



- There is 17 hectares of MU zone land near the Botany Town Centre. The main activities are large format retail, convenience retail, office and recreation. None of this land has any remaining development potential to accommodate additional demand growth.
- There is 5 hectares of MU zone land and 2 hectares of GB zone land in Ormiston. The main activities are large format retail, convenience retail, office, industrial and live work units. None of this land has any remaining development potential to accommodate additional demand growth.
- There is 31 hectares of MU zone land and 33 hectare of GB zone land near Manukau CBD. The main activities are large format retail, convenience retail, office, industrial, car yards, recreation and education. Only one site has some remaining development potential, given its current use is a caravan park. This is a small parcel of around 2 hectares.

This analysis demonstrates that there is practically no potential for additional non-core town centre commercial, community and other activities to establish in the wider east and south Auckland area. This supports the proposal to marginally increase the supply of MU zone land.

The Ormiston Town Centre is surrounded by a reserve and residential zones. This prevents additional MU and GB zone land occurring in an 'edge-of-centre' location.

The proposal is located on the intersection of two major arterials and is in close proximity to the Ormiston Town Centre. This is considered to be the optimal location for additional MU zone land in this part of Auckland.





Figure 11: East Auckland Business Zone Map

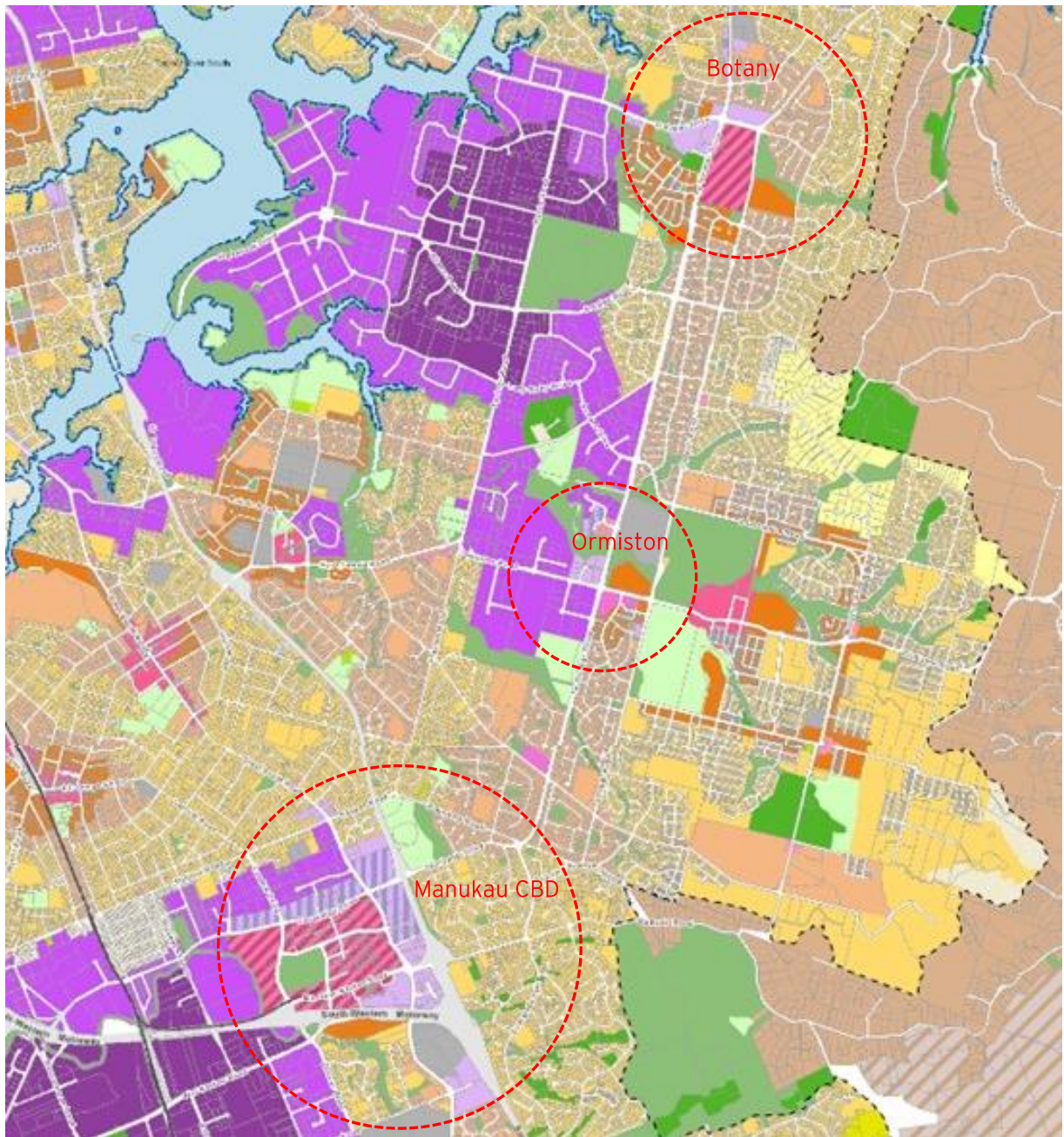




Figure 12: East Auckland Business Zoned Land (hectares)

Location	Hectares	Activity	Development Potential	Zone
<b>Botany</b>				
Botany Road & Ti Rakau Road Intersection	8	Large Format Retail	Fully developed	MU
Botany Road & Ti Rakau Road Intersection	4	Large Format Retail	Fully developed	MU
Botany Road & Ti Rakau Road Intersection	1	Recreation	Fully developed	MU
Botany Road	3	Convenience Retail, Large Format Retail, Office	Fully developed	MU
Chapel Road	1	Convenience Retail, Apartments	Fully developed	MU
<b>Sub-total</b>	<b>17</b>			
<b>Ormiston</b>				
Bishop Leaniha Place	5	Convenience Retail, Live Work Units	Fully developed	MU
Bishop Brown Place	2	Industrial, Office	Fully developed	GB
<b>Sub-total</b>	<b>7</b>			
<b>Manukau CBD</b>				
Cavendish Drive	15	Large Format Retail, Other Commercial	Fully developed	GB
Great South Road	18	Education, Retail, Office, Car Yard	Fully developed	GB
Great South Road	4	Car Yard, Caravan Park, AUT Parking	50% Potential	MU
Great South Road & Regean Road	3	Convenience Retail, Car Yard	Fully developed	MU
Great South Road & Redoubt Road	3	Car Yards, Retail, Industrial	Fully developed	MU
Great South Road & Manukau Station Road	7	Recreation	Fully developed	MU
Great South Road & Redoubt Road	4	Convenience Retail, Office	Fully developed	MU
Great South Road & Kerrs Road	10	Recreation, Event, Under Development	Fully developed / Under Development	MU
<b>Sub-total</b>	<b>64</b>			
<b>Total</b>	<b>88</b>			

Source: Urban Economics

## 9.2. Business Zone Land in the Legacy and Operative Plans

The following table shows the change in business land between the legacy and operative plans<sup>13</sup>.

The main points to note are:

- There has been a substantial decrease in Mixed Business land, from 3,450 hectares in the Legacy Plans to only 280 hectares under the Operative Plans.
- This is offset to an extent by an increase in the Commercial land, from 1,200 hectares to 2,220 hectares, however overall there has been a net decline across these two land categories of 2,150 hectares or 46%.
- Conversely, Industrial land increased from by 3,000 hectares or 92%, from 3,270 hectares to 6,270 hectares.

At a regional level this shows a substantial increase in industrial land and a substantial decrease in commercial and mixed business land.

<sup>13</sup> Auckland Business Land Supply Study, Quantity of Business Land under the Legacy and Operative Plans, Urban Economics, 2017



Figure 13: Regional Business Land Supply by Type for Legacy and Operative Plans

Zone	Commercial	Mixed Business	Total Commercial & Mixed Business	Industrial
Auckland Legacy Plans	1,200	3,450	4,650	3,270
Auckland Operative Plans	2,220	280	2,500	6,270
Change	1,020	-3,170	-2,150	3,000
% Change	85%	-92%	-46%	92%

Source: Urban Economics

### 9.3. Ormiston Town Centre

The Ormiston Town Centre is the new centre in the Ormiston/Flatbush area and is intended to serve the needs of this new community.

The following figure shows the proposed **supply** of land uses of the Ormiston Town Centre. A substantial part of the allocation of Town Centre zone land has an exclusive residential use. This reflects a substantial reduction in the centres development capacity for retail, commercial and other community uses.

On the **demand** side, the Flatbush suburb, which is the primary catchment for this centre, was initially expected to accommodate 40,000 people. However, this area has developed very intensively. Based on a detailed analysis of the current and likely future housing stock, it is estimated that Flatbush will ultimately accommodate in the order of 70,000 occupants<sup>14</sup>, nearly twice the amount initially expected.

The significant decrease in the supply of Town Centre zone land and the significant increase in the demand from the Flatbush population, have led to a need for additional commercial zone land in this part of Auckland.

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<sup>14</sup>Appendix 3



Figure 14: Ormiston Town Centre Land Use Map

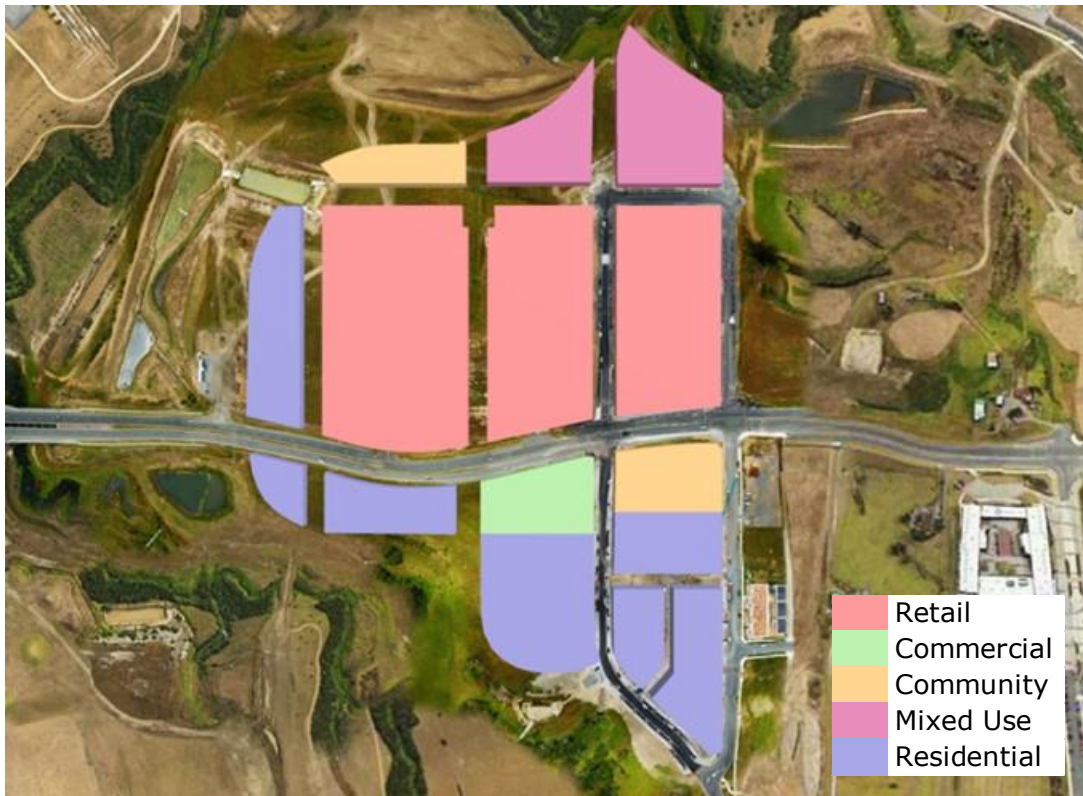


Figure 15: Ormiston Town Centre Artist Impression





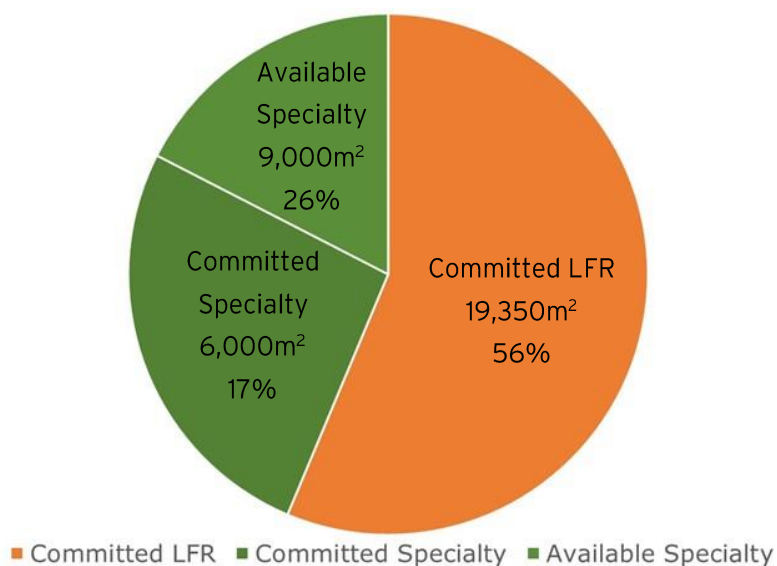
Figure 16: Ormiston Town Centre Artist Impression



The following figure show the percentage of retail floorspace in Ormiston Town Centre which have 'pre-leasing commitments' from tenants.

For Ormiston Town Centre, all large format retail ("LFR") has committed tenants, and 60% of the 'specialty retail' has pre-leasing committed tenants. Based on advice from the Ormiston commercial agents, only 26% or 9,000m<sup>2</sup> of the 'specialty retail' is still available for lease in the Ormiston Town Centre. The supply in the Ormiston Town Centre is therefore largely taken up by the market prior to construction of the centre.

Figure 17: Ormiston Committed and Available Retail Floorspace





## 9.4. Other Sites or Locations for the MU zone

Based on the analysis of the supply of MU and GB zone land in the immediate sub-regional area, and the remaining availability of land and floor space within or adjacent to the Ormiston Town Centre, it is concluded that there is no other potential land for the range of activities enabled by this proposal.

The site is highly accessible, on the intersection of two major arterial roads, and a relatively short distance from the Ormiston Town Centre. There are no other sites that are better suited for the MU zone within the Ormiston/Flatbush area.

# 10. Residential Supply & Demand

The AUP has been operative for nearly two years. This is enough time for the market to respond to the new provisions for more intensive housing. I have undertaken detailed analyses into the housing market and note the following key trends.

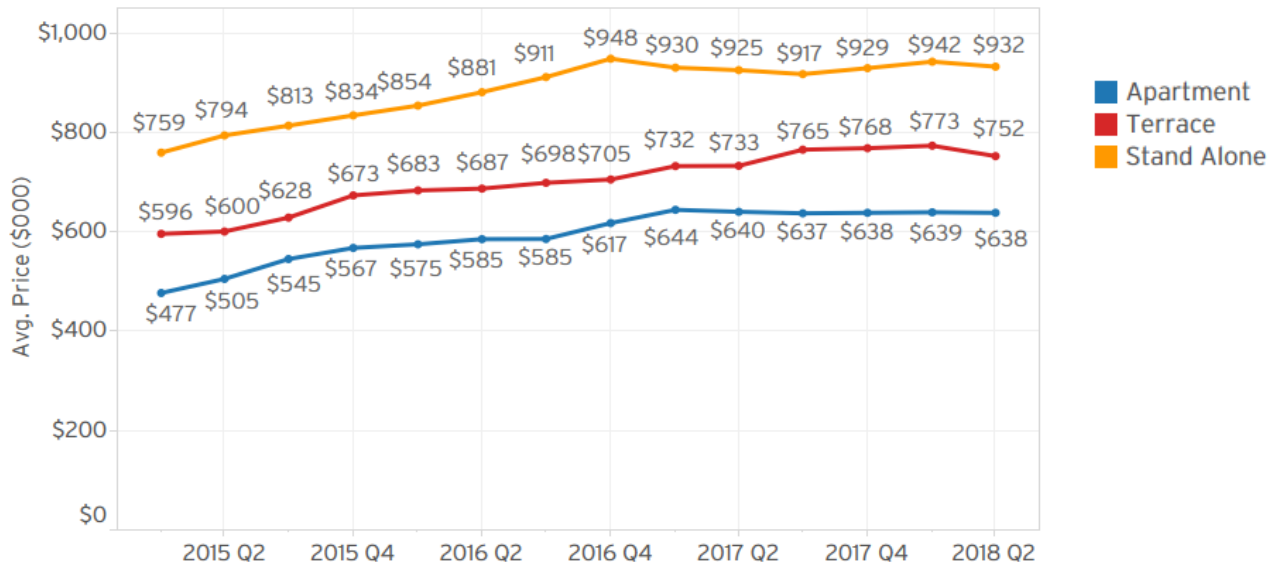
## 10.1. House Prices Have Remained High and Unaffordable

The following figure shows Trademe dwelling listing prices by type. This includes both the existing housing stock and new dwellings. The key points to note are:

- Asking prices rose rapidly up until the end of 2016 and have plateaued during 2017 and 2018, with the exception of terrace houses which increased marginally over the 2017 and 2018 period.
- Over 40% of all dwellings for sale on Trademe are currently priced over \$1,000,000, while only 14% are priced less than \$600,000.
- 76% of all listings are currently stand alone, 9% are terrace and 15% are apartment. This is approximately consistent with the sales data.



Figure 18: Trademe Listing Price (Average) 2015-2018



Source: Trademe

The Auckland Council has recently completed a report on the commercial feasibility of new housing under the AUP, as part of the requirements of the National Policy Statement on Urban Development Capacity (“NPS-UDC”). The report concludes:

*“The enabled feasible capacity for dwelling supply, as modelled for the 2016 draft Unitary Plan recommended by the Independent Hearings Panel, was for approximately 422,000 - being 270,000 (modelled) in brownfield existing urban areas and 130,000 (assumed feasible) in future urban areas, with the remainder being potential Housing NZ developments and future dwelling growth in rural-zoned areas. **The new modelling shows, principally due to rising construction costs and flat to declining sales prices, that the brownfield enabled feasible capacity of 270,000 has since reduced to 140,000; and that the future urban feasible enabled capacity has changed slightly as it is now modelled, from 130,000 to 146,000 dwellings.**”*

*(Planning Committee, 28 November 2017, National Policy Statement on Urban Development Capacity initial assessment results, Item 14, National Policy Statement on Urban Development Capacity initial assessment results, page 5, emphasis added).*

The most notable conclusion is that average price of a new dwelling under the AUP is estimated to be \$1.5 million<sup>15</sup>. This is reflected in the actual average sale price of a new stand alone dwelling over the past year, which exceeds \$1.0 million. Based on the Auckland Council estimates this average price is expected to continue to increase, towards \$1.5 million. This highlights the critical need for additional low-mid priced housing, particularly in the short term (1-5 years).

<sup>15</sup> (Planning Committee, 28 November 2017, National Policy Statement on Urban Development Capacity initial assessment results, Item 14, National Policy Statement on Urban Development Capacity initial assessment results, page 10).



## 10.2. Terrace Housing Has Mostly Occurred In Masterplanned Peripheral Greenfield Developments

The following table show the location of New Dwelling Completions by type for 2015 (prior to the Auckland Unitary Plan) and for 2017 (when the Auckland Unitary Plan was operative).

The main points to note are:

- Dwelling completions increased from 5,150 in 2015 to 7,040 in 2017, an increase of (1,900). This was attributed mostly to an increase in terrace houses (760) and apartments (510).
- Rodney performed strongly in the stand alone house sector, with 1,280 completions in 2017. This was followed closely by Manukau with 930 stand alone completions. Together these Rodney and Manukau accounted for nearly half of all new stand alone completions.
- The majority of terrace house competitions in 2017, 600 of the 1,230, were in Waitakere. A large proportion of these were in Hobsonville Point.
- Auckland Central dominated in apartment completions, mostly in the CBD and surrounds, and Stonefields.
- The majority of small-medium scale infill development has been stand-alone rather than terrace houses. It is likely that developers are opting to retain the existing dwelling and build 1-2 houses on the rear of the property, rather than demolish the existing house and undertake a more intensive terrace house development.
- The majority of terrace houses completed in 2017 (83%) were in greenfield locations rather than urban infill locations.
- The majority of urban infill in 2017, nearly two thirds, was stand alone houses.

Figure 19: Dwelling Completions for 2015-2017 by Infill and Greenfield

Typology	2015			2017		
	Greenfield	Infill	Total	Greenfield	Infill	Total
Stand Alone	2,740	1,380	4,120	3,150	1,510	4,660
Terrace	580	60	640	1,150	240	1,390
Apartment	170	340	510	340	650	990
<b>Total</b>	<b>3,490</b>	<b>1,780</b>	<b>5,270</b>	<b>4,640</b>	<b>2,400</b>	<b>7,040</b>
Stand Alone	52%	26%	78%	45%	21%	66%
Terrace	11%	1%	12%	16%	3%	20%
Apartment	3%	6%	10%	5%	9%	14%
<b>Total</b>	<b>66%</b>	<b>34%</b>	<b>100%</b>	<b>66%</b>	<b>34%</b>	<b>100%</b>

Source: Auckland Council, Urban Economics





### 10.3. Apartments Are No Longer Commercially Feasible

As part of its assessment to meet the requirements of the NPS-UDC, the Auckland Council concluded that no apartments were commercially feasible for development:

*It is worth mentioning that the output of feasibility model, used to mimic the supply side of the housing market, **did not find it feasible to develop apartments or one-bedroom dwellings**, which implies that no single-person household is buying any dwelling across the scenarios.*

*National Policy Statement on Urban, Development Capacity 2016: Housing and business development capacity assessment for Auckland, December 2017, page 11, emphasis added)*

This was attributed to the increase in land prices and construction costs since the AUP became operative. It also reflects current market sentiment, as most developers do not consider that apartments are currently viable for construction.

A lack of feasible apartments raises questions about the rate at which the City will intensify rather than develop at the periphery.

### 10.4. Apartments Within The Site

The proposal would potentially increase the supply of apartments in the region. This is in large part possible because a large site can be masterplanned and various amenities can be provided within the development.

Apartments are often included as part of larger masterplanned mixed-use developments because there are relatively few activities that can accommodate the above ground levels, most notably office, hotel, education and apartment.

Given the challenges facing the City's housing market, an increase in the market potential for apartments in this part of Auckland is a significant economic benefit.



## 11. Economic Costs & Benefits

The following table provides a summary of the economic costs and benefits evaluated in this report.

Figure 20: Summary of Economic Costs & Benefits

<b>Costs</b>	<b>Evaluation</b>
Impact on other centres	The Council's consulting economists have identified the proposal's impact on other centres as the only economic "factors" to evaluate. This is fully addressed with the recommended provision of retail and office floor area caps for the site.
Loss of industrial land	The consented baseline enables a commercial use for the site. It therefore does not have any potential for industrial use that is displaced by the proposal.
<b>Benefits</b>	<b>Evaluation</b>
Enables large masterplanned commercial mixed-use development	The majority of intensive development in Auckland is occurring on large greenfield sites on the urban periphery. The proposal is a relatively unique opportunity to enable a large intensive development on an accessible site in and existing urban area. The MU zone provides the opportunity to respond to the needs of specific tenants as they arise and change over time. This proposal has significant benefits related to the delivery of a high density masterplanned development, and is generally aligned with the AUP's 'quality compact city' objective.
Additional capacity for 'other commercial' floor space	There is strong demand for 'other commercial' floor space and no remaining MU or GB zone land in the immediate sub-regional area.
Additional capacity for apartments	The apartment market is currently expected to enter a slow development period. The proposal would enable additional apartments in an existing urban area.
Local access to goods and services	The proposal would increase the access to goods, services and employment for the local market. These activities would in large part not provided with the Ormiston Town Centre, which is likely to predominately offer conventional retail goods and services.



## 12. Optimal Zone for the Site

In this section the general principles for applying the various business zones are reviewed in respect of the key economic considerations.

Mr John Duguid, in his evidence for the AUP review, outlines the principles for applying the various business zones under the AUP. These are summarised as follows.

Figure 21: AUP Business Zone Framework

<b>Metropolitan Centre Zone</b>	<p>Metropolitan centres have been selected according to the centres hierarchy as set out in the Auckland Plan. There is a fixed number of Metropolitan Centres. There is <u>no scope</u> for new Metropolitan Centres, only expansion.</p> <p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• That meet the criteria set out in Policy 5 B3.1 RPS which provide for the outward expansion of metropolitan centres.</li> </ul>
<b>Town Centre Zone</b>	<p>Town Centre Zone applied in accordance with the centres hierarchy as set out in the Auckland Plan and some other centres within the City Fringe (e.g. Ponsonby). There is <u>not a lot of scope</u> for new town centres in new neighbourhoods developed within the RUB.</p> <p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• That meet the criteria set out in Policy 5 B3.1 RPS which provide for the outward expansion of town centres that meet the criteria set out in Policy 6 B3.1 RPS which provide for new town centres within the RUB.</li> </ul>
<b>Local Centre Zone</b>	<p>Local Centre Zone applied predominantly in accordance with the centres hierarchy as set out in the Auckland Plan.</p> <p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• That meet the criteria set out in Policy 5 B3.1 RPS which provide for the outward expansion of local centres.</li> <li>• That accord with the policy direction of D3.5 Policy 5 in considering extending the spatial extent of local centres.</li> </ul>
<b>Neighbourhood Centre Zone</b>	<p>Apply this zone to:</p> <ul style="list-style-type: none"> <li>• Single corner stores or small shopping strips located in predominantly residential neighbourhoods.</li> </ul>
<b>Mixed Use Zone</b>	<p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• Adjacent to the City Centre Zone, Metropolitan Centre Zone and Town Centre Zones and along arterials that have good public transport.</li> <li>• Within locations which will not harm the vitality and viability of the City Centre Zone, Metropolitan Centre Zone and Town Centre Zone.</li> </ul>
<b>General Business Zone</b>	<p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• Within close proximity to the City Centre Zone, Metropolitan Centre and Town Centre Zones and along arterials that have good public transport.</li> <li>• Within locations which will not harm the vitality and viability of the City Centre Zone, Metropolitan Centre Zone and Town Centre Zone.</li> </ul>



<b>Business Park Zone</b>	<p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• Within locations which will not harm the vitality and viability of the City Centre Zone, Metropolitan Centre Zone and Town Centre Zone.</li> <li>• to areas where significant existing level of office development established.</li> </ul>
<b>Light Industry Zone</b>	<p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• With established light industrial activities, as permitted in the zone;</li> <li>• Around heavy industry areas, to act as a buffer between heavy industry and sensitive uses.</li> </ul>
<b>Heavy Industry Zone</b>	<p>Apply this zone to sites:</p> <ul style="list-style-type: none"> <li>• 500m from zones that provide for activities sensitive to air discharges e.g. residential;</li> <li>• Reasonably large and robust areas with good access to freight routes.</li> </ul>

Source: Statement of Primary Evidence of John Michael Duguid on Behalf of Auckland Council (Zoning) 3 December 2015.

The centre zones are allocated based on the 'hierarchy of centres' established by the Auckland Plan. Mr Duguid concludes that there is 'no scope' or 'not a lot of scope' for new higher order centres (Metropolitan and Town Centre) in the urban area.

The MU zone is applied to sites that are adjacent to the higher order centre zones and along arterials that have good public access. The activities on MU zone land can occur subject to the impact on the performance of existing centres. The MU zone objectives reinforce the importance of not impacting on other centres, for example:

*H13.2(2) Development is of a form, scale and design quality so that centres are reinforced as focal points for the community.*

The proposed retail and office GFA caps provide a high degree of certainty that the retail and office activity that occurs on the site will be broadly consistent with the quantity enabled by the permitted baseline. This will ensure that there are no adverse effects on the commercial performance of existing centres.

The MU zone would enable a range of other commercial activities that are not 'core-town centre' activities.

Overall, the application of the MU zone to the site is considered to be consistent with the principles established Mr Mr Duguid.

## 13. Issues Identified by Auckland Councils Consulting Economists

The Auckland Council's consulting economists have outlined the factors that should be included in the economic assessment, which are listed as follows.



- a) *The **additional level of activity** that could or is likely to occur on the site with a change in zoning to BMU relative to the level of consented activity. This includes both ground floor (largely retail and services) uses as well as above ground floor uses.*
- b) *The **effect of this additional activity on other centres** within Auckland's urban hierarchy, particularly Ormiston Town Centre. However, this should not be limited to a local assessment of effects given the potential scale of above ground floor non-residential uses, a significant component of which make locational decisions at a regional/sub-regional scale where the effects are not dependent upon household demand within the local surrounding catchment area. This component should also address the basis and effects of the additional height sought under the height variation control of the BMU Zone. It should address the question of why additional height should be enabled within the proposed location relative to other locations within Auckland's urban economic spatial structure.*
- c) *An assessment of the alignment of the proposed plan change with the **policies and objectives of the AUP**. This needs to take into account the RPS level centres-based urban form objectives (and the consequent objectives and policies within the centres and BMU zones) to address the key question of the impact on Auckland's urban economic structure through establishing a sizeable node of activity in this location.*
- d) *In addition to point c, an assessment of the appropriateness of the proposed plan change location in **servicing surrounding household demand**. This is an important question given the placement of a node of activity at this location. Despite the existence of resource consents, it is important to consider the effect of potentially further establishing this node of activity (dependent upon point a) at this location.*

*Email from Mr Michael Luong to Mr Hamish Firth, dated Thursday, August 30, 2018, emphasis added.*

These factors relate to the quantity of the "retail", "services" and "above ground floor non-residential uses" and the impact that they may have on existing centres and the related objectives and policies of the AUP. The proposed retail and office floor area caps fully address all of these concerns.

It should be noted that there are a number of economic benefits that also need be considered as part of a cost-benefit analysis that are not included in the list of factors provided by Council's consulting economists.



## 14. Conclusions & Recommendations

It is concluded that the proposal is significant economic benefits and no discernible economic costs.

The proposal is supported subject to the recommended retail and office floor area caps of 15,000m<sup>2</sup> GFA for each.



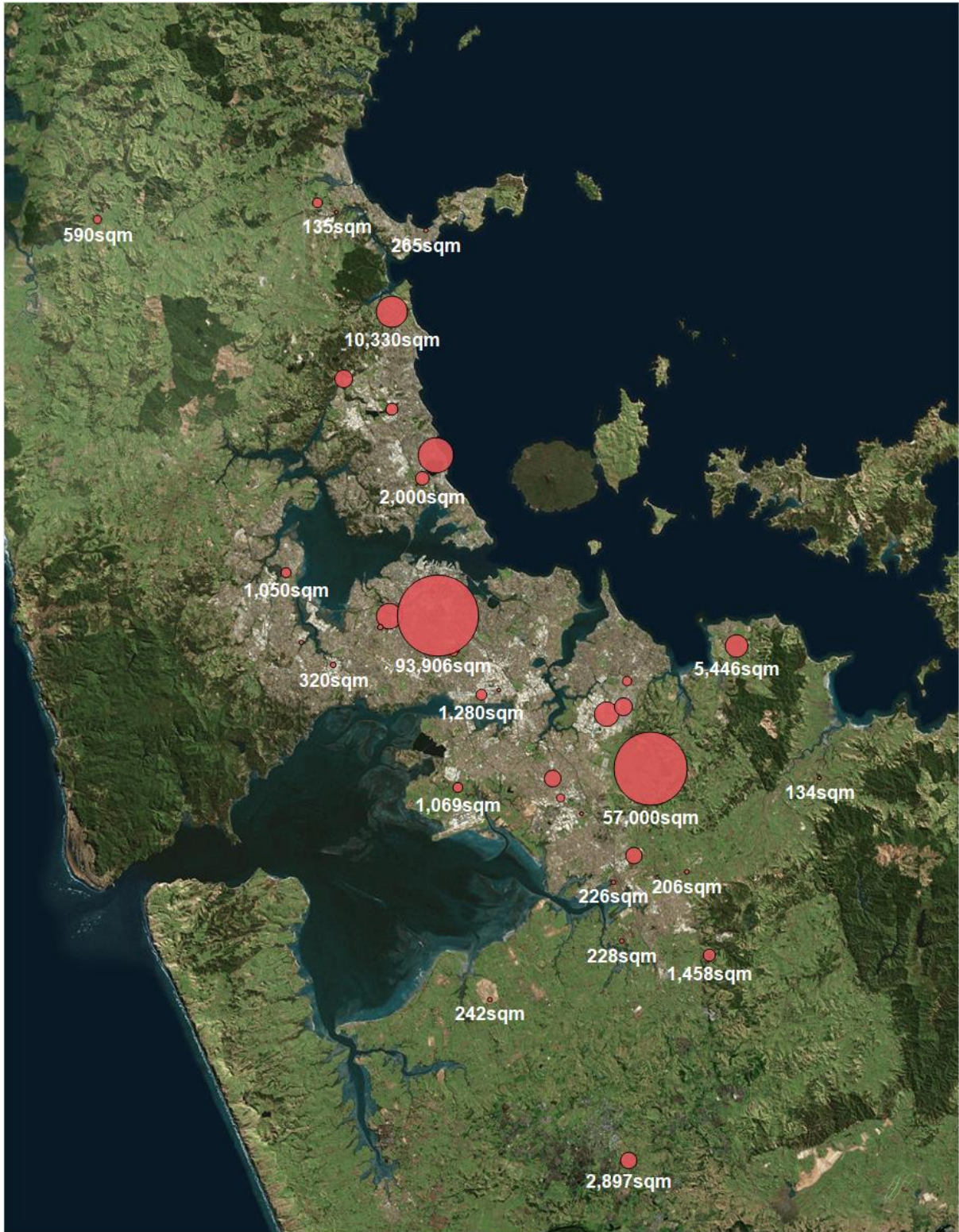
# 15. Appendix 1: Consented Floorspace Year Ended July 2018

Office (100m<sup>2</sup> plus shown on map)





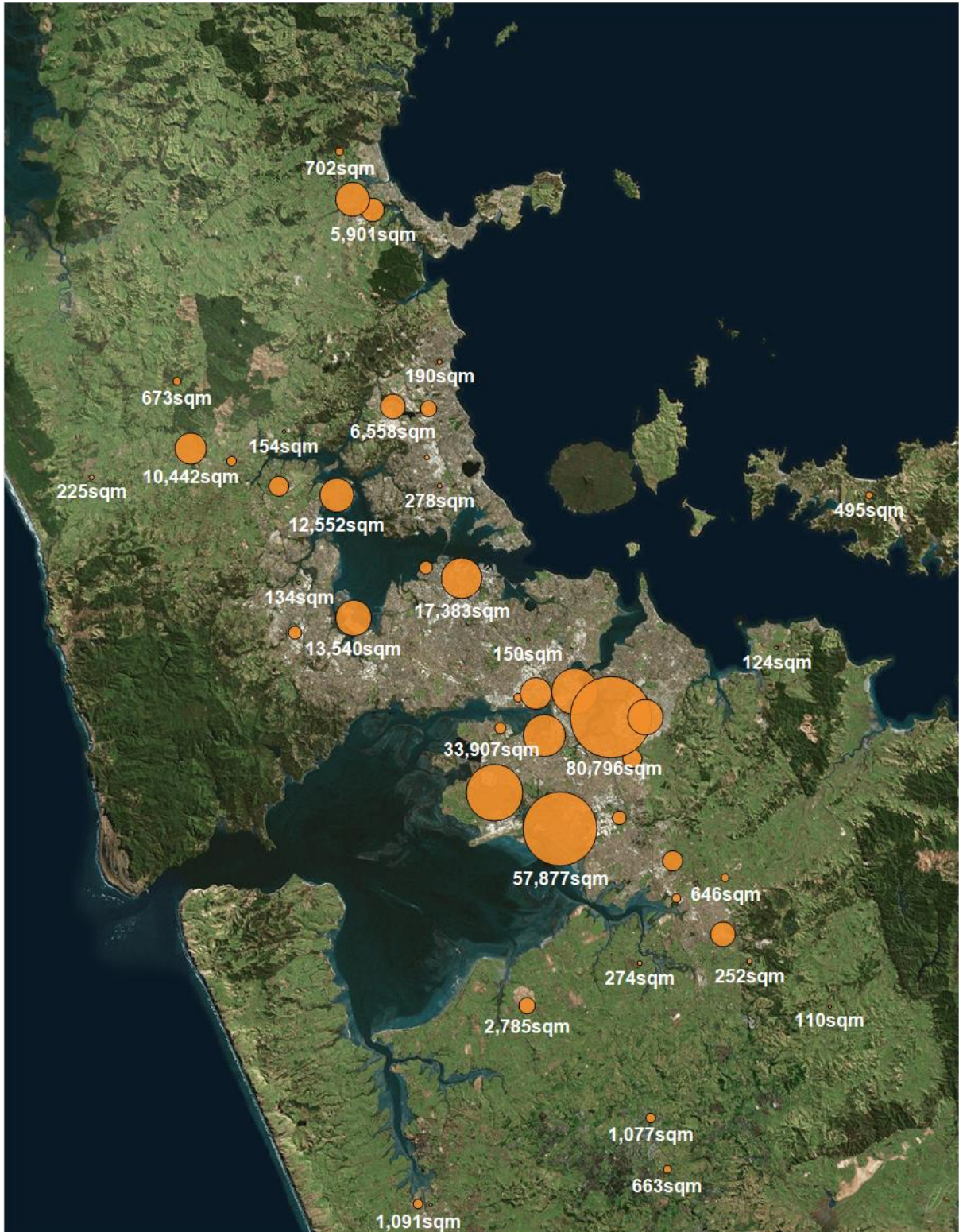
### Retail (100m<sup>2</sup> plus shown on map)





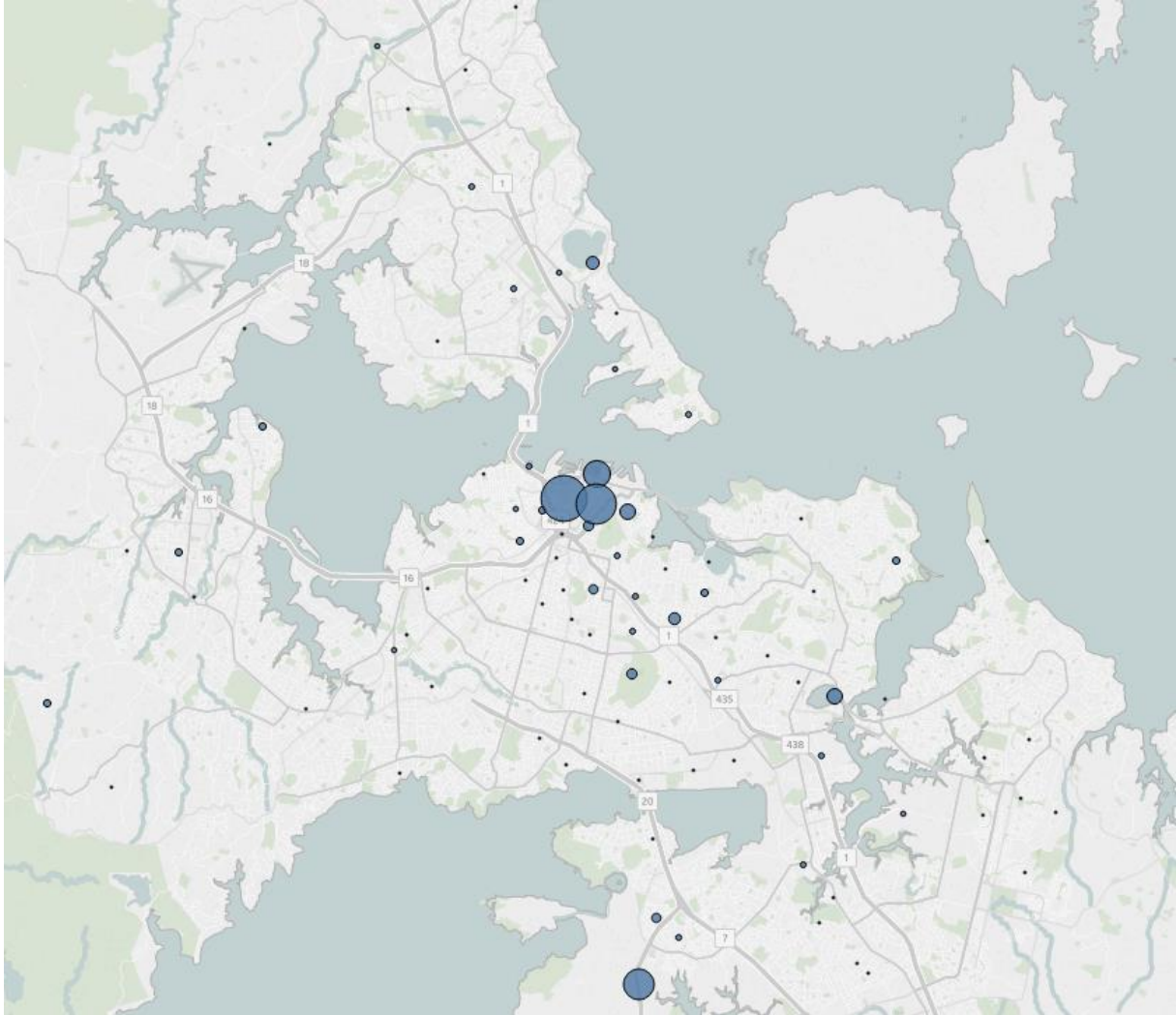


### Industrial (100m<sup>2</sup> plus shown on map)





## 16. Appendix 2: Accommodation Employment 2017





## 17. Appendix 3: Flatbush Structure Plan Area Population Growth

The Flat Bush Structure Plan Area future population has been estimated in Figure 22. The ultimate population of the Flat Bush Structure Plan Area is forecast to be 71,110. This is significantly higher than the expected Flat Bush population, which was estimated to be 40,000 in the Flat Bush Structure Plan.

“Flat Bush is New Zealand’s largest new town project and is anticipated to reach a population of over 40,000 people when all three stages are completely developed<sup>16</sup>.”

Figure 22: Flat Bush Ultimate Population and Dwellings

2013 Flat Bush Population	22,720
2013-2017 Flat Bush Additional Population	4,950
<i>2017 Flat Bush Population</i>	<i>27,670</i>
Post 2017 Flat Bush Future Population	43,440
<b>Ultimate Flat Bush Structure Plan Population</b>	<b>71,110</b>

Source: Urban Economics

There are two reasons for the increase in the indicated population of the Flat Bush Structure Plan area which were not anticipated in previous estimates. These are an increase in achievable density under the AUP provisions and a trend towards large household sizes.

The combination of an increase in density and larger household sizes means the Flat Bush Area will likely have a higher number of dwellings and people than was originally anticipated. The following table shows the estimates of dwellings and population from the Structure Plan, and then compares this to my analysis. Figure 23 provides a more detailed breakdown of this calculation.

Figure 23: Flat Bush Ultimate Population and Dwellings

	<b>Structure Plan Analysis</b>	<b>Urban Economics Analysis</b>
Ultimate Dwellings	13,300	19,800
Household Size	3.0	3.6
Ultimate Population	40,000	71,110

Source: Urban Economics

The AUP enables a significant increase in the density of dwellings, particularly through the southern part of the Structure Plan area, which was initially expected to have low density, but which has now been zoned Mixed Housing Urban. This new zoning enables a large number of terrace houses and apartments.

In addition, new houses in Flat Bush tend to be very large. For example, many stand alone homes tend to have 5-7 bedrooms, 3-4 lounges, 5 bathrooms and often 2 kitchens.

<sup>16</sup> Proposed Plan Change No.20 Flat Bush, Manukau District Plan, Page 2.



These large houses often accommodate extended families or two separate households, for example a young family and grandparents, or a family with boarders that live in a separate part of the house. The number of residents in these homes is therefore significantly higher than for a standard 3-4 bedroom home.

The significant difference between the initial anticipated population for Flat Bush and the estimated population based on the increased dwelling intensity and household size, has direct implications for the demand for retail floorspace. This is addressed in a subsequent section.

Future dwellings and population growth for the Flat Bush Structure Plan Area is calculated in the following table and is interpreted as follows:

- The total Gross Vacant Land by zone was measured from 2017 aerial photography. Net Vacant Land available for housing is calculated as 60% of gross land to allow for future roads, parks, storm water ponds, and other public uses.
- Net Vacant Land is then multiplied by the dwelling type percentages and lot sizes to give Post 2017 Flat Bush Dwellings, by zone and dwelling type.
- People per dwelling estimates are then applied to the forecast future dwellings to calculate Post 2017 Flat Bush Structure Plan Future Population.



Figure 24: Future Population Growth for the Flat Bush Structure Plan Area

	<b>Terrace Housing and Apartment Buildings Zone</b>	<b>Mixed Housing Urban Zone</b>	<b>Mixed Housing Suburban Zone</b>	<b>Single House Zone</b>	<b>Town Centre Zone*</b>	<b>Total</b>
Gross Vacant Land (ha)	54	68	340	30	-	-
Net Vacant Land (ha)**	32	41	204	18	-	-
Percentage Stand Alone	0%	30%	60%	100%	0%	-
Percentage Terrace	70%	60%	40%	0%	50%	-
Percentage Apartment	30%	10%	0%	0%	50%	-
Stand Alone Lot Size (sqm)	-	400	400	600	-	-
Terrace Lot Size (sqm)	200	200	200	-	-	-
Apartment Lot Size (sqm)	100	100	-	-	-	-
Stand Alone Dwellings	0	310	3,060	300	0	3,670
Terrace Dwellings	1,130	1,220	4,080	0	300	6,730
Apartment Dwellings	970	410	0	0	300	1,680
<b>Post 2017 Flat Bush Future Dwellings</b>	<b>2,100</b>	<b>1,940</b>	<b>7,140</b>	<b>300</b>	<b>600</b>	<b>12,080</b>
People Per Dwelling						
Stand Alone	4.5	4.5	4.5	4.5	4.5	-
Terrace	3.5	3.5	3.5	3.5	3.5	-
Apartment	2	2	2	2	2	-
Population						
Stand Alone	0	1,380	13,770	1,350	0	16,500
Terrace	3,970	4,280	14,280	0	1,050	23,580
Apartment	1,940	820	0	0	600	3,360
<b>Post 2017 Flat Bush Future Population</b>	<b>5,910</b>	<b>6,480</b>	<b>28,050</b>	<b>1,350</b>	<b>1,650</b>	<b>43,440</b>

Source: Urban Economics, Statistics NZ

\*Dwelling figures from www.panuku.co.nz

\*\*Net Vacant Land 60% of Gross Vacant Land

### Local Catchment Population Growth

The Local Catchment of the proposal includes the Flat Bush Structure Plan area and an additional area to the East of Flat Bush which includes Clover Park and Otara East. The following table shows population forecasts for the Local Catchment.



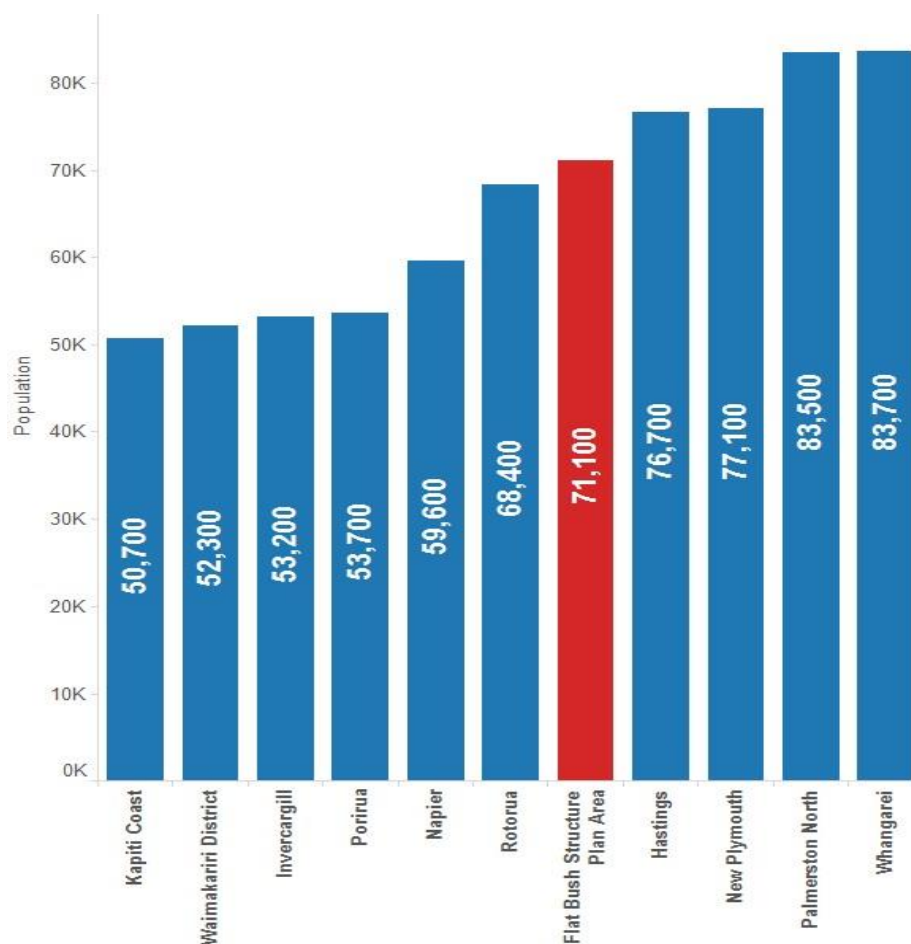
Figure 25: Flat Bush Local Catchment Population Forecast 2017-2057

	<b>Flat Bush Structure Plan Area</b>	<b>Balance of Local Catchment</b>	<b>Total Local Catchment</b>
2017	27,670	19,390	47,060
2027	38,470	20,720	59,190
2037	49,270	22,610	71,880
2047	60,070	24,250	84,320
2057	70,870	24,250	95,120

Source: Urban Economics

This is a significant population, with the Flat Bush Structure Plan Area alone being comparable in size to many small-medium size cities in New Zealand when fully built out. The following Figure illustrates the size of Flat Bush relative to ten other cities.

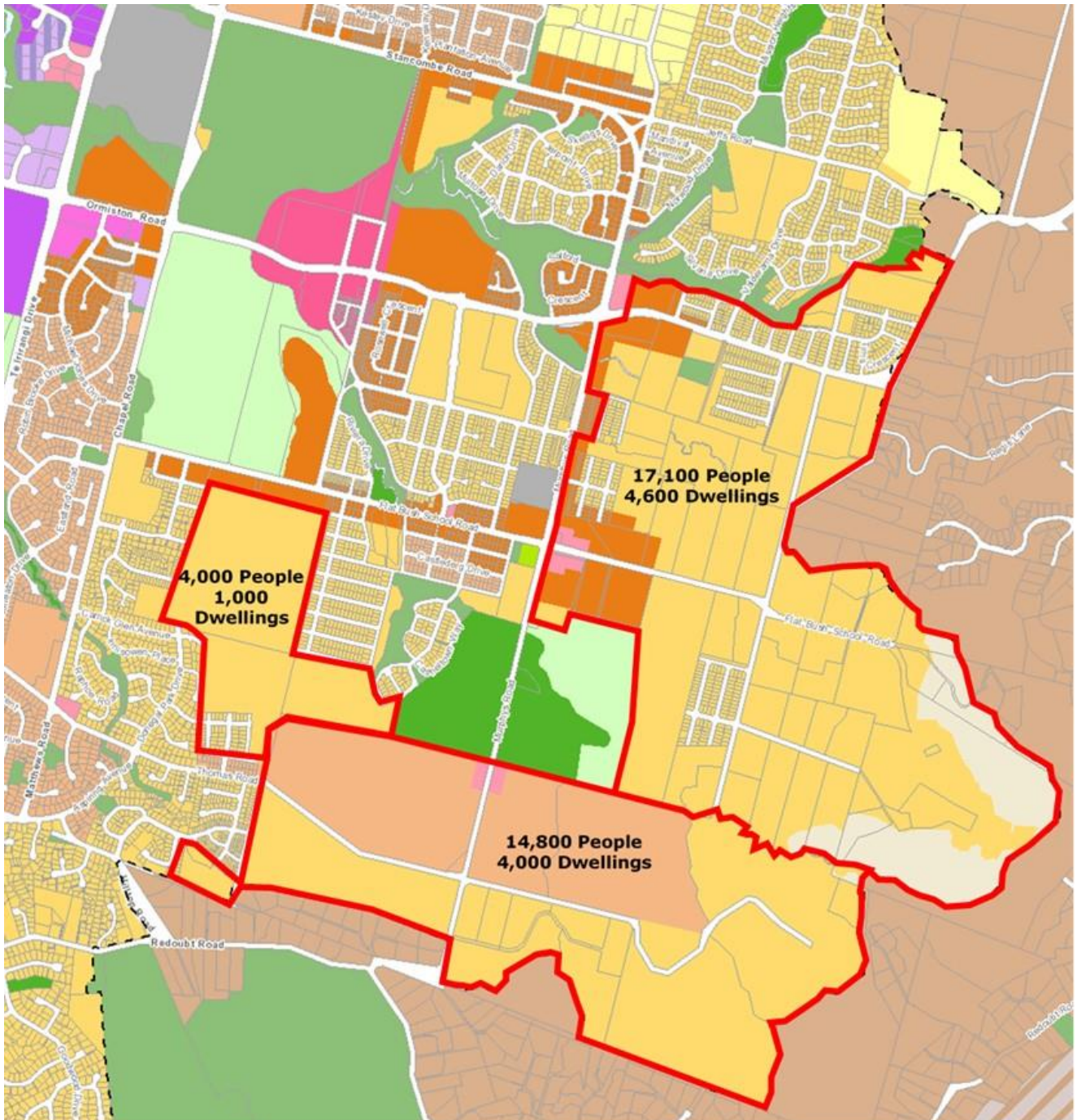
Figure 26: Flat Bush Population and Other Small-Medium Size Cities





The following figure shows future dwelling numbers and population for three key tracts of vacant land in Flat Bush. These three areas have the potential to provide 9,600 dwellings and accommodate 35,900 people based on the estimates in Table 3. (Note Figure 27 only highlights the main tracts of remaining vacant land in the Structure Plan Area).

Figure 27: Vacant Land Capacity Flat Bush Structure Plan Area





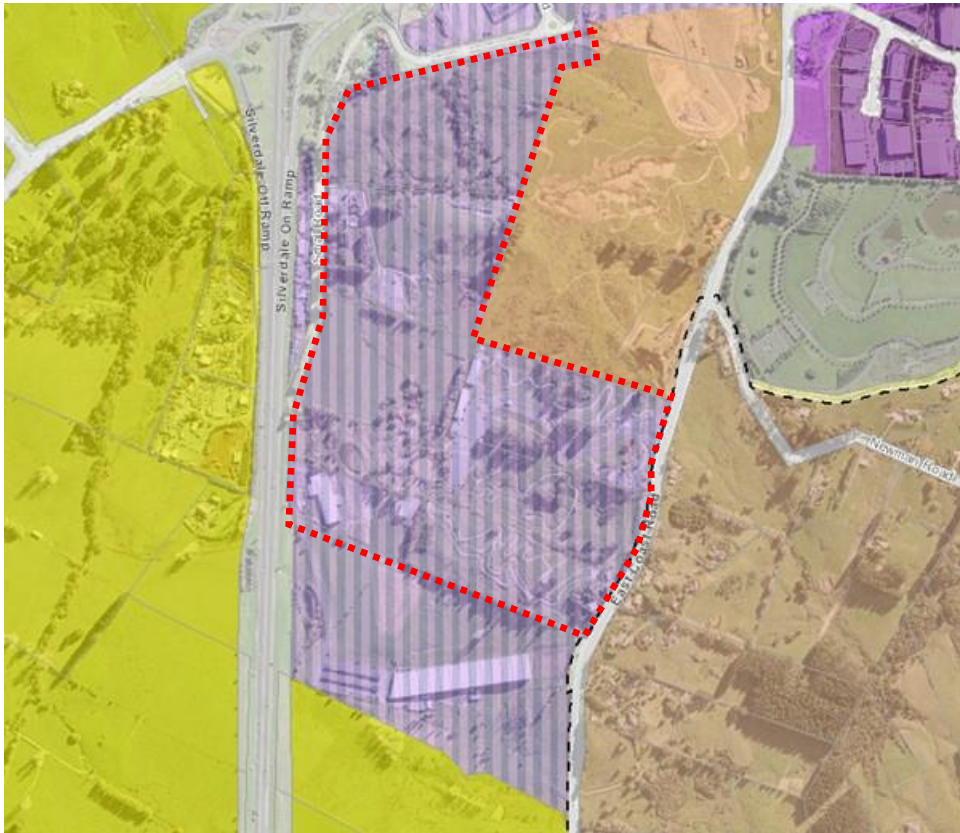
## 18. Appendix 4: Large Undeveloped Mixed-Use Sites



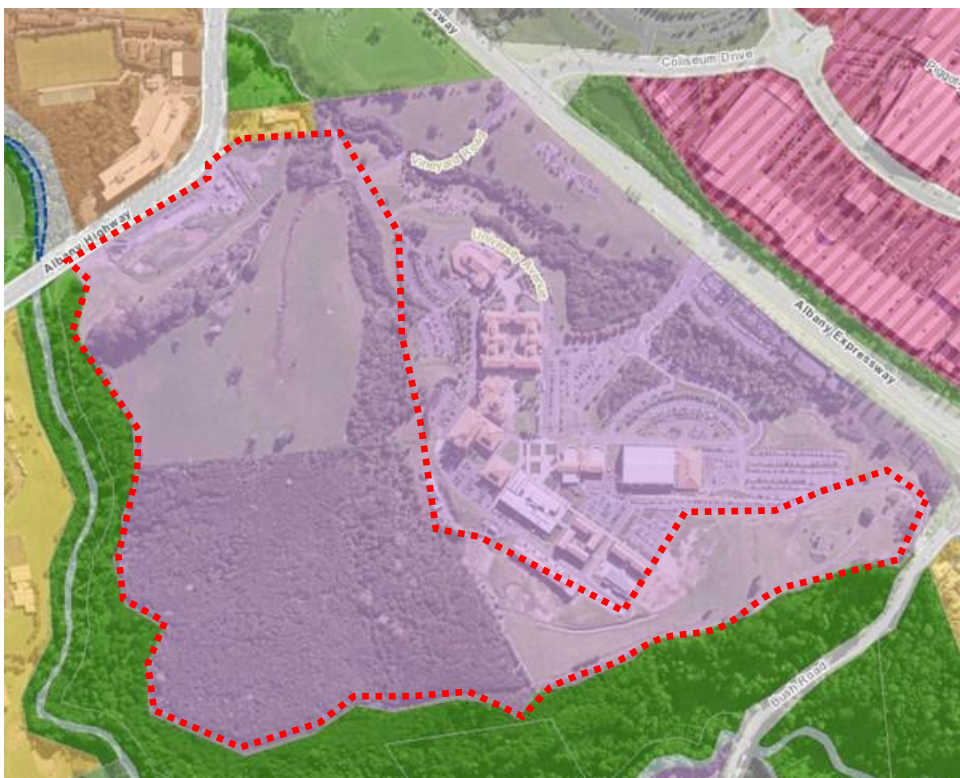




Small Road, Silverdale (7ha General Business Zone)



Massey University, Albany (30ha Mixed Use Zone)





North West Shopping Mall (5ha General Business Zone)



Fred Taylor Drive Massey (11ha Mixed Use Zone)

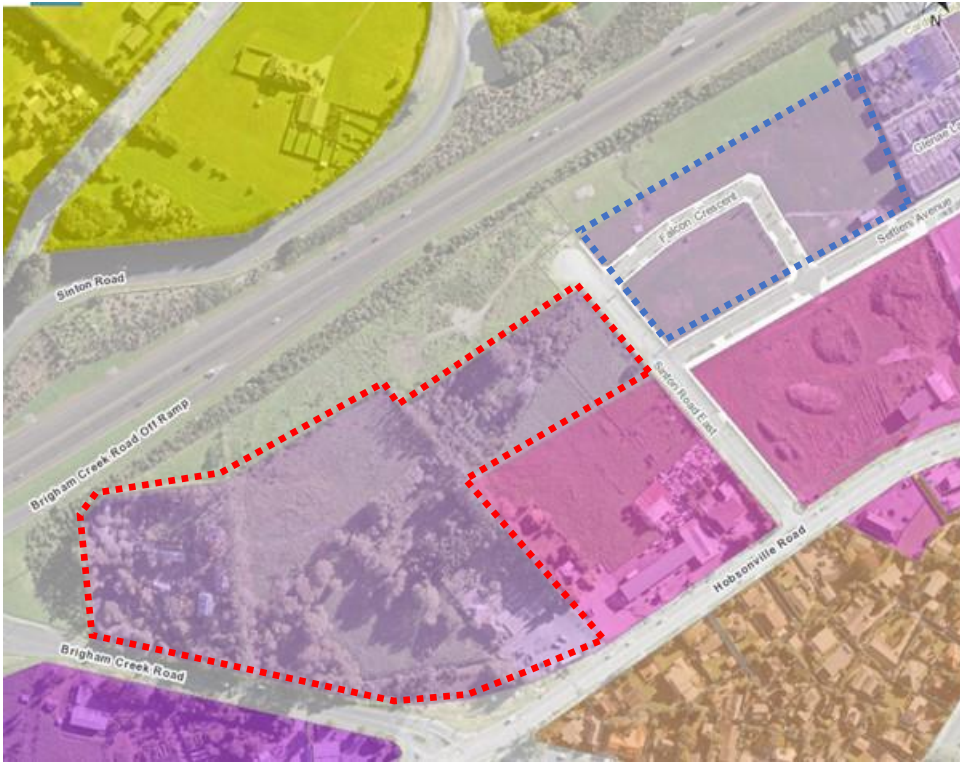
\*Blue & yellow areas are planned for residential development (blue) & Bunnings (yellow)





### Hobsonville Road (6ha Mixed Use Zone)

\*Blue outlined area planned residential development



### Moyes Panmure (6ha Mixed Use Zone)





### Karaka Centre (12 ha Mixed Use Zone)

