

Economic Matters – Response to Tim Heath Review: Drury Centre Private Plan Change, Kiwi Property Limited

Number	Category	Request for Further Information	M.E Response
E1	Drury South	Please clarify whether the Drury South retail and LFR development proposal has been factored into the Drury Centre retail assessment? If not, please assess the effects this would have on the assessment and conclusions of the Centres Assessment report.	There is no LFR allowance at Drury South and any retail greater than 450m ² will require resource consent, with the exception of trade suppliers, which will not impact the function, role and amenity of the Drury Centre given that these activities are permitted in Light Industrial zones. The Drury South Retail has been factored into the impact assessment for the Drury Centre.
E2	Timing / development of catchment	<p>Please explain the anticipated timings around the development of land within the Drury residential areas that form part of the Drury Centre catchment.</p> <p>Does the recent announcements relating to early timing of rail and road investments alter assumptions as to timing and nature of residential development.</p>	<p>All anticipated timings of growth are detailed in Figure 5.1. This breaks down growth into the FUZ zone east and west of the motorway and provides estimates for the Drury South zone.</p> <p>The recent announcements of an early timing of investment in rail and road are likely to bring forward the residential developments around the Drury FUZ. This means that demand arising from these areas will manifest earlier than modelled, which in turn means that the amount of retail floorspace in the Drury Centre needed in any given future year will be higher than modelled. In addition, the early arrival of residential dwellings reduces the likely impact on other established centres in the south (mainly Pukekohe and Papakura). This means that the sustainable floorspace projections outlined in Figure 5.4 of the report are conservative, however, it does not alter the conclusions about the sustainable floorspace or land requirements at full build out.</p>
E3	Pukekohe town centre	Please explain the potential impacts on the Pukekohe Town Centre and how they have been assessed. Pg.31 of the	In the original centre report we did not carry out an assessment of the potential impacts on Pukekohe, as we

		<p>Centres Assessment states an assumption of spend from rural west areas to Drury higher than 50%. More detail on the basis of this assumption would be helpful and impacts of this on Pukekohe.</p>	<p>did not believe they would be significant. However, in response to Council’s desire to see more information on any potential impacts on Pukekohe we have carried out 2 pieces of analysis. First, in a similar manner to the Papakura assessment, we have assessed the role that Pukekohe plays in meeting needs of its residents and catchment today. Second, we have carried out an assessment of likely retail impacts of the proposed Drury Metropolitan Centre on Pukekohe as it stands today – and what it potentially will be in the future.</p> <p>In that report we have estimated that if the Drury Centre were to open in 2023, it would have a 7.5% impact on the core retail and hospitality sector in Pukekohe (Figure 6.6 on page 33 of the Pukekohe Centre Assessment Report). What is more important is that when translated to overall centre impact, the retail impacts only apply to 68% of all household activities provided by Pukekohe (or 55% of total centre activity once office and light industrial activities are included). Therefore, the direct impacts can almost be halved to generate centre impacts (page 34 of the Pukekohe report).</p> <p>Please refer to the Pukekohe Centre Household Sector Activity report that accompanies this memo for more detail.</p> <p>Based on this assessment, in my opinion any impact Drury Metropolitan Centre will have on Pukekohe’s role as a Satellite Town is minimal and will be offset in very short order by development and growth in catchments immediately surrounding Pukekohe. At most, the direct</p>
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			<p>impacts are 8.9% if the Drury centre opened in 2028 and 6,530sqm was diverted.</p> <p>Our recent research into the current retail performance of Pukekohe shows a centre that is thriving and busy, and fulfilling the role of a Rurally focused Town Centre. Retail extends both to the first floor in many locations as well as along side streets away from the main retail streets (Details are contained in the Pukekohe Centre Assessment report). As the area continues to intensify from a residential perspective, Pukekohe will undergo a range of transformations to ensure it continues to meet the needs of its local and wider rural catchment.</p> <p>Regarding the assumption of spend from the rural west area, the reporting refers specifically to the Metropolitan Centre component of spend. Households split their expenditure between centres depending on the nature of need. For example, it is unlikely households travel into the CBD for low order goods (unless they live immediately in or adjacent to the CBD). But they potentially will if they need specialist goods that are only for sale in the CBD. Households will shop at the local neighbourhood or local centre for convenience goods. They may shop at a standalone supermarket a bit further away for their weekly groceries, and their local Metropolitan centre for normal clothes and shoes. In this way households support GFA in a range of centres across Auckland. It is only the component of Metropolitan Centre demand I was referring to when I state that the roading pattern means that those to the rural west of Drury are likely to allocate more than 50% of their Metropolitan spend to the Drury Town Centre.</p>
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I have adjusted the wording in that paragraph to make this clear.

FIGURE 1: Total Retail GFA demand Focused on Drury East (sqm)

Catchment	2016	2018	2023	2028	2033	2038	2043	2048
<i>Pukekohe</i>	0	0	0	0	0	0	0	0
Franklin	3,120	3,478	4,611	6,214	8,102	10,036	11,665	13,431
Drury West	451	690	1,327	2,027	5,164	8,615	15,695	23,475
Drury East	1,662	2,481	4,670	7,077	10,191	13,605	20,457	27,973
Drury South	218	519	1,324	2,210	2,542	2,902	3,180	3,478
Papakura	1,684	1,899	2,443	3,015	3,553	3,948	4,372	4,829
Total	7,136	9,066	14,375	20,543	29,551	39,106	55,369	73,187

FIGURE 2: Retail GFA Likely to have been spent at Pukekohe (sqm)

Catchment	2016	2018	2023	2028	2033	2038	2043	2048
Pukekohe	0	0	0	0	0	0	0	0
Franklin	1,872	2,087	2,767	3,728	4,861	6,022	6,999	8,059
Drury West	226	345	663	1,013	2,582	4,308	7,848	11,738
Drury East	332	496	934	1,415	2,038	2,721	4,091	5,595
Drury South	22	52	132	221	254	290	318	348
Papakura	84	95	122	151	178	197	219	241
Total	2,536	3,074	4,619	6,529	9,913	13,538	19,475	25,980

FIGURE 3: Retail Impacts (sqm and %)								
Category	2016	2018	2023	2028	2033	2038	2043	2048
Pukekohe Total Demand	49,292	56,026	70,843	84,034	97,414	107,716	117,452	127,498
Pukekohe Focused Demand	39,433	44,821	56,674	67,227	77,931	86,173	93,961	101,998
<i>Other Demand</i>	2,536	3,074	4,619	6,529	9,913	13,538	19,475	25,980
Total Demand at Pukekohe	41,969	47,896	61,293	73,756	87,844	99,711	113,436	127,979
Focused on Puke post impact	39,433	44,821	56,674	67,227	77,931	86,173	93,961	101,998
Impacts Compared to Total	-6.0%	-6.4%	-7.5%	-8.9%	-11.3%	-13.6%	-17.2%	-20.3%
Sales Change vs 2018		-6.4%	18.3%	40.4%	62.7%	79.9%	96.2%	113.0%
Sales Change vs 2023			-7.5%	9.7%	27.1%	40.6%	53.3%	66.4%
Sales Change vs 2028				-8.9%	5.7%	16.8%	27.4%	38.3%

E4	Papakura Metropolitan Centre	Please explain why it is better to develop a new Metro Centre at Drury rather than an expansion of the existing Papakura Metro Centre.	<p>As outlined in the Papakura Report, Papakura is highly constrained by; geography, fractured ownership patterns meaning no significant consolidation possible, the transport networks, history, lack of investment, recent retail developments to the north and low levels of growth and interest from the local catchment.</p> <p>Future growth in the south is centred on Drury making Papakura not well placed to meet these household needs. This growth is expected to comprise 59,000 residents and 12,000 jobs according to the Drury-Opaheke Structure Plan, potentially being the size of Rotorua or Nelson. This level of growth necessitates a centrally located and convenient centre of scale that provides the full range of retail, commercial and social activities. Government investment</p>
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			<p>in and around the Drury centre and significant employment opportunities in the centre, to the immediate south and the immediate west, all point to Drury being a more appropriate centre location. This is detailed in the Economic and Planning (S32) reports submitted with the Plan Change.</p> <p>As noted, Papakura has not played a Metropolitan Centre role for a significant period of time – especially with respect to its retail offer. In reality, its position as a metropolitan centre reflects previous planning processes. Its role must now be considered in the context of new medium-sized City establishing in Drury, which was not well understood when it was originally zoned Metropolitan Centre. In my view, Papakura is no longer best placed to meet all household needs in the south, now or into the future.</p> <p>Detailed assessment of its current and future role is contained in the stand alone Papakura report.</p>
E5	Infrastructure Timing	Please explain the assumptions of the timing of Mill Road being developed, and whether the recent Government announcement on Mill Road and the electrification of the rail network and new stations at Drury changes the timings of demand for retail or office activities in the Centres Assessment.	In so far as the Mill Rd development timing has been taken into consideration in the FULSS projections it influences our demand projections. Anything that brings forward Mill Rd and its influence on development timing in the Drury FUZ, brings forward the demand projections. This is likely to mean that the amount of sustainable retail GFA recorded in Table 5.4 for the Drury Metro Centre and the Drury Local Centre West is also brought forward. The same is potentially true for the electrification of the rail and Drury Station development timings. The degree to which the Mill Road Corridor and associated projects affects projected demand, when balanced with other factors, is outlined below.

			<p>New Transport linkages and improved linkages reduce the friction of distance making Drury 'closer' to the rest of Auckland. This has an impact on locational choice – but it is not the only, or even the most important driver of housing locational choice. Research has shown that proximity to work and shops is not as important as a safe neighbourhood and a good environment. Providing these attributes at Drury along with employment and retail/services will ensure high degree of retention of retail and minimise travel to other centres.</p> <p>With significant employment opportunities likely to be available within the Drury Centre zones and the industrial and Mixed Use zones at Drury South and West, there is ample opportunity for people to live and work locally. In addition, as the centre develops, there will be a full range of retail and services offered locally – further reducing the need to travel to meet household needs. This reduces the influence improved transport connections with the rest of Auckland has on the locational decisions of households. This means that the outcome will be little different to the outcomes modelled in the reports.</p> <p>The development of the Drury Metropolitan Centre with its associated retail and office/commercial capacity is likely to influence and stimulate the residential developments around the centre to a far greater extent than the Mill Rd extension and/or the electrification of the rail network.</p>
E6	Employment Densities	Please clarify the likely employment densities (retail and commercial) able to be realised within the 85ha plan change area.	It is assumed that the Drury Centre would accommodate approximately 5,400+ jobs in 2048. The ultimate employment density and mix variable and importantly, the Plan Change provides significant capacity for intensive

			<p>employment activities, with buildings ranging from 25m to 72m enabled throughout the Plan Change area.</p> <p>The masterplan for the Plan Change area that was prepared by Civitas, shows one way in which the Drury Centre and surrounds could be developed. The masterplan assumes lower densities than that enabled by the Plan Change provisions. This masterplan indicates that even at lower densities, approximately 6,000 jobs could be provided within the Drury Centre and surrounds, based on the following:</p> <ul style="list-style-type: none"> • Approximately 60,000m² of office based on 17.6m² per person, which converts to ~ 3,400 jobs • Approximately 100,000m² retail based on 64m² per person, which converts to ~ 1,700 jobs • Potential for a 300+ bed hospital, which converts to ~ 1,000 jobs based on 4 jobs per bed.
E7	Retail Spend	Please clarify the basis for the Drury South Industrial Precinct retail assumptions in relation to spend captured locally.	<p>We do not assume that retail is enabled in the Drury South Industrial Precinct however some neighbourhood level retail is enabled to meet local convenience needs. Retail demand that arises from both the workforce and the businesses is likely to be met at the Drury South Sub-Precinct C retail and service offer.</p> <p>It is likely that a portion of retail demand that arises in Drury South (both the workforce and households) will be met at the Drury Metropolitan Centre. In the context of the overall demand focused on Drury Metropolitan Centre this is small as the catchment is small. Therefore it's timing and scale will not impact on the Drury Metropolitan Centres likely sustainability.</p>

			<p>We have assumed that the Drury Metropolitan Centre captures around 47% of demand that arises from the Drury South catchment.</p> <p>In terms of additional retail supply at Drury South – we have assumed that it is effectively a neighbourhood centre in the south and a supermarket (plus associated retail) further north. This level of retail will not affect the Drury Metropolitan Centres ability to perform to the level modelled in the Centre Assessment Report.</p>
E8	Staging	Please outline / explain if staging of the Drury Centre is warranted in the context of mitigating impacts on other centres.	Based on my analysis of the evidence base, in my opinion, the Drury Metropolitan Centre does not need to be staged to mitigate impacts on other centres. A fuller explanation is contained below in E11 (which poses essentially the same question).
E9	Retail Leakage	A more detailed assessment of retail flows / destination of spend from Papakura would be useful.	<p>A comprehensive assessment of retail flows from the Papakura 'Natural Catchment' (i.e. all areas for which Papakura is the closest Metropolitan Centre), is presented in Table 4-1, on Page 23 of the Papakura Metropolitan Centre Household Sector Activity report (16 September 2019) that was submitted to Council in support of the application. For convenience I have replicated that table below. Note that the data draws from Auckland Council's 2013 Retail Evidence Base.</p> <p>It shows Papakura Metropolitan Centre capturing only around 25% of spend arising from the catchment – far short of the 59% average for all Metropolitan Centres. This is the lowest capture rate of all the Metropolitan Centres – even lower than Takapuna (which has no supermarket).</p>

		<p>Also clarification on whether Figure 5.4, pg.37 of the Centres Assessment has an allowance for any retail leakage from the catchment or does this represent full internalisation of spend?</p>	<p>I believe that since 2013 (when the report was released), the situation for Papakura will have receded further. Limited investment in the centre and improved retail opportunities elsewhere (in particular further up the Takanini Straights portion of Great South Road) will have captured a greater share of the market than in 2013.</p> <p>Figure 5.4 represents the amount of retail space that is likely to be sustainable in the Drury Metropolitan Centre and the Drury West Local Centre over time. It takes into consideration the role that each centre is likely to play within the centre network and therefore the share of residential and workplace based spend that will be attracted to it from the surrounding catchments. Of course, there is retail leakage from the surrounding catchments to centres outside of the Drury FUZ. Drury Metro Centre and the Drury West Local Centre play a relatively small role for households from the wider Franklin market but play a large role for households in the Drury FUZ developments.</p> <p>If you refer to Figure 5.3, which presents the total amount of floorspace sustained by demand arising in the catchments, it is clear that households within the study area (as outlined in Figure 4.1) sustain a far greater amount of retail floor space than is proposed at either the Drury Metropolitan Centre or at the Drury West Local centre. In total the catchment sustains around 99,000sqm in core retail and services (in 2018) rising to over 422,000sqm of retail and services by 2048. This compares with our estimate of core retail and services in the Metropolitan centre of around 68,000sqm by 2048 and around 14,450sqm in the Drury West centre.</p>
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The balance of spend is spread across a wide range of centres to meet a wide range of household needs, consistent with the way in which other centres operate in Auckland.

Table 4-1: Auckland REB: Spend Flows from Household Catchments to Auckland Metropolitan Centres (\$m 2012)

Catchment of spend origin	Centre of spend destination											Total	Share of household catchment spend at closest centre
	Albany	Botany	Henderson	Manukau Central	New Lynn	Newmarket	Papakura	Mt Wellington /Sylvia Park	Takapuna	Westgate			
Albany	\$ 197	\$ 3	\$ 2	\$ 3	\$ 1	\$ 11	\$ -	\$ 4	\$ 14	\$ 3	\$ 238	83%	
Botany	\$ 2	\$ 158	\$ 1	\$ 22	\$ 1	\$ 13	\$ 1	\$ 29	\$ 1	\$ -	\$ 227	69%	
Henderson	\$ 5	\$ 2	\$ 67	\$ 2	\$ 14	\$ 6	\$ -	\$ 3	\$ 1	\$ 14	\$ 115	58%	
Manukau Central	\$ 1	\$ 21	\$ 1	\$ 110	\$ 2	\$ 4	\$ 3	\$ 17	\$ -	\$ -	\$ 159	69%	
New Lynn	\$ 6	\$ 4	\$ 27	\$ 7	\$ 72	\$ 20	\$ -	\$ 9	\$ 2	\$ 4	\$ 151	48%	
Newmarket	\$ 13	\$ 14	\$ 4	\$ 10	\$ 5	\$ 184	\$ 1	\$ 59	\$ 7	\$ 2	\$ 299	61%	
Papakura	\$ 1	\$ 18	\$ -	\$ 53	\$ 1	\$ 7	\$ 32	\$ 15	\$ -	\$ -	\$ 128	25%	
Mt Wellington/Sylvia Park	\$ 2	\$ 9	\$ 1	\$ 15	\$ 1	\$ 14	\$ -	\$ 45	\$ 1	\$ -	\$ 88	51%	
Takapuna	\$ 58	\$ 2	\$ 1	\$ 5	\$ 1	\$ 16	\$ -	\$ 4	\$ 47	\$ 1	\$ 134	35%	
Westgate	\$ 19	\$ 1	\$ 18	\$ 1	\$ 3	\$ 5	\$ -	\$ 2	\$ 2	\$ 45	\$ 95	47%	
Total	\$ 305	\$ 231	\$ 121	\$ 229	\$ 100	\$ 281	\$ 37	\$ 186	\$ 75	\$ 70	\$ 1,633	59%	
Share of centre spend from local catchment	65%	68%	55%	48%	72%	65%	86%	24%	63%	64%			
Net balance of centre	\$67	\$4	\$6	\$70	-\$51	-\$18	-\$92	\$99	-\$59	-\$26			

E10

Automotive Demand

Additional justification on the basis for the inclusion of automotive demand in the demand projections for Drury, and whether automotive activities are proposed within the plan change area. If so which type?

The automotive sector demand (including service stations) is listed as part of the General Business Zone focused demand in Figure 5.4. Even if this zone is not enabled by the Plan Change, the activities it provides for, including automotive, are enabled in most areas. For this reason it is entirely appropriate to provide for automotive activities as

			<p>this is a component of demand that will be serviced from land around centres – as it is elsewhere in Auckland.</p> <p>For example, in the land surrounding Manukau Metropolitan Centre there is; Manukau Toyota, South Auckland Motors – Ford, Hyundai and Mazda, Dave Motors Holden And HSV, the AA Centre, Sound Solution, Auto Electrical, Manukau Nissan, Isuzu, Peugeot, Citroen, AutoStop Parts and Accessories, Beaurepairs Tyres, Smith and Smith AutoGlass, Tintgard Window tinting, among others. While these activities may well locate in Drury South, it is reasonable to assume that aspects of automotive activities, including service stations would locate at the edge of centres, regardless.</p> <p>In the Manukau Metropolitan Centre zone itself there are also a range of Automotive focused retailers, including; Supercheap Auto, Drive Sure Vehicle Testing, Car Corner, Jaycar accessories, Mag and Turbo Tyres, Bridgestone Tyres and Buy Right Car Dealership.</p> <p>The general provisions associated with the zonings that are proposed provide for some automotive retail and service type activities, noting that some automotive activities are restricted in sub-precinct C, which is the residentially focussed Mixed Use zone to the north of the Drury Centre.</p> <p>In order to understand that portion likely to be focused on the Drury Plan Change area – it is important to assess automotive demand and quantify it for decision makers. This is especially the case where decisions are being made on the amount of land to zone for different activities. As</p>
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			<p>the economic RFI alludes to, Automotive activities occupy large amounts of space. By ignoring them and assuming they will seek to locate elsewhere may lead to insufficient land being available for a full range of activities around the Drury Centre.</p> <p>In this instance approximately 8% of the total wider catchment 2048 Automotive demand is assessed as being aimed at the Drury Centre and surrounds, which when viewed in a wider context is minor.</p>
E11	Metro Centre Staging	Further clarification is required on the position (pg.41) that any staging of Drury Centre should be based solely on developer risk and infrastructure.	<p>My position, based on the analysis that I have carried out, is that staging should only be used when there is clear evidence that the development would significantly impact on another established centres ability to provide for community needs. This I do not believe is the case with Drury Metropolitan Centre.</p> <p>The key centres that are potentially expected to experience adverse effects are Papakura and Pukekohe.</p> <p>Papakura, as explained above and in the Papakura Impact report, captures a small share of its natural catchment demand (that is, from all areas for which it is the nearest Metropolitan Centre). The table above (in E9), replicated from page 23 of the Papakura Metropolitan Centre household Sector Activity report (prepared by M.E and that accompanies the application), originates from Auckland Council's own Retail Evidence Base. It shows that the Papakura Metropolitan Centre only captures 25% of spend from its natural catchment. This is the lowest of all the Metropolitan Centres – by some margin (10% lower than Takapuna – which doesn't have a supermarket), and significantly lower than the average (59%).</p>

			<p>There is significant potential to re-capture retail leakage, that currently flows north to Manukau, Botany and Sylvia Park. Drury is far closer to households in the catchment than these other centres, so has the potential to capture spend without impacting on the role Papakura plays at all.</p> <p>Imposing a staging regime through the development process will have no impact on the degree to which the proposed Drury Metropolitan Centre impacts on the Metropolitan Centre role Papakura currently plays – because that role is not fulfilled. Far more spend is flowing north to Manukau Metropolitan Centre than is being spent at Papakura. With the exception of Takapuna (that has no supermarket), Papakura is the only catchment where far more spend flows out to another centre than is captured locally.</p> <p>I have discussed the Pukekohe impacts in E3 above.</p>
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