

Before the Hearing Panel
Appointed by the Waimakariri District Council

Under the Resource Management Act 1991

In the matter of a hearing on submissions on the proposed Waimakariri District Plan

Hearing Stream 12: Rezoning

Ravenswood Developments Limited

Submitter number 347

Evidence of Fraser James Colegrave

26 March 2024

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Introduction

- 1 My name is Fraser James Colegrave.
- 2 I hold a first-class honours degree in economics from the University of Auckland.
- 3 I am currently the managing director of Insight Economics, a position that I have held for more than 10 years. Prior to that, I was a founding director of another economics consultancy – Covec – for 12 years.
- 4 I have worked as an economics consultant for 24 years, and have successfully completed more than 600 projects across a wide range of sectors. During that time, I have helped clients gain planning permission for numerous projects and developments worth more than \$30 billion, including:
 - (a) entire new towns and suburbs (catering for up to 12,000 residents each);
 - (b) dozens of retail developments;
 - (c) New Zealand's largest gas field (Maui);
 - (d) New Zealand's largest mussel farm;
 - (e) Auckland Airport's second runway;
 - (f) a \$400 million 5-star hotel/convention facility in Papua New Guinea;
 - (g) a \$250 million infant milk formula plant;
 - (h) the \$100 million upgrade of the Skyline Gondola & Luge in Queenstown; and
 - (i) the expansion of Millbrook Golf Resort in Arrowtown.
- 5 I have completed many retail assessments across Greater Christchurch, and have also previously worked on various aspects related to other Key Activity Centres, including Halswell, Belfast/Northwood, Rolleston, and the Christchurch City Centre.
- 6 Recently, I completed assessments in support of two other major district developments, namely the proposed expansion of the Pegasus Golf Course/Resort, and a Fast-Track application for the Bellgrove site in Rangiora East. I am also currently providing economic evidence for several other development proposals across the district via this process. I therefore have a good working knowledge of both the district and sub-regional economies.
- 7 I was retained by Ravenswood Developments Limited (**RDL**) to assess the likely economic effects of Plan Change 30 (**PC30**) to the operative Waimakariri District

Plan in early 2020. I prepared an economics assessment which accompanied the plan change request, and presented evidence at the Council hearing.

- 8 Following release of the Council's decision and filing of RDL's appeal, RDL engaged Mr Greg Akehurst (Market Economics) to undertake a peer review of the economic effects assessment. On completion of that peer review, I attended mediation of the appeal and subsequent expert witness caucusing with Mr Akehurst and the consultant economist engaged by Waimakariri District Council (**WDC**), Mr Derek Foy.
- 9 I have subsequently been engaged to advise RDL on transition of the approved rezoning into the proposed Waimakariri District Plan (**PWDP**).

Code of Conduct for Expert Witnesses

- 10 While this is not a hearing before the Environment Court, I confirm that I have read the Code of Conduct for expert witnesses contained in the Environment Court of New Zealand Practice Note 2023 and that I have complied with it when preparing my evidence. Other than when I state I am relying on the advice of another person, this evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of evidence

- 11 This evidence provides:
 - (a) A summary of my economic assessment for PC30;
 - (b) A summary of the agreement reached between Mr Akehurst, Mr Foy and I in relation to the economic assessment and economic effects related provisions of PC30;
 - (c) My review of the PWDP provisions proposed by RDL.

Economic Assessment Summary

- 12 RDL is currently developing a large greenfield site located just north of Woodend in the Waimakariri District, which includes business-zoned land known as the Ravenswood Commercial Area (**RCA**). To capitalise on the rapid initial uptake of sites within the RCA, and to reflect its significant potential, RDL sought through PC30 to expand the size of the RCA so that it can gradually become the district's third Key Activity Centre (**KAC**). I assessed the likely economic effects of, and rationale for, the proposed expansion.

Development scenarios

- 13 I assessed two possible zoning and land use scenarios for the land.
- 14 Scenario 1 represented the status quo prior to PC30, including the following existing or consented uses: a BP service station, McDonalds restaurant, New World supermarket, Gull service station, childcare centre, motel, industrial subdivision, and a 3,700m² GFA retail complex. Scenario 2 included all of scenario 1 plus an extra 10 hectares of commercial land. Overall, scenario 1 included 7,400m² of core retail GFA, while scenario 2 included 27,800m².
- 15 While PC30 enables the development of commercial floorspace that is commensurate with the site's KAC status, this will naturally occur in phases over a long period (I estimate 10 – 15 years), with the area's role and function evolving alongside it, in response to market opportunities.
- 16 Accordingly, the specific make up of future commercial activities within the RCA cannot be confirmed. However, for the purposes of my assessment I worked with RDL's planning consultant, Mr Haines, who has considerable retail development experience, to develop an activity mix that we consider is realistic for the RCA, having regard to the nature of the site and its surroundings. Scenario 2 was therefore comprised as follows:

Table 1: Assumed Core Retail GFA for Scenario 2 (m²)

Core Retail Store Types	Scenario 2
Clothing, Footwear & Personal Accessories	3,500
Department Stores	5,000
Electrical and Electronic Goods Retailing	2,000
Food and Beverage Services	3,000
Food Retailing (incl. Supermarkets)	6,500
Furniture, Floor Coverings, Houseware & Textiles	4,000
Pharmaceutical and Other Store-Based Retailing	2,500
Recreational Goods Retailing	1,300
Total Core Retail	27,800

Retail and employment activity in Waimakariri District

- 17 Because scenario 2 creates additional business land that would enable the district to gradually improve its retail and employment self-sufficiency, I compared the district's current retail and employment self-sufficiency to that of other territorial authorities to understand the likely benefits. The results showed that, in both 2001 and 2019, the district had the second lowest rate of employment self-sufficiency in New Zealand, as measured by district jobs per 1,000 working age residents. At the same time, its retail self-sufficiency – measured as retail employees per capita – was also well below the national average. Accordingly, I concluded that the

opportunity to provide employment and retail activity locally would have important and enduring economic and social benefits.

- 18 I next estimated current and future district retail spending. Even under relatively conservative assumptions, district retail expenditure is projected to grow significantly by 2043 to support an additional 86,000m² of retail floorspace, including a 15% competitiveness margin under the National Policy Statement on Urban Development 2020. In addition, detailed electronic transaction data show that 40% of retail spending currently leaks out of the district, which creates a significant opportunity to improve district retail self-sufficiency over time via greater local supply.

Assessment of trade impacts and retail distribution effects

- 19 Having set the scene, I then presented my firm's analyses of trade impacts and associated retail distribution effects. I showed that, relative to the existing/consented baseline (scenario 1), scenario 2 will have only relatively minor impacts on the retail turnover of most other nearby KACs, but with slightly higher impacts on Rangiora given its proximity. Impacts on Kaiapoi will be minimal.
- 20 Next, I assessed the risk of retail distribution effects arising from our estimates of trade impacts. I used detailed employment data to profile the most-affected centre - Rangiora - and showed that it performs a wide range of roles and functions other than being just a shopping destination. Then, I concluded that scenario 2 poses no material risks of significant retail distribution effects on Rangiora (or Kaiapoi) because:
- (a) a significant amount of retail and other commercial activity has already been consented for the site, or was readily consent-able, even absent the rezoning (i.e. scenario 1). This creates an elevated baseline against which scenario 2 is assessed, which reduces its incremental impacts.
 - (b) trade impacts will be spread across a diverse network of sub-regional retailers, particularly given the proposal's readily accessible location, which will draw customers from a wide geographic catchment.
 - (c) moreover, because district retail sales are growing so rapidly, initial trade impacts will also be relatively short-lived as turnovers recover due to increases in district spending.
 - (d) at the same time, a large proportion of local spending currently leaks out to Christchurch city, which the proposal will help to address. Consequently, it will increase the size of the district retail pie which, in turn, will further help reduce the impacts of district trade diversion.

- (e) as a result, I considered it highly unlikely that any Rangiora or Kaiapoi stores will close because of trade competition, which significantly curtails the scope for retail distribution effects to occur.

Economic benefits

- 21 Finally, I briefly considered the rationale for, and likely economic benefits of the expansion of the RCA. These are far-reaching and include enabling retail floorspace supply to keep pace with demand, the consumer benefits of increased competition, plus the economic stimulus of store construction and operation. In addition, I noted that the land is a close fit with exacting site and location criteria for retail stores and, as alluded to earlier, the proposed expansion will also help the district to improve its retail and employment self-sufficiency over time.
- 22 Given these significant and enduring economic benefits, and noting the absence of any material adverse effects, I strongly supported the commercial expansion on economic grounds.

Economic peer review

- 23 Following release of the Commissioner's decision on PC30, RDL engaged Mr Greg Akehurst of Market Economics to undertake a peer review of the economics assessment, considering both my assessment, the assessment provided by Mr Foy as part of the s42A report, and economic matters addressed in the Commissioners' decision. The peer review was comprehensive and included:
 - (a) A review of base data relied on;
 - (b) A review of retail demand estimates;
 - (c) A review of the retail gravity modelling undertaken by Insight Economics; and
 - (d) A review of the Panel's decision, including testing of the perceived issues in the modelling presented and the Panel's alternative demand projections.
- 24 Ultimately, it was agreed that the most appropriate approach to assess the veracity of the Insight Economics assessment was for Market Economics to build a separate independent retail gravity model of the Waimakariri, Christchurch and Selwyn economies. As reported by Mr Akehurst in his peer review, it is not the case that two independently developed Retail Gravity Models will generate exactly the same outcomes. Retail economies are complex and the process of modelling them is similarly complex. There are a number of key variables that, in combination, provide estimates of the amount of spend arising in each origin location being spent in each retail destination.

- 25 The results of the gravity modelling undertaken by Market Economics were that even if the RCA were to be fully developed by 2028 (which was not anticipated by any of the economic experts or RDL), the maximum modelled impacts were -7.0% on Rangiora and -6.5% of Kaiapoi, which is not significant in RMA terms. This is broadly consistent with the Insight Economics assessment. Mr Akehurst confirmed that he could support the development proposed (35,500m² as specified in Scenario 2, 27,800m² of which was core retail) and that no further restriction (for example, by way of staging) was necessary or supported.

Agreement of the economics experts in relation to PC30

- 26 Mr Akehurst's peer review formed the starting point for further caucusing between Mr Akehurst, Mr Foy and I. Several further questions in relation to the peer review were posed by Mr Foy and subsequently responded to by Mr Akehurst.
- 27 The economic experts attended mediation between RDL and WDC. As a result of this process, particular objectives, policies, and rules were developed to confirm the economic outcomes as assessed.
- 28 Following the mediation, the agreed position of the RDL and WDC economic experts was recorded in the Joint Witness Statement (**JWS**) for PC30. This recorded our agreement that:
- (a) The land subject to PC30 is an appropriate place for an emerging KAC because it is located central to the Woodend-Pegasus growth area, and is accessible to the population of north-eastern Waimakariri (being adjacent State Highway 1).
 - (b) The proposed area of land to be rezoned by PC30 (as amended via mediation) is appropriate.
 - (c) PC30 (as amended via mediation) will help to reduce the outflow of retail spending from Waimakariri over time.
 - (d) It is appropriate to ensure that development of retail activities within the PC30 area avoids significant adverse retail distributional effects on existing Key Activity centres in Rangiora, Kaiapoi and Belfast/Northwood, and that this be reflected in the objectives and policies of PC30.
 - (e) Accordingly, Retail activity within the Business 1 zone at Ravenswood that exceeds 25,500m² GFA be classified as a restricted discretionary activity. This applies only to core retail and excludes trade, automotive, marine, and building suppliers.

Proposed Waimakariri District Plan provisions

- 29 The Ravenswood project team have worked collaboratively to derive a set of PWDP provisions that carry over those from the OWDP. Of particular relevance to my evidence, these include:
- (a) DEV-NWD-P1 – which recognises that development within the Ravenswood town centre is enabled at a scale that avoids significant retail distribution effects on Rangiora and Kaiapoi; and
 - (b) DEV-NWD-R2 and DEV-NWD-MD2 – which replicates the 25,500m² GFA cap on permitted core retail activity, and the corresponding matters of discretion for any retail activity proposed in excess of that cap.
- 30 The proposed provisions for the PDP classify trade suppliers as a permitted activity.

Trade suppliers within the RCA

- 31 During expert conferencing, Mr Akehurst, Mr Foy, and I agreed that trade suppliers do not create any material risk of retail distribution effects on town centres because they are not integral to the role and function of such locations.
- 32 Instead, trade suppliers may successfully operate from a range of locations, including mixed use and industrial zoned areas. Consequently, we agreed that trade suppliers should be excluded from the retail cap (of 25,500m²) because it was intended to apply only to core retailers.
- 33 On that basis, I consider it logical to make trade suppliers permitted activities on the PC30 land to reflect our agreement, because there is no need to consider potential impacts on the role, function, health, and vitality of other centres.
- 34 In addition, I confirm that I have read Mr Haines' evidence on the most appropriate activity status for trade suppliers within the TCZ and I agree with it.

Conclusion

- 35 The RCA proposal has been the subject of recent and comprehensive economic assessment, particularly in relation to potential trade impacts and retail distribution effects. That assessment concluded that any retail distribution effects arising from the RCA expansion are acceptable, and that PC30 proposal is appropriate and will provide a range of economic benefits.
- 36 In addition, I consider that trade suppliers should appropriately be classified as permitted activities for the reasons outlined earlier.

37 I am satisfied that the PWDP provisions sought by RDL reflect the PC30 outcome in respect of economic matters.

38 I confirm that my assessment remains unchanged in the context of PWDP and that the rezoning of the Ravenswood Commercial Area and the suite of provisions proposed by RDL area appropriate from an economic effects perspective.

Dated 26 March 2024

Fraser James Colegrave