

BEFORE THE HEARING PANEL

APPOINTED BY TIMARU DISTRICT COUNCIL

In the matter of

The Resource Management Act 1991 (the Act)

And

In the matter of

The Timaru Proposed District Plan

Statement of Evidence of Fraser James Colegrave on behalf of Harvey Norman Properties (N.Z.) Limited

Economics

11 June 2024

Qualifications and Experience

1. My full name is Fraser James Colegrave. I am the founder and managing director of Insight Economics, which I started in 2013. Prior to that, I was a founding director of another consultancy, Covec, for 12 years.
2. I hold a first-class honours degree in economics from the University of Auckland (1996).
3. I have 27 years commercial experience, the last 24 of which I have worked as an economics consultant. During that time, I have successfully led and completed more than 600 consulting projects.
4. My main fields of expertise are land-use, property development, and local infrastructure funding. I have worked extensively in these areas for many of the largest companies in New Zealand. In addition, I regularly advise local and central Government on a range of associated policy matters, so I understand the issues from multiple perspectives.
5. Current and recent clients include: Auckland Airport, Argosy Property, Christchurch City Council, Crown Infrastructure Partners, Foodstuffs, Kiwi Property, Kmart, the Ministry of Transport, Neil Group, the New Zealand Productivity Commission, Ngai Tahu, Queenstown Airport, Tauranga City Council, and Woolworths.
6. More generally, over the last 24 years, I have provided economic expert evidence at more than 120 hearings before Councils, Independent Hearing Panels, the Land Valuation Tribunal, the Environment Court, Boards of Inquiry, the Family Court, and the High Court of New Zealand.

Code of Conduct

7. Although this is not a hearing before the Environment Court, I record that I have read and agree to and abide by the Environment Court's Code of Conduct for Expert Witnesses as specified in the Environment Court's Practice Note 2023. This evidence is within my area of expertise, except where I state that I rely upon the evidence of other expert witnesses as presented to this hearing. I have not omitted to consider any material facts known to me that might alter or detract from the opinions expressed.

Summary

8. Harvey Norman Properties (N.Z.) Limited ("the **Submitter**") seeks to rezone approximately three hectares of industrial-zoned land in Timaru to Large Format Retail Zone (**LFRZ**) under the Timaru Proposed District Plan (**PDP**) to better reflect its current and likely future uses.
9. To assist Council in its decision-making process, this evidence assesses the potential effects of the Submitter's relief (the "**rezoning request**" or "**proposal**") on Timaru's City Centre Zone (**CCZ**) from an economic perspective.

10. To set the scene, I first identify the subject site and describe its existing uses, which includes a Harvey Norman store and warehouse, a PGG Wrightson store, and a transport depot.
11. Next, I compare two possible development options for the site. The first option represents a previously consented development, while the other represents a likely development outcome under the rezoning request. Overall, the proposal enables an additional 3,090m² of gross floor area (**GFA**) to be used for traditional large format retail (**LFR**) activities.
12. Having described the district retail context, I then show that the proposal is highly unlikely to cause material adverse effects on the City Centre Zone (**CCZ**) because:
 - (a) It will not deprive the CCZ of tenancies that would otherwise establish there. This is because the CCZ is fully built out and therefore unable to accommodate the scale of LFR activity proposed.
 - (b) Existing CCZ retailers will not relocate to the subject site *en masse* because there are only three tenancies proposed. Any potential relocation would be well below the threshold for retail distribution effects.
 - (c) A significant share of retail spend by Timaru residents currently leaks out the district, particularly for categories typically catered for by large-format retailers. Accordingly, the proposal will likely increase district spend by diverting trade from out-of-district retailers (and not the CCZ).
 - (d) The CCZ fulfils a wide range of non-retail roles and functions, none of which will be affected by the proposal.
 - (e) People who previously shopped in the CCZ will continue to do so as this will remain the best way to meet their specialty retail needs.
13. I then show that the proposed amendments to the LFRZ staging thresholds will have no material impact on the CCZ because they are specific to the Showgrounds site.
14. Further, adding service stations, drive-through restaurants and cafes as permitted activities on the subject site will have no incremental effect as they are already permitted on the site in the underlying General Industrial Zone (**GIZ**).
15. Finally, I briefly consider the rationale for, and likely wider economic impacts of the proposal. These include improving district self-sufficiency, the consumer benefits of increased competition, and the economic stimulus of store construction.
16. In summary, my evidence shows that the proposal will have no material adverse effect on the CCZ, but will generate significant and enduring economic benefits. Accordingly, I support it on economic grounds.

Introduction

17. The Submitter owns approximately nine hectares of land in Oceanview, Timaru (“the **site**”). While the western extent of the site is currently vacant, the eastern part accommodates a Harvey Norman store, PGG Wrightson (an agricultural supply business) and a transport depot. The Submitter has an existing resource consent to expand the Harvey Norman store and redevelop the transport depot to accommodate a Harvey Norman warehouse and two new retail tenancies.
18. The Submitter now seeks to rezone the eastern part of the site to Large Format Retail Zone (**LFRZ**) under the Timaru Proposed District Plan (**PDP**) to better reflect its current consented and likely future uses. In addition, it seeks various amendments to the proposed LFRZ provisions.
19. To assist in its decision-making process, Council has requested an economic assessment of the potential effects of the proposed rezoning on Timaru’s City Centre Zone (**CCZ**).

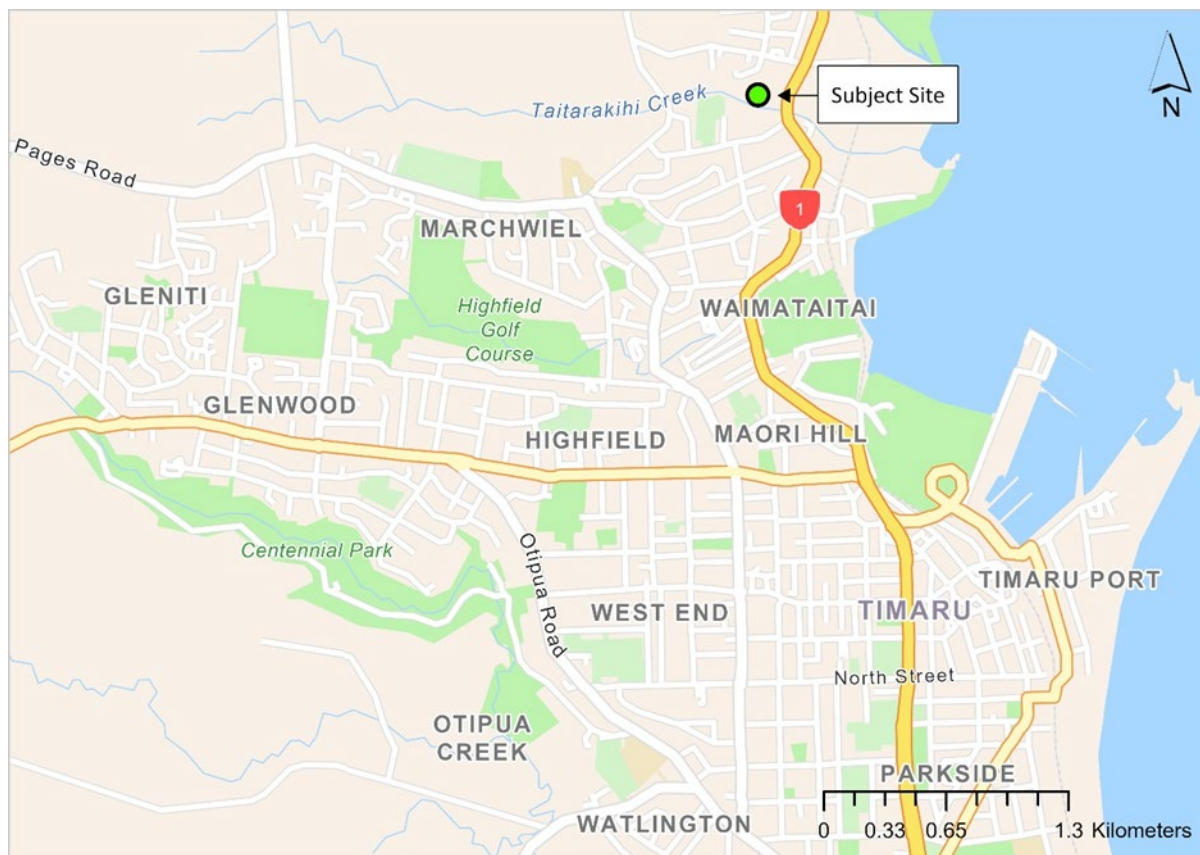
Scope of Evidence

20. In my evidence I address the following key issues:
 - (a) The impacts of the proposed rezoning on the CCZ;
 - (b) The impacts of the proposed rezoning on the Showgrounds; and
 - (c) The impacts of the proposed amendments to the LFRZ rules and standards.

About the Site

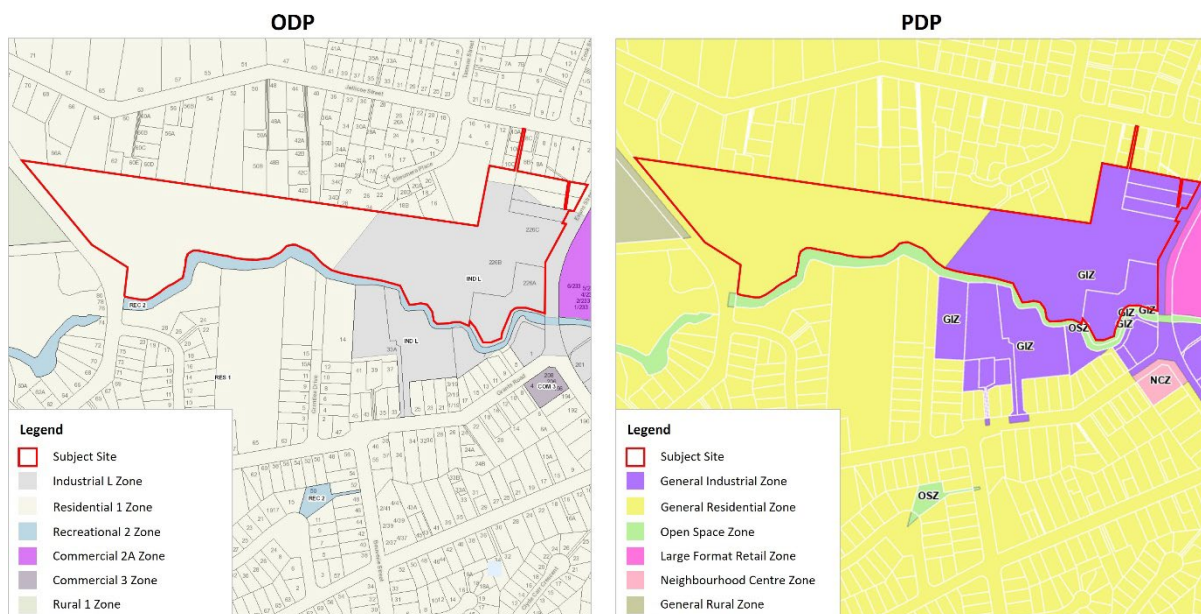
21. The subject site is located at 226 Evans Street in Timaru, as illustrated by the green dot in the map below. It is bounded by State Highway 1 (Evans Street) to the east, residential dwellings to the north, vacant land to the west, and Taitarakihi Creek to the south. The site itself is irregularly shaped and spans nearly 9 hectares.

Figure 1: Location of Subject Site



22. The commercial frontage of the site currently accommodates the following three land uses:
 - (a) Harvey Norman store of 3,400m² GFA;
 - (b) PGG Wrightson store of 925m²; and
 - (c) Peter Baker transport storage depot (approximately 4,100m²).
23. These three businesses occupy the eastern portion of the site, which fronts Evans Street.
24. The subject land has a split zoning under the Timaru Operative District Plan (**ODP**), comprising roughly equal shares of Industrial L-zoned land to the east, and residential-zoned land to the west. The split zoning is retained under the PDP, with the east of the site zoned General Industrial Zone (**GIZ**) and the west General Residential Zone (**GRZ**).

Figure 2: ODP & PDP Zoning

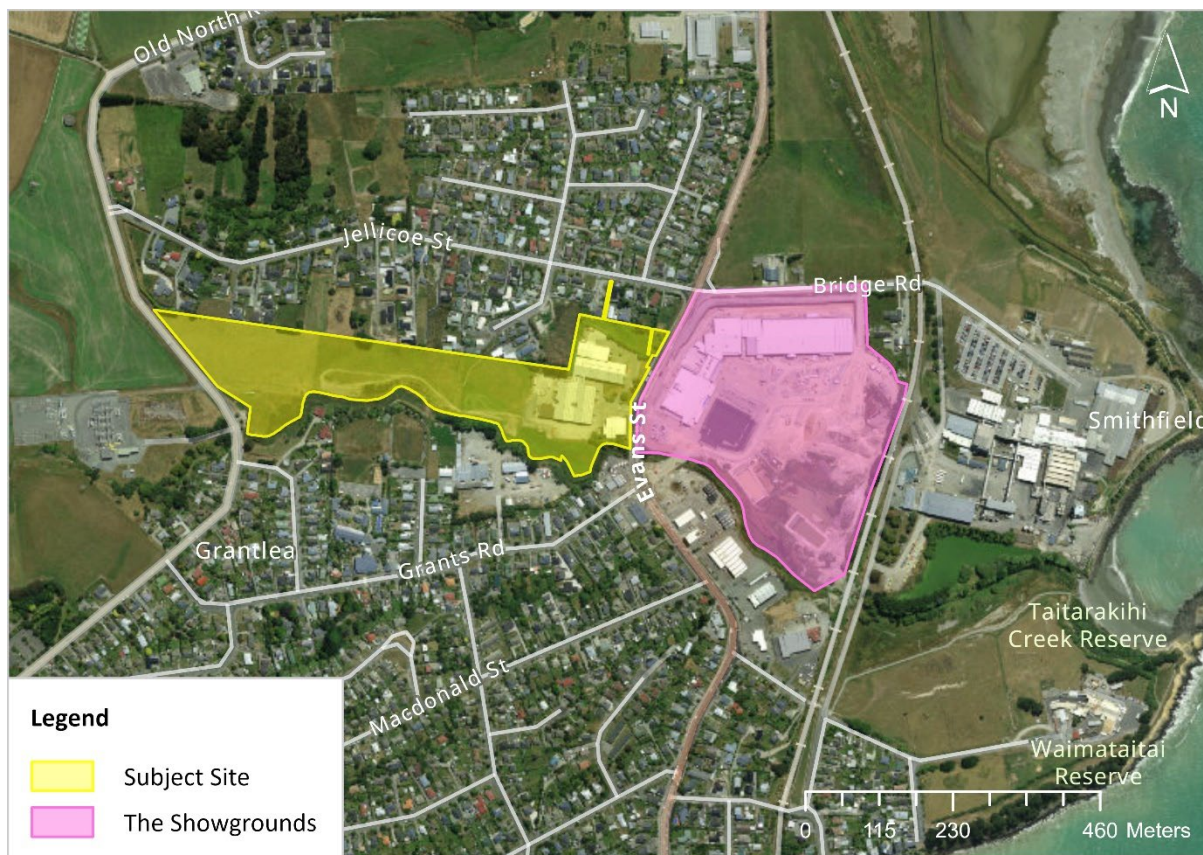


About the Showgrounds

25. The former A&P Showgrounds site (“the **Showgrounds**”) is located directly across the road from the subject site. In 2010, the Showgrounds site was rezoned for large format retail use¹ via a Court-approved process. It is the only LFRZ in the PDP (as notified).
26. Figure 3 below shows the location of the Showgrounds relative to the subject site.

¹ Commercial 2A Large Format Store (Retail Park).

Figure 3: Receiving Environment



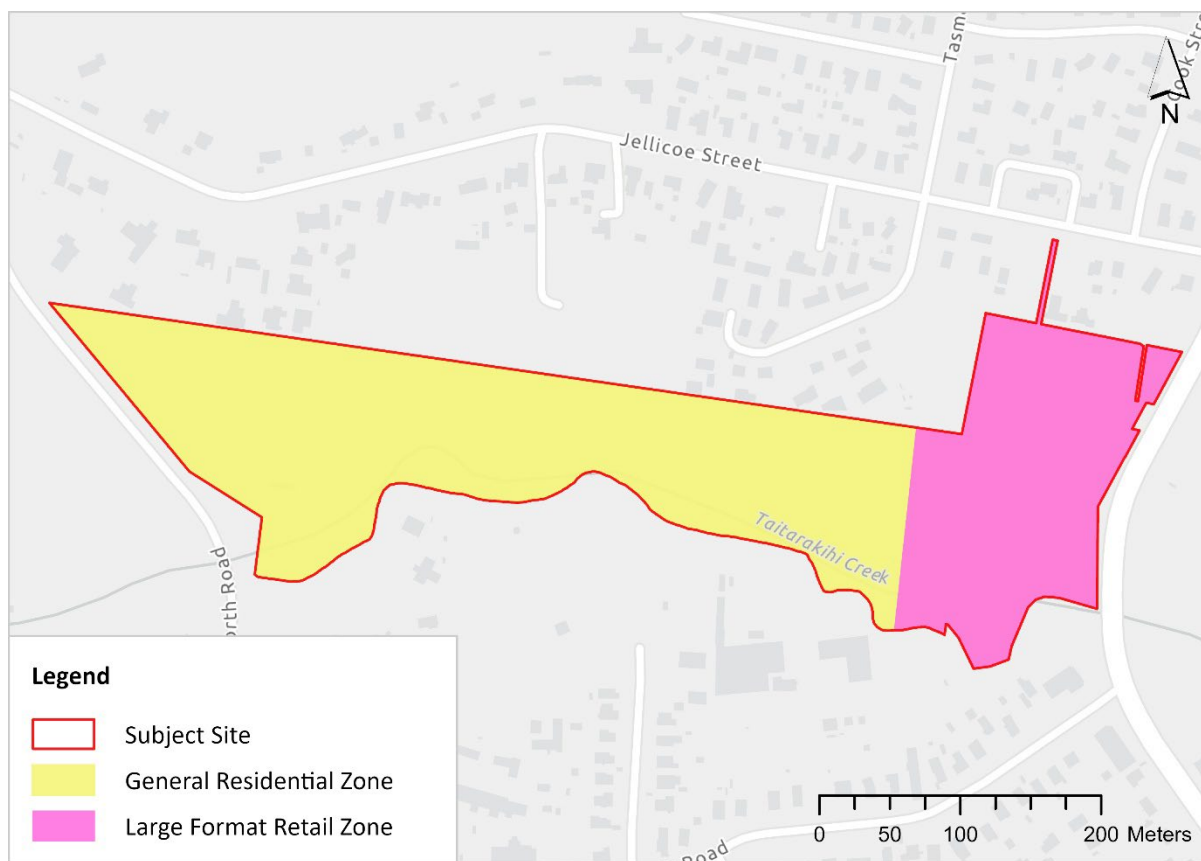
27. The Showgrounds site spans approximately 12 hectares and could accommodate up to 34,000m² of GFA at full build (subject to development staging thresholds). Stage 1 development is now largely complete, and comprises the following tenancies:

- (a) Bunnings Warehouse;
- (b) Woolworths Supermarket;
- (c) Bed Bath & Beyond;
- (d) Chemist Warehouse;
- (e) Black & White Coffee Cartel;
- (f) Look Sharp; and
- (g) St Pierres Sushi.

About the Submission

28. To better reflect its current consented and likely future uses, the Submitter seeks to rezone the eastern portion of the site to LFRZ under the PDP. The remainder of the site is proposed to be zoned General Residential Zone (**GRZ**), as per Figure 4 below.

Figure 4: Proposed Rezoning



29. At the same time, the proposal seeks several changes to the underlying LFRZ provisions, as they apply to the subject site only.² Specifically, it seeks to add the following permitted activities:
- (a) Drive-through restaurants;
 - (b) Service stations; and
 - (c) One café.³
30. Finally, the proposal seeks to amend standard *LFRZ-S5 Development Staging Thresholds* so that it does not apply to the subject site.

Zoning Options & Enabled Development

31. I now identify two possible options for the site to inform the remainder of the assessment.

² That is, the part of the site proposed by the Submitter to be zoned LFRZ. The proposed changes do not apply to the existing LFR zoned land on the former A&P showgrounds site.

³ That does not exceed 150m² in gross floor area.

Option 1: Consented Baseline

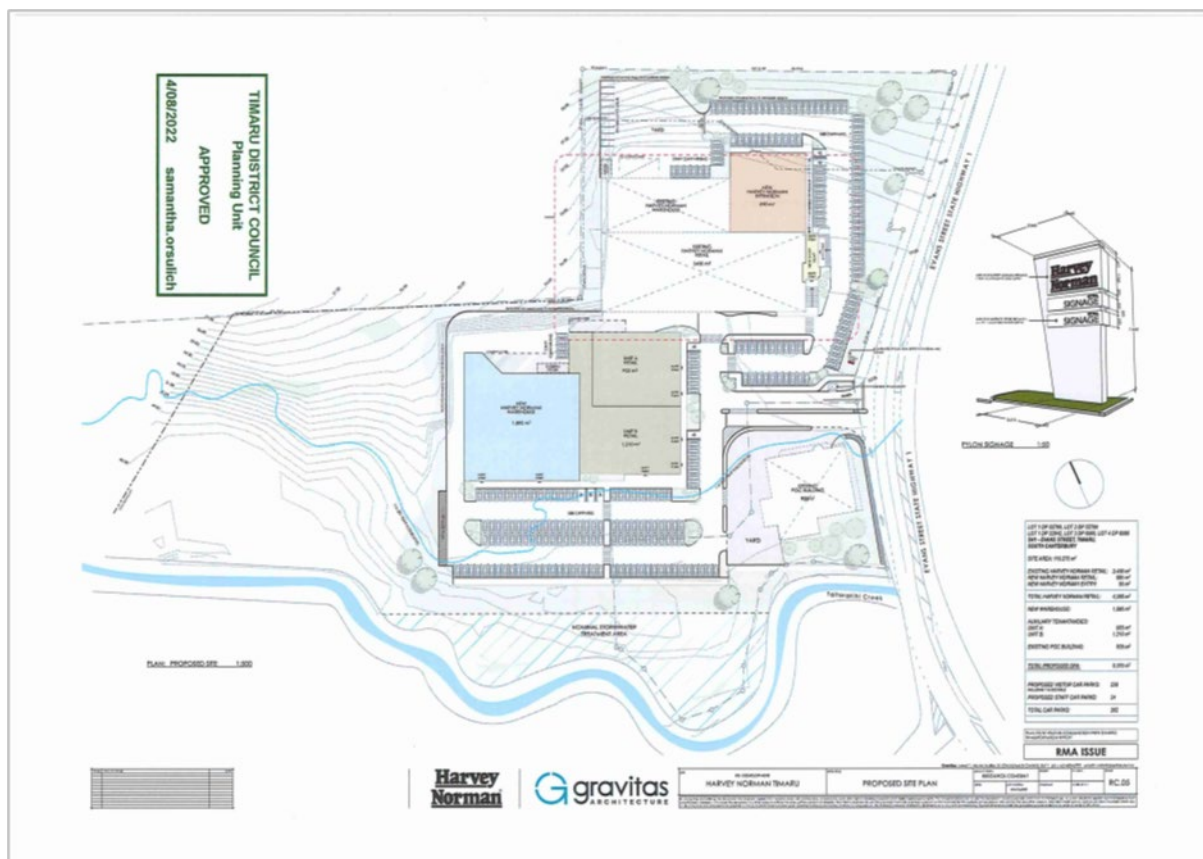
32. In 2015, resource consent was granted to redevelop and expand the existing retail and commercial activities on the subject site. This consent has a 10-year lapse period and has not yet been given effect to. In August 2022, a variation to this existing resource consent was approved to provide for a less intensive scheme and associated changes to the site layout. In summary, the consent provides for:
- (a) Expansion of the existing Harvey Norman store;
 - (b) Establishment of an on-site warehouse for Harvey Norman;
 - (c) Demolition of the existing transport depot; and
 - (d) Establishment of two new retail tenancies.
33. There is no change to the existing PGG Wrightson building under this resource consent.
34. The resulting consented floorspace is summarised in Table 1 below.

Table 1: Site Consented GFA

Description	GFA (m ²)
Existing PGG Wrightson Building	925
Existing Harvey Norman Retail & Warehouse	3,400
New Harvey Norman Retail / Entry	985
New Harvey Norman Warehouse	1,895
New Tenancy - Unit A	955
New Tenancy - Unit B	1,210
Total	9,370

35. This forms the consented baseline against which I assess the proposed rezoning. Figure 5 below shows the approved plans.

Figure 5: Approved Site Plan



Option 2: Proposal

36. I understand that development of the eastern part of the site under the proposed rezoning provisions will likely occur in accordance with the existing resource consent described above. However, a broader range of retail tenancies would be permitted in the two new retail units, as per the provisions of the LFRZ sought. In addition, this option enables the existing PGG Wrightson building to be repurposed to accommodate the same broader range of uses.
37. I also understand that the western part of the site is proposed to be subdivided for residential development. However, that is outside the scope of this evidence.

Option Comparison

38. The proposal enables the following additional activity, over and above the consented baseline:
- (a) A wider range of tenancies to establish in the two new retail units; and
 - (b) The repurposing of the PGG Wrightson building to accommodate a wider range of tenancies;
39. In total, the proposal enables an additional **3,090m²** of GFA to be used for traditional LFR activities, as set out below.

Table 2: Additional LFR GFA Enabled

Description	GFA (m ²)
Existing PGG Wrightson Building	925
New Tenancy - Unit A	955
New Tenancy - Unit B	1,210
Total	3,090

40. To understand the breadth of activities enabled by the consent, the following table summarises the activities permitted in:

- (a) The GIZ (i.e., the underlying PDP zoning absent the proposal); and
- (b) The LFRZ as notified. This does not include the proposed additional permitted activities, which I discuss separately later in this evidence.

Table 3: Permitted Activities in GIZ and LFRZ

General Industrial Zone	Large Format Retail Zone
Industrial Activity	Large Format Retail ⁴
Trade Suppliers	Trade Suppliers
Industrial Ancillary Activities	Offices (ancillary)
Cafés	Cafés ⁵
Convenience Stores	Supermarkets ⁶
Restaurants	Car Parking Facility
Takeaway Food Outlets	Public Toilets
Service Stations	ATMs
Motor Garages	
Emergency Service Facilities	
Veterinary Clinics	
Laboratories	

41. LFRZ-R8 of the LFRZ stipulates that no more than one supermarket is permitted within the zone. As Woolworths has already established on the former A&P Showgrounds site, this is not a permitted activity on the subject site under the proposed rezoning. Accordingly, the proposed rezoning enables the following additional activities to occur onsite:

- (a) Large Format Retail;
- (b) Public Toilets;
- (c) Car Parking Facility;

⁴ Any individual retail tenancy with a GFA greater than 450m².

⁵ Where any café does not exceed 150m² in GFA, and there are not more than two cafés located within the zone.

⁶ Where there is no more than one supermarket located within the zone.

(d) Offices (ancillary); and

(e) ATMs.

42. However, I limit the remainder of this assessment to the LFR activity enabled onsite.

Previous Analysis

43. In 2019 I was engaged by Harvey Norman to assess the economic impacts of a different proposed development outcome on the subject site. At that time, the indicative proposed development comprised:

(a) Two new large format retail tenancies of 2,100m² and 1,200m² respectively;

(b) An additional 700m² of warehouse GFA; and

(c) An additional tenancy of 770m² accommodating non-LFR uses.

44. Under that proposal, the existing Harvey Norman store / warehouse and the PGG Wrightson building were to be retained, but the existing transport depot demolished. See indicative site plan in Appendix A for further information.

45. While the exact nature of development differs slightly from the current proposal, the quantum of additional LFR activity sought (3,300m²) is very similar.

Findings of Previous Analysis

46. As part of that assessment, I used my Integrated Retail Model (**IRM**) to estimate trade impacts arising from the proposed development. The model integrates real-world data from a range of sources, including extensive electronic transaction data, and has been gradually developed over the last 15 years. It has accurately predicted real world transactions worth billions of dollars across all major urban areas of New Zealand.

47. Overall, I found that the consented development was expected to reduce Timaru CBD's core retail turnover by 0.6%, while the proposed development was expected to reduce it by 2%. The estimated effects on core retail sales for all other centres was less than or equal to 0.5%, as shown in Table 4 below.

Table 4: Estimated Trade Impacts of the Consented and Proposed Developments

Retail Locations	Consented	Proposed	Incremental
Timaru	-0.6%	-2.0%	-1.4%
Geraldine	-0.1%	-0.4%	-0.2%
Pleasant Point	-0.5%	-0.5%	0.1%
Temuka	-0.2%	-0.5%	-0.3%
Rest of District	2.5%	7.5%	4.9%
District Totals	0.2%	0.5%	0.3%

48. In addition, both the consented and proposed developments were found to increase total district retail sales. This means that both scenarios increase the size of the district retail “pie”, by either reducing leakage out and/or increasing leakage in.
49. With this in mind, I then assessed the likelihood of retail distribution effects arising from the proposal. My analysis was limited to the Timaru central city area, which was the centre deemed to be at greatest risk of potential adverse effects. Having considered the likely impacts of the consented and proposed developments in detail, I found that neither posed a risk of significant adverse retail distribution effects.
50. Unfortunately, it is not possible to replicate this analysis today as I am still awaiting the release of the latest Census data to update the model. However, given the results outlined above and the very similar nature of the two development proposals, the results of my previous study are highly relevant.

District Retail Context

51. A significant portion of district spend currently leaks out of the district, particularly to Christchurch City. This is highlighted in a 2021 Property Economics report (“the **PE report**”) prepared for Council to help inform the PDP process.⁷
52. The PE report uses Marketview electronic transaction data from 2015⁸ to estimate:
 - (a) The destination of district retail spend;
 - (b) The origin of district retail sales; and
 - (c) The resulting net retail flows.
53. I now briefly summarise the results.

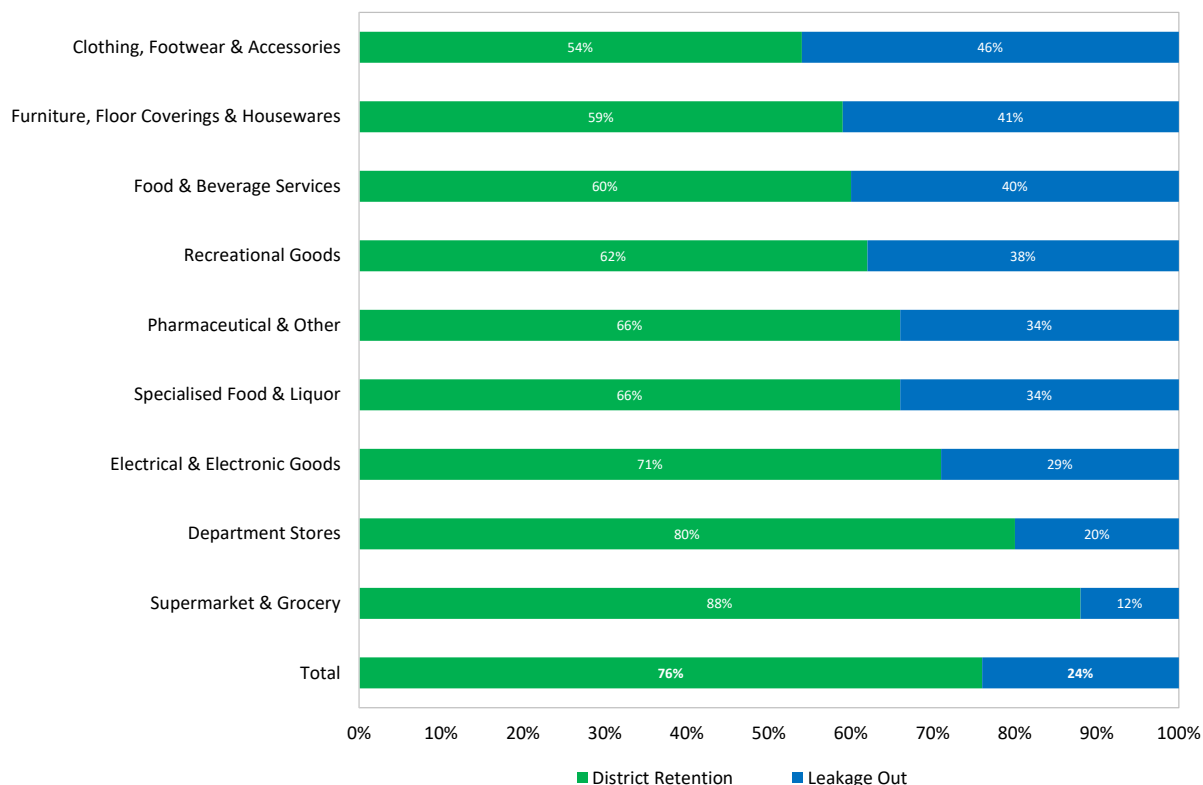
Destination of District Retail Spend (Leakage Out)

54. To begin, Figure 6 shows the share of spending by district households retained by local retailers in the study period, and the share that leaked out.

⁷ Property Economics. (2021). *Timaru District Business Land Economic Assessment*. Timaru District Council.

⁸ The PE report uses MarketView data for the period January 2015 – January 2016. I acknowledge that this is relatively old data. However, I consider that it still provides an appropriate depiction of current shopping patterns given the limited change in the retail landscape since that time.

Figure 6: District Retention & Leakage Out by Store Type

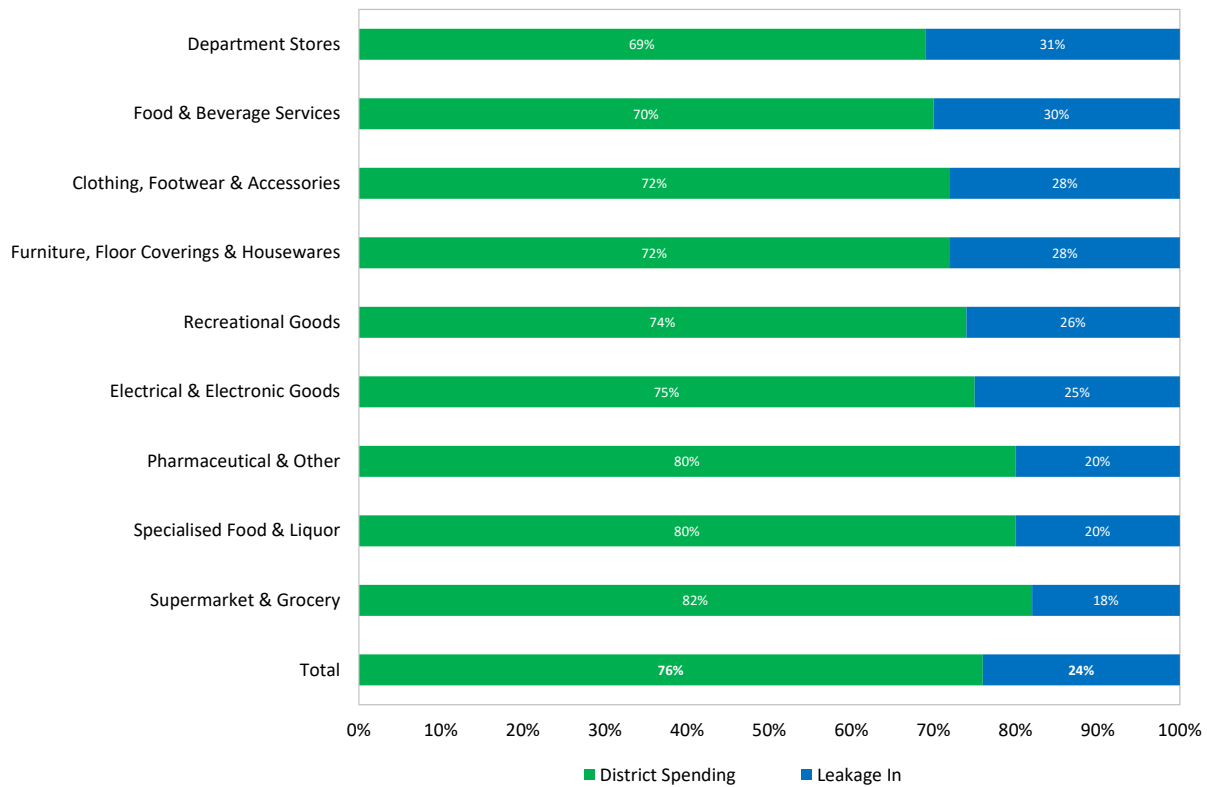


55. Figure 6 shows that just over three quarters (76%) of total retail spending by Timaru residents was captured by district retailers over the analysis period, with 24% leaking out.
56. Spending at apparel and personal retailing stores has the highest rates of leakage (46%), followed by furniture and homewares stores (41%) and food and beverage services (40%). Supermarket and grocery leakage is the lowest at 12%.
57. One third of the spending that leaks out of the district to other parts of the country went to Christchurch City, which has a much more extensive and diverse retail offering than the Timaru District and is relatively close by. A further 21% went to the rest of the Canterbury region, 21% to the rest of the South Island, and the remainder (25%) to the North Island.

Origin of District Retail Sales (Leakage In)

58. Next, Figure 7 identifies the origin of district retail sales to assess the share of spend that flows in from elsewhere.

Figure 7: Origin of District Retail Sales by Store Type

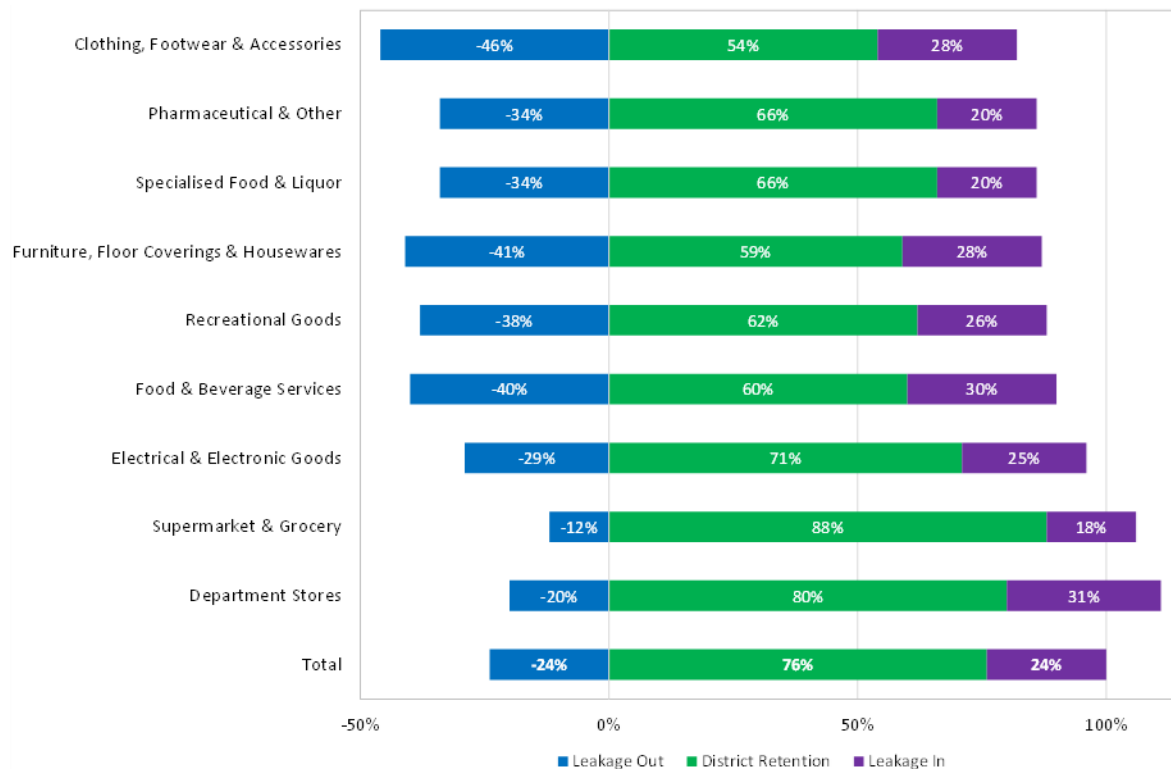


59. Overall, leakage in accounts for nearly one quarter (24%) of district retail sales, with the other 76% attributed to spending by locals.
60. The highest level of leakage in – as a proportion of total district sales – is for department stores, where spending by outsiders equates to 31% of district sales. At the other end of the spectrum, spending by outsiders on groceries accounts for 18% of district sales.
61. Approximately two thirds of retail sales inflow originated in the Canterbury region, in particular the neighbouring Waimate District, which accounted for 25% of total inbound sales.

Net Retail Spend Flows

62. Combining the data from the previous two subsections, I now express district retail sales as a proportion of district spending, which I call net retention. Figure 8 presents the results.

Figure 8: Retail Flows as % of Spend Originating in Timaru District



63. Overall, the Timaru District captures 100% of spending relative to the level of retail expenditure generated locally, meaning the inflows and outflows cancel each other out. However, district retail sales are less than district spending for each store type except groceries and department stores, where district sales are slightly higher than spending. The lowest ratio of sales to spending is for apparel and personal retail stores, where sales are just over 80% of district spending.

Location Quotient Analysis

64. For further context, I used 2023 employment data from Statistics New Zealand (**Stats NZ**) to calculate location quotients (**LQ**) for a range of core retail activities. This is a simple tool that is used to compare the concentration of a particular industry in a local area (in this case Timaru District) to a larger reference area (New Zealand). It is derived by dividing the district share of activity by the national share. A LQ of 1 indicates that the district concentration of that activity is the same as the national concentration. A LQ less than one indicates the district has a lower concentration than the national average and is underrepresented locally (and vice versa).

65. Table 5 below shows the results.

Table 5: Core Retail Location Quotients

Core Retail Activity	Share of District Total	Share of National Total	Location Quotient
Fuel Retailing	0.5%	0.4%	1.5
Food Retailing	3.7%	3.1%	1.2
Furniture, Floor Coverings & Housewares	0.4%	0.4%	1.0
Electrical & Electronic Goods	0.2%	0.4%	0.5
Hardware, Building & Garden Supplies	1.0%	1.1%	1.0
Recreational Goods	0.4%	0.5%	0.8
Clothing, Footwear & Accessories	0.6%	1.0%	0.6
Department Stores	0.8%	0.8%	1.1
Pharmaceutical and Other Goods	1.5%	1.2%	1.2
Food & Beverage Services	4.4%	5.9%	0.8
Core Retail Total	13.4%	14.5%	0.9

66. As demonstrated in Table 5, the district is underrepresented in several core retail activities, including Electrical & Electronic Goods (LQ of 0.49), Clothing, Footwear & Accessories (0.60), Recreational Goods (0.77), and Hardware, Building & Garden Supplies (0.95).
67. These results are broadly consistent with the findings of the PE report, and suggest that Timaru residents may need to travel outside the district to fulfil these retail needs, which are typically catered to by large format retailers.

Key RMA Issues Arising

68. This section of my evidence addresses the key issues likely to arise from the relief sought. These include:
1. Impacts of the proposed rezoning on the CCZ;
 2. Impacts of the proposed rezoning on the Showgrounds; and
 3. Impacts of the proposed amendments to the LFRZ rules and standards.

69. I begin with point one, which is the focus of this evidence.

Impacts of Proposed Rezoning on CCZ

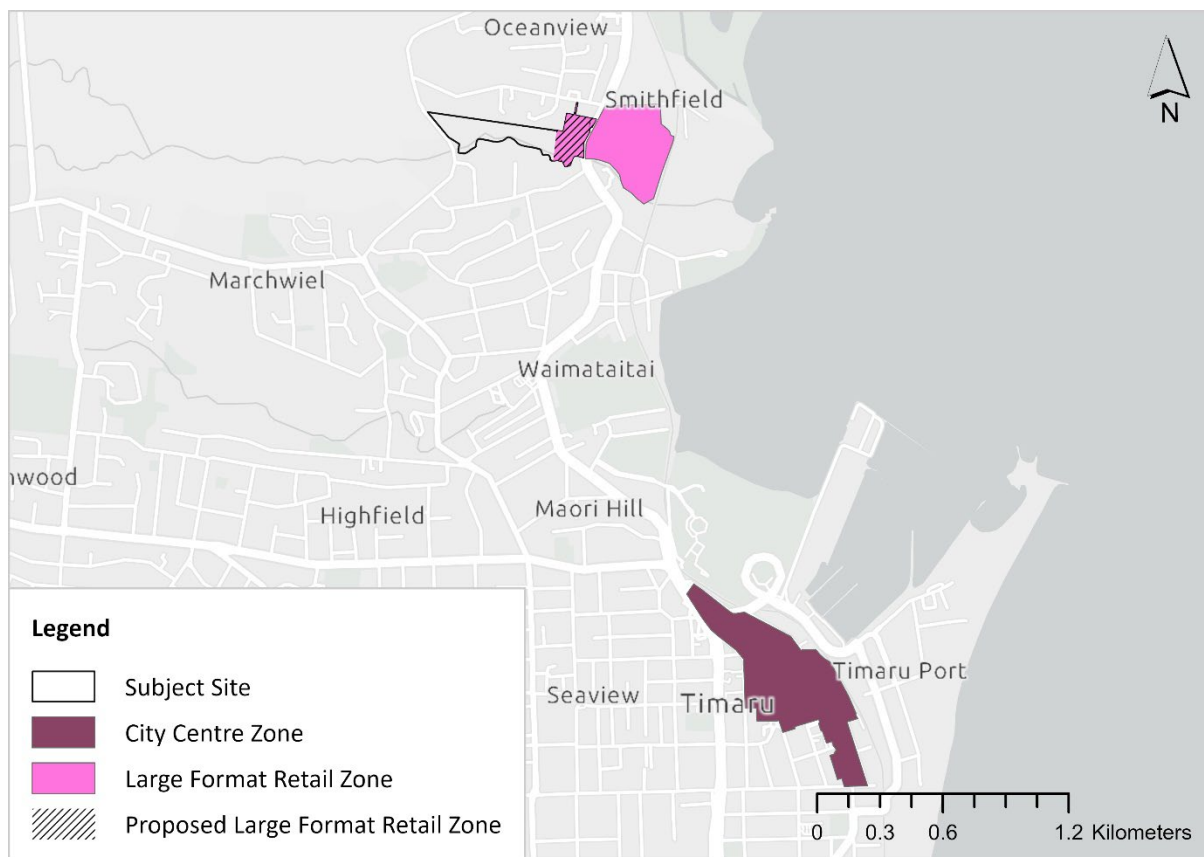
70. Following are the key steps in my analysis:
- (a) Locate and briefly describe the CCZ;
 - (b) Assess the CCZ's current roles and functions;
 - (c) Assess the health and vitality of the CCZ;
 - (d) Define retail distribution effects and distinguish them from trade competition effects;

- (e) Identify the potential impacts of the rezoning on CCZ and assess the overall likelihood of retail distribution effects arising.

Location and Description of CCZ

71. The CCZ is applied to Timaru's central city area. It is located approximately 2.4 kilometres southeast of the subject site, and spans an area of approximately 26.5 hectares. The CCZ is identified in maroon in the map below. The subject site and Showgrounds LFRZ are also identified in pink for reference.

Figure 9: Timaru Central CCZ and LFRZ



72. Objective CCZ-O1 of the PDP describes the purpose of the CCZ as follows:

- (a) *"The City Centre Zone is the main commercial and civic centre for the District and wider South Canterbury sub-region and the primary destination for retail activity, dining and entertainment, and:*
- i) provides for a diverse range of activities, including commercial, visitor accommodation and community facilities; and*
 - ii) accommodates higher density residential activities which support the viability and vibrancy of the zone."*

Current Roles and Functions

73. To better understand the current roles and functions of the CCZ, I used Core Logic's Property Guru tool to extract data on all properties in the zone. My search returned 274 properties spanning just under 147,000m² of GFA. Table 6 below shows the results.

Table 6: Timaru CCZ Property Summary

Category	No. of Units	GFA (m²)	Share of GFA
Commercial			
Accommodation	2	1,860	1%
Cinema/halls	3	4,950	3%
Liquor outlets	6	4,110	3%
Motor vehicles	3	180	0%
Multiple/unknown	47	47,710	32%
Other	42	28,690	19%
Parking	3	2,320	2%
Retail use	132	45,030	31%
Commercial Total	238	134,850	92%
Industrial	10	4,550	3%
Residential	18	5,790	4%
Other	8	1,550	1%
Timaru CCZ Totals	274	146,740	100%

74. The data above shows that the CCZ is home to a wide range of land use activities, and hence is much more than just a retail destination. In fact, retail accounts for just 31% of total floorspace in the zone. This reflects its role as the focal point for a wide range of commercial, civic, cultural, and health activities, which is consistent with the purpose of the zone (as described above). For example, in addition to a wide range of retail and commercial activities, the CBD is also home to:

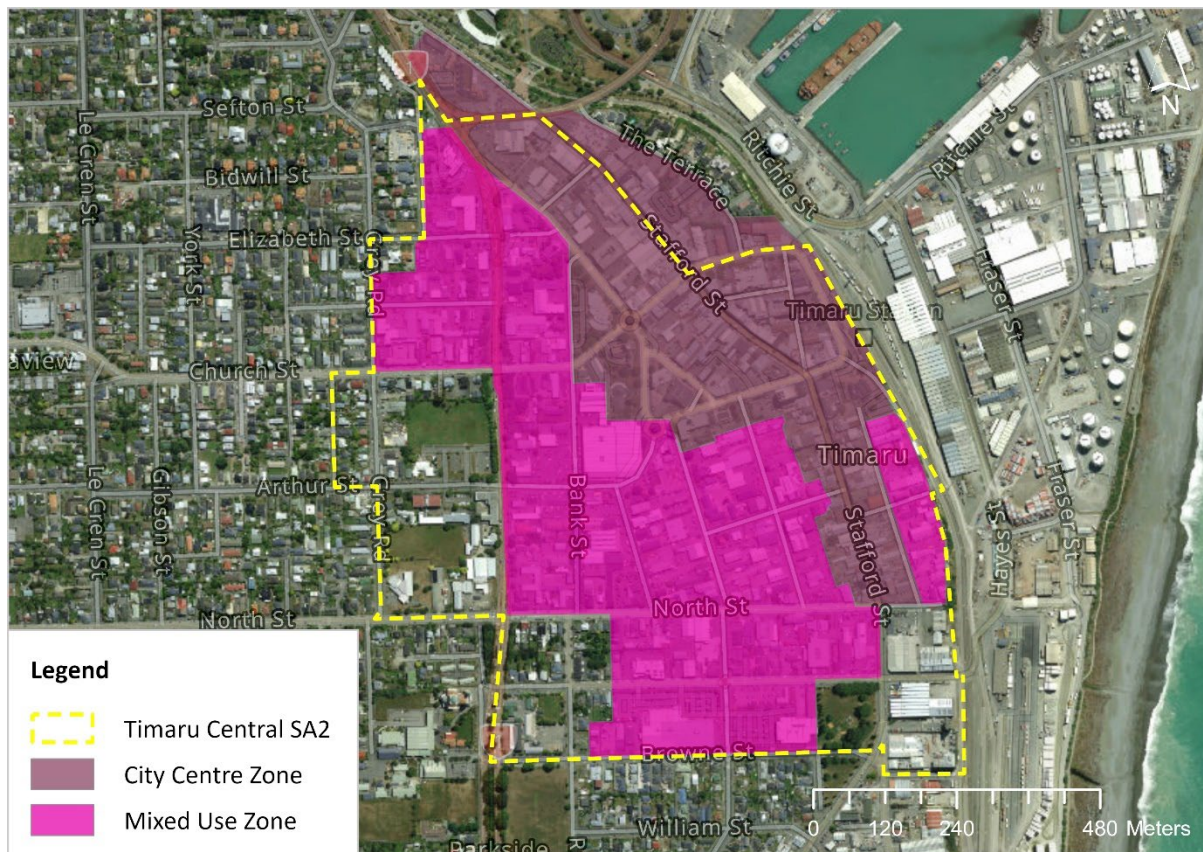
- (a) Timaru Library;
- (b) South Canterbury Museum;
- (c) Timaru District Council;
- (d) Te Ana Maori Rock Art Centre;
- (e) Theatre Royal;
- (f) Aidan Theatre; and
- (g) Timaru Citizens Advice Bureau.

75. Accordingly, retail activity is only one of many elements that comprise the CCZ.

Health and Vitality

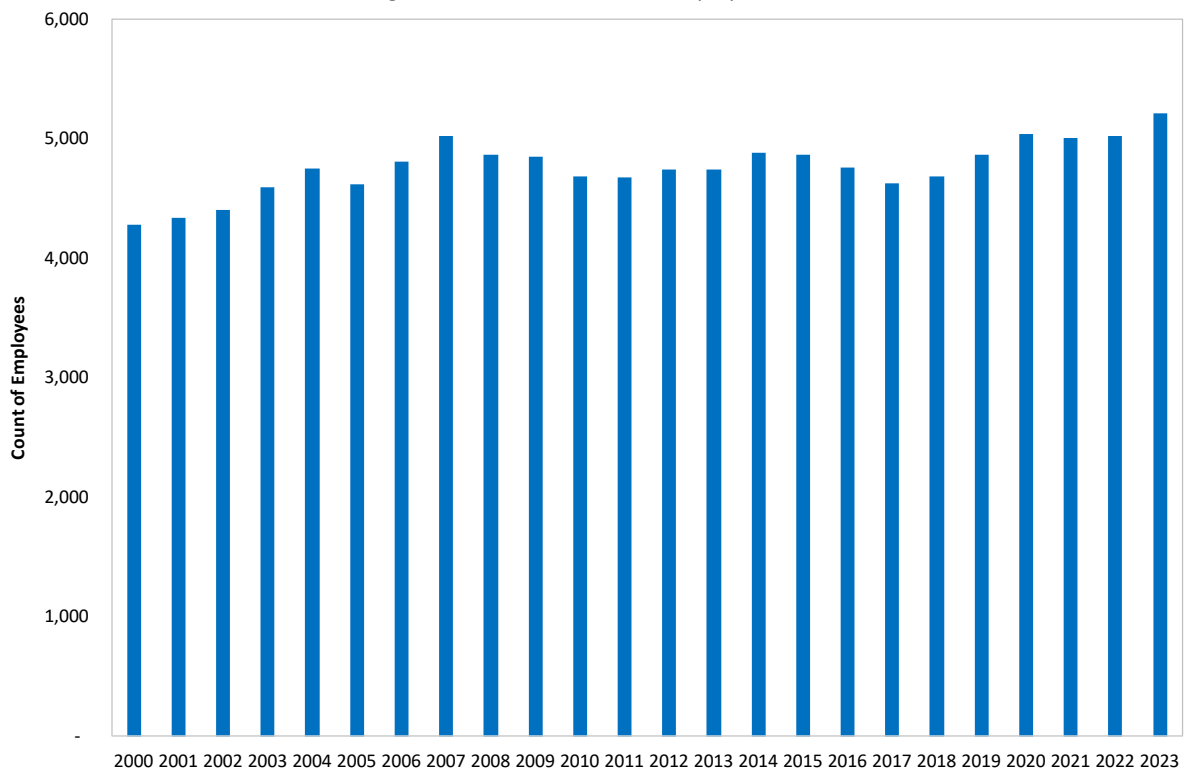
76. To better understand the current health and vitality of the city centre, I used detailed employment data from Stats NZ to see how the level of economic activity there has changed over time. The study area adopted for this analysis is the Timaru Central Statistical Area 2 (**SA2**) unit, which is identified by the yellow dashed line in Figure 10 below. This encompasses most of the CCZ, and all of the adjacent Mixed Use Zone. The rest of the CCZ falls into the Timaru East Statistical Area 2 to the east, which is dominated by the port. This was excluded from my analysis to avoid the port activity skewing the results.

Figure 10: Map Showing the Extent of the Timaru Central Statistical Area 2 (the Yellow Dashed Line)



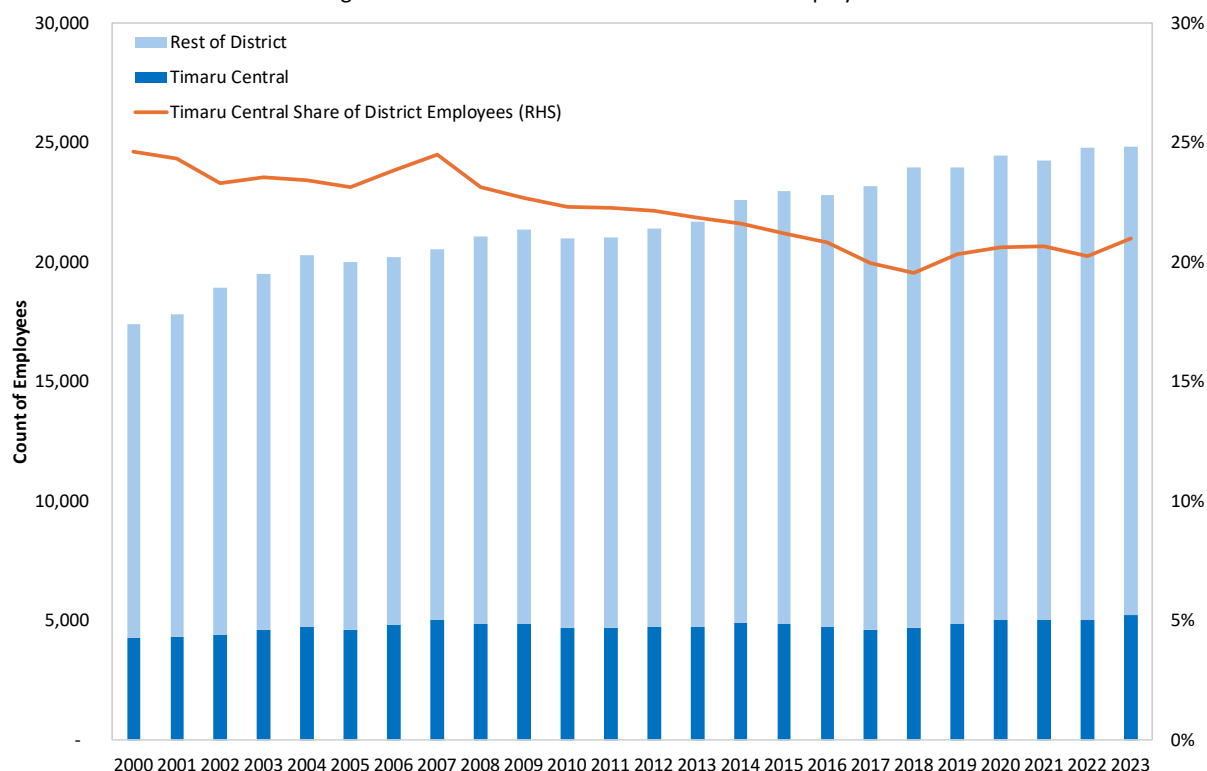
77. Figure 11 below charts the number of employees in the Timaru Central SA2 from 2000 to 2023.

Figure 11: Timaru Central SA2 Employee Count



78. Figure 11 shows that city centre employment has moved in cycles over the past twenty or so years. However, the number of employees has remained consistently above the long-term average since 2019, and is now at its highest recorded level with approximately 5,210 employees.
79. Figure 12 below presents this data in the broader district context. The dark blue bars show the employee count for the Timaru Central SA2, while the lighter blue bars show the number of employees in the rest of the district. The orange line represents the share of district employment located in Timaru Central.

Figure 12: Timaru Central SA2 Share of District Employees



80. As the chart above shows, district employment has grown significantly over the past twenty-odd years, up from around 17,400 employees in 2000 to more than 24,800. As the city centre is physically constrained, I would naturally expect it to make up a smaller share district employment over time. However, this share has stabilised and even improved over the past five years. This is unusual, and a positive sign for the health of the city centre.

Definition of Retail Distribution Effects

81. To consider the likelihood of adverse retail distribution effects arising, I first highlight the critical distinction between retail distribution effects and trade impacts.
82. Under the Resource Management Act 1991 (RMA), decision makers must disregard effects that are ordinarily associated with trade competition when evaluating proposed developments. Instead, they may only consider possible flow-on effects arising from trade competition, which are known as retail distribution effects.
83. Retail distribution effects may occur if a new development reduces the patronage of competing stores so acutely that it causes some to close, thereby causing the roles and functions of their respective centres to decline so significantly that the social and economic wellbeing of their communities is undermined.
84. A strong body of case law confirms that trade impacts must go beyond effects that are ordinarily associated with trade competition to be considered, and that impacts on individual stores are irrelevant because they amount to pure trade competition.

Likelihood of Retail Distribution Effects Arising

85. There are three ways the proposed rezoning could potentially have an adverse effect on the health and vitality of the CCZ. That is, by:
- (a) Diverting potential tenants away from the CCZ;
 - (b) Causing existing CCZ retailers to relocate to the subject site;
 - (c) Drawing customers away from existing CCZ retailers.
86. I now work through each of these in turn.
87. The first way the proposed rezoning could adversely affect the CCZ is if it deprived the zone of tenancies that would otherwise establish there. This is highly unlikely to occur because:
- (a) The CCZ is largely built out, with the only significant vacant parcel⁹ set to become an additional facility for the South Canterbury Museum. Accordingly, there is insufficient vacant land to accommodate the large-scale retail activities enabled by the proposal.
 - (b) Absent the proposal, any retailers that would have established on the subject site would likely establish on the Showgrounds site instead (and not in the CCZ).
88. The second way the proposed rezoning could adversely impact the CCZ is if existing CCZ retailers relocate to the subject site. While this is a possible outcome, the potential impact on the CCZ is inherently limited because:
- (a) The submission only concerns three tenancies. As such, there is no scope for the proposal to result in a mass relocation of retail activity from the CCZ to the subject site.
 - (b) Even if a single store chose to relocate because of the proposal, this would be a trade impact, and would fall well below the threshold for retail distribution effects.
 - (c) A significant share of retail spend by Timaru residents currently leaks out of the district, particularly for categories typically catered for by large-format retailers. Accordingly, the proposal will likely increase district spend by diverting trade from out-of-district retailers (and not the CCZ).
89. The third way the proposed rezoning could adversely impact the CCZ is if it draws customers away from the centre more generally. However, the potential impact of this is minor because:

⁹ At 126-128 Stafford Street.

- (a) The CCZ fulfils a wide range of non-retail roles and functions, none of which will be affected by the additional LFR activities enabled by the proposal.
- (b) The scale of the proposal is minor compared to the size of the CCZ. For context, the 3,090m² of additional LFR comprises approximately 6.7% of the CCZ retail GFA and just 2.1% of total CCZ GFA.
- (c) The large-format nature of the proposal differs from the nature of retail currently provided for in the CCZ. Besides two department stores (Ballantynes and Farmers), the city's retail offering predominantly consists of smaller stores / boutiques. To demonstrate, I used Core Logic's Property Guru tool to identify all properties within the CCZ with a "retail" land use classification. My search returned 124 properties with a total GFA of just over 45,000m². Half of these properties have a GFA of 290m² or less. Conversely, the retail units proposed onsite range from 925m² to 1,210m².
- (d) People who previously shopped at specialty stores in the CCZ will still return to those stores even if they frequent the large format stores enabled on the site, because they will remain the best way to meet those specialty retail needs.

90. More generally, I note the following:

- (a) Previous analysis of a similar development outcome on the subject site showed trade impacts will be relatively minor and spread across a diverse network of existing retailers, not shouldered by just one or two stores.
- (b) The proposal's readily accessible location will draw customers from a wide geographic catchment, which helps to diffuse trade impacts.
- (c) Finally, the impacts of LFR activity in this general locality have already been subjected to significant scrutiny – and accepted – during the rezoning of the A&P Showgrounds, which is adjacent to the subject site. The overall conclusion was that this locality was the most appropriate place to accommodate future LFR activities because the CBD is constrained in its ability to meet their exacting needs.

91. Given the points above, and acknowledging the high threshold for retail distribution effects, I consider it highly unlikely that the additional LFR activity enabled by the proposal will cause material (or more than minor) adverse effects on the future health and vitality of the CCZ.

Impacts on Showgrounds

92. While the proposal is highly unlikely to adversely affect the CCZ, it may have some impact on the Showgrounds development. Specifically, it might:

- (a) Divert potential future tenants away from the Showgrounds; and/or
- (b) Result in minor delays in achieving full build-out on the Showgrounds site.

93. However, any impact on the Showgrounds would amount to trade competition. This is beneficial as it leads to lower prices, improved quality, and greater consumer choice (relative to the status quo).

Amending Proposed LFRZ Rules

94. The proposal seeks to amend the LFRZ rules to add service stations and drive-through restaurants as new permitted activities on the subject site. In addition, it seeks to amend *LFRZ-R6 Cafes*, to enable one café, not exceeding 150m² in GFA, to establish on the subject site.
95. Service stations, restaurants, takeaway food outlets¹⁰ and cafes are all permitted activities in the GIZ, which is the underlying zoning of the subject site under the PDP absent the proposal. Accordingly, adding the proposed change in rules will have no impact on the CCZ over and above the consented baseline.

Amending Proposed LFRZ Standards

96. The proposal seeks to amend *LFRZ-S5 Development staging thresholds* so that it does not apply to the subject site. This standard sets limits on the aggregate GFA of all retail activities (excluding trade suppliers) that can be open to the public at specified points in time. These limits are summarised in Table 7 below.

Table 7: LFRZ Development Staging Thresholds

Date	Max. GFA
Prior to 1 July 2028	10,000m ²
Prior to 1 July 2033	15,000m ²
Prior to 1 July 2038	20,000m ²
After 1 July 2038	34,000m ²

97. However, I have been advised by Council that LFRZ-S5 is likely to revert back to the underlying conditions of the Showgrounds resource consent.¹¹ These are summarised in Table 8 below.

Table 8: Commercial 2A Zone Development Staging Thresholds

<i>Excluding Department Stores</i>		<i>Inclusive of Department Stores</i>	
Date	Max. GFA	Date	Max. GFA
Prior to 1 July 2015	10,000m ²	Prior to 1 July 2015	16,000m ²
Prior to 1 January 2018	15,000m ²	Prior to 1 January 2018	20,000m ²
Prior to 1 July 2020	19,000m ²	Prior to 1 July 2020	23,000m ²
Prior to 1 July 2022	24,000m ²	Prior to 1 July 2022	27,000m ²
Prior to 1 July 2025	29,000m ²	Prior to 1 July 2025	30,000m ²
Prior to 1 July 2027	34,000m ²	Prior to 1 July 2027	34,000m ²

¹⁰ Where the gross floor area of the activity is 200m² or less.

¹¹ Timaru District Plan Part D3.5.7 Commercial 2A Zone.

98. These provisions are more permissive than the PDP standards as they allow the total aggregate GFA to be development over a shorter period.
99. Either way, the staging thresholds are specific to the Showgrounds site, which is the only notified LFRZ in the district. They reflect Council's position on the quantum of LFR activity that can be supported on that site, over time, without compromising the primacy of the city centre.
100. I acknowledge the importance of these development limits for the large-scale developments such as the Showgrounds site¹², as well as the significant work that has gone into developing them. However, I do not believe they should apply to the subject site because:
- (a) The subject site does not form a practical extension of the Showgrounds site, as it is disconnected by Evans Street.
 - (b) The subject site is relatively small and will only accommodate a handful of retail stores. Accordingly, there is no scope for it to become a destination that competes with the city centre.

Proposed Rationale and Wider Economic Effects

101. I now briefly consider the economic rationale for, and likely wider economic effects of the proposal.

District Self-Sufficiency

102. As demonstrated earlier, a significant portion of district core retail spend currently leaks out of the district, particularly to Christchurch City. The additional LFR activity enabled by the proposal will help residents meet their retail needs locally, thereby helping the district become more self-sufficient.

Fit with Demanding Site and Location Criteria

103. The subject site is a close fit with LFR operational requirements. These include (but are not limited to):
- (a) Location characteristics
 - i) Visibility from the street
 - ii) Proximity to competing/complementary stores
 - iii) Proximity to customers

¹² Which spans approximately 12 hectares

- (b) Site characteristics
 - i) Shape, size, and topography
 - ii) Freedom from contamination
 - iii) Development feasibility
- (c) Traffic flow and accessibility
 - i) Ease of access
 - ii) Proximity to main roads/highways
 - iii) Lack of congestion
 - iv) Degree of vehicular traffic

Customer Net Benefits

104. Every customer that frequents the proposed new stores must perceive a benefit from doing so, otherwise they would not switch from their existing store. Thus, each transaction at the new store generates a net benefit to its customers over and above their previous store. These benefits may encompass a range of factors, but the most significant are likely to be:
- (a) Reduced travel time and cost because the new store is closer,
 - (b) The ability to visit a new store that incorporates the latest design, and:
 - (c) Access to a wider range of products, services, and technical support.

Benefits of Increased Competition

105. In addition to generating a range of benefits for its own customers, the new stores will also benefit the rest of the wider community by increasing the level of retail competition. Indeed, increased competition is a cornerstone of economic efficiency, both in the retail sector and beyond. It creates incentives for competing stores to “lift their game”, to invest wisely, to innovate, and to refine their offerings. In doing so, the efficiency of the wider sector improves.¹³

General Economic Stimulus

¹³ Indeed, these competitive benefits are precisely why most developed countries have competition authorities and/or antitrust agencies to foster competition, like New Zealand’s Commerce Commission.

106. The construction and operation of the proposed new stores will stimulate the local economy both in the short run and the long run. This increased economic activity will manifest in the short run as a one-off boost in local employment, household incomes and district GDP. Over the longer run, operation of the new stores will provide greater local employment, and hence better enable the community to cater for its own social and economic needs.

Loss of Industrialized Land

107. Finally, the main economic cost of the proposal is foregoing the subject land for alternative purposes, such as industrial uses.
108. The proposal rezones approximately 2.9 hectares of land in the eastern portion of the site to LFRZ. The remainder of the site is proposed to be zoned for residential use. This rezoning shifts the existing split-zoning boundary to the east to align with the extent of consented development. The resulting net effect of on zoned land areas under the PDP is summarised in Table 9 below.

Table 9: Net Impact of Proposal on Zoned Land Area (ha)

Zone	Proposal	PDP	Change
General Residential	6.1	4.6	1.5
General Industrial	0.0	4.5	-4.5
Large Format Retail	2.9	0.0	2.9
Total	9.0	9.0	0.0

109. As per Table 9 above, the proposal results in a technical loss of 4.5 hectares of industrial-zoned land. In practice, however, the proposal will have no material impact on industrial land supply because:
- (a) The subject site has only limited potential to accommodate future industrial activity because it already houses two non-industrial uses (Harvey Norman and PGG Wrightson). These other uses not only consume a significant proportion of the industrial-zoned land on the site, but they also create an existing built form and character that may be undesirable to some industrial uses.
 - (b) In addition, because the site abuts residential zones on its northern and western boundaries, future industrial uses face the risk of reverse sensitivity issues arising. Coupled with the existing non-industrial uses on the site, the presence of nearby residential activity is likely to be considered a constraint by many prospective industrial uses.

Conclusion

110. My evidence shows that development enabled by the proposal will have no material adverse effects on the CCZ, but will generate significant and enduring economic benefits.
111. Accordingly, I support it on economic grounds.

Fraser James Colegrave

11 June 2024

Appendix A: Previous Assessment

112. Figure 13 below shows an indicative sketch of the proposed development assessed in my 2019 report.

Figure 13: Proposed Development Assessed in Previous (2019) Study

