Memo

To: Andrew Willis, Cameron Wood

From: Derek Foy, Associate Director

Date: June 27 2019

Re: Kaiapoi Regeneration Area Mixed Use zone retail assessment

Introduction

The purpose of this memo is to provide feedback to Waimakariri District Council ("WDC") on the proposed Mixed Use Business Zone ("MUZ") at Kaiapoi, to inform WDC's understanding of how the proposed zoned would fit into the Waimakariri centres hierarchy, including the potential effects of the MUZ on other centres.

Executive summary

It is estimated from the indicative layout plans provided that the MUZ could support somewhere between 8,000 and 27,000m^2 of retail floorspace in the number of buildings indicated for either retail only or mixed use development. The total retail yield of the three MUZ areas might be between 8,000 and 27,000m^2 GFA, which are large amounts of space in the context that there is currently 7,500m^2 of small format (<450m^2) GFA in the Kaiapoi Business 1 zone.

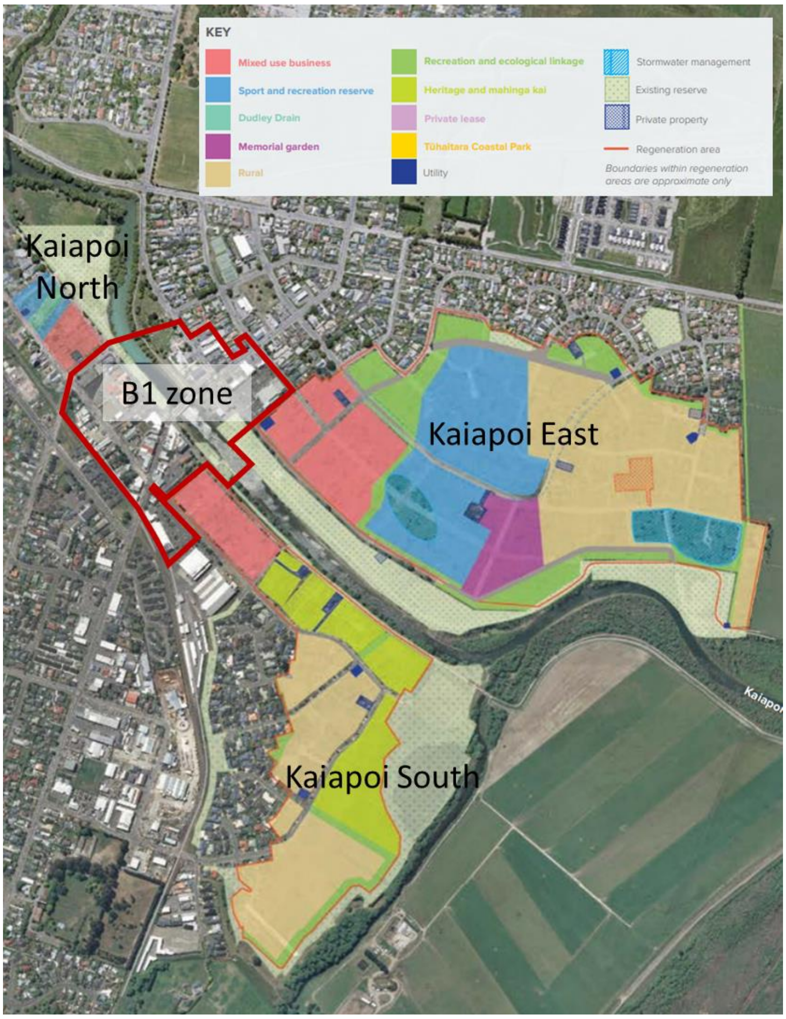
Somewhere near the low end of that range (less than 7,500m^2) would be appropriate to avoid both a large erosion in Rangiora's retail primacy and disincentivisation of Kaiapoi Town Centre redevelopment. Provision of less than 10,000m^2 in the MUZ would:

- increase the attractiveness of the Kaiapoi town centre.
- reduce the amount of vacant potential parcels that would need to be redeveloped to provide for growth.
- provide confidence that zoned supply will be adequate to meet the needs of the future community, in which growth will support sustainable floorspace of an extra 24,200m^2 - 27,400m^2 between 2018 and 2048.
- retain incentive for redevelopment in the town centre (Business 1) zone.
- avoid a significant shift of the District's retail gravity away from Rangiora.

Background

The Waimakariri Residential Red Zone Recovery Plan (December 2016) was approved under the Canterbury Earthquake Recovery Act 2011. The objective of the Recovery Plan was to set a basis for recovery and regeneration in areas affected by the 20110-2011 Canterbury earthquakes. The Recovery Plan defined five Kaiapoi Red Zone regeneration areas ("RZRA"), of which three (Kaiapoi East, West and South) contain MUZs that are the subject of this memo. The extent of the those three RZRAs is shown in Figure 1.

Figure 1: Kaiapoi Regeneration Areas[1]



The draft Proposed District Plan ("PDP") now proposes to incorporate the zones identified in the RZRAs. As part of the process of implementing that zoning, Council wishes to understand the potential for the MUZ within the RZRA to accommodate retail activity, and how that potential might affect existing centres, and otherwise fit into the centres hierarchy identified in the draft PDP.

[1] https://dpmc.govt.nz/sites/default/files/2017-03/waimakariri-residential-red-zone-recovery-plan-updated_0.pdf

Note that the background graphic shown is sourced from the Recovery Plan, and the spatial extent of some of the zones proposed in the draft PDP is very slightly different to the Recovery Plan zones, although the spatial extent of the MUZ has not changed.

MUZ locations

The MUZs identified together amount to 9.59ha:

- The largest component is in Kaiapoi East (5.64ha). That area stretches two blocks back from the north side of the river (Charles St to Cass St, either side of Jones St) and is adjacent to the New World supermarket and the eastern-most extent of the Business 1 zone.
- Kaiapoi South (2.91ha) is south of the river, and the MUZ is adjacent to the Business 1 zone between Raven Quay and Hilton St, extending as far as Bowler St (the area between Countdown and the river).
- Kaiapoi West (1.04ha) is the smallest of the three areas, and takes in about half of the block bounded by Hilton St and Raven Quay, and Black and Rich Streets. This area is adjacent to the north-western most extent of the Business 1 area.

MUZ capacity

The 9.59ha of MUZ areas identified in the regeneration areas could support a significant retail and commercial presence within Kaiapoi. An indication of the potential floorspace yield of those areas is provided in "The Kaiapoi Town Centre Plan 2028 and Beyond"[2], which provides a framework for the future of the centre. (From those layout plans I have then applied assumptions as described above, to establish that there might be somewhere between 8,000 and 27,000m^2 of retail supported in the three MUZ areas, including 1,600-5,900m^2 of retail in Kaiapoi East, 6,400-15,200m^2 in Kaiapoi South, and up to 5,900m^2 in Kaiapoi West (Figure 4).

Figure 4). The Town Centre Plan ("TCP") indicates some 63,700m^2 gross floor area ("GFA") in Kaiapoi East and 47,900m^2 in Kaiapoi South. The TCP does not provide the same indicative activities or build-out estimates for Kaiapoi West, and so those have been estimated for this assessment.[3]

WDC officers have advised that those GFA estimates average development over two floors, so we infer that half of the total GFA indicated is ground floor GFA. Of that ground floor GFA we then apply three estimates to provide a range of potential retail yield for each stage and MUZ area by inferring possible retail presence in each location. The principles guiding that yield are that:

---

[2] https://www.waimakariri.govt.nz/your-council/district-development/kaiapoi-town-centre

[3] By applying Kaiapoi East floor area ratios to Kaiapoi South land area, and then a broad range of retail yields.

- no retail will establish in zones with an indicated specific non-retail function (residential, recreation etc.)
- most, if not all ground floor GFA will be retail in retail specific areas
- retail includes food and beverages activities
- in stages with a mix of indicated activities the retail presence will be pro rata to the indicated mix of activities.

The three yield scenarios correspond to increasingly retail-dominated developments, from a low retail presence at one end to a high retail presence at the other. The range is intended to reflect uncertainty in the quantum of space that might ultimately develop in the MUZ area.

The total built floorspace indicated in the TCP is shown in Figure 2 and Figure 3. The Kaiapoi West MUZ is not addressed in detail in the TCP, and so is not included in the plans below.

Figure 2: Kaiapoi South MUZ indicative yield

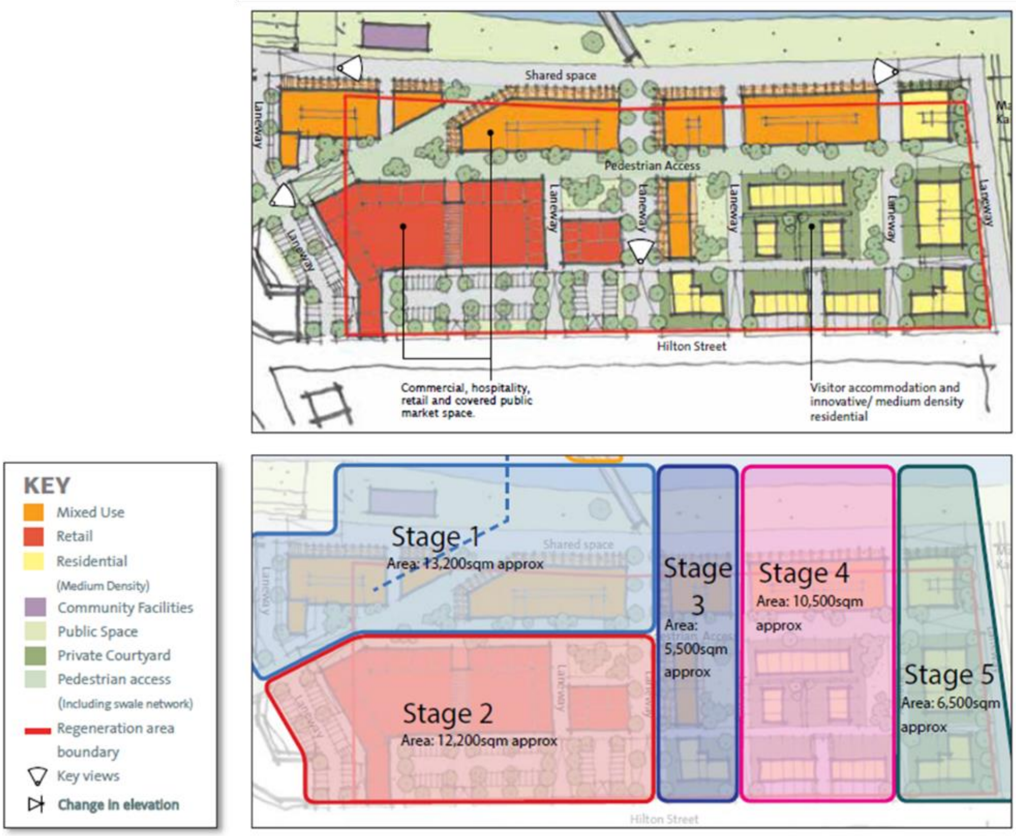
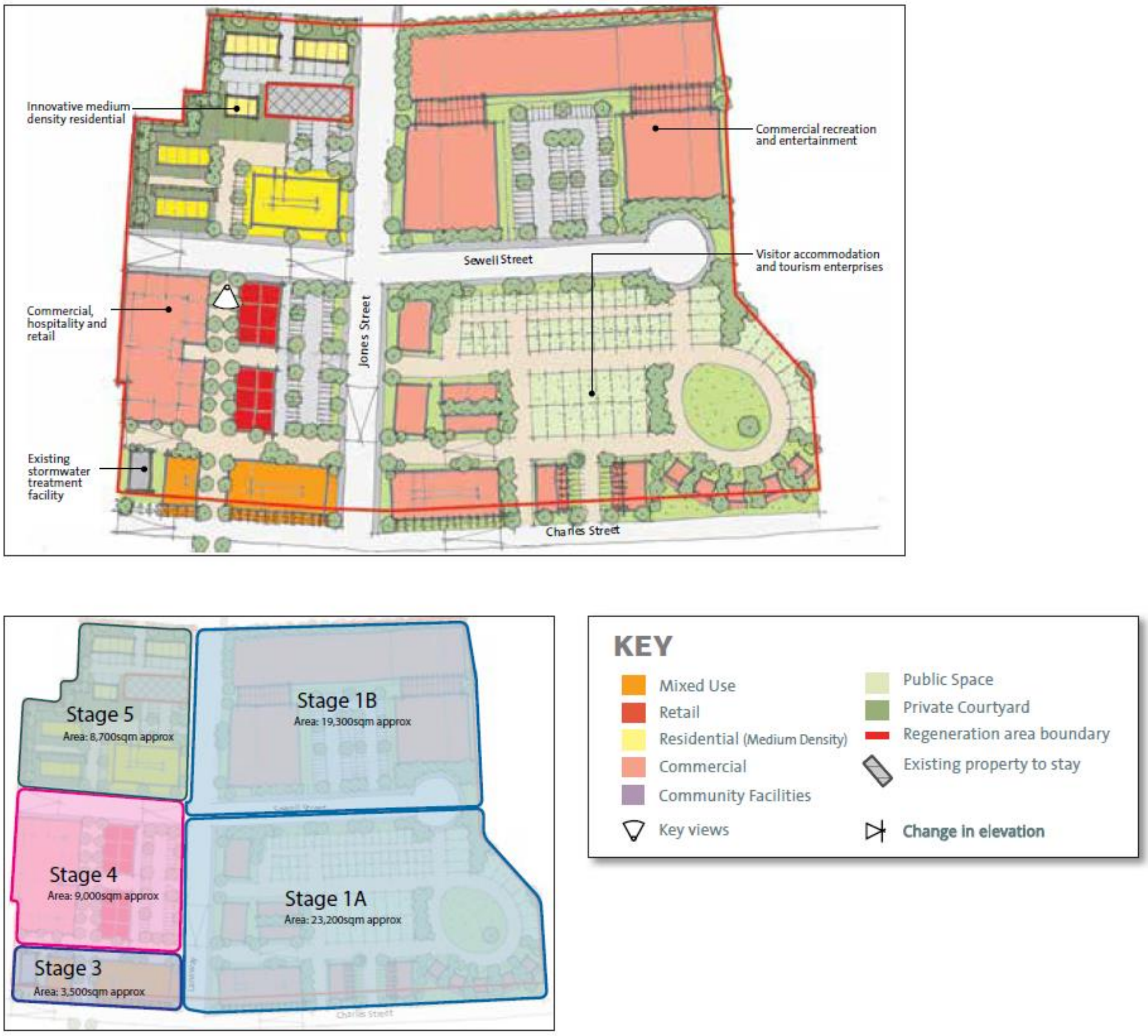


Figure 3: Kaiapoi East MUZ indicative yield



From those layout plans I have then applied assumptions as described above, to establish that there might be somewhere between 8,000 and 27,000m^2 of retail supported in the three MUZ areas, including 1,600-5,900m^2 of retail in Kaiapoi East, 6,400-15,200m^2 in Kaiapoi South, and up to 5,900m^2 in Kaiapoi West (Figure 4).

Figure 4: MUZ indicative ground floor floorspace yield

MUZ	MUZ area (ha)	Total GFA indicated	Ground floor GFA inferred	Indicative activities	Low retail presence		Mid-range		High retail presence	
					Share of ground floor to retail	Retail GFA (m^2)	Share of ground floor to retail	Retail GFA (m^2)	Share of ground floor to retail	Retail GFA (m^2)
Kaiapoi East										
Stage 1A		23,200	11,600	Accommodation	0%	-	0%	-	0%	-
Stage 1B		19,300	9,650	Recreation	0%	-	0%	-	0%	-
Stage 3		3,500	1,750	Mixed Use	10%	200	50%	900	80%	1,400
Stage 4		9,000	4,500	Retail and commercial	30%	1,400	70%	3,200	100%	4,500
Stage 5		8,700	4,350	Residential	0%	-	0%	-	0%	-
Kaiapoi East Total	5.64	63,700	31,850		5%	1,600	13%	4,100	19%	5,900
Kaiapoi South										
Stage 1		13,200	6,600	Mixed Use	10%	700	50%	3,300	80%	5,300
Stage 2		12,200	6,100	Retail	80%	4,900	100%	6,100	100%	6,100
Stage 3		5,500	2,750	MU and Res.	10%	300	40%	1,100	60%	1,700
Stage 4		10,500	5,250	MU and Res.	10%	500	25%	1,300	40%	2,100
Stage 5		6,500	3,250	Residential	0%	-	0%	-	0%	-
Kaiapoi South Total	2.91	47,900	23,950		27%	6,400	49%	11,800	63%	15,200
Kaiapoi West										
Kaiapoi West Total	1.04	11,800	5,900	Not spec. in TC Plan	0%	-	50%	3,000	100%	5,900
Total	9.59	123,400	61,700		13%	8,000	31%	18,900	44%	27,000

Interpretation

The total floorspace indicated in the TCP would represent a significant increase in retail and commercial presence in Kaiapoi (and Waimakariri), given the 15,300m^2 of core retail and services GFA estimated in Kaiapoi's Business 1 zone, and nearly 97,000m^2 GFA across the entire District's Business 1 zones now (in the "M.E 2018 report"[4]). The 8,000-27,000m^2 of additional retail GFA would represent an increase of:

- Between 52% (low yield) and 176% (high yield) in current Kaiapoi Business 1 retail and services GFA.
- Between 8% (low yield) and 28% (high yield) in current District Business 1 retail and services GFA.

To further understand the significance of the yield indicated, I refer to assessment contained in the M.E 2018 report. Key findings of that report included:

- Total sustainable core retail and services GFA in Kaiapoi is projected to increase by 24,200m^2 over between 2018 and 2048 under the Medium-High scenario, or 27,400m^2 under the High scenario.
- There is sufficient small format core retail ("SFR") space in Kaiapoi now to last until 2021, alongside an existing shortage of SFR in Rangiora, and many years of vacant space in

[4] "Waimakariri District Business Land Assessment", Market Economics, 22 November 2018 (Figure 5.6, p65)

Woodend/Pegasus. Overall District SFR supply was estimated to be sufficient to last until 2022 (which includes allowance for an NPS-UDC buffer).

- There is already a shortage of large format core retail ("LFR) space in Kaiapoi and the District generally.
- Potential exists to develop vacant Business 1 parcels, and redevelop vacant potential parcels, to supply part of future needs. In Kaiapoi 46-67% of all vacant potential Business 1 land would need to be developed for core retail by 2048 to adequately supply future needs without increasing zoned area (under the Operative District Plan's ("ODP") zoning and rules). Interpretation of that range was:

  > *That pressure on Rangiora's B1 land, and a shortage of B5 land, would inevitably result in some flow-over effects on Kaiapoi's B1 supply. Under the ODP policy option very high shares of vacant potential B1 in Kaiapoi (46-67%) would need to be converted from current uses to commercial uses to adequately provide for supply. At the lower end of that range (Medium-High growth) that level of conversion is reasonable to expect over 30 years, however the upper end represents a high ratio of conversion that might only be achieved with some difficulty and very near to the end of the 30-year horizon*[5]

- The amount of vacant potential land identified in the M.E 2018 report is sufficient to support 24,000m^2 GFA of ground floor Business 1 activities in Kaiapoi. The 46-67% range discussed above therefore equates to 10,950-16,050m^2 GFA on vacant potential sites that would be added to existing supply if redeveloped.
- The corresponding share of vacant potential land in Rangiora that would need to be developed for core retail by 2048 to adequately supply future needs without increasing zoned area was 84-96% (ODP zoning and rules). That high level of conversion was considered to be unlikely, and indicative of need for additional supply.
- Under the draft PDP zoning and rules the Rangiora Business 1 zone would be expanded, taking some pressure off the need to convert very high proportions of vacant potential Business 1 land in Rangiora, with flow-on effects decreasing the share of that land required to be converted in Kaiapoi also. Under the draft PDP scenario 56-69% of vacant potential space in Rangiora would need to be developed to adequately provide of the Business 1 needs of growth, and 40-55% of Kaiapoi's vacant potential land.

[5] M.E 2018 report, p81

Vacant potential redevelopment assessment results

If, then, the MUZ were developed to provide 8,000-27,000m^2 of retail and services GFA as indicated in Figure 4, that would require less development of vacant potential land to supply the needs of growth in Waimakariri retail and services demand. For this assessment I have:

- Quantified the share of vacant potential land that would need to be developed under each MUZ retail yield scenario.
- Assumed that all existing vacant land would be developed. There is only enough vacant land in Rangiora to support 2,000m^2 GFA of retail and service space, and in Kaiapoi 3,400m^2.
- Compared the share of vacant potential that would need to be redeveloped with the share assessed under the PDP scenario in the M.E 2018 report. That comparison shows the potential effects on Business 1 redevelopment and can be used to infer the adequacy of draft PDP zoned Business 1 land, both with and without the MUZ.

Under the M.E 2018 report's draft PDP scenario, 40-55% of Kaiapoi's vacant potential land would need to be redeveloped to accommodate the increased demands arising from market growth, over the period to 2048. The corresponding range for Rangiora was 56-69%. At the low end of retail space creation in the MUZ, those ranges would drop to 7-22% in Kaiapoi and 45-57% in Rangiora. At the high end no redevelopment of vacant potential land would be required in Kaiapoi (although it may still occur anyway), and 17-30% in Rangiora (Figure 5).

Figure 5: Vacant potential land redevelopment required to supply community retail needs (to 2048)

Business 1 zone	MUZ retail GFA developed			
	0m^2	8,000m^2	18,900m^2	27,000m^2
Medium-High growth scenario				
Kaiapoi	40%	7%	0%	0%
Rangiora	56%	45%	29%	17%
Rangiora + Kaiapoi	52%	35%	22%	13%
High growth scenario				
Kaiapoi	55%	22%	0%	0%
Rangiora	69%	57%	42%	30%
Rangiora + Kaiapoi	65%	48%	31%	22%

The reduction in the amount of redevelopment required can be taken in two ways:

- As a positive benefit that indicates greater certainty that adequate land is proposed to be zoned to accommodate retail and services space, even if there is a high degree of reluctance to pursue redevelopment by owners of vacant potential parcels.
- As a negative indication that redevelopment might be disincentivised, by decreasing pressure on retail supply in the centre through the provision of supply in an alternative location (the MUZ). That alternative might defer or prevent redevelopment, detracting

from the aesthetics and functionality of the Business 1 zone part of the centre, even if that is complemented by increased aesthetics and functionality in the new MUZ precincts.

In practice, some redevelopment of vacant potential parcels might occur even if none is indicated as being required in the assessment, depending on landowner motivations and financial capacity. Also, the geographic distinction can be misleading, because although Rangiora and Kaiapoi service mostly distinct retail catchments for some types of goods, some of the time, that is not absolute, and there is cross-boundary movement to access retail goods and services. A large new retail development such as might eventuate in the Kaiapoi MUZ would potentially have a material effect on Waimakariri shopping movements, and would likely result in reduced motivation for redevelopment of vacant potential parcels in both Kaiapoi and Rangiora.

To account for that, the "Rangiora + Kaiapoi" total row is presented in Figure 5. That row reflects a decrease in 'pressure' to redevelop vacant potential land in both Rangiora and Kaiapoi as a group, from a range of 52-65% under the draft PDP scenario to 35-48% under the low end of the range of MUZ retail created, or 13-22% under the high end of the range. Again that decrease in pressure might delay redevelopment of vacant potential land in Rangiora, and slow the conversion of land in the fringe area that is proposed to be changed from Business 2 to Business 1. Effectively, every unit area of retail developed in the Kaiapoi MUZ is likely to not be developed elsewhere, although the new MUZ development might have the benefit of reducing leakage out of Waimakariri to Christchurch, and generate a net increase in Waimakariri retail sales.

That leakage reduction is a very real possibility, assuming the MUZ proposal can be tenanted and is attractive to consumers. Because of the size of the proposal, it would significantly increase the retail gravity of Kaiapoi, and would put Kaiapoi "on the radar" for a broader range of retail goods and services, and hospitality. That means that some portion of the MUZ space might be supported by recaptured leakage.

Total demand for retail and services space

The M.E 2018 report concluded that every 10,000m^2 GFA added to existing supply would supply around 6.3 years of Core Retail SFR demand[6]. The quantum of space indicated in the Kaiapoi TCP for the MUZ would therefore, assuming no LFR, be broadly equivalent to:

- 5 years of SFR demand growth (District total, not just Kaiapoi) under the low end of the yield indicated (8,000m^2).
- 12 years under the middle of the range (19,000m^2), or most of the life of the next District Plan.
- 17 years of supply under the upper end of the range (27,000m^2).

[6] Section 5.2.3 p 67

In that context the amount of space indicated in the MUZ would be a very significant addition to District SFR supply.

Alternative perspectives confirm that the amount of GFA indicated in the TCP is significant in both a Kaiapoi and District context, and the development would equate to a substantial part of all new floorspace projected in the District over the next 20 years. For example, at the mid-range GFA indicated, the MUZ area would take up 36% of long-term (30 year) growth in all District SFR space (assuming the MUZ development does not decrease leakage), and a higher share of growth over the next 15 years (essentially twice as much, so close to 70%).

Figure 6: Share of floorspace growth MUZ-indicated development would occupy (2018-2048)

Location	MUZ retail GFA developed		
	8,000m^2	18,900m^2	27,000m^2
Core retail and services SFR only			
Kaiapoi	65%	153%	218%
District	15%	36%	51%
Core retail and services all tenancy sizes			
Kaiapoi	33%	78%	112%
District	7%	17%	24%

District growth patterns

To assess how the MUZ GFA indicated would potentially affect District growth patterns, I present a scenario of where future growth might be supplied within the District, with and without the MUZ. There are several things to be aware of when interpreting the scenario presented:

- It is intended to provide some indication of the distribution of new floorspace within the District under 'with' and 'without' Kaiapoi MUZ scenarios.
- The data presented is, of course, one of only many possible scenarios, and may differ from allocations assumed in the M.E 2018 report. Growth could choose to take up space that is currently vacant (or vacant potential) in any location within the District, and the scenarios presented are only one indication of this.
- The data relates only to small format retail floorspace, and assumes the MUZ will not accommodate any LFR GFA. Data presented earlier in this memo relates to Business 1 GFA, which includes both LFR and SFR GFA.
- The data relates to the period 2018-2048.

The data presented in Figure 7 shows that:

- If the Kaiapoi MUZ proceeds, it is likely that the spatial structure of Waimakariri small format retail floorspace would change. Indicatively Kaiapoi might go from being 42% the size of Rangiora in terms of SFR GFA, to nearly 80% of the size.

- Because a large new quantum of GFA would be introduced in the MUZ, less vacant potential land would need to be (re)developed for SFR. Without the MUZ's SFR yield, 30-50% of vacant potential land in Kaiapoi and Rangiora would need to be converted to SFR uses over the next 30 years. With the MUZ indicated (mid-range yield) that would decrease significantly, requiring conversion of less than 30% in Rangiora and only around 10% in Kaiapoi.

Figure 7: Potential distribution of SFR GFA growth (2018-2048)

	With Kaiapoi MUZ (mid-range yield)					Without Kaiapoi MUZ				
	Rangiora	Kaiapoi	Pegasus/ Woodend	RoWDC	Total	Rangiora	Kaiapoi	Pegasus/ Woodend	RoWDC	Total
Sustainable GFA growth					52,800					52,800
Where growth might be supplied										
Vacant land	2,000	3,400	2,100	3,700	11,200	2,000	3,400	2,100	3,700	11,200
Vacant potential land	20,000	2,700	-	-	22,700	33,300	8,300	-	-	41,600
Kaiapoi MUZ	-	18,900	-	-	18,900	-	-	-	-	-
Total growth	22,000	25,000	2,100	3,700	52,800	35,300	11,700	2,100	3,700	52,800
Small Format Retail GFA										
2018	37,500	16,000	4,100	8,800	66,400	37,500	16,000	4,100	8,800	66,400
2048	59,500	41,000	6,200	12,500	119,200	72,800	27,700	6,200	12,500	119,200
SFR GFA structure										
2018	56%	24%	6%	13%	100%	56%	24%	6%	13%	100%
2048	50%	34%	5%	10%	100%	61%	23%	5%	10%	100%
Share of VP required	29%	11%	0%	0%		48%	35%	0%	0%	

The yield indicated in the TCP would be significant in the context of existing GFA in both the Kaiapoi Business 1 zone, of which there is 20,600m^2 (including 11,700m^2 SFR), and the wider Kaiapoi supply (16,000m^2 total).

Conclusions

The MUZ development indicated in the Kaiapoi TCP would have both positive and negative effects on Waimakariri's retail and centres environment.

The share of vacant potential parcels would be reduced, and those parcels that would need to be (re)developed over the next 30 years in Rangiora and Kaiapoi would drop from around 50-65% to 20-30% due to the MUZ providing some of the additional retail supply required by market growth. That would likely reduce town centre redevelopment compared to a 'without MUZ' future, especially in Kaiapoi, although redevelopment of vacant potential parcels would still occur. At lower MUZ retail yields there would be ongoing incentive for owners of under-utilised parcels in the Business 1 zones to pursue redevelopment, without requiring an unrealistically high proportion of that land to be redeveloped (so avoiding capacity constraints). At the high and of MUZ real yields there would be much less incentive to redevelop vacant potential parcels, especially in Kaiapoi, and the MUZ would disincentivise town centre redevelopment.

Provision of significant retail and services capacity in the Red Zone's MUZ would have the benefit of increasing retail and services supply to provide greater surety that zoned supply will be adequate to meet the needs of the future community. That is a positive outcome in the context of the Queenstown Bunnings decision, and would help to reduce the grounds on which any future applicant for out of centre retail space might seek to justify their proposal. While a large amount of space in the MUZ is better for providing location flexibility, it is not better for ensuring long run centre health and redevelopment incentivisation.

The MUZ development would result in a shifting of the District's retail gravity away from Rangiora. Rangiora would remain the largest retail and commercial presence in the District, but would become less dominant that it is currently. Combined with potential LFR development at Smith St, Kaiapoi's retail supply would increase significantly in the life of the next District Plan, with smaller, more incremental growth expected in Rangiora (mostly through conversion of the former Business 2 zone around the edge of the Business 1 zone).

At the current stage of planning, the future retail and services floorspace yield indicated for the Kaiapoi MUZ is highly uncertain. The assessment undertaken for this memo indicates that yield at the upper end of the range indicated (e.g. 25-30,000m^2) would represent an increase somewhat out of proportion with existing floorspace in Kaiapoi, and with the quantum of growth projected in the District. That in turn indicates that some lesser amount of retail and services GFA would be preferable. While the amount of retail that develops in the MUZ might be naturally constrained by the market's desire to develop retail space, I would recommend limiting the amount of SFR space that can develop within the MUZ to avoid:

- Drawing growth away from the Rangiora and Kaiapoi town centres, and slowing the conversion of low intensity and non-core (e.g. industrial) activities in the Business 1 zones.
- An erosion of Rangiora's retail primacy, and a move towards two similarly sized retail centres.

A key to setting that limit would be allowing adequate space to anchor the MUZ development and provide some sort of critical mass to ensure viability of the MUZs as retail and hospitality extensions of the Kaiapoi Business 1 zone, without drawing tenants away from that zone. That is, the MUZ should be predominantly supported by growth, not by redistributing existing retail activities, and still allow for some growth to go into the Business 1 zone.

In the context that there is currently 7,500m^2 of small format (<450m^2) GFA in the Kaiapoi Business 1 zone now (and 15,300m^2 total core retail/services GFA), up to 7,500m^2 retail GFA in the MUZ would seem to be a reasonable limit. That would broadly equate to the amount of retail indicated in the retail-only parts (i.e. only the red 'Retail' buildings in Figure 2 and Figure 3) of the MUZ in the TCP (the additional retail capacity identified for this assessment is in the orange 'Mixed Use' buildings). That indicates that some thought should be given to managing how much retail can establish in the Mixed Use parts of the MUZ, given the large areas of the MUZ and the large share of that space indicated to be Mixed Use, and there needs to be some prioritisation as to which parts of the MUZ are most suited to accommodating retail (including food and beverages) activities. That assessment would benefit from specialist urban design advice, but might, for example, concentrate retail into areas closest to the Business 1 zone, or along the river frontages.