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4 June 2014

Via E-mail: Mark.Stevenson@ccc.govt.nz

Christchurch City Council
c/- Mark Stevenson
Senior Planner
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CHRISTCHURCH 8154

Dear Mark,

RE: PDP Commercial Practicality and Retail Economic Overview of Provisions

Property Economics has been engaged by Christchurch City Council (‘**Council**’) to provide a high level overview on the commercial practicalities of the Commercial and Industrial chapters of the Proposed Christchurch City District Plan (‘**PDP**’) from a retail economic perspective. Given the short turnaround for this report and higher level pitch of this overview, this review may not represent the full gambit of Property Economics’ concerns.

This paper includes reviewing the relevant rules and identifying what Property Economics consider are the major ‘red flags’ or risks associated with the PDP that may need to be reconsidered by Council. This process will also enable Council to better evaluate the relative merits of the submissions received to date on the PDP, and assess whether in Property Economics view they have commercial validity and represent ‘real’ concerns from a market response standpoint.

Property Economics also acknowledges that the PDP is being constantly refined at this stage in the process, so its comments may not be directly applicable to the current version if any recent updates have advanced the chapters. Recent discussions between Property Economics and Council may have already led to alterations within the PDP that address some of the concerns identified in this report. This review is relevant to the DPD version dated 16 May 2014.

First, there are many similarities in the issues discussed within this overview that are applicable to both the Commercial and Industrial Chapters of the PDP, so to avoid repetition we will only identify them once, and therefore consideration of the followings points should be weighed up in the context of both chapters, i.e. if some identified changes to the Commercial Chapter were advanced, then this would resolve some issues in the Industrial Chapter.

Objectives and Policies

As an overall comment, in Property Economics view the Commercial Chapter of the PDP appears to portray an overarching desire by Council to 'control' activity and development rather than 'enable' development and ensure development is channelled into the appropriate locations (or locations envisaged by Council). In this regard, Property Economics would have no issue with the PDP's Objectives and Policies of the Commercial Chapter being more directive and worded more pointedly to clarify any potential ambiguity around where Council envisage commercial development occurring (retail and office activity), and to ensure the issues to be addressed are clearly identifiable. This would provide a stronger focus to the Objectives and Policies and enable increased certainty around both private and public investment decision making.

Property Economics would also prefer wording consistency applied in the Objectives and Policies sections of the PDP to ensure limited scope for different interpretations of policies to eventuate. A key example is use of the word '*intensification*' in the Objective 15.1.1, and '*consolidation*' in Policy 15.1.1.1. These two words can be interpreted differently (with 'intensification' a quite specific meaning commercially), and therefore potentially result in quite different commercial outcomes, albeit the tenor of the words use maybe similar.

Property Economics thinks the word 'consolidation' provides a more rounded platform (and places Council in a safer position) without compromising its desired outcome, i.e. consolidation is a word that is quite directive and sends a strong message to the market of what Council envisage / want to achieve (and determinatively can clearly identify the issue being addressed). Consolidation of activity by default would lead to intensification, particularly in commercial centres, i.e. that is the likely 'real world' outcome of consolidated commercial development.

The word 'consolidation' also allows an important release valve with expansion of centres where and when appropriate (via Discretionary status preferably). Defending the more specific 'intensification' and fixed zoned areas when future market conditions and economic environments can change quickly (i.e. earthquakes) is much more difficult from a retail economic perspective. Applying such a firm hand (albeit maybe unintended) in Property Economics view increases the risk profile for Council in terms of business location outcomes, and may potentially require Council to compromise to a position worse than the 'consolidation' position.

In essence, 'consolidation' provides greater flexibility and enablement to the market, both elements considered important for any District Plan, whilst at the same time sending a firm directive to the market about where Council envisage commercial development occurring.

This approach in Property Economics view provides an appropriate balance between regulation / intervention via the District Plan, and enabling the market to develop and operate in an economically efficient manner. Council can then be seen to be trying to achieve an appropriate, fairer and more positive planning and economic outcome that ultimately leads to a more efficient and effective commercial network. The District Plan would in effect enable appropriate out-of-centre development to occur (i.e. that provides a net benefit to the community and is not contrary to the higher order objectives and policies of the District Plan), with Council compromising an appropriate planning framework and suite of 'checks and balances' in place that tests the individual merits of each application.

Policy 12.1.1.5 relates to New Centres in Greenfield Area. This policy appears fairly loosely worded. Property Economics consider some additional points under the policy outlining how any 'new centre' should not be contrary to the thrust of the higher order objective of 'consolidation', and another outlining how new centres should not undermine the role, function, amenity and vitality of other centres within the commercial network.

This provides increased certainty for any private and public sector centre investment (or conversely lowers any perceived risks of such investment), and increases consistency between new and existing centres, i.e. centres are considered within a consistent planning framework.

Other considerations within the Objectives include:

- While there is clarity regarding the hierarchy of centres within the Section 32 an objective clearly establishing this would establish a clear connection with the rules.

- The term 'recognise' in relation to investment would be more functional if it were termed in a way that investment were prioritised within the Central City and District Centres. Also, given the separation of the Central City and District Centres under Section 15.1.1.1 in the PDP, it would seem appropriate to continue this separation for hierarchy purposes. It appears District Centres can continue to grow their retail function at the potential expense of the Central City and without due consideration to the economic costs associated with such.

Activity Status Tables

Under Section 15.2.2 Activity Status Tables, there is a heavy weighting placed on a 250sqm GFA threshold for retail and commercial activity. This threshold appears to have little relevant justification in the supporting Section 32. The main reference point for the threshold appears to be this figure represents in the order of 50% of the ground floor footprint of new developments, which in Property Economics view does not provide a robust justification for such. The 50% figure appears an arbitrary proportion with little retail economic rationale, i.e. why is Council concerned with only 50% of development? Why is the other 50% not relevant?

The Commercial Chapter Section 32 assesses the 250sqm threshold, but in Property Economics view the weighting applied to the identified costs and benefits have been misjudged. Applying a commercial lens the economic costs associated with applying this threshold are likely, within the current Christchurch environment, to have the potential to significantly outweigh the identified economic benefits.

Further to this P1 of this section relates to Supermarkets and Department Stores. This threshold appears irrelevant for these two retail categories as there are no Supermarkets or Department Stores under 250sqm GFA, and no market appetite for develop such (and if so they would not be categorised as a Supermarket or Department Store from a commercial perspective).

A breach of this threshold triggers the activity falling into the Restricted Discretionary (‘**RD**’) category, with the Council’s discretion limited to *General Matters of Discretion* under section 15.8.1. The *General Matters of Discretion* are heavily focused on urban design matters.

Further still, if any Permitted activity is on a site over 1,000sqm, then in the PDP this also triggers a RD status and the need for an applicant to provide a ‘*Context and Site Analysis and Detailed Design Statement*’. Of more concern is that any application over 1,000sqm that does not include a ‘*Context and Site Analysis and Detailed Design Statement’* suddenly becomes a Non-Complying activity. This sends the complete wrong message to the market and shows urban design matters trump the appropriate locating of activity and may stimulate commercial location outcomes far beyond that envisaged.

Exactly what the benefits of undertaking a ‘*Context and Site Analysis and Detailed Design Statement’* are unclear, but suffice to say it would add an unnecessary additional cost burden to an applicant, and which the additional ‘security blanket’ it affords Council is not identified.

There are a few concerns Property Economics has with this approach. These include (but are not limited to):

- In my experience, virtually all new retail and commercial developments, applying modern building design standards (and urban design standards in the PDP), are vastly superior to the older building stock they are replacing, unless the existing buildings have significant historic value (in which case it is likely to be identified as such).

  In a competitive market such as Christchurch, developers have to build a product that is attractive to first tenants so the space can be competitively leased, and second be good enough to attract customers, i.e. there is little likelihood that developers are going to purposely go out the way and develop ugly (in urban design terms) buildings that are unlikely to be competitive and attractive to the market.

- It is not clear in the PDP why a retail application for example 'in centre' (and therefore supports the consolidation objective of the PDP), and that meets all the urban design standards in the PDP, still requires an additional generic urban design report on other urban design matters such as context, character and relationship with the street. This is considered a superfluous exercise. The application in this example is for retail activity 'in centre', so of course the 'context', 'environment's character', etc., are fine – it's a retail centre. It begs the question if a retail activity is not appropriate in a retail centre due to some arbitrary urban design matters, where is it appropriate?

  It suggests Council are prepared to turn down an 'in centre' retail development because they perceive its inappropriate from an urban design perspective and are therefore comfortable letting it go elsewhere in another zone. This makes no sense from a retail economic or commercial market perspective, and could actually undermine the higher order objective of consolidation. This approach would also weaken the potential for Council's sought outcome within the PDP being achieved, as it negatively impacts the commercial location decision making processes of businesses by increasing uncertainty of outcome significantly.

  It is not clear what concerns Council have (over and above the urban design standards in the PDP) that requires a special '*Context and Site Analysis and Detailed Design Statement'* that does not form part of an in centre Permitted application and meets all the urban design standards in the PDP. Articulating any of Council's additional urban design concerns would be better placed in the urban design standards of the PDP to increase certainty for the market. The significance of urban design must be tempered with both the risk of limiting development in appropriate locations and the likely level of the risk pertaining to so-called 'bad' design.

Also noted is the distinct lack of urban design 'checks 'n balances' for the Retail Park Zone. This zone has a minimum of 450sqm GFA for retail activity, and has equal potential (or arguably more) to develop ugly (in urban design terms) buildings just as much as stores of smaller GFA. This inconsistency is not articulated or justified in the Section 32 analysis. From a commercial market perspective, given supermarkets and department stores in centres have more stringent urban design criteria to satisfy, it may potentially be easier for these store types to locate in this zone.

- Council need to be cognisant that a retail development 'in centre' that may not tick every urban design box, represents a far better economic and social outcome for the city than a retail development in a non-centre location that ticks every urban design box.

- It appears that the PDP are using urban design matters to resolve whether the location of an activity is appropriate. This in Property Economics view is not how urban design criteria should be applied in a District Plan context. Applying zoning and activity status techniques represents better methods to channel where activities should go, and urban design matters should then be applied to increase surety around the desired quality in the appropriate location.

  In this regard, there needs to be a better balance between the objective of enabling investment within centres and the balanced approach to the physical result of that investment. Put simply it is Property Economics view that priority should be given to ensuring the appropriate location of commercial development is achieved, with urban design as an important but subservient consideration.

- Micro-managing office activity at ground level within centres is considered not necessary. From an economic and market viewpoint Property Economics cannot see any reason to limit the development of ground floor office space in centre. The development of ground floor office space would be less common in the larger centres compared to local centres, but still represents a flexibility that enables development without creating any perceived economic issues.

  Centres constantly evolve and transition according to market dynamics and consumer demand / expectations. The market represents the most efficient way to allocate these resources within centres rather than adopting forced intervention policies, i.e. the market itself is a more efficient regulating mechanism to allocate resources in centres than Council. Council's primary concern in the PDP is to get retail and office activity locating in centres, not finer grained management of location of activity within centres in Property Economics view.

In Property Economics view encouraging retail and commercial development in centres should be more enabling, and the PDP should provide an easier pathway for that to occur to increase surety of outcome for investment decisions. The current thresholds that trigger urban design reports increase uncertainty of outcome, provide no clarity on what is required, and represents a commercial barrier to establishing such activity in the area where Council want that activity to establish – all whilst adding costs to the applicant. Ultimately, it increases the risk of development being established in out of centre locations, the antithesis of the outcomes the PDP is trying to seek.

Height Limits

The maximum height limits for Neighbourhood Centres seems comparatively low at 8m when assessed against the other centre categories (which range from 12m-20m). This Neighbourhood Centre height limit is the same as in the Operative District Plan as Property Economics understands. This is particularly relevant when consolidation is a core objective of the PDP and 'going up' is the only likely commercial reality in many instances for this to be achieved. Further to this the minimum floor to ceiling height between the ground floor and the first floor of greater than or equal to 3.5m could further limit the number of floors possible to be built. This is likely to adversely affect the commercial feasibility of many in centre developments, potentially making development of the sites unfeasible.

This again represents an undesirable consequence of the PDP and conflicts with the consolidation of centres sought. Increasing the height limit from 8m to 10m would not undermine the Neighbourhood Centre context of the built form, but importantly would provide the flexibility required to offset the minimum floor to ceiling height between the ground floor and the first floor rule and improve the development feasibly of redeveloping in centre sites. In Property Economics view it represents a more appropriate height limit given a primary objective of the PDP.

Summary

Overall Property Economics consider the strategic direction in which the PDP heads is considered appropriate from a retail economic and commercial market perspective, and is justified in the current environment. There is more a need to 'sure up' the Commercial and

Industrial Chapter Section 32 reports, and policies and rules within these chapters of the PDP to provide more robust justification which at the same time would reduce the foundation of many submissions against the PDP, rather than undertake significant directional readjustments.

If you have any queries please feel free to give me a call.

Yours faithfully

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