

Before the Independent Hearings Panel

In the Matter of the Resource Management Act 1991

And

In the Matter of the Canterbury Earthquake (Christchurch Replacement District
Plan) Order 2014

And

In the Matter of the Proposed Christchurch Replacement Plan (**Chapter 15:
Commercial and 16 Industrial (Part)**)

Evidence of James Douglas Marshall Fairgray
for Kiwi Income Property Trust [761/1352]
Scentre (NZ) Limited [741/1270] and
Progressive Enterprises Limited [790/1450]

Dated: 24 April 2015

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1. INTRODUCTION

Qualifications and experience

- 1.1 My name is James Douglas Marshall Fairgray. I have a PhD in geography from the University of Auckland, and I am a principal of Market Economics Limited, an independent research consultancy.
- 1.2 I have 35 years' consulting and project experience, working for commercial and public sector clients. I specialise in policy and strategy analysis, the geography of urban and rural economies, assessment of demand and markets, and the evaluation of outcomes and effects, in relation to statutory objectives and purposes.
- 1.3 I have undertaken over 900 studies throughout New Zealand, analysing the economies of regions and districts, and examining key sectors of the economy – retail, services, travel, housing, leisure, local government, infrastructure, transport and commercial property.
- 1.4 I have described my specific experience in my statement of evidence for Waimakariri District Council also for the Commercial Proposal, including research and evidence relating to the retail and commercial sectors in greater Christchurch.

Other Evidence to the IHP

- 1.5 I have previously presented evidence to the Panel in relation to housing intensification on behalf of Christchurch City Council.
- 1.6 In relation to this topic, I am also presenting evidence on behalf of Waimakariri District Council.

Code of Conduct

- 1.7 I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note (updated 1 December 2014) and I agree to comply with it. My qualifications as an expert are set out above. I confirm that the issues addressed in this statement of evidence are within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

2. SCOPE OF EVIDENCE

- 2.1 I have been asked by counsel for Kiwi Income Property Trust (“**Kiwi**”), Scentre (New Zealand) Ltd (“**Scentre**”) and Progressive Enterprises Ltd (“**Progressive**”) to consider Chapter 15 of the proposed Replacement District Plan (“**pRDP**”), in relation to likely effects and outcomes for retail activity and the Christchurch centres network, and the implications for community enablement and urban form.
- 2.2 In preparing this evidence, I have read Chapters 15 and 16 of the pRDP, the Land Use Recovery Plan (“LURP”), CRPS Chapter 6, the Central City Recovery Plan, and Property Economics report on the commercial and industrial sections of the pRDP. I have read the statements of Mr Heath, Mr Osborne, Mr Milne and Mr Stevenson for the Council, Mr Philips for Scentre, Mr Abley for Kiwi, and Mr Bonis and Mr Clease for Progressive, Bunnings, Scentre and Kiwi. I have read the Council’s Statement of Issues paper (2 March 2015).
- 2.3 I participated in expert conferencing on 30 March 2015, for which I provided a Will Say statement, and I signed the joint statement.
- 2.4 In this statement, I focus on Chapter 15 of the pRDP. On 8 April 2015, following submissions and consultation, Council released a revised marked up version of Chapter 15. For my evidence, I have drawn on that 8 April 2015 document as the most recent version of Chapter 15 of the pRDP, rather than the earlier notified version.
- 2.5 I have examined the key issues in the Council’s Statement of Issues Paper (2 March 2015). My understanding is that many of those specific issues no longer apply, as through consultation and mediation a range of revisions have been accepted by Council.
- 2.6 I have considered the objectives and policies as primary influences on commercial activity, and as providing the context for the rules which underpin them. I have examined the pRDP from an economic perspective, and I have focussed on the appropriateness of its key elements to contribute to an efficient commercial sector within the (greater) Christchurch economy and to community enablement and wellbeing.
- 2.7 I have also considered the pRDP provisions with regard to the particular circumstances of greater Christchurch in the period following the earthquakes of 2010 and 2011, and the requirements for this proposed Plan to both support and enhance recovery, and set the path for Christchurch’s longer term, following the recovery period.

- 2.8 Within the commercial sector generally, I focus on the retail sector because of its major role in influencing urban form and the functioning of the economy, including efficiency and community enablement.
- 2.9 I have drawn on my assessment to address two broad questions:
- (a) Does the overall policy direction within Chapter 15 Commercial provide for an appropriate urban form outcome for Christchurch in terms of where retail growth is focussed?
 - (b) Does Chapter 15 Commercial provide an appropriate basis for the recovery of the retail sector, to contribute to a sound medium and longer term outcome for the City specifically, and greater Christchurch?
- 2.10 I take this approach because the requirements for the recovery differ in several respects from those of a “normal” situation, and the outcomes in the medium and longer term depend heavily on what is achieved in the short to medium term as the recovery proceeds.

3. EXECUTIVE SUMMARY

- 3.1 My evidence examines Chapter 15 (Commercial) of the pRDP from an economic perspective. I have considered the objectives and policies as primary influences on commercial activity, and providing the context for the rules which underpin them. I have focussed on the appropriateness of its key elements in contributing to an efficient commercial sector within the (greater) Christchurch economic and to community enablement and wellbeing. My assessment addresses two broad questions as follows.

Whether Chapter 15 provides an appropriate basis for the Christchurch commercial sector going forward

- 3.2 I set out the key elements of the commercial strategy for retail through the life of the pRDP and beyond, which are consistent with several of the strategic objectives identified in the Strategic Directions Proposal. I then set out the economic reasons for the expected outcomes of the objectives and policies, which in combination should contribute to a compact urban form, supported by a network of centres well located to service the needs of communities into the future.
- 3.3 The processes and outcomes outlined are generally consistent with the underlying economic drivers of urban spatial economies, with the simple point being that a (relatively) large city centre and a network of outlying centres, of varying scales and functions, is consistent with the underlying drivers of urban economies, as distinct from a planning construct. The centres-based strategy is also consistent with other key

elements of the pRDP, especially residential intensification in Christchurch, which is oriented to areas around the CBD and retail centres, especially Key Activity Centres.

- 3.4 In my view, the key objectives and policies of 15.1 are generally sound from an economic perspective. The provisions enable centre growth through both expansion and intensification, so that centres have scope to change, and new centres to develop, as population growth occurs through time

Whether Chapter 15 provides an appropriate basis for the recovery of the retail sector

- 3.5 I set out the key elements of the commercial strategy for retail in the short to medium term, ie during recovery, and explain three matters that are important in this respect. First, the recovery of the network of centres is a critical aspect of the overall recovery of Christchurch. Second, the role of the central city in the network of centres, and the Christchurch economy, is critical. Third, recovery and ongoing growth of the retail sector and centres are running on different timelines, meaning the provisions relating to recovery can be seen as generally more urgent than the provisions which will apply generally.

- 3.6 The implication is that when evaluating potential for other change in the centres network, the implications for the central city are especially important, and especially so in the short to medium term. Therefore the provisions which seek to achieve and/or support the recovery of the central city are appropriate.

4. THE CHRISTCHURCH RETAIL SECTOR GOING FORWARD

- 4.1 The first and more general issue is whether Chapter 15 Commercial provides an appropriate basis for the Christchurch commercial sector going forward, with regard to the provisions individually and in combination;

- 4.2 Key elements of the commercial strategy for retail in the period of the pRDP and beyond are:

- (a) A centres based strategy, based on a network of centres.¹
- (b) Recognition of a hierarchy of centres reflecting differing but complementary roles in providing accessibility to goods and services.²
- (c) An associated prioritisation among centres,² with primacy for the central city and KAC status for some centres to recognise their key roles in meeting current and future needs, generally according to their size, function and location relative to the population.

¹ Objective 2 – Focus of commercial activity, a

² Objective 2, a, ii, iii and iv

- (d) Recognition of the key inter-relationships between (commercial) land use and transport efficiency, and the implications for both accessibility and travel efficiency, and sustainability.³
- (e) Recognition of the critical role of the CBD in the centres network, and in the urban spatial economy generally.⁴
- (f) Provision for centres to grow through both intensification⁵ and outward expansion.⁶
- (g) Recognition of the importance of centres to the economy, as community focal points.
- (h) The importance of a compact and sustainable urban form, with centres offering convenient access to communities served.⁷
- (i) Recognition of the importance of comprehensive planning for centres' growth and expansion, and taking into account their effects on other centres which make up the greater Christchurch network.⁸

4.3 These elements are consistent with the pRDP's Strategic Directions, and with the identified needs for:

- (a) The primacy of the central city, and its recovery.⁹
- (b) Capacity and flexibility for new patterns of activity *“while recognising the important community focus of the central city and other centres, and effectively managing the effects on the environment.”*¹⁰
- (c) The importance of providing for *“a pattern of urban development which is efficient.”*¹¹
- (d) The efficiency of the transport network and travel¹², and integrated transport planning.¹³

³ Objective 2, a, v and vii

⁴ Objective 1.

⁵ Objective 2, a, i.

⁶ 15.1.1.5 Policy 5 Expansion of centres.

⁷ Objective 2, a, v.

⁸ Policy 2- Comprehensive approach to development of the Halswell and Belfast Key Activity Centres.

⁹ 3.5.2.2 Christchurch has a strong central city, a.

¹⁰ 3.4.1.2 Commerce and Industry, d.

¹¹ 3.4.1.6 Infrastructure, a.

¹² 3.4.2 Effective functioning of the transport system.

¹³ 3.5.2.5 The transport system meets the needs of the community, a.

- (e) Consolidation (including residential intensification) around central Christchurch, suburban centres and towns.¹⁴
- (f) Restoring and enhancing the role of the central city and KACs in particular as community focal points.¹⁵

4.4 In combination, the objectives and policies can be expected to contribute to a compact urban form, supported by a network of centres well located to service the needs of communities into the future. Such an outcome in my view is sound in economic terms, for several reasons:

- (a) A centres-based pattern of retail and service activity is generally more efficient than a dispersed pattern. It affords greater opportunity for multi-purpose, single-destination shopping travel and correspondingly lower trip numbers and travel distance. It also provides more opportunity to utilise public transport.
- (b) The role of the central city as the primary commercial centre is consistent with the major economic drivers of urbanisation, including for the realisation of agglomeration effects from larger and higher density centres.
- (c) Retail and service outlets generally benefit directly from co-location, because the combined attractiveness of several or many stores is greater than that of a single store. This means that while shoppers have the convenience of multi-purpose visits (travel efficiency) the outlets themselves benefit from a larger shared customer base, and greater regularity of shoppers visiting (since centres meet a range of needs, and can attract a greater number of visits per household).
- (d) Concentration of activity in centres generally means a broader range of goods and service outlets can co-locate there, with more opportunity for specialisation and wider ranges of goods and services being available to the community.
- (e) Mr Heath in his evidence identifies that there is capacity for existing centres to accommodate growth. There is also the potential in appropriate situations, for some expansion of existing centres¹⁶, including through the common process of acquiring and rezoning land which is adjacent to centres.

¹⁴ 3.5.2.1 Development is focused on well-defined urban areas, a.

¹⁵ 3.6.2 Objective Development form and function viii and ix.

¹⁶ Policy 5.

- (f) The focussing of people activity in centres means there is greater incentive and opportunity for public sector and non-commercial services and facilities to co-locate with retail and services, so that centres can conveniently provide for a broader range of community needs.
- (g) There is incentive for other commercial activity to co-locate with the retail, services and community services, including convenience for employees to access retail and hospitality outlets.
- (h) A centres structure is generally consistent with efficient provision of infrastructure, particularly transport built infrastructure and public transport facilities and services. This is a key aspect of integrated land use and transport planning, which underpins core aspects of urban efficiency and sustainability.
- (i) Centres are an important component of social interaction and social wellbeing. This arises in part because concentration of shopping and service opportunity increases people numbers and therefore the likelihood of meeting and interacting regularly with others in the community. This applies to centres generally, as well as major stores such as supermarkets which are visited relatively frequently. The concentration of people activity, visit frequency and interaction also enhances sense of community identity and familiarity. Centres are also important influences on peoples' sense of place, and offer some coherence to the urban landscape. These effects in turn act to enhance the vitality of centres, enhancing their attractiveness as destinations for shopping socialising.

4.5 These processes and outcomes are generally consistent with the underlying economic drivers of urban spatial economies, particularly the benefit to be gained from co-location of economic activities (including residential), which group together to gain advantages of transactional efficiency, and economies of scale and scope. These benefits underpin the formation of cities across the world. Over time, the drive to intensify has been supported by technological advances, which allow higher densities and larger urban mass, and realisation of greater co-location benefits. The benefits of co-location diminish with increasing distance from the city centre, and as cities increase in size there is opportunity for such co-location benefits to underpin the emergence of outlying centres at a smaller scale, and sufficiently distant from the city centre to be viable in their own right.

- 4.6 The simple point is that a (relatively) large city centre and a network of outlying centres, or varying scales and functions, is consistent with the underlying drivers of urban economies, as distinct from a planning construct. The focusing of retail growth in centres acts to generally enhance the benefits which arise from the geographic concentration of economic activity, including efficiency and sustainability.
- 4.7 The centres-based strategy is also consistent with other key elements of the pRDP, especially residential intensification in Christchurch, which is oriented to areas around the CBD and retail centres especially KACs. Centres generally help make residential intensification (compact city) more attractive. Simply, the opportunity for people in areas close to centres to conveniently access a broad range of their goods and services needs enhances both the demand for more intensive living environment, and the marketability of such developments. Residential intensification in turn generally contributes positively to urban efficiency, in terms of travel and transport, and infrastructure.
- 4.8 Residential intensification in turn contributes directly to growth of established centres. This is because residential intensification will mean that substantial shares of household growth and consequent demand for retail and services will arise in areas around established centres which are conveniently located to service the current and future population. The provisions for intensification and expansion of centres will help service this demand growth efficiently.
- 4.9 For these reasons, I support the key objectives¹⁷ and policies¹⁸ of 15.1 which relate to retail activity and retail and centre growth, including the core role of the central city, the importance of a network of centres with varying roles and functions, the centres-based focus of retail growth, and directly linking centres roles to the communities which they can efficiently serve and to transport infrastructure. The provisions enable centre growth through both expansion and intensification, so that centres have scope to change, and new centres to develop, as population growth occurs through time.
- 4.10 Having said that, I do have a concern as to the requirement in Policy 1 to “*not adversely affect the recovery of the Central City*”, which as written allows for no

¹⁷ Objective 1 Recovery of commercial activity, Objective 2 Focus of commercial activity

¹⁸ Policy 1 - Role of centres; Policy 2- Comprehensive approach to development of the Halswell and Belfast Key Activity Centres; Policy 3 - Activities in district and neighbourhood centres; Policy 4 - New centres in greenfield areas; Policy 5 – Expansion of Centres; Policy 6 - Banks Peninsula commercial centres

adverse effects at all. I consider that a requirement to 'not significantly adversely affect the recovery of the central city may be more appropriate, and consistent with other provisions (for example, RPS Objective 6.2.5).

- 4.11 With that proviso, in my view these provisions are generally sound from an economic perspective, and can be expected to contribute positively to urban efficiency and sustainability, and community enablement.

5. RECOVERY OF THE CHRISTCHURCH RETAIL SECTOR

- 5.1 The second and more specific issue is whether Chapter 15 Commercial provides an appropriate basis for the recovery of the retail sector, to contribute to a sound medium and longer term outcome for the Christchurch City, and greater Christchurch.

- 5.2 Key elements of the commercial strategy for retail in the short to medium term (during recovery) are:

- (a) Recognition of the importance of the recovery of the central city to the wider economic recovery of Christchurch, and to the centres network
- (b) Recognition of the importance of the recovery of the centres network generally (including the central city), so that their roles and functions which have affected by the earthquakes can be re-established and enhanced
- (c) Recognition of the importance of timing in the planning period, where the requirements of the recovery process for the central city in particular are very important in the short to medium term, whereas the medium and longer term requirements apply to retail and centres more generally.

- 5.3 Three matters are important. First, recovery of the network of centres is a critical aspect of the overall recovery of Christchurch.¹⁹ While there has been some significant change in the pattern of retail and service activity following the earthquakes – particularly closures and relocation of central city businesses – when the recovery is completed Christchurch's overall urban form will be very similar to the pre-earthquake pattern (notwithstanding identification of additional areas for greenfield urban development). This is because the red zoning of residential land has affected around 5% of the pre-earthquake population, leaving the great majority of the population (potentially up to 95%) distributed as previously in net terms (that is, ignoring subsequent churn in the market as individual households have sold and purchased dwellings).

¹⁹ Objective 1.

- 5.4 The implication is that the pattern of economic activity, including the network of centres, which had evolved over 170 or so years is still directly relevant to the distribution of population. That applies to the wider network of centres, and to the central city specifically. Accordingly, the pre-earthquake network of centres which had evolved to service that pattern of population is still generally appropriate as a structure which can efficiently serve the Christchurch population.
- 5.5 This means it is appropriate to seek recovery generally of the established centres roles and functions²⁰ rather than to replace it in other locations, as well as to provide for population growth into the future.
- 5.6 Second, the role of the central city in the network of centres, and the Christchurch economy, is critical (see above, paragraph 3.4 (b)). While the relative importance of the central city as a share of total retail generally declines as cities grow (typically because incremental outward residential growth sees a progressively larger share of market growth served by centres in suburban locations), the central city generally retains its place as the largest retail centre, especially in a city the size of Christchurch. Accordingly, in my view it is appropriate to make provision for the ‘primacy’²¹ of the central city within the retail network, as that place as the largest retail centre, and in the city centre, is important for the efficient functioning of the retail sector generally.
- 5.7 Third, recovery and ongoing growth of the retail sector and centres are running on different timelines. The recovery is short to medium term, and in particular needs to be achieved relatively quickly so that once Christchurch returns to a “normal” situation, the further development of the centres network can service the economy efficiently. This means that in practical terms, the provisions relating to recovery can be seen as generally more urgent than the provisions which will apply generally.
- 5.8 This is especially so because the central city has a unique role in the spatial economy and it is the centre which suffered by far the most damage. This combination means that the longer term outcomes for Christchurch are especially sensitive to the recovery of the central city, more so than the recovery and ongoing roles of other centres. Christchurch is rare because the major part of the largest centre has been effectively removed suddenly, rather than as the result of a progressive decline. The recovery of the central city will mean a big change from the current post-earthquake pattern of retail and service activity.

²⁰ Objective 2,a,vi.

²¹ Policy 1 Role of centres,a,i.

- 5.9 One implication is that when evaluating potential for other change in the centres network, the implications for the central city are especially important, and especially so in the short to medium term. However, I note my concern (paragraph 4.10, above) as to Policy 1 requirement to not adversely affect the recovery of the central city, rather than not significantly adversely affect.
- 5.10 Accordingly, in my view, the provisions which seek to achieve and/or support the recovery of the central city are appropriate.²²

6. CONCLUSIONS

- 6.1 My overall view is that Chapter 15 (Objectives 1 and 2 and supporting policies) as amended in the Revised Proposal and further through mediation is appropriate for Christchurch, both for an economy and commercial sector which is in the early-mid stages of recovery from an event which took out a critical component of the network, and for the longer term needs of Christchurch beyond the recovery period.
- 6.2 I consider that the objectives and policies are generally appropriate from an economic perspective, particularly in relation to the location and structures of commercial activity – that is, a centres-based strategy, which acknowledges both differing roles of centres in providing access to goods and services to the community and the commercial drivers of retail and development, establishes priorities among centres according to their roles.
- 6.3 The provisions are consistent with other objectives, especially in relation to transportation and travel efficiency, and urban efficiency and sustainability, and peoples' enablement.



James Douglas Marshall Fairgray

24 April 2015

²² Objective 1; Objective 2,a,v; Policy 1,a,l; Policy 2,b,l; Policy 2,c,II,A.