Ocean Ridge Private Plan Change

Economic impact assessment

Prepared for Cargill Station Limited

Final

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Formative

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1 Introduction

Cargill Station Limited is the developer of Ocean Ridge, a comprehensive living environment in Kaikōura that is intended to be more than just a residential development. Formative Limited has been commissioned to assess the potential economic effects of a private plan change application by Cargill Station that seeks to change the amount of residential and mixed use activity enabled within Ocean Ridge.

1.1 History

The Ocean Ridge development was enabled in 2005 by way of a private plan change that enabled 280 residential dwellings, and a small Mixed-use area (MUA). Subsequently the Global Financial Crisis of 2007-2009 affected sales rates and necessitated a change in development plans. A second plan change in 2010 was approved, and enabled an additional 56 dwellings, taking the total dwellings permitted in the development to 336. The plan change also approved an expanded MUA, taking the total MUA to the now operative area of around 1.54ha.

1.2 Current proposal

The current application is the third plan change for Ocean Ridge, and seeks to increase the total number of dwellings enabled by another 150, to a new total of 486 dwellings. The application also seeks to increase the amount of activity permitted in the MUA, to enable the MUA to function effectively for the community it will serve.

1.3 Objective

This report assesses the economic effects of the proposed changes to the residential and MUA areas within Ocean Ridge, to contribute to the applicant's overall assessment of effects of the application.

1.4 Report structure

The report is structured as follows:

- Section 2 provides an overview of the Operative District Plan.
- Section 3 summarises the changes sought by the current application, and the type and amount of activity that would be enabled.
- Section 4 provides an assessment of the economic effects of the residential component of the proposed plan change.
- Section 5 provides an assessment of the economic effects of the MUA component of the proposed plan change.

- Section 6 provides some recommended conditions to ensure that the development enabled by the plan change will not generate adverse economic effects.
- Section 7 provides a high-level indication of the total land area that might be required to accommodate all activities in the MUA.

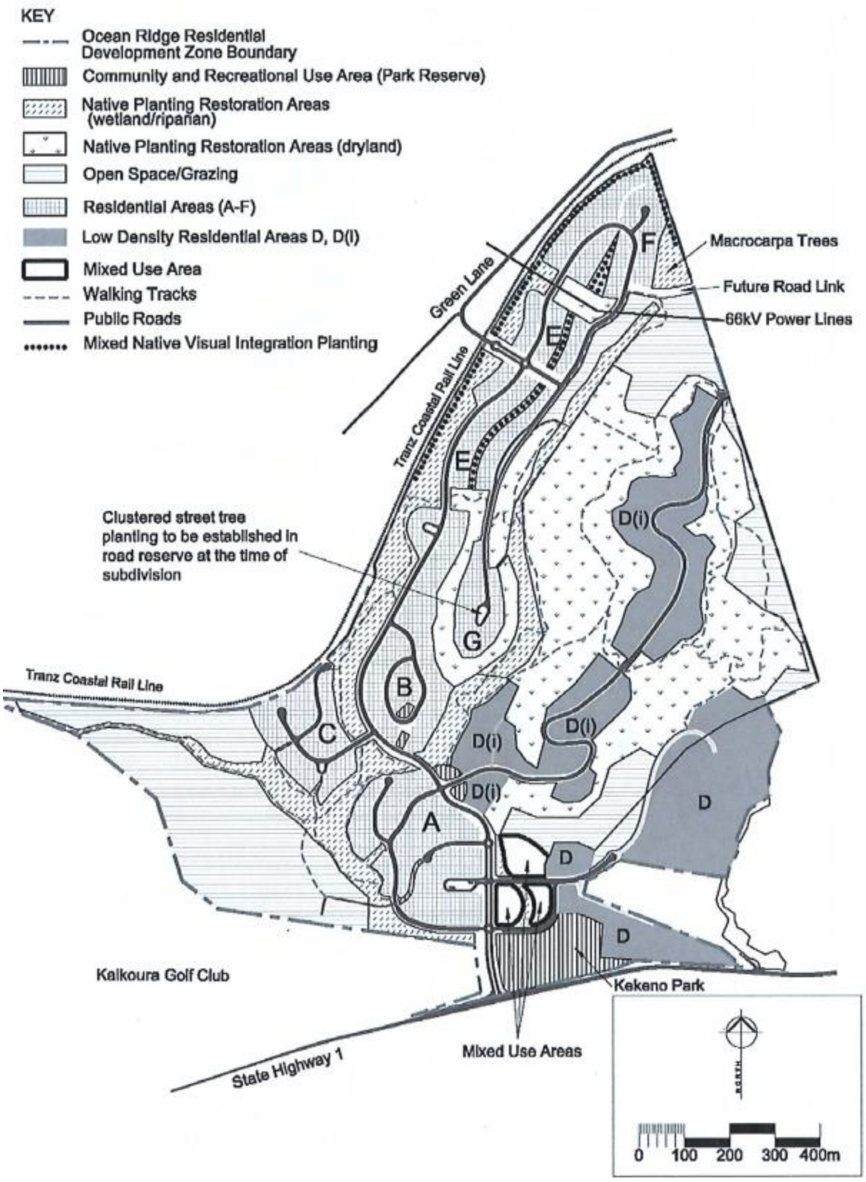
2 Operative District Plan

The KDC District Plan Chapter DEV2 – Ocean Ridge Development Area sets out the planning environment relating to Ocean Ridge. This section summarises the relevant parts of DEV2 to provide context for the rest of the report.

2.1 Ocean Ridge Development Area overview

The Ocean Ridge Development Area is not comprised of zones as much of the rest of the district is, instead activities are enabled with reference to an Outline Development Plan which defines development areas. The main areas are residential areas (including Low Density Residential Areas) and a Mixed Use Area (Figure 2.1).

Figure 2.1: DEV2 Appendix 1: Ocean Ridge Development Area ODP1



2.2 Purpose and objectives

The purpose of the Ocean Ridge Development Area is as follows:

> *The purpose of the zone is to provide for residential housing in a wider native bush setting with some other activities provided for in defined areas to integrate and support the community. Ocean Ridge will provide further residential opportunity for the people of Kaikōura.*

Objectives and policies are consistent with that purpose, and focus on the quality of the environment created (DEV2-O1 and DEV2-P1 to P5) while enabling some provision for home businesses (DEV2-P6), and supporting appropriately scaled services activities (DEV2-P7).

2.3 DEV2-S1

Standard 1 specifies that the maximum number of residential units within the Ocean Ridge Development Area shall not exceed 336, including a maximum number within each of the areas shown on the Outline Development Plans. The plan change application seeks to increase that maximum number of dwellings by 150, to 486 dwellings.

2.4 DEV2-S3

Standard 3 sets a maximum gross floor area (GFA) for non-residential activities in the MUA. DEV2-S3 is that:

> *The gross floor area for buildings containing the following activities in the Mixed Use Area shown on the Outline Development Plan 1 in DEV2 Appendix 1 shall not exceed:*
>
> 1. *100m^2 for Offices*
> 2. *300m^2 for Restaurant*
> 3. *100m^2 for Retail Sales*
> 4. *No limit on Visitor Accommodation*
> 5. *300m^2 for Personal Care facilities*

DEV2 defines those activities as follows:

> *Office means any of the following:*
>
> *a.* Administrative offices where the administration of any entity, whether trading or not, and whether incorporated or not, is conducted;
>
> > *b. Commercial offices such as banks, insurance agents, typing services, duplicating services and real estate agents, being places where trade*

(other than that involving the immediate exchange for goods or the display or production of goods) is transacted;

c. Professional offices such as the offices of accountants, solicitors, architects, surveyors and engineers.

Also refer to the definition commercial activity.

Retail means the direct sale or hire to the public from any site and/or the display or offering for sale or hire to the public on any site of goods, merchandise or equipment, but excludes recreational activities.

Personal Care facilities means a commercial activity entity devoted to enhancing overall health or well-being through a variety of professional services that encourage the repair or renewal of mind, body and spirit offering a variety of professionally administered services to clients on a day-use basis and includes:

a. Physical fitness such as gymnasiums;

b. Hairdressers, Beauty and Day Spa Clinics; and

c. Doctors or Dentists Offices.

The District Plan Definitions section defines Commercial Activity to be:

any activity trading in goods, equipment or services. It includes any ancillary activity to the commercial activity (for example administrative or head offices).

3 Plan change scope

There are two main elements of the proposed plan change from an economics perspective: an increase in the number of dwellings permitted in Ocean Ridge, and a corresponding increase in the size of Ocean Ridge's MUA.

3.1 Infrastructure Acceleration Fund

The potential for additional housing capacity in Ocean Ridge was identified some time ago, and lead to Cargill Station discussing development options with KDC. Those discussions identified the development potential in Ocean Ridge, and Vicarage Views (Cargill Station's other Kaikōura residential development), and lead to an application to Kāinga Ora's Infrastructure Acceleration Fund (IAF)[1] to secure government funding to support development of those two areas.

That application was successful, and funding of $7.8m was approved for new infrastructure projects in Ocean Ridge (contingent on a plan change being granted to enable the expanded housing capacity) and Vicarage Views (contingent on a resource consent). The infrastructure funded includes upgraded three-waters network infrastructure, sealing and extending Green Lane to become a new northern entry point to Ocean Ridge via a new bridge across the rail corridor and a 1.1km road connecting with the current end of Ocean Ridge Drive, new footpaths and cycleways, and flood protection works at Ocean Ridge.

This plan change application seeks to enable the scale of residential development that was identified in the IAF funding application, and if approved would satisfy requirements to receive the approved funding.

3.2 Residential activity

The plan change application seeks to increase the number of residential dwellings permitted in Ocean Ridge from 336 to 486, an increase of 150 dwellings (+44%). That increase in dwellings is sought by Cargill Station to provide additional residential capacity and choice for people wishing to live in Kaikōura.

3.3 MUA activity

Recognising that the new residential yield that is sought has increased from the level currently permitted in the District Plan, Cargill Station also seeks to increase the amount of activity permitted in the MUA. As outlined above, DEV2-S3 sets that there are limits as to how much commercial activity

[1] The IAF was established to provide funding for infrastructure such as transport, three waters and flood management that will enable new housing development in areas of need.

is permitted in the MUA, those being a maximum of 100m^2 for offices, 300m^2 for restaurant floorspace, 100m^2 for retail sales, and 300m^2 for personal care facilities, a total of 900m^2 for those activities. Cargill Station is seeking to increase those limits to better enable the MUA to adequately provide for the needs of the larger Ocean Ridge population.

4 Residential activity

4.1 Economic issues

From an economics perspective there can be three main RMA issues with enabling too much residential capacity:

- Infrastructure capacity
- Highly productive land
- Well-functioning urban environment.

Those potential issues are assessed below in relation to Ocean Ridge.

4.1.1 Infrastructure capacity

A core challenge for territorial authorities in planning for growth is managing limited budgets and physical capacity to ensure adequate infrastructure is provided to meet the needs of the future population. A matter that is particularly relevant in larger urban areas, or areas where very high growth is planned (or sought to be enabled) is that infrastructure may be inadequate to accommodate the needs of that growth. If that is the case, typically new infrastructure will be required to provide additional network capacity (e.g. treatment plants, pipes, roads, etc.) and ensure that mandated levels of services are able to be achieved.

The issue arising from the need for new infrastructure is one of cost and timing: who should pay for growth, how much should they pay, and when. This issue quickly becomes complex, and often leads to councils declining to support new development proposals that are out of sequence with a council's infrastructure strategy, or of a scale not anticipated in a geographic area. This is understandable, given limited public funds available for new infrastructure, and the reticence to increase the burden on ratepayers in cases where developer funding is insufficient.

In the case of Ocean Ridge infrastructure funding is not an issue, because IAF funding has been secured to fund off-site community infrastructure (new and upgrades) required to support the increased dwelling capacity associated with the proposed Plan Change, that would otherwise be paid by Council and covered (or partly covered) by Development Contributions. The developer is also still responsible for any "on-site" infrastructure requirements servicing the new lots, as is standard practice for this sort of development.

4.1.2 Highly productive land

The National Policy Statement on Highly Productive Land came into effect in 2022, and specifies that conversion of highly productive rural land to urban uses should be minimised so as to avoid irreversible loss of the valuable land resource for productive rural purposes. It is our understanding that none of the plan change area is located on highly productive soils, and therefore highly productive land is no constraint to the potential development of Ocean Ridge.

4.1.3 Well-functioning urban environment

The National Policy Statement on Urban Development 2020 (NPS-UD) is relevant to the application. Relevant to this assessment, the NPS-UD has as its objectives:

- Objective 1: “New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.”
- Objective 2: “Planning decisions improve housing affordability by supporting competitive land and development markets.”
- Objective 3: that more people are enabled to live in areas located near centres and employment opportunities, areas served by public transport, areas with relatively high demand.
- Objective 4: that urban environments develop and change in response to needs.

A core concern of the NPS-UD therefore is ensuring that there is adequate capacity in urban areas to enable growth, subject to requirements about the location of that growth contributing to well-functioning urban environments (WFUE).

WFUEs are urban environments that have or enable a variety of homes that meet the needs, in terms of type, price, and location, of different households; have good accessibility for between housing, jobs, community services, including by public or active transport; and support competitive operation of land development markets.

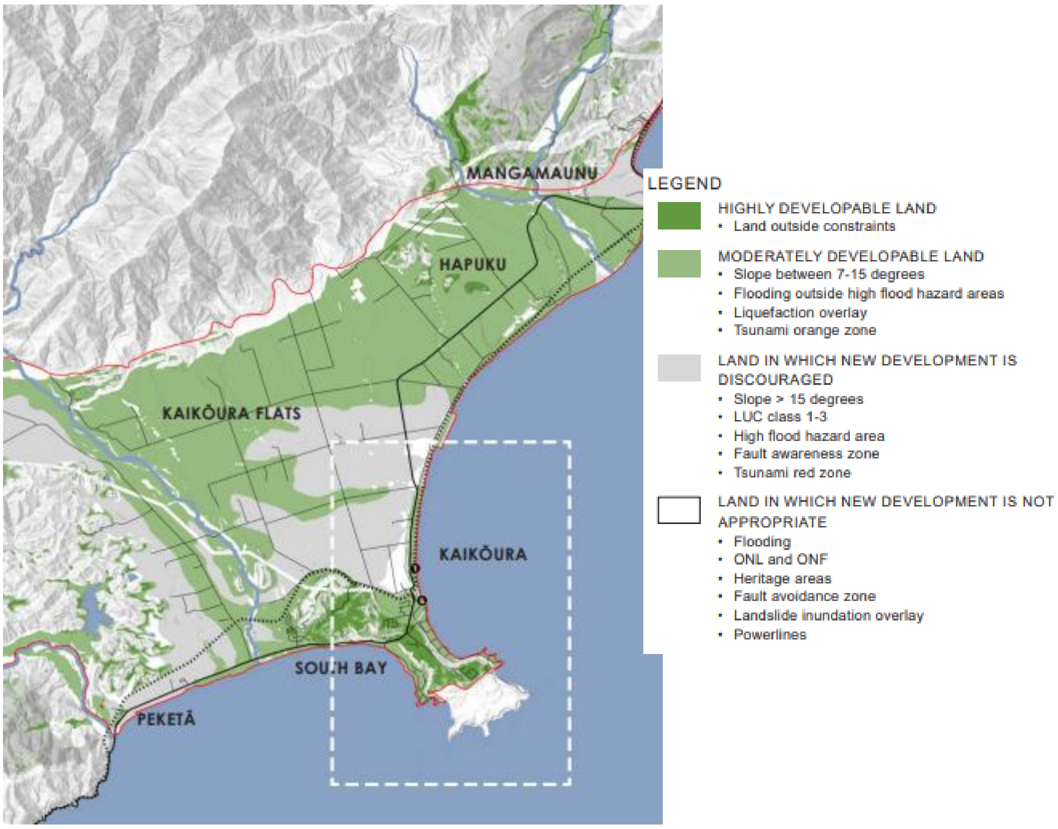
The provision of residential development capacity in Ocean Ridge will positively contribute to an efficient urban form and a WFUE. Ocean Ridge is a good place to provide dwelling and mixed use capacity because it:

- Is located near employment opportunities, including the operative (and proposed expanded) Ocean Ridge MUA, existing urban parts of Kaikōura, and the recently approved Kaikōura Business Park (Plan Change 4 area).
- Is located near places of shopping and recreation.
- Is very accessible from State Highway 1, and is actually closer to central Kaikōura than the northern parts of the town.
- Will be accessible from Kaikoura Flats, via the extended and upgraded Green Lane, once the IAF-funded work on that road is completed. That new road link will be beneficial for all of Kaikōura by increasing transport route options and resilience in the transport

network, and will only be made possible by the plan change, and the IAF funding that is contingent on the plan change.

- Is less vulnerable that many other parts of Kaikōura to natural hazards, as identified in the Kaikōura Spatial Plan, Figure 4.1), to show that Kaikōura has superior locational attributes that make it an appropriate place to which to direct a share of Kaikōura's future growth.

Figure 4.1: Kaikōura developable land plan (Spatial Plan, page 11)



4.1.4 Overall appropriateness for residential development

Because there are no issues with infrastructure servicing, highly productive land, or WFUE, from an economics perspective it is our opinion that there are no negative effects of enabling additional residential capacity within Ocean Ridge, and there will be a number of positive effects, including improving housing supply, choice and affordability. That means there are no economic costs, some economic benefits, and overall net economic benefits to the community of the residential component of the plan change.

4.2 Residential demand

Because the net economic benefits of the potential Ocean Ridge development to the community are positive, the risk of the development sits with the developer. Considerable capital expenditure and time investment will be required to progress through the plan change process, to investment in physical development of the area to enable dwellings to be able to be built. This subsection assesses potential growth futures for Ocean Ridge to further inform planning for seeking additional residential capacity in the development.

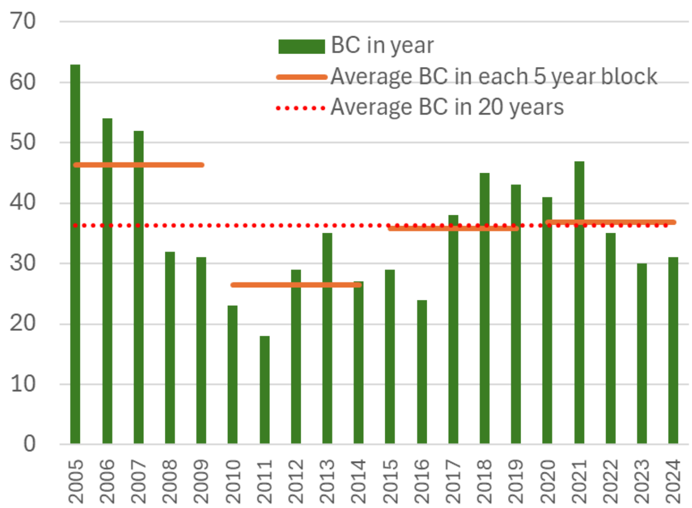
4.2.1 Historic growth

While historic growth is not necessarily an indication of future growth, it is helpful to understand recent growth trends to at least place in context potential future growth. We have assessed recent historic growth using two data sources from Statistics NZ (SNZ), building consents and population estimates.

Building consent activity in Kaikōura District

Over the last 20 years (2005-2024 inclusive) there have been 727 new residential building consents issued in Kaikōura District (Figure 4.1), an average of 36 per year (the horizontal red line in the chart). There has been some variation during that period, from a high of 46 per year in the period 2005-2009 (the first horizontal orange line in the chart), to a low of 26 per year during period following the Global Financial Crisis (2010-2014). Recent averages have been quite steady, at 36-37 new consents per year since 2015, with a low in the last decade of 30 consents in 2023, and 31 in 2024.

Table 4.1: Kaikōura District annual and average new residential building consents issued



Population estimates

Building consents are a good indication of development activity, and, by extension, growth in dwelling numbers, however they can tend to overstate dwelling growth, because not all building consents that are issued are necessarily acted on to result in new dwellings being completed. To provide another cross-check on recent historic growth, SNZ's population estimates are examined below.

SNZ measured the District's estimated resident population as 3,640 in 2013 and 4,410 in 2024, equating to growth of 770 people in 11 years, or 70 people a year.

Comparing building consents and population estimates

The building consent data assessed shows a long-run average of 36 consents issued per year over both the last 20 years and the last 10 years, and growth in population of 70 people per year over the last ten years. If all consents results in completed dwellings in the last ten years, the average occupancy of each dwelling would be around 2.0 people per dwelling. However, if 15% of those dwellings were holiday homes (an average of around 5 dwellings per year), then around 31 of those new consented dwellings accommodated permanent residents, at an average occupancy rate of 2.3 people per dwelling. That is slightly lower than the average household occupancy rate across the district of 2.5 persons per dwelling, although entirely consistent with Kaikōura's smaller average household size than the national average, which is strongly influenced by a larger share of the population being in older age cohorts.[2]

4.2.2 Growth projections

Growth within the Ocean Ridge development has been modest to date, and official growth projections for Kaikōura District are also modest. Both SNZ and Environment Canterbury (Ecan) project average annual population growth across the district of less than 1% out to 2048 under their high growth scenario:

- SNZ projects the 2018 population might grow to 4,660 people by 2048 (+600 people, +15%). That is equivalent to an increase of about 130 households (+8%).[3]
- Ecan projects growth from the same base of 1,040 people (+26%). That is equivalent to about 300 households (+18%).[4]

Those projections assume an increase in average household size over the projection horizon, meaning that fewer households are assumed to be required to accommodate the same number of people in the future, which is why household growth rates are lower than population growth rates.

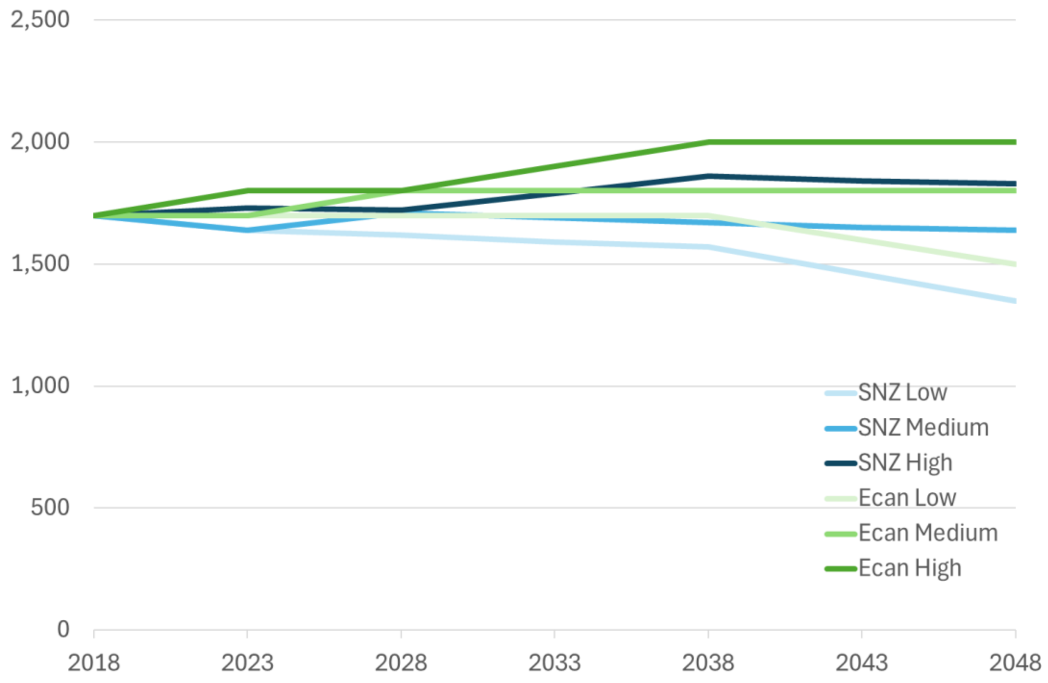
Household projections (derived from SNZ and Ecan population projections using SNZ occupancy rates) show the projected future growth ranging from a low scenario growth of between -350 and -200 households (SNZ and Ecan respectively) through to a high scenario growth of +130 to +300 by 2048 (SNZ and Ecan respectively) (Figure 4.2).

However, the projections adopted in Council's Long Term Plan (LTP) projections anticipate growth averaging 1.5% annually, explicitly taking into the development potential at Ocean Ridge and Vicarage

[2] https://tools.summaries.stats.govt.nz/places/SA3/kaikoura-district
[3] https://www.stats.govt.nz/assets/Uploads/Subnational-population-projections/Subnational-population-projections-2018base2048-update/Download-data/subnational-population-projections-2018base-2048-update.xlsx
[4] https://www.ecan.govt.nz/document/download/?uri=4205665

Views, and an expectation that close to 300 new lots will be created over the next 10 years.[5] For the purposes of this assessment, it is assumed that the LTP projections apply, and that growth is equivalent to 300 new lots in Ocean Ridge in the period 2023-2033, equivalent to around 250 new households in that period, once holiday homes are accounted for, as described in section 4.2.4.

Figure 4.2: Kaikōura District household projections



4.2.3 Interpreting projections

It is also important to understand that the projections are based on plausible alternative scenarios, and are not predictions. SNZ considers the medium projection to be the most suitable for assessing future population changes,[6] although to some extent the relationship between residential demand and supply can be circular – if more suitable, well-priced dwellings are available in the market, more potential purchasers might come and choose an area to live in, whereas if supply was not available, they could not enter that market. Apparent demand can also stimulate supply by making developers aware of an opportunity, and so while population projections can be a useful guide to future growth, growth outcomes are complex and rarely follow expected trajectories.

KDC is aware of Kaikōura's low-growth history, although does not consider it inevitable that that will continue, and has developed a spatial plan to plan how to accommodate growth at levels much greater

[5] Long Term Plan, page 10 of Part Three

[6] https://www.stats.govt.nz/information-releases/subnational-population-projections-2018base2048-update/#:~:text=Important%20advice%20for%20using%20projections,-Three%20alternative%20projections&text=The%20high%20projection%20uses%20high,(base)%E2%80%932048%20update.

than SNZ and Ecan project, at a level that is reflected in the LTP. Media articles[7] have suggested the town has sufficient infrastructure to more than double in size, and the Spatial Plan has identified areas suitable to accommodate growth that would equate to growth far in advance of the SNZ or Ecan projections, indicating that KDC intends to be able to accommodate growth should it arrive, and confirming that the projections are not in themselves a constraint to growth, merely that they represent one potential future development outcome.

A further consideration is the economic importance of avoiding an undersupply of residential capacity in the future. The NPS-UD directs that New Zealand's large urban areas (tier 1 and tier 2 local authorities) are required to include a competitiveness margin in their residential supply. That margin is defined in clause 3.22 as:

> *a margin of development capacity, over and above the expected demand that tier 1 and tier 2 local authorities are required to provide, that is required in order to support choice and competitiveness in housing and business land markets.*

The margin required to be applied by those tier 1 and tier 2 authorities is an additional 20% over and above the expected growth in the first ten years, and an additional 15% in years 11-30. That competitiveness margin recognises the economic costs that might arise if there is a shortage of residential land supply. A recent academic paper published in the "New Zealand Economic Papers"[8] identifies the economic costs associated with a potential undersupply of housing capacity, including:

- Higher housing prices and rents: limited housing supply leads to increased house prices, making homeownership and rents less affordable.
- Housing insecurity: a lack of affordable housing options can contribute to rising homelessness and unstable living conditions.
- Lower productivity: housing shortages can prevent businesses from attracting talent, reducing overall economic productivity.
- Reduced labour mobility: high housing costs make it difficult for workers to move to areas with better job opportunities, leading to labour market inefficiencies.
- Welfare losses: a mismatch between housing supply and demand leads to inefficient resource allocation, reducing overall societal welfare.
- Urban sprawl and longer commutes: workers may need to live further from job centres, increasing transportation costs and reducing quality of life.

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[7] For example https://www.stuff.co.nz/national/politics/local-democracy-reporting/300863306/could-kaikura-grow-to-a-town-of-10000-people#:~:text=David%20Hill%20Local%20Democracy%20Reporter,%27%27

[8] Kevin Counsell (19 Mar 2025): Zoning for housing supply: modelling the asymmetric welfare costs of errors in demand forecasts, New Zealand Economic Papers, DOI: 10.1080/00779954.2025.2478843

- Higher infrastructure and social costs: when housing supply is insufficient in well-served areas, development may shift to less efficient locations, increasing public infrastructure costs.

That paper argues that the welfare cost of regulatory error (i.e. not zoning enough residential land) is asymmetric, and the costs of zoning 'too little' land are material, and likely to outweigh the costs of zoning 'too much'. A core conclusion of the research then is that that asymmetry:

> *can justify a margin being applied to demand forecasts used to set zoned housing capacity, so as to err on the higher side of setting zoning capacity; that is, by zoning more land than would otherwise be suggested by the demand forecast.*

The paper recognises the competitiveness margin set in the NPS-UD, and recommends that such a margin is justified from an economics perspective. Modelling in the paper relates only to Auckland, but notes that if future demand is volatile, a margin of up to 21% might be justified. While Kaikōura is not subject to the NPS-UD, this research indicates that applying a margin to Kaikōura's residential demand would be appropriate from an economics perspective. Based on the LTP's projected growth of up to 300 dwellings in the next ten years, a 20% margin on top of that would amount to an additional 60 dwellings, for a total of 360 new dwellings that should be planned for in order to minimise the likelihood of welfare costs arising.

That projected dwelling growth of 360 new dwellings being required in the next ten years matches very closely with recent historic growth rates, as assessed in section 4.2.1. That analysis above showed growth in the last ten years averaged 36 building consents (analogous to dwellings) or 70 people per year, and growth in the previous decade (2005-2014) also averaged 36 consents a year. That means that growth of 360 dwellings in the next ten years would be a continuation of growth observed over the two decades.

Those projections indicate that the proposed additional 150 dwellings at Ocean Ridge are consistent with growth expectations for the town, even without accounting for the possibility that Ocean Ridge might stimulate additional growth to that projected, due to its point of differentiation in the market.

4.2.4 Holiday homes

Also relevant to consider is the role that tourism plays in Kaikōura, and that many dwellings are owned as holiday homes rather than permanently occupied. That means that there is additional demand for dwellings on top of the household projections described above (households being defined as permanently occupied private dwellings, and therefore by definition excluding holiday homes). In Kaikōura the 2018 Census recorded that around 16% of dwellings[9] were unoccupied on Census night

[9] Dwellings that are sometimes occupied, so excludes dwellings that are permanently vacant/derelict dwellings and those under construction

(334 of the 2,034 dwellings that are sometimes occupied), which is a fair proxy for the number of holiday homes in the district.

That means that any household projections might understate the number of dwellings required by around 16% (or more, if the attractiveness of Kaikōura as a holiday home location increases). The LTP, for example, states an expectation that “1/3rd of residential properties will not be permanently occupied, as the trend continues for houses to be owned by ratepayers living outside the district (holiday homes).”[10] It is, however, inherently difficult to predict how many of Ocean Ridge’s dwellings might be used as holiday rather than permanent homes, and this assessment assumes the more conservative 16% level described in the 2018 Census.

4.3 Effects of residential activity

4.3.1 Increased dwelling supply

We understand that the aspiration for an expanded Ocean Ridge would primarily be as a place of residence for permanent residents, rather than a collection of holiday homes (although inevitably some of Ocean Ridge’s dwellings would be likely to be used for holiday homes), and that the design of the development is intended to facilitate that, including the provision of the MUA and local recreation opportunities.

By increasing Kaikōura’s dwelling stock, Ocean Ridge would positively contribute to housing availability in the district, enabling some residents of other parts of Kaikōura to move to Ocean Ridge, making vacated dwellings available for occupation by other residents, new entrants to the district, or new holiday homeowners. The economic concept of ‘filtering’ describes a positive effect of increasing housing supply, and relates to the ripple effects through a housing economy of increasing supply in that economy.

While it is difficult to predict the types of people who will choose to live in Ocean Ridge, whether they will be existing Kaikōura residents who shift within the town, are migrating into the district from elsewhere, or are holiday homeowners, the increase in supply will have positive effects on housing supply, availability, affordability and choice.

4.3.2 Construction effects

Enabling additional housing capacity has the potential to generate positive effects for the local economy (and other economies, such as in Christchurch), through stimulating increased construction activity, including employment of workers, and the purchasing of building materials. An expanded Ocean Ridge may stimulate additional growth over and above the level of growth that would occur,

[10] Long Term Plan, page 10 of Part Three

and any increase in building activity that is stimulated by the plan change would have positive economic effects for the local construction industry, and the wider economy.

Effects on the wider economy occur as industries engaged directly in Ocean Ridge's development (earthworks, civil construction, design, consulting, building, etc.) benefit financially from that engagement, and spend elsewhere in the economy in business-to-business transactions, and also workers in those industries spend part of their income in the economy. It is difficult to assess the scale of this additional economic activity, as opposed to the amount of activity that would occur in Kaikōura even without Ocean Ridge, but Ocean Ridge will generate positive economic effects for the Kaikōura economy.

5 Mixed-use area

5.1 Current intent of the MUA

The other main component of the plan change will be the MUA. The intent of the DEV2 chapter is to enable a MUA as a small area with a relatively tightly defined group of activities that have as their focus the provision of services to the local community (and visitor accommodation, which is a role within the broader town). The MUA is not intended to be enabled to develop as a significant commercial presence in a way that would adversely affect the Kaikōura town centre/Commercial Zone (COMZ) (including both the town centre at West End and the COMZ area around Yarmouth Street).

5.2 Appropriate activities in the MUA

In our opinion that local focus is entirely appropriate, and preliminary assessment by Formative recommended Cargill Station that the Ocean Ridge MUA should be designed (both as to size and range of activities permitted) to maintain that local focus, although could also appropriately have a (new) role to play as a business location for some activities that cannot adequately be accommodated elsewhere in the town (such as offices). That recommendation was accepted, and the MUA proposed in the application is intended to have a (continuing) role to play supporting the local Ocean Ridge population, with some slightly expanded scope that is intended to provide economic (and other) benefits to wider Kaikōura.

There are constraints in the town centre that mean that it is difficult, or impossible, for some types of activities to be located there. That is recognised in KDC's Spatial Plan, which identifies a number of locations outside the town centre as being appropriate to accommodate future commercial and other business activity, including[11]:

- "Develop a new industrial site at the intersection of State Highway 1 and the Inland Kaikōura Road. This will provide industrial land to Kaikōura outside the town centre, which is better suited to commercial, retail and visitor accommodation." This area has since been live-zoned, and is discussed in more detail below.
- "Consolidate the commercial area north of the town centre to accommodate and promote employment uses, such as hotels, motels, and larger-scale commercial and retail sites to complement the existing town centre activities"
- "Develop a neighbourhood centre within South Bay, located near the South Bay Harbour Redevelopment"

[11] Spatial Plan, pages 21 and 22

- “Create two areas of large format retail activities along State Highway to reflect existing land uses, and provide opportunities for more diversification and other operators”
- “Consolidate a second commercial zone along the Esplanade from Killerney Street to Ramsgate Street.”

Those quotes from the Spatial Plan indicate that the constraints of the current town centre are recognised, and that greater spatial distribution of business activities is considered appropriate in Kaikōura. The Spatial Plan also notes that:

> *Ocean Ridge development area land uses, including a neighbourhood centre and residential densities, relative to the Kaikōura Spatial Plan to be determined through a plan change process*

Taking these factors into account, we agree that the proposed mix of activities in the Ocean Ridge MUA is appropriate, and if appropriately scaled should have no adverse economic effects on the Kaikōura town centre or other Kaikōura centres. Some maximum floorspace limits are appropriate to ensure that the MUA’s scale is appropriate, and those are assessed in the next section.

5.3 MUA sustainable floorspace

To understand how much retail/commercial floorspace it might be appropriate to develop within Ocean Ridge, it is necessary to understand the total size of the Kaikōura market, how retail and other demand is distributed within that market, and what proportion of that total expenditure it would be appropriate for Ocean Ridge businesses to seek to capture. As discussed above, a guiding principle underlying this assessment is that any such activities that do operate from Ocean Ridge should not do so in a way that gives rise to retail distribution effects on Kaikōura’s town centre.

5.3.1 Sustainable floorspace assessment methodology

Demand for retail and hospitality space is assessed using the following approach:

- Step 1: Demand is assessed at Statistical Area 1 (SA1) level, using our proprietary Retail Expenditure Model (“REM”). That demand quantifies the dollar spend in all locations for all consumers living in each SA1 within Kaikōura District, including spend by households, businesses, and tourists. Demand is assessed for a 2024 base year, and projections are made for future years driven by projections of population, employment and tourism activity.
- Step 2: The dollar demand projection resident in each place (the place of residence for households, the location where tourism nights are based, and the place of employment) is next translated into an amount of gross floor area (GFA) required to support the level of sales assessed, in all locations. That GFA might be supported either inside or outside Kaikōura. That process uses industry productivity ($\$/m^2$) estimates that have been

sourced from our internal retail models, and experience working on other projects, adjusted to reflect the local Kaikoura environment.

- Step 3: The total GFA supported in all locations (step 2) by retail spending (from step 1) is translated into a share that will appropriately be provided for within the Ocean Ridge MUA. That share is estimated, taking into consideration the presence and role of other retail and hospitality activities already existing in the town, the role of the town centre and need for it to retain its primacy, the presence of the PC4 area nearby, and the appropriate role of the MUA as a convenience/neighbourhood centre rather than a higher order commercial node.

Commercial services and offices demand is assessed differently to retail and hospitality demand, in large part because there is no spend data available for the former. That means it is not possible to produce spending projections for commercial services and offices, and even if it were, spending would not necessarily be a good indication of the need for physical space, because many activities in this category do not involve payment for the services provided, including banks, insurance companies, many types of medical care which are covered by insurance or ACC, and community services such as libraries.

To account for the space demands of non-retail businesses, the modelling allows some of the MUA, in proportion to the amount of retail and hospitality businesses. to be occupied by these types of activities, effectively linking demand for these activities to retail and hospitality activities. This approach considers the location of these other activities elsewhere in Kaikōura, and the presence or absence of opportunity for growth in those activities in the town centre (and elsewhere).

The GFA sustainable in the MUA retail, hospitality and other) is translated into a land area required to accommodate it, given assumptions about site coverage.

5.3.2 PC4

This assessment takes into account the Light Industry Park that was created by way of Private Plan Change 4 in mid-2024. PC4 rezoned 21.9ha to a new Light Industrial Zone (LIZ) that "provides primarily for a range of industrial activities, along with other activities that have similar characteristics, or which due to their scale or nature are best suited to the Light Industrial Zone".[12] The LIZ is relatively permissive as to commercial activities, with permitted activities including:

- Commercial Activities: up to 1,000m^2 GFA per activity, and a total of 1,500m^2 GFA in the LIZ
- Trade Suppliers: up to a maximum of 20% of the LIZ site area (excluding roads)
- Yard-based activity

[12] District Plan LIZ – Light Industrial Zone chapter, Introduction

- Parking lots
- Freight handling
- Service stations
- Food and beverage outlets
- Retailing: ancillary retail, and non-ancillary retail up to a total of 1,500m^2 GFA in the LIZ, but excluding clothing retailers
- Educational facilities
- Visitor accommodation.

The LIZ will become the first urban area for a very long distance that is encountered by north-bound travellers heading toward Kaikōura. As such part of the LIZ may develop a role of 'state highway service centre', with a service station, and fast food establishments etc. That will mean that such a role is not required to be played by the Ocean Ridge MUA, which can be focussed instead on the role of servicing its local community, despite also having good access and visibility from the State Highway.

5.3.3 Growth assumptions

The assessment is conservatively based on the Ecan "high" scenario, rather than any more bullish development future where significant growth arrives in Kaikoura. The projections assume that Ocean Ridge will be developed to 486 dwellings (i.e. fully built out under the enablement of the proposed plan change) by 2038, and that 16% of Ocean Ridge dwellings would accommodate holiday homes (equivalent to 80 dwellings used for holiday homes, and consistent with current holiday home provision levels in the district),[13] leaving 406 households resident in Ocean Ridge by 2038, and around 2,000 in the rest of the district.

5.3.4 Kaikoura retail market

Kaikōura is a small retail market, with only around 1,700 households (although more than one million visitor days per year) generating an estimated $72m of retail spend in Kaikōura in 2023 in food,[14] comparison retail (most retail types excluding food, automotive and hardware/garden) and hospitality[15] businesses (Figure 5.1). This retail demand excludes any spend on tourism activities and accommodation.

[13] This is an assumption as input to the modelling, and not a proposed limit on dwelling occupancy conditions. That proportion is the share of dwellings used as holiday homes in Kaikōura now (from Census data). Ocean Ridge dwellings may come to be used as holiday homes in a different proportion to the rest of Kaikōura, although the only mechanisms to guide that are soft factors such as design and community vision, rather than District plan rules.

[14] Supermarket and Grocery Stores, Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, Liquor Retailing, Other Specialised Food Retailing

[15] Cafes and Restaurants, Takeaway Food Services, Catering Services, Pubs, Taverns and Bars, Clubs (Hospitality)

Figure 5.1: Total retail demand resident in Kaikōura District ($m)

Retail demand origin	Food	Comparison retail	Hospitality	Total spend
Ocean Ridge				
2023	$ 0.6	$ 0.4	$ 0.9	$ 1.9
2028	$ 3.6	$ 2.2	$ 5.2	$ 11.0
2033	$ 7.1	$ 4.2	$ 10.8	$ 22.1
2038	$ 11.2	$ 6.5	$ 18.1	$ 35.9
Other Kaikōura District				
2023	$ 27.3	$ 15.6	$ 27.1	$ 69.9
2028	$ 30.1	$ 17.4	$ 33.1	$ 80.6
2033	$ 33.3	$ 19.5	$ 40.5	$ 93.3
2038	$ 36.9	$ 21.9	$ 49.8	$ 108.6
Total Kaikōura District				
2023	$ 27.8	$ 16.0	$ 28.0	$ 71.8
2028	$ 33.7	$ 19.6	$ 38.2	$ 91.6
2033	$ 40.4	$ 23.7	$ 51.3	$ 115.4
2038	$ 48.1	$ 28.4	$ 68.0	$ 144.4

That is projected to approximately double out to 2038, due in large part to an assumed ongoing increase in spend per consumer of 1% per annum (in line with recent retail trends), but also as a result of growth in household numbers (including at Ocean Ridge) and tourism. A small proportion of that total 2038 demand will be due to activity (dwellings and visitor accommodation) located in Ocean Ridge, although that 2038 share will be much larger than the current 2023 share, due to growth in Ocean Ridge outperforming growth elsewhere in Kaikoura. That near doubling of retail spend does not imply that tourism activity, or tourism expenditure will double in the same period, as it relates only to retail spending, and excludes spend on tourism activities and accommodation.

That retail demand translates into a total amount of GFA needed to accommodate the businesses that will make sales to those consumers. The $72m of spend from Figure 5.1 is estimated to support around 10,240m^2 of retail and hospitality GFA in all places, both inside and outside Kaikōura (Figure 5.2). With ongoing market growth, that amount of GFA will increase to around 17,800m^2 by 2038, with tourism a strong driver of that growth. By 2038 the Kaikōura retail and hospitality market will support an estimated 3,300m^2 of food retail GFA (up 1,080m^2, +48% from 2023), 6,100m^2 of comparison retail (+2,100m^2, +52%), and 8,400m^2 of hospitality space (+4,300m^2, +109%). The different growth rates of the three categories are mostly due to the different exposure each has to the tourism economy, with food retail dominated by the slower growing local resident market, and hospitality by the faster growing tourism market.

Figure 5.2: GFA supported in all locations by retail demand resident in Kaikōura District (m^2)

Retail demand origin	Food	Comparison retail	Hospitality	Total GFA
Ocean Ridge				
2023	50	110	130	290
2028	270	530	700	1,500
2033	520	960	1,400	2,880
2038	770	1,400	2,230	4,400
Other Kaikōura District				
2023	2,180	3,900	3,870	9,950
2028	2,290	4,140	4,500	10,930
2033	2,410	4,410	5,240	12,060
2038	2,540	4,710	6,130	13,380
Total Kaikōura District				
2023	2,230	4,010	4,000	10,240
2028	2,560	4,670	5,200	12,430
2033	2,930	5,370	6,640	14,940
2038	3,310	6,110	8,360	17,780

5.3.5 Retail and hospitality floorspace supported in Ocean Ridge

Most of that floorspace will be supported in locations outside of Ocean Ridge. For that reason, growth in Ocean Ridge will be positive for businesses in Kaikōura outside Ocean Ridge, because they will be patronised to some extent by Ocean Ridge residents, resulting in a net gain for their business performance, even accounting for the (small) new trade competition that some of those businesses may experience as a result of new commercial businesses establishing at Ocean Ridge.

Predicting the share that might be sustainable in Ocean Ridge is difficult, and requires some assumptions:

- Ocean Ridge will accommodate a modest range of commercial businesses and will not aim to be a major retail destination within Kaikōura.
- Most retail and hospitality spending by Ocean Ridge residents, workers and tourist nights will not be spent in Ocean Ridge, but instead primarily in the Kaikōura town centre, and to a lesser extent in other parts of the town, including in the PC4 LIZ. The LIZ is not modelled to attract a large share of Ocean Ridge spending, but rather has a broader district-wide role in much the same way as the town centre.
- There will be some inflow of spend to Ocean Ridge businesses from consumers based (i.e. living or in accommodation that is located) outside of Ocean Ridge, but that share will be very small.
- The specific shares assumed in the assessment are shown in Figure 5.3.

Figure 5.3: Ocean Ridge spending capture assumptions (by customer origin)

emand origin	Food	Comparison retail	Hospitality
Ocean Ridge	15%	10%	20%
Other Kaikōura District	3%	3%	3%

Based on those assumptions, the modelling indicates that by the time Ocean Ridge is fully built out to 486 dwellings (assumed to be 2038) there would be 200m^2 of food retail space sustainable in the Ocean Ridge MUA, 280m^2 of other retail space, and around 630m^2 of hospitality space, for a total for retail and hospitality space of 1,110m^2 (Figure 5.4.)

Figure 5.4: Retail and hospitality GFA supported in Ocean Ridge by consumer origin (m^2)

Retail demand origin	Food	Comparison retail	Hospitality	Total GFA
Ocean Ridge				
2023	10	10	30	50
2028	40	50	140	230
2033	80	100	280	460
2038	120	140	450	710
Other Kaikōura District				
2023	70	120	120	310
2028	70	120	130	320
2033	70	130	160	360
2038	80	140	180	400
Total Kaikōura District				
2023	80	130	150	360
2028	110	170	270	550
2033	150	230	440	820
2038	200	280	630	1,110

Those amounts would be slightly higher if Ocean Ridge were also to capture a share of the spending resident in parts of Kaikōura near Ocean Ridge, such as South Bay,[16] Peketa,[17] and areas to the north (such as Vicarage Views and Kaikōura Flat) which would have access to Ocean Ridge created by the proposed bridge between Ocean Ridge and Green Lane/Ludstone Road.[18] Ultimately, however, those additional areas that might direct some of their custom to Ocean Ridge should be thought of more as

[16] although there are only about 80 permanently occupied dwellings at South Bay, with most of its dwellings being holiday homes.

[17] Also very small

[18] The bridge facilitating that access would be funded as part of the IAF grant, and Vicarage Views is planned to be around 80 dwellings.

complementary to the MUA's performance, rather than contributing to any greater scale of activity in the MUA that what is assessed in Figure 5.4.

5.4 Non-retail/hospitality floorspace supported in Ocean Ridge

Additional space would also be sustainable in the MUA for non-retail/hospitality activities. Commercial activities and other activities such as are permitted in Kaikōura's COMZ would be a good fit to complement the retail and hospitality activities, and might include (with reference to District Plan definitions):

- Offices (includes banks, insurance, real estate, and professional offices such as accountants, lawyers and architects).
- Personal care facilities (includes gyms, hair and beauty, medical offices). We interpret that these facilities would be "Commercial activities" under the District Plan.
- Commercial activity, which means "any activity trading in goods, equipment or services".
- Tourist activity bases. These may be an office or a commercial activity under the District Plan definition, although that possibly depends on the exact nature of the individual operation. Neither tourism activities not visitor activities are included in the District Plan as an activity.

Those activities are also permitted in the PC4 LIZ, and some may establish there, but Ocean Ridge is likely to offer a higher amenity environment which may prove attractive to some of these activities, whereas the PC4 area is likely to contain predominantly industrial activities. Ultimately it is difficult to assess how much space for those non-retail/hospitality activities might be sustainable in the Ocean Ridge MUA, because many of those activities are less reliant on proximity to customers than the MUA retail/hospitality activities would be. Nevertheless, there are a number of factors which might inform the appropriate quantum of this non-retail activity that might be pursued for the MUA.

We note there are challenges in rationalising activity definitions used in the National Planning Standards with similar defined terms in the District Plan. Reference should be made to the private plan change documentation for more detail on defined terms, but we note our understanding of definitions and relationships to be adopted in the plan change includes the following:

- 'commercial activities' include 'retail', 'office', 'home business', 'personal care' and specialist clothing services; however, the operative District Plan definition for 'personal care' will be moderated at Ocean Ridge to remove medical/health/well-being activities which will instead be deemed 'Community Facilities' as defined under the National Planning Standards;
- 'retail' as defined in the operative District Plan includes activities that involve the hiring of goods or services; however, this term will be moderated at Ocean Ridge to make

clear such activities will be subject to floor area limits applying to 'all other commercial activities' rather than the limits to be imposed on 'retail'; and

- the definition of 'recreational activities' in the operative District Plan is exclusive of such activities which include a commercial component; however, the term will be moderated at Ocean Ridge to encompass such activities for the purposes of setting floor area limits.

5.4.1 Office space

There is a lack of office space in the Kaikōura town centre. Most office space in the town is either in the Mixed Use Zone (MUZ) north of the town centre, or in small home occupations. Most buildings in the town centre are single storey, and do not house office activity. While there are several two storey buildings in the town centre, and some vacant parcels that could be developed to accommodate office space, such space has not materialised yet, and none is known to be planned. There is also no material presence of office space in the COMZ around Yarmouth Street. Some office space in those locations would be good for the commercial zones they are in, although in the absence of motivated landowners such development may not occur. In any case, the provision of a small amount of office space in the Ocean Ridge MUA would not preclude office space developing elsewhere in Kaikōura as well, particularly if subject to maximum limits in the MUA.

We note that there are few professionals present in Kaikōura,[19] and those that are based in home occupations, potentially as a result of a lack of suitable space being available in commercial premises. This provides anecdotal indication that there may be some (small) demand for office premises from potential tenants.

Providing for some office space in the MUA would therefore be unlikely to detract from the COMZ, and in fact could be a positive contribution to Kaikōura's commercial office accommodation capacity, and might enable small existing office-based activities to expand into purpose-built premises rather than operating from home. The PC4 LIZ also enables office activity (as a Commercial Activity) within the maximum limit of 1,500m^2 GFA for all Commercial Activities.

Taking those factors into account, it would be appropriate to provide for only a small amount of office activity in the Ocean Ridge MUA, and indicatively 250-500m^2 of total office space. The relatively small size of the MUA (in GFA terms) means that office activity could be appropriately located on either the ground or above-ground floors from an economics perspective. That level of office provision would relate only to dedicated offices, and any office space ancillary to some other non-residential activity would not need to be captured in these office GFA limits from an economics perspective.

[19] None of the NZ Law Society, Engineering NZ and Institute of Chartered Accountants, for example, have any members identified in Kaikōura, and Google searches reveal only three architects in the town

5.4.2 Personal care facilities

From a desktop Google search (February 2025) there are only about six hair and beauty businesses in Kaikōura now, one gym, a dance studio, osteopath, acupuncturist, medical centre and a dentist.[20] At a potential capacity of less than 500 dwellings, some of which are likely to be holiday homes, there is likely to be small demand for provision of personal care facilities in the Ocean Ridge MUA, when most of these activities currently have only a single business to service the total population of Kaikōura District 4,300 (1,700 households).

However, provision of a small amount of space in the MUA might enable some additional business activity to develop in Kaikōura, either from a small existing business expanding into commercial premises, or a new business to the district. This has the realistic prospect of improving access to these businesses for the Kaikōura population, with consequent strong social benefits. Realistically provision of space in the MUA for these activities would not need to exceed three or four small tenancies (say 300m^2), taking into account that those activities are also enabled within the 1,500m^2 maximum GFA cap for Commercial Activities in the LIZ.

As noted above, there is a need to rationalise various sub-activities under the personal care definition at Ocean Ridge, where some sub-activities (for example hairdressers, salons, day spas) will be subject to commercial activity floor area limits, and others (for example, gymnasiums, doctors' surgeries, health clinics) will be subject to floor area limits for 'Community Facilities'.

5.4.3 Childcare

The MUA would be an appropriate location for a childcare provider to service the needs of Ocean Ridge families, and might include care for both preschool children, and before and after-school care for school-aged children. We understand that childcare would be defined as an Educational Facility in the District Plan, and is not a Commercial Activity. A childcare facility could therefore be enabled in the MUA, outside of any maximum floorspace limit for Commercial Activities. A childcare facility would provide convenient access to childcare for local residents, and would not give rise to any concerns as to economic effects, as childcare does not contribute to centre performance and is not included as part of retail distribution effects. While Educational Facilities (including childcare) are also permitted in the LIZ, the Ocean Ridge MUA would be a good location from which to service childcare demand arising in Ocean Ridge.

[20] The dentist is only available to pre-existing patients., offers no emergency care and is not taking new clients, meaning a large portion of population lack ready access to dental services.

While not adjacent to Kaikōura's schools, before and after-school care at Ocean Ridge could include bus transport from schools to Ocean Ridge. Care for school-aged children would provide parents with increased flexibility with working hours, potentially improving business operation and incomes.

5.4.4 Tourism activities

Tourism activity offices such as bike or kayak rental, a tourist drop-off area or facilities associated with cycle trails would fall under the category of Commercial Activity (per above) or Recreation Activity (per below). There could be some demand for such facilities in the Ocean Ridge MUA, and those could be provided as permitted activities (either within the proposed maximum floorspace cap for Commercial Activities, or as Recreation Activities, depending on the nature of each activity). The range of activities enabled at Ocean Ridge should be limited (e.g. through a maximum limit on the amount of Commercial Activities floorspace) so as to mean that tourists will still use central Kaikōura as their main hospitality, services and shopping destination. It is envisaged that most of the activities that would be tourism-focussed will fall under the 'Other Commercial Activities/ Community Facilities' classification to be adopted in the plan change.

Accommodating a limited amount of tourism activity at Ocean Ridge offers several potential benefits for Kaikōura:

- Addressing town centre parking challenges: Providing space for some tourism activities at Ocean Ridge would help to reduce parking demands in central Kaikoura, alleviating (albeit only to a small degree) the existing parking issues that have been identified in KDC's recent parking research paper. That would free up parking capacity for patrons of town centre retail and hospitality businesses, without diverting most activity that tourists engage in in Kaikōura away from its existing locations.
- Ocean Ridge could be linked via a shuttle service with the town centre, accommodation venues, and other key locations within Kaikōura (e.g. the airport and South Bay), enabling customers to visit Ocean Ridge without using private vehicles, and providing direct access for Ocean Ridge accommodation patrons to visit central Kaikoura.
- Ocean Ridge would be a good place from which to service the Whale Trail, providing long-term parking for Whale Trail cyclists, potentially stimulating demand for tourist accommodation in Ocean Ridge for the trail users. The Hurunui Heartland Ride (from Hanmer Springs and Amberley) enters Kaikoura from the north, making the MUA a convenient location to service users of that trail once the Green Lane bridge access is available. The 42km Kaikōura loop track also passes near Ocean Ridge, so proximity to all three trails makes the MUA a very good cycling service area for Kaikoura.

Countering those potential benefits, would be a potential conflict between tourism activities and Ocean Ridge's core role as a residential area, particularly given the likelihood that tourism activities would increase traffic flow, have early starts and require large areas of carparking. That conflict could be managed via appropriate design responses (e.g. having parts of the MUA located away from residential areas to avoid traffic and noise issues).

Because most of Kaikōura's large tourism operators are well established in their current locations, often on land they own, it is unlikely many would seek to move to Ocean Ridge, and the potential for those businesses to establish at Ocean Ridge would have some natural limitations. Further, a Commercial Activities floorspace limit would also limit the magnitude of any such effects for tourism activities requiring a commercial tenancy.

5.4.5 Recreational Activity

Recreational Activity is defined in the District Plan as:

> *the use of land and/or buildings for the primary purpose of recreation and/or entertainment which is not commercial and includes the sale of food and beverage for consumption on the site, provided it is ancillary to the recreational activity. Recreational activities include sport clubs, art, craft and hobby clubs (i.e., painting, pottery, bridge, chess, photography clubs. and outdoor recreation pursuits) but excludes any recreational activity within the meaning of residential activity.*

Some recreation activities could be provided for in the MUA, and would be appropriately located there to contribute to community focal point that the MUA will become. Those activities do not require assessment from an economics perspective, other than to note that it will be important that there is sufficient land provided in the MUA that commercial activities are not 'squeezed out' of the MUA, although that is unlikely given commercial activities yield financial return in a way that non-commercial recreation activities do not.

5.4.6 Community Facilities

Community Facilities are defined in the National Planning Standards as:

> *means land and buildings used by members of the community for recreational, sporting, cultural, safety, health, welfare, or worship purposes. It includes provision for any ancillary activity that assists with the operation of the community facility.*

While there are many Community Facilities already located throughout Kaikōura, it would be appropriate for most types of Community Facilities to be permitted in the MUA, with no restriction as to scale. The establishment of those activities at Ocean Ridge would generate positive effects for the Ocean Ridge community, increasing access to new activities, and providing a new home for the type of activities that tend to be broadly distributed throughout Kaikōura now, meaning that there is no need for restrictions on these activities within the MUA from an economics perspective.

5.4.7 Industrial activity

Recent recognition that provision for light industry activity in Kaikōura has required improvement led to plan change 4, and the recent establishment of the LIZ near Ocean Ridge. From our assessment, that LIZ is sufficient to accommodate a wide range of industrial activities, and no Industrial Activity should be enabled in the MUA.

6 Recommended conditions

Based on the assessment above, we recommend that some conditions form part of the plan change. Those recommended conditions are set out below, and are intended to avoid adverse economic effects occurring as a result of the activity enabled by the plan change.

6.1 MUA floorspace

While the current provisions for the MUA set a maximum floorspace for each permitted activity (100m^2 for Offices, 300m^2 for Restaurant, 100m^2 for Retail Sales, 300m^2 for Personal Care facilities, for a total of 800m^2), it would be commercially preferable to propose a more flexible floorspace cap for "Commercial Activities". That would provide the developer with flexibility to structure commercial space according to demand of the day, rather than setting constraints which are based on some underlying theory but perhaps not reflective of the specific needs of commercial operators. Greater flexibility should not give rise to concerns compared to individual caps, particularly when the quantum of that cap is small.

From this assessment there would be 200m^2 of food retail space sustainable in the Ocean Ridge MUA, 280m^2 of other retail space, and around 630m^2 of hospitality space, for a total for retail and hospitality space of 1,110m^2. An additional 500m^2 GFA would be sustainable for offices, based on relatively conservative market shares within Kaikōura, and assumptions that the Ocean Ridge MUA be supported predominantly by Ocean Ridge residents, rather than relying on patronage from outside the development for its viability.

Those numbers indicate that it would be appropriate to enable 1,200m^2 GFA of retail and food and beverage activities (excluding hiring of goods, merchandise or equipment) as permitted activities. Any additional retail and food and beverage floorspace could then be some less permissive activity status, provided that appropriate discretions can be applied.

A separate 400m^2 limit would be appropriate to apply for all office floorspace in the MUA (excluding space ancillary to a primary activity), providing certainty as to the maximum permitted amount of office activity in the MUA.

The 1,200m^2 GFA for retail and food and beverage and 400m^2 of office activities is more than the 800m^2 GFA in DEV2-S1, which would be justified on the grounds of a larger number of dwellings enabled within Ocean Ridge, but retains the same strongly local focus to the MUA development.

Other activities that may be caught under the definition of commercial activity but are unlikely to result in distribution effects should be excluded from the retail and food and beverage and offices caps. These other activities would include activities such as:

- medical, gyms, hair and beauty and other personal care
- arts and cultural entertainment
- community facilities (including those that may contain some commercial element, such as a church that is hired out for a fee)
- recreational facilities (including those that may contain some commercial element, such as a bowling alley, mini golf, or arcade).

While the above examples, which will either be “Other Commercial Activities” or “Community Facilities” under the proposed plan change, are unlikely to result in distribution effects, it may be appropriate to apply some maximum floorspace limit to those activities in aggregate, to provide certainty as to their maximum permitted scale. Many of those activities can be quite space extensive, and so a maximum limit in the order of 3,2 00m^2 for activities in this group would be appropriate. Based on the rationalised definitions as summarised in section 5.4 above, this limit could be expressed as 2,000m^2 for ‘other commercial activities’ plus 1,200m^2 of ‘Community Facilities’ exclusive of educational facilities. These limits will be sufficiently enabling of activities that they will support the expanded population at Ocean Ridge while comfortably avoiding any potential distribution effects on the remainder of the District’s commercial areas.

No limits are considered necessary on visitor accommodation or residential activities in the MUA, which would continue the status of those activities in the operative District Plan. Any dwellings in the MUA would count towards the maximum number of dwellings (486) in Ocean Ridge.

Educational facilities (e.g. childcare centres) should be provided for as a permitted activity within the MUA, although not be included within the Commercial Activities cap, and not subject to a maximum floorspace limit, as there is no need to do so from an economics perspective.

6.2 Tenant mix

A core function of the MUA will be to provide a small amount of a floorspace in a number of different frequently used businesses, to provide for convenient access to commercial activities for the Ocean Ridge community. To ensure that a neighbourhood commercial node develops, as is described in the Spatial Plan, it may be appropriate to include a condition that ensures that there is some diversity of business activity in the MUA, and that, for example, a single large retail store does not take up all of the floorspace cap proposed above. An outcome of several large retail stores only would not be beneficial to Ocean Ridge, and a fine-grained tenancy mix will much better serve resident needs.

Options to ensure some diversity of business types within the MUA would be to have a maximum tenancy size. That could be set at the same size (say 250m^2) for retail and food and beverage tenancies in the MUA, although some consideration should be given to the fact that one or two tenancies (such as a grocery store, or a restaurant) may seek to have a slightly larger floorspace to suit a particular business model they might have. A more commercially appropriate condition might be to enable two tenancies to be up to 400m^2 each, and all others to be less than 250m^2. The same concept should apply to office activities, with a 400m^2 aggregate limit, and no individual tenancy to be larger than say 250m^2, to ensure some variety of office activities is not precluded by the establishment of any single large activity.

6.3 Staging

Some staging could be included to ensure a degree of synchronicity between the establishment of Commercial Activities and the arrival of residential activity in Ocean Ridge’s new dwellings. However, given the limited scale of Commercial Activities recommended, we do not consider that staging is necessary to avoid retail distribution or other RMA effects, because those will inherently be limited in scale.

6.4 Other planning considerations

It will be worthwhile including in the planning package associated with the plan change that while the MUA land area may be relatively large compared to the maximum permitted area of Commercial Activity floorspace, that the large land area should not be taken to infer any potential for expanded Commercial Activity floorspace at a future time. Instead, the large land area is intended to accommodate a wide range of activities, including some that require larger areas of land (such as recreation activities).

7 Land area required

The current MUA is 1.54ha of gross land area, of which around 0.46ha is existing visitor accommodation activity, leaving vacant and undeveloped allotments of about 1.08ha. That would be more than sufficient to accommodate up to 1,200m^2 GFA for retail and food and beverage activities, and 400m^2 of office activities, which together might require around 0.7-0.8ha.

However, the 1.54ha of MUA land should be expanded to accommodate:

- Higher density residential activities such as are required to be compliant with the terms of the IAF grant to KDC in relation to Ocean Ridge's additional dwelling capacity. This higher density residential activity (such as terraced houses) might require around 0.6ha of MUA land.
- Additional visitor accommodation. This is not currently subject to any limitation in the MUA, and Cargill Station plans for a total of some 1.25ha of this activity (up from the current 0.46ha).

The total land area needed for the MUA would then be 0.8ha for retail and food and beverage activities, and office activities, 1.0ha for residential, and 1.3ha for visitor accommodation, for a total of 2.65ha. Some additional land area would also be required for up to 3,200m^2 GFA of Other Commercial Activities, Community Facilities and associated car parking, although it is difficult to predict how much space may be required for these activities, particularly as some can require relatively large areas, such as outdoor recreation space such as tennis/netball courts.

8 Conclusion

Ocean Ridge is a residential community located within Kaikōura that is recognised as an appropriate place to accommodate a share of Kaikōura's future growth, due to a range of favourable attributes such as accessibility, land availability, and limited exposure to natural hazards. Ocean Ridge's residential areas are supported by a MUA that is intended to operate as a small-scale mixed use node in which are permitted residential and visitor accommodation activities, and a small range of commercial activities that can service the Ocean Ridge community. That mix of activities, and economic role, is appropriate to ensure Ocean Ridge retains a residential focus, and to adequately provide for some of the day-to-day needs of the local population.

The plan change application seeks to increase the number of dwellings enabled within Ocean Ridge from 336 to 486, and has funding for most of the necessary infrastructure secured via Kainga Ora's IAF. That increase in residential capacity will not noticeably change the role of Ocean Ridge within Kaikōura, and is appropriate from an economics perspective because it will provide increased housing choice for residents, encourage competition in the housing market, and do so in a way where the development costs are borne by the already approved IAF grant or the developer, such that there is no financial risk to the Kaikōura community, as the plan change will not require council funding.

There are a range of potential economic benefits of the plan change, such as stimulating new growth in the district by making Kaikōura attractive to new residents, and the larger population base will have some positive effects on supporting existing businesses, and potentially also on making new businesses viable, enabling the population to access a greater range of businesses locally.

To support the larger residential dwelling base that is sought to be enabled, the plan change proposes to increase the size of the MUA, and the amount of commercial activity it is permitted to accommodate. This assessment concludes that it would be appropriate to enable 1,200m^2 GFA of retail and food and beverages activities, and a further 400m^2 of office activities in the Ocean Ridge MUA to provide for the needs of the local population. While applying a maximum limit of 1,200+400m^2 for those activities will be appropriate to avoid negative economic effects, additional conditions such as related to maximum tenancy size might be considered to ensure a range of activities establish in the MUA, so that commercial activity there serves the community efficiently. A summary of recommended activities and associated conditions and activity caps is provided below as Figure 8.1.

The proposed maximum limit of 1,200+400m^2 of retail and office GFA would not have adverse economic effects (including retail distribution effects) on other Kaikōura centres or business areas. Instead, the expanded MUA would be sustained by the local Ocean Ridge population, and would provide some capacity to accommodate a small number of businesses that have not to date found suitable accommodation elsewhere in the district. Businesses such as professional offices, medical and personal care facilities are poorly represented in Kaikōura's business tenancies, with most favouring home occupations. The Ocean Ridge MUA would provide some ability for a small number of such businesses to establish there, with benefits for the wider Kaikōura community and economy, and no economic downside given those businesses are not currently located in business areas.

Figure 8.1: Appropriate activities in Ocean Ridge MUA

Activity	Description	Maximum GFA
Retail and food and beverages	Retail activity is the direct sale to the public of goods, excluding activities that primarily hire out goods or equipment. Food and beverages is the sale of food and beverage for consumption on the site.	1,200m^2
Offices	Administrative, commercial or professional offices, as per the definition in the operative district plan.	400m^2
Other Commercial Activities / Community Facilities	Commercial activities not captured by retail and food and beverages, including: • medical, gyms, hair and beauty and other personal care • arts and cultural entertainment • community facilities (including those that may contain some commercial element, such as a church that is hired out for a fee) • recreational facilities (including those that may contain some commercial element, such as a bowling alley, mini golf, or arcade).	3,200m^2
Visitor accommodation	As per the District Plan definition.	No limit
Residential	As per the District Plan definition	No limit

Overall, the proposed plan change has no economic costs for the council or community, although will generate a range of positive economic effects that will benefit Kaikōura. The plan change is appropriate and positive from an economics perspective.