

**BEFORE INDEPENDENT HEARING COMMISSIONERS APPOINTED BY THE
KAIKŌURA DISTRICT COUNCIL**

IN THE MATTER OF

The Resource Management Act 1991 (**RMA** or
the Act)

AND

IN THE MATTER OF

Proposed Plan Change 4 (**PC4**) to the Kaikōura
District Plan (**KDP** or **the Plan**) brought by
Kaikōura Business Park Limited (**KBP**)

AND

IN THE MATTER OF

The Hearing of Submissions and Further
Submissions on PC4

**EVIDENCE OF TIMOTHY JAMES HEATH FOR THE APPLICANT
KAIKOURA BUSINESS PARK LIMITED**

Dated: 10 March 2024

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INTRODUCTION

- 1 My name is Timothy James Heath.
- 2 I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
- 3 I hold a Bachelor of Arts and a Bachelor of Planning from the University of Auckland. I have undertaken property research for 28 years, and regularly appear before Council, Environment Court, and Board of Inquiry hearings on economic, property development and strategic planning matters.
- 4 I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well as undertaking economic research for strategic planning, plan changes, District Plan development and National Policy Statement on Urban Development 2020 (**NPS-UD**), National Policy Statement on Highly Productive Land 2022 (**NPS-HPL**), and Medium Density Residential Standards 2022 (**MDRS**) capacity modelling and implementation.
- 5 I also provide consultancy services to Government ministries and a large number of private sector clients in respect of a wide range of property issues, including economic impact assessments, market demand / supply analyses, development feasibilities, market growth forecasting, capacity modelling and economic cost benefit analysis.
- 6 I have read the Environment Court's Code of Conduct set out in the Environment Court's Practice Note 2023 and agree to comply with it. My qualifications as an expert are set out above. The matters addressed in my evidence are within my area of expertise, however where I make statements on issues that are not in my area of expertise, I will state whose evidence I have relied upon. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in my evidence.

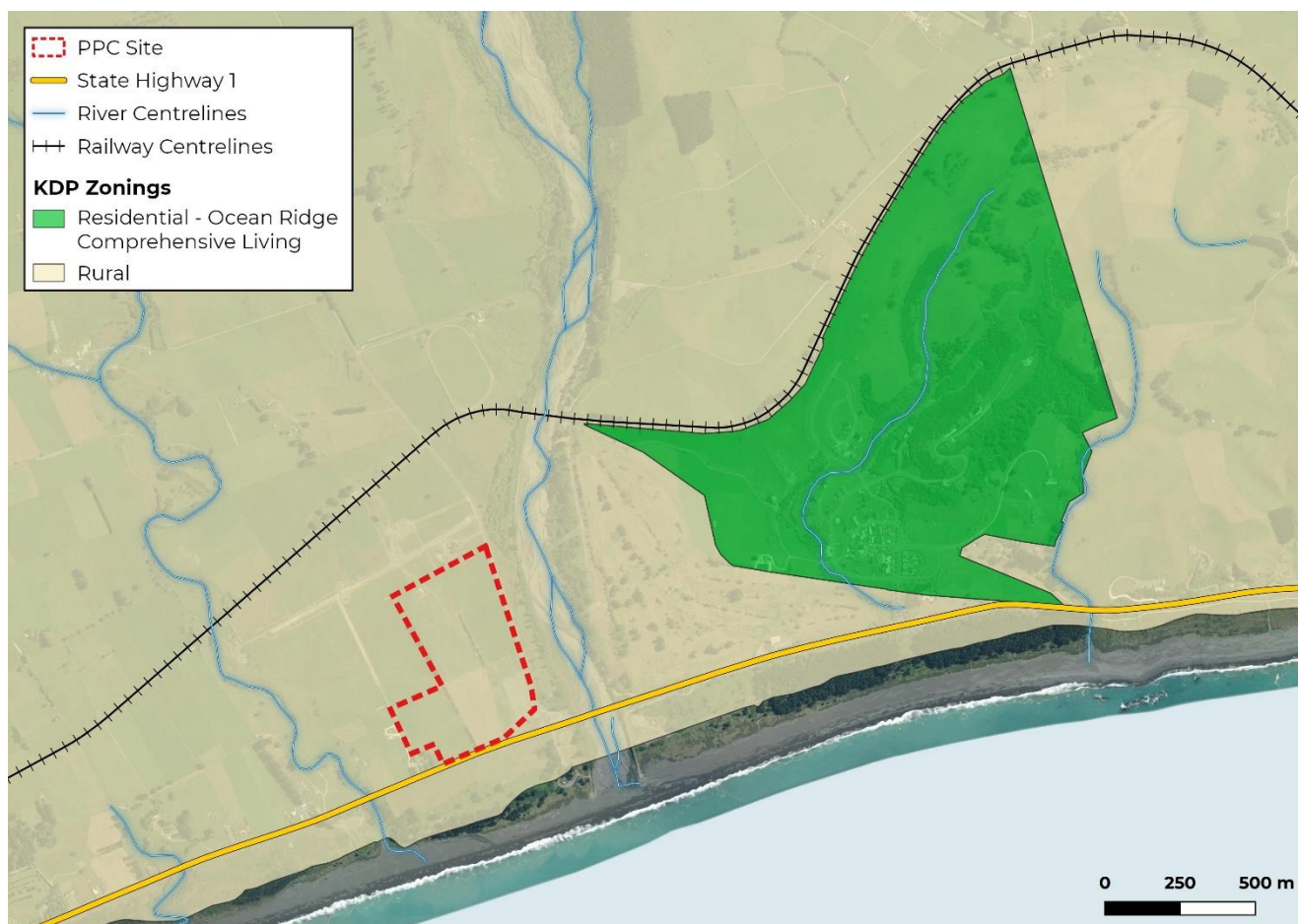
SCOPE OF EVIDENCE

- 7 I was instructed by Kaikōura Business Park Limited (**KBPL**) to undertake an economic assessment of Kaikōura's industrial market and assess the economic merits and appropriateness of Plan Change 4 (**PC4**) seeking to rezone 21.6ha of land at 69 Inland Kaikōura Road (**PPC site**) from Rural to Light Industrial under the Kaikōura District Plan (**KDP**). This statement of evidence is presented on behalf of KBPL to address pertinent economic considerations associated with PC4.
- 8 I am the author of Kaikōura Industrial Private Plan Change Economic Assessment, dated July 2023.
- 9 In my evidence I address the following issues:
- (a) Kaikōura historic and anticipated population growth
 - (b) Kaikōura industrial employment growth trends
 - (c) Kaikōura future industrial land demand forecasts
 - (d) Kaikōura industrial land supply under the KDP context
 - (e) PPC site locational characteristics for industrial activity
 - (f) Economic impact on the role and function of the Town Centre
 - (g) Economic impact on productive land
 - (h) High-level economic costs and benefits overview

PC4 OVERVIEW

- 10 PC4 seeks to enable industrial development on two vacant lots at the corner of Inland Kaikōura Road and State Highway 1, just south of the Kaikōura Township. This would introduce a new Light Industrial Zone (**LIZ**) to the KDP.
- 11 Figure 1 below delineates the location of the PPC site in relation to the existing KDP zones and rural environment. As indicated, the PPC site is currently zoned Rural under the KDP and encompasses 21.6ha of land.

FIGURE 1: PPC SITE IN THE CONTEXT OF KDP ZONING ENVIRONMENT



Source: Property Economics, Google Maps, LINZ, Kaikōura District Council

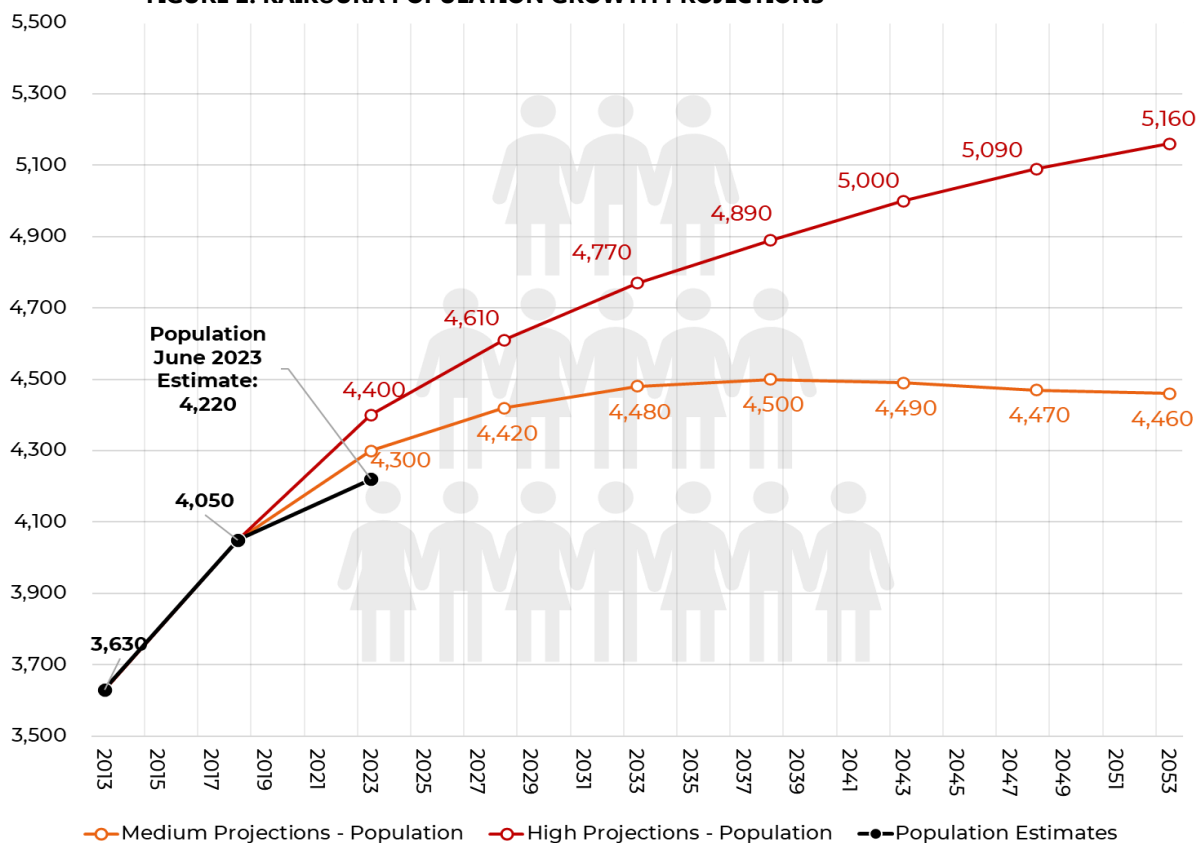
KAIKŌURA HISTORIC AND ANTICIPATED POPULATION GROWTH

- 12 Figure 2 below shows the current population base and projected future population growth for the Kaikōura District, based on Stats NZ's latest (June 2023) Medium and High growth scenarios.
- 13 Kaikōura District has a current (2023) population base of around 4,220 people, which represent moderate growth of +4% (or +170 people net) above the 2018 census population level. It is anticipated to have a total population of 5,160 people by 2053, under the High growth scenario. This equates to a net growth of +22% above the current population base, or on average an additional 31 people per annum over the next 30 years.

14 The Medium growth scenario offers a more conservative projection, suggesting that the district would see relatively minor growth of around +6% in population over the same timeframe. This equates to net growth of only an additional 8 people per annum on average between 2023 and 2053.

15 Given the recent (and planned) commercial and residential investment in the district (e.g., the Sudima Hotel, Vicarage Views subdivision and Ocean Ridge subdivision) and the continuous recovery of the Kaikōura tourism sector during the post-quake and post-pandemic period as well as the subsequent highway reconstruction, which act as a catalyst for additional growth, the population growth of the district is considered likely to continue to track more closely with the High growth scenario.

FIGURE 2: KAIKŌURA POPULATION GROWTH PROJECTIONS



Source: Stats NZ, Property Economics


16 Furthermore, the reopening of the international borders and recent record net migration figures suggest NZ's immigration slowdown of the last few years has been short lived with positive international migration trends in 2023 offsetting

recent declines. For these reasons the projections in Figure 2 are considered likely to be conservative and the population growth of the district is considered likely to track closer to the High growth scenario over the long term.

KAIKŌURA INDUSTRIAL EMPLOYMENT TRENDS

- 17 According to Stats NZ¹, Kaikōura District has a total current (2023) employment base of 1,560 employees, of which around 23% are industrial employees².
- 18 Table 1 below shows that Kaikōura's industrial employment base has grown by +36% from around 270 people to just over 360 employees between 2000 and 2023, or a net increase of around 100 employees. Due to the 2016 Kaikōura earthquake, there was a significant expansion in industrial employment between 2017 and 2020, mainly arising from the Construction sector in the post-quake recovery period.
- 19 The COVID-19 pandemic and resultant NZ border restrictions have caused further fluctuations in the local economy, leading to an industrial employment loss of around 140 people between 2020 and 2023. This loss was mostly in the Construction (-69) and Transport, Postal and Warehousing (-39) sectors.

TABLE 1: KAIKŌURA INDUSTRIAL EMPLOYMENT TREND

ANZSIC Sector	2000	2005	2010	2015	2020	2023	2000-23 Growth (#)	2000-23 Growth (%)
 A - Agriculture, Forestry and Fishing	16	24	20	17	17	14	-2	-10%
 C - Manufacturing	93	75	93	86	54	30	-63	-68%
 D - Electricity, Gas, Water and Waste	2	4	5	5	6	5	3	150%
 E - Construction	46	72	86	81	194	125	79	172%
 F - Wholesale Trade	12	71	42	27	21	24	12	100%
 I - Transport, Postal and Warehousing	99	138	146	171	202	163	64	65%
 L - Rental, Hiring and Real Estate Services	0	5	6	2	5	2	2	n.a
Total Industrial Employment	267	388	398	390	499	363	+96	+36%

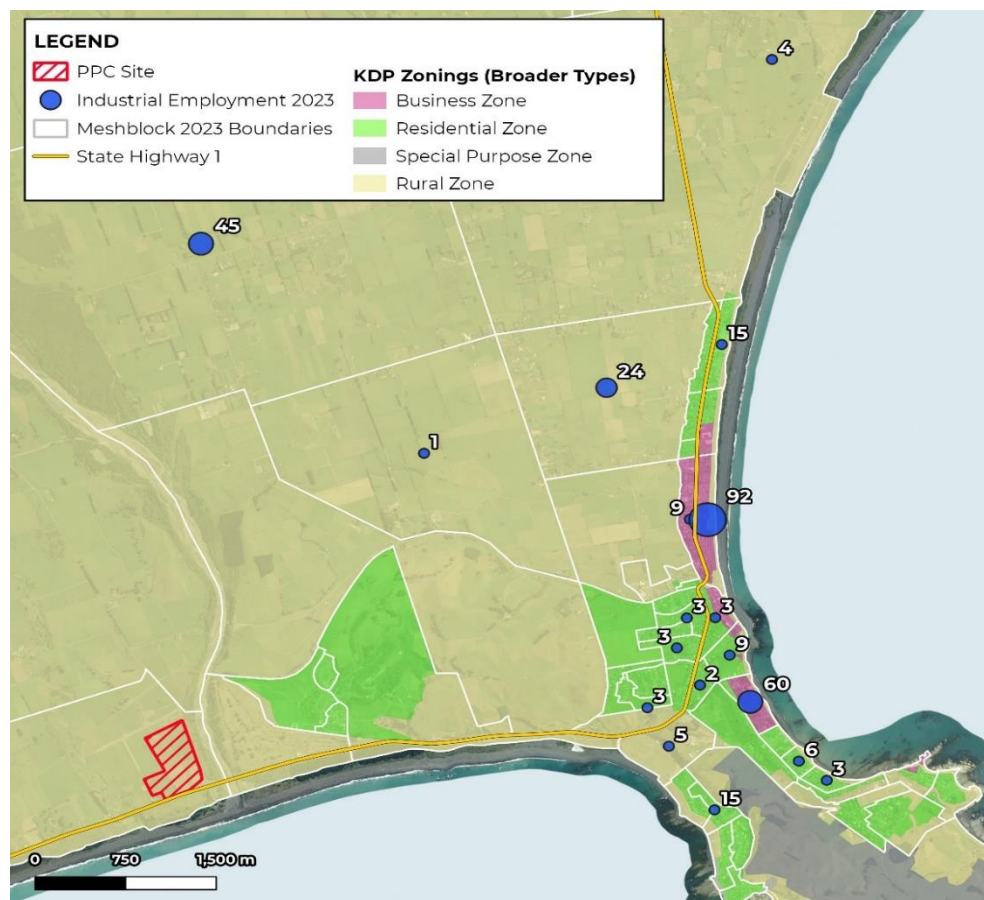
Source: Property Economics, Stats NZ

¹ Based on Stats NZ Business Demography Statistics

² Based on Property Economics Industrial Business Classifications (refer to **Appendix 1**)

- 20 Currently, Transport, Postal and Warehousing and Construction are the largest industrial employment sectors within the district, cumulatively accounting for around 80% of the district's 2023 industrial employment base. In particular, Construction has been one of the fastest growing sectors within the district, which partly reflects the increasing demand for residential, commercial and infrastructure development within the district in recent years (2015 – 2023).
- 21 The lack of a specific industrial area / zone weakens market certainty for industrial investment in Kaikōura. PC4 would ease these concerns and provide increased surety around longer-term industrial investment in the district. This is important for growing industrial investment and activity in Kaikōura.
- 22 Figure 3 following illustrates the geospatial distribution of Kaikōura 2023 industrial employment based on Stats NZ Meshblock 2023 boundaries. A Meshblock is the smallest geographic unit for which statistical data is collected, processed and published by Stats NZ.

FIGURE 3: KAIKŌURA 2023 INDUSTRIAL EMPLOYMENT DISTRIBUTION (PART)



Source: Stats NZ, Kaikōura District Council, Property Economics

- 23 Figure 3 shows that a significant portion of Kaikōura industrial activities, such as manufacturers, mechanical repairs, and auto centre, are located in the waterfront Business Zones on Beach Road. These Business Zones cumulatively accommodate about 48% of Kaikōura's total industrial employment, or around 173 employees. This is the main cluster of industrial activity within the district, particularly the area north of Lyell Creek which accounts for around 28% of industrial employees in the district.
- 24 To provide a context, these Business Zones have a current (2023) total employment base of around 850 people. This means that around one fifth of the business activities within the Business zones involve industrial activities.
- 25 Importantly, a high 52% of Kaikōura industrial employment (or 190 industrial employees) are located in the non-business environments (i.e., residential and rural areas) of the district. This suggests there is a significant level of spread of industrial activity across Kaikōura likely fueled by a number of smaller industrial businesses or sole traders and farm related enterprises and support services.
- 26 Given the high level of dispersal of industrial activity outside of Business Zones, a new special purpose LIZ would help consolidate industrial activity to an area that would increase the agglomeration benefits generated by co-location and confine the negative externalities and disamenities associated with some industrial activities away from the mix of commercial / tourist and residential activity.
- 27 Furthermore, facilitating the development of PC4 would 'open up' valuable business land for new commercial development and investment opportunities in the central area of the township in the future. In my view, this would be an economically beneficial outcome in terms of effectively fulfilling the envisaged role and function of these commercial areas and has the potential to further safeguard the overall amenity and community wellbeing of the central business area and its surrounds, as required by KDP COMZ-I1 & COMZ-O1³.

³ *COMZ-I1 and COMZ-O1 both requires protecting the amenity within the Commercial Zone and Mixed-Use Precinct and in adjoining areas.*

KAIKŌURA FUTURE INDUSTRIAL LAND DEMAND

- 28 This section presents my forecasts of industrial employment for Kaikōura District out to 2053. These projections utilise the Stats NZ (June 2023) population growth projections as a base for growth in industrial employment, factoring in changing labour force participation rates over the period and relative labour use efficiency ratios. A more detailed outline of the key inputs is provided in **Appendix 2**.
- 29 In addition, estimates of the quantity of future industrial land demand based on employment projections on a sector-by-sector basis have been compiled based on projected employment and sustainable land use efficiencies. As a result, the projections presented in Table 2, represent the industrial land demand of efficiently utilised land, or in other words, efficiently developed industrial land.
- 30 These projections do not factor in changes in industrial land price relativities resulting from changes in the price of land in surrounding areas. These factors can influence where businesses decide to locate, however given the unpredictability of land values, for the purpose of this report it has been assumed that relative prices between Kaikōura District and surrounding areas remain constant over the forecast period.
- 31 Table 2 below summarises the forecast outputs for industrial employment growth and anticipated level of net additional industrial land demand for the Kaikōura District based on Stats NZ Medium and High growth scenarios.
- 32 It shows that under the Medium growth scenario the net industrial employment within the district is forecast to increase by around +270 employees between 2023 and 2053 to a total district industrial employment base of just over 630 employees by 2053.
- 33 This increase in industrial employment is projected to require a total of just over 16ha (gross) of developable industrial land within the district over the next 30 years with the NPS-UD buffer⁴ included. While Kaikōura District is not required to provide an NPS-UD buffer (as it is not a Tier 1 or Tier 2 authority) it is

⁴ *i.e., Competitiveness margins of 20% in the short and medium term and 15% in the long term.*

considered prudent from an economic perspective for long term strategic planning as to provide sufficient choice in price and location of industrial land, and avoids any artificially driven land price spikes in the market if growth occurs at a faster rate than anticipated, particularly given the longer development lead times required to bring new industrial zoned land to the market.

TABLE 2: INDUSTRIAL LAND DEMAND FORECASTS FOR THE DISTRICT

Medium Growth Scenario	2023	2026	2033	2053
Total Employment	1,558	1,727	1,902	2,036
Total Industrial Employment	363	501	556	631
Growth in Industrial Employment		138	55	76
Cumulative Industrial Employment Growth		138	193	268
Land Requirement		4.6	2.1	2.9
Land Requirement + NPS-UD Buffer		5.5	2.5	3.3
Cumulative Industrial Land Requirement (ha)		5.5	8.1	11.4
Gross Industrial Land Requirement (ha)		7.9	11.5	16.2
High Growth Scenario	2023	2026	2033	2053
Total Employment	1,558	1,796	2,044	2,359
Total Industrial Employment	363	521	598	731
Growth in Industrial Employment		158	77	134
Cumulative Industrial Employment Growth		158	235	368
Land Requirement		4.4	2.2	4.2
Land Requirement + NPS-UD Buffer		5.3	2.7	4.8
Cumulative Industrial Land Requirement (ha)		5.3	8.0	12.8
Gross Industrial Land Requirement (ha)		7.6	11.4	18.3

Source: Property Economics

34 In contrast, under the High growth scenario, Kaikōura net industrial employment is forecast to increase by around 370 employees over the next 30 years to a total district industrial employment base of around 730 employees by 2053. As a result, it is projected that there is additional industrial land demand for approximately 18.3ha by 2053 within the district.

35 Given the above, the district would require additional industrial land supply to accommodate the anticipated industrial employment and business growth, and future industrial land demand. I consider that in the long term (2023-2053), the district's new industry zone should be at least 18ha to sufficiently accommodate

the projected industrial activity demand and provide long term locational certainty for the industrial activity of the district.

- 36 If the 21.6ha PPC site is zoned Light Industrial, there is not anticipated to be shortfall in industrial land supply within the district over the forecast period, leading to a net surplus of circa 3ha in terms of industrial land sufficiency by 2053.
- 37 There are some minor economic costs of 'over-supplying' industrial land to the Kaikōura market (e.g., decreased impetus of industrial intensification). However, from an economic perspective, a 3ha land buffer is negligible in industrial land market terms and ensures the market provides a sufficient amount of future industrial land that will preserve efficient industrial locations and land use, as well as safeguard supply and efficient operation of the Kaikōura industrial market in the long term.
- 38 Furthermore, given any surplus would form part of the proposed LIZ and would allow the market to have more competitive land prices, it is considered an efficient location for any surplus industrial land. This efficiently located surplus, being small scale, would not come at any material economic cost.

INDUSTRIAL LAND CAPACITY UNDER THE KDP CONTEXT (SUPPLY)

- 39 Kaikōura District has no existing industrial zones under the KDP. The Business B Zone or the Business Mixed Use (**BMU**) Zone enables some industrial activities where there is no clear distinction between commercial and light industrial activities along Beach Road and at Wakatu Quay.
- 40 There are a range of industrial activities currently located within the BMU on Beach Road, mostly north of Lyell Creek away from the more tourist-focused West End commercial area.
- 41 Based on my assessment of the BMU Zone, the existing zoned land area is almost fully occupied with limited vacant land for new business activity, totaling around 0.5ha. This means there is very limited capacity or development potential for new industrial activities to set up in Kaikōura, particularly in a location close to a large employment base like Kaikōura township.

- 42 Establishing a new LIZ would also provide an opportunity to consolidate the existing light industrial activities located within the BMU zone in an efficient manner within a consolidated LIZ and has the potential to release centrally located business land in the township from light industrial activity that relocates. This can be expected to not only more efficiently accommodate future commercial growth but also mitigate potential reverse sensitivity effects, if any, on surrounding activities.
- 43 Additionally, new industrial activities have a status of "*Restricted Discretionary (RD)*", because of the potential industrial activities may have to undermine the amenity and environmental quality of Beach Road. This makes the realisation of such activities uncertain, even with a steady level of projected demand for industrial land. This is another reason to provide a special purpose industrial zone, to ensure that industrial activities are able to be developed in a location with a greater level of certainty.
- 44 In my view, a new special purpose LIZ, as proposed by PC4, would therefore assist council in "*protecting amenity standards at the interface of residential environments and business environments*" (KDP s20.2.3) as per the KDP. It would also ensure that council would meet the obligation under the NPS-UD if they followed NPS-UD approach by ensuring sufficient capacity for industrial business activities with a high level of certainty about their enablement and capacity.

INDUSTRIAL ACTIVITY LOCATIONAL CRITERIA ANALYSIS

- 45 This section identifies the main characteristics influencing the attractiveness and competitiveness of the PPC site for industrial activity.
- 46 From an economic perspective, the most important locational criteria, that gives an understanding of the factors affecting business location decisions, and should be considered when assessing the merits of land looking to be rezoned for industrial activities include:
- Access to utilities
 - Good transport links
 - Proximity to suppliers / clients
 - Expansion potential

- Competitive land / rent pricing
- Exposure / profile
- Protection from reverse sensitivity
- Low land gradient
- Increased market certainty

47 Having assessed the PPC site against these critical industrial location criteria, the PPC site is considered appropriate for an industrial zoning for the following reasons:

- The PPC site is close to the main employment base of Kaikōura township. This would allow convenient access to the growing population and growing industrial employment pool of the township.
- The PPC site is situated on State Highway 1 and is proximate to the existing railway line to the north. This provides the PPC site with convenient access to strong transport networks to Kaikōura and the broader Canterbury region. Being adjacent to State Highway 1 also enhances the profile of the industrial activities within the subject area.
- The PPC site has a generally flat landform and encompasses a circa 21.6ha of rural land that can accommodate both small and large-scale industrial activities, particularly industrial activities wanting flexibility for potential future expansion.
- The PPC site would provide cost-effective industrial land relative to the land within the Business zones that currently accommodate some industrial activities.
- The PPC site is adjacent to the Kowhai River and a dense treeline to the east that would help mitigate any reverse sensitivity effects from the industrial activity and protect the amenity of the eastern rural residential areas.

48 Overall, I consider the location of the PPC site would provide for a competitive and market appealing industrial land location option within the local and wider Kaikōura district market.

ECONOMIC IMPACT ON THE TOWN CENTRE

49 This section offers a high-level overview of employment trends and business activities in the commercial and retail sector within the Town Centre. This analysis assists in understanding the potential influence of non-industrial activities at the PC4 development on the Town Centre's role, function, vibrancy, and potential for growth under the RMA and KDP context.

50 Figure 4 below shows the extent of the Town Centre based on the zonings specified in the KDP and my ground truthing undertaken in June 2023.

51 Kaikōura Business Zone / Town Centre serves as the primary hub for commercial activities and services in the district. It encompasses a wide range of retail outlets, offices, mixed industry, visitor accommodation options, restaurants, and tourist ventures. The principal commercial areas are concentrated in the West End and along Beach Road.

FIGURE 4: EXTENT OF KAIKŌURA TOWN CENTRE CORE COMMERCIAL AREA



Source: Google Maps, LINZ, Kaikōura District Council, Property Economics

- 52 Based on undertaking a centre visit on 29 June 2023, I consider that within the Town Centre, the core commercial area is primarily situated in the West End, which is indicated by the Red Outline in Figure 4 above.
- 53 While the commercial area along Beach Road accommodates numerous stores, its retail offerings are relatively limited, with a higher proportion of food and beverage establishments and tourism-related activities such as holiday camps, Whale Watch, diving, and surf stores.
- 54 The only full-service supermarket in town, New World Kaikōura, is located on the northern edge of the commercial area along Beach Road, serving as a separate retail node including Hunting & Fishing, Hammer Hardware, a workout gym, Smith Kaikōura and The Stockroom.
- 55 Table 3 below outlines the employment trends in the commercial and retail sectors within both the Kaikōura Town Centre (including the West End and Beach Road commercial areas) and the broader district, spanning from 2000 to 2023, based on the latest (June 2023) Business Demography Statistics from Stats NZ.

TABLE 3: COMMERCIAL AND RETAIL EMPLOYMENT IN THE TOWN CENTRE

Commercial & Retail ECs	2000	2005	2010	2015	2020	2023
Kaikōura District	572	697	786	762	727	736
Kaikōura Town Centre (KTC)*	362	452	511	441	454	402
KTC as a Proportion of the District	63%	65%	65%	58%	62%	55%

Source: Stats NZ, Property Economics. Note that the wider "Kaikōura Town Centre" refers to the West End and Beach Road combined commercial areas.

- 56 Over the course of the past 23 years, the proportion of commercial and retail employment in the Town Centre compared to the wider district has remained relatively stable prior to the onset of the COVID-19 pandemic.
- 57 As of 2023, the Town Centre's current commercial and retail employment stands at just over 400 employees, constituting roughly 55% of the total commercial and retail employment base in the district. Although this percentage is lower than pre-pandemic levels, the fact that 55% of the district's commercial and

retail employment is concentrated in the Town Centre reflects its position as the primary commercial and retail hub within the broader district.

58 Considering the above figures, PC4, which emphasises a “light industrial” focus, has no potential to materially undermine the role and function of the Town Centre if the extent of commercial and retail activities enabled within the PC4 site are appropriately managed.

59 Based on the ground truthing and business audit conducted, the core commercial area of the Town Centre (i.e., West End) currently comprises around 50 stores, including vacant and under construction tenancies (refer to Table 4 below). It is worth noting that the majority of these stores have a small retail footprint and focus on food and beverage or specialty offerings.

TABLE 4: TOWN CENTRE CORE COMMERCIAL AREA (WEST END) BUSINESS AUDIT

Centre Audit (June 2023)	West End Store Count
Retail Sector	37
Food retailing	5
Food and beverage services	12
Clothing, footwear and personal accessories	10
Furniture, floor covering, houseware and textile goods retailing	3
Pharmaceuticals	1
Recreational goods retailing (e.g., Sport Stores, Stationery, Cinema)	1
Other Retail (e.g., Petrol, Antiques, Florists, Gift Shops)	5
Non-Retail Sector	12
Community Facilities (i.e., Council, Museum)	2
Commercial Services	6
Barber	1
Banks	2
Real Estate	2
Building Company	1
Tourist Activities	4
Vacant	1
Under Construction	1
TOTAL TENANCIES (Incl. Vacant & Under Construction)	51

Source: Property Economics

60 Within the West End commercial area, there are 37 retail stores, with the most common retail offerings being food and beverage services, as well as clothing,

footwear, and personal accessories stores. Additionally, there are six businesses classified as commercial service providers and four engaged in tourist activities.

- 61 An important indicator of a commercial centres vitality is the vacancy rate, and the core commercial area of the Town Centre only had one vacant tenancy. Proportionally, this accounts for only 2%, suggesting that the core commercial area of the centre is well tenanted and maintaining a healthy status given its size and the prevailing market conditions.
- 62 It is worth noting that West End is concentrated along a single linear strip and does not host many national banner brands typically found in major shopping destinations. Furthermore, it lacks a supermarket, department stores, and significant large-format retail (**LFR**) offerings. It essentially focuses on a cluster of specialty stores and tourism activities.
- 63 Despite having a smaller employment base and fewer commercial and retail stores compared to other town centres across the country, the Kaikōura Town Centre is considered to be performing well, especially considering its low vacancy rate. It clearly targets tourists as well as servicing local community requirements. Therefore, limited provision of retail and commercial activities within the proposed light industrial zone would not pose a consequential threat to undermining the Town Centre’s role, function, vitality, and potential for growth.

REVIEW OF THE PROPOSED PROVISIONS AND RECOMMENDATIONS

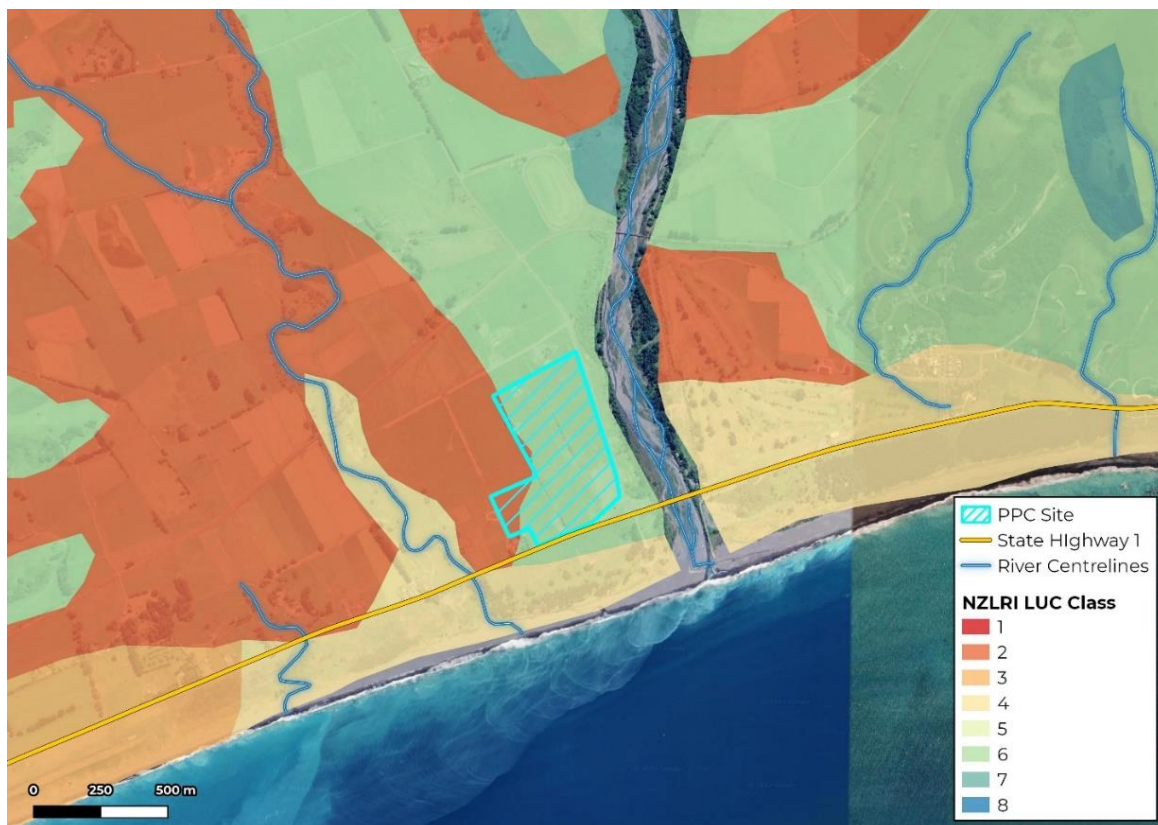
- 64 After reviewing the proposed PC4 LIZ provisions relating to retail and commercial activities, more specifically;
- LIZ – R2(1)
 - LIZ - R8(1b) & (c)
 - LIZ - R9(1a) & (b)
 - LIZ – R10(1a) & (b)

I consider the proposed provisions are both suitable for providing sufficient food and beverage opportunity to ‘feed and water’ the LIZ employees and businesses, whilst being appropriate to maintain the role, function, viability and amenity of the town centre.

ECONOMIC IMPACT ON HIGHLY PRODUCTIVE LAND

- 65 The NPS-HPL came into effect on 17 October 2022. This policy aims to provide direction to improve the way highly productive land is managed under the RMA through clear and consistent guidance to councils on how to map and zone highly productive land and manage the subdivision, use and development of this non-renewable resource.
- 66 As defined by NPS-HPL, "*highly productive land*" (or **HPL**) is in a general rural zone or rural production zone that is predominantly Land Use Capability Class (**LUC**) 1, 2 or 3 and forms a large and geographically cohesive area. Given this definition, the PC4 site, with a current Rural zoning, is therefore subject to Clause 3.6 "*Restricting Urban Rezoning of Highly Productive Land*" under the NPS-HPL. Considering that the Kaikōura District does not fall under Tier 1 or 2 councils, the assessment of the economic cost stemming from the loss of productive land due to PC4 is conducted in accordance with Clause 3.6(4) in the subsequent analysis.
- 67 Figure 5 below outlines the productive capacity status of the PC4 site and its surrounding productive environment, based on the LUC Classifications sourced from NZ Land Resource Inventory (**NZLRI**). It shows that a majority of the PPC site (around 17.8ha) is registered as LUC Class 6: "*land not suitable for arable use and has slight to moderate physical limitations and hazards under a perennial vegetative cover*" and therefore is not considered HPL.
- 68 The residual portion of the PPC site exhibits a slight overlap with LUC Class 2 soils, resulting in an estimated loss of around 3.8ha of highly productive land. Considering this, the opportunity cost associated with rezoning the PC4 site for light industrial uses can be expected to be minimal and should be confined to this specific Class 2 soil area.

FIGURE 5: PRODUCTIVE LAND STATUS OF THE PPC SITE



Source: NZLRI, Property Economics

69 The soil report⁵ undertaken by Dunham Consulting assesses the technical and economic feasibility of a range of agricultural options (i.e., dry-stock sheep, dry stock cattle, limited arable cropping with dray-stock sheep or cattle, and scale of hay and baleage) and their suitability to the site and long-term viability for land-based primary production purposes. According to the Dunham Consulting assessment the conclusion of this soil report states;

"The small scale of the site, no electricity, no irrigation water, no livestock water, future access to be provide by easement, and high cost of providing limited infrastructure to graze stock, and summer drought-prone soils, and vulnerability of the soils to wind erosion means that there is no long term economically viable primary production land use for this site".

⁵ Titled "Agricultural Land Use Assessment, 69 Inland Kaikoura Road, Peketa, Kaikoura", Dunham Consulting, dated 15th January 2024

- 70 Given the expert conclusion above which I rely on, I consider that if the PC4 site was utilised for rural production, its economic contribution to Kaikoura and the broader district's primary sector would be very limited and severely compromised. This implies that the economic impact of repurposing the PC4 site for industrial uses would be minimal, posing no threat to the performance and growth potential of the district's primary production activities.
- 71 The subsequent analysis therefore evaluates PC4 in light of the Dunham Consulting findings and pertinent NPS-HPL clauses and criteria, with the purpose to have a comprehensive understanding of its economic impact on productive land within the context of the NPS-HPL.

Provision of Sufficient Development Capacity

- 72 Under the NPS-HPL subclause 3.6(4)(a), "*urban zoning is required to provide sufficient development capacity to meet expected demand for housing and business land in the district*".
- 73 As demonstrated in my Economic Assessment and the updated forecasts presented earlier in this statement, the Kaikōura District currently lacks the industrial land provision to meet the future requirements of local industrial businesses and effectively distinguish industrial activities from other commercial activities. Given this context, and considering my projections indicating future demand for additional industrial land in the district, estimated to be at least 18ha over the next 30 years, the necessity of PC4 development becomes apparent. As such, PC4 is essentially required to facilitate the expansion of the Kaikōura industrial economy over the next 30 years.
- 74 Given the above, it is my perspective that the PPC site is required and appropriate to provide sufficient industrial land capacity within the district. This satisfies the subclause 3.6(4)(a).

Other Reasonably Practicable And Feasible Options

- 75 Under subclause 3.6(4)(b), it is required that "*there are no other reasonably practicable and feasible options for providing the required development capacity*".

- 76 Having undertaken an economic assessment of the distribution of HPL, encompassing LUC Classes 1-3, within the local context, I consider no other reasonably practicable and feasible options that would offer the required development capacity more efficiently than the PC4 site.
- 77 To provide context, Figure 6 below illustrates the extent of HPL surrounding established or zoned urban areas in Kaikōura. The widespread distribution of land adjacent to existing commercial and residential zones indicates that future urban expansion in Kaikōura will inevitably result in some loss of HPL.

FIGURE 6: DISTRIBUTION OF HPL AROUND THE EXISTING URBAN ENVIRONMENT



Source: NZLRI, Google Maps, LINZ, Property Economics

- 78 The largest non-HPL soil near the existing urban environment lies between the Residential B Zone and Ocean Ridge. Choosing this location for industrial activities has the potential to result in greater reverse sensitivity effects on the neighbouring environment compared to the PPC site. The topography of this land is also much more challenging than the subject PC4 site making development of the land significantly more expensive on a comparative basis, reducing the competitive advantage the PC4 site would create for Kaikōura in

the industrial market. Furthermore, as mentioned earlier, the PC4 location is surrounded by natural buffers such as rivers, existing roads in two directions, and treelines, reducing potential adverse effects (if any) on adjacent areas.

79 While the northern part of the township contains extensive non-HPL soil, selecting this area would be less efficient and appropriate than the PC4 site. This consideration is based on the fact that major greenfield developments, including residential subdivisions, will be concentrated within the existing urban area as well as areas to the west of the township, such as the Ocean Ridge subdivision. This development, supported by Kainga Ora's Infrastructure Acceleration Fund (IAF), is situated to the east of the PPC site. The proximity of the PC4 site to this greenfield development makes it more economically efficient to provide business land and employment opportunities to the west of the township, particularly around the Ocean Ridge subdivision area, rather than utilising distant non-HPL lands farther north of the township.

80 Overall, given the above considerations, I consider that there are no reasonably practical and feasible options for providing the required development capacity, as specified in NPS-HPL subclause 3.6(4)(b).

Economic Benefits and Costs

81 Subclause 3.6(4)(c) of NPS-HPL requires that "*the environmental, social, cultural and economic benefits from rezoning outweigh the environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values*".

82 From an economic perspective, the main economic benefits of PC4 include:

- Capacity of sufficient provision to satisfy demand for industrial land over the short-, medium- and long-term, including appropriate buffer.
- Enablement of economies of scale and industrial agglomeration benefits.
- Mitigation of adverse environmental effects by confining the activities within a single defined area.
- 'Freeing up' strategically positioned business land in the centralised locations of the township (i.e., within the existing Business zoned areas).

- Greater potential for Kaikōura industrial economy expansion and profile.
- Increased localised economic activity in Kaikōura.
- Greater potential for additional industrial employment opportunities.
- Greater potential for industrial employment retention within the district.
- Potential to improve the amenity of the existing Business zones by creating an industrial development impetus in a special purpose area.
- Improved infrastructure efficiency through intensification of industrial activity.
- Potential to increase the diversification and growth of the Kaikōura district economy.
- Improved competitiveness of Kaikōura as an industrial location.

83 In contrast, the potential economic costs of PC4 would include:

- Loss of a limited amount (3.8ha) of Class 2 soils: However, based on the soil assessment conducted by Dunham Consulting and my economic analysis, this economic cost would be minimal and would not undermine the overall productive capacity of the wider district. This is attributed to the limitations of the site for economically viable primary production land use in the long term, as identified by Dunham Consulting, and the necessity and significance of the PC4 site in accommodating future industrial demand. Additionally, the absence of reasonably practicable and feasible alternative options in the vicinity of the township reinforces the importance of the land for the proposed LIZ purposes.
- Some potential reverse sensitivity effects on adjoining residential areas: As mentioned earlier, the PPC site is adjacent to the Kowhai River and a dense treeline to the east that would mitigate and protect the eastern rural residential areas from reverse sensitivity effects of industrial activity. As such, this economic cost is considered manageable and would not undermine the overall efficiency of PC4.
- Cost of infrastructure: The cost of any upgrades to the wider network as a result of PC4 will need to be serviced by the Council. These capital costs

are likely to be mitigated, at least in part, through either developer contributions or the level at which the developer provides the infrastructure itself. As additional industrial land capacity is required over the long term, the extent to which this can be considered an economic cost depends on the relative cost of servicing the infrastructure in an alternative location at a later point in time.

- 84 Given the above analysis, I consider the potential economic benefits associated with the Plan Change would outweigh any economic costs associated with the loss of HPL for land-based primary production, taking into account both tangible and intangible values. This satisfies the economic aspect of NPS-HPL subclause 3.6(4)(c).

RESPONSE TO MATTERS RAISED BY SUBMITTERS

Submission of Waka Kotahi

- 85 Waka Kotahi, in their submission, had concerns that the proposed land area exceeds the land quantity indicated for these activities in the Economic Assessment.
- 86 It is important to note that both the industrial land forecasts outlined in my primary Economic Assessment and the update in this evidence adopt a growth-based forecasting approach. Consequently, latent demand and the lead times required for new industrial land and development are not factored into the forecasts.
- 87 My earlier analysis in this evidence reveals that, due to the absence of industrial land provisions, existing industrial activities are concentrated alongside other retail and commercial activities within the business zones. Considering the land demand of these existing industrial activities would further increase the projected industrial land requirements in the district, thereby reducing the minor surplus in the provision supply.
- 88 From an economic perspective, I consider that the proposed land area by PC4 (i.e., 21.6ha) is appropriate for ensuring the district's growth with an appropriate buffer, providing greater certainty and flexibility for the future expansion of local industrial businesses over the long term.

- 89 In my view, industrial businesses making substantial capital investments in plant and machinery typically seek a level of assurance that they can operate from a site for an extended period, often ranging from 10 to 20 years, to secure a return on their investment. As such, any potential short to medium industrial land surplus would be offset by the economic benefits generated around long term industrial land supply certainty for the market, appease any latent demand in the market, preserve efficient locations and land use for industrial businesses, as well as safeguard supply and efficient operation of the industrial market in both the short, medium, and long term.

SUMMARY OF CONCLUSIONS

- 90 The Kaikōura District currently lacks any industrial-zoned land, and various industrial activities are presently situated within the Mixed Business Zone (MBZ). However, the MBZ only possesses a limited industrial land capacity, totalling approximately 0.5ha, to facilitate future business land demand within the district. It can be expected that this available capacity falls significantly short of meeting the district's anticipated industrial growth, which is projected to necessitate an additional 18ha of industrial land by 2053.
- 91 Under the provisions of the KDP, new industrial activities within the MBZ are identified as "Restricted Discretionary" to safeguard the amenity value and business environment quality of the Beach Road area. This provision gives rise to significant uncertainties with the MBZ for further industrial activities / uses.
- 92 In my view, a new industrial zone (such as the PC4 site) is essentially required to accommodate the future industrial land requirement and mitigate the potential reverse sensitivity effects on the receiving environment, especially given the projected future industrial land demand within the district.
- 93 Having undertaken a locational characteristics assessment for PC4 site, PC4 can be expected to provide a competitive and market appealing industrial land location option within the Kaikōura market and has no meaningful propensity to undermine Kaikōura's primary production performance and growth potential.
- 94 Additionally, the PC4 is likely to have limited economic costs associated with the provision of industrial land in the proposed location but has the potential

to provide significant net economic benefits to the Kaikōura industrial economy and the local market.

- 95 In terms of non-industrial retail and commercial activity the proposed provisions are considered appropriate from an economic perspective and would not undermine the role, function, potential or amenity of the town centre.
- 96 Considering the aforementioned factors, I consider that PC4 is appropriate and economically efficient within the framework of NPS-UD, KDP, and NPS-HPL. I support the approval of PC4 and the LIZ from an economic perspective.

Tim Heath

Date: 10 March 2024

APPENDIX 1: INDUSTRIAL BUSINESS CLASSIFICATIONS

I utilise the 2006 Australian and New Zealand Standard Industrial Classification (**ANZSIC**) as guidance, whereby businesses are assigned an industry according to their predominant economic activity.

Industrial activities, in general, refer to land extensive activities, including part of the primary sector, largely raw material extraction industries such as mining and farming; the secondary sector, involving refining, construction, and manufacturing; and part of the tertiary sector, which involves distribution of manufactured goods. The employees work for the following sectors are considered an industrial sector employee:

- 10% of Agriculture, Forestry and Fishing
- 10% of Mining
- Manufacturing
- 30% Electricity, Gas, Water and Waste Services
- Construction
- Wholesale Trade
- Transport, Postal and Warehousing
- 40% Rental, Hiring and Real Estate Services

APPENDIX 2: INDUSTRIAL EMPLOYMENT PROJECTION METHODOLOGY

Estimates of the quantity of future industrial land demand are based on employment projections on a sector-by-sector basis.

The calculation of these requirements are, in part, based on:

- The ratio of net land to employee by industrial sector (these estimates are based on specific sectors and have been compiled based on empirical data such as regional rating databases).
- A locational assessment of efficient land utilisation (i.e., whether the local price is such that industrial land will be efficiently used).
- Historical trends by sector towards increased land and / or labour efficiencies
- Changes in technology (increased efficiency, changes in input prices, etc.)
- Labour force projections (skilled / unskilled)
- Ability to accommodate growth, especially the potential relocation of business activity from the wider area.
- Relative business land supply and prices within the localised and wider market.
- Trend growth and changes in the catchment's economy over the past 23 years.
- Economic development directions.
- Location criteria by sector.
- District and local supply of inputted goods and location of market.
- Business sector analysis.
- Changing working age.

These projections do not factor in changes in industrial land price relativities resulting from changes in the price of land in surrounding areas. These factors can influence where businesses decide to locate, however, given the unpredictability of land values, for the purpose of this evidence, it has been assumed that relative prices between the catchment and surrounding areas remain constant over the forecast period.