Faringdon Oval Development

Economics Assessment

Prepared for Hughes Development Limited

Final

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1 Introduction

Hughes Developments Limited (HDL) is lodging an application to become a referred project under the COVID-19 Recovery (Fast-track Consenting) Act 2020 ("FTCA 2020") for Faringdon Oval ("FO"), a residential development in Rolleston. HDL has successfully completed several developments in Rolleston under the Faringdon brand and has recently received approval for two additional developments (Faringdon South East and Faringdon South West).

Formative Limited has been commissioned by HDL to provide economic research on whether the FO project will contribute to achieving the purpose of the FTCA 2020, and in particular, whether it will generate employment and economic benefits to support New Zealand's recovery from the impacts of COVID-19.

1.1 Background

Selwyn District has experienced rapid population growth, from around 28,300 in 2001 to 73,600 in 2021.[1] In 2021 Selwyn was the fastest growing district in the country, both in terms of quantum (+3,400) and percentage (4.8%), for the first time having more growth than the much larger urban areas of Auckland and Christchurch. In total 10% of the national population growth was located in Selwyn District.

Accompanying this population growth, the Selwyn District economy has also experienced strong employment growth, up from around 12,300 jobs in 2001 to 23,100 in 2020.[2] Employment in the District has grown by 3.2% per annum, again much faster than almost every other district in New Zealand. The GDP generated in the district economy has grown by 5.2% per annum, which is much faster than almost every other district in New Zealand and almost double the national growth rate.[3]

Selwyn District's projections show that the strong growth is expected to continue in the future, which is expected to be driven by continued migration from other areas of New Zealand.[4] We consider that this high level of demand will continue because of the relative affordability of housing in the District, the close proximity to the main area to Christchurch, increasing employment opportunities, and the improving level of amenity that is provided in the townships. This growth has important implications for Council planning, with most growth likely to be located around the existing urban areas. Rolleston

[1] Statistics New Zealand (2021) Subnational Population Estimates.
[2] Formative (2021) Business and Employment Database – Total Employment Count which includes both working proprietors and employees.
[3] Infometrics (2021) Selwyn District Economic Profile.
[4] Yeoman, R (2020) Selwyn Capacity for Growth Model.

is the largest town in the District, as such it is likely to play a significant role accommodating both new residents and economic activity.

1.2 The application

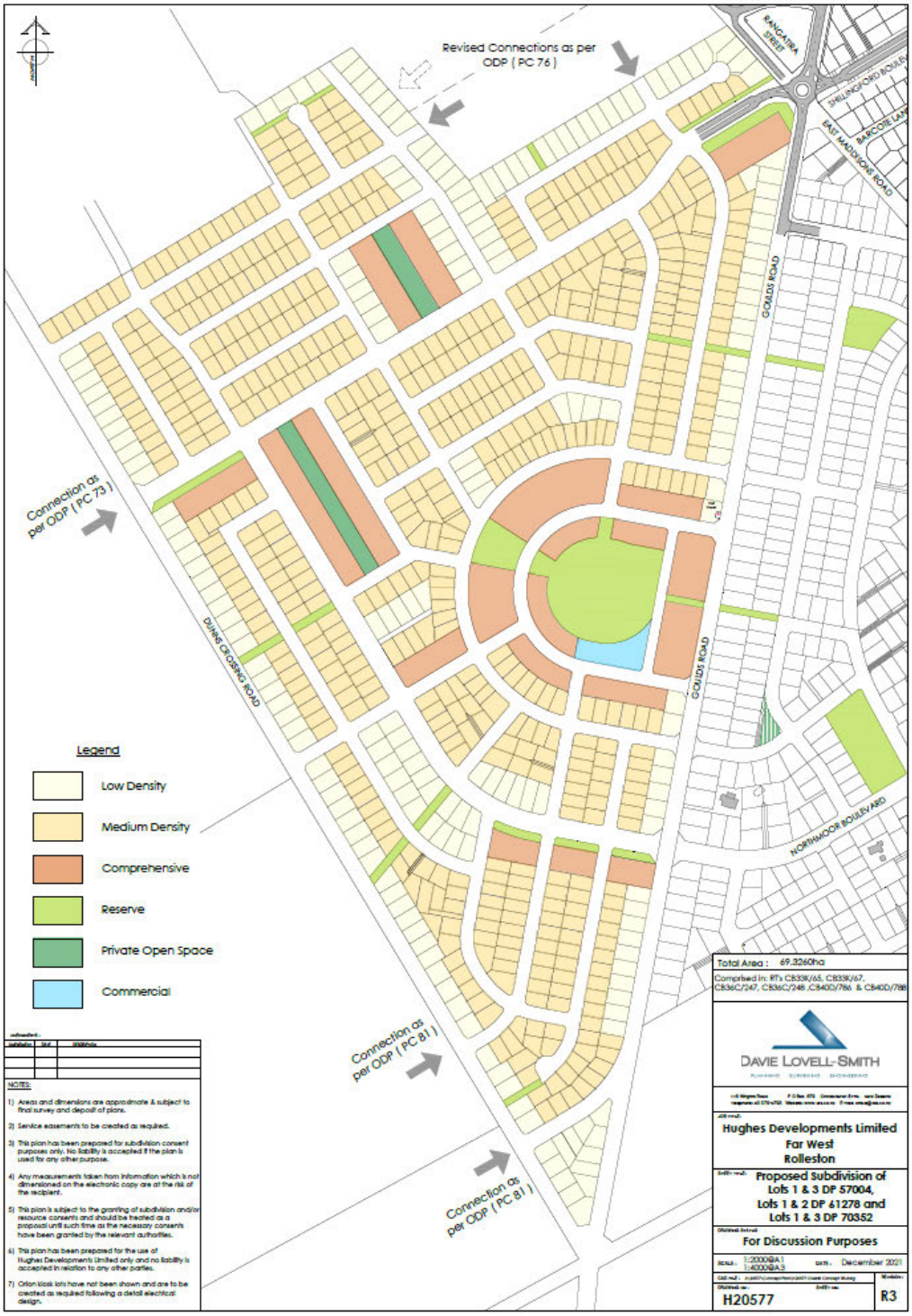
The specifics of the application have been detailed in the application documents, and are recapped only briefly in this report. The relevant details include:

- The block of land is referred to as Faringdon Oval and is 69.3ha gross area, between Goulds Road, and Dunns Crossing Road, in south-west Rolleston (Figure 1.1).
- FO is proposed to create 1,050 residential lots, as shown in the subdivision plan (Figure 1.2). Other notable features include a large reserve and a small neighbourhood centre on 2,377m^2 land area (blue area).

HDL are proposing to develop FO over the coming decade, with subdivisions occurring over multiple stages. The aim is for consents to be completed in early 2022, while earthworks and infrastructure is expected to begin in late 2022, continuing until 2026, with sales of land starting in late 2023 and being completed around 2027 or 2028.

Figure 1.1: Faringdon Oval location

Figure 1.2: Faringdon Oval Proposed Subdivision Plan (December 2021)



1.3 Report structure

The following report provides an assessment of the residential (section 2) and business (section 3) land aspects of the FO development. Each section of the report provides a brief outline of key characteristics of the FO development, before focusing on the economic issues associated with the residential and business land, including planning context, demands and supply for each market.

2 Faringdon Oval residential land

In this section we summarise some of the key matters that relate to the 1,050 residential lots of land proposed for Faringdon Oval. The subdivision plan has been designed to achieve an average of 15 lots per hectare, with a range of lot sizes:

- **Comprehensive**: approximately 20% of the residential lots will be townhouses, which are referred to as comprehensive developments (in total 222 lots). Most of these lots will be situated around the reserve and the commercial area. The comprehensive developments will have residential lots with land area of between 200m^2 and 250m^2.
- **Medium Density**: most of FO will be subdivided to provide residential lots ranging from 300m^2 to 500m^2, with 618 lots planned. Most of these lots will be situated around the comprehensive developments.
- **Low Density**: the FO will also provide 210 residential lots ranging from 500m^2 to 800m^2. Most of these lots will be situated on the edges of FO.

This assessment first provides a background of the planning context, recent demand outcomes, potential capacity options, and nature of the proposed residential development which the FO proposal under the Fast Track Act will facilitate.

The economic assessment then assesses the jobs and economic activity supported during the phases of development – consenting, land development, build development and then completion. This section concludes with findings from this economic assessment of the residential component of FO development.

2.1 Planning Context

National Policy Statement on Urban Development, the Canterbury Regional Policy Statement and the Selwyn District Plan

The National Policy Statement on Urban Development ("NPSUD") includes a set of reporting requirements relating to urban development capacity, for both residential and business activity. A key part of the requirements is that Tier 1 councils must investigate how much capacity is enabled within their planning frameworks and the extent to which this capacity may be developed by the market. Councils are also required to assess the potential future demands of the community and businesses.

The comparison of the developable supply enabled within the council planning framework and the demand forecasts provides an indication of whether there is at least sufficient urban development

capacity to meet expected demand for housing in the short, medium and long term[5]. In the case that there is deemed to be insufficient supply the councils must act to increase development capacity as soon as practicable.

In response to these requirements, in 2018, Selwyn District Council (SDC) and Greater Christchurch Partnership (GCP) conducted research into the quantum of urban land demanded and supplied, across the District and the wider Greater Christchurch Urban area.[6]

That research found that:

- Projected demand for new dwellings in Selwyn District will be 8,600 in the medium term (2018-2028), and 24,200 in the long term (2018-2048).
- The potential for new dwelling supply in Selwyn was estimated to be 9,717, which is measured in terms of plan enabled, infrastructure ready and commercially feasible.
- In Selwyn the projected demand would exceed supply in the long term, after 2028 but before 2030. The capacity for new dwellings would need to be increased by 14,483 to provide sufficient supply to meet long term demand.

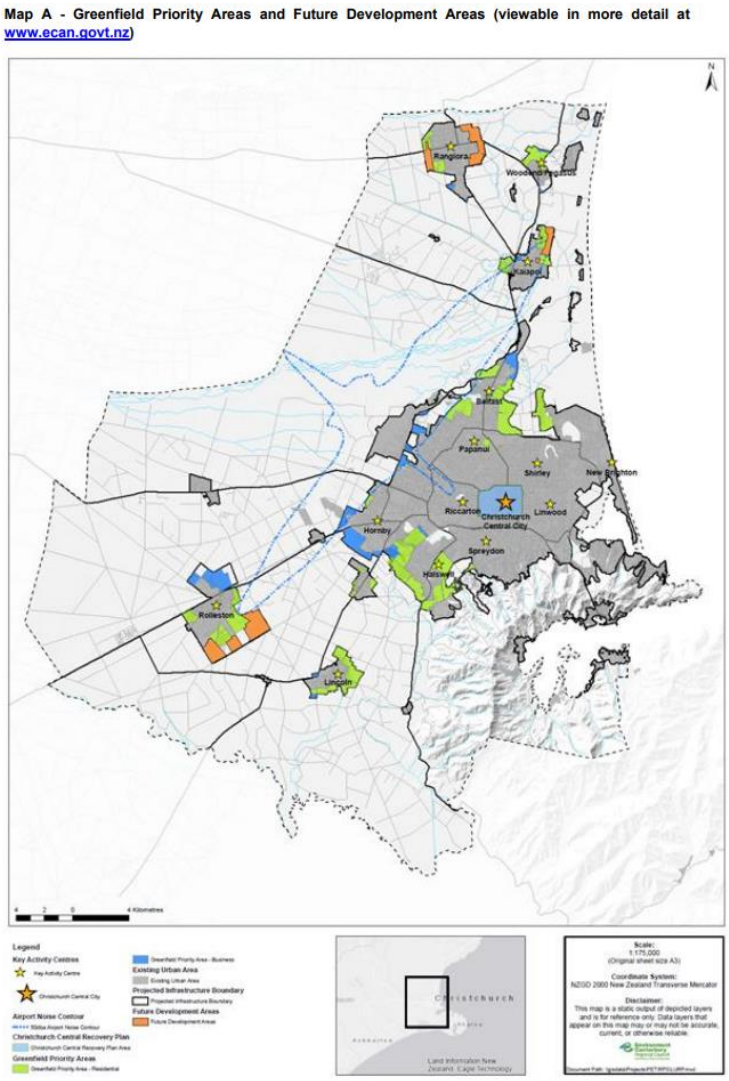
While the 2018 research adopted the best available information, it has become out of date, particularly with regard to the demand projections which have been shown to be well below the observed rate of growth over the last four years (which is discussed below in section 2.2). These findings went on to inform the GCP's Future Development Strategy (FDS) under the NPS-UDC. That FDS proposed:

- a target of at least 8,600 new dwellings in Selwyn District over the medium term which is equivalent to 860 new dwellings per annum from 2018 to 2028.
- an updated settlement pattern for Greater Christchurch that identified areas within the Selwyn district that would accommodate these additional dwellings.[7] Those areas are described as "Future Development Areas" (FDA).

[5] NPSUD defines short term as within the next three years, medium term as three to ten years and long term as between 10 and 30 years.
[6] Greater Christchurch Partnership (2018) Greater Christchurch Housing and Business Capacity Assessment.
[7] Greater Christchurch Partnership (2019) Our Space 2018-2048: Greater Christchurch Settlement Pattern Update Whakahāngai O Te Hōrapa Nohoanga.

Both these dwelling targets and the updated settlement pattern (including the FDAs) were recently included in the Canterbury Regional Policy Statement (orange areas in Map A).[8] FO is located in one of the FDAs, as is HDL's developments in Faringdon South West and Faringdon South East.[9]

Figure 2.1: Canterbury Regional Policy Statement MAP A – Future Development Areas



Importantly, while the FDS is complete and the FDAs have been included in the Canterbury Regional Policy Statement, the Selwyn FDAs are not yet 'plan enabled' in the sense that they are not currently zoned for residential development. The notified proposed Selwyn District Plan proposes an overlay to identify these areas for that purpose, but the underlying zoning remains Rural. If those provisions are made operative, a plan change would still be required to enable development of those areas.

[8] Environment Canterbury (2021) Change 1 to Chapter 6 of the Canterbury Regional Policy Statement – Table 6.1.

[9] Environment Canterbury (2021) Canterbury Regional Policy Statement Maps A Greenfield Priority Areas and Future Development Areas.

More recently, the GCP released an updated housing capacity assessment, which again shows that there could be shortages in the medium term, in the coming decade.[10] This latest research found that:

- Projected demand for new dwellings in Selwyn District will be 8,500 in the medium term (2018-2028), and 25,300 in the long term (2018-2048).
- The potential for new dwelling supply in Selwyn was estimated to be 6,452, which is measured in terms of plan enabled, infrastructure ready, commercially feasible and reasonably realisable. To meet the requirements of the NPSUD the Future Development Areas were excluded.
- In Selwyn the projected demand would exceed supply in the medium term, after 2028 but before 2030. The capacity for new dwellings would need to be increased by 2,089 to provide sufficient supply to meet the medium term demand.
- The FDA could provide additional capacity of 5,700 to 7,000 depending on the density of housing achieved.
- In Selwyn the projected demand would exceed supply in the long term. The capacity for new dwellings would need to be increased by 11,836 to 13,130 to provide sufficient supply to meet long term demand, depending on the density of housing achieved in the FDA areas.

While the demand projections used in the latest GCP assessment are higher than the CRPS target, as discussed further below, it continues to fall short of current and anticipated demand based on the number of new building consents being issued. When making the decision to accept this housing capacity report, the GCP committee noted that the report is a "point in time", which is based on projected demand that has "inherent assumption of status quo" and that there is a "unavailability of land" in Selwyn.[11] As is discussed in section 2.2 below, at the time of the committee decision the number of new dwelling building consents being issued in Selwyn had surpassed the projected demand by a considerable amount, which had resulted in much of the capacity within Selwyn that is noted in the GCP assessment already being take up.

Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021

As part of a wider initiative to increase housing supply, the government has recently passed the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 (EHA), an amendment to the RMA that seeks to increase the density of housing in most residential zones (and some business zone) in all Tier 1 urban areas. [12]

[10] Greater Christchurch Partnership (2021) Greater Christchurch Housing Development Capacity Assessment.
[11] GCP Committee Meeting Minutes – 10th September 2021.
[12] Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill – 19th October 2021.

The implementation of the Enabling Housing Act will be subject to a separate process, involving submissions and recommendations by an independent hearings panel. While it is likely that this will result in the opportunity for increased intensification in the district, the nature and the location of that intensification is not yet known. For reasons set out further below, it is, in our opinion, unlikely to address any shortfall in demand in the Selwyn district at least over the short – medium term. What is clear, however, is that the work required to address the Acts' requirements will result in delays to the completion of the Selwyn district plan review, which will, in turn, delay the opportunity to utilise the FDAs for housing in accordance with the proposed plan.[13]

Conclusion

In conclusion, various attempts have been made in recent years to identify the extent of demand for housing in the Selwyn District over the short, medium and long term, and what if, any, additional land is required to accommodate that demand. That assessment work has resulted in a change to the CRPS to include both new dwelling targets and FDAs to accommodate additional growth over the medium to long term. Based on the current approach in the proposed Selwyn District Plan, the FDA areas will not be enabled within the plan for residential development for another 2 – 3 years.

2.2 Recent Demand

Within that context, the actual demand for housing (based on the number of new building consents issued per annum) has, for the last three years, significantly outpaced the projection used to underpin the 2018 GCP assessment and the planning response to that assessment, and the recently completed 2021 assessment.

In particular:

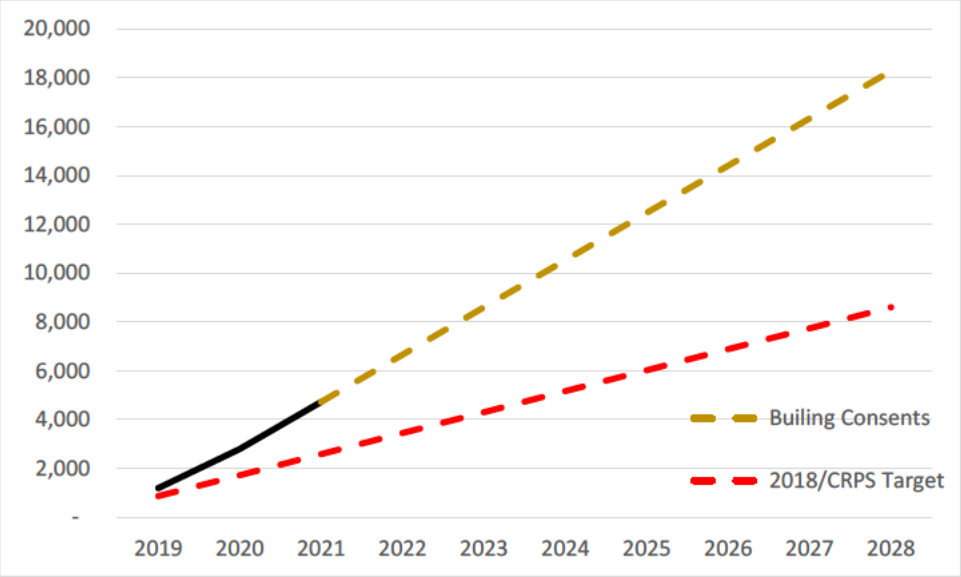
- there was projected to be a demand for 860 dwellings per annum in the 2018 GCP assessment. By comparison, annual new dwelling building consents issued in the district increased from 1,000 in 2018 to 1,660 in 2020.[14]
- there was projected to be a demand for 850 dwellings per annum in the 2021 GCP assessment. Again, by comparison, in the last 12 months the number of new dwelling consents issued in the district increased further to 1,993, again, nearly doubling the number of dwellings cited as the expected growth rate in the 2021 assessment.[15]

The figure below shows that there were over 4,700 new dwelling building consents issued between 2018-2021 (black line), which compares to the 2018 projection (and CRPS target) which suggested that

[13] Independent Commissioners Chair - Rob van Voorthuysen (2021) Directions of the Commissioners Minute 9 Rezoning Requests – Evidence Timetable.
[14] Statistics New Zealand (2021) Building Consents issued – November 2021.
[15] Greater Christchurch Partnership (2021) Greater Christchurch Housing Development Capacity Assessment.

around 2,600 dwellings would be sufficient. The level of building consents was almost twice what had been projected.

Figure 2.2: Building Consents Vs 2018 GCP Projection/CRPS Target



The strong growth in building activity is reflected in the levels of population and economic growth that has been observed in Selwyn. As discussed in the introduction, Selwyn had:

- the fastest growing population in the country, both in terms of quantum (+3,400) and percentage (4.8%), for the first time having more growth than the much larger urban areas of Auckland and Christchurch. In total 10% of the national population growth was located in Selwyn District.
- the Selwyn economy has also experienced strong employment growth, up from around 12,300 jobs in 2001 to 23,100 in 2020. Employment in the District has grown by 3.2% per annum, again much faster than almost every other district in New Zealand. The GDP generated in the district economy has grown by 5.2% per annum, which is much faster than almost every other district in New Zealand and almost double the national growth rate.
- We also note that Rolleston has attracted major businesses that have a wider role in the region, both commercial (e.g. retailers) and industrial (e.g. logistics). For example, Costco is seeking a resource consent to build its first store in the Southland in Rolleston[16]. There are also a number of proposed commercial developments that will also improve the level of services and amenity in the town.

[16] Stuff (2021) Consent for Costco megastore outside Christchurch granted – December 9th.

These outcomes all suggest that there is a high demand from new households and businesses that are choosing to locate in Selwyn, with many people choosing to move to the District.

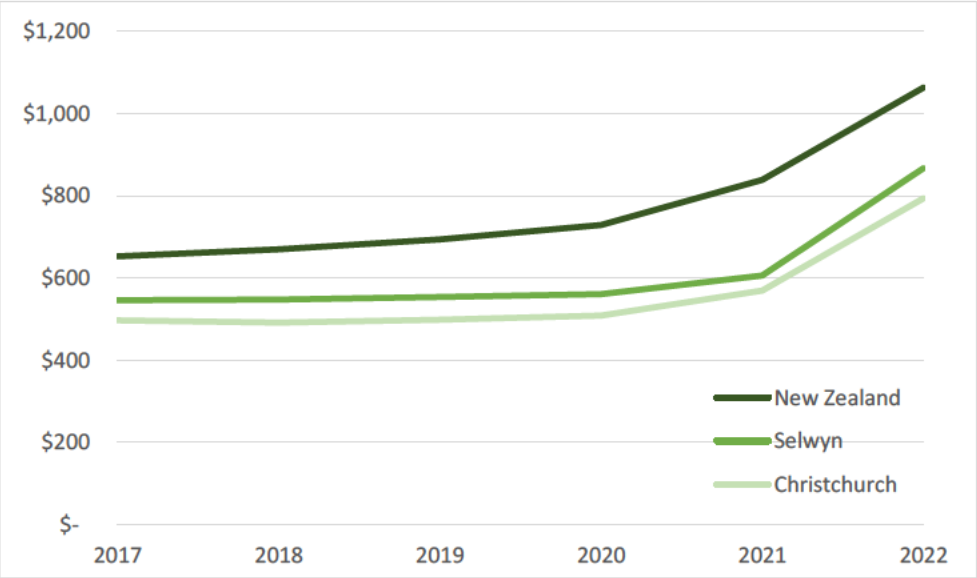
Finally, the average house price in Selwyn has increased significantly over the last two years, from $561,185 to $865,672. Most of the escalation in price has occurred in the last 12 months, with the average house price increasing by 42.8%.[17] This rate of growth is higher than the level observed in Christchurch (39.3%) and New Zealand (26.8%), which shows that prices have escalated faster in the district than background rates.

This recent price escalation is extremely high when compared to growth observed in the past. In the District, between 2017 and 2019 the average house price increased by less than 1% per annum. The house price escalation over this period was lower than general inflation rates (of 1.8% per annum)[18], income increases (of 2.7% per annum)[19] or house values (of 3.7% per annum) in the rest of the country. Therefore, over this period housing in the District became relatively more affordable when compared to other goods and services, incomes and other housing in the rest of New Zealand, which is likely to be a driver behind the strong demand for housing in the District, as observed in the high levels of building consents.

The recent escalation in prices in the District has occurred during a period where there has been both a reducing amount of capacity available in the District (which is discussed in the next section) and high levels of escalations of prices across most of the country. It is likely that some of the increase in prices in the District will have been driven by reducing availability of capacity in the District. The FO development can therefore be expected to provide additional capacity for housing supply in the District in the coming years, which could temper further price escalations.

[17] Quotable Value (2022) QV House Price Index.
[18] Statistics New Zealand (2022) Consumer Price Index.
[19] Statistics New Zealand (2022) Labour Cost Index (Salary and Wages).

Figure 2.3: QV House Price - Average 2017- 2022 (dollars thousands)



We consider that the growth in residential demand is likely to continue to exceed the level shown in the GCP projections and the CRPS target. This is mainly driven by the continued attractiveness of Selwyn as a place to live, work or open new businesses. We consider that the level of demand will continue over the coming decade because of the relatively affordability of housing in the District, the close proximity to the main area to Christchurch, because there are increasing employment opportunities, and also due to the improving level of amenity that is provided in the townships.

In summary, the actual demand has and continues to far exceed projected demand in both 2018 and 2021 assessments. Therefore, both the timing for, and quantum of, additional land identified in those assessments as being required to meet that demand is no longer accurate, which was acknowledged by GCP when it adopted the recent assessment in September last year.

There are a range of indicators which provide evidence that demand for Selwyn can be expected to remain high, which will mean that the remaining capacity is likely to be exhausted more quickly than anticipated and that further supply will be required. To address this, and as further set out below, additional land for housing must be made available as a matter of urgency.

2.3 Potential capacity options

Existing plan-enabled capacity and the FDA areas

We note that residential capacity has a technical meaning which is defined in the NPSUD, which requires that councils measure capacity using specific metrics, namely: plan enabled, infrastructure ready, feasible and reasonably realisable.

For capacity to exist, four tests must be met:

- "Plan enabled" requires that the capacity must be zoned in the District Plan (excludes any proposed rezoning in the FDS or plan changes).
- Capacity must be infrastructure ready, meaning services funding are in place to service dwellings.
- The capacity must be feasible, which means that the development is commercially viable for a developer to build.
- An assessment of other issues to ensure that the capacity is reasonably expected to be developed. A common example is that the subdivision patterns that are achievable mean that development intensity is lower than what is enabled in the zone. For example a zone may subdivided lots down to 400m^2 but the developer can only achieve an average of 500m^2, this means that reasonably expected capacity tends to be lower than could theoretical be allowed.

The GCP assessment measured these metrics, as required by the NPSUD, to establish the amount of residential capacity. The capacity assessment is designed to quantify potential future supply of new dwellings, and compare that against demand for new dwellings over the same time. In the NPSUD assessment capacity only becomes utilised when the dwelling construction is completed, and therefore a household can live within the dwelling. The goal of the assessment is to compare "capacity of new dwellings" vs "demand from new households", at a specific base year (2020). This means that a dwelling still under construction is required in the NPSUD to be included in the capacity count.

Remaining plan enabled capacity within the operative Selwyn District Plan is, according to the 2021 GCP assessment, sufficient to enable an additional 6,500 dwellings. However, since this analysis was conducted there has been over 2,000 new dwelling building consents issued, which means that a large share of the capacity recorded in the GCP 2021 assessment has been developed. Potentially there is now a capacity for less than 4,000 dwellings in the District.

Also, it is likely that some of the remaining capacity may not be readily developable for a number of reasons. Most importantly, is that housing developments tend to take many years to achieve, both in terms of the development of the land to provide subdivided lots ready for building and the time during the construction the dwellings. Therefore, it is considered likely that some of the capacity may not be reasonably realisable in the short term , and will only become available for housing in the later part of the decade.

If no additional capacity is provided beyond that allowed in the existing plan, then, as shown on Figure 2.2, based on the current demand rate continuing, the remaining capacity will be exhausted by 2023. Also, as discussed above some of the capacity may not be reasonably realisable in the coming two to

three years which means that the need for additional capacity may be more pressing. This is reflected in the concern of the GCP committee that noted a current unavailability of residential land when it accepted the 2021 capacity assessment. [20]

As noted above, Faringdon South West and South East are both FDAs, and along with the other FDA in Selwyn, were identified in the 2021 assessment for the provision of an additional 5,700 to 7,000 dwellings depending on the density of housing achieved to meet demand over the medium – long term (year 2021 to 2048).

Although not 'plan-enabled', Faringdon South West and South East were approved through the FTCA 2020, and are both since almost entirely sold out and it is likely that around 1,000 dwellings will be built in the coming years. HDL is aware of current high demand for new dwellings in Rolleston, and in response has been using innovative methods to enable the development to occur more quickly than normal.[21] For example HDL have allowed some building companies to start construction before legal titles have been issued for the lots, and has been working with Council to obtain building consents for groups of houses, rather than the normal process of individual building consent for each house.

As discussed below, this development has occurred rapidly which has been enabled by the FTCA process and HDL's commitment to expediting new dwellings, and it is expected that there will soon be dwellings completed with new residents. Also these two areas have been almost entirely sold out, and therefore they will provide capacity to accommodate growth in the short term. For that reason this capacity is included in our assessment for the current application and is shown in Figure 2.5 as being available in 2022 onwards.

In terms of the other FDA areas in Selwyn, based on the notified version of the proposed Selwyn District Plan, they are not currently 'plan enabled' for development, and are unlikely to be for at least another 2 – 3 years.

Consequently, unless any other land in Selwyn is released for housing through plan changes (discussed below) or these areas (including FO) are otherwise approved under another process, there will be no plan-enabled capacity between 2023 (when the existing capacity is extinguished as development trends continue) and 2024/35 (when the other FDAs could be released in the proposed Selwyn District Plan, assuming they are in fact available for that purpose).

[20] GCP Committee Meeting Minutes – 10th September 2021.
[21] Jake Hughes (2022) Faringdon South West and South East Progress Information – 14 February.

Private plan changes

In light of the existing demand, 17 private plan changes have been initiated in recent years to deliver additional residential development for the Selwyn district. If all changes are granted, they could enable a further 11,700 dwellings throughout the district.

Most of the proposed capacity from these changes would be located in the three large townships, Rolleston (56%), Lincoln (17%) and Prebbleton (13%), with smaller residential area proposed around West Melton (7%), Leeston (3%) and Darfield (4%).

In Rolleston the following plan changes would provide for around 6,500 residential lots:

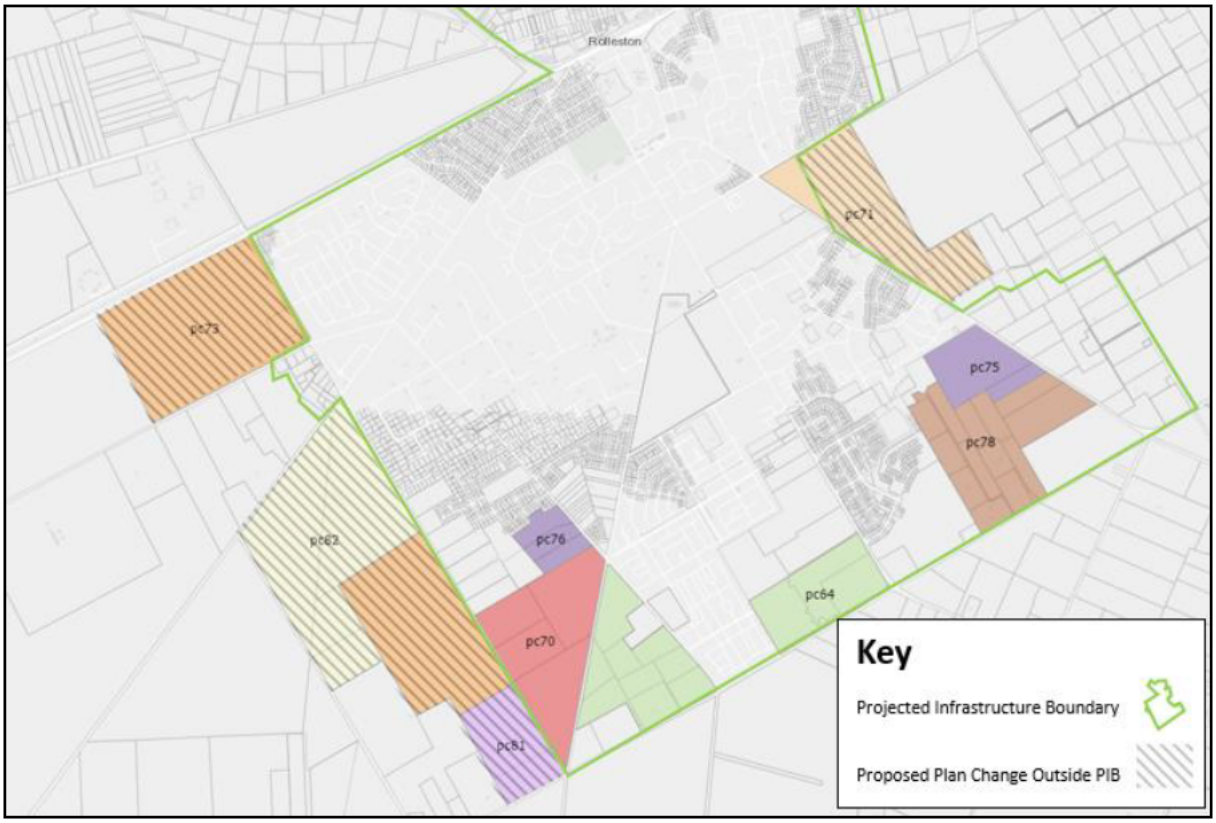
- **Faringdon South West and South East** (PC64): has recently been approved via the Fast-track Consenting process and will provide for 969 residential lots over two blocks of land. The site is being developed by HDL, with civil works and services currently underway and all of the land has been sold to developers. HDL has informed us that more than a dozen houses are currently under construction, and several are nearing completion with framing and roofs already completed.[22] HDL considers that all stages of Faringdon South East will have 224c issued by April 2022 and all legal titles by June 2022. Also, all stages of the Faringdon South West will have 224c issued by September 2022 and all legal titles issued by December 2022. The development has proceeded quickly, with the conversion from green fields to occupied housing taking less than 6 months. This demonstrates the benefits of the Fastrack process and the commitment of HDL to meet the demands of the community. We consider that it is likely that there will be completed houses and new residents in the coming month(s) and that all of the capacity is likely to be converted into occupied dwellings within a few years.
- **Outline Development Area 4** (PC71): Four Stars Development Limited and Gould Developments Ltd have lodged a plan change that would accommodate approximately 660 residential lots, with hearing confirmed for 9 - 10 February 2022.
- **Rolleston West** (PC73): includes two pieces of land (the "Holmes" and "Skellerup" blocks, coloured orange in the figure below), which will allow around 2,100 residential lots. The request includes a Business 1 zone in each block, with a maximum 450m^2 GFA, and maximum individual tenancy size of 350m^2. Hearing closed 29 November and commissioner is considering recommendation.

[22] Jake Hughes (2022) Faringdon South West and South East Progress Information – 14 February.

- **Rolleston East** (PC75): Yoursection Limited have lodged a plan change that would accommodate approximately 280 residential lots. Hearing closed 29 November and commissioner considering recommendation.
- **Outline Development Area 12B** (PC76): Dunweavin 2020 Limited have lodged an application that would accommodate approximately 155 residential lots. Hearing closed 29 November and commissioner is considering recommendation.
- **Rolleston South-east** (PC78): Urban Estates have lodged an application that would accommodate approximately 750 residential lots. Hearing closed 29 November and commissioner is considering recommendation.
- **Rolleston South-west** (PC81): Rolleston Industrial Developments Limited have lodged an application that would accommodate approximately 350 residential lots. No neighbourhood centre is proposed. The application has just been lodged and no hearing date has been set. Awaiting response to Council's request for further information issued 8 December 2021.
- **Brookside** (PC82): Brookside Road Residential Ltd lodged an application on 26 October 2021 for 109 hectares of Living Z and Business 1, that would accommodate approximately 1,320 residential lots.

The location of those Rolleston plan change areas is shown in Figure 2.4.

Figure 2.4: Rolleston Private Plan Change areas



The FO development is inside the south-western edge of Map A of the Regional Policy Statement's[23] Projected Infrastructure Boundary, which runs along Selwyn Road and Dunns Crossing Road (shown as PC70 in the map above).

Decisions on these plan changes have not yet been released. However, as shown on Figure 2.2 below, most of the capacity that would be enabled by these plan changes would be required to accommodate demand (based on current rates continuing) through to 2030.

Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021

The EHA is suggesting two key changes which can be expected to increase the quantum of residential capacity in the urban areas of GCP, and to a lesser extent Selwyn. The introduction of Medium Density Residential Standard (MRDS) and the codification (and changes to) Policy 3(d) of the NPSUD will mean that potential 'plan enabled' capacity within the urban areas of Rolleston can be expected to increase.

However, the typologies of dwellings that will be enabled in the EHA (townhouses of three levels and multilevel apartments) are not currently demanded in Rolleston or Selwyn. While the implications of the EHA for Selwyn District are not well understood yet, the additional capacity the Act seeks to enable is unlikely, in our opinion, to result in any material reduction in demand for greenfield residential development, for two main reasons.

First, because much of Selwyn's residential housing stock is relatively new, and built on small lots, it is much less economic to redevelop those lots.[24] Second, there is a small base of existing dwellings able to be redeveloped compared to large urban areas such as Auckland or Christchurch, meaning that future growth is a much larger share of existing dwellings in Selwyn than elsewhere. Some regional redistribution of growth may occur as a result of greater redevelopment potential in Christchurch, for example, but that change will take some time to play out, and is not expected to affect demand over the short and medium term.

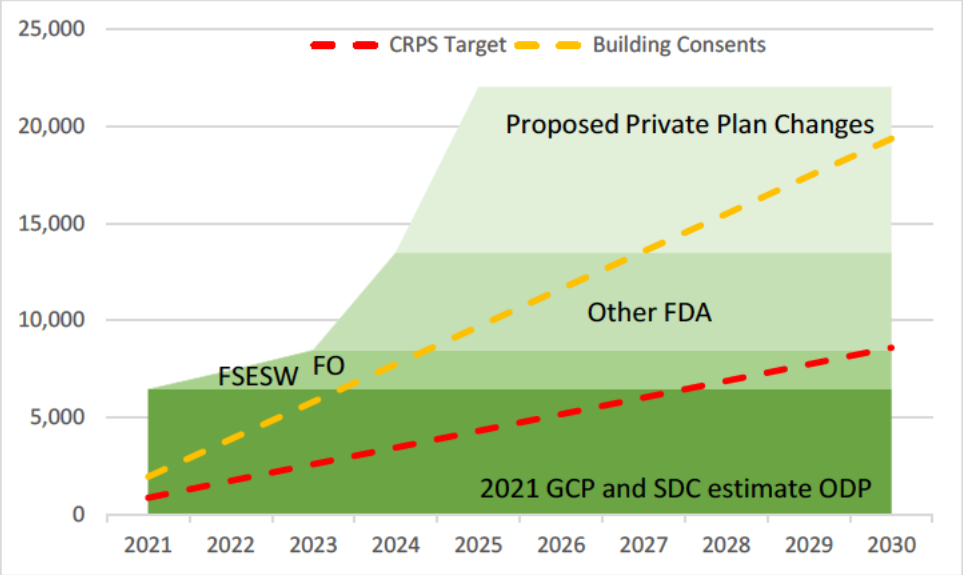
As discussed above, we consider that there are a number of reasons why the capacity that may be enabled by EHA are unlikely to be developed in material number over the coming decade, and that this capacity would not be 'feasible' or 'reasonably expected to be realised' as defined in the NPSUD s3.25(1). This means that the EHA will have minimal impact in Rolleston during the development period that is expected for the FO and that the capacity is unlikely to meet the criteria for supply within the NPSUD. Therefore, the EHA capacity is theoretical in nature and should not be relied upon to provide for housing demands in Rolleston for the short or medium term.

[23] Environment Canterbury (2021) Change 1 to Chapter 6 of the Canterbury Regional Policy Statement.
[24] Also, in some areas there are covenants on the properties in the subdivision which prevent intensification.

Summary

Figure 2.5 compares the three different types of capacity for residential development that is already, or could become, available in the coming decade (current zoned in Operative District Plan, potential in the FDAs and the proposed private Plan Changes) in contrast to the targets established in the CRPS through the 2018 assessment, and the current demand for housing based on a projection of the current rate of new building consents.

Figure 2.5: Capacity (ODP, FDA and proposed PC), CRPS Target and Building Consents



In summary, based on these figures we consider that there is a very high likelihood that a shortage in the supply of land for residential development will eventuate in the Selwyn district in the short term (next 3 years) unless additional capacity is provided as a matter of urgency.

This is especially important as it can take many years to develop a greenfield site for residential uses. Generally greenfield development has a lead time which includes, plan change, land development, sale of residential lot, dwelling design, building dwelling and sale to the purchaser.

2.4 Dwellings provided in Faringdon Oval

In that context, the FO development proposes to deliver around 1,050 residential lots in Rolleston which, if approved, will enable some of the projected demand for housing to be met.

The development proposes to provide a range of dwellings, with many being comprehensive developments with small lots of land which will be relatively affordable compared to other housing options in the District. As HDL is proposing to move the construction teams from FSESW project to this site, it is anticipated that FO will be delivered more quickly compared to other greenfield developments (including those that are the subject of existing plan change requests.

Given the significant demand and the impending shortage of residential lots in Rolleston described above, it would be prudent to enable development of the FO land as quickly as possible. If, as predicted, a shortage in housing in the Selwyn district eventuates, the price of land (which has already escalated significantly in recent years) could increase further, which will continue to negatively impact affordability of housing. In that context, the FO development will alleviate some of the potential shortage that is expected in the coming decade.

In addition to these matters, FO would also be well proportioned in the context of the Rolleston residential market and within the scale of development seen at comparable sites in the immediate area. To place that proposed additional capacity in context, there are currently around 9,000 dwellings in Rolleston,[25] and nearly 2,000 additional new dwellings have been consented under the Building Act over the last 12 months. This means that there is likely to be more than 11,000 dwellings in existence in Rolleston by the time that FO could be enabled for development.

As another point of context, the Faringdon and Faringdon South areas (also HDL sites) were developed between 2012 and 2020. In total 1,850 lots were developed which is a rate of over 200 per annum.

Based on its historic development rate of 200 dwellings per annum, FO would constitute around five years' of supply for HDL. When compared to the existing context in Rolleston, the FO development would represent less than one year's dwelling consents in Rolleston or approximately 1% per annum growth in the town over the coming decade. In conclusion, the immediate development of residential land in FO will have a positive impact on the housing supply in the District and Rolleston.

2.5 Economic role of Faringdon Oval

The economic activity associated with FO will change throughout the development phases, with different levels of activity supported during consenting, land development, build development and then residents spend once the development is completed.

The economic role of FO is measured in terms of the direct economic activity associated with the development, the potential demands of the households that will live in FO, and the wider role in terms of indirect and induced activities. The expected role of FO was estimated using a subnational economic model – Economic Linkages Model (ELM).[26]

The ELM is a proprietary model that has been developed to quantify and measure the economic activity and relationships within the New Zealand economy. In summary, the ELM measures the flows of money and goods through the economy, at a sector and subnational level. The model records the interactions and relationships between actors in the economy, including businesses, households,

[25] Based on Statistics New Zealand Census 2018 and building consents.
[26] Formative (2021) Economic Linkages Model.

government, exporters, and importers. The interactions in the model describe how each industry responds to changes in the economy, which ripples out to influence a range of other outcomes (e.g. household decisions).

The ELM measures the economy using a range of standard economic metrics, which includes gross output[27], GDP[28], value added, employment[29], incomes[30], consumption[31], tax[32], and trade. The model uses a subnational Input-Output Table that has been regionalised by Formative. The appendix outlines the nature of the Input-Output table, the underlying assumptions within the ELM and the key modelling steps.

The first step in the estimation of the economic role of FO was to estimate the direct expenditure that will occur in each phase of the development. The following data has been used for each phase to estimate the likely direct expenditure:

- **Consenting and Land Development**: HDL has provided financial data which provides an estimate of the direct expenditure that is likely to occur during the land development phase and the development timeframes.[33] The construction team that is working on the Faringdon South West and South East ground works will be completed in 2022 and will shift immediately to work on FO.
- **Build Development**: while HDL has provided information on the dwelling typology that was developed in the two existing Faringdon developments. The dwelling typology data is combined with build cost data to estimate the likely construction expenditure that could occur during the build development phase.[34] HDL is planning to undertake both the land development and the construction of some of the dwellings.
- **Resident Demands**: Formative has detailed retail expenditure data which has been developed into a retail demand model.[35] This model provides an estimate of the quantum of demand from the new households that would live in FO after the development is completed.

[27] Similar to company revenue.
[28] There is a key difference between GDP and value added. The value added of a sector is measured net of taxes (for instance GST) and subsidies on products. In the GDP in the national accounts for New Zealand product taxes (minus subsidies) are recorded for the economy as a whole and includes as part of the value added.
[29] Formative uses BED measure of Total Employment Count (TEC) which includes both employment count and working proprietors.
[30] Includes salaries, wages and profits.
[31] Including household and government.
[32] Including income taxes, GST, government transfers and subsidies.
[33] Hughes Development Limited (2021) Faringdon Oval Financial Budgets.
[34] Hughes Development Limited (2021) Rolleston Sales Data – land, GFA, bedrooms, living rooms, garages, dwelling sale price.
[35] Formative (2021) Retail Demand Model.

Once identified, the direct expenditure impact was run through the ELM which allows the calculation of all flow-on effects associated with the FO development. The ELM calculates three types of economic impact:

- Direct impacts are the initial changes in the economy due to an economic shock (often new expenditure). The direct GDP effect is calculated based on the value of the shock and the direct employment effect is the number of jobs created by the shock itself.
- Indirect impacts arise as the firms that initially change their output as a result of an economic shock (i.e. the direct effects), purchase required inputs from their supply chain. These business-to-business transaction changes are known as the indirect impacts.
- Induced impacts flow from the direct and indirect impacts which generate wages, salaries, and profits for the households. The changed household incomes will generate more spending on goods and services. This household-to-business interaction is called induced activity.

The direct impacts associated with the FO development was estimated for each year and over sixty-five types of spending (Figure 2.6 provides a summary). The consenting phase is estimated to cost s 9(2)(b)(ii) and occur in 2021, which includes the developer's internal management time, expert research and planning costs. The development of the land is estimated to cost s 9(2)(b)(ii) in total, spread over six years.

The direct impacts associated with the build activity in FO can be expected to exceed s 9(2)(b)(ii), which is estimated to peak in 2025 at s 9(2)(b)(ii). Based on the land development and build development costs it is expected that the average dwelling could sell for less than s 9(2)(b)(ii) which is lower than the current average dwelling price in the District.[36]

Finally, the direct impacts associated with the households that will live in the new dwellings are expected to spend a total of $61 million in the local economy over the decade, with retail spend reach almost $11.8 million per annum by 2030.

In total the FO development will generate approximately s 9(2)(b)(ii) in direct expenditure between 2021 and 2030. The direct expenditure will peak in 2026, with s 9(2)(b)(ii) being spent in total.

[36] Corelogic (2021) House Price Index.

Figure 2.6: Direct Expenditure Faringdon Oval

Timeframes - FO ($m)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Consenting	s 9(2)(b)(ii)									
Land Development										
Build Develompment										
Residents										

The direct expenditure that is generated by FO will flow through the economy, which will result in additional economic activity in supporting industries, and additional employment – indirect and induced impacts. The direct, indirect and induced economic impact of the FO development would support:

- $253 million in GDP and approximately 4,500 employment years[37] (or 4,040 Full-Time-Equivalents) over the development period in Selwyn economy.[38] The peak of activity will be in 2026, with $46 million in GDP in Selwyn District and employment of almost 790 for that year.
- $627 million in GDP and approximately 10,000 employment years (or 9,010 FTEs) over the development period in Canterbury Region. The peak of activity will be in 2026, with $114 million in GDP in regional economy and employment of just under 1,790 for that year.[39]
- As the development is completed the impact will stabilise at around $14 million in GDP per annum and approximately 330 jobs in the Canterbury region.

[37] Total Employment Count, which is equal to Count of employment and working proprietors.
[38] The employment recorded in this assessment is measured in terms of Total Employment Count (TEC), which includes part-time, casual, and full-time positions. While this type of measure of employment is the standard used in New Zealand for economic data and economic modelling, there are some instances where Full-Time-Equivalent (FTE) metric is used. For the purposes of the FTCA application we have estimated that the FO development will generate approximately 4,040 FTE over the decade in the Selwyn economy and 9,010 in the Canterbury economy.
[39] Although the FO development will generate local benefits to Rolleston and Selwyn, some of these benefits may be a transfer from other locations in the Region. That is the dwellings built in the FO could be accommodated in other parts of the region, therefore the value may not be net additional to the rest of Canterbury Region.

Figure 2.7: Economic Impact of Faringdon Oval

Faringdon Oval ($m)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Value Added (GDP, $m)											
Selwyn District	$0	$8	$25	$35	$44	$46	$41	$32	$15	$7	$253
Rest of Canterbury	$0	$9	$37	$52	$67	$69	$63	$48	$21	$7	$374
Total Region	**$1**	**$17**	**$63**	**$87**	**$111**	**$114**	**$104**	**$80**	**$36**	**$14**	**$627**
Employment											
Selwyn District	5	119	409	573	747	785	735	598	335	195	4,500
Rest of Canterbury	4	131	534	749	972	1,000	929	723	339	139	5,519
Total Region	**9**	**250**	**942**	**1,322**	**1,718**	**1,785**	**1,664**	**1,321**	**674**	**334**	**10,020**

2.6 Findings of Faringdon Oval Residential land

The development of Faringdon Oval would produce positive benefits for local community, both in terms of providing additional and much needed housing supply and the generation of employment and economic benefits for the local community.

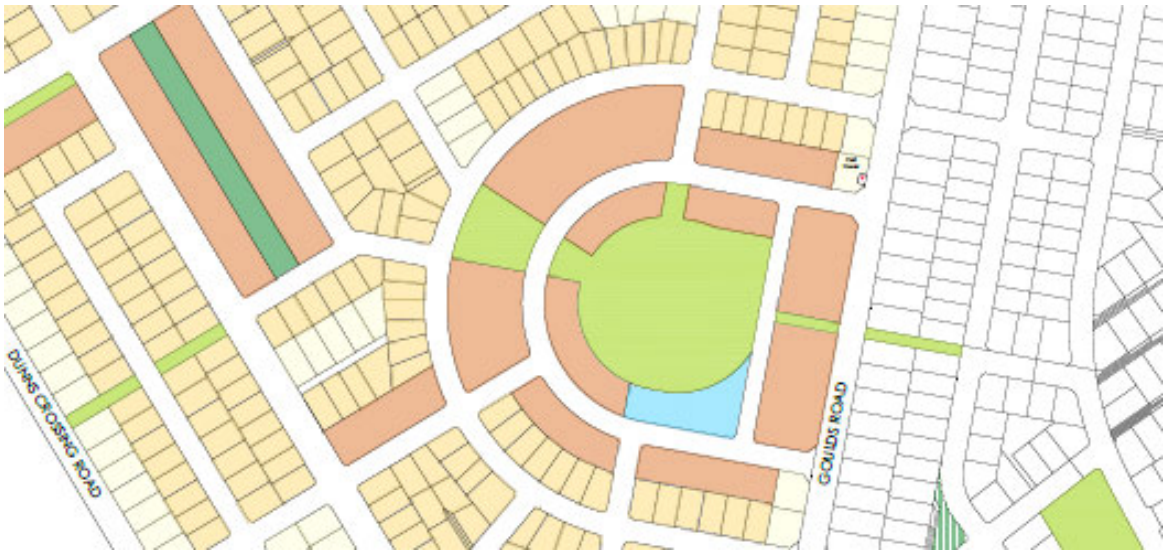
In short, the economic role of the FO suggests that the development is expected to generate approximately $640 million in direct expenditure over the coming decade. This would support total economic activity of $253 million in GDP and employment of 4,500 employment years[40] between 2021 and 2030 in the Selwyn economy. For the purposes of the FTCA application we have estimated that the FO development will generate approximately 4,040 FTE over the decade in the Selwyn economy and 9,010 in the Canterbury economy. Notwithstanding the likely transfer effects, the Rolleston community and economy will benefit from additional economic activity that FO will generate in the local area.

[40] Total Employment Count, which is equal to Count of employment and working proprietors.

3 Faringdon Oval business land

In this section we assess the potential economic effects of the business land that is proposed to be zoned by the application. In total FO proposes to zone 2,377m^2 of business land, adjacent to the southern side of the reserve, off Goulds Road (blue area in Figure 3.1).

Figure 3.1: Faringdon Oval indicative layout



This assessment first provides a background of the planning context and the hierarchy of existing centres in which the FO business land will operate. The new business land is then assessed within context of scale of the demand within the area, to establish the effects, both negative and positive on the other centres in the hierarchy. The assessment ends with a set of proposed restrictions which will ensure that the FO business land will operate to meet the convenience needs of the local residents and contribute to a well-functioning urban environment.

3.1 Planning context

The strategic and planning framework for new commercial land within the Canterbury Regional Policy Statement (CRPS) and the Operative and Proposed Selwyn District Plans are predominantly based on achieving quality outcomes through the plan change process and the creation of Outline Development Plans.

The size, scale and location of the proposed neighbourhood centre is entirely consistent with outcomes anticipated within strategic documents such as the Rolleston Structure Plan and provisions contained within the CRPS and the Selwyn District Plan.

3.1.1 Rolleston Structure Plan

The Rolleston Structure Plan adopts a centres-based approach when seeking to manage the growth of the town centre, as well as neighbourhood and local centres. In regard to commercial centres the aim of the Structure Plan is to:

> *establish a legible urban hierarchy, where the town centre and larger neighbourhood centres are located on primary movement routes (main roads). Smaller local centres would be accessed and serviced by a network of secondary routes (local roads).*[41]

Guidelines which inform the location of centres have been formulated and include: Ease of Movement, Land Use Mix, Environment and Health, Character and Identity, Economically Viable and Staging. The proposed neighbourhood centre is consistent with the centres-based approach and with the guidelines that are relevant to neighbourhood centres:

- the centre is located centrally within the FO residential catchment, and will be easily accessed by passing trade and local shoppers near home by virtue of its location on Goulds Road, one of the main access roads into Rolleston from the south-west of Selwyn.
- The centre is of small scale and is compatible with proposed adjacent residential land uses.
- The centre is sized appropriately for the residential catchment served, and will not need to be expanded.
- The centre will provide a local community focal point, particularly given the relatively large land area compared to the floorspace proposed, and location adjacent the proposed reserve.

3.1.2 Operative and Proposed District Plans

The DLS assessment of the planning framework relating to neighbourhood centres concludes that the size scale and location of each centre is consistent with the anticipated outcomes contained with both the operative and proposed District Plans.

3.2 Centres hierarchy

The proposed neighbourhood centre would fit into a limited hierarchy of commercial centres in Rolleston, and Selwyn:

[41] Section 6.3, page 52

- The primary centres in the District are the Key Activity Centres ("KACs") in Rolleston and Lincoln. The KACs have a Business 1 zoning, but are distinguished from other Business 1 zones, by the primacy afforded them by their designation as KACs under the CRPS.
- Town Centre zones also exist in the district's smaller towns, and also have a Business 1 zoning.
- In Rolleston and Lincoln neighbourhood and local centres are also identified. The services and facilities in those centres have smaller, more localised catchments than town centres due to their limited range of activities and accessibility. Neighbourhood and local centres need to complement town centres, and not compete with them in terms of being a significant retail destinations.

These matters are addressed in Policy B4.3.11 of the District Plan:

> *Policy B4.3.11 Provide Neighbourhood and Local Centres, as shown in operative Outline Development Plans, to satisfy the more localised and convenience needs of people and communities, whilst recognising that neighbourhood and local centres are to complement Key Activity Centres which shall remain the primary focus for commercial, social and community activity within that Township.*

The explanation for the policy includes that "Town Centres serve as focal points in terms of providing important public and private services and facilities in the most efficient manner to the wider community, and should remain the focus of commercial, business and retail development in future".

Only centres in Rolleston would experience any potential adverse effects from the neighbourhood centre proposed as part of this application, given the small size and limited role of that centre. Sections 3.2.1 and 3.2.2 below summarise the location and role of Rolleston's centres, as a baseline against which to assess the potential effects, as assessed in section 3.3.

Figure 3.2: Faringdon FO location overview (800m radius buffers around NCZs)

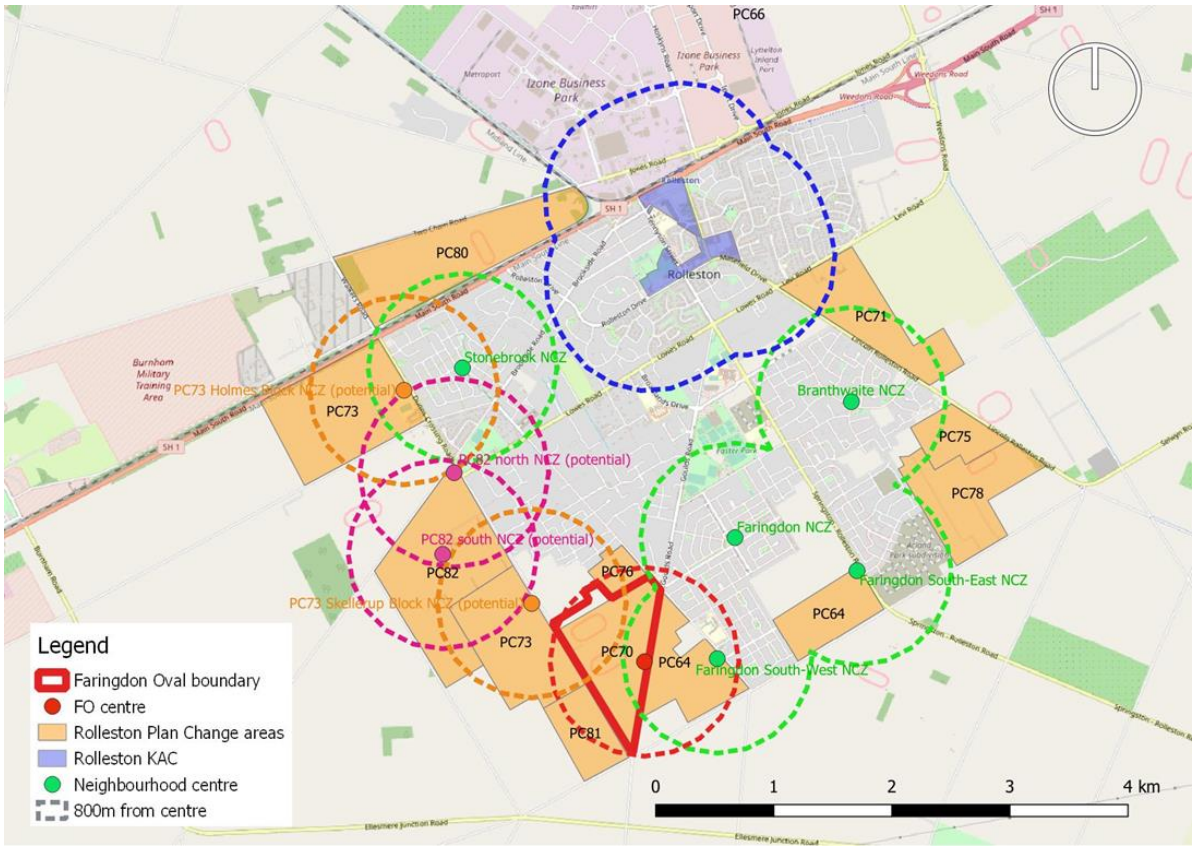


Figure 3.2 shows all existing centres (green dots, and green 800m walkable circles), as well as the indicative location of the four centres requested as part of plan changes 73 (orange) and 82 (pink), in relation to the proposed location of the FO centre.

3.2.1 Town centre

The Rolleston town centre is a KAC, and is the primary retail centre in the District. It is becoming a large retail centre, and has experienced significant growth in the last decade. Originally only a very small centre completely surrounded by residential zones, the town centre has more than doubled in size in the last decade, with the addition of a new supermarket, an expanded The Warehouse department store, and the creation of several large new retail buildings. Most recently retail development has begun to extend north along Tennyson Street, with the demolition of dwellings less than 20 years old replaced by new retail buildings. There is now nearly 31,000m^2 GFA of retail and services floorspace in the southern part of the KAC, with a small amount in the northern part (McDonalds, KFC, BP).

SDC developed a town centre masterplan to guide future development of the town centre. One significant component of the future town centre is development of the former domain on Tennyson Street. Recent plans indicate that "Rolleston Fields" will be built in four stages, and include 10,000m^2 of retail space and 1,200m^2 of hospitality space. Once complete, that development will take total town

centre retail and services floorspace to close to 45,000m^2. There is also additional town centre space occupied by the Council offices, and proposed in the new library and community centre which is now under construction.

3.2.2 Neighbourhood and local centres

Policy B4.3.11 clearly sets outs that neighbourhood and local centres can be provided for, but only with a very limited and local role. Neighbourhood centres are defined in the operative District Plan as:

> *a grouping of principally convenience stores (in the order of 6-15 stores) predominantly servicing the local communities weekly and day-to-day retail requirements*

Local centres have a similar definition, but described as being "in the order of 1-5 stores".

In the operative District Plan, Rolleston's neighbourhood and local centres retain a Living zoning, but are subject to the Business 1 Zone provisions of the District Plan where they are identified as a Neighbourhood or Local Centre on an outline development plan. There are three such centres in Rolleston, and these are proposed to be zoned Neighbourhood Centre Zones ("NCZ") in the proposed District Plan. These are centres that have been established under the guidelines in Appendix 38 to the operative District Plan, and in accordance with the Outline Development Plans that managed the urban development of greenfields growth areas in Rolleston. In addition to those three centres, a further two have been zoned in Faringdon South-West and South-East in a recent made under the FTCA 2020.

In the proposed District Plan the NCZ retains a similar description to that provided in the operative Plan. The proposed plan states that the NCZ:

> *encompasses small areas of commercial development that are located within a predominantly residential area. The purpose of the Neighbourhood Centre Zone is to provide primarily for small-scale commercial activities and community activities that directly support the immediate residential neighbourhood. It is important that the type and scale of activity within these zones is managed so that it supports the wider activity centre network in providing for the District's commercial needs, but does not detract from the broader function of the Town Centre Zone as the focal point for commercial activities and community activities.*

Rolleston's five NCZ centres are shown in Figure 3.2, on page 26, and include three established commercial nodes and two proposed nodes at:

- Branthwaite Drive (Area 11 in the Appendix 38 Outline Development Plan). The proposed NCZ would be about 5,175m^2 land area, and contains an established childcare centre, with

the balance of the zone yet to be developed. A very recent image of the exterior of the centre is shown in Figure 3.3.

- Stonebrook Shopping Centre (Area 1 in the Appendix 38 Outline Development Plan). The proposed NCZ would be about 1,795m^2 land area, and contains a small convenience store and three vacant tenancies. Estimated GFA is 850m^2. A very recent image of the exterior of the centre is shown in Figure 3.4.
- South Point (Faringdon) centre (Area 6 in the Appendix 38 Outline Development Plan). The proposed NCZ would be about 3,370m^2 land area, and is fully developed, containing a hair and beauty business, two restaurants, a fish and chip shop, and a convenience store, for around 1,220m^2 of ground floor GFA, with a dance school on the first floor (c. 260m^2 GFA) (Figure 3.5). Total centre GFA is around 1,480m^2.
- Faringdon South-West. The NCZ approved by the FTCA 2020 decision provides for a maximum of 870m^2 of commercial service and retail activity, and a maximum tenancy size of 350m^2. The centre has not yet been developed, so there are no businesses operating.
- Faringdon South-East. The NCZ approved by the FTCA 2020 decision provides that the centre may only accommodate a preschool centre (on Lot 275) and a health care services centre (with ancillary pharmacy, of 125m^2 maximum floor area, on Lot 276). The centre has not yet been developed, so there are no businesses operating.

Figure 3.3: Branthwaite Drive neighbourhood centre[42]

[42] Taken from Google maps, image captured May 2021

Figure 3.4: Stonebrook neighbourhood centre[43]

Figure 3.5: South Point (Faringdon) neighbourhood centre[44]

We note that in addition to these three existing and two enabled centres, additional centres are proposed, although not yet approved, for the plan change areas west of Dunns Crossing Road (pending decisions on plan changes). As discussed above in section 2.2 and shown in Figure 3.2, PC73 proposes one NCZ in each of its two blocks (maximum total GFA per centre of 450m^2) and PC82 also proposes two NCZs. At the time of writing, PC73 has been heard, but no decision yet issued, but PC82 has only just been lodged, so is unlikely to be heard before autumn 2022.

3.3 Effects of Faringdon Oval Neighbourhood centre

3.3.1 The theory of economic effects

The proposed neighbourhood centre would increase retail supply in Rolleston, and change where consumers can access retail goods and services. That change may, depending on the size and nature of the new centre, result in some diversion of sales away from existing centres, creating a trade

[43] Taken from Google maps, image captured July 2021
[44] Taken from Google maps, image captured September 2019

competition effect on other retailers and service businesses, with potential flow-on effects for the centres that those businesses are in.

Those effects are often referred to as indirect, or retail distributional effects, and occur as a result of changed shopping patterns and centre patronage, and are relevant to consider for applications made under the RMA. Changes to centre patronage could have adverse impacts on centres' amenity, vitality or vibrancy, making them less attractive places to visit. Indirect impacts may not occur if centre patronage does not change, such as when trips to a new development are additional to, and not a replacement for an existing centre visit.

As discussed in section 2, Rolleston's town centre is afforded primacy among commercial centres, and consistent with that primacy and the intended role of the town centre as a KAC, and with Policy B4.3.11 of the District Plan, it is necessary that the proposed neighbourhood centres should complement the town centre, rather than generating adverse effects on it.

In order to assess the potential effects of the new neighbourhood centre on the Rolleston KAC, or on the three existing and two consented neighbourhood centres identified in section 3.2.2, this report has two options. We could assess the impacts for a set amount of floorspace, and an assumed range of activities. However, there is no set amount of floorspace proposed, because the application is only for the creation of an area of land from which retail activity is permitted to occur.

That means that a more helpful way to approach the impacts assessment is to work backwards, and estimate the level of floorspace sustainable by each centre's local catchment, so that it performs the role identified in the District Plan of a convenience based centre predominantly servicing the local community's weekly and day-to-day retail requirements, without generating adverse economic effects on other centres.

3.3.2 Approach

We understand that the developer envisages the extent of commercial development in FO to be limited to only food and beverage activities, with a maximum total floorspace of 500m^2. The following assessment is intended to provide some guidance as to the appropriate amount of food and beverage activities that should be enabled in the FO NCZ to provide for the needs of the local community.

To estimate the level of neighbourhood centre floorspace sustainable in the FO centre, the following approach is employed:

- The location of the centre is identified.
- A catchment for that centre is defined, taking into account roading links, proximity and the location of other nearby centres.
- The number of households projected to establish in this catchment is quantified.

- The amount of gross floor area that households support in small neighbourhood centres (using the proposed District Plan's terminology instead of the operative Plan's) is known from our internal retail models, and assessments in other jurisdictions. On average, around 0.3m^2 of retail and services GFA per household is supported in neighbourhood centres. That sustainable space is multiplied by total catchment dwellings to yield an estimate of total sustainable neighbourhood centre GFA.
- The estimates of sustainable centre GFA are reviewed, and amended as required to include any additional space that may be required for non-retail/services activities.

While that approach seems simple, there is a considerable amount of on the ground, practical retail experience embodied in the figure of 0.3m^2/household, and it is a representative figure across different types of urban areas (or at least those that are large enough to sustain small neighbourhood centres in addition to a larger primary centre).

3.4 Faringdon Oval Neighbourhood centre effects

This subsection provides an estimate of the sustainable floorspace that could be accommodated within the FO neighbourhood centre so as to avoid adverse effects on other Rolleston centres.

3.4.1 Catchment definition

Having identified in Figure 3.2 the location of the proposed FO neighbourhood centre, the next step is to delineate a catchment for it. That is a relatively simple process, because neighbourhood centres are defined in a narrow way in the District Plan in recognition of their functional, convenience retail role. That means that consumers would be most likely to predominantly patronise the closest centre to where they live. Many neighbourhood centres will make a high proportion of their sales to passing traffic, however Rolleston's neighbourhood centres are not located on major transport routes, and are instead located central to the suburban areas they serve. This is true of the existing Faringdon, Stonebrook and Branthwaite NCZs. The FO centre, however, differs, and its proposed location on Goulds Road would make it accessible to people travelling into Rolleston from south-west Selwyn, including the Southbridge-Leeston-Doyleston area.

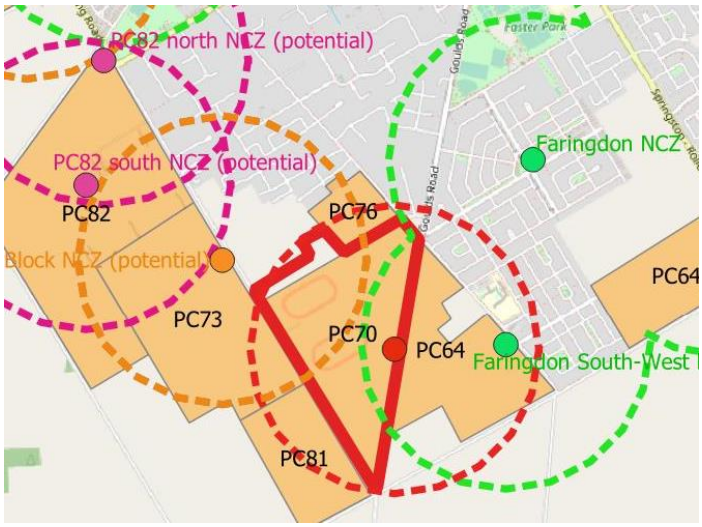
Given the location of the proposed FO centre, and the location of existing zoned centres, the FO centre's catchment is defined below. The definition does not take into account the centres proposed in PC73 and PC82, which have not yet been zoned, although the location of those centres is shown in Figure 3.6. For this assessment the catchment of the proposed FO centre would include:

- All of Faringdon Oval
- All of PC81
- The south-eastern corner of PC73, assumed to accommodate 10% of PC73's households

- Half of PC76, with the Faringdon NCZ and FO centres both a similar distance from PC76.

The catchment is assumed not to include any of the Faringdon South-West development (shown as PC64 in Figure 3.6), because those households will have their own neighbourhood centre available.

Figure 3.6: FO neighbourhood centre local area



While some parts of the FO centre's catchment are more than 800m from the centre, those parts (e.g. the western-most edge of PC81) are still closer to the FO centre than any other centre, and therefore the FO centre is more convenient to access than any other for the frequently purchased goods and services that neighbourhood centres provide.

Also, the location of the proposed FO centre adjacent the reserve, and location on Goulds Road, will likely result in some out of catchment spend being directed to the FO centre, although this is not included in the sustainable floorspace assessment so as to avoid overstating the amount of space that is sustainable.

We note that there are areas outside the infrastructure boundary (i.e. rural areas) for which the FO centre would be the closest centre, including the eastern part of PC81, the southern part of PC76, and the eastern part of PC64 that borders Goulds Road. However, the population resident in those areas will be small, and will have little influence on the findings of this assessment, and so those rural areas have also been excluded from the catchment assessment.

3.4.2 Catchment household numbers

The development plans for the FO area indicate an expected dwelling yield of 1,050, which forms the core of the catchment for the FO centre. Additional households in the catchment would include the 350 households in PC81, around 200 from the southern part of PC73, and nearly 80 households from PC76 (Figure 3.7). In total, there will be nearly 1,700 households living in the FO centre's catchment once the areas are fully developed, assuming the proposed plan changes are approved. For the

sustainable floorspace assessment following we apply a future household count of 1,700 households in the catchment.

Figure 3.7: FO NCZ catchment household counts

	FO	PC81	PC73	PC76	Total FO catchment
Developable lots	1,050	350	2,100	155	3,655
Share serviced by FO	100%	100%	10%	50%	
Lots in FO catchment	1,050	350	210	78	1,688

There is the possibility that some of the plan change areas identified in Figure 3.6 may not be approved, although given the growth pressures in Rolleston at present, we consider it is reasonable to assume that there will be residential development in those areas. If none of those areas are approved but FO is, the amount of sustainable space in the FO centre would be limited to 62% of that assessed for the full 1,700-household catchment (62% being 1,050/1,700).

3.4.3 Catchment sustainable neighbourhood centre GFA

At 0.3m^2 of floorspace per household, the 1,700 households projected to be resident in the FO centre's catchment would support around 500m^2 of retail and services GFA in the catchment.[45] A centre of that size would be about 60% the size of the centre now open at Stonebrook (850m^2) and that recently approved at Faringdon South-West (870m^2), and a similar size to the neighbourhood centres requested by PC73.

A centre of 500m^2 in the FO development would be supported by a small portion of local consumers' retail spend, and would not be reliant on attracting in retail spend from outside the catchment to support its viability. That 500m^2 would be an appropriate threshold to apply as a maximum commercial floorspace to limit the amount of space permitted to be developed in the centre, and could be entirely occupied by food and beverages activities.

If none of the neighbouring plan change areas are approved, the amount of sustainable floorspace in the FO centre would decrease, given the assumed inclusion of some parts of those potential residential areas in the FO centre's catchment. As discussed above in section 3.4.3, assuming the catchment household count is only 62% of the 1,700 assumed baseline total, sustainable floorspace in the FO centre would be 315m^2 instead of 500m^2 GFA. In practical terms that difference (500m^2 versus 300m^2) equates to one or two fewer stores in the centre, so providing for the larger amount of space would not be inappropriate, even if the adjacent plan changes were not approved.

[45] Calculated to be 510m^2, as 0.3m^2 per household x 1,700 households.

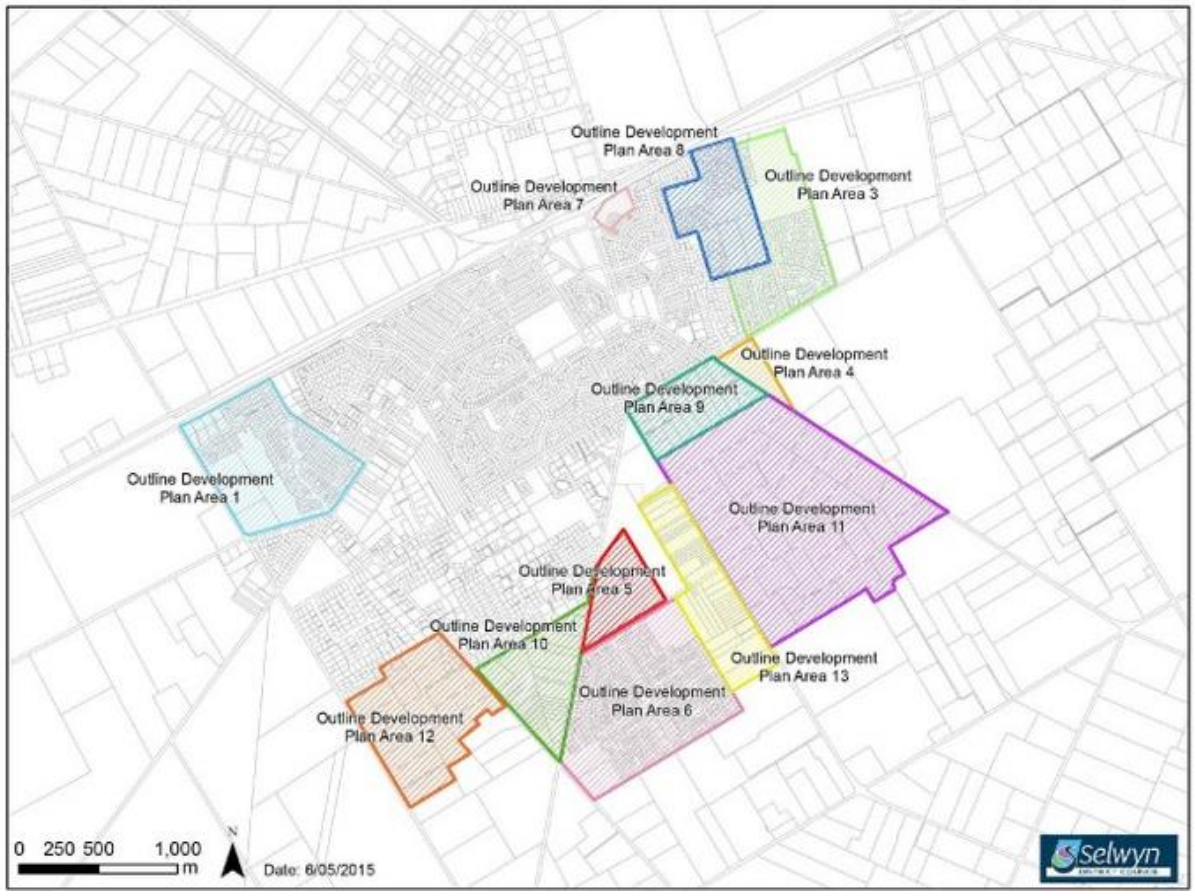
3.4.4 Conclusion on sustainable neighbourhood FO centre GFA

A centre of up to 500m^2 in the FO area would avoid generating adverse retail distribution effects on other centres, and would be smaller than the existing centres at South Point (Faringdon), which is around 1,220m^2 of ground floor GFA, and Stonebrook (850m^2 GFA). The FO centre would be even more likely to avoid generating adverse retail distribution effects if the floorspace in the FO area were to be limited to food and beverage activity as the applicant intends. The much larger Rolleston town centre (at over 30,000m^2) would be unlikely to be impacted in a material way by the adverse economic effects from the much smaller proposed centre at FO (of 500m^2 GFA) , and residents from south west Rolleston will still divert a large proportion of their retail spend into the KAC (as well as urban Christchurch), with only convenience retail being provided for in the FO centre, as discussed in section 4.

That is true even taking into account the cumulative effects of each of the recently approved and proposed new neighbourhood centres in the area, because each centre is of a small size that is able to be sustained by its local catchment, without relying on any inflow from other catchments. In fact, with each new residential development, there would be a net increase in retail spend directed to the Rolleston KAC, because only a very small part of the catchment's retail needs would be able to be fulfilled in their neighbourhood centre, and particularly if businesses in the FO area are limited to food and beverage activities .

The 800m walkable catchment of the FO centre would overlap with the Faringdon South-West centre, and to a lesser extent the South Point centre (Faringdon), and therefore there may be some trade competition effects on those centres as a result of the centres' proximity. However, both South Point and Faringdon South-West will continue to benefit from growing residential markets, including PC64, where the Faringdon South-East centre will not provide any retail space (other than a small pharmacy adjacent to the medical centre). Other nearby growth areas include Outline Development Plan Areas 5 and 13 (Figure 3.8), and the South Point centre also services a relatively large catchment to its north-west, towards Stonebrook (Figure 3.2), where there is an absence of competing centres.

Figure 3.8: Outline Development Plan Areas for Rolleston (operative District Plan, Appendix 38)



3.4.5 Opportunity costs

One potential economic effect of a new centre establishing in the FO area is that even if it is sustainable only based on consumer spend from its local catchment, the existence of the FO centre will still reduce spend that might otherwise have been directed to other centres. The centres most likely to suffer an opportunity cost as a result of a FO centre opening are South Point in Faringdon, and the recently approved centre at Faringdon South-West. Both of those centre would likely make more sales without the FO centre than with it. Other neighbourhood centres are unlikely to be affected, because they are further away and not much more accessible than the much larger town centre. The centres that may or may not be approved in PC73 and PC82 are excluded from consideration here, given they are not yet approved, and therefore not part of the existing environment.

Those opportunity costs will be very small, and would be outweighed by the community benefits of improved accessibility to locally provided goods and services in a FO centre, and providing a focal point for community social activity.

3.5 Positive effects

As well as the potential, but from our assessment likely to be avoided negative economic effects discussed above, the proposed FO centre would also generate some positive economic effects. The centre would support a small amount of employment, provide more efficient access food and beverage activities, and would provide a community focal point for the population resident in the area, particularly given the proposed location adjacent the reserve.

The FO centre will enable local residents to meet their needs more efficiently, reduce travel costs and encourage use of active modes to access local retail supply , as local residents will not need to travel as far to meet their convenience needs.

3.6 Findings of Faringdon Oval Business Land

3.6.1 Floorspace restrictions

The assessment above in section 3.3 has assessed the potential effects of a neighbourhood retail centre in the FO area, and concluded that a centre of up to 500m^2 GFA of food and beverage activities would be sustainable.

Applying a maximum total GFA for the centre of 500m^2 would be appropriate to apply to ensure any adverse effects on other centres as a result of the FO centre were avoided, and considering the applicant's intended limitation to only food and beverage activities, no other restrictions as to activity type are considered necessary.

3.6.2 Land area restrictions

The land area occupied by that floorspace is not important from an economics effects perspective, and no restrictions on that land area are necessary. If the land area provided for the FO centre is large relative to the building footprint, the only economic downside is an inefficient use of space, balanced by the likely benefits of that space being used for other purposes, such as landscaping or car parking, with their own related benefits.

3.6.3 Activity types

The three neighbourhood centres zones that are identified in the proposed District Plan permit a broad range of retail and service activities, although limited as to size. We understand that the applicant wishes to volunteer a restriction that only food and beverage activities are able to establish in the FO centre, and that is, in our opinion, an appropriate restriction and would mean more than minor adverse effects on any other centre in Rolleston would be very unlikely.

4 Outcomes

The development of Faringdon Oval would produce positive benefits for local community, both in terms of allowing households to purchase housing and it will support local jobs. The development of FO will generate employment, which will, in turn, contribute to achieving the purpose of the FTCA.

Under the existing planning framework, even with the additional supply enabled in Rolleston, there is potential for a shortage of residential lots in the coming decade, both in Selwyn and Rolleston. In order to avoid the risk of a shortage, there is a case for more residential land to be zoned to meet demands in the coming decade.

In addition, the development timeframes associated with greenfield residential means that rezoning would need to occur soon to ensure that capacity is available to meet demands. The construction team that is working on the Faringdon South West and South East ground works will be completed in 2022 and will shift immediately to work on FO. If Faringdon Oval was zoned in 2021 that the residential component could easily developed in the coming decade.

The economic role of the FO area suggests that the development is expected to generate approximately $640 million in direct expenditure over the coming decade. This would support total economic activity of $253 million in GDP and employment of 4,500 employment years[46] between 2021 and 2030 in the Selwyn economy. Notwithstanding the likely transfer effects, the Rolleston community and economy is will benefit from additional economic activity that FO will generate in the local area.

The assessment suggests that the appropriate size for the FO neighbourhood centre would be 500m^2 GFA for food and beverage activities, to ensure the scale of the centre is consistent with the size of the market served, and to limit any adverse effects on other centres. No restrictions on the land area are necessary, if the floorspace recommendations are included as conditions. We recommend that the same range of activities is enabled in the FO centre as those provided for in the Business 1 zone by the operative District Plan.

[46] Total Employment Count, which is equal to Count of employment and working proprietors.

Appendix 1 Economic-Linkages-Model

The Economic Linkages Model (ELM) is a proprietary model that has been developed to quantify and measure the economic activity and relationships within the New Zealand economy. In summary, the ELM measures the flows of money and goods through the economy, at a sector and subnational level.

The model records the interactions and relationships between actors in the economy, including businesses, households, government, exporters, and importers. At its essence, the interactions in the model describe how each industry responds to changes in the economy, which ripples out to influence a range of other outcomes (e.g. household decisions).

The ELM measures the economy using a range of standard economic metrics, which includes gross output[47], GDP[48], value added, employment[49], incomes[50], consumption[51], tax[52], and trade. The model uses a subnational Input-Output Table that has been regionalised by Formative. This appendix outlines the nature of the Input-Output table, the underlying assumptions within the ELM and the key modelling steps.

A1.1 Input-Output Table

The Subnational Input-Output Table (SIOT) has been developed by Formative to provide detail on the economic linkages between sectors and geographies within New Zealand. The table has been defined to include 65 economic sectors and 39 geographies.

The 65 'sectors' have been defined using standard industry classification (ANZSIC06), with each sector being defined by a grouping of industries based on cluster analysis of their supply chains and economic rationale. The 39 'geographies' have been defined according to either territorial or regional authority boundaries, with more disaggregation provided where there is more economic activity (e.g. upper North Island) and aggregation where there is less economic activity (e.g. West Coast of the South Island).

The SIOT has a base year of 2019. All transactions in the table are in 2019 dollars, and all economic impacts (for instance GDP, gross output, consumption, taxes) are also in 2019 dollars. The SIOT is

[47] Similar to company revenue.
[48] There is a key difference between GDP and value added. The value added of a sector is measured net of taxes (for instance GST) and subsidies on products. In the GDP in the national accounts for New Zealand product taxes (minus subsidies) are recorded for the economy as a whole and includes as part of the value added.
[49] Formative uses BED measure of Total Employment Count (TEC) which includes both employment count and working proprietors.
[50] Includes salaries, wages and profits.
[51] Including household and government.
[52] Including income taxes, GST, government transfers and subsidies.

based on a national level 2013 Input-Output table released by Statistics New Zealand which has been converted to 2019 based on Statistics New Zealand national account data for 2019[53]

The national level table has been regionalised using a hybrid approach. The hybrid approach of combining survey and non-survey (i.e. modelled) methods to regionalise an IO table which is considered the gold standard when an official SIOT is not available. The survey data sources used in generation of the SIOT include a range of customised datasets that Formative have purchased and developed:

- **Total Employment**: Formative maintains a detailed database of employment, by geographies and industry (Business Employment Database - BED), which records the total employment in each of 506 ANZISC06 industry classes and for Statistics New Zealand's Statistical Areas, including both employees and working proprietors.[54]
- **Electronic Card Transactions**: Formative has purchased detailed electronic card transaction data from Marketview, which records the origin and destination of four retail and services spend types by the 39 geographies. [55]
- **Subnational Economic Data**: a range of information that provides valuable insight into the scale of economic activity that is located within each geography. This includes regional GDP, Gross Output and household income.

The above datasets have been combined along with non-survey regionalisation techniques to allocate the national economic activity into each of the geographies. The key method used to accomplish this is the Industry-Specific Flegg's Location Quotient (SFLQ)[56]. This method employs location quotients (LQ) to understand the specialisations and structure of regional economies compared to the national economy. The use of LQ's has been known to understate the amount of regional trade, however the SFLQ approach combats this by allowing for industry specific rates of cross hauling (where regions both import and export a product or service).

This approach has been shown to create accurate estimations of regional multipliers and outperform other non-survey approaches[57]. The SFLQ method was supplemented by a gravity model to help inform regional flows. The SIOT has been calibrated to better match the relationships in the national Input-Output table and has been balanced using an iterative proportional fitting procedure to ensure that the table reflects regional gross out and input. The resulting SIOT table provides a modelled

[53] This includes gross output by sector, and national subsidies, exports, imports, change in inventories, gross fixed capital formation, consumption spending (includes households, local and central government and non-profit expenditure), compensation of employees, taxes, consumption of fixed capital and operating surplus.
[54] Formative (2021) Business and Employment Database – Employment Count, Working Proprietors, Total Employment.
[55] Marketview (2021) Card transaction data – four spend types and 39 geographies for the 2019 calendar year.
[56] Julia Kowalewksi (2015) Regionalization of National Input–Output Tables: Empirical Evidence on the Use of the FLQ Formula, Regional Studies, 49:2, 240-250.
[57] Anthony T. Flegg, Leonardo J. Mastronardi & Carlos A. Romero (2016) Evaluating the FLQ and AFLQ formulae for estimating regional input coefficients: empirical evidence for the province of Córdoba, Argentina, Economic Systems Research, 28:1, 21-37.; Zhao, X., Choi, SG. On the regionalization of input–output tables with an industry-specific location quotient. Ann Reg Sci 54, 901–926 (2015).

estimate of the relationships within the economy. This means that the economic linkages between sector-geography combinations as of 2019 are captured in the SIOT.

The ELM uses the SIOT to estimate the potential economic activity that can be expected from changes in the economy. All economic models apply assumptions because an economy and community is too complex to replicate exactly in a mathematical system. The structure of the ELM utilises the following assumptions:

- Leontief production function, which assume linear relationships between the production and inputs. This means change in the output for an industry will translate into a proportional change in demands for inputs.
- No supply constraints, which assumes that businesses can source sufficient resources (labour, capital, land, etc) to meet new demands.
- Constant returns to scale, which means that there are no economics of scale or diminishing returns in the model.
- Static prices, which assumes that prices remain at 2019 values. The model does not account for substitution effect or dynamic feedback from changes in demand and prices.

A1.2 Key Modelling Steps

The first step in the ELM is to establish the direct economic activity that will be generated or influenced by the proposed policy, investment, or activity. This estimation of the direct economic activity is generally conducted using financial information or developed via a first principles understanding of how businesses or households may change their behaviour or be impacted as a result of the proposed policy, investment or activity.

The next step is to map this activity into the 65 economic sectors and 39 geographies. In most cases the direct economic activity will occur across a range of economic sectors, commonly this can be drawn from either operational or capital budgets. Similarly, in most cases the direct economic activity will accrue across multiple geographies. Therefore, the activity must be mapped into to each geography to ensure that the modelling reflects likely pattern of activity.

Finally, the mapped activity is then fed into the ELM which measures the additional economic activity that can be expected to occur within the economy as a result of the new activity. In summary, other businesses and households in the community will respond to the changes in the economy.

There are three types of economic impact the ELM calculates, direct, indirect, and induced:

- Direct impacts are the initial changes in the economy due to an economic shock (often new expenditure). The direct GDP effect is calculated based on the value of the shock and the direct employment effect is the number of jobs created by the shock itself.
- Indirect impacts arise as the firms that initially change their output as a result of an economic shock (i.e. the direct effects), purchase required inputs from their supply chain. These business-to-business transaction changes are known as the indirect impacts.
- Induced impacts flow from the direct and indirect impacts which generate wages, salaries, and profits for the households. The changed household incomes will generate more spending on goods and services. This household-to-business interaction is called induced activity.

The ELM quantifies the economic activity in each geography and sector, which includes the direct, indirect, and induced activity. The associated employment impacts are calculated assuming constant productivity – that is, each sector-geography combination produces the same amount of output per employee.