BEFORE THE INDEPENDENT HEARING PANEL
APPOINTED BY HAMILTON CITY COUNCIL

IN THE MATTER of the Resource Management Act 1991 (**Act**)

AND

IN THE MATTER of hearing submissions on Plan Change 5 to the Hamilton City District Plan

BETWEEN **THE ADARE COMPANY LIMITED**
Submitter #53

AND **HAMILTON CITY COUNCIL**
Local authority

REPLY EVIDENCE OF RICHARD BOWKER FOR THE ADARE COMPANY LIMITED

RETAIL

21 SEPTEMBER 2022

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SUMMARY OF EVIDENCE

1. My name is Richard Bowker. I prepared a statement of evidence in chief (**EIC**) on retail issues on behalf of The Adare Company Limited (**Adare**) dated 16 September 2022.

2. I have the qualifications and experience set out in my EIC. I repeat the confirmation given in my EIC that I have read the Code of Conduct for expert witnesses and that my evidence has been prepared in compliance with that Code.

3. I respond to matters raised in the expert evidence of Mr Tim Heath for Woolworths New Zealand Limited.

4. The scope of this reply relates to the retail considerations relating to the size and location of the Local Centre Zone.

RESPONSE TO MR TIM HEATH

Supermarket as an anchor

5. At paragraph 19 of his evidence, Mr Heath gives his view that:

   (a) it is an artificial construct to imply that supermarkets are required to generate “main street” shoppers and “vibrancy”; and

   (b) supermarkets act as anchor tenants for centres to give weight and credibility to a centre that other retailers can benefit from, and support the centre in performing its role and function in the hierarchy of centres.

6. I find Mr Heath’s comments contradictory. The role of any anchor in any retail environment, be it a covered mall or otherwise, is to drive consumer behaviour to that location (for other retailers to potentially benefit from, as Mr Heath states). I agree that supermarkets specifically are not required to attract main street shoppers and drive vibrancy – that role can be filled by other anchor retailers, major transport hubs, or significant office and residential occupation (the latter two in the context of a CBD location). Such anchors could greatly assist the “place” of the centre,[1] and the

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[1] Statement of Evidence of Tim Heath on behalf of Woolworths New Zealand Limited (Economics), 16 September 2022, at [19].

customer's recall[2] of the other businesses in the Local Centre. However, in the context of the PSP catchment, and the function the Local Centre is intended to serve, a supermarket is the only realistic option to anchor the centre.

Success of the centre

7. At paragraph 20 Mr Heath addresses the other factors that contribute to a vibrant and successful main street. I agree with his comments insofar as there are a range of factors that contribute to the success of a centre, including design factors and store management. In my opinion, this supports the location and extent of the Local Centre Zone as proposed by the Council, as it would enable the Local Centre environment to be fully delivered in a cohesive and planned way.

8. The above point conflicts with Mr Heath's paragraph 39(c) regarding increased diversity of business location and choice. Providing an excessive amount of retail capacity has the potential to lead to long-term vacancies, and a reduced retail spend-per-metre, which will in turn reduce tenants' willingness to spend capital on their fitouts. Any resulting reduction in rental rates will result in a reduction of capital expenditure by landlords. This is a downward spiral and does not necessarily result in lower prices as Mr Heath suggests – in many cases it is the opposite as the retailers try to increase gross turnover in a limited customer catchment by increasing prices, or they increase gross margin by reducing the quality of their products.

9. In my opinion, expanding the size of the centre as per Mr Heath's recommendation will not be likely to increase the total spend of the catchment; rather it will over-retail the Local Centre, erode sales-per-square metre and result in vacant tenancies.

Retail capacity

10. At paragraphs 25-28, Mr Heath provides his opinion that a 50% internalisation rate of sustainable retail GFA is more appropriate than Mr Akehurst's assessment of 40% internalisation rate from the Market Economics Report, October 2020 (the **ME Report**). No reasoning is

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2 Statement of Evidence of Tim Heath on behalf of Woolworths New Zealand Limited (Economics), 16 September 2022, at [39(a)].

provided in Mr Heath's evidence for why 50% is a more appropriate rate, other than a general reference to Mr Akehurst considering the implications of greater housing density.[3]

11. As stated in the ME Report, the wider Hamilton City area has an oversupply of retail (including grocery: see Figure 3.2 of the ME Report). The Hamilton City retail offering is located in sufficient proximity to the dwellings within PC5 to be likely to capture a significant amount of the household spend. The size and scale of The Base, Chartwell and Centre Place must be considered when considering how much retail should be internalised within the Peacocke area.

12. The nearby Glenview supermarket (operating as a New World) should also be taken into account, as this will be in closer proximity to many of the dwellings within the Local Centre's catchment than the Local Centre itself.

13. Having been involved in the leasing of various Hamilton retail properties (representing both tenants and landlords), the economic realities are that the spend per square metre is low as the city is over-retailed. The ME Report states that the Peacocke Structure Plan Area's (**PSPA**) capture of spend would be $281m by 2048, therefore supporting 39,100sqm of GFA. This is $7,186/sqm spend which will not be sufficient for many businesses to invest in opening a new store. As per the above, the three large shopping centres dominate the retail landscape whilst struggling to remain fully tenanted due to the splitting of the retail spend of the wider Hamilton catchment.

14. Accordingly, having regard to the existing retail offering available in proximity to PC5, I consider that the 40% internalisation rate from the ME Report remains appropriate.

Local Centre zone size

15. At paragraph 27, Mr Heath suggests that approximately 10ha gross may be required for the Local Centre Zone based on his preferred internalisation rate of 50%. This also appears to be based on his expectation that the ultimate housing yield for the PSPA is likely to be

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[3] Statement of Evidence of Tim Heath on behalf of Woolworths New Zealand Limited (Economics), 16 September 2022, at [26].

somewhere between Mr Akehurst's high scenario of 9,896 dwellings and the 16,000 dwellings which Mr Akehurst estimated based on Kainga Ora's submission.[4]

16. I do not agree with Mr Heath's basis for expanding the gross size of the Local Centre Zone. I consider that the current size is appropriate for the following reasons:

(a) A 40% internalisation rate is appropriate (as addressed at paragraphs 10 to 14 above);

(b) I understand that Kainga Ora is now supportive of much more reasonable density targets than were sought in its submission;

(c) Mr Heath's expectation that the ultimate housing yield will be somewhere in between 9,896 dwellings and the 16,000 dwellings is unsubstantiated;

(d) Mr Heath's evidence does not challenge the 20,000m^2 GFA cap for retail activities in the Local Centre Zone which is recommended in the section 42A Report. I understand retail and commercial activities above this cap would require resource consent as a Non-Complying Activity;

(e) As stated in my EIC, I consider that Market Economics' assessment of the catchment demand equating to 12,700m^2 of commercial and retail area is conservative. However, the work undertaken by Urbanismplus demonstrates that the land within the notified Local Centre Zone has ample capacity to accommodate 20,000m^2 GFA, or even more than this, if required.

The role of the Local Centre

17. Finally, Mr Heath's evidence places emphasis on the Local Centre as a "convenience centre" describing it as the primary function.[5] I do not agree that convenience is the primary function of the Local Centre. The

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4 Statement of Evidence of Tim Heath on behalf of Woolworths New Zealand Limited (Economics), 16 September 2022, at [31].

5 Statement of Evidence of Tim Heath on behalf of Woolworths New Zealand Limited (Economics), 16 September 2022, at [17], [36], [39(a)], [39(e)], [39(f)], [40], [41] and [43].

provisions of PC5 refer to the role of the Local Centre and the Neighbourhood Centres as:[6]

> The Peacocke Precinct will be developed in line with Hamilton's vision for a 20-minute city, which seeks to provide residents access to everything they need within 20 minutes without relying on private motor vehicles. **This means establishing a local centre, which will act as the central community hub, supported by a network of smaller neighbourhood centres, providing day to day convenience for residents.** It also means developing direct and safe routes for pedestrians and cyclists to the CBD, Hospital, Hamilton Airport and surrounding existing local centres.
>
> (**emphasis added**)

18. While one objective of the Local Centre Zone refers to convenience, it is in the context of a wider list of services:

> **LCZ – PREC1- PSP: O2**
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> The Peacocke Local Centre is the focal point for the Peacocke Community, providing a range of convenience, retail, employment and service activities and is the only location for a supermarket within the Peacocke Structure Plan area.

19. In my opinion, the Local Centre is intended to provide wider services than just convenience, as suggested by Mr Heath. This different approach to the fundamental purpose of the Local Centre seems to be one of the reasons for the different opinions we have. Mr Heath's evidence focuses on providing an optimum supermarket, whereas my evidence relates to the success of the Local Centre as a whole and its ability to achieve the vision the Council has set for it.

Dated this 21st day of September 2022

Richard Bowker

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6 Chapter 3A Peacocke Structure Plan – Vision.