

IN THE MATTER

of the Resource Management Act 1991

AND

IN THE MATTER

of the Proposed Plan Change 5 ("PC5") to the
Hamilton City Operative District Plan

**STATEMENT OF EVIDENCE OF TIM HEATH ON BEHALF OF
WOOLWORTHS NEW ZEALAND LIMITED**

ECONOMICS

16 SEPTEMBER 2022

**Russell
McAugh**

A A Arthur-Young | J H Fraser
P +64 9 367 8000
F +64 9 367 8163
PO Box 8
DX CX10085
Auckland

Introduction

1. My name is Timothy James Heath.
2. I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
3. I hold a Bachelor of Arts (Geography 1991) and a Bachelor of Planning (1993) both from the University of Auckland. I have undertaken property research work for 25 years, and regularly appear before Council, Environment Court and Board of Inquiry hearings on retail economic matters.
4. I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well undertaking economic research for forward strategic planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, retail and commercial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis. I have done extensive work for both of New Zealand's major supermarket operators, over the last two decades.
5. I am familiar with both the Hamilton and the wider Waikato market, having undertaken a variety of economic studies and centre assessments on the residential and commercial markets in the districts over the last 20 years for both private and public sector organisations. I also assisted Hamilton City Council ("**HCC**") in 2015-2017 with their District Plan review process and presented evidence in the Environment Court supporting the District Plan centre framework and policy settings.

Code of conduct for expert witness

6. While this is not an Environment Court hearing I have met the standards in that Court for giving expert evidence.
7. I am familiar with the Code of Conduct for Expert Witnesses (Environment Court Consolidated Practice Note 2014) and I agree to comply with this code. The evidence I will present is within my area of expertise, except where I state that I am relying on information provided by another party. I have not knowingly omitted facts or information that might alter or detract from opinions I express.

Scope of evidence

8. My evidence will review the approach, methodology and conclusions of the retail assessment undertaken by Market Economics ("**ME**") dated 21 October 2020 ("**ME Report**") for HCC in relation to PC5. I will use the assessment in conjunction with ME's updated position, as outlined in the primary statement of Mr Akehurst, dated 2 September 2022 and ME Consulting Technical Assessment dated 29 August 2022, to analyse the size and location of the Peacocke Structure Plan ("**PSP**") Local Centre Zone ("**LCZ**") and the conclusions reached.
9. My evidence will also review the PSP and the proposed local centre location within the PSP area. I have examined the PSP from a retail economic perspective with the area and location proposed by Woolworths to determine whether the Woolworths land holding represents a more appropriate and economically efficient position for the Local Centre in the context of the Resource Management Act ("**RMA**").
10. I also attended (in part) joint witness caucusing on topic Planning, Retail Economics and Urban Design (Local Centre) on 25 August 2022 and contributed to the JWS prepared.

Overview

11. As set out in the evidence of Mr Brown, PC5 proposes to rezone approximately 7.8 hectares of land from Peacocke Special Character Zone to Local Centre Zone to establish the main commercial centre within Peacocke. The Local Centre Zone is intended to have a community, mixed use and pedestrian focus, and provide a supermarket and a range of other commercial activities that provide for the needs and wellbeing of the community. The proposed Local Centre Zone is situated to the east of Peacockes Road.
12. Woolworths owns the site at 410 Peacockes Road, immediately to the west of the current extent of the Local Centre Zone. PC5 proposes to identify Woolworths' site as Medium Density Residential Zone ("**MDRS**"), within a High Density Overlay Area. Woolworths seeks that its site is included in the Local Centre Zone. The inclusion of Woolworths' site within the Local Centre has previously been signalled through the PSP (created in 2007 and reviewed in 2012). This is set out in the operative PSP, which identifies the Local Centre as comprising the transport route junction at the intersection of Peacockes Road.

13. The Adare Company Limited ("**Adare**") now, through PC5, opposes Woolworths' submission, stating that "the most appropriate location for the Local Centre is east of Peacockes Road in the location shown on the notified Planning Maps and the size of the Local Centre, as shown on the notified Planning Maps, is appropriate to provide for the required range of convenience, retail, employment and service activities, subject to the changes sought to the northern area of the centre in Adare's submission". That is, Adare only supports Local Centre zoning on their land.
14. As set out in my analysis of the ME Report and evidence and consideration of the Woolworths' position below, I consider that the extension of the LCZ to include Woolworths site is sensible and would provide a more economically efficient and functional outcome.
15. Based on the parties' positions, it is clear that the main issue in contention is not whether a local centre should be provided in this general location (all economists appear to agree this is appropriate), but the **extent and positioning** of the LCZ.
16. In my opinion, including the Woolworths site in the Local Centre would deliver a more accessible, competitive, functional, economically efficient and higher performing local centre based around the centre's critical asset - Peacockes Road. It would also deliver a centre that better meets the LCZ objectives of the PSP, and in my view would not dilute the performance, vitality and vibrancy of LCZ activity on the eastern side of Peacockes Road.
17. In my experience assessing convenience centres (Peacockes' LCZ primary function), shoppers drive to the store they want to visit and park as proximate as possible to that store. They tend not to park and meander all around the centre, otherwise the store / centre is deemed inconvenient for the purpose of the trip. Such a scenario also challenges the efficiency and primary function of the centre itself – convenience.
18. In my experience, most shoppers wanting to shop at their local supermarket would go to the store, shop, load their car and leave, i.e., undertake a specific purpose trip. This does not take away from the demand for those same shoppers to utilise other convenience retail in the centre, or reduce their ability to walk around the centre adding vibrancy and vitality to the 'main street', as these shoppers will still visit other stores in the centre on an alternate trip, i.e., their demand and vibrancy is not lost to the centre.

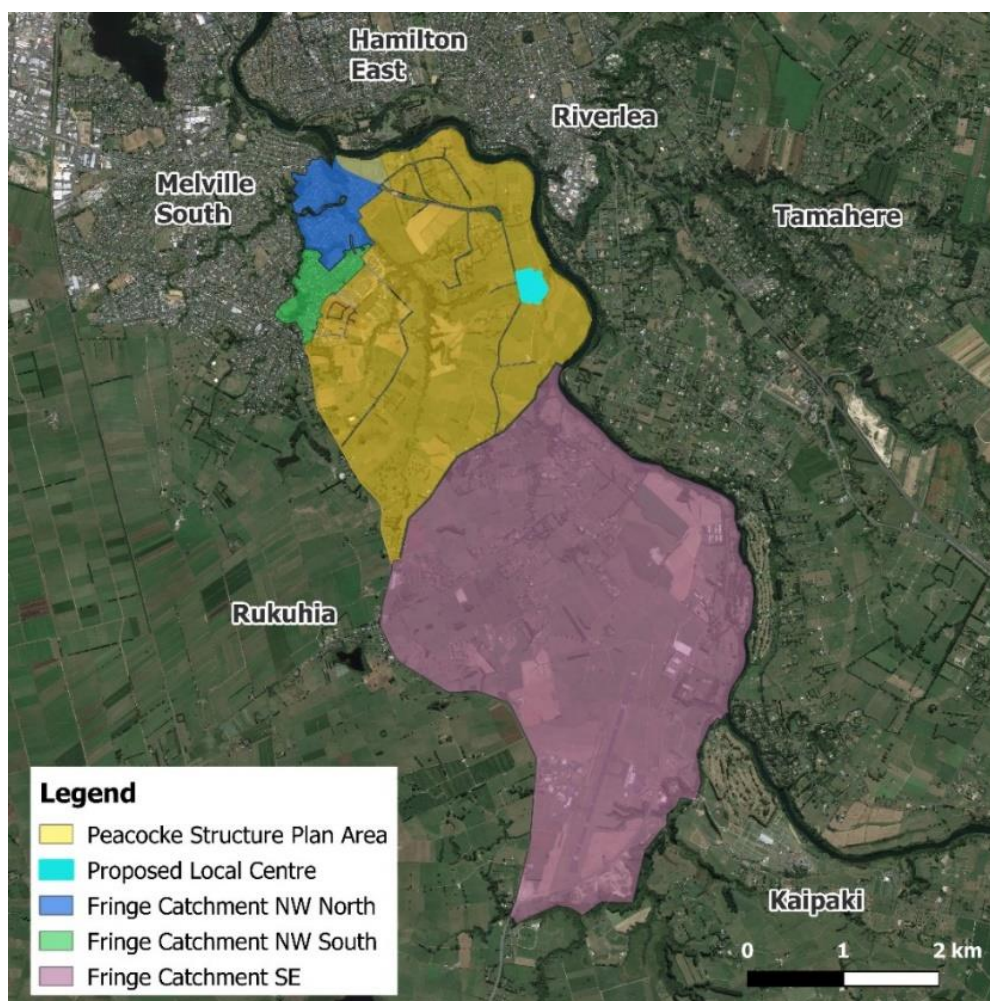
19. In my view it is an artificial construct to imply supermarkets are required to generate "main street" shoppers and "vibrancy". Supermarkets act as anchor tenants for centres to give weight and credibility to a centre as a commercial destination which other retailers can benefit off (if they are good enough), and assist the centre performing its role and function in the hierarchy. This secures the "place" of the centre in the minds of local shoppers and entrenches / reinforces shopping travel patterns of local residents.
20. Even if both supermarkets were located on the eastern side of Peacockes Road, that does not guarantee the Peacocke LCZ "main street" will be vibrant and successful. That will depend on a wide range of other commercial factors that supermarkets have limited control or influence over such as centre layout, ease of accessibility from main 'feeder' road(s), store profile, quality of store brands, and quality of fitout, built form, shopping environment, shopping experience, and individual store management (in my experience this can have a significant influence on economic performance of a store).
21. As such, having both supermarkets on one side of the road, in my view, has limited impact of the economic efficiency and economic successful of the Peacocke LCZ. What is more important is having the Centre's supermarkets in locations where they can operate and function efficiently with minimal accessibility friction for the community. This will provide the most benefit to the community and the centre.
22. Mr Akehurst determines that there is sufficient land on the eastern side of Peacockes Road to accommodate two supermarkets.¹ While that may be true, that fails to consider what is the most appropriate outcome for delivering the most economically efficient, commercially accessible and practical centre for the retailers and the local community.

Analysis of the ME Report

23. Figure 1 below shows the extent of the PSP centre catchment area utilised by ME in their 2020 retail assessment.
24. I am in broad agreement with this catchment and consider it represents an appropriate geographic area that the PSP local centre would primarily service, or where the local centre would be able to capture most of its frequent consumers. This area is also considered economically appropriate to assess future retail demand and centre land requirement.

¹ Gregory Akehurst primary statement, 2 September 2022, paragraph 64.

Figure 1: Catchment area of the proposed Peacocke Centres



Source: ME Report

Ground Floor Area

25. ME estimates that approximately 40% of their estimated total sustainable ground floor area ("**GFA**") should be provided for locally within the PSP area. In my view, around 50% of this sustainable retail GFA is a more efficient target to internalise within the proposed PSP centres, for the reasons discussed below.
26. Applying ME's 40% total sustainable GFA (or retail expenditure internalisation percentage) results in a land requirement of around 5ha for retail, commercial and community provision within the PSP area. Mr Akehurst's more recent update in his primary statement dated 2 September 2022 estimates a 5-6ha net commercial land requirement (excluding roads, public space and non-

centre activities).² This would equate to around 8.5ha gross land requirement.³ This means Mr Akehurst's 2022 gross land requirement update is around 70% higher than what ME projected only 2 years ago. This appears the result of Mr Akehurst's update appropriately factoring in implications of the MDRS and its likely dwelling uplift.

27. Applying what I consider a more appropriate 50% internalisation percentage provided for local retail, commercial and community provision results in a slightly higher land requirement of around 6.5ha net within the PSP area. This equates to around 10ha gross. This could be reduced if the LCZ traversed Peacockes Road, as this would reduce the requirement for internal roads within LCZ land, and therefore save LCZ land from being consumed by internal roading. This results in a more efficient use of the land resource.
28. I consider 50% internalisation is more appropriate to adopt as in my view two medium sized supermarkets (circa 3,000sqm-4,000sqm) will ultimately locate in the centre which would increase internalisation of spend generated in the catchment. This is strengthened by Mr Akehurst stating "*The assessment notes that this could amount to either one or two supermarkets, with the potential for two supermarkets further increased if a higher share of supermarket spend was captured locally*".⁴ The 7.8ha gross LCZ area in the PSP is slightly below the land requirement if the 50% internalisation scenario was applied.

Future Household Base

29. The subsequent introduction of the MDRS across every residential zone in Hamilton has the potential to substantially increase the potential capacity of the PSP beyond the levels assessed by ME 2020. This is acknowledged in the evidence by Mr Akehurst where he accepts the MDRS is now a factor.⁵
30. Mr Akehurst determines the Kāinga Ora submission could generate around 16,000 dwellings in Peacocke.⁶ This is significantly higher than the 9,896 dwellings (High scenario) that Mr Akehurst adopts.⁷

² Gregory Akehurst primary statement, 2 September 2022, paragraph 59.

³ 8.5ha gross is derived by dividing 5.5ha (the mid-point between 5-6ha net land requirement) by 0.65 to allow 35% of Local Centre land for roads, public space and non-centre activities.

⁴ Gregory Akehurst primary statement, 2 September 2022, paragraph 33.

⁵ Gregory Akehurst primary statement, 2 September 2022, paragraph 35.

⁶ Gregory Akehurst primary statement, 2 September 2022, paragraphs 38-40.

⁷ Gregory Akehurst primary statement, 2 September 2022, paragraph 37.

31. The reality is all these yield estimates are speculation, but I consider it reasonable that the ultimate yield of Peacocke at full capacity is likely to fall somewhere in between, i.e., higher than Mr Akehurst's High scenario of 9,896 dwellings and lower than his 16,000 dwellings he estimates under Kāinga Ora's submission. This would mean demand will likely be higher than Mr Akehurst's net 5-6ha High scenario estimate. This is important as Mr Akehurst himself states "*The size of Peacocke's dwelling yield will affect the level of demand for commercial activity and social infrastructure within local Peacocke commercial centres*".⁸ The October 2020 ME Report concluded that one large 4,500sqm GFA or two smaller supermarkets of around 2,500sqm GFA each can be accommodated within the catchment over the long term. However, Mr Akehurst's updated position in the JWS⁹ agreed that two medium sized supermarkets (up to 4,000sqm GFA) could be sustained by the market.
32. I consider two supermarkets are a more likely and beneficial outcome for two main reasons:
- (a) Two supermarkets provide increased competition in the market; and
 - (b) It is highly unlikely that one of the major supermarket brands would leave the entire market to its opposition, particularly now the catchment's household base is estimated to be even larger. A total population base of 20,000+ people in a catchment can sustain two supermarkets. The ME Report estimated a total population base of over 23,000 people by 2048 in the catchment (excluding any impacts of the MDRS provisions or Kāinga Ora's submission). Under Mr Akehurst's High scenario it is likely to be around 25,000 people (9,896 dwellings x 2.5 people per dwelling), and over 32,000 people if 13,000 dwellings were applied (the approximate mid-point between Mr Akehurst's 9,896 dwellings and Kāinga Ora's 16,000 dwellings). I consider there is material uplift potential in the total dwelling yield of the Peacocke catchment over the long term that provides increased surety around the two supermarket outcomes. The increased catchment population base also facilitates the two supermarkets individually being larger and likely closer to the upper end of the medium sized supermarket scale of 4,000sqm GFA.

⁸ Gregory Akehurst primary statement, 2 September 2022, paragraph 34.

⁹ PC5 – JWS Planning, Retail Economics and Urban Design 25 Aug 2022, paragraph 3.2.

Position of the Local Centre

33. The ME Report agrees with the Council's positioning of the proposed suburban centre in the eastern area of the PSP alongside the Waikato River. However, no evidence or economic justification is provided by ME in their report to support such a conclusion. Mr Akehurst considers a supermarket on the western side of the road would be likely to result in fragmentation of a centre and a sub-optimal outcome.¹⁰ These reasons appear more urban design matters than economic.
34. A more economic based reason provided by Mr Akehurst for opposing the Woolworths submission is "*that splintering the centre across Peacockes Road will result in a sub-optimal outcome as it becomes more difficult to carry out multipurpose trips at the centre without driving across the intersection, once supermarket shopping is completed, in order to access the fine grained retail to the east*".¹¹ As outlined above, the vast majority of supermarket visits are single purpose trips. Shoppers at the finer grain Main Street shops are likely to be 'picked up' on a separate visit to the centre, not when they are undertaking their main food and grocery shop.

Fragmentation

35. Mr Akehurst considers the Woolworths proposal will fragment the centre.¹² Again this concern has an urban design genesis, but from an economic perspective I do not agree a road in a centre automatically fragments a centre as long as there is good quality integration between both sides of the road. It is interesting to note the Adare Concept Plan attached to the JWS dated 25 August 2022¹³ ("**Concept Plan**") contain multiple roads in the LCZ. Furthermore, some of the carparking that would be provided on the Woolworths' site is likely to have less walking distance (eg be closer) to many shops on the "main street" than the parking shown on the same Concept Plan. This will make the Woolworths carpark attractive to many shoppers wanting to visit the "main street", facilitating integration.

¹⁰ Gregory Akehurst primary statement, 2 September 2022, paragraph 75.

¹¹ Gregory Akehurst primary statement, 2 September 2022, paragraph 91.

¹² Gregory Akehurst primary statement, 2 September 2022, Attachment 1, ME Consulting *Updated Technical Submissions and Response to Submissions*, August 2022 pg 7, first paragraph.

¹³ PC5 – JWS Planning, retail Economics and Urban Design 25 Aug 2022, Appended Concept Plan.

Integration

36. Mr Akehurst assumes shoppers have to drive across the intersection. This relates to integration which I will leave to the urban design experts to address, but it is incorrect to assume there are no crossing points for pedestrians, and shoppers will have to drive across the road to access activity on the eastern side of Peacockes Road, or north to the school. This also contradicts the Adare Concept Plan which clearly shows crossing points at all four corners of the intersection. Woolworths are experienced retail developers and it is in their economic interest to ensure a high a level of integration with all the activity surrounding the site. In my experience they are particularly adept at developing modern, highly successful, accessible and efficient convenience centres to the benefit of retail and shoppers alike.

LCZ - Location Economic Considerations

37. For the development of the Local Centre Zone Peacocke Precinct (LCZ – PREC1-PSP), Chapter 6B of PC5 states that:

The commercial and community hub of the Peacocke Structure Plan is located in the Peacocke Local Centre. It is anticipated that this centre will include a supermarket and a range of other commercial activities that provide for the needs and wellbeing of the community. It is important that the centre is easy to access on foot and on bike and is well serviced by public transport. The built environment should focus on the pedestrian and create active street frontages that are universally accessible.

38. It is within this context that I have considered the Woolworths site relative to the PSP LCZ position from an economic perspective.

Economic Benefits of the Site

39. The Woolworths site has several economic benefits being zoned LCZ and utilised as part of the Peacocke Local Centre, including:
- (a) **Enhanced centre visibility / profile** – Most retail and commercial service businesses that locate in convenience centres seek locations that offer a high level of exposure and profile to the community they serve. This is a cost-effective method of marketing and elevates the brand of a business significantly, particularly through subconscious

recall.¹⁴ The Woolworths site would extend the boundary of the LCZ to the west of Peacocke Road. The extension of the Local Centre would enhance the visibility of the stores within the LCZ from both Peacockes Road and Whatukooruru Road relative to the proposed location on the eastern side of Peacockes Road.

- (b) **Improved centre accessibility** – The inclusion of the Woolworths site in the LCZ would better leverage the proposed transport network and create a more accessible and vibrant shopping centre for the new Peacocke community. Peacockes Road is a critical asset to the local centre's success. Turning the centre away from Peacockes Road, where virtually all shoppers will approach the centre from (whether driving, walking, cycling, scooting, etc.) is inefficient and will compromise accessibility and economic performance.
- (c) **Increased diversity of business location choice** – The Woolworths site would provide increased business location choices for retail and commercial businesses. This creates more competitive land prices and tenancy rent levels, and therefore benefits commercial operators and cheaper prices for the community.
- (d) **Improved integration with High Density Residential** – The Woolworths site can provide more efficient integration with the proposed education facility to the north and extensive higher-density residential areas to the immediate west. This would allow for better consolidation and integration with the high-people generating activities within the PSP area, creating a more vibrant Peacocke centre. Specifically, there is an increase in the extent of High Density Residential Zone within a walkable catchment of the Woolworths' site compared to the PC5 proposed site on the eastern side of Peacockes Road which is otherwise surrounded by open space, and stormwater wetland to the east.
- (e) **Better balance of economic function** – Peacockes Road is strategically vital to the economic performance of the Peacocke Local Centre. The Woolworths site would enable the LCZ to straddle Peacockes Road providing a more balanced and accessible convenience centre. This would better leverage the strategic

¹⁴ Subconscious recall is when a consumer travels past an outlet frequently enough to be able to recall the outlet's location / store name, albeit the consumer may have never visited the store. This is more prevalent in local convenience centres.

economic function of both Peacockes Road and Whatukooruru Road.

- (f) **More efficient operation of a convenience centre** – The operation of supermarkets involves the frequent flow of delivery trucks, often multiple deliveries daily. I consider the Woolworths proposal would provide the supermarket with better accessibility with both the northern and eastern sides of the site having direct access to a road. In contrast, as I understand it, the supermarket position proposed in the Concept Plan is tucked away from the road with vehicular access primarily from the proposed main street, and the back of the supermarket / loading bays facing the public's main view of the centre from Peacocke's Road.

On this basis, I consider the Woolworth's site is an excellent location for a supermarket to operate and function efficiently and for the objective of the PSP to be more appropriately met, particularly in regard to its focus of ensuring "the centre is easy to access" and "... create active street frontages that are universally accessible".¹⁵

The objective of "the built environment should focus on the pedestrian" is better satisfied with the Woolworths proposal as having the LCZ all on the eastern side of Peacockes Road would require supermarket delivery trucks to travel along the 'main street'. Given their frequency, this is not conducive to creating an environment focused on pedestrians / shoppers, and not synonymous with high quality / high performing convenience centres.

This is the same for the growing click and collect grocery shopping option where vehicles drive straight to the supermarket pick up point (typically close to the supermarket's front entrance), collect their purchasers and drive off. All this traffic is better removed from the main street to better satisfy the aforementioned objectives.

- (g) **Improved business performance and productivity** – Given the aforementioned locational advantages, the Woolworths site would enhance the centre profile, improve business productivity, improve accessibility, and is more likely to attract ongoing investment in the centre providing a better local centre environment. This would consequently increase business income and investment returns,

¹⁵

Local Centre Zone Peacocke Precinct (LCZ – PREC1-PSP), Chapter 6B.

provide a more competitive market and pricing for consumers, and ensure the role, function, and vibrancy of the Peacocke Local Centre is maximised.

- (h) **More efficient use of LCZ land** – Establishing a supermarket on Woolworths site with two street frontages would reduce the requirement for LCZ land to be consumed by internal centre roads. The Concept Plan has a significant proportion of land utilised for internal roading to facilitate the movement of cars, trucks and pedestrians around the centre. This is not an efficient use of the land resource. The less LCZ land lost to centre roading, the more efficient the centre's land use.

Role of the "main street"

40. A local centre's primary function and success is based around convenience. They are small scale relative to larger town, metropolitan and city centres. In my experience, they do not have the breadth or depth of activities to create and sustain a "main street" in the way some might think of that design concept.
41. The Peacocke local centre will be a store specific or quick stop convenience centre. There will not be swaths of shoppers walking up and down the 'main street' browsing through the shops like in a larger town centre or shopping mall. This premise in my view is an artificial construct that may look attractive in a concept plan from an ideological perspective but is unlikely to bear any resemblance to market actualities. The main anchor retail stores (supermarkets) are predominantly sole destination trips.

Economic constraints of the approach proposed by the Council and Adare

42. The proposed location of the supermarket in the Concept Plan, in my view, would be a sub-optimal location for either of the major supermarket operators given their locational preferences and operational and function requirements. Many supermarket carparks are likely to be utilised by non-supermarket shoppers, and having inefficient parking and loading facilities will affect the economic performance of a supermarket with shoppers simply preferring to go to a more accessible / stress free supermarket where parking and accessibility is more readily available.
43. Adare's Concept Plan would also see supermarket shoppers having to travel on two roads (off Peacockes Road) just to get to the supermarket carpark. This compromises accessibility and increases the inconvenience to a convenience store.

Conclusion

43. Balancing all the economic considerations as set out above, and considering the potential economic outcomes of the Centre's supermarket(s) being located within the extent of the Local Centre as currently proposed, the Woolworths proposal is considered likely to generate significantly more economic benefits for the Peacocke community and local businesses relative to the Local Centre position identified in the PSP.

Timothy James Heath

16 September 2022