



SUBMISSION TO THE MINISTRY FOR THE ENVIRONMENT ON THE PROPOSED NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY

1. EXECUTIVE SUMMARY

1.1 Progressive Enterprises Limited ("**Progressive**") welcomes the opportunity to comment on the Proposed National Policy Statement on Urban Development Capacity ("**NPS**").

1.2 Progressive supports the objective of the NPS to provide sufficient residential and business development capacity for the short, medium and long terms. However, Progressive is concerned that the NPS will not result in adequate provision of sufficient, developable business land.

1.3 The Consultation Document states:¹

In general, the property market for business land does not appear to have the same extent of problems as the housing market. In most areas and for most types of business, the land available appears to be broadly sufficient and prices do not seem to increase as rapidly as they do with housing. In some urban areas there is even a possibility of oversupply of some kinds of business land. This can lead to underfunded infrastructure and struggling town centres.

1.4 We do not agree. In our experience, if sufficient and developable land is not made available for business use, the development costs to establish a supermarket becomes prohibitive. In some circumstances, a council could say there is "sufficient" business land available in their district, but that land might be too small, held in single ownership, inappropriate for retail development, or not close enough to the relevant residential catchment.

1.5 The NPS must promote the development of developable business land for a range of business uses to ensure that the price of business land does not become even more restrictive to development than it already is. Progressive also seeks amendments to the NPS to ensure that business development is given equal acknowledgement to residential development; that a lack of infrastructure is not inappropriately used by local authorities as a reason to restrict business development; and that councils are required to consult with and take into account the views of the business sector.

1.6 These matters and proposed amendments are detailed below.

2. PROGRESSIVE ENTERPRISES: WHO WE ARE

2.1 Progressive is one of New Zealand's leading supermarket operators. We currently operate 184 supermarkets across New Zealand. In the last three years Progressive has invested \$500 million in new stores, with a further \$225 million planned investment in FY16. Progressive is the second largest private sector employer in New Zealand, employing approximately 18,500 people.

2.2 Supermarkets serve an essential support function for domestic living, as well as providing an important economic function. New supermarkets are established in new or

¹ National Policy Statement on Urban Development Capacity Consultation Document, page 23.

growing residential catchments. In Auckland alone, it is estimated that at least 30 new supermarkets will be required over the next 30 years to serve the growing population.

- 2.3 However, regional and district planning frameworks often do not properly recognise the need for business growth to occur alongside residential growth. Homes are enabled, but the essential support activities for those homes, like supermarkets, are not.
- 2.4 Providing national direction in the NPS is critical to ensure that these activities are appropriately provided for. Given Progressive's significant past and planned further investment in New Zealand, the contents of the NPS will be integral to the continuing operation and development of Progressive's operations in New Zealand.

3. NPS: AMENDMENTS SOUGHT

Provision for the development of business land for a range of business uses

Case study #1: Richmond, Nelson

Progressive wants to establish a supermarket in the suburb of Richmond, in Nelson. However, we have not been able to find a site to purchase in Richmond that is big enough to accommodate a supermarket. Progressive usually requires sites between 1-1.5ha to establish a supermarket and car park. Progressive considered accumulating a number of smaller sites to accommodate a supermarket, however the cost to do so became uneconomic.

In order to satisfy the demand for a supermarket, Progressive is currently going through an extensive plan change and resource consent process in order to establish a supermarket on the outskirts of Richmond on rurally zoned land. This is a prime example where, due to the prohibitive lot size and commercial viability of land zoned commercial in a suburb, Progressive has had to go to significant lengths in order to establish a supermarket outside of identified commercial zones in order to meet residential demand.

Case study #2: Auckland

For the last 12 years, Progressive has sought to establish a supermarket in a growing residential area of Auckland, identified by the Council as "village growth" in the relevant operative plan and "local centre" in the Proposed Auckland Unitary Plan. A small area of land has been zoned in that area for commercial uses, however, for over 12 years it has been held in single ownership. The owner of this small area of land has put the price of his land so high - knowing commercially zoned land in the vicinity is rare - that Progressive is unable to develop a business case for establishing a supermarket on the site. There is no other business zoned land in the centre.

- 3.1 Progressive supports the Business Land Assessment under policy PB1 which estimates "the demand for **different types and locations of floor area for the local business sectors**".
- 3.2 However, local authorities need to recognise that there may be land identified for the development of business activities, but the land may be inappropriate for development due to a range of issues including but not limited to lot size, prohibitive pricing due to single owners of commercial land, complex leasing structures, and proximity to residential demand.
- 3.3 Unlike housing, it is unrealistic to expect retail activities and many other commercial activities to "go up rather than out". Retail in particular often needs to be located on the

ground floor. This is particularly true of supermarkets given their operational requirements including ease of access for foot traffic, and sufficient car parking and loading bays. People demand easy access to supermarkets. It is therefore critical that the NPS takes into account the need for the functional and operational requirements of different business land and the need for outward expansion of certain business activities.

- 3.4 There needs to be greater direction in the NPS for local authorities to expressly provide for the functional and operational requirements of business activities and the need for outward expansion of certain business activities to meet demands of residential growth. Such an approach will provide flexibility to businesses as to what land they purchase and how they develop sites to meet the demand of the surrounding residential land. This greater flexibility will in turn lead to greater investment in business land.
- 3.5 To further address functional and operational issues faced by businesses in developing land, local authorities should be required, in carrying out their Business Land Assessments under policy PB1, to estimate demand for different types and locations of lot sizes in addition to floor area. This will assist in developing Business Land Assessments that more fully take into account the requirements of different business land and enable local authorities to have a better basis by which to determine how to provide for sufficient development capacity.
- 3.6 Amendments to the definition of demand and the additional bullet points proposed for Policy PA1 below will further assist in decision-makers providing for the functional and operational requirements of business land and ensure that demand for different locations of business land is not inappropriately restricted to being "within the urban area".
- 3.7 Progressive also considers there should be greater provision in policy PB5 as to the range of business indicators local authorities must monitor to ensure they are well-informed about the market's response to planning.
- 3.8 As illustrated in case study #2 above, in Progressive's experience, the development of supermarkets is often hampered because lots that are zoned for commercial use are all held by a single landowner. This gives the landowner a certain monopoly over an area which allows them to charge substantial amounts to lease or buy the land making the land commercially unviable to establish a supermarket on.
- 3.9 This illustrates the complex factors that must be taken into account when Progressive decides to establish a new supermarket in an area undergoing significant residential development. Such factors need to be monitored by local authorities as part of the range of indicators they are required to monitor under policy PB5. This will enable local authorities to have a better grasp over what the business sector requires to develop specific business activities on.
- 3.10 For further clarity, detailed guidance should be provided by the Ministry to local authorities on how to undertake the monitoring.

Relief sought

Amend the following definition:

Demand means:

In relation to residential development, the demand for residential dwellings within an urban area in the short, medium and long-terms, having particular

regard to:

- a) the total number of dwellings required to meet projected household growth;
- b) demand for different types of dwellings;
- c) the demand for different locations within the urban area; and
- d) the demand for different price points.

recognising that people will trade off (b), (c) and (d) to meet their own needs and preferences.

In relation to business land, the demand for floor area and lot sizes in the short, medium and long-terms, having particular regard to:

- a) the quantum of floor area to meet forecast growth in different sectors;
- b) the demands of both land extensive and intensive activities; ~~and~~
- c) the demand for different locations ~~within the urban area;~~ and
- d) the demand for different types and locations of lot sizes.

Insert the following bullet points in policy PA1:

- Providing for the functional and operational requirements of different business activities and development.
- Providing for the outward expansion of different business activities to meet the demands of residential growth.

Amend the second bullet point of policy PB1 as follows:

- A Business Land Assessment that estimates the demand for the different types and locations of floor area and lot size for the local business sectors, and the supply of development capacity to meet that demand, in the short, medium and long-terms.

Amend policy PB5 as follows:

PB5: To ensure that local authorities are well-informed about the market's response to planning, local authorities must monitor a range of indicators on a quarterly basis, or as frequently as possible, including:

- The relative affordability of housing, including the ratio of house price to income and the relative cost to rent;
- The increase in house prices and rents;
- The number of resource and building consents granted relative to the growth in population;
- Vacancy rates for business land;
- The increase in land value for business land;
- The number and type of lots available for different business activities;
- The number of lots available for business activities that are owned by a

single entity:

- The proximity of business land to current and future residential land;
- The ratio of the value of land between rural and urban zoned land; and
- The ratio of the value of improvements to the value of land within the urban area...

Provide detailed guidance on how local authorities should carry out the monitoring under policies PB1 to PB5, including local authorities specifically taking into account the different types of business land.

Equal acknowledgement of residential and business land

Case study #3: Beachlands, Auckland

In Beachlands, Auckland, the Council had rezoned a significant area as residential but zoned no suitable land as business to service it. Progressive had to seek a plan change (which was appealed to the Environment Court) to rezone 6ha to commercial from residential, to allow an entire town centre, including a supermarket, to be developed because the existing retail strip could not accommodate any of the growth needed to service the new residential area. This is despite the council providing for future urban growth in the area and the clear need for business activities to service the residential development.

The time and cost in seeking a private plan change to zone business land to support the growing residential population illustrates the obstacles to providing business land alongside residential land in order to maintain and develop efficient and effective urban areas. It also illustrates how councils can fail to adequately provide for business land to support the residential growth their district plans promote.

- 3.11 Progressive supports OA2 which calls on local authorities to provide sufficient residential and business capacity to meet demand.
- 3.12 However, residential capacity appears to be given far greater weight in the NPS than business capacity. For example, PD4, PD5, and PD6 solely relate to residential development capacity.
- 3.13 The provision of developable business land is a vital part of providing effective and efficient urban areas. Residential and business development need to be equally acknowledged in the NPS in order to ensure that local authorities do not simply focus on residential capacity at the cost of business land, which could significantly impact on the liveability of an area. This is particularly relevant in the context of supermarkets, which people expect convenient access to, given that food is a necessity item.
- 3.14 We recommend policies PD4, PD5, and PD6 are amended to achieve equal weighting of residential and business development throughout the NPS.

Relief sought

Amend policies PD4, PD5, and PD6 as follows:

PD4: In giving effect to policy PD1 with respect to residential and business development capacity local authorities should have particular regard to enabling capacity:

- In the locations that the Housing and Business Land Assessments, required under policy PB1, indicates are of highest demand; and
- That is feasible.

such that it maximises the contribution to meeting demand for residential and business development.

[...]

Regional councils must have amended their proposed and operative regional policy statement to give effect to policies PD5 to PD6 by:

- The end of 2018; or
- Earlier if the Housing and Business Land Assessments required under policy PB1 shows development capacity is insufficient to meet demand; or
- Within 12 months of becoming a High Growth Urban Area.

PD5: Regional councils must set minimum targets for the supply of sufficient residential and business development capacity that must be achieved, in accordance with its Housing and Business Land Assessments, and incorporate these into the relevant regional policy statement.

~~These~~ minimum targets for residential development capacity must specify:

- The total number of dwellings; and
- Different types of dwellings.

The minimum targets for business development capacity must specify:

- The total number of business lots (including the size of those lots); and
- Different types of business lots to provide for different types of productive economic activities.

[...]

PD6: A regional council's minimum targets set under policy PD5 must be set for the medium and long terms, and must be reviewed every three years. When a regional council's Housing and Business Assessments required under policy PB1 shows that the minimum targets set in the regional policy statement are insufficient to meet demand, regional councils must revise those minimum targets in accordance with policy PD5 and incorporate those targets into its regional policy statement in accordance with section 55(2A) of the Act without using the process in Schedule 1 of the Act.

[...]

Provision for infrastructure

Case study #4: Hobsonville, Auckland

In the case of the recently developed Countdown in Hobsonville, Auckland, the site required significant stormwater works to establish the supermarket. In order to progress

development of the supermarket and satisfy increasing demand, Progressive paid upfront for the stormwater works to be constructed, rather than wait for the Council to carry out the works at some undetermined future time.

- 3.15 Lack of serviced land is a common obstacle for the development of business and residential land. It is critical that local authorities work closely with infrastructure providers when providing sufficient development capacity, and we support the policies in the NPS which require local authorities to do so.
- 3.16 However, Progressive is concerned that the NPS as currently framed (and particularly policies PA1 and PB3) will allow local authorities to inappropriately use the lack of infrastructure as a reason to not provide business and residential land.
- 3.17 The Hobsonville Countdown is an example of why the NPS needs to provide sufficient flexibility for the provision of infrastructure to service residential and business development. While land identified for potential development may not currently be serviced by infrastructure, there may be situations where a developer is prepared to fund or construct the infrastructure in order to bring the development of that land forward. The NPS needs to be flexible enough to allow such options to be taken into account when local authorities and infrastructure providers are considering land to develop.
- 3.18 Progressive considers that the requirements within policies PA1 and PB3 for infrastructure to be considered are unnecessary and have the real potential to be inappropriately used by local authorities as a reason to not provide land for residential and business development.

Relief sought

Amend policy PA1 as follows.

By decision-makers:

- Providing for an urban form that maximises the potential for social and economic exchange within the urban area.
- Providing for the efficient use of resources, having particular regard to scarce urban land ~~and infrastructure.~~
- Enabling the competitive operation of land and development markets.

Amend policy PB3 as follows:

PB3: In carrying out the assessments required under policy PB1, local authorities must estimate the sufficiency of development capacity provided by its plans and proposed and operative regional policy statements, having particular regard to:

- The cumulative effect of all zoning, objectives, policies, rules and overlays in plans, and the effect this will have on opportunities for development being taken up.
- ~~The actual and likely availability of infrastructure.~~
- The current physical and commercial feasibility of development capacity.
- The likelihood of opportunities for development being taken up.

and must estimate the additional development capacity needed if any of these factors indicate that the supply of development capacity is not likely to meet demand in the short, medium or long-term.

Ensuring appropriate consultation

- 3.19 Policy PB4 requires local authorities when carrying out the Housing and Business Land Assessments to:
- ...consult with infrastructure providers, community and social housing providers, the property development sector and any other stakeholders as they see fit.
- 3.20 In addition, the second bullet point of policy PD9 requires local authorities, when developing a future land release and intensification strategy, to:
- [t]ake into account the views of infrastructure providers, land owners, the property development sector and any other stakeholders as they see fit.
- 3.21 No detail is provided in the NPS as to which key stakeholders would fall within "the property development sector". While supermarket operators could potentially be considered as part of the "any other stakeholder" provision, local authorities need only consult with those other stakeholders "as they see fit". This means there is no assurance in the NPS that the relevant local authority will consult with key stakeholders in the business sector in carrying out these critical assessments and developing the future land release and intensification strategy.
- 3.22 Business activities, such as supermarkets, provide critical support to local communities. Local authorities should be required to consult with the business sector in relation to assessments and strategies for the release of residential and business land to ensure that local communities are adequately serviced by the business sector, including supermarkets, and sufficient and appropriate land is provided for their development.
- 3.23 The business sector is a vital resource with extensive experience in developing/ redeveloping land and operating a wide spectrum of business activities. Consultation allows the business sector to inform local authorities as to the specific measures that need to be taken to meet business demand and the residential thresholds to meet at which they would consider establishing their business. Supermarket operators, like Progressive, have been developing and operating supermarkets across the country for decades and are the best placed stakeholders to provide such information to local authorities. They should be consulted.
- 3.24 Progressive also seeks clarification as to how consultation will take place in practice. In order to effectively implement policies PB4 and PD9, local authorities will need clear guidance from the Ministry as to how local authorities will identify appropriate stakeholders in the business sector to consult with.

Relief sought

Amend policy PB4 as follows:

PB4: In carrying out the assessments required under policy PB1, local authorities must consult with infrastructure providers, community and social housing providers, the property development sector, business sector, and any other stakeholders ~~as they see fit~~.

Amend the second bullet point of policy PD9 as follows:

- Consult with and take into account the views of infrastructure providers, land owners, the property development sector, business sector, and any other stakeholders ~~as they see fit~~;

Provide detailed direction in a Ministry for the Environment guidance document on how local authorities should carry out consultation under policies PB4 and PD9, including a requirement that relevant key retailers are consulted when residential and business land could potentially require retail activities.

Ensuring monitoring assessments are published

- 3.25 Under PB1 and PB5 "[l]ocal authorities must have regard to the benefits of publishing" the Housing and Business Land Assessments and the results of local authorities monitoring of a range of indicators. Progressive considers that local authorities should be required to publish the assessments and monitoring under the NPS, rather than merely have regard to the benefits of publishing them.
- 3.26 Requiring the assessments and monitoring to be published places an appropriate check on the local authorities that they are effectively carrying out the objectives and policies of the NPS. If a local authority decides not to publish its assessments and monitoring, key stakeholders will struggle to determine whether appropriate monitoring is being undertaken by the local authorities and whether key indicators are being taken into account.
- 3.27 The assessments also provide critical information to the business and development sector as to potential future demand for business activities and allows them to forecast with greater clarity the business needs in the short, medium and long terms.

Relief sought

Amend the last sentence of PB1 as follows:

Local authorities must ~~have regard to the benefits of publishing~~ the assessments under policy PB1.

Amend the last sentence of policy PB5 as follows:

Local authorities must ~~have regard to the benefits of publishing~~ the results of its monitoring under policy PB5.

Definitions: "urban area"

- 3.28 The definition as currently provided will enable local authorities to discount rezoning developable greenfield land on the basis that the land does not have "urban characteristics" and a "moderate to high concentration of population".
- 3.29 In any case, Appendix A1 provides a detailed classification of urban areas. As such a definition of "urban area" is unnecessary and will lead to confusion as to what amounts to an urban area when this is already clearly identified in Appendix A1.

Relief sought

Delete the definition of "urban area".

PROGRESSIVE ENTERPRISES LIMITED:**Signature:**

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