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Commercial Zone Review and Large Format Retailing Strategy 2003 – 2023

Report for Hastings District Council
by McDermott Miller Limited, Strategic Planning Consultants
18 June 2003 Second Edition

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1. REVIEW PURPOSE AND METHODOLOGY

1.1 THE DISTRICT COUNCIL'S VISION

The Hastings District Council's Vision is:
"Hastings, the lifestyle of choice, a place of opportunities"

Its mission is:
"Working with out people towards a progressive and proud community"

Under the focus area of "*Economic Growth*", the Strategic Plan's outcome is: *"Opportunities abound and are being realised by people living and moving here"*

Under this focus area, strategies include:
"Provide policies, services and infrastructure that attract and enable new and existing businesses and people to succeed"

and

"Develop a strong and marketable Hastings identity within Hawkes Bay"

The Council's vision of the role and function of Hastings CBD is expressed in the Hastings District Plan. To quote from the Brief:

"The Hastings District Plan has a suite of objectives and policies aimed at reinforcing the compact nature of the Central City Business Area as the retailing and administrative hub of the City."

The vision is elaborated in urban design terms in the *Hastings CBD Strategy*, prepared in March 2000.

VALUING THE CBD

The Hastings District Council recognises that the Hasting City CBD is primarily a place of employment, exchange and social interaction. It is where a large number of people go to work, to do business, to shop or to be entertained.

Internationally, city governments in recent years have embarked on development programmes designed to revitalise central city areas. Generally, their strategies have involved public/private partnerships, which have focussed on positioning cities to take advantage of contemporary consumerism by planning landscapes that will enhance their share of consumption. Strategies have included:

- 'the deindustrialisation of the older industrial areas';
- the promotion of the desirability of living in the city;
- a 'central role ascribed to leisure, the arts and culture';
- the 're-invention of urbanity', supporting a city lifestyle with a focus on retail, food services and entertainment;
- the creation of the 'night-time economy'.

While not all these strategies are relevant to Hastings, for reasons of scale, the District Plan does acknowledge:

- a growing interest in improving the amenities associated with the CBD;
- the need to accommodate a wider mix of activities based on new economic uses for existing buildings and spaces (e.g. education, recreation, housing);
- a renewed focus on central city revitalisation and;
- the extent to which the business activities located within the centre make a significant contribution to the city's economic and social well-being.

1.2 MOTIVATION FOR THE REVIEW

Development Issues

Several issues had arisen which motivated Hastings District Council to undertake research into the effectiveness of current District Plan provisions relating to retailing. As listed in the Consultants Brief, these are:

- *"Improved economic conditions and demand for expansion of existing business and the attraction of new ones*
- *A perception by some that there is a shortage of large lots and undeveloped zone land with the current commercially zoned areas*
- *The trend towards large format ("big box") retailing and for such retailers to locate in close proximity to one another*
- *The impact the large format retailing may have on CBD amenity value and infrastructure such as parking and traffic networks*
- *The potential for resource consents for greenfields development being applied for"*

In face of these issues, concern had arisen that there are both *"needs and opportunities"* for extension of commercial zoning beyond the current Central Commercial and Commercial Service Zone boundaries.

An official report to the Hastings Development and Environment Committee on 14 November on *Strategy for Large Format Retail Development in Hastings* makes it clear that there are immediate pressures on the District Plan's provisions as *"a number of large format retailers (want) to expand or locate in Hastings"* and *"there appear at least on the surface to be limited opportunities within the existing CBD zone boundaries to meet the current and future demand for such developments"*

The most pressing large format retail proposal is for a megacentre development on Nelson Park. This would involve use of publicly owned land and presents the Hastings District Council with options to transfer the land for private development, or to undertake the development itself, or undertake it jointly with a private developer. It was recognised, while these options may offer potential financial benefits they also involve a loss of public amenity which would require justification.

Review Initiated

In response to these issues the Hastings District Council recognised the benefits of a strategic approach in planning for the next 20 years of retailing in Hastings.

It established a joint Council and retail industry working party to review the District Plan commercial zones and devise a long term strategy for large format retailing development. Subsequently the Council engaged consultants (McDermott Miller Limited) to assist it and the Large Format Retail Working Party.

LFR Location Options

The options for location of Large Format Retail (LFR) stores perceived at the outset of the Review were:

- Redevelopment of existing CBD blocks
- Expanding the commercial area to encompass, inter-alia, Nelson Park.
- Greenfields:
  - Sale yards/Racecourse
  - Hastings end of Havelock Rd
  - Corner Omahu and Napier – Hastings Expressway

In the course of the Review a further location option was identified:

- Between Tutaekuri River and Link Road off the Expressway

Do Nothing Option

The "do nothing" option was considered by the Working Party, but discounted early on. This was because it felt a lack of available land for Large Format development would likely result in Large Format Retailers or developers applying for resource consents on individual Greenfield sites. It believed, unless Hastings Council has an up-to-date and workable retail strategy that provides for large format retail, the Council may not be able to successfully oppose these resource consents in the Environment Court. In other words, "doing nothing" was seen as a high-risk option with potentially significant impacts.

1.3 OUTCOMES, OBJECTIVES AND OUTPUTS

Key Outcome of the Review

In the Consultants Brief, November 2002 the outcome sought from the *Hastings Commercial Zone Review and Strategy for Large Format Retailing 2003-2023* is:

"...to provide Council with the necessary analytical foundation to be able to strategically plan for the future retailing needs of Hastings District"

Source: Consultants Brief, November 2002.

Objectives of the Review

The objectives of the Review are:

- To ensure that the current and future vitality and economic viability of the CBD is not compromised
- To plan for future business development, particularly retail development, in locations where the proximity of businesses provides sufficient critical mass of activities from which all customers will benefit
- To support an efficient, competitive and innovative retail sector through effective land use planning
- To ensure that a wide range of shops, employment, services and facilities are available in Hastings that are easily accessible for people.
- The Hastings CBD is defined in the Brief as *"that area identified in the District Plan by the Central Commercial Zone"*

As a matter of note, The Hastings Central Commercial Zone is subdivided into the five "sectors", as described in Section 9.4 of the Proposed District Plan, as follows:

The District Plan states:

"Council will promote the development of five defined sectors and encourage groupings of compatible businesses to locate within them and match its investment in parking, roading and infrastructure to the needs of commercial activities of the particular area. The five sectors... are as follows;

- *Central Retail Core – Catering primarily for pedestrian oriented retail shops and commercial uses;*
- *Stand-alone Retail Sector – Located to the north of the Central Retail Core, catering for large retail and commercial firms requiring easy accessibility, large areas of land, and ample off-street parking;*
- *Mixed Commercial Office and Retail Sector – catering for both pedestrians and vehicle borne clientele, at both ends of the Central Retail Core;*
- *Professional and Administrative Office Sector – Located to the south west of the Central Retail Core, based on existing high quality office development*
- *Civic Governmental and Cultural Sector - located to the south east of the Central Retail Core"*

The main traffic corridors leading into the CBD are zoned "Commercial Service"

Outputs

The Outputs required from the Review are:

- An assessment of current and **emerging retail trends and** their relevance to **land use patterns** in Hastings
- An analysis of current and projected retail and other business floor space capacity and demand

- An assessment of the degrees to which there is adequate scope for change, renewal and diversification of retailing and business activity within the existing CBD
- A determination of:
  - ***future retail location needs***
  - *the **time horizon** associated with these needs*
  - *identify **areas with potential for accommodating these needs***
- An investigation of the suitability of areas for expansion on the outer-fringe of the CBD Central Commercial zone.
- A review whether modifications are required to existing District Plan rules to achieve the Strategy
- A determination whether there are any other effective instruments for Council to deal with the demand for large format retail development, including but not limited to:
  - *Proactively assimilating sufficiently sized land parcels to accommodate large format retailing in appropriate CBD or CBD fringe locations*
  - *Promoting greenfields sites for a Regional destination retail centre in appropriate locations*
  - *Limiting the amount of or rate of growth in large format retail development to a level that is compatible with the role and function of the CBD as the business and social hub of the Community.*
  - *Forcing greater intensity of land development in the CBD through underground or roof top parking associated with large format retailing.*

1.4 RETAIL PLANNING METHOD

Retail planning in the past has been dominated by a set of assumptions derived from Central Place Theory. This theory attempts to explain patterns of urbanisation and the spatial distribution of retail services.

The theory consists of two basic concepts:

- **threshold** – the minimum market needed to bring a firm or city selling goods and services into existence and to keep it in business
- **range** - the average maximum distance people will travel to purchase goods and services

It assumes that consumers act rationally to minimise transportation costs (including time) by going to the closest location for what they are seeking and that retail services will therefore tend to be concentrated in a central location relative to distribution of the local population. Crudely interpreted, Central Place Theory suggests why Hastings has developed more strongly than neighbouring communities because of its centrality to the Heretaunga Plains region; and its CBD has developed as the principal site of retailing because of its centrality in the city.

While these assumptions have some validity, a number of factors suggest that retailing no longer conforms completely to this pattern of development.

- **Increased Mobility**. People are very mobile today. Car ownership is the norm. This means people can travel to a variety of sites which may not be centralised if there is an incentive for them to do so.
- **New Forms of Retailing**. To some extent, retail services are becoming a spatial. Alternative routes to traditional retail, including catalogues, web-based retailing and TV home shopping are having some impact on impact on the competitive environment. In the United States, for instance:
  - between 1987 and 1992, catalogue mail order was the fastest growing single retail industry, adding 550 establishments and 27,000 employees
  - since 1990, mail order sales have grown at a strong 9.9 percent per year, which was twice the average growth of non-auto retail sales and 1.7 time the average growth of general merchandise, apparel and furniture store sales.
- **A Two-Tier Retail Market**. Many authorities now refer to the development of a two-tier retail market:
  - The first tier involves comparison retailing and is essentially a leisure activity where shopping is combined with socialising, food and drink within a pedestrian environment (either in a CBD or a mall);
  - The second is more functionally focussed, generally dependent on car transportation and involving the acquisition of essential items or capital purchases at supermarkets or bulk retail outlets.

Each of these activities has different characteristics and raises different planning issues, which have relevance respectively to the core CBD and the wider Central Commercial/Commercial service zones.

1.5 GENERAL APPROACH

McDermott Miller's general approach and method draws on contemporary retail planning experience and was designed to achieve the outcome and outputs of the review as expressed in the consultant's Brief and restated in **Section 1.3** above.

Our approach has been comprehensive and systematic in order to achieve the desired outcomes of the Review fully. It produced:

- A recommended Retail Development Strategy, based on a comprehensive research and evaluation of cost and benefits to all stakeholders;
- A feasible method for implementing the Strategy, based on district planning, marketing and other complementary initiatives by Hastings District Council and the commercial sector; and,
- Robust research and technical analysis upon which to draw independent expert evidence for prospective hearings under the Resource Management Act.

This strategy planning philosophy shaped the review work programme and technical methodology described below.

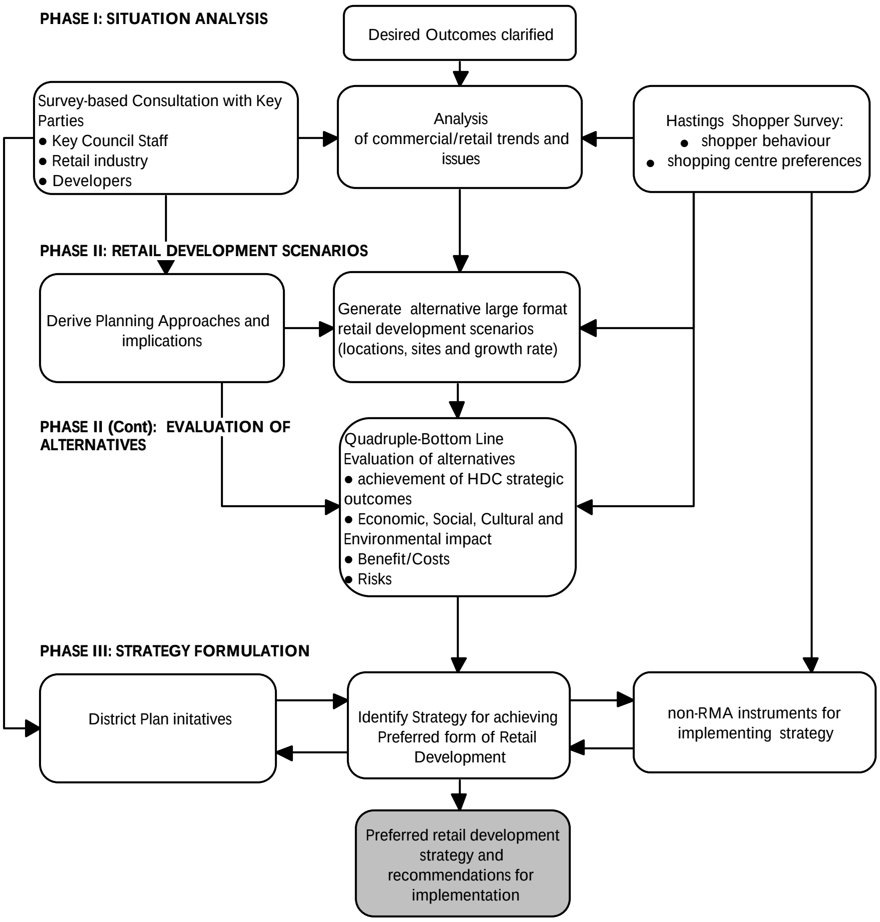
In summary, the work programme divided into four phases:

- Phase 1 Situation Analysis
- Phase II Generate and Evaluate Alternative Retail Development Scenarios
- Phase III Strategy Formulation and Preliminary Draft Strategy
- Phase IV Reporting

Our approach and method is depicted broadly in **Figure 1.1** below and detailed in **Section 1.8** Scope of Work.

Figure 1.1 Hastings Commercial Strategy Review

Broad Approach



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1.6 SCOPE OF WORK

Phase I Situation Analysis

This phase of the Review produced the outputs:

- An assessment of **current** and **emerging retail trends** and their relevance to **land use patterns** in Hastings

- An analysis of current and projected retail and other business floor space capacity and demand

Work included:

- Desired Outcomes Clarified and Documentary Review
- Consultation with Key Parties, including Key Council staff, External Agencies and Persons
- Surveys of household shoppers, central Hastings retailers and businesses, and major retail operators and developers
- Analysis of Retail trends and issues
- Analysis of Industry Trends
- Statistical Analysis of Retail Industry in Hastings
- Analysis of Household Demand
- Demand/Supply Balance
- Current and Projected retail floor space capacity and demand
- District Planning Issues

Phase II Generate and Evaluate Alternative Retail Development Scenarios

This phase of the Review generated the outputs:

- An assessment of the degree to which there is adequate scope for change, renewal and diversification of retailing and business activity within the existing CBD
- A determination of:
  - ***future retail location needs***
  - *the* ***time horizon*** *associated with these needs*
  - *identify* ***areas with potential for accommodating these needs***
- An investigation of the **suitability of fringe areas for expansion** of the CBD zone outer business zone.

Work involved:

- Retail Impact Assessment Model Development
- Generation of alternative retail development scenarios including site options for major retail development (in consultation with client)
- Definition of "Quadruple Bottom Line" performance criteria including those listed in Section 3 of the Brief
- Evaluation of development scenarios in terms of the criteria

Phase III Strategy Formulation and Preliminary Draft

This phase of the Review produced the outputs"

- A review whether modifications are required to existing District Plan rules to achieve the Strategy

- A determination whether there are any other effective instruments for Council to deal with the demand for large format retail development, including but not limited to:
  - *Proactively assimilating sufficiently sized land parcels to accommodate large format retailing in appropriate CBD or CBD fringe locations*
  - *Promoting greenfields sites for a Regional destination retail centre in appropriate locations*
  - *Limiting the amount of or rate of growth in large format retail development to a level that is compatible with the role and function of the CBD as the business and social hub of the Community.*
  - *Forcing greater intensity of land development in the CBD through underground or roof top parking associated with large format retailing.*

Work included:

- Strategy Formulation
- Identification of a Strategy for achieving Preferred form of Retail Development
- Identification of non-RMA instruments for implementing strategy.
- District Planning Initiatives
- Preparation of a preliminary draft report and its submission for comment

Phase IV Reporting

This phase of the Review would achieve:

Work included:

- Presentation to Working Party of Preliminary Report
- Prepare consultation draft after review by client
- Presentation to Council Workshop of Consultation Report and draft retail strategy
- Preparation of final report after public comment

Presentation of Final report to Decision on Plan Changes Meeting of the Hastings District Council.

1.7 RETAIL PLANNING AREA

Figure 1.2 illustrates the planning area used in the review.

The planning area encompasses the territory within Hastings District and Napier City.

- The spending power of all households in this area contribute to the demand side of our retail analysis, as does the spending of visitors to the districts.
- We estimate the sales in all significant shopping centres in the Hastings District, and in the remaining areas of the District outside the shopping centres.

- Spending contribution into the planning area is estimated from Napier City, and the adjacent Districts immediately south (Central Hawkes Bay District) and north (Wairoa District) of the planning area. However, we do not estimate sales at stores in these Districts.

We do not draw "catchment" boundaries within this planning area, although in Section 4.1 we estimate the (substantial) flows of spending from Hastings District households to Napier City stores and vice versa. The entire planning area can be considered a single catchment.

The Hastings Retail Model, developed during the course of the study, enable estimation of sales of new shopping centres, and the impact of these on existing centres, without requiring smaller catchments to be defined.

The primary retail centres included in the planning area are:

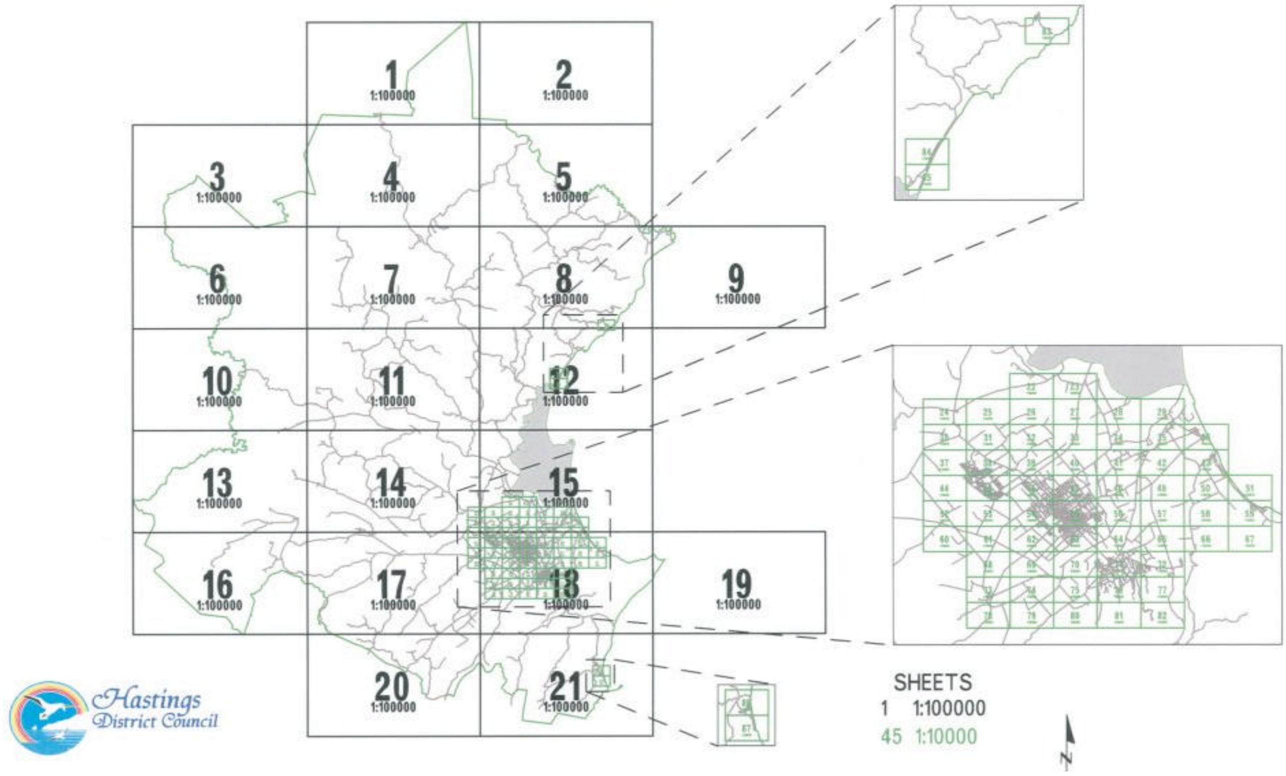
- Hastings CBD (subdivided at the finest level into 10 sub-centres)
- Hastings Periphery (subdivided at the finest level into 9 sub-centres)
- Napier CBD
- Napier CBD Periphery

The secondary retail centres included are:

- Havelock North
- Flaxmere
- Taradale

There are also eleven minor centres included in the Hastings Retail Model, some which are included only because of possible future developments at them.

Figure 1.2: Hawkes Bay Planning Area



Source: Hastings District Council

1.8 GLOSSARY OF TERMS

Terms used frequently in this report are defined below:

AREAS

Central Commercial Zone	As defined in the Hastings District Plan and shown on **Figure XX.** This equates to Hastings CBD.
Hastings CBD	The Hastings CBD is defined in the Consultants Brief as *"that area identified in the District Plan by the Central Commercial Zone"*
Core CBD	Core blocks defined in maps **Figure X.** This is defined in the brief as **Central Retail Core**, and as being occupied predominantly by comparative shopping and pedestrian oriented retail activities and financial services.
Non-Core CBD	Called in the brief the **Stand Alone Sector** and features retailing in "Large Format Retail Stores (LFR)".
Hastings CBD Periphery	CBD periphery are the Commercial Service Zone and Central Residential Commercial Zone in Hastings. The former covers the main traffic corridors leading into the CBD.
Urban Hastings	The area defined by the residential, commercial and industrial zones of Hastings City, Havelock North and Flaxmere.
Hastings Urban Fringe	Rural area adjacent to Hastings City boundary.
West Core East Core	Quarters of the Core CBD, west and east respectively of the railway line **(see Figure 3.1).**
North East Periphery South East Periphery South West Periphery North West Periphery	These are the quarters out from CBD core, taking in all the non-residential zones in the quadrants that are peripheral to the Core CBD.
Napier	Boundaries of Napier City

LOCATIONS AND SCENARIOS

LFR location options	Potential sites for development of large format retail stores.
Retail Development Scenarios	Hypothesised patterns of LFR development either in stand-alone or megacentre form which realistically could eventuate within the Hastings District and Napier City boundaries over the planning period 2003-2023 under different district plan policies.
Alternative Retail Development Scenarios	Mutually exclusive scenarios per above alternatively taking the form of urban consolidation of Hastings, urban expansion of Hastings , or "greenfield" dispersion beyond Hastings urban fringe.

RETAILING DEFINITIONS

Large Format Retail (LFR)	Large retail stores, usually on one level and with associated car parking; these include discount department stores, others offer items such as household furniture and furnishings, appliances, garden supplies, home decorating and building supplies. Examples in Hastings are The Warehouse, Big Save Furniture, Noel Leeming, Mitre 10, and Harvey Norman. New generation LFR stores can have floorplates of more than 10,000 square metres and sites of 2 to 3 hectares. These are sometimes called "megastores".
Standalone	LFR stores separate from other shops and large format stores, with their own car parking
Powerstrip	A collection of LFR stores located individually along a common street on their own sites and with separate parking. "Powerstrips" can be in the commercial zones of the CBD, but sometimes occur outside it in the surrounding commercial service and industrial zones
Megacentre	A collection of Large Format Retailers on a common large site (around 5 hectares or the equivalent of 5 Hastings City blocks) acquired by a separate property developer and later promoted by the retailers as a single shopping destination. The typical Megacentre is built around a large shared central carpark.
Comparison Goods Retailing	Comparison goods retailing comprises clothing, personal items, and household items including consumer durables (they do not include grocery items). Trips for comparison retailing frequently involve visits to a number of stores in order to compare the range of goods on offer.
Personal and Household Services	Stores which primarily provide services rather than goods; hairdressers dry cleaners, film processing, video/DVD hire, footwear repairs, etc
Retail model	Computerised model which simulates the retail market, enabling systematic spatial evaluation of the sales performance and employment effects of hypothesised future retail developments.