

**REPORT TO: COUNCIL**

**MEETING DATE: MONDAY, 9 FEBRUARY 2009**

**FROM: MARK CLEWS, GROUP MANAGER STRATEGIC DEVELOPMENT  
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**SUBJECT: THE DRAFT LTCCP 2009-19 AND THE INDUSTRIAL GROWTH STRATEGY**

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## **1.0 SUMMARY**

1.1 The purpose of this report is to inform Council of the proposed capital works estimates and timings relating to the implementation of the industrial growth strategy to be included in the draft 2009-2019 LTCCP.

1.2 This issue relates to the following higher level community outcome:

*“a strong, prosperous and thriving economy”*

by clearly identifying the key locations where the expansion of industry is to be facilitated and providing for their appropriate servicing.

1.3 The report concludes by recommending that Council continue its implementation of the industrial growth strategy for the district by way of the development of the proposed new industrial areas at Irongate and on Omaha Road and make appropriate provision in the draft LTCCP to do this.

## **2.0 BACKGROUND**

2.1 An industrial land supply study, undertaken in early 2002 concluded that even though approximately 25% of the industrially zoned land within the district was vacant, the majority of this was not readily available for use. The reasons for this included: small parcel sizes; the presence of hazards; and ‘land banking’ by existing landusers. The conclusions of this study supported the anecdotal evidence that had previously emerged of a district wide shortage of industrial land.

2.2 Frank Spencer, of Logan Stone, was subsequently engaged to assess the likely future demand for industrial land and to identify the extent of land necessary to meet that demand. Based on historical industrial land development, he predicted an annual average demand of 4.8ha for the 2002-2012 period. He also identified the possibility that a major new industry could wish to establish within the district and advised the Council to provide 10ha of land to accommodate such an industry and its flow on effects. An increase in the amount of vacant zoned land from 25% to 30% was also recommended to allow sufficient competition to allow the market to operate effectively. Mr Spencer’s

overall conclusion was that 82-114 hectares of new industrial land should be made available in the 2002 to 2012 period. The Council endorsed this recommendation and instructed officers to investigate potential sites for this expansion.

- 2.3 The subsequent site selection assessment evaluated the relative merits of 835ha of land. The areas identified as being most suitable were located at Irongate, Omahu and Tomoana.
- 2.4 The Omahu Road strip option was seen as attractive for smaller scale industrial/commercial service activity requiring high visibility and proximity to existing industries. The identified potential for adverse effects on the aquifer were anticipated to be avoided by draining stormwater away from the unconfined aquifer.
- 2.5 The Irongate cluster, also located on poor quality soils, was viewed as a natural progression of the existing Irongate industrial area for dry industry, particularly focused around wood products and agricultural servicing.
- 2.6 While the sites located in the Tomoana/Whakatu corridor are all situated on prime horticultural soils, their location adjacent to the existing industrial zone, buffered from residential zones, and with easy access to existing infrastructure services including the major traffic corridors and the separated trade waste sewer line, made them attractive for industrial rezoning. The "Pitman Report" identified this area as the most likely viable area for the attraction of large scale nationally significant industry based around the region's competitive advantage in food production.

### **2.7 The Strategy as Adopted in September 2003**

- 2.8 In September 2003 the Council adopted the following recommendations of the Site Selection Report, as its strategy:

*To be zoned to cater for industrial needs over the next 10 years.*

<b>Site</b>	<b>Area (ha)</b>	<b>Predicted Utility</b>
<i>Tomoana/Whakatu I</i>	<i>38</i>	<i>Wet and Dry Industry for immediate use.</i>
<i>Omahu VII</i>	<i>39</i>	<i>High profile dry industry for immediate use.</i>
<i>Irongate I</i>	<i>11</i>	<i>Dry for immediate use – attract timber/agricultural based industry.</i>
<i>Total</i>	<b>88</b>	

*Deferred zoning to indicate strategic industrial direction beyond 10 years and if necessary provide for large scale industrial development within the 10 year period.*

<i>Site</i>	<i>Area (ha)</i>	<i>Predicted Utility</i>
<i>Tomoana/Whakatu II</i>	<i>60</i>	<i>Large wet and dry industries</i>
<i>Irongate II and III</i>	<i>26</i>	<i>Timber / Agriculture industries when required</i>
<i>Total</i>	<b><i>86</i></b>	

2.9 Council has made a number of decisions and has adopted a number of plans and policies which have influenced the implementation of this strategy. These are discussed below.

### **2.10 The 2006-2016 LTCCP**

#### *The Strategic Development Performance Target*

2.11 The 2006 – 2016 LTCCP anticipates that the Council's strategic planning activities will be undertaken in a manner that ensures that 'adequate land' is zoned and serviced to meet the needs of the community. The supporting performance measure was that 30% of industrial land within the district be vacant. The availability of vacant land is a crucial factor in the facilitating and attracting new industry and for the expansion of existing ones. The evidence of land shortages in 2002, when 25% of the zoned area was vacant, furthermore suggests that 30% is an appropriate target.

#### *Capital Expenditure Provided For within the 2006-16 LTCCP*

2.12 The 2006 – 2016 LTCCP provided for the capital expenditure necessary to develop 13ha of new industrial land within the Omaha Road Strip in the 2008/9 year as an initial stage 1. New water, sewer and stormwater services along with road upgrade works were to be implemented. A total of \$7,884,000 was budgeted for these works to be recovered from development contribution levies.

2.13 The capital expenditure necessary to develop 50ha of new industrial land at Irongate was also provided for in the 2006/16 LTCCP and programmed for the 2010-2012 years. This included new water and sewer services, stormwater swales and road upgrade works. A total of \$3,268,000 was budgeted for these works.

2.14 The development of the Tomoana area was not provided for in the 2006-2016 period due to some existing capacity for wet industry at Whakatu, some of which has recently been released to the market, and the effect on Council's debt profile of developing all three proposed areas within the ten year period.

## **2.15 The 2007 Development Levy Policy and the Amendment to the LTCCP**

- 2.16 Originally the capital expenditure was to be recovered from area specific development contributions on a per hectare basis of land subdivided or developed through the district plan in a similar manner to Arataki and Lyndhurst. In 2007 the Council adopted a new Development Levy Policy, and associated amendments to the LTCCP. These did not alter the extent of capital expenditure proposed for industrial growth, but altered the manner in which this expenditure would be funded.
- 2.17 The Council's expenditure on growth projects is now 'pooled' according to broad catchments and to that extent contributions for capital works are to an extent averaged and therefore an element of cross subsidisation between different growth areas (both industrial and residential) is inherent in the policy.
- 2.18 The new contributions policy also calculates levies according to several formulas mainly based on floor area, rather than on hectares subdivided. Accordingly it is meaningless to estimate whether contributions from any particular area will recoup the expenditure to develop it. Instead the Contributions model ensures that the costs are recovered from development generally, rather than from rates. The costs of development do however affect the contributions level and therefore the attractiveness of the district generally for new development.
- 2.19 Before proceeding to rezone an area for development therefore, economic viability/sustainability needs to be tested. This is a separate exercise to how the infrastructure is funded through the development contributions model described above. If the anticipated value of the land upon sale is able to sustain the costs of servicing the land **as if** those services were charged to the development as well as the other costs of development including developer profit and risk, then the rezoning and supporting infrastructure is economic to do, regardless of how it is funded.

## **2.20 Draft Structure Plans**

- 2.21 Draft structure plans for the Irongate and Omaha Road areas were approved by Council for public consultation in June 2007. These identified the boundaries and staging proposed for each of the developments. The rules proposed, and the infrastructure and amenity measures to be implemented, were also set out.
- 2.22 The Omaha Road Structure Plan covered a total area of 29ha in two stages with stage 1 being 13ha in area and stage 2, 16ha. The suggestion was that stage 2 would be deferred until stage 1 was 70% occupied and the required infrastructure had been implemented. The key physical developments proposed within the Structure Plan were:

- Stormwater reticulation

- Reticulated water and sewer supplies (No new trade waste sewer would be provided. Limited access would however be available from the existing trade waste system. This was to be at the developers cost and on a first in first served basis.)
- Parking footpaths and tree planting on the northern side of Omaha Road.
- A tree planting buffer around the zone
- A minimum lot size of 1,000m<sup>2</sup> was proposed.

2.23 The Irongate Structure Plan covered a total area of 50ha of land around the Irongate Road/Maraekakaho Road Intersection. This area included the existing Industrial 6 zoned properties and existing consented activities (e.g. Balance Fertilizer). Further, the key physical developments proposed within the Structure Plan were:

- Reticulated water and sewer supplies (No new trade waste sewer would be provided);
- Road widening, intersection upgrading, and roadside stormwater swales;
- A tree planting buffer around the zone;
- A minimum lot size of 1 Hectare (10,000m<sup>2</sup>) was proposed.

The subsequent plan change investigations suggest the stage 1 zone may be increased from 50 to 68 ha if it does not significantly increase stage 1 servicing costs.

### **2.24 Council Workshop February 2008**

2.25 On 28 February 2008, a Council Workshop was held on the Industrial Rezoning Project. Officers provided an update on the progress of the project and on the feedback on the structure plans and sought direction on the continued implementation of the Industrial Expansion Strategy. A decision was made at this workshop that the Irongate Plan Change be prioritised over the Omaha Road one. This decision resulted from the need for additional stormwater investigations for the Omaha Road Plan Change and officers' advice that a Plan Change for Irongate could be progressed to completion considerably quicker than one for Omaha Road could be. Both areas have however been subject to resource consents in the interim and expressions of interest from new and existing operations wanting to relocate or expand their operations.

## **3.0 CURRENT SITUATION**

### **3.1 The Implementation of the Industrial Strategy**

3.2 The strategy now being followed as a result of the above decisions is summarised below:

*Industrial development to be progressed within ten years:*

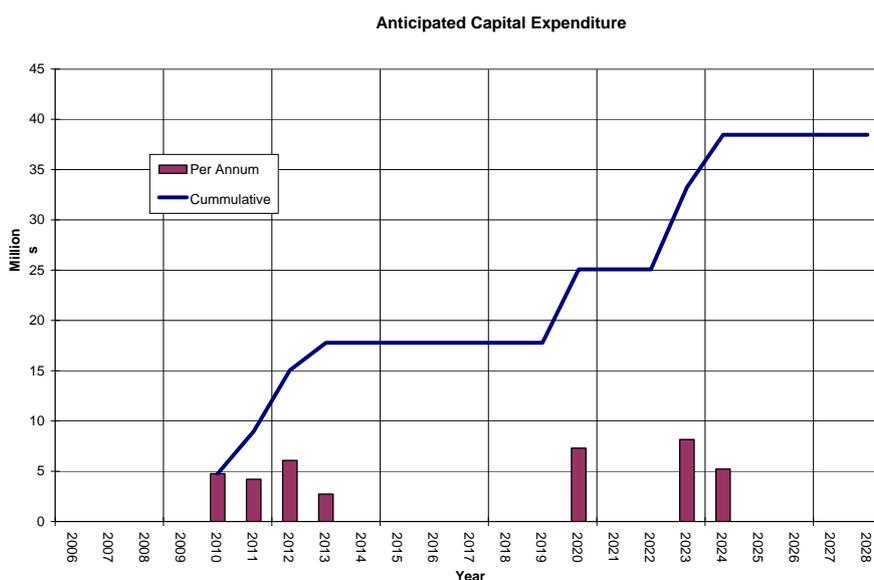
	The 2003 Strategy	Subsequent Direction
Omahu Road	39ha	Stage 1 – 13ha
Irongate	11ha	Stage 1 - Up to 68ha
Tomoana / Whakatu	38ha	Nil
Total	88	81

Irongate stage 1 was to be advanced in priority to Omahu Road stage 1.

*Industrial development to be progressed beyond the ten year period:*

	The 2003 Strategy	Subsequent Direction
Omahu Road	Nil	Stage 2 - 16ha
Irongate	26ha	Stage 2 - Up to 42ha
Tomoana / Whakatu	60ha	25ha
Total	86ha	83ha

3.3 The capital expenditure anticipated to be associated with the implementation of this strategy is indicated on the following graph.



3.4 The progress which has occurred on the advancement of the each of these developments is summarised below.

### **3.5 *Irongate***

- 3.6 Considerable progress has been made on the preparation of a plan change for and the plans for the servicing of the proposed industrial area. MWH Consultants have been engaged to both prepare and assess a plan change and to project manage the work. An initial draft of each of the required technical assessments has now been prepared and as such the drafting of the plan change and land-owner consultation can now proceed. A Council workshop intended to obtain guidance on all those outstanding matters is proposed for the end of February. A Plan Change is anticipated to be available to Council in April.
- 3.7 In response to the submissions on the draft structure plan and the finalisation of the route for the proposed extension to the southern expressway, the total size of the proposed zone increased from 50ha to approximately 110 hectares. Of this Stage 1, scheduled for 2010-12, was anticipated to be up to 68ha in area. This may be reduced when the plan change work is complete.

### **3.8 *Omahu Road***

- 3.9 Since the decision to prioritise Irongate, progress on this project has been limited to the preparation and review of an issues and options paper on the disposal of stormwater from this area (stage 1 and 2). This identified a requirement for additional technical investigations before a preferred option could be identified and the potential effects of it determined. Consultation with the Hawke's Bay Regional Council will commence soon regarding the options available and extent of investigations required.

### **3.10 *Tomoana***

- 3.11 While the development of this area was not scheduled to occur within the LTCCP period, considerable interest has been expressed in private plan changes or resource consents for developments within this area. Given the potentially significant adverse effects on the efficiency and effectiveness of the Council's infrastructure were these to occur in an ad-hoc manner, the previously commenced infrastructure assessments have been progressed and a draft services plan prepared for the area. This will help ensure any consents or private plan changes can be considered in light of the overall preferred servicing strategy for the future zone.

## **4.0 *OPTIONS***

- 4.1 There are three options available to the Council.

### ***1 The Continued Implementation of the Industrial Strategy***

- 4.2 The 2009-2019 LTCCP budgets have been prepared on the basis of the continued implementation of the industrial strategy as described in

paragraph 3.1 above. The development of 68 hectares of land is provided for within the Irongate Cluster in 2010/12 and 13 hectares within the Omaha Road strip in 2013/14. There remains no provision for new industrial land at Tomoana within the 2009-2019 period.

- 4.3 The following table sets out capital expenditure budgeted for these works:

*Table 1 Proposed Capital Expenditure (\$)*

	Irongate	Omahu
Sewer	3,360,000	1,138,000
Water	3,900,000	951,000
Stormwater	Nil	4,293,000
Roading	1,403,000	2,281,000
Total	<b>\$8,663,000</b>	<b>\$8,663,000</b>

*Table 2 Proposed Annual Capital Expenditure (\$)*

	Irongate	Omahu
2010/11	4,605,000	150,000
2011/12	4,058,000	150,000
2012/13	Nil	6,082,000
2013/14	Nil	2,281,000
Total	<b>\$8,663,000</b>	<b>\$8,663,000</b>

- 4.4 The above figures reflect all those investigations undertaken until October 2008. The Irongate Plan Change investigations have however progressed considerably since that time and will continue to do so over the next few weeks. It is therefore proposed that the budgets for that project be revised following the Council workshop proposed for the end of February.

## **2 An Amendment to the Strategy and / or its Implementation**

- 4.5 The Council could choose to alter the manner in which it provides for new industrial growth. Such alterations could involve:

- the inclusion of one or more additional areas within the ten year plan period;
- the removal of one of the areas budgeted for within the draft LTCCP;
- the replacement of one or both of the areas budgeted for within the draft LTCCP with an alternative area; or

- a change in the timing of one or both of the areas budgeted for within the draft LTCCP.
- 4.6 Were the Council of the mind to provide for the development of an area or areas beyond those provided for in the draft plan, technical assessments have already been given to the following three areas:
- Tomoana (60ha of land suitable for 'wet industry');
  - Irongate Stage 2 (42ha of land suitable for 'dry industry'); and
  - Omahu Road Stage 2 (16ha of land suitable for 'dry industry').

Any one of these could therefore potentially be progressed within the LTCCP period.

### **3 Stop Planning for new Industrial Land**

- 4.7 The Council also has the option to remove all the expenditure proposed for industrial growth from the LTCCP and to cease planning for new industrial development. Development would only then occur under resource consent applications or private plan changes. This option is not recommended.

## **5.0 SIGNIFICANCE AND CONSULTATION**

- 5.1 The issue is considered significant in terms of the Council's significance and consultation policy. Consultation is therefore required. This is to be undertaken as a part of the draft LTCCP. Consultation will also occur on any Plan Change prepared to allow for the proposed development in accordance with the requirements of the Resource Management Act.

## **6.0 ASSESSMENT OF OPTIONS**

### ***Anticipated Demand for Industrial Land 2008-2018***

- 6.1 A revised demand study, updating the one undertaken in 2002, was obtained from Frank Spencer of Logan Stone in June 2008.
- 6.2 Overall a much lower demand was anticipated in the short term (1 – 3 years) than experienced between 2004 and 2007. Over the medium term (4 – 10 years) the demand was expected to recover to historic levels on the back of a strengthening construction industry. The ten year demand for land was anticipated to be 45.9 hectares or 4.59ha per annum. The pattern of this demand is shown in the table below.
- 6.3 Based upon the above assessment and the Council's performance target that at least 30% of all industrial zoned land be vacant, 110 hectares of additional industrial land would appear to be required between 2009 and 2019. However at the time, Frank Spencer anticipated that future industrial development will occur in a more efficient and effective manner than it has occurred in the past. It was therefore his recommendation in June 2008 that 77ha of new industrial land be rezoned for this period.

- 6.4 In light of the current economic conditions a brief update was sought from Frank Spencer in October 2008. His “*preliminary thoughts*” at that time were that the current economic conditions justified a reduction in anticipated demand for industrial land. Noting, the subjective nature of such assessments, it was his view that a 12 hectare reduction in the demand for land was likely between 2008 and 2014. His revised predictions are shown in the table below.

*Table 3 Anticipated Demand for Industrial Land*

Year	Projected Demand (Ha)		
	June 2008	Oct vs June	October 2008
2008	3.8	-0.8	3.0
2009	3.8	-2.8	1.0
2010	3.8	-2.3	1.5
2011	4.3	-2.0	2.3
2012	4.5	-0.7	3.8
2013	6.3	-2.0	4.3
2014	5.2	-0.7	4.5
2015	3.9	0	3.9
2016	2.5	0	2.5
2017	3.3	0	3.3
2018	4.5	0	4.5
Total Growth	45.9	-11.3	34.6

- 6.5 Mr Spencer did not provide a revised recommendation for the provision of additional land. However, were his decreased anticipated demand reflected directly in the area of land required for rezoning; the amount required would reduce from 77ha to approximately 58ha.

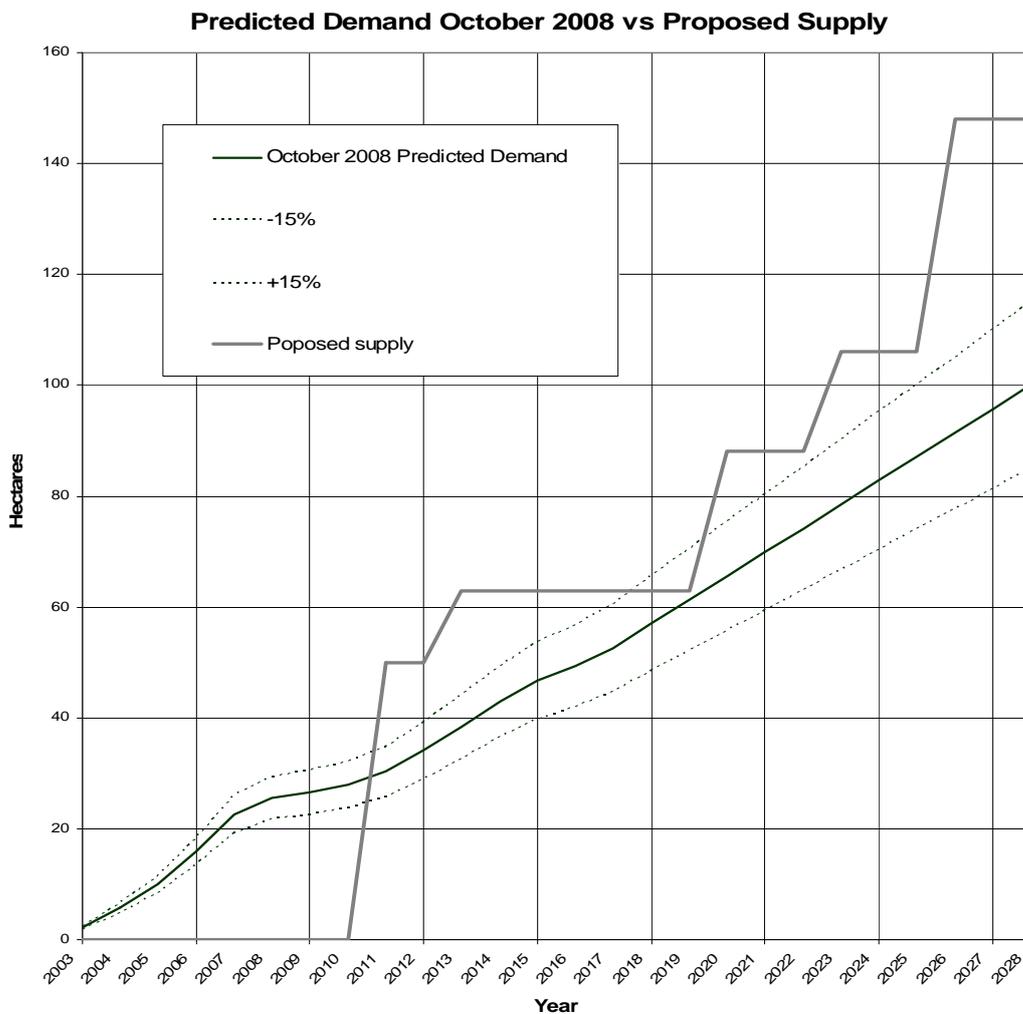
### ***The Proposed Supply***

- 6.6 As has been noted above, the Council's current strategy is to provide a total of 61 to 81 hectares of new industrial land at Irongate and along Omahu Road for the 2009 - 2019 period. If implemented in accordance with the draft Major Capital Programme for 09/10 LTCCP, all this land would be serviced and available for use in 2013. Additional land is then to be provided at Tomoana, Irongate, and along Omahu Road either in the following ten year period or in advance if it is required.
- 6.7 The provision of this amount of land comfortably meets the 77ha recommended to be supplied by Logan Stone in June 2008. It is however some 3 to 23 hectares more than the 58 hectares which can be inferred by the advice received in October. However, given that the stage 1 developments need to be up-sized to cater for stage 2, there are likely to be only limited cost savings in reducing the stage 1 area to align with Mr Spencer's revised projections.

6.8 The graph below shows how the projected demand for industrial land will be met by following the strategy, with a plus or minus 15% over the latest most conservative projection.

*Table 4 Proposed Supply*

Year	Location	Approx. Area
2012	Irongate 1	50ha
2013	Omahu 1	13ha
2020	Tomoana 1	25ha
2023	Omahu 2	16ha
2026	Irongate 2	42ha



6.9 Such broad level analysis does not recognise the varied nature of industry within the district and the different land and servicing

requirements that they have. Logan Stone have advised the Council to be conscious of the need to achieve a 'match' between the types of demand anticipated and the proposed supply of land. There is therefore little benefit in deferring one or other of the two areas as they service different market sectors.

- 6.10 It is noted in this respect that neither of the proposed areas is to be provided with a dedicated trade waste sewer or with a process level water supply. These areas are hence only likely to be appropriate for 'dry' rather than 'wet' process industries.
- 6.11 The proposed Omahu Road area consists of a long narrow strip along one of Hastings' major arterial routes. As this is to be provided with reticulated stormwater, the minimum site size allowed for within this area is anticipated to be 1000m<sup>2</sup>. Such an area is likely to be attractive to small to medium scale operators requiring a high profile position.
- 6.12 Though also located in a prominent position on a major transport route, the Irongate area is separate from Hastings. This area is also to be reliant on on-site stormwater disposal and as a result is likely to have a minimum site area of 1ha (10,000m<sup>2</sup>) along with limits on the extent of impervious surfaces allowed. This area is hence likely to be far more attractive to large scale operators.
- 6.13 No new provision is proposed for those 'wet' industries requiring process water and a dedicated trade waste sewer. The demand for such land is anticipated to be met by the existing capacity within the Whakatu area, with some land having recently been released to the market.
- 6.14 Accordingly the implementation of the strategy as proposed will ensure that there is a supply of land suitable for this nature of demand.
- 6.15 Additional land could feasibly be supplied within the ten year period at Tomoana, Irongate (stage 2), or Omahu Road (stage 2). Under the current economic conditions it would however appear inappropriate to proceed with an option that could potentially create an over-supply of land. Given that the three yearly review of the LTCCP provides the Council with an opportunity to review the adequacy of the land supply and reconsider the capital expenditure proposed, these areas could be 'brought forward' at that stage were the implementation of another expansion area considered appropriate at the time. The inclusion of additional land at this stage would not appear necessary in order to meet the anticipated demand.

### ***Costs and Benefits***

- 6.16 The continued implementation of the industrial strategy as proposed is budgeted to cost \$17,326,000 over the first ten year period. Provided the Council's development levy policy is followed in the usual manner these growth related works will be recovered over time entirely from the contributions levied upon new development. This expenditure will however influence the overall levy imposed upon new development.

Modeling suggests this level of expenditure will represent a contribution of approximately \$4000 per Household Equivalent Unit ('HUE'). The resultant increase in the HUE levy will not be this great as some expenditure was budgeted for both for Irongate and Omaha Road within the 2006-2016 LTCCP. The projected HUE currently sits at around \$20,000 which is in the mid-range for councils and comparable with other similar sized urban areas.

- 6.17 From a broader perspective this option involves the continued development of two new growth areas which have been publicly signaled by Council since 2003. Land owners and industrial operators within the district are hence well aware of these proposals and are now likely to expect these projects to occur. Logan Stone's research indeed suggests that there has been an increase in the value of land within these areas, even in its 'un-zoned state'. The progression of the project as planned will enable the realisation of these expectations and the opportunity for new and expanded development and consequently jobs, which in turn stimulates residential development with flow on effects to the commercial sector.
- 6.18 The costs and benefits associated with either proceeding or not proceeding with the development of each of the areas identified within the Industrial strategy are discussed below.

### **Omahu Road**

#### *The development of the Omahu area as proposed*

- 6.19 The following table sets out the budgeted costs of this project. The budgeted 2009-2019 figures reflect all those investigations undertaken until October 2008.

*Table 5 Proposed Capital Expenditure – Omahu Road*

Area	13ha
Sewer	\$1,138,000
Water	\$951,000
S/W	\$4,293,000
Roading	\$2,281,000
Total	\$8,663,000
Cost per ha	\$666,000

- 6.20 The total budget for the infrastructure required to service the Omahu Road stage 1 area has increased by approximately 10% since 2006.
- 6.21 As noted previously the Omahu Road Strip was identified as being advantageous within the 2003 Site Selection Assessment for a number of reasons. Its position adjacent to an existing industrial area was

anticipated to allow for the use the existing reticulated services with resultant cost savings.

- 6.22 The topography of this area does not however, as previously thought, readily enable the reticulation of stormwater to a less sensitive catchment away from the unconfined aquifer. As such the Council must find an alternative option for disposing of this in a manner that avoids, remedies or mitigates the potential effects on the aquifer and/or on any downstream catchment. Whilst investigations are still on-going it is apparent that any option will be costly. The preferred option has been estimated at \$4,293,000 for stage 1 (13ha) and \$5,242,000 for stage 2 (16ha). This is partially offset by the change in scope for roading improvements required as a result of the rezoning and the Omaha Road works already completed or underway under Councils existing programme.
- 6.23 The sewer and costs for Omaha Road are also more expensive than Irongate on a per hectare basis. Although, when the higher density of development anticipated within this area is taken into account; the costs are probably less dramatic.
- 6.24 The position of this area on an arterial route and its ribbon nature were also seen as having the advantage of creating high profile sites. At the same time it was anticipated that the adverse effects on the transport network could be readily mitigated. The need for traffic mitigation works including the widening of the road to accommodate car parking footpaths and tree planting and to provide greater visibility and separation between the carriageway and the sites has however since been identified. The length of the zone and the need for additional land means that this has been budgeted to cost \$2,281,000 for stage 1.
- 6.25 These costs will in fact be substantial on a per hectare basis – greater indeed than those we anticipate from the implementation of either the Tomoana or Irongate (an area to be provided with a reticulated trade waste system). In light of the extent of these costs, and in spite of the fact that these costs would be spread across the developments by virtue of the development contribution mechanisms, the viability of proceeding with the development of this area remains in some doubt. The economic viability tests suggests that at this stage the higher values generated in this location could sustain those costs if it were a standalone project, but only just, and therefore the project should remain "live" until the practicality and costs of the stormwater solutions have been finally determined.

*Removal of the Omaha Area from the Strategy and the LTCCP*

- 6.26 The small size of the Omaha Road Strip means that its removal would be less problematic in terms of overall demand and supply than the removal of Irongate would be. Depending upon the decisions made by the Council regarding the size of Irongate and the actual impact of the current economic recession on the district's industrial sector, Irongate stage 1 alone may well contain sufficient land to accommodate the predicted demand. It is however likely that the location of Irongate and

the large site sizes proposed would make Irongate undesirable for those high profile operations which would have otherwise have chosen to locate at Omaha Road.

- 6.27 A decision not to proceed with this re-zoning would not therefore necessarily cease industrial development within the area altogether. A number of industrial activities have already located, or been consented to, within the proposed zone by way of non-complying resource consent applications. The nature of this area with industrial activities on the opposite side of the road, poor quality soils and the relative lack of sensitive activities in the receiving environment tends to mean that such applications have some resource management merit. The incremental and relatively small nature of such developments also means that it is difficult to mount an argument that any particular proposal will create significant adverse cumulative effects on such matters as traffic efficiency and safety.
- 6.28 In this light, and given the value which the landowners in the area now place upon their land it is quite possible that industrial activities would continue to establish within this area even if the Council did not re-zone it, albeit with onsite servicing. The Council could therefore find itself at some time in the future being under pressure to 'retrofit' infrastructure to such developments at greater cost with more limited opportunity to recover its costs.
- 6.29 Given the above, and with those strategic benefits associated with the effective use of currently underutilised land resource by way of a logical extension to the existing industrial area, the benefits associated with the development of this area are considered at this stage to outweigh any risks for Council. In addition there does not appear to be a readily developable alternative to meet this sector of the market.
- 6.30 However, was the Council of the mind that the Omaha Road option is not viable in this economic climate, it could consider the inclusion of either Tomoana or Irongate Stage 2 within the ten year period. The inclusion of Irongate stage 2 would however do little to address the potential shortage of high profile small sites.

### ***Irongate***

#### *The development of the Irongate area as proposed*

- 6.31 The following table sets out the budgeted costs of this project. The budgeted 2009-2019 figures reflect all those investigations undertaken until October 2008.

*Table 6 Proposed Capital Expenditure - Irongate*

Area	68ha
Sewer	\$3,360,000
Water	\$3,900,000
S/W	Nil
Roading	\$1,403,000
Total	\$8,663,000
Cost per ha	\$127,000

- 6.32 The infrastructure servicing and traffic impact assessments required for the proposed Plan Change for this project are now nearing completion. The outcomes of these will be made available to a Council workshop which has been preliminarily scheduled for the end of February. Direction will be sought from the Council at that stage regarding a number of infrastructure options available. These will influence the budget required for these works.
- 6.33 The development of this area retains the considerable benefits identified at the time of the site selection assessment and those previously reported to the Council.

*The Removal of the Irongate Area from the Strategy and the LTCCP*

- 6.34 Substantial shortages in industrial land would occur if the Council did not proceed with the development of the proposed Irongate area. The Omahu Road area alone, which would not be available until 2013/14, would supply less than four years of the annual average anticipated demand. The land provided is further unlikely to be of a size, or available at a cost that would suit those large scale operations anticipated to be accommodated at Irongate. Such an outcome is likely to hamper future industrial growth within the district and is not recommended.

***Additional areas – Tomoana, Irongate Stage 2 and Omahu Road Stage 2***

- 6.35 As has been discussed above, it is considered that the provision made within the draft LTCCP is likely to be sufficient – certainly in terms of its total area. Under the current economic conditions it would appear inappropriate to proceed with an option that could potentially create an over-supply of land. The three yearly review of the LTCCP provides the Council with an opportunity to reconsider the adequacy of the capital expenditure proposed and to 'bring forward' the implementation of another expansion area should that be considered appropriate at the time.

## **7.0 PREFERRED OPTION AND REASONS**

- 7.1 Proceed with Option 2, for Council, as part of the Draft 2009-19 LTCCP. This means working toward the implementation of the capital works programme associated with the Omaha Road and Irongate industrial development areas. By doing this Council will be following the implementation of the Industrial Strategy for the district, meeting its performance target for the provision of industrial land and providing for the demand for industrial land anticipated over the LTCCP period.
- 7.2 The costs of the infrastructure will be recovered over time from development contributions, rather than from rates, and the projected recoveries have been conservatively estimated to mitigate any risk for Council. That risk mitigation increases the development contributions level, but the projection contribution rate is comparable with other areas and can therefore be considered acceptable in terms of Hastings' competitive advantage.
- 7.3 Given the current shortage of industrial land, both areas are programmed as early in the plan as technically feasible. The practical reality may be different but that cannot be assumed and, in the current economic climate, Council needs funding in place to complete any works necessary to support private sector investment in industrial activity and its flow on effects to the residential and commercial sector.

## **8.0 RECOMMENDATION/S AND REASONS**

**That the Council resolve to formally adopt, as part of the Draft LTCCP 2009-19, the capital works associated with the implementation of the Omaha Road and Irongate industrial development areas in accordance with:**

- **The revised capital budget estimates and timings estimated for 2009-19 as shown in table 2, page 8 of this report.**

**With the reason for this decision being that the objective of the decision will contribute to the following outcome:**

- ***A strong and prosperous and thriving economy*** - Through the identification and servicing of the key locations where the expansion of industry is to be facilitated.