# Economic Impact Assessment of Proposed Rangitikei District Plan Zoning Change – Existing Industrial Zoning in the Region

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**Abstract:**

This report considers in more detail the existing level of industrial zoning in the region (Rangitikei, Palmerston North and Whanganui), its capacity and appropriateness for the activity types proposed in the rezoning of 217 Ha to the southeast of Marton and RDC's obligations under the National Policy Statement for Urban Development Capacity to inform the section 32 report.

It follows on from *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton* (217 Ha) and *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton (smaller 100 Ha option)*.

## 1. Existing Industrial Zoning in Marton

Fig. 1 below shows those areas (numbered 2-8 and coloured magenta) currently zoned Industrial in the Marton Area. *[The proposed 217 Ha zone is numbered 1 and coloured pink.]*

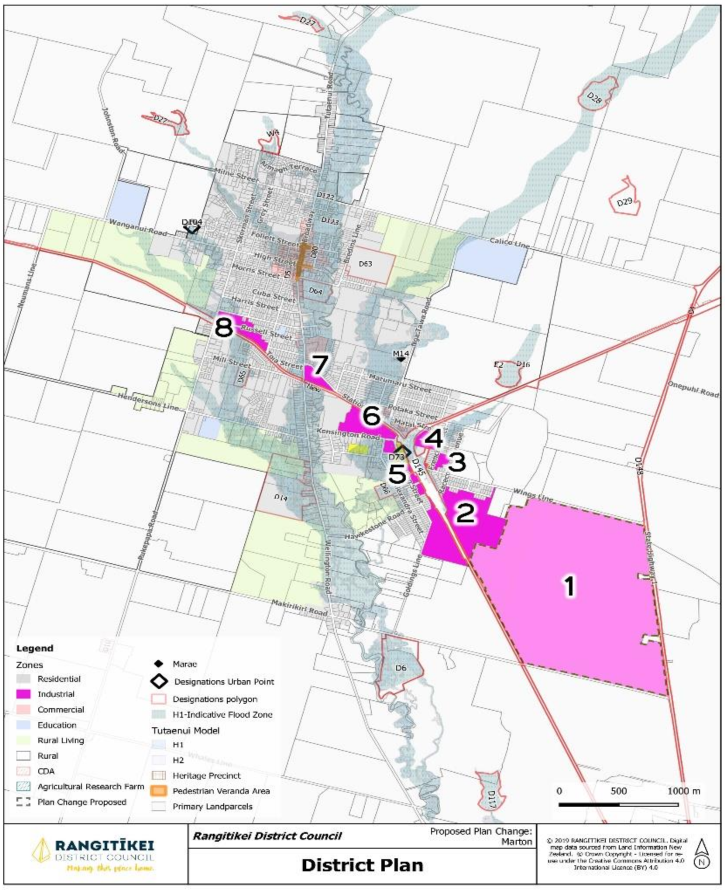


**Fig 1:**

**Marton Industrial Zones Map**

The areas are then covered in greater detail in Table 1 (Business name, industry type, area, flood risk) on the following page.

What characterises the zones with the exception of the adjacent Zone (2) housing the Malteurop factory is that they are all very small, disparate and half are located in flood zones. None is larger than 4.0 Ha and three are less than 1.0 Ha.

Zone 2 excluding the Malteurop site is only approx. 23.5 Ha and is only accessible by road via Goldings Line and suburban Princess and French Sts.

The zones do not appear suited for the proposed activities.

**Table 1: Marton Industrial Zones Detail**

| Industrial Zone | Location (and *Flood Risk*) | Industry (and *Business Name*) | Estimated Size (hectares) |
|---|---|---|---|
| 1 | Proposed Industrial Zoning<br>*(some parts could be affected by ponding in heavy rain events)* | Currently maize for silage or grain production | |
| 2 | East of Goldings Line and dissected by Main Trunk Rail (adjacent to proposed 217 Ha zone) | *Malteurop* - malting factory occupies approx. 5.5 Ha (or 19%), remainder is bare land | 29 Ha |
| 3 | French, Ngarino Sts and Racecourse Ave rectangle | *Rangitikei Timber Ltd* – timber, hardware and supply yard | 0.9 Ha |
| 4 | Between Station Rd East and French St<br>*(next to flood zone)* | Grain? Silo + demolition? yard | 0.9 Ha |
| 5 | King Street<br>*(in flood zone)* | *Nestle Purina Pet Care* – pet food manufacture | 0.8 Ha |
| 6 | Between Kensington and Station Roads<br>*(half in flood zone)* | *Rangitikei Machinery & Diesel* – machinery repair, truck parts and diesel servicing<br>*G K Skou Transport* – transport incl. livestock operators | 2.0 Ha |
| 7 | Station Road (eastern side)<br>*(half in flood zone)* | *Gallagher Fuel Systems* – manufacturer of retail fuel dispensers | 2.0 Ha |
| 8 | Russell Street<br>*(half in flood zone)* | *T & J Mcilwane Ltd* – retail hardware (Mitre 10), Ready-Mix Concrete, timber processor, construction, forestry investor<br>*Goodyear + One Stop Auto Centre* – car dealership and repair | 4.0 Ha |
| **Total** | | | 39.6 Ha |

## 2. Existing Industrial Zoning in Bulls

Fig. 2 below shows those areas (numbered 1-2) currently zoned Industrial in the Bulls Area.

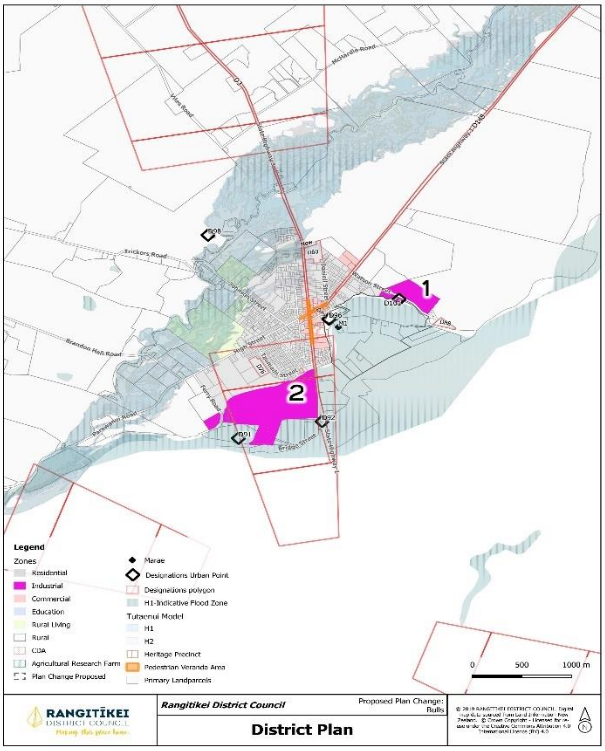


**Fig 2:**

**Bulls Industrial Zones Map**

There are two industrial zones in Bulls. The area marked Zone 1 lies on both sides of Watson St. It has businesses and a waste transfer station on its southern flank, and its northern larger flank is currently farmland (see Table 2 for details.)

The area labelled (zone) 2 has three businesses on its eastern flank adjoining SH3 at the southern entrance to Bulls. Farmland makes up most of the site but it lies within a H1-indicative flood zone.

Neither zone appears suited to the proposed activities.

**Table 2: Bulls Industrial Zones Detail**

| **Industrial Zone** | **Location (and *Flood Risk*)** | **Industry (and *Business Name*)** | **Estimated Size (hectares)** |
|---|---|---|---|
| 1 | Watson Street<br>*(c. 80% is currently farmland)* | *GFH Fibreglass* – fibreglass product manufacturer and repairer<br>*Advanced uPVC Windows and Doors* – thermally-efficient windows and doors manufacturer<br>*Bulls Waste Transfer Station* | 9.8 Ha |
| 2 | SH3 West, southern entrance to Bulls<br>*(almost all of this land lies within a H1-indicative Flood Zone)* | *Britton House Movers*<br>*Keith Hay Homes* – transportable homes manufacturer<br>*Timber Arts New Zealand* – native-woods product manufacturer<br>Remainder (currently farmland) | }<br>} 5.1 Ha<br>}<br>37.9 Ha |
| **Total** | | | 52.8 Ha |

### 3. Existing Industrial Zoning in Palmerston North

[From *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton (217 Ha)]:* Palmerston North views its strength in distribution as a key point of difference. Quoting its LTP 2018-2028: "Over the next five years or so, over a billion dollars will come into the city and region for infrastructure. As a major freight and logistics hub for the lower North

Island, we already shift six times the freight of Taranaki and two and a half times as much as Wellington. Developing our infrastructure will enable even greater opportunity in this critical sector”.[1]

The city’s Industrial Zones and estimates of their size include:

**Table 3: Palmerston North Industrial Zones**

| Industrial Zone | Industries | Estimated Size (hectares) |
|---|---|---|
| North East Industrial Area<br>+ Scheduled NEIZ Sites<br>+ Extension | *a.k.a Manawatu Industrial Park* – 42 Ha of the 107 Ha in initial zone + “scheduled” sites remain[2]. Lots are up to 2, 2-6 and 6-15 Ha in size | 95<br>12<br><u>126</u> 233 |
| Midhurst Street Industrial Area | *Multiple Industry Types* - almost fully-developed | } |
| Napier Road Industrial Precinct | *Multiple Industry Types* - almost fully-developed, 6Ha in development | } 330<br>} |
| Railway Road Industrial Enclave | *Multiple Industry Types* - almost fully-developed | } |
| Braeburn Industrial Area | *Fonterra* - Dairy-industry related activities | 45 |
| Ashhurst | *Ashhurst Engineering & Construction, Ashhurst Aluminium* + 7Ha bare land | 19 |
| **TOTAL** | | 627[3] |

Palmerston North’s District Plan dated May 2018 states: “Specific market requirements for large industrial sites of 5ha and above, and sites which can be accessed on a 24-hour basis, are <u>not readily available</u> in the City’s urban industrial area [hence the creation of NEIZ and then its extension]. With projected growth, particularly in the distribution and communication industries in the City, building on Palmerston North’s strategic geographic location in the centre of the southern North Island, land is required to accommodate these activities, as well as growth in other types of industrial activity.”

“The North East Industrial Zone area was identified as the most suitable area in the City for industrial zoning following a detailed analysis of options. Its location and topography are well-suited to industrial development, services can be provided which will meet the needs of most industrial users, and it is unsuitable for alternative urban uses such as residential largely due to the proximity to the Palmerston North Airport. It can readily be accessed by <u>road and rail</u>, and proximity to the City’s airport means that synergies with that mode of transport are also possible. At approximately 233 hectares, and allowing for internal roading and landscaping space, it is <u>large enough to provide for the City’s industrial expansion needs for the long-term</u>.

“The area of this Zone can be regarded as a “<u>scarce resource</u>” in city-wide terms because of its accessibility and relative distance from residential areas. For this reason, the Zone’s focus is on providing for industrial activities with non-industrial activities generally considered on a case by case basis through the resource consent process.”[4]

Although not certain on “specific market requirements”, PNCC is clearly optimistic about the city’s/region’s industrial expansion needs. The North East Industrial Area increases Palmerston North’s

[1] *Message from the Mayor and CE*, Palmerston North City Council, LTP 2018-2028, p6
[2] HFH Properties, see www.pnsections.co.nz
[3] Area is only available for NEIZ, others are estimates from GoogleEarth applications
[4] *Palmerston North City Council District Plan*, Section 12A: North East Industrial Zone, p1, May 2018

existing Industrial Zoning by one-third, having been created in 2004, the Scheduled NEIZ Sites added in 2010 and the largest portion (over half) added as recently as 2015.

## 4. Existing Industrial Zoning in Whanganui

[From *Economic Impact Assessment of Proposed Rangitikei District Zoning Change – Rural to Industrial near Marton (217 Ha)]:* Whanganui seems to be following Palmerston North's lead. After being dormant for more than 20 years, the Whanganui-Castlecliff rail line re-opened nine years ago and is now used by trains transporting containers between Whanganui's inland port and CentrePort in Wellington. Further upgrades are occurring. Government has also earmarked funds for the revitalisation of the Port of Whanganui. Eastown on the other side of Whanganui has also been developed.

The city's Industrial Zones and estimates of their size include (newly updated)[5]:

**Table 2: Whanganui Industrial Zones**

| Industrial Zone | Industries | Est. Size (Ha) |
|---|---|---|
| Mill Road | 10 businesses involved in wholesaling, construction, demolition, distribution, employing 120 people (in 2017) | 104.7 |
| Heads Rd West | *Includes Zones 1.0 (Marine Industry), 3.0 and 4.0 (industrial*) - with 170 businesses employing 3,090 people, 89% Industrial predominantly meat, transport, tanning, animal feed, boat building (2017) and lately distribution/ warehousing and Open Country Dairy. | 114.4 |
| Heads Road East | 70 businesses involved in wood products, windows and doors, light buildings, boats manufacture, storage solution providers, contractors employing 560 people (in 2017) | 22.7 |
| Aramoho | 29 businesses involved in metal and plastic product manufacture, fertiliser and agrichemical production, animal and bird feed production, concrete tanks and pipes, self-storage units employing 220 people (in 2017) | 61.9 |
| Eastown | 14 businesses involved in sawmilling, rubber product manufacture, metal recycling, accommodation and food services employing 120 people (in 2017) | 11.6 |
| London St | 47 businesses involved in metal and plastic product manufacture, furniture manufacture, education and training employing 320 people (in 2017) | 4.7 |
| Putiki | 6 businesses involved in animal health product manufacture, car graphics, education and training employing 24 people (in 2017) | 1.2 |
| **TOTAL** | | 321.2 |

In its *Whanganui Industrial Market Assessment Report* of March 2019, m.e consulting states that there are a number of parcels (totalling 34.7 Ha) in the main Heads Rd West zone which "are unsuitable for further development" due to previously being the site of a landfill and/or part of Kokohuia wetland[6]. Also, there is the issue that in event of a significant tsunami, the majority of Heads Rd West lies within red, orange or yellow evacuation zones.[7] The Port is coming under attention by

[5] *Whanganui Industrial Market Assessment Report*, m.e consulting, 2019, p28
[6] ibid, pp33-34
[7] Ibid, p37

Government as a possible candidate for regional (re)development, but this is likely to be in favour of marine-type applications.

A GHD report estimated that of the area in the Aramoho Zone 60% was “vacant, underutilised or characterised by the presence of vacant buildings” possibly due to hilly topography (and “should be re-classified as rural”), stormwater, wastewater capacity and land contamination issues.[8]

Of the Heads Road East Zone, m.e consulting concludes that approx. 8.3 Ha (37%) is vacant but includes one large established building. It is a popular location, but there are likely to be issues of reverse sensitivity with the diversity of industry there, susceptibility to flooding by the Whanganui River with business interruption, clean-up and insurance cost issues.[9]

In Eastown m.e consulting estimates that there is 6.4 Ha (55% of zone) available but suggests moving a scrap metal yard for better site including adjacent rail utilisation although there are possible reverse sensitivity issues with a retirement home backing onto the zone.[10]

London St zone is “nearly fully-occupied” and there are schools nearby.

Therefore, while on the surface it may appear that Whanganui may have significant land available for industry, whether it was suitable in terms of location, drainage and flooding protection, flatness, reverse sensitivity issues or other, the “limited land available around [Whanganui’s main industrial zone] Heads Road”, meant that Mill Road Industrial Zone on the edge of the suburb of Castlecliff was created in 2008[11]. Foresight was still missing however in that stormwater systems were not installed and the area was prone to flooding.[12]

m.e consulting believes Whanganui District now “has significant areas of vacant and vacant potential land located in the manufacturing zone[s] that is more than sufficient to cater for future demand growth from the industrial sectors”. It sees under its medium-growth scenario still 61 to 84 Ha of surplus land in 2048. In its opinion Mill Road is more than adequate in size for future growth, but there is still infrastructure required to enable development.[13] That may be correct, but its scenarios however are predicated on Statistics New Zealand population projections relying on historic trends and not accounting for the extent of recent population growth, significant changes in Council strategy aimed at growth, and the falling attraction of major centres, esp. Auckland.

In the four months since the m.e. report in April 2019, a new factory is under construction, a medical centre established and roading and drainage work under way in Mill Road, a stormwater upgrade is occurring on adjoining Mosston Road and a rail upgrade is taking place on Heads Road West.

In my opinion the surplus predicted by m.e consulting is not sufficient to impact significantly on RDC’s zoning plans. The impact is likely to be the other way, around if at all.

**5. Trends in Industrial Land Demand**

Berl Economics in its *Upper North Island Industrial Land Demand* report stated that between 1996 and 2012 the land area recorded as occupied by known industry types increased by 30 percent to 9,500 Ha.[14] This of course is the Upper and not the Lower North Island. However, this is not totally out of

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[8] *Mill Road Structure Plan*, GHD, 2018
[9] *Whanganui Industrial Market Assessment Report*, m.e consulting, 2019, p52
[10] ibid, p56
[11] *New Commercial Development taking off in Whanganui*, Whanganui Chronicle, June 8, 2017
[12] As a Whanganui District Councillor, I was privy to this at the time. The 2013-2016 Council made the appropriate decisions to rectify the problem.
[13] *Whanganui Industrial Market Assessment Report*, m.e consulting, 2019, pp65,67,69
[14] *Upper North Island Industrial Land Demand*, Berl Economics, February 2015

sync with Palmerston North's growth of 47 percent and Whanganui's 80 percent – both of course off lower bases and allowing for differing timeframes.

In 1996 for every 100 Ha of occupied industrial land, there were 72 hectares of vacant industrial land. By 2011, for every 100 Ha of occupied industrial land, there were 34 Ha of vacant industrial land[15] – vacancies down 53 percent.

Interestingly, land value per Ha also varied by industry over the 1996-2012 period: the price per Ha of "Heavy Industrial land remaining fairly stable, while that of light industry, warehousing and distribution [had] grown markedly".[16]

More recently, Bayleys Real Estate research shows "the overall vacancy rate within the industrial property sector was a low 2.4 per cent - down [almost half] from 4.4 per cent at the end of 2017".[17] Granted, the Upper North Island will be driving most of this trend, but that is not to say that a similar trend is not occurring in the Lower North Island. "Vacancies have hit historically low levels, and upward pressure on rents is intensifying. Rental returns on prime industrial sites now ranged between 4.5 per cent and 5.54 per cent."[18] Higher rates might be expected for Marton, given likely lower land values.

Berl, in another report *Business Land: problems and causes,* gives a valuable observation: "There are more dynamic changes taking place within the economy that will influence the future demand for greenfield and brownfield land for industrial activities. For example, the changing needs of some industrial activities, like transport and logistics, where the efficiencies arising from scale combined with increased automation are leading to a preference for larger sites in proximity to good transportation connections and markets."[19]

## 6. Obligations under National Policy Statement for Urban Development Capacity

The purpose of National Policy Statement on Urban Development Capacity (NPS-UDC) is to ensure local authorities enable development capacity for housing and business —through their land-use planning and infrastructure — so that urban areas can grow and change in response to the needs of their communities.

To do this growth, councils are required to:

1. monitor their markets for housing and business land
2. assess the development capacity against projected demand
3. if there is insufficient development capacity, respond in their plans to enable more capacity to grow.

The Ministry of Housing and Urban Development and MfE have developed guidance (including dashboards) to support local authorities in high growth and medium growth urban areas to meet the requirements of the NPS-UDC. **However, one notes that the examples given include Auckland, Hamilton, Tauranga, Christchurch and Queenstown.** Rangitikei (or Marton) could not be classified as a medium- nor high-growth urban area.

The tools which they provide are designed to help local authorities give effect to National Policy Statement on Urban Development Capacity (NPS-UDC) requirements to monitor market indicators and use indicators of price efficiency. Any identified land value differentials across zoning boundaries can therefore provide two important pieces of information:

[15] idem
[16] idem
[17] *Industrial property sector hit by soaring values and 'historically low' vacancies,* NZ Herald, June 1, 2019
[18] idem
[19] Business Land: problems and causes, Berl Economics, April 2016

- First, they provide information about the relative value that different land uses place on locating in a specific place. For instance, if the value of commercial-zoned land is considerably higher than the value of adjacent industrial-zoned land in a specific location, then it may indicate that that location is more beneficial for commercial activities than industrial activities. In the Rangitikei instance we are more than likely looking at an industrial including warehousing mix, supported by ancillary services such as cafes and a service station
- Second, they provide information about the relative sufficiency of development capacity for different uses throughout the city. If, for instance, there are differentials between industrial and rural land values in many locations, it may indicate that development capacity for industrial uses is in scarce supply relative to rural uses. The work done thus far suggests that, while there is industrial zone capacity in Palmerston North and Whanganui, whether it can be described as “spare” or for how long can be debated and the area under consideration for Marton could be considered a “scarce” commodity, given the unsuitability and lack of supply of existing industrial zoning in Rangitikei and the new zone’s superior access characteristics (SH1 and rail).

Discussions with OPUS Consultants suggest that the primary motivation for developing the National Policy Statement for Urban Development Capacity was to ensure local authorities did not under-estimate the volume of land required for a development (which at 217 Ha in the Marton example is unlikely) and the models they provide relate more to optimising the number of houses in a development than to other uses.

The question instead moves to the suitability of the proposed zone in terms of flooding, fault lines, liquefaction, etc and also the economic feasibility and these have been covered in other reports.

## 7. Discussion and Conclusions

Marton’s location as the “hub of the Rangitikei” between and equidistant from its larger neighbours Palmerston North and Whanganui, and the relevance and application of their long-term plans, suggests that a re-zoning of the proposed site from rural to industrial with its good rail and road access is justified from an economic impact point of view.

The proposed site itself should significantly satisfy Berl Economics’ criteria raised in the previous section and points to good utilisation of the site (i.e. 217 hectares) with the additional benefits that should bring.

Palmerston North City Council’s District Plan 2018 provides some useful insight: “Specific market requirements for large industrial sites of 5ha and above, and sites which can be accessed on a 24-hour basis, are not readily available”, but PNCC has gone ahead anyway and it is working “shifting six times the freight of Taranaki and two and a half times as much as Wellington”.

Most of Palmerston North’s and Whanganui’s growth is coming from improved distribution networks. Rangitikei needs to consider its own industries and their needs, but especially new industries which may help to alter an aging demographic. A mix of Industrial uses (bioForestry and warehousing) may be preferable in terms of spreading risk and increasing demand for the site, notwithstanding possible compatibility issues.