

Industrial Land Research Project

Background

Substantial population and urban growth has occurred in the Western Bay of Plenty (WBOP) Sub-region for many decades. Strong growth is expected continue into the foreseeable future.

To manage this growth the SmartGrowth Strategy for the WBOP sub-region was developed in 2004. This Strategy provides a 50 year vision for the development of the sub-region. An integral part of the Strategy is the Settlement Pattern. The Settlement Pattern identifies the geographic areas where urban development (residential, industrial and commercial) is expected to occur in the future within the sub-region as well as the general timeframes for this development based primarily on the adopted SmartGrowth population projections. The Strategy and the Settlement Pattern are currently in the process of being updated.

The current Settlement Pattern identifies some areas where future industrial development is expected. However SmartGrowth has been aware for a number of years that further work was required to ensure appropriate provision was made within the Strategy and Settlement Pattern for industrial land needs over the 50 year time horizon.

The most recent work that has been done on projecting long-term industrial land needs for the sub-region was a report to SmartGrowth titled *Business Land Requirements Review Western Bay of Plenty* by Phil McDermott Consultants in October 2006. This report identified that there would be need for a significant amount of additional industrial land pre-2051.

Tauranga City Council (TCC) and Western Bay of Plenty District Council undertake industrial land surveys on an annual or bi-annual basis. The TCC report especially provides a good indication of long-term industrial land take-up as it has been undertaken on a regular basis since 1982. Further information on this report is contained in the attached background document.

Project goal

To identify the likely long-term demand for industrial land for various types of industrial land uses within the WBOP sub-region and the implications of this on the quantum and general location and economic viability of additional land (if any) that should be identified within the Smartgrowth Strategy for industrial purposes.

The outcomes of this project will be used as a key input into the second stage of the industrial land work which will be undertaken by internal SmartGrowth resources. The second stage involves the identification of additional future industrial areas (if any are required) from both a geographic and temporal point-of-view for inclusion in the updated Smartgrowth Strategy. This will include weighing up issues such as allowing greater competition between developers and the possibility that this might require

additional infrastructure investment and have consequential impacts on the efficient use of existing infrastructure investment.

Project Manager

Andrew Mead, TCC

Project Scope

- Geographic area: The WBOP sub-region which encompasses the land within the jurisdiction of the Tauranga City Council and the Western Bay of Plenty District Council.
- Population growth and timeframe: Growth of the subregional population from approximately 160,000 people currently to 300,000 people. It is estimated that this will take approximately 50 years to occur.
- Land uses within project scope:
 - All businesses that would typically locate within an industrial zone. It is considered that these would primarily be manufacturing, warehousing, storage, distribution, logistics, wholesaling and workshops (e.g. mechanics, tyre shops).
 - Land required for the operation of the Port of Tauranga, including potential inland port type storage/logistics operations (noting it is reported that the Port of Tauranga have strategic undeveloped land holdings in the vicinity of 44 hectares).
 - Some of these land uses will require high load bearing land.
 - See further information provided in the attached background document.
- Land uses outside project scope:
 - Businesses that would typically locate in commercial zones or elsewhere such as retail businesses, commercial offices, restaurants, cafes, medical facilities and educational facilities are outside the scope of this project.

Project Inputs

The following reference material is relevant to the project and will be provided:

- Business Land Requirements Review Western Bay of Plenty, Phil McDermott Consultants, October 2006
- Tauranga City Industrial Land Survey, TCC, June 2011
- Industrial Land Survey, Western Bay of Plenty, 2010 (2011 survey should also be available)
- Assessment of Development Feasibility for the Wairakei Urban Growth Area, Martin Udale, Essentia Consulting Group, Christine Jones, Andrew Mead & Frazer Smith, TCC, November 2010
- Rangiuru industrial estate financial viability work
- Industrial Land Release in the Waikato Regional Policy Statement: An Evaluation of the Impacts at Ruakura, Castalia, February 2012
- The current SmartGrowth population projections
- A copy of the current SmartGrowth Settlement Pattern
- Tauranga City Plan

- Western Bay of Plenty District Plan
- NZTA Freight Forecasting Work (by Richard Paling)
- Geotechnical Review of Industrial Land Available for Large Buildings within Western Bay of Plenty, S&L Consultants, November 2011
- Geotechnical Suitability of Industrial Land at Tauriko, SmartGrowth, April 2012 (includes attached report from Coffey Geotechnics)
- Bay of Connections Economic Growth Strategy
- Regional Economic Drivers Draft Report and Project Brief
- Western Bay of Plenty and Rotorua District Industrial Land Study, Beca Carter Hollings & Ferner August 2008
- Upper North Island Strategic Alliance work on freight and ports.

Project Outputs

- A draft report in hard copy and electronic form containing:

Quantum of industrial land required

- Recommendations on the quantum of industrial land that is likely to be taken up by development once the sub-region reaches a population of 300,000 in approximately 50 years.
- Recommendations on the appropriate response to the projected industrial land take up in terms of the amount of additional industrial land (if any) that should be identified in the updated Smartgrowth Strategy.
- The full methodology used to arrive at the recommendations above.

Type of industrial land uses

- A commentary on the likely types of industrial land uses that the sub-region should expect to have to cater for and whether any of these land uses have require specific land characteristics
- Particular focus should be given to the proportion of industrial land demand that is likely to accommodate businesses that require high load bearing land (land capable of handling floor loads up to 100kPa)

Risks of not providing sufficient industrial land in the right place

- A commentary on the likely extent to which industrial businesses might decide to locate in other areas e.g. the Waikato, Rotorua or Auckland, should sufficient and suitable industrial land in the right parts of the sub-region not be available for development in a timely manner. It should also identify any real examples of where this has happened recently. It should include specific consideration of the risk or potential opportunities posed by the proposed Ruakura inland port/logistics/industrial development.

Location of additional industrial land

- If additional industrial land is required, recommendations on generally where the best place to locate additional industrial land in the sub-region would be if significant locational preferences are likely to exist.
 - This does not involve identifying specific sites
 - Rather, it involves identifying general locations e.g. particular transport corridors, the proximity of land to a significant pool of labour, the proximity of land to Tauranga City or other settlements
- Rationale for how these conclusions were drawn.

Development of existing industrial land

- Consideration of whether any of the existing zoned but vacant industrial areas in the sub-region are likely to remain undeveloped in the next 50 years because of fatal flaws associated with locational issues or other issues such as contribution charges or geotech conditions.
- Recommendations on what could be done to encourage the more efficient uptake of existing zoned and/or serviced industrial land within the sub-region.

Competition within the industrial section market

- Consideration of the importance of having meaningful competition between developers in the delivery of industrial sections to market (a brief summary of the current position in terms of competition is included in the attached background document)
 - Recommendations on whether having competition is important
 - If competition is important, further recommendations about how SmartGrowth could go about ensuring competition is delivered.
 - Identifying how industrial land prices in the sub-region compare with those in the competing regions of the Waikato, Rotorua and the Waikato.
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- A presentation of the draft report to the SmartGrowth Implementation Committee
 - A final report in hard copy and electronic form.

Methodology

Quantum of industrial land

The methodology for this part of the project will be agreed between the consultant and the rest of the project team.

The starting point in terms of identifying addition land requirements is to assume that all current zoned but vacant industrial land will be developed unless a fatal flaw is identified in this research that would prevent the development of any existing vacant industrial land. A fatal flaw might be because of contribution costs, location or geotech conditions for example.

SmartGrowth currently favours the use of the methodology used in the Report titled *Business Land Requirements Review Western Bay of Plenty* or a similar methodology based upon equating future projections of labour demand for industrial activities into a land area requirement.

The only criticism of the methodology used in the report identified above is that it does not seem to make any allowance for a proportion of employment growth to be accommodated within existing developed industrial land. It would seem logical that this would occur as many businesses would not be running to full capacity within their current buildings and therefore would have capacity to take on additional staff, and also because many developed sites still have capacity for some degree of expansion. This should be considered in the methodology adopted.

SmartGrowth is however mindful that robust employment projections to the level of detail required to apply this methodology may not be available – SmartGrowth and its

member organisations do not have this data. If this is the case, an alternate methodology would have to be developed. Potentially this would be based on the current 2011 SmartGrowth population growth projections or some variation to these as agreed. In favour of this approach is that the ratio of occupied industrial land area to population in Tauranga City has remained almost constant at 45m² per person¹ over the period of 1992 to 2011. This same ratio in the WBOP District was about 29m² per person in 2010. It is not known whether this ratio has varied significantly in the past in the WBOP District.

Regardless of the methodology used, SmartGrowth expects that it would be documented such that it could be updated in the future using internal SmartGrowth resources. It is also expected that in developing the methodology consideration is given to the historic take-up of industrial land in the sub-region as a benchmark.

Furthermore, the methodology should take account of likely changes to employment and industry type in the sub-region, and the implications this would have on industrial land provision if this is possible.

Type of industrial land uses

It is expected that the category of industrial activities will be broken down into subcategories (warehouses, factories etc). For each subcategory it should be noted whether it requires any special land characteristics, what these are and why they are necessary. In addition, the likely proportion of total industrial land area used for each subcategory should be provided.

Specific attention should be given to identifying the types of industrial activities that require high load bearing land and what proportion of total demand for industrial land this makes up.

Risks of not providing sufficient industrial land in the right place

It is expected that a quantitative assessment would be made about the proportion of industrial businesses located within the sub-region that realistically could operate just as well from another location outside the sub-region.

In terms of the proposed Ruakura inland port/logistics/industrial development in Hamilton, a qualitative assessment of the likelihood that this development would draw a meaningful amount of new or existing industrial businesses away from the WBOP sub-region is required.

Location of additional industrial land

It is expected that the methodology used for this part of the project would be based on the key locational demand drivers for industrial land within the WBOP sub-region. It is expected that these demand drivers would be identified, explained and then applied.

The key locational factors that SmartGrowth wishes to understand is whether there will be distinct preferences for the location of future industrial land, and if so, whether the preference would be in the northern, southern and/or eastern transport corridors.

¹ This excludes the land zoned Port Industrial.

SmartGrowth also wishes to understand whether the market would prefer future industrial land to be located close to Tauranga City (or other settlements) or whether relatively remote locations (such as Rangiuru) would also meet market demand.

Development of existing industrial land

It is expected that a quantitative assessment would be made of the areas where a significant amount of existing zoned but vacant industrial land exists to identify whether there are any fatal flaws that would prevent successful land development. Particular focus should be given to:

- The locational suitability of the land
- Geotechnical conditions
- Development costs – particularly development/financial contributions.

This may require the help of other experts in specific fields.

Competition within the industrial section market

It is expected that a quantitative assessment would be made of the likely outcomes if meaningful competition existed vs. if meaningful competition did not exist between developers of industrial sections within the sub-region in terms of the market choice and market prices for industrial sections.

It is also expect that industrial land sales prices and asking prices within the sub-region will be compared on a per m² basis against the competing regions of the Waikato (particularly Hamilton), Auckland and Rotorua to provide a comparison of how competitive the sub-region is.

Project Resources

- Project Team
 - External consultant
 - Andrew Mead, TCC
 - Ayv Greenway, TCC
 - Tony Clow, WBOPDC
- For clarity, the role of the Project Team is to assist the consultant in delivering a draft report. This draft report will be reviewed and subsequently approved by the SmartGrowth Research Working Group.

Consultation requirements

In putting together this report, SmartGrowth expects that the consultant will directly consult with the following relevant industrial land owners, land developers, key land users and other stakeholders:

- Port of Tauranga
- IMF (developer of the Tauriko Business Estate)
- Quayside Holdings (owner of undeveloped industrial zoned land in Rangiuru)
- Bob Clarkson (developer of large scale industrial buildings and owner of rural landholdings that he wishes to develop for industrial and/or residential purposes)

- Zariba Holdings (industrial land owner in Wairakei)
- David Livingston (industrial and commercial building developer)
- Owen Hume (industrial land owner in Katikati)
- Mangatawa/McConnell Property (owner/joint venture partner for the undeveloped industrial zoned land in Truman Lane)
- Current owners of industrial zoned land in Te Puke
- Local real estate agents specialising in selling and leasing industrial land and buildings
- Priority One (local economic development agency)
- BOPRC staff responsible for Regional Economic Drivers work

Contact details for these people and organisation will be provided.

Timeframes

The following table contains the proposed timeframes for the project:

Project inception meeting and commencement of regular fortnightly project meetings	21 May
Proposed methodology re projecting future land needs circulated	28 May
Methodology re projecting future land needs finalised	1 June
Draft report completed	30 July
Presentation of draft report to IMG	7 August
Presentation of draft report to External Reference Panel	10 August
Presentation of draft report to SGIC	22 August
Presentation of findings to Smartgrowth Implementation Management Group	7 August
Presentation of findings to SmartGrowth Implementation Committee	19 September

Industrial Land Research Project – Background Document

Definition of industrial land uses

Further information is provided below on the activities which both TCC and WBOPDC expect to be located within their respective Industrial Zones to assist in developing the methodology to quantify future industrial land needs.

The following text comes from the Tauranga City Plan. It identifies the status of various activities (land uses) within the Industrial Zones in Tauranga City. It should be noted that:

- ‘90%’ of the activities expected in the industrial zones would fall within the term *industrial activities*
- A comprehensive land use consent is required for any type of development within the Papamoa East Employment Zone and this is why there are no permitted activities.
- P means permitted
- RD means restricted discretionary
- D means discretionary
- NC means non complying

18A.11 Activity Status Rules

18A.11.1 Activities in Industrial Zones

All activities in the Industrial Zones shall have the status identified in *Table 18A.1*. Symbols used in *Table 18A.1* have the meaning described in *Table 1A.2: Activity Status*.

Table 18A.1: Industrial Zones Activity Status

Use/Activity	Relevant Rule	Industry Zone	Port Industry Zone	Tauriko Industry Zone	Papamoa East Employment Zone
<i>Accessory buildings and activities</i>	18A.12	P	P	P	RD (P) (Refer Rule 18A.15)
<i>Ancillary retail and offices</i>	18A.12	P	P	P	RD (P) (Refer Rule 18A.15)
<i>Building improvement centres</i>	-	P (Refer Rule 18A.12)	NC (Refer Rule 18A.17)	NC (Refer Rule 18A.17)	RD (P) (Refer Rule 18A.15)
Fire stations	18A.12	P	P	P	RD (P) (Refer Rule 18A.15)
<i>General retail</i>	-	NC (Refer Rule 18A.17)	NC (Refer Rule 18A.7)	P (Refer Rule 18A.14)	RD (P) (Refer Rule 18A.17)
<i>General offices</i>	-	NC (Refer Rule 18A.17)	NC (Refer Rule 18A.17)	NC (Refer Rule 18A.7)	RD (P) (Refer Rule 18A.15)
<i>Industrial activities</i>	18A.12	P	P	P	RD (P) (Refer Rule 18A.15)
<i>Minor public recreational facilities and activities</i>	18A.12	P	P	P	RD (P) (Refer Rule

Use/Activity	Relevant Rule	Industry Zone	Port Industry Zone	Tauriko Industry Zone	Papamoa East Employment Zone
					18A.15)
Offensive trades	-	D (Refer Rule 18A.16)	D (Refer Rule 18A.16)	D (Refer Rule 18A.16)	RD (P) (Refer Rule 18A.17)
Port activities	18A.12	P	P	P	RD (P) (Refer Rule 18A.15)
Residential activities	18A.17	NC	NC	NC	NC
Schedule Site Permitted Activities	18A.13	P	n/a	P	n/a
Service stations	-	P (Refer Rule 18A.12)	D (Refer Rule 18A.16)	P (Refer Rule 18A.12)	RD (P) (Refer Rule 18A.15)
Take-away food premises	18A.12	P	D (Refer Rule 18A.16)	P	RD (P) (Refer Rule 18A.15)
Tauriko Business Estate Special Permitted Activities	18A.12	n/a	n/a	P	n/a
Trade suppliers and yard-based suppliers	-	P (Refer Rule 18A.12)	NC (Refer Rule 18A.17)	P (Refer Rule 18A.12)	RD (P) (Refer Rule 18A.15)
Visitor Accommodation	18A.17	NC	NC	NC	NC
Waste management facilities	18A.16	D	D	D	D

Note: (P) in this table for the Papamoa East Employment Zone means an activity is a Permitted Activity provided that the proposed development has been designed or constructed in accordance with a comprehensive development consent granted under Rule 18A.15 e) – Restricted Discretionary Rule and provided under Rules 18A.14.5 – Papamoa East Employment Zone – Permitted Activities and 18A.15.5.1 – comprehensive development consent..

Note: Residential activities, schools and tertiary education premises and health centres within the Airport Noise Control Boundaries shall be subject to Rule 4E.3 a) – Restricted Discretionary Activities.

Note: Residential activities, visitor accommodation, homestay, schools and tertiary education facilities and health centres shall be subject to Rule 4E.2.5 – Port Industry Zone and Noise Control Boundaries.

The Tauranga City Plan includes the following definition of *industrial activity*:

“buildings or land used for the manufacture, dismantling, processing, assembly, treating, testing, servicing, maintenance, storage or repairing of goods, products, articles, materials or substances and includes premises on the same land used for:

- a) the selling of goods by wholesale;*
 - b) The provision of amenities for employees;*
- incidental to any of those operations.”*

The following activities are permitted activities in industrial zones under the Western Bay of Plenty District Plan:

18.3.1 Permitted Activities (all areas except where otherwise specified)

- (a) Industry (except within the Omokoroa Light Industrial Zone);
- (b) Storage, warehousing, coolstores and packhouses;
- (c) Retailing which is accessory and secondary to (a) and (b) above and which has:
 - (i) Rangiuru Business Park – a maximum of 250m² indoor/outdoor, retail or a maximum of 25% of the gross floor area of the primary activity whichever is the lesser;
 - (ii) All other areas – a maximum floor area of 100m².
- (d) Building and Construction Wholesalers and Retailers;
- (e) Commercial Services;
- (f) Takeaway Food Outlets with a maximum floor area of 100m² (excluding Te Puna Business Park);
- (g) Service stations and garages (excluding the Te Puna Business Park);
- (h) Medical or scientific facilities;
- (i) Veterinary rooms and pet crematoriums;
- (j) Activities on reserves as provided for in the Reserves Act 1977;
- (k) Police stations, fire stations and St Johns Ambulance stations;
- (l) Depots (except transport and contractors depots within the Omokoroa Light Industrial Zone);
- (m) Vehicle, machinery and automotive parts sales (excluding Te Puna Business Park);
- (n) Works and network utilities as provided for in Section 10;
- (o) Commercial sexual services;
- (p) Offices and buildings accessory to the foregoing on the same site;
- (q) Green waste and waste recycling facilities where these occur within buildings (i.e. are enclosed).

Competition in the industrial land market in the sub-region – the current situation

Presently there is only one developer delivering new industrial sections to market. This is IMF who is developing the Tauriko Business Estate. Aside from this there are a handful of vacant industrial sections for sale in older industrial areas within Tauranga City and the wider sub-region.

There is a large amount of vacant industrial zoned land that could provide competition for IMF if it were developed although there are a number of challenges in developing these various land parcels.

Firstly, there are question marks about whether a lot of the remaining undeveloped land is suitably located e.g. large amounts of land are zoned for industrial development on the eastern corridor in Te Puke and Rangiuru. These locations are relatively far from Tauranga City and are not well located for the large markets and freight flows associated with the Waikato and Auckland regions.

There is also the question of development costs. Development / financial contributions are high in some areas. For example the contributions are well in excess of \$1m per hectare in Rangiuru. In Wairakei the contributions are about \$600,000 per hectare. The implications of development contributions (and other costs) in Wairakei were assessed in detail in the report titled *Assessment of Development Feasibility for the Wairakei Urban Growth Area*. The conclusions of that report were that industrial development in Wairakei would currently only be feasible if land could be purchased at less than its residual rural value.

There is a significant portion of vacant industrial land zoned in the central area of Te Maunga. This land seems ideal for near term development. However because it is multiple-owned Maori land it may not be developed for some time. SmartGrowth understands that the owners want to develop the land in a joint venture arrangement with McConnell Property.

Given the above issues, it seems that there will be limited if any significant competition amongst industrial developers for the delivery of new industrial section to market in the sub-region in the short to medium term. This is potentially of concern and, as such, SmartGrowth seeks to understand the likely implications of this situation.