



Date: 17/06/2025

To: Sarah Trinder
Senior Policy Planner – District Plan
Far North District Council

Overview of key considerations

The Far North District Council (FNDC) is in the process of reviewing the District Plan. As part of this process, FNDC is considering establishing two new zones in Kerikeri – a Medium Density Residential Zone (MDRZ) and a Town Centre Zone (TCZ). Market Economics (M.E) have been asked to provide a high level summary of the key considerations associated with the MDRZ. In addition, we provide an overview of the economic considerations relating to the need to protect industrial land from encroachment from Large Format Retail.

MEDIUM DENSITY RESIDENTIAL ZONE

A central principle of establishing the MDRZ is that it would enable intensification. The intensification arises from enabling higher density dwellings than would be possible under the current provisions. Intensification generally means that the land resource can be used more intensively thereby changing the financial characteristics of residential developments. The economic effects of multiple residential developments are a function of the location of those developments relative to each other as well as the scale relative to the anticipated demand levels. Relative demand captures demand segments associated with location, typology and price points. The resulting spatial patterns have a range of costs and benefits, and the principles are based on these costs and benefits.

The anticipated economic costs and benefits of intensification are a function of the how much additional development is enabled relative to a do nothing approach. M.E has not been asked to consider/model the scale of changes. Instead, we highlight the considerations associated with intensification and the economic costs and benefits.

Economic Costs and Benefits

The MDRZ is expected to deliver changes in the type and distribution of dwellings developed in Kerikeri. The change can be expected to occur through time. Changes to growth patterns are likely to incrementally and cumulatively impact Kerikeri's urban form, becoming significant through time. The nature of urban form has important impacts on the efficiency of spatial interactions. The spatial interactions generate costs and benefits that are observable at an aggregate (Kerikeri-wide) level, but the change occurs at a local level and the spatial extent of the provisions, and relationship between the enabled capacity and relative demand influences the rate of change. In other words, the proposed provisions must be considered in the context of the likely market size.

Increased competition and choice

Intensification provisions are likely to generate an economic benefit to households through increasing the range of different housing options available. A greater range of dwellings would be enabled, ranging from smaller detached dwellings or townhouses, up to higher density attached housing.

Enabling greater diversity of dwellings supports the market's ability to be responsive to shifting demand patterns and market preferences.



An important aspect of intensification in the local context is housing affordability challenges. Intensification tends to change the development costs of a dwelling by enabling more efficient use of the land resource, as well as changing development (construction) costs. The ability to form smaller site sizes increases the potential dwelling yield of sites.

This makes it possible to develop more price-competitive residential options. While not necessarily delivering 'cheaper' housing, intensification supports and contributes to the functioning of the residential market by changing the type of dwellings that can be delivered. In turn, this lifts competition between different locations, typologies and across price-points. Combined, greater competition keeps prices in check. The scale and strength of the competition is influenced by the diversity that is enabled as well as how the enabled capacity aligns with anticipated demand levels.

The increased ability for the market to deliver a wider range of dwellings is likely to have a positive effect on housing affordability relative to the development patterns of new dwellings that would otherwise occur under the existing provisions. In aggregate, the provision of a greater range and value distribution of dwellings is likely to enable the market to increase its alignment with future household demand patterns.

Locational effects

The *location* and *extent* of intensification provisions are important and affect the costs and benefits that may arise from alternative development patterns (vs the do-nothing). The resulting spatial patterns have wider effects observed at the community and town levels. The location of intensification, the spatial extent of the area where intensification is enabled (i.e., zone), and the location relative to other zones, determine the scale of other effects.

Enabling intensification in areas of high accessibility is likely to have positive effects on urban form through supporting a centres-based structure. Providing for a greater share of growth to occur in high accessible areas strengthens the relative performance of centres which generates a range of benefits that accrue to both households, local businesses and the wider community. Concentrating development in these areas increases the amenity received by households through greater accessibility. Furthermore, it supports the viability centres by concentrating demand in the immediately surrounding areas. Such concentration increases the level of amenity that can be provided in a centre because the effective market size is greater (than a dispersed pattern).

Improving the economic viability and functioning of centres strengthens urban form and contributes positively to sustainability by:

- Reducing the total distance associated with trips,
- Enabling more active transport modes,
- Increasing travel efficiency through concentrating commercial and social activities in proximity to where people live,
- Supporting the viability of public transport options.

Concentrating residential growth (enabling growth) in proximity to centres enables investment in the supporting infrastructure to more efficiently serve greater demand.

Effects from the Spatial Extent

It is important to consider the spatial extent of any intensification provisions as this is likely to affect the type of urban form outcomes that are achieved, and the costs and benefits that flow from these development patterns.

The spatial extent of the zone determines the level of differentiation (i.e., variety/diversity) of development opportunities across the urban area. For example, if the entire urban area is zoned for medium density dwellings, then there is limited differentiation across locations or typology. Generating the benefits associated



with intensification relies on a level of concentration around key nodes of accessibility but at the same time a degree of spatial differentiation from other locations.

Concentrating medium-density development in the area immediately surrounding Kerikeri commercial area is likely to support commercial activity in that centre. Limiting medium density in the outer suburban areas will help to concentrate medium density growth close to the centre while at the same time minimising any diluting of growth away from the centre.

The application of walkable catchments has different relative effects within different sized urban economies. Applying a constant walkable catchment (e.g., 800m/10 mins) in a small urban area such as Kerikeri will capture a large share of Kerikeri. A high relative coverage of the urban areas may reduce the level of differentiation across the urban area¹. This may reduce the degree to which growth is concentrated around Kerikeri, potentially reducing the benefits associated with intensification.

The risk of diluting the concentration effect is amplified when a 'too wide' spatial extent is used because it may result in opportunistic developments located too far from the centre, thereby functioning in isolation. Further, these developments could absorb a high share of demand for medium density dwellings. This may therefore reduce the likelihood of this development occurring elsewhere in locations that are more likely to function together with the centre and achieve the intensified urban form concentrated around Kerikeri.

Concentrating growth in specific locations such as highly accessible areas, ensures that infrastructure can be provided efficiently. The efficiency is due to economies of scale (higher density of demand²) as well as the timing and sequencing of growth. If intensification provisions are too widespread, then this reduces the ability to achieve infrastructure efficiencies and may increase infrastructure costs through the requirement to supply increased infrastructure across larger areas.

Effects from aligning with anticipated demand

The overall scale of market demand influences the appropriateness of the scale of intensification provisions by location. The level of market demand for different types of dwelling densities will affect the degree to which concentration of development within key areas of accessibility are achieved and the nature of that intensification.

Smaller urban economies, such as Kerikeri, generally have lower demand for higher density typologies and the market for these typologies is not well established, translating into lower demand. Reduced demand increases the risk that a higher development option beyond the immediate vicinity of the centre could capture a large share of demand thereby forming a standalone development that is less consistent with the surrounding urban environment.

LARGE FORMAT RETAIL & INDUSTRIAL ACTIVITIES IN WAIPAPA

Waipapa hosts a mix of large format retailers. The location is also an important location for the Far North's industrial activity. Both activities contribute to the economic functioning of Kerikeri-Waipapa and future growth will generate demand for land for both uses. Despite important differences between large format retail (LFR) and industrial land use, both uses often compete for the same business locations and similar sites, i.e., large, flat accessible sites with good road access. Managing the spatial locations of these different land uses is important to avoid adverse effects

¹ The share of urban area covered by a constant catchment distance tends to be inversely related to city size.

² Infrastructure costs are generally lower if demand is spatially concentrated compared to the costs associated with expansive networks.



Compared to industrial land uses, LFR typically generates higher rental yields and land values. This creates incentives for developers to seek LFR zoning in industrial areas. When LFR is permitted in industrial areas, it displaces industrial activities, and over the long term, industrial activities can be priced out of locations thus creating land use tensions. LFR attracts high volume shoppers and are associated with private vehicles. In contrast, industrial activities involve heavy vehicles, noise and emissions and these differences create tensions. In Waipapa, managing the growth of LFR and industrial activities needs to balance these tensions. Allowing the encroachment of LFR into industrial zones will undermine the long-term economic functioning of Waipapa's industrial base. It is important to protect industrial land for industrial purposes because:

- Industrial activities have long supply chains with deep economic linkages – these linkages reflect how industrial users support other activities, such as agriculture, or add value to goods before exporting (to the rest of New Zealand or internationally).
- Industrial activities support diverse skills and employment. Industrial activities provide middle income and entry-level employment.
- Local manufacturers are space intensive, requiring large footprints for capital equipment and work areas.
- Industrial activities often co-locate to minimise transaction costs and to also benefit from agglomeration advantages.

Like industrial uses, LFR also fulfils an economic role by catering for consumer demand. LFR also offers significant employment opportunities for entry-level and part-time employment. However, the supply chain/economic linkages of LFR are not as extensive as industrial activities. Being explicit in providing for LFR and industrial uses, reduces the potential conflicts.

Protecting industrial land from displacement (by LFR and other uses) will ensure that the economic functioning of the industrial sector, and the benefits of co-locating and strong supply chains are maintained. In addition, providing appropriate locations for LFR will ensure that the potential trade-offs and tensions are mitigated and managed.

It is worth noting that supermarkets often seek to locate in locations with LFR. The need to avoid displacing industrial uses by allowing supermarkets in the industrial zones are due to the reasons outlined above. However, the Waipapa context and its nuances need to be considered before permitting supermarkets in the local LFR context. These nuances include consumer convenience, co-location synergies as well as increasing competition. Supermarkets serve high frequency transaction and are often car-based for which good accessibility is needed. This is consistent with the locations associated with LFR. Co-locating with LFR activities could generate synergies and improved infrastructure efficiencies. In contrast, the location of the LFR (and potential supermarkets) should also consider the spatial relationships between where demand is drawn (where residential development is and where growth is anticipated) as well as the location relative to key centres. Both LFR and supermarkets can stimulate car-oriented movements that could undermine public transport. Local LFR zones and locations might not be designed for high traffic turnover associated with supermarkets, leading to congestion and driving a need for costly infrastructure upgrades. These nuances need to be considered at an appropriate level of detail to inform decisions relating to permitting supermarkets in different zones (including LFR).