



Nelson CBD Economic Risk Assessment

the economic & social role of the cbd & risks to its future

PREPARED FOR NELSON COUNCIL – SEPTEMBER 2014

Whatever creates or increases happiness, or some part of happiness, we ought to do;
whatever destroys or hampers happiness, or gives rise to its opposite, we ought not to do.”
— Aristotle

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EXECUTIVE SUMMARY

This report was commissioned by Nelson City Council in September 2014. The report seeks to outline the economic operating conditions of the CBD and develop planning and management responses that can future proof as much as is possible its long term economic prospects.

Context

Previous work recognised that Nelson city centre had qualities that were fundamentally different from retail-only competition in the region and that its economic future lay in improving the qualities of the CBD. These qualities are in part a result of natural fit between good built form, heritage and public realm amenity. Some of these qualities are under threat from inappropriate development occurring under the current controls and net loss of quality due to demolition as a consequence of the need to manage earthquake risk.

Retail activity, built form quality and public realm vitality are factors in the quality of the experience of a visit to the city centre. It is the value of this experience that will lock in the city's economic capacity.

Nelson & Richmond Retail Catchments

Richmond is geographically positioned to be the local and district centre of choice for a growing proportion of the regional catchment. Nelson city centre's growth path does not lie in seeking to compete for value retailers (such as KMart and the Warehouse).

Retail activity for its own sake is a low value economic growth path. Greater economic capacity lies in using retail as a means to grow non retail employment and intensity of use. This effectively means improving the qualities of the city centre so as to improve the experience of a visit.

In improving the experience the city centre can attract higher order retailers and expand its food and beverage services offer. Improving the experience of a visit to the city centre requires a shift in regulation to require better

buildings.

Conditions Affecting Retail in the CBD

Council should continue and expand its events program in concert with CBD business and retailers.

Council needs to price parking in the CBD so as to increase its effective supply to CBD shoppers and visitors.

Nelson should reinforce its position relative to Richmond as a place to "do stuff" versus a place to "get stuff". Council should work in concert with CBD retailers on training schemes for retail workers to improve levels of service and expand the range of knowledge of these workers with respect to a range of activities in and around the CBD. Service levels of retail staff are a major factor in retail performance and customer satisfaction. This service path is fully aligned with the "experience" focus of the city centre's growth path.

Businesses serving business and food and beverage services make up 50% of all businesses in the CBD. There will be some adjustments in CBD tenancies as a consequence of new regional competition, but these adjustments are likely to be offset by overall growth in the city centre's catchment.

Development Dynamics & Planning Intent

Council should consider the potential for single storey buildings in the CBD subject to appropriate design controls. The current requirement for a false second level facade is not delivering the quality of development that the city deserves.

A survey of the qualities of buildings in the city centre found that the majority of buildings are not of a quality that contribute to pedestrian interest or add to the qualities of the streets. This means that there is substantial potential to improve the pedestrian qualities of the CBD.



Land Use Segments & CBD Development

There is unlikely to be any material expansion to the retail mix of the CBD. Rather the CBD will adjust to some competitive pressure from the suburbs and become more destination focused. Retail rents are projected by agents and valuers to remain stable.

According to agents and valuers there is currently limited demand for office space in the CBD. The Heart of Nelson Strategy (HONs) preferred office development over inner city housing, but perhaps there is a capacity to develop both. There is a need to test the development capacity of the CBD using a 3D model to reality test CBD sites.

Demographic and housing characteristics of the Nelson/Tasman catchment suggest that there is substantial latent demand for attached housing in Nelson city centre.

Development Drivers

Current demand for office space above shops tend to limit the feasibility of second level development. Demand for office space generally in the CBD also appears to be limited at present. Retail development appears feasible in general around the CBD and retail rental levels appear stable.

Based on demographics, discussions with agents and experience elsewhere there is likely a level of latent demand for city centre apartments. The CBD has the qualities necessary for inner city living and such development would further add life and activity to the CBD and expand its activity cycle. This would further differentiate the CBD from the suburban competition. However, current and proposed city centre residential projects are small and on the immediate fringes of the CBD. If Council wished to proactively advance the development of inner city living it will need to first undertake a capacity modelling assessment of CBD sites so as to consider the effect on employment. Other Councils and governments have used various devices including joint venture partnerships to unlock inner city living. This is an option available to Council.

Regulation

The city should transition its dominant planning controls more heavily in favour of requiring built form quality as it is the qualities of the city that will protect its future economic performance. Currently the regulations are not aspirational enough with regard to new buildings and in many cases are backward looking. The Design Guide is also outdated and should be simplified and re-written in conjunction with the developers, owners and other relevant organisations and individuals in the city.

Conclusions

Taking the CBD more directly down the “improved experience” or quality path is the key to locking in and expanding its economic value and capacity.

It is also extremely important to establish a growth path for Farmers as this store is unique in Nelson CBD and is of a size that enables a range of other retailers in the CBD to collocate.

The Council should consider a new and integrated design code for the entire CBD that defines the facade qualities of future buildings and encourages development. Improved built form should not cost more.

There are tensions between office development priority and the potential for inner city living. These tensions can be resolved through the appropriate use of spatial models (additional work is required to do this) so as to arrive at a position where residential development does not come at a cost to employment levels in the CBD. Council should consider the potential future role of inner city living as an objective to expand the qualities of its CBD, widen housing product within the region and extend the CBD’s activity cycle. If successful, experience in other places shows that inner city housing demand may spill over to other suburbs around the CBD.



1. INTRODUCTION

The purpose of this report is to:

1. Evaluate Nelson CBD's economic, cultural and social role in the region and describe the critical elements of the city's composition (physical and functional) that are fundamental for it to maintain its role. Much of this analysis was provided in a "CBD Position Paper" in June 2014.
2. Review the threats to CBD economic performance that come from within and outside of the CBD, including the potential threat from loss of quality building stock due to the requirement to reduce earthquake risk.
3. Review the threats to the CBD from recent retail trends and existing and potential future changes in the regional retail market.
4. Propose mechanisms and processes that have the potential to mitigate economic risk from impacts of retail competition.

2. CONTEXT

Previous work on Nelson CBD in 2012 entitled "Nelson Centres Study" sought to define the wider economic, social and cultural role of the city centre in the region and evaluate its position with respect to other centres and retail-only propositions in the suburbs. A subsequent paper in June 2014 entitled "Nelson CBD Position Paper" looked at a number of issues affecting CBD performance including the rise of internet shopping and growth in big box retail development in the region.

The "Nelson Centres Study" provides both a business and community focused definition of the role of centres and sought to define shopping centres or retail-dominant centres from mixed use centres or traditional towns. In the "Nelson Centres Study" (November 2012) a definition of such centres was provided: *"At the basis of traditional (town) centre definition is the notion of a community heart and soul, which is culturally valued by*

its constituents and is a place of civic pride and high economic and social exchange."

That study sought to differentiate Nelson CBD from many of the shopping centres in the region by explaining its wider purpose and cultural connection to its constituent community and tourists. The mixed use and high quality built form nature of Nelson CBD was explained as a positive factor in regional economic output, residential demand (not only for Nelson City but for Tasman), civic pride and higher environmental performance though the efficiencies of a mixed use centre and reduced environmental impacts. These types of benefits are well documented through a range of studies and accrue to all attractive towns and cities.¹

Councils around New Zealand and Australia have allowed different built form outcomes for shopping centres than they allow for their town centres and in so doing often create the conditions for the more valuable towns and cities to fail. This failure of retail in towns often flows through to wider economic failure as a consequence of the loss of non retail businesses who no longer want to be in a town centre with vacant shops. The Nelson Centres Study proposed regulatory change to ensure that future retail-only propositions would compete on the same urban basis as Nelson CBD. At present the regulatory framework encourages retailers to depart the CBD for less sustainable shopping centres without compensating benefits to the community. This is not an issue peculiar to Nelson.

The regional retail picture is dominated by the two major centres of Rich-

¹ Newman & Kenworthy 2006, "Urban Design to Reduce Automobile Dependence", *Opolis*. An International Journal of Suburban & Metropolitan Studies. Frank L et al. 2004 "Obesity Relationships with Community Design, Physical Activity & Time Spent in Cars" *American Journal of Preventative Medicine*. Pacione M 2005. *Urban Geography: A Global Perspective*. Routledge NY. Mulligan G, Carruthers J and Cahill M (2004) *Urban Quality of life and public policy. A survey*. Emerald Group pp729-802. Edward Glaeser 2011 "Triumph of the City" Macmillan. Nahapiet, J. and Ghoshal, S. (1998) "Social Capital, Intellectual Capital and the Organizational Advantage", *Academy of Management Review*, 23,2, 242-266. CABE (UK) 2000 "The Value of Urban Design"



mond and Nelson City and the growing influence of online shopping. However the regional economic picture is dominated by Nelson, which is the dominant employment centre in the region. Nelson CBD's future is tied to employment growth or maintaining its regional employment role - not to retail domination. However, retail performance in the CBD is one of the elements that facilitates demand for CBD offices as it adds vitality to the street network in the CBD. But it is important to recognise the distinction and nexus. CBD retail is a means to grow employment and demand for more intensive and efficient use of land as it adds vitality to the urban environment. The better the urban environment (the quality of buildings and space), the stronger the demand for retail and employment.

The regional retail dynamic has resulted in Richmond evolving as a regional retail centre. However Richmond's employment base is narrow and is dominated by retail employment (around 50% of the total). Retail employment is low wage employment (the lowest of all ANZSIC wages and salaries) and so the main focus of Nelson's economic strategy should not be the growth of retail employment in the CBD. Retail employment growth is not to be ignored, but it is not an optimum path for economic growth unless it improves the qualities of the location. In Richmond, retail employment growth has not improved the qualities of the town centre. It could be argued that it diminishes amenity because of the poor urban qualities of the new buildings and the increase in vehicles in the streets of the centre entering and leaving carparks.

For Nelson the main economic issue that flows from retail-only growth in Richmond is the level to which this growth results in vacancies in Nelson CBD. Given that the Richmond area is experiencing catchment growth, many of the daily and weekly retail tasks from this area can and should be met in Richmond. Nelson CBD should not seek to compete for the kinds of value retailers now appearing in Richmond. Whilst Nelson may see some value retailing (discount retailers), particularly in the fringe areas of the core CBD, these are more a reflection of a healthy gradation in rental levels across the CBD from core to fringe. This condition appropriately provides a range of business entry settings at a range of price points and is

a very different condition to a value retailer as a central focus and anchor.

Whilst retail role and the growth of big box retailing in Richmond is an issue in terms of CBD retail performance, the qualities of the CBD are as important to its economic role. The built quality of the CBD is at risk from actions taken to offset earthquake risk, including the potential demolition of a number of buildings in the CBD.

So the issues that challenge the economic role of the CBD could be summarised as follows:

1. Regional competition in terms of retail role.
2. Threat from changes in consumer behaviour with respect to retail including the growth of internet shopping.
3. Loss of CBD quality due to loss of quality buildings and/or replacement with buildings of lesser or poor quality.

The consequences of the first two of these challenges, which are retail focused, requires a more balanced view of the role of the CBD outside of its retail role in the region. Retail is a contributor to CBD vitality - and it does not need to be the highest performing retail centre in the region in sales terms. CBD vitality is an economic asset that delivers a broader employment mix than simply retail. So CBD performance and CBD vitality are linked. Vitality is the level to which pedestrian activity occurs in the streets of CBD, which is in large part determined by the range of activities and attractions at ground level - mostly in the form of shops as shops and street front activity increase levels of walking.

The third issue requires regulation to get good buildings within a local framework of cost tied to long term achievable rents and investment yield. The process of determining the detail of the regulation should seek to bring the owners and developers of city centre buildings and Council to a mutually agreed regulatory position. The core objective of regulation for new buildings should be to require these buildings to enhance and improve the amenity of the CBD. This means that buildings need to be of a particular



quality and regulated by a code - not just a land use plan with building controls as the secondary element. The emphasis should be reversed - with buildings becoming more important than land use, as they are in all successful CBDs. Most of the requirement of the code should be around the building facade as it is primarily the facade that determines the quality of the CBD (not the side or rear walls). The future economic success of the CBD requires such a code to be written. In the absence of such regulation the risks to CBD performance, which are becoming more dependent on the experience of a visit, are left to chance.

3. NELSON & RICHMOND RETAIL CATCHMENTS

Urbacity's Nelson CBD Position Paper (June 2014) made the case for why Nelson CBD was a more important and dominant economic and social asset in the region than any other centre. Richmond is well positioned geographically to serve the growing residential catchment for retail goods and services - and it is this dynamic that is driving the arrival of new retail boxes in that centre. Nelson is less well positioned geographically to cater to this growth, has land values that do not support the development of large boxes on inexpensive sites, and is spatially more intimate and complex. To change the dynamics of the city centre to allow for more big box stores would be to undermine its complexity and intensity and to go backward economically.

Tasman is growing its retail base through a series of approvals tied to each chain store retailer's desire to cater to catchment growth. These approvals are delivering a series of stand alone buildings with limited urban qualities focused around car parks. The consequence of these developments is a loss of economic opportunity in Tasman, tied to the resultant weak urban qualities of its major centre. For Nelson the effects of these developments in and around Richmond will likely be some adjustments in CBD tenancies as a consequence of loss of trade in some merchandise categories. Many of these merchandise items are also found in Nelson CBD or at its fringes. However Richmond's catchment is growing faster than Nelson's catchment

for most of these goods and services. Growth in the Richmond catchment has reached the threshold for the development of another Warehouse plus a KMart. Neither of these stores are in Nelson CBD (the Warehouse is on the fringe). The CBD has a growing market or catchment for more individualistic, high end and specialised retail and retail services. These types of retailers are suited to the CBD but would fail in Richmond.

So the basis of the catchment relationship is that the catchment for Nelson CBD is growing for specialised retail goods and services, but not for daily or weekly goods and services in the categories served by discount department stores and supermarkets. The role of the retail fringe of the CBD is largely irrelevant to the core as little cross shopping exists between them. The fringe area should ideally intensify over time, reflecting an uplift in demand for mixed use and higher value land (as proposed in HONs).

Transfer of sales to Richmond and a reduction in Richmond catchment residents visiting Nelson CBD may result in some tenancy adjustments in Nelson CBD in the short and medium term and in our view is a normal application of market forces. The regional catchment and regional profile of the CBD should attract a greater level of high end national tenants (likely requiring larger shop sizes). This view is supported by commercial leasing agents in the CBD.

A part of the segmentation adjustment will be growth in demand for food and beverage services tenants in the CBD. The basis for CBD food and beverage services will continue to evolve toward a destination rather than a collection of individual restaurants, bars and cafes. In other words people can choose to travel to the CBD and then choose where to go, rather than choose a specific restaurant before the trip. The CBD is the only location in the region that could fulfill this role. The desire of food service businesses to be in the CBD is also a function of the amenity or qualities of the CBD. It is not by accident that some of the best food and beverage service outlets in the region are found in the same place as the most attractive collection of buildings in the CBD.



A focus by Council on the future qualities of the CBD is therefore an integral part of any retail and business improvement and maintenance strategy. The only way to maintain and improve the qualities of the CBD is to re-prioritise the regulatory focus from land use to built form. The overall quality of buildings of the CBD and in particular the number of buildings built before World War 2 are the main reason for its attractive character. Some of these buildings will be lost and with this loss will come a loss of local heritage and culture, both of which are major contributors to Nelson CBD's economic and social performance. That said, the quality of buildings overall in the CBD is not great. This means that there is an enormous opportunity for improvement. This issue is considered later in this report.

4. CONDITIONS AFFECTING RETAIL IN NELSON CBD

The Council

Other than infrastructure investment and maintenance in the CBD, Council has three basic roles:

- Regulation
- Marketing & Events
- Management of public space (streets, parking and open space)

By working these three levers, Council can influence a range of outcomes in the CBD. The application of market forces and trends is not something Council can influence but it does need to understand the effects of these trends on its city. In simplified terms, Council's motivations are civic - the public good or community benefit, and the private sector's motivation is profit.

Council is unable to implement a strategic regional policy prioritising its CBD as it is not the only Council serving the people of the CBD catchment. This means that a strategically beneficial retail policy (for instance) is not possible for the Nelson CBD catchment. Tasman District has little motivation to consider what is best for the two municipalities, despite the

fact that Nelson City and its CBD are factors in driving the desire to live in Tasman District. It stands to reason, but maybe not always apparent to Tasman District, that a healthy Nelson CBD is good for Tasman District. Recent approvals by Tasman for retail boxes with little urban or amenity-based context are of little consequence to Nelson CBD except in areas where there may be some adjustment to tenancies in similar categories within the CBD. The exception to this is Farmers. The Council many years ago largely future proofed the CBD retail environment by creating three major parking squares. The time is right to consider a partnership with the Farmers so as to generate a larger and more efficient signature store for the region as a means to lock in the important anchor role of that store.

Council should seek to further partnerships between retail businesses, city centre events, food and beverage services and hospitality and the arts. This kind of fusion should be squarely aimed at enhancing retail performance and establishing Nelson CBD as a value monopoly experience in the region (no other place is able to compete). Retail-only strategies are less likely to bring increased visitation to the CBD. Hybrid retail, arts and culture and entertainment strategies need to be bolted on to CBD retail and the focus of new development should be to improve the qualities of the CBD and grow the CBD market. It can do this in three ways:

1. Hybrid retail strategies linked to other activities and events
2. Promotion of inner city living and as a great place to work.
3. Requiring better buildings in the CBD.

Other cities have strengthened and expanded their market base through inner city living. However as discussed in the Heart of Nelson Strategy, this can be at a cost to employment. Inner city living numbers will need to be meaningful in order to materially influence retail performance in the CBD. This issue is discussed in more detail later in this report.

Pricing Parking

Charging for street parking in the CBD is effectively land rent over a public



asset that is in fixed supply and under demand pressure. It is difficult for the city to increase the number of street parks with a finite resource (total street length). Charging for street parking in the CBD increases the effective number of carparks in the city as pricing facilitates increased turnover levels of CBD car parks. Not charging or under-charging for street parking in the CBD has the reverse effect as it reduces effective supply² and transfers most of the benefit to city commuters at no cost. Loss of supply in the street increases the pressure on off street parking and effectively transfers the marginal loss to the private sector to make up the difference. Charging for street parking and enforcement unfortunately go hand in hand. In our view, the main political issue should be where the money collected is used. Whilst enforcement fines are annoying, there is a different sense of loss if the money is used to benefit the CBD and is advertised as such (“This is what your meter money has allowed us to do in the CBD” or as in Pasadena USA “Your meter money makes a difference”). Reducing effective supply through free parking increases vehicle and environmental costs as cars have to stay in the street network longer, cruising - looking for a car park. This increases the time it takes to undertake tasks in the CBD, which is another cost of the visit. The “costs” of a visit to a retail destination are both time and money - not just money.

To our knowledge, there have been no international studies that show improvements in CBD performance from free parking and many studies that show the reverse. Further on this point, the political imperative (there are no economic imperatives) of free parking tends to distract focus from the more important issue of the need to seek to improve the experience of a visit to the CBD. If the experience is a good one, then the “cost” of parking is a reasonable trade off. Put another way, if people are not prepared to pay for parking in the CBD and stay away, then the quality of the CBD is poor as the experience is not good enough to offset the cost of parking.

Finally on parking, it is unusual to find long stay public parking in any CBD. This precious commodity should ideally be converted to timed, short stay parking for people visiting the CBD. Free parking is a way of transferring

commuter or worker parking, most of which should be on private land or outside the core of the CBD, to the most valuable public land and is effectively a public subsidy for city workers.

Competitive Pressures & Market Position

The retail story in Nelson CBD is influenced by the competitive nature of Richmond. However the qualities of the two centres determines how they are used and what else can occur in each centre. In urban amenity terms, Richmond is a low quality centre with a number of major destination retailers. Two of these retailers are unique in the wider Nelson & Tasman region (PaknSave and KMart). In terms of the major retail stores, there are no other such stores in Richmond that are not also in Nelson. Nelson CBD and environs is likely to continue its everyday role for its primary catchment residents, with some additional escape to Richmond for some comparison goods. The development of Nelson Junction is also likely to add to the competitive tensions in and around the CBD, mostly for homewares.

The urban quality of Nelson CBD will drive CBD dominance in the categories of food and beverage services (cafes and restaurants), entertainment (clubs, pubs, bar restaurants and cinemas) and in creative retailing (jewellery, specialty fashion, arts and galleries). These kinds of retailers are largely free of the general merchandise and everyday fashion tensions flowing from new entrants in Richmond or Nelson Junction in future. The major non food chain stores, especially in fashion will prefer CBD Nelson locations rather than any big box centre or the Richmond shopping centre as their market position suits the CBD, not Richmond. Some of these operators may be new to Nelson and will be looking at catchment thresholds, and so growth in the region and the characteristics of this growth will be a factor in the evolving retail story for the CBD. These national and international operators tend to require larger stores with wider frontages so some adjustments in building presentation may be needed.

The urban qualities of Richmond affects the type of retail and range of activities attracted to its centre. Richmond’s architecture and its spatial

2 Donald Shoup, 2004 “The High Cost of Free Parking”, API Press



layout or grain is dominated by buildings with horizontal proportions and car parks. Richmond is not the business centre of choice in the region and would not pull activity to it on the basis of its qualities. Whilst the preceding statements may appear to be harsh on Richmond, it is important for Council to recognise that CBD quality is its strongest relative asset. The above statements set the context for Nelson's CBD's economic and social strategies in future. Richmond and Nelson are on different paths. Nelson should not seek to deliver the same retail-only opportunities as a competitive response to Richmond as to do so will take it closer to Richmond and on a path to failure. In any event, land value and development economics aligned with current regulatory controls largely rule out the possibility of such development in the CBD.

In terms of its urban qualities Nelson CBD is ahead of Richmond. Nelson has some unique box stores (such as Rebel Sports and Briscoes) and the Farmers. Its parking is mid-block or street-based and all its pedestrian activity is in its streets. Nelson is architecturally good enough to be a "place" that visitors are happy enough to go to because of these qualities. These built or urban qualities generate spatial intimacy and continuity, which improves walkability.

In behavioural economic terms you go to Nelson to "do stuff", you go to Richmond "to get stuff". This contrast in motivation provides behavioural economic clues for Council and for regulation. Growing research into the differences between "*doing things*" and "*having things*" also reinforces that "doing things" makes us happier than "having things".³

The advent of internet retailing provides an additional complexity to the retail dynamic in the region. Internet retailing is still growing and so is likely at an early adolescent lifecycle stage. Many store-based retail businesses are now opening internet platforms in order to cover all forms of possible sale. However the desire for the tactile or sensory experience will not

go away. Recent studies recognise that a range of activities and cultural relevance are factors in retail performance. If experience is a factor in the decision to shop, then places that offer more than just shops will be preferred. Nelson is well placed to deliver in this respect. Retail surveys have shown that the most successful retailers are those that rate highest in terms of customer satisfaction. Surveys of consumers by the IBM Institute for Business Value found that out of a total point score of 500, some 394 points were allocated to "person to person experience" (272 points) and to "store experience" (122 points). Price and value rated a lowly 47 points.

A large part of the "value" of shopping in Nelson is the experience. Council should consider in conjunction with the business and retail community, training and education courses for CBD retail staff as a component of its retail and business strategy. These staff should be informal CBD ambassadors and therefore up to date on all events and activities in Nelson.

With "experience" or "the experience" being the key, this isolates the cost of parking issue. It is in the best interest of CBD retail for people to park nowhere near where they want to go as it increases the time that pedestrians spend walking past CBD businesses. Increased levels of foot traffic in a centre means increased vitality. Making it easy for people to park next to where they want to go decreases vitality and reduces pedestrian time spent in town. Pricing parking according to demand (higher prices in the core and lower prices outside) allows people to trade off time and money and makes parking more efficient (i.e. increases effective supply).

Events

Events that exploit the qualities of the CBD can also be strong contributors to retail trade, as shown by post event analysis by Marketview for events such as Light Nelson, where the evening-based activity rolled into spending uplift during daylight. Retailers and events staff should be actively partnered to use events such as this as leverage for increased retail trade. Issues such as location of event, time of year, access, servicing and parking are fundamental to this type of hybrid marketing strategy in the CBD.

³ Van Boven & Gilovic; Journal of Personality and Social Psychology, American Psychological Association, Inc. 2003, Vol. 85, No. 6, 1193–1202



Major retail trends and the influence of online shopping suggest that “experience”, which includes a package of things in the CBD is the most effective means by which to offset the wider competitive influences of the internet and utilitarian, price-based competition in places such as Richmond and Nelson Junction. Improving customer enjoyment of the CBD environment AND shopping must be a key focus for Council in order to support its retail and non retail businesses. This means a regulatory focus on better buildings and improved public realm. It also means that the public realm environment is the city’s ongoing canvass for events and activities.

The events program is an important component of the health of the CBD if it is well targeted to link to retail activity.

Nelson has one of the most active and sophisticated events calendars of any city of comparable size. In discussions with Council officers associated with events as well as business event participants in the CBD there appears to be good coordination between CBD businesses and events staff. The future retail environment of the CBD is enhanced by close coordination between retailers and Council events staff and a key objective of this partnership should be improved retail performance of the CBD. In this respect the most effective strategy for these programs is linked to CBD merchandise themes (and not just food). Given growth in the catchment there needs to be close coordination between the Council, business, owners and leasing agents (this may already be happening) so as to promote the CBD as the quality location of choice for major fashion and other stores yet to arrive in Nelson. Some of this is occurring via “Uniquely Nelson”, so this statement reinforces the need to continue these efforts or improve them if possible.

CBD Merchandise Mix

From the retailer and business database kindly provided by “Uniquely Nelson” we are able to get a sense of the mix of merchandise in the CBD as well as an understanding as to where its strength lies and where pressure

may exist as a consequence of the growth in competition.

Category	No of CBD Businesses
Businesses Serving Business	128
Food and Beverage Services	89
Fashion & Accessories	62
Household & Recreational Goods	37
Personal Services	33
Health Govt Education	17
Convenience Retail	14
Tourism Services	12
Art & Galleries	10
Misc Other	25
Total	427

The mix shows the dominance of business services in the CBD. These businesses cover the widest range of services including banks, real estate agents, insurance agencies, design and marketing, solicitors and accountants etc. The next largest category of businesses is food and beverage services. These two categories represent 50% of all businesses in the CBD and are largely immune from competition in the suburbs. The next two categories of fashion and household and recreational goods are to a degree likely to experience some competitive pressure from Richmond and Nelson Junction in the case of homewares in the price sensitive categories. However this risk is based on the competitive pressure in the category and takes no account of the market segmentation characteristics of each business in these categories. Personal services, health, government and education along with tourism services, art and galleries are all likely to maintain and grow their roles in the CBD.



5. DEVELOPMENT DYNAMICS & PLANNING INTENT

The Council has generally required two storey buildings in the city core. The desire for spatial containment as well as for mixed use are the reasons for this direction from the Council. The result of this requirement is seen in the recent development at 181 Trafalgar Street (Completed project photo kindly supplied by Colliers Nelson).



The new development (left hand side photo) is much better than the previous treatment (right hand side photo). Issues with this treatment include the lack of verticality in the building structure, the amount of glazing at the street and the apparent lack of a building (hidden behind a facade). Because this project sits next to (to the left in the photo) a vertically dominant and highly detailed three storey building, the effects of the lack of verticality and visual detail is reduced. However delivering a series of 181 Trafalgar Street developments in one line would diminish the visual and built qualities of the CBD and upset its economic and cultural capacity. The “grain” of a successful and attractive urban centre is usually of a “fine grain” nature. “Fine Grain” is the dominance of vertical proportions over horizontal proportions. In the CBD, most often this grain has occurred as a consequence of a city’s historic subdivision pattern. However “fine grain” can be required under an appropriate built form code that primarily addresses the building’s facade.

The market driver for 181 Trafalgar Street is a one storey retail building as that is all the owner can develop and fund. Surveys of real estate agents

and valuers suggest that the rental range for 2nd storey commercial sits anywhere between \$100-\$200 per square metre, assuming demand. At present we are informed that demand is weak and the possibility of leasing upper level commercial space above a shop is poor. The historic development of towns centres in NZ was typically based on a gridded subdivision pattern with many small two storey buildings with retail on the ground floor. Businesses that started in these buildings were more diverse than today as the town centre was the only place to do business in the region. If you wanted to have a non rural business, you had to be in town. Today with advances in communication, the growth of out of centre commerce and home based businesses along with changes to the way business is conducted, there is less demand for small offices above shops.

This 2 storey space is now unsuited to many CBD non retail businesses and low demand means low rent, which means development feasibility and project funding is made difficult. This situation is not peculiar to Nelson. However, in Nelson the planning requirement remains a two storey height and so the compromise is a false 2nd storey facade and loss of building architecture. The treatment is more akin to typical storefront facades in shopping malls and is generic and lacking in relevance to place. In our view this represents a loss of opportunity to elevate the qualities of the city through architecture that represents the building - not hide it.

Analysis of earthquake risk buildings in Nelson CBD suggests that the dominant form of the city will remain two storey buildings, even if all the risk prone buildings are demolished and replaced with single storey substitutes. In our view the notion of spatial containment of the street should be subservient to the quality of the building at the street and its ability to contribute to and enhance the streetscape and tell its story.

Analysis of the three main retail, and food and beverage services streets of the CBD (Trafalgar from Halifax to Nile, and Bridge and Hardy from Ruthersford to Collingwood) show many one and two storey buildings of poor quality. We have assessed all these buildings on a scale of “good” to “OK”



to “poor” on the basis of pedestrian quality to check how much of the CBD is comprised of good quality buildings. This is a subjective assessment and is not to be confused with an architectural assessment (which is also subjective). The sole purpose of the assessment was to consider the qualities of the CBD from a pedestrian point of view. The classification method used is based on Amos Rapoport’s defined building characteristics suited to pedestrians as provided in the Nelson Centres Study, as follows:

Good = vertical proportions, visually complex and interesting, cultural relevance (has a Nelson feel, use of natural materials etc), good relationship between the upper floor and lower floor in the way the building is presented to the street. Positively contributes to streetscape and townscape.

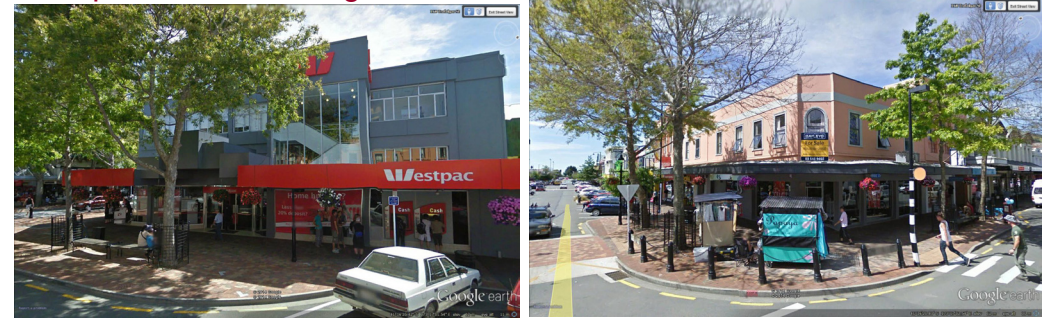
Examples of “good” one and two storey buildings.



The architecture profession will likely rail on the basis that the code will determine “style” and not allow for free expression. This would be a misunderstanding of intent. The intent is to get buildings that contribute to the quality of the public realm and increase visual complexity - not to get a particular style.

OK = not a good building but not poor, pedestrian neutral and lacking in vertical proportions or the “grain” necessary to inspire walking.

Examples of OK buildings



Poor = horizontal proportions, visually dull, does not add to the desire to look at the streetscape or does not inspire pedestrian movement along the street because of the qualities of the building.

Examples of “poor” buildings



What is also interesting is that Trafalgar Street has more “poor” buildings than “good” buildings (27 versus 20).

Overall, of the 155 buildings visually surveyed, 67 were considered “good” and 25 “OK”. This means that 60% of all buildings in the CBD are good or OK in terms of visual quality. Some 40% of its buildings are of “poor” quality in terms of pedestrian appeal or local identity. Most of the “good” visual quality buildings were built prior to 1939. There are enough of these to deliver on the impression of Nelson as a traditional New Zealand town and is a factor in the desire for tourists to visit the CBD.

It is possible to build single storey buildings without a false 2nd level and in so doing enhance the qualities of Nelson CBD. Such buildings exist in attractive centres all over New Zealand. It is also a characteristic of historic Nelson, which like much of New Zealand evolved through single and two storey timber buildings into masonry and concrete (see images below).



Some of these buildings remain, possibly the oldest of which is the Wills Jewellery store in Bridge Street. This is a simple, domestic, timber building that sits in contrast to the poor buildings on each side. The right hand side building presents a two storey facade, which in its treatment or delivery indicates that the issue of containment was more important than the qualities of the building. The main point being that the Wills building has very little architectural merit, but has more visual and pedestrian appeal than the buildings to its left and right, despite the right hand building’s delivery on the principle of containment.

Wills Jewellery and its neighbours



The primary issue for planning going forward should be the quality of the building facade, its proportions, solid to void ratio and visual diversity as these are elements that are attractive to pedestrians.

If landowners and developers wish to only build one storey, they should be

allowed to do so providing they comply with a simple and clear built form code referenced to pedestrian quality and visual complexity. A part of this code may include a preference for use of natural materials as these types of buildings are contributing already to the qualities of the town. Providing that future buildings comply with the code then our view is that their approval process should be as simple as planning in New Zealand can make it. The geographic extent of this code should be the wider CBD area as the intent should be to improve the visual qualities of the CBD overall including its fringe areas.

Quality one storey buildings such as the Sprig and Fern would be appropriate in any street in the CBD (with or without the fence).

Sprig & Fern



The principle is to create the settings for good buildings that add visual

complexity and meaning to the CBD. The notion of containment (the relationship between building height and street width) whilst important, is less important and can be solved by other means. Most of the CBD is 2 storey or more and so a marginal reduction in the number of buildings of this type is unlikely to affect the sense of containment. Additional devices are available for containment and much of the CBD is contained by street trees, as shown in the two images following.

Containment: Trees in Hardy Street and Trafalgar Street



The two immediate images below are of buildings in Nelson. The purpose of these images is not to suggest anything about architecture, as the buildings are a mix of old and new and different styles, rather that all of these buildings would positively contribute to the pedestrian qualities of the CBD despite being single storey in height.





To further demonstrate importance of built form in a community's view of the city, a survey of 1,000 residents of 6 USA cities by Sasaki (USA based urban design and architecture firm) in July 2014 under the title "*What Makes a Great City*" came to the following conclusions with respect to buildings in a CBD:

"If You Build It..."

While many people say they are drawn to historic buildings, we believe there's more going on here than meets the eye. Digging a little deeper unearths ways in which cities can design and build better.

In our experience, two primary characteristics attract people to historic buildings:

- 1. When people identify a building as historic, it is well-made and full of interesting details.*
- 2. It often has a story behind it. Who wouldn't be captivated by the building—however humble—in which Thoreau wrote Walden?*

Contemporary buildings that people identify as such are often uninteresting not because they are new, but because they are market-driven products that prioritize quantity and speed over quality and mission. They're visually uninteresting, and there's definitely no story behind them.

Plenty of counter examples exist—especially in cities with a recent culture of great contemporary architecture. Residents of San Francisco notably prize buildings that feature public art or unique design elements rather than those that are historic.

We think it's entirely possible to elevate today's architecture and people's impression of it—creating buildings with character, detail, and human scale, that can also be iconic. New buildings that relate to the public realm (an aspect in which many historical buildings fall short) will also be more successful. Millennials and Gen Xers are more likely to want buildings with flexible uses for pop-ups and community events. Interesting landscape design, activated first (ground) floors (that go beyond that standard retail awning), and even green roofs are all ways to create engagement.



*These approaches don't necessarily have to cost more, but do require a more thoughtful design process up front. And **buildings with unique identities can yield higher returns in the long run** (our emphasis). People are attracted to buildings with character, a story, and an identity—and tenants are often willing to pay a bit more to get that.”*

Growing the social environment through improved controls over buildings tied to increased vitality is a core economic strategy for the CBD. Geographers have found a direct correlation between a city's ability to create face-to-face encounters and entrepreneurial creativity: places with more potential for social interaction actually produce more patent applications.⁴ So social performance is tied to urban and built form quality and public realm vibrancy, which is tied to retail health, which is tied to economic output.

6. LAND USE SEGMENTS & CBD DEVELOPMENT

Retail

From conversations with retailers, leasing agents and valuers the general consensus is that retail rents in the CBD are stable and perhaps tracking slightly upward. This is not a universal view but a majority view and is confined to rents in Trafalgar Street (although there has been upscaling of premises and rents in Hardy and Bridge Streets).

The growth of competition in the suburbs and internet shopping would tend to suggest long term downward pressure on rental levels across the Australasian market and Nelson is not immune from these pressures. The growth of internet shopping has resulted in pressure on margins across the entire retail sector and a drop in sales growth for retail stores generally. However the rate of growth in online shopping in New Zealand is also dependent on the strength of the New Zealand dollar. The general trend for retail in New Zealand is one of limited and low growth. Maintaining the role of the retail environment in the CBD is the challenge. Growth in CBD retail

would be a bonus. Council is unable to affect short term changes in retail performance in the CBD and needs to look at incremental steps to improve the operating environment for all CBD businesses over the longer term.

Growth in the Nelson catchment will to an extent offset the pressures on shop based retail, and generally the global industry view of trends suggest that places with a wider suite of reasons to visit are more insulated from price and time based shopping (online and in shopping centres). So, as discussed earlier, the experience is an important component of a visit to the CBD. Experience for the CBD is a “return on time and money invested” equation and covers much more than a visit to the shops. If the return is high, then more people will shop in the CBD. If the return is high then the relative difficulties of shopping in the CBD will be weighed against the benefits gained. Shopping in New York, Paris, Rome and even Venice requires substantial time and effort including high levels of walking. It is impossible to park anywhere near where you want to go in these places, yet they are highly successful retail environments because of the quality of the experience. The physical, architectural, cultural and spatial qualities of these places provide the settings for retail to succeed. They do not succeed merely because of the quality of the shops. All of these places are inefficient retail environments and break every rule of retail planning. Retail is attracted to these places and works in these places because of the quality of the experience. This experience is more than just visiting shops.

The city's core retail environment is almost entirely confined to Trafalgar Street, but this could change over time as the catchment grows and if precincts develop off Trafalgar. To an extent the Fashion Island project is a precinct off Trafalgar, but successful off-main-street precincts in cities (like dining out precincts) tend to evolve around a collection of interesting buildings and are usually created through an organic process (the former High Street precinct in Christchurch, and the Parnell precinct in Auckland are examples). Fashion Island is a purpose designed retail project and lacks the authenticity and profile of a comparable project of adaptive re-use of heritage buildings. The project would have a different operating context if it

⁴ Charles Montgomery, 2013 “Happy City”, Penguin



was on Trafalgar Street. Any retail project that sits some distance from the main shopping street requires a level of critical mass to become a destination in its own right. Fashion Island possibly struggles a little in this respect.

There is a basis for determining that CBD is likely to continue as the main centre in the region for higher order retail, dining out and entertainment.

Growth in the catchment should assist the incremental growth of the CBD if aligned to coordinated strategies to improve the quality of the experience of a visit to the CBD. Improving the quality of the experience allows for trading off some inconveniences such as paid and remote parking. A quality experience is not free parking. A quality experience is also a function of the quality of the built environment in the CBD, as it is in the great shopping cities and streets of the world. This is an area where Council has a great opportunity to influence quality through regulation aimed at delivering better buildings in the CBD. Present regulation in terms of requiring quality is limited to contextual responses to the existing environment (essentially this means not going backward). In our view this is not good enough. Developers and buildings owners in the CBD should be encouraged to buy in to the quality CBD proposition and develop buildings that improve the quality of the CBD. The practice of seeing the regulatory environment and project feasibility as opposing forces should be reviewed in a coordinated approach that engages owners and developers to assist to write a design code, as this is fundamental to the economic future of the CBD and should not be left to chance.

Offices

There is some concern from developers, valuers and leasing agents about the weak office market in the CBD due to vacancy levels and lack of demand. We are informed that most vacancies are in the A and B class accommodation categories - not just poor quality space. This would tend to suggest three things:

- lack of appropriate floor sizes and configurations
- lack of demand

- inappropriate project or lease profile (e.g. space in a high class office building has a profile that is different to the same space above a shop).

The recent departure of health services jobs to a suitable single building in Richmond tends to suggest that a some of the dynamic can be explained by the size and profile of the currently vacant floorspace. It also suggests that this is an opportunistic move and does not signify a trend.

In order to develop its strategy for CBD employment, Council will need to reality test site-by-site development capacity for office space across the CBD. The ability to develop or consolidate and develop sites in the CBD is fundamental to investment and growth of the CBD and a capacity assessment for CBD office space can be undertaken using a 3D measuring tool (such as SketchUp). Such models allow for the influence of carparking on development capacity and so site size, access, development controls etc influence how much “real” capacity exists within the CBD for office development in future.

The same testing process should be employed in parallel for residential, and judgements can then be made about an appropriate mix of each and where regulatory management (if needed) might be required. Such modelling effectively deals with the usual criticisms of the development community about academic land use and planning controls as the model takes their feasibility inputs as threshold tests for development capacity.

The demand study within Heart of Nelson (HONs) for office accommodation sets the dominant office demand profile for the CBD to 2031 in favour of relatively low cost, small premises and adaptable office space around the fringes of the city. The study suggests only a minor amount (3,200 sqm) for “prestige CBD offices” to 2031. This reinforces the market’s view of low demand and low feasibility for upper level office space above shops.

Residential

There has been some minor development of residential accommodation



in the CBD, and apparent interest in developing more. Unlike retail, the key development issue for both office and residential would appear to be the ability to deliver on-site or offsite (but proximate) car parking. Development of buildings with entitlement to strata (unit) title of offsite parking is common in Europe but not in Australia and New Zealand. There may be a regulatory issue here as developing sites purely for car parking may require some discussion with Council and discussions around resource consent issues linked to future aims and objectives around inner city housing (if Council wishes to increase levels of inner city living).

The city is at a crossroad in terms of where it sees the next evolution of the CBD in terms of land use. The Heart of Nelson Strategy (HONS) prefers office or employment based development of the CBD over residential and so the CBD is largely seen by that document and current planning regulation as retail, entertainment and business. There is probably a case for revisiting this in a more spatial and strategic way by using a 3D testing model.

There is no doubt that apartment development would benefit the CBD in terms of increased activity levels, development inspiration and investment and as a method of expanding the depth of housing product in Nelson. The main concern for the CBD is the potential for a land value uplift from the new zone and the subsequent conversion of office space to residential space, resulting in a net loss of CBD jobs. This is an outcome that has occurred in other places in Australia and New Zealand. That said appears to be extensive unused development capacity within the CBD and there may be some areas where residential development results in a more intensive land use pattern with a net overall addition (on ground floor) of commercial or retail space. However the above statement needs verification through the use of a 3D spatial testing model.

The city centre has qualities that are suited to apartment housing, with relatively high amenity, views, access to food and beverage services and to all types of retail, plus proximity to health services.

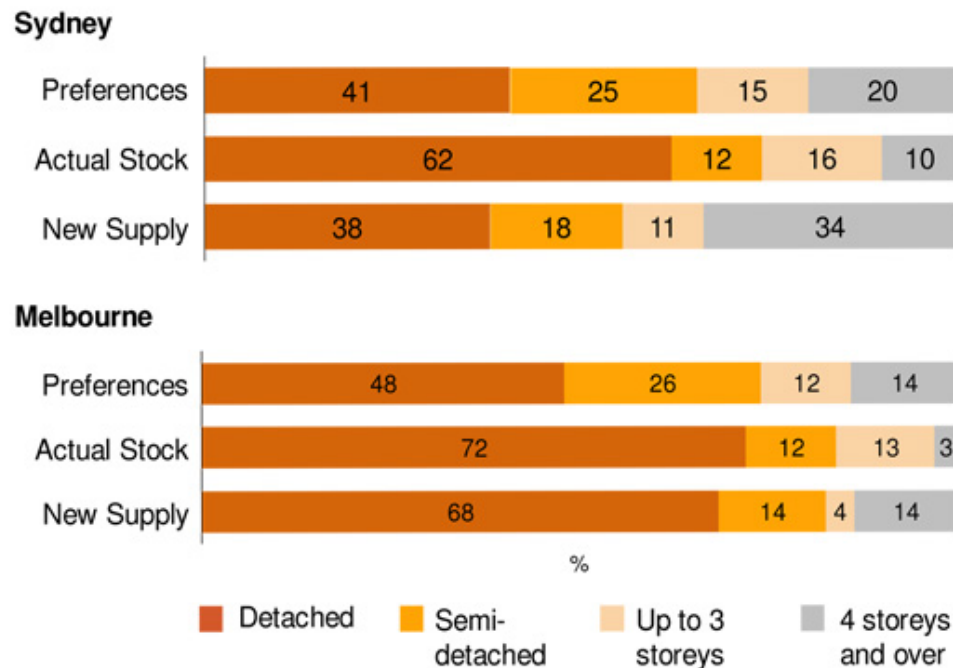
A sense of the market for mixed density housing is available by comparing the Nelson/Tasman catchment with New Zealand trends and averages. The NZ average for detached housing as a percentage of all private housing is 76% (Nelson/Tasman 82%). The attached housing average for NZ is 17%. Nelson/Tasman has an attached dwelling average of 12%. Urban centres tend to have higher percentages of attached housing than national averages. For the capital cities of Auckland, Wellington and Christchurch, the average detached housing ratio is 69% (Nelson/Tasman is 82%) and attached housing is 24% (double that of the Nelson catchment).

Occupied Private Dwellings	Total dwellings, occupied dwellings			Occupied separate house						Two or more flats/units/townhouses/apartments/houses joined together						
	Year	2001	2006	2013	2001	%	2006	%	2013	%	2001	%	2006	%	2013	%
Tasman District		15744	17271	18597	12588	80%	14640	85%	15915	86%	1257	8%	1332	8%	1308	7%
Nelson City		16122	17187	18699	12315	76%	13512	79%	14571	78%	2562	16%	2910	17%	3093	17%
Total Combined		31866	34458	37296	14589	82%	28152	82%	30486	82%	3819	22%	4242	12%	4401	12%
New Zealand		1358943	1471746	1561959	1030077	76%	1134369	77%	1193361	76%	210627	15%	252963	17%	266748	17%



The table shows that the catchment for mixed density housing is currently biased in favour of detached housing and is below the national average in attached housing. This could be an indication of potential latent demand for inner city apartments as evidenced when such apartments are built in other towns and cities over the past 10-15 years. New Zealand has little research on housing preferences. The Grattan Institute in Australia in 2011 conducted research on housing stock and housing preferences in Sydney and Melbourne. The results are shown in the graphic below.

Figure 1.1: Comparison of preferences, stock and new supply



Notes: Preferred stock based on Trade-Off Survey; Actual stock as of 2006; New supply refers to 2001-2010 construction

Clearly there will be a difference in preferences between Nelson/Tasman and the major urban centres of Sydney and Melbourne. However similar results have been experienced in suburban Canberra where apartment

living was considered low quality living until quality apartments were built in Gungahlin (an outer Canberra centre with around 40,000 people at the time) by the Gungahlin Development Authority in 2004. Some 400 apartments now exist in Gungahlin with many initially sold off plan, demonstrating the previously unrealised demand. Initially these apartments were sold for only \$30,000 less than 3 bedroom detached houses nearby on 450 square metre lots. The real estate industry had previously advised (3 independent studies) that no market existed for apartments in Canberra. Also of interest in the Grattan study is that the majority of people in Sydney and Melbourne do not prefer detached housing.

The current average price of housing in the catchment is around \$350,000 in Nelson and \$450,000 in Tasman⁵. Based on our experience elsewhere these values would tend to set the average price for apartments at between \$300,000 and \$350,000 (with studio and single bed apartments much lower). Research in Australia has proven that the market for apartment living is heavily influenced by lifestyle and whilst price is a factor it is not the dominant factor for the majority of this market. The level of demand for attached housing tends to climb with an ageing population, however this preference is not reflected in the housing supply trend in Nelson/Tasman, which has barely shifted in favour of attached housing since 2001. Indeed in Tasman the attached housing ratio has fallen from 8% to 7%.

The Nelson/Tasman catchment population over 55 years is currently 32% compared to the national average of 26%. This age group is projected by Statistics NZ to increase in Nelson/Tasman to 40.2% by 2031, totalling some 42,250 people. These people seek a more diverse mix of housing that reflects changes in their lifestyle and circumstances and allows for freeing up of equity in the family home. Lift serviced apartment living is suited to this age group, when it also comes with the benefits of proximity to retail and personal services.

In addition, a younger age group of 25-34 year olds will consider attached

⁵ Real Estate Industry of NZ, March 2014 Nelson/Tasman House Prices Averages



housing as a first home, especially if it is within an urban setting as good as Nelson CBD. This population group is relatively low in Nelson at 10% compared with the national average of 12%. One reason why this population group is low could be a lack of age and lifecycle-appropriate housing and the dominant suburban living environment of Nelson/Tasman. This market segment prefers dynamic urban environments, entertainment, clubs and eating out, all of which are available in Nelson CBD and nowhere else in the catchment.

A truly urban inner city living environment could also change the dynamics for tertiary institutions as urban campuses tied to inner city living are relatively cheap to setup.

7. DEVELOPMENT DRIVERS

Retail & Office

Commercial development feasibility in the CBD is driven by a combination of yield, rental rates for retail and office, and development cost. Office rents in new projects are generally around \$200/ sqm, which is below that of retail (\$500+/sqm). Cost of development for 1 or 2 storey buildings is around \$3,000/ sqm. Yield for core retail ranges between 6.25 and 6.5% assuming long term leases with strong tenants. Core yields for retail with office above reduces the yield to between 6.5% and 7.5%. The effect of these differences in yield and rental levels is a reduced incentive to add a second level (assuming demand). Rental levels for retail are higher and so are the yields. The project receives lower rents and lower yields when office is added. Therein lies the tension between Council and building owner/developers with respect to a second habitable level.

The simplistic rule-of-thumb analysis following summarises the issue. The values used (land cost, rental levels, yields and construction costs have been supplied by various respected real estate sources in Nelson).

Assuming a 150 square metre shop in the retail core leasing at \$600 per

sqm, rent on the leasable area would be \$90,000 per annum at a yield of 6.5%, which values the project at around \$1.4 million. The shop would cost around \$450,000 to build, plus land cost of \$450,000. The profit of \$500,000 may in part be developer's profit or taken into the investment yield if developer/owner.

For a two storey office and retail project on the same site, the rent would be \$120,000 per annum at a yield of 7.5%, which values the project at around \$1.6 million. The shop and office would cost \$1,000,000 to build plus land cost of \$450,000, leaving a \$150,000 margin⁶.

Adding an office component adds \$200,000 of additional value to the project for an additional cost of \$550,000 (i.e. net -\$300,000).

For owners and developers the risk in a habitable second level of office space above shops are lack of demand and reduced project viability. The next level of potentially feasible building is likely 4 storeys or above. In that case the building would be an office (or residential) building with shops on the ground floor. This means the retail is subservient to the use above. In a 2 storey building the use above is subservient (and therefore loses use status) to the retail on the ground floor.

Residential

Regional age profile and housing supply factors together show that the market conditions are suited to apartment development in the city centre. Assuming NZ construction cost averages for medium quality apartments, a 75 square metre 2 bedroom 2 bathroom apartment with balcony will cost around \$210,000 to build (including the cost of a car park within the building's structure - not basement). After adding the land component, the likely selling price for such an apartment would therefore need to be somewhere between \$350,000 - \$375,000. Given the current values of near to city apartments, development of inner city apartments would appear to be a

⁶ In real terms the leasable area of the ground floor would need to be reduced so as to cater for a separate entrance and the stair access space to upstairs.



reasonable proposition.

In discussions with local real estate agents, we are informed that enquiry levels for apartments (many from outside of Nelson) in the CBD is high. Given that apartments are permissible in the CBD it would appear that the lack of development is more an issue of perceived development risk. That said, it is a permitted use in the CBD at present and so there may simply be a developer reluctance to be the first. To cater to the full market, apartments in the CBD would need to be lift serviced and offer at least 1 car space per apartment.

In discussions with inner city housing developers there seems to be a strong interest in further development in this sector. Efforts to date though are relatively low scale and boutique in nature. Determining the size of the market for higher density housing is often difficult as comparables are not obvious and available (Wakefield Quay for instance has qualities that are different to those in the city centre).

8. REGULATION

The current Resource Management Plan deals with Heritage and Cultural Values (RI13), Amenity Values (RI14) and Urban Design (RI14A) on the basis of effects on the environment. These current controls are too backward looking and tend to set the regulatory defence at “not worse”. In our view this is too one sided an approach and means that any aspirational view of the CBD lacks strength and integrity at the policy and rules level. Effects can and should be aspirational and in Resource Management terms there is an equal ability to determine the desired qualities of the CBD. In resource management terms there is clear ability to seek “better utilisation of resources” as opposed to “not worse”. Heritage is also backward looking (DO4.1) and makes no provision for buildings to add to the heritage values of the city or become heritage items through their ability to add to built and public realm quality and tell a story (such a story cannot be told if the building is not apparent - as is the case with 181 Trafalgar Street).

Heritage can and should be aspirational and new buildings can represent today’s values that can be interpreted by future generations in the same manner as our old buildings. Many heritage buildings in Nelson are of domestic scale and were not expensive when built, yet their design qualities and human scale contribute to our understanding of the history of the city and connect us to the past.

Amenity Values DO14.2 (citywide) are framed with appropriate objectives (*“The amenity values of the built environment shall be maintained or enhanced through the subdivision and development processes.”*), but lack bite when applied to CBD development through the rules. The objectives need to recognise that the qualities of CBD buildings and spaces and pedestrian focus add both an economic and social dimension to the city. Amenity should be described as an objective with social AND economic benefits. The term amenity is not described appropriately in the Citywide or Inner City objectives and its nexus between social and economic performance is not given as a framework for development controls. The majority of the Inner City (IC) objectives are predominantly activity focused, aimed in part to establish a framework for the defence of retail activity elsewhere.

The creation of a design control that put suburban retail development equitably under the same controls as Inner City retail development (by requiring retail to address streets) would remove the need for much of the current regulation. Regulation could then focus on the qualities of buildings in the inner city and their ability to improve the city economically and socially. This nexus is seen in references to heritage buildings in the Plan but does not seem to transfer to a requirement for new buildings. In IC2 “street and public amenity” there are no references to the quality of buildings despite building quality being fundamental to this objective..

References to the City Centre Design Guide are useful if the Guide has statutory weight. We would prefer a more structured approach to the design of buildings within the Plan and heavily linked and referenced to the

Policies and Objectives, not a “Guide” outside of it. We also see some of the Rules as potentially counter to what constitutes a building that satisfies the conditions suited to pedestrians (such as the potential to over-glaze shop window treatments ICr25). We would prefer that a Design Guide (if used) established the basis for compliance and ease of approval. We also see the design controls as applicable within the entire CBD and not on a street-by-street or zone basis. The benefits of following the controls should fast approval with the benefits being an improvement in the quality of buildings across the entire CBD (not just in the core).

There is an apparent tension between Council’s desire for contained space in the CBD and the development industry’s lack of desire to deliver more than a single storey. The development options in this respect are shop with space above (usually commercial office space), or shop with no first floor. The desire for additional height has resulted in the compromise of a false second level facade. This requirement standardises the architectural response as shown in the 181 Trafalgar Street example, and in doing so reduces architectural diversity and verticality in the built form and visual interest. If the objective of containment is balanced with a requirement for visual interest and diversity, this would allow a trading off of benefits in the design and planning process. In our view it is appropriate to have that discussion with the owners and developers as both objectives are desirable. This may allow designers and developers to choose. One approach is to continue with the current arrangements, and the other is to follow a performance code that establishes the conditions for the architectural response (including establishing the possibility for a single storey building). The difference in approach is to either create a building that presents as an entire building, or merely as a facade (as in 181 Trafalgar) and the differences in approach are shown below. The facade response is due to ICr23.

The facade to the right of 181 Trafalgar is clearly a facade of a building and so the building is obvious and adds to the quality of the streetscape. The same is the case with the Wills Jewellery building, Sprig and Fern, Old Fire Station etc. 181 is simply a facade and we get no sense of the building or

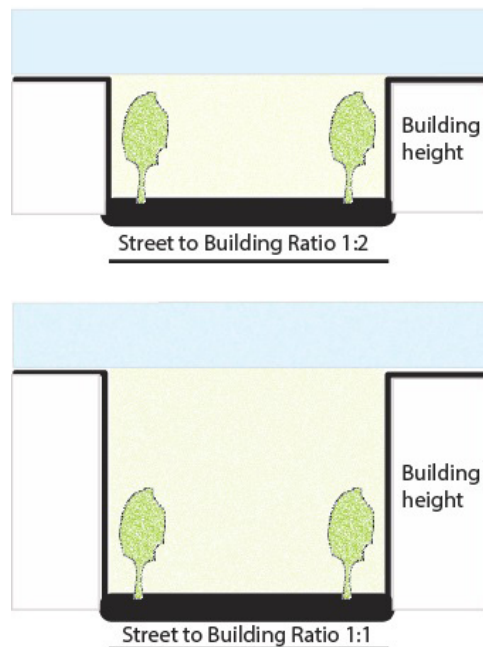
its story and context as the primary objective is the notion of containment - not the creation of a building in a street.





In our view it is better to have a building that is apparent from the street, than simply a facade that hides a building's character and qualities. With a single level, complete building there an additional discussion is required about verandahs and canopies (as well as setbacks). Complete single level buildings are capable of coming and going from the street edge adding a greater diversity of space.

The contained space proposition reflects the observed human desire for a sense of enclosure in the dimension between walls of street buildings (and other devices can be included) and the width of the street or open space. The general objective for a "contained" space is a 1:1 ratio (street width to building height) as in the 2nd image below. In Trafalgar Street with a 2 storey facade treatment the ratio is more than 1:3 with the street around 23 metres and 2 storey buildings of around 6 metres. In Nelson much of the contained nature of the street comes from the tree canopy - mainly in clumps from Bridge Street to Selwyn.



There are substantial financial and environmental benefits from urban trees in a CBD. Filling up the spaces between the tree canopies with additional plantings would offset some of the issues around the principle of containment.

Various studies have set the value of street trees at around \$90,000 per tree over its life⁷, others that for every dollar spent there is a return of \$5.60 to the city⁸ and others that every tree planted was worth between \$151 and \$178 per annum⁹. Burden's work also concluded that retail streets with street tree canopies perform better than retail streets without (by 12%).

9. CONCLUSIONS

The CBD appears to be relatively robust in its retail story but there will be incremental positive and negative adjustments due to increased competition in limited categories and growth in the catchment. Retail is a most dynamic activity and will continue to evolve and change in the CBD. The CBD is heavily merchandised in favour of a range of businesses that will be subject to limited competitive pressure in the region (less than 100 out of 400 businesses will be subject to suburban retail competition). Council's role in supporting retail activity in the CBD lies in improving the settings for retail by supporting and growing the events program in close consultation with the retailers of the city and by requiring an improvement in the built quality of the CBD. It may also consider the role of CBD residential as a means of increasing its dedicated market and extending its activity cycle. Taking the CBD more directly down the "improved experience" or quality path is the key to locking in and expanding its economic value and capacity. This path is also the key to jobs growth and competitive demand for development sites for all activities and is the reason why the city is where it is at today.

7 Dan Burden 2006 "Urban Street Trees - 22 Benefits";

8 City of New York 2007 Stratum Software

9 E Gregory-Macpherson 2003 "A Benefit-Cost Analysis of Ten Street Tree Species in Modesto, California U.S.A



It is also extremely important to establish a growth path for Farmers as this store is unique in Nelson CBD and is of a size that enables a range of other retailers in the CBD to collocate.

The Council should consider a new and integrated design code for the entire CBD that simply defines the facade qualities of future buildings and encourages development. This should be written under a shared objective with the development community of “improved built form quality” and should recognise development feasibility in its formulation. In other words improved built form should not cost more.

There are tensions between office development priority and the potential for inner city living. These tensions can be resolved through the appropriate use of spatial models (additional work is required to do this) so as to arrive at a position where residential development does not come at a cost to employment levels in the CBD. Council should consider the potential future role of inner city living as an objective to expand the qualities of its CBD, widen housing product within the region and extend the CBD’s activity cycle. If successful, experience in other places shows that inner city housing demand may spill over to other suburbs around the CBD.