Before Hamilton City Council

IN THE MATTER of the Resource Management Act 1991 (Act)

AND

IN THE MATTER of an application for resource consent for the construction and operation of a new supermarket including associated fuel facility, at 980 Te Rapa Road, Pukete

HEARING REFERENCE Resource consent – 010.2018.00009962.001

Supplementary Evidence of Nicholas Peter McLay Hanson on behalf of Foodstuffs North Island Limited

Supermarket Retailing

Dated 7 October 2019
Introduction

1 My full name is Nicholas Peter McLay Hanson. I am the Head of Property Investment for Foodstuffs North Island Limited ("Foodstuffs"), the applicant for the resource consent subject to this hearing.

2 This statement supplements my statement of evidence in chief dated 20 September 2019. In it I respond briefly to the evidence of Ian Passau on behalf of The Base Te Awa Limited and comment on amendments to conditions proposed by that submitter’s planner. My qualifications and experience are set out in my evidence in chief. I am authorised to give this supplementary evidence on behalf of Foodstuffs.

Negotiations with The Base

3 Part 6 of my evidence in chief referred to past discussions between Foodstuffs and The Base and summarised the difficulties that Foodstuffs encountered in trying to incorporate a PAK’nSAVE store into The Base. Mr Passau’s evidence addressed those negotiations in more detail and he attached as his Appendix 1 and Appendix 2 copies of concept plans that were discussed between the parties. For convenience, I attach further copies of those documents to this supplementary statement.

4 Foodstuffs and The Base commenced discussions regarding the possibility of locating a PAK’nSAVE supermarket at Te Awa The Base in about 2010. There have been a series of negotiations over the intervening nine years, the most recent and productive of which took place in 2016 and 2017. The negotiations ultimately resulted in a draft Heads of Proposed Commercial Terms dated 21 July 2017, which was prepared with reference to the plans attached to Mr Passau’s evidence. That document was never signed by Foodstuffs as the parties could not reach agreement.

5 The scheme presented to Foodstuffs by The Base involved a staged development. The stages reflected the need for the supermarket to be located and designed in a way that would facilitate its eventual incorporation into an extension of the existing Te Awa mall. The two stages are shown on the attached plans:

(a) Stage 1 effectively located the PAK’nSAVE as a standalone store within The Base precinct, to the north of the existing main vehicle entrance to The Base.

(b) Stage 2 of the proposal involved extending the mall from the current footprint, across the existing main vehicle entrance, to join up with and envelop the entrance to the standalone PNS store.

6 The discussions between the parties initially only addressed what is now called Stage 2. Stage 1 was then developed as an interim proposal, which would be
implemented pending the full build-out of Stage 2. There was no certainty as to when Stage 2 would be undertaken.

7 The Stage 1 proposal incorporated a number of problematic characteristics that could have been addressed had the supermarket been developed purely as a standalone store but which were a consequence of the long term expectations for The Base. In the following description I use the terms “north” and “south” with reference to the orientation of Te Rapa Road and “east” and “west” with reference to the orientation of the main vehicle entrance to the Base (being the entranceway opposite Eagle Way):

(a) Access to the supermarket customer car park would have been convoluted and inappropriately complex for such a large store that caters so heavily to customers using private motor vehicles. Customers travelling to the store north along Te Rapa Road would typically be required to drive west along the full length of the main vehicle entrance to the Base, to turn right at the roundabout and to drive north past the supermarket entrance to another roundabout where the customer would complete a 180° turn, and to then drive south before entering the supermarket car park via a left turn. Alternatively, customers would use a shared left in / left out customer and service entrance further to the north on Te Rapa Road and then travel south past the eastern face of the supermarket building to the main car park.

(b) The customer entrance to the store would have been located on its south western corner. As a consequence, customers parked immediately alongside the eastern face of the supermarket would have needed to walk a significant distance around two sides of the supermarket to reach the entry. In addition, this car parking would be hidden from view from the store itself, reducing its apparent and real safety for customers.

(c) Were the supermarket to be located on The Base as a permanent standalone store it would have been sited and oriented differently so as to maximise its interface with Te Rapa Road and minimise the distance firstly that drivers would need to travel in order to get into the car park and secondly that customers would need to walk from their cars to the entrance. By way of explanation, the entrance to the supermarket would likely have been located on the south eastern corner of the building, with the glazed frontage being oriented to the south and east. Thus the building would have addressed Te Rapa Road and its carpark in a manner similar to that proposed for the Application subject to this hearing.

8 The Stage 2 proposal incorporated a number of significantly more problematic aspects. While Foodstuffs understands that the development that is ultimately implemented at the Base is likely to differ as to details from that which has been discussed between the parties, it is clear that the expectation on the part of The Base is to extend the mall across the main vehicle entrance so that it would connect with any PAK’nSAVE or other large format store. A key component of that is for the main vehicle entrance to be undergrounded, for the mall itself to be
located at grade and for car parking to be grade separated from both the mall and the large format store. In that regard:

(a) A key consequence of the Stage 2 development is that the supermarket would have severely limited visibility from Te Rapa Road and the supermarket entrance would be hidden inside the mall. That is a fundamental difficulty in the context of a PAK'nSAVE supermarket which is used to a significant extent by customers who make a single purpose trip (i.e.: who would be travelling to Te Rapa only to make their supermarket purchase). For these customers ease of access and egress is critical. They have no desire nor need to travel through a mall.

(b) A related problem is that the car parking for the supermarket would in Stage 2 be separated physically from the main entrance to the store. Customers would need to park in areas used by more customers generally. They will also need to travel a significant greater distance to find the entrance to the store and to return to their vehicles with their purchases. This adds to the time involved in the trip to the supermarket.

(c) Vehicle access to those car parks would also be more complex than is the case under Stage 1. Carparking would be spread over two levels and customers would not necessarily be able to see as they enter the site whether and where car parks are available. In my experience, easy access to ample carparking is critical to the customer experience.

(d) Individually and collectively, those factors would have a significant adverse effect on the attractiveness of the supermarket for customers because they would impinge on the convenience of the customer experience. Foodstuffs’ conclusion is that those factors would compromise the operation and attractiveness of the supermarket to an extent that it simply cannot afford to develop a PAK’nSAVE supermarket in accordance with Stage 2. A smaller full-service or metro supermarket may well be feasible within an extended mall at The Base but a large discount supermarket is simply not appropriate.

(e) Furthermore, no understanding was reached regarding the timing of the implementation of Stage 2. That created uncertainty as to the time period for which the supermarket would operate under Stage 1 conditions and hence the degree and timing of inconvenience to customers as a consequence of the Stage 2 works. Our understanding is that the construction of Stage 2 would take in the order of two years which would impact significantly on the operation of the supermarket.

9 In his paragraph 2.10, Mr Passau observes that the eastern wall of the PAK’nSAVE supermarket would still be clearly visible from Te Rapa Road pursuant to Stage 2. That is true but visibility of an exterior wall will not overcome the logistical problems identified above, which in my opinion would directly affect the attractiveness and performance of the supermarket.

10 In his paragraph 2.11, Mr Passau notes that the Stage 2 concept plans were simply a concept plan and concludes that it would be unlikely that Stage 2 would have
occurred without the support of tenants and in particular the Applicant. In that regard I note the following:

(a) The intention to implement an extension similar to that shown on the Stage 2 plans was an integral and essential part of the negotiations and Foodstuffs understood that any lease would have incorporated provisions reserving to The Base the ability to implement Stage 2 or a similar proposal.

(b) That issue was expressly addressed in the draft Heads of Proposed Commercial Terms which provided, under a heading reading "Future Expansion":

"The Lessee acknowledges and consent[s] to:

a) the Lessor redeveloping the Centre so that the current "main mall" to the south of the Premises is connected in some manner to the Premises; and

b) as a part of that redevelopment, the car parking areas, roading network, buildings, and infrastructure within the Centre may be altered or shifted from that configuration as shown on the attached Premises Plans provided that at all times (during and after completion of that development) there remain not less than 220 carparks readily available for public consumption within a 100 metres radius of the Premises store entry."

(c) That wording reserved to The Base significant flexibility in terms of the form of redevelopment, the way in which the supermarket would be connected to the mall and the degree of inter-visibility between the supermarket and the 220 carparks to be retained. That degree of flexibility was one of the factors that resulted in Foodstuffs being unable to reach agreement with The Base.

11 More broadly, Foodstuffs' intention is to develop a supermarket that will be present on the chosen location for many years and ideally permanently. The medium and long-term development of The Base was therefore of critical interest to both Foodstuffs and The Base itself. That is why this issue formed part of the negotiations in the first place. After spending seven years exploring unsuccessfully the possibility of establishing a supermarket at The Base, Foodstuffs concluded that it would need to obtain and develop an adjacent site. It subsequently purchased the Site and prepared the Application.

12 I remain of the view, expressed in paragraph 6.9 of my evidence in chief, that placing a large discount supermarket within a large mall in the context of a sub-regional shopping centre can create incompatibilities. In my opinion, the plans attached to Mr Passau's evidence exemplify those incompatibilities and the challenges that arise as a consequence. Foodstuffs considers that locating the PAK'nSAVE supermarket across Te Rapa Road from the main entrance to The Base will significantly support that centre but without generating the adverse effects
on both Foodstuffs and The Base that would arise from locating the supermarket within the core of the expanded centre.

Conditions

13 Finally, I want to comment briefly on the amendments to conditions 48, 49 and 50 in Appendix A of Mr Briggs's evidence for The Base Te Awa Limited.

14 As noted in opening submissions for Foodstuffs, the proposed changes to the first part of condition 48 (i.e.: excluding the final explanatory sentence sought by Mr Briggs), the proposed changes to condition 49, and the amendment of condition 50 so that it reads in accordance with Mr Briggs' proposed condition 50B are agreed.

15 Foodstuffs opposes Mr Briggs' proposed condition 50A, however. That condition would require Foodstuffs to obtain approval to reduce the speed limit on Wairere Drive prior to the start of construction of the supermarket. Foodstuffs acknowledges that it will not be able to open supermarket until that speed limit is reduced (as per proposed condition 50 / 50B). As a consequence, Foodstuffs will bear the risk if it elects to commence construction prior to obtaining confirmation that the speed limit will ultimately be reduced. There may be circumstances in which Foodstuffs has sufficient confidence that the speed limit will ultimately be reduced to commence preliminary work. The company does not want to be in a position where internal Council processes are preventing it from commencing works, particularly if the works involve seasonal factors and delay may significantly compromise the opening date of the supermarket.

Nicholas Hanson
7 October 2019