



City Fringe Economic Profile

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Executive Summary

The purpose of this report is to identify the role, function and inter-relationships of business activities across the central city fringe area, including opportunities and constraints to their growth and development.

The city fringe area referred to in this report is the area bordering the Auckland CBD. This is defined as being the Waitemata Local Board area, excluding the CBD.

In 2012, 9.5% of total regional employment, or 61,000 jobs, was located in the city fringe area, second only to the CBD with 13.9% of regional employment.

Although the number employed in the fringe has increased over time, the share of total regional employment in the city fringe has slightly decreased from 2000 when it accounted for 10.2% of regional employment.

In 2012 the largest industry sector within the city fringe in terms of employees was Professional Services (20.5% of employment in the fringe), then Health Care Services (14.6%).

Sectors where the city fringe has a significantly smaller proportion of jobs than Auckland as a whole are Manufacturing; Transport, Postal and Warehousing; and Education and Training.

The Professional Services sector has recorded the most growth in employment, with over 5,000 jobs added between 2000 and 2012. About 1,400 of these were added in the last three years. Within this sector, computer systems design, engineering, advertising and architectural services are over-represented compared to regional averages.

While the fringe is home to 9.5% of total jobs in Auckland, it is home to 26.2% of creative sector jobs. The city fringe is also the location of 19% of all ICT employment in Auckland. Many of jobs in these sectors overlap with the professional services sector.

Employment is concentrated on the eastern side of the city fringe, with Grafton and Newmarket featuring the largest concentrations. The Grafton precinct is a particularly large employment area, reflecting the Auckland Hospital and the University of Auckland Medical School. Areas directly adjacent to the CBD also have larger employment numbers, including Parnell, College Hill and Newton / Karangahape Road.

The centres and commercial areas that are in the west do not tend to have as high employment levels as those on the east. However there is a significant concentration of sole operator type businesses involved in the creative sector.

As of 2012, Statistics New Zealand estimates that the population of the city fringe is 49,180.

In 2006 the fringe area was home to 26,745 workers. The largest occupational grouping was in the professionals occupation sector, accounting for 37% of local residents, compared to a regional average of 21%. Technicians and trades had a low representation, along with labourers and machinery operators.

As of 2006, approximately 60% of residents within the Waitemata Local Board area also worked in the same area, which is a very high rate of "self containment".

The fringe is dominated by small to medium sized workplaces.

Published information on rental and vacancy rates suggests that there is currently a high level of vacancy in the city fringe area.

Current and future transport investments (SH 20 and the City Rail Link) are set to fundamentally alter transport dynamics in the central city and fringe area.

The central city area is likely to expand into parts of the fringe, and with it demand for larger floor plate office developments. This will displace smaller activities. At the same time there is likely to be some scaling up of sole practitioner businesses. In other words, competition for floorspace is likely to increase.

Typically, professional service activities and businesses involved in creative and knowledge-based activities are very "people driven" rather than driven by large investment in plant or machinery. They therefore have low capital needs. However some specific activities (e.g. research, medical) may have large capital requirements.

Because of the people-focused nature of the workforce:

- The quality of workplaces and work place environments matter, along with some sense of connectedness to like-minded activities.
- Most businesses rely on attracting and retaining highly skilled specialists, many of whom live in the inner city area. These workers are ideas focused and are not necessarily aligned or committed to a particular employer.
- Businesses are likely to seek lower cost, flexible work spaces, as well as short term leases due to the volatile nature of the activities they are involved in.

In terms of the economic development priorities set out in the council's economic development strategy, the following pointers to future actions can be made:

Strengthen the Newmarket-Grafton-CBD corridor

This could be a key corridor in terms of research-based activities. With expansion of the University into Newmarket, there will be growing linkages between the three University hubs. There is also likely to be some grouping of medical and research related activities around the Grafton area.

Developing a western hub/centre

Economic development is heavily biased towards the eastern side of the fringe. Given anticipated growth of the regional and fringe economy, new space will need to be found to accommodate business growth. A western hub/precinct would be desirable to help accommodate growth while adding diversity and choice to workplace environments and locations. Great North Road south from K Road is a potential corridor. There are also residential and large format retail pressures which will need to be managed.

Revitalising the Upper Symonds Street/Newton area

This area will benefit from the CRL, but this effect is at least 10 years away. Prior to the CRL being commissioned and those benefits beginning to accrue, there may be some stagnation. There is opportunity to support the Uptown Business Associations with the work that they are doing in this area.

Facilitating links to existing networks

Many businesses in the city fringe will be involved in export driven activities, such as professional services, research, ICT etc, as well as collaboration on local projects. These businesses do not tend have place-based representation through Business Associations. There is opportunity to link businesses to existing networks including BIDs but also ATEED and innovation networks such as the Icehouse and Wynyard Quarter Innovation Precinct.

Housing the future workforce

The labour force needs of city fringe business activities are currently well matched to the skill base of the local resident population, while workers are drawn from across the region. With the significant lift in residential property prices seen over the past 10 years, issues of affordable housing have become much more prominent. This is a longer term issue associated with the next generation of knowledge-based workers being able to access homes close to city fringe workplaces.

Urban villages

The city fringe has a strength in small to mid-sized workplaces involved in creative and knowledge intensive activities. These types of businesses are heavily influenced by the needs of employees and owners to work in stimulating environments. Developing quality urban environments is important to economic growth. The diversity of activities around West Lynn is an example of what is possible should there be opportunities for small scale mixed business/residential development around centres.

1 Introduction

1.1 Purpose of report

The purpose of this report is to identify the role, function and inter-relationships of business activities across the central city fringe area, including opportunities and constraints to their growth and development.

The report is based on an analysis of available data on business growth and composition in the area, supplemented by key informant interviews and analysis of current strategies and plans. The report is not expected to set out a detailed economic development strategy for the city fringe. Subsequent stages of the project will consider actions and possible strategies.

The following is a draft report. Based on feedback from council staff and the Local Board, a final report will be prepared.

1.1.1 What is the city fringe?

The city fringe area referred to in this report is the area bordering the Auckland CBD. This was defined by the Waitemata Local Board area, excluding the CBD. The area is shown on Figure 1-1 below.

1.1.2 Methodology

The project has (so far) involved the following steps:

- Initial briefing with council's economic development staff
- Review and assembly of key employment data
- Analysis of data in terms of spatial patterns, as well as industry composition
- Key informant interviews
- Review of strategies and plans.

1.2 Defining the precincts

In order to undertake the spatial analysis required for this research, the city fringe has been divided into precincts using Statistics New Zealand meshblock boundaries. A number of factors were considered when identifying the precincts including existing zoning, zoning in the draft Unitary Plan, physical/geographical factors, and employment numbers (based on Business Demography data collected by Statistics NZ).

Each precinct is identified as either mainly a town centre, commercial, residential or community area to reflect its primary function. The resulting precincts are illustrated in Figure 1-1 below. See Appendix 1 for a larger map and a fuller description of how the precincts were defined.

O	Public Administration and Safety
P	Education and Training
Q	Health Care and Social Assistance
R	Arts and Recreation Services
S	Other Services

The above industry categories have four sub levels: division, subdivision, group and class. This study has initially looked at the division level, and for those divisions with high numbers of employees has undertaken analysis down to class level.

In addition to the above categorisation, the study has also looked at cross sector groupings of businesses, particularly the creative sector and the Information, Communication and Technology sector (ICT). These groupings are discussed in section 2.

1.4 Data and terminology

Data used for this analysis is primarily sourced from Statistics NZ, including Business Demography data, collected annually, and also the Census. This report relies on the 2006 Census because the 2010 Census did not occur due to the Canterbury earthquake, and data is not yet available from the recent 2013 Census.

The Business Demography data picks up economically significant enterprises, generally those that have GST turnover of greater than \$30,000 per year. Smaller enterprises which do not meet the significance criteria are not covered.

The Business Demography data records "employment count" and number of "geographic units" in a place. These are defined as follows:

- Employee count - a head-count of all salary and wage earners for the February reference month.
- Geographic unit - a separate operating unit engaged in New Zealand in one, or predominately one, kind of economic activity from a single physical location or base.

Geographic units include independent businesses and operators as well as branches of larger companies. For simplicity they are often just referred to as 'businesses'.

Reference to dates in this report will generally be in relation to Business Demography data.

It is important to note that there are a number of issues with the Business Demography data, such as random rounding, which make the data less precise at a finer grain. However, it is the best information available for the purposes of spatial and time analysis.

2 City Fringe Economic Profile

This section provides an area-wide profile of the city fringe, identifying where the city fringe has particular strengths in terms of business composition and structure, compared to the region as a whole.

2.1 Employment

The city fringe is a significant employment location for Aucklanders. In 2012, 9.5% of total regional employment, or 61,000 jobs, was located in the city fringe area, second only to the CBD with 13.9% of regional employment.

Figure 2-1 below shows the change in numbers employed in the city fringe from 2000 to 2012. Consistent growth was experienced, except for during the 2008-2010 global financial crisis (GFC).

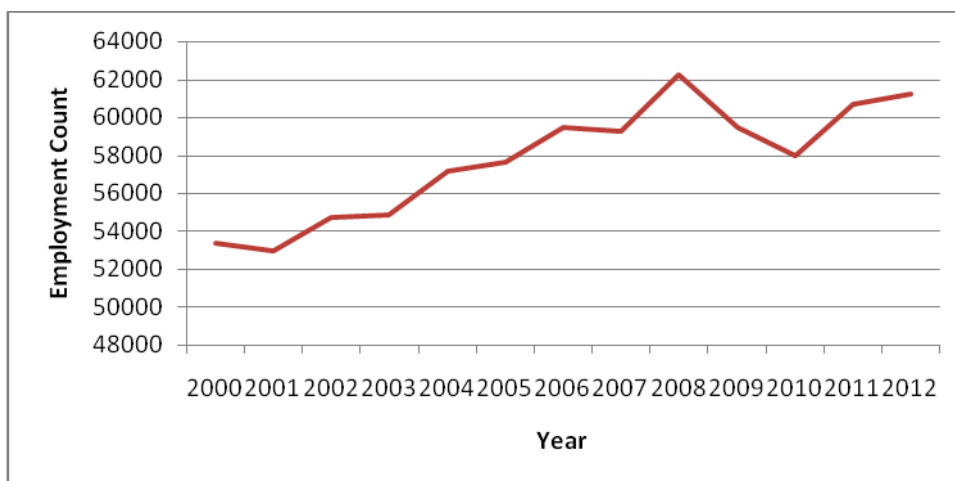


Figure 2-1. Employment numbers in city fringe (2000-2012). Source: Statistics NZ Business Demography

Although the number employed has increased over time, the share of total regional employment in the city fringe has decreased slightly from 2000, when it accounted for 10.2% of regional employment. This indicates slower growth than the regional average. This is likely to be related to new areas of office-based employment coming on stream elsewhere in Auckland (e.g. East Tamaki, Central Park in Penrose, Smales Farm in Takapuna). During the early 2000s, there was competition between the councils in Auckland for businesses, in part responding to the Auckland Regional Growth Strategy as well as being driven by revised district planning frameworks providing more opportunities for business development across the region.

The rate of employment growth in the city fringe is generally consistent with what has happened in the CBD, as illustrated in Figure 2-2 below. It is observed that from 2002 to 2005 there is some fluctuation in growth rates, where employment growth in the CBD and city fringe appears to alternate. Also notable is the large drop in growth experienced across the region between 2008

and 2010 in response to the Global Financial Crisis. In 2012 a drop in growth rate is observed for the fringe, which is difficult to determine as a trend or another fluctuation.

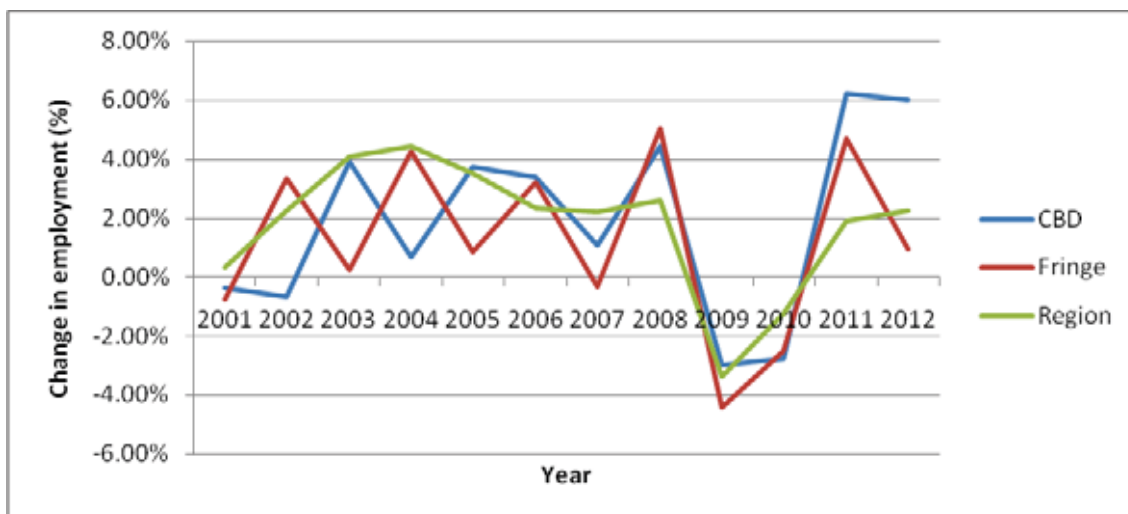


Figure 2-2. Percentage change in employment count (2000-2012). Source: Statistics NZ Business Demography

2.1.1 Population

As of 2012, Statistics New Zealand estimates that the population of the city fringe is 49,180.

In comparison to employment growth, population growth has been slower. Figure 2-3 below shows the census usually resident population count for the fringe, CBD and region for the period 1996 to 2006. Population growth in the CBD has been fast, but off a low base. Within the fringe area, population has been growing at a rate of around 1.2% per annum, below the rate for the region as a whole.

	Population 1996	Population 2001	Population 2006	% growth 1996-2001	% growth 2001-2006
CBD	7,746	15,360	25,998	98.30%	69.26%
Fringe	38,850	40,989	43,608	5.51%	6.39%
Region	1,077,207	1,173,639	1,321,074	8.95%	12.56%

Figure 2-3. Census usually resident population counts (1996-2006). Source: Statistics NZ Census data

The slower population growth is likely to be related to the presence of many stand alone houses and character residential zones in the fringe. However, while the stock of housing has not necessarily increased, demographic changes can result in significant changes in the number of people per house.

Looking at population by census area unit within the fringe between 2006 and 2012 (see Figure 2-4), areas that have recorded high population growth are Newmarket, Grafton West and Parnell West. All three area units have extensive areas of mixed use zoning, suggesting opportunities offered by this zone were often utilised for residential development. Westmere is an example of a suburb seeing population growth due to changing demographics.

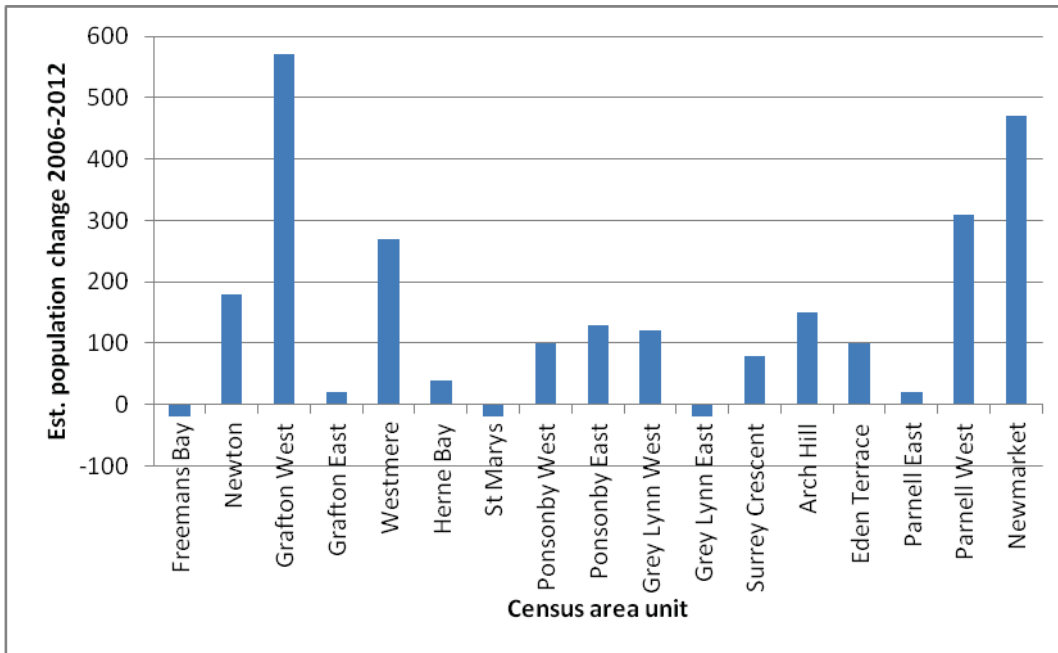


Figure 2-4. Population estimated change for area units of the fringe (2006 to 2012). Source: Statistics NZ estimated subnational population data

2.2 Overview of employment sectors

Turning to industry composition within the city fringe compared to the region, simple location quotients provide a measure of the extent of industry concentration in the city fringe. Location quotients compare the percentage of total employment in a particular sector for a particular area (in this case the city fringe) with a base or reference population, such as a region or country. A location quotient above 1 indicates stronger concentration than the regional or national average.

Based on 2012 employment data for the city fringe compared to the Auckland region as a whole, Figure 2-5 sets out the location quotients for the fringe area, organised by ANZSIC sectors.

The analysis shows a strong representation of jobs in the following sectors:

- Utilities
- Communications
- Professional services
- Healthcare.

Sectors where the city fringe has a significantly smaller proportion of jobs than Auckland as a whole include Manufacturing; Transport, Postal and Warehousing; and Education and Training. These tend to be more land extensive activities.

Industry sector	Simple Location Quotient
Agriculture & fishing	0.01
Mining	0.07
Manufacturing	0.27
Utilities	2.17
Construction	0.64
Wholesale	0.96
Retail	0.89
Hospitality	1.03
Transport & Warehousing	0.35
Communications	1.98
Financial & Insurance	0.92
Real estate	1.00
Professional services	2.00
Administrative services	1.24
Public admin & safety	0.64
Education	0.60
Healthcare	1.51
Arts & Recreation	1.11
Other services	1.24

Figure 2-5. Location quotients for ANZSIC sectors: Fringe compared to region (2012). Source: Statistics NZ Business Demography

While useful in indicating possible areas of competitive advantage, the sectors highlighted may not necessarily be large employment sectors.

In 2012 the largest sector within the city fringe in terms of employees was Professional Services (20.5%), and then Health Care Services (14.6%) - see Figure 2-6.

Professional Services feature as the biggest sector both in the CBD and the city fringe, suggesting that having a central location is important to this sector. This point is supported by the much lower proportion of Professional Services employed across the Auckland region as a whole. The spread of the professional services sector between the CBD and the fringe suggests that this sector has a number of different location drivers, and this is explored more in the next section.

The main contrast to the CBD in terms of employment sectors is the financial and insurance sector, which is concentrated in the CBD area.

The Health Care sector is also a significant employer in the city fringe, with about 9,000 jobs in 2012 in this category. This largely reflects the location of Auckland Hospital in Grafton.

The third and fourth largest sectors for the city fringe are Retail Trade and Wholesale Trade respectively, each less than 10% of those employed. The proportion of those employed in this sector is similar to that identified for the Auckland region as a whole, indicating that this sector is not particularly influenced by the city fringe location.

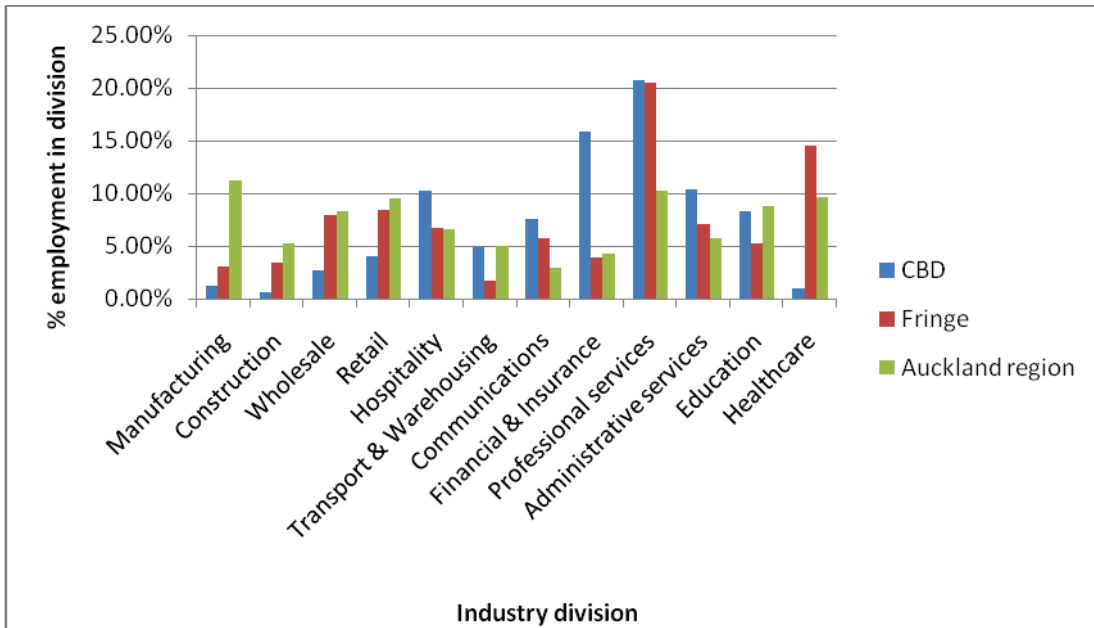


Figure 2-6. Percentage share of total employment in selected ANZSIC industry sectors (2012). Source: Statistics NZ Business Demography

2.2.1 Trends in composition

It is important to understand how the number of employees has changed over time. Figure 2-7 below illustrates change for the period between 2000 and 2012, and also between 2009 and 2012 to give a more recent picture. Figure 2-8 allows a comparison of employment growth in the fringe with the region and CBD.

The Professional Services sector has recorded the most growth in employment, with over 5,000 jobs added between 2000 and 2012. About 1,400 of these were added in the last three years. This was at a 73% growth rate, consistent with the Auckland region, and higher than the CBD. The growing role of the fringe in accommodating the professional services sector is an important trend.

Health Services also showed significant growth, with over 3,000 jobs added between 2000 and 2012. This 59% growth rate was again similar to the region as a whole, and much higher than the CBD. Further growth in employment was also demonstrated in the Hospitality sector, although not as significant with 1,000 jobs added, and a 32% growth rate.

The biggest decline in employment has been in the Manufacturing and Communications sectors, both losing around 2,000 jobs since 2000. For Manufacturing this is a decline of -52%, with the CBD also having a similar rate of decline. The region as a whole showed a decline in Manufacturing, but at a much slower rate of -13%. The significant decline in the Communications sector is not consistent with what happened in the CBD (good growth) and the region as a whole (a small decline). The poor performance in Communications is primarily attributed to the exit of one major company, Telecom, from the fringe.

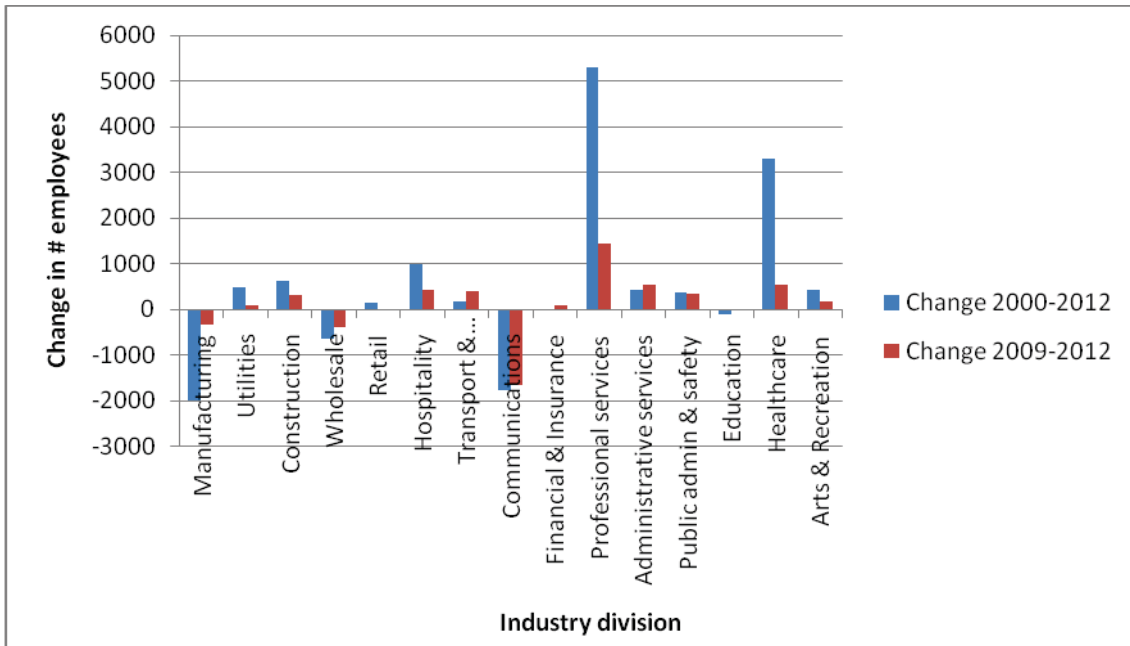


Figure 2-7. Change in number of employees in the city fringe for selected ANZSIC industry sectors (2000-2012 and 2009-2012). Source: Statistics NZ Business Demography

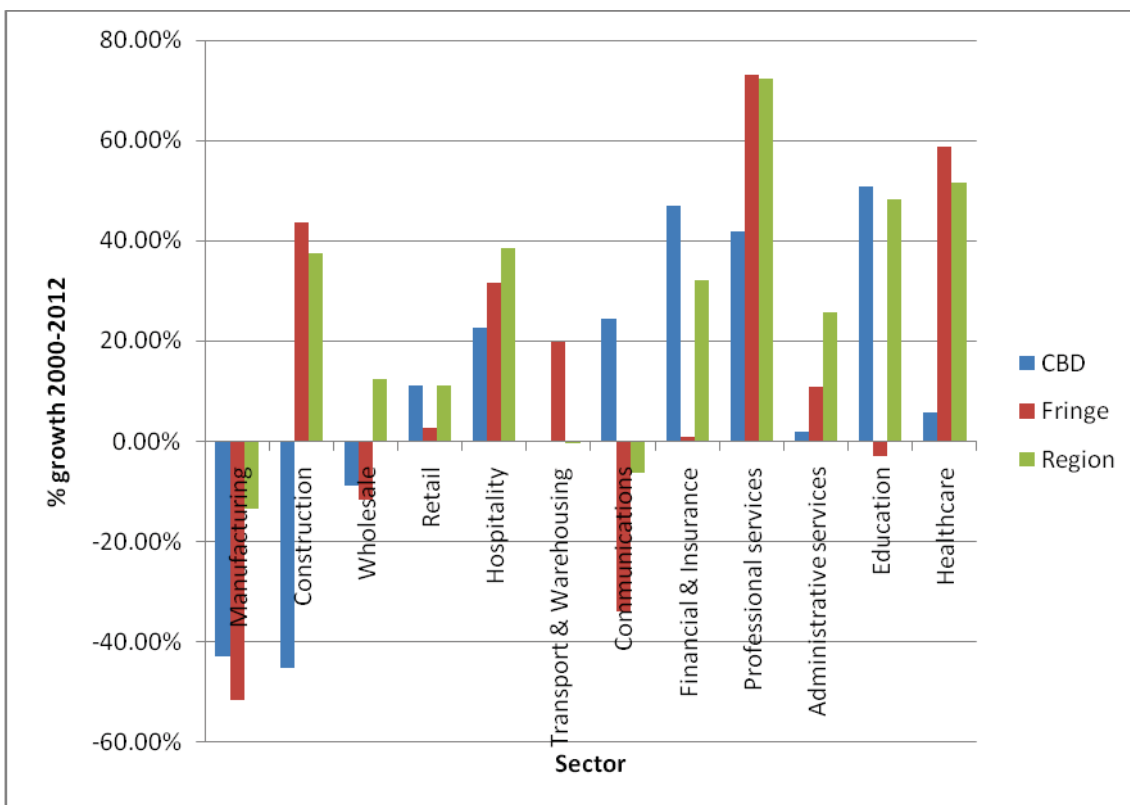


Figure 2-8. Percentage growth in employment for selected ANZSIC divisions (2000-2012). Source: Statistics NZ Business Demography

2.3 Business size

There were approximately 13,600 geographic units in the city fringe in 2012. This represents 8.5% of total geographic units in the Auckland region. In comparison, the CBD has fewer geographic units (10,700) but larger average business sizes.

The numbers of geographic units have not varied over time to the extent that employment numbers have, and were not significantly affected during the recession, as shown in Figure 2-9 below. Most businesses appear to have survived the GFC although many found it necessary to reduce staff numbers. This matches anecdotal evidence from stakeholders that many business owners had to cut staff numbers and work in the businesses themselves.

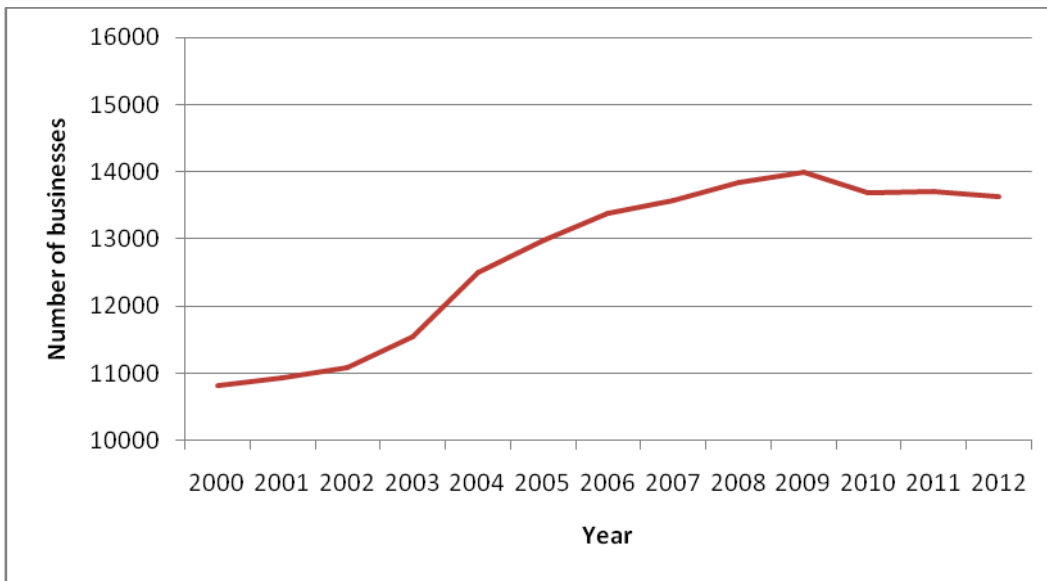


Figure 2-9. Number of geographic units in city fringe (2000-2012). Source: Statistics NZ Business Demography

Many geographic units have no employees at all, and it is difficult to establish the proportion of such businesses in the city fringe, as small businesses are not captured in the Business Demography data. However, data on the ratio of employees to geographic units gives an indication of the size of businesses, which can be compared between areas.

In 2012 there was an average of 4.49 employees for every geographic unit in the city fringe, which although much lower than in the CBD (8.85), is higher than the region as a whole (3.99). The average size of businesses in the fringe is another important distinction to that of the central city.

The average business size may reflect the types of premises available in the city fringe. While there is no specific data on average floors plates in the fringe compared to the CBD, it is apparent that the fringe offers a variety of choices. Larger businesses are enabled due to the nature of business and mixed use zones and the form of existing development, with a number of multi-storey commercial buildings present. However there is also many more smaller and medium sized floor plate premises available, reflecting the industrial past of the city fringe.

In terms of the change in the number of businesses, Figure 2-10 below illustrates changes for the period between 2000 and 2012, and also between 2009 and 2012 to give a more recent picture. The largest growth in business numbers was in the financial and insurance sector, closely

followed by professional services. However both these sectors had a slight decline in number of businesses over the last three years. In fact, the only two sectors from the selection which did not decline in terms of number of businesses over the last three years were retail and hospitality. These two sectors also showed long term growth in the number of businesses, along with communications, healthcare, administrative services and education.

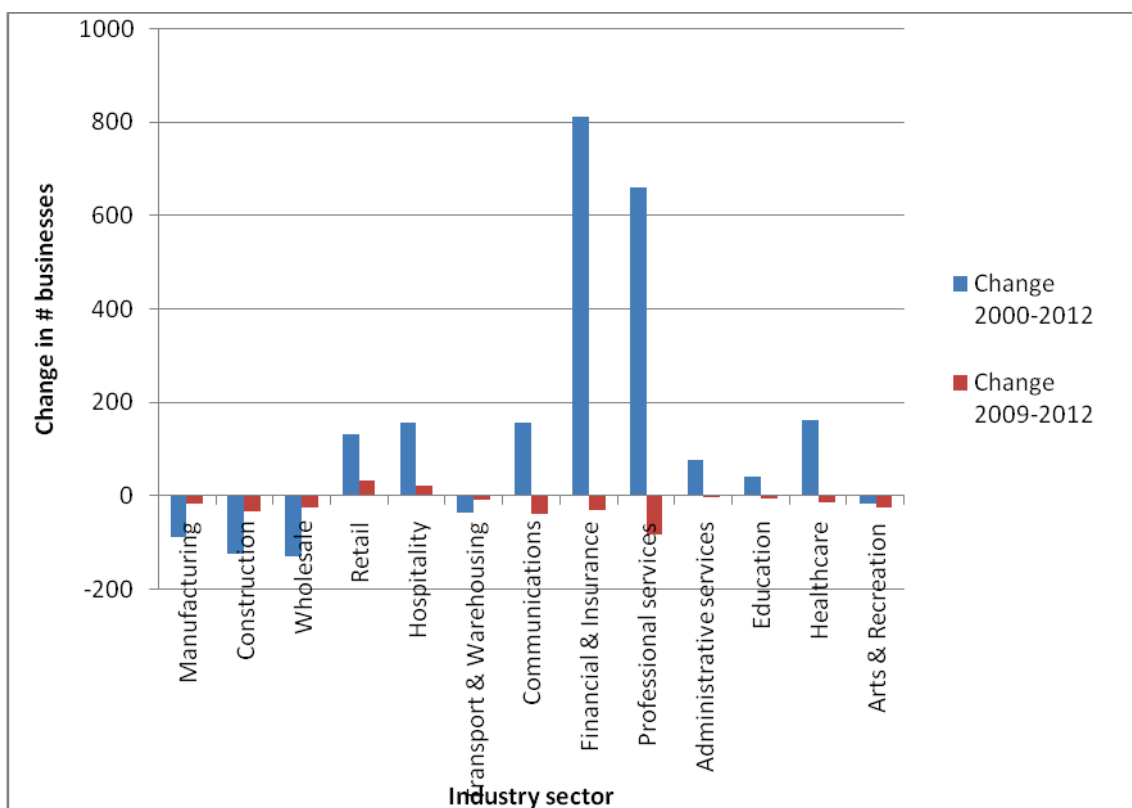


Figure 2-10. Change in number of city fringe businesses for selected ANZSIC industry sectors (2000-2012 and 2009-2012). Source: Statistics NZ Business Demography

The large increase in the city fringe of the number of businesses in the Financial and Insurance sectors was not matched by an increase in employment in this sector. This possibly could be the result of the Global Financial Crisis, with restructuring and redundancies in this sector leading to a number of sole traders being established.

For the professional services sector, there is a concentration of smaller businesses in the fringe, compared to the CBD. There are relatively more firms with 1 to 9 employees in the fringe than the CBD, as shown in Figure 2-11 below (note - this data uses the census area units of the fringe).

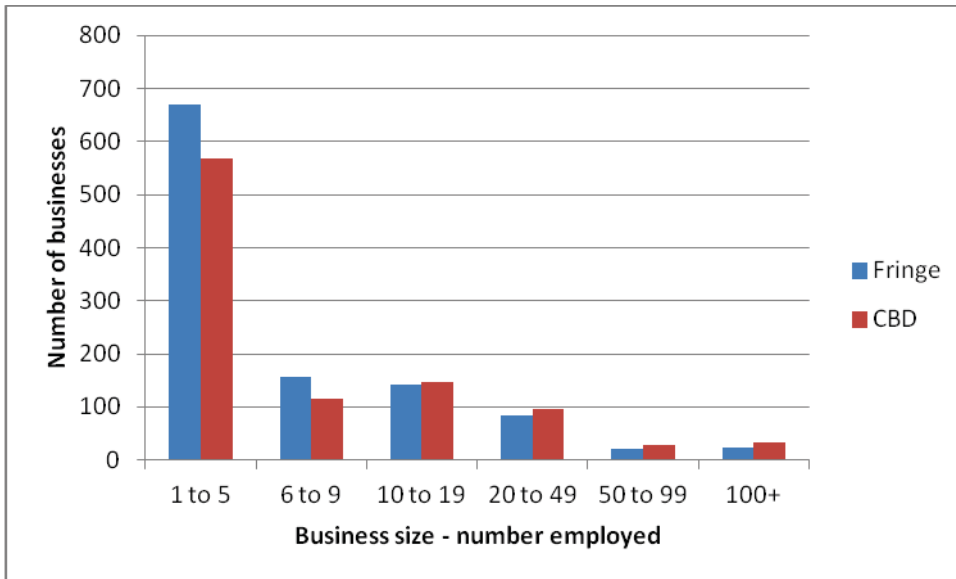


Figure 2-11. Number of professional services businesses by size of business (employees), CBD and fringe (2012). Source: Statistics NZ Business Demography

2.4 Workplaces of residents

It is useful to understand the workplace of residents within the city fringe to consider how this influences the type and locations of businesses. There is often a correlation between workplace location and the home location of managers, while businesses want to locate in areas accessible to their workforce.

The following information uses the Census 2006 as a snapshot of where residents were working at that time.

Figure 2-11 below shows that a third of residents of the fringe worked within the city fringe and further quarter worked in the CBD. Of those that live and work in the city fringe, approximately 13% work in the same census area unit. Overall approximately 60% of residents within the Waitemata Local Board area also worked there, which is a very high rate of "self containment".

	Number of workers	Percentage
Work in City Fringe	8,943	33.4%
Work in CBD	6,558	24.5%
Work elsewhere	11,241	42.0%
Total	26,742	100%

Figure 2-12. Workplace address for city fringe residents (2006). Source: Statistics NZ Census data 2006

Figure 2-13 shows the distribution of where city fringe residents are employed. This map uses area units and as such does not entirely match the precincts used in this study. It is clear that the greatest number of residents work in the CBD and Parnell, and then other locations close to the CBD.

Other important workplaces for residents of the city fringe are Mt Wellington / Penrose, East Tamaki, Mangere, Manukau central, Rosebank, Takapuna and Smales Farm. These are a mix of office, office-warehouse type activities, as well as heavier and land-extensive industries.

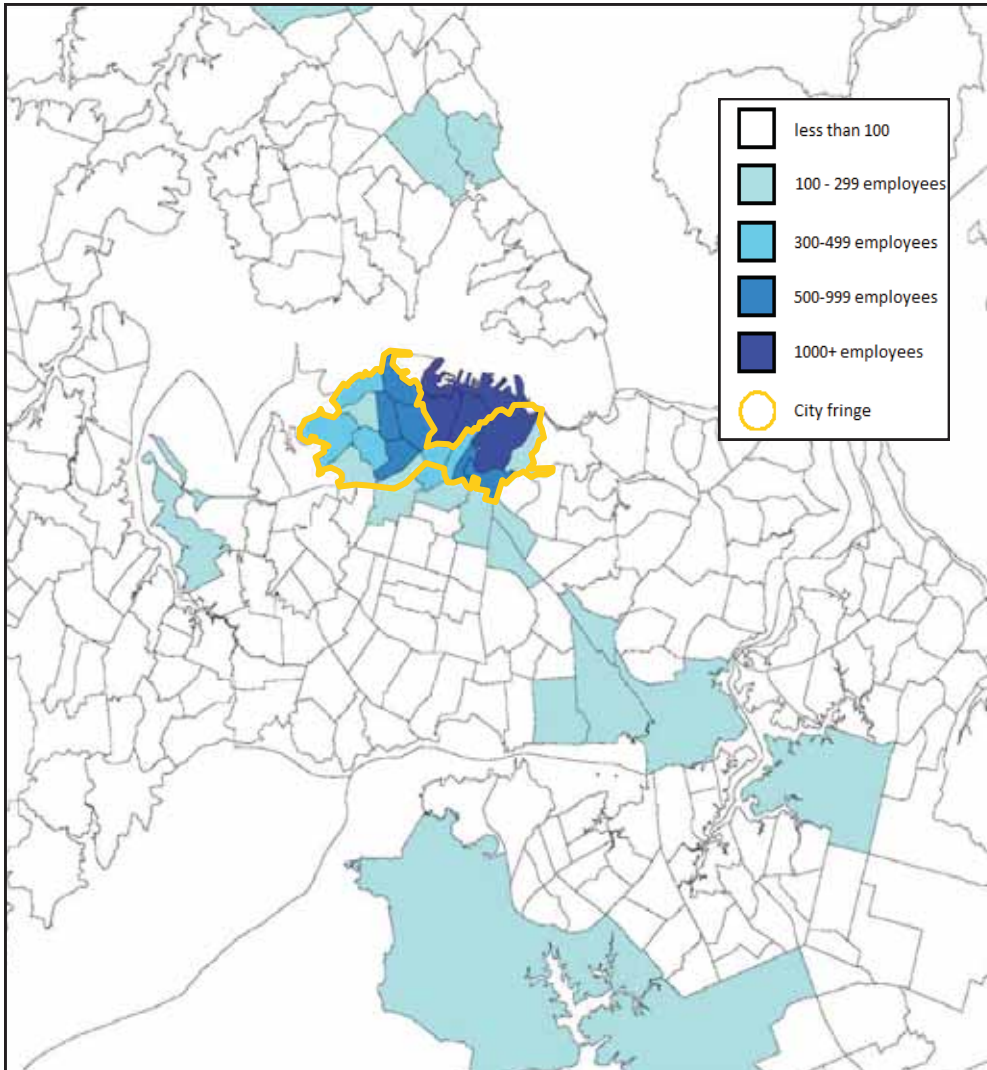


Figure 2-13. Map of workplace address for city fringe residents (2006). Data source: Statistics NZ Census data 2006

2.5 Occupations

Having considered where residents are working, it is useful to understand the occupations of residents and how this compares with the profile of occupations within the fringe area. This information is also collected through the Census and uses the 2006 data as a snapshot.

In 2006 the fringe areas was home to 26,745 workers. The largest occupational grouping for these residents was in the professionals occupation, accounting for 37% of local residents, compared to a regional average of 21%. Technicians and trades had a low representation, along with labourers and machinery operators. Occupations are shown in Figure 2-14.

	Managers	Professionals	Technicians & Trades	Community & Personal Services	Clerical & Administrative	Sales	Machinery Operators & Drivers	Labourers
Residents of fringe	5,778	9,960	1,962	1,779	2,832	2,271	402	786
City fringe - resident occupations (% total)	21.60%	37.24%	7.34%	6.65%	10.59%	8.49%	1.50%	2.94%
Auckland region - resident occupations (% total)	16.91%	21.41%	11.99%	7.29%	13.60%	10.25%	5.72%	7.42%

Figure 2-14. Occupations (ANZSCO V1.0 Major Group) for usual residents of fringe. Source: Statistics NZ Business Demography

When the above occupation profile is compared to the profile of jobs located in the city fringe, as of 2006, it is apparent that the fringe offers many more opportunities in the professional services sector than local residents can take up. As shown in Figure 2-15, overall, there are 23,500 more jobs in the fringe than residents in employment. In all cases, the number of jobs in each occupation category exceeded the number of residents in those occupations.

	Managers	Professionals	Technicians & Trades	Community & Personal Services	Clerical & Administrative	Sales	Machinery Operators & Drivers	Labourers	Total
Residents of fringe	5,778	9,960	1,962	1,779	2,832	2,271	402	786	26,745
All jobs in fringe workplaces	10,269	17,184	4,281	2,829	7,608	4,875	855	1,413	50,211
Difference (additional jobs in fringe)	4,491	7,224	2,319	1,050	4,776	2,604	453	627	23,466

Figure 2-15. Numbers employed by occupations (ANZSCO V1.0 Major Group) for usual residents of fringe and for workplaces in fringe (2006). Source: Statistics NZ Census data 2006

The future situation is less clear. Analysis by Auckland Council shows that between 2004 and 2011 there were a number of significant shortfalls in the number of people training, particularly in *fields of study* such as information technology and health at degree level, and in engineering and related technologies at all qualification levels, compared to expected employment levels in these sectors.

Of particular relevance to the city fringe area will be where these workers will be housed in the future. The central Isthmus area has seen very significant rises in property values over the past 10 years, making housing unaffordable to many new households. It is possible that this trend will undermine the current strength of the city fringe as a mixed living and working environment highly desirable to people involved in knowledge intensive activities.

2.6 Summary

In this section the city fringe has been analysed to understand how it sits as a whole against the CBD and wider Auckland region. The following key points are identified:

- 9.5% of the region's employment was in the city fringe in 2012, less than the 10.2% in 2000
- although the city fringe experienced a decline in employee growth over the Global Financial Crisis 2009-2010, an average of 4% growth was observed 2000-2008
- the city fringe has more businesses than the CBD, although these are smaller and therefore have less employees
- the number of businesses in the fringe continues to increase, and was not affected much by the recession
- most residents work in either the city fringe or the CBD (60%), and more than 50% are Managers or Professionals.

3 Important sectors

The above section has utilised the ANZSIC industry categories to identify sectors that are particularly important in the city fringe. The following section reviews in more detail the professional services and health care sector as defined by the ANSIC system, and then examines two other cross cutting sectors commonly seen to be important to the regional economy and the city fringe in particular, being industries involved in the "creative sector" and industries involved in ICT - information and communications technology.

3.1 Professional services

As previously identified, this sector is the largest in the city fringe comprising approximately 20% of employees or 12,500 people. This sector also comprises the greatest proportion of businesses at approximately 21%, highlighting its significance in this location.

The sector has been broken down into sub-sectors in Figure 3-1 below. The sub-sectors featuring most strongly are computer systems design, engineering, corporate head office management, and advertising; comprising two thirds of those employed in the Professional services sector.

Professional, Scientific and Technical Services (ANZSIC Division M) by Industry Class	Employment count	Percentage (of total sector)
Computer Systems Design and Related Services	2,626	20.95%
Engineering Design and Engineering Consulting Services	1,924	15.35%
Corporate Head Office Management Services	1,908	15.23%
Advertising Services	1,854	14.79%
Management Advice and Other Consulting Services	1,261	10.06%
Architectural Services	663	5.29%
Accounting Services	619	4.94%
Market Research and Statistical Services	446	3.56%
Other Specialised Design Services	421	3.36%
Scientific Research Services	356	2.84%
Legal Services	252	2.01%
Scientific Testing and Analysis Services	89	0.71%
Professional Photographic Services	42	0.34%
Other Professional, Scientific and Technical Services n.e.c.	29	0.23%
Veterinary Services	27	0.22%
Surveying and Mapping Services	15	0.12%
Total	12,532	

Figure 3-1. Fringe employment in Professional, Scientific and Technical Services broken down into class (2012).
Source: Statistics NZ Business Demography

Figure 3-2 compares the percentage of employment in the above categories in the city fringe area to that of the region as whole, while Figure 3-3 presents these percentages as simple location quotients (compared to the Auckland region).

Professional, Scientific and Technical Services (ANZSIC Division M) by Industry Class	% of total sector, fringe	% of total sector, Auckland region
Computer Systems Design and Related Services	20.95%	17.92%
Engineering Design and Engineering Consulting Services	15.35%	10.09%
Corporate Head Office Management Services	15.23%	18.56%
Advertising Services	14.79%	4.90%
Management Advice and Other Consulting Services	10.06%	12.88%
Architectural Services	5.29%	2.68%
Accounting Services	4.94%	9.10%
Market Research and Statistical Services	3.56%	4.03%
Other Specialised Design Services	3.36%	2.50%
Scientific Research Services	2.84%	4.22%
Legal Services	2.01%	8.27%
Scientific Testing and Analysis Services	0.71%	1.90%
Professional Photographic Services	0.34%	0.44%
Other Professional, Scientific and Technical Services n.e.c.	0.23%	0.53%
Veterinary Services	0.22%	1.35%
Surveying and Mapping Services	0.12%	0.65%

Figure 3-2. Professional, Scientific and Technical Services industry sector breakdown (2012). Source: Statistics NZ Business Demography

Professional, Scientific and Technical Services (ANZSIC Division M) by Industry Class	Simple Location Quotient
Computer Systems Design and Related Services	1.17
Engineering Design and Engineering Consulting Services	1.52
Corporate Head Office Management Services	0.82
Advertising Services	3.02
Management Advice and Other Consulting Services	0.78
Architectural Services	1.97
Accounting Services	0.54
Market Research and Statistical Services	0.88
Other Specialised Design Services	1.34
Scientific Research Services	0.67
Legal Services	0.24
Scientific Testing and Analysis Services	0.37
Professional Photographic Services	0.77
Other Professional, Scientific and Technical Services n.e.c.	0.43
Veterinary Services	0.16
Surveying and Mapping Services	0.18

Figure 3-3. Professional, Scientific and Technical Services sub-sector simple location quotients (2012). Source: Statistics NZ Business Demography

Computer systems design, engineering, advertising and architectural services are over-represented. The reasons why these sectors are so heavily represented in the city fringe are likely to stem from a variety of drivers, including rents / business costs, size of premises, workplace environments, transport, as well as the home location of business owners.

Generally, the sectors outlined above provide services to the business and resident sectors. Some may export services in their own right. In either case, the businesses involved may not need a "corporate-head office" type presence in the central city. On the other hand, they need to be close to corporate clients, be accessible to a highly qualified labour force and offer working environments that are stimulating. The variety of building stock on the city fringe (ranging from small stand alone workplaces through to mid-sized floor plates, as well as options for heritage/character buildings) suits the emphasis of the sector on small to medium-sized enterprises.

3.2 Health care and social assistance

The health care and social assistance sector is the second largest employer in the city fringe, with almost 9,000 jobs in 2012. Over 7,000 of these jobs are in the hospitals sub-sector (6,800 at Grafton hospital, and some at smaller hospitals in Newmarket, Westmere and Ponsonby). Additionally there are about 400 jobs in the 'other social assistance' sub-sector, and about 400 in various forms of care services (aged care, child care and other residential care).

3.3 Creative sector

The creative sector is a diverse collection of industries involved in often one off, design-based processes and products. The sector includes the arts, design, publishing and production.

Previous research by Auckland City Council¹ identified that the city contained a significant creative sector - and that three-quarters of Auckland City's creative sector employment was in the CBD and the city fringe. It is a sector encouraged within the Auckland Economic Development Strategy, where one of the five priorities is to develop a creative, vibrant international city.

The definition of "creative sector" in terms of ANZSIC codes has been adapted from that used in a 2002 NZIER report to Industry New Zealand,² which used 1993 ANZSIC codes. For the purposes of consistency, this report translates the NZIER definition of the creative sector to 2006 ANZSIC codes:

ANZSIC Class	Description	ANZSIC Class	Description
C25910	Jewellery and Silverware Manufacturing	J561000	Radio Broadcasting
G42730	Antique and Used Goods Retailing	J562100	Free-to-Air Television Broadcasting
J54110	Newspaper Publishing	J562200	Cable and Other Subscription Programming
J54120	Magazine and Other Periodical Publishing	J570000	Internet Publishing and Broadcasting
J54130	Book Publishing	M69210	Architectural Services
J54190	Other Publishing (except Software, Music)	M69240	Other Specialised Design Services

¹ Auckland City Council (2009) *Auckland's Creative Industries: The Numbers 2009*

² NZ Institute of Economic Research (Inc.) (2002) *Creative industries in New Zealand: Economic contribution*

	and Internet)		
J542000	Software Publishing	M69400	Advertising Services
J551100	Motion Picture and Video Production	M69910	Professional Photographic Services
J551200	Motion Picture and Video Distribution	M70000	Computer Systems Design and Related Services
J551300	Motion Picture Exhibition	R90010	Performing Arts Operation
J551400	Postproduction Services and Other Motion Picture and Video Activities	R90020	Creative Artists, Musicians, Writers and Performers
J552100	Music Publishing	R90030	Performing Arts Venue Operation
J552200	Music and Other Sound Recording Activities		

There is a degree of overlap with the professional services sector outlined above.

Overall the creative sector employed 7,600 people in 2012, accounting for 12.4% of total jobs in the city fringe compared to 4.5% in the wider Auckland region (see Figure 3-4). While the fringe is home to 9.5% of total jobs in Auckland, it is home to 26.2% of creative sector jobs. Therefore the creative sector is a significant sector in the city fringe, suggesting a strong relationship to location.

Of the 7,600 jobs in the creative sector, 73% are in the design sub-sector comprising advertising, architecture, computer systems design and other specialised design services. Design is by far the dominant employer, but these design businesses only make up 58% of total creative sector businesses in the fringe.

Business composition differs to employment composition in the creative sector; this is likely due to some creative business activities tending to be solo operations without employees. 16.7% of creative businesses are in motion picture production (with only 2.7% of employment), and 13.8% of creative businesses are in the creative and performing arts sub-sectors (only 0.7% of employment).

	Employed in creative sector	Total employed	% employed in creative sector
City Fringe	7,606	61,256	12.40%
Auckland region	29,060	642,940	4.50%
Percentage employed in fringe	26.20%	9.50%	

Figure 3-4. Creative sector employment proportions (2012). Source: Statistics NZ Business Demography

From 2002 onwards, employment in the creative sector has generally grown (from 6,000 to 7,600 jobs). There was a decrease of about 500 jobs in 2009-2010, but growth in every other year.

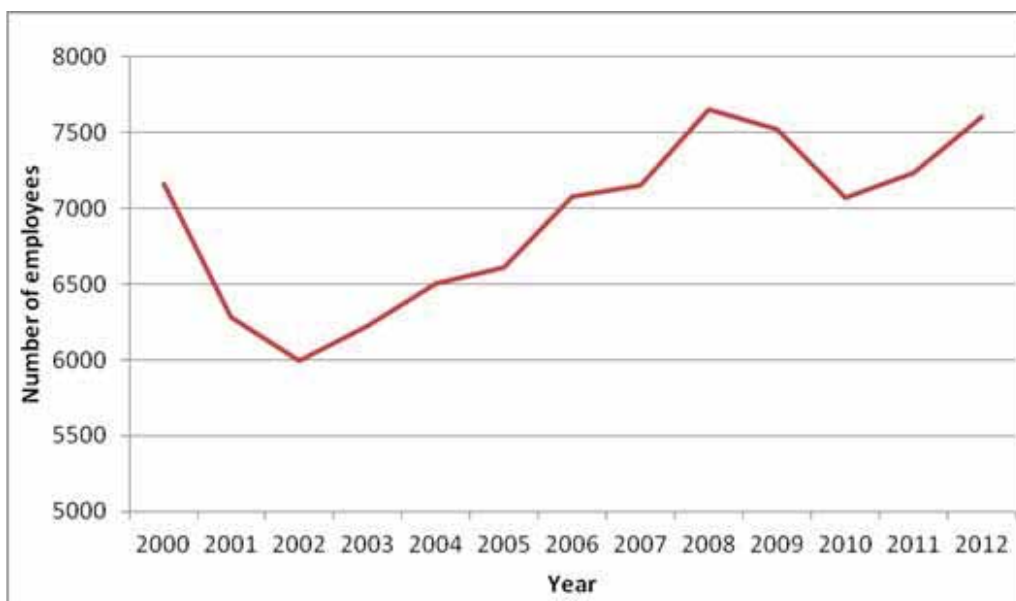


Figure 3-5. City fringe employment in the creative sector (2000-2012). Source: Statistics NZ Business Demography

3.4 ICT sector

The ICT sector provides a further way of cutting the employment cake.

Auckland Council Industry Snapshot for Auckland on the ICT Sector³ identified that the CBD and city fringe is home to a range of ICT (Information and Communications Technology) activities, so this sector was considered worthy of further investigation.

The Industry Snapshot report defines the ICT sector by the following 2006 ANZSIC classes:

ANZSIC Class	Description	ANZSIC Class	Description
C241900	Other Professional and Scientific Equipment Manufacturing	J542000	Software Publishing
C242100	Computer and Electronic Office Equipment Manufacturing	J580100	Wired Telecommunications Network Operation
C242200	Communications Equipment Manufacturing	J580200	Other Telecommunications Network Operation
C242900	Other Electronic Equipment Manufacturing	J580900	Other Telecommunications Services
C243100	Electric Cable and Wire Manufacturing	J591000	Internet Access Services
F349100	Professional and Scientific Goods Wholesaling	J592100	Data Processing and Web Hosting Services
F349200	Computer and Computer Peripherals Wholesaling	J592200	Electronic Information Storage Services
F349300	Telecommunication Goods Wholesaling	M700000	Computer Systems Design and Related Services

³ Auckland Council Industry Snapshot for Auckland: The Information and Communication Technology Sector, September 2011

F349400	Other Electrical and Electronic Goods Wholesaling	S942200	Electronic (except Domestic Appliance)
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It is noted that this definition tends to understate the ICT sector as it does not account for large businesses that have their own IT resources in house. As with the creative sector, it is important to note that the use of industry classes from other industry divisions results in overlaps between ICT and other sectors (including the creative sector, in the two classes of software publishing and computer systems design).

Figure 3-6 below identifies that the ICT sector represents a significant proportion of total employment within the city fringe (10%), twice the proportion employed in ICT in the Auckland region. The city fringe is also the location of 19% of all ICT employment in Auckland. It therefore appears that the city fringe is attractive to the ICT sector as a whole.

	Employed in ICT	Total employed	% employed in ICT
Fringe	6,200	61,256	10.1%
Auckland region	32,740	642,940	5.1%
<i>Percentage employed in fringe</i>	18.9%	9.5%	

Figure 3-6. ICT sector employment proportions (2012). Source: Statistics NZ Business Demography

Over the period 2000 to 2012, employment in the ICT sector in the city fringe has not grown much overall. This growth is illustrated in Figure 3-7. However, the figures have been significantly affected by the relocation of Telecom (approximately 1,500 jobs) in 2009 from the city fringe into the CBD. Since 2009 the ICT sector has continued to grow.

The business services sub sector of ICT, which includes computer systems design, has grown substantially during the 2000-2012 period, while the wholesale sub-sector has declined. The communication services sub-sector has also declined, reflecting the loss of Telecom, but has continued to grow since. While manufacturing is a small component of the total ICT sector within the city fringe, employment numbers have remained steady. In light of the overall significant decline in manufacturing within the fringe (-52% since 2000), it is interesting that the ICT manufacturing sector has not been noticeably affected. A possible factor is that ICT manufacturing is of a technological nature and requires a higher level of skill than other manufacturing. ICT is also one of the sectors identified in the Auckland Economic Development Strategy as sustainable and productive (high growth and high output compared to input). ICT manufacturing businesses may therefore be able to afford to remain in a more expensive location. There were 10 ICT manufacturing businesses in the fringe in 2012, employing 267.

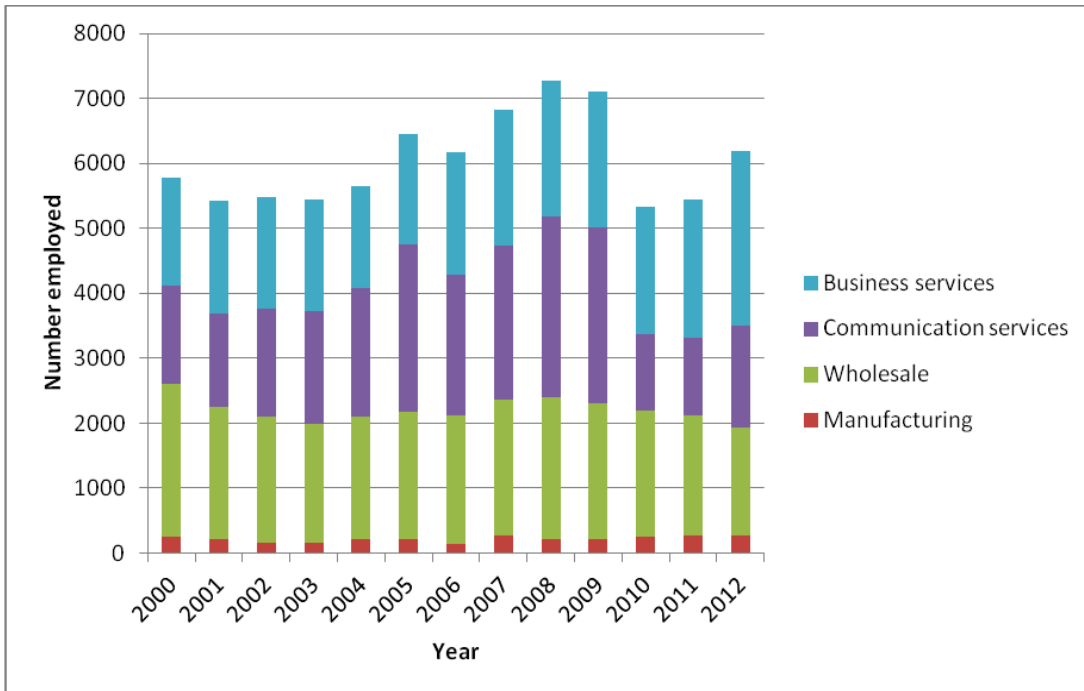


Figure 3-7. ICT sector employment (2000-2012), by sub-sector. Source: Statistics NZ Business Demography

3.5 Summary

In summary, the city fringe has a unique role in the regional economy. It is home to a strong and growing cluster of firms providing professional services and businesses involved in the creative and ICT sectors. Many of these are small to medium sized enterprises.

A location beside the CBD is likely to be important to these firms, as well as proximity to quality residential suburbs and desirable working environments. Transport also plays a part with the density of employment weighted towards the east (where the main motorway, rail line and bus services operate).

The city fringe tends to attract small to medium sized businesses, and so there is a corresponding need for small to mid-sized workplaces. A sense of individuality is likely to be important for some businesses, that is, not located in a corporate like environment or in a high rise office building.

Maintaining the quality of living environments is also an important factor in the dynamics of the city fringe. High quality residential areas offering character buildings, as well as mixed uses and some new housing options, helps to attract and retain people employed in the creative / professional sectors.

4 Economic Profile for Precincts

This section reviews the make-up of employment in the precincts identified at the start of the study.

In general there is a marked difference between the eastern and western sides of the city fringe. Those precincts on the eastern side of the fringe, particularly Newmarket and Grafton, have the best transport connections and a large amount of business zoned land. These areas have good attributes for business.

On the western side of the fringe there is a greater amount of residentially zoned land, and the commercial areas that are present tend to consist of narrow strips along main streets, rather than large blocks of business or mixed use land (however Arch Hill and College Hill do both have plenty of mixed use zoned land).

It is noted that the far western parts of the fringe as defined in this report (Grey Lynn, Westmere and Arch Hill) have been left out of the fringe definition in some economic development strategies, including the Auckland Plan's 'big initiative' and the City Centre Masterplan.

4.1 Distributions of employment and businesses

4.1.1 Overall employment and businesses

Figure 4-1 below shows the employment numbers in 2012 for each of the precincts. Relevant points of note are:

- The largest employment is on the eastern side of the city fringe, with Grafton and Newmarket featuring the largest concentrations.
- Areas directly adjacent to the CBD also have high employment, including Parnell, College Hill and Newton / Karangahape Road.
- The centres and commercial areas that are on the west do not tend to have as high employment levels as those on the east.
- The Grafton precinct shows as being particularly high in employment, reflecting the Auckland Hospital and the University of Auckland Medical School.

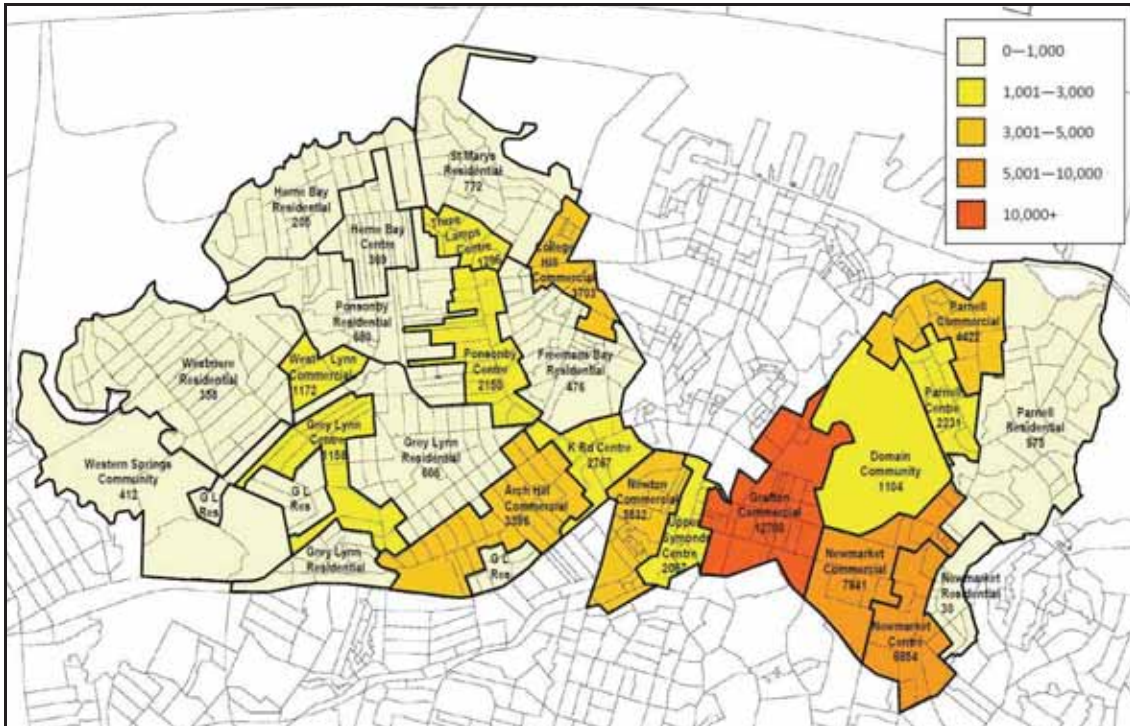


Figure 4-1. Employment counts by precinct (2012). Data source: Statistics NZ Business Demography

Change in employment numbers over time has been reviewed for the centres and commercial precincts, as illustrated on Figure 4-2 below. Points to note are:

- The fastest growing precinct for employment is Parnell commercial, followed by Newton commercial.
- Grafton commercial and Newmarket commercial precincts have had good employment growth levels over the last 12 years, but there has been some decline more recently.
- The most significant decline has occurred in the K Road centre (a statistic strongly influenced by the departure of Telecom. K Road has grown recently, but not over the longer term).
- Other areas which declined in employment prior to 2009 are Arch Hill (primary reason being a loss of 1,300 jobs in newspaper publishing in 2000) and Parnell centre (not related to any specific businesses or sectors).

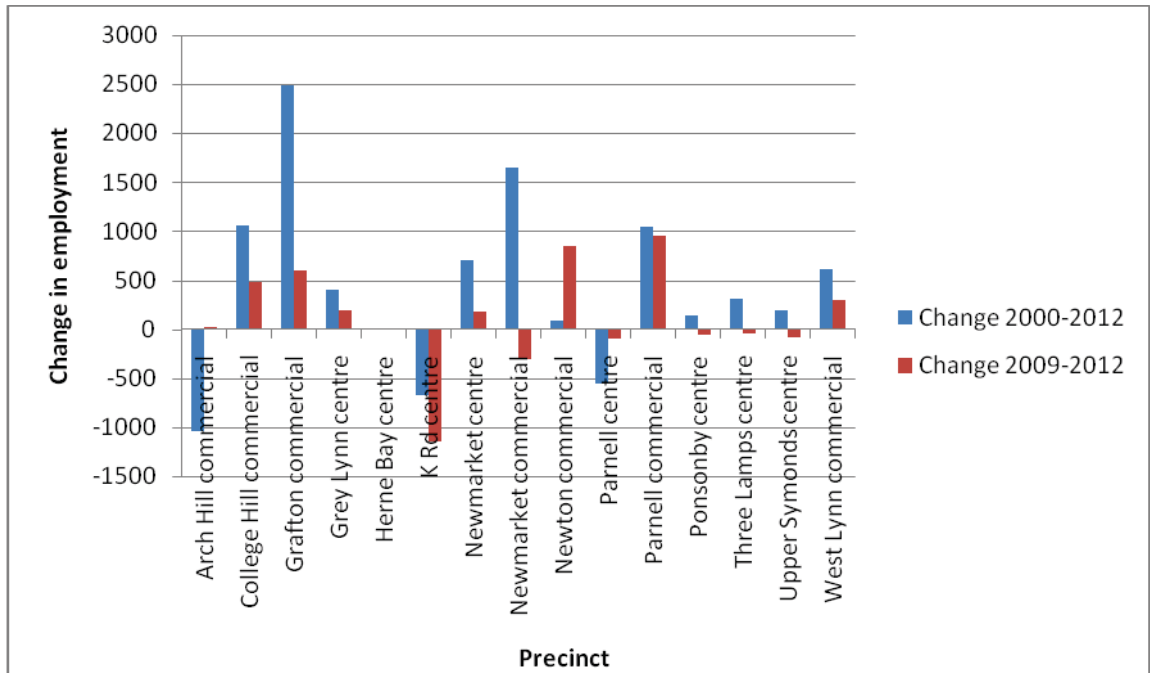


Figure 4-2. Change in employment for centres and commercial precincts (2000-2012 and 2009-2012). Source: Statistics NZ Business Demography

The typical business size in 2012 within the city fringe varies between precincts, as illustrated in Figure 4-3 below. On average the commercial areas contain larger businesses than the centres, with commercial areas averaging over 4 and up to 18 employees per geographic unit. Most centres had fewer than 5 employees per geographic unit, reflecting the types of businesses in these precincts (i.e. retail, personal services, food services). The residential areas have fewer employees (0.2 - 1.9 employees per business), reflecting that many people are working as sole practitioners.

The two community precincts have the largest average business sizes of all the precincts. This is because the precincts contain large facilities (i.e. Zoo, Museum) and a limited number of other businesses.

Precinct	Average employed per geographic unit	Precinct	Average employed per geographic unit
Western Springs community	22.9	Grey Lynn centre	3.2
Domain community	20.4	Parnell centre	2.5
Grafton commercial	18.2	Ponsonby centre	2.5
College Hill commercial	9.7	St Marys residential	1.9
K Rd centre	7	Freemans Bay residential	1.3
Newton commercial	7	Ponsonby residential	1.3
Newmarket commercial	6.3	Herne Bay centre	1.1
Newmarket centre	6	Parnell residential	1.1
Parnell commercial	5.3	Grey Lynn residential	0.8
West Lynn commercial	5.3	Westmere residential	0.53
Upper Symonds centre	4.9	Herne Bay residential	0.4
Arch Hill commercial	4.5	Newmarket residential	0.2
Three Lamps centre	3.3	City fringe as whole	4.5

Figure 4-3. Average business size by precinct (2012). Source: Statistics NZ Business Demography

4.1.2 Important sectors

Professional services

Analysis has been undertaken for the professional services sector, given its significance in the city fringe, to see whether certain precincts have greater concentrations than others (see Figure 4-4 below). Consistent with the concentration of employment generally, employment in professional services is most prevalent in the eastern fringe - Parnell and Newmarket - as well as a cluster in College Hill.

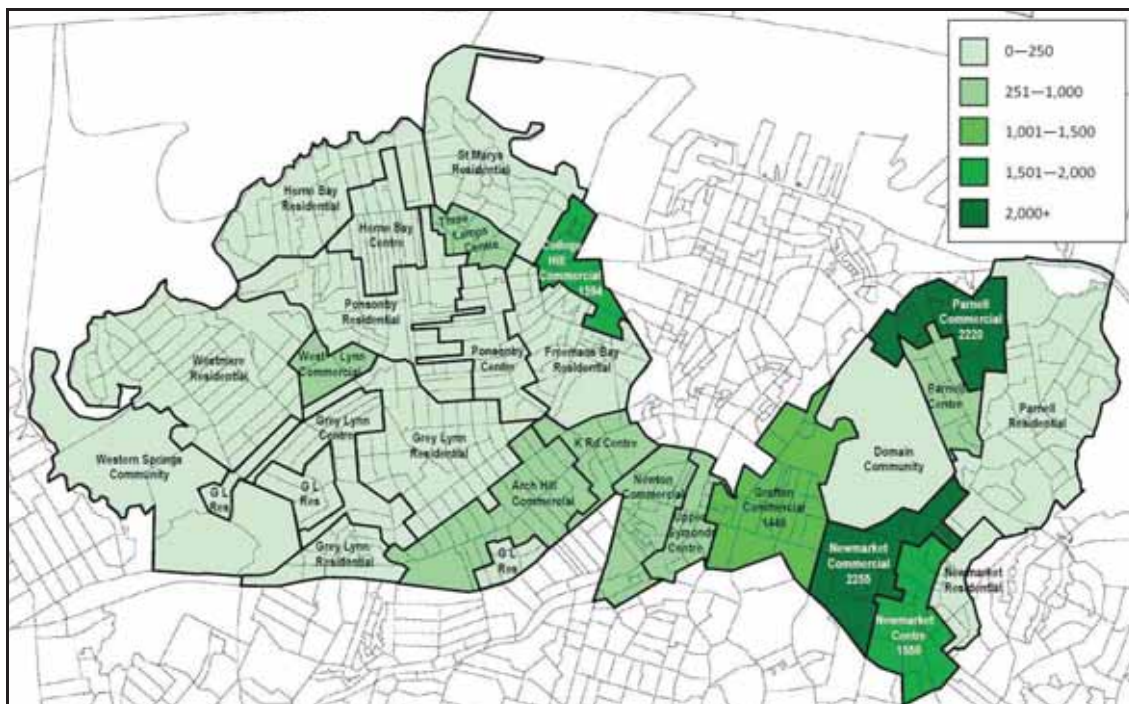


Figure 4-4. Employment numbers in Professional, Scientific and Technical Services (2012). Data source: Statistics NZ Business Demography

The graph in Figure 4-5 shows how employment in Professional Services has grown over time in selected precincts. College Hill and Parnell commercial precincts have recently shown strong growth, reflecting recent developments in office buildings (e.g. Carlaw Park redevelopment). Conversely, Newmarket grew as a location for professional services earlier but has not grown as much in the last 3 years, perhaps reflecting cyclical approach to construction of offices. Upper Symonds centre has seen a decline in this sector, with some of this attributable to the exit of an accounting business of 500 staff in 2004, but there has also been an across the board decline in professional services employment.

In general, the commercial areas are more popular than the centres for professional services. This is likely to be a reflection of the types of premises available and the leasing costs. Access to parking may also be a determinant for many businesses in this sector.

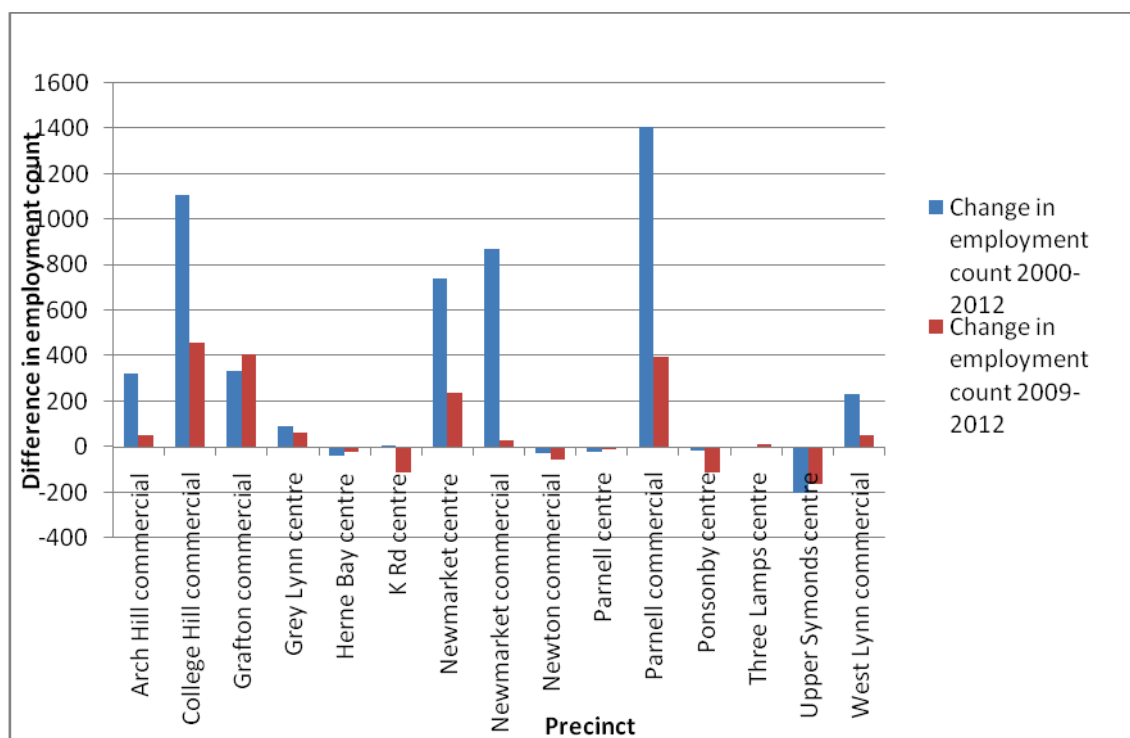


Figure 4-5. Change in Professional Services employment for centres and commercial precincts (2000-2012 and 2009-2012). Source: Statistics NZ Business Demography

The number of businesses (geographic units) by precincts is shown in Figure 4-6 below. As with the number of employees, Newmarket and Parnell have the highest number of businesses. However, there are also high numbers of businesses in other areas (but with lower levels of employment per business), including residential precincts such as Westmere, Ponsonby and Grey Lynn, consistent with the trend of sole traders working from home.

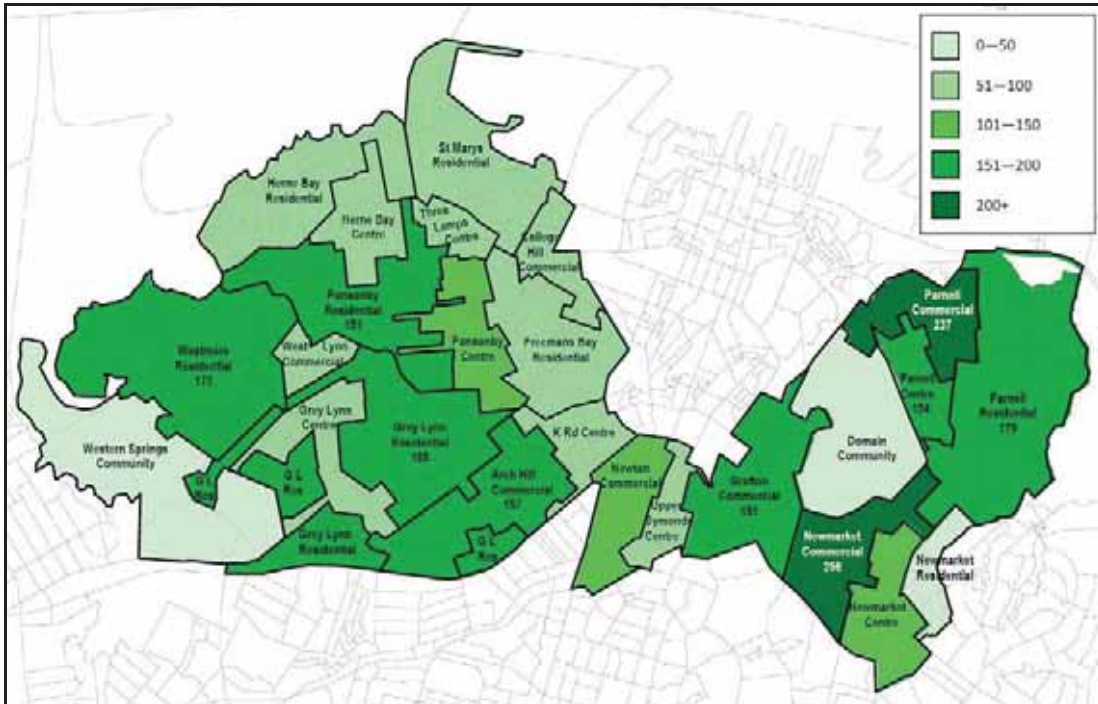


Figure 4-6. Number of businesses in the Professional, Scientific and Technical Services sector (2012). Data source: Statistics NZ Business Demography

Creative sector

Employment concentrations in the creative sector are shown in Figure 4-7, and business concentrations are shown in Figure 4-9 below, both for 2012.

The Parnell commercial precinct is the most notable, with over 1,200 employed in the creative sector in 2012 - contributing 9% of those employed in the city fringe in this sector. In part this reflects a cluster of creative businesses around The Strand. Other precincts that have relatively high concentrations are Grafton, Newmarket and Upper Symonds Street, each with over 750 employees.

In terms of proportion of total jobs within a precinct that are classified as creative sector (see Figure 4-8), Upper Symonds centre is notable because 37% of employment within this precinct is within the creative sector (influenced by the large company MediaWorks). Parnell commercial, Three Lamps, College Hill and West Lynn also have a high proportion of jobs in the creative sector.

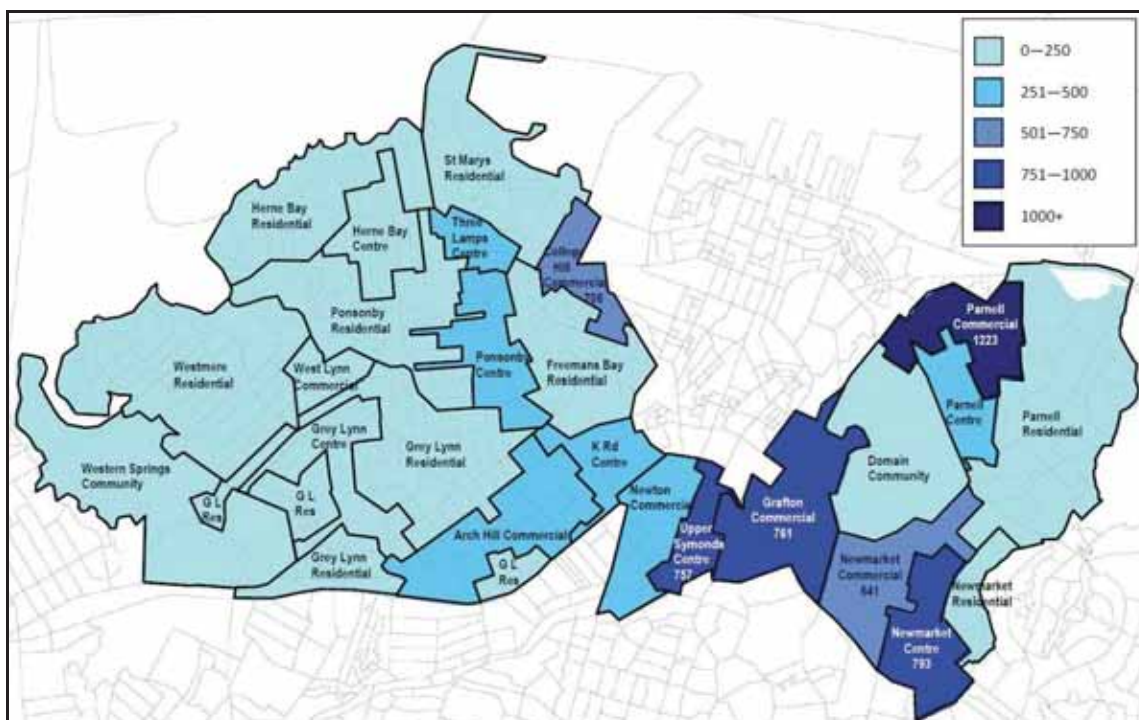


Figure 4-7. Employment numbers in the creative sector (2012). Data source: Statistics NZ Business Demography

Precinct	% employed in creative sector	Precinct	% employed in creative sector
Upper Symonds centre	36.62%	Herne Bay centre	10.57%
Parnell commercial	27.66%	St Marys residential	9.46%
Three Lamps centre	23.23%	Newton commercial	9.17%
College Hill commercial	19.07%	Arch Hill commercial	8.22%
West Lynn commercial	18.26%	Newmarket commercial	8.07%
Freemans Bay residential	17.44%	Grey Lynn centre	7.86%
Ponsonby centre	14.84%	Grafton commercial	5.99%
Ponsonby residential	13.64%	Westmere residential	5.87%
K Rd centre	13.55%	Herne Bay residential	5.85%
Parnell centre	12.55%	Auckland region	4.5%
Newmarket centre	11.92%	Domain community	3.26%
Grey Lynn residential	11.39%	Western Springs community	1.46%
Parnell residential	10.67%	Newmarket residential	0.00%

Figure 4-8. Percentage employment in the creative sector by precinct (2012). Source: Statistics NZ Business Demography

The distribution of creative sector businesses (geographic units) shows a different pattern. These are concentrated in residential areas on the western side of the fringe (Grey Lynn and Westmere) - see Figure 4-9. This suggests that liveability and residential amenity is an important factor in this sector.

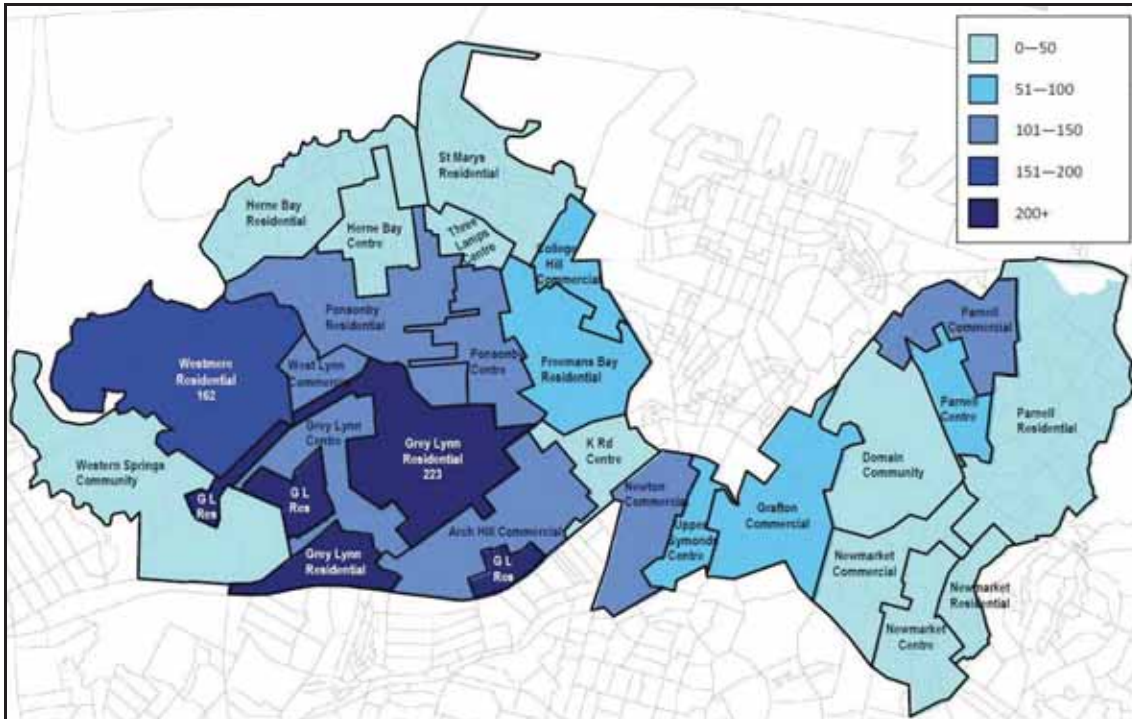


Figure 4-9. Number of businesses in the creative sector (2012). Data source: Statistics NZ Business Demography

ICT sector

Figure 4-10 and Figure 4-11 below map the concentrations of ICT employment and businesses respectively for 2012.

Employment in ICT is highest in Grafton (1,430), followed by College Hill (966) and Newton (853). Newmarket and Parnell also have several hundred ICT jobs. Grafton and Newmarket precincts are also home to the highest number of ICT businesses.

Employment and businesses are relatively evenly matched across the precincts, indicating the mix of ICT business sizes is more balanced throughout the fringe, rather than having many small businesses in some areas and a few large businesses in other areas.

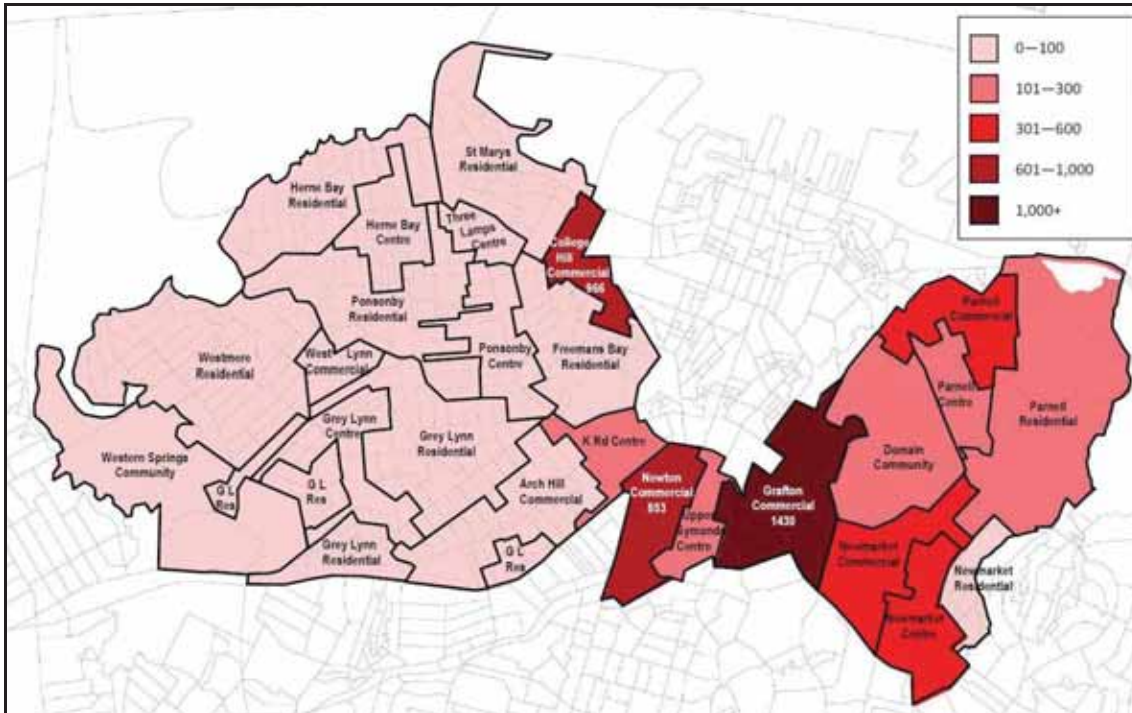


Figure 4-10. Employment counts in the ICT sector (2012). Data source: Statistics NZ Business Demography

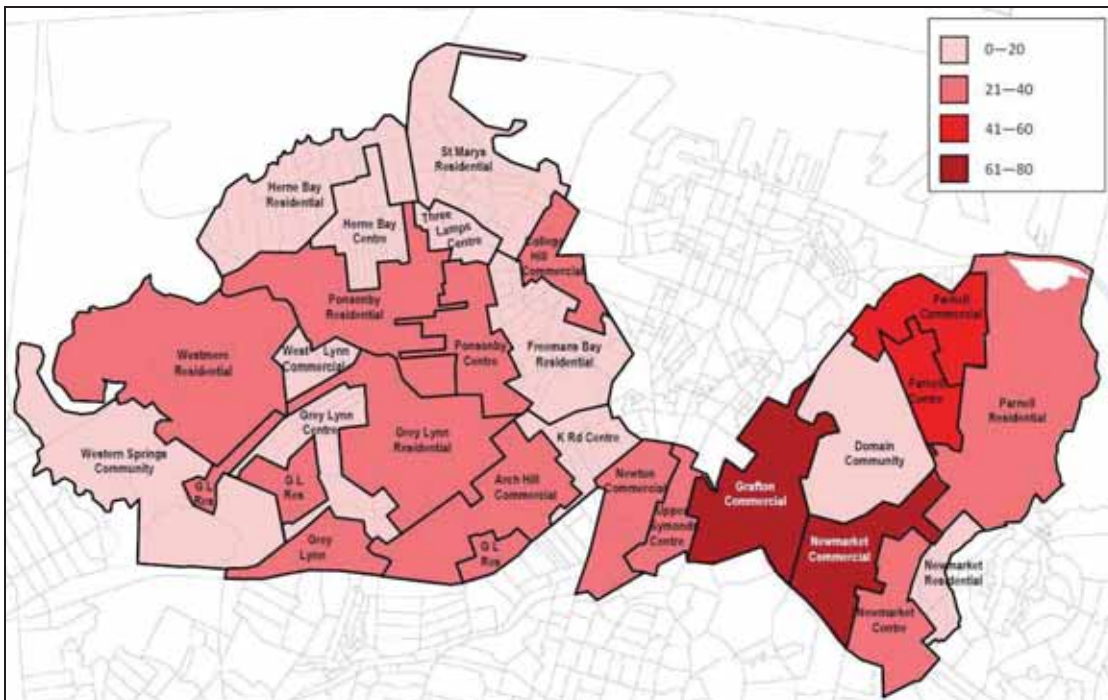


Figure 4-11. Number of businesses in the ICT sector (2012). Data source: Statistics NZ Business Demography

Figure 4-12 shows employment in ICT as a percentage of total employment within each precinct. College Hill and Newton have the highest concentration (over 20%). Some of the residential precincts also have over 10% of total employment in ICT (Freemans Bay, Parnell). Again, there is

an indication of smaller ICT businesses operating out of residential areas and larger businesses in the commercial areas of College Hill and Newton.

Precinct	% employed in ICT sector	Precinct	% employed in ICT sector
College Hill commercial	26.09%	Three Lamps centre	6.48%
Newton commercial	23.49%	Herne Bay residential	5.85%
Freemans Bay residential	14.29%	<i>Auckland region</i>	5.1%
Upper Symonds centre	13.59%	Herne Bay centre	4.88%
Grafton commercial	11.26%	Grey Lynn centre	3.45%
Parnell residential	10.97%	Grey Lynn residential	2.97%
Domain community	9.96%	Arch Hill commercial	2.92%
Parnell commercial	9.57%	Westmere residential	2.51%
K Rd centre	8.64%	West Lynn commercial	2.30%
Newmarket centre	8.49%	Ponsonby residential	1.82%
Parnell centre	7.80%	Ponsonby centre	1.12%
St Marys residential	7.51%	Newmarket residential	0.00%
Newmarket commercial	7.34%	Western Springs community	0.00%

Figure 4-12. Percentage employment in the ICT sector by precinct (2012). Source: Statistics NZ Business Demography

Hospitality sector

Hospitality is not a particularly significant sector within the city fringe, but is likely to be present in specific locations as the sector tends to concentrate in centres. The presence of hospitality businesses serve as an indication of the attractiveness of a location to visitors.

Numbers employed in the hospitality sector (restaurants, bars, food services, accommodation) in each precinct are illustrated by Figure 4-13. Ponsonby centre is the location of highest employment, followed by Newmarket centre. In 2012 each of these centres had over 90 different hospitality businesses (geographic units). Parnell is the third highest precinct for employment in hospitality, with 50 businesses. It is notable that Newton commercial has the fourth highest concentration of those employed in the hospitality sector - although only eleven hospitality businesses are identified, the data indicates there are two large catering companies.

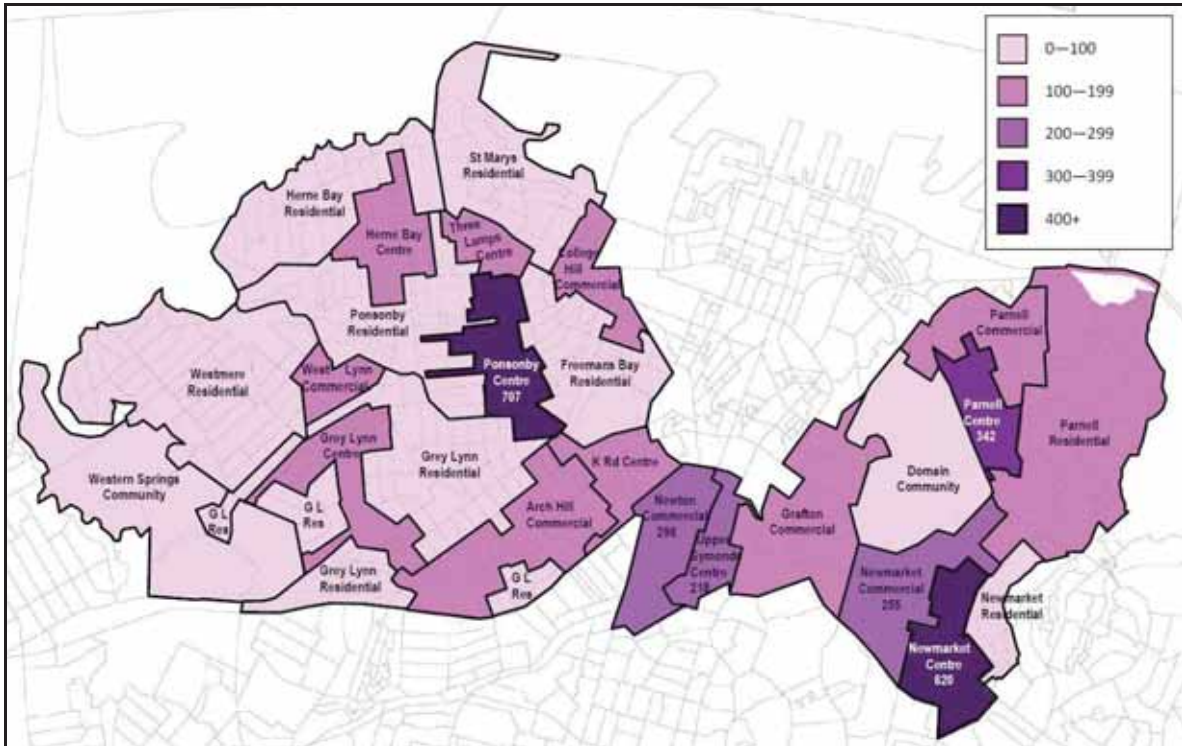


Figure 4-13. Map of employment in the hospitality sector (2012). Data source: Statistics NZ Business Demography

4.2 Key precincts

This section further explores those precincts featuring in the above analysis that have a particular role or importance in the city fringe.

4.2.1 Grafton commercial

Grafton has the largest number of employees of all city fringe precincts, with over 12,000 jobs in 2012. While employment in this precinct has increased over time, the number of geographic units has remained reasonably static at about 700.

This precinct is home to two key sites:

- The Auckland City Hospital (now including Starship, National Womens and Greenlane services and new mental health services) makes up about half of total employment. In 2000-2003 the Auckland District Health Board embarked on a significant redevelopment of its facilities at Grafton. The inclusion of acute services on the site, which have a high employee to patient ratio, has led to an increase in employment. Further development has occurred with the provision of more parking on site, and work on Starship Children's Hospital is underway.
- Auckland University's Medical School campus is also a large employer. The campus on Park Road has undergone significant redevelopment and, with other health courses (pharmacy, nursing and health services) brought to the site, now has 4,000 students and 1,500 staff on site. In addition to the campus, the University owns or is linked to a number of sites in the area providing accommodation for students. The Special Purpose district

plan zonings on the Hospital and Medical School sites recognise and facilitate redevelopment.



Figure 4-14. Grafton campus. Source: Auckland University website
<http://www.fmhs.auckland.ac.nz/faculty/aboutus/graftondev/gallery.aspx>

With the presence of these significant institutions and high numbers of employees and students, supporting services have the confidence to establish. The presence of the two major health institutions has also resulted in some agglomeration, e.g. Orion Health.

Aside from Healthcare and Education, there is also a large presence of the Professional, Scientific and Technical Services sector in Grafton. Computer systems design is the strongest component of this, and corporate head office management and management advice are also components. The Administrative Support Services and Wholesale Trade sectors in Grafton had over 500 jobs in 2012. Administrative Support was influenced by a large presence of building cleaning services, perhaps an example of a service with a centralised structure, but with workers not actually located in one area.

Grafton is one of the most accessible areas in the fringe to public transport, having both a train station and many bus routes. It is also adjacent to a motorway off/onramp, and there are no car parking maximums in place (as is the case in the CBD). These factors encourage businesses to locate in the area.

Grafton precinct also has a large area of residential development, including character housing in the Residential 1 zone, and higher density accommodation for students. The commercial and mixed use land takes up less than half of the precinct. Under the Isthmus District Plan, offices are not allowed to locate in the Residential 1 zone. Such an allowance in Grafton would need careful consideration and balancing of issues, however the statistics indicate that this is an area where there would be market uptake of any additional commercial opportunities offered.



Figure 4-15. Grafton train station, Khyber Pass Road.

In summary, Grafton is unique in the city fringe in that it owes much of its economic strength to two key institutions. The area has shown success in attracting a range of other businesses off this base. Accessibility and zoning (mixed use and special purpose) are thought to be important facilitating factors. Grafton still has room for growth and further development is anticipated to strengthen the centre. However, it is likely to function more as a local centre rather than a fringe centre with day and night activities as envisaged by the Auckland Plan.

4.2.2 Newmarket centre

In Newmarket centre there were 6,650 jobs in 2012. Job numbers have dropped since the early 2000s, but recently look to be recovering. There were 1,100 geographic units in 2012, and this has been similar for the last 10 years.

Newmarket, including the commercial precinct, is classified by the Auckland Plan as a metropolitan centre, considered market-attractive. Newmarket overall is the best connected area within the fringe, with the centrally located train station placed on both the western and southern rail lines. There is a range of bus routes through Khyber Pass / Broadway, including the Link buses, and the area is directly accessible from the north and south via the southern motorway. It is also reasonably close to the CBD and the Port.

Newmarket centre is an attractive area. Broadway has had street upgrades which included trees, street furniture, special paving and large artworks. Broadway has verandahs down much of its length, so it is less weather-affected than other parts of the centre. Lumsden Green has recently been redeveloped.

Despite these positive factors there are still some vacancies on Broadway and discount "pop up" stores often appear on temporary leases.

The largest industry sector in Newmarket centre is Retail, with 1,880 jobs. Newmarket has a reputation as a higher end fashion district, and has a wide retail offering including an enclosed mall at 277 Broadway, main street retail down the length of Broadway, and the boutique fashion on Nuffield and Teed Street (also including bars and restaurants).

There are also over 1,500 jobs in the Professional, Scientific and Technical Services sector. Within this sector there are high levels of employment in computer systems design, engineering, and management advice. The attracting factors for this sector are likely to be the same general qualities already discussed in section 3.1 of this report, and particularly accessibility, good amenities and services, and a range of office premises.

While it is not one of the largest sectors in Newmarket centre, the Utilities sector is proportionally high (includes Watercare, currently located at corner of Nuffield street and Remuera Road, but moving to a new building in the near future still in the Newmarket Centre precinct). This new large building will also be home to Avanti finance.

While the number of businesses in the creative sector has not been large in the past, employment in this sector jumped to almost 800 jobs in 2012 due to an increase in computer systems design employment. It is now one of the more important precincts for creative employment, and could grow more in the future, particularly in the professional services side of the creative sector (advertising, architecture). Newmarket provides an opportunity for growth in the design sector in response to the existing constraints in nearby Parnell, as noted in section 4.6 below.



Figure 4-16. Broadway, Newmarket centre

4.2.3 Newmarket commercial precinct

The commercial precinct of Newmarket was the second highest precinct in terms of employment in 2012, with 7,950 jobs. Unlike the largest precinct, Grafton, this employment is not attributable to a few key institutions. Job numbers peaked in 2008 at about 9,500, and appear to be declining now. There were 1,250 geographic units in 2012, also slightly decreasing since 2007. The commercial part of Newmarket is strongly linked with the centre of Newmarket, and benefits from the range of services and amenities available in the centre close by.

The largest industry sector in 2012 was Professional services (2,255 jobs); this is the largest concentration for this sector in the fringe (Parnell commercial precinct is slightly smaller). The sub sector which features strongest is engineering, with several multi-disciplinary engineering firms located in the precinct. A row of large, modern, multi-storey commercial buildings with underground parking along Carlton Gore Road has provided for such medium and larger firms

(Tonkin & Taylor, Aurecon, Traffic Design Group). However AECOM, previously in a lower rise complex on a large site, has recently moved into the CBD.

Corporate head offices also have a large presence in Newmarket commercial precinct, and some of these are located in the same commercial development. For the same reasons as Newmarket centre, this location is attractive to the professional services sector.



Figure 4-17. Carlton Gore Road commercial development. Source: Google Streetview

The second largest sector in the Newmarket commercial precinct is Wholesale trade (1,170 jobs), which contrasts with the Retail trade focus of Newmarket centre. The precinct has the largest amount of wholesale sector activity within the fringe by far. It is thought that a reason these wholesaling businesses locate here is to service the hospitality sector in the central isthmus as the largest employers are in groceries and liquor wholesale. Additionally, around the back streets of Newmarket in the mixed use zone a lot of industrial and warehousing activity remains. These lower amenity areas are currently more attractive to wholesaling rather than customer focused retail. However, redevelopment opportunities are available, and over time wholesale premises are likely to be replaced by multi storey office buildings.



Figure 4-18. Newmarket commercial lower amenity backstreet

Newmarket commercial precinct also has the largest amount of Financial and Insurance sector jobs in the fringe, at almost 1,000. Newmarket has a good selection of office spaces which are likely to suit the finance industry's needs. It is categorised as a metropolitan centre, and being the closest metropolitan centre to the CBD, it is a logical secondary location for the finance sector which is so heavily based in the CBD.

Around 2005, this precinct had 1,000 manufacturing jobs which have now almost entirely disappeared. One of the large employers leaving in 2010 was Lion Breweries, who occupied one of the largest sites within the city fringe. Lion Breweries moved south to East Tamaki (its office staff are also moving from their Carlton Gore Road location into the College Hill precinct). There was also substantial employment recorded in poultry processing until 2007.

The Lion Breweries site on Khyber Pass Road (Newmarket commercial precinct) was originally sold to a joint venture between AMP Capital NZ and the Abu Dhabi Investment Authority but was subsequently bought back by Lion. The site has since been sold to the University of Auckland. The initial plans for the site are to provide engineering research space.⁴ Engineering activities align well with the strong presence of the engineering sector in Newmarket.



Figure 4-19. Khyber Pass Road, Lion Breweries site on the left

The acquisition by the University is likely to see a long term and gradual redevelopment process, and is welcomed by the Newmarket Business Association. The Business Association expect that the redevelopment of the Breweries site will be a catalyst for further redevelopment. The University's occupation of the site could attract other research and development activities. The

⁴ Auckland University website July 2013. <http://www.auckland.ac.nz/uoa/home/about/the-university/newmarket-campus-development/frequently-asked-questions>

Business Association hopes that the redevelopment will not be too heavily weighted to residential accommodation, but this is a possibility under the mixed use zoning.

4.2.4 Parnell commercial precinct

Parnell commercial precinct had over 4,400 jobs in 2012, and employment has been increasing over time. The number of geographic units has remained relatively constant at about 800 over the last 8 years. Upgrades in the early 2000s to the motorway system have provided improved access for the Parnell precinct to the region and to the CBD.

The precinct's employment profile is dominated by Professional services, which in numbers is almost as large as Newmarket commercial precinct, and proportionally makes up over half of the total jobs in the precinct. The major contributor to employment within this sector is advertising, followed by architecture. This is consistent with the findings of an Auckland creative industries report in 2009 (see section C, Appendix 2) that Parnell / Newmarket was a key employment centre for design. Other large employers are computer systems design, engineering (both focused on by the Auckland Economic Development Strategy), and corporate head offices. The management advice sub sector has a high number of businesses.

While Parnell has the general attributes that attract professional services, in terms of the architecture and advertising sub sectors it is thought that the high stud industrial ex-shipping buildings close to the Port provide character-full and quirky conversions that appeal to the design industry.

The high employment numbers in the creative sector in this precinct is almost entirely a result of these design businesses in combination with computer systems design. Employment in magazine publishing in the precinct has recently declined.

The commercial area of Parnell has a large amount of Mixed Use zoning, and fewer character controls, facilitating a greater intensity of business growth. Parnell commercial precinct also includes most of the Carlaw Park development on Stanley Street, a key redevelopment site under a Business 8 zone concept plan. Carlaw Park has undergone significant change with the redevelopment of the site into offices (including the headquarters for Nestlé, Department of Conservation); multi storey car park, retirement village and a Quest hotel. Development of the area slowed during the recession, but there are signals that the remainder of the site will be completed in the short term. Carlaw Park was historically a sports ground and was then used for car parking.

The presence of the Transport, Warehousing and Storage sector is higher than average in Parnell commercial precinct (over 350 jobs in 2012), which is likely to be related to the close proximity to the Port. The Business 5 zoning at the border of the CBD / Port allows such lower amenity businesses to operate, but this area has been changing over the past decades, partly due to the changes to the former rail station.



Figure 4-20. Upgraded warehouse premises in Parnell commercial precinct

Parnell commercial precinct is adjacent to Quay Park, just within the CBD area. Quay Park is marked for additional development in the future, however the area is subject to some constraints, including the severance created by the at grade railway junction. Quay Park is envisaged in the City Centre Masterplan to have offices / mixed use, retail and open space. It could be a competing area to Parnell in some respects, but this is not expected to happen in the short term. A shorter term prospect is the opening of Parnell rail station (planned 2014), which will increase accessibility to the area and increase its attractiveness for employers.

4.2.5 College Hill commercial precinct

College Hill is one of the precincts which is directly adjacent to the CBD. However, under the current district plan, this area is subject to a different set of controls, including no controls on the amount of car parking (which is the case in the CBD) and this would be seen by many as an advantage.

College Hill is predominantly a mixed use zone, and some large businesses have also been established in the residential-zoned land (along Wellington Street). College Hill is one of the areas allowed under the district plan to use character-protected Residential 1 buildings for offices, and most of these opportunities have been taken up.



Figure 4-21. Offices in the Residential 1 zone, College Hill

There is some good quality, medium density residential development in the area - College Hill includes the Beaumont Quarter, a 2.4ha (former gas works) masterplanned site which was redeveloped from 2001-2005 (mainly residential). College Hill is adjacent to the amenity provided by Victoria Park.

In 2012, College Hill had about 3,700 employees and 380 geographic units. There has not been much growth in geographic units (and a recent decline), but a steady increase in employee numbers. The Professional, Scientific and Technical Services sector makes up about 40% of total jobs, and is a clear cluster. This sector experienced significant growth, with a growth of about 500% from 2000 to 2012. Major employment sectors are corporate head office (includes McDonalds), computer systems design, and engineering design (includes URS). GHD is another large engineering firm that is moving into this precinct and would not have been recorded in the most recent data. These larger firms are responding to the availability of modern premises with larger floor plates.

The GHD building in this precinct was a 'spec build' of 7,500m² high quality office space, which successfully attracted the tenants of GHD as well as Lion New Zealand (beer, spirits and wine division) who are in the process of moving from Newmarket. It was sold for \$63 million shortly after construction. There was confidence by the developers, Mansons, that there would be high interest from tenants due to a shortage of good-quality, well-located office buildings capable of accommodating large tenants.⁵



Figure 4-22. URS building, College Hill

Computer systems and engineering are two sectors of focus in the Auckland Economic Development Strategy. College Hill is adjacent to the Wynyard Quarter, a major regeneration and economic development focus in the Auckland Plan. An ICT cluster is planned in Wynyard

⁵ NZ Herald 17 April 2013 "Spec build in inner city reaps \$63m"
http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10877917

Quarter, and the effects of this on College Hill are uncertain. As noted, computer systems is a major employer in the precinct.

Another significant sector is Wholesale Trade, contributing to about 20% of jobs, and much of this is due to one large electronics wholesaler. It is unknown whether Wynyard Quarter's ICT cluster would lure these existing ICT businesses away, or whether they would remain in place and enjoy synergies with new ICT businesses in Wynyard.

From observation, there appear to be additional opportunities for redevelopment within College Hill, and a market demand. Some land is underutilised, with expansive car parking and low rise buildings, and much of the building stock is old. However the pace of redevelopment may slow if Wynyard Quarter is seen as a more attractive option.



Figure 4-23. Fuji Xerox premises with large at-grade car parking and low rise building, College Hill

4.2.6 Newton commercial / Upper Symonds Street precinct

Newton precinct contained 3,600 jobs in 2012. This figure is lower than employment in 2000 and 2001; there was a big decrease in jobs in 2002 (departure of a large Investigation and Security Services company) but employment has been rising again since. Geographic units have remained around 500 the whole period.

Newton is extensively zoned Mixed Use, and developers have utilised the opportunities of this zone to build residential apartments. A factor influencing this is Basque Park, which was redeveloped and upgraded by the Auckland City Council and provides significant amenity to be enjoyed by residents in the apartments overlooking the park.



Figure 4-24. Apartments around Basque Park, Newton

The largest employment sector in Newton is Administrative Support services, with 840 jobs and about 20 geographic units. The vast majority of employment is in building cleaning services. The second biggest employment sector in Newton is Communications, with 720 jobs. The majority of Communications jobs are in telecommunication services. In the past there also were significant newspaper and magazine publishers in this precinct.

Upper Symonds is home to MediaWorks (TV3, TV4 and radio stations), so the Communications sector contributed to about a quarter of total jobs in this precinct in 2012. Also, about 15% of jobs in Upper Symonds are in the Manufacturing sector. This is not typical for the fringe, and is by far the highest proportion of Manufacturing for all the precincts. This area has historically been home to industry, but most sites have now been redeveloped into commercial and residential. The manufacturing activity remains at the southern-most end of the precinct near Mt Eden train station, and it would be expected that these uses will also eventually move out and be replaced by higher value development. This is an area which will be affected by CRL construction.

Newton does not have much in the way of retail or personal services, but some of these are available in Upper Symonds Street. Newton is considered to be a precinct of future opportunities for both residential and commercial intensification, as noted in the City Centre Masterplan, which states that development opportunities here are to be enabled. A CRL station is to be located in the adjacent Upper Symonds precinct, and there is assessed to be capacity for 16,000 extra workers in Newton (p151 City Centre Masterplan). With an increase in accessibility, Newton would be a more desirable workplace location and could attract medium and larger companies. It is already attractive to residential apartments, and a higher population of workers could locate here in future, both working within the precinct and commuting into the CBD on the CRL. According to the Uptown Business Association there are many owner-occupied small and medium businesses in Newton; these could benefit from land value increase. Development potential will however continue to be somewhat limited by topography and view shafts. The Business Association also feels that it needs more of a brand and identity.

4.2.7 Arch Hill commercial precinct

In 2012, Arch Hill contained about 3,400 employees and 730 geographic units. Geographic units have slowly increased since 2000, while overall employee numbers have remained reasonably stable. The exception was between 2000 and 2001, when the precinct saw a decrease of 1,300 jobs in newspaper publishing. Newspaper publishing still retained a presence in Arch Hill with 400+ jobs until 2008, when jobs dropped off almost entirely.

The lack of employment growth in Arch Hill indicates that this area is underperforming compared to many other fringe locations, particularly as it has a large amount of Mixed Use zone. This precinct is seen as one of opportunity. Great North Road, running through Arch Hill, appears to be an ideal 'corridor' as envisaged in the development strategy of the Auckland Plan (intensive land uses edging major public transport routes).

There is a very large Public Administration and Safety sector in Arch Hill, due to the presence of Army and Police centres and some emergency services. The proportion of jobs in the "Other Services" sector is also higher than for the region and city fringe as a whole (8.7% of employees compared to 3-4%). The main components within this sector in Arch Hill are automotive services, religious services and labour association services. Car sales yards are particularly noticeable along Great North Road. The streetscape along Great North Road is not pedestrian friendly or of high amenity, with wide expanses of car parking or car service garages next to the footpath rather than buildings.

The land along Great North Road is not developed to anywhere near its capacity under the Mixed Use zone - only a couple of sites have redeveloped to greater intensity in the Bond Street area. The format of the road and adjacent development is likely to discourage high quality business redevelopment to some extent, and it appears that there is currently insufficient incentive for the car yards to vacate their sites. In the future, if land values increase some car yards may relocate.



Figure 4-25. Car sales yards along Great North Road, Arch Hill



Figure 4-26. Two sites which have developed to take advantage of Mixed Use zone, Arch Hill

The second largest industry sector in Arch Hill is Professional, Scientific and Technical Services, however there is a lower proportion of jobs in this sector than in most other commercial areas in the city fringe. Accounting, management advice, computer systems design and other design, advertising and market research are the main components of this sector. This sector has shown clear growth over time, both in employees and geographic units, but is mainly apparent towards the K Road end of Arch Hill, not along Great North Road.

Further factors affecting Arch Hill's ability to achieve its potential could be that it is not covered by a Business Association and is not a Business Improvement District. It has been left out of several economic development strategies because it is slightly further out of the fringe. Being one of the mixed use areas further away from the CBD, the market imperative for redevelopment may not have reached Arch Hill to the same extent as other closer in mixed use areas, and redevelopment would have been further discouraged by the recent financial downturn. However its potential is significant.

4.3 Other centres and commercial precincts

The centres not already discussed above are mainly those on the western side of the fringe, illustrating that the west side is not as strong in economic terms as the east. However all of the centres have a role in supporting the local residential communities, and many of them provide entertainment opportunities with restaurants, cafés, bars and clubs.

The Auckland Plan envisages the centres of the fringe to continue to have a range of activities and their own distinctive characters and identities.

The most significant of the other centres in employment terms is K Road centre (2,770 jobs in 2012). Note that this precinct does not cover the whole of Karangahape Road, as the bulk of K Road is within the CBD. As already noted, there has been a big decrease in jobs here due to Telecom moving out. Auckland Council temporarily moved in, but has not been recorded in the data (and is moving out again soon).

Currently, construction is the largest industry sector (600 jobs). This is followed by Administration and Support Services (over 500 jobs). The western end of K Road has one of the most notable night time economies in the fringe, and is traditionally known as an adult entertainment location. This end of K Road has experienced vacancies, but it has recently been noted by stakeholders

that leases are being taken up and the area appears to be starting to regenerate in an organic manner.

Ponsonby and Parnell centres also have over 2,000 jobs, although for both this has decreased over the last five years. Parnell has a high proportion of hospitality businesses and has about the same proportion of professional services jobs as the fringe overall (20%). Wholesale and retail trade are also reasonably strong, but Parnell centre has lost some employment in wholesale over time, which may be related to the big uptake of residential development in the centre.

Along with Herne Bay, Ponsonby reflects the characteristics of a "traditional" centre, with retail, restaurants and bars being the dominant business types. Ponsonby is another centre with a good night time economy. The Auckland City creative industries report (see section C, Appendix 2) indicated that publishing and music were significantly concentrated in Ponsonby, however neither industry has had much of a presence in Ponsonby centre precinct since 2007.

The former DYC Vinegar site on Williamson Avenue, Ponsonby, has been the subject of various proposals. The most contentious, SOHO, involved the excavation of the site to provide for four levels of parking and construction of almost 40,000m² of offices and 52 residential units. The site was excavated but as a result of the 2007/08 recession, development ceased. Purchased recently by Progressive Enterprises for development of a Countdown supermarket and 30 freehold sites with mixed use potential, development has not progressed to the original timetable.

Employment in Three Lamps peaked in 2006 and has decreased since, now being at 1,300 jobs. The largest industry sector is Professional Services. The next largest sector is Communications, mainly radio broadcasting. Retail only represented 11% of total jobs in 2012, slightly higher than the proportion for the region as a whole.

Herne Bay centre had 370 jobs in 2012; this is much lower than any other centre in this study. This centre has the smallest amount of business zoned land in all of the precincts.

Grey Lynn centre recorded about 1,150 employed and 360 businesses in 2012; and both have been steadily rising over time. There are no dominant industry divisions. The Grey Lynn Business Association felt that the centre is often forgotten, but was valuable for its eclectic mix of businesses.

West Lynn commercial precinct is the smallest out of the commercial precincts in the fringe and had 1,170 jobs in 2012. This commercial area has a large proportion of retail, but there is also a presence of Professional Services, about average for the fringe. Corporate head offices and advertising companies are present. This is despite the location not being as highly accessible as other locations, slightly removed from other commercial areas and surrounded by residential activity. Under the existing predominant Business 4 zone it may not have much additional development potential, but the Unitary Plan may release some further potential (see section 6.2.2 of this report).

4.4 Residential precincts

Parnell residential precinct has the greatest employment levels out of the residential precincts (almost 1,000 in 2012), which is a slight decrease from previous years. There were over 800 businesses in 2012; and this has increased over time. The higher employment levels are attributed to the presence of offices inside character residential buildings along Parnell Road, the

number of motels within the precinct which are used for functions, courses and seminars, and the Anglican Church Diocese offices (200 jobs). In addition to this there will also be people working from home. 240 are employed in Professional, Scientific and Technical Services.



Figure 4-27. Businesses occupying residential zoned dwellings between Parnell and Newmarket

Even though employment is relatively high here, it does not appear that there are many significant additional opportunities for commercial growth. The Unitary Plan may open up some options, as some of this area is proposed for terraced housing and apartments, and new residents will be able to undertake home occupations. Consents could be obtained for uses not incompatible with residential, such as retirement villages and care centres (see section 6.2.2 of this report).

Of note across the residential precincts are 600-700 jobs in community activities like schools and education and healthcare (Ponsonby, Freemans Bay, St Marys).

Most residential precincts have a small average business size. This is a major role of the residential areas in the context of the fringe economy. Grey Lynn and Westmere are examples of residential precincts with an average business size of less than 1 employee per business. These two residential precincts also have an interesting concentration of small creative sector businesses. In Grey Lynn, for example, there are many creative and performing arts and motion picture production businesses. These industries are supported in the Waitematā Local Board Plan. This part of the fringe has an alternative and artsy culture, featuring organic shops, holistic medicine and community gardens. It is believed that creative people who work from home choose to live here for lifestyle reasons.

Herne Bay and Newmarket residential precincts have 200 or fewer jobs. However like the other residential areas they have an important contribution within the fringe, their role being to house workers close to where jobs are.

4.5 Community precincts

Most of the Domain precinct covers the Auckland Domain, however a small part adjacent to the CBD has been commercially developed as part of the Carlaw Park redevelopment. Western Springs community precinct includes Western Springs and Meola Reef parkland and some residential activity. Both of these precincts are home to important community activities - the Auckland Zoo, MOTAT, the Auckland Performing Arts Centre (TAPAC), Auckland Music Theatre Inc, Western Springs Stadium, Western Springs college in Western Springs, and the Museum,

Wintergardens and ASB tennis centre in the Domain. Arts and Recreation Services are a major industry in both precincts. Western Springs also has many jobs in Education.

It can be expected that the activities in these precincts will continue into the future, and will expand, although new activities may be limited from establishing. Special legislation applies to these areas and although they have tailored district plan zonings (Open Space 4 / 5 and concept plan) which enable some activities, some changes are also restricted.

While employment is not as high in these precincts as others, they contain important tourist destinations. The tourism sector is supported in the Auckland Economic Development Strategy with the desire to have a more export led economy, and the multiplying effects for the whole economy that are created by tourism are significant.

4.6 Relationship between precincts

All of the precincts are inter-related to an extent, in physical terms and mostly likely in business terms. However, there is no obvious supply chain type arrangements in terms of physical goods and components, rather the inter relationships are likely to be in terms of projects and professional relationships.

The 2012 Economic Linkages within Auckland summary report⁶ noted that significant locational linkages are found in industries in the Advanced Business Services sector (including other business services, and finance & insurance). This sector has grown rapidly and is likely to be at the forefront of the future growth and globalisation of the Auckland economy. This sector benefits from the agglomeration externalities arising from the linkages between concentrations of workers at key central locations who, because of the range of skills required, tend to be drawn from wide catchment areas. Face to face contact with other industry players is also important, so clustering is seen as more advantageous than in manufacturing.

In the Grafton / Newmarket area there is a developing linkage between the main Auckland University campus on Symonds Street, the Grafton medical school and the development of the former Lion Brewery site. This is in terms of a symbolic linkage, and possibly some foot traffic. In the future it may be related to research related activities clustering along this corridor. There is also some evidence of hubbing of medical related activities around the hospital site.

Parnell and Newmarket precincts are connected to a degree. Parnell Road mostly has a Business 2 zoning, not mixed use, and also has a character overlay, so large scale commercial redevelopment is not promoted. These factors limit Parnell centre's growth. Parnell commercial area has some redevelopment potential. However, Newmarket is less constrained and in this sense, Newmarket may take some of Parnell's future growth.

Upper Symonds centre has a relationship with the adjoining Newton commercial precinct, as the Mixed Use zone is contiguous across these precincts (as well as Grafton). The proposed Newton

⁶ Williamson, John; Paling, Richard; Ministry of Business Innovation and Employment; Ascari Partners Ltd; Richard Paling Consulting. 2013. Ministry of Business, Innovation and Employment

CRL station will be accessed from Upper Symonds Street, and the workers and residents of the Newton precinct are likely to become more reliant on the services of the Upper Symonds Street area, without much retail, hospitality or personal services within Newton precinct itself.

Employment in the Upper Symonds precinct is around 2,000 jobs. Together, Newton and Upper Symonds form a significant employment area. However the types of uses locating within these precincts are quite different.

5 Property Market

This section reviews published information about the commercial property market in the fringe area. Rents and land values have a significant influence on business activity, particularly given the transition away from industry and manufacturing towards professional services.

5.1 Rents and occupancy rates

The city fringe has traditionally offered lower cost premises to that of the CBD.

Published information on rental and vacancy rates suggests that there is currently a high level of vacancy in the city fringe compared to, for example, 2005, when vacancy rates were reported in the NZ Herald as being as low as 9.6%.⁷ At that time College Hill was described as having the lowest vacancy rates at below 5%, with reports that removal of redundant office space for apartment development had a significant impact on the vacancy level.

By March 2013 the vacancy rates were being reported in the NZ Herald as being at 15%⁸ and as recently as 23 June 2013 the NBR reported overall vacancy rate for the city fringe is 10.4% (compared to 9.1% in the Auckland metropolitan office market, down from 10.7% in March 2011). The NBR also noted that the highest vacancy is in Newton at 16.4%, followed by Grafton at 14.2%. Parnell is among the lowest at about 5%.⁹

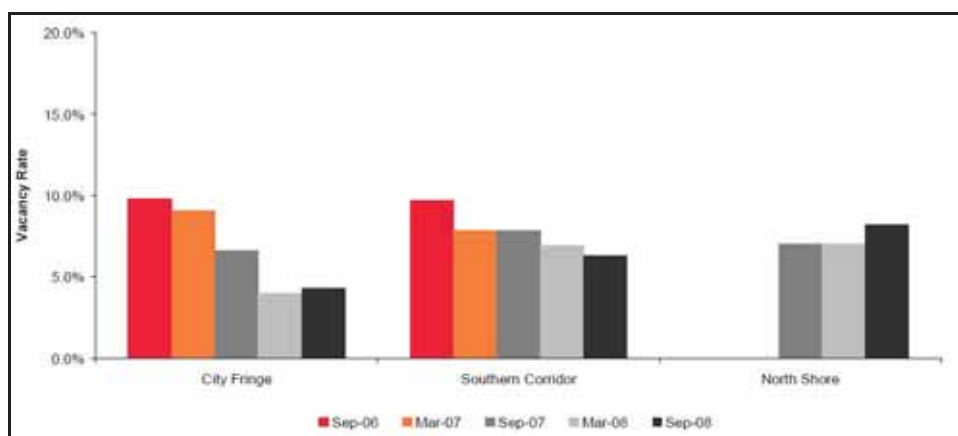


Figure 5-1. Auckland City Fringe and Suburban Office Vacancy Rates - Sept 2006 to Sept 2008. Source: DTZ Consulting and Research, Auckland City Fringe and Suburban Office Vacancy Survey Result 2 H 2008

⁷ http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10112466

⁸ http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10870863

⁹ <http://www.nbr.co.nz/article/auckland-office-vacancies-second-gear-crawl-out-inactivity-116667>

Within the city fringe area, Jones Lang LaSalle report that vacancy in the CBD Fringe remains at 17.6% meaning the precinct has a considerable distance to go before scarcity impacts on pricing.¹⁰ Some 35% of all vacancy in the Auckland market is located in the CBD Fringe.

Some new builds have occurred, such as the Watercare building in Newmarket and GHD's new premises in College Hill. Some office stock has been removed due to expansion of the retail sector, such as Westfield's expansion in Newmarket. While rental levels have been rising in the fringe area, in terms of a yield relative to capital values, returns have been stable.

A general observation is that rents in the CBD have come down since the mid 2000s and there is now not such a difference between the CBD and the fringe in terms of office lease costs. For example AECOM - a professional service firm - has recently shifted from Newmarket into the CBD. However, with signs of economic growth over the past 2 years, rents in the CBD are likely to rise again, and there is the likelihood of new supply being added in areas like Quay Park and Wynyard Quarter, areas that while technically in the CBD, are nevertheless fringe locations.

5.2 Transport

Transport access clearly influences land use patterns. This can be seen in the city fringe with more employment on the eastern side of the fringe than the west. Areas like Newmarket and Parnell are generally well connected to the regional road network, even with heavy congestion during peak periods. Changes in transport patterns will drive land use changes. Two important changes are:

- With the opening up of SH 20 (Waterview connection), it is expected that the western side of the city fringe will see a lift in regional accessibility. This is likely to see some redevelopment pressure being felt in the Great North Road area in particular.
- The City Rail Link is a key future project which will increase the rail network's capacity, and provide rail access to more fringe locations including Newton and K Road. This has a longer construction timeframe (post 2020). In the vicinity (1km) of the K Road and Newton stations, employment densities are identified as having the potential to increase four-fold. Both residential and commercial real estate values are expected to increase around stations. Newmarket, Grafton and Eden Terrace (in Upper Symonds centre) already have access to rail services, a growing benefit for many businesses, and Parnell is planned to have a rail station in 2014.

Frequent bus services permeate the city fringe area, however most of these are radial services going in and out of the CBD. The eastern side of the fringe has more bus routes passing through than the western side. Bus routes are under review, and a different model with more transfer hubs and through services is proposed to be implemented over the next three years. This is expected to improve the bus system and accessibility to the fringe.

Transport to and from the city fringe is further discussed in Appendix 2.

¹⁰ Jones Lang LaSalle (2013) *Auckland Fringe and Suburban Office Market - Pulse 1Q13*.

5.3 Land and business ownership

The fringe area offers a wider range of workplace environments and more options for small / medium sized businesses to own their own premises than the CBD. This is likely to be one of the attractions of the fringe for small to mid-sized professional services firms.

However land owner structures can mean that the pace of redevelopment is slowed. While no statistics are available, non-CBD commercial land holdings are often concentrated in the hands of people and trusts interested in long term steady cash flow, rather than short term redevelopment. For example, in January 2013, the NZ Herald reported "a resurgence of interest in the Auckland central city fringe is being driven by investors looking for strategically positioned properties with good cash flow and added value potential in the longer term".¹¹ The article particularly reported interest in industrial premises in the Kingsland / New North Road areas where there was likely to be capital gains over the long term as the central area expanded.

Anecdotal evidence from stakeholders is that in some areas of the fringe, including main streets, there are vacant commercial premises held by absentee landlords. These owners apparently exhibit no intention to lease these premises and are holding them vacant in the long term. It is not clear why owners make these types of decisions, but there is the potential that these areas will impact on the attractiveness of some locations for other businesses, depreciate property values, and if left unattended may attract vandalism.

It is also understood that there are some key landowners who hold significant property portfolios and are actively involved in managing their stock in a way that is very positive to the area. For example, Viv Rosenberg from Ponsonby identified that there are five large land owners who control the bulk of Ponsonby's retail strip.

Tenure and security for some businesses may be an issue in relation to redevelopment of land if residential use in the mixed use zone is more attractive as an investment than alternative uses. Understanding more about the optimal size of sites for businesses and the footplate of buildings required to provide useful commercial space may be helpful. It may be that the district plan and the Unitary Plan do not address these matters in a way that will ensure economic growth.

5.4 Redevelopment

There is a tradition in Auckland for new development to occur on a speculative basis. It is reported that increasingly, developers are finding that commercial tenants are unable or unwilling to commit to future occupation of a yet to be built premise with all of the associated unknowns inherent in a design build. This is because it is often difficult for tenants, not involved in property on a day-to-day basis, to visualise what a new property can do for their business. As such, developers need to commit to building a finished product such that tenants are able to commit at or near completion.¹²

¹¹ NZ Herald, 16 January 2013 "*City fringe sales on firm ground*"
http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10859374

¹² <http://www.scoop.co.nz/stories/BU1305/S01225/speculative-building-makes-a-come-back.htm>

There have been a number of developments completed or partially completed around the fringe that were affected by the GFC and remained vacant for some while. In some instances, e.g. SOHO¹³ in Ponsonby, development never even got off the ground. The reported upturn in business confidence is expected to benefit developments such as the commercial, residential and retail development at 8 Nugent Street, Carlaw Park partially completed, including a 4 Green star rated building, and the new Manson Developments in Freemans Bay and Newmarket.

Mansons TCLM director Culum Manson says there is a shortage of good quality well-located office buildings able to accommodate large tenants, particularly those looking for more than 5,000m² of space. *"We saw an impending gap in the CBD and city fringe for buildings that catered for bigger corporate occupiers and we were sufficiently confident of the demand... to undertake developments on 'spec',"* he said.¹⁴

Availability and supply of work space is an important issue for the professional services sector. The trend of residential replacing office and industrial use in some fringe areas that commenced under the Isthmus plan (and is strongly encouraged through the Mixed Use zone applied through the draft Unitary Plan as a result of the Auckland Plan's emphasis on a compact city form) may impact upon supply of small to mid sized office space.

For marginal businesses the increases in rent or, if owner occupied, land value is likely to be a significant push factor. For businesses with noise or large area requirements (for storage) still located within the fringe, the impact of the mixed use zone, with higher land values and reverse sensitivity issues from new residents may be a driver to relocate elsewhere and open up opportunities for land to be used for higher value activities.

¹³ \$250 million apartment, office and retail project announced in 2006 occupying 1.3 hectares of land within Williamson Avenue, Pollen Street and Crummer Road.

¹⁴ NZ Herald April 5, 2013

6 Strategic Framework

As described in section 2, 3 and 4 above, the city fringe has many positive attributes that make it attractive to business activities, including: that it is well connected by public and private transport to the wider Auckland region; it is in close proximity to the CBD but generally has cheaper rent and greater availability of car parking; it has a good supply of favourable zonings for business development; and the presence of character buildings in some locations give it a point of difference. Many residents of the fringe are comparatively affluent, which is an advantage for some entertainment, retail and hospitality activities, and for those workers wishing to live close to work or who wish to operate from home.

However possible disincentives for business activity in the fringe include that the rent is more expensive than suburban, non-central locations; there are some fringe areas in need of regeneration or a 'facelift', while pressure is being felt by residential development, and expansion of the CBD-like corporate environments.

The regional economy will expand significantly over the next 20 years, driven by regional population growth, as well as by national and global economic growth. It can be expected that professional service sector will grow in importance, along with the creative sector.

If the city fringe is to retain its position in the regional economy, and possibly strengthen it, then it will need to accommodate a significant number of jobs. If 10% of projected regional employment growth by 2041 is to locate in the fringe area, equal to the current share, then that is roughly equal to 30,000 more employees.¹⁵

As discussed below, the city's overall quality compact city strategy and major investments like the city rail link imply a significant re-concentration of employment after a long period of dispersal, so rather than 10% of regional employment (based on the fringe historically and currently having about 10% of regional employment, as described in Section 2 of this report), it is possible that the fringe's share could be more like 12 or 15%, taking potential growth to up to 45,000.

The size and nature of future growth has obvious implications in terms of demands for new floor space, building heights and intensity, protection of character buildings versus new builds, transport and amenities.

The other side of the coin is housing the workforce and how the resident population can grow at the same time, as well as growing issues associated with housing lower income workers needed to service the professional and creative sectors.

The following sections review current plans and strategies to identify how they set to manage the pressures and opportunities present in the city fringe.

¹⁵ As projected in the Auckland Council's Auckland Plan (2012), Table B1

6.1 Key strategies

6.1.1 Auckland Economic Development Strategy 2012

The Auckland Economic Development Strategy seeks a step change in Auckland's economy to create annual economic growth greater than the historical rate of 2-3%. This requires a fundamental change in the economy structure to shift it from import-led to export-driven.

While service industries serving the local market (professional, financial, retail and transport services) will still provide a foundation, the Economic Development Strategy seeks an increased contribution from "sustainable, high-growth, internationally competitive sectors". Food and beverage processing, ICT, health technologies and niche manufacturing are sectors of particular focus. Screen and creative content, tourism, construction and engineering, marine, international education, biotechnology and advanced materials are also sectors of interest. The Council has indicated it will work closely with these sectors to help deliver and monitor this growth.

Five priorities identified in the Economic Development Strategy are:

1. Grow a business-friendly and well-functioning city.
2. Develop an innovation hub of the Asia-Pacific rim.
3. Become internationally connected and export-driven.
4. Enhance investment in people to grow skills and a local workforce.
5. Develop a creative, vibrant international city.

These five priorities are supported by four cross-cutting themes:

- Sustainable eco-economy
- Iwi/Māori economic powerhouse
- Innovative rural & maritime economy
- Diverse ethnic economy

There is some focus on "continuing to develop and enhance the city centre as Auckland and New Zealand's premier district". The city fringe is not singled out as a location for any particular action in the strategy, but other "key business areas" with growth potential are expected to have business precinct plans (i.e. Penrose, and Tamaki).

An ICT cluster is planned in Wynyard Quarter, which could potentially impact on the growth of ICT in the city fringe. The strategy aims to support the creative sector's contribution to Auckland's economy, as an enabler of talent attraction and creative places and precincts. This is particularly relevant to the city fringe given its significance for the creative sector businesses and employment.

6.1.2 Auckland Plan

In the Development Strategy of the Auckland Plan, the city centre and fringe is identified as one of the two 'big initiatives'. The city fringe shown in the Auckland Plan differs from the one defined in this report, as it includes Devonport but does not include the western residential areas of

Westmere and Grey Lynn. As shown on Figure 6-1, much of the fringe area is marked for 'significant change' in terms of residential growth, while areas marked for 'least change' corresponds to residential heritage character areas.

The development strategy is described as: *The City Centre will feature as the principal centre in Auckland, attracting international businesses. There is scope for major development and improvements in the City Centre to balance the employment, retail, social, cultural, and residential functions of the area. The City Centre will be supported by a range of activities in the City Centre Fringe, which will feature centres with their own distinctive character and identities. Corridors will include more intensive land uses located along major public transport routes.*

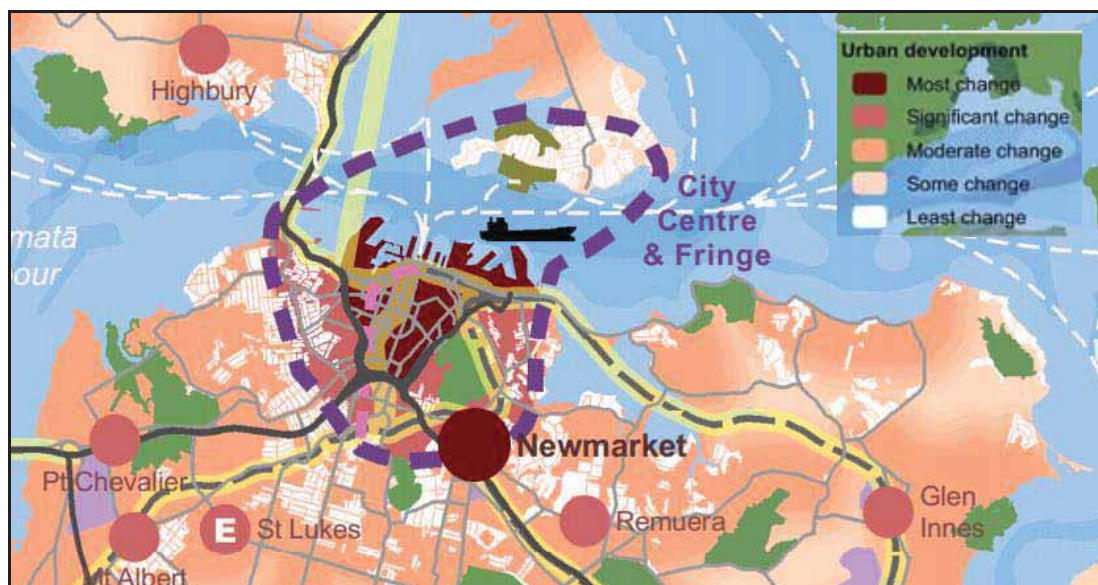


Figure 6-1. Source: Map D.2 – Development Strategy Map (Urban Core) in the Auckland Plan

The Auckland Plan classifies Grafton, Newton, Parnell and Ponsonby as City Fringe centres. The economic activities expected in this type of centre as identified in the Auckland Plan are day and night activities; a diverse range of business activities; small- and medium-sized businesses and specialist precincts. There is a strong emphasis on employment in business precincts, with a 2 jobs per resident ratio.

Newmarket is identified as a metropolitan centre and classified as 'market attractive'. The economic activities expected in this type of centre are day and night activities; finance, insurance, and professional services; food and beverage; comparison retail; specialty retail and regional offices. There is a strong emphasis on employment, with a 2.8 jobs per resident ratio.¹⁶

In terms of residential growth, the City Fringe area is planned to have an average of 40 – 60 dwellings per hectare in the Auckland Plan. Most growth is expected to occur in centres and along some corridors to ensure people will be closer to employment and transport opportunities. Although it is acknowledged that there could be a potential conflict between residential and business growth in the city fringe, there is a strong theme that business land should be protected for business use.

¹⁶ Auckland Council (2012) Auckland Plan, Table 10.2 Urban Centres' Hierarchy – Key Attributes

The Auckland Unitary Plan is expected to provide the zones and development controls and activity framework to deliver the Auckland Plan.

6.1.3 Waitematā Local Board Plan

The Local Board vision includes the city centre and central commercial and retail areas as the economic heart of Auckland and the country. The Board indicates in its Local Board Plan that it *will work with businesses and other key groups to support the thriving economy of this area – a place that people like to live, work, study, play and visit.*

The Waitematā Local Board communities identified in the Local Board Plan are generally consistent with the precincts identified in this report - Newmarket, Parnell, the city centre, Grafton, Newton, Eden Terrace, Freemans Bay, Arch Hill, St Marys Bay, Ponsonby, Herne Bay, Grey Lynn, West Lynn and Westmere. The Board identifies that each community is unique and seeks to celebrate and strengthen communities and provide opportunities to showcase diversity. Understanding the economic profile of these communities will therefore assist the Board in achieving this.

In terms of planning for growth the Local Board Plan focuses on residential, but also includes supporting and advocating for 'mixed use' with specific reference to the Lion Breweries site in Newmarket.

Transport initiatives identify 'whole-road' solutions that provide for quality street design and highlight Ponsonby Road, Parnell Rise, and Richmond Road - all in the city fringe. The Local Board indicates that it will work with Auckland Transport to complete feasibility studies and implement findings to make improvements. Such improvements could influence economic development in future. The Board also indicates support for the heritage train station at Parnell, which would facilitate additional public transport access for workers.

The Local Board Plan recognises the importance of performing arts and public art to its communities, indicating that it *"would like to foster and encourage arts through world-class facilities and projects and programmes"*. Although the focus of this support is in the CBD, i.e. Q theatre, Wynyard Quarter theatre, there is also acknowledgement and support for Artstation (Ponsonby Road) and the Performing Arts School (TAPAC) based at Western Springs College.

The Local Board Plan acknowledges the specific communities of Pacific peoples, and the gay, lesbian, bisexual, transgender and takatāpui peoples recognising the diversity of Waitematā. These communities are also business owners and employees in the city fringe; as such they are likely to have networks that could assist with fostering growth (i.e. GABA).

A key priority in the Local Board Plan is to *"support Waitematā as the innovative economic hub of Auckland where people want to live, work, study, play and visit"*. Although the economic focus is on CBD, there is support for local economy through the development of distinctive retail and business areas. In particular the Board seeks to encourage prosperous local economies to enable people to live and work in the same area, reducing traffic congestion and reliance on fossil fuels. Section 2.4 illustrates the high proportion of residents that already work within the Waitematā area, and the Local Board Plan seeks to increase this.

Another key aspect of the Board's interest in economic development is growth in an eco-economy, providing for an economy that is locally resilient, resource-efficient, and nurtures the development of innovative "greener" technologies and green jobs. Therefore identifying the range

of sectors and sub-sectors operating in the city fringe will help to understand where green jobs could be further supported.

6.1.4 City Centre Masterplan 2012

While the City Centre Masterplan focuses on the CBD and Central Area, the city fringe is also considered as an interdependent area. The city fringe as referred to in the Masterplan includes urban villages with a clear relationship to the centre, such as Parnell and Ponsonby (see Figure 6-2). However, Newmarket is considered a 'supporting centre' to the city centre. The Masterplan proposes that the fringe be considered further in a local area plan.

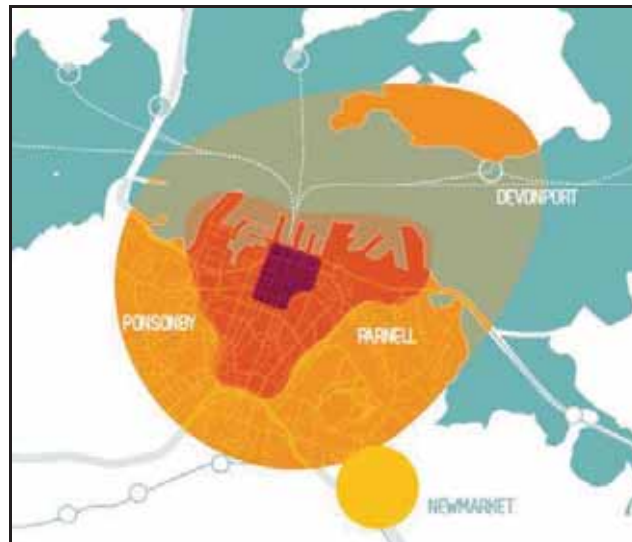


Figure 6-2. City fringe as defined in City Centre Masterplan

Outcomes sought by the Masterplan with particular relevance to the city fringe include:

- Better connect the centre to surrounding urban villages and to the Auckland Domain (especially for pedestrians and cyclists)
- Enable development opportunities around the City Rail Link stations. The area around Newton station is assessed to have 320,000m² of commercial floor area capacity, able to house 16,000 additional workers. The Masterplan seeks to avoid Newton becoming a competitor to the city centre office market (due to less restrictive parking standards) by considering parking maximums.
- Nurture the innovation and learning cradle. The presence of institutions within the city fringe - Auckland Hospital, Medical School (and other medical research and services), Liggins Institute, Auckland War Memorial Museum - is listed as an attribute which can drive innovation. Also listed is the variety of affordable locations for start up businesses in city fringe locations, including K Road, Newton, Grafton, Ponsonby and College Hill.

6.1.5 Area plans

Area plans are based on the same geographic areas as Local Boards. They are expected to:

- help to implement the directions and outcomes of the Auckland Plan at a local level

- reflect local aspirations such as those included in Local Board Plans (where these are consistent with the direction set by the Auckland Plan)
- provide strategic direction to progressively inform policies and rules of the new Unitary Plan which will eventually replace the existing regional and district plans of the former councils
- inform future versions of the Long Term Plan (which determines council spending over a 10-year period) - this will enable the council to prioritise and budget for projects to achieve area plan goals.

There are no existing area plans applying to the city fringe. However, precinct plans are being developed in association with the proposed K Road and Newton train stations on the City Rail Link. At the time of writing this report, work on these plans was at the very initial stages.

6.1.6 Auckland Council Business Improvement District Policy

Auckland Council operates Business Improvement District (BID) Partnership Programmes across the region. The purpose of a BID is to support the development of local businesses through the collection of a targeted rate within a defined area to fund the BID Partnership Programme. Business Improvement District Partnership Programmes are key local components of a productive and high value economy and contribute towards Auckland being the economic powerhouse of New Zealand.

Within the city fringe there are a number of business associations that represent the local business community, promoting and developing their local economies. Five of these, K Road (largely within the CBD), Ponsonby, Parnell, Newmarket and Eden Terrace (known as Uptown) are BIDs.

The existing BIDs in the city fringe are predominantly focused on the Business 2 zoned retail and office locations close to the main shopping precincts of Parnell Road, Ponsonby Road and K Road. Newmarket is an extensive area including Business 3 and Mixed Use zoned areas, and the more recent Uptown Business Association includes land in the Business 2 (Town Centre) zone as well as mixed use and light industry zones. Maps of the BID areas is provided in Appendix 2.

The Auckland approach to BID programmes is based on a partnership model. Feedback from stakeholders indicated that this approach offers the best chance of achieving positive business and economic outcomes at both a regional and local level. The policy indicates that *“it is expected that both the business sector and Auckland Council (through the Local Boards) will engage in activities (either jointly or separately) that enhance business improvement outcomes at a local level.”*

The Grey Lynn Business Association is not a BID, and it is not clear how far its district would extend beyond the shopping precincts in Great North Road and Richmond Road. In addition there are parts of the city fringe that are not covered within a business association. These appear to include:

- College Hill/Freemans Bay
- Arch Hill

- Parnell east of Bath Street and the area down the gully occupied by St Georges Bay Road through to the Strand in the north.

The business association determines the defined area of the BID and as such the business that are covered by it. A business association is only funded for those businesses within the BID. It is acknowledged that there would be some value added by encouraging the collaboration of BIDs within the city fringe to encourage further economic development.

Each business association was contacted and asked to discuss their observations of economic trends and changes within their areas. The interviews undertaken added to the understanding of each area's economic profile and the information gained has been incorporated into this report.

6.2 Regulatory influences

Regulatory influences include district planning and other council policy, and are these described in more detail in Appendix 3.

6.2.1 Auckland Council District Plan (Isthmus Section)

The district plan business zones applying within the city fringe are shown on Figure 6-3. Large areas of mixed use zone apply to most commercial precincts, including College Hill, Arch Hill, Newton, Grafton and Newmarket. Upper Symonds centre is also zoned mixed use. The Mixed Use zone was introduced through a plan change. It applies to former business land close to the CBD and services, and allows the development of new residential / mixed use buildings and conversion of existing buildings to residential use. As a result of the plan change the value of this land increased and the development market responded to the opportunities.

The centres, Grey Lynn, Ponsonby, and Parnell are generally zoned Business 2, which is a traditional suburban centre zone. Three Lamps and K Road centres have a mixture of mixed use and traditional business zones.

Within Grafton commercial precinct, Auckland Hospital has a "Special Purpose 1" zone, and the Medical School has a "Special Purpose 2". The Zoo and MOTAT in the Western Springs Community precinct are zoned Open Space 5. The Museum, in the Domain Precinct, is zoned Open Space 4. These open space zones have been specifically tailored for the activities located on them and limit commercial activities.

The fringe's residential area is mostly zoned in residential character zones (Residential 1 and 2), due to concern at the loss of historic and character buildings. The character zonings limit demolition, but do give the ability for residential buildings in certain locations to be used 100% for commercial use.

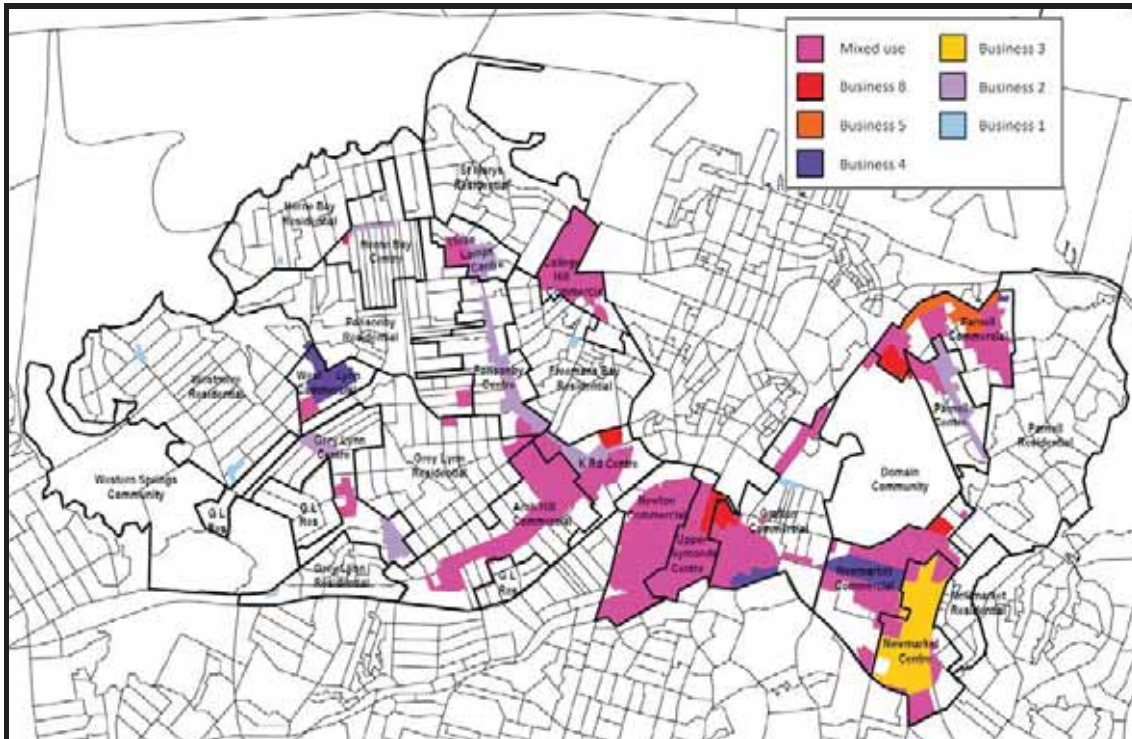


Figure 6-3. Business zones in the city fringe. Data source: Auckland Council District Plan (Isthmus Section)

6.2.2 Auckland Unitary Plan

The Unitary Plan will change the planning framework for the city fringe. The Draft Unitary Plan zonings for the city fringe business areas are shown in Figure 6-4.

Unitary Plan Business zone	Centre / Commercial precincts where zone is predominant	Activities permitted include
City Centre	K Road centre	Dwellings, visitor accommodation, commercial services, offices, retail, care centres, community facilities, educational facilities, light manufacturing
Metropolitan Centre	Newmarket centre	
Mixed Use	College Hill commercial, West Lynn commercial, Arch Hill commercial, Newton commercial, Newmarket commercial, Parnell commercial	Industrial activities
Town Centre	Ponsonby centre, Three Lamps centre, Upper Symonds centre, Parnell centre	
Local Centre	Herne Bay centre, Grey Lynn centre	
Light Industrial	Grafton Commercial	

Figure 6-4. Summary of zones in draft unitary plan applied to the City Fringe centres and commercial areas. Source: Draft Auckland Unitary Plan March 2013.

Some key differences between the operative plan and the draft Unitary plan are:

- car parking maximums are introduced to much of city fringe, centres, mixed use and terraced housing and apartment building zones.
- in the Mixed Use zone, any proposal with more than 500m² office area requires consent; when no such limit currently applies. In local centres (e.g. Grey Lynn, West Lynn, Herne Bay) new offices more than 500m² or retail more than 450m² in floor area require consent.

- residential uses are permitted in all of the centre zones and the mixed use zone; resource consents are currently required.
- higher intensity residential zones are to be identified 'Terrace Housing and Apartment Building'. This zone has no maximum density and provides for significantly more development.
- all new buildings in the City Centre, Town Centre, Local Centre, Mixed Use and Terrace Housing and Apartment Building zones require resource consent to ensure assessment of design and appearance.
- maximum height is increased (however sunlight controls and special view shaft height limits remain - these particularly affect Newton and Grafton).

In terms of future economic growth and development, two of the most significant changes are:

1. the limit on the number of parking spaces able to be provided on a site ("parking maximums") within much of the city fringe. For many businesses, on-site parking is seen as being an essential part of their operation, and an inability to add to on-site parking upon redevelopment may see some pressure to relocate out of the fringe. On the other side of the coin, this rule may provide benefits to landowners, as it means that land previously required for parking could potentially be developed.
2. The need to obtain consent for office developments greater than 500m² in area in the mixed use zone. The draft Plan states that one of the purposes of the zone is to "provide for a range of commercial activities that will not diminish the vitality and viability of the City Centre, Metropolitan and Town Centre zones and limit larger retail and office activities". Within the context of the city fringe and its role in the regional economy, this restriction on office floorspace appears unreasonable and counterproductive.

In general it is considered that the draft Unitary Plan should provide the opportunity for more economic growth, as it allows much of the fringe to be intensified and provides no real constraints in relation to the various industry sectors that are identified as being prevalent in the fringe.

7 Key Informants

To help further identify relevant trends and linkages, a number of key informant interviews were conducted. This section outlines the main points raised during the informant interviews undertaken as part of this research. Insights from the informants are also referred to throughout this report.

It is noted that the interviews were with people and associations that are more focused on retail / general business activities, rather than representatives of the professional services sector or the creative / ICT sector. This bias reflects that there are no specific group or associations which represent the interests of these diverse groupings.

Viv Rosenberg, Ponsonby Business Association

- Ponsonby has seen a decrease in the number of jobs as a result of the GFC, with owner occupiers having started working in their business. As consequence they are not growing their businesses and can't make changes and no money.
- There has been a small increase in business numbers, perhaps a result of landlords dividing space into smaller units when businesses have closed.
- Businesses can't grow any further on Ponsonby Road strip, but seeing movement down into McKelvie Street, Williamson and Pollen, and down Richmond Road.
- Master plan for Ponsonby is going public soon.
- Issues related to access (fire service) as some roads are very narrow.
- To have a strong business district, need to have the have to haves (convenience, groceries, butcher, baker etc) as well as the nice to haves – to keep people in the area.
- More families are moving into the area and the houses and businesses are changing as a result: more homeware, soft furnishings, interior design, kitchen design etc; growth in family / casual dining; villas modified / gentrified with 3 bedrooms and swimming pool. Opportunity for more mixed use in Ponsonby missed – too many families moved in.
- Main land owners include Michael Friedlander, Samson Corporation, Sterling Nominees, Andy Davies (Ponsonby Central (1.5ha)), James Kirkpatrick Group - others are family trusts and consortiums.
- Character heritage is key to Ponsonby's identity but needs to go further - e.g. levy for up keep.

Barbara Holloway, K Road Business Association

- Section of K Road within the city fringe has been regenerating recently – this is thought to result from a combination of Samson Corp upgrade of shops on southern side of K Road, upgrade of motorway bridge with bus shelters, and installation of art and footpath

upgrade coinciding with RWC 2011 – shops on northern side (473-529 K Road) that have been empty for years are now occupied.

- There is an art gallery cluster in this section of K Road.

Brian Goldsworthy, Employers and Manufacturers Association

- Anecdotally understands that high value added businesses are growing in fringe: ICT, Education, Service industries, Professional services, Medical/ healthcare, Hospitality.
- Most businesses are mobile and they can locate to get competitive advantage, profile and access for and to clients.
- Businesses are moving out to areas outside the fringe due to land value – they make money when they sell and buy where cheaper. Opportunity for redevelopment.
- Residential development is both an opportunity and a threat – considered land underutilised in Khyber Pass may be redeveloped for accommodation due to University development on former Lion Breweries site.

Cathy Romeyn, Parnell Business Association

- Pluses of Parnell are easy access to City and motorways, geographically beautiful, family friendly.
- Exodus of retail in Parnell is thought to be due to: GFC; active approaches (poaching) from other new areas – e.g. Britomart with incentives refurbishment / rents; absentee landlords – e.g. 4 retail shops in mid of Parnell Road empty for 3 plus years – no intention of renting (lives in Hong Kong); perception parking is difficult.
- In terms of Mixed Use, business use is better than residential use as Parnell is better suited for workers. It has no basics for local community (supermarket, petrol station or post office)
- People are parking in Parnell all day to access CBD, in St Georges Bay Road, Birdwood Cres and Falcon St.
- Not sure of impact of Parnell Train station due to uncertainty about how it will deal with access, but there could be huge benefits.
- Parnell has connection issues to the Museum and Domain.
- It makes perfect sense to expand the Parnell Business Improvement District.
- There are 6-8 major landowners around the top of Parnell Road.

Gary Holmes, Uptown Business Association

- There are 700 businesses on books of the Uptown BID, ranging from shelf companies (needed to get citizenship) through to Media works.
- A recent survey on why businesses locate in the BID found that a central location, cheaper than CBD and proximity to motorways was important.

- Uptown has more commercial and light industrial than other Business Associations in the fringe. The area is a little neglected and left to its own devices. It needs a brand and identity to support businesses.
- Retail is focused on Symonds Street, Newton Road / New North Road / Mt Eden Road - hospitality and destination shopping primarily.
- There are many owner operators of small to medium enterprises in the area, who bought their properties when property was cheaper.
- The Newton City Rail Link station has a large area earmarked for acquisition and will have a large construction impact. Businesses and landowners are not sure what is going to happen, and many are looking at relocation.
- There is a cluster of home improvement businesses on Boston Road and a lot of creative / media related industries.
- A number of buildings are empty. Datacom has moved from Grafton Road and is empty.
- Sees character overlay as helpful but volcanic view shaft as limiting height. Mixed use zone has an opportunity for more growth. The Association's Unitary Plan submission asks to either remove view shaft or allow development in shadow of existing tall buildings, as it limits growth potential. Also asks to rezone light industry land in Grafton to mixed use.

Ashley Church, Newmarket Business Association

- Saw growth in education support and entrainment opportunities in area around Khyber Pass associated with development of University campus on Lion Breweries site. Noted that University is a business around for long time, unlike other types of activity.
- Suggested that while there is likely to also be a growth in residential accommodation in association with the University campus he would be concerned if it was not a true mix of uses, with cafés, bars and retail and other commercial activity in addition to residential.
- In relation to trend for green buildings, these are a market response and while there are environmental benefits they are likely to be of appeal to anchor tenants.
- Felt Newmarket was well placed for changes in business practice as it evolved, with commercial buildings able to be adapted.

Jennifer Northover, Grey Lynn Business Association

- Potential for easy access means that there are businesses located in the area that are not reliant on local community/customers. There is a spill over effect from businesses that may not be able to find the right premises elsewhere but want good access.
- Recognised that as land values increase with mixed use zoning / terraced apartment zoning etc that current operators may relocate and also noted that it was easy to landbank in Grey Lynn – and that this appeared to be occurring.
- Felt that the area along Great North Road through towards Ponsonby Road was a good fit for their association.

- Felt one of the characteristics of Grey Lynn retail centre was that it was forgotten but that it was very eclectic – unlike West Lynn which is more like Parnell.
- Noted that there are a lot of interesting businesses e.g. Barkley Manor, a facility operating as dog daycare, grooming and a specialist dog training school located just off Great North Road.
- Grey Lynn is one of the eight tribes of NZ "The highly educated intelligentsia who value ideas above material things and intellectualise every element of their lives".
- Some of the key issues going forward are intensification – this is supported, but some concern about the impact of changes in use that are not sympathetic to areas. Concerned about the impact of Bunnings – wanted to see development integrated and to reflect sustainable / ecological principles.
- Felt Grey Lynn needed to be better served in terms of public transport – anticipated that through the new bus routes there would be better linkage across the city rather than reliance on a system where all buses go to Britomart as it is at the moment.
- Supported imposition of maximum parking provisions and recognised that this might result in more development on land currently used for parking.
- Wanted to see more amenity and green spaces for people to gather and mix. Wanted to see more emphasis on walking and cycling – particularly safety.

8 Conclusions and Recommendations

The city fringe plays an important role in the regional economy, being a home to a significant cluster of activities involved in the professional services sector. There is also a significant grouping of small to medium sized activities involved in knowledge and creative enterprises.

Sitting on the shoulder of the central city, the city fringe's competitive advantage over other work place locations is its diversity of affordable premises, pleasant urban environments, proximity to the corporate activities in the CBD and accessibility to quality residential living environments.

As the central city expands in a horizontal (outward) sense, there is a gradual process of blurring between the old CBD and the fringe. This can be seen in the larger scale office development around College Hill, Carlton Gore Road and more recently Carlaw Park, and the expansion of health and University activities around Grafton / Newmarket. This redevelopment process creates some pressure for alternative space from displaced mid sized firms wishing to find other locations in the fringe. At the same time, the gentrification of the western suburbs seen in the past 10 years is likely to result in demand growth for a range of up scaling small to medium sized enterprises wishing to locate close to business owners' homes.

Typically, professional service activities and businesses involved in creative and knowledge-based activities are very "people driven" rather than driven by large investment in plant or machinery. Because of the people focused nature of the work:

- The quality of workplaces and work place environments matter, along with some sense of connectedness to like-minded activities.
- Most businesses rely on attracting and retaining highly skilled specialists, many of whom will live in the inner city area. These workers are ideas focused and are not necessarily aligned or committed to a particular employer.
- Businesses are likely to seek flexible work spaces, as well as short term leases due to the volatile nature of the activities they are involved in.

These people-driven factors are very important to long term growth of the sector, particularly the affordability of premises. In America, it has been noted that "*once considered the natural domain of megacities and dense urban cores, high-wage business service jobs, largely due to technology, can increasingly be done anywhere. This suggests that the playing field for such positions, rather than concentrating, will become ever wider.*"¹⁷ The cities losing market share in professional service firms are the old hubs of New York, Chicago and Los Angeles. Cities gaining share are mid sized cities offering affordable housing and premises.

¹⁷ The Cities Winning The Battle For The Biggest Growth Sector In The U.S. Sourced from: <http://www.forbes.com/sites/joelkotkin/2013/02/07/the-cities-winning-the-battle-for-the-biggest-growth-sector-in-the-u-s/>

8.1 Future actions

In terms of the economic development priorities set out in the council's economic development strategy, the following pointers to future actions can be made:

1. Become internationally connected and export-driven

Strengthen the Newmarket-Grafton-CBD corridor. This could be a key corridor in terms of research-based activities.

With expansion of the University into Newmarket, there will be growing linkages between the three University hubs. One of the largest remaining sites, the former Lion Breweries site on Khyber Pass Road, has been purchased by the University of Auckland to be the future home of the engineering school. There are significant spinoffs anticipated in relation to this purchase and use. There may be increased requirements for student accommodation as a driver for redevelopment of Mixed Use zoned land around the future university campus, and new businesses moving into the area to co-locate with the University. In addition there may be benefits for Newmarket and Grafton in terms of a larger number of people accessing the centre.

There is also likely to be some grouping of medical and research related activities around the Grafton area.

2. Grow a business-friendly and well-functioning city

Developing a western hub/centre. Economic development is heavily biased towards the eastern side of the fringe. Given anticipated growth of the regional and fringe economy, new space will need to be found to accommodate business growth. A western hub/precinct would be desirable to help accommodate growth while hopefully adding diversity and choice to workplace environments and locations. Great North Road south from K Road is a potential corridor. There are also residential and large format retail pressures which will need to be managed. It is not yet known what the feedback has been on the limit on office space in the Mixed Use zone, but this is an issue that could restrict economic development, as new buildings and alteration of existing buildings with more than 500m² of office space will be subject to a full discretionary activity assessment under the RMA.

Revitalising the Upper Symonds Street/Newton area. This area will benefit from the CRL, but this effect is at least 10 years away. Prior to the CRL being commissioned and those benefits beginning to accrue, there will be changes to the makeup of business located around the Newton area. Established businesses may relocate to avoid what they perceive as adverse affects from construction, to ensure certainty in relation to their ongoing activities and because they have no special requirements to keep them in the same location. Their relocation may provide opportunities for new businesses to take advantage of possible cheaper land / rents offered either by existing landowners or by Auckland Transport (if it acquires land ahead of construction).

3. Develop an innovation hub of the Asia-Pacific rim / Become internationally connected and export-driven

Many businesses in the city fringe will be involved in export driven activities, such as professional services, research, ICT etc. What appears to be lacking is any form of place-based representation of these businesses because they are often not located within a BID, for example there are gaps in coverage (College Hill, Arch Hill, St Georges Bay valley) that need to be addressed.

It will be important to encourage further collaboration between BIDs to support and enhance the role of the city fringe. There is opportunity to link businesses to existing networks including BIDs but also ATEED and innovation networks such as the Icehouse and Wynyard Quarter Innovation Precinct.

4. Enhance investment in people to grow skills and a local workforce

The labour force needs of city fringe business activities are currently well matched to the skill base of the local resident population, while workers are drawn from across the region. Given higher salary rates in the professional services sector, it is expected that there will be on going sufficient supply of skilled workers appropriately trained by Tertiary providers. The creative sector is likely to be more mixed in its composition of workers and skill needs.

With the significant lift in residential property prices seen over the past 10 years, issues of affordable housing have become much more prominent. This is a longer term issue associated with the next generation of knowledge-based workers being able to access homes close to city fringe workplaces.

5. Develop a creative, vibrant international city

Urban villages. The city fringe has strength in small to mid-sized workplaces involved in creative and knowledge intensive activities. These types of businesses are heavily influenced by the needs of employees and owners to work in stimulating environments. Developing quality urban environments is important to economic growth. The diversity of activities around West Lynn is an example of what is possible should there be opportunities for mixed business/residential development around centres.

Given the limit on the amount of office floor area as a permitted activity in the Unitary Plan version of the Mixed Use zone; the absence of any requirement around mix of uses within any new development in the zone; potential changes in relation to development contributions being considered by government; the attractiveness of some of existing school zones (Auckland Grammar School zone currently applies to all of the city fringe east of Upper Queen Street / Exmouth Street / New North Road); the age of much of the building stock; and the Auckland Plan's direction to deliver a compact city form, it is readily foreseeable that large areas of the fringe will become predominantly residential.

While the uptake of land for residential use will benefit retail, service and hospitality sectors within the fringe and result in the growth of those sectors, it may also result in other business activities being relocated as a result of redevelopment. These businesses may be unable to find appropriate premises within the fringe and move elsewhere.

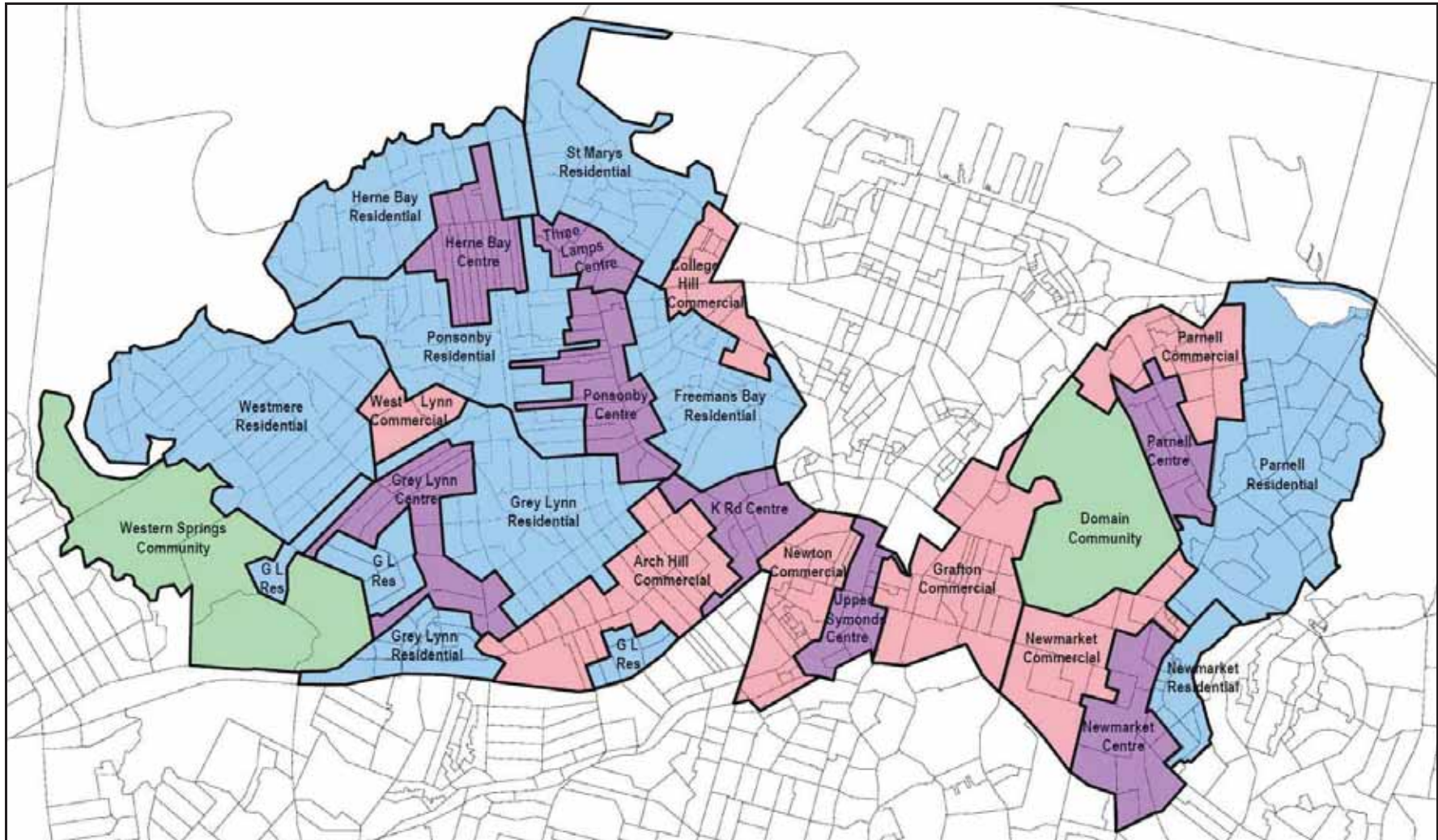
8.2 Further research

Below some options are listed for further research on trends identified in this report and to investigate the reasons behind the statistics and the observations by interviewees.

- **Development potential** - in depth studies into the remaining commercial capacity of precincts above the existing amount of floor area to determine how limited future growth may be

- **Vacancies and absentee landlords** - is this related to central government policy? Do overseas owners hold these businesses for reasons related to immigration or taxes?
- **Ownership** - what types of entities own business land in the fringe e.g. owner-occupier, large company, overseas owner (may be difficult to determine)
- **Rental data** - comparison of rental rates per m² between CBD, the fringe and further out
- **Additional interviews** - with companies who have recently moved premises

Appendix 1: Precincts Map



Explanation of how precincts were defined:

- Centres and commercial precincts contain the areas of business and centre zonings in the Isthmus District Plan and the draft Unitary Plan. If business zonings were present, the entire meshblock containing these lots was included as a business precinct. Consequently areas with strip development on either side of the road (e.g. Ponsonby Road) appear larger than the actual business area. Meshblocks are the smallest unit for which statistical data is available.
- From these business areas, centres and commercial precincts were defined. Centres have mostly centres zoning and commercial precincts have mostly business / mixed use zoning (as per the draft Unitary Plan). In two cases, areas were split - Newmarket and Grafton commercial areas were split apart, and Ponsonby and Three Lamps centres were split apart. Although the zonings are contiguous, it was felt from experience that there are character changes between these areas which warrant separate precincts to be used and analysed.
- Two community precincts were identified which are subject to special zonings and contain open space and community facilities. The Domain is one meshblock, while Western Springs comprises five meshblocks due to the extent of community activities (generally covering the five areas of Meola Reef; Western Springs College/MOTAT/Jaggers Bush; the Auckland Zoo; Western Springs Park and Western Springs speedway).
- The remaining area is residential in nature. These remaining were split into residential precincts on the basis of their suburb. To draw the boundaries between suburbs, the census area units were used. Precincts were defined as follows:

Residential areas in Grey Lynn East, Grey Lynn West, Surrey Crescent and Arch Hill census area units = Grey Lynn residential precinct

Residential areas in Ponsonby West and Ponsonby East census area units = Ponsonby residential precinct

Residential areas in Mt Hobson, Remuera West and Newmarket census area units = Newmarket residential precinct

Residential areas in Parnell East and Parnell West census area units = Parnell residential precinct

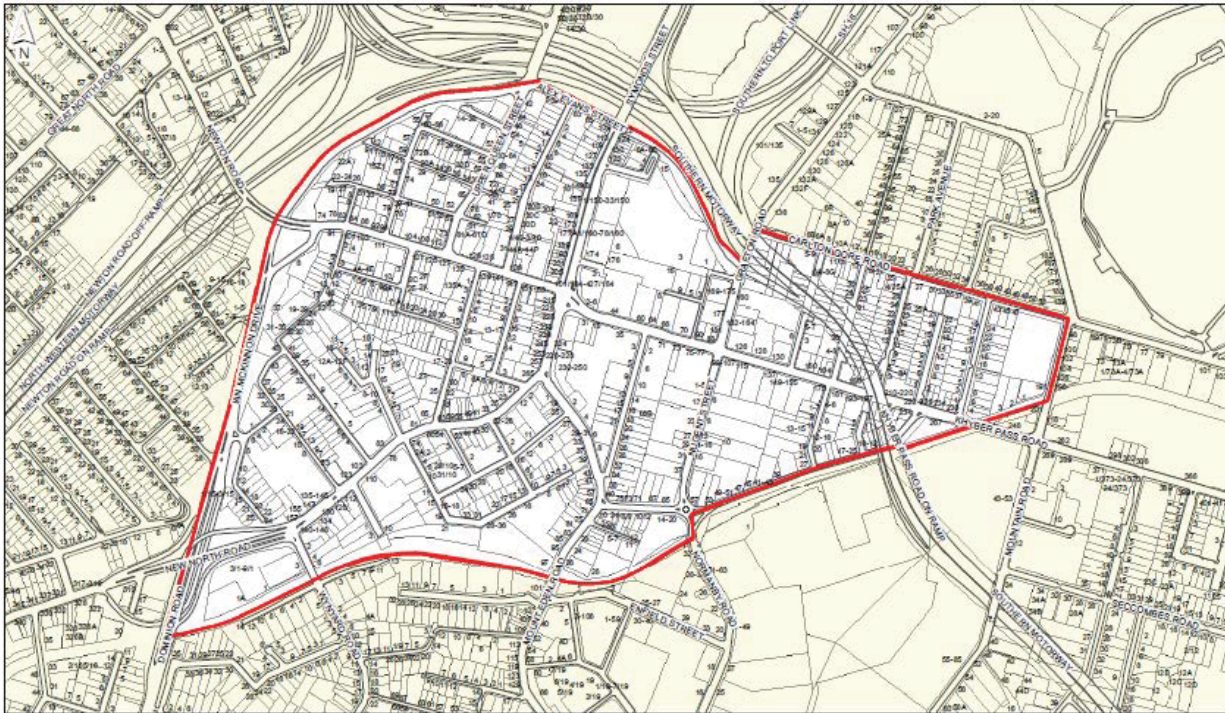
Residential areas in Herne Bay census area unit = Herne Bay residential precinct

Residential areas in St Marys census area unit = St Marys residential precinct

Residential areas in Freemans Bay census area unit = Freemans Bay residential precinct

Residential areas in Westmere census area unit = Westmere residential precinct.

Appendix 2: BID Maps

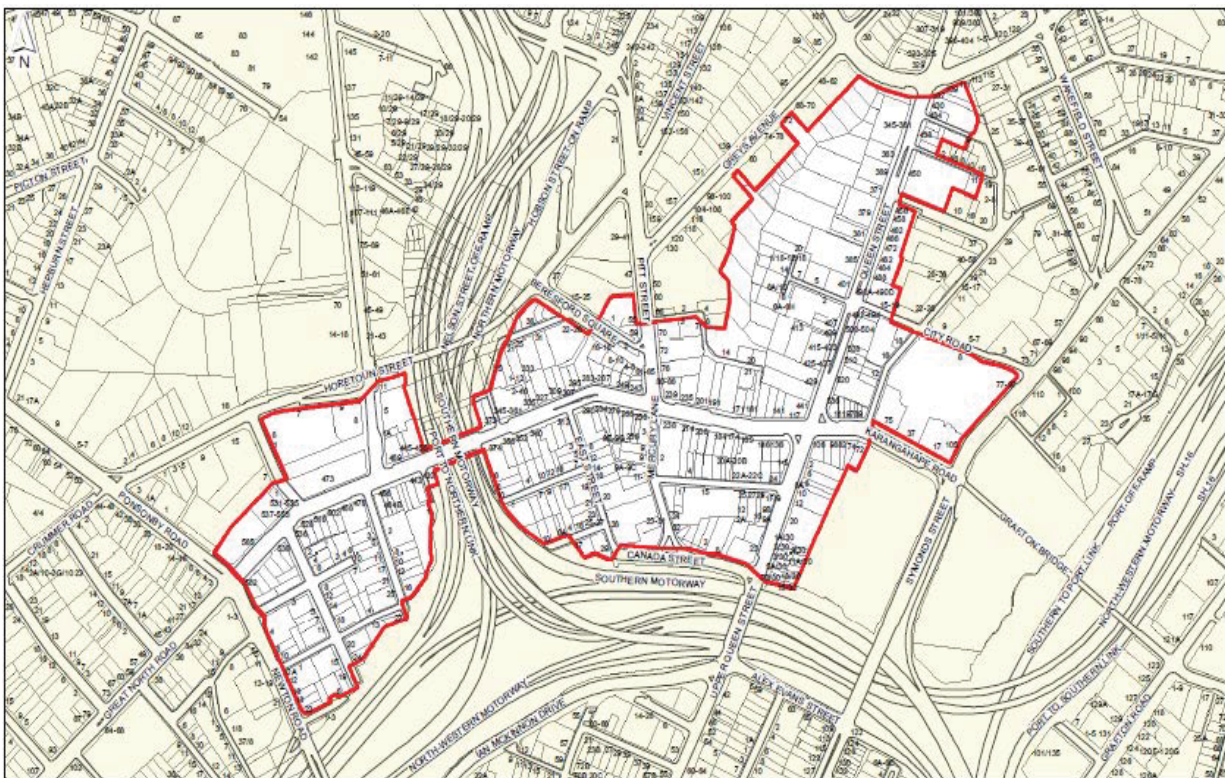


Business Improvement District - Eden Terrace

Scale at A4 - 1: 8000

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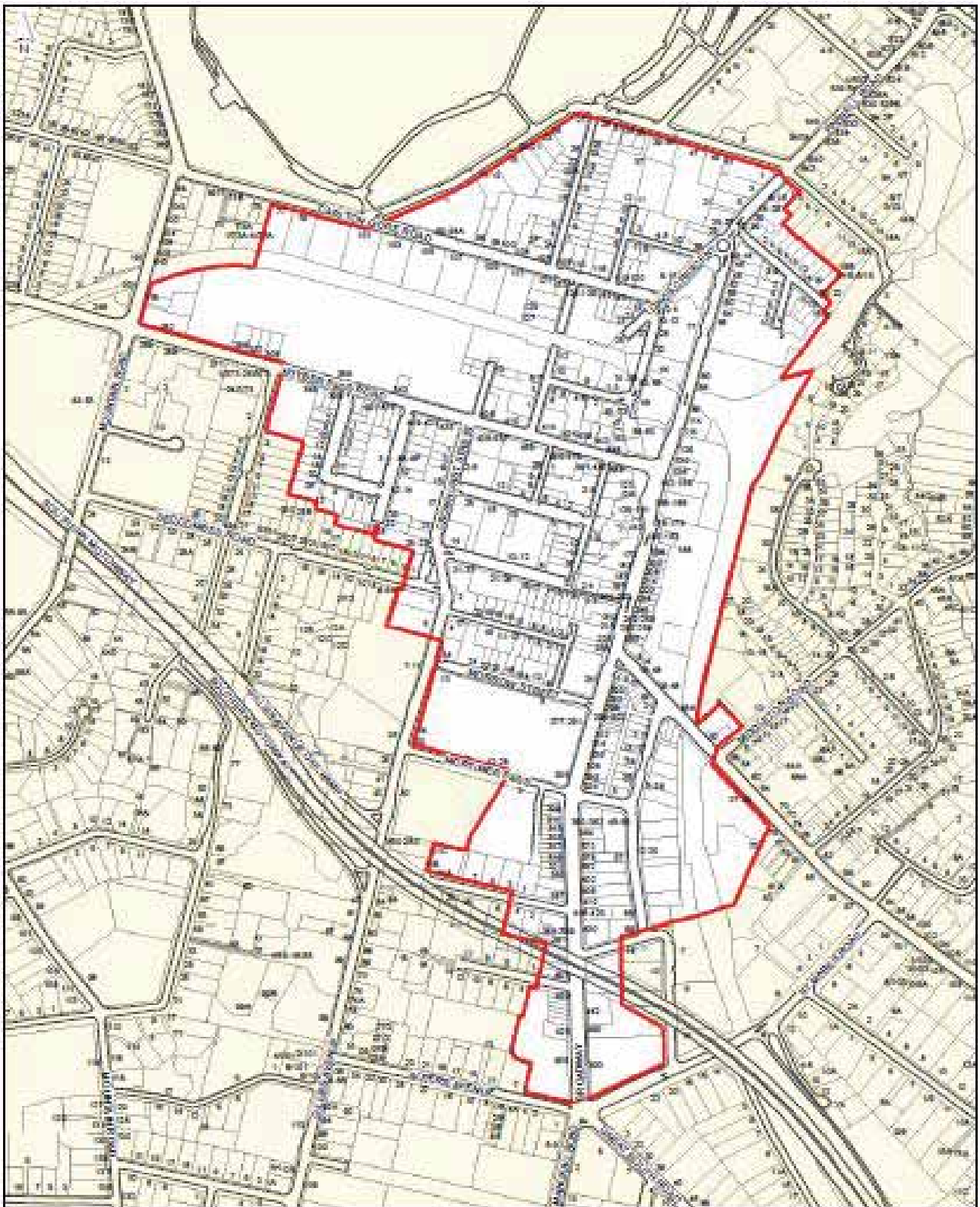
Business Improvement District - Karangahape Road

Scale at A4 - 1: 6000

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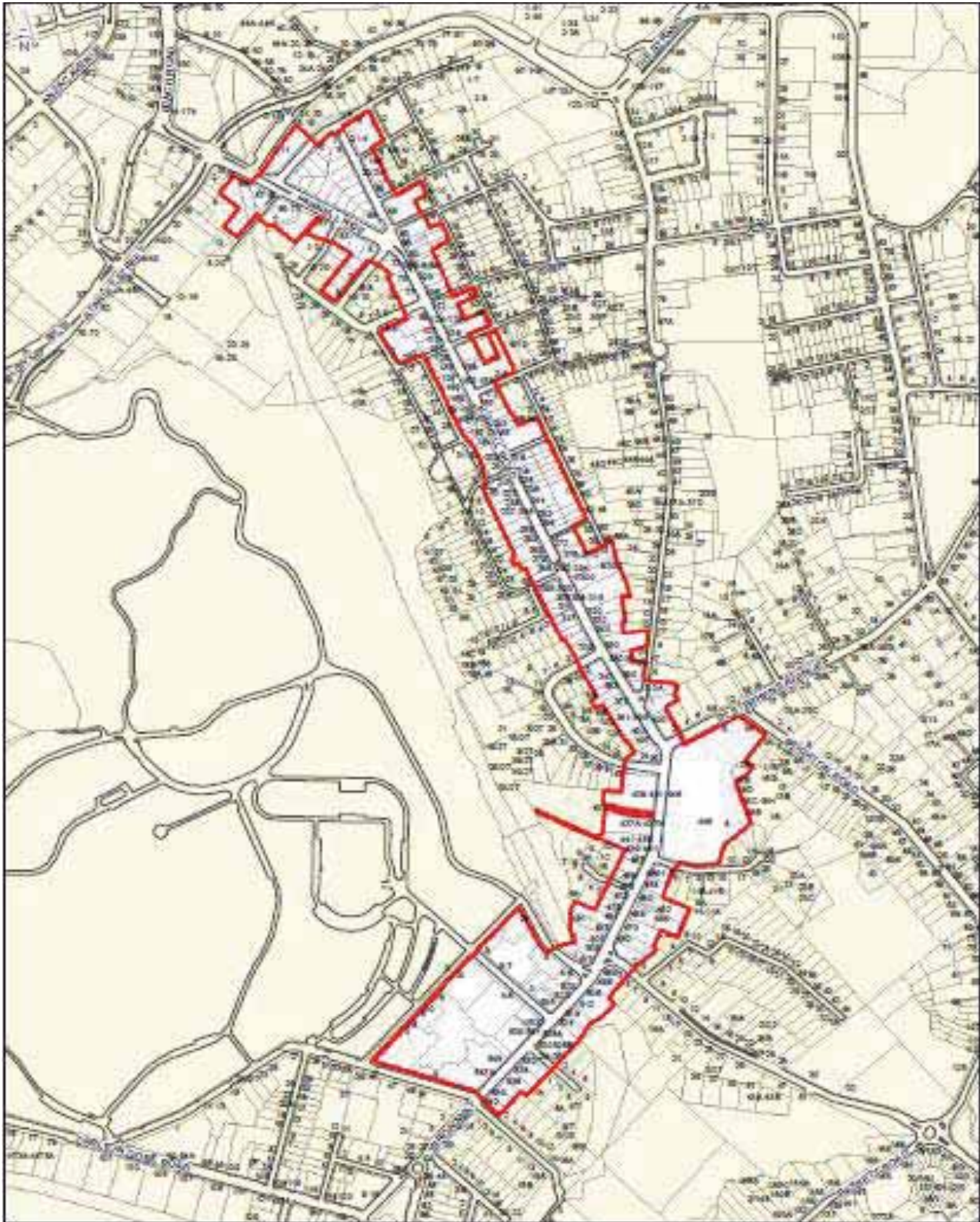
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Business Improvement District - Newmarket

Scale at A4 - 1: 6500





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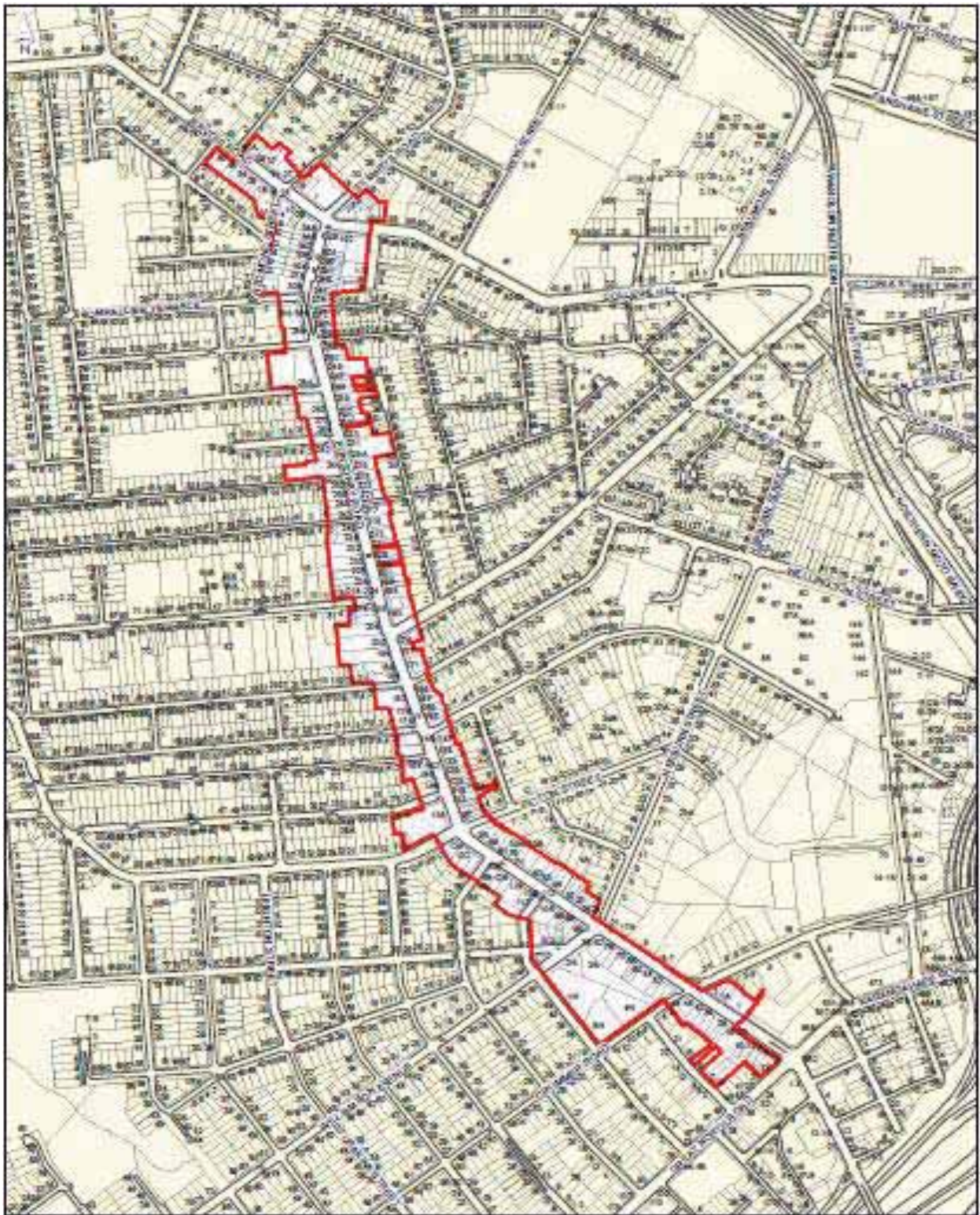
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Business Improvement District - Parnell

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Business Improvement District - Ponsonby

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Appendix 3: Details of strategic framework for fringe

A. Regulatory

A1. Current district plan

The applicable operative district plan for the city fringe is the Auckland Council District Plan (Isthmus Section). The business zones applying within the city fringe are shown on Figure A1. The zones and activities permitted within them are described in Figure A2.

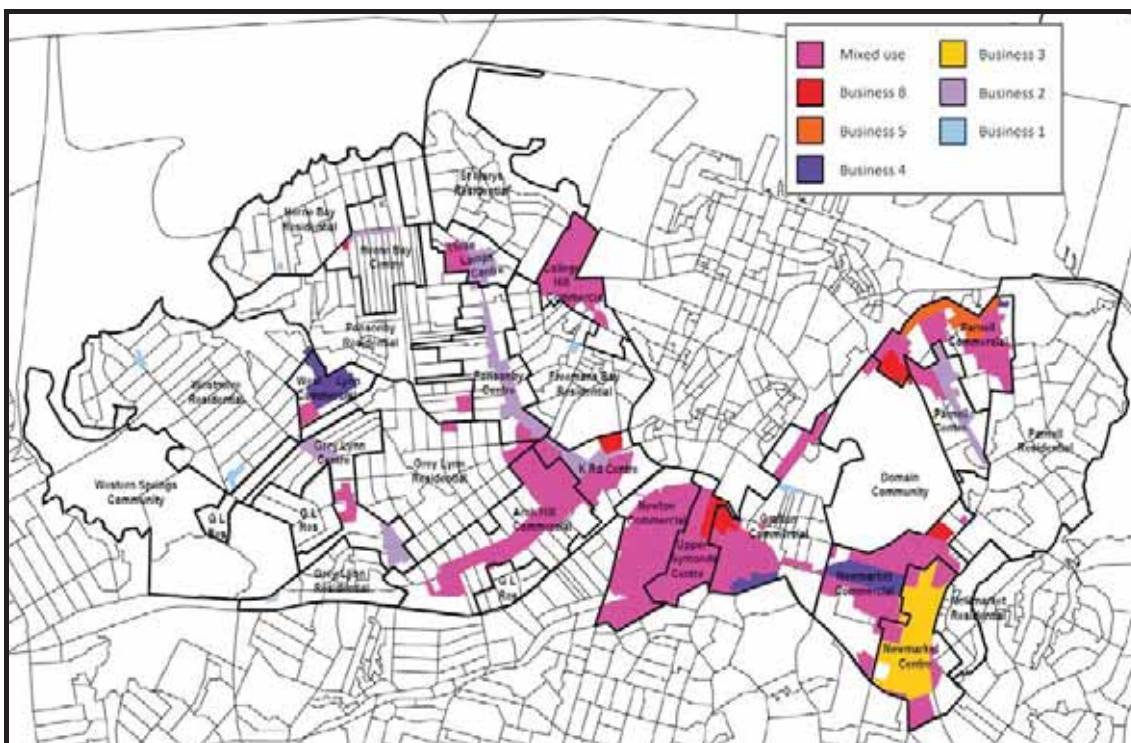


Figure A1. Business zones in the city fringe. Data source: Auckland Council District Plan (Isthmus Section)

Isthmus plan zone	Description of zone	Permitted activities include:
Mixed use	Enables a mix of residential, business, educational and leisure activities in accessible areas close to the CBD or town centres	Care centre, eating places, education facility, entertainment facility, light manufacturing and servicing, offices, places of assembly, residential units, retail, visitor accommodation, warehousing
Business 8	Comprehensively planned business centres	Determined by concept plan
Business 5	Low to medium intensity industrial activity with lower quality of environment than Business 4	Fish processing, industry, towing services, transport depot
Business 4	Low to medium intensity light industrial and service uses	Care centre, eating places, education facility, entertainment facility, industry, offices, places of assembly, retail, warehousing
Business 3	Centres with a significant degree and	Care centre, eating places, education facility,

	intensity of business activity	entertainment facility, industry, offices, places of assembly, retail, warehousing
Business 2	Traditional suburban retail centres, including office and commercial	Care centre, eating places, education facility, industry offices, places of assembly, retail, warehousing
Business 1	Small scale local business activities (e.g. dairies)	Care centre, education facility, offices, retail

Figure A2. Business zones descriptions. Source: Auckland Council District Plan (Isthmus Section)

The Business 3 zone with its 30m height was applied to Newmarket in recognition of its function at the time as a sub-regional centre and the level of development provided under earlier planning rules. Newmarket and Otahuhu are the only centres in the Isthmus Plan with Business 3 zoning.

The Business 2 zone was applied across the Isthmus to retail centres with more than half a dozen shops. The Mixed Use zone is applied to areas of light industrial land (formerly Business 4) identified by the Auckland City Council as being high in amenity and in good proximity to the CBD.

Areas of Business 4 that still remain in the city fringe are those that were identified as not being appropriate to be rezoned to Mixed Use due to the type of activity operating on them at the time.

Most of the residential land in the city fringe has been zoned Residential 1 or 2 (character zones) although there are pockets of higher density residential zones, reflecting early planning approaches that encouraged intensification closer to the CBD.

The centres and commercial precincts of the city fringe differ in the amounts of business zoned land and the types of zones. Large areas of mixed use zone apply to most commercial precincts, including College Hill, Arch Hill, Newton, Grafton and Newmarket. Upper Symonds centre is also zoned mixed use. This zone encourages many types of activities, however limits industries and activities that have potential to generate lower amenity.

The centres, Grey Lynn, Ponsonby, and Parnell are generally zoned Business 2, with residential and mixed use zoned land included beyond the sites fronting the main street. Three Lamps and K Road centres have a mixture of mixed use and traditional business zones.

Business 8 zoning features in a number of locations in the city fringe. This zone was developed as a floating zone applied to enable comprehensive redevelopment of large sites and requires a concept plan to be developed. It was applied to Carlaw Park (Parnell commercial precinct), land on the eastern side of Symonds Street (partly in Upper Symonds centre and partly in Grafton commercial precinct), land located between K Road and Hopetoun Street (K Road Centre), and the former Blind Institute on Parnell Road (Newmarket commercial precinct). While there is considerable variation, the concept plans of the Business 8 zone generally provide for taller development than the zones that surround the land, specify landscaping requirements and access points, and have a specific list of activities - generally permitting office and residential but not retail activity.

Within Grafton commercial precinct, Auckland City hospital has a "Special Purpose 1" zone, and the Medical School has a "Special Purpose 2" zone, which allow for the operation of these two activities. Schools in the City Fringe are also zoned Special Purpose 2. The Zoo and MOTAT in the Western Springs Community precinct are zoned Open Space 5 as is the Tennis Centre in the Domain Precinct. The Museum, also in the Domain Precinct, is zoned Open Space 4. These open space zones have been specifically tailored for the activities located on them and limit commercial activities.

A2. District plan changes

The city fringe has undergone extensive gentrification over the last two decades. Some of this is linked to changes in the objectives, policies and rules in the Auckland City Isthmus District Plan.

Mixed Use

A significant change affecting many fringe locations was the introduction of the Mixed Use zone. Notified in 2001 and operative in 2006, the mixed use zone was created from the Business 4 zone. The Business 4 zone had provided for a wide range of light industrial and commercial activities and made provision for development of new residential units or conversion of existing buildings into residential units. The rules for residential development and other activities were far more liberal in the Business 4 zone than in the residential zones. They included more permissive height limits (15m), zero lot boundary controls and no controls on residential unit density. This combined with market forces resulted in an unprecedented number of residential unit developments within the Business 4 zones in the period from 1996-2000, many of these around the immediate city fringe, in areas such as Grafton, Grey Lynn, Ponsonby, Parnell, Newmarket and Mt Eden.

As a response to concerns related to the loss of land for business, reverse sensitivity (complaints from residents about adjacent business activities), interface clashes between business and residential users, particularly over operating hours, the Mixed Use zone was developed. The bulk of the Business 4 zone in the city fringe was changed to Mixed Use on the basis of proximity to the CBD, and to retail, public transport, leisure and entertainment. Controls on urban design, amenity and development related to privacy, access to light, private open space and noise were introduced to support the development of new residential/ mixed use buildings and conversion of existing buildings to residential use. The ability to have residential units was removed from the remaining areas of Business 4 zone.

It has been suggested that the impact of the mixed use zone was to make it problematic for some business activities to comply with higher amenity requirements and activities relocated to industrial areas such as East Tamaki, however it is also likely that landowners responded to the higher value applied to fringe land due to its attractiveness. Surveys of apartment dwellers indicated that proximity of the fringe to a wide variety of services, shops and entertainment and the character and vibrancy offered by the older development and mix of activities were perceived as being reasons for living in the area and the development market responded.

Land occupied by less intense business activities on large sites (brown field) became attractive for redevelopment and those with character buildings for reuse. The redevelopment of industrial sites such as the former Auckland Gas works at Beaumont Street (Beaumont Quarter from 2001 - 2010) for residential and office use; and reuse of industrial buildings such as the former Nestlé site at St Georges Bay Road became the catalyst for further changes in fringe areas.

Character protection and other district plan controls

Concern at the loss of historic and character buildings was also an issue for the fringe. The risk of losing a high proportion of Edwardian and Victorian development saw Council introduce the Residential 1 zone and apply it to residential land in the city fringe. Along with the 'character zoning' came the ability for some residential buildings in certain locations to be used 100% for commercial use.

Communities also advocated for the introduction of controls on the demolition / design and appearance of new buildings in centres. The Council responded with changes to the district plan:

- Ponsonby Road (Ponsonby Centre Plan introduced in 1999);
- Parnell Road (Parnell Centre Plan introduced in 2003);
- Symonds Street, West Lynn and Grey Lynn (Character Overlay plan change introduced in 2004).

These provisions may have slowed down the demolition of character buildings and construction of new buildings and introduced more lenient parking requirements for activities located in existing character buildings, making it viable to upgrade and restore character buildings. In the case of Ponsonby centre, it was noted that the retention of the heritage character controls was a critical factor for the success of businesses.

A3. Development Contributions policy

Prior to 2002 Auckland City Council obtained reserve contributions under the Resource Management Act (RMA) for each new residential unit, based on land value to mitigate the effects of new development. Contributions were not taken for new business development or activity.

After 2002 when the Local Government Act 2002 applied, contributions were able to be required from developers for all new development to help fund the cost of new or expanded infrastructure required to meet the additional demand created by growth. The Council was required to prepare a Development Contribution policy and as the policy evolved, contributions were required for new non residential development to fund transport and stormwater infrastructure. The value of the contribution was linked to the amount of floor area constructed and the type of use. While development contributions for reserves are fixed in the legislation, there is no limit on other contributions. Contributions are assessed on all applications for building consents, land use (resource) consents, and subdivision (resource) consents. Development contributions are also assessed, in certain circumstances, on service connections.

It is not clear what direct impact the Council's development contribution policy has had on the level of business development occurring in the city fringe but it is recognised that development contributions have the potential to influence urban form through the price signals they can send.

In the early 2000s Auckland City reviewed the impact of the financial contributions regime as it was creating inequities, and in those parts of the city with comparatively high land values (e.g. Newmarket and Ponsonby) the level of financial contributions was constraining residential development. It is noted that there was no contribution levied from new residential development occurring in the CBD for a period in the 1990s.

From 1 July 2012 Auckland Council has been operating under a new contributions policy. This policy is equitable in a manner, as it is not based on land value and applies the same rates to any development within a sub-regional funding area (e.g. all fringe developments would fall under the central funding area). Under this policy, location will not be a factor that affects future development feasibility through differential contributions charges.

A4. Other changes

In addition to gentrification and development, the attractiveness of the city fringe was enhanced by the loosening of restrictions on café seating on public roads and changes to licensing laws. The fees charged for the use of the public footpath for seating were determined by the different community boards and these varied. Currently, under Auckland City Council's Bylaw No. 20 - Public Places 2008, street trading licences can be applied for and these may be subject to a processing fee and public space rental charges.

A5. Differences between Isthmus plan and Unitary Plan

On initial review, the March 2013 draft Unitary Plan appears to carry over a similar resource management approach as that applied through the Isthmus district plan for much of the fringe. However, closer review has signalled that there are some differences.

The similarities are in the general approach. What appears to be a retail focused business zone is applied to the main retail strips, and a Mixed Use zone or residential zoning is applied to the land beyond. Zonings are shown in Figure 6-4.

Along Ponsonby Road, Parnell Road and Symonds Street the retail focused zone is the Town Centre zone. The Metropolitan Centre zone is applied to the former Business 3 zone land at the core of Newmarket. The retail strips at Grey Lynn and West Lynn previously had the same zoning as the other retail strips in the fringe, but have been identified as Local Centres, not Town Centres. The immediate implications of this change is that sites in Grey Lynn / West Lynn will require non complying resource consents for new office development with more than 500m² of floor area and development with more than 450m² retail will also require restricted discretionary resource consent. These are permitted in the Town Centre zone. Supermarkets are also treated differently in Local Centres.

The small section of K Road in the fringe has a Business 2 zone in the operative plan as it was located within the Isthmus district plan area. It is proposed to have a City Centre Zone, which is the same zone applied to the rest of K Road. Most activities (retail, office, residential, light manufacturing visitor accommodation) are permitted in the zone, with no limit on floor area.

Unitary Business zone	Plan	Centre / Commercial precincts where zone is predominant	Activities permitted include
City Centre		K Road centre	Dwellings, visitor accommodation, commercial services, offices, retail, care centres, community facilities, educational facilities, light manufacturing
Metropolitan Centre		Newmarket centre	
Mixed Use		College Hill commercial, West Lynn commercial, Arch Hill commercial, Newton commercial, Newmarket commercial, Parnell commercial	
Town Centre		Ponsonby centre, Three Lamps centre, Upper Symonds centre, Parnell centre	
Local Centre		Herne Bay centre, Grey Lynn centre	
Light Industrial		Grafton Commercial	

Figure A3. Summary of zones in draft unitary plan applied to the City Fringe centres and commercial areas. Source: Draft Auckland Unitary Plan March 2013.

The main differences in zoning approach between the operative plan and the draft Unitary plan appear to be:

The Mixed Use zone applied to the commercial land around the retail centres is slightly different to the mixed use zone in the Isthmus plan. Where there is no limit on the amount of floor area used for offices in the Mixed Use zone in the Isthmus plan, here there is a 500m² limit in the draft Unitary Plan on the amount of floor area as a permitted activity for office in a site. This means that any proposal with more than 500m² floor area requires consent as a discretionary activity. In addition, residential uses are permitted in all of the centre zones in the draft Unitary Plan, where there are resource consents required for new residential activities in the Business 1, 2 and 3 zones under the Isthmus plan.

Residential areas in the vicinity of Great North Road / Richmond Road and around Grey Lynn (Residential 6a and 6b under the Isthmus plan) and in Parnell around Birdwood Crescent and St Stephens Avenue and along Parnell Road itself (Residential 6b, 7a and 7b) are identified as being in the Terrace Housing and Apartment Building zone under the draft Unitary Plan. Unlike the Isthmus plan zones, this zone has no maximum density and with a 14.5m maximum height, provides for significantly more development than under the Isthmus plan. Therefore there is greater opportunity for residential intensification provided in the draft Unitary Plan throughout the fringe. This is in line with the Auckland Plan's guidance of intensifying residential growth to have an average of 40 – 60 dwellings per hectare.

Other differences are seen in the treatment of the sites between Boston Road and Nugent Street and sites fronting Khyber Pass that are zoned Mixed Use under the operative plan. These are proposed to be zoned Light Industrial in the draft Unitary Plan. While this zone permits new building development without the need

for a resource consent and with no height limit, it does not provide for residential use and only permits offices associated with an industrial activity to be located on the site.

Another key difference is the requirement for all new buildings in the City Centre, Town Centre, Local Centre, Mixed Use and Terrace Housing and Apartment Building zones to be the subject of a resource consent to ensure assessment of design and appearance. This requirement generally only applies under the Isthmus plan in the Mixed Use zone and where there is a character overlay applying in town centres.

Other layers of control are introduced through the Unitary Plan to much of the fringe such as:

- Differences in maximum height

Operative Zone	Plan	Location	Operative Plan Height	Draft Unitary Plan Height
Business 2		Grey Lynn	12.5m	16.5m or 4 storeys
		West Lynn	12.5m	16.5m or 4 storeys
		Parnell	12.5m	16.5m or 4 storeys
		Ponsonby	12.5m	16.5m or 4 storeys
		K Road	12.5m	15m
		Newton	12.5m	32.5 m or 8 storeys
Business 3		Newmarket	30m	72.5m or 18 storeys
Mixed Use		All	15m	16.5m or 4 storeys
Business 4		All	15m	No height limit in Light Industry unless located close to residential zone or open space

Figure A4. Maximum heights of Isthmus district plan and Draft Unitary Plan

In relation to height, other rules of the Unitary Plan (building in relation to boundary and, in the case of Newton and Newmarket, the special height limits associated with volcanic view shafts and sunlight admission) limit the potential to achieve the maximum heights.

- Reverse Sensitivity rules affecting sites in close proximity to arterial roads:
 - Air Quality (affecting child care facilities)
 - Transport Corridor Separation (requiring new residential development to provide internal acoustic privacy).
- Heritage rules
 - Character controls apply to the specific centres. These are similar to those of the character overlays and centre plans that currently apply under the Isthmus plan, and require new development to support the character of a centre.
 - Heritage buildings continue to be identified and scheduled (this assessment has not looked at whether there have been any new heritage buildings / sites included)
 - A new rule, the Pre 1944 Demolition Control, applies to the remainder of the land in the fringe. This rule requires a resource consent to be applied for where it is proposed that a building built before 1944 is to be demolished. The application could be declined.
- Landscape / Natural Heritage rules

- view shaft controls to protect significant views of Auckland's volcanic cones that currently apply under the Isthmus Plan have been carried over to limit the height of buildings penetrating volcanic view shafts (particularly affecting the Newton town centre, Mixed Use zoned land around Boston Road / Nugent Street and Newmarket)
- view shafts from the Museum affecting a small section of Parnell are also retained.
- Building and Development controls on key retail frontages (Ponsonby Road, Parnell Road, Broadway and much of Newmarket, Symonds Street) are applied to:
 - control the use of blank walls, vehicle crossings and require new buildings fronting roads with high pedestrian values to have a minimum height, ensure streets are well defined by buildings and provide a sense of enclosure to enhance pedestrian experience
 - require verandahs to provide pedestrians with weather protection, safety and amenity (this is not a new rule but may be applied to more sites than previously)
 - restrict the location of Billboards (previously only controlled through bylaws)
- Identification of special areas:
 - a larger Tertiary Precinct at Park Avenue and Park Road (based on the Medical School)
 - Schools and other facilities such as MOTAT, the Zoo and Western Springs Stadium are also subject to precinct rules.

A6. Implications of Unitary Plan

In terms of future economic growth and development, one of the most significant changes is in relation to rules being introduced to limit the number of parking spaces able to be provided on a site ("parking maximums") within much of the city fringe (and to land zoned Metropolitan, Town and Local Centres, Mixed Use and Terraced Housing and Apartment Buildings). This rule may be perceived by some business operators to be a significant constraint on future business growth and development, as access to the motorway system was identified by the Business Associations as a key attribute of the city fringe.

The absence of on-site parking is not a new issue for some existing business activities in the city fringe who either rely on existing use rights under the RMA¹⁸, or benefit from parking requirements in the Isthmus plan for character areas which are less onerous than elsewhere to discourage redevelopment of sites.

The removal of parking requirements may provide benefits to landowners in the centres and commercial areas, as it means that land previously required for parking could potentially be developed. This may be seen as a windfall by some landowners and may result in redevelopment of some sites as a consequence. For many businesses, on-site parking is seen as being an essential part of their operation, and those who do not own the sites they operate from may be forced to relocate (temporarily or permanently) out of the fringe or to other locations within the fringe.

For residents located around commercial areas and areas of apartments and terraced housing, having parking maximums may be perceived as encouraging more parking in their roads and there may be complaints about nuisance parking on local roads and calls for parking restrictions to be introduced.

A range of activities are often found supporting business development around the fringe. In some areas these activities are a substantial part of the attractiveness of the location. Activities include childcare, commercial

¹⁸Under Section 10(1) of the RMA, land may be used in a manner that contravenes a rule in a district plan or proposed district plan if both the use was lawfully established before the rule became operative or the proposed plan was notified, and the effects of the use are the same or similar in character, intensity and scale.

parking, postal services, cafés and convenience retail (delicatessen, bakery etc). Care centres are permitted in all business zones other than “general business”, where they are discretionary, and the other activities are provided for in both the Town Centre and Local Centre and Mixed Use zones. The only exception is in relation to commercial parking where the draft Unitary Plan makes short term non-accessory parking (parking not related to activity on the site) a discretionary activity in the city centre fringe, and long-term parking a non-complying activity. This means that businesses such as Wilson and Tournament car parking and even Auckland Transport with its off street areas will need to obtain resource consent for new development (e.g. parking buildings) or new parking areas. Access to parking for customers (where it is not provided on site) may be a critical matter for some city fringe businesses. The requirements related to non-ancillary parking may be seen as a constraint for some.

It is understood that the application of the Light Industry zone in the Grafton area has been questioned by the Uptown Business Association,¹⁹ and while it may reflect some existing activities such as Boston Wardrobes and JA Russell’s warehouse and office at 49 Boston Road (reputably the single largest distribution point in the electrical wholesaling industry in New Zealand)²⁰ it may be seen as a constraint for redevelopment of the area.

In general it is considered that the draft Unitary Plan should provide the opportunity for more economic growth, as it allows much of the fringe to be intensified and provides no real constraints in relation to the various industry sectors that are identified as being prevalent in the fringe. The key issues are whether the redevelopment opportunities provided in terms of height and no requirement for parking will be carried over into the notified version of the Unitary Plan, as there has been significant public feedback on the issue of height and the Council has signalled that it will revisit height.

If there is significant redevelopment as a result of the Unitary Plan there may be some temporary loss of businesses as they are required to relocate. The uncertainty is whether the redevelopment will enable them to return, or residential use replaces them.

B. Infrastructure

B1. Access to ultra-fast broadband

Access to secure and fast broadband is likely to be a key requirement for many sectors. The business case for the government funding the roll out of Ultra-Fast Broadband (UFB) highlighted a number of benefits. In relation to business it was to provide the opportunity to improve productivity. The business sector was identified as a priority for rollout of UFB, with a policy goal of most businesses having access to the network by 2015. Cost savings identified²¹ included:

- businesses making cost savings as they are able to reduce their reliance on servers in-house and move to remote, cloud based storage.
- productivity improvements and increased revenue generation from implementation of new UFB-based solutions, especially in product development, innovation and customer relationship management.

The Council²² notes other benefits such as:

- easier to send and receive large files

¹⁹ Phone conversation June 2013 with Gary Holmes

²⁰ JA Russell website, <http://www.jarussell.co.nz/Profile/tabid/55/Default.aspx>

²¹ <http://www.crownfibre.govt.nz/business/>

²² <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/CouncilProjects/Pages/ultrafastbroadbandinAuckland.aspx>



Figure B2. Bus routes in the city fringe. Source: Auckland Transport "Central Guide", February 2013

Of the city fringe locations, only Newmarket, Grafton and Eden Terrace (in Upper Symonds centre) have access to rail services. The Grafton station was previously on the edge of the fringe, and has recently moved further within the fringe, accessed from both Khyber Pass and Park Road. Rail services to these stations make these locations more accessible to employees living further away. Newmarket, as a key station with services from the west and south, is well placed.

Auckland Transport is currently consulting on a 'New Network' which uses a significantly different model (see Figure B3). This new network will be considered and implemented over the next three years. The network is intended to be simpler to use, less radial, and will benefit from the ability to transfer buses with the integrated HOP card payment system. Auckland Transport intends that public transport becomes much more popular; this would support the removal of car parking minimums in the city fringe. The western side of the fringe would benefit from increased accessibility, for example Jennifer Northover of the Grey Lynn Business Association believes that Grey Lynn needs to be better served by public transport and the proposed new bus routes will make Grey Lynn more accessible from across the city.



Figure B3. Auckland Frequent Network 2016 (proposed). Source: Auckland Transport

City Rail Link

When constructed, the City Rail Link (CRL) will have an influence on the city fringe, as the preferred route option (identified in Figure B4 below) includes new stations at Newton and K Road. While the Newton station would be within the Upper Symonds Centre precinct, it could be expected to impact on both the Newton Commercial and Grafton Commercial precincts as they would be within 10 minutes walking distance of the station. Similarly, the K Road station (located within the City Centre Area) could also be expected to have an influence on the K Road Centre precinct as it is within 10 minutes walking distance of the station.

Notices of Requirement by Auckland Transport to designate the route including underground tunnels were notified in January 2013 and, funding permitting, the Notice signalled an intended construction completion date of 2021. A June 26 2013 announcement by the government that it would fund half of the project also signalled a construction delay until 2020.



Figure B4. Route for City Rail Link. Source: Auckland Transport website CRL page

The APB&B business case in support of the CRL²³ identified anticipated future demand to be 3,000 passengers at the K Road station and 2,500 passengers at the Newton Station at 2021, increasing to 5,500 and 3,300 respectively by 2041. An economic evaluation including transformational benefits anticipates economic benefits of between \$3.3 and \$6.9 billion.

The benefits of the CRL are outlined in the report indicating that where cities have invested in rail serving the CBD, there has been significant growth in the office market. While this supports the CBD primarily, it will also influence those areas near the stations. Real estate values are expected to increase around stations, both residential and commercial because of increased access. Properties within walking distance experience the greatest benefits.

In addition to the new stations, the CRL provides increase rail services by providing a through route to the current dead end. Therefore existing stations at Newmarket, Grafton, and Mt Eden within the City Fringe could also be expected to experience some benefits.

Additional benefits highlighted by the study from transit oriented development around stations includes, potential for joint venture partnerships, increased property values, better places to work live and play, reduced crime and increased safety, increased employment opportunities, increased foot traffic, increased access to labour pools (page 61).

The APB&B report identifies areas of underutilised land near to the stations that provide opportunities for improvement, with reference to the current planning rules that provide for increased development. In the vicinity (1km) of the K Road and Newton stations, employment densities are identified as having the potential to increase four-fold with the support of additional incentives such as policy initiatives, public realm upgrades and/or other catalyst projects.

²³ APB&B (2010) *Business Case: Auckland CBD Rail Link*



Figure B5. Ten minute walking catchment from proposed K Rd Station. Source: APB&B (2010) Business Case: Auckland CBD Rail Link, p64



Figure B6. Ten minute walking catchment from proposed Newton Station. Source: APB&B (2010) Business Case: Auckland CBD Rail Link, p68

The Assessment of Environmental Effects (AEE) for CRL notes that while the CRL has the potential to bring benefits to the city fringe due to enhanced access, there are adverse effects that may impact on landowners and existing businesses before and during construction. These include:

- effects on a large area of land located off New North Road between Nikau Street in the north, Mt Eden Road and Flower Street in the east, and Porters Avenue to the west, due to both the effect of the lapse period of twenty years for the designation prior to construction; and the land being unavailable for other land use activities for 5 to 6 years during construction and the post construction period, and
- potential construction effects such as noise and vibration on existing businesses located above the CRL and around the station, affecting activities that may be particularly sensitive e.g. MediaWorks in Flower Street.

The AEE²⁴ notes that the size of the consolidated area being taken during construction and the period of redevelopment post construction, in conjunction with the lapse period, could cause the relocation of a number of residential, commercial and light industrial businesses, and reticence in relation to future investment and development or create uncertainty in terms of lease and tenancy arrangements. The AEE notes that while the effects of 'blighting' can be mitigated through the implementation of a property acquisition strategy, it is not yet clear what the effects will be on the area immediately outside the construction area. Anecdotal feedback from the Uptown Business Association is that businesses are already considering relocation options.

B3. Private transport

Figure B7 shows the regional roading network, with the regional strategic network in red and the regional arterial network in green. The fringe is generally well connected to the regional strategic roading network, i.e. motorways and key arterial roads providing access for customers and for freight, although congestion at peak times is common, which reduces accessibility.

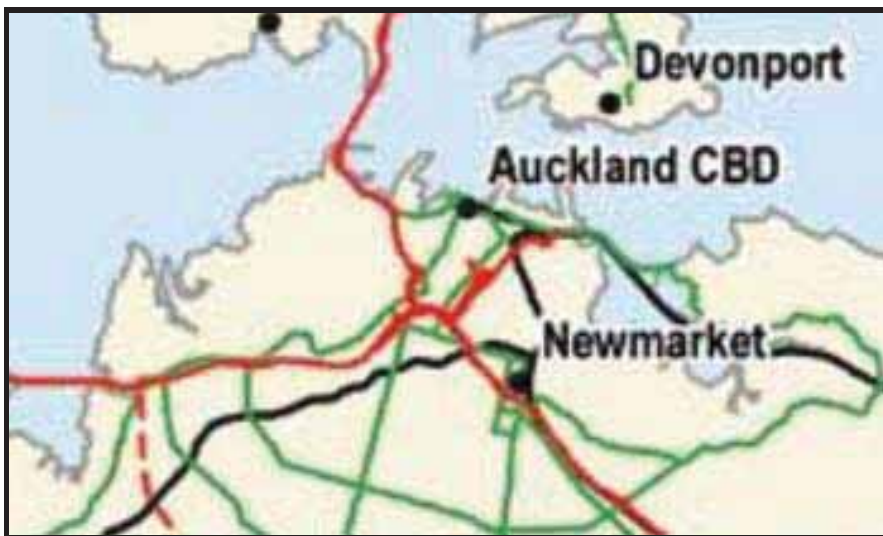


Figure B7. Source: Map 5, Auckland Regional Land Transport Strategy 2010.

C. Research reports

C1. Auckland's creative industries report 2009

This report is the third in a series on Auckland's creative sector (previously done in 2005 and 2007), and was based on 2008 Business Demography data. The former Auckland City area had the largest concentration and growth in creative sector in NZ. Auckland City was home to 36% of national employment in the creative sector.

²⁴ City Rail Link Notice of Requirement: Assessment of Effects on the Environment, 15 August 2012, page 206

Since 2006, Auckland city's creative sector employment growth had outperformed national creative sector growth by almost 6 times (2.9% per year compared to 0.5%).

Key sub sectors of the creative sector in Auckland city are design (advertising, architecture, graphic design), publishing (newspaper, book and periodical) and screen production, radio and digital media. These three sub sectors made up 84% of Auckland city's total creative sector employment. The other smaller sub sectors are performing arts, visual arts and music.

In terms of location, the report found that three-quarters of Auckland City's creative sector employment was in the CBD (35%) and the city fringe (37%). The analysis by location (based on census area units, different to the precincts used in this report) noted the following characteristics of creative sectors in city fringe locations:

- **Grafton/Mt Eden** has 12% of Auckland city's creative sector employment and 7% of creative businesses. It is an important employment centre for the visual arts, architectural design and digital media services. (Note: includes Newton, Upper Symonds, K Road, Grafton)
- **Ponsonby**, with 12% of the city's creative sector employment and 15% of creative businesses, is an important employment centre for music, accounting for almost half of the city's employment. (Note: includes College Hill, Herne Bay, Three Lamps, some of Arch Hill, Ponsonby)
- **Parnell/Newmarket**, with 13% of the city's creative sector employment, is a key employment centre for design – primarily advertising and architectural service, and visual arts.

While creative employment is concentrated in the CBD and fringe, creative businesses (geographic units) are more dispersed across the city, although 41% are still in the CBD and fringe. The report notes the following traits for creative businesses:

- A quarter of TV and radio businesses are located in Ponsonby and another 21% in Grafton/Mt Eden and Parnell/Newmarket combined.
- The most geographically dispersed creative sector is performing arts, however Ponsonby has 15% of performing arts businesses.
- One third of the city's design businesses are in Ponsonby, Parnell/Newmarket and Grafton/Mt Eden.
- Publishing has a strong focus in two areas, the CBD and Ponsonby.
- A fifth of film and video business are located in Ponsonby and another fifth in the CBD and rest of the fringe (Parnell/Newmarket and Grafton/Mt Eden).
- Music businesses tend to be located on the fringe or outside the CBD e.g. Ponsonby (17%) when compared to the creative sector in general.

C2. Albert-Eden economic profile

Albert-Eden Local Board area is adjacent to the city fringe area, with clear relationships between the two areas, particularly around the Eden Terrace / Newton areas which have similar characteristics.

An economic profile was prepared in January 2013 for the Albert-Eden Local Board area identifying that Normanby and Newmarket South have the highest employment counts in all the Albert-Eden 'centres' (4,700 and 3,000 respectively). While there are large institutions in these parts of Albert-Eden (including Auckland Grammar, Mt Eden Prison, Diocesan and Dilworth schools), proximity to the city fringe could also be a factor in the high employment levels.

The economic profile also shows that while many residents of Albert-Eden work in the CBD, they also work in parts of the city fringe (Newmarket, Grafton, Parnell, Arch Hill and Freemans Bay). Albert-Eden does not appear to be competing with the city fringe in terms of employment, because its largest sectors are health care and education reflecting the largely residential nature of the area. It does, however, indicate that there are many employees of the city fringe living in the neighbouring Local Board area, which is important to understand.