

BEFORE THE QUEENSTOWN LAKES DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER Plan Change 50 (Queenstown Town Centre Zone
Extension) to the Queenstown Lakes District Plan

STATEMENT OF EVIDENCE OF FRASER JAMES COLEGRAVE

1 Executive Summary

- 1.1 This evidence analyses the likely economic effects of the plan change. It starts by identifying likely uses of the site – both with and without the plan change – then converts each to measures of economic (on regional GDP, incomes and employment). It finds that the plan change is likely to have much higher impacts than the status quo, even absent the convention centre. In fact, construction impacts are estimated to be twice as high under the plan change than without it, and operating impacts around 20 times higher. As a result, I conclude that the plan change provides greater opportunities for economic growth and employment than the status quo – a key focus of the new section 32 provisions in the RMA.
- 1.2 Having quantified likely economic effects, I then consider potential adverse effects, particularly retail distribution effects on other centres. Overall, I conclude that these are very unlikely, both because existing centres are healthy and vital, but also because the site is highly unlikely to attract retail at a scale that could cause adverse effects in the first place.
- 1.3 Finally, this evidence addresses various issues raised in submissions, including the perceived risk of public and private investment being detracted from the CBD. It concludes that such risks are minor, mainly because the type of development that will occur on the site is likely to differ from the type of development that would normally occur in the CBD. As a result, and acknowledging the likely economic impacts, I support the plan change.

2 Introduction

- 2.1 My name is Fraser James Colegrave. I am the managing director of Insight Economics Limited – an economics consultancy based in Auckland. I have 15 years' experience as an economics consultant, the last 12 of which I was a founding director of Covec Limited. I have a first-class honours degree in economics from the University of Auckland, and am a member of the New Zealand Association of Economists, and the Resource Management Law Association.
- 2.2 I have successfully led and completed over 200 consulting projects, including several in the Queenstown Lakes district, such as:
 - (a) Economic evidence on plan change 24 (affordable housing)
 - (b) Economic/retail analysis on plan change 16 (Three Parks)
 - (c) Detailed land-use projections for plan change 19
 - (d) Demographic and dwelling demand projections
 - (e) Analysing options for minimising speculative land banking
 - (f) Analysis of possible funding options for the proposed Convention Centre
 - (g) Projections of retail supply and demand (to support retail planning), and
 - (h) Economic evidence on the PAK'nSAVE and Mitre 10 Mega applications.
- 2.3 I became involved in the current matter in May 2014, when I was commissioned to analyse the potential economic impacts of the proposed rezoning. The plan change has been

described in detail by Mr Speedy of the Queenstown Lakes District Council. I rely on that description and do not repeat any of it here.

- 2.4 I have read the Code of Conduct for Expert Witnesses outlined in the Environment Court's Consolidated Practice Note and have complied with it in preparing this evidence. I also agree to follow the Code when presenting evidence to the Council. I confirm that the issues addressed in this brief of evidence are within my area of expertise and that I have not omitted to consider material facts known to me that might alter or detract from my opinions.

3 Scope of Evidence

- 3.1 My evidence combines and summarises three economic assessments prepared for the plan change. It analyses the likely economic effects of the plan change relative to the status quo. To satisfy the new section 32 requirements of the RMA, I explicitly estimate the direct and indirect effects of construction and operations on regional GDP, incomes and employment (both with and without the plan change). In addition, I consider any potential adverse effects of the plan change before reaching a conclusion.

4 Key Findings

Likely Future Use and Impacts Without the Plan Change

- 4.1 In order to properly evaluate the plan change, I first consulted with stakeholders to determine how the site might be used in future under its existing zoning. The consensus view was that it would probably be developed as a mixture of higher-density residential dwellings plus visitor accommodation.
- 4.2 While this land use would undoubtedly provide a nice living environment for prospective residents, it would not address the pressing need to expand CBD capacity. However, it would provide some brief economic stimulus during construction, and possibly also some longer-term stimulus to the extent that it includes visitor accommodation (and hence contains economic activity).
- 4.3 To quantify the possible economic impacts of construction and future operations without the plan change, I used a special type of analysis called multiplier analysis. This shows how the various sectors of an economy are interrelated so that the flow-on effects of a change in one sector can be quantified.¹ Applying this to the projected land use absent the plan change, I estimated the following economic impacts including flow-on effects:
- (a) Construction impacts equal to a \$34 million boost in GDP, 520 fulltime jobs for 1 year, and additional household income of \$26 million.
 - (b) Annual operational impacts equal to GDP of \$8 million, 200 permanent full time jobs, and additional household income of \$4.5 million.

¹ Consider the following example. Suppose a local furniture manufacturer has just won a large, new export order. In addition to extra staff, the company will need to source a range of materials from its suppliers to complete the job. These suppliers, in turn, will need to source various inputs from their own suppliers, and so on. Multiplier analysis traces all these interdependencies so that the wider economic impact of the export order can be estimated. In addition, it translates the associated increases in supply chain employment into new household spending, which give rise to even further economic impacts.

Likely Future Use With the Plan Change

- 4.4 Next, I considered potential future land uses under the plan change. While the focus of this has previously been on the proposed Queenstown Convention Centre, it is important to realise that funding has not yet been secured for this yet and hence it remains uncertain. Accordingly, I excluded it from my default plan change scenario, and instead briefly reviewed the likely effects of the convention centre separately. As a result, my default scenario for the plan change comprised the following:

- (a) 4 hotels (410 rooms in total)
- (b) 2 blocks of high density residential (310 dwellings)
- (c) 1 block of medium density residential (6 dwellings)
- (d) 3 blocks of commercial and retail use (total GFA of 20,230m²), and
- (e) Hot pools.

Economic Impacts of the Default Plan Change Scenario

- 4.5 As with the status quo, the economic effects of the default scenario will include both the one-off impacts of construction, plus the ongoing impacts of business operations. Again, I estimated these using multiplier analysis. Specifically, including flow-on effects, I estimated the economic impacts of *construction* for the default scenario to be:

- (a) \$86 million of additional regional GDP,
- (b) 1,650 additional full-time jobs for 1 year, and
- (c) \$65 million of additional household income.

- 4.6 Further, I estimated the ongoing economic impacts of *operations* to be:

- (a) \$177 million of additional regional GDP,
- (b) 2,370 additional full-time jobs, and
- (c) \$121 million of additional household income.

- 4.7 Beyond these headline numbers, the default scenario will also have a number of other benefits. In particular, it will provide a much needed expansion of the CBD, which in turn should help the district to achieve its long term tourism potential.

Potential Economic Effects of the Convention Centre

- 4.8 As noted above, the future of the Convention Centre is uncertain. However, several studies have been done to estimate its potential effects, each using a slightly different set of inputs and assumptions. Having reviewed the various reports, I elected to adopt the BERL figures and make some minor adjustments to reflect recent changes in estimated construction costs and likely funding arrangements. Following are the resulting estimates of regional impacts (including flow on effects) for the proposed Convention Centre:

- (a) Construction impacts equal to a \$10.2 million boost in GDP, and 118 fulltime jobs for 1 year.
- (b) Annual operational impacts equal to GDP of nearly \$31 million and full time jobs for around 460 people.

4.9 Over and above these quantifiable economic impacts, the convention centre would likely also deliver a range of other enduring strategic benefits. These include:

- (a) Smoothing of tourism seasonality,
- (b) Enabling new networking and strategic alliance opportunities,
- (c) Exposing local firms to new skills, technologies and techniques,
- (d) Increasing competition amongst the local network of conference venues, and
- (e) Improving knowledge of the area generally through destination marketing.

Potential Adverse Effects of the Plan Change

4.10 In addition to the economic benefits discussed above, I also considered the scope for potential adverse effects, particularly flow-on effects on other centres. Overall, I concluded that these are highly unlikely for several reasons, including that:

- (a) Retail development is unlikely to occur at a scale that would undermine the health and vitality of other centres.
- (b) Based on our detailed desktop studies and site visits, we found that other centres are trading well with few vacancies and high footfall. As a result, they should be well-placed to withstand any trade impacts caused by the plan change.
- (c) In fact, based on detailed real-world transaction data, we estimated that retail activities at Lakeview would need to displace around \$37 million annually from the CBD for the resulting trade impacts to be potentially significant. The corresponding figure for Frankton Flats was about \$18 million. Both, in turn, would require retail development to occur at a scale well beyond that enabled by the plan change. Accordingly, such impacts will not eventuate.
- (d) District retail expenditure is forecast to grow rapidly, so any loss of trade should be quickly recovered. Consequently, not only would trade impacts likely be minor, but they would also be short-lived.
- (e) Given these findings, I concluded that it was highly unlikely that trade impacts would give rise to significant adverse flow-on effects. I note that the evidence of Phil McDermott reaches similar conclusions.

Comparison of Effects with and Without the Plan Change

4.11 Prior to forming any conclusions, I compared the estimated economic impacts of construction and operation both with and without the plan change. In short, not only are construction impacts twice as high under the plan change than without, but operating impacts are also around 20 times higher with the plan change than without. Thus, it seems

clear that the plan change will provide greater opportunities for economic growth and employment than the status quo.

Overall Assessment and Conclusion

- 4.12 My work has analysed the potential future uses of the Lakeview site both with and without the plan change. While future developments absent the plan change will have some economic effects, these mainly relate to construction and will therefore be short-lived. Conversely, future developments under the plan change are likely to deliver a wide range of enduring economic and strategic benefits, even without the convention centre. In addition, future plan change developments are more likely to contribute to resource management issues facing the district, particularly a lack of commercial CBD land.
- 4.13 As a result, I conclude that the plan change is likely to deliver positive economic impacts overall, and should therefore be accepted on economic grounds.

5 Submissions

- 5.1 The first issue raised in submissions [by the Queenstown Chamber of Commerce] was the suggestion that commercial capacity be staged to avoid competition with the CBD. I consider this unnecessary for two reasons. First, I do not believe that the Lakeview area will compete directly with the CBD, but rather will complement and reinforce it. Second, it is highly likely – if not almost certain – that future development will be staged for commercial reasons anyway. Indeed, it is very uncommon for developments like this to be built all in one go.
- 5.2 More generally, some submitters [Memorial Property Limited and Remarkables Jet Limited] felt that the Lakeview site might detract public and private investment that would otherwise be directed towards the CBD. Again, I disagree. It is my professional opinion that the type of development that will occur at the site would not occur in the CBD. This is because existing CBD businesses are oriented towards tourism activities, whereas the activity mix at Lakeview is likely to be oriented differently. This, in turn, reflects both its slightly more remote location and slightly lower walkability.
- 5.3 The next economics issue was whether infrastructure could and should be provided to the site. While I have not been asked to address this issue before now, I would like to take this opportunity to make two related comments. First, I can see no reason why the site would not be serviced with infrastructure, just as any other urban development site would be. Second, since the council operates a development contributions policy to recoup the costs of such infrastructure anyway, I would not only expect the development to be serviced, but for it to fully pay its own way in this respect. Accordingly, I do not consider this a relevant issue for the plan change itself.
- 5.4 Finally, one submitter [Cath Gilmour] has queried the differences in employment impacts between my report and another report by NZIER. To clarify: the employment estimates in my report were sourced directly from a council-commissioned report by BERL. I continue to believe that they provide a reliable estimate of potential effects, and note that they differ from the NZIER figures due to differences in the underlying methodologies.

6 Conclusion

- 6.1 For the reasons outlined in my evidence I support the proposed plan change.

DATED the 10th day of November 2014

Fraser Colegrave
Managing Director