

FINAL REPORT: 25 November 2016

Economic impacts of the proposed Mt Cardrona Station development

PREPARED FOR

Mount Cardrona Station Limited

Authorship

This document was written by Fraser Colegrave. For further information, please contact him at the details below:

Mobile: (021) 346 553

Email: fraser@ieco.co.nz

Web: www.insighteconomics.co.nz

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Contents

1	Executive Summary	1
2	Introduction	3
2.1	Context, Scope and Purpose of this Report	3
2.2	Structure of this Report	3
3	The Development Options	4
3.1	Option 1 – Existing Provisions	4
3.2	Option 2 – Proposed Provisions.....	5
4	Methodology	6
4.1	Key Steps in the Analysis	6
4.2	Introduction to Multiplier Analysis.....	6
4.3	One off vs Ongoing Economic Impacts	6
4.4	Financial Models Developed for this Project	7
4.5	Residential Development Model	7
4.6	Commercial Development & Operating Model	7
4.7	Golf Course Development and Operating Model.....	7
4.8	Maturity Periods	8
4.9	Avoiding Double Counting	8
5	Modelling Assumptions	9
5.1	Residential Development	9
5.2	Commercial Assumptions (ex. Golf Course)	10
5.3	Golf Course Development & Operations.....	11
6	Summary of Key Development Metrics	12
6.1	Residential Development	12
6.2	Hotel Operations	12
6.3	Golf-Induced Tourism Spending.....	12
7	Estimated One-Off Impacts	14
7.1	Option 1: Existing Provisions	14
7.2	Option 2: Proposed Provisions.....	14
7.3	Comparison of Option Impacts.....	15
8	Estimated Ongoing Impacts at Maturity	16
8.1	Option 1: Existing Provisions	16
8.2	Option 2: Proposed Provisions.....	16
8.3	Comparison of Option Impacts.....	17
9	Wider Economic Benefits	18
9.1	Support for the Golf Tourism Strategy.....	18
9.2	Support for Year-Round Tourism Activity.....	18
9.3	Catalyst for Infrastructure Upgrades	18
9.4	Provision of New Housing Supply.....	19
10	Conclusions and Recommendations	20

1 Executive Summary

Context, Purpose & Scope of this Report

Mt Cardrona Station Ltd (MCS) owns land near the base of Cardrona Alpine Resort, which is currently zoned for a residential-led development of up to 1,000 units and a small amount of supporting commercial/retail activity.

Now, MCS wish to include a 12-hole golf course in the design. This will attract visitors to the development – thus helping support its commercial elements – while also making it a more attractive place to live and hence boosting residential land values.

To achieve the new vision, however, a District Plan change is required. To assist, this report analyses the likely economic impacts of the proposed changes relative to the existing provisions to help satisfy the requirements of section 32 of the RMA.

Methodology

The analysis first describes the two options under considerations – the existing provisions and the proposed provisions – and notes their similarities and differences. Then it outlines the methodology used to derive economic impacts.

The analysis starts by identifying the likely yields from each option and translating them into a set of financial impacts, which are then overlaid with regional economic multipliers to derive the resulting economic impacts. These comprise both the one-time effects of development planning, design and construction, plus the ongoing impacts of commercial operations, including the golf course and likely visitor accommodation.

A comprehensive set of models was developed to complete the analysis. These incorporate more than 130 user-defined parameters, which are fully-documented and for which the rationale behind key assumptions is explained.

Key Development Metrics

Before presenting our estimates of one-off and ongoing economic impacts, we first summarise several key development metrics. These include:

- That the existing provisions will deliver 576 dwellings, while the proposal will deliver 622. Average selling prices will be \$925,000 and \$878,000 respectively.
- By year 20 – the last year of our financial model – the hotel will sell 29,200 stay nights per annum under the baseline, and 43,400 nights under the proposal
- By year 20, golf-related tourists are expected to spend \$5.3 million per annum, 40% of which accrues to MCS and the other 60% to other district businesses.

One-off Economic Impacts

The following table compares the overall one-off economic impacts of the two options, including both direct and flow-on effects. It shows that the proposed development delivers slightly higher one-off impacts than the existing provisions, although any differences would likely be marginal in practice.

Table 1: Comparison of Estimated One-off Impacts

Impact Measures	Existing	Proposed	Change
Value Added \$m	\$127	\$139	9%
Employment	1,500	1,620	8%
Income \$m	\$67	\$73	9%

Ongoing Economic Impacts at Maturity

Next, Table 2 compares the ongoing annual impacts of each option at maturity.

Table 2: Comparison of Estimated Ongoing, Annual Impacts at Maturity

Impact Measures	Existing	Proposed	Change
Value Added \$m	\$17	\$27	63%
Employment	400	640	60%
Income \$m	\$10	\$16	62%

Clearly, the proposed development delivers higher ongoing impacts than the existing provisions. This is because our modelling assumes that the golf course:

- Helps support greater commercial activity at MCS, which generates greater ongoing impacts, and
- Will also attract additional tourists, whose non-golf expenditure generates even further ongoing impacts, particularly for the wider district.

Accordingly, the proposed provisions are expected to deliver much greater ongoing impacts than the existing provisions.

Wider Economic Benefits

In addition to the higher impacts estimated above, the proposed provisions will also:

- Directly support the NZ international golf tourism strategy.
- Enable Cardrona to become a year-round tourism location.
- Make a better contribution to dwelling supply (because it will achieve lower selling prices and hence be more affordable than the existing provisions), and
- Accelerate the delivery of critical wastewater infrastructure, which is required to service and enable other nearby developments.

Conclusion & Recommendation

Given the higher economic impacts of the proposed provisions, both quantitatively and qualitatively, we recommend that:

- The proposed provisions be selected as the preferred option by MCS, and
- The Council assist by making any changes required to achieve the new vision.

2 Introduction

2.1 Context, Scope and Purpose of this Report

Mt Cardrona Station Ltd (MCS) owns land near the base of Cardrona Alpine Resort, which is currently zoned for a master-planned residential development of up to 1,000 units and a small amount of commercial/retail/visitor accommodation activity.

MCS now wish incorporate a 12-hole golf course into the design to attract visitors and improve the overall value of the development. To do so, however, a District Plan change is required. To assist, this report analyses the likely economic impacts of the proposed changes relative to the existing provisions.

To maximise usefulness, this analysis has been specifically-designed to meet the recently-amended requirements of section 32 of the RMA, which emphasises the need to foster opportunities for economic growth and employment.

2.2 Structure of this Report

The remainder of this report is structured as follows:

- **Section 2** describes the development options analysed in this report.
- **Section 3** discusses the methodology used to estimate economic impacts.
- **Section 4** lists the modelling assumptions for each option.
- **Section 5** presents a summary of key development metrics,
- **Section 6** summarises the estimated one-off impacts of each option.
- **Section 7** summarises the estimated ongoing impacts of each option,
- **Section 8** briefly identifies potential wider economic benefits, and
- **Section 9** compares options and makes a recommendation.

3 The Development Options

This section describes the two development options analysed in this report:

3.1 Option 1 – Existing Provisions

Option one reflects the existing provisions which, as noted above, comprises a master-planned development of up to 1,000 dwellings plus associated commercial/retail/visitor accommodation activity. The underlying planning zone¹ spans 131 hectares, about 30% of which is developable, with the remaining 70% allocated to open spaces. The following figure illustrates one interpretation of the plans.

Figure 1: Illustration of Potential Development Enabled by the Existing Provisions



While the development has a theoretical capacity of up to 1,000 dwellings, it is likely to deliver a lower yield due to limited demand for higher density living in this area. Accordingly, the architectural drawings above reflect the ultimate delivery of only 570 residential/visitor accommodation units. While a greater yield may be possible depending on market demand, it is highly unlikely that the development would ever reach its theoretical plan-enabled capacity.

¹ Identified as the Mount Cardrona Station Zone in QLDC's Operative District Plan.

3.2 Option 2 – Proposed Provisions

Option 2 has many similarities to the existing provisions, but also incorporates the latest thinking in lot layout and sizes. Central to its design is the inclusion of a 12-hole golf course, which will help attract visitors as well as making the residential component of the development more attractive and hence improve its overall value.

Since MCS is not seeking to extend the area zoned for development to reflect the golf course, it instead wishes to tweak the minimum lot sizes for some activity areas to maintain residential development yields and hence maintain viability. For example, MCS seeks a reduction in minimum lot size from 1,000m² to 800m² for activity area 4. This will enable the proposed development to deliver roughly the same number of dwellings overall without compromising the development’s overall look and feel. At the same time, it will enable the provision of a world-class golf course, which will support and enhance other key elements, such as visitor accommodation.

Figure 2: Illustration of Proposed Development



In addition to boosting the overall value of the development, the golf course will also generate significant spin-off benefits by attracting high-spending golf tourists. This was one of the key themes of the 2013 New Zealand International Golf Tourism Strategy², which noted that new courses typically capture only 20%-25% of the economic impacts associated with their operations. Our analysis explicitly recognises this by analysing the wider economic impacts of the golf course on tourism spending across the district.

² <http://www.tourismnewzealand.com/media/1216411/nz-international-golf-strategy.pdf>

4 Methodology

This section describes the methodology used to estimate the impacts of each option.

4.1 Key Steps in the Analysis

Figure 3 sets out the key steps in the analysis, which starts by identifying likely development yields for each option and translating them into a set of financial impacts. Those financial impacts are then overlaid with regional multipliers tables to derive the resulting economic impacts of each development option.

Figure 3: Key Steps in the Analysis



4.2 Introduction to Multiplier Analysis

As noted above, this report uses multipliers to derive the economic impacts of each development option. These multipliers are derived from a highly-detailed matrix – called an input-output table – which shows the various sectors of the regional economy are interrelated.

Consider the following example. Suppose a local construction company wins a large building contract. In addition to labour requirements, the company will need to source a range of building products from its suppliers to complete the job. These suppliers, in turn, will need to source various inputs from their own suppliers, and so on. The input-output table traces all these interdependencies so that the direct and wider economic impact of the new building work can be estimated.

These economic impacts are defined in terms of three key metrics: regional value-added (GDP), employment, and household incomes.

To ensure that the analysis was as up-to-date as possible, it incorporates the latest (2013) multipliers derived by Insight Economics last year. These are in use by a wide range of public and private sector organisations across New Zealand and provide the most reliable basis for estimating economic impacts. For more information about these tables, please visit our website.³

4.3 One off vs Ongoing Economic Impacts

The economic impacts of each option will comprise both one-off and ongoing parts. The former reflects one-time increases in regional economic activity associated with the design and construction of the various development elements, while the latter reflects the ongoing impacts of operations. Those ongoing impacts arise from the development's

³ <http://insighteconomics.co.nz/input-output-tables/>

non-residential components, particularly the golf course, visitor accommodation and retail elements.⁴

4.4 Financial Models Developed for this Project

We developed three financial models to enable the estimation of economic impacts for each option. These are listed in Table 3 and described in more detail below.

Table 3: Financial Models Developed for this Project

Model Name	Applies to:
1. Residential development model	Both options
2. Commercial development & operating model	
3. Golf course development & operating model	Option 2 Only

4.5 Residential Development Model

The following diagram illustrates the scope of our residential development model, which starts with planning/design and finishes with the sale of completed dwellings

Figure 4: Scope of the Residential Development Model



It disaggregates residential development by activity area to reflect differences in lot size and hence dwelling sizes, and captures the impacts of all stages of the property development process.

4.6 Commercial Development & Operating Model

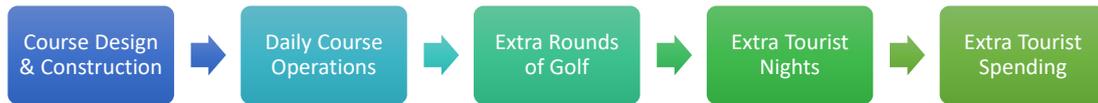
While the existing provisions largely enable residential development, they also include provision for a small amount of commercial activity. To capture the economic impacts of developing and operating those commercial elements (other than the golf course), we constructed a second model. It traces the development of each non-residential element, and then tracks its ongoing operations.

4.7 Golf Course Development and Operating Model

The final model captures the direct and indirect (flow-on) effects of developing and operating the 12-hole golf course. The following diagram illustrates its logic, which starts with course design and construction, and runs right through to capture induced tourist spending.

⁴ While MCS residents will also generate ongoing impacts, these are ignored because they would occur regardless of where in the district they lived.

Figure 5: Scope of the Course Development and Operating Model



The model assumes that the course will attract additional golf tourists to the district, which in turn generates extra tourist nights and hence extra tourist spending. Based on our experience elsewhere, we assumed that:

- 80% of additional rounds would be played by visitors versus locals, and that
- Each additional round by visitors generates an extra 0.8 nights in the district.⁵

Further, we conservatively assumed that half the extra tourist nights would be spent at MCS visitor accommodation, with the other half staying elsewhere in the district. To convert these additional nights into additional tourist spending, we then applied a daily spending profile specifically derived for district golf tourists (using official data from Tourism New Zealand). Applying this spending profile to our estimates of additional nights produced estimates of additional tourist spending, both at MCS and across the rest of the district.

4.8 Maturity Periods

The commercial and golf course models both include parameters to capture the time required for development elements to reach their long-term operating potential, which we refer to as maturity periods. For example, the number of rounds played on the golf course is expected to grow quickly over the first few years before reaching its long-run potential, as are the number of nights spent in MCS visitor accommodation. By default, we set the maturity period for all non-residential elements to five years based on our experience with similar developments elsewhere.

4.9 Avoiding Double Counting

When analysing the economic impacts of multi-component developments like MCS, it is important to ensure that there is no double-counting. This can happen when the economic impacts of the various elements overlap. For example, spending by MCS golf tourists at other MCS businesses will be picked up by both the golf course operating model, and the hotel/commercial/retail model. To acknowledge this, we adjust our estimates of tourist spending to remove spending at MCS facilities by visiting golfers.

⁵ This is conservative, with the literature commonly assuming that each additional round equals one additional night. However, we consider it reasonable to assume that only 80% of additional rounds generate additional nights, with the other 20% being fitted into existing schedules.

5 Modelling Assumptions

This section describes the modelling assumptions used in our analysis.

5.1 Residential Development

The following tables display the key assumptions used in our analysis of residential development impacts. These reflect our experience with similar developments elsewhere, plus input and advice from the wider project team.

Table 4: Shared/Common Inputs & Assumptions

Shared Inputs/Assumptions	Values
Site preparation costs	\$5,000,000
Plan change & design costs	\$1,000,000
Dwelling Build Cost per m ²	\$3,000
Legal fees per lot	\$5,000
Selling costs %	3.0%
Marketing costs %	1.0%
Contingency costs %	5.0%
Development margin	25.0%
Land Price Inflation (real)	2.0%
Build Cost Inflation (real)	2.0%

Table 5: Option-Specific Residential Assumptions: Existing Provisions

Activity Areas	Land ha	Lot Size m ²	# Lots/Units	Lot Price	Dwell. Size
Village	4.3	185	230	\$85,000	80
2a	3.3	350	94	\$175,000	125
2b	5.2	535	97	\$230,000	150
3	11.9	935	127	\$380,000	180
4	4.2	1500	28	\$550,000	250
Totals	28.9		576		

Table 6: Option-Specific Residential Assumptions: Proposed Provisions⁶

Activity Areas	Land ha	Lot Size m ²	# Lots/Units	Lot Price	Dwell. Size
Village	4.7	185	251	\$110,000	80
2a	5.9	310	190	\$200,000	125
2b	4.1	630	65	\$350,000	150
3	4.4	540	81	\$290,000	180
4	2.8	780	35	\$370,000	250
Totals	21.9		622		

It is useful to note our implicit expectation that lot prices per square metre will be around 30% higher under the proposed provisions than the existing ones. This is because of the positive effects of the golf course and other commercial elements under

⁶ Some of the land areas in this table include an allowance for roads and other infrastructure requirements as the structure plan is now less specific about roading details. As a result, net land areas will likely be around 15-25% lower than identified here.

the proposed provisions, which will boost land values. Indeed, while the existing provisions also include some of these elements, the positive spin-off effects of the golf course are expected to significantly improve the attractiveness of living at MCS, and hence also help boost land values.

Also noteworthy is that the total number of lots provided under the proposed provisions is higher than the existing provisions. This is because average lot sizes will be significantly smaller under the proposed provisions, which enables more lots to be delivered from a smaller quantity of land.

5.2 Commercial Assumptions (ex. Golf Course)

Table 7 lists the assumptions related to the various non-residential elements of the development, except the golf course.

Table 7: Model Assumptions for Commercial Elements

General Inputs	Existing	Proposed
Site preparation costs	\$1,000,000	\$1,000,000
Construction start year	2018	2018
Construction period	2	2
Visitor Accommodation Assumptions	Existing	Proposed
Total Build cost	\$13,200,000	\$18,480,000
Number of rooms	100	140
Average Nightly Tariff - Yr 1	\$225	\$250
F&B spend/room night - Yr 1	\$80	\$100
Annual Spend/Tariff Inflation	2%	2%
Average Occupancy - Yr 1	60%	60%
Average Occupancy - Maturity	80%	85%
Years to Maturity	5	5
Café/Restaurant Assumptions	Existing	Proposed
Total GFA	500	750
Build cost per m2	\$1,800	\$1,800
Sales per m ² - yr 1	\$3,000	\$3,000
Sales per m ² - maturity	\$5,000	\$5,000
Years to Maturity	5	5
Retail Assumptions	Existing	Proposed
Total GFA	1,250	1,500
Build cost per m2	\$1,800	\$1,800
Sales per m ² - yr 1	\$5,000	\$5,000
Sales per m ² - maturity	\$8,000	\$8,000
Years to Maturity	5	5

Some important points to note include that:

- The number of hotel rooms is expected to be roughly 40% higher under the proposed provisions because of extra demand generated by the golf course.

- In addition, the golf course is expected to boost average room tariffs and result in a higher long-run occupancy rate.
- Finally, additional demand generated by the golf course is also assumed to support higher levels of retail/café/restaurant activity.

5.3 Golf Course Development & Operations

Finally, Table 8 identifies our assumptions for developing and operating the golf course. These reflect advice from the wider project team, along with information gleaned from a similar project for Millbrook Resort last year.

Table 8: General Course Assumptions

General Assumptions	Values
Total design & construction costs	\$8,000,000
Construction start year (yrs)	2017
Construction period	2
Annual Rounds - yr 1	6,000
Annual Rounds - maturity	12,000
Years to maturity	5
Annual operations/maintenance - yr 1	\$750,000
Maintenance inflation	2.0%
Green fee inflation	2.0%
Tourism spend inflation	2.0%

Table 9: Player Segment Assumptions

Key Player Segments	Share of rounds	Green Fee per Round	Extra nights per round	% staying at MCS Hotel
MCS resident	10%	\$60	0.0	0%
Other district residents	10%	\$70	0.0	0%
Tourists - Affiliates	40%	\$70	0.8	50%
Tourists - Non-affiliates	40%	\$85	0.8	50%

Table 10: Spend per Night Assumptions for Golf Tourists

Spend per Night by Golf Tourists	Spend per Night	% Spent at MCS	
		if staying at MCS	if staying elsewhere
Accommodation services	\$225	100%	0%
Food and beverage serving services	\$80	80%	25%
Other passenger transport	\$40	0%	0%
Retail sales – fuel and auto	\$20	0%	0%
Retail sales – other	\$75	67%	25%
Other tourism products	\$30	0%	0%
Daily Spend (ex. golf)	\$470	72%	8%

6 Summary of Key Development Metrics

This section summarises key development metrics.

6.1 Residential Development

The following tables summarise key financials, which are expressed in total dollar terms, per unit delivered, and as a percentage of sales revenues.

Table 11: Summary of Residential Financials

Development Costs	\$000s per Unit		Total \$m		% of Revenues	
	Existing	Proposed	Existing	Proposed	Existing	Proposed
Land Value	\$237	\$224	\$137	\$139	26%	26%
Site preparation costs	\$9	\$8	\$5	\$5	1%	1%
Plan change & design costs	\$2	\$2	\$1	\$1	0%	0%
Construction costs	\$434	\$414	\$250	\$257	47%	47%
Contingency	\$22	\$21	\$13	\$13	2%	2%
Total Costs	\$704	\$668	\$405	\$416	76%	76%
Gross Development Margin	\$221	\$210	\$127	\$131	24%	24%
Sales Revenue	\$925	\$878	\$533	\$546	100%	100%
Legal fees	\$5	\$5	\$3	\$3	1%	1%
Selling costs	\$28	\$26	\$16	\$16	3%	3%
Marketing costs	\$9	\$9	\$5	\$5	1%	1%
Net Profit Before Tax	\$179	\$170	\$103	\$106	19%	19%

6.2 Hotel Operations

Table 12 summarises estimated hotel operating performance for the final year of our financial model, which was 20 years from the start of construction.

Table 12: Summary of Hotel Operations at Year 20

Hotel Operations	Existing	Proposed
Stay Nights Capacity	36,500	51,100
Average Occupancy	80%	85%
Annual Stay Nights	29,200	43,435
Average Nightly Tariff	\$309	\$343
F&B spend per night	\$117	\$146
Annual Hotel F&B spend	\$3,400,000	\$6,330,000
Annual Room revenues	\$9,020,000	\$14,910,000
Annual Hotel revenues	\$12,420,000	\$21,230,000

6.3 Golf-Induced Tourism Spending

Finally, Table 13 summarises projected tourist spend by MCS golf tourists in the final year of our model – 2036. Overall, golf-related tourists are expected to spend \$5.3 million per annum by year 20, 40% of which accrues to MCS and the other 60% to other businesses in the district.

Table 13: Summary of Golf Tourist Spending at Year 20 (Proposed Provisions only)

Goods/Services Purchased	Golf- Tourism Spend \$000s			Shares by Location of Spend		
	At MCS	Elsewhere	Total	At MCS	Elsewhere	Total
Accommodation services	\$1,260	\$1,260	\$2,520	50%	50%	100%
Food and beverage services	\$470	\$430	\$900	53%	48%	100%
Other passenger transport	\$0	\$450	\$450	0%	100%	100%
Retail sales – fuel and auto	\$0	\$220	\$220	0%	100%	100%
Retail sales – other	\$380	\$450	\$830	46%	54%	100%
Other tourism products	\$0	\$340	\$340	0%	100%	100%
Totals	\$2,110	\$3,150	\$5,260	40%	60%	100%

7 Estimated One-Off Impacts

This section summarises the estimated one-off impacts of each option.

7.1 Option 1: Existing Provisions

Table 14 summarises the estimated one-off impacts of the existing provisions. Including flow-on effects, these total:

- \$127 million of regional GDP,
- Full-time employment for 1,497 people-years⁷, and
- \$67 million of household incomes.

Table 14: Estimated One-Off Impacts of Existing Provisions

Residential Development	Direct	Flow-On	Total
Value Added \$m	\$63	\$58	\$121
Employment	700	723	1,423
Income \$m	\$32	\$31	\$63
Village and Hotel Construction	Direct	Flow-On	Total
Value Added \$m	\$3	\$3	\$6
Employment	35	39	74
Income \$m	\$2	\$2	\$4
Golf Course Construction	Direct	Flow-On	Total
Value Added \$m	\$0	\$0	\$0
Employment	0	0	0
Income \$m	\$0	\$0	\$0
Total One-Off Impacts	Direct	Flow-On	Total
Value Added \$m	\$66	\$61	\$127
Employment	735	762	1,497
Income \$m	\$34	\$33	\$67

As expected, the bulk of these impacts results from planned residential development, which will consume nearly all the zoned developable land. In fact, residential development accounts for 95% of the one-off impacts associated with this option.

7.2 Option 2: Proposed Provisions

Table 15 summarises the estimated one-off impacts of the proposed provisions. Including flow-on effects, these total:

- \$139 million of regional GDP,
- Full-time employment for 1,617 people-years, and
- \$73 million of household incomes.

⁷ One people-year = one person employed full-time for one year. So, 10 people-years could mean 1 person employed for 10 years, or 10 people employed for one year (or some other combination of people and years that multiply to equal 10).

Again, residential development dominates the estimated one-off impacts of this option. However, with the golf course included, the share of one-off impacts attributable to residential development is now only around 90%.

Table 15: Estimated One-Off Impacts of Proposed Development

Residential Development	Direct	Flow-On	Total
Value Added \$m	\$65	\$61	\$126
Employment	720	743	1,463
Income \$m	\$33	\$32	\$65
Village and Hotel Construction	Direct	Flow-On	Total
Value Added \$m	\$4	\$4	\$8
Employment	47	53	99
Income \$m	\$3	\$2	\$5
Golf Course Construction	Direct	Flow-On	Total
Value Added \$m	\$3	\$2	\$5
Employment	33	21	55
Income \$m	\$2	\$1	\$3
Total One-Off Impacts	Direct	Flow-On	Total
Value Added \$m	\$72	\$67	\$139
Employment	800	817	1,617
Income \$m	\$38	\$35	\$73

7.3 Comparison of Option Impacts

Finally, Table 16 compares the overall one-off impacts of the two options. Overall, the proposed development delivers slightly higher one-off impacts than the existing provisions, although any practical differences would likely be marginal.

Table 16: Comparison of Estimated One-off Impacts

Impact Measures	Existing	Proposed	Change
Value Added \$m	\$127	\$139	9%
Employment	1497	1617	8%
Income \$m	\$67	\$73	9%

8 Estimated Ongoing Impacts at Maturity

This section presents the estimated annual economic impacts of each option at maturity.

8.1 Option 1: Existing Provisions

Table 17 shows the estimated annual impacts of the existing provisions at maturity. These relate to the ongoing operations of the development's commercial components, which are expected to include visitor accommodation, cafes, restaurants and retail.

Table 17: Estimated Ongoing Impacts of Existing Provisions

Total One-Off Impacts	Direct	Flow-On	Total
Value Added \$m	\$13	\$4	\$17
Employment	340	60	400
Income \$m	\$8	\$2	\$10

Overall, the existing provisions are expected to provide ongoing, annual economic impacts at maturity equal to:

- \$17 million of regional GDP,
- Full-time employment for 400 people, and
- \$10 million of household incomes.

8.2 Option 2: Proposed Provisions

Table 18 shows the estimated annual impacts of the proposed development at maturity. These, again, relate to the ongoing operations of the development's commercial components, plus the wider impacts of golf tourism generated by the course.

Table 18: Estimated Ongoing Impacts of Proposed Development at Maturity

Village and Hotel Operations	Direct	Flow-On	Total
Value Added \$m	\$18	\$6	\$24
Employment	490	80	\$570
Income \$m	\$11	\$3	\$14
Golf Course Operation	Direct	Flow-On	Total
Value Added \$m	\$0.6	\$0.4	\$1.0
Employment	20	5	25
Income \$m	\$0.6	\$0.2	\$0.8
Non-MCS Golf Tourism	Direct	Flow-On	Total
Value Added \$m	\$1.5	\$0.5	\$2.0
Employment	40	6	46
Income \$m	\$0.9	\$0.2	\$1.1
Total One-Off Impacts	Direct	Flow-On	Total
Value Added \$m	\$21	\$6	\$27
Employment	550	92	642
Income \$m	\$13	\$3	\$16



Overall, the existing provisions are expected to provide ongoing, annual economic impacts at maturity equal to:

- \$27 million of regional GDP,
- Full-time employment for 640 people, and
- \$16 million of household incomes.

8.3 Comparison of Option Impacts

Finally, Table 19 compares the total, ongoing impacts of each option.

Table 19: Comparison of Estimated Ongoing, Annual Impacts at Maturity

Impact Measures	Existing	Proposed	Change
Value Added	\$17	\$27	63%
Employment	400	642	60%
Income	\$10	\$16	62%

Clearly, the proposed development delivers higher ongoing impacts than the existing provisions. This is because our modelling assumes that the golf course:

- helps support greater commercial activity at MCS, which generates greater ongoing impacts, and
- will also attract additional tourists, whose non-golf expenditure generates even further ongoing impacts, particularly for the wider district.
- In fact, as shown earlier, other district businesses are expected to capture 60% of golf-related tourist spending because of the MCS golf course.

Accordingly, the proposed provisions are expected to deliver much greater ongoing impacts than the existing provisions.

9 Wider Economic Benefits

This section briefly summarises wider economic benefits of the proposed provisions.

9.1 Support for the Golf Tourism Strategy

The proposed provisions will directly support the New Zealand International Golf Tourism Strategy, which was launched by Tourism New Zealand in 2013⁸. It notes that:

- New Zealand is a distinctive golf destination waiting to be discovered. However, it currently captures less than 0.3% of the \$32 billion international golf tourism market.
- To improve competitiveness, golf product should be grouped into two trails – one per island – with each anchored by world-class “marquee courses” like Millbrook.
- The public and private sector should be encouraged to invest in new and existing golf facilities that will make meaningful contributions to those trails.
- However, international destination case studies indicate that only 20-25% of the economic impact of golf tourism is realised by the golf facilities.
- Accordingly, regional tourism organisations (RTOs) and Councils should be engaged to support the development and improvement of new and existing golf facilities.

9.2 Support for Year-Round Tourism Activity

The golf course, in concert with existing nearby attractions, will help transform Cardrona from a winter-only tourist location to one with much stronger year-round appeal. This is important, because seasonality creates significant financial challenges for most tourism operators, with smoother demand ensuring year-round viability. Over time, this may help attract even more attractions to this location, and thus create additional synergies.

9.3 Catalyst for Infrastructure Upgrades

The Cardrona Valley already contains several pockets of zoned, developable land. In some cases, development began but stalled due to a lack of wastewater infrastructure, while others wait in abeyance. The MCS development will accelerate the provision of this critical infrastructure and therefore pave the way for various other nearby developments to proceed. Consequently, the MCS development will have important catalytic effects for the wider growth and development of this locality.

⁸ <http://www.tourismnewzealand.com/media/1216411/nz-international-golf-strategy.pdf>

9.4 Provision of New Housing Supply

Both the existing and proposed provisions will deliver a significant number of new dwellings to the market, and therefore provide a major boost to new dwelling supply. Since the Queenstown Lakes District is one of the fastest growing districts in New Zealand, this new housing supply is crucial.

Furthermore, average dwelling prices will be cheaper under the proposed provisions because section sizes will be considerably smaller. This helps ensure the overall affordability of dwellings provided, and goes one small step towards making the district's housing supply more affordable.

10 Conclusions and Recommendations

This analysis has carefully compared the economic impacts of existing development provisions for the MCS land with a set of proposed new provisions. The latter aim to improve the overall attractiveness and viability of the development by enabling the creation of a 12-hole golf course while also reducing residential lot sizes. Together, these refinements will enable residential development yields to exceed those possible under the existing provisions while also facilitating the inclusion of a world-class golf course, which will support and enhance the development's various commercial elements.

This report has found that the proposed new provisions will not only lead to slightly higher one-off economic impacts, but also enable much higher ongoing economic impacts from commercial operations, including the golf course.

At the same time, the proposed provisions will bring a host of other key benefits, including support for the NZ international golf tourism strategy, support for year-round tourism, increased dwelling supply and the accelerated delivery of infrastructure required to support nearby developments.

Accordingly, we consider the proposed provisions superior in economic terms and recommend that these be selected as the preferred option by MCS. Further, we urge the Council to work collaboratively with MCS to make any necessary changes to the underlying planning rules required to achieve the new vision.