

**BEFORE THE HEARINGS PANEL  
FOR THE QUEENSTOWN LAKES DISTRICT COUNCIL**

**UNDER** the Resource Management Act 1991

**IN THE MATTER** of a submission on the Queenstown  
Lakes Proposed District Plan

**BY** **WILLOWRIDGE DEVELOPMENTS  
LIMITED**  
Submitter

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**STATEMENT OF EVIDENCE OF FRASER JAMES COLEGRAVE ON  
BEHALF OF THE SUBMITTER**

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Dated: 29 May 2020

**MAY IT PLEASE THE PANEL:**

**Introduction**

- [1] My full name is Fraser James Colegrave. I reside at Auckland.
- [2] I hold a first-class honours degree in economics from the University of Auckland (1996). I have 23 years' commercial experience, the last 20 of which I have worked as an economics consultant.
- [3] I am the Managing Director of Insight Economics Limited – an economics consultancy based in Auckland. Prior to that, I was a founding director of another consultancy – Covec Limited – for 12 years.
- [4] During my time as an economics consultant, I have successfully led and completed more than 500 projects, including several in the Queenstown Lakes District. These include:
- (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 for Queenstown Lakes District Council (QLDC);
  - (e) Analysis of funding options for the proposed Convention Centre in Wanaka;
  - (f) Economic evidence in respect of the PAK'nSAVE resource consent application;
  - (g) Economic evidence in respect of the extension of Millbrook Golf Resort;
  - (h) Economic evidence in respect of the rezoning of Mt Cardrona Station to a mixed-use golf resort;

- (i) Economic evidence in respect of the rezoning and expansion of The Hills golf resort;
- (j) Economic evidence in respect of the Skyline gondola and terminal upgrade/expansion.
- (k) Economic/retail needs assessment for Three Parks;
- (l) Retail distribution assessment for Three Parks;
- (m) Economic analysis of proposed rezoning in Frankton Flats;
- (n) Economic analysis of proposed rezoning in Homestead Bay; and
- (o) Economic analysis of proposed rezoning in Coneburn Valley;

[5] Whilst this is not an Environment Court hearing, I have read the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2014. This evidence has been prepared in accordance with it and I agree to comply with it. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

### **Scope of Evidence**

- [6] In the remainder of this evidence I:
- (a) Identify and briefly describe the subject land;
  - (b) Summarise the key economic issues addressed herein;
  - (c) Address the need to continue with long-term plans despite the profound short- and medium-term effects of Covid-19;
  - (d) Assess the proposed introduction of a bespoke business zone;
  - (e) Assess the proposed reconfiguration of the commercial core zone;
  - (f) Respond to economic issues raised in the section 42A report; and
  - (g) Provide an overall summary and conclusion.

## Location and Description of Subject Land

- [7] Three Parks is a large, master-planned development in Wanaka, which is approximately two kilometres west of the Wanaka Town Centre. It is bound by State Highway 84 to the north, Ballantyne Road to the south, the Wanaka Golf Course to the east, and Riverbank Road to the west. The following figure identifies its location relative to the Town Centre.

Figure 1: Location of Three Parks and the Wanaka Town Centre



- [8] The development is centred on a curved main street, which connects Ballantyne Road to the south to the State Highway to the north. This will be lined with various retail and commercial uses, which will then be flanked by complementary land uses, including residential, educational, and recreational. Specifically, there is a large section of residential zoned land to the east of the mainstreet, with a range of educational and recreational uses to the west.
- [9] Following are notable existing and consented land uses at the time of writing (29 May 2020):
- (a) An Outline Development Plan (ODP) for the Zone was approved on the 26<sup>th</sup> November 2015 (RM140354);

- (b) A variation to the ODP to vary the layout of the commercial core subzone was approved on the 14<sup>th</sup> June 2018 (RM171167).
- (c) A variation to the ODP to release additional retail floorspace was approved on the 20<sup>th</sup> May 2019 (RM181327).
- (d) Subdivision of the majority of the Business Subzone (RM150371 and RM160074);
- (e) Commercial core subdivisions (RM170836 and RM181439);
- (f) Supermarket consent (RM171541)
- (g) Mitre 10 Mega Consent (RM181944)
- (h) Various other land use consents.

### **Summary of Key Issues to Address in Evidence**

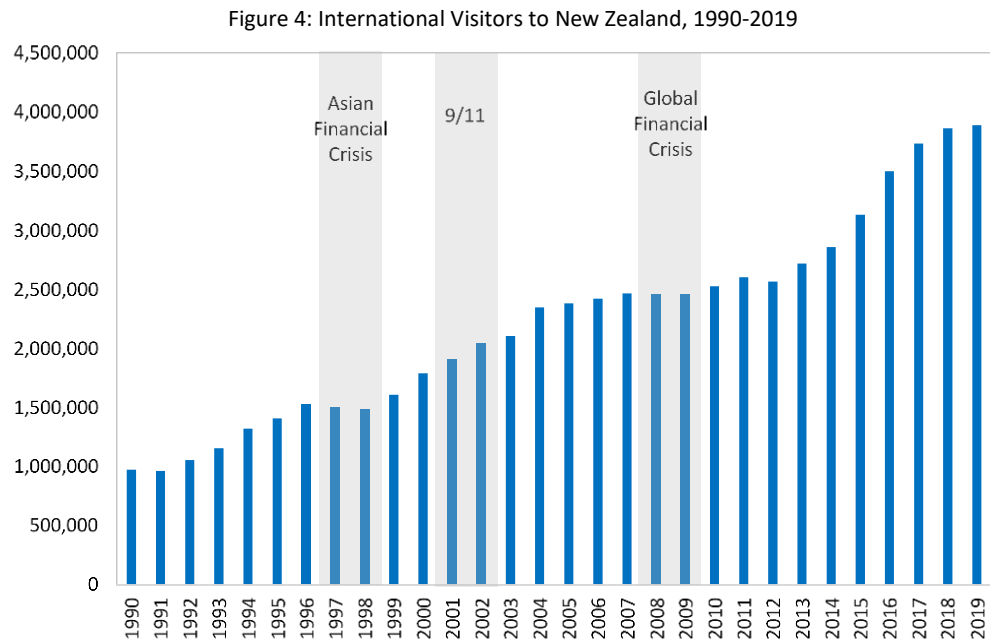
- [10] This evidence addresses the following two key economic issues arising from the relief sought by Willowridge Developments Limited (Willowridge).
- (a) The proposed rezoning of parts of the site to a bespoke new business zone (the Three Parks Business Subzone); and
  - (b) Reconfiguration and slight expansion of the Commercial Core Zone (CCZ).

### **Context – Brief Summary of Likely Impacts of Covid-19**

[11] With the outbreak of COVID-19, New Zealand faces a 1-in-100-year health and economic challenge. At the time of writing, the pandemic continues to evolve, and has already caused immense global social and economic disruption. Despite that, it is important to now look forward to the economic recovery phase, and keep planning for developments and investment over the medium to longer term.

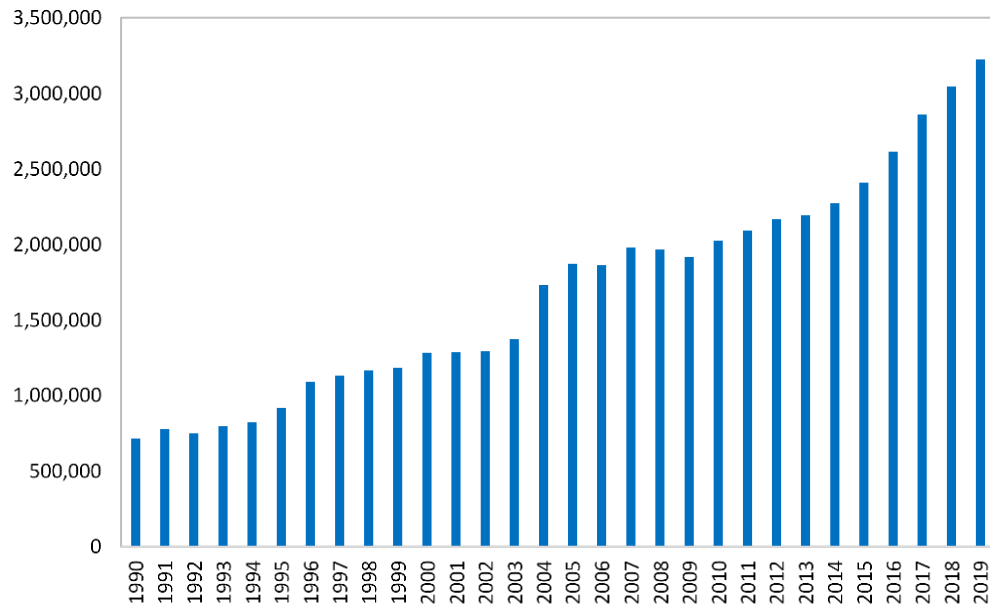
[12] The need to take a longer-term view and keep planning for the future is supported by the resilience of international tourism to past economic downturns, where it has generally recovered within a few years.

[13] For example, Figure 4 shows NZ international visitor arrivals data from 1990 to 2019. It demonstrates that during three previous economic shocks: the 1996/7 Asian Financial Crisis; the impact on air travel and confidence following 9/11 in 2001; and the 2008/9 Global Financial Crisis, the dampening effect on international visitors was relatively short-lived. While I accept that things may take longer to recover this time round, an optimistic outlook is considered appropriate.



[14] In addition, there is a significant opportunity to repatriate outbound tourism spend and redirect it as domestic tourism. Figure 5 shows outbound international travel by New Zealand residents from 1990 to 2019. In 2019, the number of New Zealand residents departing for overseas travel was 3.22 million. This is 83% of the 3.89 million international visitor arrivals to NZ in the same year.

Figure 5: New Zealand Resident's Outbound International Travel, 1990-2019



Source: Statistics New Zealand, 2020

- [15] Unfortunately, concrete data on the value of outbound tourism is unavailable given its overseas nature. However, ballpark estimates can be inferred from the value of international tourism in NZ. For example, in the year to March 2019, 3.89 million international visitors to NZ spent \$17.2 billion, which equates to \$4,420 per visitor. Applying the same average spend to NZ outbound tourists, I estimated its value at just over \$14 billion in 2019.
- [16] If I assume that a proportion of that spend by New Zealand residents abroad is redirected to domestic tourist locations, such as the Queenstown Lakes District, demand for visitor activities and expenditure could be partly-supported by New Zealanders in the short to medium term. Further, the prospect of a Trans-Tasman/South Pacific 'bubble' where New Zealand borders are open to Australian and Pacific residents would assist the recovery of tourism activity and expenditure.
- [17] Overall, while I acknowledge the severity of the short-term impacts of Covid-19 on health, society and the economy, planning for the future and the recovery phase must begin. This is particularly true given the long lead times associated with developments, which include planning, design, consent, and construction. These often take several years. It is

therefore crucial to maintain a pipeline of development projects to ensure investment and employment opportunities continue to be delivered in the district.

### **Proposed Three Parks Business Subzone**

[18] The first substantive (economic) issue raised by Willowridge in its submission is the proposal to rezone parts of its site to a new bespoke business zone. This would apply to certain areas that either:

- (a) have been zoned as General Industrial Zone (GIZ) under the PDP, or
- (b) are currently zoned as Medium Density Residential (MDR) or Low Density Residential (LDR) under the ODP.

[19] The overall effect of the proposed bespoke business zone is to increase the amount of business land available at Three Parks, relative to both the ODP and the PDP, while slightly reducing the amount of residential land.

[20] Willowridge's rationale is straightforward. First, its existing business land has sold quickly, and it is confident that there is sufficient future demand to absorb more business land over time. Second, the proposed rezoning better aligns with current and consented business activities and purpose of the existing Three Parks Business Subzone. Third, the proposed new zoning provides greater flexibility over future land uses compared to the relatively narrow range of activities permitted in the GIZ.

[21] To set the scene, I first compared activity statuses across the operative residential zonings, the notified GIZ, and the proposed new business zone. The results are shown in the table below for various non-residential land uses that are commonly referred to in the PDP.



Table 1: Comparison of Activity Statuses for Common Non-Residential Land Uses

Common PDP Defined Activities	Notified GIZ	LDSR	MDR	Proposed new zoning
Industrial	P	PR	PR	P
Service	P	NC	NC	P
Licensed Premises	P	NC	NC	NC
Food and Beverage	P	NC	NC	NC
Outdoor Storage	P	PR	PR	NC
Office	PR	NC	NC	P/NC
Retail	PR	NC	NC	P/NC
Commercial	PR	RD/NC	RD/NC	NC
Commercial Recreation	NC	D	D	NC
Community Activity	NC	D/NC	D	NC
Community Facility	NC	NC	NC	NC
Large Format Retail	PR	NC	NC	NC
Trade Suppliers	PR	NC	NC	P
Visitor Accommodation	PR	C/RD	C/RD	NC

- [22] The activity statuses recorded in the table above confirm that the proposed new zoning enables a greater range of business activity to occur as permitted activities than the current or proposed future zones. For example, the proposed new zone enables both trade suppliers, and small/ancillary office and retail activities. However, both are either non-complying or prohibited under the three other zones mooted (or prevailing) for the land in question.
- [23] Given the rapid uptake of business land for these types of activities thus far, and noting Willowridge’s perception of significant forward-looking demand, I consider the proposed new zone a more efficient use of this land resource than the current or proposed new zonings.
- [24] Indeed, all other things being equal, economic theory suggests that a more flexible and enabling approach to zoning (while remedying, mitigating, or avoiding noxious and/or offensive activities) is more likely to allow land to be put to its highest and best use. Conversely, a more restrictive and prescriptive zoning, such as the GIZ, may have the opposite effect. This seems particularly relevant given the large number of prospective non-residential land uses that are classified as either prohibited or non-complying activities in the GIZ.

- [25] While I acknowledge that it is possible to gain resource consent for a non-complying activity, the hurdle is considerably higher than for discretionary or restricted discretionary activities. Further, in my experience, many prospective land purchasers would be seriously deterred by the need to gain consent for a non-complying activity, and instead would seek an alternative location with a more permissive zoning. This could significantly undermine Three Park's future potential, and cause inefficient dispersion of economic activity.
- [26] To the extent that the proposal creates an increased provision of business land in a location with a proven track record of market demand, it will help Wanaka to retain existing businesses while also attracting new ones. Consequently, it will increase the size of the local economy over time (relative to the proposed zonings). This, in turn, will help enable the community to cater for its own social and economic needs, thereby giving effect to the overarching intent of the RMA.
- [27] It is also noteworthy that, according to the economic evidence of Natalie Hampson for QLDC, nearly 80% of established or consented uses on the GIZ land would be classified as non-complying or prohibited. In my view, this suggests that the proposed GIZ on those parcels is not an accurate reflection of market realities on the ground. Further, if those tenancies were vacated and similar activities sought to replace them in future, they may not be able to if they are deemed prohibited because they presumably would not carry existing use rights. If so, the proposed GIZ zoning could lead to an inefficient waste of scarce resources in the form of "stranded buildings."
- [28] I also note that, all other things being equal, there are generally tangible economic benefits created by the expansion of a new or existing business areas via so-called agglomeration effects. These arise when the co-location of economic activities creates synergies or spill-over benefits that help to improve economic efficiency.
- [29] The corollary to enabling more business activity on the subject land is that there will be a corresponding loss of residential and GIZ land. However, most of the land that has been notionally zoned as GIZ has

already either been developed or gained resource consent for a specific land use, so there is very little (if any) vacant GIZ land provided by the proposed PDP zoning in this location.<sup>1</sup> Accordingly, the main impact will be a loss of residential land.

[30] In my experience, the residential components of the development are unlikely to gain momentum until other elements are advanced, particularly the commercial core. As this develops, and as various retailers and services providers open, there will be corresponding demand for residential land. Until then, however, I consider that residential land demand will be fairly limited in Three Parks.

[31] Overall, I consider that the loss of some residential land for business purposes is unlikely to have any material effect over the short to medium term, with longer term impacts able to be monitored and appropriately managed if or when they arise.

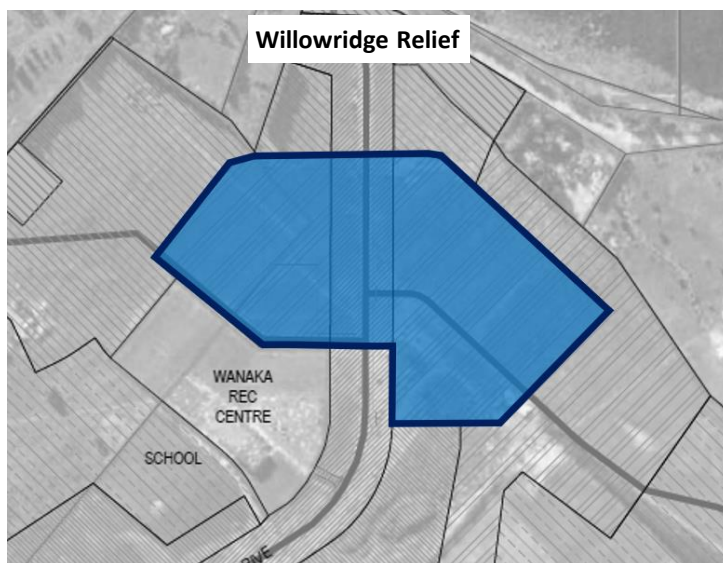
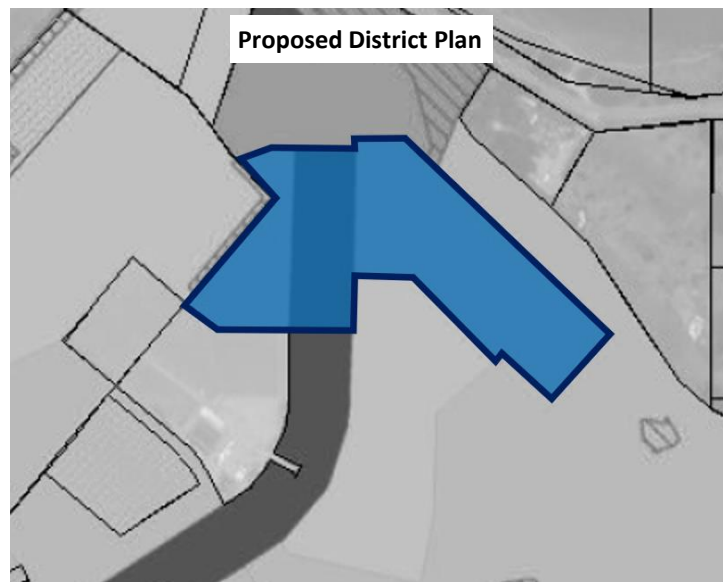
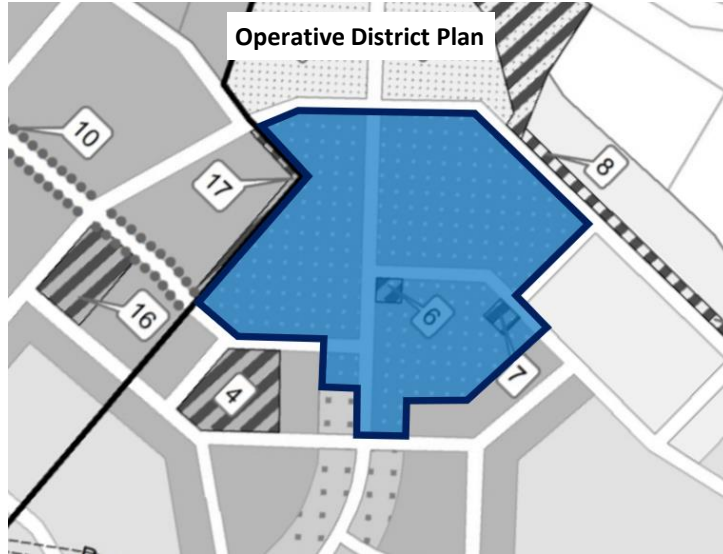
### **Reconfiguration of Commercial Core Zone**

[32] The other substantive economic issue concerns commercial core land. Specifically, the PDP appears to inadvertently omit a portion of land currently zoned as commercial core, while simultaneously extending it onto land that is currently a deferred zone. Figure 2 shows the land that effectively forms the commercial core under the ODP, PDP, and Willowridge's submission (including some land along the mainstreet that is zoned as Business Mixed Use under the PDP).

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<sup>1</sup> I also note that – notwithstanding reservations that I have about the methodology used to estimate business land capacity, as discussed later in this evidence – the evidence of Natalie Hampson for QLDC suggests that there will be no shortage of GIZ land over the short-, medium-, or long-term anyway. Accordingly, the loss of this GIZ land should not be perceived as an issue by the Council.

Figure 2: "Effective" Commercial Core Land (Outlined in Blue)



- [33] Comparing the first and second diagrams in Figure 2, the PDP has inadvertently removed a small portion of commercial core zone in the southeast corner (where the label “6” appears in the ODP diagram), while extending it south-easterly towards the residential parts of the site.
- [34] The amount of land zoned as commercial core (or deferred commercial core) under each scenario is:
- (a) ODP – 16 hectares
  - (b) PDP – 11 hectares
  - (c) Willowridge submission – 17.9 hectares
- [35] Based on these numbers, it appears that the PDP has reduced the amount of commercial core land by 5 hectares (or about 30%). As far as I am aware, there is no clear economic or planning rationale for this reduction. Instead, it is evidently just an omission.
- [36] Willowridge’s submission seeks to address this by reinstating the land that was inadvertently “lost”, extending the commercial core zone on the western side, and paring back the eastern lateral proposed by the PDP. The result, as shown in the third diagram in Figure 2, is a commercial core area that is a more similar in shape to the ODP, but nearly 2 hectares (or about 12%) larger.
- [37] In my view, the reinstatement of accidentally lost commercial core zone land, and the reconfiguration proposed by Willowridge, makes sense.
- [38] First, there is no *a priori* reason to reduce the quantum of commercial core land, particularly absent any compelling evidence or rationale. Second, Willowridge’s proposed reconfiguration creates an area that seems more logical, particularly from a walkability perspective.
- [39] To elaborate: under the PDP version, the commercial core land forms an elongated “lateral” that extends quite far east of the main street. Conversely, under the ODP and the Willowridge’s submission, the commercial core land forms a more circular shape.

- [40] The upshot of the PDP's elongated shape is that it undermines walkability and creates a (generally undesirable) linear pattern of future development and economic activity. This contrasts with the more common approach to zoning commercial land, where a more circular shape is generally adopted to encourage and support walkability.
- [41] I also note that locking-in this revised pattern now will future-proof retail and commercial capacity in the area. This could prove difficult (if not impossible) once development around it has progressed. At the same time, making these changes now avoids the significant time and cost of revisiting the issue in future when the commercial core develops.
- [42] In terms of the slightly larger commercial core area proposed by Willowridge, I do not consider that to pose any material risk to the health and vitality of other commercial areas, particularly the Wanaka Town Centre. There are several reasons.
- [43] First, the additional land will take many years, if not decades, to be fully built-out, so any effects would be spread out over time. Second, the Wanaka Town Centre is healthy and vital, with no commercial or retail vacancies at the time of writing. Third, Three Parks mostly fulfils a different role and function to the town centre, with the former being a destination mainly for locals, while the latter is geared towards meeting the needs of visitors. As a result, the two areas tend to support and reinforce one another, not compete head-on. Finally, I note that Three Parks has a direct interest in preserving the health and vitality of the Wanaka Town Centre, because a healthy town centre makes the area a more attractive place to work, live and visit. That, in turn, benefits everyone (including Three Parks).
- [44] Accordingly, I support Willowridge's proposal to reinstate the lost land and make it a more conventional shape for future commercial activity.

### **Response to Section 42A Report**

- [45] The section 42A report written for the stage 3 process largely recommends rejection of the relief sought by Willowridge. In reaching that recommendation, it appears to place relatively little weight on the

underlying economic evidence provided by Ms Hampson, while evidently placing significant weight on the recent Business Development Capacity Assessment (BDCA) undertaken by QLDC and Market Economics.

- [46] In my view, greater weight should be placed on the economic evidence produced for this process, particularly as it directly considers Willowridge's relief in some detail. Conversely, the BDCA provides no site-specific analysis to support or reject rezoning proposals.
- [47] More generally, I recommend that a degree of caution be applied when seeking to rely (almost exclusively) on the BCDA to assess the perceived merits, or otherwise, of Willowridge's relief.
- [48] This is because, while the BDCA is a significant piece of work that brings together a wide range of useful information, its estimates of capacity (and hence sufficiency) are ultimately just the outputs of a modelling exercise, which rely on – and are demonstrably sensitive to – a wide range of assumptions.
- [49] While some of those assumptions can be readily fact-checked, others represent the application and extrapolation of national trends, many of which will not be relevant to Wanaka.
- [50] For example, the capacity estimates relied on in the section 42A report to assess the need for additional business zoned land, as per Willowridge's submission, assume that:
- (a) Demand is not specific to a particular zone, and instead is equally attracted to all locations in the Wanaka ward where it is enabled. Clearly this is not the case, however, with the market revealing a strong preference to locate in the business areas of Three Parks;
  - (b) Sites that are under construction or have already gained consent are classified as vacant land;
  - (c) The ratios of GFA per worker and land per 100m<sup>2</sup> of GFA in Wanaka match the national average. In reality, these ratios differ markedly, so location-specific data is required.

- (d) Land that is located in areas that the Council has deemed desirable (according to a multicriteria analysis) are assumed to be commercially feasible for development. This differs from the approach taken to measure district housing capacity, where feasibility is explicitly modelled on a parcel by parcel basis. While I accept that this sort of modelling is more complicated for non-residential land, the assumption that all land in desirable areas is commercially viable for future development seems implausible.

[51] I also note that there are no timeframes associated with the capacity estimates in the BDCA. They are just a snapshot in time. This is appropriate for considering longer-term sufficiency, but could lead to profound shortages over the short to medium term when some land will invariably be unavailable for one reason or another.

[52] These assumptions, and their limitations for the overall utility of the analysis, are openly documented and acknowledged in Ms Hampson's evidence. For example, paragraph 5.13 states:

"The nature of the BDCA modelling – that seeks to model all sectors of the economy in a consistent matter but does not model particular sectors in any level of detail - means that a number of assumptions were necessary throughout the approach. These are detailed in the relevant sections of the BDCA 2017 report. Many of these assumptions are also the key limitations of the BDCA. In most cases, further targeted local analysis (including monitoring of local level trends) could replace some of the high-level data or estimates/averages applied – improving or avoiding some of the model's limitations"

[53] Modelling assumptions aside, I also note that the capacity estimates produced by the BDCA are not measures or forecasts of likely future market supply, which will almost invariably be less than the modelling suggests.

[54] To elaborate, I first define the following key measures of capacity:

- (a) *Plan-enabled capacity* – this is the maximum amount of land that can be developed if every parcel with plan-enabled capacity is developed or redeveloped to its full potential. It ignores any potential constraints, such as servicing or site contamination, and

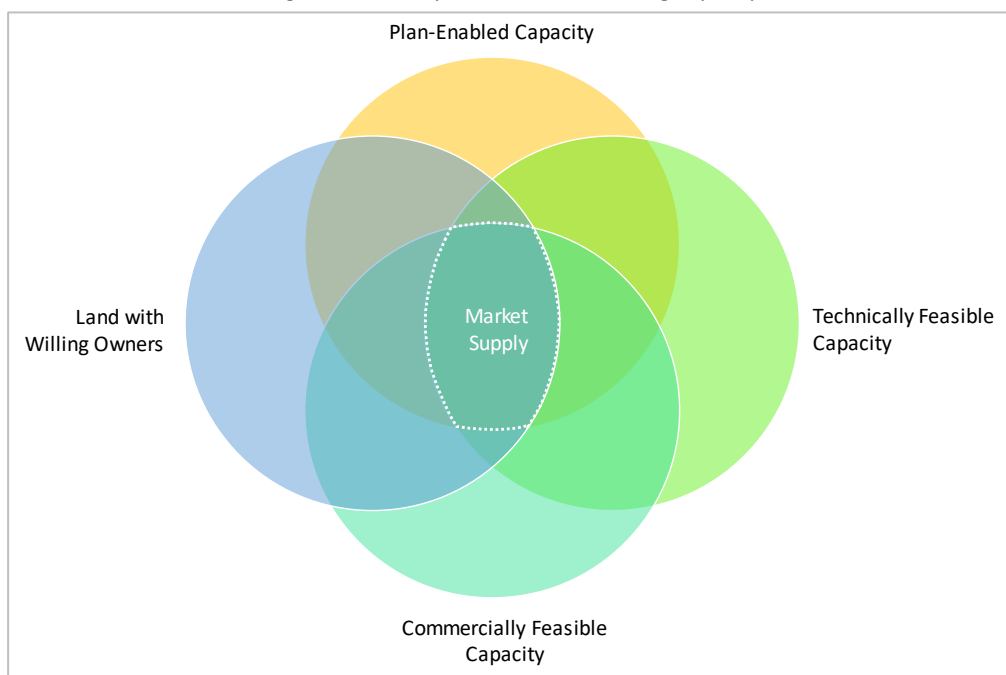


is thus a measure of the maximum capacity achievable under the District Plan.

- (b) *Technically feasible capacity* – this is the maximum amount of land that is technically-feasible to develop because it is (or can be) serviced with all necessary infrastructure, plus it is free of other constraints that might hamper development, such as contamination, designations, or awkward shape/size/topology.
- (c) *Commercially feasible capacity* – this is the maximum amount of land that can be provided to the market in a financially-viable manner (because sales prices meet all costs while also providing an acceptable rate of return). Like plan enabled capacity, this also generally ignores constraints that might reduce capacity.
- (d) *Willing Owners/Sellers* – this refers to land that is currently owned by entities who either (i) have development intentions of their own in the foreseeable future, or (ii) are likely to sell their land soon and thus provide an opportunity for others who might have intentions to develop it. This distinction is critical, because a chunk of future capacity may be owned by parties with no intention to develop or sell it in the foreseeable future. Accordingly, it will not form part of future supply even if development is plan-enabled, technically feasible and commercially viable.

[55] In practical terms, our best estimates of future market supply include only land that meets all four definitions above, as characterised by the intersection of the four circles in the Venn diagram below. Clearly, this is much smaller than any estimates of commercially feasible capacity.

Figure 3: Four Key Definitions of Dwelling Capacity



- [56] That said, I accept that there may be exceptions. Specifically, some future supply may arise from land that meets all definitions except plan-enabled capacity, with the latter overcome via the gaining of resource consent and/or rezoning.
- [57] Overall, however, likely future supply can be defined as land that is plan-enabled, is technically and commercially feasible to develop, and that has a willing owner. This will almost certainly be far less than the capacity estimated by the BDCA, particularly over the short to medium term. Accordingly, I disagree with relying so heavily on the capacity estimates in the BDCA to assess the merits of Willowridge's submission.
- [58] In my view, uptake-to-date strongly suggests that Three Parks business land is in high demand. Further, I consider that its owner – Willowridge – is best placed to determine how it should be zoned to meet likely future market demand over time. On that basis, I respectfully disagree with the methodology and findings of the section 42A report in relation to the Three Parks land.

## **Summary and Conclusion**

[59] This evidence has considered the two substantive economic issues raised by Willowridge in its submission. It has shown that both issues make economic sense and will improve the overall efficiency of Three Parks over time. Also, importantly, they will not have any material adverse effects on other commercial areas of the district, including the Wanaka Town Centre. Accordingly, I support Willowridge's submission on economic grounds.

Date: 29 May 2020

**Fraser Colegrave**