Economic Assessment

River Terrace Private Plan Change
Cromwell

December 2017 – Final

m.e consulting

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Cromwell

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River Terrace Developments Limited

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1 Introduction

River Terrace Developments Limited has prepared a request for a change to the Operative Central Otago District Plan to create a master planned residential community in Cromwell. Market Economics Limited (M.E) has been commissioned to assess the plan change from an economic perspective to help inform the Section 32 report.

1.1 Overview of Plan Change

Full details of the River Terrace plan change are provided in the plan change documentation. Key elements of the plan change are as follows:

- Master planned development of approximately 50ha.
- Specific provision of a retirement village.
- Zoning to allow for a mix of lower, medium and higher density residential lots (numbers to be confirmed and flexibility on some sites for different dwelling typologies).
- Medium and high density lots based on house and land design packages (similar approach to sister project Northlake, Wanaka).
- Provision for a small neighbourhood centre but with intention that residents will support Cromwell town centre for weekly shopping needs etc.
- Provision for a school site
- Extensive landscaping and open space networks.
- Delivered through a bespoke zoning approach

1.2 Assessment Scope and Objectives

The focus of M.E's report is limited to an evaluation of two key components of the plan change. First, the residential zoning (inclusive of the retirement village) – to examine the appropriateness of providing additional capacity for residential development in Cromwell. Second, the Neighbourhood Centre Sub-Area – to examine the appropriateness of providing additional capacity for a convenience centre within the plan change and potential implications of this for the Cromwell town centre. Based on underlying analysis, the cost and benefits of each component are evaluated. Costs and benefits are limited to a comparison of the proposed zoning relative to the status quo only. Alternative land uses for the site have not been considered.

1.3 Report Outline

Section 2 of the report works through M.E's analysis of residential demand and capacity in the Cromwell area. It then places the proposed residential zones of the River Terrace plan change in that context. Cost and benefits of the residential zoning are summarised.

Section 3 works through M.E's analysis of retail and service demand generated by future plan change households. It discusses the role of convenience centres in the context of Cromwell's current and future urban form and estimates the site area that would be appropriate to sustain a convenience centre in the plan change while mitigating adverse effects on the town centre. The proposed centre provisions are then assessed in that context. Costs and benefits of the proposed centre are then summarised.

Section 4 provides M.E's overall conclusions on the appropriateness of the River Terrace plan change. A number of appendices are included to support sections 2 and 3.

1.4 Executive Summary

The first economic issue considered by M.E is whether the River Terrace plan change responds to projected demand for additional residential capacity in Cromwell, including lot sizes/dwelling typologies that reflect the anticipated demand of current and future households.

Couple and one-person households account for just under 70% of resident households in Central Otago District (COD), with families with children at home making up just under a third of the total. The dwellings occupied by District households are predominantly (88%) standalone (detached) dwellings. Attached town houses, terrace houses and apartments make up less than 8% of the current dwelling estate. Household type, income and age all influence the propensity to occupy standalone versus attached dwellings in COD.

Based on the latest Statistics New Zealand high projections for COD, growth of 2,210 households is projected between 2016 and 2028, and growth of an estimated 4,120 households is projected by 2043 (a 49% increase overall). One person and couple households will account for a growing share of the future household structure. Combined they increase from a 66% share of households to a 71% share by 2043. Structural changes in household demography like this mean that the mix of dwellings types (and densities) available in the District's future dwelling estate will need to differ from the mix currently available.

Projected growth in resident households and holiday homes translates to demand for approximately 108 additional dwellings per annum in the Cromwell and surrounding catchment over the medium term (2016-2028) and approximately 86 additional dwellings per annum over the long term (2016-2043). This includes demand for more attached housing (or similarly, compact homes and/or smaller sections).

Enabled (zoned) and consented growth capacity is estimated at between 690 and 820 additional dwellings. This indicates a shortfall of approximately 350-400 dwellings by 2028. There are also a number of residential development proposals awaiting a decision from Council. Even if all enabled and proposed residential development sites in Cromwell's urban area are approved and come on-stream, current dwelling capacity might satisfy demand through to 2028 with little to spare. Continued growth in demand between 2028 and 2033 indicates that additional zoned capacity will be required by then. In the long term (by 2043), a significant shortfall of urban capacity is anticipated in the Cromwell urban area – in the order

of 950-1,100 dwellings. If any of the recently proposed developments were not approved, then these capacity shortfalls would be correspondingly worse (and realised sooner).

The second economic issue is whether the Neighbourhood Centre Sub-Area in the River Terrace plan change is appropriately scaled to achieve a convenience role without adversely impacting on the role of the Cromwell town centre to serve the day-to-day/weekly shopping needs of local residents.

In terms of defined centres, Cromwell's 'centre network' is limited (currently) to the town centre and one tourism centre (the Heritage Precinct). Isolated, dispersed or out-of-centre retail and service outlets, such as those on McNulty Road, are limited in both number and scale. As Cromwell expands at the urban fringe, the distance to the town centre will increase and it will become less accessible, particularly for convenience shopping trips. The gradual development of a more structured centres network (particularly one that provides for convenience centres) will become increasingly practical for Cromwell.

Annual retail spend generated by households in the plan change area is estimated at just under $31.4m as at 2023 (assuming full occupancy). This increases to $32.6m by 2028 and $35.3m by 2038 on account of the projected increase in real spend per household. That demand translates into some 5,500 sqm GFA of retail and service demand in 2023, increasing to 5,800 sqm GFA by 2038. That is the total retail GFA supported by future River Terrace households in all locations, including locally within Cromwell, but also in Alexandra, Queenstown, and elsewhere.

A small share of that demand is associated with convenience retail and service demand – such as would be expected in a neighbourhood centre. Providing for this in the plan change area generates a number of benefits for River Terrace households, but also other nearby households and workers while still ensuring that the major share of retail and service demand is directed at other centres, including the Cromwell town centre.

M.E considers that a 1,000sqm GFA limit on retail and service floorspace is appropriate to sustain a functional neighbourhood centre that serves just a convenience role in River Terrace. Coupled with this, a 200sqm GFA cap on any individual retail or service outlet is appropriate to ensure a mix of small scale activities (a 400sqm GFA cap on a medical centre/GP facility would be the only suggested exception).

M.E has independently assessed the economic effects, costs and benefits of the proposed residential zoning and Neighbourhood Centre Sub-Area in the River Terrace plan change. Although not all costs and benefits have been quantified, for both components (and in aggregate) the benefits to economic wellbeing are estimated to outweigh potential costs.

The plan change responds to demand for residential growth in urban Cromwell and helps address an estimated shortfall in capacity by providing for an estimated 840 additional dwellings. It will provide greater choice (including affordable housing options) in the Cromwell housing market. It also adds a new neighbourhood centre to the Cromwell urban economy. This is appropriate given the greater distance River Terrace households would need to travel to meet their convenience retail and service needs. It contributes to a more efficient urban form while avoiding more than minor, if any, adverse effects on the Cromwell town centre.

2 Residential Demand and Capacity

This section of the report assesses the appropriateness of the proposed residential capacity provided for in the River Terrace plan change. The key economic issue is whether the plan change responds to projected demand for additional residential capacity in Cromwell, including lot sizes/dwelling typologies that reflect the anticipated demand of current and future households. This is relevant as it determines the likely effectiveness and efficiency of the plan change to achieve its objectives.

The National Policy Statement – Urban Development Capacity (NPS-UDC, or NPS) came into effect in December 2016. It provides a current and relevant framework for approaching urban growth (and associated decision making) under the Resource Management Act 1991 (RMA). To support productive and well-functioning urban areas, it is important that district plans provide adequate opportunities to develop land for business and housing to meet community needs.

While Central Otago District is not a high or medium urban growth district as defined under the NPS, the policy directs all local authorities to provide sufficient development capacity for housing and business growth demand. As such, the demand assessment described below is 'framed' in NPS terms and draws on aspects of a methodology (demand model) developed by M.E for the purpose of the NPS and which is currently being applied for Auckland, Hamilton, Queenstown Lakes District and other high growth councils across New Zealand.

Central to M.E's approach is examination of projected dwelling demand in Central Otago District, and in turn Cromwell. The current supply of dwellings in Cromwell is then evaluated alongside enabled growth potential. These two elements provide the context against which the residential capacity enabled by the plan change can be assessed.

2.1 Housing Demand under the NPS

Housing demand is defined here in terms of the housing requirements of the resident population and visitor populations of a city, district or region. The main dimensions of housing demand are the number of dwellings required at each point in time into the future, and the nature of those dwelling requirements in terms of dwelling type and dwelling value. Dwelling demand directly affects demand for residential land, just as residential land supply and planning provisions in combination affect development capacity. The adequacy or sufficiency of dwelling capacity can be broadly defined at the highest level in terms of the numbers of dwellings able to be supplied, but also in terms of their type, value and location.

The requirement to consider housing demand in some detail is set out clearly in NPS Policies, most notably:

> *PA3: When making planning decisions that affect the way and the rate at which development capacity is provided, decision-makers shall provide for the social, economic, cultural and environmental wellbeing of people and communities and future generations, whilst having particular regard to:*

a. *Providing for choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses;*

Under the NPS, a demand side assessment needs to consider housing requirements based on (projected) population, and consequent numbers of households of each type. These matters affect numbers of dwellings required, the dwelling typology, and dwelling price points. The assessment needs to include both the resident population and visitor population including owners of "holiday" dwellings, and take into account options and choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations (PA3a). These matters are in the context of providing for the social, economic, cultural and environmental wellbeing of people and communities and future generations (PA3).

2.2 Current Housing Demand – Resident Population

The first core task is to establish the current patterns of housing demand in Central Otago District. This analysis covers the situation as at the 2013 Census, and estimated for 2016, to identify the patterns of dwelling ownership and occupancy by each household type within the community, including the household type to dwelling type relationships.

Understanding how these household types are currently distributed across the Central Otago dwelling estate is a core requirement of the NPS, with current patterns of demand being the base indicator of future demands – by dwelling type – from the future population[1].

2.2.1 Household Types

The NPS requires assessment of housing demand by different types of household within a community, including demographics (household structure, size and age) which are important drivers of housing needs, and household incomes, which are an important driver of ability to pay. Dwelling affordability is a key matter in the NPS (PB 6c).

Households may be defined on a number of dimensions, and the more standard ones are household type (such as single persons, couples or 2-parent families), household size or the number of members, the age of the householders, and their income level. These dimensions directly influence housing preferences and affordability.

A standard household typology used by M.E has been applied, based on Census information. The typology broadly conforms with Statistics New Zealand (SNZ) household types, although it offers more detail on matters directly relevant to housing affordability[2]. The segmentation used here is based first on household type:

a. Single person

[1] For the purpose of this report, dwelling value band analysis is excluded but is otherwise a requirement of a comprehensive NPS assessment.

[2] This typology has been applied over many years to effectively differentiate household needs – both for dwellings and a range of consumer goods and services – according to both requirements and ability to pay (driven by income levels).

b. Couple

c. 2-parent family with 1-2 children

d. 2-parent family with 3+ children

e. 1-parent family

f. Multi-family

g. Non-family

Households are further differentiated by household age. This is the age of the "reference person" (as identified for Census purposes), and is a strong indicator of a household's stage in the life-cycle. It is important because housing needs and future expectations vary during the life-cycle. For this analysis, six age bands are used – from young adults of 15-29 years, 30-39 years, 40-49 years, 50-64 years, 65-74 years, through to older households in the 75 years and over age band.

The third key point of differentiation is household income level. This is based on 2013 Census bands which broadly correspond with household income quintiles, though do not correspond exactly. The five bands used in the 2013 Census are less than $30,000 per year (pre-tax); $30,000 to 50,000; $50,000 to 70,000; $70,000 to 100,000; and more than $100,000.

These combinations provide the option to define up to 210 household groups – 7 types x 6 age bands x 5 income bands – although this level of disaggregation is typically applied only at national level, or for large regional or TA populations. For most analyses, detail by household type and income, or by household type and age, is easily sufficient to identify the most important patterns of demand.

The mix of household types varies by location. For this analysis, a dataset from 2013 Census has been applied, which counts the numbers of households of each type x age x income category. This is available at the census unit (CAU) level.

2.2.2 Dwelling Types

There is a substantial amount of information available from the 2013 Census to identify dwelling types. A customized dataset at the TA level has been used which identifies dwelling numbers by type and location within Central Otago, to show dwellings as being a separate house or one of 2 or more dwellings in a building (attached dwellings). Dwelling type categories are:

a. Separate house (77.0% nationally);

b. (one of) 2 or more dwellings in a 1-storey building (9.6%)

c. 2 or more dwellings in a 2- to 3-storey building (5.8%)

d. 2 or more dwellings in a 4+ storey building (1.4%)

e. 2 or more dwellings not further defined (0.03%)

f. Other private dwellings (0.4%)

g. Private dwellings not further defined (5.8%)

Simple cross-tabulation of household types with these dwelling types for Central Otago District offers a base analysis of the relationship of households and dwellings. However, for the NPS a more detailed assessment is necessary, especially to understand how the household-type to dwelling-type relationships vary according to household age and income.

2.2.3 Dwelling Tenure

It is also important to understand the importance of dwelling tenure, within those patterns of dwelling occupancy. This analysis is part of the assessment, based on the customised dataset from SNZ. The basic Census output is detail of owned dwellings and rented dwellings, each by dwelling type, and the distribution of households (by type) across this dwelling estate. While this is factored into the underlying model, results by tenure are excluded for the purpose of this report.

2.2.4 Dwelling Occupancy

Dwelling occupancy is used here as a key indicator of demand. This is because the Census describes the households which occupy a dwelling, and their tenure as owners or renters, but it does not identify the owners of dwellings which are occupied by renters[3].

Accordingly, the household which occupied a dwelling as at Census 2013 is taken here as the best indicator of that household's demand for that dwelling. This is on the basis that the Census 2013 snapshot is a sound indicator of the dwellings sought by those owner occupiers, and the type of dwelling sought by those renting a dwelling.

2.2.5 Demand by Household Type and Dwelling Type

The outputs from this first task are estimates of the dwelling types in which households of each type resided, as at the 2013 Census. These estimates are generated at the TA level, by summing the CAU figures.

At the CAU level the number of dwellings will not be the same as the number of usually resident households. This is because some dwellings counted at Census time may be unoccupied, or occupied by visitors (i.e. holiday homes).

For that reason, the analysis of the household type-dwelling type relationships is based on the number of usually resident households. These households are in effect distributed across dwelling-types, which means that the demand for dwellings is equated with occupancy by the number of households. I.e. for any given number of households of any type, there will be demand for *x* separate dwellings and *y* attached dwellings, and further disaggregated into value bands.

Figures 2.1 and 2.2 show the overall pattern for Central Otago District, as at 2013.

[3] Including those who may not being paying rent, as family members or others.

Figure 2.1 – Central Otago Dwelling Occupancy by Household Type 2013

Dwelling Type	Household Type								
	One Person Hhld	Couple Hhld	2 Parents 1-2chn	2 Parents 3+chn	1 Parent Family	Multi-Family Hhlds	Non-Family Hhlds	Hhld Type NEI *	Total Hhlds 2013
COUNT OF HOUSEHOLDS/DWELLINGS									
Separate house	1,269	2,808	1,138	296	321	12	68	-	5,912
2+ dwellings in 1-storey	276	115	34	8	26	-	-	-	459
2+ dwellings in 2- to 3-storey	10	7	-	-	-	-	-	-	17
2+ dwellings in 4+ storey	-	-	-	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-	-	-	-
Other private dwellings	26	12	-	-	2	-	-	-	40
Private dwelling nfd **	96	64	17	4	9	-	-	90	280
Total Private Dwellings	1,677	3,006	1,189	308	358	12	68	90	6,708
STRUCTURE % BY HOUSEHOLD TYPE									
Separate house	75.7%	93.4%	95.7%	96.1%	89.7%	100.0%	100.0%	0.0%	88.1%
2+ dwellings in 1-storey	16.5%	3.8%	2.9%	2.6%	7.3%	0.0%	0.0%	0.0%	6.8%
2+ dwellings in 2- to 3-storey	0.6%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	1.6%	0.4%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.6%
Private dwelling nfd	5.7%	2.1%	1.4%	1.3%	2.5%	0.0%	0.0%	100.0%	4.2%
Total Private Dwellings	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OVERALL % STRUCTURE									
Separate house	18.9%	41.9%	17.0%	4.4%	4.8%	0.2%	1.0%	0.0%	88.1%
2+ dwellings in 1-storey	4.1%	1.7%	0.5%	0.1%	0.4%	0.0%	0.0%	0.0%	6.8%
2+ dwellings in 2- to 3-storey	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Private dwelling nfd	1.4%	1.0%	0.3%	0.1%	0.1%	0.0%	0.0%	1.3%	4.2%
Total Private Dwellings	25.0%	44.8%	17.7%	4.6%	5.3%	0.2%	1.0%	1.3%	100.0%

Source: Statistics NZ Census 2013 ** Not Elsewhere Included, ** Not Further Defined*

The 2013 Census data provides detail for 6,708 households[4]. The key parameters of 2013 housing demand are:

a. Couples with no children at home are the dominant household type (44.8%), with single person households making up 25.0% of the total and families with children making up (27.7%), non-family households (flatting situations) account for just 1.0% and 1.3% of households are undefined.

b. A number of dwelling types are not present in the Central Otago market in 2013. There are no dwellings in 4 storey buildings for example and very few dwellings in 2-3 storey buildings.

c. Separate houses (which may be one or more storeys) are the dominant dwelling type (88.1%), with town houses, terrace houses and apartments accounting for 7.7% (some 4.2% are undefined);

[4] This compares to 7,413 households identified on Census night and an estimated 7,870 resident private households as at June 2013. The household-type – dwelling-type analysis (based on the sample of 6,708 households forms a profile subsequently applied to household projections with a 2016 base year.

d. The shares occupying separate houses varies with 2-parent families in the 96% range, while single parent families have 89.7% (and 7.8% in attached dwellings), couples have 93.4% (and 4.5% in attached dwellings), and single person households 75.7% (and 18.6% in attached dwellings).

Figure 2.2 – Central Otago Dwelling Occupancy by Household Type 2013

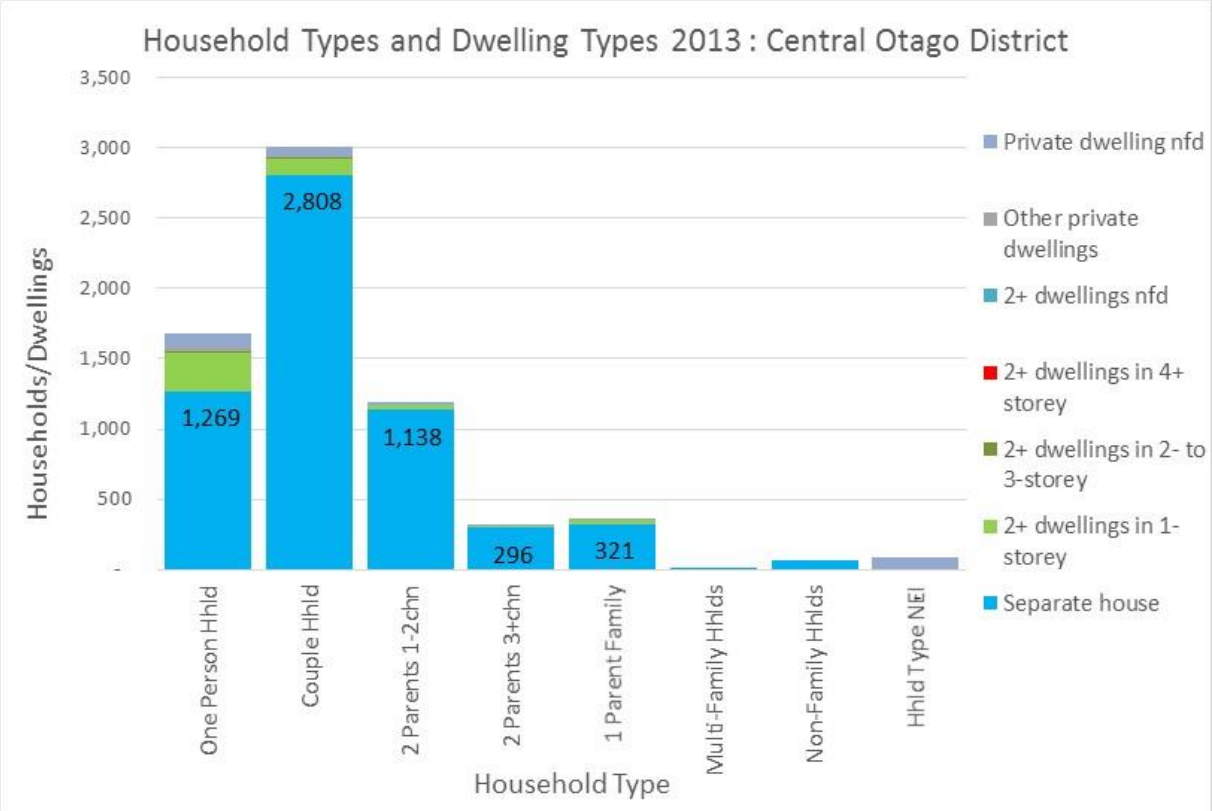


Figure 2.3 shows how dwelling occupancy varies with household income. The key features are:

a. The greatest number of households (20.9%) are in the lowest income quintile (less than $30,000 per annum), followed by households in the second lowest income quintile (19.7% in the $30-50,000 per annum band). The highest income band ($100,000 or more per annum) relates to 15.1% of households in the District.

b. The share of households living in separate (standalone) dwellings increases with household income and correspondingly, the share living in attached dwellings decreases with greater income. In other words, there is a converse relationship between income and dwelling density.

c. In the lowest income band, 76.6% of households live in separate houses and 18.9% live in attached dwellings. In the highest income band, 96.7% of households live in separate houses and 2.2% live in attached dwellings.

Figure 2.3 - Central Otago Dwelling Occupancy by Household Income 2013

Dwelling Type	Household Income Band						
	Income < $30K	Income $30-50K	Income $50-70K	Income $70-100K	Income $100K +	Income Not Stated	Total
COUNT OF HOUSEHOLDS/DWELLINGS							
Separate house	1,074	1,194	1,006	1,102	981	555	5,912
2+ dwellings in 1-storey	232	85	49	30	22	41	459
2+ dwellings in 2- to 3-storey	9	3	2	2	-	1	17
2+ dwellings in 4+ storey	-	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-	-
Other private dwellings	24	7	3	4	-	2	40
Private dwelling nfd **	63	33	26	17	11	130	280
Total Private Dwellings	1,402	1,322	1,086	1,155	1,014	729	6,708
STRUCTURE % BY INCOME BAND							
Separate house	76.6%	90.3%	92.6%	95.4%	96.7%	76.1%	88.1%
2+ dwellings in 1-storey	16.5%	6.4%	4.5%	2.6%	2.2%	5.6%	6.8%
2+ dwellings in 2- to 3-storey	0.6%	0.2%	0.2%	0.2%	0.0%	0.1%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	1.7%	0.5%	0.3%	0.3%	0.0%	0.3%	0.6%
Private dwelling nfd **	4.5%	2.5%	2.4%	1.5%	1.1%	17.8%	4.2%
Total Private Dwellings	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OVERALL % STRUCTURE							
Separate house	16.0%	17.8%	15.0%	16.4%	14.6%	8.3%	88.1%
2+ dwellings in 1-storey	3.5%	1.3%	0.7%	0.4%	0.3%	0.6%	6.8%
2+ dwellings in 2- to 3-storey	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	0.4%	0.1%	0.0%	0.1%	0.0%	0.0%	0.6%
Private dwelling nfd **	0.9%	0.5%	0.4%	0.3%	0.2%	1.9%	4.2%
Total Private Dwellings	20.9%	19.7%	16.2%	17.2%	15.1%	10.9%	100.0%

Source: Statistics NZ Census 2013 *** Not Further Defined*

Figure 2.4 shows how dwelling occupancy varies with household age. The key features are:

a. The largest group of households in 2013 was in the 50-64 year age group (32.3%), followed by similar counts in the 40-49 year age group (18.1%) and 65-74 year age group (17.7%). Households aged 39 years or younger make up 18.8% of households and those households aged 75+ account for a 13.0% share.

b. Separate (standalone) dwelling occupancy peaks when households are aged 30-39 years (with attached dwelling occupancy at its lowest).

c. Attached dwelling occupancy is high in the youngest household group (8.0%) then declines through middle age households before increasing again. It peaks in the oldest household age group (the 75+ age households have 16.3% in attached dwellings). In other words, there is a relationship between life stage (age) and dwelling density.

Figure 2.4 - Central Otago Dwelling Occupancy by Household Age 2013

	Age of Household Reference Person						
Dwelling Type	15-29	30-39	40-49	50-64	65-74	75+	Total
COUNT OF HOUSEHOLDS/DWELLINGS							
Separate house	402	737	1,108	1,942	1,042	681	5,912
2+ dwellings in 1-storey	33	34	58	110	91	133	459
2+ dwellings in 2- to 3-storey	1	-	-	8	4	4	17
2+ dwellings in 4+ storey	-	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-	-
Other private dwellings	3	2	4	20	6	5	40
Private dwelling nfd **	22	30	43	90	47	48	280
Total Private Dwellings	461	803	1,213	2,170	1,190	871	6,708
STRUCTURE % BY AGE BRACKET							
Separate house	87.2%	91.8%	91.3%	89.5%	87.6%	78.2%	88.1%
2+ dwellings in 1-storey	7.2%	4.2%	4.8%	5.1%	7.6%	15.3%	6.8%
2+ dwellings in 2- to 3-storey	0.2%	0.0%	0.0%	0.4%	0.3%	0.5%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	0.7%	0.2%	0.3%	0.9%	0.5%	0.6%	0.6%
Private dwelling nfd **	4.8%	3.7%	3.5%	4.1%	3.9%	5.5%	4.2%
Total Private Dwellings	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OVERALL % STRUCTURE							
Separate house	6.0%	11.0%	16.5%	29.0%	15.5%	10.2%	88.1%
2+ dwellings in 1-storey	0.5%	0.5%	0.9%	1.6%	1.4%	2.0%	6.8%
2+ dwellings in 2- to 3-storey	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%
2+ dwellings in 4+ storey	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2+ dwellings nfd	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other private dwellings	0.0%	0.0%	0.1%	0.3%	0.1%	0.1%	0.6%
Private dwelling nfd **	0.3%	0.4%	0.6%	1.3%	0.7%	0.7%	4.2%
Total Private Dwellings	6.9%	12.0%	18.1%	32.3%	17.7%	13.0%	100.0%

Source: Statistics NZ Census 2013 *** Not Further Defined*

2.3 Future Housing Demand

This section addresses future household projections for Central Otago District and how that growth might be expected to translate into future demand for dwellings. It assumes no constraints to dwelling demand as the objective is to determine what sort of housing supply the District needs to deliver in order to accommodate the preferences of a changing demographic/market. The analysis addresses dwelling demand for resident households (whether renting or owner occupiers) only. It excludes demand for holiday homes which needs to be considered separately.

2.3.1 Household Growth Futures

This assessment of future resident housing demand is based on the latest SNZ (February 2017) population projection series. SNZ have not yet produced updated household projections, and for current purposes total household numbers have been estimated by M.E using mean household size figures from the previous SNZ series (2015). SNZ projections take into account projected births, deaths and migration. A portion of growth may already include those people projected to leave Queenstown Lakes District to access more

affordable housing in COD. However, it is not possible to specifically determine how sensitive/responsive the COD growth projections are to the dynamics of the neighbouring Queenstown market. If not addressed, enduring supply-demand imbalances in the Queenstown urban area have the potential to impact on the future growth of Cromwell in particular. That is, housing demand which is not met in QLD for reasons of capacity and/or affordability is likely to be re-directed to COD as the closest practically available alternative. As such, M.E has selected the High growth projection as this is most likely to avoid under-estimating future growth.

Figure 2.5 shows the projected resident household numbers in Central Otago by household type[5]. This indicates growth of 2,210 households between 2016 and 2028 (around 184 per year in the medium term), and growth of an estimated 4,120 households by 2043 (long term average growth of 153 per year, and a 49% increase overall). It also indicates that 'one person' and 'couple' households will account for a growing share of the household structure – growing by 70% and 57% respectively compared to an overall average of 49%. Combined they increase from a 66% share of households to a 71% share by 2043. It is structural changes like this that mean that the mix of dwellings types (and densities) available in the District's future dwelling estate will need to differ from the mix currently available.

Figure 2.5 – Central Otago Projected Households by Type 2016-2043 – High

Household Type	2016	2018	2023	2028	2033	2038	2043	2016-28	2016-33	2016-43
COUNT OF HOUSEHOLDS										
One Person	2,030	2,170	2,480	2,770	3,030	3,250	3,450	740	1,000	1,420
Couple	3,540	3,790	4,260	4,650	4,990	5,270	5,550	1,110	1,450	2,010
2 Parents 1-2chn	1,560	1,620	1,680	1,730	1,790	1,840	1,900	170	230	340
2 Parents 3+chn	460	470	490	490	500	520	550	30	40	90
1 Parent Family	550	580	600	620	650	660	680	70	100	130
Multi-Family Hhlds	60	70	70	80	80	80	90	20	20	30
Non-Family Hhlds	290	310	320	360	370	380	390	70	80	100
TOTAL	8,490	9,010	9,900	10,700	11,410	12,000	12,610	2,210	2,920	4,120
STRUCTURE % BY YEAR										
One Person	24%	24%	25%	26%	27%	27%	27%	33%	34%	34%
Couple	42%	42%	43%	43%	44%	44%	44%	50%	50%	49%
2 Parents 1-2chn	18%	18%	17%	16%	16%	15%	15%	8%	8%	8%
2 Parents 3+chn	5%	5%	5%	5%	4%	4%	4%	1%	1%	2%
1 Parent Family	6%	6%	6%	6%	6%	6%	5%	3%	3%	3%
Multi-Family Hhlds	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Non-Family Hhlds	3%	3%	3%	3%	3%	3%	3%	3%	3%	2%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Statistics NZ, M.E

2.3.2 Future Resident Dwelling Demand

The 2013 analysis of household and dwelling structures and household projections summarised above (but analysed in detail in M.E's model) drive the projections of future dwellings by type and tenure in Central Otago District[6]. The model generates a number of potential scenarios in terms of detached and attached

[5] The M.E model projections also contain detail on household age and income in combination with household type (210 household groups).

[6] It should be noted that the number of private occupied dwellings differs from the number of estimated households in 2016. This is not unusual, but the reasons may differ by TA. In some instances, it can reflect a latent demand for dwellings (i.e. a current undersupply relative to the number of households). In some cases, dwellings may include a separate flat meaning that a residential

dwelling preferences. If the demand/preference shift is activated, the projection factors down the detached dwellings and factors up the attached dwellings (+/- balanced so projected households remain unaltered).

In the **Status Quo Scenario**, the 2013 relationships between each household type and the dwellings occupied are assumed to carry through *pro rata*. That is, there is no projected shift in dwelling type preferences. In this option, the only changes in demand come about from demographic change. Figures 2.6 and 2.7 show the results.

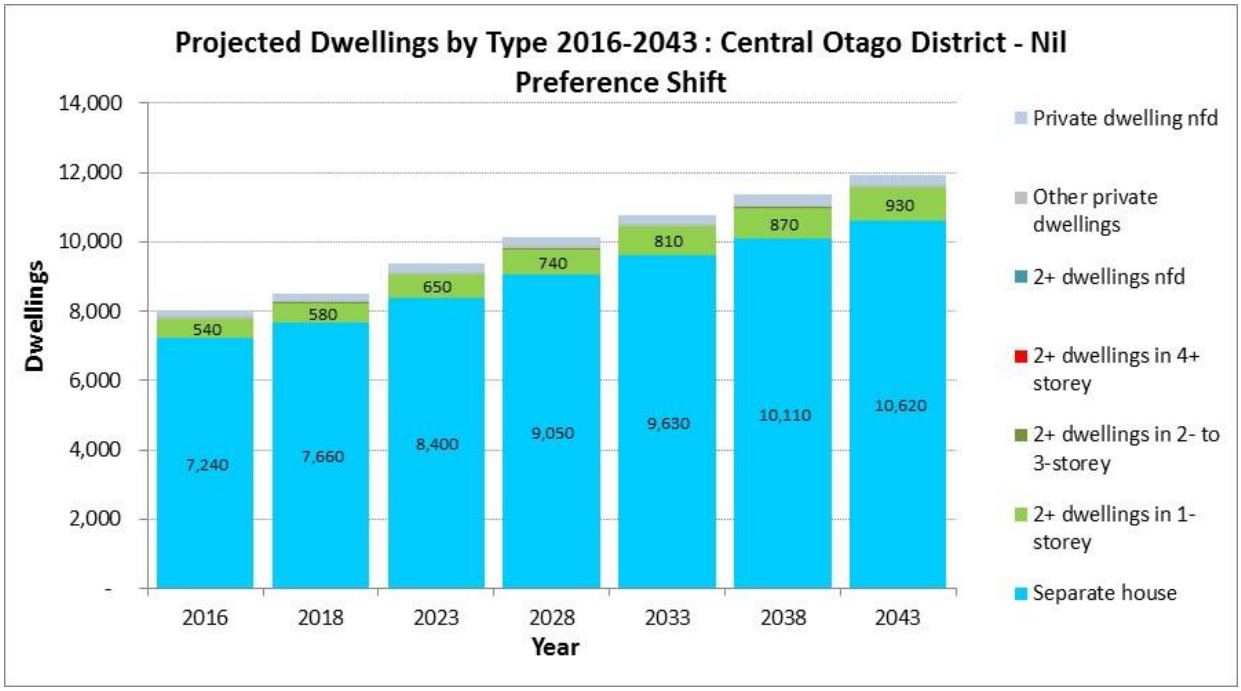
Figure 2.6 - COD Projected Dwellings by Type 2016-2043 – High – Status Quo Preferences

Dwelling Type	2016	2018	2023	2028	2033	2038	2043	2016-28	2016-33	2016-43
COUNT OF DWELLINGS										
Separate house	7,240	7,660	8,400	9,050	9,630	10,110	10,620	1,810	2,390	3,380
2+ dwellings in 1-storey	540	580	650	740	810	870	930	200	270	390
2+ dwellings in 2- to 3-storey	20	20	20	30	30	30	30	10	10	10
2+ dwellings in 4+ storey	-	-	-	-	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-	-	-	-	-
Other private dwellings	50	50	60	60	60	60	70	10	10	20
Private dwelling nfd **	190	200	230	250	260	280	290	60	70	100
TOTAL	8,040	8,510	9,360	10,130	10,790	11,350	11,940	2,090	2,750	3,900
STRUCTURE % BY YEAR										
Separate house	90%	90%	90%	89%	89%	89%	89%	87%	87%	87%
2+ dwellings in 1-storey	7%	7%	7%	7%	8%	8%	8%	10%	10%	10%
2+ dwellings in 2- to 3-storey	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2+ dwellings in 4+ storey	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2+ dwellings nfd	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other private dwellings	1%	1%	1%	1%	1%	1%	1%	0%	0%	1%
Private dwelling nfd **	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Statistics NZ, M.E *** Not Further Defined* *Scenario: Nill Shift/Status Quo Preferences, High 2017 Growth Future*

property supports more than one household (while not necessarily being classified as a multi-family household in the Census). Any potential cause is households living in non-private households. M.E has not examined the likely cause(s) that may apply in Central Otago District and has assumed, for the purpose of this report, that there is not an undersupply. The key focus is on the projected dwellings, with the household projections an input to that result.

Figure 2.7 - COD Projected Dwellings by Type 2016-2043 – High – Status Quo Preferences



The key findings from the Status Quo Scenario are:

- Total District demand for 2,090 additional dwellings in the medium term (by 2028). This is an overall increase of 26%.
- Total District demand for 3,900 additional dwellings by 2043. This is an overall increase of 49%.
- Separate, standalone homes will continue to dominate market demand – making up 89% of total dwelling demand by 2043 compared to 90% in 2016. A further 1,810 standalone dwellings will be required by 2028. The increase is 3,380 by 2043.
- Above average growth in demand for attached dwellings, particularly attached single storey dwellings which increase by 72% by 2043 (a nominal increase of 200 dwellings by 2028 and 390 by 2043). Total attached dwelling growth is 220 in the medium term and 420 in the long term driven by changes in household demography and the 2013 relationship between household and dwelling types.

Figures 2.8 and 2.9 present district-wide dwelling projections for the Medium Preference Shift Scenario. This scenario reflects only a moderate shift from current Central Otago dwelling preferences (2013) towards the national average dwelling preferences (on the assumption that TAs move closer to national average patterns as they grow in size). The national average is heavily weighted towards the large metropolitan urban areas which sustain higher density housing options – hence a greater propensity to occupy attached dwellings. The model has the option of a medium, high or very high shift towards the national average preferences.

M.E has selected the medium shift scenario for this report to be conservative. This approach takes into account the historic development of the dwelling estate in the District, which to-date has not faced any

significant land supply constraints and has in turn allowed standalone dwellings to dominate supply and urban areas to spread. However, the scenario also takes into account that urban sprawl leads to reduced urban form efficiencies and a housing supply that fails to offer a variety of residential densities (including dwelling types) puts greater pressure on housing affordability, particularly for low income households and first home buyers. Changing levels of housing affordability are a key driver of changing preferences towards smaller residential sections and attached dwellings – this is becoming increasingly evident in many high growth areas throughout New Zealand.

The key findings from the Medium Preference Shift Scenario are:

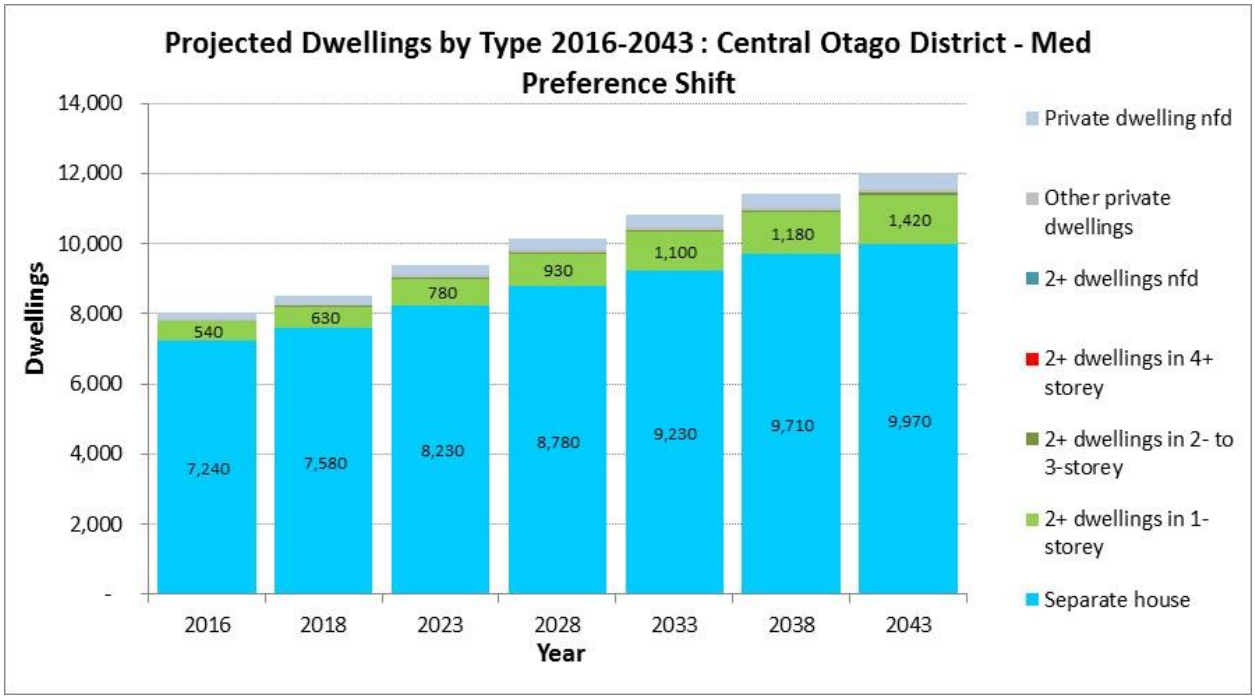
- Same or similar overall demand for dwellings (i.e. the household demand does not change, just the mix of dwelling types).
- Separate, standalone homes will continue to dominate market demand – but will reduce in share from 90% of demand in 2016 to 83% by 2043. A further 1,540 standalone dwellings will be required by 2028. This increases to 2,730 by 2043.
- Strong percentage growth in demand for attached dwellings, particularly attached single storey dwellings which increase by 163% by 2043 over 2016 demand levels (a nominal increase of 390 dwellings by 2028 and 880 by 2043). Total attached dwelling growth is 420 in the medium term and 960 in the long term driven by changes in household demography combined with a moderate shift away from the 2013 relationship between household and dwelling types.

Figure 2.8 - COD Projected Dwellings by Type 2016-2043 – High – Medium Preference Shift

Dwelling Type	2016	2018	2023	2028	2033	2038	2043	2016-28	2016-33	2016-43
COUNT OF DWELLINGS										
Separate house	7,240	7,580	8,230	8,780	9,230	9,710	9,970	1,540	1,990	2,730
2+ dwellings in 1-storey	540	630	780	930	1,100	1,180	1,420	390	560	880
2+ dwellings in 2- to 3-storey	20	20	30	30	40	40	50	10	20	30
2+ dwellings in 4+ storey	-	-	-	-	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-	-	-	-	-
Other private dwellings	50	50	70	70	80	90	100	20	30	50
Private dwelling nfd	190	230	270	320	380	400	470	130	190	280
TOTAL	8,040	8,510	9,380	10,130	10,830	11,420	12,010	2,090	2,790	3,970
STRUCTURE % BY YEAR										
Separate house	90%	89%	88%	87%	85%	85%	83%	74%	71%	69%
2+ dwellings in 1-storey	7%	7%	8%	9%	10%	10%	12%	19%	20%	22%
2+ dwellings in 2- to 3-storey	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%
2+ dwellings in 4+ storey	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2+ dwellings nfd	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other private dwellings	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Private dwelling nfd	2%	3%	3%	3%	4%	4%	4%	6%	7%	7%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Statistics NZ, M.E *** Not Further Defined* *Scenario: Medium Shift in Attached Preferences, High 2017 Growth Future*

Figure 2.9 - COD Projected Dwellings by Type 2016-2043 – High – Medium Preference Shift



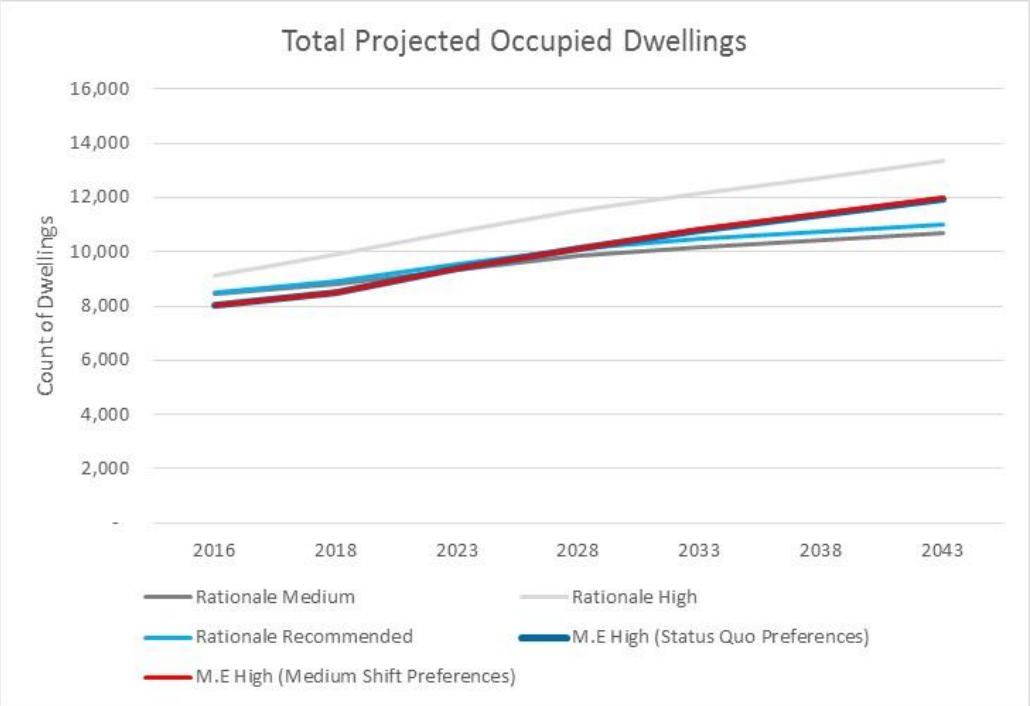
2.4 Future Housing Demand in Cromwell

The above analysis is for the total Central Otago District. However, in order to assess the proposed River Terrace Plan Change, it is relevant to place Cromwell's growth future in the context of district growth.

To do this, M.E has relied upon Central Otago District Council's (CODC) own growth projections, produced by Rationale Limited (2016)[7]. M.E's dwelling projections (at the combined dwelling type level) are broadly consistent with the Rationale projections of occupied dwellings for the total District (Figure 2.10). M.E's projections start from a slightly lower base in 2016 and grow at a slightly faster rate to end up at the same point as Rationale's Recommended Scenario in the medium term (2028) but continue to grow at the same rate to end up higher than the Rationale Recommended Scenario in the long term (although lower than the Rationale High scenario).

[7] CODC Growth Projections 2018 to 2018 Resident Population, Visitors, Dwellings, Rating Units. Rationale Limited, August 2016.

Figure 2.10 – Comparison of M.E and Council Dwelling Projections (Total Occupied) 2016-2043



On that basis of broad similarities, M.E has relied on the sub-district Rationale growth projections to distribute, *pro rata*, projected dwelling demand by type to Cromwell and surrounds in each year, using the Rationale Recommended Scenario. Cromwell and surrounds is defined in accordance with Rationale's definitions of Cromwell (the SNZ CAU) and Outer Cromwell (a portion of the Dunstan CAU) combined[8].

The Rationale projections of occupied dwellings state that:

> *The majority of the dwelling growth is projected to occur in the Cromwell and Vincent Community Board areas. A small amount of dwelling growth is projected in the Teviot Valley and Maniototo Community Board areas. The number of occupied dwellings in the district decreases in the long term from 80% of total dwellings in 2013 to 79% in 2048 (page 2).*

This approach maintains M.E's total dwelling growth for the District but applies the Cromwell share of District dwellings contained in Rationale's Recommended projections. While this is a simplistic approach that does not account for slight differences between Cromwell's household demography and that of the rest of the District (refer Appendix 2), it is considered an adequate approach for the purpose of this report.

Figure 2.11 summarises the Rationale occupied dwelling projections. They indicate that Cromwell and surrounds accounts for 32% of the District's occupied dwellings in 2016, increasing to a 36% share in 2043 (due to a faster growth rate occurring in and around Cromwell).

[8] Refer Appendix 1 for a copy of the Rationale Report map showing this extent.

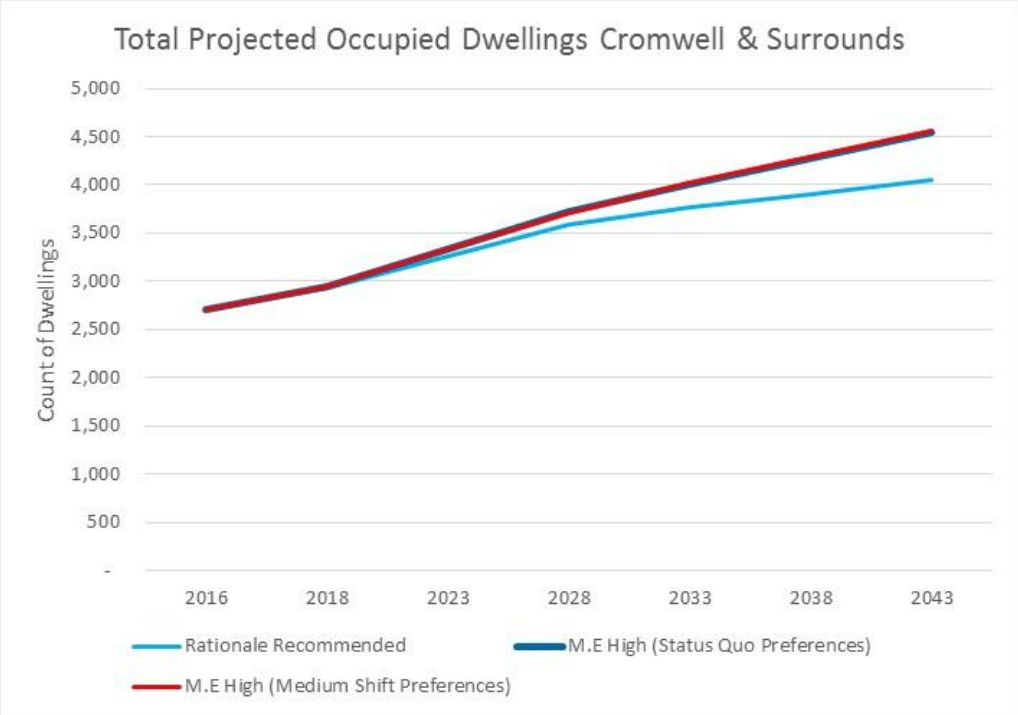
Figure 2.11 – Cromwell Relative to Total District Occupied Dwelling Growth, Rationale

	2016	2018	2023	2028	2033	2038	2043	Growth 2016-43	Growth 2016-43
Cromwell	2,016	2,182	2,401	2,612	2,703	2,769	2,835	819	41%
Outer Cromwell	687	749	862	970	1,061	1,139	1,217	530	77%
Combined Cromwell and Surrounds	2,703	2,931	3,263	3,582	3,764	3,908	4,052	1,349	50%
Rest of District	5,812	5,994	6,287	6,548	6,724	6,838	6,943	1,131	19%
District	8,515	8,925	9,550	10,130	10,488	10,746	10,995	2,480	29%
Combined Cromwell and Surrounds as Share of District	32%	33%	34%	35%	36%	36%	37%	54%	

Source: CODC, Rationale 2017

These percentage shares have been applied to M.Es two scenarios of resident dwelling projections (by type). M.E has then rebased its two projection scenarios to match the 2016 estimate derived from Rationale's report (2,700). The resulting total dwelling growth projection for Cromwell and surrounds are summarised in Figure 2.12. M.E's projections remain similar to Rationales in the medium term, but again show a higher growth outcome than the Rationale Recommended Scenario in the long term (i.e. no slow-down in growth).

Figure 2.12 – Cp. of Dwelling Projections (Total Occupied) Cromwell & Surrounds



M.E's final implied growth of dwellings by type for Cromwell and surrounds are summarised in Figure 2.13. Estimated unoccupied dwellings (i.e. holiday homes) have been added based on data from Council's projections (Rationale Ltd) which shows that in Cromwell and surrounds, unoccupied dwellings equate to 26% of occupied dwellings (and represent 20-21% of total dwellings). This share is projected to hold constant over the long term but could be conservative in M.E's view if overflow of demand from Queenstown increases over time.

Figure 2.13 – Implied Resident Dwelling Growth by Type in Cromwell & Surrounds 2016-2043

	Scenario: Nill Shift/Status Quo Preferences, High 2017 Growth Future			Scenario: Medium Shift in Attached Preferences, High 2017 Growth Future		
Dwelling Type	2016-28	2016-33	2016-43	2016-28	2016-33	2016-43
COUNT OF DWELLING GROWTH						
Separate house	900	1,160	1,610	800	1,010	1,370
2+ dwellings in 1-storey	90	120	170	160	220	350
2+ dwellings in 2- to 3-storey	-	-	-	-	-	10
2+ dwellings in 4+ storey	-	-	-	-	-	-
2+ dwellings nfd	-	-	-	-	-	-
Other private dwellings	-	-	10	-	10	20
Private dwelling nfd **	30	30	50	50	80	110
TOTAL OCCUPIED	1,020	1,310	1,840	1,010	1,320	1,860
Estimated Unoccupied Growth (26%)*	270	340	480	260	340	480
TOTAL DWELLINGS	1,290	1,650	2,320	1,270	1,660	2,340

*Source: Statistics NZ, M.E * Rationale, 2017 ** Not Further Defined Figures rounded to nearst 10*

Under the Status Quo Preferences scenario, Cromwell and surrounds has estimated resident demand for 900 additional separate (standalone) dwellings and 90 additional attached dwellings in the medium term (by 2028), plus an additional 30 unspecified dwellings which may fall into one or other typologies, or a mixture of both. In the long term (to 2043), additional resident demand equates to an estimated 1,610 separate dwellings and 180 attached dwellings (and a further 50 unspecified).

Under the Medium Shift in Preferences scenario, Cromwell and surrounds has estimated resident demand for 800 additional separate dwellings and 160 additional attached dwellings in the medium term (by 2028), plus an additional 50 unspecified dwellings. In the long term, additional resident demand equates to an estimated 1,370 separate dwellings and 380 attached dwellings (and a further 110 unspecified).

Including unoccupied dwelling demand, which may be expected to have a similar household type profile to resident demand, total dwelling growth in Cromwell and surrounds is estimated at approximately 1,280 additional dwellings by 2028 and 2,330 additional dwellings by 2043[9].

Under either scenario, the analysis indicates demand for approximately 108 additional dwellings per annum in Cromwell and surrounds over the medium term (2016-2028) to meet resident household and visitor demand and approximately 86 additional dwellings per annum over the long term (2016-2043). This growth outlook means that suitable land in Cromwell needs to be identified, zoned and serviced – at appropriate times and at appropriate scales - to ensure that projected dwelling demand can be met without undue constraint.

[9] Midpoints selected between scenario results.

2.4.1 Retirement Living Demand

M.E has also run its Retirement Demand Model 2017 to provide another perspective[10] on how demographic change impacts on the nature of dwelling demand. The New Zealand Retirement Village Association estimates that 12% of those aged 75 years plus will reside in a retirement village (or similar elderly care complex). Based on the SNZ 2017 population growth projections, this indicates that between 2018 and 2028, Central Otago District will need between 130 (medium) and 170 (high) additional retirement living units. By 2043, the growth in demand ranges between 290 and 390 additional units respectively (Figure 2.14). A significant portion of this demand will be required in Cromwell and surrounds. This does not take account of current supply[11]. If there is a current under-supply, then these future growth estimates may be conservative. If this is a current over-supply, then growth in the short-medium term could be overstated.

Figure 2.14 – Estimated Central Otago District Retirement Dwelling Unit Demand 2018-2043

Projection		2018	2023	2028	2033	2038	2043	2018-2028	2018-2033	2018-2043
High	Total Residents	240	324	426	523	614	679	186	283	439
	Total Units	210	290	380	460	540	600	170	250	390
Medium	Total Residents	232	304	388	467	527	566	156	235	334
	Total Units	210	270	340	410	470	500	130	200	290
Low	Total Residents	221	281	354	412	458	475	133	191	254
	Total Units	200	250	310	360	410	420	110	160	220

Source: M.E Retirement Demand Model 2017. Based on SNZ 2017 population projections by age.

Assumes 12% of those aged 75 years or older will reside in a retirement village (or similar). Assumes on average 1.13 residents per unit.

2.5 Residential Supply in Cromwell

The Cromwell urban area (Residential Resource Areas) is nearly all subdivided into residential lots with few vacant sections remaining in established areas based on M.E's observations as at October 2017. In keeping with the District overall (Figure 2.1), the housing estate in Cromwell has delivered very few attached dwellings.

Appendix 3 contains graphs/tables summarising trends in Cromwell's housing market over time. Some key features include:

- Across the district overall, growth of 2,040 standalone urban dwellings and 610 lifestyle block dwellings (rural residential) between 1996 and 2015 compared to growth of just 10 purpose built flats and 170 apartments.
- A steady increase in dwellings in the Cromwell CAU but a faster rate of dwelling growth in the rest of the Cromwell Ward meaning a greater number of households living outside the main urban area (albeit small relative to the urban share).

[10] Note, retirement dwelling demand is a sub-set of total dwelling demand modelled for COD and Cromwell and surrounds (and is not net additional).

[11] M.E does not have data to confirm current supply.

- Across the district overall, lifestyle block properties have a higher average value and apartments (attached housing) a lower average value relative to standalone urban dwellings. This demonstrates that attached dwellings provides a more affordable housing option than many standalone homes and that there is a positive relationship between section size and value.
- A steep increase in residential land values in Cromwell since 2014.
- Steeply rising dwelling values in Cromwell, particularly since 2013.
- Steeply rising rental costs in Cromwell, particularly since 2013.

To avoid exacerbating these trends even further, or ideally slowing the rate of dwelling price increase, it is important that adequate capacity for residential growth in the Cromwell urban area is enabled to increase competition between land owners and to provide the market with confidence that sections and or dwellings are not in short supply (which increases prices and speculative behaviour). This issue sits at the core of the NPS UDC[12]. Furthermore, developments that enable attached dwellings or higher density (smaller section size) standalone dwellings (which achieve many of the same outcomes and benefits as attached low-rise dwellings) will also help provide a greater choice of housing options in Cromwell, including more affordable housing options.

2.5.1 Residential Growth Capacity

Dwelling growth in Cromwell will include uptake of remaining vacant residential sections and infill development on existing residential lots where rules allow. Although M.E has not quantified potential infill or vacant capacity it is estimated that combined, such capacity will address only a small share of projected short-medium term dwelling demand in the Cromwell and surrounds catchment.

M.E has carried out a high-level assessment of known enabled or proposed large scale residential growth areas within the Cromwell urban area (Figure 2.15). This assessment is based on information readily available or M.E estimates. Further, it does not include all development opportunities[13] (particularly blocks with smaller potential lot yields) and so is considered a conservative estimate of future dwelling capacity.

M.E has identified six main areas of residential growth.

a) One is already being developed (Golden View Lifestyle Village) and provides 94 small standalone dwellings for the District's (and Cromwell's) growing retirement market.

b) Gair Avenue is zoned for residential development and is now being marketed for presales and provides 78 sections associated with a recent consent, with some sections enabling attached dwellings. This development is a joint venture between the Cromwell Community

[12] On average, three households are better off from price rises for every one household which is worse off because it cannot afford a house / faces higher rents, etc. So, the conundrum is that society as a whole is worse off (greater inequality), even though the majority of households are individually better off materially. Hence the importance of government's confirmation that it is important to limit housing price rises for the good of community wellbeing.

[13] M.E is aware of the recent article in the ODT that reported Highland Park's aspiration to develop a golf resort with 100 dwellings.

Board and a private developer. M.E estimates that the total site could enable approximately 240 dwellings over time if fully subdivided.

c) The Top 10 Holiday Park has lodged a consent for a 173 lot subdivision of the total site and is awaiting a decision.

d) Another private plan change (Wooing Tree (PC12)) is awaiting a decision[14]. That plan change would enable (if approved) capacity for an indicative 210 dwellings (including provisions for some attached dwellings).

Combined, all four known proposed or actual development sites would provide growth of nearly 720 dwellings in urban Cromwell if approved.

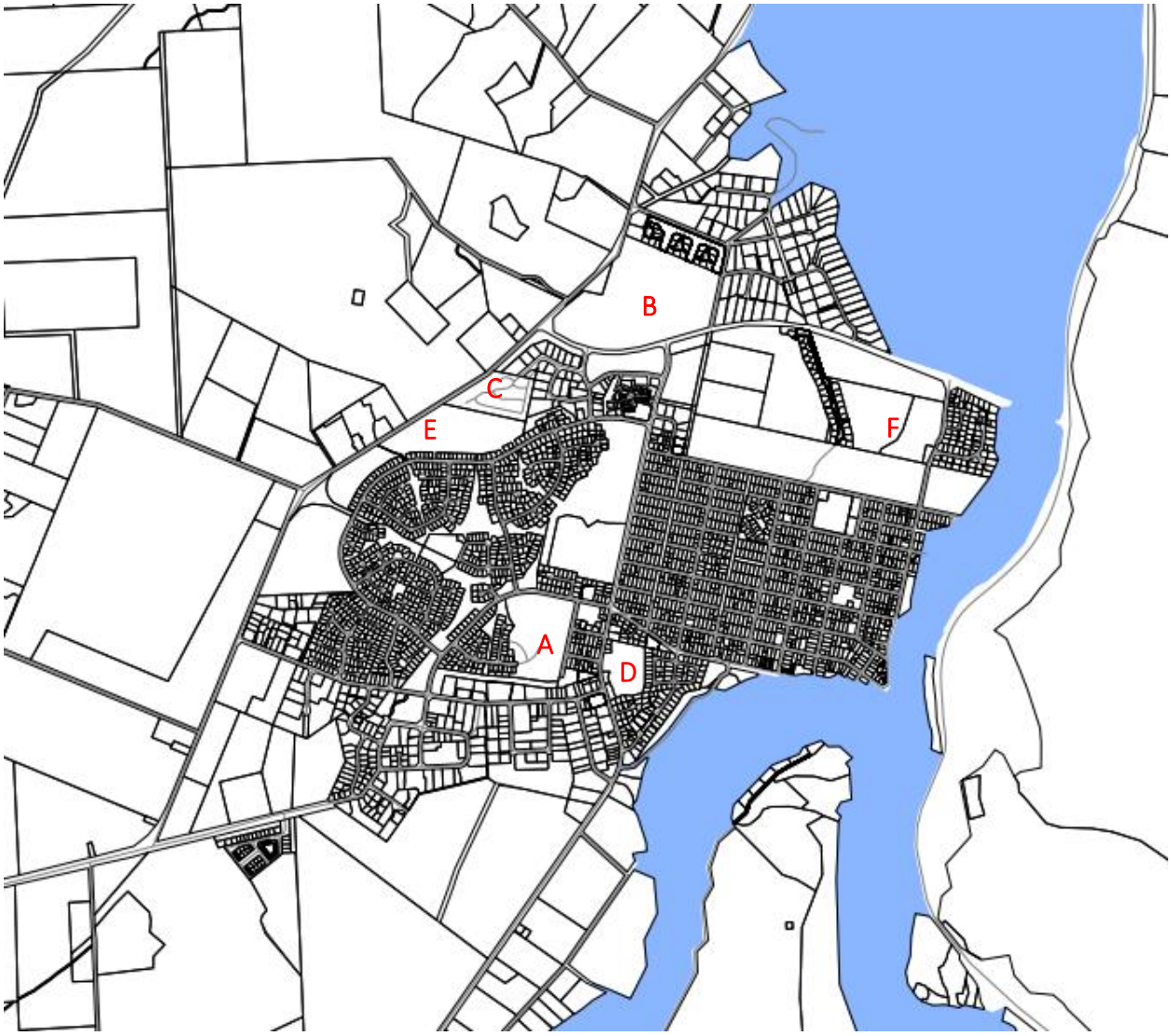
e) The two remaining opportunities are zoned land that is either vacant (Waenga Drive) or currently developed to a low intensity (the Chalets site). While M.E is not aware of any proposals to develop these sites (or constraints as to why they may not be developed), they appear to represent feasible capacity and so have been included.

In total, M.E estimates that the Cromwell urban area could have capacity (optimistically subject to approvals) for between 992 and 1,122 additional residential dwellings within enabled and proposed growth areas (and not allowing for capacity not quantified)[15]. Excluding the two proposals awaiting a decision, the zoned or consented capacity equates to between 610-740 additional residential dwellings (not allowing for capacity not quantified).

[14] Natalie Hampson of M.E provided expert evidence on behalf of the proponents.

[15] I.e. additional capacity associated with infill, vacant residential and other small scale subdivisions (estimated at around 80 additional dwellings - this is indicative only and not informed by any analysis).

Figure 2.15 – Known or Potential Greenfield Residential Development Opportunities



Site	Name	Approach	Status	Land Area (ha)	Estimated Dwelling Yield
A	Gair Ave	Resource Consent **	Presales *	10.38	240
B	Wooing Tree	Private Plan Change	Pending Decision	25.42	210
C	Golden View Lifestyle Village	Resource Consent	Under Construction *	5.87	94
D	Chalets	Zoned R	No Action *	4.15	*35-60*
E	Waenga Drive	Zoned RRA 12	No Action *	28.80	*240-345*
F	Top 10 Holiday Park	Resource Consent	Pending Decision	13.02	173
Total				87.64	992 - 1122

Source: Compiled by M.E based on IntraMaps, Resource Consent Notices, Websites

** These sites have been identified as zoned or consented opportunities with yields estimated by M.E as required*

*** 78 lots have recently been consented. Total yield based on an estimated 22 dwellings per ha and some attached dwelling lots.*

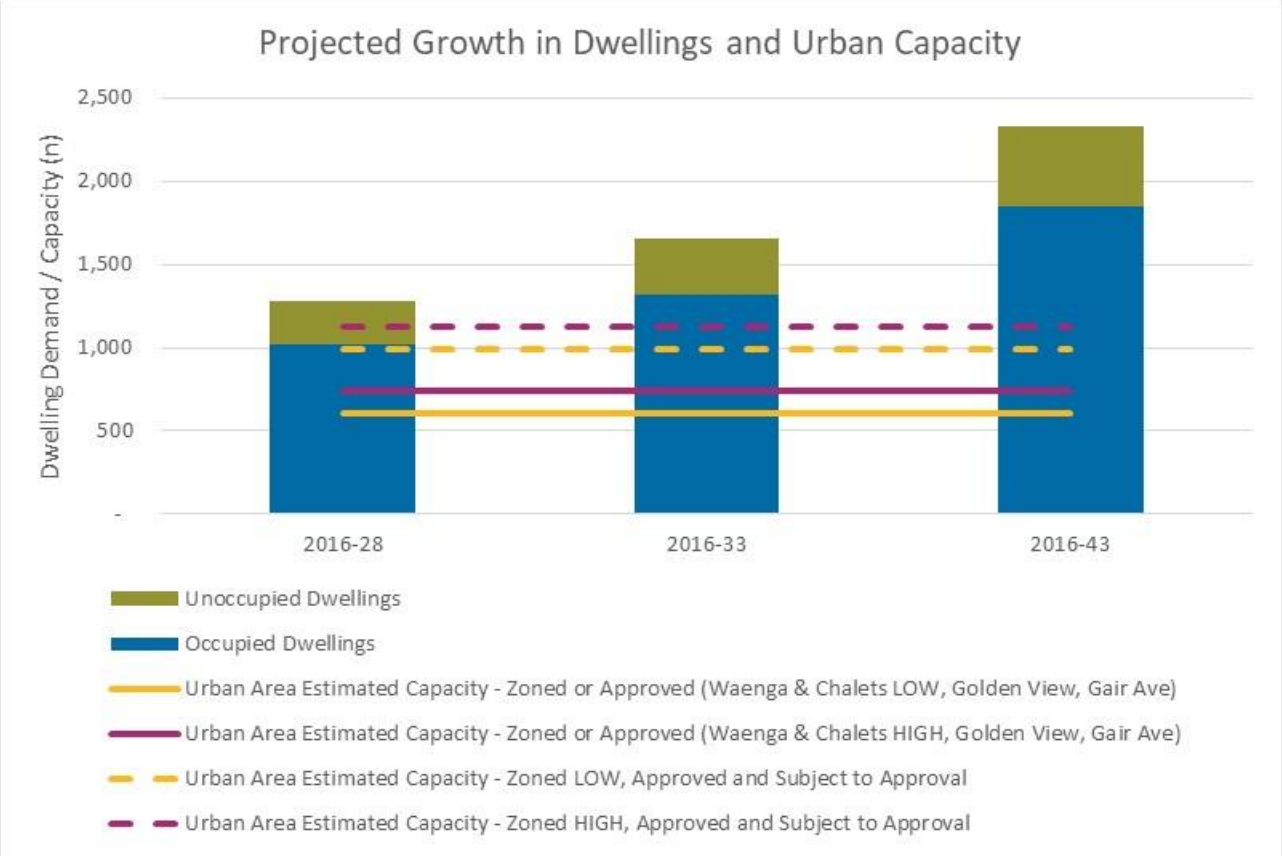
2.6 Sufficiency of Capacity to Meet Demand

The sufficiency of future housing capacity needs to be examined in terms of the needs of total future population and households in relation to the total future dwelling estate. This approach, which is required

by the NPS, does however rely on detailed capacity modelling which is beyond the scope of this report. While simply comparing the estimated net increase in dwellings to the net increase in household numbers has a number of limitations (because over time there is steady movement (churn) within the dwelling estate, as households re-locate, moving between dwellings, and/or up or along dwelling value bands, and/or between locations), it is considered practical for the purpose of this assessment.

Figure 2.16 compares projected demand for additional dwellings in the Cromwell and surrounds catchment with M.E's estimates of potential growth capacity in the urban area based on current zoning and existing proposals (some of which are subject to approval). The solid lines relate to consented or zoned dwelling capacity and the dashed lines include capacity associated with proposals awaiting decisions.

Figure 2.16 – Comparison of Dwelling Demand Growth and Estimated Capacity Growth[16]



It is important to clarify that dwelling growth includes demand across Cromwell and its surrounds and so not all growth can be expected to be directed to the urban area – which is the basis of the capacity estimate. Furthermore, the capacity estimate will be slightly conservative as not all growth potential has been identified[17]. Taking this into consideration, the analysis shows that based only on consented or zoned capacity, there is a shortfall of capacity to meet projected demand to 2028 - in the order of 350-400 dwellings (allowing for some demand to be met outside the urban area and additional zoned capacity not quantified)[18]. Even if all known development site yields are approved and come on-stream, this capacity

[16] Demand figures take an average of both scenarios modelled in Figure 2.13.

[17] Refer footnote 15.

[18] Modelled shortfall is 540-670 by 2028. M.E has factored this down for the reasons described.

might get Cromwell through to 2028 with little to spare. Continued growth in demand between 2028 and 2033 indicates that additional capacity will be required by then (and it is important to take account of the time needed between zoning and development). In the long term (by 2043), a significant shortfall of urban capacity is anticipated – in the order of 950-1,100 dwellings[19]. If any of the proposed developments were not approved, then these shortfalls would be correspondingly worse (and realised sooner). If neither of the proposed developments were approved, the long term shortfall would be in the order of 1,330-1,480 dwellings[20].

Note, this analysis has not allowed for a 20% (medium term) and 15% buffer of capacity above demand as required by the NPS, although M.E has used a SNZ growth projection that is higher that the Council's own Recommended scenario in the long term. Factoring a buffer in would further compound the issue of inadequate zoned capacity in the long term.

2.7 Costs and Benefits of the Proposed Plan Change

This analysis makes identification of the benefits of the residential zoning in the proposed plan change a relatively straightforward task. In M.E's view, the plan change enables feasible development capacity in Cromwell (in the order of 840 dwellings[21]) for which there is a demonstrated medium to long-term demand. The plan change helps to address (but will not completely resolve) a projected shortfall in residential zoned capacity in urban Cromwell.

Economic **benefits** of the residential zoning created by the plan change are summarised as follows:

- Creates additional capacity for residential dwellings that will help meet projected demand by both residents and visitors in the Cromwell urban area. This may include demand arising from Queenstown that cannot be satisfied locally in quantum and/or price terms (i.e. Queenstown's overflow demand).
- It reduces a projected shortfall in residential zone capacity and therefore helps the Council meet the requirements of the NPS – UDC. The current zoning of the site would not deliver this benefit in any material form.
- The additional supply should help reduce rising house prices which is a particular benefit to first home buyers and those on lower incomes.
- The proposed retirement village provides capacity (indicatively 150 dwellings) for a growing portion of the market. This is consistent with the policies of the NPS – to provide capacity that meets the needs of the current and future community.
- The proposed range of densities helps contribute to a more compact urban form and a more efficient use of the land resource. Economic benefits of a more compact urban form

[19] Modelled shortfall is 1,210-1,340 by 2043. M.E has factored this down for the reasons described.

[20] Modelled shortfall is 1,590-1,720 by 2043. M.E has factored this down for the reasons described.

[21] The ultimate yield of the plan change will depend on the market. Selected sites can accommodate attached housing. The yield of 840 is a realistic outcome according to the developer and forms the basis of my evaluation in Sections 2 and 4 of this report.

include (but are not limited to) more efficient use of infrastructure, increased public transport efficiency and reduced travel distances.

- The proposed range of densities provides greater options to the market and helps to diversify Cromwell's residential supply. Furthermore, higher density residential lots translate to lower price sections and subsequently lower housing costs (in much the same way as attached dwellings do). The plan change therefore provides opportunities for more affordable housing. This is consistent with the policies of the NPS – UDC to provide capacity at different price points. This is especially relevant given the high shares of single and couple households and households on lower incomes in Cromwell and the district overall.
- The provisions enable development of standalone and attached dwellings. The plan change contributes towards meeting demand for both dwelling types.
- For current and future households that live in Cromwell and work in Queenstown, the location of the plan change area provides an opportunity to slightly reduce the commuting distance relative to trips originating in the current Cromwell urban area. I.e. it provides a convenient location for those working in Queenstown but wanting/needing to live in Cromwell.
- It increases competition in the residential market by spreading greenfield capacity amongst more land owners. This reduces opportunities for landowners to control the rate of development.
- Residential zoning provides opportunities for employment and economic growth during the construction phase.
- Residential zoning facilitates opportunities for wider economic growth by increasing the number of residents and visiting households in Cromwell. This includes an increased labour force and a greater number of potential business owners as well as a larger customer base utilising the town centre and other service providers in the industrial area.

Economic **costs** of the residential zoning created by the plan change are summarised as follows:

- Loss of rural productive land. This cost is considered to be very small given that the land is not used intensively even for farming at present. Depending on whether the soil would support horticulture (as neighbouring properties do), there may be an opportunity cost for potential horticultural development.
- Greater traffic on the surrounding road network. This is not anticipated to have any material economic impacts on the wider community.
- Potential for reverse sensitivity effects for Highland Park (i.e. noise effects on nearby houses). It is M.E's understanding that this effect will be mitigated and/or avoided through legal methods. Economic activities at Highland Park are therefore unlikely to be constrained.

- Increasing residential capacity in the short-medium term may help slow the rise in Cromwell's land values (and therefore house prices). This may reduce capital gain for existing property owners/investors in the short-medium term.

M.E has not attempted to quantify or monetise all costs and benefits[22]. Overall however, M.E considers that the anticipated economic benefits of the proposed residential zoning would considerably outweigh the anticipated economic costs arising from the change in land use. On that basis, the proposed zoning is considered a more efficient use of the land.

[22] M.E's approach to identifying costs and benefits is considered appropriate in light of the scale and significance of anticipated economic effects.

3 Retail and Service Provision

This section of the report assesses the appropriateness of the proposed Neighbourhood Centre Sub-Area in the River Terrace plan change. One objective of the proposed zone is to provide for the convenience shopping needs of local residents, and particularly the residents of the proposed retirement village. The key economic issue is whether the Neighbourhood Centre Sub-Area is appropriately scaled to achieve a convenience role without adversely impacting on the role of the Cromwell town centre to serve the day-to-day/weekly shopping needs of local residents.

3.1 Expanding Urban Areas and Centre Networks

Cromwell has developed around a single town centre – a relatively cohesive destination for core retail and hospitality, automotive retail, hardware/garden supplies and household, professional and community services. In addition, there is the Old Cromwell precinct which M.E considers to primarily serve a tourism/hospitality role within Cromwell. It offers some comparison retail with hospitality but is not focussed on meeting the core retail and service needs of resident households – rather, it constitutes a small specialty or tourism centre. Isolated, dispersed or out-of-centre retail and service outlets, such as those on McNulty Road, are limited in both number and scale[23].

Overall, in terms of defined centres, Cromwell's 'centre network' is therefore limited (currently) to the town centre and one tourism centre. The shape of the current residential zones (urban area) and the relative ease of access from most directions (Figure 3.1) has allowed the town centre to play dual 'roles'. Those roles include a convenience role and a weekly shopping role.

In a larger catchment (and/or one that is more geographically constrained compared to Cromwell[24]) these roles would otherwise have been served by multiple centres operating in a hierarchical centre network[25]. Nearby Wanaka provides a useful comparison. There the town centre is complemented by an existing convenience centre in Albert Town, with provision made for one to develop in the North Lake Special Zone and another zoned through the proposed District Plan on the Cardrona Valley Road near the Wanaka Lakes Medical Centre (pending decision). Further, the proposed Three Parks commercial area will also cater for growth and urban expansion and introduces a further core retail centre to the local network. Both the scale and the geography of Queenstown/Frankton has resulted in the development of a more comprehensive centre hierarchy throughout the urban area. Lake Hayes Estate in Queenstown is an example of a more distant suburb that includes a small convenience centre.

As the urban area of Cromwell expands to meet projected dwelling demand, then the gradual development of a more structured centres network (particularly one that provides for convenience centres) will become

[23] Includes also dairies, fruit and vege stores associated with horticultural properties, such as Freeway Orchard and vineyard related retail/hospitality.

[24] I.e. an elongated urban extent such as in Queenstown.

[25] I.e. a town centre and a range of complementary local and/or neighbourhood centres distributed throughout the residential suburbs.

practical for Cromwell too. As Cromwell expands at the urban fringe, the distance to the town centre will increase and it will become less accessible, particularly for convenience shopping trips. This will create a number of inefficiencies including increased travel time and cost for those households furthest from the town centre.

Figure 3.1 – Relationship Between Existing Urban Residential Area and Town Centre

The River Terrace development is the first urban residential subdivision beyond the industrial area in what M.E expects to be a key growth area in years to come. The distance to the town centre (by road) is approximately 5.1-6.7km depending on the route[26]. The nearest café, takeaway, or basic item grocery store not in the town centre is either approximately 2.7-2.9km away in Bannockburn or approximately 3.8-4.0km in McNulty Road. This distance is greater than from any other area within the existing urban

[26] Based on Google Maps (Directions function) from an indicative mid-point of the plan change area.

footprint to reach equivalent stores. By adding a new convenience centre[27] to Cromwell's (albeit limited) centre network, the River Terrace plan change helps to ensure that the future community of Cromwell enjoys the same opportunities to access convenience retail and service outlets as current households without increasing the overall average travel distance for such shopping trips. This is a relevant issue in terms of maintaining the attractiveness of Cromwell as a place to live.

The following sections provide a summary of M.E's approach to assess the appropriateness of the Neighbourhood Centre Sub-Area provided in the River Terrace plan change to meet anticipated convenience retail needs of local residents. This approach has been applied by M.E throughout New Zealand including to determine the size of centre zoning required in Special Housing Areas in Auckland, to assess submissions on centre zoning and role for the Auckland Unitary Plan and to identify or assess centre zoning in Christchurch City, Selwyn District and Waimakariri District.

3.2 Potential Household Yield

For the purpose of estimating an appropriate gross commercial zone area that will meet the convenience needs of future residents, it is relevant to consider the maximum dwelling yield when fully occupied[28]. Based on the Master Plan and estimates provided by RTDL, M.E has based its assessment on a total of 840 households in the River Terrace plan change area.

3.3 River Terrace Retail Demand

The future households of the River Terrace Plan Change will generate retail and service demand (spending) each and every year. M.E has used its proprietary Retail Demand Model (RDM, 2016) to estimate that annual retail spend. The retail demand projections assessed for this report include an allowance for an increase in average annual retail spend per household of 1% per annum, in line with long-run retail spend trends observed over the last three decades.

Total River Terrace household spend has been estimated on the assumption that the future household composition of the development reflects the mix and retail spending patterns of households currently resident in Cromwell and surrounds (2016)[29]. That is, the household demography and associated annual spending by retail store type will be similar to the current Cromwell average in terms of the mix by household type, age of reference person and income[30].

Annual retail spend resident in the total plan change area is estimated at just under $31.8m as at 2023 (assuming full occupancy). This increases to $33.0m by 2028 and $35.7m by 2038 on account of the

[27] In some TAs convenience centres (those with the smallest role in the heirarchy) are categorised as Local Centres (i.e. in Christchurch) and in others they are categorised as Neighbourhood Centres (i.e. in Auckland).

[28] As opposed to an approach that estimates uptake of dwellings over time - such an approach is more applicable to enabling development of large new centres that may benefit from staged development controls. It is efficient to zone for the full extent of a centre at the outset to protect the land from other development.

[29] Refer Appendix 1 for a map of the catchment used to define Cromwell and surrounds for the purpose of the retail demand analysis. This differs from the catchment referred to in Section2.

[30] M.E's analysis is based on a household demography that covers 210 different household types.

projected increase in real spend per household (Figure 3.2). Appendix 4 provides a detailed breakdown of projected spend by retail store type.

Figure 3.2: Total River Terrace Household Retail Demand Projections ($000)

Retail Store Type Categories	2023	2028	2033	2038
Food and Liquor	$ 8,890	$ 9,242	$ 9,615	$ 10,028
Comparison Retail	$ 8,581	$ 8,900	$ 9,241	$ 9,621
Hospitality	$ 3,030	$ 3,134	$ 3,246	$ 3,371
Automotive	$ 7,736	$ 8,022	$ 8,336	$ 8,682
Hardware, Trade, Garden Supplies, Marine	$ 3,527	$ 3,663	$ 3,812	$ 3,975
Total Retail Store Demand	$ 31,765	$ 32,962	$ 34,251	$ 35,677

Source: M.E Market Meter/Retail Demand Model 2016

That retail demand will support retail floorspace, and can be translated into a floorspace equivalent by applying indicative retail store type sales productivities ($/sqm GFA). The productivities applied for this assessment are consistent with data from existing stores and assessments we have undertaken in other comparable jurisdictions, with a different productivity applied to each store type category[31]. Floorspace presented in this report is gross floor area (GFA), which includes publically accessible areas as well as back of house parts of stores used for offices and storage etc., that is, the entire building footprint.

Floorspace in this section includes provision of some household and commercial services space, which was not included in the spend-based retail demand estimates above. For this assessment household and commercial services space is assumed to be approximately 22% of the quantum demanded in the other retail types combined (i.e. roughly 1/6th of total GFA demand)[32].

The $31.8m in retail demand of total plan change households translates into some 5,600 sqm GFA of retail and service demand in 2023. Consistent with the dollar demand projections in Figure 3.2, that floorspace is projected to increase to 5,800 sqm GFA by 2038 (Figure 3.4). That is the total retail GFA supported by the River Terrace households in all locations, including locally within Cromwell, but also in Alexandra, Queenstown, and elsewhere[33].

[31] Appendix 5 contains a summary of modelling inputs. The floorspace sales productivities shown are a weighted average for each retail store type category.

[32] Based on analysis of all centres in Auckland.

[33] Includes retail spending while on domestic travel.

Figure 3.3: Total River Terrace Household Retail Demand Projections (sqm GFA)

Retail Store Type and Service Categories	2023	2028	2033	2038
Food and Liquor	700	700	800	800
Comparison Retail	1,300	1,300	1,300	1,300
Hospitality	500	500	500	500
Automotive	300	300	300	300
Hardware, Trade, Garden Supplies, Marine	1,800	1,800	1,800	1,900
Household, Professional, Medical Services *	1,000	1,000	1,000	1,100
Total	5,600	5,700	5,800	5,800

Source: M.E Market Meter/Retail Demand Model 2016, M.E Auckland Spatial Economy Model 2015

*Figures rounded to nearest 100. * Excludes banking, automotive and childcare services.*

The next stage of the assessment translates that 'total supported anywhere' demand into an estimate of the amount that could be sustained within the River Terrace plan change area (the business zone), taking into consideration an appropriate role for that new centre.

3.4 Sustainable Floorspace at River Terrace

Only part of the projected floorspace demand arising from plan change area households should be supported locally, in the River Terrace plan change area. That is, the convenience retail and service demand should be supported (as per the stated objective), allowing the balance of demand to flow to other centres, including the Cromwell town centre. This helps mitigate any effects arising from a new convenience centre on the town centre's weekly shopping role.

To estimate what share of the demand is likely to be aimed at the convenience centre level (in this case the River Terrace centre), M.E has applied ratios from its Auckland Spatial Economy Model (SEM). M.E has developed Spatial Economy Models for several TAs around the country. The Auckland model provides the greatest sample of centres in each level of the hierarchy[34] and is therefore considered the most robust guide on the role of convenience centres within a centres network.

In that Model, 4% of food and liquor floor space demand is captured by convenience (i.e. neighbourhood) centres, along with 2% of comparison retail demand, 4% of hospitality demand, 3% of automotive demand, 1% of 'hardware, trade supplies, garden supplies and marine retail demand, 5% of household services demand and 4% of professional services demand. Automotive and 'out of centre' retail and service activities are not considered appropriate in the context of a Cromwell convenience centre and so those percentage shares have been excluded from the analysis. Applying the remaining percentages allows M.E to estimate the likely sustainable floor space in the River Terrace convenience centre based on total development yield and demand.

[34] The Auckland SEM takes account of demand and sales patterns in 105 defined neighbourhood centers, 46 local centes, 33 town centres and lesser counts of higher order centres (as defined by the Unitary Plan).

The result is considered conservative as the households within the plan change area will not be the only users of the centre. Additional demand is anticipated from the following sources:

- Existing (mostly rural) households in the vicinity of the River Terrace plan change area for whom the centre provides greater accessibility (i.e. is closer) than the nearest alternative for convenience retail and service shopping.
- Future households that may occupy greenfield land in the vicinity of the River Terrace plan change area for whom the centre provides greater accessibility (i.e. is closer) than the nearest alternative for convenience retail and service shopping (if those developments do not support convenience centres of their own).
- Future employees in River Terrace businesses[35] for whom the centre provides greater accessibility (i.e. is closer) than the nearest alternative for convenience retail and service shopping.
- Existing and future employees in the Highland Park business area for whom the centre provides greater accessibility (i.e. is closer) than the nearest alternative for convenience retail and service shopping.
- Note, no passer-by demand from the State Highway is included as the centre is not expected to be visible. Demand will be limited primarily to locals who know where the centre is located.

M.E has scaled up the sustainable floorspace (particularly the food and liquor, hospitality and services floorspace) to account for this anticipated additional convenience demand in the neighbouring environment. The final estimated sustainable retail and service GFA demand is shown in Figure 3.4.

Figure 3.4 – Total River Terrace Convenience Demand (sqm GFA) – Sustainable Estimate

Retail Store Type and Service Categories	2,023	2,028	2,033	2,038
Food and Liquor	70	70	70	70
Comparison Retail	30	30	40	40
Hospitality	40	40	40	40
Automotive	-	-	-	-
Hardware, Trade, Garden Supplies, Marine	-	-	-	-
Household, Professional, Medical Services *	90	90	90	90
Total	230	230	240	240

Source: M.E Market Meter/Retail Demand Model 2016, M.E Auckland Spatial Economy Model 2015

*Figures rounded to nearest 10. * Excludes banking, automotive and childcare services.*

[35] Which could include a school and preschool.

The analysis indicates that the River Terrace households and surrounding sources of demand could support approximately 230-240 sqm GFA of convenience retail and service floorspace.

This is very modest and leaves the significant balance of retail and service spend (97% of total GFA demand) to be served by other centres, including the Cromwell town centre. Importantly, the GFA sustained in River Terrace is largely generated by net additional households (and workers). Therefore, the majority of the demand captured by the new centre is not demand currently attributed to the Cromwell Town Centre which means that retaining this spend within the plan change area is not a reduction in current town centre sales. On the contrary, the balance of (non-convenience) demand able to be captured by the town centre will result in a net increase in town centre sales as the residential capacity of the plan change is developed.

3.4.1 Viable Tenancies

The resulting sustainable GFA estimates (Figure 3.4) do not necessarily translate directly into viable premises for some store/service types in each category when examined discretely. Building a 40sqm restaurant or café for example is unlikely to attract a tenant wanting to invest in a new business – as most would be looking for more space to work with. As such, M.E has rounded up sustainable floorspace to an estimated minimum for the largest business type in each category (i.e. other businesses within the category may be viable in a smaller premises). This was considered appropriate so as not to preclude particular businesses that would be appropriate in a neighbourhood centre from considering establishment in River Terrace. It is also necessary to ensure that the appropriate site area is provided for these potentially larger tenancies (discussed further below). Note, these minimums are for modelling purposes only to arrive at an appropriate **combined** retail and service cap for the plan change and are not policy or rule recommendations. M.E has applied the following assumptions:

- Food and liquor – minimum of 150sqm GFA (for a grocery store). Butchers, fruit and vegetable and bottle stores are all assumed to viable at an equal or potentially smaller premises.
- Comparison retail – minimum of 150sqm GFA (for a pharmacy for example). Other specialty stores such as florists, stationery, houseware etc. are all assumed to be viable at an equal or potentially smaller premises.
- Hospitality – minimum of 180sqm GFA (for a restaurant). Cafes, bars or takeaways are assumed to be viable at an equal or potentially smaller premises.
- Household, Professional & Medical Services - minimum of 300sqm GFA (for a GP practice). Physios, chiropractors, dentists, hair/beauty, laundry, accounting services etc. are assumed to be viable at an equal or potentially smaller premises.

When rounded up to the minimum thresholds in each category, the results suggest that 930sqm GFA (say 1,000sqm for plan change purposes) of retail and service GFA would be sustainable and feasible to serve the convenience needs of future plan change residents and nearby neighbours and workers (Figure 3.5). This result would indicate a minimum of 1 food/liquor store, 1 comparison retailer, 1 café/restaurant and 2 service providers (say a doctors and a hair salon). If premises *were* smaller, 1,000sqm GFA may sustain a slightly greater number of tenancies. Based on M.E's experience in the retail sector, this outcome is

consistent with neighbourhood centres that effectively deliver functional and social amenity to catchments of this approximate size.

Figure 3.5 –River Terrace Convenience Demand (sqm GFA) Including Min. Thresholds

Retail Store Type and Service Categories	2023	2028	2033	2038
Food and Liquor	150	150	150	150
Comparison Retail	150	150	150	150
Hospitality	180	180	180	180
Automotive	-	-	-	-
Hardware, Trade, Garden Supplies, Marine	-	-	-	-
Household, Professional, Medical Services *	450	450	450	450
Total	930	930	930	930
Recommended Plan Change Cap	1,000 sqm GFA			

Source: M.E Market Meter/Retail Demand Model 2016, M.E Auckland Spatial Economy Model 2015

*Figures rounded to nearest 10. * Excludes banking, automotive and childcare services.*

3.4.2 Zone Area Required

M.E has considered the gross zone area required to accommodate 1,000sqm GFA of retail and service floorspace in the Neighbourhood Centre Sub-Area, and assuming that all activities are located on the ground floor. Three site coverage scenarios are tested which allow for different approaches to parking, access ways, shared space and landscaping. Under a low site coverage ratio (30%), gross zone area of 3,100 sqm is indicatively required. Under a high site coverage ratio (45%), gross zone area of 2,070 sqm is indicatively required (Figure 3.6).

Figure 3.6 – Estimated Gross Zone Area Required for Convenience Retail and Service GFA

Gross Site Coverage	sqm
Low Site Coverage (0.3)	3,100
Medium Site Coverage (0.35)	2,660
High Site Coverage (0.45)	2,070

Source: M.E Market Meter/Retail Demand Model 2016,
M.E Auckland Spatial Economy Model 2015

3.4.3 Summary

Based on the above analysis, a 1,000sqm GFA limit on total retail and service floorspace would be appropriate to enable the development of a viable, functional neighbourhood centre for an indicative 840 households and some neighbouring demand. A 1,000sqm GFA cap would ensure that the scale of the centre is limited to a small number of retail and service premises. This means that the centre will be limited to a convenience role that encourages the significant majority of demand (spend) to be directed to other centres, including the Cromwell town centre.

A maximum retail and services tenancy of 200sqm GFA would be appropriate to ensure viable retail and service premises (M.E indicatively assumed 180sqm for a potential restaurant which falls under that threshold) while also ensuring that larger shops are directed to other business zones in Cromwell and a mix of businesses eventuate (i.e. a minimum of 5 tenancies). An exception up to 400sqm GFA could be provided for medical services to enable a functional GP practice.

The zone area proposed (1ha) exceeds the amount needed to develop 1,000sqm of GFA based on M.E's site coverage scenarios. The estimated surplus land area is between 6,900-7,930sqm. In M.E's view, this is not an economic issue as it is the capacity that enables retail and service activity that is relevant from a distributional effects perspective.

There is a range of other facilities and activities that fall outside the retail and service activities that could locate in a Neighbourhood Centre. These include community recreational facilities and care/welfare based activities that might otherwise be internalised in a retirement village but could be located within the Neighbourhood Centre. It is considered that such facilities and activities could help create a stronger community focal point and add to the amenity and vitality of the proposed centre without undermining the Cromwell town centre. In M.E's view, the 1,000sqm GFA/200sqm GFA caps suggested above should not apply to such facilities and activities.

3.5 Costs and Benefits of Proposed Plan Change

Anticipated economic **benefits** of the Neighbourhood Centre Sub-Area are summarised as follows:

- It creates capacity for a small number of retail and service businesses, aggregated in a neighbourhood centre, that help meet demand arising from future households in the plan change area.
- The retail and service activity is within convenient driving or walking distance of plan change households, thus reducing travel time and cost for plan change residents relative to the nearest alternatives.
- It provides improved access to convenience retail and service activity for surrounding residents and workers relative to nearest alternatives – reducing travel time and cost.
- It adds to the overall amenity of the River Terrace residential zones (and wider South Cromwell), making it a more attractive place to live and work and contributing to social wellbeing.
- The scale of the retail and service caps will sustain a functional mix of retail and service businesses while limiting the centre's role to that of a neighbourhood centre and ensuring that the core role of the Cromwell town centre is not adversely affected. It therefore complements the town centre while not detracting from it. The town centre will experience net growth as a result of the demand arising in the River Terrace plan change area (and that is not retained).
- It creates a focal point for the River Terrace community. The co-location of community facilities could ensure it is a vibrant and vital centre.

- The new businesses will have positive flow-on effects for other suppliers in the Cromwell and Central Otago District economy, leading to an increase in GDP.
- The new businesses will create employment and business opportunities within the Cromwell area, which contributes to both social and economic wellbeing for resident households.
- The aggregation of retail and service businesses within a centre generates agglomeration benefits (greater efficiencies, shared resources, shared knowledge and expertise, shared marketing costs and more).
- The business zoning provides opportunities for employment and economic growth during the construction phase.

Anticipated economic **costs** of the Neighbourhood Centre Sub-Area are summarised as follows:

- Loss of 1 hectare of productive rural land (although not intensively used at present).
- Loss of opportunity to provide another hectare of residential capacity.
- The proposed businesses will generate greater traffic on the internal and surrounding road network relative to the operative zoning or alternative residential zoning.
- Dispersal of up to 1,000sqm GFA of retail and service activity beyond existing patterns/centre network.
- The opportunity cost of up to 3% of River Terrace household spending in existing and future retail and service businesses elsewhere, including those in the town centre.

M.E has not attempted to quantify or monetise all costs and benefits[36]. Overall however, M.E considers that the anticipated economic benefits of the proposed Neighbourhood Centre Sub-Area would considerably outweigh the anticipated economic costs arising from the change in land use or zoning the land for residential purposes. On that basis, the proposed zoning is considered a more efficient use of the land and an appropriate addition to the overall plan change.

[36] M.E's approach to identifying costs and benefits is considered appropriate in light of the scale and significance of anticipated economic effects.

4 Conclusions

M.E has independently assessed the economic effects, costs and benefits of the proposed residential zoning and Neighbourhood Centre Sub-Area in the River Terrace plan change. Although not all costs and benefits have been quantified, for both components (and in aggregate) the benefits to economic wellbeing are estimated to outweigh potential costs.

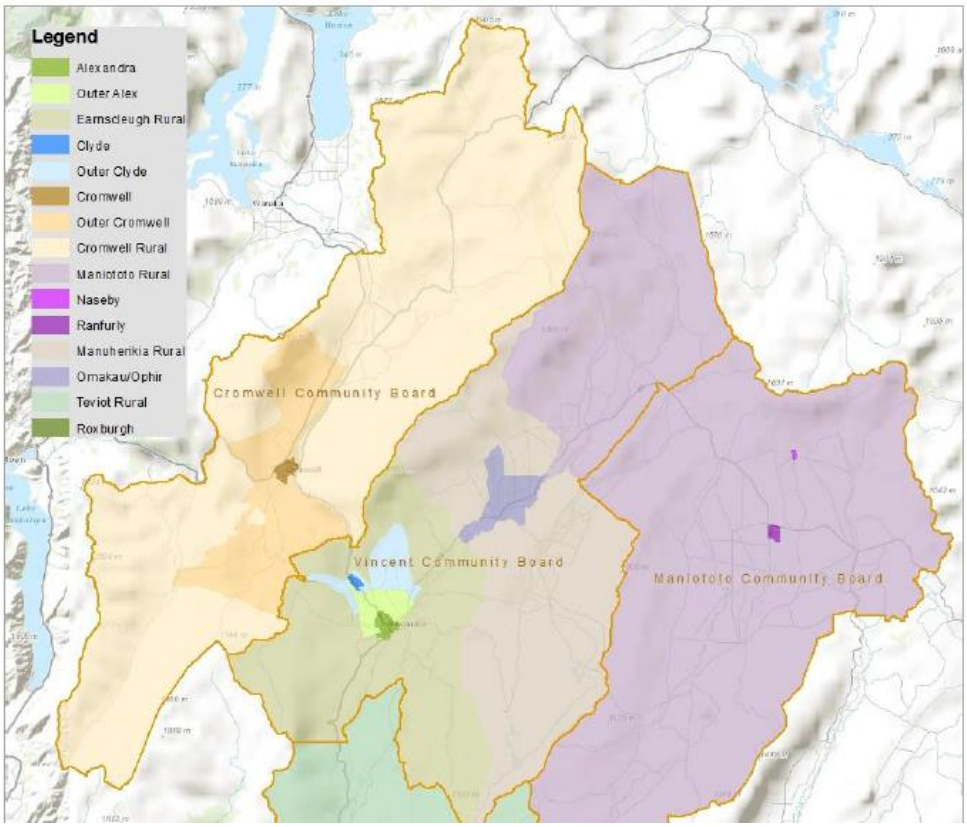
The plan change responds to demand for residential growth in urban Cromwell. While there are other large greenfield sites that can cater for residential growth in the Cromwell urban area, and which are already subject to development proposals (Wooing Tree, the Top 10 Holiday Park and Gair Avenue), even if all those growth areas are approved, they do not provide sufficient capacity to address medium-long term demand. Under an NPS approach, CODC would be required to identify or provide sufficient zone capacity (including a buffer of 15%) to meet long term demand. The River Terrace plan change helps address an estimated shortfall in medium-long term capacity and will provide greater choice (including affordable housing options) in the Cromwell market.

The plan change adds a new neighbourhood centre to the Cromwell urban economy. This is appropriate given the greater distance River Terrace households would need to travel to meet their convenience retail and service needs. It contributes to a more efficient urban form while avoiding more than minor, if any, adverse effects on the Cromwell town centre. If limited, the proposed scale of retail and service floorspace can be appropriate to ensure that the centre performs a neighbourhood centre role. Overall, M.E anticipates that the Cromwell town centre will experience net growth (sales and vitality) as a result of the household growth enabled through the plan change.

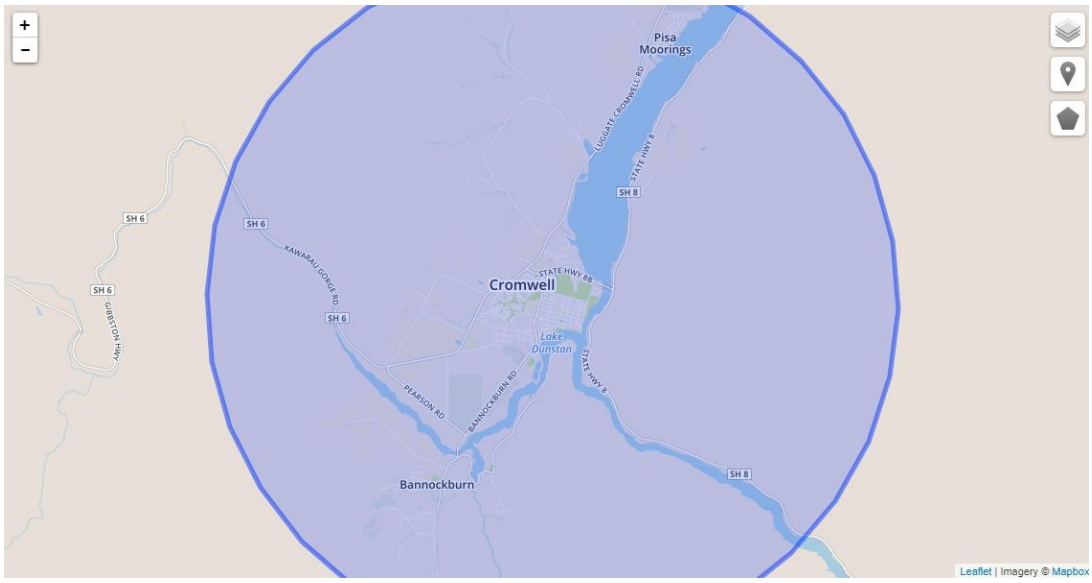
Appendix 1 – Catchment Maps

Catchment of Cromwell and Surrounds for Dwelling Projections Analysis (Rationale)

Appendix A – District, Community Board and Area Map



Catchment for total Cromwell retail spend per household calculations (M.E Market Meter)



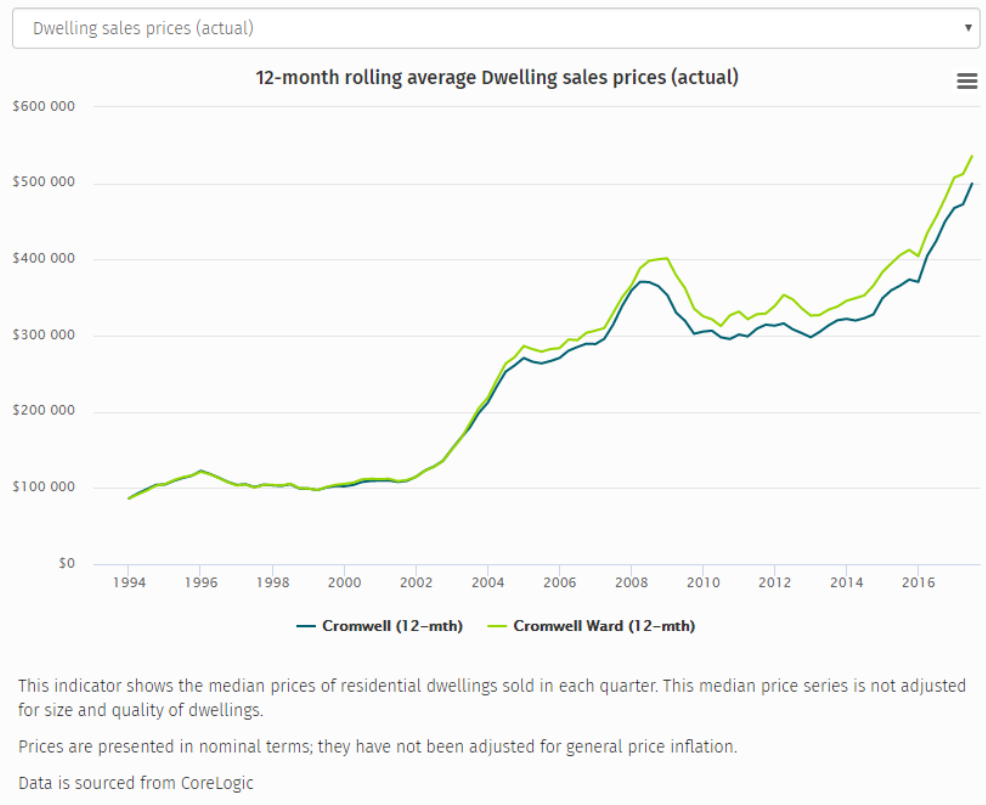
Appendix 2 – Household Structure Comparison

Summary comparison of Cromwell household structure relative to the total District household structure.

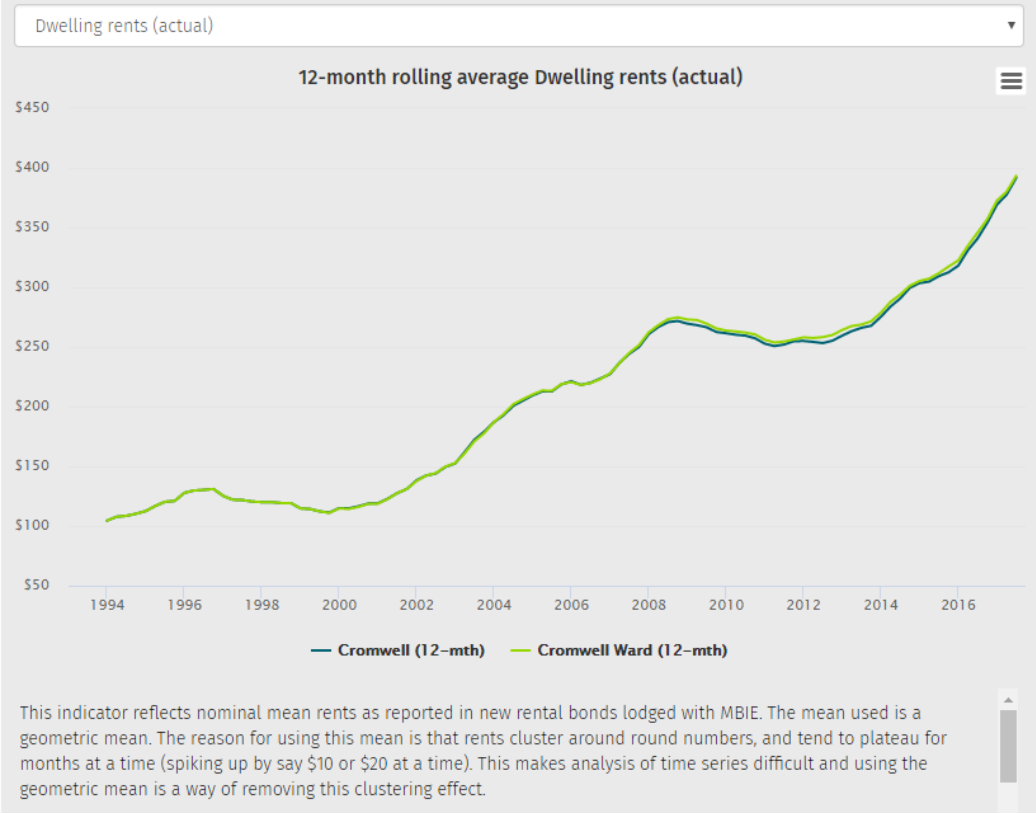
	2016					2043 (SNZ 2017 High)				
	Cromwell CAU (n)	Central Otago District (n)	Cromwell CAU (%)	Central Otago District (%)	Cromwell Relative to District Structure	Cromwell CAU (n)	Central Otago District (n)	Cromwell CAU (%)	Central Otago District (%)	Cromwell Relative to District Structure
Household Type										
One Person	413	2,034	21%	24%	0.89	772	3,447	26%	27%	0.94
Couple	719	3,540	37%	42%	0.89	1,219	5,549	40%	44%	0.92
2 Parents 1-2chn	431	1,556	22%	18%	1.22	541	1,904	18%	15%	1.19
2 Parents 3+chn	88	456	5%	5%	0.85	109	547	4%	4%	0.83
1 Parent Family	164	554	8%	7%	1.30	218	679	7%	5%	1.34
Multi-Family Hhlds	17	62	1%	1%	1.20	24	88	1%	1%	1.13
Non-Family Hhlds	102	292	5%	3%	1.53	132	385	4%	3%	1.43
Total Households	1,934	8,494	100%	100%	1.00	3,015	12,599	100%	100%	1.00
Household Age										
15-29	365	1,276	19%	15%	1.26	459	1,539	15%	12%	1.25
30-39	315	1,060	16%	12%	1.30	400	1,377	13%	11%	1.21
40-49	321	1,326	17%	16%	1.06	354	1,470	12%	12%	1.01
50-64	471	2,405	24%	28%	0.86	688	2,815	23%	22%	1.02
65-74	286	1,461	15%	17%	0.86	478	2,222	16%	18%	0.90
75+	176	966	9%	11%	0.80	636	3,176	21%	25%	0.84
Total Households	1,934	8,494	100%	100%	1.00	3,015	12,599	100%	100%	1.00
Household Income										
Income < $30K	392	1,866	20%	22%	0.92	756	3,261	25%	26%	0.97
Income $30-50K	390	1,881	20%	22%	0.91	686	3,126	23%	25%	0.92
Income $50-70K	387	1,581	20%	19%	1.07	558	2,211	19%	18%	1.05
Income $70-100K	464	1,655	24%	19%	1.23	622	2,113	21%	17%	1.23
Income $100K +	300	1,511	16%	18%	0.87	393	1,888	13%	15%	0.87
Total Households	1,934	8,494	100%	100%	1.00	3,015	12,599	100%	100%	1.00

Souce: Statistics NZ Census 2013, Market Economics

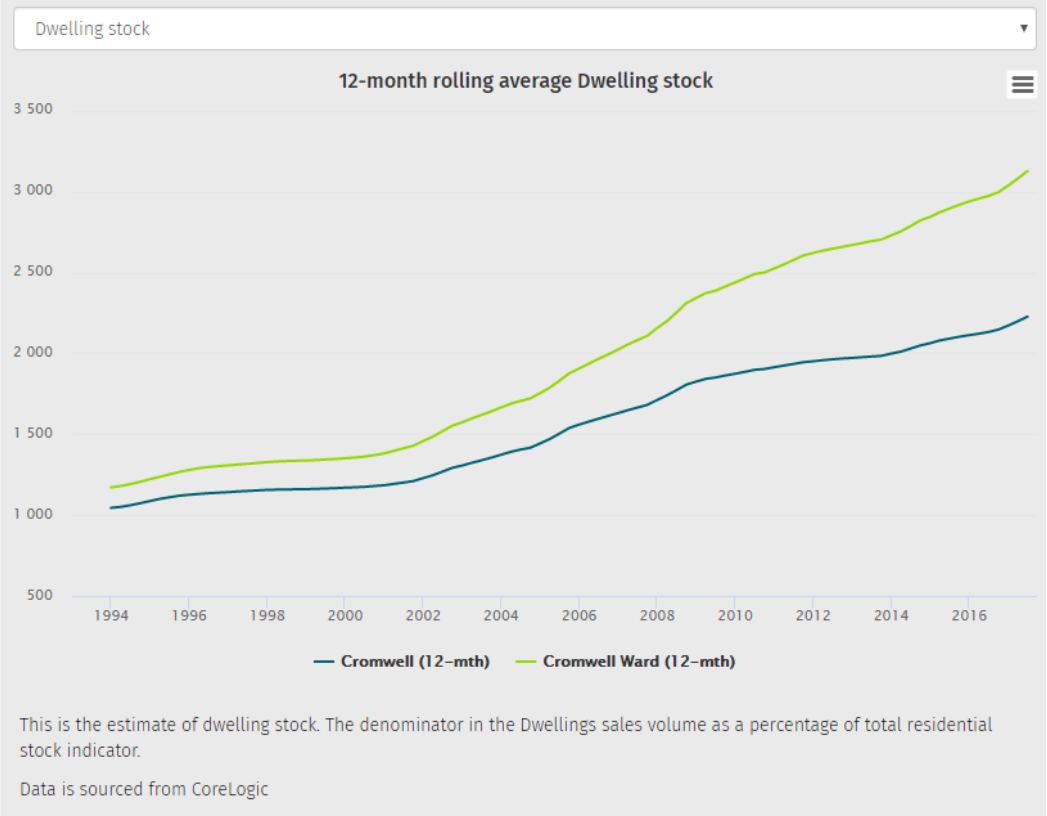
Appendix 3 – Housing Market Indicators



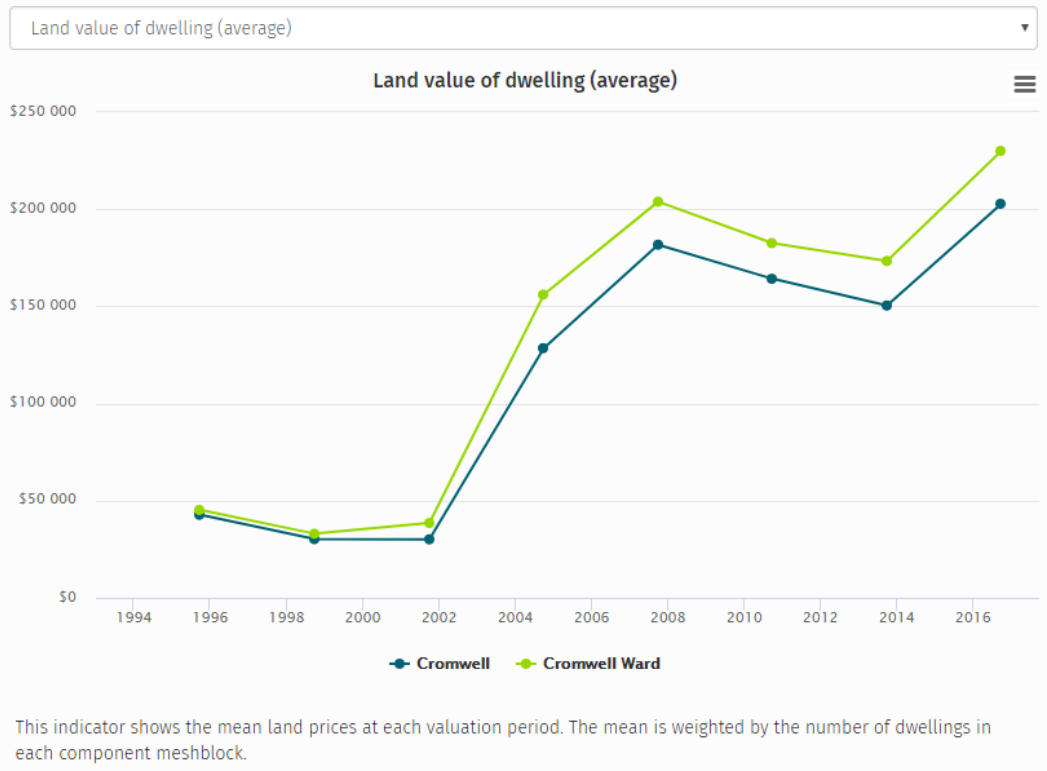
YE June 2017 the average dwelling price in Cromwell CAU was $499,500. In the wider Ward, it was $535,625.



YE June 2017, average rent in Cromwell was $392 per week.



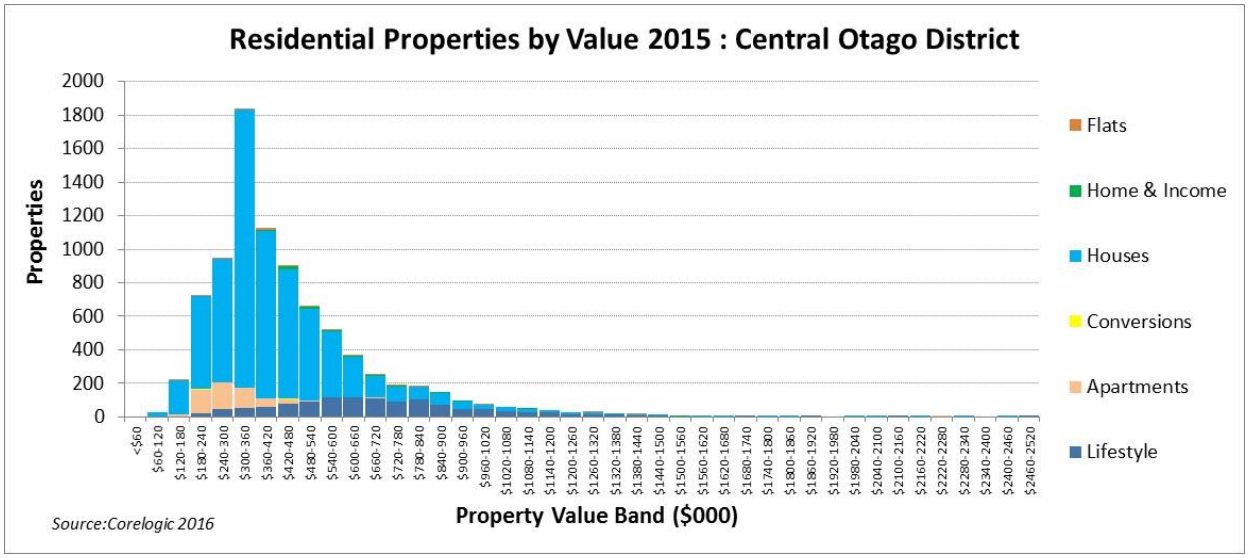
YE June 2017 Cromwell CAU had 2,228 dwellings and the wider Cromwell Ward had 3,128.

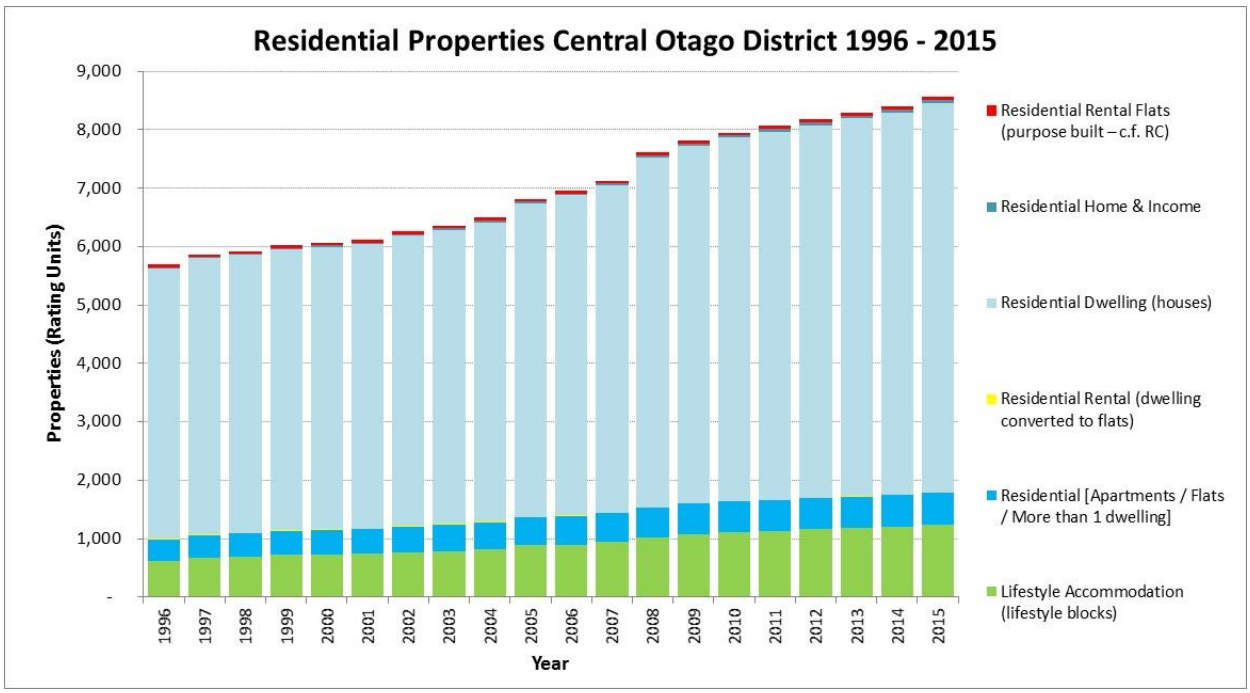


YE June 2017 Cromwell CAU had an average residential land value of $202,783 and Cromwell Ward had a land value of $229,995

Graphs sourced from https://mbienz.shinyapps.io/urban-development-capacity/

The following graphs and table are sourced from M.E (based on Core Logic data)





PROPERTY TYPE	1996	2000	2005	2010	2015	1996-05	1996-05 %	1996-15	1996-15 %
Lifestyle Accommodation	630	730	890	1,120	1,240	260	41%	610	97%
Residential Apartments (1+ dwg)	370	420	480	530	540	110	30%	170	46%
Residential Rental	10	10	10	10	10	-	0%	-	0%
Residential Dwelling	4,630	4,840	5,370	6,220	6,670	740	16%	2,040	44%
Residential Home & Income	10	30	30	40	60	20	200%	50	500%
Residential Flats	40	50	50	50	50	10	25%	10	25%
TOTAL	**5,690**	**6,080**	**6,830**	**7,970**	**8,570**	**1,140**	**20%**	**2,880**	**51%**
Lifestyle Accommodation	11%	12%	13%	14%	14.5%				
Residential Apartments (1+ dwg)	7%	7%	7%	7%	6.3%				
Residential Rental	0%	0%	0%	0%	0.1%				
Residential Dwelling	81%	80%	79%	78%	77.8%				
Residential Home & Income	0%	0%	0%	1%	0.7%				
Residential Flats	1%	1%	1%	1%	0.6%				
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**				

Source: Corelogic 2016

Appendix 4 – Total Household Spend Detail

Retail Store Types	2023	2028	2033	2038
Antiques and Used Goods	$ 128	$ 133	$ 138	$ 143
Cafes and Restaurants	$ 1,513	$ 1,563	$ 1,616	$ 1,677
Car	$ 3,916	$ 4,057	$ 4,214	$ 4,388
Catering services	$ 257	$ 265	$ 275	$ 285
Clothing	$ 971	$ 1,003	$ 1,036	$ 1,074
Clubs (Hospitality)	$ 131	$ 136	$ 141	$ 148
Computers & Computer Peripheral	$ 211	$ 218	$ 227	$ 236
Department stores	$ 1,949	$ 2,021	$ 2,097	$ 2,183
Electrical, Electronic & Gas Appliances	$ 1,002	$ 1,041	$ 1,083	$ 1,129
Entertainment Media	$ 32	$ 32	$ 34	$ 35
Floor Coverings	$ 290	$ 302	$ 314	$ 327
Flower	$ 65	$ 68	$ 70	$ 73
Footware	$ 190	$ 196	$ 202	$ 209
Fruit and Vegetables	$ 208	$ 216	$ 225	$ 235
Fuel	$ 3,047	$ 3,163	$ 3,288	$ 3,426
Furniture	$ 412	$ 428	$ 445	$ 464
Garden Supplies	$ 208	$ 216	$ 225	$ 235
Hardware and Building Supplies	$ 2,715	$ 2,822	$ 2,937	$ 3,065
Houseware	$ 91	$ 95	$ 99	$ 103
Liquor	$ 655	$ 682	$ 712	$ 744
Manchester and Other Textile Goods	$ 168	$ 175	$ 182	$ 189
Marine Equipment	$ 100	$ 104	$ 107	$ 111
Meat, Fish and Poultry (Fresh)	$ 237	$ 247	$ 257	$ 268
Motor Cycle	$ 201	$ 208	$ 216	$ 225
Motor Vehicle Parts	$ 195	$ 202	$ 210	$ 219
Newspaper and Books	$ 186	$ 194	$ 202	$ 212
Non-store	$ 503	$ 522	$ 542	$ 565
Other Electrical and Electronic Goods	$ 128	$ 134	$ 139	$ 145
Other Personal Accessory	$ 42	$ 44	$ 45	$ 47
Other Specialised Food	$ 193	$ 201	$ 208	$ 217
Other Store-based nec	$ 725	$ 753	$ 782	$ 814
Pharmaceutical, Cosmetic and Toiletry Goods	$ 823	$ 858	$ 895	$ 936
Pubs, Taverns and Bars	$ 482	$ 501	$ 521	$ 544
Raw Antique and used goods	$ 128	$ 133	$ 138	$ 143
Sport and Camping Equipment	$ 561	$ 581	$ 602	$ 626
Stationery Goods	$ 218	$ 227	$ 237	$ 248
Supermarket and Grocery Stores	$ 7,597	$ 7,896	$ 8,213	$ 8,564
Takeaway Food Services	$ 648	$ 669	$ 692	$ 717
Toy and Game	$ 24	$ 24	$ 26	$ 26
Trailer and Other Motor Vehicles	$ 23	$ 23	$ 24	$ 25
Tyre	$ 355	$ 369	$ 383	$ 399
Watch and Jewellery	$ 235	$ 243	$ 251	$ 260
Total Retail Store Demand	$ 31,765	$ 32,962	$ 34,251	$ 35,677

Source: M.E Market Meter/Retail Demand Model 2016

Appendix 5 – Retail Demand Modelling Inputs

Retail Store Type Categories	Weighted Average Annual Demand per Household ($) 2016	Increaes in real spend per household (pa)	Sales per sqm GFA 2013	Sales Productivity Increase (pa)	Services as a Share of Core Retail & Hospitality	Share of Demand GFA Sustained by Selected Centre
Food and Liquor	$ 10,040	1%	$ 11,480	0.5%	*na*	4%
Comparison Retail	$ 9,700	1%	$ 6,370	0.5%	*na*	2%
Hospitality	$ 3,450	1%	$ 5,950	0.5%	*na*	4%
Core Retail and Hospitality	$ 23,180	1%				
Automotive	$ 8,740	1%	$ 24,910	0.5%	*na*	0%
Out Of Centre and Non Store Retail	$ 3,970	1%	$ 1,870	0.5%	*na*	0%
Household Services	*na*	*na*	*na*	*na*	3%	5%
Professional Services	*na*	*na*	*na*	*na*	19%	4%
Option Name	*Total Cromwell Households*				Total All Centres	Neighbourhood Centre

Source: M.E Market Meter/Retail Demand Model 2016, M.E Auckland Spatial Economy Model 2015