

Memo

To: Sean Haynes, Wooing Tree Development Limited
From: Natalie Hampson, Director
Date: 26th July 2021
Re: Economic and Planning Review by CODC - Response

Introduction

1. My name is Natalie Hampson.¹ I am a director of Market Economics Limited. I have over 20 years' experience as an economic consultant working within the context of the RMA. I was the author of the economic evidence for the requestor of Plan Change (PC) 12, which was uncontested by any economic experts. I have also prepared economic assessments and expert evidence on PC 13 and PC 14 in Cromwell and have authored the economic report relied on by the Wooing Tree Development Limited's (WTDL) Fast Track consent application.
2. The purpose of the memorandum is to respond to the economic review by Property Economics (PE) on behalf of Central Otago District Council. I focus on the matters of disagreement in the PE review - primarily the potential for retail distributional effects arising from the change in location of the Wooing Tree Tourism Village (WTTV).

Commentary on the Property Economics Review

PC 12 Baseline

3. With regard to the operative provisions of the District Plan (introduced via PC 12), Property Economics (page 4) incorrectly set out the maximum floorspaces enabled in the Wooing Tree Overlay Area. The maximum floorspace is not 12,000sqm GFA as stated, it is 10,000sqm GFA. The maximum permitted 'shop' space is not 4,000sqm GFA, it is 3,000sqm GFA and the maximum permitted 'other' space is not 2,000sqm, it is 1,000sqm GFA. The maximum 'travellers' accommodation' floorspace is correct at a maximum of 6,000sqm GFA.
4. A starting point to the PE review that assumes development that is 50% greater than the combined shop and other GFA able to be developed in the Wooing Tree Overlay Area, means that any increase in adverse effects or concerns raised by PE are also potentially inflated.
5. It is relevant to note that up to 100sqm GFA of the 3,000sqm permitted shop space in the WTTV can be for the purpose of a grocery store to serve the convenience needs of the resident community within the Wooing Tree Overlay Area. That store floorspace will be supported by new household and employment demand within the development and so will not draw any spending away from existing retailers in the Cromwell Town Centre.

¹ MSc, Associate Member of NZPI, member and regional chair of the Central Otago-Queenstown RMLA.

6. If a convenience store is provided, 'tourism' focussed shop space is reduced to a maximum of 2,900sqm GFA. Further, the Wooing Tree Cellar Door is included in the 3,000sqm GFA shop cap. This is a relocation of an existing activity. I understand that it is currently proposed at 350sqm GFA (excluding covered outdoor seating on the cellar door site up to a maximum of 150sqm). This means that the net additional tourism focussed 'shop' space could be between 2,550-2,650sqm (depending on whether a grocery store is provided). This is considerably less than the 4,000sqm GFA of shop space that PE have based their review on.
7. Importantly, Ms Brown's planning evidence has confused the site area of the WTTV (stated as 25,000sqm) with the amount commercial floorspace in the village. She then equates that floorspace with the retail floorspace of the Mall in the town Centre (25,000sqm GFA). This error is repeated in the Council's legal submission. As above, the total floorspace of the village is limited to 10,000sqm GFA under the operative provisions, which includes just 3,000sqm of shops and up to 1,000sqm of other tourist related activity. The scale of potential retail is therefore small relative to the scale of the Mall and smaller again relative to the wider Cromwell Town Centre (which includes the large format retail zone). Careful consideration was given to the relative scale of the floorspace caps in the Wooing Tree Overlay Area to minimise the potential for distributional effects and to ensure that the Cromwell Town Centre retains its primacy. Under the current proposal this reduces again to just 850 m² or 1,000m² depending on how you assess the outdoor covered space.

Lack of quantified retail effects assessment

1. The PE review suggests that the economic assessment carried out for the Fast Track application gave only "cursory consideration of potential effects rather than a more detailed quantified analysis of potential effects" and that it was a "lighter touch that might otherwise be undertaken for an economic assessment of a new location" (page 7).
2. I note that PE have not provided any quantified analysis of their own that might be used as evidence that the level of detail provided in the economic assessment was inappropriate to the anticipated scale and significance of potential effects, or that my conclusions on effects on the Cromwell Town Centre were inaccurate. The review talks only of "additional economic effects" (page 8) or "increased adverse effects" but gives little certainty on scale and significance.
3. PE may be implying that Market Economics should have developed a quantified retail distributional effects model (commonly applied for new retail development applications). Any potential retail distributional effects of the WTTV were considered in detail as part of PC 12 and those potential effects are now anticipated by the district plan and do not need to be 'modelled' in my view for this current application.
4. Further, I do not believe that a distributional effects 'model' is justified for a marginal change in location given the methodologies that these models typically apply. Such models are driven by defined trade catchments of centres, retail demand projections, GFA and estimated sales of proposed and existing floorspace. I consider that trade catchments, demand and GFA are all unaffected by the location of the WTTV within the Wooing Tree Overlay Area, leaving only a change in floorspace productivity.

5. PE claim that the sales potential would increase “significantly”. I disagree on the basis that visibility to pass-by tourist traffic will only account for portion of business sales in the WTTV. Sales will also be generated by organised tours, and visitors staying in the co-located travellers’ accommodation. The cellar door is also an established business with a loyal base of regular customers and a strong reputation in the wine tourism market – its patronage is not expected to diminish once shifted, and cellar door customers will facilitate spend in surrounding village businesses. These three sources of demand are not dependent on visibility to the state highway. I consider that the enhanced visibility *will* improve economic performance of the village, but that change will a minor increase in productivity and not a significant one for the reasons stated.
6. It is important to keep in mind that even when retail distributional effects are quantified, trade competition effects cannot be considered under the RMA, and trade impacts generally need to be moderate to large in scale to result in ‘whole of centre’ reductions in amenity, vibrancy and vitality. PE have not provided any evidence that this will be the case for the Cromwell Town Centre.
7. I maintain that any increase in potential adverse retail redistribution effects on the Cromwell Town Centre over and above effects already anticipated in the operative Plan will be marginal and *are* therefore appropriately addressed through a qualitative economic assessment in this instance, where positive effects can also be qualified to provide an overall assessment.

Competitive Effects of the WTTV

8. The PE review states that it is beneficial to understand PC 12 as it establishes a useful baseline context on which to consider any additional impacts from the new WTTV location (page 4). I was directly involved in the development of the rules and standards for the Business Resource Area 2 zone in PC 12. Following presentation of my evidence, the provisions were refined collaboratively with the Council officer during the hearing. These were subsequently adopted in the final decision without change².
9. The store types and GFA limits (for individual tenancies and overall) were developed based on a sound understanding of the relevant provision in the operative Plan (i.e. the need to protect the Town Centre), the current and potential future role of the Cromwell Town Centre, the number and nature of tourist focussed businesses in the Town Centre (primarily limited to the iSite and museum at that time³) and the degree to which other Town Centre businesses focussed on serving the demand of the resident community also benefit from

² I take issue with Ms Browns paragraphs 84-85 of her planning review evidence. She extracts an isolated passage from the PC 12 decision that said that the request was “devoid” of any economic assessment. Ms Brown then states that because of this, there is no economic baseline information to now assess any changes within the retail/business environment. It is accurate that the request did not contain an economic assessment. I was brought on board to give a detailed economic assessment after the closing of submissions. However, my evidence served the same purpose of an economic impact assessment report, it recommended changes to the application that the requestor adopted in evidence and provided a detailed baseline assessment.

³ A bike hire business is also now operating in the Town Centre, targeting tourists.

tourism spend (particularly food and beverage outlets). It also considered the functional mix of store types that would create an effective and viable tourism destination.

10. The commissioners at the hearing were satisfied that that mix of activities enabled in the Wooing Tree business zone, which allowed for a degree of potential overlap with the Town Centre and even the potential for the iSite and Museum to choose to relocate to the WTTV, would not adversely affect the ability of the Cromwell Town Centre to perform its role.
11. PE have not specified how many businesses in the Town Centre would potentially compete with the potential permitted offering in the WTTV or what those businesses are. It says that there are “a notable number of small retail and service tenancies in the Wooing Tree centre which have the potential to divert spend away from the Cromwell Town Centre” (page 8). What is on the ground today is a good indication of what businesses could be operating in the Town Centre when the WTTV begins trading but no specifics are provided.
12. The original site plan (upon which the PE review was based) shows a total of 17 shop tenancies (3,000sqm GFA). To put this in context, at the time of PC 12, I estimated 37 shops in the Cromwell Town Centre, most of which had no potential overlap with shop types permitted in the WTTV. It is highly unlikely that all 17 tenants in the future WTTV will be store types that compete directly with Town Centre businesses as a portion could be tenants that only partially compete on specific product ranges but not at a total store level, and a portion will be tenants that are enabled in the WTTV but do not exist in the Cromwell Town Centre.
13. The review does not provide any comment on the share of sales of those directly or partially competing businesses in the Town Centre that may be dependent on tourists as opposed to the local workforce or resident households, and therefore how vulnerable those businesses might be if their future tourist revenue was reduced (and not offset by growth in tourism demand). The review also does not comment on the significance of tourism spend/visitors to the economic and social role of the Cromwell Town Centre overall given that in addition to its retail role, it has a personal, household, business, civic, community and medical services role - all unaffected by the WTTV. All of this is relevant context to the potential increased impacts that PE claim could occur.
14. Based on my analysis carried out for PC 12 and current knowledge of Cromwell Town Centre, both of which underpinned my approach and conclusions for the Fast Track assessment, tourism is still only a minor role of the Town Centre overall (pre-Covid). Even a significant impact on a minor role, is only a minor impact on the Town Centre, and not one that it likely to have significant consequent effects on centre amenity and vitality.
15. An important consideration that the PE review does not appear to factor into their commentary on impacts is the growth in retail and service demand by the resident households in Cromwell. As discussed in the Fast Track Assessment, and quantified for PC 12, the projected growth of households will direct net additional spend to the Cromwell Town Centre every year. This additional demand, of which the Wooing Tree Overlay Area is a contributor, is expected to offset any reduction in tourism sales in selected businesses facing direct or partial trade competition from the WTTV. As the size of the resident community increases (and PE indicate that current data continues to show that growth outstrips

projections), this will support additional floorspace and/or increased productivities for retail and service businesses and increase the vitality and vibrancy of the Town Centre. This is relevant context when considering the offsetting of future distributional effects.

16. Having considered all of the above, I understand that WTDL are now removing all but the relocated Cellar door and one other 500sqm GFA building from their application. With the tourism centre now effectively removed, the centre will have just a maximum of 850sqm of 'shop' floorspace, up to 150sqm of covered outdoor seating adjacent to the Cellar Door, and a maximum of 6,000sqm of (non-transferable)⁴ travellers' accommodation floorspace. This reduction in tourism related activity will significantly reduce the potential for competitive effects on the Cromwell Town Centre (and Heritage Precinct). It also removes the potential for the existing Museum to consider a location in the WTTV if the 500sqm building is limited to 'shops'.

Covid-19 Impacts on Tourism

17. PE caution against reliance on pre-Covid assumptions of growing tourism demand in Cromwell as a means of sustaining a new tourism destination. They consider that it "is likely to be many years before Cromwell achieves the pre-Covid 19 tourist levels again" (page 11) and as such "introducing a new commercial offering now is likely to have a more pronounced effect on the existing town centre" (emphasis added), exacerbated by the increased performance of the WTTV in the proposed location.
18. I agree that the international tourism outlook for New Zealand is currently uncertain, and it may take several years yet to return to pre-Covid visitor numbers (and recent growth rates). However, consenting the WTTV now (or what now remains of the village proposal) does not mean that the floorspace will be developed now. It is my understanding that commercial development cannot be started until the roundabout and underpass are complete. That work will take some time, as will the construction period of the new buildings following on from that. As stated in my report, village construction was not assumed to be fully completed until mid-2024. This was based on an indicative start date in September 2020, which has clearly passed. Pushing the timing out, would indicate that a late 2025 completion date may be more indicative.
19. I do not believe that PE have taken into consideration the likely timing of the WTTV in their review. Consenting the revised location for the commercial development now (via the Fast Track process) ensures that the construction employment benefits occur within the current Covid-19 "recovery" period, with the wider economic effects of the WTTV (once operational) occurring in the context of a "recovered" market (we all hope).

Connection to the Town Centre

20. In page 7 of the review, PE state that "the new Wooing Tree commercial centre location suffers from reduced walkability and connection to the town centre" (emphasis added). This is not an accurate conclusion in my view. As set out in my report, when considering the change from a dispersed and elongated Business Resource Area 2 zone, that placed

⁴ I understand that a condition is to be added that ensure that if traveller's accommodation activity is not developed, that those sites cannot be used for shop or other business floorspace (as defined in the Plan). I.e. that they will be used for additional residential capacity or open space.

commercial activities further away from the Cromwell Town Centre to the proposed compact commercial area with the two remaining commercial buildings closer to the Cromwell Town Centre, both walkability and connection to the Town Centre are improved. The 'barriers' to that connection (SH8B and the green space between SH8B and Murray Terrace) are unchanged by either location for the commercial area. The connection is not perfect, but it is better than the status quo.

21. Because of the improved proximity and visibility, it is more likely, not less, that shoppers will use the underpass to move between the Wooing Tree commercial buildings the Town Centre than under the status quo village location.

Natalie Hampson, Market Economics Limited