

BEFORE HEARING COMMISSIONERS
IN TAUPŌ

UNDER THE Resource Management Act 1991 (“**Act**”)

IN THE MATTER OF Proposed Plan Change 42 Rural Chapter - General Rural Environment and Rural Lifestyle Environment

AND IN THE MATTER OF a submission seeking the rezoning of the site located at 387 Whakaroa Road to Rural Lifestyle Zone.

BETWEEN **STEVE HAWKINS**
Submitter

AND **TAUPŌ DISTRICT COUNCIL**
Planning authority

STATEMENT OF EVIDENCE OF FRASER COLEGRAVE

Before a Hearing Panel: Chairperson David McMahon, Commissioner Liz Burge, and Councillors Yvonne Westerman and Kevin Taylor.

INTRODUCTION

Background, qualifications, and experience

1. My full name is Fraser James Colegrave.
2. I am the managing director of Insight Economics, which is a boutique economics consultancy based in Auckland. Prior to that, I was a founding director of another economics consultancy, Covec Limited, for 12 years.
3. I hold a Bachelor of Commerce (with first class honours) in Economics from the University of Auckland.
4. I have over 26 years’ commercial experience, the last 23 of which I have worked as an economics consultant. During that time, I have successfully

led and completed more than 600 consulting projects across a broad range of sectors.

5. My main fields of expertise are land-use and property development. I have worked extensively in these areas for dozens of the largest developers in New Zealand. In addition, I regularly advise Local and Central Government on a range of associated policy matters.
6. I also regularly appear as an expert witness on a range of economic matters before Councils, Boards of Inquiry, Independent Hearing Panels, the Land Valuation Tribunal, the EPA, the Environment Court, the Family Court, and the High Court of New Zealand.

Purpose and scope of evidence

7. This evidence considers the likely economic effects of the proposed development. Specifically, it:
 - (a) Summaries the subject site and proposed development;
 - (b) Describes the methodology used to quantify economic impacts
 - (c) Estimates one-off impacts on GDP, jobs, and wages;
 - (d) Estimates ongoing onsite and offsite impacts;
 - (e) Considers likely housing market impacts;
 - (f) Briefly canvasses other potential economic effects; and
 - (g) Provides a summary and conclusion.

Expert witness code of conduct

8. I have been provided with a copy of the Code of Conduct for Expert Witnesses contained in the Environment Court's 2023 Practice Note. While this is not an Environment Court hearing, I have read and agree to comply with that Code. This evidence is within my area of expertise, except where I state that I am relying upon the specified evidence of another person. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

EXECUTIVE SUMMARY

9. This evidence assesses the likely economic effects of a proposed high-end rural lifestyle and tourism development in Taupō District, which is currently used as a sheep and cattle breeding farm.
10. Having identified the subject site and described the proposal, I then explain the methodology used to quantify the proposal's key economic effects and outline the data and assumptions relied upon. Those key economic effects are:
 - (a) One-off effects on GDP, jobs, and wages during construction;
 - (b) Annual impacts of future onsite economic activity; and
 - (c) Annual impacts of offsite spending by site residents and visitors.
11. In addition, I briefly discuss likely housing market impacts and other broader economic benefits.
12. In terms of one-off effects, I estimate that the various tasks associated with converting the subject site from its current state into the proposed development will provide full time employment for 84 people for 10 years, generate \$111 million in GDP, and create \$56 million in wages/salaries.
13. Further, once operating at its full potential, the proposed restaurant and visitor accommodation (VA) units will provide full-time work for 66 people, generating \$10.4 million in GDP and \$3.7 million in wages and salaries. In addition, I conservatively assume that future residents and visitors will spend just over \$8 million offsite for the benefit of other local businesses.
14. The proposal will also provide a significant boost in housing capacity for a specific subsegment of the market, which appears necessary given the relative shortage seemingly identified in a 2019 report for the Council.
15. Finally, I consider the proposal's potential wider economic benefits. These include destination marketing for high-value tourists and their network of friends and family (by people that stayed at the proposal and spread the word to friends and family on their return home).

16. Other wider economic benefits include enabling the site to be put to a higher and better use, which improves economic efficiency in the underlying land market. Finally, there may be synergies between the proposal and existing rural uses, with the latter adding to the authenticity of the tourism experience offered by the proposed onsite tourism facilities.
17. Given the proposal's significant and enduring benefits, as summarised above, I strongly support it on economic grounds.

MAIN BODY OF EVIDENCE

About the Subject Site

18. The subject site is located at the end of Whakaroa Road in the Taupō District, about 15 minutes' drive from the town centre, as shown by the yellow-shaded area in the map below.

Figure 1: Location of Subject Site

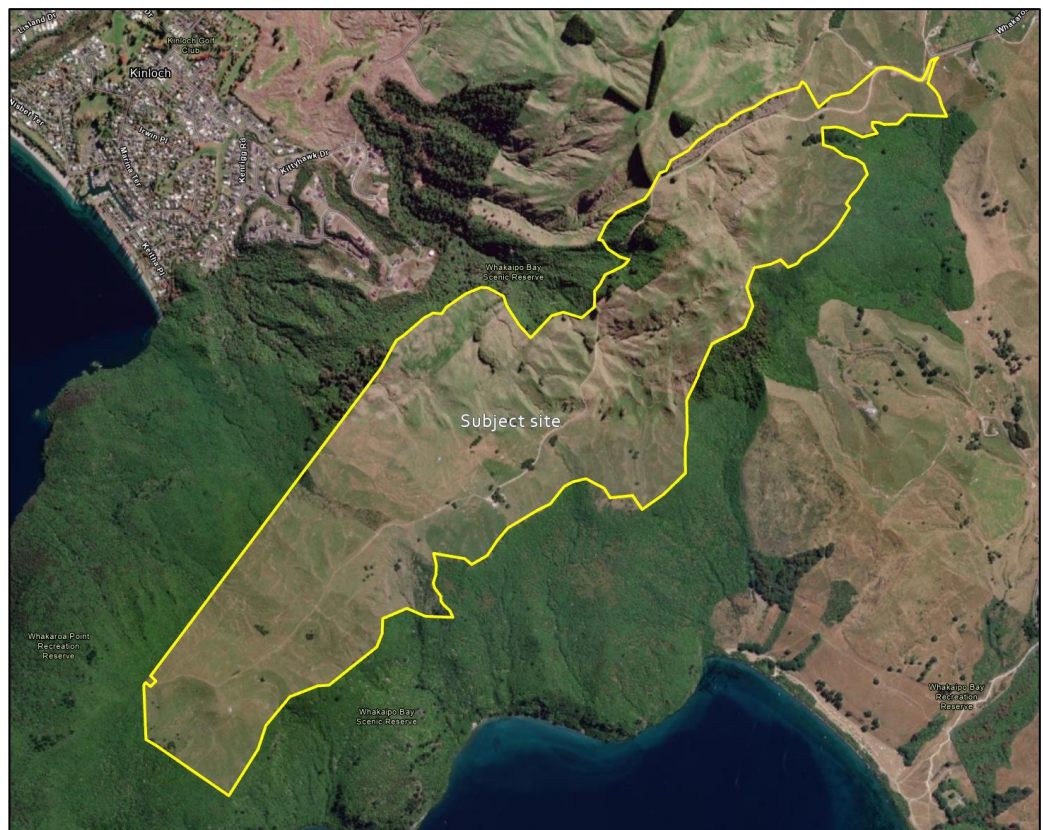


19. The site spans nearly 344 hectares and currently accommodates a sheep and cattle farm. It is the largest lakefront farm between Taupō and Kinloch and occupies an elevated position on the northern edge of the lake, providing unrivalled views across the broader central plateau. The site

contains a handful of low-value buildings and other structures used for farm purposes but is otherwise in a raw and undeveloped state.

20. The site is zoned Taupō Rural Environment under the Taupō District Plan and is identified as an Outstanding Landscape Area. Some of the land along its southern boundary forms part of the Great Lakes (Cycle) Trail.
21. Figure 2 zooms in to provide an aerial image of the site and its surrounds.

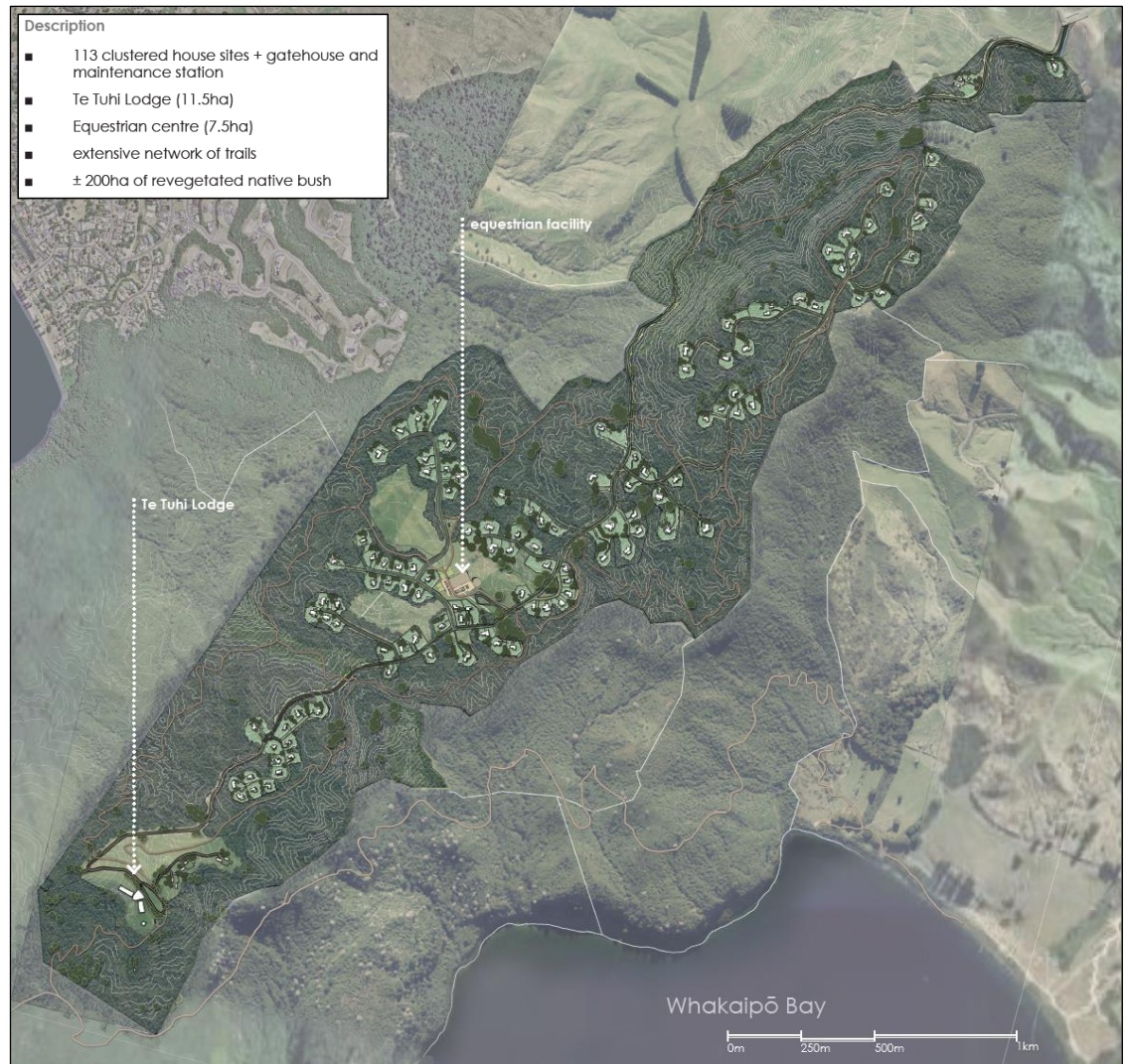
Figure 2: Aerial View of Subject Site



Proposed Development

22. The proposal, Te Tuhi Estate, is a new rural lifestyle community based on a “design with nature” philosophy that respects, restores, and sustainably manages the site’s landscape and amenity values. It provides for 110 to 115 clustered dwellings on sites of 3,000m² to 5,000m², plus an equestrian facility, luxury lodge, and a wellness centre. About 80% of the site will gradually be re-established as native bush.
23. Figure 3 shows the latest indicative layout of the proposed development.

Figure 3: Illustration of Proposed Development



24. From a land use perspective, the proposal has four sub-areas, namely:
- (a) *Lifestyle Cluster Sub-Area* – rural lifestyle dwellings on identified building platforms. All dwellings will be designed subservient to the existing landscape, with varying development controls applying that reflect the visibility of each site from key vantage points.
 - (b) *Tourism Lodge Sub-Area* – which includes a luxury lodge with 20 guest rooms, restaurant, café, bar, wellness centre and wedding chapel, plus 10 separate visitor accommodation (VA) chalets.
 - (c) *Equestrian Centre Sub-Area* – which features horse-grazing pasture, dressage and showjumping arenas, vehicle parking, equestrian stables, staff accommodation, and storage sheds.

- (d) *Native Bush Sub-Area* – a restored indigenous landscape that connects to and enhances neighbouring forest reserves, while providing roads, recreational trails, and wastewater infrastructure.
25. While all four sub-areas will have a range of effects, the most important sub-areas from an economic perspective are the Lifestyle Cluster and Tourism Lodge, which enable the new dwellings, luxury lodge, and various other tourism components.
26. Accordingly, **I focus on the new rural lifestyle dwellings and tourism activity enabled** by the proposal and ignore potential benefits of the equestrian facility and native bush regeneration. This keeps my analysis conservative.

Assessment Methodology and Key Inputs/Assumptions

Scope of Economic Effects Considered

27. This evidence concentrates on the most significant and readily quantifiable economic benefits of the proposal, which I consider to be its:
- (a) One-off effects on GDP, jobs, and wages during construction;
 - (b) Annual impacts of future onsite economic activity; and
 - (c) Annual impacts of offsite spending by site residents and visitors.
28. In addition, I briefly discuss likely housing market impacts and other broader economic benefits.

Quantifying One-Off Effects

29. To quantify the one-off effects of preparing the land for development, then constructing the various buildings and other structures enabled there, I used a technique called multiplier analysis. It incorporates detailed matrices called input-output (IO) tables, which capture the supply chains that comprise an economy, and thus enable spending in one sector to be traced through to estimate its overall impacts, including flow-on effects.

30. These estimated economic impacts include:¹
- (a) **Direct effects** - which capture onsite and offsite activities directly enabled by the proposal; plus
 - (b) **Indirect effects** - which arise when businesses working directly on the proposal (either onsite or offsite) source goods and services from their suppliers, who in turn may need to source goods/services from their own suppliers, and so on.
31. These economic effects are measured in terms of:
- (a) **Contributions to GDP.** GDP measures the difference in value between a firm's outputs and its inputs. It captures the value that a business adds to its inputs to produce its own outputs. This is why it is also known as value-added.
 - (b) **The number of FTEs employed** – which captures the number of full-time and part-time people employed in a single metric.
 - (c) **Total wages and salaries paid**, which are sometimes labelled 'household incomes.'

Quantifying Ongoing Effects

32. The proposed development includes various amenities that will create a compelling proposition for prospective future residents and visitors. They include a luxury lodge, wellness centre, equestrian facility, wedding chapel, visitor accommodation, a high-end restaurant, plus walking/cycling trails.
33. Together, these elements will attract residents and visitors that not only help make them financially self-sustainable, but also create significant spill-over benefits for other nearby businesses via offsite spending. However, accurately quantifying the resulting economic benefits is difficult, because there is a lot of cross-over between the proposal's elements.
34. For example, people attending weddings at the chapel may also choose to stay onsite, then visit the wellness centre the next day. Similarly, some

¹ Economic impact analyses (EIAs) also often include the impacts of increased spending by people employed as part of the project, which are known as induced impacts. However, I ignore those here to keep my analysis as conservative as possible.

future occupants of onsite dwellings may be regular users of the restaurant or equestrian facilities, and so on.

35. To overcome this conceptual difficulty and estimate ongoing economic impacts in a reliable way, I restricted my attention to only the ongoing economic effects of:
- (a) Onsite restaurant and VA activity; plus
 - (b) Offsite spending by future residents and visitors at other district businesses.
36. This does not quite capture the full value of onsite activity, such as weddings held at the chapel, but provides a reasonable proxy that avoids double counting.

Assumed One-Off Development Costs

37. I used information provided by the project team and combined that with data that I have on-file from other high-end developments across New Zealand, to broadly estimate the likely one-off costs of the proposed development. Table 1 summarises.

Table 1: Estimated One-Off Development Costs

Key Project Task	Estimated Cost \$	Share
Planning, design, consent	\$4,000,000	3%
Earthworks & site preparation	\$15,000,000	11%
Dwelling construction	\$96,000,000	69%
Lodge, chapel, VA units, restaurant & wellness centre construction	\$25,000,000	18%
Total Cost	\$140,000,000	100%

38. The estimated dwelling construction cost of \$96 million assumes 110 dwellings of 250m² gross floor area (GFA) each, at an average build cost of \$3,500 per square metre.
39. This average size, in turn, reflects the proposed maximum building footprint of 250m² (and assumes that all dwellings are one-storeyed). To validate this assumption, I used Core Logic's *Property Guru* tool to calculate the average size of all dwellings built in the district's rural residential areas over the last five years, which was 235m². Given that the proposal will attract larger, higher-end homes, I consider 250m² an appropriate GFA estimate.

40. The expected build cost per square metre acknowledges, again, that new dwellings will be high-spec homes made of quality materials that naturally have higher build costs.²
41. The building costs for all other non-equestrian elements of the proposal (i.e. the lodge, chapel, VA units, wellness centre, and restaurant) were provided by the project team, while all other inputs reflect my experience on other, similar projects.

Calculation of Future Onsite Activity

42. To calculate the likely annual revenues of the restaurant and VA units, I first reviewed the local literature on luxury tourism to better understand the spending habits of this key market segment.
43. My search led me to a recent NZ report that surveyed 650 High Net Worth individuals (HNWI) from Europe, North America, and Asia Pacific on their tourism preferences and behaviour.³ It found that:
- (a) All respondents spend at least NZ\$1,400 per night on holiday accommodation,
 - (b) Not only do HNWI spend more per day than other tourists, but they also stay longer, with 40% of HNWI staying at least a fortnight in New Zealand, compared to only 20% for other tourists.
44. While these statistics illustrate the high spending power of this cohort, they do not provide any concrete data to estimate likely future revenues for the onsite restaurant and VA units, so I looked further afield.
45. Next, I reviewed another NZ report titled *Visitor Value Versus Volume for International Tourists to New Zealand*, which aims to help identify tourist segments whose economic contribution outstrips (or justifies) their adverse climate impacts. It found that very high value visitors spent an average of \$929 per person per day in 2018, or more than \$10,000 per person per trip in New Zealand.

² Online resources suggest that the minimum build cost for luxury homes is about \$3,500/m², but that this can easily run to around \$8,000/m² depending on the materials and finishes chosen. I adopt the lower end of this range to be conservative. See, for example, this recent blogpost. <https://www.buildingguide.co.nz/planning/building-costs/>

³ Tourism New Zealand, *Creating Appeal for High Net Worth Individuals: 2021 Survey Snapshot*.

46. Again, however, this report provides no specific data on restaurant and VA spending by HNWI to inform my estimates of onsite revenues for those activities. So, I changed tack and instead decided to benchmark the current nightly tariffs applying to nearby luxury lodges to gauge the market. Table 2 presents my findings, where the average room rate is \$2,005 per night.

Table 2: Nightly Tariffs for Nearby Luxury Accommodation Options

Name	Accommodation Options/Suites	Nightly Tariff
Whakaipo Lodge	Ruapehu Suite	\$495
	Tongariro Suite	\$495
Huka Lodge	Junior Lodge Suite (per)	\$2,800
	Alan Pye Cottage	\$5,850
	Alex van Heeren Cottage	\$6,650
Poronui Lodge	The Lodge	\$1,750
	Blake House	\$2,860
	Safari Camp	\$1,650
Kinloch Manor & Villas	Manor Suite	\$1,750
	Manor Residence	\$2,250
	Manor Deluxe Residence	\$2,952
	Manor Deluxe Residence w/ Den	\$3,825
The Point Villas	Tatamoana Suite	\$1,630
	Ngahere Suite	\$1,945
Lake Taupō Lodge	Suite A	\$975
	Suite B	\$875
River Birches Lodge	The Lodge	\$960
	The Cottage	\$1,210
Craggy Range	Vineyard Cottage	\$575
	Vineyard Cottage	\$650
	Garden Cottage	\$700
	River Lodge	\$1,270
Average nightly tariff		\$2,005

47. Based on the table above, I conservatively adopted an average nightly tariff of \$1,500 per VA unit for the proposal, with a corresponding annual occupancy rate of 50%.⁴ The table below presents the resulting calculation of annual VA revenues based, which exceed \$8.2 million.

⁴ This is just below the district average of 51% for lodges and boutique accommodation for the year ended May 2023 (as per the *Accommodation Data Programme* by Fresh Info).

Table 3: Estimated Annual VA Revenues

Reference	Inputs/Assumptions	Values
A	VA Units	30
B	Occupancy Rate	50%
C	Average Nightly Tariff	\$1,500
Reference	Calculations	Values
D=A*365	Stay Night Capacity Available	10,950
E=D*B	Stay Nights Occupied	5,475
F=E*C	Annual Lodge Revenues	\$8,212,500

48. Restaurant revenues were estimated via a bottom-up approach, which translates the number of covers (or people) served per lunch or dinner session into annual revenues based on the:

- (a) Number of lunch and dinner sessions per week, and
- (b) Number of seats; and
- (c) Average covers per seat per lunch or dinner session; and
- (d) Average revenues per cover.

49. According to documentation provided to me, the restaurant will have 100 seats. However, no details were provided on likely hours of service.

50. To be conservative, I assume that the restaurant serves lunch and dinner five days per week, with an average of 40 covers per service, at \$100 per cover. Together, these indicate annual restaurant revenues of \$4 million, although I acknowledge that this figure is sensitive to the assumptions and that it could vary significantly depending on the final operating parameters.

One-Off Impacts on GDP, Jobs, and Incomes

51. A significant amount of work is required to transform the site from its current (relatively raw/untouched) state into the future form envisaged by the proposal. This work includes additional planning/design/consenting to finalise the site layout and obtain all necessary consents, followed by various onsite physical works, namely:

- (a) Bulk earthworks;
- (b) Infrastructure provision;

- (c) Irrigation and drainage;
- (d) Creation of building platforms; and
- (e) Building construction.

52. I calculated the likely impacts of this work programme on national GDP, jobs, and household incomes using the methodology described above and assuming a total cost of \$140 million. The resulting one-off economic impact estimates are presented below by project phase.

Table 4: Estimated One-off Impacts of Construction/Development

Planning, Design, Consent (1 year)	Direct	Indirect	Total
Employment (FTEs)	17	8	25
Value-Added/GDP (\$ millions)	\$2.5	\$1.2	\$3.7
Wages/Salaries (\$ millions)	\$1.3	\$0.6	\$1.9
Earthworks & Site Preparation (2 years)	Direct	Indirect	Total
Employment (FTEs)	22	23	45
Value-Added/GDP (\$ millions)	\$5.6	\$6.4	\$11.9
Wages & Salaries (\$ millions)	\$3.3	\$3.2	\$6.5
Dwelling Construction (10 years)	Direct	Indirect	Total
Employment (FTEs)	18	40	57
Value-Added/GDP (\$ millions)	\$24.7	\$51.4	\$76.1
Wages/Salaries (\$ millions)	\$11.0	\$25.9	\$36.9
Lodge, Chapel & Chalet Construction (2 years)	Direct	Indirect	Total
Employment (FTEs)	15	60	75
Value-Added/GDP (\$ millions)	\$3.6	\$15.4	\$19.0
Wages/Salaries (\$ millions)	\$2.6	\$7.8	\$10.4
Project Totals	Direct	Indirect	Total
Employment (FTE-Years)	270	570	840
Value-Added/GDP (\$ millions)	\$36	\$74	\$111
Wages/Salaries (\$ millions)	\$18	\$38	\$56

53. Table 4 shows that the various tasks involved with developing the proposal will create significant economic stimulus. Specifically, I estimate the following impacts, including indirect/flow-on effects:

- (a) The planning/design/consenting phase is expected to provide full-time work for 25 people for a year, generating \$3.7 million in GDP and \$1.9 million in wages and salaries.

- (b) Earthworks and site preparation will provide full-time work for 45 people for two years, generating \$11.9 million in GDP and \$6.5 million in wages and salaries.
 - (c) Dwelling construction will provide full-time work for 57 people for 10 years, generating \$76.1 million in GDP and nearly \$37 million in wages and salaries.
 - (d) Finally, construction of all other buildings will provide full-time work for 75 people for two years, generating \$19 million in GDP and more than \$10 million in wages and salaries.
54. Naturally, these phases will overlap, so the number of people working directly or indirectly on the project may vary at any given point in time. Regardless, it should be clear from these figures that the \$140 million earmarked for the project's development will secure significant one-off economic benefits for the local and regional economies.

Ongoing Impacts on Jobs, Incomes, and GDP

Onsite Impacts

55. I estimated the likely GDP, jobs, and wages/salaries sustained onsite at the proposed restaurant and VA units using the revenues estimated above, and the methodology described earlier. To reflect the high-end nature of the proposal, however, I tweaked the economic multipliers to reduce the estimated job and wage impacts.⁵Table 5 sets out the results.

⁵ Specifically, I reduced the estimated number of FTEs by 40%, and the corresponding wages and salaries by 30%. This acknowledges that the restaurant and VA units are high-end and hence revenues per worker will be higher than the national averages in the IO tables. In addition, the slightly lower scalar on wages (than jobs) reflects the expectation that more skilled and experienced staff will be recruited to meet the exacting standards of guests, which results in higher wages per worker than the national averages in the IO tables.

Table 5: Estimated Annual Impacts of the Restaurant & VA Units

Restaurant	Direct	Indirect	Total
Employment (FTEs)	22	5	27
Value-Added/GDP (\$ millions)	\$1.8	\$1.5	\$3.3
Wages/Salaries (\$ millions)	\$0.9	\$0.5	\$1.4
VA Units	Direct	Indirect	Total
Employment (FTEs)	30	9	39
Value-Added/GDP (\$ millions)	\$4.2	\$2.8	\$7.0
Wages & Salaries (\$ millions)	\$1.4	\$0.9	\$2.3
Restaurant & VA Unit Totals	Direct	Indirect	Total
Employment (FTEs)	52	14	66
Value-Added/GDP (\$ millions)	\$6.0	\$4.4	\$10.4
Wages/Salaries (\$ millions)	\$2.4	\$1.4	\$3.7

56. Table 5 shows that future operation of the restaurant and VA units will collectively sustain meaningful onsite economic activity. Specifically, I estimate the following annual impacts, including indirect/flow-on effects:
- (a) The restaurant will provide full-time work for 27 people, generating \$3.3 million in GDP and \$1.4 million in wages and salaries.
 - (b) The VA units will provide full-time work for 39 people, generating \$7 million in GDP and \$2.3 million in wages and salaries.
 - (c) Together, they will provide full-time work for 66 people, generating \$10.4 million in GDP and \$3.7 million in wages and salaries.

Offsite Impacts

57. The final part of my quantitative analysis addresses likely offsite spending by future residents and visitors. I start with onsite lifestyle residents.
58. For this exercise, I assume that 110 new dwellings are built, half of which are permanently occupied, and half of which are occupied only half the time as second/holiday homes, which gives an overall occupancy rate of 75%. In addition, I assume average weekly spending of \$2,500 per week⁶, 50% of which flows offsite to other district businesses.

⁶ For context, the average weekly spend for households in the highest decile was \$2,600 in 2019 according to the Household Economic Survey. Given recent high inflation, the corresponding value in 2023 will be much higher.

59. For tourists, I illustratively assume offsite spending of \$500 per occupied room day (or approximately \$250 per visitor per day), which is likely to be conservative given the HNWI spending statistics outlined above.
60. Based on these assumptions, I estimate annual offsite spending of:
- (a) \$5.36 million by future lifestyle residents, and
 - (b) \$2.74 million by visitors.
61. Thus, annual offsite spending is estimated to be about \$8.1 million, which represents a significant and enduring benefit for the wider district.
62. Unfortunately, it is difficult to accurately convert these spend estimates into corresponding measures of jobs and incomes because the bundle of goods and services purchased will differ from one person to the next. However, as a rule of thumb, each dollar spent is likely to generate about 45 cents of GDP and (say) 20 cents of wages and salaries excluding flow-on effects. Thus, annual offsite impacts might directly generate (say) \$3.4 million of GDP and \$1.6 million of wages and salaries for the benefit of the wider community.

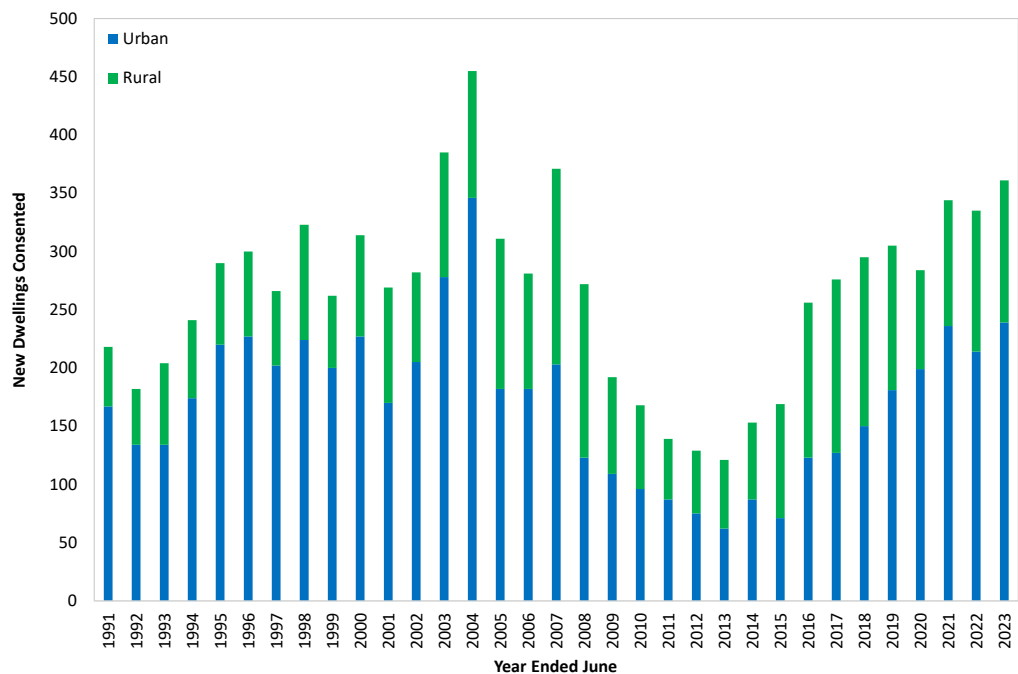
Housing Market Impacts

63. While my evidence focusses on the quantifiable economic effects of developing and operating the various elements that comprise the proposal, I now also briefly assess likely impacts on the housing market.
64. Overall, I consider the provision of 110 to 115 luxury dwellings in a strategic location (less than 20 minutes' drive from the town centre) a meaningful contribution to housing supply for a specific segment of the market.
65. But, a 2019 report by Property Economics (**the PE report**)⁷ for this plan change suggests that there is no need for additional rural residential land, because there is already enough to meet likely future demand.
66. I respectfully disagree with that conclusion, at least in the context of this proposal, for several reasons.

⁷ Property Economics, Taupō Rural Lifestyle Economic Assessment, July 2019

- 67. First, the PE report is more than four years old, and a lot has changed since then, including the Covid-19 pandemic. Amongst other things, the pandemic caused a spatial reorganisation of New Zealand’s population, with many larger urban areas stagnating or even declining, but many smaller (often peri-urban) areas thriving.
- 68. Taupō District is no exception. Its population has continued to climb, with recent building consents signalling strong near-term population growth, including in rural areas. This is shown in the chart below, which plots the number of new dwellings consented in the district’s urban and rural areas for the year ended 30 June.⁸

Figure 4: New District Dwellings Consented (Year Ended 30 June)



- 69. Figure 4 shows that district dwelling consents have grown strongly since 2016, but dipped slightly in 2020, probably due to Covid. Since then, they have remained high, with 361 new dwellings consented in the year ended 30 June 2023. This is the highest rate in 16 years and includes 239 new homes in urban areas, and 122 in rural areas.
- 70. More generally, the underlying data reveal that 436 new homes were consented in rural areas since 2019 when the PE report was written. In my

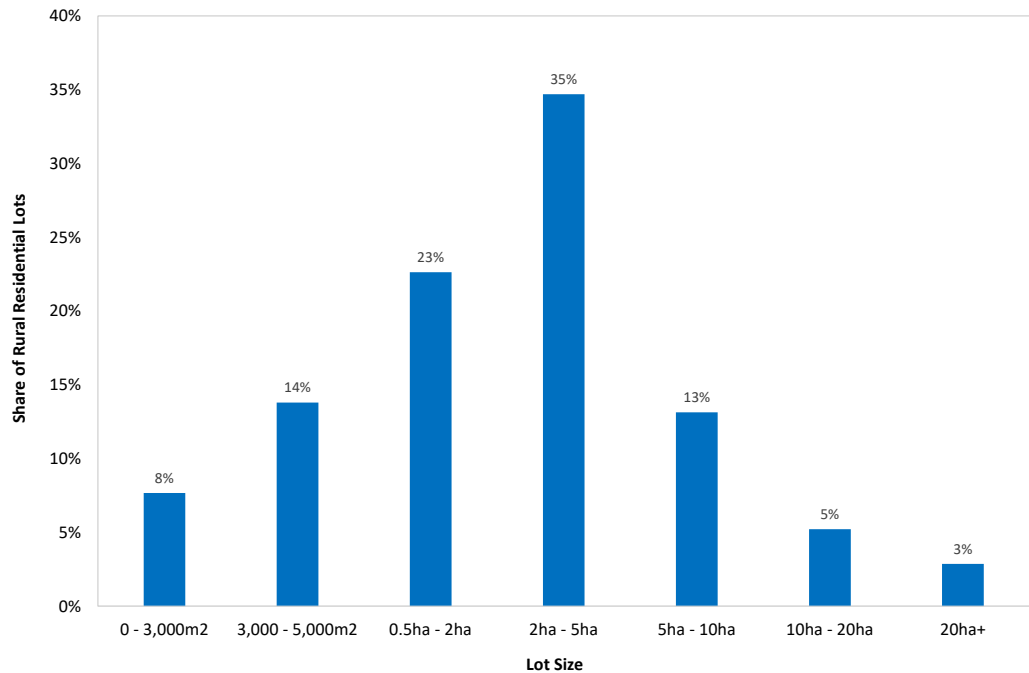
⁸ The urban rural split was derived by mapping 2018 SA1s to Statistics New Zealand’s 2018 urban rural classification.

view, this strong momentum suggests that the rural dwelling projections in the PE report may probably no longer be applicable and might need to be revised.

71. Second, the proposal provides for new rural residential dwellings that are fundamentally different to those enabled elsewhere in the district. For example, the proposal provides sections of 3,000m² to 5,000m², which is much smaller than in other rural residential areas.

72. To demonstrate this, I used Core Logic’s *Property Guru* tool to extract data on all existing dwellings in the district’s rural residential zones as at 1 August 2023. The chart below plots the distribution of lots sizes for the 1,957 rural residential dwellings in our dataset.

Figure 5: Lot Size Distribution for Existing Rural Residential Dwellings



73. Figure 5 shows that only 14% of existing rural residential lots are in the same size range as the proposal, with 78% being larger, and 8% smaller.

74. For additional context, the median size of the 1,957 existing rural residential lots is 3.1ha, while the average is 4.1ha. The proposed lots, conversely, are about 10 times smaller. Clearly, they target a niche rural residential market (in lot size terms).

75. Not only that, but the proposal is an unabashedly high-end rural lifestyle proposal and will be anchored by luxury amenities – such as the wellness

centre and restaurant – that will attract a different type of buyer than existing rural residential lots or other more usual rural lifestyle lots.

76. For those reasons, I do not believe that the PE report's broad conclusions about the need for additional rural residential capacity apply to proposals like this that cater for a highly targeted subsector of the housing market.
77. Third, for this proposal, I disagree with the PE report's concern that enabling extra rural lifestyle residential land will have significant economic costs, particularly around infrastructure and losses of rural productivity.
78. The proposal's infrastructure upfront costs will be funded directly by the applicant, either via development contributions payments, and/or a private developer agreement, and/or self-provision (like the proposed wastewater facility).⁹ In addition, the applicant will (or should) be directly responsible for funding the development's long-term operational costs. To the extent that any fall on the Council, they can be recovered directly from the applicant via readily available funding tools like targeted rates. Accordingly, the proposal will have no long-term infrastructure costs or risks for the district.
79. Similarly, any losses of rural production will be inconsequential because the land is very steep and undulating, so it operates only as a breeding farm with limited economic potential. For example, farm income last year was less than \$500,000, which can support two to three FTEs, at most. This is minimal compared to the employment that could be sustained onsite by the proposal.
80. Fourth, notwithstanding all the above, the PE report itself seems to show that there was limited capacity for growth in the district's existing residential nodes in 2019 anyway. For example, the table below reproduces the information in table 2 on page 10 of the PE report.

⁹ Interestingly, the PE report shows that most existing rural residential nodes are also self-sufficient for water and wastewater and thus do not draw on Council resources.

Table 6: Occupancies & Vacancies in Rural Residential Nodes in 2019

Rural Residential Areas	Total Sites	Occupied	Vacant	Occupied %
Bonshaw park	69	68	1	99%
Tukairangi Road	129	124	5	96%
Mapara Road	100	97	3	97%
Oruanui Road	240	223	17	93%
Palmer Mill Road	111	107	4	96%
Whangamata Road	164	158	6	96%
Group 1 subtotal	813	777	36	96%
Broadlands Road	142	134	8	94%
SH5 Concept	32	32	0	100%
SH1 Concept	52	45	7	87%
Group 2 subtotal	1,039	988	51	95%
TD 2050 Areas	60	51	9	85%
Other	3,254	915	2,339	28%
Total	4,353	1,954	2,399	45%

81. Table 6 shows that 96% of sites in Group 1 nodes were full in 2019, as were 95% of Group 2 sites. Together, they had room for only an additional 87 rural residential dwellings.
82. The proposal recognises this shortage of available rural residential land and aims to provide a high-end, bespoke development that caters for a specific market segment. Further, because the land is held by one willing and motivated owner, the proposal has a very high probability of being realised sooner than later.
83. Accordingly, the proposal will have positive housing market impacts.

Wider Economic Benefits

84. Currently, Taupō has relatively few high-end, boutique accommodation options, which limits its appeal to some high value visitors. This was recognised in the 2017 Economic Strengthening Plan, which identified the need to attract more affluent visitors via more high-end (4.5 to 5 star) visitor accommodation options. According to the latest official data¹⁰, this gap still exists, with only 7% of district accommodation providers classified as lodges or boutique providers, compared to a national average of 14%.

¹⁰ Accommodation Data Programme, by Fresh Information.

85. The proposal directly addresses this via the provision of two luxury accommodation options, and it helps boost the district's appeal to high value visitors more generally via luxury amenities, which will be available all district visitors regardless of where they stay.
86. In addition, the proposal will perform an additional role as destination marketing for high-value tourists and their network of friends and family. In short, having completed a successful trip to New Zealand and visited the subject site, high-value tourists will return home and espouse its virtues to friends and family. This word-of-mouth destination marketing is an invaluable source of free advertising for "New Zealand Inc" and is therefore an important feature of the project's broader economic effects.
87. Finally, I note that the Project will enable the site to be put to a higher and better use, and therefore improve economic efficiency in the underlying land market. Indeed, not only does the proposal allow a range of employment-generating activities to establish onsite, but it also retains most of its existing rural productive uses. In addition, there may be synergies between the proposal and existing rural uses, with the latter adding to the authenticity of the tourism experience offered by the proposed onsite tourism facilities.

CONCLUSION

88. This evidence has considered the likely economic costs and benefits of enabling a high-end rural residential lifestyle development and world-class tourism facility to establish in the district. It has shown that the proposal will generate significant economic stimulus during both construction and future operation. In addition, it will provide a notable boost in capacity for a specific segment of the housing market while enabling a higher and better use of the land. Accordingly, I support the proposal on economic grounds.

9 August 2023
Fraser Colegrave