

Kimihia Lakes Project Economic Impact Assessment

Prepared for

ALLEN FABRICS LTD.

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Executive summary

This report has been commissioned Allen Fabrics Ltd. (AFL) to assess the economic effects of the Project as a component of the RMA Section 32AA Assessment required to support a zoning change being sought through the Waikato District Proposed District Plan (PDP) hearings process.

The proposed development is intended to be of local as well as district wide significance by providing a recreation and outdoor education asset for the Huntly community as well as attract residents and visitors originating from a wider catchment. The potential economic benefits of the Project will primarily arise from:

- Increased local employment and training opportunities for the local labour-force in a community that is relatively deprived with a high concentration of youth, unemployment, Māori, low income, single parent and rental tenure households; and
- Economic value added (GDP) through construction and operation of the Project's facilities and the resultant increased visitor spending on goods and services in Huntly and the wider district.

Based on the financial estimates in the Kimihia Lakes draft Business Plan 2020, the Project's economic impact in quantitative terms is assessed as:

1. Construction contribution to Waikato District's GDP: \$3.36m (or 11% of the district's 2019 baseline GDP of \$2,954m), generating 46 full-time and part-time jobs. Both jobs and the GDP impact would be limited to the duration of the construction period;
2. Tenant activities contribution to Waikato District's GDP: \$1.01-1.37m per annum (or 0.3-0.5% of the district's 2019 baseline GDP), generating 28-36 full-time and part-time jobs on a sustainable basis;
3. Multiplier (indirect and induced) economic impacts based on a Type II multiplier of 1.5 would generate an additional 50% value-added GDP contribution in the order of \$500,000-\$683,000.
Taking total GDP impacts to \$1.5-\$2.0m per annum.

In terms of the Resource Management Act's (RMA) requirements, the economic effects of the Project on the core Huntly community and the secondary 'rest of Waikato district', are assessed to be 'low to moderately' positive. No significant negative effects are identified such as pressure on housing demand or the viability of the Huntly town centre. This finding reflects the modest scale of the revenue earning activities and facilities included in the Kimihia Lakes draft Business Plan (2020), while also noting the Project has been designed to provide work and training opportunities for the local labour-force, particularly youth, by establishing relationships with government agencies and iwi/Māori trusts to provide pathways to employment at the lake

site. This should support an outcome of a sizeable share of jobs being filled by existing local residents, a large share of who are currently unemployed or outside the labour-force.

The estimates of the Project's economic impact should be regarded as conservative given the potential for the scale and range of revenue earning facilities (and associated jobs) to increase in future beyond those in the Project's initial business plan. While the provision of free outdoor recreation and education activities will provide amenity and social benefits for the local community, significant economic value will really depend on commercial success. For the Project to ultimately achieve a scale that puts Huntly 'on the map' as a tourism destination will rely on facilities and visitor numbers expanding over time. For example, a doubling of the scale of the Project's 'tenant activities' would imply direct GDP impacts of \$2.02-2.73m per annum, taking it closer to 1% of the district's total baseline GDP (2019).

The District Plan's zoning policies and development controls will need to enable such growth to occur, recognising that the Kimihia Lake site has strong prospects to attract a high volume of 'paying day and overnight visitors' who have relatively convenient access to Huntly -i.e. people coming from the wider growth centres of Waikato District, Auckland, or Hamilton, many of whom may currently bypass the town.

1.0 Introduction

1.1 Purpose

Allen Fabrics Limited (AFL) purchased the former Huntly East mine site to develop the Kimihia Lakes Project (the Project). This Economic Impact Assessment Report has been commissioned by AFL to assess the economic effects of the Project as a component of the Section 32AA Assessment required to support a zoning change being sought through the Waikato District Proposed District Plan (PDP) hearings process.

The site located between McVie Road and the new Waikato Expressway, is approximately 159 hectares comprising an area that was previously the bed of Lake Kimihia. Most of the mine infrastructure has now been removed and the open cast pit is now refilling with stormwater and groundwater. AFL, through the newly formed Kimihia Lakes Community Charitable Trust (KLCCT), seek to undertake the development of the Project. A submission was made on the Proposed Waikato District Plan in October 2018 which sought the introduction of a Specific Zone called the Kimihia Lakes Recreation and Events Zone (now referred to as the Kimihia Lakes Zone¹). The Project aims to develop a recreation and outdoor education park including the rehabilitation and restoration of the site, the development of complementary activities including water-based recreation, accommodation, coalfields museum facilities, cultural interpretation and education enterprises, physical education skills training, and passive use of the site for other activities such as walking, cycling and picnicking.

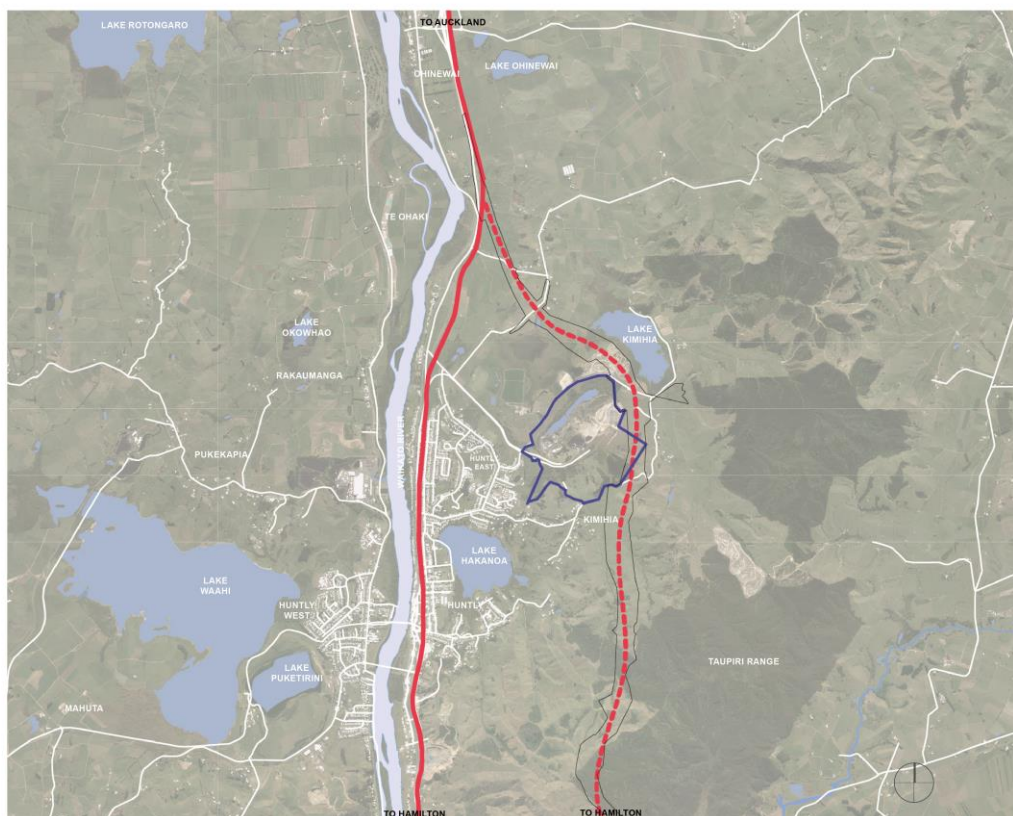
Boffa Miskell has recently completed an initial master planning process for the Project which captures the long-term vision for the development and provides an initial spatial arrangement for the range and scale of the intended activities on the site. The Masterplan will support the subsequent stages of the Waikato District Plan Review process. A draft Business Case (2020) for the Project has also been relied on as the basis of further details on the mix and expected scale of the proposed activities.

1.2 Site context

The site is located within a few kilometres north-east of Huntly Town Centre and is well located in relation to the Waikato Expressway and North Island main trunk railway (refer Map 1).

¹ This would be a Special Purpose Zone as per National Planning Standards guidance.

Map 1: Lake Kimihia redevelopment site



Source: Boffa Miskell Ltd.

The draft Kimihia Lakes Business Plan states the Project will be focused directly on primary and secondary schools, sports clubs, the local events and conference market and both overnight and day-tripper tourists from a catchment around the Auckland to Hamilton corridor.

The main metropolitan centres of Auckland and Hamilton have very good transport connectivity to Huntly and relatively large base populations compared to other surrounding local authority areas. The Waikato Expressway runs through Huntly, connecting it to Hamilton 32 kms to the south, and Auckland to the north which is just over an hour's drive away. The main trunk railway line running through the town is also expected to provide a connection for passengers in the short term which will provide an alternative transport mode for commuters as well as recreation/tourism visitors along the Hamilton-Auckland corridor.

1.3 Project objectives

The proposed reinstatement of a freshwater lake would add to the Huntly lake network which is a local and sub-regional recreational and scenic amenity ‘asset’ in its own right. The site will not be publicly owned, although it is governed by a charitable trust and will be publicly accessible. As such the ‘new’ lake will not be subject to the usual constraints of a council or central government owned reserve. It will be capable of activation to provide a significant range of recreation, education, and commercial tourism activities on one site, at a larger scale than is typical of other similar sized lakes in the North Island.

The proposed development and uses of the site have been designed with the following objectives in mind:

1. Restoration and enhancement of the natural environmental qualities of the lake and surrounds
2. Provide a publicly accessible and high amenity recreation facility for the Huntly community that contributes to the lake network in the district (e.g. allowing certain events to be spread across them)
3. Offer outdoor education and recreation experiences to primary and secondary school students from Huntly and rangatahi in the Waikato-Tainui rohe, as well as students in the wider catchment of Waikato District and urban centres of Hamilton and Auckland
4. Provide skills training opportunities for local youth on-site (e.g. through ‘on the job’ training in environmental restoration, hospitality, and operation of commercial recreation activities)
5. Generate new employment opportunities and income for the local workforce and attract visitors from outside the Hamilton-Waikato District to contribute to growth of the local economy
6. Put Huntly ‘on the map’ of a trail of tourism destinations along the Hamilton-Auckland corridor
7. Provide a complementary destination to various cultural tourism projects centred on the Waikato River²
8. Co-ordinate and co-operate activities with neighbouring facilities/activities including Huntly Speedway, Huntly Gun Club, Rotongaro-Huntly Pony Club , Huntly Half-Marathon, the close by Motor-cross Track, and the accessible by Expressway Hampton Downs Raceway, Meremere Dragstrip, Cambridge Avantidrome and Karapiro Rowing Centre.

1.4 Scope

This report provides a high level quantification/assessment of the expected economic benefits and costs of the Project based on the intended activities on the site, and includes:

² The opportunity to strengthen the cultural tourism offer in the Ngaruawahia-Rangiriri area is a key opportunity identified in Hamilton & Waikato Tourism’s Tourism Opportunities Plan (June 2016).

1. Estimates of job creation;
2. Estimates of local and district wide economic injection; and
3. Assessment of the significance of economic effects in regards to the RMA.

Notes:

- i. The draft Project Business Case 2020 is relied on for 'starting points' on the initial mix of activities and associated estimates of revenue and employment to be accommodated on the site.
- ii. Indicative estimates of jobs and GDP impacts have been modelled based on the business case 'low' and 'high' utilisation scenarios (i.e. at 15% either side of the initial revenue estimate) using high level aggregated industry data for Waikato district.
- iii. The 2018 NZ Census has been relied on to provide a profile of Huntly's usually resident population in terms of the current age structure, ethnicity, employment status and household income levels. This profile provides a basis for assessing potential economic costs and benefits in terms of the magnitude or scale of such effects in relation to the existing 'baseline' community.

2.0 Huntly demographic profile

2.1 2018 NZ Census results

Huntly's usually resident population was 7,905 in the NZ Census 2018. While its population has grown at a relatively high annual rate of over 3% during 2013-18, by comparison the Waikato District grew at a higher average annual rate of 3.8% over the same period (to reach 75,618 residents). The following results from the 2018 Census indicate Huntly is a relatively deprived area with a high concentration of youth, unemployment, Māori, low income, single parent and rental tenure households.

Table 1: Huntly demographic indicators 2018 Census

Headline Indicator	Huntly ³	Waikato District	Observations
Number of occupied dwellings	2,616	25,116	Huntly accounts for 10.4% of all occupied dwellings, the same as its share of the district's population. Average household size is therefore the same
Population aged < 15yrs	26%	23.4%	One-quarter of the population (slightly greater % than the district as a whole) of very young, school-age, or early-teen children
Number of primary and secondary school students	1,516	10,855	Based on Ministry of Education enrollment data
Population > 15 - 29yrs	19.7%	17.5%	Nearly half the town's residents are under 29yrs of age. Do not tend to move away from Huntly for work or education
Population > 30 - 65yrs	40.5%	46.5%	Younger population cohorts than the district as a whole
Population > 65yrs	13.8%	12.6%	Older age groups similar to the district as a whole
Māori ethnicity	53.3%	26.4%	Highly concentration of Māori
Family Structure			
Single Parent Households	33.4%	15.7%	Double the rate of solo parenting in the district as a whole
Couple with dependent children	35.2%	45.4%	Reflects higher rate of solo parenting
Couple with no children (at home)	31.4%	38.9%	Lower rate reflects younger age

³ Huntly is defined to include the StatsNZ statistical areas of Huntly West and Huntly East.

			structure and/or shorter life expectancy (e.g. Māori have shorter life expectancy than NZ average)
Personal income (aged over 15 years)			
Income < \$20K	45.1%	33.5%	Higher share on low incomes
Income > \$20-50K	34.1%	31.3%	Similar
Income > \$50K	20.8%	35.2%	Lower share on high incomes
Median income	\$22,100	\$34,700	Median personal income is only two-thirds of that for the district as a whole
Employment status (share of population over 15 years old)			
Employed Full time	2,505 42.8%	30,771 53.2%	Significantly lower rate of full-time workers 'in the labour-force' compared to district as a whole
Unemployment	18.1%	7.6%	High unemployment rate (over double the district's as a whole)
Part time employment	11.1%	14.9%	Slightly lower rate of part-time workers
Labour-force participation rate	61.7%	72.4%	Significantly lower rate than district as a whole. 2,238 people of working age in Huntly 'not in the labour-force'
Housing tenure			
Home owned or partly owned	48.2%	70.5%	High level of private or social rental tenure
Qualifications			
High School and post-school qualifications of those in work (NZQA - level 2 and above)	67.6%	74%	Huntly has a higher rate of those with no qualification or only level 1
Proportion of workers in 'non managerial or professional' occupations	76.6%	57.8%	Significantly higher rate than district as a whole of people working in clerical/admin., sales, trades, machinery operators, drivers and labourers.

Source: Stats NZ 2018 Census data; Ministry of Education enrolment data July 2018.

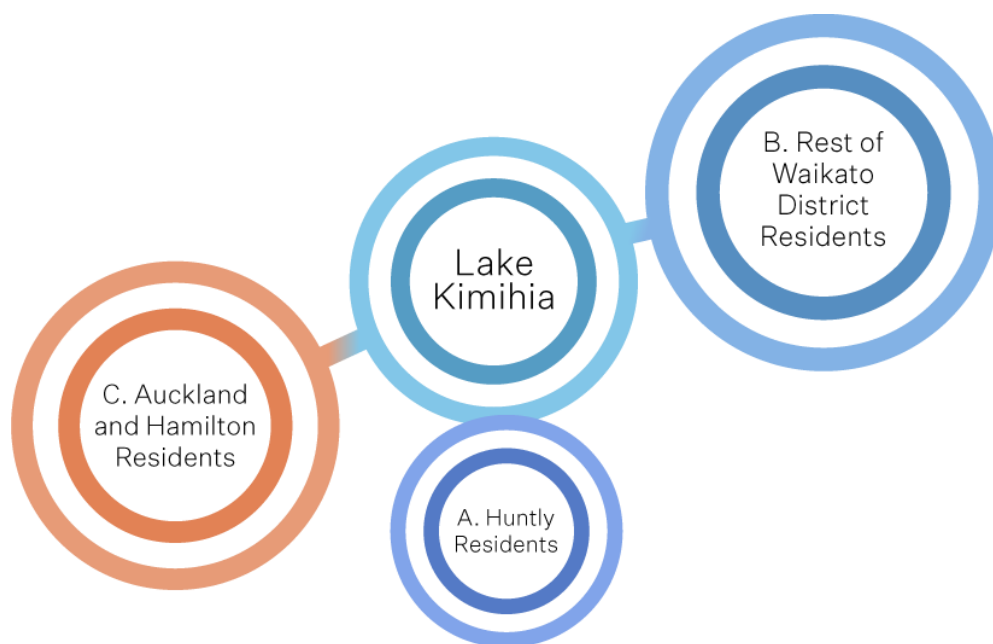
2.2 Visitor catchments

Allowing for growth to have occurred since 2018, Huntly provides a primary catchment of more than 8,500 residents (including at least 1,500 school students)⁴. A wider pool of residents in the rest of the Waikato

⁴ Huntly's population was estimated to be 8,470 as at June 2019 (StatsNZ population estimates accessed from <https://www.stats.govt.nz/topics/population>).

district and the main metropolitan centres of Hamilton and Auckland adds a large catchment from which to draw patronage for a visitor oriented destination in the town.

The primary source of domestic visitors (day trippers and overnight visits) can therefore be expected to come from the population pools in three main locations as illustrated below:



Resident population (2018):

- A. Huntly (at least 8,500),*
- B. the rest of Waikato District (at least 67,700),*
- C. Auckland and Hamilton (at least 1,571,700 and 141,600 respectively⁵).*

⁵ Source: Stats NZ 2018 Census data.

3.0 Estimate of GDP and job impacts

3.1 Initial proposed activities

The draft Kimihia Lakes Business Case (2020) lists the following activities and building uses proposed to be accommodated at the site:

- i. Learning in the Outdoors Centre for School Groups
- ii. School, Group and Seasonal Tourist Accommodation
- iii. Campground
- iv. Hosting Sporting Events e.g. Waka Ama, Sailing Regattas, etc.
- v. Venue Hire for Conferences and Weddings
- vi. Exhibitions
- vii. Special Events
- viii. Aquatic Centre with Lessons, Equipment Rentals and Storage
- ix. Café and Catering Services

Whilst not necessarily definitive of the long-term or ultimate range of activities and facilities that may be accommodated on the site, the Business Case is considered to provide a sufficient basis for assessing the potential economic effects of the Project. Summary results of the economic analysis of the Project are provided below. Refer Attachment A for the detailed analysis.

3.2 Kimihia Lakes construction GDP and jobs estimates

The draft Business Case estimates construction of the Project will require investment of \$9m as shown in Table 2.

Table 2: Kimihia Lakes construction costs

Component	Cost \$000
Infrastructure (i.e. 3 waters, roading, electricity etc.)	3,184
KLCC Multi-Purpose Venue and Facilities	4,000
Accommodation Centre (Motel , Dormitories and Campground)	3,000
Total	10,184

Source: Draft Kimihia Lakes Business Case 2020 and Lysaght est. of infrastructure costs
Nov. 2020

Based on NZ wide estimates that the direct GDP contribution from the construction sector averages 33% of total construction costs⁶, a \$10.2m construction cost would contribute to Waikato district's GDP by \$3.361m, equivalent to an 0.11% increase on baseline 2019 GDP (\$2,954m). Based on the average productivity of workers in the construction sector in Waikato District (\$73,724), this would generate around 46 full-time and/or part-time jobs. Both jobs and the GDP impact would be limited to the duration of the construction period.

3.3 Kimihia Lakes activities GDP and jobs estimates

The Project is estimated to generate a direct GDP contribution to Waikato District in the order of \$1.01-1.37m per annum and sustain total full-time and part-time jobs in the order of 28-36. The summary results are shown in Table 3.

Table 3: Estimated jobs (full and part-time) on GDP basis of Kimihia Lakes tenancies

Tenancy	GDP est.1 (\$000) ¹	GDP est. (\$000) ¹	Job est. 1	Job est. 2
Learning in the outdoors programmes (schools and groups)	249	337	4	6
Commercial venue hire	70	94	1	1
Commercial accommodation	164	224	5	7
Aquatics and Activities Centre	208	281	3	4
Café and Catering services	317	429	10	14
Site management	160	160	4	4
Total	\$1,008	\$1,366	28	36

Source: Strateg.Ease based on Infometrics data

The direct GDP contribution relative to Waikato District's total GDP of \$2,954m (2019) would be relatively minor, at 0.03-0.05% of baseline. However, given the district has experienced annual growth in GDP in recent years at low or negative rates (e.g. -0.6% in 2018; 1.3% in 2017)⁷, the construction and operation of the Project would at least add a positive fraction to GDP growth rates in the short-term in the order of 0.15-0.16% (i.e. the combined effect on GDP of construction and operation of the Project).

⁶ Source: NZIER July 2013, Construction productivity: An evidence base for research and policy issues. Report to the Building & Construction Sector Productivity Partnership.

⁷ Refer Infometrics 2019 <https://ecoprofile.infometrics.co.nz/Waikato%20District/Gdp>

While the projected 28-36 permanent jobs would provide opportunities for the local labour-force to access skills training and work, they are also relatively minor. In 2018 the Huntly East area (which includes the town centre) accommodated a total 1,314 jobs, including 130 in 'accommodation and food services', 210 in 'retail trade', 90 in 'education and training' and 25 in 'arts and recreation services'⁸.

The total economic impact of the Project is the sum of direct, indirect and induced effects within the district. Tenant activities will purchase goods and services from other local businesses, causing flow-on effects, termed upstream 'indirect' effects, from the increased income and employment for the businesses providing them. Further effects are 'induced effects' – including tenant activities workers increasing household expenditure due to their increased income. Similarly, visitors to the site may also purchase goods and services from other businesses in Huntly.

Economic multiplier effects of tourism operations in small towns are typically a lot less than in cities. For example, a study by the Department of Conservation 2011⁹ of tourism operations in national parks and small towns such as Akaroa, Kaikoura and Ohakune found that Type 11 'value-added' multipliers (accounting for both indirect and induced effects) were around 1.4-1.6, compared to 2 in cities such as Christchurch.

In the context of the Project it would be reasonable to expect the total economic multiplier impact would be around 1.5; implying the direct GDP contribution of the tenant activities of \$1.01-1.37m would generate flow-on impacts of an additional 50% i.e. in the order of \$500,000-\$683,000. Taking the total on-going GDP impacts to \$1.5-\$2.0m per annum.

⁸ Refer: <https://www.arcgis.com/apps/webappviewer/index.html?id=cf4f20ed7c674478b136e2752127cc14>

⁹ Refer DOC 2011 Socio-economic effects of concession-based tourism in New Zealand's national parks; <https://www.doc.govt.nz/globalassets/documents/science-and-technical/sfc309entire.pdf>

4.0 Assessment of economic effects

4.1 Methodology

The existing resident and business community in Huntly is considered to be the core focus for assessing economic impacts of the Project. Residents and businesses in the wider Waikato district area are recognised as a second-tier community of interest (refer Table 4).

Table 4: Economic (and Social) Impact Assessment communities of interest

Core community	Huntly	<ul style="list-style-type: none">i. Residents (including workers, unemployed, and students)ii. Businesses and social and community service providers
Secondary community	Waikato District	<ul style="list-style-type: none">iii. Residents (including workers, unemployed, and students)i. Businesses and social and community service providers

The Project is expected to attract tourist visitors to its recreation and outdoor education facilities (e.g. students and domestic or international visitors) but they are regarded as peripheral to the above communities of interest, and are omitted for the purposes of considering economic (or social effects). As GDP is necessarily estimated at the aggregate level of Waikato district as a whole, it is an indicator of economic welfare gains for the population of both Huntly and the rest of the district, and also takes account of the economic contribution of visitors from outside the district.

The following themes are considered to be the most appropriate basis for assessing the economic impacts of a zoning change to meet the requirements of the Resource Management Act 1991 (refer Attachment B for further explanation):

1. **Economic effects:** relating to the potential impacts on existing businesses and business areas, and employment and training opportunities for the local labour-force,
2. **Effects on people's way of life and community cohesion:** relating to the potential impacts on how people live and work, and interact with one another, and their access to jobs, housing, and social and community facilities and services.

It is recognised that given the cross-overs between social, cultural and environmental effects care has to be taken to avoid double counting. For this reason potential effects of the Project on matters such as the quality of the natural environment, protection of cultural heritage sites, infrastructure requirements, traffic impacts, or risks associated with natural hazards, are omitted from consideration on the basis that they are expected to be addressed in other technical reports.

4.2 Evaluation of significance of economic effects

This section provides an evaluation of the significance of economic impacts based on the above assessment of effects for the defined Core and Secondary communities of interest (unless otherwise stated).

The impacts are rated based on criteria of type of impact (positive or negative) and magnitude of impact (as low, moderate or high), as illustrated in Table 5 and applied in Table 6.

Table 5: Evaluation methodology

Type of impact	Magnitude of impact		
	Low Small rate of change or dispersed spatially	Moderate Medium - Concentrated spatially	High Large-concentrated spatially
Positive – improvement in economic or social outcomes	Low positive	Moderate positive	High positive
Negative – – adverse economic or social outcomes	Low negative	Moderate negative	High negative

Only **moderate** to **high** impacts are considered to be potential significant effects in RMA terms. Where appropriate, mitigation measures should be proposed for managing any such negative effects.

Table 6: Summary of potential economic impacts

No. ref.	Impact	Community of interest	Duration	Scale	Magnitude of effect
<i>ECONOMIC - relating to potential impacts on existing businesses, labour-force and people's way of life and community cohesion.</i>					
1	Construction activity and in-flow of construction workers to Huntly creating demand for housing and goods and services	Core	1-2 years	Stage1 construction costs will be in the order of \$10.2m on a large site a few kilometres away from Huntly. Likely to be only around 46 FT/PT workers, many of whom would likely already live in Huntly or nearby. Impact will be relatively short duration. Current housing stock over 2,600 should mean demand from new workers moving into Huntly is manageable. Unlikely to generate adverse impacts on current rental levels or displace existing residents.	Low-positive
2	Construction activity provides employment for workforce in the wider area, creating demand for housing and goods and services	Secondary	1-2 years	Stage1 construction costs will be in the order of \$10.2m on a large site a few kilometres away from Huntly. Likely to be 46 FT/PT workers many of whom would likely already live in Huntly or nearby. Employment and GDP impact will be relatively short duration and dispersed across settlements.	Low positive
3	Tenant activities provide jobs and training for the local labour-force and those 'not currently in employment or training' (NEET's)	Core and Secondary	2-3 years and on-going	Projected 28-36 jobs (full-time and part-time) with opportunities to train local unemployed and school leavers; long duration. Established relationships with government agencies and iwi/Māori trusts should facilitate this to happen.	Moderate positive
4	Construction activity and tenant businesses generate a direct contribution to GDP of the Waikato District	Secondary	1-2 years and on-going	Estimated in the order of \$3.36m, equivalent to a 0.11% increase on baseline 2019 GDP from construction. Plus \$1.01-1.37m per annum from tenant activities, adding a direct and enduring 0.3-0.5% to annual GDP.	Low-moderate positive
5	Tenant activities source goods and services from industrial and commercial businesses (multiplier impact/upstream demand)	Core and Secondary	2-3 years and on-going	Based on moderate scale of tenant businesses, and proximity to Huntly, likely to boost demand for raw materials, food, equipment, transport and professional services, encouraging utilisation of spare capacity and growth in existing businesses (in industrial and commercial zones). Impacts beyond Huntly will be dispersed. Multiplier impacts on GDP estimated to be	Low positive

No. ref.	Impact	Community of interest	Duration	Scale	Magnitude of effect
				around \$500-680k pa on top of the direct contribution (so total \$1.5-2.0m).	
7	Tenant workforce as well as visitors to the site increase demand for goods and services elsewhere (multiplier impact/induced demand)	Core and Secondary	on-going	Likely to boost demand for retail goods and services, transport and accommodation, encouraging utilisation of spare capacity and growth in existing businesses (in industrial and commercial zones). Impacts beyond Huntly will be dispersed. Multiplier impacts on GDP estimated to be around \$500-680k pa on top of the direct contribution (so total \$1.5-2.0m).	Low positive
8	Tenant commercial activities divert retail and accommodation expenditure from Huntly town centre and reduce its viability	Core	on-going	Based on the initial mix of activities and total revenue in the order of \$2.7-3.7m, the diversion of local retail expenditure should be minimal. Likely specific to recreational/sporting goods and will be seasonal. Most revenue expected to come from visitors from a dispersed catchment beyond Huntly. Future growth in activities and revenue will rely on increased volume of 'non-local' visitors.	Low negative

5.0 Conclusions

5.1 Economic impacts

The Project has potential to make a 'low to moderate' positive contribution to the economic and social well-being of Huntly which is currently experiencing population growth but with a relatively high level of social deprivation and challenges. As well as providing pathway to employment opportunities for the existing labour-force and NEETs, it will increase demand for construction materials, transport services, wholesale food and goods and services from Huntly and the wider district. No significant negative economic effects are identified.

The total economic value generated by the Project for the Huntly economy will clearly depend on the extent to which that economy's labour-force and other 'resources' are accessed and utilised by the activities at the lake. For the Project to ultimately achieve a scale that puts Huntly 'on the map' as a tourism destination and attract many more day and overnight visitors to Huntly, the initial mix and scale of activities will need to expand. This will rely (in part) on the District Plan zoning policies and development controls enabling such growth to occur.

5.2 Alternative options to the zoning change

As an input to the RMA requirement to consider alternative options to the proposed zoning change, the main alternative options would be:

- i. Option 1: Establish the Project's facilities at existing lakes/reserves in Huntly owned by the Waikato District Council or Department of Conservation (e.g. Lake Hakanoa, Lake Puketirini).
- ii. Option 2: Retain the Proposed District Plan (PDP) zoning, predominantly Rural, with Residential Zoning in the south of the site.

The following points are made in relation to the disadvantages common to both options:

- While some of the Project's facilities (e.g. passive recreation, campground, events) could potentially be allowed under the PDP zoning or at existing lake reserves, the scale and range of the Project's other facilities (e.g. café, motel units, aquatics centre) would be either very unlikely to be allowed to establish or require complex resource consent processes.

- Currently adopted Reserve Management Plans tend to contain restrictive policies on the extent of commercial or built development in recreation reserves. For example, the HUNTLY DOMAIN AND LAKE HAKANOA RESERVE MANAGEMENT PLAN 2012¹⁰ includes:
 - Policy 1f): *Restrict further built development within the Domain that compromises the open space qualities of the Domain.*
 - Policy 2 e): *Manage the number of annual events within the Domain to enhance the exposure of the Domain whilst minimising the impact upon general use.*

¹⁰ Refer <https://www.waikatodistrict.govt.nz/your-council/plans-policies-and-bylaws/plans/reserve-management-plans/huntly-domain-and-lake-hakanoa-reserve-management-plan>

ATTACHMENTS

Attachment A: Technical basis for GDP and jobs estimates

The draft Project Business Case makes initial projections about revenue from activities based on various assumptions about individual capacity, visitor utilization rates and user charges/revenue. Total revenue from the mix of activities is estimated at \$3,183,000 per annum. The draft Business Case then estimates that there could be 23 FTE jobs associated with this revenue based on experience from the hospitality sector that labour costs average 35% of revenue and the average salary in the hospitality and tourism industry is \$50,000 per annum [i.e. total (\$3.18m x 35%)/50k]. The latter assumption has also been confirmed from Careers NZ¹¹. The draft Business Case also allows for the site management operation to require 3 FTEs on top of the tenant activities, implying a total base case of 26FTEs.

To allow for uncertainty in the utilisation rates a 15% lower and 15% higher revenue projection either side of the base case is shown in Table 1.

Table 1: Kimihia Lakes revenue projections (per annum)

Activity	Series 1 (low utilisation) \$000	Series 2 (high utilisation) \$000
Learning in the outdoors programmes (schools and groups)	668	904
Commercial venue hire	187	253
Commercial accommodation	440	601
Aquatics and Activities Centre	557	753
Café and Catering services	850	1,150
Site management ¹		
Total	\$2,702	\$3,661

Source: Draft Kimihia Lakes Business Case 2020

Notes: 1 site management direct costs estimated at \$160k but not shown in table as will be paid for out of 'tenant' rent already accounted for in their total revenue.

Applying the draft Business Case approach to estimate jobs, the lower scenario would generate 19FTEs and the higher scenario, 26FTEs. Or a total tally of 22 or 29 FTEs once allowing for the site management operation's 3 FTEs.

¹¹ <https://www.careers.govt.nz/job-hunting/whats-happening-in-the-job-market/salary-guide/>

In order to assess the economic impacts of the Project on a GDP basis the revenue projections have been adjusted based on industry sector data for the Waikato District, which is then used to derive employment estimates on a consistent basis.

The revenue estimates in Table 1 above have been adjusted down to 37.3% to derive GDP estimates, accounting for the need to exclude the likely costs of intermediate goods and services that are sourced from other industry sectors. The results in Table 2 show that the Project is estimated to make a direct contribution to Waikato district GDP of \$1.01-1.37m.

Table 2: Estimated GDP of Kimihia Lakes Project

Tenancy	GDP est.1 (\$000)¹	GDP est. (\$000)¹
Learning in the outdoors programmes (schools and groups)	249	337
Commercial venue hire	70	94
Commercial accommodation	164	224
Aquatics and Activities Centre	208	281
Café and Catering services	317	429
Site management	160	160
Total	\$1,008	\$1,366

Notes: 1 GDP estimate derived from Restaurant Association data for Waikato Region and Infometrics data for Waikato District (average ratio of GDP to total output/revenue is 37.3%). Site management operating costs are counted at 100% as intermediate inputs assumed to be zero.

In order to derive GDP based employment estimates the tenant activities have been assigned to the most relevant industry sector as shown in Table 3.

Table 3: Attribution of Kimihia Lakes tenant activities to industry sector

Tenancy	Industry sector
Learning in the outdoors programmes (schools and groups)	<i>Education and Training</i>
Commercial venue hire	<i>Arts and Recreation services</i>
Commercial accommodation	<i>Accommodation and Food Services</i>
Aquatics and Activities Centre	<i>Arts and Recreation services</i>
Café and Catering services	<i>Accommodation and Food Services</i>
Site management ¹	<i>Administration and Support Services</i>

Notes: 1 Site management now included in table as it is a separate activity in economic/GDP terms (i.e. as an on-site activity that is excluded from the GDP of the tenant activities).

The relevant sectoral average productivity levels are shown in Table 4¹².

Table 4: Waikato District GDP per employee (productivity) 2019

Industry sector ¹	GDP per employee ²	
	Waikato District (\$)	NZ
Construction	73,724	77,358
Education and Training	57,374	57,218
Administration and Support Services	43,322	47,633
Arts and Recreation services	71,128	85,072
Accommodation and Food Services	30,581	37,927

Source: Infometrics 2019

Notes: 1 Only sectors most relevant to the Kimihia Lakes tenancies are included
2 Employees refer to full-time and part-time workers (i.e. not on an FTE basis). The variation in sector productivity levels essentially reflects differences in the extent to which different types of activities use intermediate goods and services as well as their capital intensity.

The draft Business Case 2020 estimates construction of the Project will require investment of \$10.18m as shown in Table 5.

Table 5: Kimihia Lakes construction costs

Component	Cost \$000
Infrastructure (i.e. 3 waters, roading, electricity etc.)	3,184
KLCC Multi-Purpose Venue and Facilities	4,000
Accommodation Centre (Motel , Dormitories and Campground)	3,000
Total	10,184

Source: Draft Kimihia Lakes Business Case 2020; Lysaght est. of infrastructure costs Nov. 2020

Based on NZ wide estimates that the direct GDP contribution from construction averages 33% of total construction costs¹³, the Project would contribute to Waikato district's GDP of \$2.97m, equivalent to 0.11% of baseline 2019 GDP (\$2,954m). Based on the average productivity of workers in the construction sector in Waikato District (\$73,724), this would generate 46 full-time/part-time jobs over the same period. Applying the average productivity levels to the tenant GDP estimates indicates job numbers would be in the order of 28-36 (refer Table 6). Although these estimates are higher than the draft Business Case FTE

¹² Sourced from: <https://ecoprofile.infometrics.co.nz/Waikato%20District/Productivity>

¹³ Source: NZIER July 2013, Construction productivity: An evidence base for research and policy issues. Report to the Building & Construction Sector Productivity Partnership.

estimates, they really just reflect that the accommodation and food and venue sectors typically provide both full-time and part-time jobs.

Table 6: Estimated jobs (full and part-time) on GDP basis of Kimihia Lakes tenancies

Tenancy	GDP est.1 (\$000)¹	GDP est. (\$000)¹	GDP per employee (\$000)	Job est. 1	Job est. 2
Learning in the outdoors programmes (schools and groups)	249	337	57	4	6
Commercial venue hire	70	94	71	1	1
Commercial accommodation	164	224	31	5	7
Aquatics and Activities Centre	208	281	71	3	4
Café and Catering services	317	429	31	10	14
Site management	160	160	43	4	4
Total	\$1,008	\$1,366		28	36

Source: Strateg.Ease based on Infometrics data

Attachment B: Economic and social assessment approach

1.0 RMA statutory requirements

The purpose of the RMA is the sustainable management of natural and physical resources. Section 5 defines this as enabling people and communities to provide for their well-being while sustaining natural and physical resources to meet foreseeable needs, safeguarding life-supporting capacities of environmental media, and avoiding, remedying or mitigating adverse effects of activities on the environment. The Act defines environment broadly to include social, economic and cultural conditions.

Explicit economic considerations under the Act include section 5's references to enabling communities to provide for their economic well-being, and section 7(b)'s requirement to have regard to efficient use and development of natural and physical resources. Section 32 requires consideration of alternatives, benefits and costs before a proposed planning measure is put into effect, including amendments made in 2013, how a proposal would affect opportunities for employment and economic growth.

Section 32 Requirements for preparing and publishing evaluation reports:

- (1) An evaluation report required under this Act must—
 - (a) examine the extent to which the objectives of the proposal being evaluated are the most appropriate way to achieve the purpose of this Act; and
 - (b) examine whether the provisions in the proposal are the most appropriate way to achieve the objectives by—
 - (i) identifying other reasonably practicable options for achieving the objectives; and
 - (ii) assessing the efficiency and effectiveness of the provisions in achieving the objectives; and
 - (iii) summarising the reasons for deciding on the provisions; and
 - (c) contain a level of detail that corresponds to the scale and significance of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the proposal.
- (2) An assessment under subsection (1)(b)(ii) must—
 - (a) identify and assess the benefits and costs of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for—
 - (i) economic growth that are anticipated to be provided or reduced; and
 - (ii) employment that are anticipated to be provided or reduced; and

- (b) if practicable, quantify the benefits and costs referred to in paragraph (a); and
- (c) assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.

32AA Requirements for undertaking and publishing further evaluations

- (1) A further evaluation required under this Act—
 - (a) is required only for any changes that have been made to, or are proposed for, the proposal since the evaluation report for the proposal was completed (the **changes**); and
 - (b) must be undertaken in accordance with [section 32\(1\) to \(4\)](#); and
 - (c) must, despite paragraph (b) and [section 32\(1\)\(c\)](#), be undertaken at a level of detail that corresponds to the scale and significance of the changes; and
 - (d) must—
 - (i) be published in an evaluation report that is made available for public inspection at the same time as the approved proposal (in the case of a national policy statement or a New Zealand coastal policy statement or a national planning standard), or the decision on the proposal, is notified; or
 - (ii) be referred to in the decision-making record in sufficient detail to demonstrate that the further evaluation was undertaken in accordance with this section.

The RMA focus is on external “spillover effects” that might arise. That includes external effects on natural and physical resources and also on the economic and social conditions within the environment.

Having regard to the above the following components of economic assessment are recommended as being appropriate and sufficient to satisfy the RMA requirements for a Plan Change.

2.0 Economic Impact Framework

Based on consideration of the above, as well as the other information sources that have been used to inform this report, the following themes are considered to be the most appropriate basis for assessing economic effects of the proposed zoning change to enable the Project:

1. Assessment of alternative options to the zoning change to input to the s32AA Assessment (the obvious option being, ‘retain existing zoning’),

2. Projections of employment and/or training positions on the Project site and their contribution to district GDP as indicators of the direct economic welfare effects on the Huntly and wider Waikato district labour-force/community,
3. Assessment of the significance of any negative or positive effects of the proposed development on the wider economic role and function of Huntly (including the town centre).