

BEFORE THE INVERCARGILL CITY COUNCIL

IN THE MATTER OF

the Resource Management Act 1991

AND

an application to the Invercargill City Council by HWCP Management Ltd for Resource Consent to demolish, alter and redevelop land and buildings in the Central Business District on a block bound by the east side of Dee Street, the south side of Esk Street, the west side of Kelvin Street and the north side of Tay Street

**STATEMENT OF EVIDENCE OF CHRISTINE MCMILLAN
ON BEHALF OF HWCP MANAGEMENT LTD**

PLANNING

11th March 2019

Introduction

1. My name is Christine Elizabeth McMillan. I am a Planner employed by Bonisch Consultants, a consultancy firm specialising in land development, and I operate out of the Invercargill office. I hold a Bachelor of Arts (1999) and a Master of Planning (2008) from Otago University. I am a full member of the New Zealand Planning Institute.
2. I have over 10 years of planning experience within the Southland Region. My role at Bonisch Consultants includes the preparation of resource consent and plan change applications as well as resource management advice to clients.

Code of Conduct for Expert Witnesses

3. I am familiar with the Code of Conduct for Expert Witnesses (Environment Court Consolidated Practice Note 2014) and although I note this is a Council hearing, I agree to comply with this code. The evidence I will present is within my area of expertise, except where I state that I am relying on information provided by another party. I have not knowingly omitted facts or information that might alter or detract from opinions I express.

Scope of evidence

4. My evidence will address the following matters:
 - a. A brief comment on the site and surrounding environment;
 - b. A brief description of the proposal, noting changes made since notification of the application;
 - c. Comment on the relevant planning documents and consent status;
 - d. A summary of the environmental effects of the proposal;

- e. A summary of the proposal against the relevant objectives and policies of the Proposed Invercargill City District Plan and Southland Regional Policy Statement;
 - f. Comment on the proposed conditions of consent as recommended in the s42a report;
 - g. Comment on submissions as they relate to planning matters.
5. I have read and am familiar with the submissions, officers' reports and the recommended consent conditions
 6. I have carried out site visits over the course of the application process.

Executive summary

7. I consider, based on the technical assessments and evidence that the environmental effects of the proposal, although more than minor in respect of heritage values, will be acceptable given the proposed measures to avoid or mitigate adverse effects. I also consider that the proposal overall is consistent with the objectives and policies of the Proposed Invercargill City District Plan (PDP) and the Southland Regional Policy Statement (SRPS) particularly when the strategic alignment of this project with city centre revitalisation and the substantial benefits of this project are considered.
8. Given this assessment I consider that the proposed development passes the 'gateway test' of Section 104D of the Resource Management Act 1991 (RMA) and the application can be considered under Section 104(1) of the RMA.
9. The proposal will not create a precedent or threaten the integrity of the PDP and aligns with 'other matters' set out in the relevant non-statutory documents.

10. The proposal will achieve the purpose and principles of Part 2 of the RMA where relevant.

The Proposal

11. The proposed development is described in Section 3 of the AEE. In summary resource consent is sought to demolish the majority of the site to make way for a new retail precinct which will incorporate food and beverage, office, retail and residential accommodation.
12. The NSW Bank building will remain as existing as will the Kelvin Hotel and Readings Cinema buildings. The facades of the Southland Times building, Cambridge Place and the Coxhead Building will be retained. All other buildings on site will be demolished.
13. Since public notification of the application a number of changes have been made to the proposal as part of the design development and in response to submissions received. These changes are shown on the revised application plan set prepared by Buchan Architects, and submitted as part of the further information package. The changes are summarised as follows:
 - a) Removal of the heritage facades on Tay Street (Fairweather building) and Kelvin Street (Thompson Building);
 - b) Retention of the Cambridge Arcade façade on Esk Street;
 - c) Reorganisation of car park building mass with reduced area over the site and an additional floor added;
 - d) Increased height and area on the medical centre – Tay and Dee Street elevations;
 - e) Removal of heritage images on Tay Street and inclusion of ‘southern lights’ screens on car park building.

14. I have reviewed the revised plans against the rules and standards of the PDP. The changes do not result in an increase in the level of non-compliance of the original notified proposal and do not result in any new non-compliances.

15. I consider the amendments as discussed above to be 'within scope' of the notified application. The bulk and massing of the site remain similar to that originally proposed and the following design principles remain in place for the site:

- Activation of street edge
- Provision of gateway entrance
- Strengthening of existing pedestrian routes
- The creation of central weather protected plaza
- A clear phasing strategy, operation and delivery
- Respect of existing urban grain and façade ordering
- Respect of existing heritage and built edge datums
- Respect of canopy heights and street edge.

16. The heritage expert considered there to be a neutral effect to the scale and intensity with regards to heritage values and the transport expert concluded that the car parking provisions would remain appropriate for the traffic generation for the site. Based on the above assessments I consider that the amendments to the application are within the scope of the application which was notified.

Site and Surrounding Environment

17. The application site and surrounding environment are described in Section 2 of the AEE. The site encompasses the block bounded by Dee, Esk, Kelvin and Tay Streets in the Invercargill central business district, excluding the Kelvin Hotel (20 Kelvin Street) and Reading Cinema (29 Dee Street).

18. The site is generally covered in commercial buildings with a large part of the central site used as a street level car park operated by Invercargill City Council.

19. The site contains, one building listed as a Category I building and three buildings listed as Category II buildings on the Heritage New Zealand Pouhere Taonga register. Sixteen buildings are listed as Class II heritage buildings in Appendix II.3 of the PDP. Kerb cobblestones and verandah posts are also listed as items of heritage street furniture in Appendix II.4 of the PDP.
20. The surrounding area is a mix of commercial uses with some visitor accommodation and residential use of Tay and Dee Streets.

Relevant Planning Instruments

21. The proposed development is subject to the provisions of the PDP. All relevant rules of the PDP are beyond challenge and therefore are treated as operative under Section 87F of the Resource Management Act 1991.
22. The site is located within the Business 1 Zone and within the following precincts identified on the planning maps:
- a) Priority Redevelopment Precinct
 - b) City Centre Heritage Precinct
 - c) Entertainment Precinct
 - d) Pedestrian Friendly Frontages Precinct.
23. The site is also located beneath the Invercargill City Airport's horizontal surface which commences at a height of 46 metres above mean sea level.
24. The proposal requires resource consent under a number of rules of the PDP and these rules are set out in Section 4.2 of the AEE.
25. The identification of the relevant rules listed in Appendix 1 of the Council's S42A report is consistent with those identified in the AEE.

26. The application is assessed as a non-complying activity as a result of the demolition of Category II Heritage Buildings. All other breaches of rules are controlled, restricted discretionary or discretionary.

Assessment of Environmental Effects

27. An assessment of the environmental effects of the development is contained in Section 6 of the AEE, although additional reports prepared by NZ Heritage Properties and Abley Consultants for heritage and transport respectively were provided with the amended design plans as part of the response to the request for further information from the Council.
28. In respect of heritage, I consider that when taken on a case by case basis, the level of effect varies. The demolition of buildings such as the Newburgh and Lewis & Co buildings represent a significant impact on the heritage fabric of the CBD, whereas many of the buildings included on the ICC Class II register are acknowledged as being at the lower end of the heritage value register and will also have a lesser effect on heritage as a result of their demolition. However, taken overall I considered that there will be a significant effect on heritage resulting from the demolition of the majority of buildings on the site.
29. These effects will in part be mitigated by the measures proposed by the applicant, including retention of facades, protection of the Bank NSW, dissemination of recorded heritage information, and reuse of materials where possible and appropriate.
30. The effects associated with the bulk and location of the new build, including areas where the build and weather protection will be over the permitted height as set in the PDP, are considered to be minor and overall will result in good urban design outcomes.

31. There will, as a necessary part of the development be adverse effects on noise and transportation resulting from the demolition and construction phase of the development process. These effects will be temporary and will be minimised and mitigated wherever possible in accordance with best practice measures.
32. There will also be significant positive effects resulting from the redevelopment, both in the short term with the introduction of a significant workforce to undertake the demolition and construction works, but also in the long term with a revitalised city centre, increasing the pride of existing residents in their town, and attracting new residents and businesses to the city and wider district.
33. Overall I consider that the effects on the proposal will be positive and concur with Mr Cleese' summary of effects (para 7.111 s42 report).

Southland Regional Policy Statement

34. An assessment against the SRPS is contained in Section 10 of the AEE.
35. The SRPS generally aligns with the PDP with objectives and policies requiring urban development to be undertaken in a manner which provides for positive environmental, social, economic and cultural outcomes (Chapter 17, Objective 1 and Policies URB.1-5) and includes provisions seeking to protect heritage from inappropriate development (Objective HH.1), although the SRPS also takes into account the financial and technical feasibility of retaining heritage buildings (Policy 2).
36. In my opinion the proposed development is consistent with the Objectives and Policies of the SRPS, in particular in providing for the revitalisation and growth of the CBD as well as providing for the retention of significant heritage

buildings and integrating the new buildings with the remaining heritage buildings on the site as well as in the surrounding streetscape.

Proposed District Plan

37. An assessment against the PDP is contained in Section 9 of the AEE.
38. When considered overall, the redevelopment is consistent with the overarching aims for the Business Zones and the cascade of objectives and policies which give effect to this aim.
39. The development will achieve the enhancement of the amenity and primacy of the CBD as the heart of Invercargill, will achieve a high degree of urban design, and will provide a catalyst for further revitalisation of the city centre and the wider region (Section 2.22, Objectives 1, 3 and 5 and related Policies 1, 3, 4, 5, 10, 14, 16, 19, 20, 21 and 22.
40. I consider that the development is consistent with the objectives and policies of Section 2.17 Transport, and Section 2.5 Contaminated Land. The development will not compromise the safe and efficient functioning of the transport network, and any earthworks can be undertaken in accordance with best practice relating to protection of human health.
41. I also consider the development to be broadly consistent with the Objectives and Policies of Section 2.10 Natural Features, Landscapes and Townscapes. I agree with Mr Cleese' assessment that the scale and massing of the replacement buildings and the retention of the key heritage facades achieves the aims of Section 2.10 to recognise the visual importance of the CBD and to encourage new development to complement and build on existing character and heritage (Objective 1 and Policy 6(B)).

42. I consider that the development is broadly consistent with the Objectives and Policies of Section 2.8 Heritage. The retention of the facades as proposed along with the protection of the NSW Bank building, and the scale and massing of the new buildings as proposed is considered to be consistent with Objectives 1, 3 and related policies 2, 3, 4, 5, and 6 of Section 2.8. The process followed in designing the development is consistent with Objective 2 and Policy 8. Although Policy 4, Section 2.2 requires the protection of heritage values, this is not absolute and taken into consideration together with the wider objectives and policies relating to heritage in the PDP, I consider the development as proposed to be consistent with the overall aims relating to heritage.
43. I note that the image of the 'Temple Building' which was to be shown on Tay Street as part of the heritage mitigation, proposed as part of the originally notified application, is now no longer to be undertaken. This imagery sitting in isolation on the Tay Street streetscape would have been without context and would have provided only minor mitigation to the loss of heritage. Mr Burgess in his evidence discusses the intention of the revised design along Tay Street as providing 'a beacon of arrival to Invercargill Central' through the Southern Lights backdrop. The assessment of objectives and policies undertaken as part of the notified application, did not rely on the inclusion of the Temple building imagery to reach the conclusion that the proposed development would be in accordance with the objectives and policies of the PDP, and I therefore consider the removal of this mitigation measure will not result in a change of the assessment outcome.
44. Given the above, I consider that the proposal is consistent with the objectives and policies of the PDP.
45. Overall I agree with the conclusions reached by Mr Cleese in Sections 9 and 10 of the S42A report and that the proposed development meets the second leg of the s104D threshold test in that it is not contrary to the PDP's objectives and policies and that the application can be assessed under s104(1).

Other Relevant Matters

46. Various non-statutory documents have been commissioned by Invercargill City Council over the last nine years to address the issue of a declining CBD and measures that might be taken to reverse this trend. These documents are discussed in various sections of the AEE and in Section 11 of the s42A report.
47. The Southland Regional Development Strategy (SoRDS) and the resultant Action Plan 2015-2025 identified five transformation projects which 'if developed roughly in parallel would achieve the desired rejuvenation. One of the identified projects was a Cambridge Retail Precinct *'a boutique retail precinct to be located between Tay and Esk Streets and including a covered 'mall' area'*. The redevelopment of the site is entirely consistent with this aim and with the Action Plan in general.
48. The Invercargill City Centre Retail Strategy (2017) highlighted the importance of delivering modern and contemporary shopping and streetscape environments to attract customers and new businesses to the city centre. The Retail Strategy identified the Tay and Esk Street blocks as requiring rejuvenation stating – *'new development would better link Tay and Esk Streets, providing modern retail and hospitality spaces to encourage fresh shopping and food concepts into the City. This may also include office space, bringing a working population back into the area.'* The redevelopment as proposed is entirely consistent with this strategy.
49. In 2016 Origin Consultants undertook a re-assessment of heritage buildings in the city centre. This assessment identified Tay, Dee and Esk Streets as being the 'crown jewels' of the Invercargill City Centre Area, however the re-assessment also recommended the removal of seven of the Class II heritage buildings on the site from Appendix II of the PDP. Although there will be loss of heritage from this proposal, I consider that the proposed mitigation

measures, including incorporation of key facades into the development will result in a level of effect on the heritage environment of the CBD which will be acceptable.

50. The Heritage Impact Assessment and the s42a report both discuss with ICOMOS New Zealand Charter 2010. As noted in these reports the demolition of the heritage buildings is not addressed in the Charter as being contrary to the principles of conservation. However the reuse of salvaged materials, dissemination of heritage information, retention of the Esk Street heritage facades and the Bank of NSW, as well as the archaeological recording of the buildings are significant mitigation/conservation measures.

Submissions

51. I have read the submissions and respond to the following submissions:

Economic Impact

52. The submissions of *Downtown Invercargill*, *Ms Rachel Egerton*, *H&J Smith Limited* and *Mr Duncan McKenzie* each raised the economic viability of the development as an issue that required further assessment.

53. In response to these concerns, and as part of an application for funding to central government, the applicant engaged the New Zealand Institute of Economic Research to prepare an Economic Impact Assessment. The resultant report is attached as Appendix 1 of this evidence. This assessment modelled the potential economic contribution that a redevelopment of the city centre of Invercargill would make to the regional and national economies. The conclusions of the report were summarised in the report as follows:

a) *Southland's real GDP increases by \$48 million (0.84%) per year and real household spending increases by \$44 million (1.17%) per year.*

- b) *supplying industries in the Southland economy are positively affected by an increase in investment, tourism spending and employment. Output of Southland industries is expected to increase annually by \$75.2 million and \$32.9 million under simulation 1 and simulation 2, respectively.*
- c) *industries such as food and beverages, accommodation, retail, sports and recreation expand because of the increase in tourism spending stemming from the redevelopment of Invercargill's city centre.*
- d) *also, higher incomes for households lead to increased spending in industries such as other personal services, retail and real estate services.*

54. The economic assessment identified positive effects for businesses in the Invercargill CBD primarily resulting from an increase in investment, tourism spending and employment. This is expected to result in positive benefits for the wider retail community in the CBD, through creation of a more liveable city, contributing to an increase in residents and the attraction of additional businesses.

55. The report discusses the redevelopment as a catalyst for further growth rather than just as a means of revitalisation of the site, stating *'not only will it generate substantial jobs in the short run but it will also set Invercargill up as a potential gateway for tourists coming to the region providing on-going work for other businesses'*. The greater spending power of Southlanders compared to other regions is also highlighted.

56. The report also notes that *'without the renewal associated with the redevelopment the chances of increasing the region's population permanently would be significantly reduced. The main risk is that the region may lose people.'*

57. Based on the assessment of the NZIER report I consider that the redevelopment will result in benefits to the wider retail community in the CBD.

Mr Bob Simpson and Mr Lewis Thompson

58. Mr Simpson and Mr Thompson raised concerns that Invercargill City Council is a participant and investor in the proposed development, with this resulting in Council competing with local business, as well as resulting in a conflict of interest as the consenting authority.
59. The issue of conflict of interest has been managed by Council by engaging a consultant planner and Commissioners to hear the application. The decision making for the application is therefore impartial and no resultant conflict of interest is apparent.
60. Mr Thompson raised additional concerns that as the minority shareholder Council has liability with no control and is placing ratepayers' money at risk. The economic impact assessment prepared by NZIER has been discussed above and the conclusions of the report show that the redevelopment of the CBD is expected to have positive benefits for the wider commercial environment. The implication of this is that the risk to ratepayers' money is low.
61. Mr Simpson considers that before the site is redeveloped Council should prepare a long term inner city plan. The redevelopment of the site results from a succession of documents commissioned by the Council and prepared by consultants. Each of these documents have identified the need for rejuvenation of the city centre and are referenced in the ICC Long Term Plan which the Council must consult on. These have included:
- a) The Invercargill City Centre Action Plan (2011);
 - b) The Pocock Inner City Report (2013);
 - c) The Southland Regional Development Strategy (2015); and
 - d) The Invercargill City Centre Retail Strategy (2017).

62. Based on these documents and their inclusion in the Long Term Plan, I consider that Council have invested extensive planning into the development of the inner city and, as discussed under the non-statutory document assessment, the development as proposed by this application gives effect to these documents.

Mr Bob Simpson and Ms Rachel Egerton

63. Mr Simpson and Ms Egerton were concerned with inconsistencies with the PDP resulting from the increased verandah heights and increased building heights over parts of the development. The effects resulting from these issues have been addressed by Mr Burgess in his evidence. The 3 metre wide verandahs as proposed reach a balance between protection from weather and providing for a more light filled streetscape. Good linkages throughout the site also allow for protection from weather internally. I consider that the verandahs as proposed are in accordance with the requirements of Policy 10 of the PDP.

64. The effect of increased building heights has also been addressed by Mr Burgess and is illustrated on the shading diagrams included in the architectural plan set. As stated in the s42a report there is an inconsistency in the PDP where the maximum permitted height is 10 metres but buildings located on the intersection of two corners must be at least 3 stories over 50% of the site.¹ The taller buildings are located on the corners of site and therefore are consistent with the requirements of the priority redevelopment precinct or, in the case of the car park is located in the centre of the site, set back from the street edge. This generally restricts shading to the site itself or to the wide State highway road corridor of Tay Street. The taller buildings on the corners also reference either the existing building located in these areas, ie the Newburgh and Lewis and Co buildings, or reflect a similar level of development on the opposite

¹ Refer Rules 3.23.11 Height of Structures and Rule 3.23.19 Corner Sites and Building Height – Priority Redevelopment Precinct

corner, ie the Kelvin Hotel. Given the above, I consider the building heights as proposed to be in accordance with Policy 16 of the PDP.

Neighbouring Retailers Group

65. The Neighbouring Retailers Group (NRG) considers that the application is not consistent with several of the Objectives and Policies of the PDP in particular Section 2.22 Policy 1 and Section 2.17 Policy 5, and is also contrary to Section 5 of the RMA.

66. The concerns raised by NRG in relation to effects during the demolition and construction process have been addressed by Mr Geoff Cotton. The revised demolition and construction methodology will enable traffic to be retained down Esk Street for the majority of the construction/demolition process, and therefore I consider the demolition and construction processes can be undertaken in accordance with Section 2.17 Policy 5 of the PDP.

67. The Economic Impact Assessment prepared by NZIER identifies significant benefits to the commercial environment of the CBD on completion of the development and based on this assessment I consider that the redevelopment will be consistent with Policy 1 of the Business 1 Zone – *to establish and implement a Business 1 Zone to retain existing and encourage new commercial/retail activities in the Central Business District.*

68. Section 5 of the RMA promotes the well being of communities while avoiding, remedying or mitigating the adverse effects of activities on the environment. I consider that the redevelopment as proposed, and with consideration given to the Economic Impact Assessments and evidence of Mr Cotton, Mr Burgess and Mr Cawte, is consistent with Section 5 of the RMA. The redevelopment provides for the rejuvenation of the CBD and will serve as a catalyst to attract population growth and economic vitality to Invercargill and Southland with appropriate mitigation proposed to offset the effects of the redevelopment.

Neighbouring Retailers Group and Heritage NZ

69. NRG and Heritage NZ both considered that the redevelopment would not be consistent with the Heritage objectives and policies as set out in Section 2.8 of the PDP.

70. Dr Hayden Cawte has addressed issues relating to heritage in his evidence, and with reference to his evidence and the assessment of objectives and policies contained in Section 9 of the AEE, I consider that although there are some policies which the development cannot be considered to be entirely consistent with, I do consider that the development is broadly in accordance with the intent of the PDP in relation to heritage, particularly when the proposed mitigation measures are considered.

71. Objective 1 Section 2.8 requires heritage values to be identified and protected from inappropriate subdivision, use and development and Section 6 of the RMA also requires the protection of historic heritage from inappropriate subdivision, use and development. Section 12 of the AEE considered the issue of what is inappropriate use and development in regards to heritage values and considered the options of 'do nothing', 'ad hoc development' and the economic and technical feasibility of retaining, restoring and strengthening the existing buildings. Section 12 also assessed what appropriate development is identified as in the PDP for the Business 1 Zone. From this analysis I consider the proposed development to be appropriate when assessed over the PDP as a whole, particularly relating to the aims expressed in the PDP for revitalisation of the CBD; and it will not be contrary to the intentions of Objective 1 (Section 2.8 PDP) or Section 6 (RMA).

72. Objective 2 requires the built heritage to be appropriately recognised and utilised. This objective has been met through the information gathered in the assessment process and will be further met as part of the archaeological

assessment, salvaging of materials where possible and dissemination of information to the public.

73. The policies of Section 2.8 consider the effects on heritage, integration of new development and the active management of buildings to avoid risk to human health and to investigate means to reuse as alternatives to demolition. The development process has been undertaken in accordance with these policies. Structural assessments were provided for all buildings with these assessments showing that the majority of buildings were significantly lower than the minimum required NBS. The costs to retain and reuse the buildings were assessed and found to be technical and economically unfeasible.² The new build has been designed to reflect the existing scale and mass on site as well as on adjoining sites and the retained facades have been selected based on their significance to the heritage fabric of Invercargill and in consultation with Heritage NZ.

74. The amendment to the plans which now show the retention of the Cambridge Place façade on Esk Street was undertaken in response to the submissions received and in recognition of the value of preserving a greater level of heritage in Esk Street.

75. I therefore consider that the concerns of Heritage NZ and NRG in relation to heritage have been met though the amendments to the design.

Officer's report

76. I have read the officer's s42A report and agree with the conclusions reached in the report subject to changes to the recommended conditions as set out below.

77. I am in agreement with Conditions 1, 2, 4, 6, 8 - 10, 12 - 17, 19, 23 – 32. The following amendments are requested to the remaining conditions.

² Refer WT Partnership Feasibility Assessments and BMC Detailed Structural Assessments

78. Condition 3a requires a full structural survey of the buildings where the façade is to be retained including details relating to the structural stability of the façade. I request the removal of Condition 3a as BMC have completed Initial Structural Assessments of the buildings and any further assessments will be required as part of the works necessary to complete Condition 3c – design and detailing of temporary works to provide stability to the façade.

79. I similarly request the removal of Condition 3d as the detailed design of any strengthening to the façade to tie them back into the new build will be provided as part of the building consent application for construction.

80. Condition 3g refers to repointing and maintaining the existing unpainted brickwork in an unpainted state. I request the removal of this part of Condition 3g as the intention has always been to paint the brickwork in order to remedy issues with the existing brickwork and pointing with the aim to present a pristine façade with its heritage elements intact, as discussed by Mr Burgess in his evidence.

81. Condition 5 requires the heritage buildings to be surveyed by a heritage expert to identify heritage fabric to be salvaged and that this identification is to be peer reviewed. I consider the requirement for peer review to be an unnecessary cost and consider that NZ Heritage Properties being experts in this field should be able to make the determination of suitable materials. Condition 5 should be amended to remove the requirement for a peer review.

82. Condition 7 is of particular concern to the applicant as discussed by Mr O'Donnell in his evidence. The inability to start works until such time as the building consent for replacement buildings on site will create a lengthy time lag for the development. I am aware that Mr Cleese' recommended this condition out of concern that the site may remain vacant for some time following demolition or that in the worst case construction may not begin. I

consider that a revised condition which requires that demolition does not occur until HWCP has confirmed in writing to the Council that an unconditional agreement for an anchor tenant has been entered into would address this issue sufficiently. For this purpose I have suggested an anchor tenant would be defined as a tenant occupying a minimum of 5,000m².

83. Conditions 11 and 18 set out the hours of operation for activities which exceed the noise limits for the zone. Mr Cotton has discussed the operational requirements for the redevelopment and considers that these hours can be lengthened to 7.30am to 9pm Monday to Saturday and 9.00am to 5.00pm Sundays (these times to include demolition and construction activities and truck movements). The city centre has limited residential/accommodation activities is particularly quiet on Sundays. Undertaking works during these periods will reduce the effects on businesses in the surrounding area which operate mainly between the hours of 8am to 5pm Monday to Saturday. Limiting the on site working hours to the times when the area is most likely to be at its busiest is consider counterproductive.

84. Conditions 20, 21 and 22 require a Detailed Site Investigation (DSI) to be provided to undertaken prior to earthworks being undertaken, and if the DSI identifies contamination above guideline values, a Site Management Plan (SMP) / Remediation Action Plan (RAP) are to be provided to Council prior to earthworks commencing. To prevent significant delays from occurring during the demolition/construction process and to prevent land uncovered for the DSI becoming contaminated for the purposes of the archaeological survey – Condition 20 has been amended to include a statement that for the purposes of this rule the archaeological survey not be included in the definition of earthworks. If required, I suggest that a new condition be imposed requiring that a SMP be developed by a Suitably Qualified and Experienced Practitioner, prior to the archaeological survey to establish best practice and a safe working environment for the archaeologists. As the site is to be fully capped on

completion of construction there will be no requirement for a RAP and this has been deleted from the conditions.

85. Following meetings with the Neighbouring Retailer Group, I have included an additional condition (new condition 29) requiring contractors vehicles to be parked on-site whenever possible to ensure the available car parks on the streets are available to the public; condition 13b has been amended to include a requirement for viewing ports in the hoardings so that the public can observe the demolition/construction process. This was also a suggestion of NZ Heritage Properties.

86. Condition 26 has been amended to require visibility splays of 5m x 2m rather than 5m x 2.5m as currently required by this condition. Mr Baththana has addressed this issue in his evidence and considers that a 5m x 2m splay is sufficient to address visibility and pedestrian safety concerns at the car park entrance.

87. An amended set of conditions showing track changes is attached as Appendix 2.

Conclusion

88. Overall I consider based on the technical assessments and evidence that:

- a) The environmental effects of the proposed development will be acceptable given the measures to avoid, remedy or mitigate adverse effects.
- b) The proposal is overall consistent with the objectives and policies of the PDP and the SRPS.
- c) The proposal will not create a precedent or threaten the integrity of the PDP and is in accordance with the relevant non-statutory documents.

- d) The proposal will achieve the purpose and principles of Part 2 of the RMA where relevant.

89. I have addressed the submissions relevant to planning matters, and the s42A report, and I conclude that there are no reasons why the proposal could not be approved, subject to the proposed amendments to the conditions as set out in Appendix 2 attached.

Christine McMillan

Bonisch Consultants

Date: 11th March 2019



Invercargill city centre redevelopment

Implications for Invercargill and Southland

NZIER report to HWCP Management

February 2019

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Authorship

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It was quality approved by Mike Hensen.

The assistance of Sarah Spring is gratefully acknowledged.



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Key points

Revitalisation of the city centre is a \$180 million catalyst for further growth

HWCP Management is seeking funding from the Provincial Growth Fund (PGF) to establish developments which would act as a catalyst to attract long-term private investment. The key investment is the **\$180 million revitalisation** of Invercargill's city centre as a way to:

- attract business and local shoppers back into the central city
- breathing life into the city and providing the commercial sector confidence in accelerating investment in Southland
- improving liveability and local businesses ability to successfully recruit and retain staff in the region
- act as a gateway to the region for the growing tourism numbers.

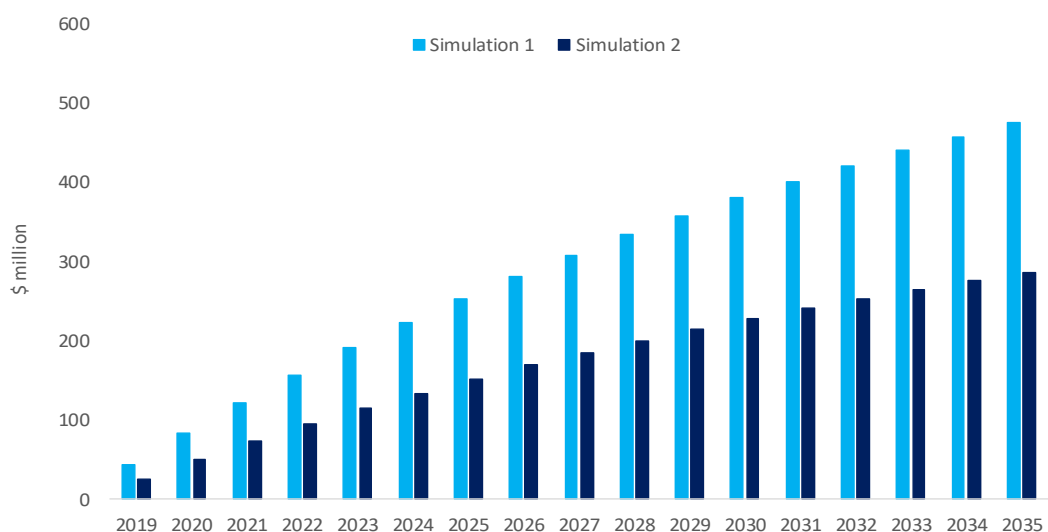
A further \$80 million in retail spending is contingent on stage one going ahead (specifically retail and food and beverage investment).

Southland's real GDP would increase by between \$286m (sim 2) and \$475m (sim 1) in the period 2019 - 2035

- Figure 1 shows the cumulative impact on real GDP for the period 2019-2035 of the investment.

Figure 1 Cumulative redevelopment impact on real GDP

Total cumulative impact out to 2035, in \$ million; Net present value (at a 6% discount rate)



Source: NZIER

The direct and flow-on effects of increased investment, tourism spending, and employment at the regional level are significant

- Southland's real GDP increases by \$48 million (0.84%) per year and real household spending increases by \$44 million (1.17%) per year.
- supplying industries in the Southland economy are positively affected by an increase in investment, tourism spending and employment. Output of Southland industries is expected to increase annually by \$75.2 million and \$32.9 million under simulation 1 and simulation 2, respectively.
- industries such as food and beverages, accommodation, retail, sports and recreation expand because of the increase in tourism spending stemming from the redevelopment of Invercargill's city centre.
- also, higher incomes for households lead to increased spending in industries such as other personal services, retail and real estate services.

The economic impacts at the national level

- national macroeconomic effects are driven by the growth in Southland as the region imports most resources it needs from the other regions.
- New Zealand's real GDP rises by \$63 million (0.02%) and \$49 million (0.02%) per year on average, under simulation 1 and simulation 2, respectively.
- national real household consumption also benefits through slightly higher real wages. Table 1 presents our high-level results for our two scenarios.

Table 1 Summary of macroeconomic impacts

Change from baseline (2018), in percent and in \$ million (real terms)

Region	Redevelopment simulation		GDP	H/hld consumption	Wages	Exports	Capital stock
Southland	Sim 1	% change	0.84%	1.17%	0.59%	0.40%	1.04%
		Level (\$m)	\$48	\$44	NA	\$14	\$22
	Sim 2	% change	0.51%	0.95%	0.48%	0.36%	0.57%
		Level (\$m)	\$29	\$36	NA	\$13	\$12
New Zealand	Sim 1	% change	0.02%	0.04%	0.05%	0.00%	0.02%
		Level (\$m)	\$63	\$61	NA	\$2	\$27
	Sim 2	% change	0.02%	0.03%	0.05%	-0.01%	0.02%
		Level (\$m)	\$49	\$56	NA	-\$5	\$19

Source: NZIER

Invercargill's city centre redevelopment will generate jobs

The redevelopment of the city centre will:

- create between 500 and 550 per annum temporary construction jobs over the five years of the rebuild
- increase visitor spend for tourists incrementally above what would already have come to the region. We have assumed incremental growth of 5% per annum
- create a more liveable city that we expect will contribute to the target of increasing the permanent residents in the region by 10,000 (simulation 1) and 3,000 (simulation 2). This creates:
 - Approximately 8,000 working age people in simulation 1 over the period due to an increase in retail and tourism jobs
 - Approximately 2,400 working age people in simulation 2 over the period due to an increase in retail and tourism jobs
 - 340 of these jobs are likely to be taken up as a result of the rebuild in Invercargill

Indirect spending will be higher in Southland because of the higher than average household income and lower cost of housing relative to other New Zealand cities.

The redevelopment is required because of the current state of the city centre and the inability of Invercargill to retain and attract further businesses and tourists (and increase the spend of tourists in Southland).

The impacts are likely to be shared evenly over the forecast period

- Invercargill is likely to experience GDP growth early because of the physical impact of the rebuild
- Southland other than Invercargill will benefit more from the larger influx in tourists
- The GDP impact is likely to balance out over time.

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1. Scope and approach

HWCP Management and other stakeholders want to understand the potential impact on Southland of the redevelopment of Invercargill's city centre.

The purpose of this report is to:

- Ask what the potential of the redevelopment of Invercargill's city centre will be
- Set out the "size of the prize" if the redevelopment was successful.
Specifically:
 - The impact on the CBD from the temporary building activity associated with the redevelopment
 - The potential impact on Invercargill by making it a more attractive place to live and do business
 - The potential to increase tourist spend and possibly the number of tourists coming to Southland (over and above the business as usual scenario)
- Set out what needs to be considered to make the redevelopment successful (and potential well-being impacts).

The following diagram set out the approach taken.

Figure 2 Steps to understand the impact of PGF's net contribution



Source: NZIER

We have drawn on information from international and domestic sources, case studies of city centre redevelopments in New Zealand and overseas, information from SoRDS and HWR, and perceptions from those who have experience in redevelopment.

The main drivers of the opportunity are:

- an acceptance that current commercial offerings in Invercargill are not attracting business and visitors (a burning platform)
- the buildings of Invercargill's central city are in a rundown state and present a seismic and social risk
- the expected influx of tourists (domestic and international) will keep increasing and presenting Southland with further opportunities

- the willingness of the Southland community to be proactive.

The analysis is intended to give decision-makers an initial indication of the likely benefits, the potential of the redevelopment to be a catalyst for faster growth, and consideration of the preconditions of success.

This is an initial report and as such its depth reflects the scoping nature of the assessment. A further in-depth analysis will be required to uncover any obstacles, strategies and tactics to overcome those issues.

1.1. Current situation

A number of documents highlight the current state of the Invercargill's central city.¹

The stylised facts are set out in "Our City for Tomorrow" include:

- Many of the buildings in the city centre have significant seismic risks and there is an unwillingness to invest money in rehabilitating these buildings by owners:
 - Buildings have asbestos which needs to be removed
 - The majority are untenanted due to existing risk
 - Buildings are in such a state that they may have to be demolished within one or two years and there the status quo is not an option
- A lack of reinvestment in CBD properties and few contemporary amenities for a growing number of tourists. This precludes the city from capitalising on the tourist growth and missing out on opportunities to increase the spend per visitor in Southland
- The lack of central city "heart" that attracts people into the city for work. An objective of the region is to increase the number of working age people in Southland. To attract staff requires having the urban infrastructure and lifestyle to support their needs and their families
- The potential for losing further businesses has increased with the increasing difficulty in attracting highly qualified staff and their families to live in Invercargill
- The sprawl associated with the retail sector. This may reduce the ability of Invercargill to revitalise the region, reduce the potential for vitality and viability by not being able to attract new businesses, and reduce economic resilience.²

The importance of city "liveability" is critical and one of the main motivating factors behind the CBD redevelopment. For example, the high profile move from the city of the Alliance Group highlights the importance of attractive surroundings.

The Alliance Group's head office (35 well paid FTES) have now relocated to Christchurch. It is predicted that within three years a further 45 management and administrative FTEs from Alliance will also shift to Christchurch. This type of loss

¹ See for example <https://hwcp.nz/faq/>

² See for example <https://journals.openedition.org/sapiens/1620>

is difficult to replace and is particularly significant since 45% of Alliance’s shareholders are in Southland and the head office has been located there since the 1960s.

1.2. Is this the right time for a major development?

It is always difficult to speculate on the best time to invest in a major project such as the redevelopment of the CBD. Further it is not the role of this paper to give a firm yes or no to the project. There is always uncertainty about whether or not a development will be a “success” or not.

However, there are pointers to decisionmakers on the degree of uncertainty associated with the development. Below we look at some of these issues.

The current state of the New Zealand economy. Between the period 1975 -2002 the New Zealand economy grew by 1.9% per annum. In this period of low growth infrastructure projects were hugely costly if you got them wrong – essentially they were not used and ended up as debt that didn’t pay its way.

In the period between 2000 and 2018 the average growth rate have been 3% (March year) real according to the Reserve Bank. Therefore, growth has been significantly higher and the degree of economic activity. This means the appetite for infrastructure project is higher than it was 20 years ago.

It does not guarantee success of any particular project but it does mean that there is a reduction in uncertainty associated with infrastructure development. This has been reinforced by the reduction in the discount rate applied to building projects by Treasury.

Table 2 Comparison between eras

<Heading>	Real GDP growth rate	Government discount rate for investment in building infrastructure	Comment
1975 – 2002	1.9%	10%	Government used 10% to choke off investment projects
2000 – 2018	3.0%	6%	As the economy has grown government discount rates have reduced

Source: Briggs (2003) and Reserve Bank data <https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-real-gdp>

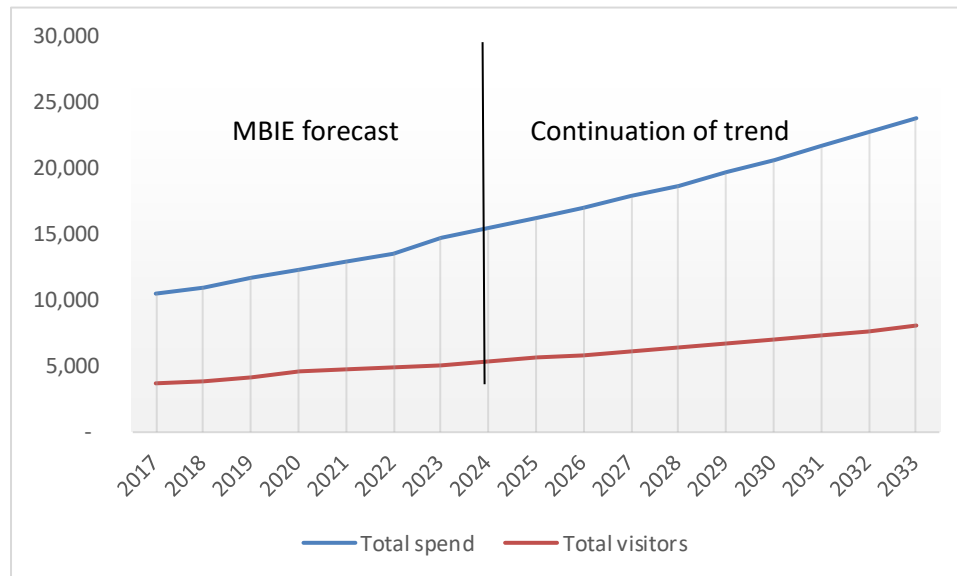
A further issue is the growth in tourism numbers. The number of tourists coming to New Zealand has more than doubled since 2000³. It is now bigger than the dairy

³ Statistics NZ Satellite Account 2016.

industry at the farm level. Further MBIE forecast that tourism spending will increase by approximately 5% per annum until 2025 (see Figure below). By 2030, if these rates persist then tourism numbers will double to well over 4 million per annum. Projects that can capitalise on increased tourism will reduce uncertainty.

Figure 3 Total tourist numbers and spend projections

2017 – 2033



Source: MBIE <https://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/international-tourism-forecasts/documents-image-library/nz-tourism-forecasts-2018-2024-report.pdf>

Should Invercargill adopt a wait and see approach to further CBD development? This seems a prudent step since all investment has a degree of uncertainty. A number of points need to be considered:

- The risk and uncertainty associated with projects like the CBD redevelopment has reduced since 2000 as growth has increased
- The number of tourists has grown considerably with Southland experiencing a growth rate well above the national average
- The current state of the CBD and whether there is capacity for Invercargill to assist in sustaining those growth rates
- Whether rate payers are prepared to take on the risk and uncertainty that a partly funded \$180 million CBD redevelopment require
- The substantial risk of doing nothing.

1.3. Oversupply of retail space

The oversupply of retail space is a fact of life for a large number of towns and cities within New Zealand. This could be an argument used to counter the need for Invercargill city rebuild since it could create a greater oversupply.

There will be an oversupply of retail space whether the CBD redevelopment occurs or not. This is because:

- The rise of the internet and the continually changing ways we are using both the internet and bricks and mortar retailing
- Sales seemingly being a permanent feature of the retail landscape – unheard of twenty years ago
- Purchasing power is growing as goods become cheaper and cheap credit is available
- Empty shops in most New Zealand ‘main streets’ – many of which will not be filled because they are not suited to new retail business models
- Competition for the retail dollar including cheap air travel. Many people shop in other countries for consumer items
- Customers knowing more about specific goods and services than those doing the selling.

The main economic argument is that while there is an oversupply of retail space there is a shortage of good quality sites. This means that:

- Where there is an oversupply of sites councils attempting to dictate where large retailers should locate are unlikely to be successful. So the central city is likely to remain the way it is “without the CBD development” and possibly lose more retailers to other parts of Invercargill city
- Retailers have specific requirements that need to be met before they will invest for 15-20 years. These are mixture of macro (income and population) and micro (traffic volume, visibility, parking) factors that dictate where they locate. The degree of competition may or may not be a factor in a location matrix

Therefore, arguments that Invercargill has enough retail space are not likely to attract major retailers into the city centre in its current state.

These shopping trends are going on regardless of the CBD redevelopment proposal. The type of properties, the location, and the way the customer interacts with business are changing dramatically. Furthermore, we have no idea when this “churn” will end or who the retail winners will be. What we do know is that it has not stopped; and more disruption is on the way driven by technology. We also know that there is keen competition for quality retail sites.

The following Table sets out the latest trends associated with quality shopping centres in New Zealand with supporting evidence from Australia. It highlights the strong growth in sales from these shopping centres which indicates a shortage of supply in this type of shopping experience.

Further, the expected value of increasing the quality of retail space is set out in a separate report.⁴ It forecasts that the potential for the redevelopment looking at food alone is \$31.8 million in 2021. Some of this potential spend is likely to be new spending that would not have otherwise been spent in Invercargill or Southland.

Table 3 Summary of recent trends in quality shopping centres

Latest report¹

Colliers International comment
Shopping Centres in Auckland, Wellington, and Christchurch have seen significant sales over the past 12 months
There is a strong trend towards food and beverage (F&B) sales. In many malls F&B is between 20% and 40% of retail space. They are the anchor stores and are a major feature of the proposed Invercargill CBD redevelopment
Globalisation is still having an impact with new offshore retailers heading for New Zealand.
Trends in Australia are similar. In Victoria, sales in shopping centres have risen 91% in the last year
75% of shopping centres in New Zealand are expecting to meet or better their targets in 2019. Sales are likely to run ahead of inflation
Strong visitor numbers are boosting retail sales
Shopping centres are evolving to meet customer demand with free Wi-Fi and automatic retail lanes
Notes (1) https://www.colliers.co.nz/news/2019/2019%20commercial%20property%20review%20-%20new%20zealand%20retail%20market/ https://www.colliers.co.nz/find%20research/retail/new%20zealand%20retail%20report%202017/

Source: Colliers International Market report 2019

⁴ Future food (2019) Invercargill central. Food and Beverage Masterplanning. Report commissioned by HWCP.

2. Redevelopment as a catalyst

The redevelopment of Invercargill's city centre reinforces the region's efforts to build new opportunities by improving the office and retail space available and capitalise on a continuing tourism boom.

Southland has a strong agrarian heritage and is attempting to diversify its economic base by capitalising on a continuing tourism boom in New Zealand.

The rationale for taking this approach to economic development is that the redevelopment:

- has a major impact on the places where we live, work and play. Putting vacant or abandoned buildings and land back into productive use is a major tool of economic development. This helps keep businesses located in urban areas where service infrastructure capacity and business activity are already concentrated
- retains and attracts talented people. Communities that provide quality jobs and great places to live and work are a magnet for folks of all ages. As a result, these places have a strong future
- fosters the entrepreneurial spirit that resides in our creative and ambitious citizens. By providing access to ideas, investment and expert advice new companies can be created to help assure Southland's economy stays innovative and diverse
- acts as a gateway for tourism in the region
- further enhances its educational facilities to attract more students and bring them into a more vibrant city centre.

2.1. The redevelopment must augment Southland's competitive advantage

As the only city in Southland, Invercargill is the commercial hub for the region and it services the economic, social, and political needs of the region. Invercargill needs to respond to the changing needs of the region and promote further economic activity where opportunities arise.

The redevelopment provides an opportunity to reinforce the existing competitive advantages that agriculture has provided and diversify the regions areas of comparative advantage into new such as tourism.

Cities centres need the right amount and quality of office, retail, commercial and residential space to support and meet the demands of businesses, residents and shops. Improving the quality of areas designed for social interaction, in combination with other interventions, will help make city centres more attractive places to do business. A high-quality offering is likely to have a positive effect on levels of investment, land values, tourism, and productivity levels via a healthier and more satisfied workforce.

This can be done by providing:

- up-to-date offices for branch and head offices located in Invercargill and to attract further business
- a gateway to the region for visitors – either as a jumping-off point for one of the southern hemisphere’s great wilderness regions with Stewart Island, The Catlins, and Fiordland or to experience the range of world-leading transport attractions in Invercargill itself
- jobs for the initial redevelopment and further ongoing employment that can act as a catalyst for further employment and growth.

The redevelopment is an opportunity to improve the region’s physical infrastructure in a way that supports Southland’s existing competitive advantage and extend it into other areas as the opportunities arise.

The plan to redevelop the CBD will have a number of stages. The first three stages consist of:

- The demolishing of 30 buildings in the Esk, Dee, Tay and Kelvin street block
- The construction of retail
- The construction of:
 - The HWR offices (\$25m)
 - A medical centre (\$20m)
 - Council offices (\$10m)
 - Kelvin/Tay commercial development (\$30m)

The third stage is contingent upon the demolition stage.

2.2. Recognise the value of existing resources

Physical infrastructure redevelopment is a supply-side measure, and therefore should be considered alongside the potential demand for the infrastructure. It is also important to provide appropriate space without creating an oversupply. However, providing appropriate higher quality physical environments, such as up-to-date office stock or housing, can contribute to attracting businesses, residents and visitors to the city centre.

Therefore, the project must be viewed within the context of its connection to surrounding developments and expected business activity, i.e.:

- increased tourism numbers and repositioning of Invercargill as a gateway to the region
- increased ability to retain and attract further business activity (across the spectrum of economic activity with the redevelopment).

2.3. Building effective partnerships

The redevelopment is designed to contribute to and further support increased economic activity in the region. This requires mutually reinforcing investments that can support economic expansion.

The city centre redevelopment can assist this process by making it easier for other businesses to relocate or remain in Invercargill and support the growing tourism industry. This can increase jobs and further encourage businesses to locate in the city and region. The redevelopment's role as a catalyst therefore is important since it assists in creating growth which in turn creates further growth through independent action.

This type of development can drive further business activity and increase spending over and above what would occur 'without' regeneration. While nothing is certain, where business, regional government, local government, and Ngāi Tahu have been aligned and focused on these issues, it maximises the chances of not only achieving their goals but also the chances of further success.

3. The mechanics of being a catalyst

The redevelopment of Invercargill's city centre is designed to be a catalyst to encourage further investment and economic activity to the city. The aim is to "lift all boats" on a rising tide of economic activity that would not otherwise occur within Southland. In particular:

- improving the quality of retail space where Southlanders can live, work, and play. The demonstration effect of providing a quality retail space is aimed at encouraging further businesses investment
- providing quality places to live and work attracts and retains people in Southland. This in turn improves the chances of enhancing innovation
- improves the chances that tourist will stay longer and spend more relative to the current dilapidated central city retail offerings
- encourages more interaction between educational facilities and the central city. A more connected and vibrant city centre is likely to generate more opportunities.

As a catalyst the aim is to trigger further independent action by businesses and others to increase the wellbeing of Southlanders. The opportunity for this action comes about through:

- the need to renew the city centre as the needs of the Southland population changes
- taking advantage of new opportunities such as tourism (forecast to double by 2030) along with Tourism New Zealand's strategic priority one, "to broaden our measure of value from near-term growth to long-term sustainability achieved with a key focus on greater regional dispersal of visitors beyond the main visitor destinations
- increasing economic activity to increase the number of durable jobs in the region.

Figure 4 sets out the business and aggregate impacts and illustrates where developing new economic activity impacts on wider Southland priorities. This involves detailing the potential impact of the city centre's redevelopment. It sets the scene for potential growth and details the investments required to reach those growth levels. It provides a way of organising the project and capturing the diverse economic and social impacts.

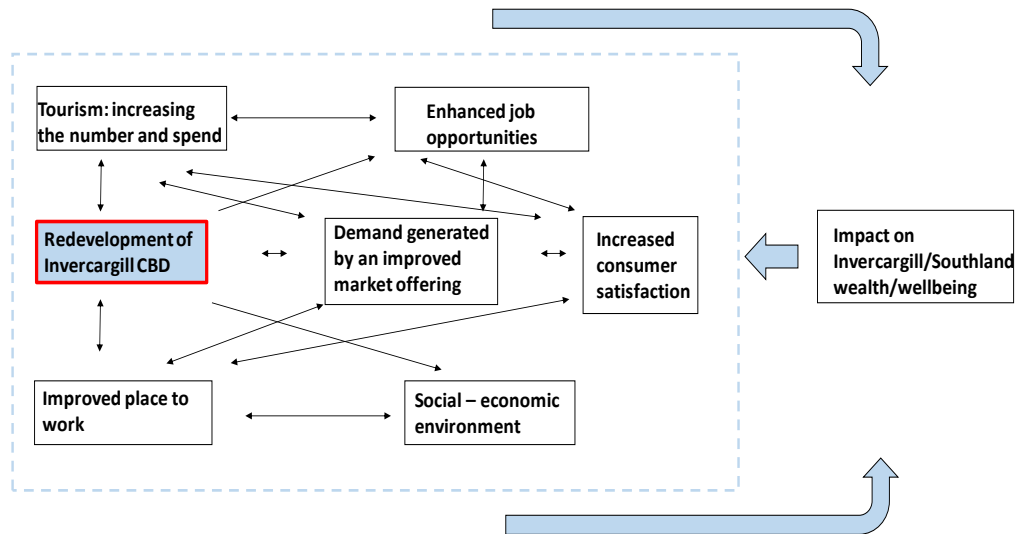
The diagram shows that there is no one path to wealth creation. Innovation can come from anywhere, hence the focus on the redevelopment as a catalyst rather than the sole source of growth.

The model allows a better understanding of what creates and destroys wealth in a community i.e. what creates wealth reinforces and builds upon the soft and hard

infrastructure. It can show the differing objectives of single entities and communities and how those differing objectives can impact on community goals.⁵

However, to maximise the chances of success what is required are strong linkages between parts of the social infrastructure in Southland and the businesses that they are trying to foster. The strength of the connections will be key to the success of the redevelopment's impact on Invercargill and Southland.

Figure 4 Framework for thinking about innovation



Source: Adapted from Swann (2016)

Figure 4 concentrates on the interaction between the various elements that connect with the city centre redevelopment of Invercargill. The importance of the strength of the linkages, in specific cases, depends on the detailed characteristics of opportunities being pursued e.g. how the redevelopment can enhance jobs in the region and what that means for economic and social activity within the city and region.

The important linkages are between maintaining the economic base through improved job creation, improved places to work, and increased tourism. A successful integration of these factors will impact on community wealth and wellbeing, regional income and have a positive impact on the social-economic environment.

The key demand signal is that renewal of the city centre is required. This means that over time Invercargill will become a less attractive place to remain in or to relocate to – it is a burning platform. Two issues are important:

- on the supply side, business and local government have come together to redevelop the city centre. The involvement of the private sector suggests

⁵ We have chosen this system of relationships which, although abstract, seeks to capture the salient elements of the real world. Any real world problem will have a large number of variables with a large set of, often complex, relationships between them. We wish to draw out the main points of interest without the complications of all the issues. In this way, we hope to gain insight into the problem at hand and advance the solutions for it. The potential cost of this approach is that the process of abstraction has eliminated characteristics that are vital to the full understanding of the questions under discussion.

The design of this analysis has deliberately been kept simple. To do this we have abstracted from the full detail of the sheep milk marketing chain. This analysis should contain just sufficient complexity and reality to allow us to capture and illustrate the advantages and disadvantages of the strategies adopted.

that transformation of the city centre has potential to be the catalyst for other investment

- on the demand side, the redevelopment generates interest over and above would have happened given the current building stock available.

This approach allows us to develop a richer view for Southland. This is a model of the redevelopment from the perspective of Southland society i.e. an aggregate perspective not an individual or entity perspective.

This has a number of immediate implications:

- building strong and durable connections matters for sustained wealth creation not one or two business decisions
- there are gains from trade between society and individual entities. Businesses benefit from the infrastructure created by public private partnership and society benefits from entrepreneurs providing new opportunities
- the development of sustained economic development is complex. That complexity can be an advantage over time because others are unable to replicate the conditions.

The key reason for using this type of approach is it shows that different activities can contribute to wealth creation in a region and each activity has a role in creating wealth.

4. Setting the baseline

To estimate the impact of the Invercargill City Centre redevelopment requires a description of what would occur “without” the development. This involves examining in detail the current status quo (or counterfactual). It includes a commentary on:

- What exists on the ground now (see Section 1.1)
- The private sector approaches that exist. Would some other investor without government funding put in the time and investment required?

The business as usual also includes examining the likely future policies that might influence the development. While this can be speculative, it is important to set out a credible understanding of expectations for future developments. The aim is to identify how the business situation is likely to change over the next 15 years, to establish a realistic base case.

4.1. Would the private sector step up?

In some sense the private sector has stepped up by forming a joint venture to drive the redevelopment. However, the real question is would the private sector do the redevelopment on its own? That is, does local/central government investment “crowd out” private sector funding?

The short answer is no. In the past there have been private initiatives to redevelop Invercargill CBD. These initiatives floundered because of the lack of community support. While we cannot say that we are 100% certain that the private sector would carry out a redevelopment, the demonstration effect of failed previous attempts to rejuvenate the city centre suggest it is most unlikely. Potentially the commercial returns will likely be lower than in major metropolitan centres (increasing the risk) therefore to encourage further business investment requires public intervention.

We would expect that the private sector would not consider attempting a redevelopment without local government support both vocal and financial.

4.2. Further understanding the baseline

The baseline used here considers the previous two sections and section 1.1. It suggests that not only would there be not be a redevelopment, but the downward spiral would continue as more and more buildings become unliveable.

Instead of maintaining or growing the city we expect Southland to lose a further 5,000 people relative to what would have happened otherwise, with its consequent knock on effects to the local economy.

This is in line with the report by Roskrug and Pawar (2015). Their report suggests that Southland could potentially lose approximately 4,000 working age people by 2025 and 7,000 by 2031 (see Figure below). The main reason for this is an aging working population and not enough workers to replace them. This is backed up by a Venture

Southland Business confidence report which suggested that recruiting workers was the number one concern for business.⁶

Figure 5 Forecast labour supply



Source: Roskrug and Pawar (2015)

We have used this as a baseline to measure benefits associated with the redevelopment of the city centre.

Setting up the baseline is difficult because there is:

- Limited baseline data from which to measure any change
- Uncertainty about what initiatives could be trialled in the absence of the redevelopment although the chances of regeneration are slim
- The unusual nature of the Invercargill labour market, given its location, relative to the rest of the country.

Therefore, there are potentially several credible baselines. The one we assume here is open to question and should be treated as “work in progress”. We treat the baseline here as a tentative “peg in the ground”.

We assume that, Invercargill, without the redevelopment, would lose jobs. While we are unsure what industries will be most severely affected the main impact will be the inability to hold head offices and attract new workers. We also expect the increasing numbers of tourists to spend less than they otherwise would in Southland (with the redevelopment).

⁶ <http://venturesouthland.co.nz/sites/default/files/media/documents/Sothland%20Business%20Survey%20Report%202017.pdf>

5. Detailed approach and results

5.1. Methodology

5.1.1. We used our CGE model to assess the economic contributions of opening a new underground mine

We used NZIER's regional computable general equilibrium (CGE) model to assess the regional and national economic impacts of the redevelopment of Invercargill city centre.

CGE modelling is our recommended method for conducting policy analysis or sectoral impact studies, as it delivers more conservative, but more realistic, estimates of benefits and costs than commonly-used (and widely criticised) alternatives such as multiplier analysis.

Our CGE model contains information on 106 industries and 201 commodities within the economy, incorporates trade and financial linkages to world markets, and estimates price responses to demand or supply shocks.

As this CGE model is static, it can only look at 'before' (i.e. current situation) and 'after'. For our scenario design, we implement shocks to represent what the regional and national economies would look like with the increase in investment, employment and tourism spending following the redevelopment of Invercargill CBD.

A description of our CGE model and our modelling approach is outlined in Appendix A.

5.1.2. How we analysed the modelling results

We determine the flow-on effects of our shocks throughout the national and regional economies on GDP and industry output.

Macroeconomic effects

The national and regional results flow logically from the direct and indirect impacts. We focus on key macroeconomic variables such as Gross Domestic Product (GDP), exports, employment and household expenditure, which we use as a measure of economic welfare (how 'well off' we are).

Direct and indirect effects

In analysing the modelling results we track the impacts as they flow through the economy, beginning with the **direct** impacts on the construction and tourism sectors itself. We then analyse the flow-on or **indirect** impacts. It can aid understanding to split indirect impacts into the following categories:

- **supplying** industries – industries that supply the tourism and construction sectors with intermediate inputs are likely to benefit. Such industries include meal service providers, and business service industries.
- **household** expenditure industries – industries that households spend money on are likely to benefit from increased income that comes through employment and wages, and increased returns to capital from a growing tourism industry. Such industries include housing and real estate (which takes a large share of households' budgets), and those for consumption goods like the retail trade.
- **competing export** industries – industries that suffer from the tourism industry's growth as they compete for resources, which are now more expensive, and also face a stronger New Zealand dollar. Typically, these industries are the labour-intensive export industries such as horticulture and manufacturing.

5.2. Results from our CGE modelling

We have used two simulations:

- simulation 1 increases the population by 10,000 (by 2025) and reaches the \$1 billion tourism spend target by 2025.
- simulation 2 increases the population by 3,000 (by 2025) and reaches the \$1 billion tourism spend target by 2025.

Tourism spend is expected to be the same in both simulations. The model solves over medium/long term (2035). The SoRDS targets are factored into the long term growth assumptions.

Southland's economy expands Table 3 presents the macroeconomic effects on Southland region. With increased investment, employment and tourism spending in the region, Southland's real GDP is expected to rise by an annual \$48 million (0.84%) in simulation 1 and by an annual \$29 million (0.51%) in simulation 2 by 2035.

Annual real exports rise by \$14 million (0.40%) and \$13 million (0.36%) in simulation 1 and simulation 2, respectively.

Annual household spending increase by \$44 million (1.17%) in simulation 1 and by \$36 million (0.94%) in simulation 2.

The capital stock would rise by \$22 million (1.04%) and by \$12 million (0.57%) per annum in simulation 1 and simulation 2, respectively.

Table 4 Impacts on macroeconomic indicators at the regional level

Change from baseline (2018), in percent and in \$ million (real terms)

Redevelopment simulation		GDP	Household consumption	Wages	Employment	Exports	Capital stock
Sim 1	% change	0.84%	1.17%	0.59%	0.59%	0.40%	1.04%
	Level (\$m)	\$48	\$44	NA	\$14	\$14	\$22
Sim 2	% change	0.51%	0.95%	0.48%	0.48%	0.36%	0.57%
	Level (\$m)	\$29	\$36	NA	\$11	\$13	\$12

Source: NZIER

5.2.1. Supporting and downstream industries are positively affected

Table 4 below shows the flow-on effects of the redevelopment project in Southland, other regions and New Zealand. Supporting (downstream and supplying) industries of tourism are positively affected from the redevelopment of Invercargill's city centre.

Table 4 shows how the economy will change over the forecast period relative to the baseline. In the changing economy there will be more emphasis on construction (in the short run) and retail and tourism in the long run. Some industries grow faster (those that are supporting industries) and some grow slower (mainly agricultural industries) as labour moves from agriculture into tourism. Note these industries are not declining – their contribution is still significant, they are just not growing as fast relative to a baseline projection (a slight change in the emphasis associated with economic activity). Relative to those industries which are growing faster the negative impact is relatively minor in Southland.

Further industries such as transport and storage do grow outside Southland as a result of the rebuild in the rest of New Zealand. However, in Southland other industries do marginally better. Having said that, transport equipment and air and other transport sectors are significant contributors to the Southland economy as a result of the rebuild and tourist influx.

By 2035, output of Southland industries is expected to increase by \$75.2 million (annually) and \$32.9 million (annually) under simulation 1 and simulation 2, respectively. Industries such as food and beverages, retail, sports and recreation expand because of the increase in tourism spending stemming from the redevelopment of Invercargill.⁷

Also, higher incomes for households lead to increased spending in industries such as other personal services, retail and real estate services.

⁷ Output from industries more labour-intensive increases more in simulation 2 than simulation 1, as it supposes a lower increase in employment following Invercargill's city centre redevelopment. This is the case for food and beverage services or accommodation for example.

Table 5 Flow-on effects of the redevelopment, selected industries

Change from baseline (2018), in \$ million (real terms)

Industry	Type	Simulation 1			Simulation 2		
		Southland	Rest of NZ	New Zealand	Southland	Rest of NZ	New Zealand
Food and beverage services	Supporting industries	\$15.0	\$11.6	\$26.6	\$15.9	\$11.3	\$27.2
Accommodation		\$12.5	\$4.6	\$17.1	\$13.4	\$4.3	\$17.6
Beverages & tobacco		\$10.7	-\$2.9	\$7.8	\$10.7	-\$3.1	\$7.6
Finance & insurance		\$10.0	-\$5.4	\$4.6	\$9.9	-\$6.8	\$3.1
Education and health services		\$8.8	-\$1.2	\$7.6	\$9.0	-\$1.8	\$7.1
Transport equipment		\$8.5	-\$3.2	\$5.3	\$8.7	-\$3.0	\$5.7
Air and other transport		\$7.4	\$10.8	\$18.2	\$7.4	\$10.3	\$17.7
Sewerage/waste		\$6.8	\$2.7	\$9.5	\$7.7	\$2.3	\$10.0
Textiles		\$6.7	\$0.7	\$7.4	\$6.8	\$0.5	\$7.3
Property services		\$6.7	\$14.1	\$20.7	-\$2.5	\$18.6	\$16.0
Communication services		\$6.3	-\$4.7	\$1.6	\$6.3	-\$5.1	\$1.2
Retail		\$5.6	-\$1.3	\$4.4	\$3.4	-\$1.5	\$1.9
Vehicle wholesaling		\$4.9	\$1.0	\$5.9	\$5.1	\$0.9	\$6.0
Transport & storage	Competing industries	-\$0.8	\$6.4	\$5.6	-\$0.9	\$5.8	\$4.9
Seafood processing		-\$1.1	-\$5.2	-\$6.3	-\$1.3	-\$5.4	-\$6.7
Wood processing		-\$1.6	-\$4.3	-\$5.9	-\$2.2	-\$4.0	-\$6.2
Agriculture services		-\$1.9	-\$1.6	-\$3.5	-\$2.2	-\$1.6	-\$3.8
Sheep & beef		-\$1.9	-\$3.7	-\$5.7	-\$2.4	-\$3.9	-\$6.2
Central government		-\$2.8	\$2.2	-\$0.6	-\$2.5	\$2.0	-\$0.5
Dairy cattle		-\$3.4	-\$6.6	-\$10.0	-\$4.1	-\$6.9	-\$10.9
Metals manufacturing		-\$3.4	-\$6.5	-\$9.9	-\$5.4	-\$6.0	-\$11.5
Dairy processing		-\$4.5	-\$11.5	-\$15.9	-\$5.0	-\$12.4	-\$17.4
Meat processing		-\$5.6	-\$4.6	-\$10.2	-\$6.0	-\$4.9	-\$10.9
Total industry outputs		\$75.2	-\$22.9	\$52.3	\$32.9	-\$7.9	\$25.0

Source: NZIER

5.2.2. Household consumption effects

Table 6 presents the impacts of Invercargill's city centre redevelopment on regional wages and household consumption – our proxy for 'welfare' or living standards.

We estimate the increase in real household consumption to be \$44 million (1.2%) in the case of simulation 1 and \$36 million (0.95%) for simulation 2. The increase in real household consumption is driven by the rise in employment and real wages.

Table 6 Changes in household consumption and wages

Change from baseline (2018), in percent and in \$ million (real terms)

Indicator	Simulation 1		Simulation 2	
	\$ million	%	\$ million	%
Household consumption	\$44	1.2%	\$36	0.95%
Wages	NA	0.59%	NA	0.48%

Source: NZIER

5.3. Headline economic impacts

Most of the national results are driven by the growth in Southland's economy. National real GDP will rise by \$63 million (0.02%) and \$49 million (0.02%) for simulation 1 and simulation 2, respectively. Household consumption – our proxy for welfare – increases by \$61 million (0.04%) in simulation 1, and by \$56 million (0.03%) in simulation 2.

In addition, investment increases to take advantage of the attractive rates of return offered by the construction and tourism sectors. That generates increases in the nation's capital stock of \$27 million (0.02%) and \$19 million (0.02%) in total, for simulation 1 and simulation 2, respectively. Table 7 summarises these effects.

Table 7 Impacts on macroeconomic indicators at the national level

Changes from baseline (2018), in real terms

Redevelopment simulation		GDP	Household consumption	Wages	Capital stock
Sim 1	% change	0.02%	0.04%	0.05%	0.02%
	Level (\$m)	\$63	\$61	NA	\$27
Sim 2	% change	0.02%	0.03%	0.05%	0.02%
	Level (\$m)	\$49	\$56	NA	\$19

Source: NZIER

6. Other significant outcomes

6.1. Spending power of Southlanders is higher than other regions

The lower cost of housing (relative to other cities) coupled with higher household income means that any developments that stimulate economic growth within the region are likely to ensure strong spending from locals.

From Table 8 below, it is clear that housing costs as a percentage of household income is most favourable in Southland relative to other major centres. Therefore, the spending power of Southlanders is much higher than other parts of New Zealand – almost double that of Aucklanders.

By encouraging more people to live in Southland it is likely to increase spending in the community over and above what they are likely to spend elsewhere in New Zealand. This is not only a gain to Southland but to New Zealand.

Table 8 Comparisons between housing costs and average household income

June year 2018

Regions	Average household income	Housing costs	Housing costs as a percent of household income	Discretionary income
Auckland	\$82,736	\$13,883	17%	\$68,853
Wellington	\$81,740	\$11,749	14%	\$69,991
Canterbury	\$65,594	\$9,871	15%	\$55,723
Southland	\$78,100 ¹	\$7,871 ²	10%	\$70,260
Notes (1) Venture Southland estimate (2) Estimate of the South Island other than Canterbury.				

Source: <https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2018> and <http://venturesouthland.co.nz/resources/southland-economy-statistics>

6.2. Potential for Invercargill to be a tourist gateway

The region has a goal of reaching \$1 billion of tourist spending by 2025. To meet this objective requires further tourism infrastructure investment. The redevelopment of Invercargill's city centre is an integral part of the infrastructure required and could act as a catalyst for further development of the region's tourist offerings.

In particular, it can act as a gateway to the region. In this way tourists can be 'dispersed' to different parts of the region and potentially away from the main visitor

concentration centres or arrival gateways where infrastructure is already being stretched. From a central government perspective, the aims are to:

- reduce pressure on the core areas where key attractions are located by enticing visitors elsewhere (such as Queenstown)
- disperse tourists to a variety of destinations. If they are drawn to areas such as Southland, their presence can provide new opportunities for entrepreneurs and create additional employment. Thus, encouraging tourists to venture into areas where economic stimulation (through employment and income) can occur
- increase the overall attractiveness of a destination by presenting 'new' experiences/features for visitors, thus providing a platform for revised marketing programmes, with the aim to increase length of stay and total spending.

Dispersal strategies are aimed at increasing visitors' satisfaction with the product and thus entice them to stay longer in the destination(s) and ultimately to spend more. It is hoped that by creating linkages to non-traditional tourist areas, the product appeal is enhanced, and these areas can tap into an already captive audience in the region.

An important part in developing dispersal strategies is to establish tourist gateways, staging areas, and the clustering of attractions. Southland offers a cluster of outdoor attractions (great walks, jumping-off point to Stewart Island, The Catlins, excursions to Fiordland, southern scenic route etc.). Invercargill can be important because it offers facilities that tourists require when first entering or when leaving a region.

In this way it can combine the gateway concept with a regional dispersal strategy. This not only satisfies regional objectives for Invercargill but also national objectives because it offers alternatives to established routes.

To underpin the potential for Invercargill to become a gateway to the region, Air New Zealand have announced a trial jet service between Auckland and Invercargill 5 times a week from August this year.⁸ Both tourism and business could benefit from the increased connections.

Further, the gateway concept is further enhanced by a cluster of new attractions and infrastructure such as: new ILT hotel, SIT creative centre, arts centre proposed by the ICC, and the new tourism attraction Motorcycle Mecca.

6.3. Quality jobs supported by quality educational providers

Southland has currently a tight labour market. To entice further workers to the city will require a concerted effort by educational facilities such as Southern Institute of Technology (SIT) to taking advantage of the opportunities generated by the CBD rebuild - both during the rebuild and after the rebuild.

⁸ <https://www.stuff.co.nz/travel/news/109361329/air-new-zealand-launches-first-ever-direct-service-between-auckland-and-invercargill>

By enhancing the attractiveness of the city through the rebuild the aim is to retain those already in Southland and entice others to stay who have come to the city to study. This will allow for the potential to further:

- build a stable and vibrant workforce that can foster careers around a variety of occupations (a benefit to staff and their dependents)
- train on the job, improve the skills using top quality and close by educational facilities such as the Southland Institute of Technology (a benefit to workers attracted to Southland)
- improve resilience so that Southland can weather the economic shocks that will inevitable come as sectors grow and decline (a benefit nationally, to the region, and workers).

In the short term, this approach dovetails with existing programmes designed to improve trade skills of students at SIT. SIT offers courses that combine practical employer-based work experience as well as classroom activities. The Construction workshop is part of a state-of-the-art SIT Invercargill campus, close to the proposed Invercargill city centre redevelopment.

Longer term, it also maximises the chances of attracting and providing quality jobs in areas other than construction to sustain the Southland economy. This will be mutually reinforcing since SIT is likely to enhance its reputation further as a reliable supplier of high quality recruits.

A pointer to SIT's current reputation is the low level of unemployment among young adults in Southland.

6.4. Summary

Successful regional development interventions are a long-term process that can deal with the impacts of rapid change by equipping its citizens and associated institutions with the ability to cope and flourish (more like a gentle breeze).

It follows that the qualitative outcomes (set out Table 9) are the products of long-term incremental advancements rather than one-off gains. This is significant since it is the year-on-year incremental gains that will drive the Southland economy.

By developing this type of approach, we can trace through the impacts of regional development on business activity which in turn has social and wellbeing impacts.

By setting out the framework in a matrix form you can spotlight the various linkages in a systematic way on a regional basis.

Table 9 Understanding the linkages between sectors

		Effect of					
		Quality jobs and education	Tourism	Business	Marketplace	Socio-economic	Consumption/spending power
Effect on:	Education		Increased tourist demand generates demand for goods and services underpinned by education	Business will require quality jobs. This is in line with SoRDS objectives	The market is likely to demand more jobs	Improvements in socio-economic conditions are likely to increase demand for education	As spending power increases the demand for education is likely to increase indirectly
	Tourism	Improved visitor experience with better quality service		Will encourage better tourism offerings	More diverse offerings as demand increases	Improved socio-economic outcomes will improve individual tourist outcomes	Increased consumption will generate a wider range of goods and services for tourists
	Business	Increased business opportunities	Increases the business opportunities		Likely to encourage a demand response from business	Improve socio-economic outcomes will improve business quality	Increases business opportunities
	Marketplace	More vibrant and diverse offerings	More tourists allow for more opportunities	Assists in developing a more vibrant marketplace		Likely to improve marketplace outcomes	More vibrant marketplace
	Socio-economic	Improved quality of life	Offers the chance to improve Southlanders quality of life	More year-round jobs will impact positively on social outcomes	A more vibrant marketplace will have an indirect impact on socio-economic outcomes		May indirectly improve socio-economic outcomes
	Consumption	More opportunities for Southlanders	More tourists increases total spending and spending per tourist	Business is likely to increase its offerings as demand increases	An increase in market size and diversity will increase consumption	Improve socio-economic effects are likely to have indirect impacts	
	Overall wellbeing	Improved workforce quality impacts positively on wellbeing	Has the opportunity to improve wellbeing	Likely to have a positive impact on wellbeing	A larger marketplace is likely to have a positive impact on wellbeing	Strong positive connection	Indirect positive link

Source: Adapted from Swann (2016)

7. Conclusion

The redevelopment of Invercargill's city centre offers the potential to act as a catalyst for further growth in Southland. Not only will it generate substantial jobs in the short-run but it will also set up Invercargill as a potential gateway for tourists coming to the region providing on-going work for other businesses.

The expected boost to GDP is between \$29m and \$48m per year or \$286m and \$475m until 2035. The job impact is also likely to be large with between 500 and 600 required for the rebuild. We also expect the Southland population to increase by between 3,000 and 10,000 permanently.

Our approach shows that the planned expenditure will provide potential quantitative and qualitative benefits for the region:

- those aspects of the strategic vision that can be quantified:
 - the temporary GDP boost with the construction and redevelopment of the central city block
 - increasing the number of tourists to Southland over and above the expected forecasts. The aim is to increase the tourist spend to \$1 billion per annum by 2025 in line with SoRDS targets
 - making Southland an attractive place to live. The SoRDS 2025 target for the region is to increase the population by 10,000 (this target was motivated by the Roskrige and Pawar (2015) study)
- those benefits that cannot be quantified but underpin the strategic vision:
 - Southlanders have more spending power than other regions since their average household incomes are higher and housing costs are lower. More people attracted to the region will increase spending over and above other regions
 - Invercargill has the potential to become a gateway to the region increasing the chances of more tourists coming to Southland
 - An increase in full-time jobs is likely to support further education within region.

Without the renewal associated with the redevelopment the chances of increasing the region's population permanently would be significantly reduced. The main risk is that the region may lose people as suggested by Roskrige and Pawar (2015). The importance of this result is highlighted by the Venture Southland's Business Confidence survey of 2017 which identified the main challenge for Southland business is being the ability to recruit staff.

Appendix A CGE Modelling

We used NZIER's static CGE model to analyse the regional and national economic impacts of public and private developments and increased tourism spending from the redevelopment of Invercargill's city centre.

Invercargill's city centre redevelopment and increased tourism spending will have positive flow-on economic impacts...

Invercargill's city centre redevelopment and increased tourism spending create economic opportunities for the regional and national economies. The construction of the public and private developments will support the Southland construction sector and draw in materials from other sectors of the regional economy.

When private developments become operational, they will attract new visitors to Southland from the rest of New Zealand and overseas who will contribute to tourism spending.

The initial or 'direct' injections of construction, infrastructure and tourism expenditures have flow-on effects that filter through the national and regional economies. For example, as international visitors demand more accommodation, this also pushes up the demand for other services required to sustain them, e.g. laundry services, transport, etc. The additional demand for workers in these downstream industries pushes up their wages, which allows them to spend more on goods and services. This has further flow-on effects.⁹

...with some offsetting impacts

Any economy-wide modelling also needs to consider the potential offsetting effects associated with the increased construction, infrastructure or tourism spending. One example of such an effect is 'Dutch disease', whereby increased exports of tourism services push up the New Zealand dollar exchange rate, making all other exporters less competitive. Even if this appreciation is small, it will still be felt across all exporting industries.

Similarly, if wages increase in the building sector during the construction phase, this will also increase the input costs for all other sectors in the economy that use builders, which would reduce their competitiveness.

Our CGE model captures these effects

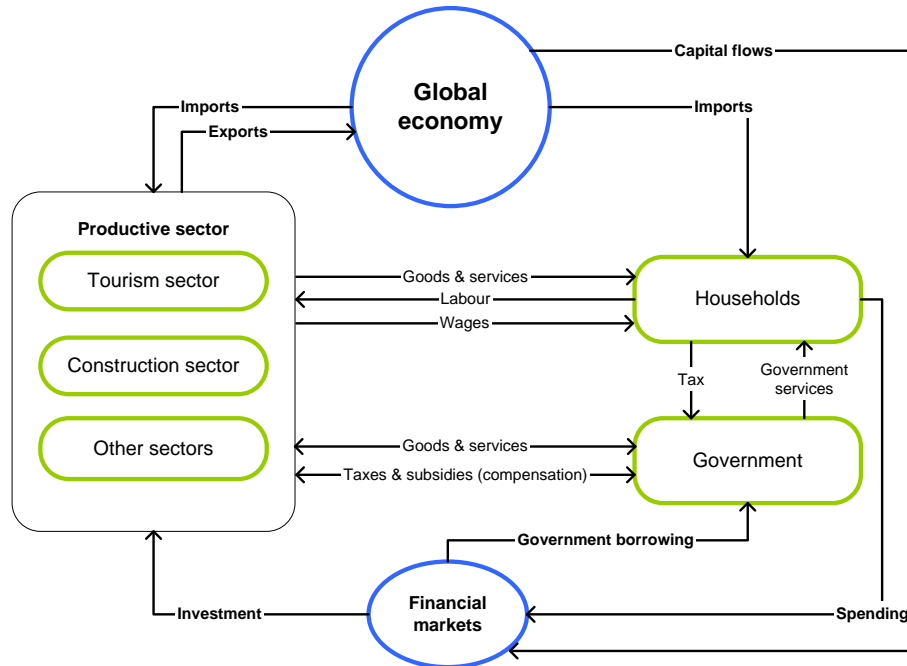
The CGE model is a representation of the New Zealand economy and its regional components that contains information on 106 industries and 205 commodities in its basic form.

The model captures the various inter-linkages between these sectors, as well as their links to households (via the labour market), the government sector, capital markets and the global economy (via imports and exports). A visual representation is shown in

⁹ Other methodologies, such as multiplier analysis or Economic Impact Analysis based on input-output data, tend to overstate economic benefits, without taking into account offsetting factors such as resource costs and availability. CGE analysis addresses these shortcomings and provides a more robust, credible set of results. See Gretton, P. (2013). 'On input-output tables: uses and abuses'. Staff Research Note, Australian Productivity Commission, Canberra, for a discussion.

Figure 6, highlighting the complex and multidirectional relationships between the various parts of an economy.

Figure 6 Components of a CGE model



Source: NZIER

Key features of the model are:

- each industry can produce a number of different commodities.
- production inputs are intermediate commodities (domestic and imported) and primary factors (labour, land and capital).
- the demand for primary factors and the choice between imported and domestic commodities are determined by Constant Elasticity of Substitution (CES) production nests. This means an increase in price of one input shifts sourcing towards another input.
- intermediate goods, primary factors and other costs are combined using a Leontief production function. This means the proportion of production inputs is held constant for all levels of output.
- the production mix of each industry is dependent on the relative prices of each commodity. The proportion of output exported or consumed domestically is also dependent on relative prices.
- policy impacts are often unevenly spread across industries and regions. To capture these heterogeneous effects, the model is extended to include a

regional component. A 'top-down' approach is used to decompose national impacts to the regional level, using regional data as weighting.¹⁰

Core data is based on Stats NZ's input-output tables

The model is based on a large database containing the value flows of the economy. The database defines the initial structure of the economy, which is assumed to be in equilibrium in all markets. In other words, the sectors in the economy start off in a stable relationship with each other and are then 'shocked' by new spending on construction or new tourism, before settling back into slightly new relationships caused by the additional activity in the economy.

The structure of the database is broadly similar to traditional input-output tables. For example, commodities may be used as intermediate inputs for further production, used in investment, exported or consumed by households and the government. Industry costs include the cost of intermediates, margins, taxes and primary factor costs for labour, land and capital.

The database has been sourced initially from Stats NZ's 2013 input-output tables. We calibrate the database to 2018 levels using Stats NZ's latest National Accounts.

Once we have calibrated the model and developed a baseline in which all markets are in equilibrium and all resources employed,¹¹ we then 'shock' key parameters to simulate the effects of the public, private developments and increased tourism spending.

Three impacts: increase in employment, investment and tourism spending

We have modelled two redevelopment scenarios: **Simulation 1** and **Simulation 2**. In **both simulations**, we model the following:

- a \$40 million annual increase in public and private infrastructure investments in accommodation (hotels), retails, food and beverage (restaurants) industries between 2019 and 2030
- a 5% annual increase in domestic tourism spending and a 11% annual increase in international domestic tourism.¹² The combined public and private investment in tourism facilities would lift domestic and international tourism spending in Southland.

The only difference between the two scenarios is related to the employment increase in Southland by 2030.

¹⁰ The regions in the model are: Northland, Auckland, Waikato, Bay of Plenty, Gisborne, Hawkes Bay, Taranaki, Manawatu-Wanganui, Wellington, Tasman-Nelson, Marlborough, West Coast, Canterbury, Otago, Southland.

For the purposes of this analysis and to speed-up the computational process, we have applied our shocks directly to the Southland region and aggregated all the other regions into Rest of New Zealand

¹¹ As a result of this assumption, we cannot easily take into account seasonality or spare capacity in the tourism and construction sectors.

¹² Our estimates are based on Southland Tourism Key Indicator (2018): <http://venturesouthland.co.nz/sites/default/files/media/documents/20%20June%202018%20Southland%20Tourism%20Key%20Indicators.pdf>

- in **Simulation 1**, we assume that the Southland population increases by 10,000 people by 2030, which represents 7,943 additional workers or 0.80% of additional workers per annum.
- in **Simulation 2**, we assume an increase in Southland population of 3,000 people, which represents 2,383 additional workers or 0.25% of additional workers per annum.

As our CGE model is static, it can only look at ‘before’ (i.e. current situation) and ‘after’. We therefore do not explicitly model the *timing* of the changes in investment, tourism spending and employment. Instead, we analyse a static, long-term scenario that estimates the overall economic effects of a *Status Quo* or *Stretch approach* scenarios.

Results of the simulations give us an overview of what the regional and national economies will look like following the redevelopment of Invercargill’s city centre, or conversely if the redevelopment did not happen.

We then determine the flow-on effects of our shocks throughout the national and regional economies on GDP, household consumption and industry output.

A.1 Closure

In any CGE model, it is important to understand which factors have been allowed to vary and which remain fixed by assumption (also known as exogenous variables). The particular combination of fixed factors is known as the closure.

Since our CGE model is static, we don’t know the solution path over time. Instead, we assume that the New Zealand economy operates within a certain timeframe either along-run or a short-run depending on the purpose of our simulations.

For this project, we choose a long-run closure. The main assumptions which characterise a long-run closure are the following (see Table 10):

- national employment is fixed but labour is completely mobile between industries and regions, and real wages adjusts. This is consistent with the idea that, both the labour force and the rate of employment are, in the long run, determined by mechanisms outside the model
- household and government expenditures move together to accommodate a fixed balance of trade as a share of GDP
- rates of return are exogenous, and capital is mobile between industries and regions. This mobility can occur either in the form of machinery etc. being physically moved, or capital in one industry/region being allowed to depreciate without replacement while investment builds up the stock of another industry/region
- foreign currency prices of imports are naturally exogenous
- real government consumption is also exogenous
- other exogenous variables include rates of production tax, technological coefficients, national population, and national labour supply.

Table 10 Fixed elements of the CGE model with a long-run closure

Variables
Taxes on production
Technological change
Government demand
Gross growth rate of capital
Gross rate of return on capital
Number of households
National population
National labour supply
Import prices, foreign currency
Foreign demand for New Zealand exports
Land use

Source: NZIER

Appendix B Additional results from our CGE modelling

Table 11 Macroeconomic effects

Changes from baseline (2018), in real terms

Simulations	Indicator		GDP	Household consumption	Wages	Exports	Capital stock
Simulation 1	Southland	% change	0.84%	1.17%	0.59%	0.40%	1.04%
		Level (\$m)	\$48	\$44	NA	\$14	\$22
	Other regions	% change	0.01%	0.01%	0.04%	-0.02%	0.00%
		Level (\$m)	\$15	\$17	NA	-\$13	\$5
	New Zealand	% change	0.022%	0.04%	0.05%	0.00%	0.023%
		Level (\$m)	\$63	\$61	NA	\$2	\$27
Simulation 2	Southland	% change	0.51%	0.95%	0.48%	0.36%	0.57%
		Level (\$m)	\$29	\$36	NA	\$13	\$12
	Other regions	% change	0.01%	0.01%	0.04%	-0.02%	0.61%
		Level (\$m)	\$21	\$20	NA	-\$18	\$7
	New Zealand	% change	0.02%	0.03%	0.05%	-0.01%	0.02%
		Level (\$m)	\$49	\$56	NA	-\$5	\$19

Source: NZIER

Appendix 2

GENERAL

- 1 The development shall proceed in general accordance with the information and plans submitted with the application and as amended by the evidence and plans produced at the hearing. The approved consent documentation has been entered into Council records as number RMA/2018/148.

HERITAGE

- 2 Recording of all heritage buildings on the site listed in District Plan Appendix II.2 and II.3 shall be undertaken prior to demolition or building alteration works to those buildings commencing. The level of recording is to be commensurate with the significance assessment contained in the application, is to follow HNZPT standards for building recording, and is to be undertaken under the supervision of a qualified heritage expert. The recording of each building in its pre-demolition state shall be lodged with the Council and with Heritage New Zealand Pouhere Taonga for their records prior to demolition commencing, with recording of the demolition or building alteration works lodged within six months of the works being completed.
- 3 Prior to works commencing on the facades of Coxhead's Building (31-35 Esk St), the Cambridge Arcade Building (59-61 Esk St), and the Southland Times Building (67 Esk St), a Façade Retention Plan ('FRP) shall be provided to the Council for certification that it provides suitable measures for the protection of heritage fabric and values, including but not limited to the following matters:

~~a. A full structural survey of the building is to be undertaken including details relating to the stability of the façade.~~

~~b.a.~~ Monitoring pins are established as appropriate;

~~c.b.~~ Design and detailing of temporary works to provide stability to the façade as a standalone element. The design can allow propping to the exterior or interior sides of the façade.

Note: Such design is to provide flexibility for reducing the disruption to the public in the event the façade retention is erected for an extended period of time awaiting its connection to a new building structure.

~~d.c. Design and detailing of any strengthening to the façade itself and/or foundation remedial works.~~

~~**Note:** such design detailing may be required to stabilize or deal with any issues and/or alterations to the façade openings as part of the integration with the new development. Building Consent will be required prior to partial demolition being undertaken.~~

e.d. Design and documentation for a detailed demolition/ temporary works management and construction plan for each façade retention scheme.

f.e. Confirmation that the demolition and temporary works construction will be undertaken under the supervision of a suitably qualified engineer.

~~g.f. Methods for retaining or reinstating the decorative plasterwork on the Southland Times Building façade, and for repointing and maintaining the existing unpainted brickwork in an unpainted state.~~

Note: The Council will either certify, or refuse to certify, the FRP within 20 working days of receipt. Should the Council refuse to certify the FRP, then they shall provide a letter outlining why certification is refused based on the parameters contained in this condition.

- 4 a. Heritage veranda posts listed in District Plan Appendix II.4 are to be removed under the supervision of a qualified heritage expert and stored by Council for reuse in either the replacement buildings on the site or streetworks surrounding the site.

b. The veranda that replaces the existing Fairweather's Building (58 Tay Street) is to be etched or have similar physical reference made to the pressed metal decoration of the existing veranda.

- 5 Prior to demolition commencing, each heritage building is to be surveyed by a heritage expert to identify heritage fabric to be salvaged. ~~The identification of suitable fabric is to be peer reviewed by an independent heritage expert.~~ The majority of the salvaged material is to be reused in the replacement buildings and opportunities for such use are to form part of the Construction Management Plan. Where onsite reuse is not practicable, salvaged material is to be securely stored and made available for purchase and reuse on other building projects in Invercargill.

- 6 Information gathered during the historical research, archaeological investigations, and which is collected during the recording of the post-1900 buildings is to be disseminated to the public upon the completion of each stage of construction. Such dissemination may include, but is not limited to, the installation of interpretive panels and the display of archaeological material in publicly accessible areas such as the food court, laneways, or courtyards.

DEMOLITION MANAGEMENT

- 7 ~~No demolition is to occur prior to a Building Consent for the replacement building(s) on the same or similar footprint having been lodged with the Council. No demolition is to occur prior to the consent holder confirming in writing to the Council that an unconditional agreement has been entered into for an anchor tenant on the site. For the purposes of this condition, "anchor tenant" means an entity that will occupy at least 5,000m² of the site.~~
- 8 Prior to the demolition of any of the existing buildings commencing, the Consent Holder shall provide to Council a Demolition Management Plan (DMP) for certification which provides suitable measures to avoid or mitigate the effects of demolition activities on neighbouring sites and the adjacent streets. The DMP shall include, but not be limited to, the following matters:
 - a. Details of how demolition will be staged and measures to minimise disruption to pedestrian access to the adjacent footpaths.
 - b. Measures to investigate the presence of asbestos containing material (ACM). If ACM is confirmed the preparation of an asbestos removal plan which provides for the removal of asbestos in accordance with approved methods, and its disposal at a facility authorised to accept the material to ensure effects on human health are avoided.
 - c. Measures to facilitate a Detailed Site Investigation being undertaken as part of the demolition process and measures to avoid undertaking earthworks that would pose a risk to human health until Conditions 20 and 21 have been fulfilled.
 - d. Measures to facilitate the recovery of heritage materials for reuse, in accordance with Conditions 4 and 5.
 - e. Measures to provide adequate protection of heritage kerbstones listed in Appendix II.4 of the District Plan.
 - f. Measures to avoid the collapse of weakened structures and the management of hazards to health and safety.
 - g. A Communication Plan with affected parties, including adjoining land owners and occupiers and those on the opposite side of the street to the proposed works. The communication plan shall include procedures to ensure consultation prior to high noise generating activities occurring, and the receipt, recording, and resolution of complaints.

- h. A Traffic Management Plan (TMP) which includes measures for the control of vehicle and pedestrian movements, including full or partial road closures, to ensure the safety of the public, and the continued safe and effective operation of the road network. The TMP is to also demonstrate how demolition activity will be staged across the site to minimise the need for road and footpath closures. Where the TMP includes measures relating to State Highway 1 and State Highway 6, input from the New Zealand Transport Agency is required.
- i. A Demolition Noise and Vibration Management Plan (DNVMP) outlining how noise and vibration nuisance will be mitigated during demolition activities. The plan shall specify any restrictions on work hours, physical noise mitigation to be employed, and limitations on the timing of specific activities including high noise generating activities. The DNVMP must address the relevant measures in Annex E of NZS 6803:1999 "Acoustics – Construction Noise" and Appendix B of DIN 4150-3:1999 "Structural vibration – Part 3 Effects of vibration on structures" or equivalent standard. The DNVMP is to be consistent with Conditions 11 and 12.
- j. The DMP and DNVMP shall include a specific section prepared with the input of a heritage expert, specifying how demolition and vibration effects on the former Bank of New South Wales Building (corner of Dee and Tay Streets) are to be managed to minimise adverse effects on heritage fabric.
- k. Measures for erosion and sediment control, including the prevention of sediment being carted onto roads, or entering the public stormwater system during demolition activity and prior to construction starting.
- l. Measures for the suppression of dust to be employed during demolition activity and prior to construction starting. Such measures are to ensure dust emissions beyond the site boundary are not offensive or objectionable to pedestrians on the adjacent street network or business occupiers.
- m. Details of the steps to be taken to ensure that demolition plant (particularly cranes) does not extend into Invercargill Airport Limited's "Horizontal Surface" as specified in Designation 74 in the District Plan.
- n. Details of how the site boundary perimeter fencing will be managed to provide an acceptable level of amenity and safety for pedestrians. These details are to include the use of B class hoardings where necessary. All hoardings are to be customised to share with the public the story of the redevelopment and the history of key buildings or art in conjunction with Arts Murihiku or other similar community groups.

Note: The Council will either certify or refuse to certify the DMP within 20 working days of receipt for demolition stages of less than 5,000m² gross floor area and 30 working days of receipt for demolition stages of more than 5,000m² gross floor area. Council may seek that the DMP be peer reviewed at the Consent Holder's cost. Should the Council refuse to certify the DMP, then they shall provide a letter outlining why certification is refused based on the parameters contained in this condition.

- 9 The Consent Holder shall not commence demolition of the buildings authorised by this consent until the Council's Director of Environmental and Planning Services has certified in writing that the DMP fulfils the requirements of Condition 8. The DMP may be reviewed and amended as required to achieve the outcomes of this consent, with any amended plan to be submitted to and certified by, the Council's Director of Environmental and Planning Services.
- 10 The DMP certified by the Council under Condition 9 shall be implemented for the duration of the demolition activity occurring on the site and a copy must be maintained on site.
- 11 Demolition activities which exceed the noise limits for the zone [and truck movements](#) shall occur only between the hours of 7.30am – ~~6.00pm~~ Monday to Saturday, ~~and truck movements shall only occur~~ and between ~~7.30am~~ ~~7.309.00am~~ – 5.00pm ~~Monday to~~ ~~Sundays~~ ~~Saturday~~. No activities shall occur on ~~Sundays and~~ public holidays except in cases of operational necessity.
- 12 Demolition activities shall comply with the long-term limits set out in Table 2 of NZS6803:1999 "Acoustics – Construction noise" as far as is practical. The DNVMP required under Condition 8(i) shall include measures for higher noise generating activities that cannot practically comply with NZS6803:1999.

VACANT SITE MANAGEMENT

- 13 Where portions of the site are to remain vacant for a period of more than six months, the Consent Holder shall provide to Council's Director of Environmental and Planning Services a Vacant Site Management Plan (VSMP) for certification which provides suitable measures to avoid or mitigate the amenity effects of such vacancy on neighbouring sites and the adjacent streets. The VSMP shall include, but not be limited to, the following matters:
 - a. Details of how that area will be maintained in a clean and tidy manner.
 - b. Details of how the site boundary perimeter fencing will be managed to provide an acceptable level of amenity and safety for pedestrians. These details are to include the use of B class hoardings where necessary. All hoardings are to be customised [to include viewing ports and](#) to share with the public the story of the redevelopment and the history of key buildings or art in conjunction with Arts Murihiku or other similar community groups.

- c. Details of any short-term interim use of the site for commercial, civic, or carparking activities.
 - d. Provision of a mid-block pedestrian route between Tay Street and Esk Street where such provision can be made in a safe and practicable manner.
 - e. Measures for erosion and sediment control and prevention of sediment being carted onto roads, or entering the public stormwater system.
 - f. Measures for the suppression of dust to be employed whilst the site is vacant to ensure dust emissions beyond the site boundary are not offensive or objectionable to pedestrians on the adjacent street network or business occupier.
 - g. **Note:** *The Council will either certify, or refuse to certify, the VSMP within 20 working days of receipt. Should the Council refuse to certify the VSMP, then they shall provide a letter outlining why certification is refused based on the parameters contained in this condition.*
- 14 The certified VSMP under Condition 13, shall be implemented for the duration of the site remaining vacant.

CONSTRUCTION MANAGEMENT

- 15 Prior to construction of each new stage of the development commencing, the consent holder shall provide to Council a Construction Management Plan (CMP) for certification that it provides suitable measures to avoid or mitigate the effects of construction activity on neighbouring sites and the adjacent streets. The CMP shall include, but not be limited to, the following matters:
- a. A Communication Plan with affected parties, including adjoining land owners and occupiers and those on the opposite side of the street to the proposed works. The communication plan shall include procedures to ensure consultation prior to high noise generating activities occurring, and the receipt, recording, and resolution of complaints.
 - b. A Traffic Management Plan (TMP) which includes measures for the control of vehicle and pedestrian movements, including road closures, to ensure the safety of the public, and the continued safe and effective operation of the road network. The TMP is to also demonstrate how construction activity will be staged across the site to minimise the need for long periods of road and footpath closures. Where the TMP includes measures relating to State Highway 1 and State Highway 6, input from the New Zealand Transport Agency is required.

- c. A Construction Noise and Vibration Management Plan (CNVMP) outlining how noise and vibration nuisance will be mitigated during construction activities. The plan shall specify any restrictions on work hours, physical noise mitigation to be employed, and limitations on the timing of specific activities including high noise generating activities. The CNVMP must address the relevant measures in Annex E of NZS 6803:1999 "Acoustics – Construction Noise" and Appendix B of DIN 4150-3:1999 "Structural vibration – Part 3 Effects of vibration on structures" or equivalent standard. The CNVMP is to be consistent with Conditions 18 and 19.
- d. The CMP and CNVMP shall include a specific section prepared with the input of a heritage expert, specifying how construction and vibration effects on the former Bank of New South Wales Building (corner of Dee and Tay Streets) are to be managed to minimise adverse effects on heritage fabric.
- e. Measures for erosion and sediment control and prevention of sediment being carted onto roads, or entering the public stormwater system.
- f. Measures for the suppression of dust to be employed during construction activity to ensure dust emissions beyond the site boundary are not offensive or objectionable to pedestrians on the adjacent street network or business occupiers.
- g. Measures to provide adequate protection of kerbstones listed in Appendix II.4 of the District Plan.
- h. Details of how the site boundary perimeter fencing will be managed to provide an acceptable level of amenity and safety for pedestrians. These details are to include the use of B class hoardings where necessary. All hoardings are to be that are customised to share with the public the story of the redevelopment and the history of key buildings and identities or art in conjunction with Arts Murihiku or other similar community groups.
- i. Details of the steps to be taken to ensure that construction plant (particularly cranes) does not extend into Invercargill Airport Limited's "Horizontal Surface" as specified in Designation 74 in the District Plan.

Note: *The Council will either certify, or refuse to certify, the CMP within 20 working days of receipt for construction stages of less than 5,000m² gross floor area and 30 working days of receipt for construction stages of more than 5,000m² gross floor area. Council may seek that the CMP be peer reviewed at the Consent Holder's cost. Should the Council refuse to certify the CMP, then they shall provide a letter outlining why certification is refused based on the parameters contained in this condition.*

- 16 The Consent Holder shall not commence construction of the buildings authorised by this consent until the Council has certified in writing that the CMP fulfils the requirements of Condition 15. The CMP may be reviewed and amended as required to achieve the outcomes of this consent, with any amended plan to be submitted to and certified by Council.
- 17 The CMP certified by the Council under Condition 16 shall be implemented for the duration of the construction activity occurring on the site and a copy shall be maintained on site.
- 18 Construction activities which exceed the noise limits for the zone and truck movements shall occur only between the hours of 7.30am – 6.00pm Monday to Saturday, ~~and truck movements shall only occur~~ and between ~~7.03~~ 7.00am – 5.00pm ~~Monday to Saturday~~ on Sundays. No activities shall occur on ~~Sundays and~~ public holidays except in cases of operational necessity.
- 19 Construction activities shall comply with the long-term limits set out in Table 2 of NZS6803:1999 "Acoustics – Construction noise" as far as is practical. The CNVMP required under Condition 15(c) shall include measures for higher noise generating activities that cannot practically comply with NZS6803:1999.

SOIL CONTAMINATION MANAGEMENT

- 20 Prior to earthworks being undertaken, a Detailed Site Investigation shall be undertaken under the direction of a Suitably Qualified and Experienced Practitioner ('SQEP') as defined in the NES for Assessing and Managing Contaminants in Soil to Protect Human Health ('NESCS'). For the purposes of Rule 20 earthworks shall not include works required as part of the archaeological survey.
- 21 In the event that the DSI identifies contamination above guideline values specified in the NESCS, a ~~Remediation Action Plan ('RAP')~~ Site Management Plan ('SMP') shall be prepared by a SQEP prior to ~~earthworks commencing. A copy of the test results and recommendations from a SQEP shall be provided to the Council's Director of Environmental and Planning Services prior to~~ excavated material being removed from the site.
- 22 All earthworks shall be managed in accordance with the ~~Remediation Action Plan/~~ Site Management Plan and recommendations from a SQEP.
- 23 All contaminated soil removed from the site must be disposed of at a facility whose waste acceptance criteria permit the disposal.
- 24 If contaminated material is to be retained on site and capped, a Long Term Site Management Plan shall be prepared by a SQEP, with the plan to clearly identify the location on the site of contaminated material. The applicant shall supply to Council's Director of Environmental and Planning Services a copy of the plan within two months of the completion of earthworks.

NOISE MANAGEMENT

- 25 Prior to the issue of Building Consent for any residential apartments, an acoustic design certificate from a suitably qualified acoustic engineer is to be provided to the Council demonstrating that internal sound levels will be achieved when assessed in accordance with the requirements of Rule 3.13.9(A). An alternative means of ventilation (other than opening windows) shall be provided so that compliance with Rule 3.13.9 can be achieved concurrently with any Building Code ventilation requirements.

SAFETY & EFFICIENCY OF ROAD NETWORK AND ACCESS POINTS

- 26 A visibility splay of a minimum of 5m x 2.5m shall be provided on the eastern side of the exit lane to the carpark building access onto Tay Street.
- 27 Prior to the eastern service lane located behind the Kelvin Hotel becoming operational, an audio warning device to alert pedestrians to exiting vehicle movements is to be installed adjacent to both the Tay Street and Esk Street access points.
- 28 Existing emergency egress access routes and service lane access to Tay Street are to be maintained from the rear of the existing cinema complex at 29 Dee Street. Any variation to this is to meet the egress provisions of the New Zealand Building Code and is to be approved by Fire Emergency New Zealand and Council before being adopted.

29 During the demolition and construction process, all contractors vehicles are to be parked on-site wherever possible.

SERVICING AND INFRASTRUCTURE

- 3029 The Consent Holder shall notify the Council by 1 December annually of the civic infrastructure requirements that the development will require to be delivered during the following twelve months starting 1 July.
- 3031 The Consent Holder shall notify Council by 1 March 2020 of the infrastructure needs of the development in years 1, 3, 5, and 10 of the Council's 2021 Long Term Plan.

MONITORING

- 3132 Every six months from the date that this consent is granted, the Consent Holder shall provide the Council's Director of Environmental and Planning Services with a report setting out progress towards implementing the consent, consultation undertaken with nearby landowners, the steps taken to comply with the conditions of consent, and details of any complaints received and how they were addressed.

[3233](#) In accordance with s.128 of the Resource Management Act 1991 the Council may serve notice on the Consent Holder on 1 March or 1 October of its intention to review, in whole or in part, the conditions of this consent to deal with any adverse effect on the environment which may arise from the exercise of the consent and which it is appropriate to deal with at a later stage.

ADVICE NOTES

- i. In the conditions where a document is to be certified by Council, this shall be done on the recommendation of an Independent Commissioner.
- ii. For clarification an Independent Commissioner shall be a person who holds the Making Good Decisions certification awarded by the Ministry for the Environment
- iii. No works shall be undertaken within State Highway 1 or State Highway 6 without the prior approval of the New Zealand Transport Agency pursuant to Section 51 of the Government Roothing Powers Act 1989. Such works may include but are not exclusive to the design and formation of the access and associated slip lanes to the Tay Street parking building.
- iv. Any works undertaken on Council land, including temporary road stopping, works to Council-controlled infrastructure, alterations to on-street carparking, alterations to the existing streetlights, landscaping, and street furniture etc and any right to occupy are subject to separate approval processes.
- v. The granting of this consent does not imply pre-approval of Council investment or provision of network infrastructure to the site.
- vi. An Archaeological Authority is required under Section 44 of the Heritage New Zealand Pouhere Taonga Act (2014). The applicant is advised to discuss these requirements with HNZPT prior to undertaking any modification of the site or pre-1900 buildings.