



FINAL REPORT: 26 March 2015

Economic Analysis of Development Options for Millbrook

PREPARED FOR

Millbrook Country Club Limited

Authorship

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Executive Summary

Context and Purpose of Report

Millbrook Resort is a world-class golf and spa resort based in Arrowtown, Queenstown. Last year, it purchased 66 hectares of adjacent land to enable ongoing development. To support possible rezoning, this report assesses the relative benefits and costs of the economic effects anticipated from Millbrook's preferred rezoning provisions as required by section 32 of the RMA (included as a schedule at the end of this report), and two other options.

- **Option 1 – Low Intensity Residential Development** – The lower slopes nearer Malaghans Road are subdivided into 12 low-density residential lots in a manner similar to existing Millbrook neighbourhoods and a 13th lot to include the existing cottage and shed, with the remaining land (being around two-thirds of the total Dalglish Farm) sold with no anticipated change from its current land use.
- **Option 2 – Large-Lot Rural Residential Development** – Most of Dalglish Farm is subdivided into 10 rural lots, each enabling one residential home and six low-density residential lots in a manner similar to existing Millbrook neighbourhood. A two hectare block without a residential development right is sold (possibly to a neighbour).
- **Option 3 – Comprehensive Golf / Residential Development** – Dalglish Farm is comprehensively developed to enable nine holes of golf and 49 residential lots. Grazing will continue on part of the farm and some land will be retired for conservation purposes. A two hectare block without a residential development right is sold (again, possibly to a neighbour) and remains outside of the resort (Millbrook's preferred rezoning provisions).

Methodology

Once the requirements of s32 RMA had been identified and practicable options had been identified through discussions with Millbrook, we developed a set of financial models to analyse their impacts. The first applied to all three options and modelled the residential development process, right from land acquisition through to the sale of new lots and dwellings. It was closely based on Millbrook's own internal analyses, with minor modifications.

The second model applied only to option 3. It covered the development and operation of the additional golf holes, including flow-on effects for Millbrook and the rest of the district. It translated the additional holes into estimates of additional rounds played, which were then converted into estimates of extra tourist nights and hence extra tourist spending. Combined with the first model above, it provided a complete picture of each option's financial impacts, both at Millbrook and also further afield.

To complete the analysis, we also needed to calculate the economic impacts of each option in terms of their contributions to regional GDP, incomes and employment. This was done using a two-step process. First, we analysed the direct effects of each option. Then, we estimated the various flow-on effects to yield total economic impacts.



Economic Impacts of Development Activities

Table 1 summarises the estimated economic impacts associated with the development component of each option. The combined residential and golf course development associated with Option 3 provides the greatest regional economic impacts. For example, it is estimated to provide a one-time GDP boost of \$21.2 million, and provide a year's employment for 525 full-time workers. Conversely, the economic impacts of option 1, which includes only residential development, are about four times lower.

Table 1: One-off Regional Economic Impacts of Property Development (\$m)

Options	GDP	Employment	Hhld Incomes
Option 1	\$5.7	150	\$3.7
Option 2	\$7.7	205	\$5.0
Option 3	\$21.2	525	\$13.3

Economic Effects of the Golf Course Development

Our analysis of the golf course development showed that the financial and economic benefits of option 3 would extend well beyond those shown above for residential development activities. Indeed, the attraction of high-yielding tourists – to play the additional holes – will have significant spin-offs. For example, we conservatively estimate the following annual impacts for the first full year of operations following a bedding-in period:

- 12,400 additional rounds of golf played,
- 8,800 additional tourist nights, 55% of which are spent at Millbrook and 45% of which are spent elsewhere in the district.
- Additional tourist spending of \$3.9 million, 40% of which accrues to Millbrook and 60% of which leaks out to the rest of the district, and
- Increased regional GDP of \$4.0 million, 70 additional full-time jobs and increased household incomes of \$1.8 million.

Preferred Option and Recommendations

Based on the analysis described above, option 3 is our preferred option because it:

- Represents the highest and best use of the land – a prerequisite for economic efficiency in the land market.
- Enables an integrated development that will complement the resort's existing offer, thus improving its ability to attract high-yielding tourists,
- Directly supports the New Zealand International Golf Tourism Strategy, and
- Provides significant financial and economic benefits for the rest of the district.

Conclusion and Recommendation

This report has analysed three possible options for the newly-acquired land and found that option 3 significantly outperforms the others on financial and economic grounds.



Accordingly, we recommend that:

- Millbrook pursue option 3; and
- Council acknowledge and support option 3 in order to secure the significant district-wide benefits estimated herein.



1 Introduction

This section outlines useful background information for the report.

1.1 Context

Millbrook Resort is a world-class golf and spa resort based in Arrowtown, which opened in 1993 and has grown ever since. Last year, it sought – and received – consent from the Overseas Investment Office (OIO) to purchase 66 hectares of adjacent farm land for the purposes of ongoing development. The map below identifies the new land.

Figure 1: Location of the Recently-Acquired Land



1.2 Scope and Purpose of this Report

In order for Millbrook to realise its development vision, part of the Dalglish Farm needs to be rezoned for development. As part of that process, Millbrook commissioned this report to analyse the economic effects of three possible development options in terms of section 32 of the RMA. We understand that the suggested district plan provisions which would enable Option 3 to occur are being promoted for possible inclusion in the District Plan. Information about those provisions provided by Millbrook and available from other sources was sufficient for identifying the economic effects and their costs and benefits.

1.3 Development Options

Following are the three development options analysed in this report:

- **Option 1 – Low Intensity Residential Development** – The lower slopes nearer Malaghans Road are subdivided into 12 low-density residential lots in a manner similar to existing Millbrook neighbourhoods and a 13th lot to include the existing

cottage and shed, with the remaining land (being around two-thirds of the total Dalglish Farm) sold with no anticipated change from its current land use.

- **Option 2 – Large-Lot Rural Residential Development** – Most of Dalglish Farm is subdivided into 10 rural lots, each enabling one residential home and six low-density residential lots in a manner similar to existing Millbrook neighbourhood. A two hectare block without a residential development right is sold (possibly to a neighbour).
- **Option 3 – Comprehensive Residential/Golf Development** – Dalglish Farm is comprehensively developed to enable nine holes of golf and 49 residential lots. Grazing will continue on part of the farm and some land will be retired for conservation purposes. A two hectare block without a residential development right is sold (again, possibly to a neighbour) and remains outside of the resort. It is important to note that, while this report considers the golf and residential components of option 3 separately, the two activities could not occur independent of one another.

1.4 Understanding the Dynamics of the Golf Tourism Market

As just shown, option 3 includes the development of nine extra golf holes. While this will obviously attract more players to Millbrook for its benefit, a significant share of the benefits will actually accrue to other district businesses via the attraction of additional high-yielding tourists. This role of golf courses as catalysts for regional economic growth was one of the key themes of the New Zealand International Golf Tourism Strategy, which was launched by Tourism New Zealand in 2013¹. It notes that:

- New Zealand is a distinctive golf destination waiting to be discovered. However, it currently captures less than 0.3% of the \$32 billion international golf tourism market.
- To improve competitiveness, golf product should be grouped into two trails – one per island – with each anchored by world-class “marquee courses” like Millbrook.
- The public and private sector should be encouraged to invest in new and existing golf facilities that will make meaningful contributions to those trails.
- However, international destination case studies indicate that only 20-25% of the economic impact of golf tourism is realised by the golf facilities.
- Accordingly, regional tourism organisations (RTOs) and councils should be engaged to support the development and improvement of new and existing golf facilities.

To reflect this, our analysis of the golf course development explicitly models the financial and economic impacts on the rest of the district.

¹ <http://www.tourismnewzealand.com/media/1216411/nz-international-golf-strategy.pdf>

1.5 Structure of this Report

The remainder of this report is structured as follows:

- **Section 2** describes the methodology used to estimate the impacts of each option
- **Section 3** estimates the impacts of residential development for each option
- **Section 4** estimates the golf and resort-related impacts for option 3
- **Section 5** selects a preferred option, and
- **Section 6** concludes and makes recommendations.

2 Methodology

This section describes the methodology used to estimate the impacts of each option.

2.1 Steps in the Analysis

Figure 2 shows the key steps in the analysis.

Figure 2: Key Steps in the Analysis



The rest of this section describes the various models built to enable the analysis.

2.2 Financial Models

We developed two financial models and merged their results to analyse the overall impacts of each option. The two models were:

1. A residential development model, which applied to **all options**; and
2. A course/resort development & operating model, which applied just to **option 3**

Each model is discussed further below.

2.3 The Residential Development Model

The following diagram illustrates the scope and logic of our residential development model, which started with the acquisition of the new land and finished with the sale of completed product (i.e. land and land/dwelling packages).

Figure 3: Scope of the Residential Development Model



Most of the inputs and assumptions in our residential development model were taken directly from Millbrook's own analyses, which provided detailed information on:

- Land acquisition costs and associated financing arrangements;
- The number of potential development lots for each option,
- the associated timings, and average sale prices by type of lot;
- Earthworks and site preparation costs;
- Construction costs and likely development margins; and
- Sales, marketing, and legal costs.

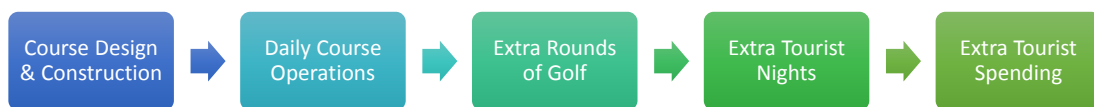
While Millbrook’s internal models provided a solid basis for this analysis, some simplifying assumptions had naturally been made. One was to ignore the fact that Country Club membership is a pre-requisite to purchasing property at the resort. For completeness, we coded this in to catch the resulting revenue streams.

In addition, we made some minor adjustments to the assumed timing of lot sales to reflect the possibility of a delay. Otherwise, our residential development model was essentially a direct copy of Millbrook’s own internal analysis.

2.4 The Course/Resort Development and Operating Model

Unlike the residential development model above, a significant amount of work was required to accurately estimate the likely direct and spin-off effects of the golf course development in option 3. The following diagram illustrates the raw logic of the model that we built for this purpose. It starts with course design and construction, and runs right through to capture induced tourist spending.

Figure 4: Scope of the Resort Development and Operating Model



Fundamentally, the model assumes that the extra nine holes induces extra rounds of golf, which in turn generates extra tourist nights and hence extra tourist spending. This is because, in practice, the existing 27 holes can only operate as one 18-hole course on any given day. However, with the extra nine holes, Millbrook can operate two 18-hole courses at the same time, which effectively doubles its capacity.

To estimate the number of additional rounds, we reviewed the experience of overseas resorts that had also expanded course capacity. This led to a conservative estimate that total rounds played at Millbrook would increase by 80% relative to the status quo.²

Next, the number of additional rounds was converted to an estimate of additional stay nights by assuming that:

- 90% of additional rounds would be played by visitors versus locals (based on the mix in 2014), and that
- Each additional round played by visitors would generate an additional 0.8 stay nights in the district.³

² Note that we allow for a 5-year bedding-in period for the popularity of the full course to spread. Also, future rounds are also expected to grow organically under the status quo due to ongoing increases in visitor growth. To project these forward, we applied a conservative long-run annual growth rate of 2.2% - which is four times less than the actual growth rate over the last five years.

³ This is conservative, with the literature commonly assuming that each additional round equals one additional night. However, we consider it reasonable to assume that only 80% of additional rounds generate additional nights, with the other 20% being fitted into existing schedules.

To split the additional stay nights between Millbrook and other district accommodation providers, we used detailed records kept by Millbrook. These showed that, on average, 55% of visiting players stayed at the resort, while 45% stayed elsewhere in Queenstown.

Combining the various assumptions above produced annual estimates of additional nights spent at (i) Millbrook, and (ii) all other district providers. To convert these to estimates of additional tourist spending, we then applied a daily spending profile derived by calibrating official spending data (from Tourism New Zealand) with player-specific spending data provided by Millbrook.

Applying this spending profile to our estimates of additional nights produced estimates of additional tourist spending, again split between Millbrook and all other district businesses.

2.5 Converting Financial Impacts to Economic Impacts

The purpose of the models above was to understand the likely financial impacts of each option, mainly on Millbrook, but also further afield. To complete the analysis, we also needed to calculate the corresponding economic impacts of each option (in terms of their contributions to regional GDP, incomes and employment). These were calculated using a two-step process, as briefly described below.

First, we analysed the direct economic effects of each option by estimating the extent to which they directly bolstered GDP, incomes and employment. Then, we estimated the corresponding flow on effects associated with the:

- Ripple effect of Millbrook's own supply-chain spending, and
- Increased tourist spending by the additional Millbrook players.

Both sets of flows were fed into a highly detailed matrix – called an input output table – to estimate the economic impact of each option, as reported in the following sections.

To ensure that the analysis was as up-to-date and robust as possible, it incorporates the latest (2011) input output tables derived by Insight Economics last year. These are a considerable improvement on the previously-available 2007 tables, which are now out of date.⁴

⁴ For more information about our tables, please see our website: <http://insighteconomics.co.nz/input-output-tables/>

3 Analysis of Property Development Impacts

This section analyses the impacts of each option with respect to residential property development. For options 1 and 2, these represent the full impacts. For option 3, however, there are further impacts relating to the golf course development, which are not covered in this section. All figures in this section are exclusive of GST.

3.1 Description of the Product

Each option includes the creation of new residential lots – most of which will be sold as land only, while some lots will be developed and sold as completed land and dwelling packages. Overall, this process is expected to take between five and eight years depending on the intensity of development involved.

The following table shows the number of new lots created under each option.

Table 2: Residential Property Development Assumptions

Lots and Selling Prices	Option 1	Option 2	Option 3
New Lots Created	13	16	49
Lots Sold as Land Only	10	16	39
Lots Sold as Land & Dwellings	3	0	10

3.2 Key Assumptions

As always, a number of assumptions were made to enable the analysis. These are tabulated below.

Table 3: Residential Property Development Assumptions

General Assumptions	All Options
Design and Plan Change Costs	\$1,300,000
Build Cost per Millbrook Dwelling	\$1,500,000
Build Cost per Private Dwelling	\$2,500,000
Margin on Dwelling Construction	10%
Membership Application Fees (one-off)	\$20,000
Membership Fees (annual)	\$2,800
Selling Cost (% of Sale Price)	3.5%
Marketing (% of Sale Price)	1.0%
Legal Costs per lot	\$5,000
Contingency	5.0%
Rental of Existing Cottage p.a.	\$19,500

3.3 Development Costs to Millbrook

Table 4 shows the estimated development costs for each option.⁵ These range from \$17 million under option 1 to \$39 million under option 3.

Table 4: Estimated Development Costs (\$millions)

Development Costs	Option 1	Option 2	Option 3
Land Acquisition	\$7.0	\$7.0	\$5.3
Land Development	\$3.9	\$6.5	\$16.3
Dwelling Construction	\$4.5	\$0.0	\$15.0
Sales and Marketing	\$1.0	\$1.2	\$2.9
Total Costs	\$16.5	\$14.6	\$39.4

For options 1 and 2, land acquisition costs both equal \$7 million. However, for option 3, they are 25% less. This is because option 3 also includes the golf course development, which has been allocated a quarter share of the land acquisition cost.

Acquisition aside, development costs exhibit a clear and intuitive pattern. Namely, that they are higher for options with greater levels of development. For example, dwelling construction costs are about 3 times higher under option 3 than option 1, and so too are the number of dwellings constructed.

3.4 Economic Impacts

Finally, we summarise the impacts of each option's residential development activities on regional GDP, incomes and employment. The impacts presented below include all construction impacts regardless of whether the dwellings are constructed by Millbrook or a third party. They include both direct effects, and also flow-on effects, as set out in the table below.

Table 5: Estimated Regional Impacts of Residential Property Development (\$m)

Option 1	GDP	Employment	Hhld Incomes
Direct	\$2.8	100	\$2.3
Flow-On	\$2.9	50	\$1.5
Total	\$5.7	150	\$3.7

Option 2	GDP	Employment	Hhld Incomes
Direct	\$3.8	135	\$3.1
Flow-On	\$3.9	70	\$2.0
Total	\$7.7	205	\$5.0

Option 3	GDP	Employment	Hhld Incomes
Direct	\$9.1	315	\$7.2
Flow-On	\$9.0	155	\$4.5
Total	\$18.1	470	\$11.7

⁵ Note that the costs in Table 4 are only the costs to Millbrook and ignores those construction costs incurred by private parties building homes on the land only sites.

Table 5 shows that all three options are likely to have significant regional economic impacts. For example, option 1 is estimated to provide a one-time boost in regional GDP of \$6 million, while option 3 is estimated to provide a one-time GDP boost of over \$18 million. As expected, option 3 provides significantly higher economic impacts across the board because it involves far more intense levels of development. In addition, option 3 has significant ongoing impacts on the economy once the extended golf course is complete. These are examined in detail below.

3.5 Summary and Conclusion

This section has analysed the likely economic impacts of the residential development activities associated with each option. It has shown that the development associated with option 3 provides the greatest economic impacts for the region.

4 Analysis of Golf-Related Impacts

In addition to the impacts associated with property development, option 3 generates a number of additional benefits for the regional economy. This section analyses the impacts of the golf course development component of option 3. Please note that the results presented here need to be read alongside those of the previous section to fully compare the options under consideration. While we analyse residential and golf course impacts separately, they each form a vital component of the overall package under option 3. Indeed, as neither component could occur separately, we recommend reading the impacts presented in this section in conjunction with those presented above for option 3.

4.1 Course Design and Construction

Our analysis of golf-related impacts starts with course design and construction, which is expected to be complete by 2019. The associated costs are tabulated below.

Table 6: Course Design and Construction Costs

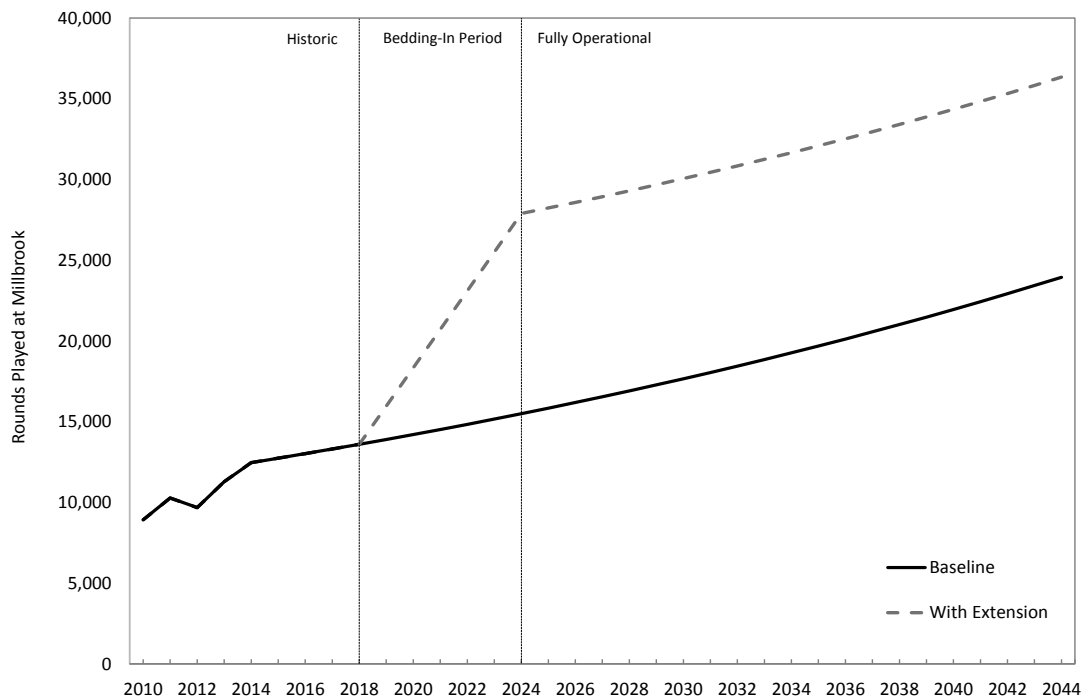
Cost Elements	Cost \$m	Shares
Land Acquisition	\$1.8	16%
Design and Plan Change Costs	\$0.5	5%
Golf Course Development	\$8.0	75%
Contingency	\$0.4	4%
Total	\$10.6	100%

Overall, course design and construction is expected to cost just over \$10 million, three-quarters of which relates to physical construction. The other major cost item is the 25% share of land acquisition costs allocated to the course, which equate to \$1.8 million when completed in parallel with residential development.

4.2 Additional Golf Rounds

As noted earlier, the addition of an extra nine holes is expected to significantly boost the number of rounds played at Millbrook and the overall rounds played within the region. The following chart shows the result, where the number of rounds is assumed to be 80% higher than the status quo in 2024, after a 5-year bedding-in period during which the popularity of the new course grows.

Figure 5: Projected Impact on Annual Rounds Played



To estimate the number of rounds expected to occur under the status quo, we assumed that they would grow at 2.2% per annum, which is four times slower than the actual rate over the last 4 years. While this may seem pessimistic, we consider it reasonable given that the course will eventually hit capacity constraints that limit further growth anyway.

Applying this growth rate to the number of rounds in 2014 produces the solid black line shown in the chart above. The dotted grey line, conversely, shows the number of rounds expected to occur with the extension.⁶

The difference between the black and dotted grey lines therefore represents the net increase in rounds generated by the extra holes for Millbrook and the region. These in turn give rise to the additional nights and expenditure that form the main focus of this section of the report.

4.3 Financial Impacts of Course as Stand-Alone Entity

Before analysing the wider impacts of the projected additional rounds, we first review the financial health of the new course as a stand-alone entity. This is shown in the table below, which calculates the NPV over a 25-year period at a discount rate of 10%. It assumes that 25% of the \$7 million land acquisition costs are attributed to the golf course under option 3, with the remainder allocated to property development

⁶ We assume that after a 5-year bedding in period the number of rounds in 2024 is 80% greater than the status quo, or an additional 12,400 rounds. Each year thereafter we assume that the number of rounds under the extension is consistently 12,400 above the status quo.

Table 7: Financial Impacts of Course Development and Operations (\$000s)⁷

Year	Land & Construction	Operating Expenses	Operating Revenues	Net Cash Flow
2014	-\$960	\$0	\$0	-\$960
2015	-\$1,100	\$0	\$0	-\$1,100
2016	-\$270	\$0	\$0	-\$270
2017	-\$2,190	\$0	\$0	-\$2,190
2018	-\$6,100	\$0	\$0	-\$6,100
2019	\$0	-\$460	\$150	-\$310
2020	\$0	-\$460	\$310	-\$150
2021	\$0	-\$460	\$460	\$0
2022	\$0	-\$460	\$620	\$160
2023	\$0	-\$460	\$770	\$310
2024	\$0	-\$460	\$920	\$460
2025	\$0	-\$460	\$920	\$460
2026	\$0	-\$460	\$920	\$460
2027	\$0	-\$460	\$920	\$460
2028	\$0	-\$460	\$920	\$460
2029	\$0	-\$460	\$920	\$460
2030	\$0	-\$460	\$920	\$460
2031	\$0	-\$460	\$920	\$460
2032	\$0	-\$460	\$920	\$460
2033	\$0	-\$460	\$920	\$460
2034	\$0	-\$460	\$920	\$460
2035	\$0	-\$460	\$920	\$460
2036	\$0	-\$460	\$920	\$460
2037	\$0	-\$460	\$920	\$460
2038	\$0	-\$460	\$920	\$460
NPV @ 10%	-\$7,270	-\$2,430	\$3,730	-\$5,970

The results above confirm the common finding that golf courses are seldom commercially viable in their own right, and are instead valued for their ability to generate on-spend for other parts of the resort.

4.4 Additional Stay Nights

The next step in the analysis was to convert the additional rounds associated with the additional holes into additional stay nights. This was done by assuming that:

- Just as in 2014, 90% of the extra rounds would be played by tourists (not locals),
- Each additional tourist would generate an extra 0.8 nights per round⁸, and
- 55% of those nights would be at Millbrook, and 45% elsewhere in the district (just as in 2014).

The following table shows the resulting increase in annual nights at 5-yearly intervals from the assumed first year of operation (2019). Following a 5-year bedding in period the additional number of visitor-nights are constant because, as explained in footnote 6,

⁷ Note that the figures in this table are constant in real terms from 2024 onward. This is due to the assumption that additional rounds are consistently 12,400 above the status quo, as in footnote 6 above.

⁸ This is conservative. The New Zealand International Golf Tourism Strategy - and also Millbrook's own OIO analysis - assumed that each round would generate 1.0 additional nights.

the additional number of rounds is assumed to be consistently 12,400 above the status quo.

Table 8: Estimated Increase in Annual Visitor Nights

Year	Spent at Millbrook	Rest of District	Total
2019	810	660	1,470
2024	4,830	3,950	8,780
2029	4,830	3,950	8,780
2034	4,830	3,950	8,780
2039	4,830	3,950	8,780
2044	4,830	3,950	8,780

Overall, the additional rounds are estimated to generate an additional 8,780 visitor nights per annum from 2024 onward.

4.5 Additional Tourist Spending

Every additional night spent in the district will give rise to additional tourist spending on a range of typical tourism products, such as food and beverages. To calculate these effects, we overlaid the projected increases in nights above with the following daily spend profile derived specifically for Millbrook players.

Table 9: Assumed Daily Spend and Millbrook Share by Place of Accommodation

Spend Category	Average Spend per Stay-Night	Staying at Millbrook		Staying Elsewhere	
		Spend at Millbrook	Spend in Rest of District	Spend at Millbrook	Spend in Rest of District
Accommodation	\$180	100%	0%	0%	100%
Food and Beverage Services	\$75	100%	0%	20%	80%
Road Transport	\$40	0%	100%	0%	100%
Fuel	\$17	0%	100%	0%	100%
Other Retail Sales	\$67	0%	100%	0%	100%
Other Tourism Products	\$33	0%	100%	0%	100%

The following table shows the resulting increases in annual tourism expenditure, again at 5-yearly intervals.

Table 10: Estimated Increase in Annual Visitor Spending (\$millions)

Year	Spent at Millbrook	Rest of District	Total
2019	\$0.3	\$0.4	\$0.6
2024	\$1.6	\$2.3	\$3.9
2029	\$1.6	\$2.3	\$3.9
2034	\$1.6	\$2.3	\$3.9
2039	\$1.6	\$2.3	\$3.9
2044	\$1.6	\$2.3	\$3.9

Our estimates suggest that the additional holes could lead to increased visitor spending of \$3.9 million per annum from 2024 onwards. Around 40% of this is expected to be



captured by Millbrook, with the remaining 60% accruing to a range of tourism-oriented district businesses, such as hotels, restaurants and bars.

The figures derived above confirm the findings of the International Golf Tourism Strategy, namely that courses do indeed act as catalysts for economic growth. While the share captured by Millbrook is higher than the average mentioned in the strategy (40% vs 25%) this is simply because Millbrook's course is attached to a resort, enabling it to capture more than just golf-related revenues from players. Either way, our analysis shows that over half of the resulting tourist expenditure leaks out for the benefit of other businesses.

4.6 Economic Impacts

Finally, we turn our attention to the likely economic impacts associated with the construction and operation of the additional holes, including the induced increases in visitor spending. These are shown in the three tables below. As a matter of explanation:

- The first table shows the one-off impacts of course design and construction,
- The second shows the annual impacts associated with extra economic activity at Millbrook, and
- The third shows the impacts associated with additional economic activity in the rest of the district.

Table 11: One-off Impacts of Course Design and Construction (\$m)

Impacts	GDP	Employment	Hhld Incomes
Direct	\$2.4	45	\$1.3
Flow-On	\$0.8	10	\$0.3
Total	\$3.1	55	\$1.6

Table 12: Annual Impacts of Extra Activity at Millbrook (\$m)

Impacts	GDP	Employment	Hhld Incomes
Direct	\$2.2	25	\$0.8
Flow-On	\$0.3	5	\$0.2
Total	\$2.5	30	\$1.0

Table 13: Annual Impacts of Extra Activity Elsewhere in District (\$m)

Impacts	GDP	Employment	Hhld Incomes
Direct	\$1.1	35	\$0.7
Flow-On	\$0.3	5	\$0.1
Total	\$1.5	40	\$0.8

Overall, our analysis shows that the development and operation of the additional nine holes will facilitate significant and enduring economic impacts. For example, we

estimate ongoing employment for 70 people, increased household incomes of \$1.8 million and increased regional GDP of \$4.0 million.



5 Selection of Preferred Option

Having analysed the likely financial and economic impacts of each option in considerable detail, option 3 is preferred because it:

- Represents the highest and best use of the land – a prerequisite for economic efficiency in the land market.
- Enables an integrated development that will complement the resort's existing offer, thus improving its ability to attract high-yielding tourists.
- Directly supports the New Zealand International Golf Tourism Strategy, and
- Provides significant financial and economic benefits for the rest of the district.

6 Conclusions & Recommendations

This report has analysed three possible options for the newly-acquired land and found that option 3 significantly outperforms the others on financial and economic grounds.

Accordingly, we recommend that:

- Millbrook pursue option 3; and
- Council acknowledge and support option 3 in order to secure the significant district-wide benefits estimated herein.

Schedule - Resource Management Act 1991

32. Requirements for preparing and publishing evaluation reports

- (1) An evaluation report required under this Act must—
 - (a) examine the extent to which the objectives of the proposal being evaluated are the most appropriate way to achieve the purpose of this Act; and
 - (b) examine whether the provisions in the proposal are the most appropriate way to achieve the objectives by—
 - (i) identifying other reasonably practicable options for achieving the objectives; and
 - (ii) assessing the efficiency and effectiveness of the provisions in achieving the objectives; and
 - (iii) summarising the reasons for deciding on the provisions; and
 - (c) contain a level of detail that corresponds to the scale and significance of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the proposal.
- (2) An assessment under subsection (1)(b)(ii) must—
 - (a) identify and assess the benefits and costs of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for—
 - (i) economic growth that are anticipated to be provided or reduced; and
 - (ii) employment that are anticipated to be provided or reduced; and
 - (b) if practicable, quantify the benefits and costs referred to in paragraph (a); and
 - (c) assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.
- (3) If the proposal (an **amending proposal**) will amend a standard, statement, regulation, plan, or change that is already proposed or that already exists (an **existing proposal**), the examination under subsection (1)(b) must relate to—
 - (a) the provisions and objectives of the amending proposal; and
 - (b) the objectives of the existing proposal to the extent that those objectives—
 - (i) are relevant to the objectives of the amending proposal; and
 - (ii) would remain if the amending proposal were to take effect.
- (4) If the proposal will impose a greater prohibition or restriction on an activity to which a national environmental standard applies than the existing prohibitions or restrictions in that standard, the evaluation report must examine whether the prohibition or restriction is justified in the circumstances of each region or district in which the prohibition or restriction would have effect.
- (5) The person who must have particular regard to the evaluation report must make the report available for public inspection—
 - (a) as soon as practicable after the proposal is made (in the case of a standard or regulation); or
 - (b) at the same time as the proposal is publicly notified.
- (6) In this section,—

objectives means,—

 - (a) for a proposal that contains or states objectives, those objectives;
 - (b) for all other proposals, the purpose of the proposal

proposal means a proposed standard, statement, regulation, plan, or change for which an evaluation report must be prepared under this Act

provisions means,—

 - (a) for a proposed plan or change, the policies, rules, or other methods that implement, or give effect to, the objectives of the proposed plan or change;
 - (b) for all other proposals, the policies or provisions of the proposal that implement, or give effect to, the objectives of the proposal.