Appendix 12: Insight Economics Report

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Final Report: 19 May 2025

Economic Assessment of Proposed Industrial Rezoning in Lorneville, Invercargill City

Prepared for: **Tulloch Limited**

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1. Executive Summary

Context

Tulloch Limited (the **applicant**) owns approximately 9.7 hectares of rural zoned land on the northern outskirts of Invercargill City (the **site**). The applicant is seeking a private plan change to rezone the site to Industrial 1 (Light) Zone (**IND1Z**). This report was commissioned to help inform and support the proposal by assessing its likely economic effects. It assumes that the proposal will enable an additional 6.3 hectares of developable land, upon which about 19,000 m^2 of industrial floorspace could be built over time.

Key Findings

The key findings of our assessment are that:

- Industry plays a vital role in the local economy. This extends well beyond the Tiwai Point aluminium smelter, which alone contributes over $400 million annually to the Southland economy.

- Occupier demand for local industrial premises is positive. At the same time, supply is limited across the region, with a particular shortage of industrial space in Invercargill.

- Employment in the city's light industrial zones has increased by 50% over the past 20 or so years, with the construction sector experiencing the highest rate of growth.

- Beyond directly increasing industrial land supply, the economic rationale for the proposal includes its potential to address a shortage of large lots and its compatibility with industrial site and location criteria.

- We used a common graphical technique called supply-demand analysis to illustrate likely impacts on the industrial land market. In short, the proposal will increase the supply of industrial land, which will reduce the average land price, thereby making industrial land relatively more accessible and affordable to prospective future owners and occupiers.

- The proposal will also have wider economic effects. They include the one-off impacts of future development activity, which we estimate could sustain 184 full-time equivalent (**FTE**) jobs, generate $13 million in wages/salaries, and boost GDP by $23 million.

- Further, once operational, future activities supported onsite could sustain full time work for 190 people, generate over $13 million in annual wages/salaries, and provide $24 million of GDP annually.

- The main offsetting economic cost is the loss of rural production. However, the rural productive potential of the site is curtailed by existing land uses, with the balance of land currently in very low-value rural use.

- Accordingly, the proposal represents a superior economic outcome for the subject site, and we support it on that basis.

2. Introduction

2.1 Context and Purpose of Report

Tulloch Limited (the **applicant**) owns approximately 9.7 hectares of rural zoned land in Lorneville, on the northern outskirts of Invercargill City (the **site**). The site accommodates a large wool store, with much of the remaining land currently underutilised. To enable the land to be put to its highest and best use, the applicant is seeking a private plan change to rezone the site for light industrial use (the **proposal**).

2.2 Scope of Assessment

This report assesses the likely economic effects of the proposal. Based on direction from the project team:

- It does not assess the proposal against the requirements of the National Policy Statement for Highly Productive Land (**NPS-HPL**), which are set out in **Appendix A**.
- It does not consider future industrial activity in the Industrial 4 (Awarua) Zone (**IND4Z**). The IND4Z land was purchased by Calder Stewart in 2022 with the intention of developing Australasia's largest heavy industrial business park, known as "Awarua Quadrant." We understand the development is still in preliminary planning stages, and will therefore not be available to meet short to medium term demand.

2.3 Structure of Report

The remainder of this report is structured as follows:

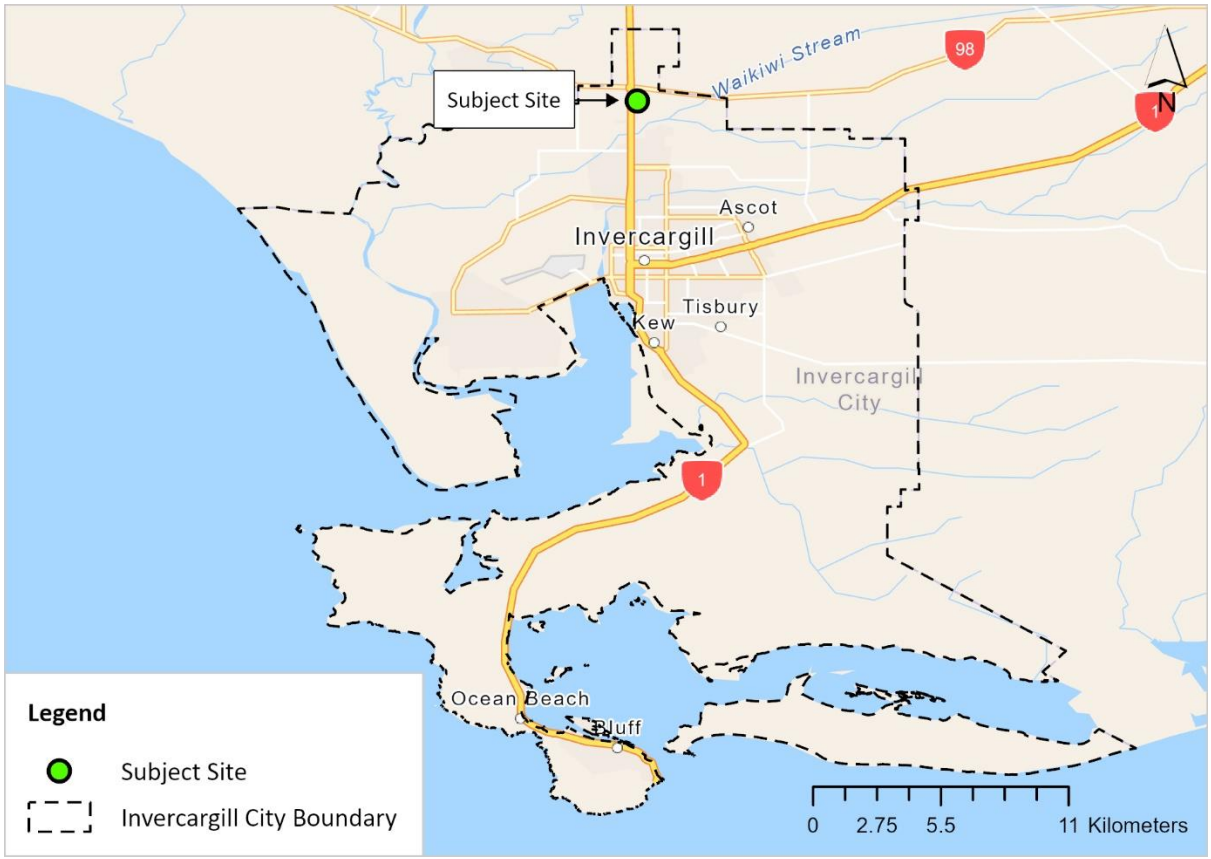
- **Section 3** locates the site and describes the proposal.
- **Section 4** briefly describes the local industrial market to provide context for the proposal.
- **Section 5** describes the economic rationale for the rezoning.
- **Section 6** illustrates the impacts of the proposal on the industrial land market.
- **Section 7** considers the likely wider economic impacts of the proposal.
- **Section 8** summarises the overall costs and benefits of the proposal.

3. About the Subject Site

3.1 Site Location and Description

The subject site is located approximately seven kilometres north of central Invercargill in Lorneville. It is bound by North Road (SH6) to the west and rural lifestyle blocks to the north, east and south. The site itself is rectangular and spans an area of approximately 9.7 hectares. The green dot on the map below denotes the site's location.

Figure 1: Subject Site Location



3.2 Current Use and Receiving Environment

The subject site accommodates a wool store that was constructed in 1960 and spans a gross floor area (**GFA**) of approximately 19,200 m^2. It is currently occupied by Wools of New Zealand, Segard Masurel, and OJI Fibre Solutions and is used for the storage and resorting of wool, as well as packaging storage and general storage. In addition, the site currently accommodates two dwellings, with the remaining land used for low-intensity rural production.

Figure 2 below shows a satellite view of the site and its immediate receiving environment.

Figure 2: Receiving Environment

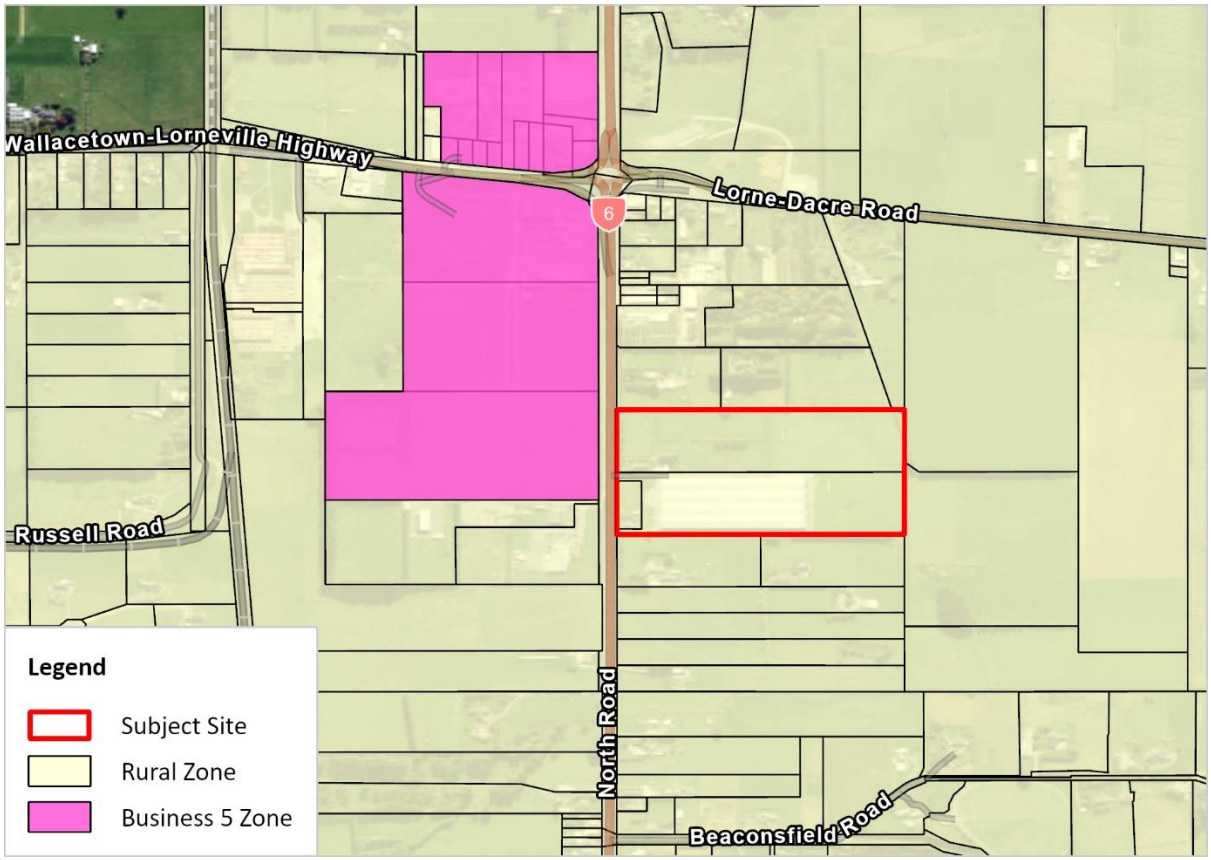


The land surrounding the site is in a variety of uses. There is a small Buddhist temple / community centre located immediately north of the site, while further north is a garden centre as well as the privately owned Malahide Gardens. The western side of North Road currently accommodates a butcher and adventure sports centre, north of which is a large tract of vacant land. Land to the south and east of the site appears to be in a mix of rural and rural-residential use.

3.3 Current Zoning

The site is currently zoned Rural Zone under the Invercargill City District Plan. The surrounding area is predominantly zoned for rural use, with the exception of about 24 hectares of land west of North Road that is zoned Business 5 (Rural Service) Zone. See Figure 3 below.

Figure 3: Subject Site Zoning



3.4 About the Proposal

The proposal seeks to rezone the subject site to Industrial 1 (Light) Zone (**IND1Z**). This would enable the following activities to establish onsite as permitted activities (subject to the relevant development standards)[1]:

- Caretaker accommodation;
- Community corrections facility;
- Essential services;
- Land transport facility;
- Light industry;
- Motor vehicle sales;
- Take-away food premises (not exceeding 150 m^2); and
- Trade retail.

3.5 Indicative Yields

Although not required by the proposed plan change provisions, we understand that the applicant intends to retain the existing wool store if the submission is successful. Accordingly, we limit our assessment to the impacts of industrial development enabled on the balance of the site, minus an

[1] As per IND1-R1

allowance of 20% for infrastructure / roading provision. This translates to a net developable area of **6.3 hectares**, as set out in Table 1 below.

Table 1: Net Developable Area Enabled by proposal

Measure	**Value (ha)**
Site area	9.7
Less wool store GFA	1.9
Less infrastructure allowance	1.6
Net developable area	**6.3**

Assuming a floor area ratio (**FAR**) of 0.3,[2] this corresponds to approximately **19,000 m²** of new light industrial floorspace enabled by the proposal.

[2] The floor area ratio (FAR) is calculated by dividing GFA by land area. For this analysis, we restricted our scope to the IND1Z, IND2Z, IND2AZ, and IND3Z industrial zones. The FAR for each property was computed, and the median of these values was taken as the representative FAR.

4. Industrial Market Context

This section briefly describes the local industrial market to provide context for the proposal.

4.1 Importance of Industry

Industrial activity plays a vital role in Invercargill's economy. To demonstrate, we used 2023 employment data from Statistics New Zealand (**Stats NZ**) to calculate location quotients (**LQ**) for a range of industrial activities. This is a simple tool that is used to compare the concentration of a particular industry in a local area (in this case Invercargill City) to a larger reference area (in this case New Zealand). It is derived by dividing the district share of activity by the national share. A LQ of 1 indicates that Invercargill City's concentration of that activity is the same as the national concentration. A LQ less than one indicates the district has a higher concentration than the national average and is overrepresented locally (and vice versa). Table 2 below shows the results.

Table 2: Industrial Location Quotients

Industry	Share of City Total	Share of National Total	Location Quotient
Manufacturing	12.2%	8.5%	1.4
Construction	8.9%	9.5%	0.9
Wholesale Trade	4.8%	4.7%	1.0
Transport, Postal and Warehousing	4.1%	3.8%	1.1
Total	**29.9%**	**26.5%**	**1.1**

As demonstrated in Table 2, Invercargill City is overrepresented in both Manufacturing (LQ of 1.4) and Transport, Postal and Warehousing (LQ of 1.1). Overall, industrial employment comprises just under 30% of the city's workforce compared to 26.5% nationally.

The **Tiwai Point** aluminium smelter is a key factor. For context, it uses about 13 percent of the country's electricity, which is supplied by the specially constructed Manapouri power station.[3] Each year, the smelter contributes approximately $406 million to the Southland economy, with annual export revenue of about $1 billion. Approximately 1,000 full-time equivalent (**FTE**) staff and contractors work at the smelter, with a further 2,200 people employed indirectly.[4] Following a long period of uncertainty, a power supply deal was reached earlier this year that is expected to keep the smelter open for the next 20 years.

Even when smelter operations are excluded from the above calculations, local industrial employment still represents a higher share of activity than the national average.[5] We see three potential reasons for this:

1. **Flow-on effects from smelter operations** – such as businesses that use aluminium as an input.
2. **The city's portside location**, which facilitates fishing and other maritime activities.
3. **The relatively isolated location of the city**, necessitating a certain level of self-sufficiency.

[3] https://www.rnz.co.nz/news/business/518319/tiwai-point-aluminium-smelter-to-stay-open-until-2044

[4] https://nzas.co.nz/

[5] 28.2% in Invercargill City versus 26.5% nationally.

4.2 Current State of Industrial Market

4.2.1 Report Findings

We understand that Invercargill City Council (**ICC**) has not completed a Business Capacity Assessment (**BCA**), as recommended (but not required) by the National Policy Statement on Urban Development (**NPS-UD**) (see **Appendix B**). Accordingly, there are no official estimates of the supply of, and demand for, industrial land available.

According to CBRE's latest research report[6], though, occupier demand for industrial premises remains strong, while supply is limited across both prime and secondary markets. In Invercargill, net rents for prime warehouse/workshop space now range between $110 and $150 per square metre, reflecting continued rental growth despite static market activity. This rental uplift is attributed to persistent supply constraints, cost pressures, and rising interest rates. New purpose-built tenancies continue to command higher rents, typically based on cost-plus-margin pricing rather than prevailing market rates.

A key driver of industrial floorspace demand is the sustained shift towards online shopping and the associated growth of the logistics sector. These activities require modern, high-stud, large-footprint warehousing space, which is usually located in light industrial zones. Further, the rapid emergence of demand from the datacentre sector is creating additional impetus for larger, modern fit-outs.

4.2.2 Employment Trends

To better understand local market conditions, we used detailed employment data from Stats NZ to see how the level of light industrial activity in Invercargill has changed over time. The study area adopted for this analysis includes the following industrial zones[7]:

- Industrial 1 (Light) (**IND1Z**)
- Industrial 2 (Urban) (**IND2Z**)
- Industrial 2A (Lake Street) (**IND2AZ**)
- Industrial 3 (Large Industry) (**IND3Z**)

The resulting study area is illustrated in Figure 4, and a brief description of each zone is provided in **Appendix C**.

[6] CBRE Research - Regional Figures Report – Southland - February 2025

[7] In order to isolate activity in these zones, a small amount of IND1Z and IND3Z land located at Bluff has been excluded from our study area.

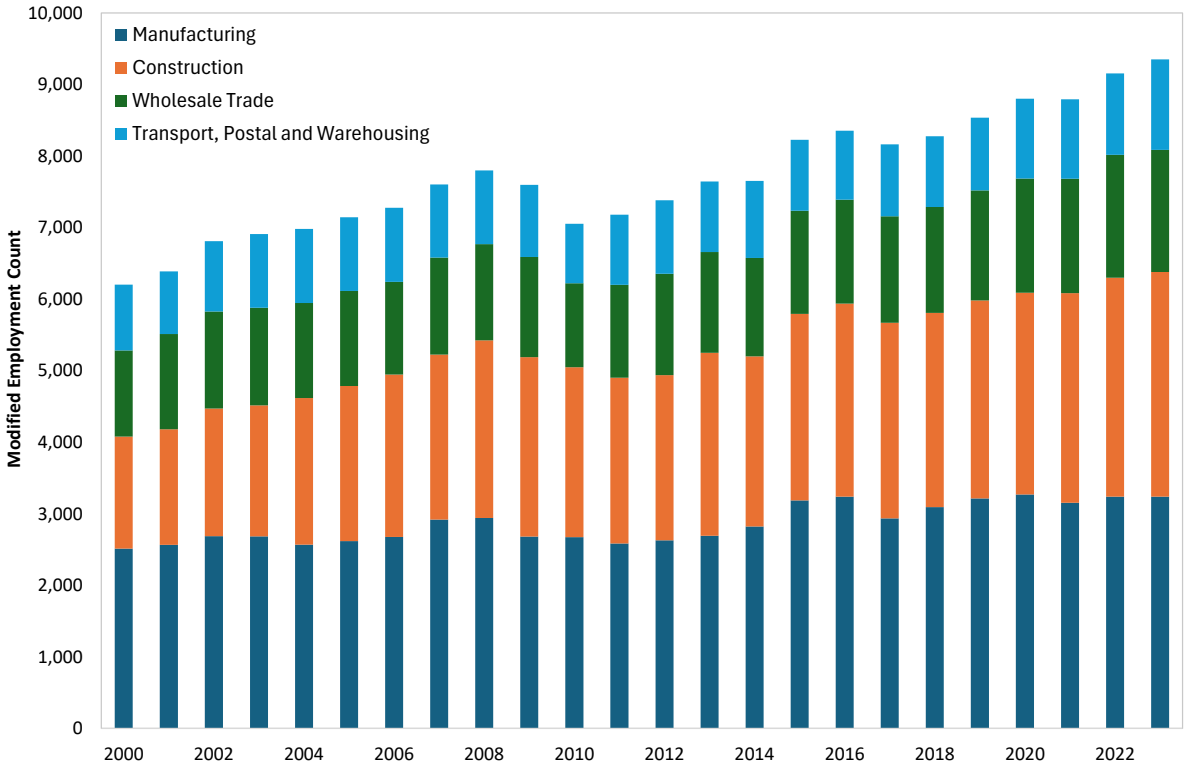
Figure 4: Study Area



Figure 5 below charts the modified employment count (**MEC**)[8] in the study area from 2000 to 2023 for the most common industrial activities.

[8] Modified employment count = geographic units + employee count. This approach offers a more comprehensive measure of total employment by including both employees and self-employed individuals (working proprietors).

Figure 5: Industrial Employment in Study Area - 2000 to 2023 (as at February)



As the chart above illustrates, industrial employment in the study area has grown significantly over the past 20 or so years. The highest rate of growth has been in construction, where employment has doubled over that period. Overall, industrial employment has grown at a compound annual growth rate (**CAGR**) of 1.8%, as shown in Table 3 below.

Table 3: Industrial Employment in Study Area - 2000 to 2023 (as at February)

Modified Employee Count	**2000**	**2023**	**Change**	**% Change**	**CAGR**
Manufacturing	2,510	3,240	730	29%	1.1%
Construction	1,570	3,140	1,570	100%	3.1%
Wholesale Trade	1,210	1,710	500	41%	1.5%
Transport, Postal and Warehousing	920	1,270	350	38%	1.4%
Industrial Total	**6,200**	**9,350**	**3,150**	**51%**	**1.8%**

5. Economic Rationale for Rezoning

This section describes the economic rationale for the proposal.

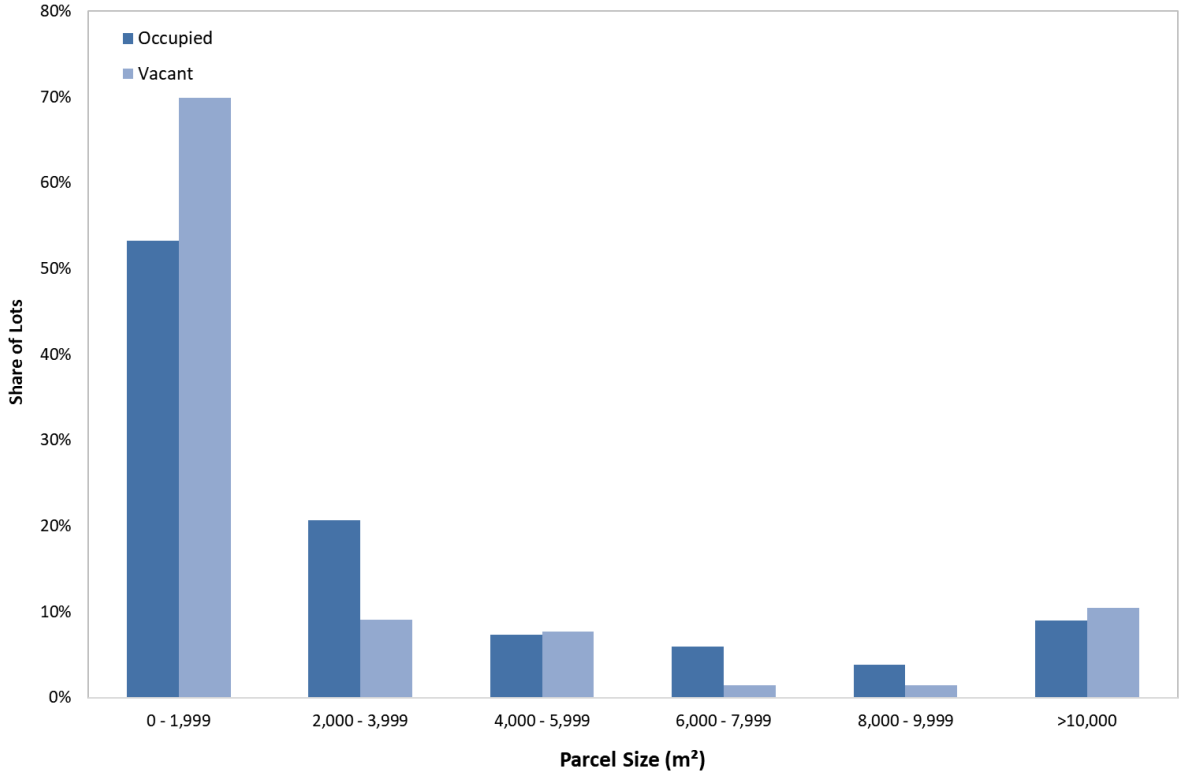
5.1 Boost in Industrial Land Supply

The proposal provides a direct boost in light industrial land supply for the city. Accordingly, it will help cater for future growth in demand for light industrial use, while helping the council to meet its requirements under the NPS-UD to provide "at least" sufficient development capacity "at all times" to meet expected future demand for additional business land.

5.2 Flexible Lot Configuration

The proposal enables 6.3 hectares of contiguous light industrial land that can be configured according to market demand. For context, we used Core Logic's Property Guru tool to extract data on all parcels within the study area delineated in Figure 4, which includes only Industrial 1, 2, 2A, and 3 zones. Figure 6 below shows the distribution of lot sizes for occupied parcels (in dark blue) and vacant parcels (in light blue).

Figure 6: Distribution of Vacant and Occupied Lot Sizes in Study Area: IND1Z, IND2Z, IND2AZ, and IND3Z

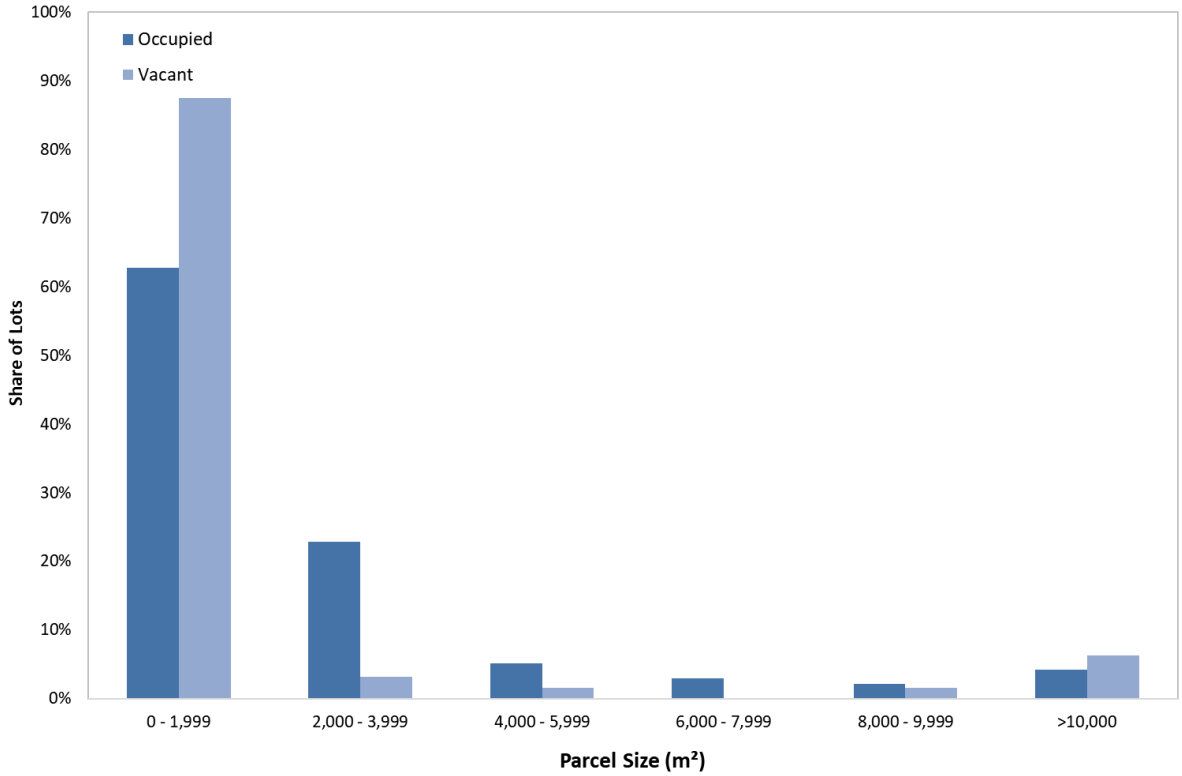


As the chart above indicates, approximately 70% of all vacant parcels in the study area are smaller than 2,000 m^2, compared to about 53% of occupied parcels. Conversely, there is a lower share of vacant parcels in the larger size bands.

To further illustrate the situation within the proposed zone, Figure 7 shows the same information restricted to parcels located within the Industrial 1 Zone. It highlights that vacancy within IND1Z is

more concentrated in smaller parcels, with 88% of vacant lots under 2,000 m², compared to 70% across the broader study area zones.

Figure 7: Distribution of Vacant and Occupied Lot Sizes in Study Area: IND1Z



Further, we identified just two vacant parcels larger than 6.3 hectares, located at 421 Bluff Highway (8.8 ha) and 10 Lake Street (11.3 ha).[9] Accordingly, the proposal may help address a shortage of large lots in the city, or alternatively, it could be subdivided into multiple smaller lots to meet the needs of prospective occupants.

5.3 Potential Synergies with Other Land Uses

The site provides an opportunity for businesses to co-locate near, and harness potential synergies with, the existing wool store. These synergies are known as "agglomeration benefits" in economics jargon, and they are the primary reason that businesses often choose to locate near one another. In addition, there may be potential for synergies with future occupants of the Business 5 (Rural Service) Zone opposite the site.

5.4 Fit with Location Criteria

Finally, the subject site is a good fit with common industrial site and location criteria, as illustrated in Table 4 below.

[9] Note this does not consider combining adjacent vacant plots that collectively would be greater than 6.3 ha in area.

Table 4: Assessment Against Common Site / Location Criteria

Criteria	**Application to Subject Site**
Access to major road / transport routes	Adjacent to SH6, with immediate access to SH98 and SH99; 10 - 15min drive to SH1 via SH98 (travelling north) or SH6 (travelling south).
Topography	Site is >9 ha contiguous, adjacent to rural zone; mostly flat to gently undulating (0-3°).
Ability to buffer adverse effects	Buffered from existing and future residential activity to the east by SH6; rural land to the north, east, and south.
Exposure / profile / visibility	Adjacent to SH6; main route to Invercargill (travelling south) and Lorneville interchange (travelling north).
Existing or proposed public transport	2.1 km north of Waikiwi bus route.
Proximity to ports	Access to South Port via SH1 (34 km) and Invercargill Airport (10 km).
Close to other industrial land	IND1Z & IND2Z land (>40 ha) approximately 2.5 km southwest of site along West Plains Road. IND1Z land (11 ha) 1 km southwest across SH6.
Access to rail	8 km from Kiwirail Network Depot in Invercargill.
Proximity to workforce	Close proximity to Invercargill and Bluff. Gore less than 1 hour drive away.
Complementary business services	Rural servicing zone (Business 5) opposite site across SH6.

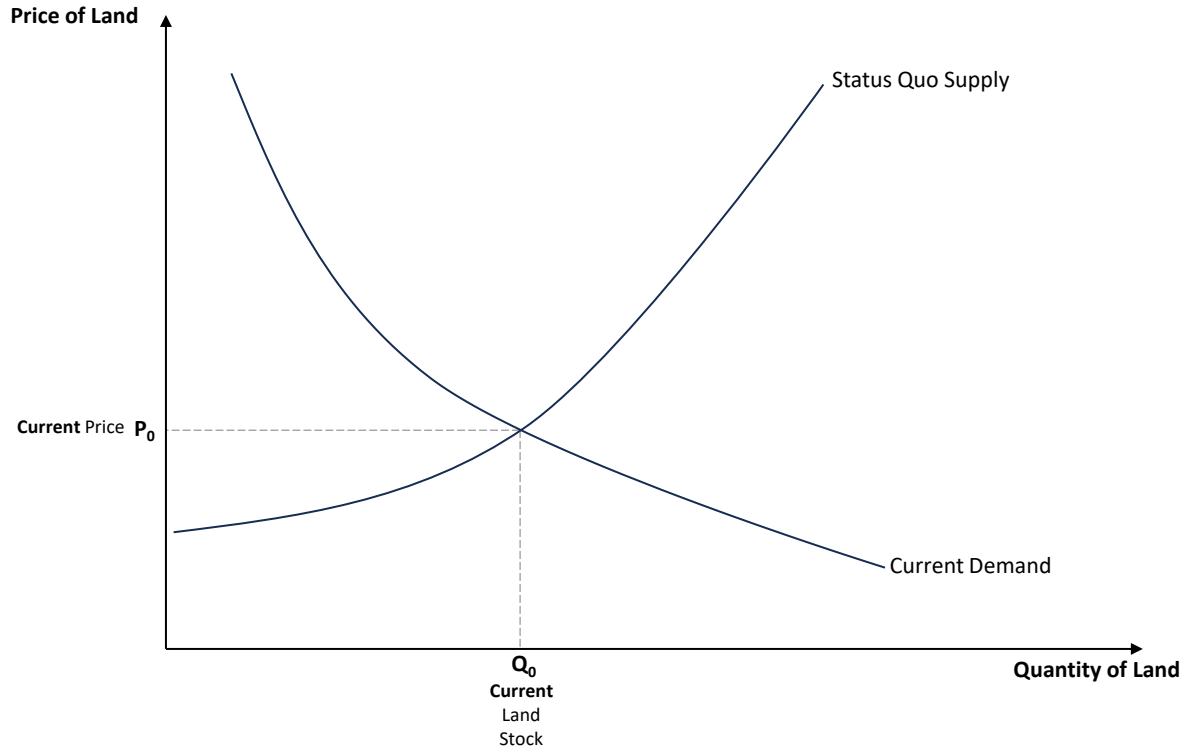
6. Industrial Land Market Impacts

This section uses a common economic technique, known as supply-demand analysis, to illustrate the impacts of the proposal on the industrial land market.

6.1 Current Situation

The proposal would unlock industrial land supply in the short-term, which may help the market to be more responsive to growth in demand over time. As a result, the price of industrial land may not increase as sharply over time as it would have otherwise. This effect is illustrated in the series of supply-demand charts below, starting with Figure 8, which represents the current state of Invercargill City's industrial land market.

Figure 8: Supply-Demand Graph of Invercargill City's **Current** Industrial Land Market



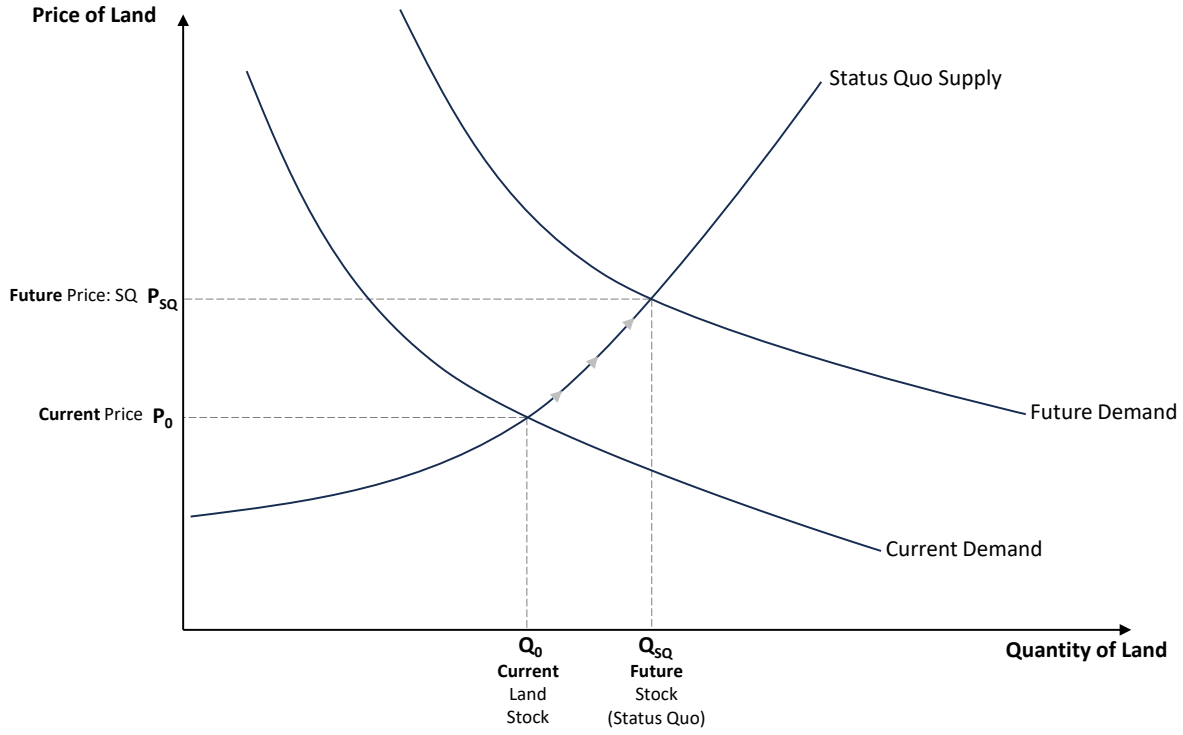
In Figure 8, the city's industrial land market is represented by its corresponding supply and demand curves, which intersect to yield the current/equilibrium industrial land stock of Q_0 hectares, and the prevailing (average) market price of P_0 per hectare.[10]

6.2 Future Situation under Status Quo

Over time, as Invercargill City's economy grows, so too will the demand for industrial land. This causes the market demand curve to shift out, which increases the size of the land stock over time (from Q_0 to Q_{SQ}). In addition, it raises the average price of industrial land (from P_0 to P_{SQ}). See Figure 9 below.

[10] The supply curve slopes up because, all other things being equal, a higher price entices more land to be supplied, and vice versa. Conversely, the demand curve slopes down because a lower price makes land affordable to a larger number of prospective buyers, and vice versa. The intersection of these curves defines the market equilibrium because it is a price that both (i) buyers are willing to pay for that quantity of land, and sellers are willing to accept for it.

Figure 9: Supply-Demand Graph of Invercargill City's **Future** Industrial Land Market **without** the Proposal



6.3 Future Situation with the Proposal

The proposal will make the city's future industrial land supply more responsive to growth in demand over time, which causes the market supply curve to flatten, as per Figure 10 below.

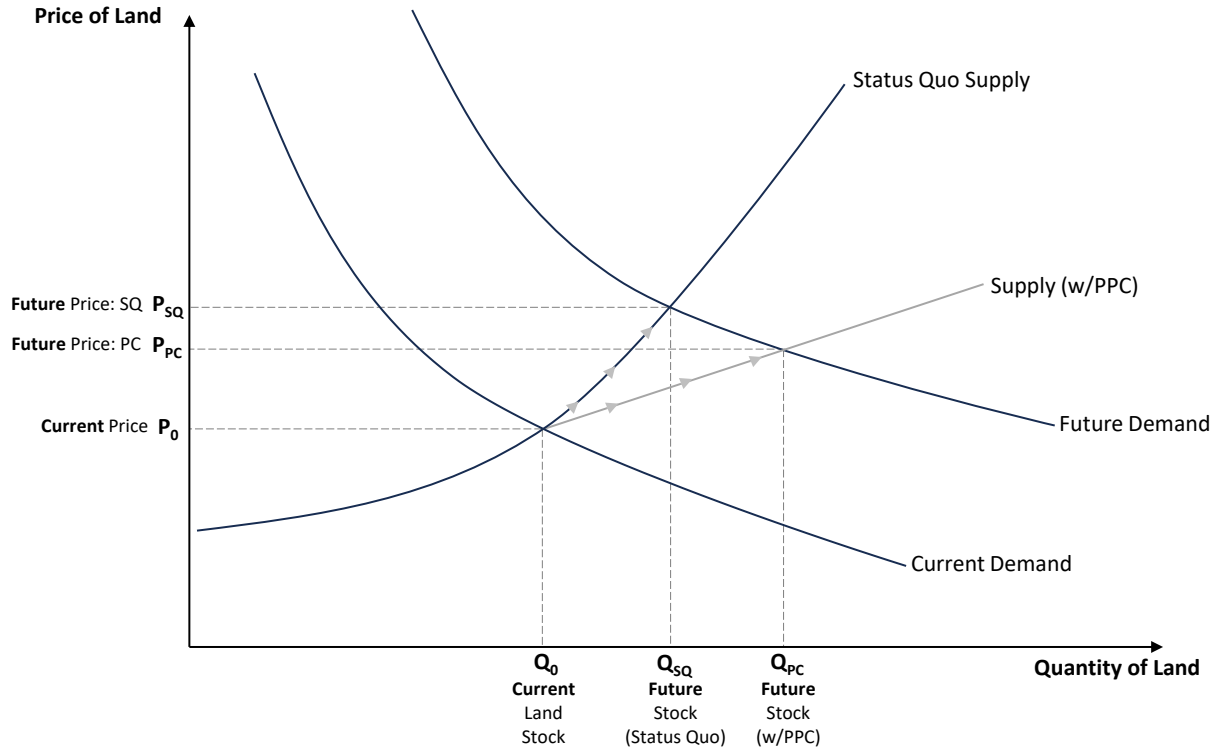
As a result, relative to the future situation under the status quo, the proposal should:

- Increase the size of the future industrial land stock (from Q_{SQ} to Q_{PC}); and
- Reduce the average price of industrial land (from P_{SQ} to P_{PC}).

In other words, the proposal will enable more people the opportunity to purchase industrial land, and to do so at lower prices than they likely could have otherwise.[11]

[11] The proposal will also have broader impacts due to changes in the trajectory of land prices. Specifically, because future land prices will be lower with the proposal than they likely would otherwise, existing landowners will be worse off, while new ones (and renters) will be better off. In economic terms, however, this is just a 'wealth transfer' from one group to another, which cancels out and has no net effects overall.

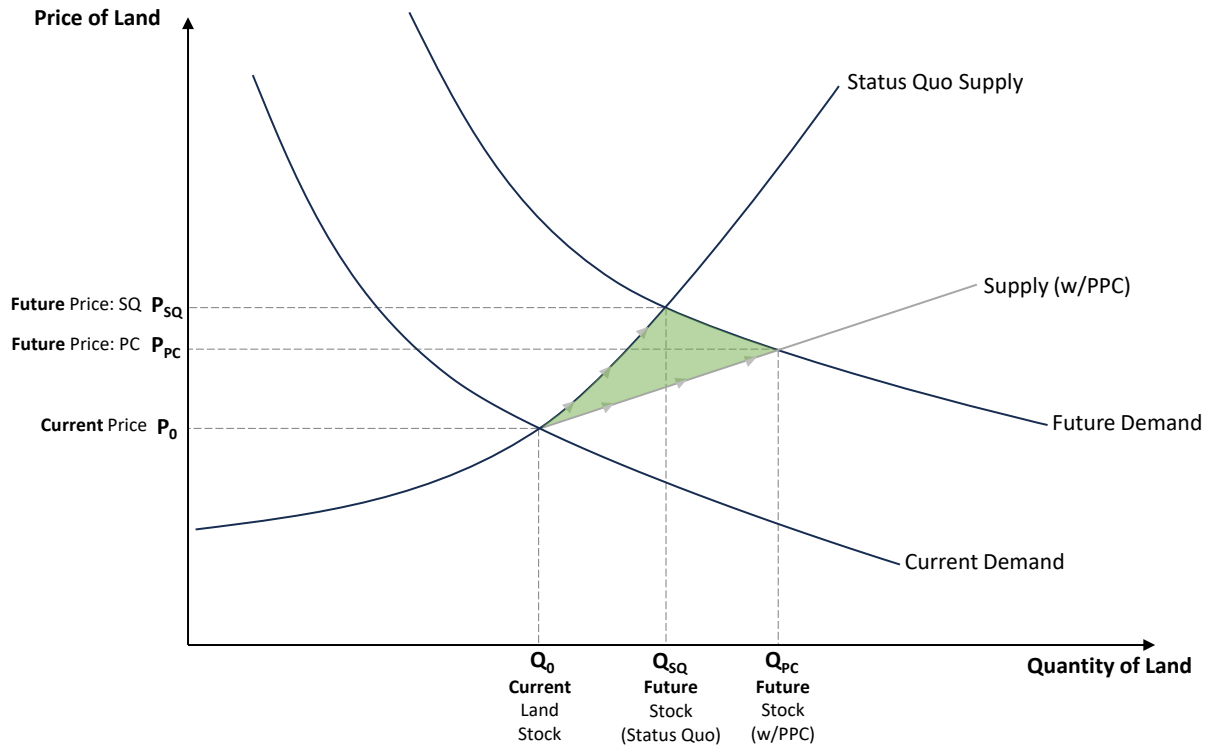
Figure 10: Supply-Demand Graph of Invercargill City's **Future** Industrial Land Market **with** the Proposal



6.4 Resulting Efficiency Gains

Finally, the proposal will create efficiency gains, which are denoted by the shaded green triangle in Figure 10 below. These represent increases in consumer and producer surplus, which are the benefits that land buyers and sellers (respectively) gain from trading with one another.

Figure 11: Industrial Land Market **Efficiency Gains** from the Proposal (Green Shaded Area)



7. Wider Economic Impacts

This section describes the likely wider economic impacts of the proposal.

7.1 One-off Economic Impacts

Developing the additional industrial floorspace enabled by the proposal will have significant one-off economic impacts on GDP, jobs, and wages. We quantified these using a technique called multiplier analysis, which traces the impacts of additional economic activity in one sector – such as construction – through supply chains to estimate the overall impacts. These impacts include:

- **Direct effects** – which capture onsite activities directly enabled by the project, plus the impacts of businesses that supply goods and services directly to the project; plus

- **Indirect effects** – which arise when businesses working directly on the project source goods and services from their suppliers, who in turn may need to source goods and services from their own suppliers, and so on.

The economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP measures the difference between a firm's outputs and the value of its inputs (excluding wages and salaries). It captures the value that a business adds to its inputs to produce its own outputs.

- **The number of FTEs employed** – this is measured in terms of full-time equivalents, which combines part-time and full-time workers to provide a single employment metric.

- **Total wages and salaries** paid to workers, which are reported as 'household incomes.'

For example, when a construction company wins a new project, they usually subcontract various parts of the build to other companies to help complete the job, such as hiring glaziers, tilers, and plumbers. Those subcontractors, in turn, will need to source a range of materials and services from their suppliers, who may also need to source materials and services from their suppliers, and so on. Multiplier analysis enables the impacts of these supply chain interactions to be captured to estimate the overall impact of the new building project, including its direct and flow-on (supply chain) effects.

Table 5 below identifies the assumptions made to estimate likely one-off construction impacts.

Table 5: Construction Cost Assumptions

Measure	Value
Total GFA	18,900
Cost per sqm[12]	$1,350
Construction costs ($m)	**$25.5**

[12] Assumed build costs reflect TA building consent averages for the 24 months to July 2024. We understand that reported construction costs are generally understated to avoid levy obligations. However, we adopt these values as a conservative approach.

In addition, we estimated planning/design/consent and land development costs based on costings provided for similar, previous projects. However, we do not disclose them here for commercial sensitivity reasons (because they are not publicly available like construction costs are in building consent data).

Having defined these key terms and assumptions, the following table shows the estimated economic impacts of the one-off activity that will be enabled by the proposal.

Table 6: One-Off Economic Impacts of Construction

Planning/Design/Consent	**Direct**	**Indirect**	**Total**
FTEs – 6 months	4	2	6
GDP $m	$0.3	$0.1	$0.5
Wages/Salaries $m	$0.2	$0.1	$0.2
Site Preparation			
FTEs – 6 months	26	29	54
GDP $m	$2	$2	$4
Wages/Salaries $m	$1	$1	$2
Construction			
FTEs – 1.5 years	21	81	102
GDP $m	$4	$16	$19
Wages/Salaries $m	$3	$8	$11
Project Totals			
FTE-years	46	137	184
GDP $m	$6	$18	$23
Wages/Salaries $m	$4	$9	$13

In summary, we estimate that:

- Future planning/design/consenting work will create full-time employment for about 6 people for six months, generating $0.2m in wages/salaries;

- Land development (including infrastructure provision) will generate full-time work for approximately 54 people for six months (split across various stages), with $2.0m in wages/salaries paid; and

- Building construction will provide full-time work for around 102 people for 1.5 years (again, split across various stages), with nearly $11m paid in wages and salaries.

7.2 Ongoing Economic Impacts

In addition to the significant one-off economic impacts estimated above, the proposal will also enable additional businesses to establish onsite, which themselves will generate ongoing economic impacts.

An important element of this is ongoing employment enabled onsite. To estimate this, we combined employment data from Stats NZ with floorspace data from Core Logic to determine a floorspace-to-worker ratio. Our results suggest that, on average, there is 95 square metres of floorspace per light

industrial employee in Invercargill City.[13] On that basis, the 1.9 hectares of GFA enabled by the proposal is likely to sustain ongoing employment for approximately 190 people.

To estimate the corresponding wages/salaries and annual GDP, we reviewed Statistics New Zealand's latest input-output tables, which summarise the national economy's overall structure and reveal the employment and GDP per dollar of output. The table below summarises the key information for the industries that we consider to be the most likely future uses of the land under the proposal.

Table 4: Average Annual Industrial Output, GDP, and Wages **per Employee** from National IO Tables

Industrial Sectors	**Output $**	**GDP $**	**Wages $**
Construction	405,400	124,000	67,000
Manufacturing	462,300	124,300	69,400
Transport, Postal and Warehousing	294,100	133,500	73,000
Wholesale Trade	262,800	124,000	69,700
Industrial Average	**356,150**	**126,450**	**69,775**

The corresponding annual economic impacts generated by the 190 potential future onsite employees are tabulated below.

Table 4: Estimated Annual Industrial Output, GDP, and Wages (**190 employees**)

Industrial Sectors	**Output $m**	**GDP $m**	**Wages $m**
Construction	77.0	23.6	12.7
Manufacturing	87.8	23.6	13.2
Transport, Postal and Warehousing	55.9	25.4	13.9
Wholesale Trade	49.9	23.6	13.2
Industrial Average	**67.7**	**24.0**	**13.3**

Taking the average across the industrial sectors assessed, the future onsite activity enabled by the proposal could generate:

- Full-time employment for around 190 people;
- Annual output of more than $67 million;
- Annual GDP of $24 million; and
- More than $13 million in wages/salaries.

7.3 Foregone Rural Production

The main potential economic cost of the proposal is forfeiting the subject land for alternative uses, such as rural production. To better understand this cost, the applicant engaged Agribusiness Consultants Limited (**ACL**) to assess the site. ACL found that the rural productive potential of the site is curtailed by the presence of the existing wool store and dwellings, leaving an effective pasture area of just under 5.5 hectares. That land is currently used for grass harvest / cut and carry, which is a very

[13] This is also consistent with results from the latest Business Capacity Assessment for the Future Proof sub-region, which is available here: https://futureproof.org.nz/assets/FutureProof/Future-Proof-Business-HBA-2023_WR.pdf

low-intensity and low value land use. In fact, ACL estimates its annual financial value at less than $3,000.

The only other suitable land use identified for the site was sheep and beef farming. However, the estimated output for the site is very low, and ACL notes that properties of this size seldom generate profit for their owners.

Conversely, future onsite activity enabled by the proposal is likely to generate annual GDP of $24 million and sustain ongoing employment for approximately 190 people.

7.4 Infrastructure Servicing Cost and Risk

Another potential economic downside of the proposal is the cost and risk of providing the infrastructure needed to enable it, such as roads, water and wastewater. However, all works within the boundary of the development are the sole responsibility of the applicant, with the cost and risk of works beyond the subject site also able to be (mainly or largely) transferred to them via development contributions levied on future industrial land use development. Accordingly, any infrastructure costs and risks on the ICC should be negligible.

7.5 Highest and Best Use of Land

Finally, the proposal enables the land to be put to its highest and best use. As a result, it maximises economic efficiency in the underlying land market while also supporting the overarching purpose of the RMA (to enable the sustainable use and development of natural and physical resources).

8. Overall Costs and Benefits

This section summarises the overall costs and benefits of the proposal.

8.1 Costs

The main economic costs of the proposal relative to the status quo are:

- Foregone rural production
- Infrastructure servicing cost

However, the economic cost of foregoing the site for rural productive use is minor, and any infrastructure costs or risks to council negligible.

8.2 Benefits

The key economic benefits of the proposal relative the status quo are:

- Boost in future industrial land supply
- Improved industrial land supply responsiveness
- Efficiency gains for industrial land buyers and sellers
- One-off economic impacts of construction
- Ongoing economic impacts of new industrial activity
- Putting land to its highest and best use

Overall, we consider these economic benefits to be significant.

8.3 Overall Net Impact

For the reasons set out above and assessed herein, we consider the proposal to generate significant and enduring economic benefits over the likely alternative use of the site absent it. Accordingly, we support the proposal on economic grounds.

Appendix A: NPS-HPL Requirements

The National Policy Statement for Highly Productive Land (**NPS-HPL**) came into force in October 2022 and aims to protect our most productive land for land-based production. It requires Councils to map highly productive land (**HPL**), and closely manage the subdivision, use and development of it by avoiding inappropriate use and development.

However, clause 3.6(4) of the NPS-HPL allows Tier 3 territorial authorities – including Invercargill City Council – to allow the rezoning of HPL if three sequential criteria are met, namely that:

(a) the urban zoning is required to provide sufficient development capacity to meet expected demand for housing or business land in the district; *and*

(a) there are no other reasonably practicable and feasible options for providing the required development capacity; *and*

(b) the environmental, social, cultural and economic benefits of rezoning outweigh the environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values.

We understand that the subject site contains Land Use Capability (**LUC**) Class 2 and 3 soils and must therefore comply with the NPS-HPL. However, based on direction from the project team, this report does not assess the proposal against the requirements of the NPS-HPL.

Appendix B: Business Capacity Assessments

The National Policy Statement on Urban Development (**NPS-UD**) came into effect in August 2020. Invercargill City Council (**ICC**) is classed as a Tier 3 local authority and is therefore required to provide "at least" sufficient development capacity "at all times" to meet expected future demand for additional business land well into the long-term.

The NPS-UD also imposes strict monitoring and reporting requirements, which vary depending on the extent of growth pressures experienced. For example, Tier 1 and 2 local authorities must complete a detailed Business Capacity Assessment (**BCA**) every three years. This brings together a raft of information about supply and demand to ensure that enough capacity is provided. As a Tier 3 local authority, ICC is not required to complete an BCA. However, it is strongly encouraged to do so, adopting whatever modifications are necessary or helpful.

We understand that ICC has not completed a BCA. Accordingly, there are no official estimates of supply of, and demand for, industrial land to rely upon to determine whether council is meeting its requirements under the NPS-UD.

Appendix C: Industrial Zone Descriptions

The Invercargill City District Plan (**ICDP**) identifies several zones in which industrial activity can occur, each of which has its own suite of RMA activity statuses and associated development controls. The following zones are included in the scope of this assessment:

- **IND1Z Industrial 1 (Light) Zone –** The IND1Z enables a range of low-nuisance light industrial activities to locate near residential areas. Activities anticipated in the zone include, for example, depots, wholesaling, warehousing, service activities and ancillary retailing.

- **IND2Z Industrial 2 (Urban) Zone –** The IND2Z allows for a broader range of industrial, warehousing, and service activities, supporting Invercargill's role as a provincial service city. It permits higher buildings and greater nighttime noise levels, while limiting retail and office uses to those ancillary to main industrial activities.

- **IND2AZ Industrial 2A (Lake Street) Zone –** The IND2AZ accommodates transport, storage, and light industrial activities, focusing on mitigating natural hazards and protecting nearby Clifton's residential amenity. It allows higher buildings and nighttime noise levels, with restrictions to balance industrial development and residential protection.

- **IND3Z Industrial 3 (Large Industry) Zone –** The IND3Z caters to large industrial, processing, warehousing, and service activities requiring significant space and 24/7 operation. Located outside the urban area, it supports long-term economic growth, particularly for industries adding value to primary produce.