



Coneburn Industrial Zone  
Site Coverage Variation

Economic Assessment

6 August 2021

m.e  
consulting



# Coneburn Industrial Zone Site Coverage Variation

Economic Assessment

**Prepared for**

Queenstown Lakes District Council

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# 1 Introduction

Coneburn Industrial Zone was incorporated as Chapter 44 of the Queenstown Lakes District (QLD) Proposed District Plan (PDP) via stage 1 of the District Plan review. The zone has not yet been developed, although in its current form, it does already contain some industrial activities that may be expected to stay in future. The landowners have recently approached Council to amend the permitted site coverage for buildings within the zone. Market Economics (M.E) has been commissioned to provide an independent economic assessment of the proposed variation to the Plan to inform the section 32 evaluation.

**Commented [NH1]:** The top of the Activity Table says “standards for activities located in the BMU Zone” – might want to fix that.

## 1.1 Background

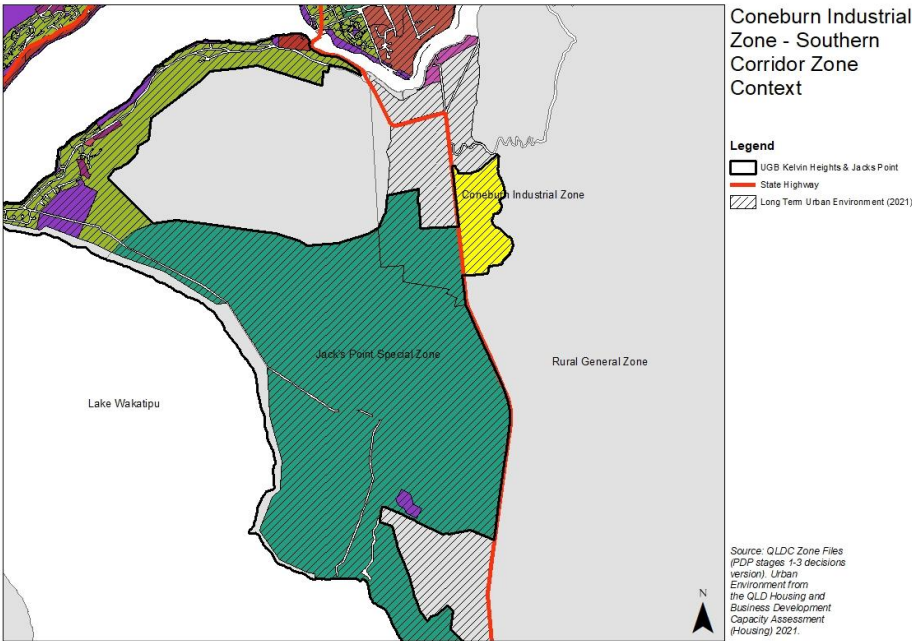
Coneburn Industrial Zone is a 70,999ha site located on State Highway 6 opposite the Jack’s Point Special Zone in the southern corridor of Queenstown’s urban environment (Figure 1.1). The purpose of the zone is to provide for the establishment and operation of industrial and service activities. Location wise, the site is close to a large current and future workforce, currently adjoins the Rural General Zone and is generally close to the Queenstown-Frankton ‘market’.

**Commented [NH2]:** The RFP said 114ha.

Note, the structure plan GIS file provided had a slightly different boundary (which does not match the structure plan shown in Chapter 44 and GIS calculates this area as 78.3ha. While I can’t see how the difference in shape equates to another 7.3ha, I have no choice but to trust the software calculation.

I have taken the zone boundary as the true total (70,993ha) and, assuming the activity area ha are accurate, have reduced open space activity area and road area to sum to the total of 70,993ha. Please advise if you feel one value is more accurate than the other.

Figure 1.1 – Coneburn Industrial Zone (Pink) – PDP Stage 1, 2, and 3 Decisions Map





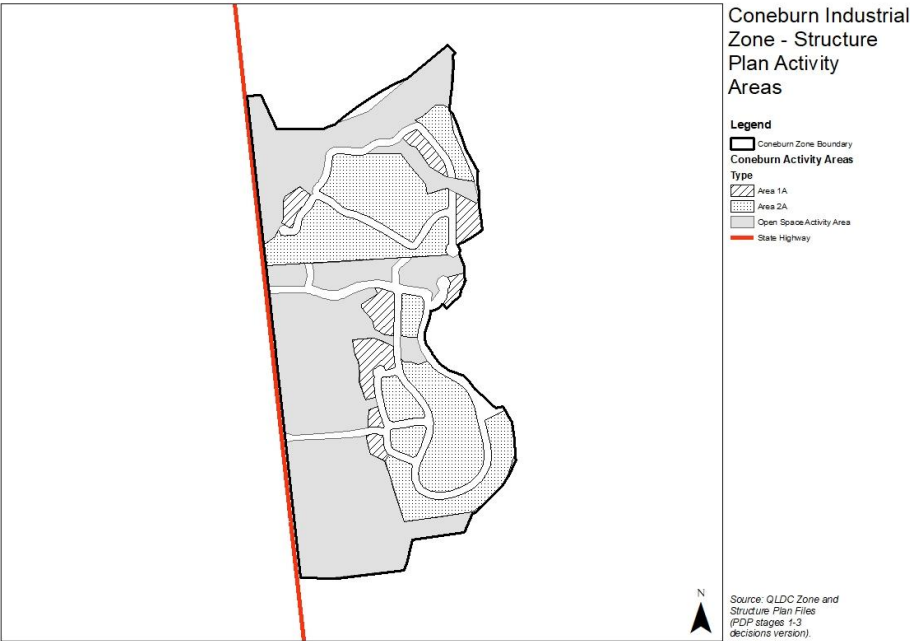
Compared with the decision version General Industrial and Service Zone (GISZ) incorporated in the PDP through stage 3 of the District Plan review (Chapter 18a), the Coneburn Zone enables trade suppliers and wholesaling (both permitted compared with discretionary and non-complying status respectively in the GISZ). Custodial units are discretionary in Coneburn but prohibited in the GISZ. Site coverage is more restrictive (discussed further below) and building height is managed through a measurement above sea level, rather than a specific height above ground level.

Permitted minimum lot size in Activity Area 2A (discussed below) of the Coneburn Zone is 1,000sqm (else discretionary), which is the same as in the GISZ (discretionary between 500-1,000sqm and non-complying less than 500sqm). Activity Area 1A of the Coneburn zone has a larger permitted 3,000sqm minimum lot size, so provides certainty that large lot activity will be provided for compared to the GISZ (where larger lot sizes are at the discretion of the landowner).

Otherwise, the two zones have a similar purpose and role – to provide capacity for the district’s industrial and service economy. However, there is a key focus on screening buildings developed in the Coneburn Industrial Zone (using planting) so that they are not easily seen from State Highway 6. The GISZ has no such requirements and so uses the gross zoned land more efficiently.

### 1.1.1 Coneburn Structure Plan

Figure 1.2 – Coneburn Industrial Zone Structure Plan – Activity Areas





Development of the Coneburn Industrial Zone is managed via a structure plan set out in Chapter 44 of the PDP (Figure 1.2). Figure 1.3 summarises the composition of the structure plan. Only 37% of the gross zone area is able to be developed (net developable area) once open space and proposed roading is excluded. This equates to a maximum of 26.56ha of industrial land capacity, which is dominated (83%) by Activity Area 2A, which provides for the smaller of the two minimum lot sizes permitted (1,000sqm). Not all of this industrial land capacity is vacant. We discuss the estimated vacant capacity of the Zone further below.

Figure 1.3 – Coneburn Industrial Structure Plan Composition

	Hectares	Share of Gross Zone Area	Share of Development Area
Activity Area 1A	4.60	6%	17%
Activity Area 2A	21.96	31%	83%
<b>Sub-Total Development Areas</b>	<b>26.56</b>	<b>37%</b>	<b>100%</b>
Open Space plus Roads (Balance) *	44.43	63%	
<b>Zone Total</b>	<b>70.99</b>	<b>100%</b>	<b>100%</b>

*Open Space boundaries and Roads can shift (within limits) and so these figures are indicative only*

### 1.1.2 Site Coverage for Buildings

Figure 1.4 sets out the operative site coverages for each Activity Area in the Zone and the proposed variation. The proposal does not seek to change any of the percentages (thresholds) previously established but seeks a change in activity status of the lower thresholds to make site coverage more enabling.

In Activity Area 1A, site coverage of between 30% and 40% is restricted discretionary in the current PDP, but the proposal would include that range within the permitted status (i.e. up to 40% would be permitted). In Activity Area 2A, site coverage between 35% and 65% is restricted discretionary, but the proposal would include that range within the permitted status (i.e. up to 65% would be permitted). The non-complying thresholds remain the same at 40% and 65% respectively.

As a comparator, Figure 1.4 includes the site coverage of the GISZ. This allows for a higher site coverage (with up to 75% permitted) than proposed in Activity Area 2A in Coneburn. It is also more enabling, with any coverage greater than 75% restricted discretionary only.

Figure 1.4 calculates the building footprint ‘permitted’ in each Activity Area in the Coneburn Zone if sites were subdivided at the minimum specified lots sizes. The indicative operative minimum building footprints permitted in the Coneburn Zone are around 360-900sqm GFA<sup>1</sup> depending on the Activity Area in which they occur. Under the proposed provisions, this increases to a permitted range of 660-1,200sqm GFA, again depending on the Activity Area. In the Activity Area 2A – where more intensive development is provided for – permitted buildings under the proposed provisions would be around 87% of the size of equivalent sized lots in the GISZ.<sup>2</sup> The implication is that Coneburn sites would continue to provide for relatively smaller

<sup>1</sup> Gross Floor Area.

<sup>2</sup> Under the operative site coverage, permitted buildings in the Activity Area 2a would be 47% of the size permitted in the GISZ on equivalent sized lots (i.e., 1,000sqm minimum).



permitted buildings but more on-site storage, yard area, parking, manoeuvring and potentially landscaping compared to the GISZ, even with the proposed changes.

Figure 1.4 – Current and Proposed Building Site Coverage Standards in Coneburn Industrial Zone

	Permitted	Restricted Discretionary	Non-complying	Minimum Permitted Lot Size	Indicative Minimum Permitted Building Footprint
<b>Coneburn Operative Site Coverages:</b>					
Activity Area 1A	Up to 30%	>= 30%	>=40%	3,000	900
Activity Area 2A	Up to 35%	>=35%	>=65%	1,000	360
<b>Coneburn Proposed Site Coverages:</b>					
Activity Area 1A	Up to 40%	N/A	>=40%	3,000	1,200
Activity Area 2A	Up to 65%	N/A	>=65%	1,000	660
<b>Comparator</b>					
GISZ	Up to 75%	>=75%	N/A	1,000	760

## 1.2 Scope of Assessment

A key objective of this assessment is to understand how the proposed increase in site coverages within the Zone (as set out in Figure 1.4) may impact industrial development capacity within the Wakatipu Ward in the short, medium, and long term in accordance with the NPS-UD. This includes any changes to the nature and scale of industrial development capacity in those time periods.

A second objective of this assessment is to then describe the economic related effects, costs and benefits likely to come about from the proposed building coverage variations, as required under s32 of the RMA.

To address the first objective, M.E has revisited the Interim Update of the QLD Business Development Capacity Assessment (BDCA) carried out in early 2020. We consider the assumptions applied for the Coneburn Zone in that analysis, how that may or may not differ using current information on the Structure Plan, and what effect the proposed variations might make in terms of industrial floorspace capacity in the Wakatipu Ward. This is discussed in Section 2.

Section 3 provides M.E’s conclusions and recommendations on the proposed variation and a summary of wider economic costs and benefits of the variation (limited to the change in the building site coverage and not re-considering the economic effects of the zone itself).



## 2 Impacts on Industrial Capacity

This section sets out the approach and assumptions for assessing the effect of the proposed changes in site coverage on industrial capacity in the Wakatipu Ward. The assessment relies on modelling carried out for Council in the past under the NPS-UDC (2016) but considers the effect of new information.

### 2.1 Interim BDCA Update – Scope

The Interim BDCA Update<sup>3</sup> was carried out in March 2020, and updated BDCA modelling initially carried out for QLD Council's compliance with the NPS-UDC in 2017 (the 2017 BDCA). The update took account of:

- The change in Council growth (population and household) projections from 2016 to 2018 (faster growth), and the impact of this on associated employment growth projections.
- Associated with the above, a change in the base year for modelling business land and floorspace demand (from June 2016 to June 2018), and retaining a 3, 10 and 30 year future projection from that base year to cover the short, medium and long term outlook.
- The uptake (development and occupation) of vacant sites in business enabled zones between January 2018 and January 2020 (when surveyed).
- Changes in business enabled zoning that occurred between the notified stage 1 and 2 zones and the decisions version of those stages, which included among other changes, the inclusion of the Coneburn Industrial Zone.
- Notified zoning of stage 3 of the PDP, on top of the decision version of stage 1 and 2 and other updated zoning changes treated as operative. We note, the changes notified in the Wakatipu Ward under stage 3 made only a 0.1ha increase in vacant industrial land capacity compared to the decisions version on stages 1 and 2 and other changes in zoning incorporated in the update under the Maximum Capacity Scenario (79.5ha compared to 79.4ha). The changes notified increased the industrial land capacity under the Alternative Capacity Scenario by 0.5ha (an increase from 59.7ha to 60.2ha). These very minor changes arose because the notified GISZ<sup>4</sup> rezoned operative industrial zones in the Wakatipu Ward, with only very small additional sites/land areas included in the zoning.<sup>5</sup>

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<sup>3</sup> <https://www.qldc.govt.nz/media/ec5i0umf/qldc-t17-hampson-n-evidence-economic-18-03-2020.pdf> (Appendix B)

<sup>4</sup> As notified, the zone was called the General Industrial Zone (GIZ).

<sup>5</sup> Changes in the Wanaka Ward were more substantial but are not reported here given the focus on Wakatipu Ward outcomes.





- Results with and without assumptions of Queenstown Airport Corporation (QAC) owned land in the Frankton Flats B Special Zone being made available for general market industrial development (i.e., whether or not it could be expected to be tied to the adjoining airport).<sup>6</sup>

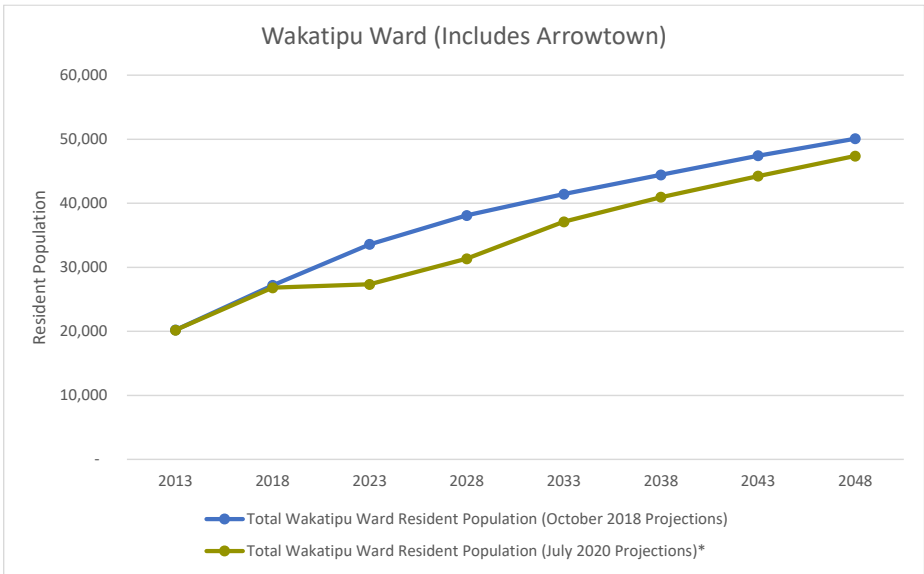
## 2.2 Reliability of the Interim BDCA Update Results Today

It is outside the scope of this assessment to generate another complete update of the BDCA model<sup>7</sup>. If we are to use the Interim BDCA update (with Stage 3 notified zoning scenario) as the basis for this Coneburn Assessment, it is therefore relevant to consider how reliable that base line is compared to the present. This assumes that we are still relying on a 2018-2048 perspective of future demand and a January 2020 perspective of vacant capacity. There are four key factors to consider:

### 2.2.1 Growth projections

In July 2020 Council released new growth projections to replace the 2018 projections. These projections have taken into account the anticipated impact of Covid-19. The preferred growth projection of the series produced in July 2020 is the high growth outlook.

Figure 2.1 – Comparison of Council Population Projections 2018 and 2020 (Wakatipu Ward)



<sup>6</sup> This scenario was on top of a preferred scenario of results which also excluded industrial capacity in the Airport Mixed Use Zone (including Lot 6 and Runway/Airside land) and associated Air Transport Services Sector demand on the basis that this capacity was not available to meet the demand of the general industrial market. We do discuss this scenario further in this assessment.

<sup>7</sup> Council is not obligated to update the BDCA (as part of the next HBA) until July 2024.



Figure 2.1 provides a comparison between the 2020 projection for resident population in Wakatipu Ward, compared with the 2018 projection that underpinned the employment projections in the Interim BDCA update. It shows that very little resident population growth is projected in the short term, but by the long term, the growth outcome is very similar (95% of the population projected in 2048 in the 2018 figures). The expectation is that the two lines on the graph would converge soon after 2048.

We would expect employment projections to have a similar profile if regenerated from the July 2020 population projections (i.e., limited growth in the short term and strong growth rates returning in the medium-long term, to achieve a similar outcome by 2048 as projected in 2018).

On the basis on this comparison, we consider that the demand modelling in the Interim BDCA Update is still relevant, particularly in the long term, and may be slightly conservative from a sufficiency perspective by testing slightly higher long term demand. Based on the current projections, the short-medium results of the Interim BDCA Update may overstate demand for industrial capacity and could be given less weight.

### 2.2.2 Decision's version of stage 3 compared to notified stage 3.

The Interim BDCA Update Stage 3 PDP scenario considered the notified zoning of the (then) General Industrial Zone (GIZ). There were no Stage 3 changes to the Business Mixed Use Zone, Coneburn Industrial Zone or any other business enabled zones that could support industrial land use (i.e., Frankton Flats B, Operative Business Zone, etc).

We have checked the spatial extent of the GIZ with the decision version of the GISZ<sup>8</sup> in the Wakatipu Ward and there are no changes in zone area based on the mapping files available and our understanding of the Stage 3 process and outcomes. While there were more material changes to zoning in the Wanaka Ward in the decisions version, the Wanaka catchment is outside of the scope of this assessment.<sup>9</sup>

In terms of the way that the decisions version of the GISZ enables industrial category land uses and building typologies, it would be treated the same as the notified GIZ in the BDCA Update (given the approach taken in the capacity modelling). There would also be no change in M.E's assumption under the Maximum Capacity Scenario and Alternative Capacity Scenario that the GISZ can be expected to totally provide for industrial development (i.e., 100% industrial category capacity).

On this basis, the zoning framework of the Interim BDCA Update Stage 3 scenario is still directly applicable with the most current zoning.

### 2.2.3 BDCA Assumptions around Coneburn Industrial Zone

The 2020 Interim BDCA Update clearly stated that *"Modelling structure plan areas was especially challenging in the BDCA 2017, and the same issue applies here as there are no Council GIS files available in those [Special] zones"*. This caveat applied to all Special Zones and included Coneburn Industrial Zone.

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<sup>8</sup> Decisions Version zoning is still subject to appeals.

<sup>9</sup> M.E maintain their previously expressed view that the two wards serve their own markets of demand with minor trade between them. From a sufficiency perspective, both should demonstrate sufficiency for industrial capacity in our view and they should not be treated in aggregate where a shortfall in one location can be offset by a surplus in the other location.



At the time of the BDCA 2017, Coneburn Industrial Zone did not exist. For the Topic 2 Appeals evidence (Natalie Hampson acting for Council), which post-dated the BDCA 2017 and pre-dated the Interim BDCA Update, M.E relied on assumptions of developable land capacity provided in Coneburn Industrial Zone economic evidence for the Bunning's Frankton hearing in order to incorporate the Coneburn Industrial Zone in capacity modelling at that time.<sup>10</sup> Coneburn was an area of focus in that hearing and so was the most recent evidence base on the zone available for consideration.

It is our understanding that GIS files for the proposed Coneburn Structure Plan were not available to witnesses in the Bunnings hearing, but that the sum of the two Activity Areas was confirmed by the landowners in Stage 1 PDP evidence, albeit there was still some minor differences between witnesses on this total area in the Bunnings Hearing, now able to be confirmed as 26.56ha based on GIS calculations.

At the time of the Bunnings hearing, M.E (Derek Foy, acting for Council) adopted a figure of 19.2ha of net vacant zoned area in the Coneburn Industrial Zone. This took into account the existing land use activities which fell within the Activity Areas 1A and 2A, that were expected to stay in-situ and therefore reduce the vacant capacity available for new growth in the Activity Areas. This assumption relied on (and was therefore very similar to) the evidence provided by the economic witness for the Coneburn Industrial Zone submission in the Stage 1 PDP hearing. See Appendix A for a summary of how M.E (Derek Foy) settled on the net vacant area of the Coneburn Industrial Zone in the Bunnings evidence. The approach is consistent with the way that vacant capacity was determined in the BDCA and subsequent update.

In the subsequent Interim BDCA Update, that figure of 19.2ha of net vacant capacity in Coneburn was rolled over in the capacity modelling, with Council given the opportunity to re-examine the assumptions at that time. No changes were made.

While M.E now have the benefit of the Structure Plan in GIS format (for this assessment), and we can see those existing activities visually (Figure 2.2), M.E does not have any better information on the likely land area that existing activities might choose to occupy in the future (when the Zone is developed).<sup>11</sup> On that basis, we have assumed that the amount of capacity deducted for existing activities remains the same as first estimated in evidence and we retain 19.2ha as the net vacant capacity of the zone today.

It is relevant to note that the evidence base relied on to inform the Coneburn vacant land capacity was relatively high level and did not consider floorspace capacity, hence did not need to split the 19.2ha of land capacity across the two Activity Areas.

The next related consideration is the floorspace assumptions applied to that 19.2ha in the Interim BDCA Update. In total, the model showed an estimated 67,200sqm GFA<sup>12</sup> of industrial floorspace. This was calculated based on the following assumptions:

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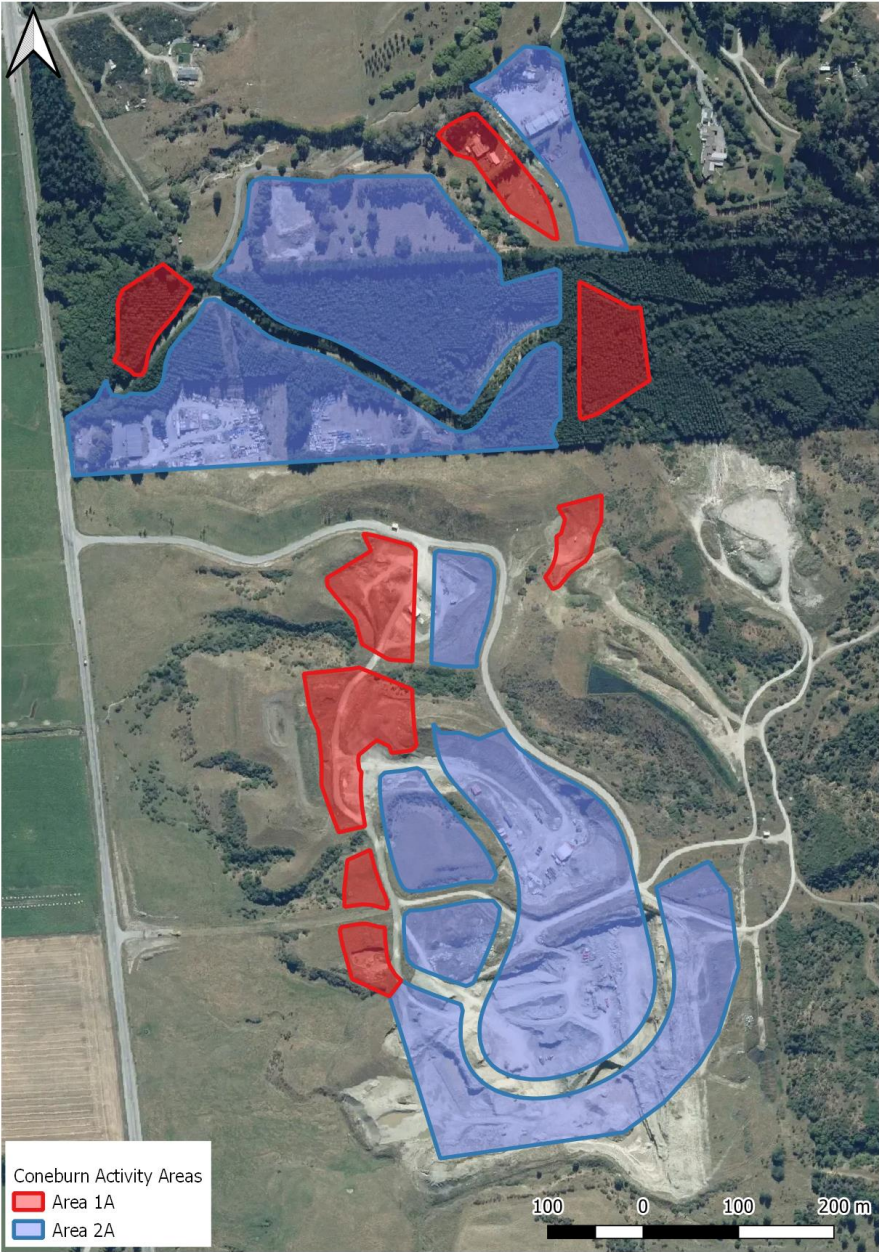
<sup>10</sup> ENV-2018-CHC-105, decision dated 5 April 2019.

<sup>11</sup> I.e., where site boundaries might be drawn to accommodate those businesses.

<sup>12</sup> Rounded to the nearest 100sqm GFA.



Figure 2.2 – Overlay of Coneburn Industrial Zone Activity Areas and Aerial Imagery Showing Existing Activities





- Permitted or controlled<sup>13</sup> (although only permitted is applicable in this Zone) site coverage of 35% applied to all of the developable land area.
- Single storey development, in keeping with the assumption that industrial buildings typically require ground floor space and higher internal roof heights, with little or no space on upper floors (including tenancies on upper floors available to other businesses).

In retrospect, this calculation was a simple one that did not reflect that there were two Activity Areas with different site coverages in the zone. It adopted the higher of the two coverages and applied it to the total developable vacant land area. For this to be valid, it would require all existing activities to occupy the Activity Area 1A, and a small amount of Activity Area 2A, leaving only the residual of Activity Area 2A for future growth.

As with all zones that have structure plans, a more comprehensive approach to calculating capacity in the BDCA Update was hampered by a lack of GIS files able to be supplied to M.E at the time. Figure 2.2 now shows that the existing areas that may be expected to remain in-situ are in the northern part of the zone, and occupy mainly the Activity Area 2A, with only one existing building occupying the Activity Area 1A. This shows that the approach used to calculate vacant floorspace capacity in the Interim BDCA Update was not valid. We conclude that the maximum GFA of 67,200sqm overstated the floorspace capacity of Coneburn Industrial Zone to a minor (3%) degree (all else being equal) as a portion of the 19.2ha of vacant land should have been multiplied by the lower permitted site coverage for Activity Area 1A.

Figure 2.3 contains a revised calculation using the BDCA Update approach of permitted floorspace coverage, now applying separate calculations of operative site coverage for each activity area. For the purpose of this assessment, M.E has assumed that existing activities occupy 6% of the gross Activity Area 1A and 32% of the gross Activity Area 2A. The result is an estimated 65,000sqm GFA of vacant industrial floorspace capacity instead of 67,200sqm previously estimated.

Figure 2.3 – Revised Industrial Floorspace Capacity of Coneburn Industrial Zone – Operative Permitted Site Coverage by Activity Area

Activity Area 1A (sqm)	Activity Area 2A (sqm)	Total Activity Areas (sqm)	Parameter
43,202	148,659	191,861	Developable sqm of Vacant Zoned Land
30.0%	35.0%	33.9%	Building coverage (showing weighted average for Total Activity Areas)
1	1	1	Stores of development
13,000	52,000	65,000	Building GFA (Rounded)

<sup>13</sup> It is noted that while the NPS-UDC (which was applied at the time of the Interim BDCA Update) considered 'zoned capacity' to include zones where businesses were permitted, controlled or restricted discretionary, the decision was made with Council that the capacity modelling would apply just permitted or controlled building heights and site coverages. The permitted, controlled or restricted discretionary approach was applied in the BDCA modelling to identify business enabled zones and also to identify activities enabled in those zones.



This minor reduction in industrial floorspace capacity in the Wakatipu Ward has no impact on the sufficiency conclusions previously reported in the Interim BDCA Update Addendum (which are summarised in Appendix B).

#### 2.2.4 Uptake of Vacant Capacity

Last, at the time of drafting (August 2021), there has been a further 17 months (since January 2020) of development and uptake of vacant capacity in business enabled zones, including those which provide capacity for industrial category land uses and building typologies. As at January 2020, the following vacant developable industrial land area was estimated in the Wakatipu Ward (Stage 3 scenario)<sup>14</sup>:

- 79.5ha (60.3ha excluding Coneburn's 19.2ha) – Maximum Capacity Scenario (which double counts capacity where commercial and retail activities are also enabled in the same zone).
- 60.2ha (41.0ha excluding Coneburn's 19.2ha) – Alternative Capacity Scenario (where double counting is removed based on a scenario of the mostly supply of capacity between competing industrial, commercial and retail land uses).
- 37.1ha (17.9ha excluding Coneburn's 19.2ha) – Alternative Capacity Scenario also excluding capacity attributed to the Airport Mixed Use Zone in Frankton (and associated Air Transport Services Demand in Wakatipu Ward) on the basis that much of this land was 'air-side' and not available to cater for general industrial sector growth.

Given the passage of time, albeit with Covid-19 having some impact starting to be felt in non-residential building consents since March 2021, M.E expects that less of this vacant capacity outside of the Coneburn Zone (which has not changed) is available today than when it was last surveyed. How much less, has not been quantified and is outside the scope of this assessment.

The implication is really one of context. In relying on the Interim BDCA update for this assessment, any actual reductions in capacity that have occurred since the modelling are already estimated within the demand side of that modelling. It just means that the Short Term sufficiency results (2018-2021) are more likely to be representative of the situation today (limitations of the modelling notwithstanding).

### 2.3 Interim BDCA Results

The results of the Interim BDCA Update for land and floorspace industrial demand and capacity in Wakatipu Ward 2018-2048 are contained in Appendix B. It should be noted that the demand projections in the sufficiency analysis include a competitiveness margin on top of demand (20% in the short-medium term and 15% in the long term) to help ensure that Council provides "at least" sufficient capacity.

As the proposed changes to site coverage do not affect the size of the land that is vacant in the Coneburn Industrial Zone, the proposed changes have no impact on sufficiency of industrial land. The industrial floorspace results showed the following in the long term (including the revision for Coneburn GFA):

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<sup>14</sup> See Appendix B for floorspace capacity estimates.



- Maximum Capacity Scenario – a **surplus** of 227,900sqm GFA (or 225,700sqm GFA correcting Coneburn)
- Alternative Capacity Scenario – a **surplus** of 101,100sqm GFA (98,900sqm GFA correcting Coneburn)
- Alternative Capacity Scenario Excluding AMU Zone Capacity and Wakatipu Air Transport Services Sector Demand – a **shortfall** of -50,600sqm GFA (-52,800sqm GFA correcting for Coneburn).

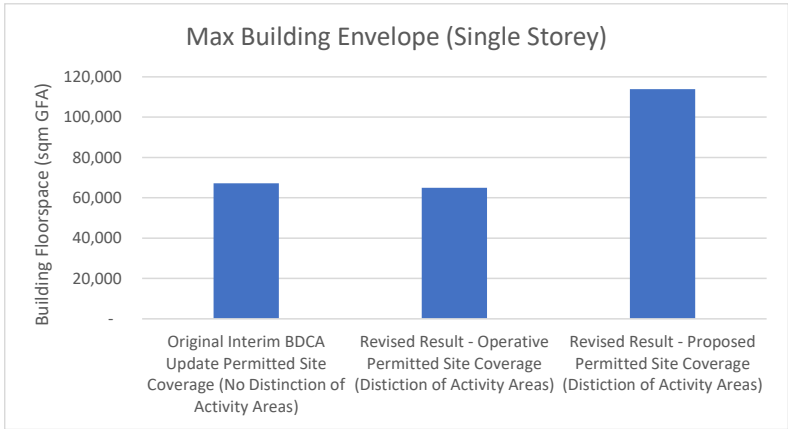
**2.3.1 Effect of the Proposed Site Coverages on GFA Sufficiency**

Figure 2.4 and 2.5 show the impact of the proposed change in permitted site coverage in the Coneburn Industrial Zone Activity Areas, using the BDCA approach of permitted or controlled development parameters. When compared with Figure 2.3 above, the effect of increasing permitted coverage from 30% to 40% in Activity Area 1A and 35% to 65% in Activity Area 2A is an increase in permitted floorspace of 48,900sqm (169%) in the Zone – increasing from 65,000sqm to 113,900sqm GFA.

Figure 2.4 – Revised Industrial Floorspace Capacity of Coneburn Industrial Zone – Proposed Permitted Site Coverage by Activity Area

Activity Area 1A	Activity Area 2A	Total Activity Areas	Parameter
43,202	148,659	191,861	developable sqm of zone
40.0%	65.0%	59.4%	Building coverage (showing weighted average for Total Activity Areas)
1	1		Storeys of development
17,300	96,600	113,900	Building GFA (Rounded)

Figure 2.5 – Comparison of Industrial Floorspace Capacity Estimates for Coneburn Industrial Zone – Original, Revised, and Proposed Site Coverage





With reference to the Interim BDCA Update results, the proposed site coverage changes would provide a further buffer of industrial floorspace capacity in Wakatipu Ward under the Maximum Capacity and Alternative Capacity Scenario as modelled. The increase in permitted floorspace also goes a long way to reduce the estimated shortfall in the Alternative Capacity Scenario Excluding Airport related demand and capacity (i.e., a 48,900sqm increase compared to a 52,800sqm shortfall), but a very minor shortfall would remain by 2048 (-3,900sqm GFA)<sup>15</sup>.

If the BDCA modelling was instead running of the Council's latest (July 2020) projections, which are slightly lower in 2048 from those modelled in the BDCA Update, the estimated shortfall *may* be totally offset by the proposed changes in activity status for site coverage in Coneburn. However, in the absence of another full update of the BDCA modelling, that effect cannot be quantified with any certainty.

### 2.3.2 Limitations of the BDCA Modelling Approach

There are two relevant issues to be considered when interpreting these BDCA-based results:

First, land is a more robust indicator of sufficiency for industrial demand and capacity than floorspace given the high dependency on ground floor space, outdoor storage (yards) and the fact that many types of industrial activity are not suited to mixed use buildings. This has been discussed in the BDCA 2017 report and again in the Interim BDCA Update Addendum. In contrast, floorspace is considered the more robust indicator of sufficiency for retail and commercial development.

Industrial activity is relatively more land extensive than other forms of business activity, with some industrial businesses requiring land but little or no built space. Care is therefore needed in considering floorspace demand and capacity independently of land demand and capacity. While we are able to calculate industrial demand and capacity in floorspace terms (and have done so above), M.E continues to advocate that greater weight should be given to the land sufficiency outcomes – for which this proposed variation in Coneburn Industrial Zone has no impact.

Second, the increase in industrial floorspace GFA associated with the proposed variation to site coverages is not necessarily a net increase to the counterfactual (i.e. what floorspace could develop with no change to the operative site coverage provisions).

The proposed change is only a change in compliance levels – a shift towards more enabling development. The same level of floorspace (i.e. 113,900sqm GFA – Figure 2.4) may still be achievable under the current mix of permitted and restricted discretionary site coverage status (discussed further in Section 3). This highlights the limitations of the BDCA modelling, which is sensitive to assumptions such as permitted or controlled status only for building height and site coverage parameters.

M.E considers that while the BDCA is a necessary<sup>16</sup> and useful tool for council, it is only somewhat relevant to evaluating the economic costs and benefits of the proposed site coverage changes in the Coneburn Industrial Zone.

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<sup>15</sup> Note, the industrial land shortfall in 2048 in that scenario is estimated at -5.5ha and is not influenced by any changes in site coverage proposed in the Coneburn Zone.

<sup>16</sup> The assessment was required under the NPS-UDC and continues to be a requirement under the NPS-UD.





## 3 Conclusions, Costs and Benefits

This section considers wider economic costs and benefits of the proposed variation in site coverages in Activity Areas 1A and 2A in the Coneburn Industrial Zone and provides an overall recommendation for Council from an economic perspective.

The scope of the proposed variation is very narrow – limited to site coverage provisions – and as such, the scope of potential economic costs and benefits is also limited. Care has been taken not to conflate potential costs and benefits with those associated with the provision of the Coneburn Industrial Zone generally, as this is captured in the status quo.

We consider that there are slight differences in costs and benefits depending on whether one considers them from the perspective of the initial developers of the sites in the Zone - where new owners/investors bear the cost of resource and building consents but customise the sites to their needs - compared with future/subsequent occupants - where buildings are already developed and prospective buyers/tenants make a decision to occupy based on the improvements already established on site (and how well they fit with the operational and functional needs of their business).

### 3.1 Economic Benefits

Removing the restricted discretionary site coverage (and making them permitted instead) *potentially* enables a broader range of industrial business types to locate in the Zone. That is, Coneburn may be considered a more attractive location for businesses seeking sites with 30-40% site coverage on sites greater than or equal to 3,000sqm and for businesses seeking sites with 35-65% site coverage on sites greater than or equal to 1,000sqm, compared with the status quo.

The consequent effect of this potential benefit is that the effectiveness<sup>17</sup> of the Zone to provide capacity for industrial and service activities increases as it could cater for a greater range of business (in terms of the scale and nature of business demand) under a permitted site coverage compared to the status quo. This is highlighted in Figure 1.3 where permitted buildings in the Activity Area 2A, for example, increase from a minimum of 360sqm GFA to 660sqm GFA under a permitted status.

This in turn will allow the Coneburn Zone to compete more strongly with the GISZ as an alternate location for industrial development or business operation. This reduces the risk for the land developer and therefore improves the commercial feasibility of bringing the Zone to market.

The larger buildings permitted under the proposed provisions may also improve the commercial feasibility of development for some purchasers/developers. This could generate more income and value associated with built space to help offset (recover) the costs of development. Larger buildings may also allow building owners to create additional tenancies within the building envelope on site (creating another stream of

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<sup>17</sup> While on the face of it, higher site coverage can be considered a more efficient use of the land, care is needed with determining efficiency in industrial zones as the pure economic approach discounts the role of yard based/land extensive industries in the industrial and wider economy. M.E considers that providing zoned capacity for land extensive industrial activities contributes to the overall efficiency of the district and urban economy. As such, we do not claim any net additional efficiency benefits here.



income). An increased scale of buildings on each site may also sustain for construction activity (GDP and employment benefits for the district).

These benefits above apply for the initial development phase of the individual lots and/or their future/subsequent occupation (i.e., churn of businesses over time).

We caveat these direct and consequent benefits with the term '*potentially*' because these benefits apply only in so far as a restricted discretionary activity status for site coverages between 30-40% and 35-65% respectively would have put-off, deterred or constrained initial development of the sites by owners of more land intensive businesses (i.e., those seeking to build larger buildings than currently permitted) under the status quo.

Under the operative provisions for the Zone, buildings already require a controlled non-notified consent, but the restricted discretionary site coverage would elevate the consent application to a notified or partially notified consent (with additional assessment matters to be addressed in the application). There is a cost associated with this (discussed below).

It is outside our area of expertise to determine how onerous (or not) the matters of discretion would be to address/overcome. Our 'observation' of Zone Standard 44.5.5 is that the discretion is focussed on traffic/transport matters, primarily on-site, as they relate to the intended activity. It follows that the applicant would not seek the additional site coverage (and reduced yard area) unless it suited them on that particular sized lot. If they required both the larger building and larger yard area, they would seek a larger site where both could be achieved. We therefore estimate that demonstrating that on-site traffic/transport matters can be addressed/managed would not be an especially onerous task for consent applicants, nor result in trade-offs that would constrain or deter site development under a restricted discretionary consent to a more than minor degree.

If the current restricted discretionary activity status of site coverages in each Activity Area is unlikely to materially deter those wanting to develop the sites, then the above benefits may be negligible for the initial development period of the Zone (because the counterfactual would also enable a broad range of industrial and service businesses to establish at a broader range of sizes). This outcome does not however lessen the benefits above that apply to the long term occupation of (and churn within) the Zone.

Related to the above, a benefit of the proposed changes to the activity status of site coverages is the reduced compliance costs for those initial developers of sites in the zone (i.e. savings associated with those that could apply for a controlled non-notified consent instead of a notified or partially notified restricted discretionary consent). These reduced time and financial costs (unquantified in this assessment) will benefit both applicants and Council, although it is not known how many sites would have sought a restricted discretionary consent under the status quo. If every potential future lot in the zone was subdivided at the minimum lot size and all would have sought a restricted discretionary consent (unlikely), then this could have been approximately 160 consent applications by M.E estimates.<sup>18</sup> This is considered an absolute maximum as it is more likely that a portion of sites would be satisfied to develop under the existing permitted site coverages and bear the costs of a controlled consent only.

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<sup>18</sup> I.e. 4.3ha in Activity Area 1A divided by 3,000sqm lots and 14.8ha in Activity Area 2A divided by 1,000sqm lots equates to approximately 160 lots. This does not taken into account the size and shape of areas able to be subdivided, and any constraints, that may reduce the number of lots can be created in practice.



## 3.2 Economic Costs

Changing the site coverages to become more enabling may result in a reduction of industrial capacity perceived<sup>19</sup> by the market to be available for more land extensive industrial and service businesses, particularly in Activity Area 2A where the change from restricted discretionary to permitted is more significant and the permitted minimum lot size is the same as permitted in the GISZ (narrowing the differences between the two zones).<sup>20</sup> This is a potential opportunity cost arising from the proposed changes.

Relatedly, by making sites more enabling of development (by providing for a greater range of permitted building sizes and therefore potential uses of the sites by industrial and service businesses), this may increase the value and therefore cost of the land (and developed sites) in the Coneburn Zone. Any change in value is however anticipated to be minor when considered in conjunction with the activities enabled in the zone. These provide mainly for industrial and service (and ancillary/accessory) activities (with 'ability to pay' limited to the range within this sector) and exclude those activities which would be more likely to drive up land prices (such as retail and commercial development which have a higher 'ability to pay' compared to many businesses in the industrial and service sector). That is, there will be competition for sites within the industrial and service sector, but not between sectors of the economy.

However, as discussed above, these costs/opportunity costs arise only in so far as a restricted discretionary status for building coverage would have put off, deterred, or constrained more land intensive businesses from taking up sites in Coneburn Industrial Zone under the status quo.

If the current restricted discretionary activity status of site coverages in each Activity Area is unlikely to materially deter those wanting to develop the sites, then the above costs/opportunity costs may be negligible because the counterfactual would also enable a broad range of industrial and service businesses to establish at a broader range of sizes.

## 3.3 Recommendation

Overall, M.E consider that the economic benefits and costs of the variation are likely to be no more than minor but that benefits from the proposed site coverage changes may still outweigh any potential costs.

We do not anticipate any more than minor adverse economic outcomes in terms of providing capacity for Wakatipu Ward's industrial and service economy growth. Given that Coneburn has yet to be developed, and that potentially there is only limited remaining zoned capacity for industrial (and service) land use growth elsewhere in the Wakatipu Ward (depending on what capacity scenario is considered), and less than previously surveyed in January 2020, Coneburn may be the only real 'pure' industrial growth option in the Ward by the time it comes to market.

If that is the case, it makes sense that the Zone offering is closer to what can be supplied in the GISZ given that the provisions of that new zone were developed with the future industrial economy in mind. With the

<sup>19</sup> Perceptions based on the intent of the different activity statuses of site coverage only.

<sup>20</sup> The 3,000sqm minimum lot size in the Activity Area 1A helps protect capacity for a small number of large scale yard-based businesses and the minor increase in permitted site coverage proposed would not materially reduce that opportunity.



proposed changes, the Activity Area 2A approaches the development potential of the GISZ while the Activity Area 1A continues to protect a small amount of capacity for larger-scale or very land-extensive businesses going forward.

M.E recommends that the proposed variation be approved from an economic costs and benefits perspective. There is uncertainty as to how a relatively more enabling site coverage framework will result in real changes in Zone development over time relative to the status quo. It is possible and perhaps likely that given limited options for vacant industrial sites throughout Wakatipu Ward that the existing mix of permitted and restricted discretionary activity status would deliver the same outcome. If this is the case, then the key net benefit of the variation is regulatory efficiency – including reducing compliance costs by reducing reliance on more complex resource consent processes, reducing the requirements for notification, simplifying develop controls in the District Plan and improving competition and commercial feasibility of industrial development. As the GISZ is still more enabling (i.e., site coverage of 75% is permitted), then we consider there would be very low risk of approving the proposed changes, if any.



## Appendix A – Bunnings Hearing Evidence

The following is extracted from the evidence in chief of Mr Derek Foy, acting for Council in the Environment Court appeal on the Bunnings Limited consent application in Frankton (ENV-2018-CHC-15). At the time, the Coneburn Industrial Zone was subject to an appeal, but the various economic experts (and planning experts) had provided commentary on the scale of potential industrial land capacity in the Coneburn Industrial Zone. Mr Foy's estimate of 19.2ha of vacant capacity (after existing activities were excluded) was adopted for the Topic 2 Appeals evidence by Natalie Hampson for Council, which later rolled over into the Interim BDCA update.

7.25 I note that several different estimates of the land area proposed to be zoned Industrial at Coneburn were presented to the PDP hearings. The Coneburn Structure Plan shows 26.53ha of Industrial land<sup>12</sup>, within a total land area sought to be rezoned of 62.5ha (the balance of 36ha is "Open Space No buildings or structures"). Evidence presented by Ms Alyson Hutton (the submitter's planner) identified 27.25ha of Industrial land within a total of 63.24ha.<sup>13</sup>

7.26 Evidence presented by Mr Copeland<sup>14</sup> (also on behalf of the submitter requesting rezoning at Coneburn) recorded a total of 19.5ha of additional industrial land that was proposed to be created<sup>15</sup>, over and above the existing and consented industrial activities:

....within the proposed zone change site are a number of existing industrial activities including a quarry, a construction depot and a mechanical workshop. There are synergies from the co-location of industrial activities together. Also one of the owners of the land proposed for rezoning is a related company to the owner of the nearby Remarkable Ski Field and it is anticipated that part of the site would be utilised for the storage and maintenance of plant and equipment for the operation and maintenance of the skifield. There are economic efficiency benefits from having a yard for such activities in close proximity to the skifield.<sup>16</sup>

7.27 Mr Copeland has advised me that his recollection is that his estimate of 19.5ha was derived using the total industrial zoned area proposed, and subtracting land that is either already used for industrial activities or would be committed to providing for skifield use.



7.28 Mr Tansley has recognised that part of the area is already occupied, , and has estimated that these existing activities might account for 2.5-7.5ha, which should then be removed from the total proposed industrial land area.<sup>17</sup> Some or all of the existing industrial activities might leave Coneburn and free up land

<sup>12</sup> 4.59ha of Activity Area 1a, and 21.94ha of Activity Area 2a.

<sup>13</sup> Paragraph 3.2.

<sup>14</sup> Available at:

[http://submissions.qldc.govt.nz/Consult24Prod/Consult24Office//Docs//PID\\_5/5\\_404\\_EEP1O4\\_Annexure%20I%20Economic%20Analysis.pdf](http://submissions.qldc.govt.nz/Consult24Prod/Consult24Office//Docs//PID_5/5_404_EEP1O4_Annexure%20I%20Economic%20Analysis.pdf).

<sup>15</sup> Paragraph 1.1.

<sup>16</sup> Paragraph 4.12.

<sup>17</sup> Paragraph 5.14.

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there, but would then require land elsewhere, resulting in no net increase in supply.

7.29 As a conservative estimate then I suggest that if the Coneburn appeal is unsuccessful, the net additional industrial land supply the proposal might create would be in the order of 20ha, not the 27.5ha indicated by Mr Heath.<sup>18</sup> That 20ha may not be available to the market for some time, given the possible timing of the PDP appeals, and then time needed to service the land and otherwise ready it for bringing to market.



## Appendix B – Interim BDCA Update Results

Copies of (Industrial Wakatipu only) Interim BDCA Update Results for the PDP Stage 3 Scenario, as reported. Results include the competitiveness margin on top of demand (20% in the short-medium term and 15% in the long term).

Scenarios include:

- Maximum Capacity Scenario (which double counts capacity where commercial and retail activities are also enabled in the same zone).
- Alternative Capacity Scenario (where double counting is removed based on a scenario of the mostly supply of capacity between competing industrial, commercial and retail land uses).
- Alternative Capacity Scenario also excluding capacity attributed to the Airport Mixed Use Zone in Frankton (and associated Air Transport Services Demand in Wakatipu Ward) on the basis that much of this land was ‘air-side’ and not available to cater for general industrial sector growth.

### Industrial - Maximum Capacity Scenario – Land (ha)

Category by Ward	Cumulative Land Demand (Ha)			Total Vacant Business Zone Land 2020 (ha) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	7.0	20.5	47.0	79.5	Sufficient	Sufficient	Sufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E  
 Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Maximum capacity assuming no uptake by other enabled land uses. Will overstate capacity where other land uses take precedent.  
 Capacity Scenario: January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)

### Industrial - Maximum Capacity Scenario – Floorspace (sqm GFA)

Category by Ward	Cumulative GFA Demand (sqm)			Total Vacant Business Zone GFA 2020 (sqm) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	33,000	96,000	219,400	447,300	Sufficient	Sufficient	Sufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E. Figures rounded to nearest 100.  
 Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Maximum capacity assuming no uptake by other enabled land uses. Will overstate capacity where other land uses take precedent.  
 Capacity Scenario: January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)



### Industrial - Alternative Capacity Scenario – Land (ha)

Category by Ward	Cumulative Land Demand (Ha)			Total Vacant Business Zone Land 2020 (ha) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	7.0	20.5	47.0	60.2	Sufficient	Sufficient	Sufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E. Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Overlap in capacity has been removed, refer to the scenario assumptions in appendices.

Capacity Scenario: January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)

### Industrial - Alternative Capacity Scenario – Floorspace (sqm GFA)

Category by Ward	Cumulative GFA Demand (sqm)			Total Vacant Business Zone GFA 2020 (sqm) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	33,000	96,000	219,400	320,500	Sufficient	Sufficient	Sufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E. Figures rounded to nearest 100. Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Overlap in capacity has been removed, refer to the scenario assumptions in appendices.

Capacity Scenario: January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)

### Industrial - Alternative Capacity Scenario and Excluding AMU Zone Capacity and Wakatipu Air Transport Services Sector Demand – Land (ha)

Category by Ward	Cumulative Land Demand (Ha)			Total Vacant Business Zone Land 2020 (ha) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	6.2	18.4	42.6	37.1	Sufficient	Sufficient	Insufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E. Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Overlap in capacity has been removed, refer to the scenario assumptions in appendices. Queenstown Airport demand & capacity excluded.

Capacity Scenario: January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)

**NOTE - EXCLUDES INDUSTRIAL AND COMMERCIAL DEMAND FOR AIR TRANSPORT SERVICES IN WAKATIPU WARD AND CAPACITY IN THE AIRPORT MIXED USE**





**Industrial - Alternative Capacity Scenario Excluding AMU Zone Capacity and Wakatipu Air Transport Services Sector Demand – Floorspace (sqm GFA)<sup>21</sup>**

Category by Ward	Cumulative GFA Demand (sqm)			Total Vacant Business Zone GFA 2020 (sqm) *	Sufficiency		
	Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)		Short Term (2018-2021)	Medium Term (2018-2028)	Long Term (2018-2048)
<b>Industrial</b>							
Wakatipu	28,900	85,400	197,600	147,000	Sufficient	Sufficient	Insufficient

Source: QLD EFM 2018, 2020 Update (QLDC Recommended Oct 2018 Population, High Tourism, High Other), M.E

Projected demand and current capacity within core business enabled zones in defined urban environment only. Wakatipu Ward includes both Queenstown and Arrowtown Wards. \* Overlap in capacity has been removed, refer to the scenario assumptions in appendices. Queenstown Airport demand & capacity excluded.

Capacity Scenario: **January 2020 Zone (Consolidated District Plan Plus Other Changes and Proposed Stage 3)**

**NOTE - EXCLUDES INDUSTRIAL AND COMMERCIAL DEMAND FOR AIR TRANSPORT SERVICES IN WAKATIPU WARD AND CAPACITY IN THE AIRPORT MIXED USE**

<sup>21</sup> The table was not previously included in the Interim BDCA Update Addendum report but was in the underlying model.