



te kaunihera ā-rohe o  
**matamata-piako**  
district council

# Due Diligence Summary Report

## 25 Waihou Road, Te Aroha

March 2023



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## Quality control

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## Revision history

Revision	Revision date	Details	Authorised	
			Name/Position	Signature
0.1	01/03/2023	Draft	Sam Saunders	

## 1.0 Background and Introduction

In July 2022 Matamata Piako District Council (MPDC) acquired the land at 25 Waihou Road, Te Aroha (the Site) in order to support wider MPDC and industrial development initiatives in Te Aroha. The Site is currently utilised as a lifestyle property and has a rural zoning.

MPDC's Planning team identified, at a high level, that there was a need for more industrial land in the township. MPDC's objective is to understand the development potential of the Site considering an industrial use together with preparing a robust case for more industrial land in Te Aroha to support a Plan Change from rural to industrial.

MPDC has engaged The Property Group Limited (TPG) as Property Advisory and Resource Management Act (RMA) Planning specialists to guide them through this process and inform them of the opportunities, risks and potential returns from the proposed industrial development initiative. The engagement is split into two phases, namely Phase A and Phase B.

TPG's deliverables for the respective Phases are:

- **Phase A** – to undertake site and planning due diligence to inform the design/layout of an industrial development, and at a high level, its viability.
- **Phase B** – subject to the viability in Phase A, prepare a business case for a preferred scheme and complete a Plan Change (zoning Rural to Industrial) for the Site, including stakeholder engagement.

The subject of this report includes TPG's findings from **Phase A** and provides a high-level summary of the following;

1. Project objectives
2. The Site
3. Due Diligence completed (the Site and RMA Planning assessment)
4. Stakeholder engagement
5. 28<sup>th</sup> September 2022 Council workshop
6. Market demand analysis
7. Lot layout options informed by Due Diligence and Market Demand
8. Rough Order of Costs
9. High-level feasibility
10. Conclusions
11. Proposed next steps

## 2.0 Project objectives

The outcomes sought and therefore the ultimate objectives of this project are defined as follows:

- Increase light industrial zoned land in Te Aroha to support continued economic growth.
- This project positively influences and encourages existing businesses within Te Aroha to stay and attract new.
- Subject to viability, a Plan Change is completed in a timely and fiscal manner.
- A cost neutral outcome is realised for MPDC.
- Positive stakeholder engagement through open communication and consultation.

## 3.0 The Site

The Site is legally described as Lot 1 Deposited Plan South Auckland 12117, Lot 1 Deposited Plan South Auckland 11281 and Part Lot 1 Deposited Plan 37114 and contained within Record of Title (RT) SA55A/853.

The Site is located in a rurally zoned part of Te Aroha on a lifestyle block at 25 Waihou Road and is approximately seven hectares (7.21 ha) in area. An existing dwelling is located at the front of the Site (northern boundary) and barn/stable structure is located further to the west. The remainder of the Site comprises open pasture of gentle, undulating slopes and is currently sectioned into paddocks demarcated by timber fencing.

The Site is currently being leased for grazing purposes and the dwelling is occupied separately by a tenant managed by MPDC.



Figure 1 - Subject Site outlined shaded yellow



Figure 2 - Subject Site with racecourse in distance

A large portion of the Site is subject to the Flood Hazard overlay as identified on the MPDC Planning Maps and Waikato Regional Council (WRC) owned open drains run north-south and then east-west through the Site as shown in Figures 3 and 4 below.

Access to the Site is via an existing vehicle crossing from Waihou Road (Stage Highway 26) which is classified as a Significant Road in the District Plan and subject to Designation 89 of which Waka Kotahi the New Zealand Transport Agency (Waka Kotahi) is the designating authority.

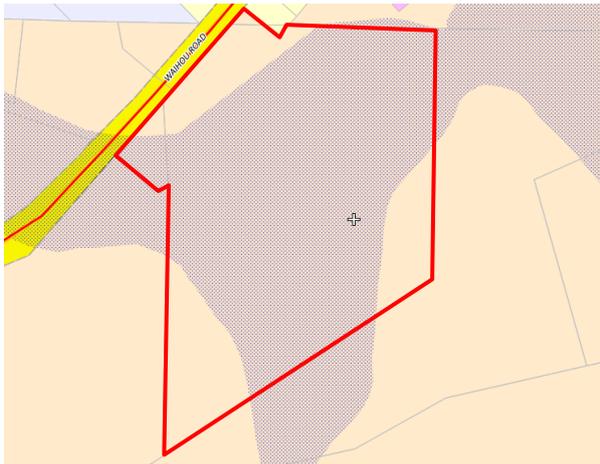


Figure 3 – Flood Hazard overlay shaded blue



Figure 4 – WRC Drains shaded light blue

#### 4.0 Due Diligence completed (Site and Planning Due Diligence)

On behalf of MPDC, TPG procured third party consultants to undertake preliminary assessments for due diligence purposes and to support any future Plan Change. The consultants engaged and their respective disciplines are as follows:

Consultant	Discipline(s)
Tonkin + Taylor (T + T)	Contamination, Geotechnical, Ecological, Infrastructure
CKL Limited (CKL)	Hydrology and Flooding
Grey Matter Limited (Grey Matter)	Traffic
Styles Group Limited (Styles Group)	Acoustic
Boffa Miskell Limited (Boffa Miskell)	Land Visual Assessment

All consultants provided their respective findings and recommendations to inform the design/layout of an industrial development. A high-level summary for each discipline is provided below. Detailed reports can be provided on request.

#### High Level Summary of each Consultant's Findings

##### 4.1 Contamination summary

A desktop ground contamination assessment was completed determined the extent and nature of potential contamination sources with respect to change in land use and future development at the Site. The key findings of the investigation are summarised below:

- The southern portion of the Site has been used for grazing between approximately 1980s to present. Two buildings were constructed in the northern portion of the Site in the late 1960s, and dwelling and a barn/stable. The specifications for the dwelling indicate Aluminium Composite Material (ACM) and fibrous board were used in its construction.

- During a site visit, a number of potentially contaminating activities were identified such as the sheep dip and burn pit. Staining was observed at the base of the barn indicating the potential for contamination to shallow soils.
- Hazardous Activities and Industries List (HAIL) activities are confirmed or considered likely to have occurred at the Site. Therefore, a Detailed Site Investigation (DSI) is expected to be required to support resource consent applications to assess if there will be a risk to human health if the proposed activity is undertaken.

#### 4.2 Geotechnical summary

The published geological map of the area indicates that the Site is underlain by cross-bedded pumice sands, silts and gravels with interbedded peat of the Hinuera Formation. The alluvial lowlands comprise typically high-water tables.

Onsite investigations were undertaken by T + T including cone penetration tests (CPTs), hand auger boreholes (HA's) and Scala penetrometer tests (SC). Investigations confirmed that ground conditions encountered generally correlated with the published geology and were generally soil sequences that are typical to this area south of Auckland and within the Hauraki Plains. Peat was not explicitly identified in line with that expected from the published geology description for the area, however, organic silts were identified in isolated layers comprising evidence of wood fragments and rootlets.

Groundwater was encountered in all of the HA boreholes and CPTs undertaken across the Site. Findings were that groundwater is typically shallow at the Site and ranged from 0.5 metres below ground level (mgl) to 1.8 mgl across the undulating topography.

T + T's findings conclude that shallow foundations are considered as part of any design solution which would address the key geotechnical risks for the Site. Shallow foundations are expected to be suitable for the majority of the Site, comprising hardfill rafts and/or stiff monolithic concrete raft slabs, as well as pad/strip footings.

#### 4.3 Ecology summary

Based on a high-level assessment the Site is considered suitable for development from an ecological perspective if direct impacts to wetlands and other notable ecological features can be avoided.

Two wetland areas have been identified across the Site, which meet the definition of 'Natural Inland Wetland' as per the National Policy Statement for Freshwater Management (NPS-FM) as shown in Figures 5 and 6 below. Earthworks within these wetland areas is prohibited and must be avoided, and other activities within 10 m or 100 m would likely trigger a requirement for resource consent. To manage the potential surface hydrology risks, appropriate drainage will need to be installed/upgraded to ensure stormwater is sufficiently diverted, and erosion potential and instability risks are reduced, without affecting the hydrology of the wetlands.

Watercourses and wetlands identified within the Site have a very high potential for restoration. Fencing off and planting these areas with indigenous stream and wetland species will increase the ecological value of these features.

In the event that a decision is made to proceed with a Plan Change application then more comprehensive field surveys are recommended to ensure adequate ecological information and ecological effects management is provided in an Assessment of Ecological Effects.

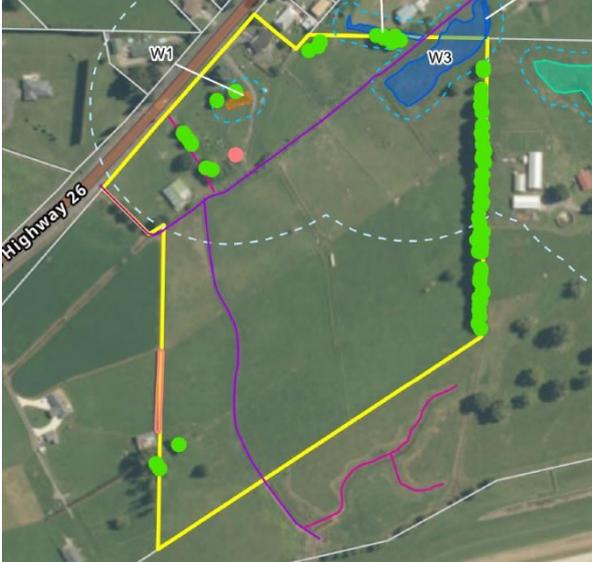


Figure 5 – Natural wetlands (W3) and Possible constructed wetland (W1)



Figure 6 – Flooding covering natural wetlands

#### 4.4 Infrastructure summary

##### Stormwater

Confirming a suitable discharge point is a priority for any future stormwater design as resource consents may be required which may dictate the design requirements. There is limited piped infrastructure within the area and soakage may not be feasible due to geotechnical constraints. Discharging to the WRC drain may be feasible for stormwater disposal. This would likely require a resource consent. The drain may not have capacity for the additional flows and work must be undertaken to ensure adding flows will not worsen downstream flooding issues. Detention of stormwater flows may be required to manage stormwater runoff into the WRC drain.

##### Wastewater

The Site is currently zoned rural, which means the wastewater network has not been designed to service flows from the Site. It is assumed that wastewater from the existing household within the property is serviced by a septic tank or on-site soakage trench.

An existing wastewater pump station is located within the Site and discharges into the public network. To discharge into the network and to support a proposed Plan Change, MPDC has advised that a network assessment for the piped infrastructure and treatment plant would be required to confirm available capacity. Flows from the Site are expected to reach up to half the capacity of the downstream DN (diameter) 150 mm gravity main.

MPDC has advised that the wastewater network performs well during peak dry weather flows but has capacity issues during peak wet weather flow due to infiltration and inflow. To offset the potential need to upgrade the wastewater network, on-site temporary detention of wastewater could be a feasible

solution. Discharge into the network could then be at off peak times and may offset the need to upgrade infrastructure.

### **Water supply**

Hydrant testing is required to confirm the ability of the system to meet potable water supply demand and fire flow demand. MPDC will require a network assessment to confirm capacity. A DN150 mm pipe is within Churchill Avenue and is expected to provide sufficient potable water supply to the Site. Any industrial development on site would result in a likely change in fire water classification. The development may need to supplement fire flow demand with fire flow storage volume on site if there is insufficient supply from the network.

### **Power**

No issues are expected with connecting power and other services. Powerco is the power utility provider for the Te Aroha area and has advised that there is sufficient power supply. Confirmation with other providers will be required.

## **4.5 Hydrology and flooding summary**

CKL completed a preliminary flood risk and stormwater management assessment to assist developing a viable light industrial layout and the implementation of future civil design. The flood modelling highlighted the following influences of the wider catchments during large rainfall events:

- When there is no influence from Waihou River flood extents the flood waters pass through the Site, downstream buildings are not exposed to flooding and the Stanley Road culvert has the capacity to convey flow without overtopping the road.
- When Waihou River 100yr flood occurs, flood extent enters the Site with levels dominated by the Waihou River.

Therefore, the dominate flood event for the Site is from the Waihou River, and there may not be a need to provide attenuation for 10yr and 100yr rainfall events for the runoff for the fully developed site. In addition, the changing of site topography slightly within the Site may not influence the flood levels downstream.

Stormwater management for the Site requires the land drainage system, that is owned and operated by WRC, to remain operative, with entry and exit points kept as per existing situation. The internal alignments can be altered without compromising the conveyance capacity and this has been recommended as part of any proposed lot layout scheme.

The opportunities for the Site to integrate stormwater management elements and management of flood risks to the overall site masterplan are many. The areas for landscape and urban buffer can be coupled with treatment systems such as wetlands, which complement the existing naturally occurring features that border the Site.

#### 4.6 Traffic summary

Development of an industrial area at the Site may result in an additional 111 vehicular trips on the transport network during peak times. There is no existing safety problem on Waihou Road in the vicinity of the Site, and no reason that efficiency on the State Highway network would be adversely affected.

A priority intersection with turning treatments for right turning movements is likely to accommodate expected traffic from the development.

Grey Matters' observations are that there is sufficient sight distance available from the existing vehicle crossing to comply with Safe Intersection Sight Distance (SISD) requirements. The existing access appears to be the best location for an access as it provides access as far as practicably possible from the southern approach. Grey Matter recommend that the access is formed to intersection standards with appropriate turning facilities such as a right turn bay. Speed management measures on the approaches could be considered to manage approach speeds prior to the intersection.

#### 4.7 Acoustic summary

Styles Group was engaged to provide acoustic recommendations for designing the Site to minimise the potential constraints due to the noise generated from industrial activity, and particularly due to the proximity of the proposed development to residential housing. Further, to understand the nature of any constraints that cannot be avoided in an acoustic sense.

Styles Group expect that the noise environment at the existing noise sensitive activities would increase as a result of the proposal. Styles Group note that the overall level of effect would be very typical of the elevated noise environment that would be experienced at the industrial-to-residential / rural interface.

The proximity of the existing noise sensitive activities and the need to comply with noise limits at the adjoining residential / rural interface will create a constraint on some areas of the Site, in Styles Group's opinion. These constraints can be reduced by physical measures to reduce the noise levels, for example:

1. Shifting the access-way westwards and away from the existing residential zone.
2. Constructing a 2.5m high acoustically effective barrier on the eastern side of the access-way.
3. Constructing 2m high acoustically effective barriers around several parts of the boundary of the Site in the northern area.
4. Using buildings as acoustically effective barriers for the individual site layout and 2m high acoustically effective fences along the relevant boundaries of the individual sites and activities when the Site is developed in the future.

Styles Group consider that even with these mitigation measures, there will be some areas of the Site that will still be subject to a minor degree of noise-related constraint, particularly for activities that might occur in the period between 10pm and 7am the next day.

Examples of the kind of constraints likely or typical in these specific areas might include:

- i. A restriction on loading trucks or manoeuvring them between the hours of 10pm and 7am.

- ii. A requirement to keep doors and openings closed in buildings that face the existing dwellings, or in some cases to have no openable doors or windows facing outwards from the Site in buildings containing noisy processes or machinery.
- iii. A greater degree of effort and expense in reducing the noise from fixed mechanical plant such as air handling equipment, refrigeration plant, dust or fume extraction systems, compressors etc.

MPDC could also consider placing a reverse sensitivity encumbrance on the balance residential lot to mitigate complaints and lessen the impacts of the residential zone on the industrial activity.

#### 4.8 Land visual summary

Broadly the proposed land use change is seen as appropriate however the ‘standard’ industrial zone response is not one that could integrate with the Site easily. This is due to the interface with residential zones and nearby rural dwellings. Managing the character of the industrial zone and it’s layout in a manner that respond to the natural features is recommended.

The natural wetland features and required stormwater management create opportunity for landscape buffers that will provide the physical and visual mitigation of industrial activities with residential land use. These areas can also be connected by way of enhanced vegetation patterns and recreation corridors and open space.

There is a logical transition of industrial land use to be connected to the nearby industrial land use to the east. The interface with the State Highway is an important area where visual integration methods should be applied. These include building setbacks, vegetated treatments and building design controls. The gateway to Te Aroha and visual interface with the residential land use to the north require a response that is sensitive. This also provides opportunity for recreation use of the area and ecological enhancement opportunities connected with the wetland area.

The rural zone boundaries are recommended to have buffer planting that is in keeping with the rural character with the provision of shelter belt style planting and native revegetation. These measures along with building design controls will ensure the rural character, residential character and industrial character can be successfully connected through green infrastructure and purposeful building design.

Figure 7 below includes the proposed landscape and ecological treatments identified for the Site.



Figure 7 – Landscape setbacks hatched

## 4.9 RMA Planning summary

Should a Plan Change transpire, MPDC has indicated that it is proposed to rezone the subject Site to General Industrial Zoning which is in accordance with the National Planning Standards and similar to Private Plan Change 57 of the Matamata-Piako District Plan which has been publicly notified.

An assessment of the statutory documents that are applicable to a proposed Plan Change were undertaken, and confirms that the National Policy Statement on Freshwater Management (NPS-FW), National Policy Statement for Highly Productive Land (NPS-HPL), National Environmental Standards for Freshwater (NES-FW) and National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health (NESCS) are considered the most relevant.

Based on information available to date, it is likely that the proposed Plan Change will give effect to the Waikato Regional Council Policy Statement and will not be inconsistent with the Waikato Regional Plan.

The potential rezoning options include a blanket rezoning of the Site or the creation of Development Area Plans. The creation of a Development Area Plan is considered to offer more flexibility and would enable MPDC to impose specific rules or development triggers to address any site-specific issues or constraints such as infrastructure requirements, amenity matters, transportation and reverse sensitivity.

## 5.0 Stakeholder engagement

The following key stakeholders have been identified and consultation has begun with these parties. A summary of the key points raised by each stakeholder is provided below:

### Waka Kotahi

- An Integrated Transport Assessment (ITA) is required to be undertaken.
- The Plan Change should promote and provide active transport modes e.g. pedestrian and cycling facilities to connect between the proposed development and surrounding residential areas. A footpath will be required to connect to the proposed industrial development.
- Waka Kotahi prefers for the proposed development to be accessed from the existing accessway location on State Highway 26 in the 50km/h speed limit.
- Waka Kotahi would like MPDC to consider including paper road connections to the adjacent lots to provide connectivity when these properties are developed.

### Waikato Regional Council

- WRC staff highlighted the need to understand/assess flooding on the Site including pluvial flooding (water which cannot drain quickly due either to the intensity of the rainfall or permeability of the surface) from other catchments and any effects downstream.
- WRC managed land drains run through the Site and are protected under the Land Drainage Act, which includes restrictions on planting and structures within 10m on either side of the drains.

- WRC advised that there is the option to change the land drains to urban drains managed by MPDC. In this instance, the drains would no longer be WRC managed and the Land Drainage Act wouldn't apply.
- Any changes to the land drains within the Site would need to ensure that WRC is able to provide the same level of service (land drainage) to upstream/downstream properties.

#### **MPDC District Planner (Ally van Kuijk)**

- There is currently a gap in the Plan Change process regarding Iwi involvement and the existing TMF is not aligned with the RMA.
- MPDC will need to decide how it intends to work with Iwi in the Plan Change process i.e. inclusion within a governance group or ?.
- There are seven different Iwi groups with interests in Te Aroha. Instead of having a representative from each Hapu, the Māori representative elected as part of the 2022 election could be brought into the governance group in a representative capacity on behalf of local Iwi.

It is noted that MPDC do not currently have a set process for Iwi engagement through the Plan Change process. It is recommended that an engagement strategy with local Iwi is developed early on to ensure the Plan Change process is streamlined.

#### **6.0 28 September 2022 Council workshop**

Preliminary advice was provided to MPDC via a workshop that was held on 28 September 2022. The purpose of this workshop was to present the consultancy teams' initial findings, as summarised above, to MPDC. This feedback included level of risk, due diligence completed, opportunities, stakeholder engagement and any significant 'show-stoppers' that may delay or preclude development of the Site.

It was recommended and agreed at this workshop that MPDC progress with the preparation of lot layout schemes informed by the recently completed due diligence. These schemes would then be given to a Quantity Surveyor who would provide a Rough Order of Costs (ROC) on two preferred lot layout options.

It was agreed that these ROC would then be presented to MPDC and considered before making any decision in progressing to Phase B of the project (Business Case and Plan Change preparation).

#### **7.0 Market demand and analysis**

Matamata-Piako is located within a generally high economy growth area, in close proximity to the 'Golden Triangle' (Hamilton-Tauranga-Auckland) which is classified as an area of fast economic growth. This proximity is likely to affect the demand for different types of activity within the district, with a portion of the district's activity likely to be related to activity in the adjacent larger urban centres of Hamilton, Tauranga, and Auckland.

Te Aroha is located within the north-eastern part of the district at the base of the Kaimai Range. It has a smaller residential population (4,650) when compared to Matamata (8,570) and Morrinsville (8,410).

Te Aroha is located further away than Matamata and Morrinsville from the main transport connections to the surrounding main centres of Hamilton, Tauranga, and Auckland and is therefore likely to have lesser external growth pressures and a greater relative role within its surrounding wider rural catchment.

**Industrial supply**

The Matamata-Piako Operative District Plan (ODP) contains two key zones that provide for urban business activity. These are the Business Zone and the Industrial Zone, which form the parameters of the urban capacity assessment within the district’s urban townships. Te Aroha consists of currently 2.71 ha of Business Zone and 7.7 ha of Industrial Zone.

Te Aroha contains a significant residential and Business Zone area, but only a minor area of Industrial Zone. The location and development status of the Industrial Zone area in Te Aroha is shown Figure 8 below.

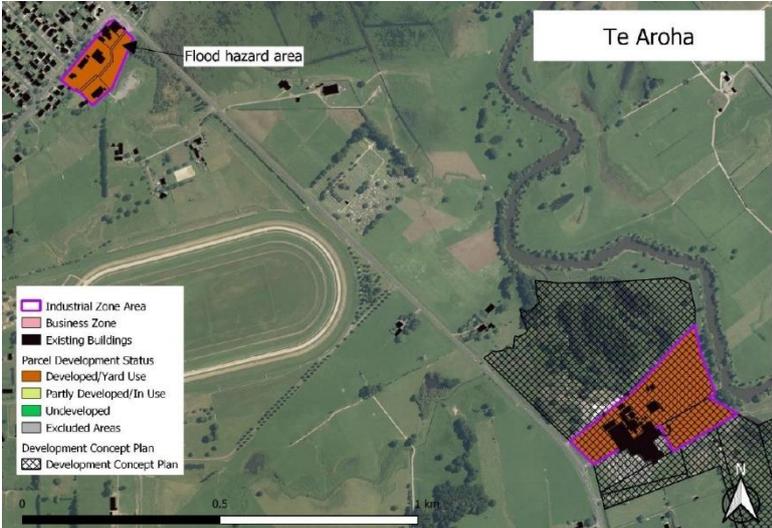


Figure 8 – Te Aroha Existing Industrial Zone Area and Development Status

Three-quarters (5.7 ha) of the Industrial Zone area is located around 1.7 kilometres south-east of Te Aroha’s urban edge on Stanley Road South. It is an area of zoning covered by a Development Concept Plan (DCP) for an agricultural manufacturing/processing operation (Silver Fern Farms), and therefore is not available to the general market for development. The rear portion of the Site also falls within the flood hazard overlay area and is therefore unsuitable for development.

The remaining 1.9 ha of industrial land is currently fully occupied by existing industrial uses. There are no undeveloped areas for future development. The northern portion of the Site is also within the flood hazard overlay area.

**Industrial demand**

According to M.E. Consulting who provided MPDC with a Business Development Capacity and Demand Assessment in May 2022, there is a projected demand for an additional 11.1 ha to 17.7 ha of Industrial Zone space across the district’s main urban townships in the short-term. In the long-term, this is projected to increase to 71.4 ha to 114.3 ha of Industrial Zone space.

Faster growth is projected to continue to occur within the urban townships, with the largest net growth in the main urban townships of Morrinsville and Matamata. Together with Te Aroha, these form the key urban nodes in the north and south of the district.

Considering demand for a proposed industrial development at the Site several potential end users expressed their interest to ex-Mayor Tanner. Note that these are indicative requirements and further engagement would be required. Those who registered their interest are as follows:

Interested party	Area required	Activity
Cullen Engineering	Option 1 – relocate all existing workshops (16,000 m <sup>2</sup> ) Option 2 – relocate one workshop (6,000 m <sup>2</sup> - 8,000 m <sup>2</sup> )	Engineering/workshop
Ag Plus	Between 6,000 m <sup>2</sup> to 10,000 m <sup>2</sup>	Servicing various agricultural equipment
Ngati Tumutumu Iwi Trust	2,500 m <sup>2</sup> - 3,000 m <sup>2</sup>	Workshop and storage
Tim Whittle Homes	1,000 m <sup>2</sup>	Workshop and storage of materials
Fonterra (Farm Source)	5,000 m <sup>2</sup> – 6,000 m <sup>2</sup>	Retail and supply of goods

Based on the interest above, the average area required is approximately 5,000 m<sup>2</sup> - 6,000 m<sup>2</sup>.

### Industrial rates

There has been limited industrial land transactions in Te Aroha, therefore it has been difficult to obtain any comparable sales evidence. However, we have sought advice from local agents who have provided us with industrial land rates for Waharoa, Matamata and Morrinsville. These rates are based on fully serviced vacant lots ready for vertical development (e.g. buildings). The rates that have been applied on recent sales are as follows:

Township	Rate per m <sup>2</sup>
Matamata	\$400.00 - \$450.00
Morrisonville	\$350.00 - \$400.00
Waharoa	\$80.00 - \$120.00

### Application to the Site

After speaking with local agents and considering the location of Waihou Road, they believe that the market would expect to see the proposed lots at Waihou Road sell between \$100.00 (lots located at the

rear of the development) and \$150.00 m<sup>2</sup> (lots that have main road exposure). These rates are considerably less than that seen in Matamata and Morrinsville as Te Aroha does not share the same benefits of being located proximate to trunk lines and connectivity to the main State Highway network. Te Aroha is considered primarily a destination town rather than a thoroughfare as far as industrial activity is concerned.

In regard to preferred lot sizes, local real estate agents have stated that their clients/buyers are predominantly seeking lots anywhere between 3,000 m<sup>2</sup> and 6,000 m<sup>2</sup> to accommodate their respective business activities.

### **Options for providing the required industrial capacity**

As stated above there is a demand for Industrial zoned land in Te Aroha. An assessment as to whether there are other reasonably practicable and feasible options for providing the required development capacity is yet to be completed. This includes considering alternative options to rezoning the land and alternative locations for the rezoning.

In terms of alternative options for catering for business and industrial demand, these are limited given that Industrial activities are considered 'land hungry' and require larger, flatter sites with access to main highways as opposed to other urban land uses. This means that intensification options, such as infill development to cater for demand, is not appropriate in the context of catering for business and industrial demand. Te Aroha currently has no vacant industrial land to cater for any of the market demand.

For these reasons, the appropriate planning mechanism is therefore a rezoning approach that provides for a mixture of industrial land uses that will be driven by market demand and the needs of potential end users.

In terms of alternative locations for rezoning, the Site is considered to be the most suitable for the rezoning for the following reasons:

- The MPDC Town Strategies identified the Site as the preferred option for future industrial land as the area is contiguous with existing industrial development, separated from residential development, with good connection to State Highway 26 via internal access from Stanley Road South. The Site is also relatively close to the existing township which facilitates alternative modes of transport.
- In relation to NPS-HPL, the Site contains Class II land which is less productive than other options to the north and south of the Te Aroha township that contain all Class I land.

### **Costs and benefits**

For the reasons set out above, it is considered that the environmental, social, cultural and economic benefits of rezoning the Site could outweigh the environmental, social, cultural and economic costs associated with the loss of highly productive land, or the rezoning of another similar landholding in Te Aroha.

## 8.0 Lot layout options

Informed by the due diligence completed and market demand, several lot layout schemes were prepared. These lot layout schemes considered all due diligence recommendations and proposed mitigation measures (i.e. location of wetlands, WRC drains and their potential realignment, access to the State Highway, buffer zones etc).

With regard to the Site and its constraints we are ultimately presented with two development areas. The first and largest area is located in the south-eastern corner of the Site accommodating the flattest land. This area is retained above a realigned WRC drain at the western edge and wetland to the north of the Site. It is proposed that this development area be accessed via a main central road. The other development area is located closer to Waihou Road and the existing access point.

These lot layout schemes allow for horizontal infrastructure only (i.e. bulk earthworks, installation of three waters, power, realignment of WRC drains, planting, buffering, roading etc).

The balance residential house and curtilage is retained.

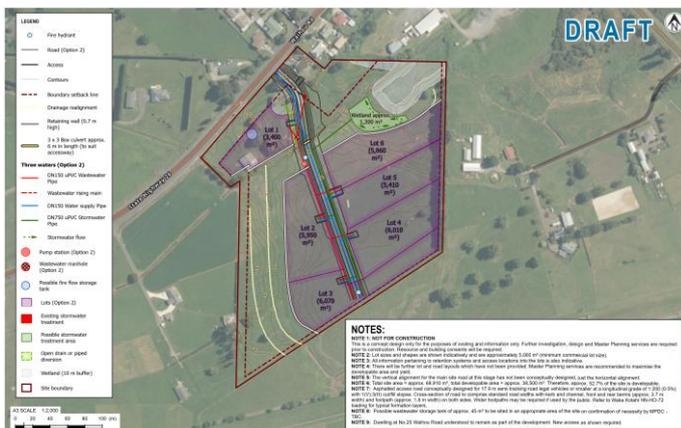
Four lot layout options were prepared for initial consideration as follows:

### 8.1 Option 1



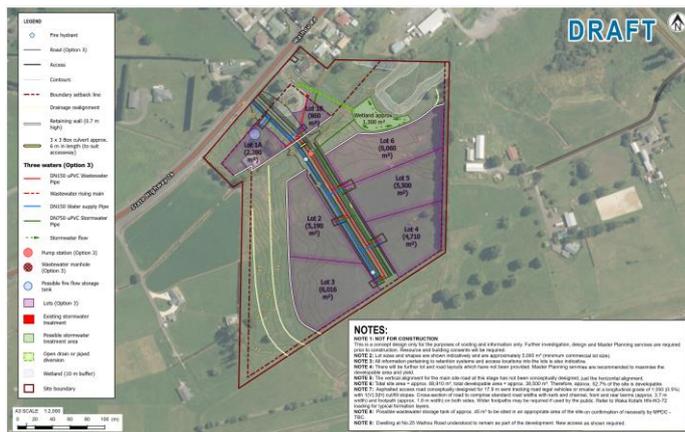
- 33,050 m<sup>2</sup> across 6 individual lots
- Central spine road from Waihou Road and terminates midway into development
- Triangular shaped Lot 4 to improve layout to balance lots
- Possible constructed wetland retained at entrance of Site
- Dwelling and curtilage as separate lot.

### 8.2 Option 2



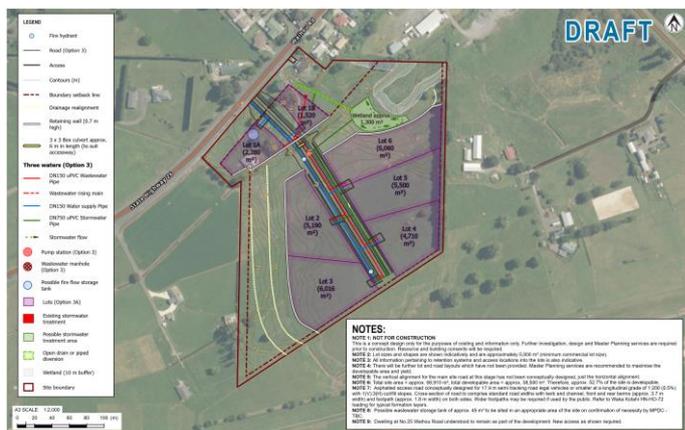
- 32,700 m<sup>2</sup> across 6 individual lots
- Central spine road from Waihou Road through to racecourse edge of the Site
- Possible constructed wetland retained at entrance of Site
- Dwelling and curtilage as separate lot.

### 8.3 Option 3



- 30,616 m<sup>2</sup> across 7 individual lots
- Central spine road from Waihou Road through to racecourse edge of the Site
- Alternative access from Waihou Road
- Possible constructed wetland retained at entrance to Site
- Lots adjoining Waihou Road split into two lots (Lot1A and Lot1B)
- Dwelling and curtilage as separate lot.

### 8.4 Option 3A



- 31,276 m<sup>2</sup> across 7 individual lots
- Central spine road from Waihou Road through to racecourse edge of the Site
- Alternative access from Waihou Road
- Lots adjoining Waihou Road split into two lots (Lot1A and Lot1B)
- Dwelling and curtilage as separate lot.

Of the four lot layout options, **Options 2 and 3A** were considered most suitable to proceed. This was on the basis that these two options provide the most suitable lot layout (i.e. size and shape orientation) and the main spine road terminates at the southern end of the Site to allow for future connectivity to adjoining landholdings.

### 9.0 Rough Order of Costs Summary

Quantity Surveyors, Cuckso, were engaged to provide a ROC for Options 2 and 3A. The costs that they have derived are summarised below:

Description	Option 2	Option 3A
Construction Works	\$6,785,599	\$6,633,584
Contractor overheads (P&G and Margin)	\$1,798,184	\$1,757,900
Professional/Council/other fees	\$1,623,535	\$1,590,748

Contingency (Design Development and Construction Contingency)	\$2,041,600	\$1,996,600
<b>Expected Rough Order of Costs</b>	<b>\$12,248,900</b>	<b>\$11,978,800</b>

Considering the lot layout schemes are at such a high level the costs that have been derived are at the upper end of what can reasonably be expected. These costs include several allowances and exclusions which we summarise in further detail below.

### Assumptions and Clarifications

- Elements of cost included within this estimate are based on costs from similar projects and other Cuesko cost benchmarks
- All works are carried out during normal daytime working hours
- All the works will be carried out in one stage
- The contractor will have unobstructed access to the whole site throughout the construction phase
- Demolition of area to be done by others prior to construction
- Existing house to be retained
- Assume pre-loading not required
- Fence to top of retaining not required
- Perimeter fencing allowed for
- Security fencing to each lot allowed for
- Any allowances specifically stated in the estimate
- Transformer upgrade, if required

### Exclusions

<ul style="list-style-type: none"> <li>• Goods and services Tax (GST)</li> <li>• Client costs</li> <li>• Finance costs</li> <li>• Legal costs</li> <li>• Sales/Titles/LINZ costs</li> <li>• An allowance for major service relocation works</li> <li>• Demolition works to area</li> <li>• Road reserve works</li> <li>• Any works relating to asbestos surveying &amp; removal</li> </ul>	<ul style="list-style-type: none"> <li>• Gas pipework and connections</li> <li>• Rock Excavation</li> <li>• Ground improvements</li> <li>• Preloading</li> <li>• Cost impact of future pandemics or lockdowns</li> <li>• Sunk costs</li> <li>• Allowance for Escalation from base date of estimate</li> <li>• Allowance for Client Scope Change Risk</li> <li>• Development Contributions</li> </ul>
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## 10.0 High-level feasibility

Informed by the ROCs and market evidence above, we have prepared a high-level feasibility assessment for the two lot layout options. This assessment is included within **Appendix A** with Table 1 below – Summary of High-Level Feasibility Assessment, providing a summary of the outputs.

Option	Net Sale Proceeds	Less Development Costs	Less Land Purchase Cost	Net Realisation
Option 2	\$4,216,800	\$12,248,900	\$1,129,000	-\$9,161,100
Option 3A	\$4,070,400	\$11,978,800	\$1,129,000	-\$9,037,400

Table 1 – Summary of High-Level Feasibility Assessment

## 11.0 Conclusions

The findings of this due diligence suggests that:

- i. Albeit challenged with site specific constraints, the Site can ultimately be developed.
- ii. Less than half of the total Site can be developed into industrial lots. This is predominantly due to the ecological features present (natural wetlands and WRC drains) and buffer requirements.
- iii. Industrial market sale rate per m<sup>2</sup> is considerably lower in Te Aroha (\$100 m<sup>2</sup> - \$150 m<sup>2</sup>) than those achieved in Matamata or Morrinsville (\$350 m<sup>2</sup> - 450 m<sup>2</sup>). These lower m<sup>2</sup> rates significantly impact the Net Realisation of the proposed industrial development.
- iv. Even if an alternative site was identified within Te Aroha, the industrial market sale rate per m<sup>2</sup> would struggle to get close or even meet the cost to develop, therefore making it unfeasible.
- v. There is a demand for additional Industrial zoned land within Te Aroha and several potential end users have registered their interest with MPDC to be accommodated within the proposed development. Noting that none are contractually committed to land purchases/leases.
- vi. Neither of the lot layout options can realise MPDC's objective of achieving a cost neutral outcome.
- vii. It is considered that a proposed Plan Change of the subject Site from Rural Zone to Industrial Zone would give effect to the higher order statutory documents and would not be inconsistent with any National Policy Statement or Environmental Standard. For these reasons, it is considered that the Site is a suitable location for future Industrial zoning.
- viii. It is considered that the environmental, social, cultural and economic benefits of rezoning the Site could outweigh the environmental, social, cultural and economic costs associated with the loss of highly productive land, or the rezoning of another similar landholding in Te Aroha.
- ix. The Net Realisation of this high-level feasibility assessment has not considered the consequential benefits to the wider Te Aroha community.

## 12.0 Proposed Next Steps

MPDC to consider the following:

1. Regardless of the proposed industrial development not yielding a cost neutral outcome, MPDC to consider whether the environmental, social, cultural and economic benefits of rezoning the subject Site would outweigh the environmental, social, cultural and economic costs.
2. Should 1. above be realised by MPDC, MPDC to commence with a Plan Change and business case for the proposed industrial development.
3. Should 1. above not be realised, consider marketing the Site for sale on the open market.
4. To commission an assessment as to whether there are other reasonably practicable and feasible options for providing the required development capacity In Te Aroha. This includes considering alternative options to rezoning the land and alternative locations for the rezoning.

Thank you for the opportunity to assist MPDC with these considerations. Should you have any questions regarding any aspects of this report please do not hesitate to contact the undersigned.

**Prepared by:**



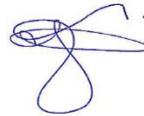
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**Prepared by:**



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Bay of Plenty Business Manager  
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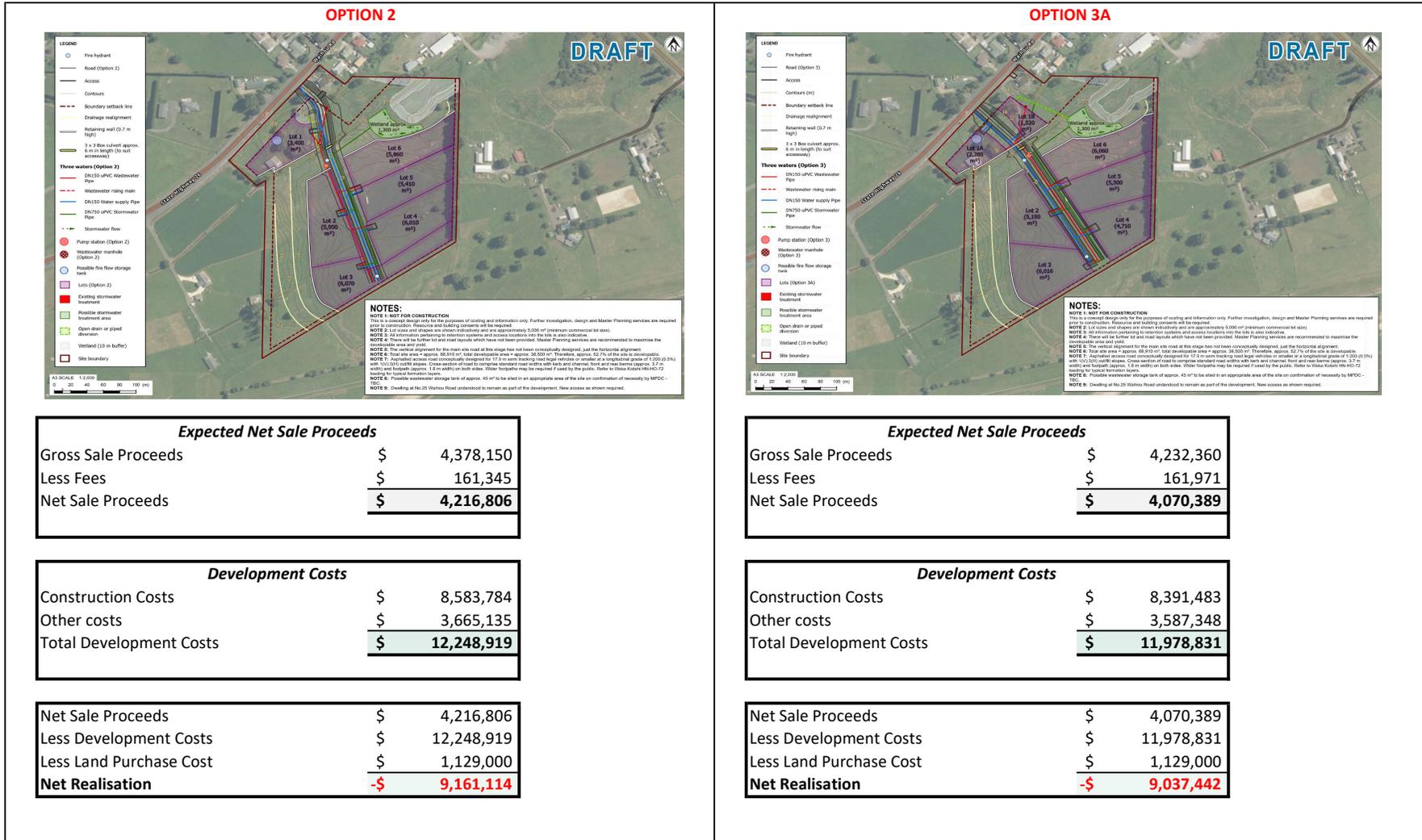
dsanders@propertygroup.co.nz

**Appendix A : Summary of High-Level Feasibility Assessment**



**25 Waihou Road - Proposed lot layout options | Industrial development**  
**High level feasibility assessment**  
**v1 dated 01.03.2023**

*Please note that this summary reflects pricing only and not the wider impacts (positive or negative) that new industrial land in Te Aroha could have on economic growth, employment etc.*



**Matamata Piako District Council - Proposed Industrial Development**

**High Level Feasibility Assessment**

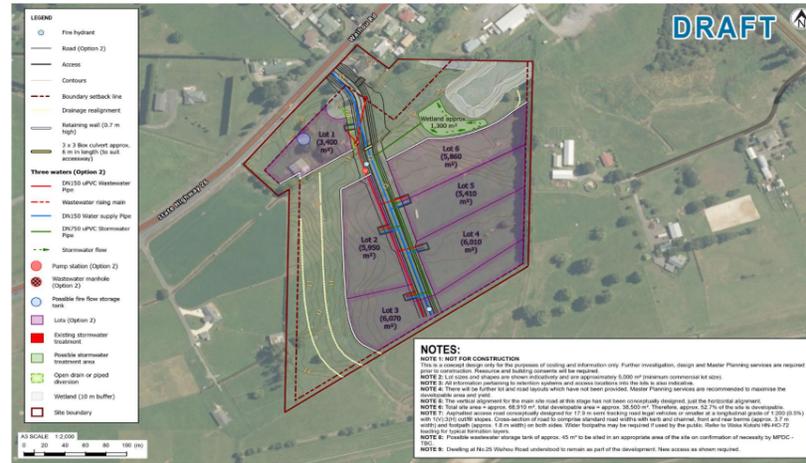
**Bulk & Location OPTION 2**

v1 dated 01.03.2023

Revenue		
Item	Rate Low (\$) p/m <sup>2</sup>	Rate High (\$) p/m <sup>2</sup>
Commercial sale rates	\$ 100.00	\$ 150.00

Lot Size	m <sup>2</sup>
Lot 1	3,400
Lot 2	5,950
Lot 3	6,070
Lot 4	6,010
Lot 5	5,410
Lot 6	5,860
<b>TOTAL LAND AREA</b>	<b>32,700</b>

Based on T+T bulk and location Dec 22



**Expected Net Proceeds**

Item	Lot Size (m <sup>2</sup> )	Rate per m <sup>2</sup> (\$)	Gross Total (\$)	
Lot 1	3,400	150	\$ 510,000	higher rate due to proximity to SH
Lot 2	5,950	120	\$ 714,000	
Lot 3	6,070	110	\$ 667,700	
Lot 4	6,010	110	\$ 661,100	
Lot 5	5,410	115	\$ 622,150	
Lot 6	5,860	120	\$ 703,200	
Balance residential lot			\$ 500,000	assumes sale of the balance dwelling and curtilage
			<b>\$ 4,378,150</b>	
Less Holding costs			\$ -	MPDC to confirm
Less agency fees			\$ 131,345	say, 3%
Less legal fees			\$ 30,000	say, \$5k per lot
			<b>\$ 161,345</b>	
<b>Net Sale Proceeds</b>			<b>\$ 4,216,806</b>	

**Construction Costs**

	Quantity	Unit	Rate (\$)	Total (\$)
<b>Land Cost</b>	1			<b>1,129,000.00</b>
<b>Construction</b>				
Traffic Management				\$ 37,900
Environmental protection				\$ 218,980
Earthworks				\$ 1,549,044
Retaining walls				\$ 280,345
Stormwater drainage				\$ 786,386
Engineered Swale/Drainage realignment				\$ 1,040,607
Wastewater Drainage				\$ 383,861
Watermains and fittings				\$ 256,469
Power and Data				\$ 473,343
Roads and Pavements				\$ 987,852
Landscaping				\$ 770,813
				<b>\$ 6,785,600</b>
On-site Overheads (P&G)			15%	\$ 1,017,840
Off-site Overheads & Profit (Margin)			10%	\$ 780,344
				<b>\$ 1,798,184</b>
			<b>Sub Total</b>	<b>\$ 8,583,784</b>
<b>Other costs</b>				
Professional Fees				\$ 1,463,535
Client costs				\$ - excl
Development contributions				\$ - excl
Contract works insurance				\$ - excl
Council fees				\$ 100,000
Bonds				\$ 60,000
Design development contingency				\$ 1,020,800
Construction contingency				\$ 1,020,800
			<b>Sub Total</b>	<b>\$ 3,665,135</b>
<b>TOTAL DEVELOPMENT COSTS</b>				<b>12,248,919</b>

Gross Sale Proceeds	\$ 4,216,806
Total Development Costs	\$ 12,248,919
Plus Land Purchase Cost	\$ 1,129,000
<b>Net Realisation</b>	<b>-\$ 9,161,114</b> loss

**Notes**

**Exclusions**

- Holding costs
- Client costs
- Development contributions
- Contract works insurance
- GST
- Major service relocations if any
- Demolition
- Road Reserve works
- Works relating to asbestos removal
- Gas
- Rock excavation
- Ground improvements
- Preloading
- Cost impact of future pandemics or lockdowns
- Sunk costs
- Allowance for Escalation from base date of this estimate
- Allowance for Client Scope Change Risk

Matamata Piako District Council - Proposed Industrial Development

High Level Feasibility Assessment  
Bulk & Location OPTION 3A  
v1 dated 01.03.2023

Revenue		
Item	Rate Low (\$) p/m <sup>2</sup>	Rate High (\$) p/m <sup>2</sup>
Commercial sale rates	\$ 100.00	\$ 150.00

Lot Size	m <sup>2</sup>
Lot 1A	2,280
Lot 1B	1,520
Lot 2	5,190
Lot 3	6,016
Lot 4	4,710
Lot 5	5,500
Lot 6	6,060
<b>TOTAL LAND AREA</b>	<b>31,276</b>

Based on T+T bulk and location Dec 22



Expected Net Proceeds

Item	Lot Size (m <sup>2</sup> )	Rate per m <sup>2</sup> (\$)	Gross Total (\$)	
Lot 1A	2,280	150	\$ 342,000	higher rate due to proximity to SH
Lot 1B	1,520	150	\$ 228,000	higher rate due to proximity to SH
Lot 2	5,190	120	\$ 622,800	
Lot 3	6,016	110	\$ 661,760	
Lot 4	4,710	110	\$ 518,100	
Lot 5	5,500	115	\$ 632,500	
Lot 6	6,060	120	\$ 727,200	
Balance residential lot			\$ 500,000	assumes sale of the balance dwelling and curtilage
			<b>\$ 4,232,360</b>	
Less Holding costs		\$ -		MPDC to confirm
Less agency fees		\$ 126,971		say, 3%
Less legal fees		\$ 35,000		say, \$5k per lot
		\$ 161,971		
<b>Net Sale Proceeds</b>			<b>\$ 4,070,389</b>	

Construction Costs

	Quantity	Unit	Rate (\$)	Total (\$)
<b>Land Cost</b>	1			1,129,000.00
<b>Construction</b>				
Traffic Management			\$ 37,900	
Environmental protection			\$ 211,040	
Earthworks			\$ 1,551,775	
Retaining walls			\$ 305,731	
Stormwater drainage			\$ 804,600	
Engineered Swale/Drainage realignment			\$ 1,049,819	
Wastewater Drainage			\$ 350,589	
Watermains and fittings			\$ 261,334	
Power and Data			\$ 470,653	
Roads and Pavements			\$ 920,039	
Landscaping			\$ 670,103	
			<b>\$ 6,633,583</b>	
On-site Overheads (P&G)	15%	\$	995,038	
Off-site Overheads & Profit (Margin)	10%	\$	762,862	
			<b>\$ 1,757,900</b>	
		<b>Sub Total</b>		<b>\$ 8,391,483</b>
<b>Other costs</b>				
Professional Fees		\$	1,430,748	
Client costs		\$	-	excl
Development contributions		\$	-	excl
Contract works insurance		\$	-	excl
Council fees		\$	100,000	
Bonds		\$	60,000	
Design development contingency		\$	998,300	
Construction contingency		\$	998,300	
		<b>Sub Total</b>		<b>\$ 3,587,348</b>
<b>TOTAL DEVELOPMENT COSTS</b>				<b>11,978,831</b>

Net Revenue Total	\$ 4,070,389
Total Development Costs	\$ 11,978,831
Plus Land purchase	\$ 1,129,000
Net Realisation	<b>-\$ 9,037,442</b> loss

Notes

Exclusions

- Holding costs
- Client costs
- Development contributions
- Contract works insurance
- GST
- Major service relocations if any
- Demolition
- Road Reserve works
- works relating to asbestos removal
- Gas
- Rock excavation
- Ground improvements
- Preloading
- Cost impact of future pandemics or lockdowns
- Sunk costs
- Allowance for Escalation from base date of this estimate
- Allowance for Client Scope Change Risk

**25 Waihou Road - Proposed lot layout options | Industrial development**  
**High level feasibility assessment**  
**v1 dated 01.03.2023**

**General assumptions & clarifications**

- Elements of cost included within this estimate are based on costs from similar projects and other Cuesko cost benchmarks
- All works are carried out during normal daytime working hours
- All the works will be carried out in one stage
- The contractor will have unobstructed access to the whole site throughout the construction phase
- Demolition of area to be done by others prior to construction
- Existing house to be retained
- Assume pre-loading not required
- Fence to top of retaining not required
- Perimeter fencing allowed for
- Security fencing to each lot allowed for
- Any allowances specifically stated in the estimate
- Transformer upgrade required
- Lot sizes have been based on market evidence and end user demand

**Exclusions**

- Goods and services Tax (GST)
- Client costs
- Finance costs
- Land costs
- Legal costs
- Sales/Titles/LINZ costs
- An allowance for major service relocation works
- Demolition works
- Road reserve works
- Any works relating to asbestos surveying & removal
- Gas pipework and connections
- Rock Excavation
- Ground improvements
- Preloading
- Cost impact of future pandemics or lockdowns
- Sunk costs
- Allowance for Escalation from base date of estimate
- Allowance for Client Scope Change Risk
- Development Contributions if any
- Any exclusions specifically stated in the estimate