

BEFORE THE INDEPENDENT HEARINGS COMMISSIONER

UNDER the Resource Management Act 1991

IN THE MATTER of seven land use consent applications to use tourist accommodation for contracted emergency housing

BETWEEN **TE TŪĀPAPA KURA KĀINGA - MINISTRY OF HOUSING AND URBAN DEVELOPMENT**
Applicant

AND **ROTORUA LAKES COUNCIL**
Consent Authority

AND **SUBMITTERS**

STATEMENT OF EVIDENCE OF NATALIE DIANNE HAMPSON
Dated 08 / 10 / 2024

TOMPKINS | WAKE

Solicitor: Theresa Le Bas
Theresa.LeBas@tompkinswake.co.nz

Counsel: Kahlia Goss
kahlia.goss@tompkinswake.co.nz

1105 Arawa Street
PO Box 248
Rotorua 3040
New Zealand
Ph: (07) 347 9466
Fax: (07) 347 9500
tompkinswake.com

INTRODUCTION

1. My full name is Natalie Dianne Hampson. I am a Director of Savvy Consulting Limited, an economic consultancy based in Wānaka. I have held this position since November 2023. Prior to that, I was a Director at Market Economics Limited. I hold a Master of Science degree in Geography from the University of Auckland (first class honours).
2. I have worked in the field of economics for over 23 years for commercial and public sector clients, with a particular focus on economic assessment within the framework of the Resource Management Act 1991 (**RMA**). Over that period, I have specialised in studies relating to land use analysis, assessment of demand and markets, the form and function of urban economies and growth, policy analysis, and evaluation of economic outcomes and effects, including costs and benefits. I have particular expertise in data analysis and interrogation to support evidenced based decision making.
3. I have applied these specialties in studies throughout New Zealand, and across most sectors of the economy, notably assessments of new developments, plan and policy changes, urban and rural planning (including under National Policy Statements) and understanding specific sectors such as the retail, commercial, industrial, residential, tourism, education, recreational marine, aquaculture, liquor licencing and major event industries. I am currently an associate member of the New Zealand Planning Institute and a member and regional committee treasurer of the Resource Management Law Association.
4. I was the project manager and contributing author of the 2021 Housing Business Assessment (**HBA 2021 report**) for Rotorua Lakes Council (**Council**) under the National Policy Statement on Urban Development 2020 (**NPS-UD**) and advised on the Council's Future Development Strategy (**FDS**). I am currently joint project manager and author of Council's Housing Business Assessment 2024 update which is currently

underway. I provided economic evidence on behalf of Council for the hearing of the Ministry of Housing and Urban Development's (**MHUD's**) 13 resource consent applications for Contracted Emergency Housing (**CEH**) in 2022.¹

PURPOSE OF THIS EVIDENCE

5. This evidence has been prepared to support the Section 42A Report. It focuses on actual and likely economic effects arising from the proposed use of seven motels for CEH, including temporary and longer-term effects, positive and negative effects and effects at the local community and wider community/district scale. The purpose of my evidence is to determine the extent of these economic effects and how they might be avoided, remedied or mitigated.

6. In preparing this evidence, I have reviewed the material supplied with the resource consent applications (**applications**), and information subsequently provided in response to the request for further information (**RFI**) under Section 92 of the RMA to the extent that has a bearing on economic outcomes and effects. This includes:
 - (a) The Assessment of Environmental Effects (**AEE**) report by Ms Jones at the Property Group dated June 2024;
 - (b) The Social Impact Assessment (**SIA**) report by Ms Rundle and Ms Healy at Beca dated June 2024;
 - (c) The Exit Strategy document prepared by MHUD;
 - (d) The response to the RFI for further information submitted by Ms Jones dated 23 September 2024; and

¹

<https://www.rotorualakescouncil.nz/repository/libraries/id:2e3idno3317q9sihrv36/hierarchy/or-council/consultation-and-public-notice/publicnotice/220608-contracted-emergency-housing/16-Statement-of-Evidence-of-Natalie-Hampson-Final-with-attachment.pdf>

- (e) Economic Analysis – Summary of Key Findings submitted by Mr Eaquab in response to the RFI.²
7. I have also reviewed information made available from Council (which I understand is publicly available) that is relevant to the economic context of Rotorua and the specific economic issues associated with the applications.
8. My evidence is focussed on the following economic issues and/or themes which I have extrapolated from a detailed review of all submissions:
- (a) Demand and supply of emergency housing (EH)³ and permanent social housing;
 - (b) CEH effects on private property values and returns;
 - (c) CEH effects on crime (used in a general sense for incidents/reported victimisations) and anti-social behaviour; and
 - (d) CEH effects on tourism in Rotorua – capacity and reputation.
9. My evidence is structured according to each of the above issues. My approach to each issue is as follows:
- (a) A summary of submission points.
 - (b) Where applicable, brief commentary on the related evidence provided with the applications by the experts on behalf of MHUD, along with any supplementary analysis that I consider helpful to further respond to, or provide context for, submission points. Where relevant, I reflect on my evidence and findings from the

² It is understood that this assessment reflects the scope of, and will underpin, Mr Eaquab's evidence statement due after the release of the s42A report.

³ EH is used as an umbrella term in this evidence and captures CEH and Ministry for Social Development Emergency Housing – Special Needs Grant motels and unless specified, also includes transitional housing and other MHUD contracted tourism accommodation.

2022 consents hearing (given that the same economic issues applied then), taking into consideration economic changes that have occurred in the interim.

- (c) My conclusions on economic effects (and submissions) based on past and current data and evidence.

CODE OF CONDUCT

- 10. Although this is a Council hearing, I note that in preparing my evidence I have reviewed the Code of Conduct for Expert Witnesses contained in Part 9 of the Environment Court Practice Note 2023. I have complied with the Code of Conduct in preparing this evidence and I agree to comply with it while giving oral evidence before the Independent Hearings Commissioner appointed by Council. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

SUMMARY OF EVIDENCE

- 11. I have reviewed the submissions relating to economic effects and the information provided by the Applicant (including in response to the RFI) that deal with economic issues. I have taken into account my analysis and evidence that informed the 2022 hearing on these same economic issues, and the significant changes that have occurred in the interim in terms of overall EH supply and the tourism industry (nationally and in Rotorua).
- 12. The existing environment is now very different. The cumulative effects of EH-SNG and CEH motels has substantially reduced in quantum and is less geographically concentrated. The scale of CEH will be further reduced by the time the proposed consents would commence. The maximum one

year term sought for each consent is directly relevant to the scale and significance of economic effects.

13. Overall, I support the granting of the seven CEH consents from an economic perspective. I base this on the following conclusions on adverse economic effects:
 - (a) For property values/rental returns: Impacts will be no worse than already felt in the market under the current consents. That is, more than minor, but not significant reductions in the Victoria and Whakarewarewa neighbourhoods and minor reductions in neighbourhoods along Fenton Street and in Koutu. These adverse economic effects are considered temporary. Reductions in value and rental returns attributable to CEH are expected to last only as long as the CEH motels are operating in each community.
 - (b) For tourism capacity: Any loss of capacity to accommodate tourism demand would be minimal at the district level, and temporary.
 - (c) For Rotorua's tourism reputation: A less than minor accumulative adverse effect (noting that there are indications of some recovery of Rotorua's reputation since 2022). The potential effect on Rotorua's tourism reputation is not considered permanent but may take a little time (and money/effort) after the CEH contracts have ended before the collective market perceptions around CEH in Rotorua are changed.
 - (d) For crime and anti-social behaviour: Any adverse effect would be minor at the community level, and temporary.
14. While the adverse economic effects above are not expected to be significant, the economic costs of granting the proposed consents are likely to be greater than the economic benefits. However, I consider that

the potential economic costs for Rotorua of declining the consents (that is, the counterfactual of increased homelessness, domestic harm, and use of EH-SNGs) would be far worse in the short-term, than granting the consents for a further one year term.

DEMAND AND SUPPLY OF EH AND SOCIAL HOUSING IN ROTORUA

Points raised in submissions and high-level response

15. A common theme of many submissions was the concern or scepticism that Rotorua's EH was still accommodating people from outside of the district. This was a key area of focus at the 2022 hearing. The relevant question is whether this is still occurring now in CEH, and will occur over 2025, inflating the demand beyond that which is local.
16. I rely on information provided by MHUD and related service providers on this issue and note in the Community Liaison Group meeting minutes from June 2024, a spokesperson for Te Pokapū (Rotorua's community-led housing hub), responded specifically to this question and confirmed that they have been triaging everyone for the past three years, and that in the last two years "*no one from out of town has been assisted through Te Pokupū*". I do not address this matter further.
17. There remains some uncertainty within some submissions on the local cause of demand for EH. The socio-economic drivers of demand were covered in some detail in the 2022 hearing.⁴ While we are two years down the track, those demand drivers (strong migration driven population growth, dwelling supply that did not respond quickly enough to that housing demand, combined with below average incomes and increasing housing and rental prices) remain today. Inflationary effects on the cost of living are having a compounding effect on the unaffordability of housing.

⁴ Evidence of N Hampson, S Equb and MHUD representatives.

18. The demand for EH is not unique to Rotorua, but the socio-economic make-up of Rotorua makes it relatively more significant for this community. Mr Eaqub has provided more recent data on the demand drivers for EH, and I agree with that assessment.
19. What has changed in the last two years is Rotorua's ability to respond to the demand for EH. The supply response by Kāinga Ora (**KO**) and Community Housing Providers (**CHP's**) has been swift and substantial (in what is otherwise a challenging construction market). One submitter⁵ stated that the community needs, as a priority, *"a long term housing solution. The prospective EH clients should be offered more appropriate long-term accommodation in residential housing"*. This is precisely what the various agencies are working towards and is why CEH is a temporary but necessary solution.
20. The supply growth of social housing has been effective (in combination with other policy changes) in significantly reducing the number of households in EH in Rotorua over the last two years. While one submitter⁶ stated that there needs to be a *"transparent sinking lid policy"* on EH in Rotorua, I consider that the data on households in various forms of EH confirms that a 'sinking lid' has been given effect to in Rotorua. There is sufficient evidence on planned social housing supply increases to demonstrate that the anticipated continued reductions of EH support over the life of the proposed consents, can likely be achieved. This level of certainty on social housing supply was not possible at the time of the last consent hearings.
21. The supply of new social housing in Rotorua is ongoing, with more under construction and in the planning pipeline to deal with latent demand (both in CEH and on the Social Housing Register generally). Mr Eaqub has

⁵ #6 Kael McEnteer.

⁶ #4 Craig Littlejohn.

provided helpful data on recent and short-term future supply changes for social housing (focussed mainly on KO), and I agree with that assessment.

22. In light of both the demand and supply context – which, based on the evidence, MHUD is intimately aware of and involved in (directly and indirectly as an active stakeholder in local housing planning and development) – I consider that the submission point⁷ claiming that *“None of the applications from MHUD recognise the growing and potential provisions of social housing by the private sector. This factor alone should cause the Commissioners to pause in their decision making until an independent analysis can be provided of supply and demand”* is inaccurate.
23. It is important to recognise that the CEH applications are for a one year term. The ability of the private sector to deliver social housing in the next 12 months would, for the most part, need to be already consented⁸ (or significantly advanced through consenting) in order to be constructed and able to accommodate EH clients at a scale that would materially avoid or reduce the capacity required in the CEH consents being sought.
24. I consider it likely that MHUD are already aware of the pipeline of development expected to be completed in 2025, and that this understanding is precisely what has informed the number and duration of the CEH consents sought. The evidence provided by MHUD for the justification for the consents is appropriate and can be relied on in my opinion. On the contrary, the submission⁹ which questions why two to three motels would not suffice (instead of seven) does not take into account the amount of demand for CEH that is expected to remain in December 2024 and new demand anticipated in the first six months of 2025, or the timing of new social housing build completions between now and the end of 2025.

⁷ #9 Rotorua District Residents and Ratepayers.

⁸ Building consent, and where applicable land use consent.

⁹ #13 Kimberly Ward.

Conclusions

25. In the 2022 hearing, I supported up to a five year duration of the thirteen CEH consents on the basis that local demand for social housing was real and expected to be a long-term component of Rotorua's future housing needs; and that the supply of social housing at that time was substantially too low, and would take time to be delivered.¹⁰
26. Despite a concerted effort to increase social housing supply in Rotorua since December 2022 (the construction of which has contributed to the Rotorua economy in Gross Domestic Product and employment terms), that supply has not been sufficient to entirely remove the need for CEH in Rotorua (while also prioritising the reduction of Emergency Housing – Special Needs Grants (**EH-SNG**) motels) by the time that the existing CEH motel consents expire this December (2024).
27. I consider that from a demand and supply perspective, the consenting of additional CEH capacity for up to 12 (more) months is an appropriate and temporary solution to a clear and present need. I agree with Mr Eaub that if the CEH service was to terminate in December 2024 (at the end of the current consent period) that those households would alternatively experience greater social harm in the coming year (if forced to stay in unsuitable or unsafe housing), could increase the demand for EH-SNG motels, or would be homeless. The adverse social and economic effects of the counterfactual scenario will be far greater on the Rotorua community and economy than the CEH proposal.
28. The exact motels that are required to deliver that additional CEH capacity over 2025, taking into account the type of households that are able to access CEH and how this matches the characteristics of particular motels in Rotorua, is outside of my expertise. I do consider that continuation of motels already consented for CEH (albeit fewer in number) is likely to be:

¹⁰ N Hampson Evidence 2022, paragraph 77, 78, 285.

- (a) less disruptive for existing CEH clients (as of December 2024) who would be able to stay in their current units until a permanent housing solution becomes available;
 - (b) less disruptive on social infrastructure like schools that are currently receiving children in CEH;
 - (c) more efficient for the motel owners;¹¹ and
 - (d) more efficient for CEH support service providers, than sourcing motels that have not previously been used for CEH.
29. The trade-off of this continuity is that any negative externality effects attributable to those CEH motels that is borne by the local community will be extended for up to 12 months. The significance of those economic effects is considered below.

EFFECTS OF CEH ON PRIVATE PROPERTY VALUES AND RETURNS

Points raised in submissions

30. Submissions relating to financial effects on property can be summarised as follows:
- (a) CEH negatively affecting property values in the local area.¹²
 - (b) CEH negatively affecting rental return or the ability to tenant rentals in CEH neighbourhoods.¹³
 - (c) There was an example of a recent house sale falling through upon announcement of a further 12 month consent application.¹⁴

¹¹ For example, existing CEH motels have already incurred the cost of meeting consent conditions.

¹² #35 Leila Constantino, #5 Pamela Foyle, (email) Jarra McEnteer, #6 Kael McEnteer.

¹³ (Email) Jarra McEnteer, #6 Kael McEnteer, #26 Donnarae Ruakawa-Doughty.

¹⁴ #11 Carolyne Hall.

- (d) Closure of a business (art gallery) due to the presence of CEH motels near Whakarewarewa Village, and particularly the Apollo Hotel.¹⁵

31. As far as I am aware, property value impacts (and other property related financial effects) were not identified in the AEE for the CEH consent applications.

Evidence provided for previous applications

32. I considered property value impacts from the proposed thirteen CEH motels in my 2022 evidence.¹⁶ That assessment is still relevant to the current consent applications. Key findings from that assessment were:

- (a) Confirming property value impacts is difficult because samples of sales data in specific residential areas is usually too small to be reliable, and because the multitude of factors that influence sales prices is difficult to control for and requires complex economic modelling.
- (b) However, New Zealand based literature suggested that when social housing is concentrated or clustered in areas, the value (sales price) of private residential dwellings is negatively affected.
- (c) Concentrating social housing into already deprived communities exacerbates impacts on property values. Conversely, when social housing is dispersed, it is more easily absorbed in the community and effects on property values are minor.
- (d) The findings in the New Zealand based literature were considered generally transferable to the EH situation in Rotorua.¹⁷ The geographic concentration of EH units in 2022 was significant

¹⁵ #26 Donnarae Ruakawa-Doughty.

¹⁶ N Hampson, 2022, starting at paragraph 160.

¹⁷ It is also transferable to permanent social housing in Rotorua (by KO and CHPs), but I do not consider that in this evidence.

(particularly in the Fenton Corridor catchment), and some of the receiving catchment communities had/have high levels of deprivation.

- (e) I considered the cumulative effects of all forms of EH on property values in the areas of EH concentration to be potentially significant in economic terms. However, I did not consider that consenting the thirteen CEH sites would have a material adverse effect on the existing environment at that time.
 - (f) Relative to the permitted baseline,¹⁸ and if all thirteen CEH sites were consented, I considered that the potential adverse economic effects on property values within 500m of the CEH motels was likely to be more than minor, but not significant.
 - (g) I considered that such effects could be mitigated by consent conditions, particularly those that maintain the appearance of the CEH sites.
 - (h) Importantly, property value impacts attributed to the CEH sites were expected to be temporary effects limited to the duration of the CEH contracts.
33. Without diminishing the significance of the property related effects stated by (and experienced by) the respective submitters, care is needed (as was the case in the 2022 hearing) to attribute these effects specifically to CEH motels, and to acknowledge current economic conditions, the flat housing market nationally, the changing supply (reduced concentration) of EH generally, and CEH specifically, within Rotorua; and how this impacts the likelihood and scale of property value impacts within a 500m distance of those facilities going forward.¹⁹

¹⁸ I described the permitted (consented) baseline in my 2022 evidence, paragraphs 37-38.

¹⁹ The literature did not support property value impacts in dwellings greater than 500m of social housing.

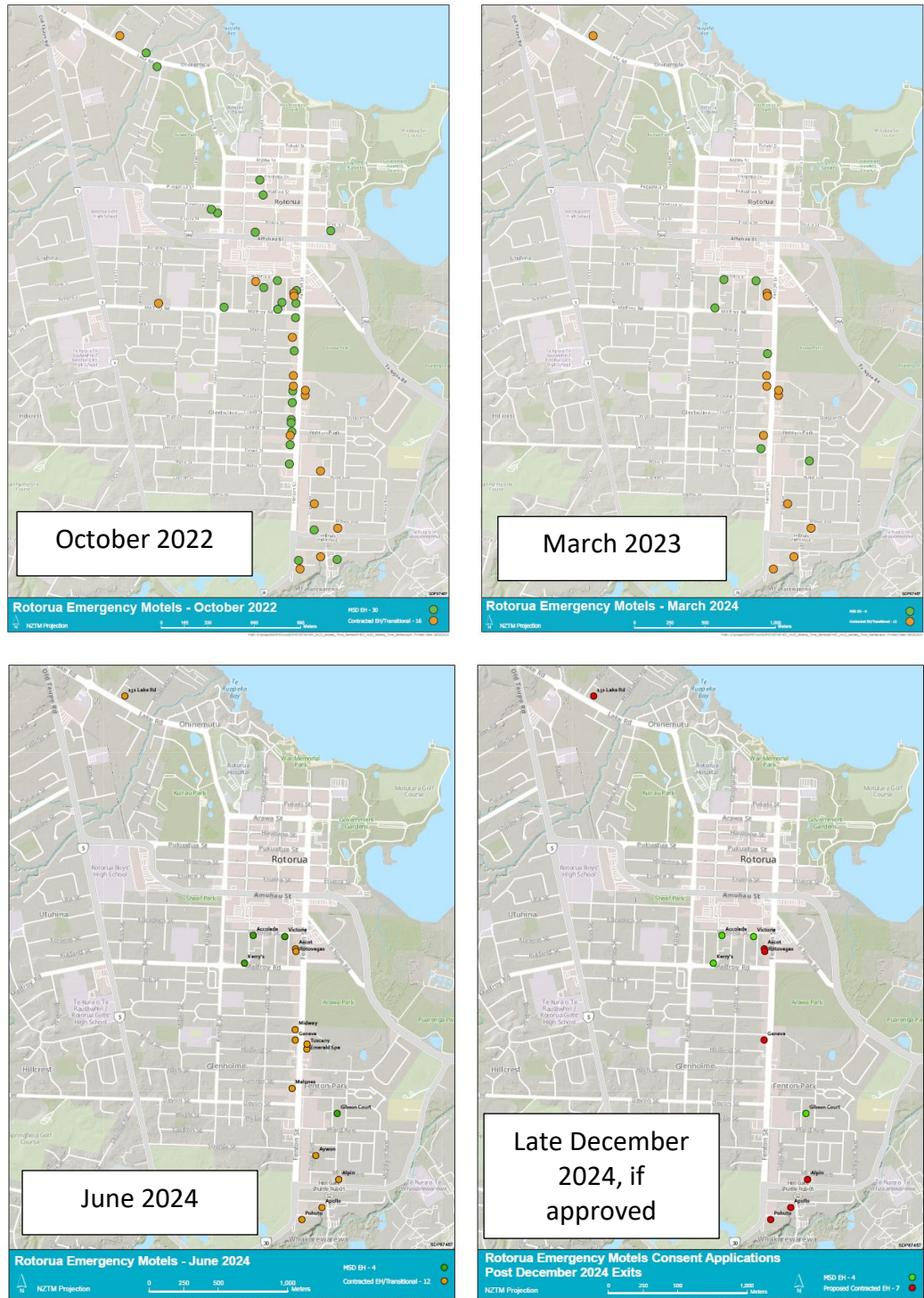
34. Figure 1 below shows a time-series of maps that identify the location of Ministry of Social Development (**MSD**) motels (i.e. EH-SNG motels) and the combination of MHUD's CEH and transitional housing²⁰ motels between October 2022 and June 2024 and then projected to late December 2024 if the proposed resource consent applications are approved.²¹ I note that the late December 2024 map does not include transitional housing which is indicated in the legend as being included in the other maps.²²
35. The direct relevance of these maps is that the literature identified 'concentration of social housing' (in this case I refer to the concentration of EH only and not permanent social housing in residential dwellings), as a key escalating factor in housing value impacts associated with proximity to social housing. The maps identify that the concentration of EH overall has significantly decreased in Rotorua since late 2022.
36. Where motels have resumed tourism operations, property impacts on neighbouring properties within 500m will have returned to the expected market values for that locality. The total number of residential properties potentially impacted (in terms of lost value) is now expected to be considerably less and more geographically confined.

²⁰ Transitional Housing is defined as temporary accommodation and support for individuals or families who are in urgent need of housing. It provides warm, dry, short-term housing for people and families who urgently need a place to stay. Some of the Transitional Housing places are units in Motels. Council have advised that the only consented transitional housing motel is the old Boulevard Motel (operated by KO).

²¹ In the Late December 2024 map, the colour of CEH motels changes from orange to red.

²² As at August 2024, there is just one KO consented transitional housing motel (Fenton St).

Figure 1 – Time Series of EH Supply in Rotorua October 2022 to Late December 2024



37. If the seven CEH consents are granted, I would not anticipate any further decrease on nearby property values than has already occurred to date. (i.e. it was likely a one-off adjustment in value). The impact of the new consents is not additive, but the existing impact (from the current

consents) can be expected to continue, and for up to twelve months until the consents applied for expire.

38. MHUD have signalled in the Community Liaison Group meeting minutes (June 2024) that the Apollo and Alpin motels near Whakarewarewa Village “*will be early motels to exit, probably within the first six months of 2025*”.²³ This planned exit strategy will further reduce the concentration/cluster of CEH in the vicinity of Whakarewarewa and return many more property values to the expected market values for that location. As other proposed CEH motels are exited (and they return to tourist accommodation or another permitted use), other communities near to those motels will experience a similar return of property values.

Conclusions

39. Property value reductions are attributable to the presence of EH in Rotorua for nearby residential areas. For the 2022 hearing, I concluded the cumulative effects of all forms of EH on property values in the areas of EH concentration to be potentially significant in economic terms. Relative to the permitted baseline, I concluded in the 2022 hearing that if all 13 CEH sites were consented, that the potential adverse economic effects on property values within 500m of the CEH motels was likely to be more than minor, but not significant.
40. If all seven CEH sites currently proposed are granted, given the significant reduction of EH in Rotorua as of today, and expected by December 2024 (Figure 1), I now consider that the potential adverse economic effects on property values within 500m of CEH motels in Victoria and Whakarewarewa will still be more than minor, but not significant. Along Fenton Street and in Koutu, I consider that the adverse effect will be minor.

²³ Statement made by Will Barris, MHUD.

41. Broadly, I consider similar adverse economic effects are likely to apply in those 500m catchments of CEH in terms of reduced rental rates and reduced tenancy demand.
42. These economic effects are considered temporary. No adverse property effects from the granting of the seven CEH motels is expected to last longer than the CEH contracts (which for some motels, may be less than the 12 month consent term). EH is either present in a location or it is not. A rational buyer/renter would be expected to assess the situation at the time given the data on EH locations published online by RotoruaNZ.

EFFECTS OF CEH ON TOURISM AND ROTORUA'S REPUTATION

Points raised in submissions

43. Submissions relating to tourism effects of the CEH resource consent applications fall into two categories:
 - (a) CEH motels occupying motel units and therefore displacing tourism activity in Rotorua;²⁴ and
 - (b) CEH (or EH generally) adversely impacting the reputation of Rotorua as a safe and desirable tourism destination.²⁵
44. These same tourism effects were the subject of submissions in the 2022 hearing.

Evidence provided with the CEH applications

45. The SIA report has provided some high level quantitative information on tourism activity in the Rotorua District since 2022. Section 3.3 of the SIA

²⁴ #21 Whakarewarewa – The Living Māori Village (Dr Tanya Robinson), #19 Deborah Haley, #18 Restore Rotorua.

²⁵ #18 Restore Rotorua, #15 Beatrice/Paddi Hodgkiss, #3 Jennifer Peace, #13 Kimberley Ward, #24 Nuki Nicolson, #20 Watu Mihinui, James Warbrick, Manuariki Trust, #23 Rotorua Hotel General Managers (Inus Rademeyer), #16 Susan Tetenburg, #32 Bright Rose Trust, #31 Chantel Limited, #33 Jian Shu Qiu Family Trust, #21 Whakarewarewa – The Living Māori Village, #12 David McPherson, #28 Donald Paterson, #35 Leila Constantino.

summarises positive changes in two tourism indicators between 2022 and 2023, including:

- (a) Total tourism spending increasing by 40.4% in 2022-2023, driven mainly by the return of international tourism spending and a slight increase in domestic tourism spending.
 - (b) Slight improvements in motel and apartment occupancy rates in both low and peak season; and
 - (c) improvements in the occupancy of short term rentals (residential visitor accommodation) in 2022-2023.
46. The response to the RFI provides further data and explanation on changes in annual tourism expenditure in Rotorua, including data back to 2018 and 2019 (pre-Covid) and comparing it with Western Bay of Plenty.²⁶
47. It showed that domestic tourism spend in Rotorua increased annually in 2018-2021, decreased substantially in 2022 and increased again in 2023. 2023 domestic spending is greater than in pre-Covid years, but has not yet returned to 2021 levels (which was not a typical year of domestic tourism). While Western Bay of Plenty has only a small tourism sector compared to Rotorua, it did not experience the sudden decrease of domestic visitor spending in 2022 seen in Rotorua. I include a graph of domestic visitor spend (twelve month rolling average) in Figure 2 below.

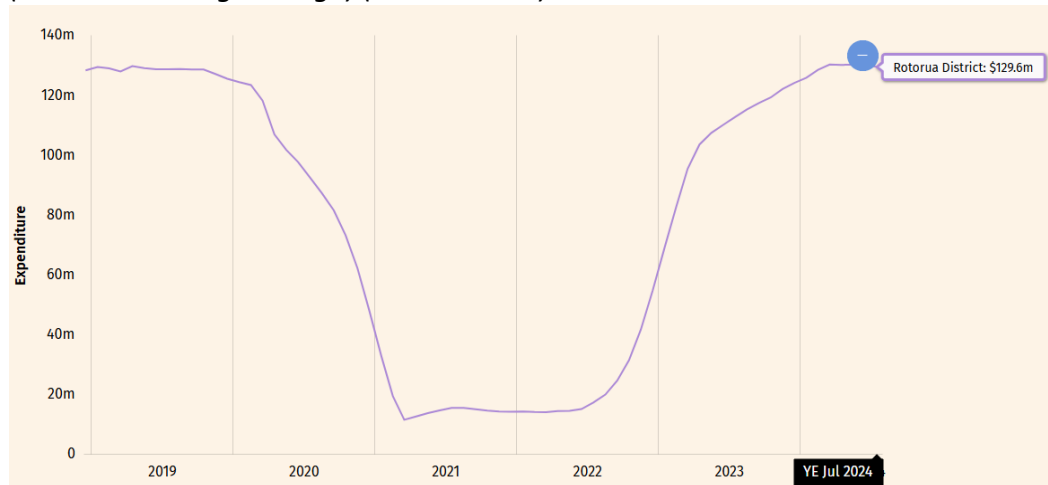
²⁶ This is assumed to be the Western Bay of Plenty Regional Tourism Organisation (**RTO**) and not just the district.

Figure 2 – Domestic Tourism Spend in Rotorua District July 2019 to July 2024 (12 month rolling average) (Source: TECT)



48. According to the RFI response, international visitor spend in the Rotorua District had declined between 2018 and 2019, and then continued to decline over the Covid-19 period. While recovering substantially in 2023, international visitor spend is shown as being approximately half what it was in 2019. Western Bay of Plenty has a very small international tourism market. While their international visitor spending has not fully recovered to 2019 levels either, it is much closer than in Rotorua.
49. I have reviewed the Tourism Electronic Card Transactions (TECT) data for international visitor spend in the Rotorua District and the 12 month rolling average shows a more a positive outcome for international spending by the year ending (YE) July 2024 (Figure 3). Based on this data analysis, international visitor spend has returned to pre-Covid levels in Rotorua.

Figure 3 - International Tourism Spend in Rotorua District July 2019 to July 2024 (12 month rolling average) (Source: TECT)



50. The SIA report and RFI response provides limited quantitative insight on Rotorua’s relative performance in the New Zealand tourism market, and any changes that may be attributable in part to the effects of EH on its tourism reputation. The comparison with Western Bay of Plenty has only limited value in this regard. The data provided does show that consenting CEH in late 2022 has not (from a capacity perspective) prevented tourism spending from growing in the district (to 2023). Combined with the results of the occupancy data, nor is it likely to have suppressed the growth that has been observed (i.e. did not lessen potential growth).
51. With regard to potential impacts of CEH on Rotorua’s tourism reputation, the SIA report does provide some qualitative assessment of media coverage of EH in Rotorua post the 2022 consent hearing (Section 4.6). In the 2022 hearing, I considered that negative media coverage on EH generally was a key factor in harming Rotorua’s tourism reputation.²⁷ The SIA assessment concluded that media coverage was notably less frequent this time.
52. This assessment does not capture media coverage since MHUD announced the lodgement of the new applications. Based on past

²⁷ RotoruaNZ were also of this view. N Hampson evidence 2022, paragraph 255, 259, 260.

experience, I consider that the applications/hearing will again generate media interest which itself may further harm Rotorua's tourism reputation (although this time potentially balanced with more positive news of significant reductions in EH).

53. This was also the finding reported in the SIA from the commercial interviews conducted (Section 5.4). Feedback was that EH (not limited to CEH) was affecting Rotorua's domestic tourism reputation more than its international tourism reputation. Respondents considered that it will take time and money to turn the harm to Rotorua's reputation around for the domestic market.
54. The SIA report provides further qualitative discussion at Section 6.2 on tourism character. Overall, the SIA report concludes that CEH will have a low impact on tourism character.
55. Some further analysis/information on the tourism sector has been provided by Mr Eaquib in response to the RFI. This includes:
 - (a) Data on occupancy rates at the last summer peak for commercial accommodation and short term rentals. These were 72% and 56% on average respectively.
 - (b) Mr Eaquib has contextualised the 187 accommodation units contained within the proposed CEH motels as a share of total stay units available in Rotorua in either commercial accommodation or whole home short term rentals. He concludes that the CEH motels will take out just 3.2% of the total capacity for up to twelve months.
 - (c) Overall, Mr Eaquib found no evidence of capacity constraints in the Rotorua accommodation sector, indicating that CEH is not displacing tourism activity at the district level.

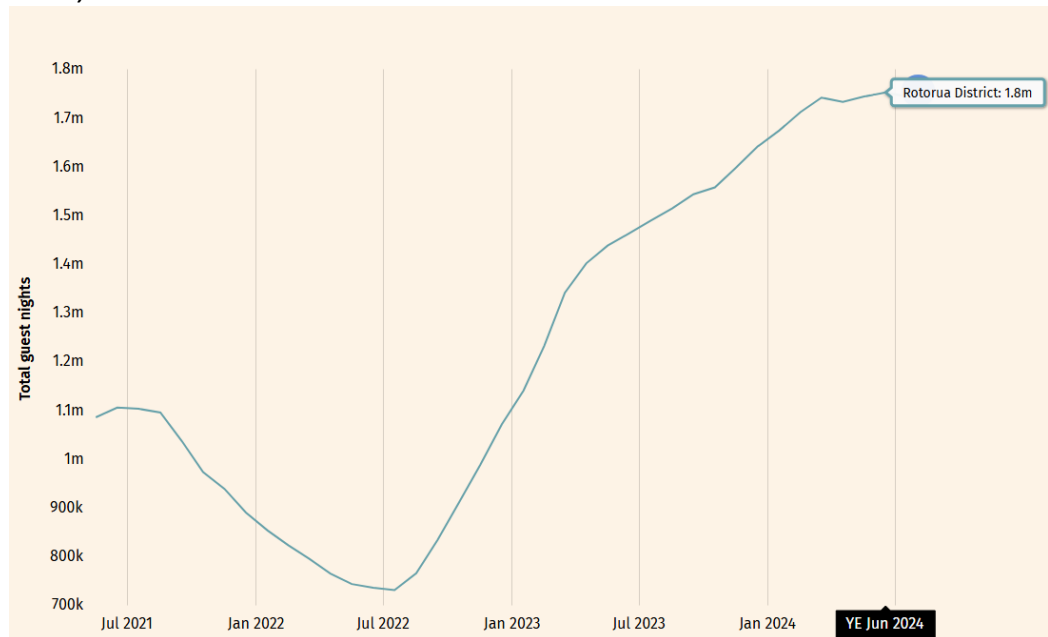
- (d) Mr Eaquad also considered data which showed Rotorua's annual share of total national domestic and international guest nights. It shows that domestic visitor nights *"fell a touch in 2022, but has since recovered to the 2021 levels"* and *"international visitor nights has increased steadily since 2021"*.²⁸
- (e) Overall, Mr Eaquad found no evidence of reputation effects on Rotorua's tourism performance based on the guest night market share data examined.
56. Mr Eaquad's assessment is (in its current form at least) accurate, but brief. Expressing guest nights as a share of the national total (i.e. market share) is a useful indication of potential changes in Rotorua's tourism reputation. The data covers the period prior to CEH operating through to 2024, albeit that a 2021 baseline was strongly influenced by Covid-19.
57. I covered the potential effect of consenting 13 CEH motels for a five year period on tourism capacity, spend and growth potential extensively in my 2022 evidence (including in response to Mr Counsell's economic evidence on behalf of Restore Rotorua).²⁹ I found that EH (all forms) had not constrained tourism demand leading up to the 2022 hearing despite over 50 tourism establishments being used for non-tourism purposes. I set out the multiple ways that the market could respond to meet tourist demand over the short-medium term and increase available capacity. Some of those market responses have been observed since 2022. I concluded in that evidence that any potential effect of consenting thirteen CEH motels (for five years) on tourist accommodation capacity would be minor for a range of evidence-based reasons.
58. The existing environment for these current applications is now very different. By December 2024, very few of Rotorua's tourist

²⁸ RFI response by Mr Eaquad, page 1 (with reference to Figure 15).

²⁹ N Hampson evidence 2022, starting at paragraph 185.

accommodation establishments will be used for some form of EH³⁰ or transitional housing. Total sector occupancy rates have increased despite numerous motels re-entering the market.³¹ This means that total demand for guest nights (which I summarise in Figure 4 below) has grown commensurate with (and slightly faster than) the increase in total active stay unit capacity. Importantly, occupancy rates are such that there is still substantial capacity remaining to accommodate further growth (particularly in motels).

Figure 4 – Total Guest Nights in Rotorua District July 2021-June 2024 (source MBIE)



59. Despite the issue being raised in some submissions, and the plethora of tourism data that could be presented in evidence, I do not see the need for extensive further analysis to determine potential effects of the current CEH consent applications on tourism capacity in Rotorua over the 12 month consent term. Drawing on my analysis from 2022, evidence provided with the new applications summarised above, my consideration of multiple tourism datasets in the course of preparing this evidence, the

³⁰ See Figure 1.

³¹ Analysis of the occupancy data by type shows that the increase is largely attributed to an increase in the occupancy of hotels in Rotorua. The motel occupancy rate in Rotorua has dropped slightly since around March 2023, but this trend is also observed at the national level.

significant changes in EH supply, and the short duration of the CEH consents being sought; I consider that any such effects the consents may have on tourism capacity at a district level will be negligible.

60. Therefore, I do not consider that there is evidence to support submissions that state that declining the consents will allow tourism to return, or that granting the consents will cause significant adverse economic effects (lost revenue) by using those motels for CEH rather than to accommodate tourists.
61. I agree in part with the submission by Whakarewarewa Village (Tanya Robinson) that consenting CEH motels near the Village limits localised tourist accommodation capacity which may otherwise be utilised by visitors to the Village that are wanting to stay nearby (particularly if events at the Village are organised). However, I consider that any such adverse effect will be minor (given that there remains some tourist accommodation in the vicinity that can still be utilised), and very short-term, particularly if the MHUD exit strategy prioritises motels near the Village (as previously volunteered in the Community Liaison Group meeting in June 2024).
62. The effects of EH/CEH on Rotorua's tourism reputation is more complex. I discussed this in some depth in my 2022 evidence. Some observations from that earlier assessment include:
 - (a) Mixed EH-SNG – tourist motels were a strong contributing factor to bad visitor experiences leading up to the 2022 hearing. Those mixed motels have not been operating for some time and even wholly EH-SNG motels have now reduced to just four in August 2024.
 - (b) High levels of crime and antisocial behaviour contribute to poor visitor experiences and present a poor image to visitors. This is not wholly attributable to EH, or CEH or limited to current locations of

EH/CEH (discussed further below), but nonetheless is reported by Police to be declining (i.e. improving) in the CBD and along Fenton Street.

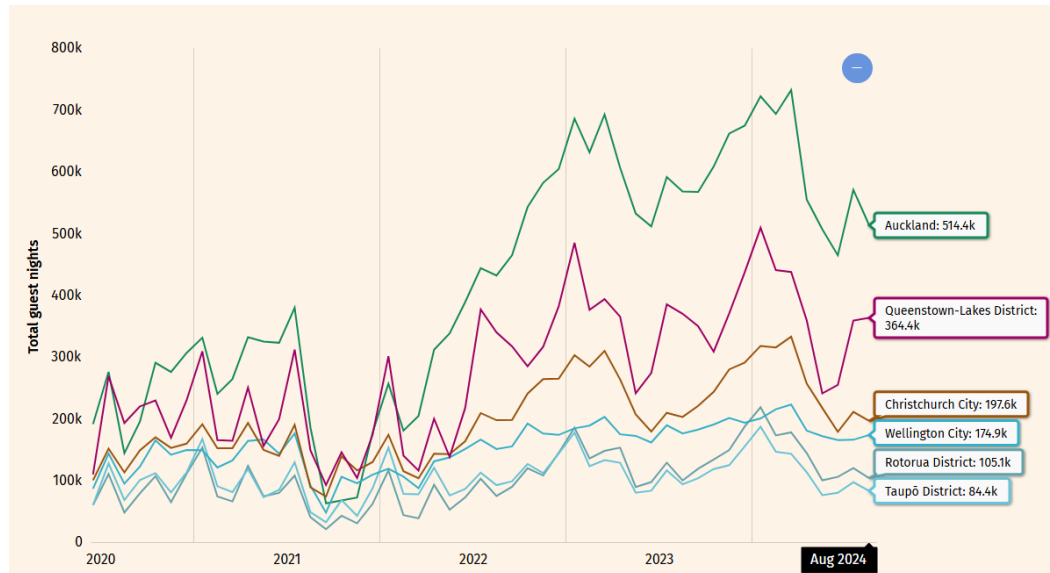
- (c) Media coverage of EH was a contributing factor (discussed above), with Beca assessing a decrease in EH media coverage since 2022.
- (d) The age and poor quality of many motels in Rotorua has contributed to poor perceptions of Rotorua as a destination. This is still the case today.
- (e) RotoruaNZ felt (at the time) that Rotorua's international reputation had not yet been damaged, but the risk was that it could be soon. Data provided by Mr Equb shows that Rotorua's market share of international guest nights has increased since a low point in 2022, suggesting that any potential effects on Rotorua's international reputation has likely been turned around (or avoided).³²
- (f) Data available at the time indicated that Rotorua was trending downwards in its domestic guest night market share. Again, data provided by Mr Equb indicates that Rotorua's market share of domestic guest nights has improved since 2022.
- (g) As set out in Ms Barry's evidence, consent conditions imposed on the 13 CEH motels to help lessen potential adverse effects on tourists were complied with, and these are proposed to be retained within the current consents.

63. There are a range of data sources that can provide further information of Rotorua's tourism market share. There are not always consistent trends between market shares of different indicators due to the multiple

³² The time series does not go back far enough to see if the current 5.1% national market share of international guest nights is greater than past/pre-Covid levels.

economic factors at play (i.e. guest night market share trends do not always move in parallel with visitor spend market shares). Rotorua is in the top six tourist destinations when measured in total guest nights, with all other destinations experiencing lower levels (with a gap separating them from the lowest of the top six destinations). Figure 5 compares monthly guest nights in these top six destinations between August 2020 and August 2024.

Figure 5 – Total Monthly Guest Nights by District August 2020-2024(Source MBIE)



64. Rotorua is sometimes compared with Taupō to help monitor its relative market share. Since mid-2022, Rotorua has consistently surpassed Taupō and is now ranked fifth in terms of district guest nights. On the one hand, this suggests that Rotorua’s reputation is improving/recovering. On the other hand, the number of guest nights in Auckland, Queenstown, Christchurch and Wellington have been much closer to that in Rotorua as little as four years ago, but are now substantially higher. I suspect this is as much (if not more) to do with positive change occurring in those locations than it is about negative changes to Rotorua’s reputation.
65. As further evidence on Rotorua’s current (and improving) reputation in the national tourism market, a recent survey by Booking.com ranked Rotorua the third equal highest destination for end of term 3 school

holiday booking searches in New Zealand after Auckland and Christchurch and equal to Wānaka.³³

66. For the 2022 CEH consent applications, I concluded based on the evidence that approving those consents (for up to five years) would have only a minor adverse effect on Rotorua's tourism reputation, relative to the permitted baseline. I consider that granting the current consents for a term of up to 12 months (in what is a very different EH and tourism market) will have a less than minor effect on Rotorua's tourism reputation.
67. On balance, I disagree with submissions that say that Rotorua is no longer a tourism mecca. It is currently ranked fifth among districts in New Zealand for total guest nights. I also reject submissions that say that Rotorua's reputation is irreparably damaged. While there are other factors that influence Rotorua's tourism reputation, tourism is growing in the district and the use of tourist accommodation for EH is closer to being resolved with permanent social housing solutions.

Conclusions

68. I consider that granting the current CEH consents will have a minimal adverse economic effect on tourism capacity at the district level and a less than minor adverse effect on Rotorua's reputation as a tourism destination.

EFFECTS OF CEH ON CRIME AND ANTI-SOCIAL BEHAVIOUR

Points raised in submissions

69. I have identified six submissions which explicitly refer to 'effects of crime and anti-social behaviour'.³⁴ Almost consistently, the submissions have

³³ <https://www.nzherald.co.nz/rotorua-daily-post/news/school-holidays-rotorua-third-on-list-for-kiwis-to-visit-mount-maunganui-fourth-in-trending-destinations/V2G6PJFV75EADPLTTSMPFSZM54/>

³⁴ #15 Beatrice/Paddi Hodgkiss, #3 Jennifer Peace, #23 Rotorua Hotel General Managers (Inus Rademeyer), #4 Craig Littlejohn, #12 David McPherson, #8 Steven Bibby.

cast their experiences back to when motels first started to be used for EH in Rotorua and they talk about EH generally, and not specifically the CEH motels. One submission³⁵ stated that *“shoplifting has become a significant problem since motels have been used for contracted emergency housing”*. While it may pay to check this statement with the submitter at the hearing, it seems more likely to me that this submission was also referring to the emergence of EH generally. Attribution of shop lifting specifically to CEH clients would require a level of insight that is illusive in the data that I and others have been able to obtain.

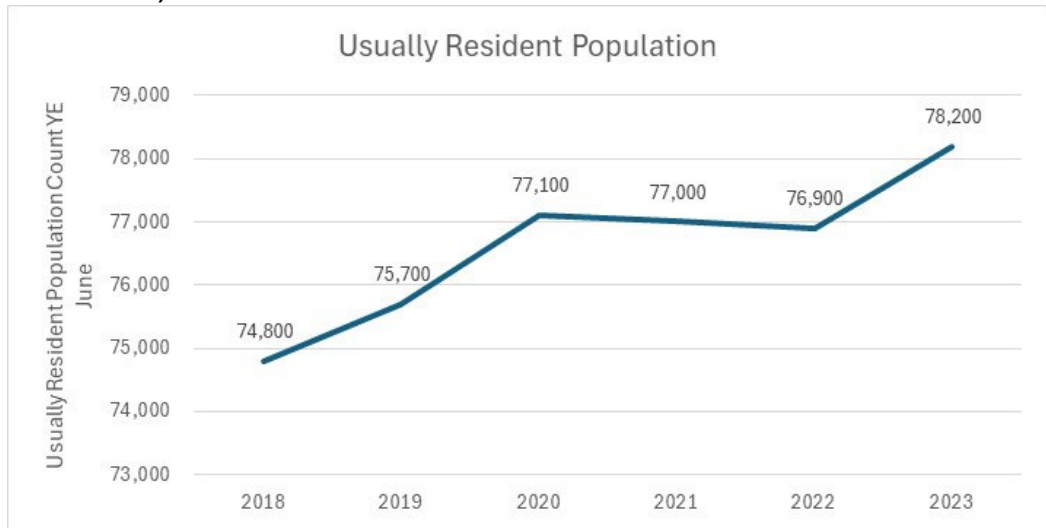
70. One submission³⁶ has focussed on the rapid population growth that has contributed to EH demand in Rotorua (discussed previously in my evidence). I mention this submission here as it states *“according to KO, Rotorua’s population growth created the need for more housing. However, in June 2020 the population was 77,300 and the most recent Taxpayer Union Ratepayer’s report in 2023 showed a population decrease of 500 to 76,800. As much as there has been people moving to Rotorua to be housed in EH motels and transitional housing, there has also been an even greater exodus of people, who do not want to live amongst the increased crime emulating from these motels and transitional housing”*. (My emphasis added).
71. I have looked into the most recent population estimates to further understand the claim of net population loss. Figure 6 below contains the population estimates for the Rotorua District up to June 2023. The data shows a minor reduction in estimated population between 2020 and 2022. The cause of this reduction (likely generated by net migration loss rather than natural decrease) is unknown, and therefore care is needed in assuming it is driven by increased crime associated with EH motels. It may, for example, be driven by a reduction of tourism jobs as a result of

³⁵ #12 David McPherson.

³⁶ #8 Steven Bibby.

Covid-19 (with many in the tourism and hospitality sector potentially looking for work elsewhere).

Figure 6 – Rotorua District Usually Resident Population Estimates YE June (Source: StatisticsNZ)



72. Of note, the latest population estimates for 2023 show a return to strong population growth in the Rotorua District (net inward migration likely to be the key driver rather than natural increase³⁷). This indicates that Rotorua’s crime levels at a district level are not deterring net population growth in the district (even if it can be linked to some, and fewer, residents leaving). Sustained population decline in Rotorua would be of considerable economic concern, but that is not the case (and speaks to Rotorua’s reputation as a place to live).

Evidence provided with applications

73. The SIA report has provided some information on crime in the Rotorua District (Section 3.5). Total victimisation data (YE April) has been provided at the district level from YE April 2021 through to YE April 2024, showing a large increase between 2022 and 2023, and a slight further increase to 2024 (Figure 3.5 in the SIA). The SIA also compared YE May 2023 and 2024

³⁷ This net inward migration is not expected to be linked to EH clients as the EH population has been declining since later 2021.

data for the total district, showing victimisations by type, with all types decreasing but burglary increasing over that period.

74. Of note, the YE April data showed a slight increase in total victimisations in 2023-2024, but the slightly different YE May data showed a slight decrease in total victimisations in 2023-2024. The data is therefore sensitive to the 12 month period used.
75. Further data provided in response to the RFI compared time series trends in total victimisations in Rotorua with the trends in the total Bay of Plenty Region and total New Zealand. All three locations show victimisation counts rising through to early 2023, followed by a slow reduction to June 2024 nationally and regionally, with a reduction less evident in Rotorua. Beca concluded the trends are similar.
76. Sub-district total victimisation data is provided for six catchments where CEH is located, showing monthly counts between January 2022 and April 2024. Victoria (on the fringe of the CBD) has substantially higher counts of victimisations than other catchments (Glenholme East, Glenholme West, Koutu, Fenton and Whakarewarewa). Trends wise, there is a lot of monthly variation, and recent peaks have varied temporally by catchment. The SIA report does not make any observations around trends over time. The authors do identify that Victoria data is influenced by crime occurring in and around the shopping centre and within the CBD.
77. In response to the RFI, Beca have carried out a statistical analysis on the data for the six catchments (and a slightly longer timer period of July 2020 to June 2024). This confirms a statistically significant decreasing trend in Glenholme East and increasing trend in Victoria, when measured over the past four years (although no statistically significant trend over the last two years while CEH has been consented or EH overall has decreased).
78. The statistical analysis did not confirm any statistically significant trends (increasing or decreasing) between 2020 and 2024 in Glenholme West,

Fenton, Koutu or Whakarewarewa. While Beca identified which catchment the three CEH motel closures occurred in over the last two years (two in Victoria and one in Fenton), reductions of MSD motels since December 2022 are quantified but not identified by catchment. Beca make no comment on a potential correlation between victimisation trends (statistically significant or otherwise) in the last two years and the significant reduction in total EH motels.

79. Mr Eqaub has also examined crime data in his economic assessment. He examines reported crime per capita in July 2024 across all districts, and percentage growth in reported crime over the last three years by district. He finds that at a district level, Rotorua has relatively high levels of crime compared with most districts but unlike many districts, it has not increased in the last few years (and in fact, has decreased slightly).
80. Mr Eqaub then provided data that showed that reported crime accounts for only a small share of incidents of crime, and care is needed in relying on reported crime as there are other factors (including new technologies) which mean that more crimes are being reported (especially retail thefts). An increase in reported crime does not necessarily mean an increase in incidents of crime.
81. Lastly, Mr Eqaub has analysed reported crime (notwithstanding the limitations noted above) by 2013 Census Area Units (**CAUs**) containing CEH, and all other CAUs combined. The 12 month rolling average makes trends clearer but there is still a lot of variation and small samples at the CAU level. The data covers the period from 2018 to July 2024 and indexes the change over time relative to the average in 2018-2019. Mr Eqaub's assessment by CAUs concludes:
 - (a) Reported crime was relatively higher in Fenton Park³⁸ between 2023-2024 compared to 2018-2019, despite the significant

³⁸ The Fenton Park CAU sits on the eastern side of Fenton Street.

reduction of MSD motels along and near the western side of Fenton Street in particular.

- (b) Reported crime in Glenholme East CAU increased suddenly in early 2020, remained high and started to decrease steadily from early 2022 (even dropping below average levels in 2018-2019). Reported crime has however risen again over 2024. A large number of MSD motels were located in this CAU (western side of Fenton Street), and have all closed by June 2024, leaving only a few CEH motels.
- (c) Reported crime in Victoria rose substantially through to early 2023 and has been decreasing strongly since then. There has been a reduction in MSD motels in Victoria, and one CEH motel closed during that period.
- (d) There has been no material change in reported crime in Koutu, noting two MSD motels in that area have closed since October 2022.
- (e) Reported crime in Whakarewarewa increased strongly from early 2022, peaking in the beginning of 2023, and has been declining (but is still higher than 2018-2019 average levels). Three MSD motels in this area closed after October 2022 but three CEH motels have remained.

82. Mr Eaquib concludes from his analysis that there is no clear correlation between CEH motel location and crime harm.

83. I provided extensive analysis of reported crime, incidents and police activity in my 2022 evidence.³⁹ Key findings from my analysis at the time were:

³⁹ N Hampson evidence 2022, starting from paragraph 79.

- (a) In the two years leading up to the CEH hearing, it was likely that the concentration of EH in the Fenton Corridor *was* having a cumulative effect on crime (particularly theft) which had potentially shifted from elsewhere in the district.
 - (b) There was a minor increase in non-crime incidents between 2018 and 2022 in the Fenton Corridor catchment not seen elsewhere in the district, which I attributed to the increase in EH.
 - (c) There was a sudden increase in Police activity in the Fenton Corridor in mid-2021 which was sustained into 2022. Again, this trend was not observed in the rest of the district. I attributed this to the concentration of EH in the catchment.
 - (d) Overall, when considering the combination of all available Police data, I considered that EH (all models) had had a significant adverse effect on the social conditions of the Fenton Corridor local community, but not other communities.
 - (e) There was little evidence that CEH had had a material effect on those social conditions (neither improving or worsening effects).
 - (f) Relative to the permitted baseline, I considered that the thirteen CEH sites were likely to have only a minor adverse effect on crime, incidents and Police activity in the respective local communities. That is, while the cumulative effect of all MSD motels and CEH was considered to be having a significant adverse effect on crime and antisocial behaviour, in the absence of MSD motels, the limited number and less concentrated CEH motels would be expected to have a minor adverse effect.
84. While I was able to reach conclusions around likely correlations between increasing concentrations of EH (all models) and increased crime and anti-social behaviour along the Fenton Corridor (including Victoria,

Fenton/Glenholme and Whakarewarewa) up to 2022, I have not updated that same extensive analysis to include data over the last two years. Nor do I consider that such detail is now warranted, given my past conclusions on the minor adverse effects of CEH on crime and antisocial behaviour at the community level.

85. As summarised above, the SIA report and Mr Eaqub have considered some crime related data that includes the period up to mid-2024. Despite the number and concentration of EH dropping significantly since 2022, the recent trends in crime and anti-social behaviour have shown both correlated (same direction) and non-correlated (opposite) trends across the catchments. This creates uncertainty around CEH's role in neighbourhood level crime and anti-social behaviour and suggests there are other social factors influencing the spatial patterns observed more recently at a community level.
86. A key constraint of looking for trends and potential correlations in crime data is that the changes in EH supply have been significant but compressed over a relatively short time. This creates a relative short sampling period over which to measure changes (which matches Beca's findings of no statistically significant trends in the 2022-2024 crime datasets). Ironically, we will be in a better position to measure or confirm correlations between crime at the community level and all EH models (and CEH specifically) in several years' time when the use of motels to provide for EH has ended and the underlying crime rates are revealed in Victoria, Fenton Corridor, Koutu and Whakarewarewa.

Conclusions

87. Based on past and present data and evidence, I consider that while the seven proposed CEH motels may contribute to incidents of crime and antisocial behaviour and demand additional Police resources over 2025 (the consent period), at a community level, on average, any adverse effect will be minor. The duration of the effect that can be attributed to

the CEH motels is also short/temporary, with the number of CEH motels expected to decrease throughout the proposed 12 month consent term to reach zero by December 2025.

OVERALL CONCLUSIONS AND RECOMMENDATIONS

88. I have considered the actual and likely adverse effects of the seven proposed CEH consents on property values and rental returns, tourism capacity, Rotorua's tourism reputation, and crime and antisocial behaviour at a community level. I have taken into account analysis and evidence that informed the 2022 hearing on these same issues, the information provided with the consent applications, and the significant changes that have occurred in the interim in terms of overall EH supply and the tourism industry (nationally and in Rotorua).
89. The existing environment is now very different. The cumulative effects of EH-SNG and CEH motels has substantially reduced in quantum and is less geographically concentrated. The scale of CEH will be further reduced by the time the proposed consents commence. The consents are also for a temporary activity, and I consider that the maximum 12 month term sought for each consent is directly relevant to the scale and significance of economic effects.
90. Overall, I consider that the adverse economic effects of the proposed consents are likely to be:
- (a) For property values/rental returns: No worse than already felt in the market under the current consents. That is, more than minor, but not significant reductions within 500m of CEH motels in Victoria and Whakarewarewa and minor reductions within 500m of CEH motels along Fenton Street and in Koutu. These economic effects are considered temporary. Reductions in value and rental returns attributable to CEH are expected to last only as long as the CEH motels are operating in each community.

- (b) For tourism capacity: Any loss of capacity to accommodate tourism demand would be minimal at the district level, and temporary.
 - (c) For Rotorua's tourism reputation: A less than minor accumulative effect (noting that there are some indications that there has been some recovery of Rotorua's reputation since 2022). The potential effect of granting the seven consents for a further twelve months on Rotorua's tourism reputation is by no means considered permanent. But unlike other effects attributable to CEH, it may take a little time (and money) after the CEH contracts have ended before the collective market perceptions around CEH in Rotorua are changed.
 - (d) For crime and anti-social behaviour: Any adverse effect would be minor at the community level, and temporary.
91. I have touched on the positive social effects of the proposed consents for those households needing to utilise the CEH service over 2025, and this is discussed further in Ms Foy's evidence and the SIA. In my 2022 hearing evidence, I provided further information on minor positive economic effects of CEH,⁴⁰ including sustaining employment during the Covid-19 impacted period and net additional spending by non-local CEH clients. The latter is no-longer occurring as far as I am aware so is not applicable now. I also consider that the minor benefit of sustained employment is diminished now that the tourism sector has further recovered from the effects of Covid-19.
92. As such, while the adverse economic effects are not expected to be significant, the economic costs of granting the proposed consents are likely to be greater than the economic benefits. However, I consider that

⁴⁰ N Hampson evidence 2022, starting at paragraph 263.

the potential economic costs for Rotorua of not granting the consents (that is, the counterfactual of increased homelessness, domestic harm, and use of EH-SNGs) would be far worse in the short-term, than approving the consents for CEH to continue for a further 12 month period.

93. I therefore support the approval of the seven resource consents.

Natalie Hampson

08 / 10 / 2024