

PROPOSED UPGRADE TO HUNTER VALLEY INTEGRATED TOURISM DEVELOPMENT

Economic impact assessment



Prepared for Capital Hunter Pty Ltd

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EXECUTIVE SUMMARY

HillPDA was commissioned by Capital Hunter Pty Ltd to undertake an economic impact assessment (the study) pertaining to an amendment to an approved masterplan for an integrated tourism development located at 1184 Wine Country Drive, Rothbury (the subject site).

This study assesses the potential economic impacts and benefits that would eventuate from an increase in the level of development on the site above that currently permitted under the Cessnock Local Environment Plan.

As noted above, the subject site has development approval under DA8/2016/557/1 from Cessnock City Council for a staged master-planned integrated tourist development which consisted of the following land uses:

- 300 residential land lots
- 50 key hotel
- A conference room which can accommodate up to 50 delegates
- 250 tourist villas
- An 18 hole golf course.

We understand that since the approval of the staged masterplan market conditions have shifted and the overall design for the site was revisited as part of a design competition. The results of the competition and the current market research led to a need to revisit the proposal. A high standard hotel with a different configuration supported by a large food and beverage precinct with additional compatible land uses and additional residential lots was demonstrated to meet a strong current latent demand. This has been supported by the growth of the town of Huntlee, in close proximity to the site. The Revised Design has expanded the uses as follows:

- Upgrading the standard of hotel to meet international standards, and increasing the number of hotel rooms from 50 keys to 140 keys (+90 keys)
- Expanding the conference facilities to accommodate up to 250 delegates
- Reducing the number of villas from 250 keys to 160 keys (-90 keys)
- The inclusion of a new food & beverage precinct
- The inclusion of a new international standard wine museum
- The inclusion of a new international standard art gallery
- The addition of 186 additional residential land lots
- The addition of 140 additional residential apartments integrated with the hotel and overlooking the golf course.

A summary of the approved masterplan scheme to the Revised Design is provided in Table 1.

Contextual review

Cessnock has experienced strong growth recently, which is expected to continue. The Revised Design would provide a range of land uses that would support the forecast growth in population and subsequent need for additional housing and jobs. In addition, the Revised Design will better respond to the increased demand for premium tourist accommodation in the locality, fuelled by strong domestic travel (as demonstrated over the past 18 months) and return of international tourists once borders open.

Around 73% of the Hunter Valley Vineyard District's land area is in Cessnock, making the viticulture and tourism industries key components of the LGA's economy. The tourism industry supports the growth and sustainability of the viticulture industry. Increased tourism development within the LGA is noted in several State and local strategies. Specifically, the Cessnock LSPS highlights that:

the wine and tourism industries are significantly co-dependent. Tourist and other non-agricultural development are an important component of the Vineyards District and help sustain the economic viability of viticulture. To support the wine industry Cessnock contains a diverse range of tourism development which supports the wine industry, including cellar doors, accommodation, restaurants and a variety of cultural and recreation facilities and events.

The Revised Design will provide a significant increase in the amount and type of tourism related services in the Vineyard District. The high standard hotel and supporting services, aimed at a higher-level international market, will underpin the economic viability of viticulture in the region by increasing its international presence. This aligns closely with the directions and actions of the existing strategic documents applicable to the area.

Tourism and visitor economy in the Hunter region

The tourism sector is a significant component of the Hunter Valley and Cessnock economies. The sector has been impacted by mitigation measures implemented to stop the spread of COVID-19. These impacts include a reduction in tourist accommodation, employment, visitor numbers and tourism expenditure.

The Revised Design would provide a range of tourism related land uses including accommodation, retail, recreation and cultural events. These land uses would directly support a locally led recovery from the impacts of COVID-19 and help in the continued growth and sustainability of the viticulture industry and wider economy.

The proposed hotel intends to offer a significantly superior hotel experience to any of the other venues in the Hunter region by offering the only five-star accommodation by international standards. There will be a focus on attracting international visitors to the region. As such the Revised Design will expand the region's offering and reach and will help to build the Hunter region's international reputation for luxury accommodation and experiences, thereby increasing and diversifying the tourist market in the Hunter Region.

The proposal also includes a wine museum which will include a providore to showcase Hunter region produce, restaurant, function space and art gallery. This will provide an added cultural attraction to the Hunter region. It will be a purpose-built space for wine information, education and history and be a centre for people to gather. It will entail aspects of wine culture without the association to a single winery brand and will include wine and food tasting, education and events.

Economic impacts from construction

Based on a higher estimated construction cost of \$550 million (excluding GST), the economic benefits resulting from the construction of the Revised Design are estimated as follows:

1. A total economic output of around \$1.73 billion
2. Directly generate 1,215 jobs¹ onsite in construction
3. A total of around 1,302 jobs¹, directly in design and construction
4. A total of 4,979 jobs¹ supported directly and indirectly nationally through production and consumption induced multiplier impacts
5. Contribute \$714.5 million directly and indirectly to the national economy (gross domestic product).

¹ Note that jobs in construction are not full time jobs given that the construction period is limited in time. Technically this refers to 'job years' where one 'job year' equals one full time job over one year. To calculate average FTE jobs, total job years can be divided by the number of years to complete the project. For example if the construction period is three years then 1,215 job years can be divided by three to derive an average of 405 jobs during the three year period of construction.

Economic impacts

The economic impacts that the Revised Design would generate post-construction or at the operational phase are compared against those generated under two base case scenarios. The two base case scenarios assessed are a “do nothing” option where the economic value of the opportunity cost of agricultural use is assessed. The second base case scenario assess the economic contribution that would result from the approved masterplan.

Economic impacts assessed under the operations phases include employment generation, gross value added (or contribution to gross regional product), workers’ remuneration, increased retail expenditure from the residential population on-site and tourism expenditure.

As summarised in the table below, the economic benefits of the Revised Design are significantly greater than those generated under each of the base cases. Based on the economic merits and potential, the Revised Design provides a superior economic performance.

Performance indicator	Option			Revised Design change from	
	Do nothing	Approved Masterplan	Revised Design	Do nothing base case	Approved Masterplan base case
Direct jobs on site (in operations)	6	151	597	591	446
Direct and indirect jobs (in operations)	14	316	1,250	1,236	934
Gross Value Added per annum	\$0.3m	\$9m	\$33m	\$33m	\$24m
Direct and indirect GVA per annum	\$1.1m	\$29m	\$100m	\$99m	\$71m
No. of residents	0	807	1,517	1,517	710
Residents spend on retail goods & services /ann	\$0m	\$12m	\$22m	\$22m	\$10m
Tourism spend on accommodation /ann	\$0m	\$14m	\$31m	\$31m	\$17m
Tourism spend on retail goods and service /ann	\$0m	\$7.5m	\$12m	\$12m	\$4.5m

Other economic benefits

The Planning Proposal would provide other benefits including the following:

- Contribute to dwelling and employment targets
- Contribute towards housing supply and diversity
- Contribute to a locally-led recovery from the impacts of COVID-19
- Provide employment opportunities for the tourism sector which have been impacted by COVID-19
- Enhanced service facilities for local residents and visitors
- Provision of greater employment self-sufficiency in the Cessnock LGA and the lower Hunter region
- More workers and residents in the locality will generate expenditure on retail goods and services to the benefit of existing businesses in the locality.
- Inputs into operations on site including food and beverages would be sourced from local suppliers
- The tourist components would raise the international profile of the Hunter region, helping to attract a greater number of international visitors and spend within the region.
- The tourist component would also give local producers and suppliers the opportunity to showcase their products – particularly in food and wine.

Benefits of additional housing

The components of the Revised Design including the international professional standard golf course, five-star international standard hotel and conference/reception, wine museum and associated tourist uses will bring considerable economic benefits to Hunter Valley.

The residential component will help to financially de-risk the project and provide housing choice to support the above, which is an integral component of this standard of development.

The additional housing will make a contribution towards increasing housing supply which will assist in keeping a check on house price increases and thereby contribute to improved affordability. It will also make a contribution towards meeting the housing targets under the LSPS and Cessnock Housing Strategy – around 400 to 600 more dwellings required each year to 2036.

The additional residents over and above the approved masterplan will generate \$10.4m more per annum on retail goods and services which will benefit existing businesses in the Cessnock LGA.

Economic impact summary

The economic benefits of the Revised Design are significantly stronger than the economic benefits under each of the base cases. Based on the economic merits and potential, the Revised Design provides a far superior economic outcome and is strongly supported from an economic impact perspective.

INTRODUCTION

1.0 INTRODUCTION

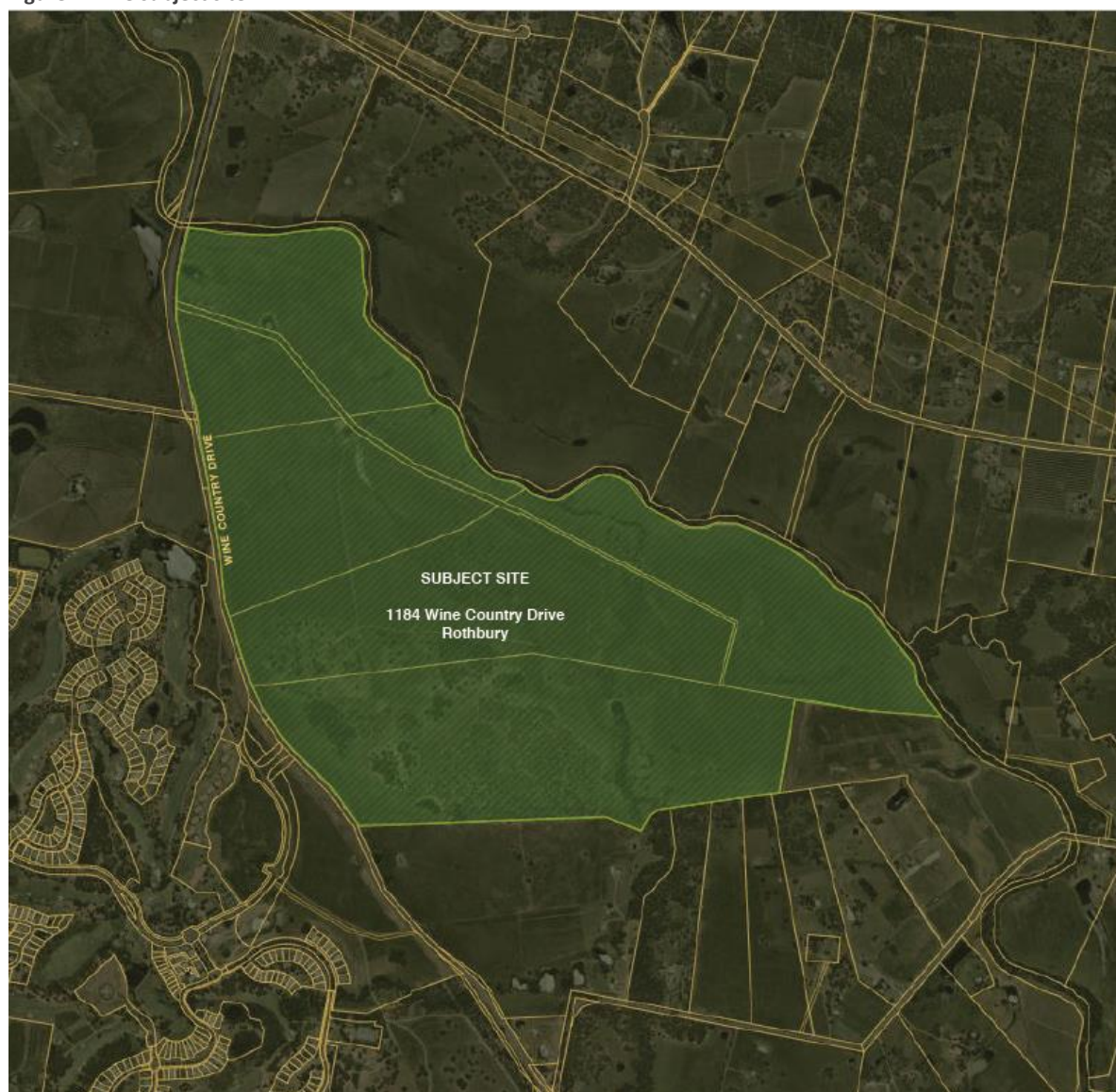
HillPDA was commissioned by Capital Hunter Pty Ltd to undertake an economic impact assessment (this study) pertaining to an amendment to an approved masterplan for an integrated tourism development located at 1184 Wine Country Drive, Rothbury (the subject site).

As such the purpose of this study is to assess the potential economic impacts and benefits of expanding the existing approved masterplan to reflect a stronger tourism offer. More specifically the assessment evaluates the economic potential and impacts of developing the revised scheme (i.e. Revised Design scenario) as compared to developing in accordance to the approved masterplan (i.e. approved masterplan scenario) and the 'status quo' (i.e. do nothing scenario). Note, although the study assesses State and local planning documents/strategies it does not include any specific planning or policy recommendations which would require consideration of a range of other factors which will be explored in other specialist studies being undertaken in the preparation of the Revised Design.

1.1 The subject site

The subject site (depicted in the figure below) comprises around 241 hectares of land in the City of Cessnock, which forms part of the Hunter Region. The land is currently being used for limited cattle grazing purposes and is largely underutilised. The subject site is strategically located 11 kilometres north of Cessnock and 7km south of the recently developed Huntlee Town Centre, which includes a full line Coles supermarket, supporting speciality stores, medical centre and childcare centre. The subject site is also directly opposite The Vintage estate in the 'Vineyard District' as defined by Cessnock City Council ('Council').

Figure 1: The subject site



Source: Hachem

1.2 The approved masterplan

As previously stated, the subject site has development approval (DA8/2016/557/1) for a staged masterplan which consists of the following land uses:

- 300 residential land lots
- 50 key hotel
- A conference room which can accommodate up to 50 delegates
- 250 tourist villas
- An 18-hole golf course.

Figure 2: Approved masterplan



Source: Hachem

1.3 The Revised Design

Since the approval of the masterplan, a revised masterplan has been developed. This Revised Design expands on the existing approved masterplan and includes additional compatible land uses on the site which are aimed at promoting tourism and the region's brand and profile internationally and locally. In addition to helping to drive tourism in the region, the expanded and enhanced scheme (i.e. the Revised Design) has also been curated to ensure the success and viability of the integrated tourism development.

The additional key components of the Revised Design include:

- Upgrading the hotel to a 5-star international standard
- Increasing the number of hotel rooms from 50 keys to 140 keys (+90 keys)
- Expanded conference facilities which can accommodate up to 250 delegates
- A decrease in villas from 250 keys to 160 keys (-90 keys)
- A new food & beverage precinct
- A new international standard wine museum
- A new international standard art gallery
- An additional 186 residential land lots
- An additional 140 residential apartments overlooking the golf course.

It should be noted that the hospitality uses as part of the Revised Design are intended to be delivered to the highest quality to ensure the new hotel will attract major international brands² and deliver an international standard of hospitality. As such the Revised Design (which also includes the only wine museum in the State) and proposed golf course would increase both domestic and international visitation to the Hunter region.

² The client is currently liaising with international brands including St Regis, Ritz Carlton and Intercon.

A summary of the changes from the approved masterplan to the Revised Design is provided in the following table.

Table 1: Approved masterplan and Revised Design land uses

Land use	Approved masterplan	Revised Design	Changes
Conference space	50 pax capacity	250 pax capacity	+ 200 pax
Hotel	50 keys (Domestic brand)	140 keys (5-star international standard)	+ 90 keys
Villas	250 keys	160 Ys	– 90 keys
Golf course	18 holes	18 holes	n/a
Day spa	100sqm	490sqm	390sqm
Wine museum & art gallery	0	1,500sqm	1,500sqm
Food and beverage	0	1,700sqm	1,700sqm
Residential lots	300 lots	486 lots	186 lots
Residential apartments	0	140 units	140 units

1.4 Study structure

To address the requirements of the brief, the study has been set out as follows:

- **Chapter 1 | Introduction:** This chapter
- **Chapter 2 | Tourism and visitor economy:** Examines the economic contribution that the tourism sector generates in the Hunter region.
- **Chapter 3 | Economic Impacts of construction:** Quantifies the likely economic benefits during construction.
- **Chapter 4 | Economic Impacts – Base case scenarios:** Examines the economic contribution under two base case scenarios, including the: ‘status quo’ or do nothing scenario and development in accordance with the approved masterplan scenario.
- **Chapter 5 | Economic Impacts – Revised Design:** Examines the economic implication that development under the Revised Design would have during the construction phase and post-construction. This is referred to as the “Planning Proposal case”. The economic implications of the Planning Proposal case are compared to the base case scenarios (estimated in Chapter 4).
- **Chapter 6 | The benefits of additional housing:** considers (and where possible quantifies) the economic benefits associated with the provision of additional housing in the region.
- **Chapter 7 | Contextual review:** Provides an assessment of previous studies and existing government plans and strategies that are of relevance to the study.

2.0 TOURISM & VISITOR ECONOMY

This section provides an overview of the tourism and visitor economy within the Cessnock LGA. Drawing on this review projections on the growth of tourists and visitors is undertaken. The section also provides a review of existing tourist facilities in the locality³.

2.1 Hunter tourist and visitor profile and economy

For the year ending March 2021, the Hunter received an estimated 8.6 million visitors. With the closures of international borders in 2020, the domestic market accounted for these visitors. Measures implemented to limit the spread of COVID-19 have impacted visitation rates to the Hunter, with almost 3.6 million fewer visitors to the Hunter in 2021 when compared to in the year ending March 2020 (12.2 million visitors).

Between 2016-2021, domestic day visitors comprised 64% of all visitors to the Hunter over the six-year period. Domestic overnight visitors were the next largest visitor type with 35%. International visitors were the lowest visitor segment with only one per cent of visitors to the Hunter over the period.

Proportionally, COVID-19 mitigation measures impacted international visitors the greatest, with a 100% reduction in tourist numbers in the year to March 2021. The Hunter witnessed a significant fall in domestic visitation over this period, in part due to the cancellation of local events and concerts. Domestic day visitors recorded the second largest proportional reduction over the period (-33%) followed by domestic overnight visitors (-19%).

Table 2: Tourist and visitor numbers to the Hunter (YE March 2021)

Visitor type	2016	2017	2018	2019	2020	2021*	Change 2016-21 #
International	157,000	175,000	203,000	206,000	169,000	0	-157,000
Domestic overnight	3,152,000	3,289,000	3,853,000	4,238,000	4,197,000	3,400,000	248,000
Domestic day	6,418,000	6,705,000	6,535,000	7,929,000	7,793,000	5,200,000	-1,218,000
Total ('000)	9,727,000	10,169,000	10,591,000	12,373,000	12,159,000	8,600,000	-1,127,000

Source: Tourism Research Australia, *Note visitation to the region was severely impacted by COVID-19 and border closures

Of visitors to the Hunter between 2016-21, the majority (98%) were domestic. Of these domestic visitors, 93% were intrastate while 5% were interstate visitors. This highlights the significant contribution that NSW residents make to the tourism and visitor sector in the Hunter region. It also reveals that, excluding further local lockdowns in NSW, the Hunter region will experience continuing demand for tourism related services from the local market.

Notwithstanding the above, the Revised Design will include high quality hospitality services to five-star international standards as well as provide a unique offering including the wine museum. This will create opportunities to further promote the Hunter region to international tourists as well as domestic tourists and increase visitation and spend across all three markets (i.e. international, domestic overnight and domestic day visits).

³ Please note that tourism and visitor information for Cessnock LGA is limited. State agencies provide data across the Hunter region which includes the major towns of Cessnock, Gloucester, Lake Macquarie, Muswellbrook, Newcastle, Pokolbin, Port Stephens and Singleton.

Table 3: Tourist and visitors (YE March)

Visitor type	2016	2017	2018	2019	2020	2021
Domestic - interstate	9,036,000	9,464,000	9,760,000	11,484,000	11,209,000	8,498,000
Domestic - intrastate	533,000	529,000	628,000	683,000	781,000	102,000
International	157,000	175,000	203,000	206,000	169,000	0
Total	9,726,000	10,168,000	10,591,000	12,373,000	12,159,000	8,600,000

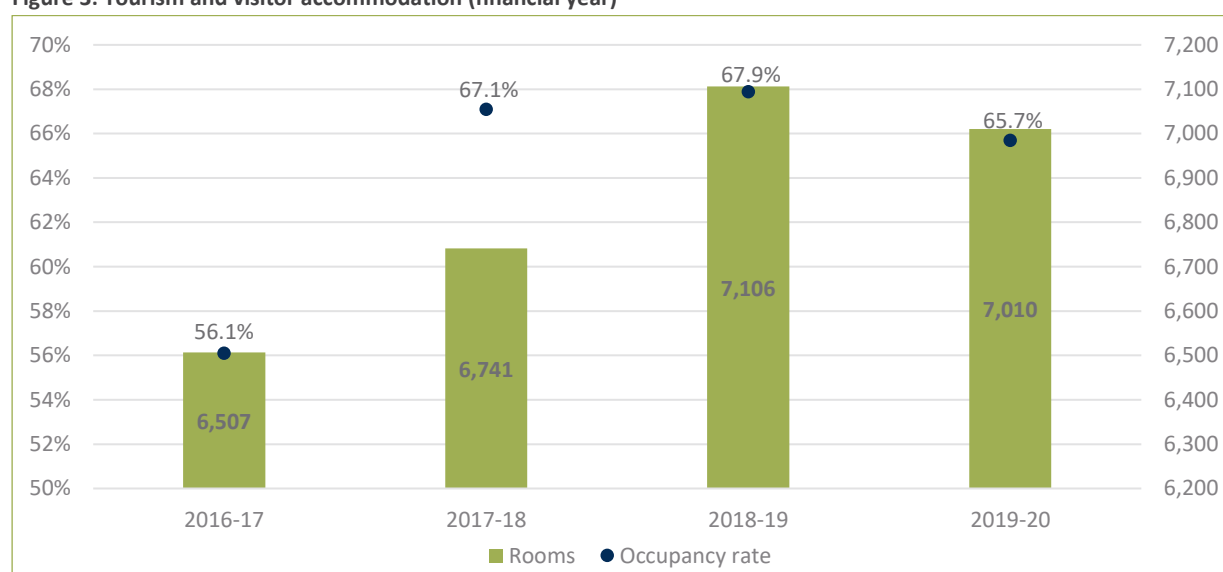
Source: Tourism Research Australia, HillPDA

2.1.1 Tourism and visitor accommodation

The number of accommodation rooms and occupancy rates across the Hunter region steadily increased between the 2016-17 and 2018-19 financial years to a total of 7,106 rooms and 67.9% occupancy. However, in the 2019-20 financial year, there was a loss of around 96 accommodation rooms and the occupancy rate decreased to 65.7%. This decline in available rooms and occupancy rate was due to the impacts of COVID-19 and restriction measures.

The tourism market is beginning to rebound post COVID-19. To grow and diversify the tourism base in the Hunter Region and meet the anticipated future demand for tourism related services there is need to provide a world class tourist offering in the Hunter region. The Revised Design will provide the first of its kind in the Hunter region and will deliver a differentiated and enhanced hotel experience. This would stimulate the Hunter region's tourism market and increase visitation numbers from both domestic and international travellers.

Figure 3: Tourism and visitor accommodation (financial year)

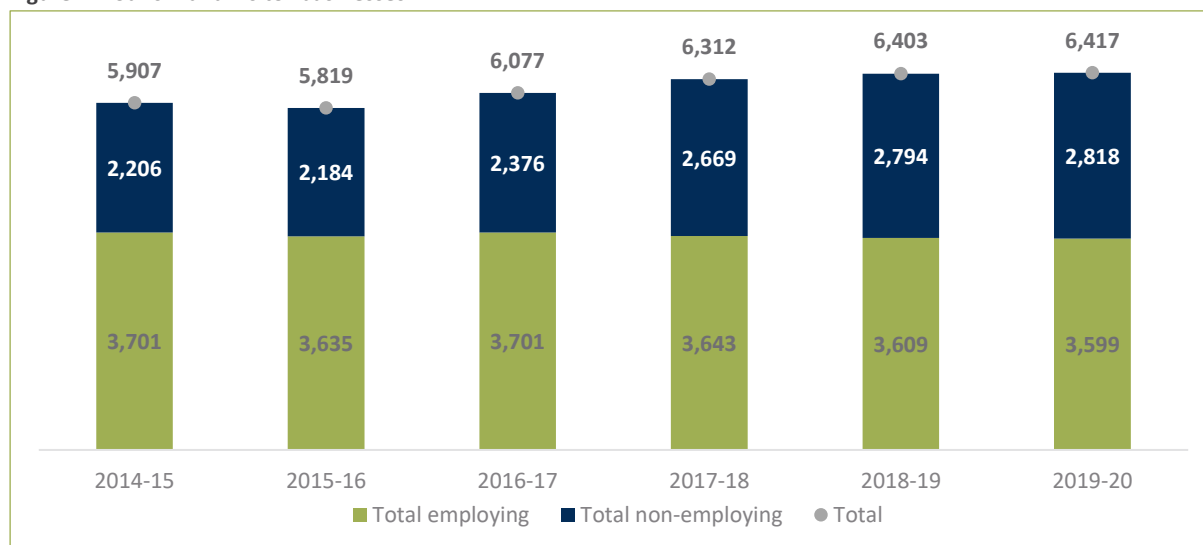


Source: Tourism Research Australia

2.1.2 Tourism and visitor businesses and employment

In the 2019-20 financial year, there were 6,417 tourism businesses located in the Hunter. This was around 510 businesses more than 2014-15 financial year (5,907 businesses). Over the six-year period, the number of non-employing tourism businesses increased by 612, conversely employing tourism businesses declined by around 102.

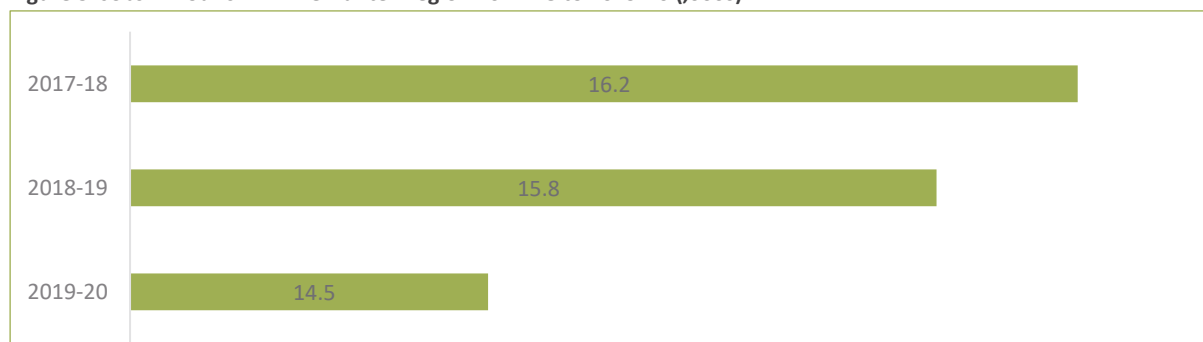
Figure 4: Tourism and visitor businesses



Source: Tourism Research Australia

As the number of employing businesses decreased across the Hunter, there was a corresponding reduction in tourism employment. Over the three financial years to 2019-20, around 1,675 tourism jobs were lost in the Hunter.

Figure 5: Jobs in Tourism in The Hunter Region 2017-18 to 2019-20 (,000s)



Source: Tourism Research Australia

The Revised Design will provide significant employment opportunities for residents and those jobs impacted by COVID-19 mitigation measures by providing 582 jobs on site as outlined in section 5.1 of this study, which is 430 more jobs than the approved masterplan.

2.1.3 Tourism and visitor expenditure

In the year to March 2021, tourists and visitors to the Hunter region spent just over \$2.3 billion dollars. The majority of this (73%) was sourced from domestic overnight visitors. Total expenditure in 2021 was \$625 million lower than that recorded in the year to March 2020 (just under \$3 billion) a direct result of lower visitation numbers due to the COVID-19 mitigation measures. With internal and international borders expected to open post-2021, this is expected to rebound.

Table 4: Tourist and visitor expenditure (YE March)

Visitor segment	2016	2017	2018	2019	2020	2021
International	\$186m	\$191m	\$208m	\$221m	\$183m	\$0m
Domestic overnight	\$1,518m	\$1,413m	\$1,826m	\$1,780m	\$2,009m	\$1,700m
Domestic day	\$688m	\$714m	\$733m	\$857m	\$775m	\$642m
Total	\$2,392m	\$2,318m	\$2,767m	\$2,858m	\$2,967m	\$2,342m

Source: Tourism Research Australia

The international standard tourist accommodation and facilities provided in the Revised Design, would raise the profile and attractiveness of the Hunter region to domestic overnight and international visitors. This would contribute to a locally-led recovery from COVID-19 and increase the resilience of the local economy.

As seen in the table below, on average, international visitors spent the most per person (\$1,087). Domestic overnight visitors were the next highest spend type with an average of \$463 per person. Increased accommodation to attract overnight and international visitors, such as that provided in the Revised Design, would have a comparatively higher expenditure impact.

Table 5: Average spend per visitor (YE March)

Visitor segment	2016	2017	2018	2019	2020	2021	2016-21 avg
International	\$1,185	\$1,091	\$1,025	\$1,073	\$1,083	\$0	\$1,087*
Domestic overnight	\$482	\$430	\$474	\$420	\$479	\$500	\$463
Domestic day	\$109	\$107	\$112	\$108	\$100	\$123	\$109
Total	\$246	\$228	\$261	\$231	\$244	\$272	\$246

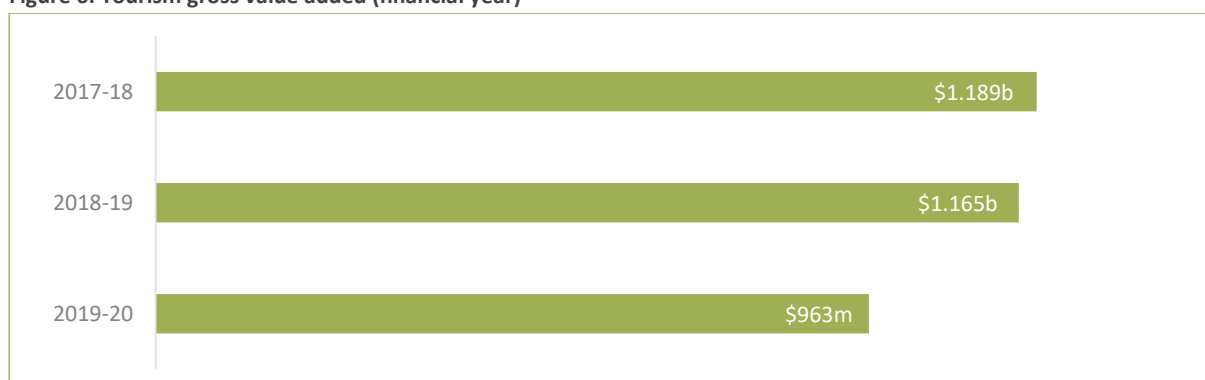
Source: Tourism Research Australia, HillPDA *2016-2020 average

2.1.4 Gross value added from visitors and tourists

Gross value added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the wealth of the country, state or region (gross regional product or GRP).

In the 2019-20 financial year, tourism industries contributed \$963 million to the Hunter's economy, representing 2.3% of the region's total GVA. This was around \$226 million less than that recorded in the 2017-18 financial year (\$1.2 billion GVA).

Figure 6: Tourism gross value added (financial year)

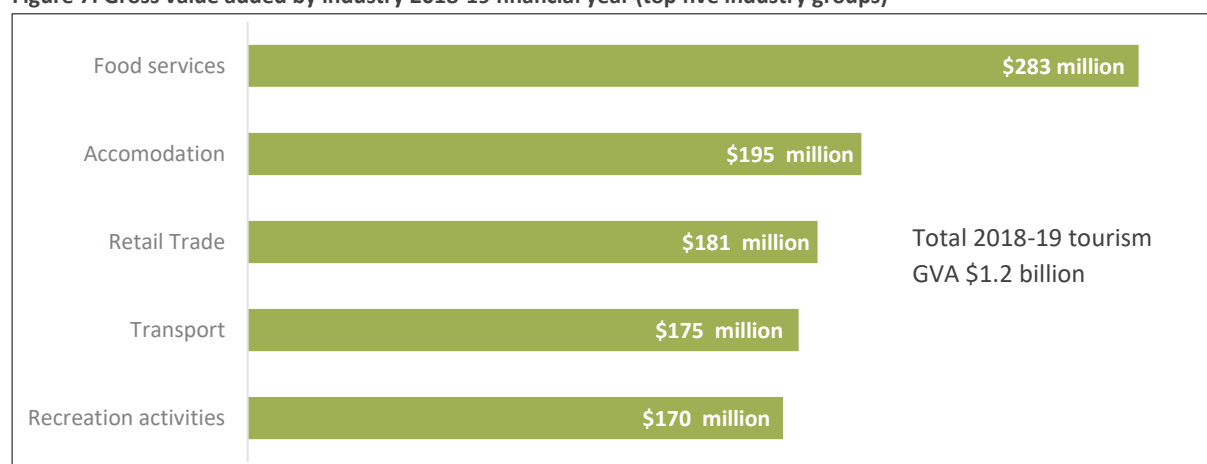


Source: Tourism Research Australia

Analysis of tourism GVA by its various industry components shows that in the 2017-18 financial year food services⁴ contributed the most (\$283 million) followed by accommodation (\$195 million), retail trade (\$181 million), transport (\$175 million) and recreational activities (\$170 million).

Industries that contribute the most to the local economy are the tourism / hospitality industries as shown in the chart immediately below.

Figure 7: Gross value added by industry 2018-19 financial year (top five industry groups)



Source: Tourism Research Australia

The Revised Design, which includes a high-end food and beverage offer, a world class hotel and ancillary services (including conference facilities) as well as international standard arts and recreational services (new wine museum and art gallery and golf course) would capitalise on these high growth industries, and it will contribute to increasing visitation to the region and to GRP.

2.1.5 Summary

The tourism sector is a significant component of the Hunter region and Cessnock LGA economy. The sector has been impacted by mitigation measures implemented to stop the spread of COVID-19. These impacts include a reduction in tourism accommodation, employment, visitor numbers, expenditure, employing businesses and GRP.

The Revised Design would provide a range of tourism-related land uses, including accommodation, retail, recreation and cultural facilities and events. These land uses would directly support a locally-led recovery from the impacts of COVID-19 and would contribute to the continued growth and sustainability of the viticulture industry and wider economy.

2.2 Hunter Region tourism forecasts

The following tourism forecasts have been directly sourced from the *Feasibility Assessment Hunter Valley Golf Course* report undertaken by Golf Business Advisory Services (GBAS) in August of 2021⁵.

⁴ Food services includes cafes, restaurants, takeaway food services, clubs, pubs, taverns and bars

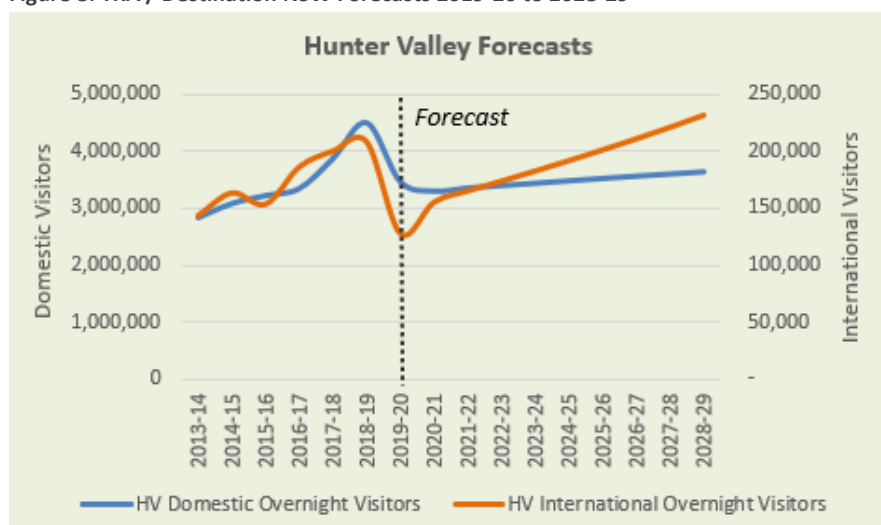
⁵ Please note that GBAS state: All available tourism forecasts for both NSW and the Hunter Valley region were created prior to the current Covid-19 global pandemic which began in March 2020. Whilst there has been significant short-term tourism demand impacts at national, state and local levels, this assessment assumes that the existing forecasts still have directional accuracy, though the timing of achievement may be delayed. No attempt has been made to re-state previously forecasted numbers.

Hunter Valley Tourism Forecasts

Projected growth rates for domestic and international nights in NSW along with current length of stay and share of trends for each market have been applied to generate a forecast for overnight visitor nights and visitor numbers to the Hunter Valley region.

Using this methodology, average annual growth of 1.7% for total visitor nights is projected through to 2028-29, reaching 13 million. Like the national forecast, this growth forecast is also driven by higher international growth numbers (average 6.9% per year) compared to 0.5% per year from the domestic market. Domestic overnight visitors are projected to reach 3.8 million, generating 10 million visitor nights.

Figure 8: TRA / Destination NSW Forecasts 2019-20 to 2028-29



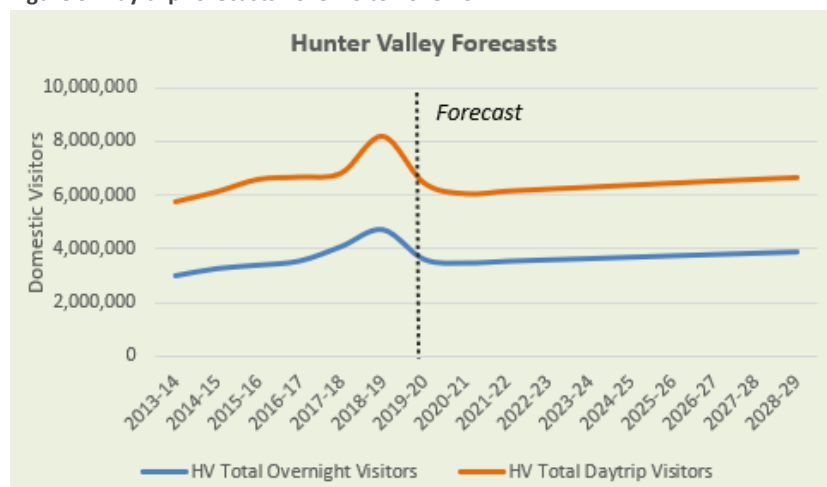
Source: Feasibility Assessment Hunter Valley Golf Course (GBAS 2021)

Day trip forecasts

The day trip market is a key market for the Hunter Valley accounting for nearly two thirds of total domestic demand. In order to generate a forecast for the potential future size of this market, the historical relationship between day and overnight demand has been utilised and applied to forecast overnight visitor numbers for both domestic and international visitors to generate potential day-trip demand.

Based on these assumptions, domestic day trip numbers are projected to grow in line with domestic overnight visitors, being 3% over the period to 2028-29 to reach 6.65 million.

Figure 9: Day trip forecasts 2019-20 to 2028-29



Source: Feasibility Assessment Hunter Valley Golf Course (GBAS 2021)

2.3 Tourism resorts in the locality

Based on the Hunter Valley Wine Country accommodation listings, there are currently 81⁶ short-term accommodation facilities within the Hunter Valley region⁷, including:

- two bed and breakfast facilities
- four guesthouses
- three motels
- 16 resort / hotels
- 55 self-contained facilities
- One caravan park.

Two of these facilities offered rooms at a nightly weekend tariff rate ranging from \$50-100, 16 in the \$101-\$200 range, 43 in the \$201 - \$300 range and 33 at more than \$300 per night⁸. Fourteen (14) of the facilities are rated 4 stars and above, 24 offered at least one restaurant on site, 20 provided a winery or cellar door and 27 provided a function space or conference area. However these facilities would have little competition with the proposed hotel on site due to differing roles, amenities, quality / standard and location. Larger facilities near the subject site that offer similar amenities, in terms of restaurants, conference facilities and golf course include: the Crown Plaza Hunter Valley, Chateau Elan @ The Vintage and the Oaks Cypress Lakes which are described below.

However, it should be noted that these facilities and their ancillary uses are different to the proposed hotel in terms of standard and offer. The proposed hotel intends to offer a significantly superior hotel experience, offering the only five-star accommodation by international standards in the Hunter region. As such the Revised Design will expand the region's offering and reach and will help to build the Hunter region's international reputation for luxury accommodation and experiences.

⁶ HillPDA identified a further 4 facilities in close proximity of the subject site which were included to Hunter Valley Wine Country full accommodation listing as sourced from <https://www.winecountry.com.au/all-accommodation>

⁷ Region for purposes of this exercise includes Pokolbin, Rothbury, Lovedale, Broke, Belford, Cedar Creek, Elderslie, Wollombi, Mount View, Nulkaba

⁸ Tariffs based on two adults for one night at weekend rack rates as sourced from <https://www.winecountry.com.au/all-accommodation>

2.3.1 Crown Plaza Hunter Valley

The Crown Plaza is a premium resort managed by Intercontinental Hotel Group. The resort offers a diverse mix of hotel rooms and villa options (totalling 414 keys), with all but 4 of the villas owned by the hotel. The resort also includes large conference and events facilities (which can accommodate up to 1,676 delegates), multiple on-site restaurants, an outdoor pool, 18-hole champion golf course and on-site spa⁹.

2.3.2 Chateau Elan @ The Vintage

Chateau Elan @ The Vintage is an upscale hotel owned and operated by Sunshine Insurance. The hotel provides approximately 100 suites and villas and includes conference and events facilities (which can accommodate up to 330 delegates), the Legends Bar and Grill, an outdoor pool, on site spa and a Greg Nornam designed 18-hole champion golf course¹⁰.

2.3.3 Oaks Cypress Lakes

The Oaks Cypress Lakes Resort is a four-star resort with room inventory of 138 keys (which are operated and managed by Minor Hotel. The wider site has an approximate potential inventory of 400 villas. The resort offers a range of 1,2 and 3 bedroom suites and villas and includes conference and events facilities (which can accommodate up to 800 delegates), two on site restaurants, an outdoor pool and an a 18-hole championship golf course (ranked among the top resort courses in Australia)¹¹.

2.3.4 Other resorts and hotels

In addition to the three hotels and resorts mentioned above, other high standard hotels and resorts in the Vineyard District include: The Hunter Valley Resort, Mercure Resort Hunter Valley Gardens, Estate Tuscany, Voco Kirkton Park Hunter Valley, Spicers Guesthouse, the Convent Hunter Valley and Elysia Wellness Retreat. Please note however that all of these hotels have a lower star rating than the proposed hotel, which will be the only 5-star international hotel in the Hunter Valley.

In their historical analysis of the above hotels and resorts, Cre8tive identifies increasing demand for upscale hotel facilities in the Hunter region as evidenced by:

- year-on-year growth in occupancy rates from 2015 to 2019 across the Hunter regions more premium hotel facilities (with the annual occupancy rate increasing sharply from 49.4% in 2015 to 62.1% in 2019¹²) and
- most of the upscale hotels in the region achieve rates above \$200 mid-week.

In addition to demand for this type of product, the Revised Design will provide the region with its first five-star accommodation by international standards. This will help to grow and diversify the Hunter region's tourist base and build its international reputation.

2.4 Golf Tourism

In Australia golf currently attracts 878,000 participants annually. Participation has fallen from 5.2% of the adult population in 2016 to 4.2% in 2019. However those playing golf are playing more frequently – 67% are playing at least fortnightly – up from 58% in 2016. 18-hole competition rounds across Australia has slowly and steadily

⁹ Cre8tive Wine Country Resort, Hotel Development & Feasibility Report 2020, centre website and HillPDA research

¹⁰ ibid

¹¹ ibid

¹² Cre8tive Wine Country Resort, Hotel Development & Feasibility Report 2020

increased from 10.0m in 2013 to 10.7m in 2019. There has been strong and steady growth in nine-hole rounds at more than 8% per annum over the same period¹³.

The economic benefits of golf across Australia have been measured at almost \$3.5b per annum. In NSW it was \$1.23b. There are several components to the economic benefits. At a national level the tourism benefits total \$477m in 2017¹⁴.

Golf tourism in NSW has been increasing over the past decade. In 2019 there were 668,000 golf visitors staying 3.2 million visitor nights. Golf visitors had been increasing at a rate of 7% each year from 2014 to 2019¹⁵.

Figure 10: NSW Golf Tourism Forecasts 2019-20 to 2028-29



Source: Golf Business Advisory Services

Golf Business Advisory Services (GBAS) forecast the demand for golf led tourism to NSW to reach approximately 856,000 visitors per year by 2022-23, and 945,000 by 2028-29 if the current market share of total domestic and international golf visitors remain steady. 84% of these golf visitors will be of domestic origin.

Measuring demand is vexed because effective demand is constrained by supply. Latent demand is potential demand that can be realised from an improvement in the quality and quantity of offer. The industry recognises that the quality and quantity of offer is a strong stimulus to demand.

Cypress Lakes marketing director Stuart Ford says owner Peter Neustadt's vision in 1989 had paid off and the development of other championship golf courses was a positive for Cypress Lakes, as well as the Hunter Valley. "There's a hell of a lot of successful people who play golf, and they're the people who've got money," Ford says. "We saw The Vintage as a major threat to us, and initially we lost some of our tourist golf market to them, but we've got stronger numbers than before The Vintage because the market itself has expanded and more people are coming to the Hunter because it is a golf destination now. "The number of people who come and play Cypress, and then The Vintage, is growing."¹⁶

The proposed development will add a third world championship golf course in the Vineyard District of the Hunter Valley. It will be one of few destinations around the world with such a combination further drawing considerable demand from a wider national and international market. The proposal will further stimulate demand for golf and associated services in the local area.

¹³ Golf Australia

¹⁴ Australian Golf Industry Council 2017

¹⁵ Golf Business Advisory Services

¹⁶ Newcastle Herald, Saturday March 12, 2005

3.0 ECONOMIC IMPACTS OF CONSTRUCTION

This section assesses the likely economic impacts during construction. HillPDA was provided with a construction estimate of \$144.2 million (excluding GST) for the hotel, villas, golf course, day spa, food and beverage district components. The Revised Design would also provide 486 residential lots and 140 apartments, we have applied a construction cost of \$500,000 per dwelling and land development costs of \$100,000 per residential dwelling to these components. Overall, total construction costs are estimated at \$520 million. An additional 5.8% for design and application fees was applied increasing the total capital investment value (CIV) to \$550m.

3.1 Economic multipliers

The construction industry is a significant component of the economy, accounting for 5.96% of Gross Domestic Product (GDP) and employing just over one million workers across Australia¹⁷. The industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of construction. This is known as the multiplier effect. Multipliers refer to the level of additional economic activity generated by a source industry¹⁸.

There are two types of effects captured by multipliers:

Production Induced Effects: which is made up of:

- *Direct effects:* which constitutes all outputs and employment required to produce the inputs for construction, and
- *Indirect effects:* which is the induced extra output and employment from all industries to support the increased production of the construction sector.

Consumption Induced Effects: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners across all industries arising from employment.

3.2 Gross output

The Revised Design will have a direct impact on construction output as well as indirectly stimulating other industries which assist in production or cater to increased consumption.

The table below details the output multipliers and shows the impact of the change in demand generated by the development and the impact on both the national economy and on the Cessnock LGA. These multipliers reflect the size of local industries based on 2016 Census data. The forecast increase in total output at a national level is \$1.73b and total output in the Cessnock LGA is approximately \$825 million, as shown in the table below.

¹⁷ Source: IBIS World Construction Industry Report 2018

¹⁸ The modelling for this report is based on the Australian National Accounts and has adjusted these effects for industry size relative to the Cessnock LGA and calculated the direct, indirect, and induced effects of construction expenditure as well as industry output and employment job creation.

The ABS notes that "Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment." In particular it may leave the impression that resources used for production would not have been utilised elsewhere in the local economy. Nevertheless, the estimates illustrate the high flow-on effects of construction activity.

Table 6: Gross output (\$m)

	Direct effects*	Production induced effect	Consumption induced effect	Total
Output in the national economy	\$550.0m	\$686.3m	\$489.9m	\$1,726.2m
Output in the Cessnock economy	\$523.0m	\$135.3m	\$166.5m	\$824.8m

* Includes design costs assumed at 6% of construction costs

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2018-19 (ABS Pub: 5209.0), ABS Census 2016 Data

3.3 Gross value added (GVA)

The Gross Value Added (GVA) of an industry refers to the value of outputs less the costs of inputs. It also measures the contribution that the industry makes to the regions' wealth or gross regional product (GRP). The main components of GVA are workers' remunerations, profits and government taxes.

Design and Construction would directly contribute around \$157 million to the Cessnock economy. Including the multiplier impacts, a total of \$302 million would be contributed to the local economy (measured in 2020 dollars) based on the Cessnock LGA multipliers in the table below. GVA at the national level (contribution to gross domestic product) is higher at \$715m.

Table 7: Gross value added (\$m)

	Direct effects	Production induced effect	Consumption induced effect	Total
GVA in the national economy	\$171.4m	\$282.5m	\$260.6m	\$714.5m
GVA in the Cessnock economy	\$157.1m	\$52.9m	\$92.4m	\$302.4m

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2018-19 (ABS Pub: 5209.0), ABS Census 2016 Data

3.4 Job creation

Every million dollars of CIV generates 2.37 jobs over one year¹⁹ directly in design and construction. Based on the estimated CIV, 1,302 jobs²⁰ would be directly generated by the proposed development of which 1,215 jobs²⁰ would be construction jobs on site in the Cessnock LGA.

Through production induced and consumption induced multiplier impacts a total of 4,979 jobs²⁰ would be supported in the national economy.

Table 8: Construction employment impact

	Direct effects	Production induced effect	Consumption induced effect	Total
National employment multipliers (jobs/\$m output)	2.368	3.520	3.164	9.052
Total Jobs ²⁰ generated in the national economy	1,302	1,936	1,740	4,979
Jobs ²⁰ generated in the Cessnock LGA	1,215	272	374	1,861

Source: Hill PDA Estimate using data from ABS Australian National Accounts: Input-Output Tables 2018-19 (ABS Pub: 5209.0), ABS Census 2016 Data

¹⁹ Source: ABS Australian National Accounts: Input – Output Tables 2018-19

²⁰ Note that jobs in design and construction are not full-time jobs given that they jobs are limited in time. Technically this refers to 'job years' where one 'job year' equals one full time job over one year. To calculate average FTE jobs, total job years can be divided by the number of years to construct. For example if the construction period is three years then 1,215 job years can be divided by three to derive an average of 405 construction jobs during the three year period of construction.

The Australian National Accounts, readjusted with local Census data, identified the Cessnock employment multipliers for production support and consumption induced effects of 0.52 and 0.72 respectively for every job year in direct construction. Development is forecast to support a total of 1,861 jobs²⁰ directly and indirectly in the LGA.

4.0 THE BASE CASE

The economic impact of the Revised Design is the difference between the economic performance of the Revised Design and the base case. This section assesses the economic contribution of the subject site under two base case scenarios. The first base case scenario is a “do nothing” option where the economic value of the opportunity cost of agricultural use is assessed. The second base case scenario development in accordance with the approved masterplan.

4.1 Base case scenario 1 – ‘status quo’ or do nothing option

The following assesses the economic value of the subject site if it were used for agricultural uses. HillPDA undertook a social and economic impact study for the site in 2013 which noted:

Previous technical reports have established that the subject site is low grade agricultural land and would not be capable of accommodating viticultural related uses²¹. These reports have found the soil quality to be poor with evidence of degradation from over grazing and over clearing. This has been recognised by Council in previous correspondence with the DP&I as follows:

*“The proposal is considered a positive tourism based use of the land on the edge of the Vineyards District that is **not suitable for viticultural uses**²²”.*

We understand that the highest and best agricultural use of the land in its current zoning would be for pastoral grazing. Potential earnings before interest, taxes, depreciation, and amortisation (EBITDA) from agriculture is likely to be less than \$50,000 per annum (Peak Land Management, 2013). This comprises 15 hectares for viticulture achieving an EBITD of \$6,000 and 232 hectares for cattle grazing achieving an EBITDA of \$30,000 to \$40,000.

Allowing for inflation since 2013²³, it is estimated that the potential EBITDA from agriculture is likely to be around \$57,000 per annum (\$2021). The subject site thus generates little economic value to the local or broader economy in its current form. This is identified as the opportunity cost of the land for the purposes of considering economic related impacts.

Employment has been calculated at around six workers. This has been calculated based on an average of 2.8 hectares per worker for viticulture²⁴ (15 hectares across the site) and 510 hectares per worker for cattle and sheep grazing land (226 hectares)²⁵.

IBIS World reports provide data on the revenue, economic value-add and total wages of different industries in Australia. The table below provides the estimated revenue, GVA and total wages that six workers would generate based on their respective industries.

²¹ Sources: Agricultural Land Suitability Assessment, Peak Land Management, 2004 and April 2013 and Viticultural Assessment, Allynbrook Pty Ltd (2007)

²² Source: Planning Proposal: Amendments to the Cessnock LEP 2011 “Golden Bear”, Cessnock City Council (2012)

²³ change in cost is 12%, over 7 years, at an average annual inflation rate of 1.7% (ABA), HillPDA has factored an additional 1.7% inflation to 2021

²⁴ Sourced from the Marlborough Viticulture Labour Market Survey 2016

²⁵ Land used for grazing sourced from Agricultural commodities –Australia, States and Territories and ASGS regions–2019-20 – Hunter region (excluding Newcastle) and employment sourced from 2016 ABS journey to work data for cattle and sheep farming in the Hunter (excluding Newcastle)

Table 9: Base case 1 – do nothing option, economic performance

Land Use	No. of Workers	Per Worker			Total		
		Revenue	GVA	Salaries	Revenue	GVA	Salaries
Grazing*	0.4	\$252,399	\$91,515	\$13,630	\$0.11m	\$0.04m	\$0.01m
Viticulture	5.4	\$126,439	\$44,137	\$21,182	\$0.68m	\$0.24m	\$0.11m
Total	5.8	\$136,062	\$47,756	\$20,605	\$0.80m	\$0.28m	\$0.11m

Source: IBIS World Reports 2020, *combination of sheep, beef and dairy cattle

4.2 Base case 2 – approved masterplan

The following assesses the economic value of the subject site if it was developed in accordance with the approved masterplan which includes the following components.

- 18-hole golf course and club house
- 300 dwelling houses
- 50 room hotel
- Health spa
- 250 serviced villas/apartments for tourists
- Function centre with conference facility
- Landscaping.

It was estimated that there would be 151 workers on site. The breakdown by land use is provided in the following table.

Table 10: Approved masterplan employment estimate

Land use	Unit	Employment Density	Employment
Hotel (including resort villas, conference rooms, bar and restaurant ¹ and health spa)	300 rooms	1 / 0.4 rooms ²	123 ³
Golf	18 holes		14
Work at home	240 ⁴	1 / 16.7 dwellings ⁵	14
Total			151

Source: HDB Town Planning & Design,

¹ based on a 200 set restaurant;

² Assumes a lower employment density of 1 / 0.4 room to reflect level of service required for a four star hotel / serviced apartments

³ Assumes a further three workers as part of the day spa (i.e. 1 worker / 40sqm for day spa of 100sqm)

⁴ Assumes 300 dwelling with a occupancy rate of 80%

⁵ Work at Home: 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and assuming 0.82 working residents per household translates to 1 job per 16.7 occupied dwellings.

Sourced from IBIS world reports, the table below estimates various economic metrics that 151 workers would generate.

Table 11: Base case scenario 2 – approved masterplan, economic multipliers

Land Use	No. of Workers	Per Worker			Total		
		Gross output	GVA	Salaries	Gross output	GVA	Salaries
Hotel rooms and villas	123	\$110,000	\$57,000	\$46,500	\$13.5m	\$7.0m	\$5.7m
Golf course	14	\$190,000	\$82,000	\$68,000	\$2.7m	\$1.1m	\$1.0m
Work at Home	14	\$90,000	\$84,000	\$70,000	\$1.3m	\$1.2m	\$1.0m
Total	151	\$115,500	\$61,880	\$50,723	\$17.5m	\$9.4m	\$7.7m

Source: IBIS World Reports 2020

4.2.1 Resident population retail expenditure and floorspace generation

The approved masterplan would provide 300 residential lots. This provides additional economic benefits in the LGA through (1) supporting the viability and vibrancy of local retail shops especially those proposed in the nearby town centre (i.e. Huntlee Shopping Centre) and (2) generating employment indirectly.

Assuming an average household size of 2.69 persons²⁶, then the site would have a resident population of 807. Assuming an average retail spend of \$14,700 per capita total annual household expenditure on retail goods and services would be \$11.9 million per annum.

We would expect a large proportion of this expenditure and floorspace demand would be directed towards existing businesses in the Vineyard District.

4.2.2 Tourism expenditure

The approved masterplan would provide a 50-room hotel and 250 tourist villas.

Total number of visitor nights per annum for the Hotel is estimated at around 16,425 assuming 1.5 persons per room and a target occupancy rate of 60%. Total visitor nights for the Villas are estimated at around 91,250 assuming 2 persons per villa and a target occupancy rate of 50%.

Based on an average spend of \$130 per visitor night, total spend is estimated at around \$14.0 million per annum. A further \$7.5 million is estimated to be spent by overnight tourists on retail goods and services²⁷.

²⁶ Hunter Region (Excluding Newcastle) community Profile and Cessnock LGA community Profile 2016 – separate houses

²⁷ International and National Visitor Survey June 2020

5.0 ECONOMIC IMPACTS OF THE REVISED DESIGN

The following section assesses and where possible quantifies the potential economic impacts of the Revised Design measured against the “do nothing” or “approved masterplan” base case options. Economic metrics estimates include employment, wages and gross value added assuming full development and operations.

5.1 Employment generation

It is estimated that development of the Revised Design has the potential to generate 597 jobs. This is an increase of 591 under the do-nothing base case (almost 100 fold increase) and 446 more jobs than the approved masterplan (almost four times more).

The breakdown of these jobs by the proposed land use is provided in the table immediately below.

Table 12: Revised Design employment estimate

Land Use	units	Employment density	No. of workers
Hotel rooms and villas*	300	1 / 0.9 rooms**	345
Food and Beverage	3,700	1 / 25 sqm	148
Wine Museum & restaurant	1,500	1 / 25 sqm	60
Golf Course			14
Work at Home***	501	1 / 16.7 dwellings	30
Total			597

* includes conference facilities, bar and restaurant and day spa of 490sqm @ 40sqm per worker;

** Assumes higher employment density to reflect the superior hotel service

*** Work at Home: 7.6% of workers undertake majority of their work at home (ABS Locations of Work 2008 Cat 6275.0) and assuming 1 working residents per household and 80% occupancy translates to 1 job per 16.7 occupied dwellings.

Source include ABS Retail Survey 1998-99, IBIS World reports and Hill PDA Research;

5.2 Indirect jobs

The tourism industry has strong linkages with other sectors, so the impacts on the economy go further than the direct contribution of providing jobs on site. Multipliers refer to the level of additional economic activity generated by a source industry.

There are two types of effects captured by multipliers:

- Production induced effects: which is the outputs and employment required to produce the inputs for construction, and
- Consumption induced effects: which relates to the demand for additional goods and services due to increased spending by the wage and salary earners arising from employment.

The modelling for this report is based on the Australian National Accounts Input Output tables 2018-19. The results are shown in the table immediately below.

Table 13: Direct and indirect jobs creation

Land Use	Direct Jobs	Production Induced Jobs	Consumption	Total
Hotel rooms and villas	345	207	241	793
Food and Beverage	148	45	62	255
Wine Museum & restaurant	60	18	25	103
Golf Course	14	11	11	35
Work at Home	30	10	23	63
Total	597	292	361	1,250

* Source: ABS Input Output tables 2018-19 and HillPDA

As shown in the table above the 597 jobs on site will generate a further 292 jobs supplying the inputs to production (production induced impacts). From the wages workers on site will demand additional goods and services that will generate a further 361 jobs (consumption induced impacts). Total job creation amounts to 1,250.²⁸ This is 900 more jobs than the approved masterplan base case – a three and half fold increase.

5.3 Gross Output

Gross economic output is estimated at \$67m every year as shown in the table immediately below. This is \$50m more than the approved masterplan base case – a 3.86 fold increase.

Table 14: Revised Design Gross output

Land Use	No. of Jobs	Gross output/worker	Total
Hotel	345	\$110,000	\$38.0m
Food and Beverage	148	\$102,000	\$15.1m
Wine Museum & restaurant	60	\$150,000	\$9.0m
Golf Course	14	\$190,000	\$2.7m
Work at Home	30	\$90,000	\$2.7m
Total	597	\$112,900	\$67.4m

* Source: ABS and IBIS World Reports

5.4 Gross Value Added.

Based on IBIS world reports it is estimated that the Revised Design would generate \$33.0 million in GVA and \$26.2 million in workers' remuneration.

Compared to the base cases:

- The GVA generated by the Revised Design is an increase of \$32.7 million under the do-nothing base case (117 fold increase) and \$23.6 million greater than the approved masterplan base case (a three and a half fold increase).
- The remuneration generated by the Revised Design is an increase of \$26.1 million under the do-nothing base case and \$18.5 million greater than the approved masterplan base case (almost three fold increase).

The breakdown of these metrics by the proposed land uses is provided in the table below.

²⁸ It is important to recognise and understand the limitations with multiplier impacts. Refer to the ABS website for a full discussion: <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-input-output-tables/latest-release>

Table 15: Revised Design economic performance indicators

Land Use	No. of Workers	Per Worker		Total	
		GVA	Salaries	GVA	Salaries
Hotel rooms and villas	345	\$57,000	\$46,500	\$19.7m	\$16.1m
Food and Beverage	148	\$37,000	\$29,500	\$5.5m	\$4.4m
Wine Museum & restaurant	60	\$69,500	\$45,750	\$4.2m	\$2.7m
Golf Course	14	\$82,000	\$68,000	\$1.1m	\$1.0m
Work at Home	30	\$84,000	\$70,000	\$2.5m	\$2.1m
Total	597	\$55,244	\$43,899	\$33.0m	\$26.2m

Source: IBIS world reports, HillPDA

The Revised Design will also generate additional GVA and salaries through indirect jobs and multipliers. Taking into account national multipliers total salaries from direct and indirect job generations increases to \$68 million, whilst GVA increases to \$100 million per annum.

Table 16: Revised Design impact on gross value added (\$m)

Land Use	Total (\$m)	Production Induced impacts	Consumption induced impacts	Total
Hotel rooms and villas	\$19.7m	\$17.2m	\$22.2m	\$59.0m
Food and Beverage	\$5.5m	\$4.6m	\$6.9m	\$17.0m
Wine Museum & restaurant	\$4.2m	\$3.5m	\$5.2m	\$12.9m
Golf Course	\$1.1m	\$1.5m	\$1.9m	\$4.5m
Work at Home	\$2.5m	\$1.2m	\$2.9m	\$6.6m
Total	\$33.0m	\$28.0m	\$39.0m	\$100.0m

The Revised Design will directly and indirectly generate \$100m every year to the national economy or gross domestic product every year. This is \$71m more than the approved masterplan base case – almost three and a half fold increase.

5.5 Resident expenditure on retail goods and services

The Revised Design would provide 486 residential lots and 140 apartments. The additional residents in the locality from these dwellings would generate activity such as an increase in expenditure on retail goods and services. This provides additional economic benefits in the LGA through (1) supporting the viability and vibrancy of local retail shops and other commercial businesses and (2) generating employment indirectly.

Assuming an average dwelling size of 2.69 persons for the residential lots and 1.5 persons for apartments²⁹, it is estimated that a population of around 1,517 could be supported on-site. Assuming an average retail expenditure of \$14,700 per capita for residents, it is estimated that total annual household expenditure would be \$22.3 million.

This is \$10.4m more expenditure than the approved masterplan (i.e. 87% increase) which is additional expenditure towards existing businesses in Cessnock and other centres in the locality.

²⁹ Hunter Region (Excluding Newcastle) community Profile and Cessnock LGA community Profile 2016 – separate houses

5.6 Tourism expenditure

The Revised Design would provide a 140-room hotel and 160 tourist villas. Total number of visitor nights per annum for the Hotel is estimated at around 53,655 assuming 1.5 persons per room and a target occupancy rate of 70%. Total visitor nights for the Villas are estimated at around 70,080 assuming 2 persons per villa and a target occupancy rate of 60%.

Based on an average spend of \$350 per visitor night, total spend by overnight tourists is forecast at around \$43 million per annum, which equates to \$21.5 million more expenditure than the approved masterplan (i.e. 100% increase). Of the \$43 million, around \$12 million is forecast to be expenditure on retail goods and services including food services which will further support the viability and vibrancy of local businesses³⁰.

5.7 Other economic benefits

5.7.1 Investment stimulus

Where a significant property investment decision has been made, it is generally viewed as a strong positive commitment for the local area. Such an investment can, in turn, stimulate and attract further investment. Development of the Revised Design would support a wide range of economic multipliers which would, in turn, support investment in associated industries. It would also raise the profile of the Hunter region to potential investors.

The Revised Design would create additional business opportunities in this locality associated with future residents and employment floorspace on site. The international standard accommodation would increase the international reputation of the region for luxury accommodation and hospitality and in turn improve the overall profile of the Hunter region. The development will also increase the financial feasibility of mixed-use developments, potentially acting as a catalyst on surrounding sites.

5.7.2 Jobs closer to home

The Revised Design would provide additional employment opportunities for residents living both within the Cessnock LGA and the wider Hunter region (including the new Huntlee estate which will include 7,500 lots when completed).

There are many benefits associated with providing jobs closer to home, most notably a reduced need to travel and the knock-on benefits associated with this in terms of reduced pressure on infrastructure.

A reduction in the number and length of journeys made, in particular, those made in private vehicles, has environmental benefits. There are also lifestyle benefits related to increased free time, reduced travel-related stress and a reduced likelihood of road related accidents.

Providing jobs closer to home is echoed in the 30-minute city objectives of the State planning policies. As such the Revised Design would be helping to achieve this planning objective.

In addition to the above, the additional jobs created in the tourism sector as a result of the development of this Revised Design will help to boost the viticulture industry and enhance the viability of the Vineyard District.

5.7.3 Other Considerations

The Revised Design would be expected to provide other benefits at the community level, including the following:

- Contribute to dwelling and employment and targets
- Contribute to increased dwelling affordability through additional supply

³⁰ International and National Visitor Survey June 2020

- Raising the international profile of the Hunter Region as a tourist destination
- Contribute to a locally led recovery from the impacts of COVID-19
- Provide employment opportunities for the tourism sector which have been impacted by COVID-19
- Enhanced service facilities for local residents and visitors
- Provision of greater employment self-sufficiency in the Cessnock and the region
- More workers and residents in the locality will generate expenditure on retail goods and services to the benefit of existing businesses in the locality.

5.8 Summary and implication

This section has assessed the economic merits of the Revised Design. From this assessment, it is concluded that the Revised Design is strongly supported from an economic impact perspective.

The below table summarises the economic benefits of the Revised Design when compared to that generated under each of the base case scenarios.

Table 17: Economic impact of the Revised Design

Performance indicator	Scenario			Revised Design change from	
	Do nothing	Masterplan	Revised Design	Do nothing base case	Approved Masterplan base case
Direct jobs on site (in operations)	6	151	597	591	446
Direct and indirect jobs (in operations)	14	316	1,250	1,236	934
Gross Value Added per annum	\$0.3m	\$9m	\$33m	\$33m	\$24m
Direct and indirect GVA per annum	\$1.1m	\$29m	\$100m	\$99m	\$71m
No. of residents	0	807	1,517	1,517	710
Residents spend on retail goods & services /ann	\$0m	\$12m	\$22m	\$22m	\$10m
Tourism spend on accommodation /ann	\$0m	\$14m	\$31m	\$31m	\$17m
Tourism spend on retail goods and service /ann	\$0m	\$7.5m	\$12m	\$12m	\$4.5m

* Expenditure on retail goods and services excluding accommodation, entertainment and travel costs

Source: HillPDA,

6.0 THE BENEFITS OF ADDITIONAL HOUSING

6.1 Added Value from Residential Development

Successful golf courses frequently incorporate a residential component as part of the resort development. Examples of this approach include:

- Stonecutters Ridge in Marsden Park;
- Pacific Dunes, Port Stephens;
- Kooindah Waters, Wyong; and
- The Vintage, Pokolbin

This is a tried and tested development model. By some accounts some 75% of all new golf courses developed over the past thirteen years in Australia have been developed with a component of residential development³¹.

Golf courses have a high capital cost and require almost three years to construct. The proposed golf course will be PGA standard with an estimated construction cost of \$23.4m – \$25m design and construction. While EBITDA of golf courses may be positive, they are rarely sufficient to meet the amortisation costs on capital. As a result the subject golf course, or any golf course, is rarely a viable development on its own.

However golf courses can add considerable value to residential – particularly in integrated estates such as the ones mentioned above. The golf course adds value to the residential which then assists in funding the capital cost of the golf course. These are symbiotic land uses.

The approved scheme had a high proportion of residential lots fronting (or backing) the golf course. The new scheme has significantly reduced the proportion of residential lots with golf course frontages. While this reduces the average price of the residential lots we understand that it was a deliberate intention to improve the golf experience. This has been a more recent trend with new courses. The aim is to give golfers the experience of playing golf in wide areas of open spaces and natural landscapes rather than playing golf in an urban, suburban or residential area. This is increasingly important for PGA standard courses. Increasing the number of residential lots in part compensates for the lower average sale price which has come as the result of creating an enhanced premium quality golfing experience.

The Revised Design which includes a new 5-star international hotel – the only one of its kind in the Hunter Valley, golf course, wine museum, providore, restaurant, function space and art gallery will become a major cultural attraction in the Hunter region. These features will in turn improve the international reputation of the Vineyard District as a tourist destination and the profile of the region to potential investors, with added flow on benefits for the local community and local businesses. The residential component as part of the Revised Design will help to financially de-risk the project and ensure successful delivery of the enhanced integrated tourism development, which as previously established will become a significant economic contributor to the local economy and community.

In addition to the above, some of the residential dwellings as part of the Revised Design are expected to be purchased by small investors as holiday homes and available for short-term accommodation through Airbnb and Stayz (as witnessed in the Vintage). Along with improving and de-risk the feasibility of the total development and ensuring its success and viability, the residential component will also make a positive contribution towards tourism accommodation supply.

³¹ Source: Living on the fairway: The Australian (2010)

6.2 Housing Supply and affordability

The residential development would provide exclusive dwelling stock targeted at the high-end luxury market with the facilities and resort acting as a catalyst for generating demand. Without this resort there would be little demand for the residential component. On this basis it would satisfy a market which does not currently exist in the Hunter Valley or at least is limited in scale to areas like the Vintage.

While the residential prices are likely to reflect the higher end of the market, increasing housing supply to meet growth in demand puts a check on price escalation of existing stock.

The Revised Design also includes 140 apartments at a more affordable price that will contribute to housing choice and affordability.

6.3 Contribution towards meeting planning targets and policies

As stated the LSPS and the Housing Strategy forecast Cessnock to house a further 10,900 – 20,900 residents to 2036. This will mean a need to deliver between 6,350 and 11,000 new dwellings (refer to Section 7).

The Housing Strategy also states that *housing diversity makes an important contribution to housing affordability. Different housing products provide different price points and also allows households to move between different housing products throughout their lives. Cessnock's housing stock is not diverse. In 2016, 89.3% of dwellings were detached and 72.5% were 3 or more bedrooms.* For this reason, promoting housing diversity through the provision of a variety of housing products at varying price points is identified as a key direction in the Housing Strategy.

On this basis the Revised Design responds to the need for additional dwellings and housing diversity as identified in both LSPS and the Housing Strategy through providing a variety of different housing types (e.g. detached, villa and apartment style dwellings) and lot sizes (ranging from small to large). Along with helping to accommodate the future projected growth, the increased supply and diversity of housing stock, under the Revised Design, would also contribute to affordability in the LGA – which is another key outcome and action of the Housing Strategy.

6.4 Benefits to local businesses

The Revised Design would provide 486 residential lots and 140 apartments, the additional residents in the locality from these dwellings would generate activity such as an increase in retail expenditure. This provides additional economic benefits in the LGA through supporting the viability and vibrancy of local retail shops especially those proposed in the nearby town centre and generating employment indirectly.

Assuming an average dwelling size of 2.69 persons for the residential lots and 1.5 persons for apartments³², it is estimated that a population of around 1,517 could be supported on-site. Assuming an average retail expenditure of \$14,700 per capita for residents in the Cessnock LGA in 2028 (assumed completion date), it is estimated that total annual household expenditure would be \$22.3 million.

This is \$10.4m above the approved masterplan which is additional expenditure towards existing businesses in Cessnock and other centres in the locality.

³² Hunter Region (Excluding Newcastle) community Profile and Cessnock LGA community Profile 2016 – sperate houses

7.0 CONTEXTUAL REVIEW

This section analyses State and local planning strategies, it further identifies areas where the Revised Design assists in achieving the intent of these strategies from an economic, housing and tourism perspective.

7.1 The NSW Environmental Planning and Assessment Act 1979

The EPA Act has 10 objects listed under Clause 1.3. Object (C) states *“to promote the orderly and economic use and development of land”*. The proposal will strongly contribute to meeting this objective by delivering considerably more jobs and economic value added by comparison to the current use of the land and the approved scheme.

7.2 Hunter Regional Plan 2036

The Hunter Regional Plan 2036 is a 20-year blueprint for the future of the Hunter which includes the closely connected urban areas of the Mid-Coast, Dugong, Upper Hunter Shire, Singleton, Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens LGAs.

The Plan seeks to achieve the following overarching outcomes for the Hunter region:

- A leading regional economy in Australia
- A biodiversity-rich natural environment
- Thriving communities
- Greater housing choice and jobs.

Over the 20 years to 2036, the Regional Plan estimates that the Hunter will grow by around an additional 130,000 persons, 62,000 jobs and 70,000 dwellings. The subject site is located within Cessnock LGA, the Regional Plan forecasts the LGA will grow by an additional 13,150 persons, 6,350 dwellings and 6,592 jobs over the 20-year period.

The Revised Design would directly contribute to Cessnock meeting these forecasts while also aligning with the following directions in the Regional Plan. It will also provide 140 apartments that will diversify housing type and provide a range of more affordability housing.

Direction 9: Grow tourism in the region | The Regional Plan states that there is a huge potential for the Hunter to increase the number of nights visitors spend in the region. Increase the appeal of the Hunter Valley’s vineyards and cellar doors would support a range of complementary tourism activities. While also the region could capitalise on the growth in food-based or gastronomic tourism throughout the Manning Valley and Hunter Valley to support growers of products such as olives and oysters, as well as the beef and dairy industries. There is potential to align growth of the International Centre of Excellence for Thoroughbreds in the Upper Hunter with growth in food-based and wine tourism.

The Revised Design would raise the profile of the Hunter to domestic and international tourists and visitors, through delivering international standard hospitality, including: high quality accommodation, conference centre facilities, a new art gallery, a new food and beverage precinct, a golf course and a new wine museum (also the only one of this kind in the State). The potential uplift in visitors, in turn, would support a wide range of businesses in the wider Hunter. As such, the Revised Design would underpin future growth of domestic and international tourism in the region.

In addition to the above land uses, the residential component of the Revised Design can also contribute to promoting tourism in the region. Residential stock in tourist areas with access to hotel amenities, such as the Revised Design, lends itself to being used for tourist accommodation (via Airbnb and Stayz) thereby extending

the supply and type of accommodation available to tourists. As such the residential component has the potential to further expand the accommodation offering in the Hunter region.

Direction 22: Promote housing diversity | The Regional Plan acknowledges that over the coming decades changing demographics and specific market sectors, such as seasonal visitors, will require the Hunter to increase the amount and diversity of its housing stock. The Revised Design would provide 140 residential apartments and 486 residential lots, thereby increasing the amount of housing and diversifying the type of accommodation within the Hunter and the Vineyard District. As such, the Revised Design strongly supports this direction.

7.3 Hunter Valley Visitor Economy Destination Management Plan

The Hunter Valley Visitor Economy Destination Management Plan outlines the strategic priorities and plan for increasing tourism in the region. Of relevance to this study is Strategic Priority Four, namely to “Develop the Hunter Valley’s destination products and experiences”. Priority Four states:

*Improve and increase the range and quality of Hunter Valley attractions, events, facilities, services and experiences to increase visitor demand. **Priority development focus should be within themed experiences of; Food and Wine** (particularly providing, etc); **Arts and Culture**; **Nature** (soft adventure e.g. walking, bikes, fishing); **Golf and other sports**; **Heritage** (convict trail and industrial history) and **Indigenous**.*

This development includes a program of leisure events and festivals which incorporate; seasonally themed, special interest, community, regional and major events to grow balanced year round visitation. (e.g. develop a State and regional hallmark Food and Wine event centred on the Hunter Valley).

This increased range of leisure experiences beyond just food and wine will have the added value of attracting locals to these experiences and help reduce ‘escape spending’ outside the destination.

The Revised Design provides a number of land uses specifically identified in the Management Plan which would directly contribute to improving and increasing the range and quality of Hunter Valley attractions, events, facilities, services and experiences. This would raise the profile of the Hunter to tourists and visitors and provide direct economic returns of \$33m every year to the economy and a further \$67m indirectly.

7.4 Cessnock Strategic Planning Statement 2036

The Cessnock Strategic Planning Statement 2036 (LSPS) is the local strategic land-use document that sets out how Council will manage land use across Cessnock. The LSPS estimates that by 2036 Cessnock will be home to between 10,900 – 20,900 additional residents and need 6,350 – 11,000 new dwellings and 5,370 jobs³³.

The LSPS notes that 73% of the 1,685-hectare Hunter Valley vineyard district is in the Cessnock LGA. *To support the wine industry Cessnock contains a diverse range of tourism development which supports the wine industry, including cellar doors, accommodation, restaurants and a variety of cultural and recreation facilities and events.*

The wine and tourism industries in Cessnock are significantly co-dependent. Tourist and other non-agricultural development are an important component of the Vineyards District and help sustain the economic viability of viticulture.

The LSPS outlines a number of planning priorities that reflect future land use directions that are based on the themes: liveable, productive, sustainable and unique. The planning priorities which the Revised Design supports are:

- Planning Priority 9: Our wine tourism industry is supported and enhanced
- Planning Priority 10: Our City encourages a variety of niche tourism opportunities.
- Planning Priority 26: Nature-based and recreational tourism is facilitated and promoted.

³³ Population increase measured from 2019, dwellings and employment measured from 2016

- Planning Priority 27: Our region is internationally acclaimed for its events, festivals and hosting functions.

The delivery of the Revised Design would provide a range of tourism-related land uses, including international standard accommodation, retail, recreation and cultural facilities and events. These land uses would support the growth of the Vineyard District's viticulture and tourism sectors which are key contributors to the local economy and its continued growth and sustainability. The Revised Design will also build the region's international reputation for luxury accommodation and experiences, thereby growing and diversifying the tourist base.

7.5 Cessnock Housing Strategy

The Cessnock Housing Strategy considers the unique housing needs and aspirations of Cessnock community now and into the future. In accordance with the LSPS, the Housing Strategy estimates that over the 20 years to 2036 Cessnock will be home to between 10,900 – 20,900 additional residents and need 6,350 – 11,000 new dwellings and 5,370 jobs. In the four years since the 2016 Census Cessnock has completed around 1,800 new dwellings – rate of around 450 each year³⁴. The LGA is on track to meet its housing target but it needs to maintain a rate of 400 to 600 new dwellings each year to 2036 to keep up with demand.

The Housing Strategy states that *housing diversity makes an important contribution to housing affordability. Different housing products provide different price points and also allows households to move between different housing products throughout their lives. Cessnock's housing stock is not diverse. In 2016, 89.3% of dwellings were detached and 72.5% were 3 or more bedrooms.*

For this reason, a key direction of the Housing Strategy will promote housing diversity to provide a variety of housing products and price points.

The Revised Design would increase the number of dwellings in the Cessnock LGA, contributing to meeting the projected growth and needs under the Housing Strategy, while also increasing the diversity of housing through the provision of different housing products (i.e. 140 residential apartments and 486 residential lots of varying size). Increased supply and diversity would also contribute to affordability in the LGA, which are also key actions and outcomes of the Housing Strategy.

7.6 Cessnock Economic Strategy

The Cessnock LGA Economic Development Strategy provides the direction and framework to encourage and facilitate economic development. The Economic Strategy notes that the *economic base of Cessnock LGA is dominated by mining, manufacturing (including wine production), tourism and hospitality. Other sectors include retail, construction, agriculture and forestry, as well as a range of professional, business and support services.*

The Economic Strategy provides several strategic directions /opportunities and actions to encourage economic growth and sustainability in the LGA, with the Revised Design supporting and helping to achieve the following directions and actions:

- Promote quality local produce as part of the tourism experience in the Hunter – diversifying and strengthening 'food and wine' tourism.
- Recognise, enhance and strengthen the interrelationship between the wine industry and tourism with quality wine experiences being a core asset and an integral part of the brand values of the LGA.
- Encourage diversification into activities that are complementary to the wine and tourism sectors that will contribute to the on-going sustainability of both sectors.

³⁴ ABS dwelling completions by SA2

- Ensure that the product and infrastructure development needed to grow and diversify the tourism base of the LGA is included in both the Hunter Valley Wine Country (HVWC) and Hunter Region Destination Management Plans.
- Position Cessnock LGA as a focal point for quality, boutique food production and manufacturing, with this being a strong point of difference to other manufacturing locations within the surrounding regions. The branding and positioning needs to reinforce the lifestyle and tourism branding values of HVWC.
- Recognise the significance of the relationship between the wine and tourism sectors.
- Encourage diversification into activities that complement both the wine and tourism sectors.

7.7 Summary and implication

The Revised Design will provide an enhanced integrated tourism development that offers a far superior hotel and golfing experience. This will help to transform the Hunter region into an international destination, increasing its appeal to both domestic and international tourists alike. As such the Revised Design supports the strategic vision for the Hunter region and broader Cessnock LGA – that is, providing an international standard of hospitality in the Hunter region. This will increase the tourism sector and benefit the local economy (a planning priority of the LSPS). The residential component of the Revised Design also responds to the need for additional dwellings and housing diversity as identified in regional and local planning policies by providing a variety of different housing types (e.g. detached, villa and apartment style dwellings) and lot sizes (ranging from small to large sized lots). Along with helping to accommodate the future projected growth, the increased supply and diversity of housing stock under the Revised Design, would also contribute to affordability in the LGA, which is another key outcome and action of the Housing Strategy. On this basis, the Revised Design is considered to align with the regional and local policies applicable to the Hunter region.

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