

LOGAN STONE

STRATEGIC PROPERTY SOLUTIONS

File Ref: 20894

21 May 2009

The Manager
Strategic Planning
Hastings District Council
Private Bag 9002
HASTINGS 4156

Attention: Mr Mark Clews

IRONGATE INDUSTRIAL PLAN CHANGE

Further to your request, we have reviewed the financial viability worksheets relating to the plan change for the Irongate Industrial node. The following brief comments are for your consideration.

- The project is sensitive to funding costs and we note the adoption of a 7% interest charge across the full period of the development. Testing of the project's sensitivity to that interest rate may be appropriate, but will not necessarily alter relativity between options.
- We consider the proposed uptake rate of land in the models to be optimistic in the current market. We have a pessimistic view of the industrial land market for the next three to five years. Nevertheless, given more normal economic circumstances, we consider the proposed rates to be achievable but emphasise the volatile nature of demand over time and its dependence upon supply ie alternative sites.
- We are unable to predict the market reaction (attraction to) to Irongate as it is developed.
- The location to the south of main population areas of the Heretaunga Plains and the more limited infrastructural development proposed has been fully reflected in our estimates of land value following rezoning. Nevertheless, the nature of initial development may well stigmatise (positively or negatively) the location from a future demand perspective.
- It is, therefore, possible that from year four or five on, uptake may stall.
- Uptake will also be affected by the availability of alternatives although our projections provide an appropriate value differential in that regard.
- A key premise in the model is our assumption that the added infrastructure to the existing Industrial 6 land will have minimal impact on existing land value. That premise is based upon the presumption that existing activities are likely to continue and as those are adequately catered for at present, no additional benefits will accrue to the existing operators as a result of the additional

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infrastructure. We acknowledge that some operational savings may be made, however, these are unlikely to flow through to market worth in the short term.

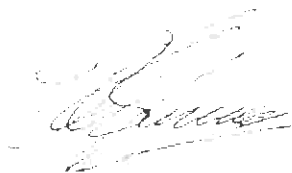
- As advised by Ms Kendall, the models do not include the on site development costs for the treatment of yard storm water in those areas where reticulation will not be provided. The MWA estimate approximates \$77,000 to \$207,000 per hectare, which we agree appears high. These amounts are significant and marginalise the economic viability of the proposal.
- We have adopted variables at the conservative end of the range and have concluded at a positive outcome for options 1 to 3.
- On balance the model is a fair and soundly based projection
- We conclude that Option 1 is a preferred option and that Option 3, only has merit if long term demand can be sustained.
- We recommend a delay on Stage 2 until such time as Stage 1 is 75%. If uptake is slow towards the last third of Stage 1, a delay until 85% uptake is achieved may be appropriate.

The following table illustrates the margin which expresses the viability in a relative sense between options.

	Option 1 Greenfields Only Stage 1 & 2	Option 2 Greenfields & Existing Stage 1 & 2	Option 3 Greenfields + a & b Stage 1 & 2	Option 4 Greenfields & Existing + a b & c Stage 1 & 2	Option 5 All at Once (Roading stage 2)
Total Area Serviced (ha)	72.5	89.8	86.7	110.3	110.3
Aggregated Land Value	\$3,610,400	\$8,410,400	\$5,054,400	\$10,358,400	\$10,358,400
Value per hectare	\$49,799	\$93,657	\$58,298	\$93,911	\$93,911
Cost of Land	\$369,475	\$406,734	\$344,601	\$367,812	\$387,930
End Value	\$30,961,000	\$38,573,000	\$37,099,000	\$39,997,000	\$39,997,000
End Value/hectare	\$427,048	\$429,543	\$427,901	\$362,620	\$362,620
Margin	\$57,573	\$22,810	\$83,300	\$5,192.23	\$25,309.37

We trust that this brief communication is adequate for your purposes and invite you to contact the writer for further discussion.

Yours faithfully
LOGAN STONE LTD



Frank E Spencer BBS (Val & PM) FPINZ, FNZIV, AREINZ

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Tracey Kendall

From: Tracey Kendall
Sent: Tuesday, 19 May 2009 7:02 p.m.
To: 'frank.spencer@loganstone.co.nz'
Cc: Mark A. Clews; 'Tim Grace'
Subject: Irongate Plan Change Information for your Review
Attachments: Final Staging Plan 29-04-09.pdf; Irongate Options.xls

Frank,

Here is the information for the Irongate Plan Change. We have costed five options of varying sizes and staging - these are described at the top of the summary sheet and shown on the plan. Please also note that options 1 and 3 do not provide any services for the existing I6 zoned land. **The preferred option is either Option 1 or 2** - the only difference between these being the servicing or lack of servicing of the currently I6 zoned land.

All sites will be provided with sewer (no trade waste) and water ('domestic' rather than processing capacity) connections. All sites will be required to dispose of their clean stormwater off roof surfaces (either to the ground or to the Irongate Stream). Part of the Plan change area will be provided with a reticulated stormwater system (swales & attenuation) for their yard stormwater. The remaining areas will have to make their own provision for the disposal of their yard stormwater (at their cost). I will send you through a plan of these areas with & without stormwater reticulation tomorrow when I can get an electronic version of this off MWH.

The Spreadsheet, prepared by HDC's Project Accountant Bruce Allan, takes into account HDC's finance and holding costs and has been based upon the cost estimates that we obtained from MWH. The "Assessment of overall economic viability of proposed plan change" per hectare cost includes all HDC expenditure, HDC's interest costs, and the developers on-site costs. The "Assessment of HDC investment" per hectare cost does not include the developers costs.

The developers on-site costs have been estimated & calculated at \$14231 per hectare for water, \$27672 per hectare for sewer (gravity), and \$33300 per hectare for roof stormwater. I have just noticed that we have not taken into account the extra on-site costs associated with the disposal of yard stormwater where this is required. I can advise in this respect that MWH had previously estimated the costs of total on-site stormwater disposal (roof & yard) at between \$110000 and \$241000 per hectare. I note in this respect that we have the feeling that that estimate is likely to be too high. We have not however had the opportunity to further refine this estimate at this stage. You may well have a view in this respect.

I hope that this information is clear and sufficient for your purposes. However should you have any questions please ring me.

Tracey Kendall

Strategic Planner
Hastings District Council
traceyk@hdc.govt.nz
Phone 06 871 5000

Irongate Plan Change Assessment of Options

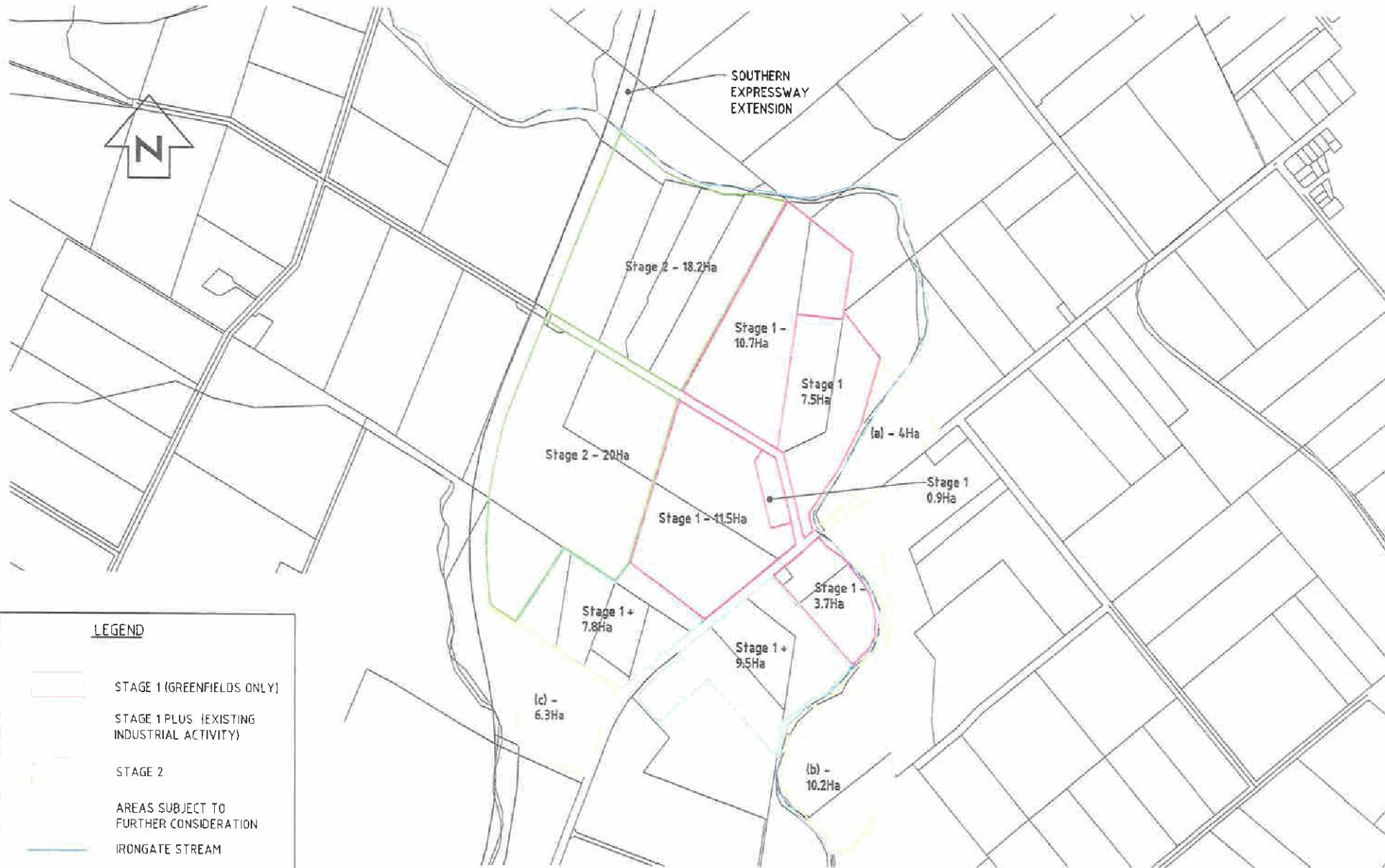
Stormwater Mixed, Waste Water Gravity

	Option 1	Option 2	Option 3	Option 4	Option 5
	Greenfields Only	Greenfields & Existing	Greenfields + a & b	Greenfields & Existing + a b & c	All at Once (Roading stage 2)
	Stage 1 & 2	Stage 1 & 2	Stage 1 & 2	Stage 1 & 2	
Total Area Serviced	72.5	89.8	86.7	110.3	110.3
Assessment of overall economic viability of proposed plan change					
Stage One					
Land	1,269,000	1,480,450	1,004,000	1,004,000	995,000
Development	6,051,000	6,836,000	6,465,000	7,745,000	8,580,000
On-site (developers)	2,425,353	3,648,636	3,429,435	5,098,191	7,799,313
Safety Enhancements (Road)	500,000	500,000	500,000	500,000	500,000
Stage Two					
Land	-	-	-	-	-
Development	5,264,347	5,196,000	5,170,000	4,100,000	2,471,000
On-Site (Developers)	2,701,122	2,701,122	2,701,122	2,701,122	-
Total Development Expenditure	18,210,822	20,362,208	19,269,557	21,148,313	20,345,313
Interest on HDC Development	9,242,623	12,862,242	11,451,278	16,627,703	19,649,624
Total Development (incl Interest)	27,453,445	33,224,450	30,720,835	37,776,016	39,994,937
Total per hectare	378,668	369,983	354,335	342,484	362,601

Assessment of HDC investment

Stage One					
Land	1,269,000	1,480,450	1,004,000	1,004,000	995,000
Development	6,051,000	6,836,000	6,465,000	7,745,000	8,580,000
Safety Enhancements (Road)	500,000	500,000	500,000	500,000	500,000
Stage Two					
Land	-	-	-	-	-
Development	5,264,347	5,196,000	5,170,000	4,100,000	2,471,000
Total Development Expenditure	13,084,347	14,012,450	13,139,000	13,349,000	12,546,000
Interest	9,242,623	12,862,242	11,451,278	16,627,703	19,649,624
Total Development (incl Interest)	22,326,970	26,874,692	24,590,278	29,976,703	32,195,624
Total per hectare	307,958	299,273	283,625	271,774	291,891

ORIGINAL SIZE A1
DO NOT SCALE - P11.DWG1.AX1



LEGEND	
	STAGE 1 (GREENFIELDS ONLY)
	STAGE 1 PLUS (EXISTING INDUSTRIAL ACTIVITY)
	STAGE 2
	AREAS SUBJECT TO FURTHER CONSIDERATION
	IRONGATE STREAM

REV	DESCRIPTION	BY	CHKD	DATE
1	ISSUE FOR PERMIT			
2	REVISED			

Task	Name	Date
SURVEYED		
DESIGNED		
DESIGN CHECK		
DRAWN	P. CHILTON	04/09
DRAWING CHECK		
APPROVED BY P.J.L.		04/09

HASTINGS DISTRICT COUNCIL
IRONGATE INDUSTRIAL PLAN CHANGE
FINAL STAGING PLAN

Sheet No.	PRELIMINARY
Date	29/04/2009
Scale	(A1) NTS
Drawing No.	Z1462302
Sheet No.	C 101
Rev.	A