

## **SECTION 7. NAHOON SEASIDE RESORT**

### **7.1 CONCEPT**

The concept is to transform the current Nahoon Caravan Park into a seaside resort.

We recommend that the Buffalo City Municipality allow the inclusion of a residential estate component to this tourism development project. It is our understanding that the Nahoon Caravan Park has been put out to tender for development in the past but that no developers have come forward as they perceive the return on investment to be low.

If a residential estate component can be included in the tourism development project it could offset some of the capital cost involved in the development. Buffalo City Municipality would thus provide the Nahoon Caravan Park at a low cost and allow a residential estate development, with the caveat that a seaside resort be developed with self-catering accommodation and camping and caravan sites with supporting facilities such as swimming pools, a restaurant, etc.

### **7.2 LOCATION**

The resort will be located in the Nahoon Beach/Bonza Bay node.

### **7.3 FUNCTIONALITY**

The resort will revitalise an existing municipal resort that is currently not being utilised to its full potential. It will also attract more tourists to Buffalo City by increasing the tourism product offering.

### **7.4 INSTITUTIONAL STRUCTURE**

The resort will be a private initiative that is facilitated by the Buffalo City Municipality.

## 7.5 TARGET MARKETS AND MARKET DEMAND

The resort will focus mainly on holiday visitors from the Western Cape, KwaZulu-Natal, the Free State and Gauteng who fall in the medium- and high-income groups. Eastern Cape holiday visitors will also be attracted.

If positioned correctly the resort could serve as a stop over destination for organised tours for German and UK visitors.

The projected demand for the development is shown on **Page 7 of Annexure F**. We have assumed that the development will include 80 rooms that are grouped in units of two rooms per unit. With inter leading doors between the rooms; the unit can be sold as separate rooms or as family units. The development of rooms has been limited to 80 due to the size and environmental sensitivity of the site, while still providing the operator with a resort big enough to cater to the organised tour market if required.

Based on primary research and our knowledge of the tourism industry we project that the development will achieve a room occupancy rate of 55% in the first year of operation, increasing to 70% in the fifth year.

## 7.6 TRANSPORT AND INFRASTRUCTURAL ISSUES

The access to the existing caravan park would need to be improved to cater for higher traffic flows and tour busses. Signage should also be put in place from the main access roads to the proposed resort.

## 7.7 SPATIAL PLANNING ISSUES

Given its locality in one of East London's prime residential areas, this project has the potential to be contentious and will require careful spatial and environmental planning.

- **Context within the Spatial Development Framework**

The Nahoon Mouth Caravan Park does not fall within any identified or proposed development nodes in terms of the Buffalo City Spatial Development Framework.

The Spatial Development Framework does, however, propose that the area due west of Nahoon Beach, extending from Nahoon Point to the Blind River be declared a Nature Reserve. The overall objectives of that proposal include: -

- To promote the area for touring and learning visitors;
- To promote the area for bona fide palaeoanthropological research;
- To protect the area from human exploitation;
- To disseminate information relevant to the significance of the area; and
- To control and provide safe picnicking, trailing and fishing areas for all visitors and citizens of Buffalo City.

- **Spatial Planning Requirements**

Given the potentially contentious nature of this proposed project, it is proposed that a detailed local Spatial Development Framework be compiled for the Nahoon Mouth area, that focuses on the following details:

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- Current land development trends in the area;
- Specific land use proposals in respect of the Nahoon Mouth Caravan Park and other vacant, developable land parcels in the local area westward to the existing Dolphin Hotel (including the old Municipal camping area located between the Dolphin Hotel and the beachfront);
- Access arrangements and linkages, and the potential impact of the Seaside Resort development on traffic flows and volumes along Beach Road through to lower Princess Alice Drive (the only access route to the project locality);
- The potential environmental and socio-economic impact (positive and negative) of the proposed Seaside Resort on the area;
- The integration of the proposed resort development and other land use proposals with Nahoon Beach (the prime attraction of the area);
- The potential for the revitalisation of (or development of new) beach-related recreational facilities; and

- The development potential of the Nahoon Mouth Tea Room building, which is presently utilised by a variety of enterprises on short-lease arrangements with the Buffalo City Municipality.

## 7.8 ENVIRONMENTAL ISSUES

The following **negative** environmental impacts have been identified with the development of the Nahoon Seaside Resort:

- The development could conflict with recent environmental legislation, policy documents and other initiatives that generally or specifically promote proper coastal zone management
- The proposed development will likely require an Environmental Impact Assessment
- The design of proposed structures may not be in keeping with the visually un-obstructive and low impact and eco-friendly vision for the development
- Structures could be inappropriately positioned and could result in unnecessary damage to vegetation or dunes resulting in wind (blowouts) and water erosion and dune destabilization (particularly the abandoned camping area adjacent to the frontal dune)
- Inappropriately designed walk-ways could lead to erosion
- The creation of too many guest units could result in a greater pressure on the beach and other resources
- Inadequate control of site preparation and construction activities could result in damage to and illegal removal of indigenous plant species, and inadvertent damage of coastal dunes
- Inaccurate marking out of the positioning of structures could result in unnecessary damage to vegetation or dunes resulting in wind (blowouts) and water erosion and dune destabilization (particularly the abandoned camping area adjacent to the frontal dune)
- Improper disposal of toxic substances used during construction and general operation could result in ground contamination
- Excessive noise during construction and general operation could disrupt bird and other local animal wildlife although this will be temporary
- Lack of proper signage and controlled access by guest to environmentally sensitive areas, such as the primary dune, could lead to damage to vegetation and cause dune erosion and destabilization

- Sewage overflows due to flooding in the area of the currently active camping area could result in ground contamination
- Reduction of urban green space

The following **positive** environmental impacts have been identified with the development of the Nahoon Seaside Resort:

- Removal of invasive alien plant species
- Illegal dumping of waste will be largely eliminated
- An eco-friendly development could enhance the environmental integrity and promote conservation in the Nahoon Mouth area
- A responsible development could reduce damage to protected tree species such as the Milkwoods

The possible environmental mitigatory measures and management recommendations include:

- Any proposal to develop the Nahoon Caravan Park must be aligned with relevant legal, policy and other requirements such as:
  - National Environmental Management Act
  - National Environmental Management: Coastal Zone Bill
  - National Environmental Management: Biodiversity Bill
  - White Paper for Sustainable Coastal Development in South Africa
  - Eastern Cape Coastal Zone Management Plan
  - Buffalo City Environmental Policy and Coastal Zone Management Plan
- The planning of the development should consider the Integrated Environmental Management and the EIA requirements
- The design of the development needs to be in keeping with an eco-tourism concept/theme i.e.:
  - Accommodation and other structures should be single story
  - Natural materials such as thatch and wood should be used where feasible
  - Non-natural materials should be greens, browns or other natural colours
  - The design theme should be applied consistently throughout the development
- Structures should be positioned at least 50 metres from the base of the frontal dune for the abandoned area
- Trees should be removed only where absolutely necessary

- Environmental consultants should advise on the positioning of permanent structures and the marking out of permanent structures
- A tourist development comprising 40 to 50 family units should not have a significant bearing on the carrying capacity of the Nahoon Mouth and the beach area, provided access to environmentally sensitive areas is properly controlled
- Site preparation and construction activities must be properly supervised and construction workers must be properly trained regarding environmental protection requirements
- Cuts into the steep dune areas could cause slumping and suitable stabilization methods will need to be used
- Indiscriminate levelling and bulldozing should not be allowed
- The appropriate authorization must be obtained before removing any indigenous plant species and protected tree species should be transplanted
- An environmental management plan should be a prerequisite for the construction contractor, including a general and toxic waste disposal plan
- The impact of noise will be temporary, but should be mitigated if it becomes excessive or any complaints are received
- Signage should warn of environmentally sensitive areas
- All coastal forest areas should be designated as no-development areas and should be fenced
- An emergency plan could be developed in the event that flooding occurs
- Waste disposal should be included in an environmental management plan for the development
- Noise control should be included in an environmental management plan for the development

A detailed environmental analysis is provided in **Phase 8: Environmental Management Proposals**.

## 7.9 LINKAGES

The proposed resort should link with tour operators offering tours through the area but who are not currently utilising Buffalo City as an overnight destination.

Our research during **Phase 5** has shown that tour operators feel that there are no seaside resorts in the Buffalo City area that could cater for their tour groups.

**7.10 PRELIMINARY OPERATING FINANCIALS**

**7.10.1 Capital Cost**

We project that the development would require R40 million for building works and R20 million for furniture, fittings and equipment.

We have assumed that the developer of the Nahoon Seaside Resort would source the capital cost for the development and that no loans would be required.

**7.10.2 Financial Results**

The preliminary financial results are shown below:

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Operating Profit	3819	5018	6399	7982	8446
Net Income (Loss)	-149	755	1813	532	800
Net Cashflow	4746	5723	6857	5653	6002
Ungearred pre-tax IRR	10%				

Based on our preliminary financial analysis the proposed development is projected to achieve good gross operating profit, net income and cashflows, but a low overall return of only 10%.

We have assumed that the residential estate component of the development will be housed in a separate company and the revenue will be determined by current house prices, the size of the development, etc. It has the potential to partially offset the capital cost of the development and make the total project more viable for a potential developer.

**7.11 FUNDING SOURCES**

It is envisaged that the resort will be funded through the private sector and that the inclusion of a residential estate component would assist in making the tourism development project more financially viable.

## 7.12 CONCLUSION

Our financial analysis indicates that the Nahoon Seaside Resort could be viable in market and financial terms. The inclusion of a residential estate development component would increase the attractiveness of the development to potential investors.