The Hill, Ellerslie COVID-19

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Relief Application

Economic Impact Assessment

21 October 2021 – Final Report

m.e consulting



The Hill, Ellerslie COVID-19 Relief

Economic Impact Assessment

Prepared for

Auckland Thoroughbred Racing

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Executive Summary

The government have recognised that the COVID-19 pandemic has caused serious economic and social disruption in New Zealand – in particular, in areas that are highly reliant on tourism (especially international tourism) to sustain their economies. In order to provide a degree of economic impetus, government are speeding up the consenting process for qualifying development projects, meaning benefits would flow early to communities as demand for labour would increase sooner and wages and salaries paid would sustain communities earlier. In addition, the qualifying developments themselves (commercial, residential and infrastructure) would stimulate and facilitate economic activity in communities suffering from COVID-19 driven downturns. Finally, the developments may also provide housing capacity to assist in meeting residential demand.

To this end, the COVID-19 Recovery (Fast-track Consenting) Act came into effect in July 2020. The purpose of this Act was to promote economic activity while continuing to promote sustainable management of natural and physical resources. Developers can apply under the Act, seeking Fast-track status for consents.

Auckland Thoroughbred Racing (ATR) are seeking a Fast-track consent to accelerate the development of a multi-stage residential development on a section of the Ellerslie Racecourse site. In addition to bringing forward the development of residential dwellings in Auckland, the project helps sustain construction jobs. Given Auckland has been particularly hard hit by the effects of a COVID-19 driven downturn in tourism, this has the potential to be beneficial.

The development site is located within a section on the eastern side of the racecourse, within the Auckland suburb of Ellerslie. The site was formerly used for steeplechasing and is no longer required by ATR. The development site is referred to as The Hill. The proposed development provides a mixture of detached houses, terrace houses and apartment buildings which results in approximately 370 dwellings.

To assess the potential effects an economic impact model (IO) has been developed. Tattico Limited has forwarded forecasted cashflows from Fletcher Residential Limited (ATR's proposed development partner) by development stage with time estimates under the Fast-track pathway, while the alternate plan change consent scenario is expected to have the same cashflows but with the addition of extra consenting costs and a delay to construction of 3 years. A fast-tracked approval process will see the main construction phases commencing in 2024 and running through to 2027, compared with a plan change and consent scenario that delays the beginning of construction activity till 2027.

s 9(2)(b)(ii)



Contribution to GDP

Fletcher Residential Limited (FRL) is expecting a sum of s = 9(2)(b)(ii) (excluding GST) is required to carry out the development over 7 years. Under the Fast-track scenario, the cumulative **direct value added** from the present to completion of the project is projected to be around **s** 9(2)(b)(ii)

Based on the IO modelling, the development will stimulate a total of \$257.2 million of direct plus indirect and induced value added (GDP).

When the total impacts of the two scenarios are compared the fast track development pathway generates approximatelys 9(2)(b)(ii) more value added (GDP) than the non-COVID-19 relief pathway

Contribution to Employment

In 2024, the Fast-tracked development will directly sustain approximately 166 full time equivalent jobs (for the year) in the construction sector when construction of stage 1a and 1b begin (see Figure 1 below) and this is expected to peak at 420 in 2025. In total the development proposed could directly sustain a cumulative total of around 1,112 FTE's (for a year) by completion in 2027, if approved by Fast Track consent. The Direct jobs are assumed to be sustained in the Auckland Region,

The Fast-track scenario is projected to sustain the equivalent of 3,335 Full Time Equivalent (FTE) workers working for one year, once the indirect and induced effects are added. While all the direct impacts are assumed to occur in the Auckland region, the indirect impact of the proposed development will have effects reaching the rest of the North Island and the rest of New Zealand.

	Economic Sector	2021	2022 2	2023	2024	2025	2026	2027	Total FTE
				2023					years
Direct Employment (FTEs)									
Construction		0.0	0.0	21.5	165.6	419.7	348.7	95.4	1,051
Professional Services		4.9	32.6	24.0	0.0	0 0	0.0	0.0	61
	Total Direct (FTEs)	5	33	45	166	420	349	95	1,112
Direct, Indirect and Induced (FTEs)									0
	Primary Sector	0.1	0.8	1.6	7.5	19 0	15.8	4.3	49
	Mining and Quarry	0.0	0.0	0.1	1.0	2.6	2.2	0.6	7
	Manufacturing	0.4	2.5	8.0	47.6	120.7	100.3	27.4	307
	Utilities	0.0	0.2	0.5	2.8	7 2	5.9	1.6	18
	Construction	0.1	0.9	32.2	243.2	616 5	512.2	140.2	1,545
	Wholesale trade	0.2	1.6	4.2	23.5	59.6	49.5	13.6	152
	Retail Trade	0.6	4.0	7.4	34.7	88 0	73.1	20.0	228
	Accommodation and food services	0.4	2.6	4.6	20.8	52.7	43.8	12.0	137
	Road transport	0.2	1.3	2.8	14.2	36.1	30.0	8.2	93
-	Information media and teleco	0.1	0.9	1.5	6.5	16.4	13.6	3.7	43
	Finance	0.1	0.7	1.2	5.3	13 5	11.2	3.1	35
	Insurance and funds	0.1	0.7	1.2	5.3	13 5	11.2	3.1	35
	Rental, hiring and real estate services	0.1	1.0	1.7	7.3	18.6	15.4	4.2	48
	Professional Services	6.4	42.9	38.4	52.0	131.7	109.4	29.9	411
	Government Admin (local and central)	0.1	0.3	0.6	2.5	63	5.2	1.4	16
Ì	Education and training	0.1	1.0	1.4	5.6	14 3	11.8	3.2	38
	Health care and social assistance	0.2	1.1	2.0	8.9	22 5	18.7	5.1	58
	Arts, Rec., Personal & Other services	0.3	2.2	3.8	17.3	43 9	36.5	10.0	114
	Total Direct, Indirect and Induced (FTEs)	10	65	113	506	1283	1066	292	3,335

Figure 1: Employment sustained by sector under Past-Track (FTE years)

1 Introduction

Auckland Thoroughbred Racing (ATR) are seeking a consent under the COVID-19 Recovery (Fast Track) Consenting Act 2020 to accelerate the development of around to 360 apartments and terraced houses on an area currently located on the Ellerslie Racecourse site which is surplus to ATR's requirements. In addition to bringing forward the development of residential dwellings in the Auckland, the project helps sustain construction jobs. Given Auckland has been particularly hard hit by the effects of a COVID 19 driven downturn, the development has the potential to be beneficial. Tattico Limited has commissioned Market Economics to assess the economic effects of bringing forward the proposed project, to quantify the effect granting consent under the COVID-19 Relief legislation will have.

1.1 Background

The government have recognised that the COVID-19 pandemic has caused serious economic and social disruption in New Zealand – in particular, in areas that are highly reliant on tourism (especially international tourism) to sustain their economies. In order to provide a degree of economic impetus, government decided that the consenting and approval process as currently operated under the RMA, did not provide the speed and certainty needed for developers to progress their plans. Government recognised that by speeding up the development process, benefits would flow early to communities as demand for labour would increase sooner and wages and salaries paid would sustain communities earlier. In addition, the developments themselves (commercial, residential and infrastructure) would stimulate and facilitate economic activity in communities suffering from COVID-19 driven downturns.

To this end, the COVID-19 Recovery (Fast-track Consenting) Act came into effect in July 2020. The purpose of this Act was to promote economic activity while continuing to promote sustainable management of natural and physical resources. The Act established 2 pathways for projects to be fast-tracked:

Listed projects: these are outlined in Schedule 2 of the Act and are already eligible for the fasttrack process

Referred projects: these are projects not listed in the legislation, but can be referred by Councils to the minister for confirmation

The Act lays out a set of criteria that a project will be assessed against to see the degree to which it supports the purpose of the Act.

1.2 Assessment Criteria

The criteria that are relevant to this project are outlined in Section 19 of The Act, included in the criteria are;

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- a) the projects economic benefits and costs for people or industries affected by COVID-19, and
- b)
- c) Whether the project would be likely to progress faster by using the processes provided by the Act than would otherwise be the case.
- *d)* Whether the project may result in a public benefit by, for example;
 - *i. Generating employment*
 - *ii.* Increasing housing supply

iii.

The following assessment places the fast-tracked development impacts against the standard development impacts to highlight the degree to which the fast-tracked proposal generates economic benefits for people and communities affected by COVID-19 downturn.



2 Study Area and COVID-19 Impacts

2.1 The Site

The development site is located on a 6.3ha area at the southern end of the Ellerslie Racecourse, known as 'The Hill'. While the site is currently part of the Ellerslie Racecourse site, as shown in Figure 2.1, and was previously used for steeplechasing, it is no longer required for the future operation of the racecourse. ATR is seeking a Fast Track consent as a referred project in order to shorten the consenting timeframe, speeding up development of the area for residential purposes. The proposed development will see around 370 dwellings built over the period of approximately 5 years. The build will provide a range of dwelling types, with a mix of terraced houses and apartments.

Figure 2.1: The Hill Site



2.2 COVID-19 Impacts

Auckland has a diverse economy, which (overall) serves to mitigate the impact of COVID-19. Tourism and industries associated with it have been most affected by the economic downturn associated with the pandemic. While tourism still represents a significant proportion of the Auckland economy, there is less reliance on this one industry than in other areas of New Zealand. However, across the board, all industries are impacted at some level through effects related to COVID-19, such as disrupted supply chains, trading restrictions, and general uncertainty. Figure 2.2 shows the contribution to the gross domestic product

(GDP) of the Auckland region from the seven largest industries until March 2020¹. While the data available does not illustrate any significant changes caused by COVID-19, it does highlight the fact that Auckland's economy is well diversified across different industries. The industries shown contributed 57% of the regions GDP in up to 2019. The sectors most impacted by COVID-19 (such as accommodation and food and beverage services) represent only around 0.5% and 1.6% of the regions GDP, respectively.

Given the wide economic impacts of COVID-19, businesses within most sectors have experienced some negative impacts on their ability to operate. This, combined with the downturn in industries directly impacted is causing further flow on effects to many in the wider community/economy at present. By way of example, Job Seeker Support data from the Ministry of Social Development (MSD) shows that counts are trending back down but are still high in Auckland compared to pre-COVID-19 levels (Figure 2.3). While Job Seeker numbers are not the same as unemployment figures (as not all unemployed are eligible for MSD's Job Seeker Support), the numbers do help us understand how employment (and unemployment) is trending in the Auckland region.





¹ Sourced from Stats NZ





Figure 2.3 - Job Seeker Support Data by Quarter for Auckland (Source: MSD)

2.2.1 Construction Industry

The construction sector tends to grow commensurate with overall economic growth. As more jobs are sustained or created in central areas, more households are going to reside in the area to live and work, thus driving demand for dwelling and other commercial construction.

Building consent data offers an ability to measure intended activity in the construction sector in the shortterm future, particularly the next 12 months. Based on data from Stats NZ, construction consent numbers have exceeded pre-COVID levels, which may have been influenced by delays causing a backlog. Figure 2.4 shows total construction consents by quarter for the Auckland Region and the Orakei local board area. It shows that consent numbers in Auckland fluctuate between quarters, but historically the trend has been increasing. Total construction consent numbers increased in the December 2020 quarter in Auckland to a high of 5,144 before falling to 4,381 in the March 2021 quarter. The same trends in the last quarter apply to consents for new residential dwelling units (a subset of total construction consents). Figure 2.5 shows quarterly consents have rebounded since the first COVID-19 lockdown. Auckland reached a high point in the last quarter of 2020 with 4,893 new residential dwelling units consented. Consents for the Orakei area represent a small proportion of construction and residential consents in Auckland and vary significantly from quarter to quarter, although, consent numbers do appear to be trending upwards slowly.

While this still looks positive for the next 12 months of construction activity, is considerable uncertainty for the 12-24 months to that follow. Increasing interest rates and inflation along with a halt to quantitative easing, means money becomes more expensive to borrow – and you need more of it to build homes and infrastructure. In addition, investors are now able to get higher returns in investments other than housing, so demand for housing begins to reduce. This combination of supply cost increase and demand drops means that as interest rates rise, construction activity slows.

In the most recent quarter, the Auckland region had 2,633 new apartments, townhouses, and units consented with 72 consented specifically within the Orakei Local Board area, in which the Hill is located



(Figure 2.6). The full scale of the proposed development is likely to include at least 333 residential apartments and terraced houses completed by 2027, across three stages, with the first stage completed in 2025. If distributed evenly this represents around 110 new dwellings per annum. On an average quarterly basis this is around 28 units per quarter, or around 39% of additional residential apartments, townhouses, and units in the Orakei area. The Hill development represents a significant and important housing development both for the Orakei catchment and for the wider Auckland Region.

At the beginning of 2020, the construction sector directly employed 62,000 employees across 25,000 businesses in the Auckland region. The construction sector employs a significant proportion of the total regional workforce. It is important to keep workers in this sector employed and avoid escalating unemployment and underemployment. The best way to do that is to ensure that there is a steady stream of projects in the development pipeline, that way businesses and workers have surety of employment over longer periods so can invest in plant and equipment as well as training and new staff. In addition, the sector can provide a significant number of job opportunities, across a range of skill levels, for workers in industries adversely impacted by COVID-19. The sector also has strong links into a wider value chain such that additional activity in the construction sector is supported by additional activity in the manufacturing and services sectors.

Finally, the location of the Orakei area within the surrounding region means that large scale construction projects such as The Hill are likely to provide opportunities for construction businesses across the wider region.



Figure 2.4 - Total Construction Consents by Quarter in Auckland and Orakei Local Board Area





Figure 2.5 - Residential Building Consents by Quarter in Auckland and Orakei Local Board Area





3 Economic Impacts

3.1 Approach

This analysis relies on an estimated cashflow analysis for the proposed residential development of The Hill based on data provided by Fletcher Residential Ltd (FRL), in respect to their own forecast spending and the timing of that spending on site preparation, construction, design, approvals, and consultancy services. That is, costs and timeframes to obtain necessary consents, develop the land and the construction of several stages of construction. This spending is mostly directed to businesses within the Auckland region².

Specifically, M.E have assumed that all construction related professional services (i.e., engineering, land surveying etc), heavy and civil construction, and local government administration (i.e., council), will be carried out by businesses within the Auckland region. The balance of spending (i.e., finance, insurance, legal, advertising/market, central government administration and development project management costs) is also assumed to be directed to businesses based in Auckland, due to the regions status as New Zealand's major hub for the service sectors.

M.E. have matched this planned spending to 48 economic sectors in an input-output (IO) model which has been customised for the Auckland economy (using a 2016 base year). The IO model provides projections of the value added and employment in the economy as a result of this additional activity. Value added arises through the spending, directly and indirectly, as the new activity flows on to other sectors of the economy. The links between the study area and the surrounding regions are also captured, showing the extent of the spread of the additional economic activity. The IO model contains data on gross output for each sector and employment in Auckland. We are able to then generate an annual average ratio of gross output per person employed in each sector in order to translate additional activity into employment.

As the cashflow analysis provides spending detail based on cost per stage of the development and a timeline indicating the duration of each stage, for the economic impacts are analysed on a yearly basis. By applying these ratios to the annual revenue each sector is forecast to receive from spending, M.E have estimated the count of jobs sustained each year as a result of the development.

FRL has provided forecasted cashflow by development stage with time estimates under the Fast-track pathway, while the plan change consent scenario is expected to have similar cashflows but with a 3.5 year delay to construction and additional consenting costs³. Therefore, the scenario under the plan change consent process, retains the costs and timelines of the Fast Track consent process, and pushes back all construction cashflows by 3 years with the additional consenting activity occurring within the delay period. The analysis compares the value added and job years, sustained over time for each scenario. The value added results are then discounted on an annual basis at an annual rate of 5%⁴. Discounting is used to reflect the rate of time preference and the opportunity cost of capital, reflecting the present value of future

² For the IO model all expenditure is assumed to be in Auckland for simplicity.

³ See appendix for a full summary of assumptions.

⁴ Treasury NZ default discount rate is 5%.

benefits. In other words, economic activity that happens today is worth more to the community in terms of the wages and salaries paid and the overall economic activity, than the same activity happening in 3 to 4 years' time. The difference in value between those two scenarios represents the benefits achieved under the COVID-19 Relief Act.

3.2 Economic Effects

3.2.1 Direct Impacts

Under the Fast-track scenario, we have assumed that the development will be completed in 2027. The cumulative direct value added from the present to completion, is projected to be around \$65.6 million. It is estimated that earthworks on the site could start towards the end of 2023, with construction to begin in 2024 and run across three main stages till completion towards the end of 2027. Figure 3.1 summarises estimated value added generated directly by the planned development under the Fast-track and plan change scenarios. The results include the economic value added generated by firms directly involved in the development inside the Auckland region, as it is assumed all direct activity is limited to the region. Breaking the results down annually, by the end of 2023, the Fast-tracked development could have directly created **s** 9(2)(b)(ii) in value added across a range of sectors. Once construction is fully underway in 2024, annual direct value added would increase to around **s** 9(2)(b)(ii), increasing to nearly **s** 9(2)(b)(ii) in 2025, and then **s** 9(2)(b)(ii) in 2026, and **s** 9(2)(b)(ii) in 2027 covering the final stages of the development. In the years when construction occurs (2024 -2027), the development as proposed would create an estimated **s** 9(2)(b)(ii) in direct value added, an average of **s** 9(2)(b)(ii) per year, if approved by Fast Track consent.



By comparison, the scenario for the development without Fast Track consent has a cumulative direct value added of around **s** 9(2)(b)(ii). The difference is a result of the timing of construction which means a greater reduction in the present value of future benefits through discounting. The developers have estimated that without the COVID-19 Relief, the construction will have to travel through the normal consenting process, involving a plan change with additional consenting costs. This is expected to add at least 3 years onto the delivery; hence the peak construction phase is nearly 3 years in the future, in 2027. As construction is where most of the spending is directed, by the time it starts to add value to the economy, these inflows are discounted significantly more than the scenario with Fast Track consent. Thus, as future periods are discounted more heavily, for two scenarios with similar direct spending amounts, the one which is first to begin will generate the greatest value added in current terms. A comparison of the direct value added estimated to be created under both scenarios is provided in Figure 3.1. The bars shown in red highlights the timing of the benefits that the Fast-Track consent delivers to the local economy likely to be directly created by the proposed development. The positioning of the plan change scenario, represented by the blue bars, highlights the fact that the gap between the timing of direct value added created.

3.2.2 Employment

Under the Fast-track scenario, directly sustained construction employment begins with earthworks towards the end of 2023, stages 1a and 1b starting late 2024 running through to the completion of stage 3 towards the end of 2027. Sustained employment in the professional services sector is concentrated throughout the full span of the consenting and design phases. This is based on the project timeline and the budget estimates provided, where costs are evenly distributed across the duration of consenting and design phases. In reality, this is unlikely to be linear, altering the timing of spend, however the overall amounts would be the same.

The employment impact is shown in Figure 3.3, which summarises estimated job years sustained directly by the development under the Fast Track scenario and the alternate plan change scenario. The results include job years estimated to be sustained inside Auckland region, as it is assumed all direct activity is limited to the region. Of the local jobs, they are not limited to jobs occurring on the development site, as construction companies for example, will have office-based staff included in the estimated ratios. By the conclusion of 2023, the Fast-tracked development could have directly sustained a cumulative total of around 83 job years across a range of sectors through consenting, design, and earthworks. From 2024 to 2027, when the effects of construction begin to be seen, around 1,029 job years are sustained, at an average of 257 per year. In total, the development proposed could sustain a cumulative total of around 1,112 job years by completion in 2027 if approved by Fast Track consent.





Figure 3.2 - Direct Quarterly Jobs Sustained by Quarter/Year and Industry - Fast Track Scenario

By comparison, under a delayed plan change consent, there is a longer time period estimated for approval. The construction activity has a starting point 3-4 years later (although 3 years was used for the analysis). This means that construction of stages 1a and 1b do not start till the end of 2027 and stage 3 runs till the end of 2030. While the number of jobs associated with construction do not change (as it is assumed there are no total cashflow variations), the key point is the timing of the labour needs between the two scenarios. The plan change scenario does sustain a higher level of direct employment, as a result of additional consenting activity, this scenario sustains an additional 9 job years. A comparison of the direct job years estimated to be sustained under both scenarios is shown in Figure 3.2. The positioning of the bars shown in red highlight the benefit that the Fast-track consent delivers to the timing of local jobs likely to be directly sustained by proposed development, as compared with the blue bars of the plan change scenario. Those benefits are particularly significant relative to the delayed plan change consent scenario between 2024 and 2026.

3.2.3 Indirect Impacts

M.E's analysis of value added, and employment sustained (above) considers only the direct economic impacts. That is, the effects that are directly associated with the amount of expenditure required to develop the site. From a comprehensive economic impact perspective, 'indirect' and 'induced' impacts – also known as flow-on impacts – are also relevant. These reflect the additional activity, stimulated by the development, across the whole economy. Many of the products required in construction are manufactured by industries based in Auckland. Therefore, as construction demands more girders, wall panels and so on, manufacturing sector increases output. In addition, when more labour is required, the workers are paid wages which they then spend at retail outlets generating more demand for goods and services. Thus, the indirect and induced impacts measure how much additional activity the direct spend will stimulate.



Based on the IO modelling, the development of The Hill, if fast tracked, will stimulate a total of \$164.1 million of direct plus indirect value added (GDP). Once the induced effects are included, this rises to \$257.2 million value added (GDP) across the duration of the development under the Fast-track scenario. The Fast-track scenario is also projected to indirectly contribute to sustaining the equivalent of 3,335 job years, once the indirect and induced effects are added. While all the direct impacts are assumed to occur in the Auckland region, the indirect impact of the proposed development will have effects reaching the rest of the North Island and the rest of New Zealand.

When the indirect and induced impacts of the two scenarios are compared, differences arise primarily based on the timing of benefits. Due to the discounting of future activity, value added is greater under the Fast Track consent scenario. In total, in current dollar terms, the fast track development pathway generates approximately \$32m more value added (GDP) than the non-COVID-19 relief pathway. However, the plan change scenario has an employment impact of 19 job years more than the fast track scenario. This a result of additional consent spending and employment calculations not being influenced by discounting. Further detail of the indirect impacts can be found in the Appendix⁵.

3.3 Summary of Fast Track Benefits

The development of The Hill, from consenting, design, site preparation and construction, is estimated to directly sustain employment equivalent to 1,112 job years within the Auckland economy. Over the course of the five year development, this equates to an average of around 222 full time workers, annually. In addition to that, it will indirectly sustain considerable local jobs across the supply chain in a range of sectors. A Fast Track consent will mean that construction related employment can begin sooner and during a period when it will deliver the most value to local construction businesses facing a projected downturn of growth in an uncertain economic climate. A Fast Track consent is estimated to bring the peak of the project's activity forward by an estimated 3 years.



⁵ See Appendix B – Indirect Impacts



4 Housing Supply

The population of Auckland is expected to grow significantly over the long term. The Orakei Local Board area will experience this trend, especially as the importance of higher density residential property increases. The Orakei ward area is projected to accommodate around 39,000 households in 2023, then rising to around 48,000 in 2043. This long term growth in household numbers is shown in Figure 4.1, where household numbers are projected to increase by around 500 households per year till 2043. As household numbers reflect the number of dwellings demanded, residential construction must keep up with this additional 500 households each year. This highlights the need for new dwellings to be constructed in the Orakei area.



Figure 4.1 - Projected Household Numbers for Orakei Ward (2018 base year)⁶

Overall, the proposed development of The Hill is planned to deliver approximately 370 residential units split across terraced houses and apartments. This can be achieved by 2027, pending Fast-track consent. The development creates additional capacity for residential dwellings that will more effectively help meet demand in the Orakei ward area. The more intensive development helps to address a shortfall in residential capacity. Higher density residential apartments translate to lower priced units (all else being equal) and subsequently lower housing costs. The plan change therefore provides greater opportunities for more affordable housing⁷ compared with the status quo.

Overall, M.E consider that the anticipated economic and social benefits of the proposed net increase in residential dwellings is likely to outweigh the anticipated economic and social costs. On that basis, a Fast-track consent is the most efficient approach to achieve the intended development outcome.

⁶ Source: ME Area Unit Households Projections – Market Meter

⁷ "More affordable" in a relative sense. The resulting dwellings may or may not meet existing definitions of affordable housing.



5 Other Impacts

The Hill site forms part of significant land holdings of the ATR - which are not required for racing purposes. The development of The Hill will allow ATR to capitalise on this surplus asset that can be realised to provide the funds necessary to enhance the venue, race stakes and financial returns to the wider industry⁸. Approval of a fast track consent would bring forward the realisation of this asset (The Hill) and return funds to the ATR, which could be used to improve its performance and financial stability earlier.

The realisation of assets forms part of a proposed track upgrade to the Ellerslie Racecourse and the amalgamation of the Auckland Racing Club with the Counties Racing Club.

Approval of a fast track consent would bring forward the realisation of this asset (The Hill) by 3-4 years and return the ATR funds which could be used to improve its performance, which in turn, has the potential to provide significant economic and employment benefits. With the impacts of COVID-19 on the racing industry and creating uncertainty, the benefits received from the development of The Hill will assist the ATR and the wider racing industry to be sustainable in the foreseeable future.

Delays in receiving returns from any investment are the same as receiving reduced returns from that investment. This means that the fast track development pathway has the potential to increase the returns received by the ATR (compared with a normal development pathway). Long delays (3-4 years) may be significant enough to undermine the proposed reorganisation and restructuring of the racing industry, damaging the prospects of the horse racing sector in Auckland and the economic benefits that flow from it.

⁸ Source: Confidential Review of Club Amalgamation report by Deloitte for Auckland Racing Club & Counties Racing Club



6 Conclusion

The proposed residential development of 'The Hill' section of Ellerslie Racecourse is expected to positively contribute to the future economic and social wellbeing of the Auckland Region, and through flow on effects, other areas of New Zealand. To be eligible under the COVID-19 Recovery (Fast Track) Consenting Act 2020, projects must meet several criteria set out in the Act. As discussed throughout this report, the proposed development project will result in economic benefits for an economy significantly affected by COVID-19 and will assist in sustaining the large construction sector (and many other sectors) within the Auckland region (including upstream suppliers) suffering as a direct and indirect result of a downturn in economic activity and the uncertainty of the economic climate.

The benefit of the Fast-track consent pathway is clear. It means that a large number of local jobs can be sustained in the short-term future, with the residential construction expected to begin in late 2023 – 3 to 4 years sooner than could be likely under a traditional resource consent approach requiring a plan change. While building consent data shows that recent levels of construction activity are likely to be maintained over the next 6-12 months, the outlook beyond that is highly uncertain and there is a real risk that construction activity will rapidly slow, putting even more local jobs (and households) on the line. It is also unclear how the large-scale commercial construction sector has been affected by COVID-19 and what the outlook is for firms which specialise in this type of construction. Numerically, providing consent under the COVID-19 Fast Track pathway for this development generates a net additional contribution to GDP of approximately \$32m in current dollar terms.

Once fully developed, the project will deliver approximately 370 stand-alone, terraced houses and apartments to Auckland. This equates to around three-quarters of an average year of projected household growth. The development will help ensure that the Orakei area and wider Auckland has a range of residential options available for prospective households as well as help sustain Auckland's residential construction sector.

In addition, the proposed development will bring forward the timeline of ATR's plan for the realisation of surplus assets. The benefits they receive from the development will improve their financial position, allow for investment into venue upgrades, and ensure their sustainability over the foreseeable future.



Appendix A – IO Model Assumptions

The following assumptions were made in order to run the input-output analysis:

- The analysis is based on a series of estimates for project expenditure and the timing of project stages. Annual expenditures are estimated, and the impacts are calculated based on the year in which they are expected to occur.
- It is assumed that all direct expenditure of the development is received in the Auckland region. This
 was made for simplicity and the high likelihood that the major of spending is directed to Auckland
 as it is the region which surrounds the site and as New Zealand major financial and service hub, has
 the capability to be largely self-sufficient in completing the development.
- Tattico estimate for construction duration of around 3.5 years from start of stage 1a and 1b. Earthworks are to be completed prior at an estimated duration of 12 months.
- The estimated construction cost (excluding GST) was given on a per stage basis with indicative timeline. From here it is assumed that site preparation costs are incurred in the first six month period. Across the duration of construction, the sum of the total stage cost is spread equally across its construction period, from start to finish. This assumption therefore creates figure close to an average expenditure per year, depending on stage, rather than the potential distribution of construction activity and expenditure. These are all classified as expenditure to the construction industry.
- Other costs are assumed to be spread evenly across the timeline stage in which they are expected to occur (total cost per year). Other costs provided by Tattico include costs for obtaining consents and project design.
- Two scenarios are used, one which reflects approval of a COVID-19 Fast Track consent and the other a delayed consent, which reflects a plan change process. Tattico have estimated that the timing difference is between 3-4 years (midpoint of 3.5 years is used) and the only change in expenditure is an additional \$1 million (excluding GST) to obtain consent through a plan change.
- The results of the input-output model are discounted (except for employment) quarterly at an annual rate of 5%, which is line with the default discount rate recommended by Treasury NZ.
- Inflation is not accounted for.





Appendix B – Indirect Impacts

The following graphs show the indirect impacts from the IO model of yearly value added and employment totals for both scenarios. Direct, indirect, and induced impacts are shown. Type 1 multipliers account for the direct and indirect impacts based on how goods and services are supplied within a region. Type 2 multipliers not only account for these direct and indirect impacts, but they also account for induced impacts based on the purchases made by employees.

\$120,000,000 \$100,000,000 \$80,000,000 \$60,000,000 \$40,000,000 \$20,000,000 Ś-2024 2025 2026 2021 2022 2023 2027 2028 2029 2030 Direct Indirect Induced

Yearly Value Added Impacts- Fast Track Scenario







Yearly Employment Impacts- Fast Track Scenario