Application by Ministry of Housing and Urban Development - Te Tūāpapa Kura Kāinga (HUD) to have a project listed in Schedule 2 of the Fast Track Approvals Bill 2024

Attachment 2 - National policy statements and national environmental standards assessment

Submitter details		
1.	Is this Application for Schedule 2A or 2B?	2B
2.	Submitter name	Ministry of Housing and Urban Development - Te Tūāpapa Kura Kāinga (HUD)
3.	Contact person	Nick Grala – Harrison Grierson
4.	What is your job title?	National Planning & Environment Manager
5.	What is your contact email address?	s 9(2)(a)
6.	What is your phone number?	s 9(2)(a)
7.	What is your postal address?	PO Box 5760, Victoria St West Auckland 1142
8.	Is your address for service different from your postal address?	Yes Level 4, 96 St Georges Bay Road Parnell, Auckland 1052

Section 6: National policy statements and national environmental standards		
1.	What is the general assessment of the project in relation to any relevant national policy statement (including the New Zealand Coastal Policy Statement) and national environmental standards? *Attachment option available*	

TABLE 2: National Policy Statements and Environmental Standards High Level Assessment

EFFECT		RESPONSE
National policy statement on urban development ('NPSUD')	Objective 1 of the NPSUD seeks that New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.	The proposal is consistent with Objective 1 NPSUD as it will result in a well-functioning urban environment by regenerating a large brownfield site, close to an existing town centre, replacing redundant buildings and intensifying the use of a 3ha, high-amenity and highly accessible location. Enabling the project to seek consent under the Fast-Track process will enable urban regeneration of a large parcel of land which is currently detracting from the functioning of the urban environment of Ōtara and provide significant medium to high-density housing which is needed in the area. The proposal will enable the current and future residents of Ōtara to meet their social and economic needs regarding housing, employment and access to services. The proposal is also supportive of community and cultural outcomes, as anticipated at least 30% of the housing will be delivered as public and/ or affordable, further supporting the maintenance of community and cultural networks.
	Objective 2 seeks that planning decisions improve housing affordability by supporting competitive land and development markets.	The project unlocks a considerable area of urban land for residential development, contributing to competitive land and development markets and improves housing affordability.
	Objective 4 seeks that New Zealand's urban environments, including their amenity values, develop and change over time in response to the diverse and changing needs of people, communities, and future generations.	Seeking an out-of-zone consent for residential development through the Fast Track approvals process is consistent with Objective 4 as it would allow a significant part of Ōtara's urban environment to develop and change. This directly responds to the area's changing needs – acknowledging that the Special Purpose – School zone is redundant and is currently a large vacant underutilised land parcel following the relocation of MIT's activities to Manukau. It also addresses the well-documented need for housing, and affordable and/or public housing in Ōtara and across the Auckland region.
	Objective 6 is that local authority decisions on urban development that affect urban environments are integrated with infrastructure planning and funding decisions, strategic over the medium term and long term and responsive, particularly in relation to proposals that would supply significant development capacity.	The project is located in an area with capacity in existing infrastructure, is aligned with recent or planned infrastructure upgrades, and will facilitate infrastructure upgrades of aged services, consistent with the medium and long-term strategies for Auckland (further discussed below). The redevelopment of the site for housing would significantly increase development capacity in an area which has sufficient infrastructure capacity to support the development. The services that will be delivered as part of the site's

			redevelopment will ensure the continued functionality of the area.
		Objective 8 seeks that New Zealand's urban environments support reductions in greenhouse gas emissions and are resilient to the current and future effects of climate change.	The proposal to redevelop the site for housing is consistent with actions to respond to and mitigate climate change impacts. The Ōtara town centre, a school, community facilities, open spaces and two bus stops (which connect to the rapid transit stop Ōtara Transport Centre) are no more than a 15-minute walk from the site. The site is also a short distance from the employment centres at the Ōtara and Highbrook Drive Industrial and Commercial precincts and major transit hub, Ōtara Transport Centre. The Ōtara Transport Centre supports high-frequency and high-capacity transit services, including connections to the southern train line. Accordingly, the site's redevelopment would locate residents in an urban environment that would support the use of transport modes alternative to private vehicles and shorter commutes to employment locations, therefore, potentially reducing transport-related emissions for future occupiers of the site. The redevelopment of the site would likely reinstate the existing pedestrian connection to Clyde Road. This provides future residents with easy walking access to the local corner store, school park and sports field to the north of the site. The redeveloped block would deliver another pedestrian and cycling route between Ōtara Road and Alexander Crescent. This in turn may lead to changes in travel habits within the existing community, favouring lower-emission modes. As such, the proposed redevelopment of the site may have the subsequent effects of prompting upgrades to Ōtara Road to better support walking and cycling modes. The increase in population density may also enable the provision of additional and improved transit services. The development and servicing design of the redevelopment will account for the current stormwater capacity of the area and forecasted climate change impacts and scenarios. This ensures that what is built is resilient to changes and shocks and does not compromise the safety of the surrounding area.
		The policies under the NPSUD seek to achieve and support the above objectives by directing that planning decisions and local authorities should enable a variety of homes, that meet the needs of a variety of	The project is particularly consistent with Policy 1 and 3 of the NPSUD. The project will enable a variety of homes that met the needs in terms of type and price of different households, in a location that provides good accessibility between housing, jobs, community

		households. This should occur in locations that have good access for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport. Policy 3(d) specifically directs that district plans are to enable within and adjacent to town centre zones, building heights and densities of urban form commensurate with the level of commercial activity and community services.	services, natural and open spaces, and will support the competitive operation of land and development markets (supporting housing affordability). Medium to high density residential development on the site also gives effect to policy 3(d) as it is commensurate with the level of commercial activities and community services in the area. The residential areas to the south the MIT Campus, the Fatumanu Aoga Niue Early Learning Centre and along Franklyne Road are already zoned THAB, which supports that this height and density of development is appropriate with the nature of the activities located in and around the Otara Town Centre.
	National policy statement for highly productive land ('NPSHPL')		The proposal is consistent with the NPSHPL in that it redevelops and intensifies the use of brownfield, urban land – reducing the demand for residential development on productive land. The site is not identified as highly productive, is within the urban boundaries of Tāmaki Makaurau and live zoned for urban purposes.
	National policy statement for freshwater management ('NPSFW')		The site has been fully developed for Tertiary Education and there are no freshwater bodies present, likely having been piped or modified previously. The site's development will ensure the health and wellbeing of water bodies and ecosystem through its delivery of modern stormwater systems. These systems will better filter and slow flows than the existing systems and will reduce frequency and severity of pollutant release and scouring that is caused in high rainfall events. The existing public services will provide potable water and wastewater services future residential activities. The recent (2024) upgrade of the Redoubt Road Reservoir complex has greatly increased supply to the area while recent upgrades to the Ōtara local wastewater network has improved the functionality of this network.
	National Policy Statement for Indigenous Biodiversity		The site does not contain any areas identified as having high biodiversity or ecological value and there is no indigenous flora or fauna onsite, except for some isolated trees (one of which is identified as notable) and gardens. As such, the application is not contrary to the purpose of the NPSIB, which seeks to maintain indigenous biodiversity across Aotearoa.
	New Zealand Coastal Policy Statement ('NZCPS')		Whilst the proposal is not in the coastal environment, the site is within 800m of Otara Creek, a major tributary to the Tāmaki River which then leads to the

		Waitemata Harbour. All stormwater flows from the site eventually reach this water body. The proposal is consistent with the NZCPS as the stormwater infrastructure will manage stormwater flows generated by the site to avoid pollution, scouring or sedimentation effects from impacting the coastal environment. The development will have no impact on the ability of the public to access, enjoy and use the coastal environment nor will it modify the coastal environment in any way.
	National Policy Statements identified as not relevant	• National policy statement for greenhouse gas emissions from industrial process heat • National policy statement for renewable electricity generation • National Policy Statement on Electricity Transmission
	National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health ('NESCS')	The proposal will be regulated by the NESCS, being that contaminants are anticipated on site. A Detailed Site Investigation ('DSI') will occur prior to construction which will inform the CMP and the ESCP. Additional stringency will be applied to construction works to ensure the prevention of contaminant spread. Contaminated soil and demolition material will be disposed of at a dedicated facility of the contractors choosing and according to what facilities have capacity. Cleanfill and capping methods will be used as appropriate to ensure the finished site is safe for residential activities.
	National environmental standards for electricity transmission activities ('NESETA')	The NES regulates activities relating to the operation, maintenance, upgrading, relocation, or removal of an existing transmission line – it does not apply standards to unrelated activities proposed near transmission lines.
	National Environmental Standards identified as not relevant	National environmental standards for: • Air quality • Commercial forestry • Freshwater • Greenhouse gases from industrial heat • Marine aquaculture • Storing tyres outdoors • Telecommunication facilities

INSIGHT | ECONOMICS

Final Report: 3 May 2024

Preliminary Economic Assessment of Proposed Fast-Track Development in Auckland

Prepared for: **Ministry of Housing and Urban Development**

Authorship

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Contents

1. Introduction

1.1 Context & Purpose of Report

The Ministry of Housing and Urban Development ("**MHUD**") was established in 2018 to help deliver the government's housing and urban development program. It performs a range of important functions to help improve housing supply, including administering Crown-owned land for development.

In 2019, MHUD acquired two tracts of land in Ōtara that used to be part of the Manukau Institute of Technology ("**MIT**") Campus. MHUD wishes to redevelop the sites to enable approximately 585 new dwellings plus small-scale supporting commercial activity ("the **proposal**"). To expedite development, MHUD seeks the proposal's inclusion in Schedule 2B of the Fast-track Approvals Bill ("the **Bill**").

1.2 Scope & Purpose of Report

This report provides a high-level assessment of the proposal's likely economic benefits, particularly its impacts on GDP, jobs, and incomes. In addition, it summarises wider economic effects to consider whether the proposal is likely to be regionally or nationally significant.

1.3 Summary of Key Findings

The proposal will have significant economic benefits, particularly during construction. Specifically, it is estimated to generate the following **one-off** construction impacts across both the northern and southern blocks (including flow on effects):

- **Employment** for 1,380 FTE-years;
- National **GDP** of $187 million; and
- Household **wages and salaries** of $87 million.

In addition, once operational, future commercial activity at the southern block could have the following **annual** impacts:

- Full time **employment** for around 20 people;
- National **GDP** of $1.4 million; and
- Household **wages and salaries** of $0.8 million.

The proposal will also have wider economic benefits, such as boosting the supply of housing, improving land market competition, and achieving high levels of land-use and infrastructure efficiency.

In our view, **the proposal will deliver significant regional benefits**, so we support it on those grounds.

1.4 Structure of Report

The remainder of this report is structured as follows:

- **Section 2** locates the subject site and profiles the proposed development.
- **Section 3** estimates the proposal's impacts on GDP, jobs, and wages.
- **Section 4** briefly describes other likely economic effects of the proposal.

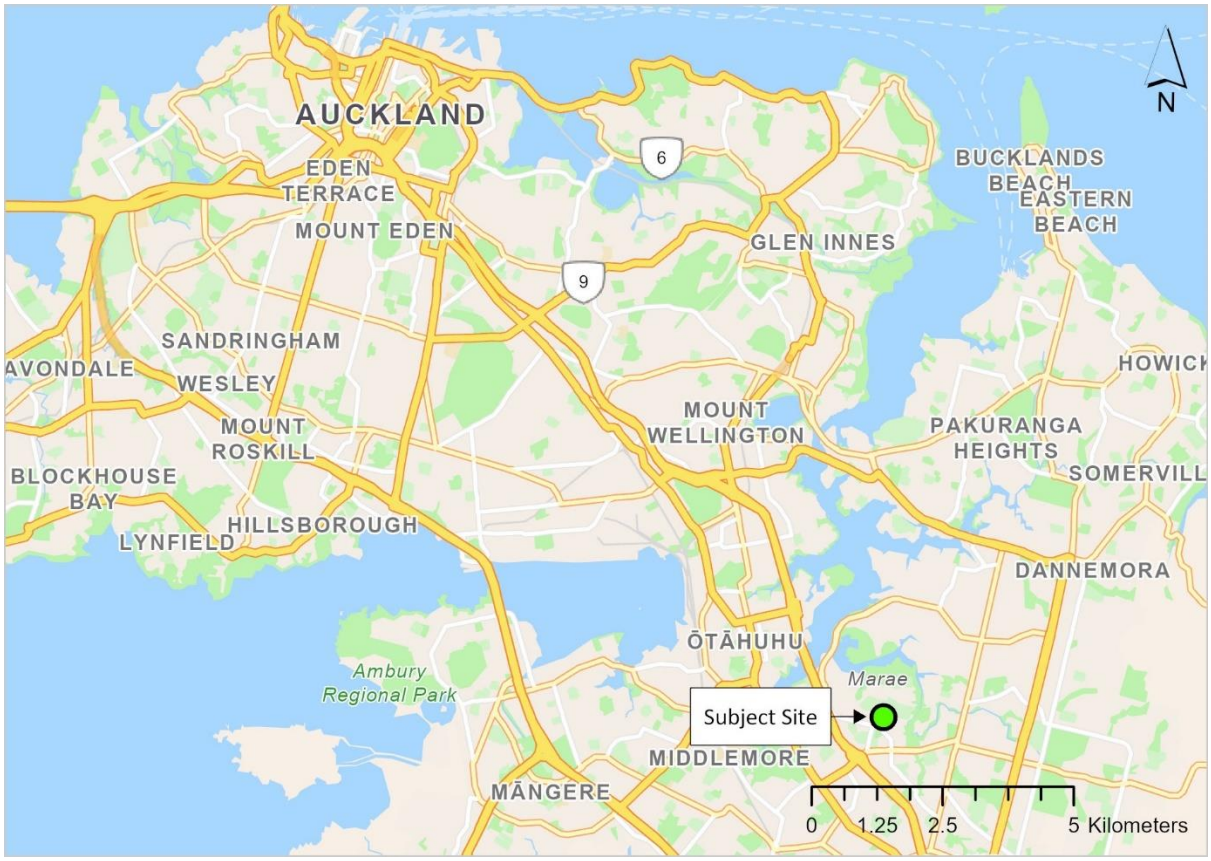
2. About the Proposal

This section briefly describes the proposed development.

2.1 Location and Description

The subject site is located in Ōtara, in the Auckland region. It was previously developed and used as a tertiary education campus as part of the Manukau Institute of Technology. The green dot in the map below denotes the site's location.

Figure 1: Location of the Subject Site



The subject site comprises two tracts of land that collectively span approximately eight hectares.

The northern block is located about 600 metres north of the Ōtara town centre. It is bound by residential dwellings to the north, Alexander Crescent to the east, the MIT campus to the south, and Ōtara Road to the west.

The southern block is immediately adjacent to the Ōtara town centre. It is bound by Bairds Road to the north, Newbury Street to the east, East Tamaki Road to the south, and Ōtara Road to the west.

The two blocks are illustrated by the yellow outlines in Figure 2 below.

Figure 2: Subject Site and Receiving Environment

2.2 Proposed Development

The proposed developments across both the northern and southern blocks collectively comprise approximately 585 new homes, plus a small amount of supporting commercial floorspace at the southern block. A wide range of dwelling typologies could be provided for, from small single-bed walk-ups, though to larger four- and five-bed terraced homes. Table 1 below elaborates on the indicative yield and dwelling type in the reference schemes.

Table 1: Indicative Residential Yield by Dwelling Type

Dwelling Type	No. of Dwellings	Average GFA	Share of Dwellings
1 Bed Walk-up	18	49	3%
2 Bed Apartment	259	62	44%
2 Bed Walk-up	30	81	5%
3 Bed Apartment	170	105	29%
3 Bed Terrace	41	144	7%
3 Bed Walk-up	18	97	3%
4 Bed Duplex	8	186	1%
4 Bed Terrace	29	146	5%
5 Bed Terrace	11	200	2%
Total	**584**	**90**	**100%**

The southern block proposal also adds seven small-scale retail units spanning about 1,030m^2 of gross floor area ("**GFA**"). A further 1,280m^2 of existing commercial GFA resides in the southwestern corner of the southern block, and will likely be retained. However, this is ignored here as it forms part of the existing environment.

Figure 3 and Figure 4 below show indicative concept renders for the northern and southern blocks respectively, with the existing commercial building identified in purple for reference.

Figure 3: Indicative Concept Render – **Northern Block**

Figure 4 – Indicative Concept Render – **Southern Block**

3. Impacts on GDP, Jobs, and Wages

This section estimates the proposal's likely impacts on GDP, jobs, and wages.

3.1 One-off Construction Impacts

Planning for, designing, consenting, and constructing the 585 or so dwellings and seven retail units enabled by the proposal will generate significant one-off economic impacts. We quantified these using a technique called multiplier analysis, which is based on detailed matrices called input-output tables.

Input-output tables describe the various supply chains that comprise an economy, and therefore enable the wider economic impacts of a change in one sector (or sectors) to be traced through to estimate the overall impacts. These impacts include:

- **Direct effects** – which capture the effects of contractors directly engaged for the project; plus
- **Indirect effects** – which arise when businesses engaged on the project source goods and services from their suppliers, who in turn may need to source goods and services from their own suppliers, and so on.

The economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP is also known as value added, and measures the difference between a firm's outputs and the value of its inputs (excluding wages/salaries).
- **Employment (FTEs)** – the number of full-time equivalent workers employed (FTEs).
- **Total wages and salaries** paid to workers, which are often labelled 'household incomes.'

3.1.1 Inputs and Assumptions

Our analysis adopts the following key assumptions.

Table 2: Construction Cost Inputs / Assumptions

Residential	**Northern Block**	**Southern Block**
# of dwellings	203	381
Average dwelling size (m^2)	87	96
Average cost per m^2	s 9(2)(b)(ii)	
Residential Construction Cost ($m)	s 9(2)(b)(ii)	
Commercial		
# of units	0	7
Average unit size (m^2)	-	147
Total commercial GFA (m^2)	-	1,029
Cost per m^2	-	$2,670
Commercial Construction Cost ($m)	**-**	**$2.7**
Total Construction Cost ($m)	s 9(2)(b)(ii)	

The adopted build rates reflect the two-year averages for buildings consented in Auckland in the two years to March 2024 by dwelling type.[1] We understand that reported construction costs are generally understated to minimise related levies. However, we adopt these values as a conservative approach.

Our estimates exclude the cost of preparing the site for development, including the demolition of existing buildings and infrastructure provision, which will be significant undertakings of their own.

3.1.2 Estimated Economic Impacts

Having defined our methodology and set out our assumptions, the following table now presents the estimated one-off economic impacts of the indicative development enabled by the proposal.

Table 3: One-Off National Economic Impacts of Construction

Northern Block Residential Construction	**Direct**	**Indirect**	**Total**
FTEs – 6 years	20	55	75
GDP $m	$15	$45	$60
Wages/Salaries $m	$5	$20	$25
Southern Block Residential Construction	**Direct**	**Indirect**	**Total**
FTEs – 6 years	35	115	150
GDP $m	$35	$90	$125
Wages/Salaries $m	$15	$45	$60
Commercial Construction	**Direct**	**Indirect**	**Total**
FTEs – 2 years	2	7	8
GDP $m	$0.5	$1.5	$2.0
Wages/Salaries $m	$0.5	$1.0	$1.5
Project Totals	**Direct**	**Indirect**	**Total**
FTE-years	338	1,043	1,380
GDP $m	$51	$137	$187
Wages/Salaries $m	$21	$66	$87

In summary:

- Residential dwelling construction in the northern block is estimated to generate full-time work for 75 people for six years, with $25m in wages and salaries paid; and
- Residential dwelling construction in the southern block is estimated to generate full-time work for 150 people for six years, with $60m in wages and salaries paid; and
- Commercial building construction is estimated to provide full-time employment for 8 people for two years, with $1.5m paid in wages and salaries.

[1] Using the following building consent data categories: Apartments; Townhouses, flats, units and other dwellings; and Shops, restaurants, and bars.

Overall, the proposal will generate the following one-off construction impacts across both the northern and southern blocks (including flow on effects):

- **Employment** for 1,380 FTE-years;
- National **GDP** benefit of $187 million; and
- Household **wages and salaries** of $87 million.

3.2 Ongoing Onsite Employment

Once operational, commercial activity enabled by the southern block proposal will also sustain permanent, ongoing employment. Assuming (say) one employee per 50m^2 of retail floorspace, the 1,030m^2 proposed could sustain permanent employment for about 20 people.

To estimate the corresponding wages/salaries and annual GDP, we overlaid estimates of each per worker from Statistics New Zealand. Overall, we estimate future onsite activity enabled by the proposal to have the following approximate **annual** impacts:

- Full time **employment** for around 20 people;
- National **GDP** of $1.4 million; and
- Household **wages and salaries** of $0.8 million.

4. Wider Economic Effects of Proposal

This section briefly considers a range of wider economic effects of the proposal.

4.1 Boost in Housing Supply

Auckland's population is growing, and this is causing strong and sustained growth in demand for additional housing. At the same time, living in Auckland is becoming increasingly unaffordable. The region's dwelling prices have been the subject of significant media attention for several years due to their sustained, high growth rates. Despite a recent (nationwide) downturn, prices remain stubbornly high and out of reach of many Aucklanders.

The proposal acknowledges and directly responds to the need for more residential land to meet growth in demand over time, by enabling the development of approximately 585 new homes. In our view, and from an economic perspective, this represents a highly significant boost in supply. All other things being equal, this supply boost will help the market to be more responsive to growth in demand, thereby reducing the rate at which prices in the region grow over time (relative to the status quo).

4.2 Competitive Land Markets

In addition to directly boosting Auckland's dwelling capacity, the proposal will also help to foster competition in the local land market. This is important because, as recognised through Objective 2 of the National Policy Statement on Urban Development 2020 ("the **NPS-UD**"), competition is the cornerstone of economic efficiency. When the land market becomes more competitive, land developers have a greater incentive to get their product to the market in a more timely and cost-effective manner, thus further helping to keep district housing as affordable as possible.

Absent competition, landowners experience "market power", which enables them to charge more for land and be slower in releasing it to the market. Both outcomes conspire against affordability and reduce the overall efficiency of the housing market.

4.3 Catering to a Variety of Budgets and Preferences

The proposal reference schemes provide for a wide range of dwelling typologies and sizes, including "walk-ups", apartments, duplexes, and terraced homes. These range in size from around 50m^2 for a single-bed walk-up to approximately 200m^2 for a five-bedroom terrace (see Table 1).

Accordingly, the proposal also helps give effect to Policy 1 of the NPS-UD, which requires high growth areas, like Auckland, to not only provide at least sufficient capacity to meet future demand in aggregate, but to also provide a range of housing typologies to meet a wide range of needs and preferences.

4.4 Providing High-Density Dwellings

Of the 585 or so dwellings proposed, approximately 85% are likely to be apartments (including walk-ups). In our view, dwellings like these are vital to improving Auckland's housing affordability. With their smaller-than-average floor areas and significantly reduced land requirements, they are usually cheaper to buy or rent than other dwelling types.

In addition to lower median prices and weekly rental values, apartments also provide housing that seems to better meet the needs of a changing population, as average household sizes continue to decrease. Households are also getting older, with children accounting for an increasingly smaller share of the population, and older people an increasingly greater share. Further, we understand that older people increasingly find apartments a safer and more secure living option.

Collectively, these observations suggest that smaller, more affordable, and more secure living options such as apartments will be an important feature of Auckland's future dwelling stock.

4.5 Land Use Efficiency

The proposal replaces a defunct tertiary education facility with an estimated 585 dwellings (plus a small amount of commercial floorspace). With a site area of approximately eight hectares, this translates to an anticipated dwelling density of around 73 dwellings per hectare. This is significantly higher than what is currently being achieved, on average, across the region. In fact, the average density across Auckland's Statistical Area 1 (SA1) units is 13.9 dwellings per hectare, while the median is just 11.4.[2]

Set in this context, the proposal's future residential density at full build-out will be:

- More than **6 times** the regional median; and
- Higher than **99%** of all SA1 areas in Auckland.

Accordingly, development enabled by the proposal represents a highly efficient use of the site's land.

4.6 Infrastructure Efficiency

In addition to realising high levels of land use efficiency, the proposal also enables very high levels of infrastructure efficiency to be achieved. There are several reasons.

First, because the site is brownfields, it is already connected to key infrastructure networks and does not require the expensive extension of roads and reticulated networks to reach it.

Second, development enabled by the proposal will achieve high levels of infrastructure efficiency due to its high density and mix of dwelling types and sizes. For example, the high proportion of apartments means that peak (summer) water demand will be lower than an average household due to the absence of significant outdoor water demand. This is important, because water use peaks in summer as people use it outdoors for irrigation, refilling swimming pools, and so on. That peak use, in turn, defines the infrastructure capacity required to service each area. Accordingly, by avoiding (or minimising) outdoor water use during summer, the development may reduce the peak infrastructure capacity required locally, and create efficiencies in the underlying infrastructure networks.

At the same time, mid-rise apartments like those enabled by the proposal also minimise the creation of additional impervious surface area (ISA), which helps reduce stormwater flows and hence the infrastructure required to manage them. For example, a four-storey development creates the same ISA as a single-storey development with the same ground-floor footprint, while enabling four times

[2] Calculated by dividing household count from the 2018 Census by land area.

more dwellings to be constructed. As a result, its stormwater infrastructure demands are four times lower per dwelling than a one-storey equivalent.

4.7 Support for a Quality Compact Urban Form

Another important consideration is the proposal's direct support for the region's vision for a more compact urban form, as articulated in both the Auckland Unitary Plan and the Auckland Plan 2050. For example, the Auckland Plan 2050 identifies several outcomes, one of which is "Homes and Places". It seeks that "Aucklanders live in secure, healthy, and affordable homes, and have access to a range of inclusive public places."

This outcome is supported by several directions, one of which is to "develop a quality compact urban form to accommodate Auckland's growth." To help achieve that direction, various focus areas have been identified, one of which is to "accelerate quality development at scale that improves housing choices." The proposal's provisions directly respond to, and support these initiatives. In doing so, they help move the region towards a more compact, urban form.

At a more practical level, the proposal also helps minimise the land required to accommodate population growth in the local area. In doing so, it frees up more land for other uses, and enables lower density development to occur elsewhere while still maintaining a relatively high density overall.

4.8 Intensification Benefits

More broadly, high-density developments such as the proposal contribute to the intensification of Auckland, which in turn confers important economic benefits.

In 2020, PwC was commissioned to assess the economic costs and benefits of intensification, as specifically enabled by the NPS-UD. According to PwC's analysis, about 75% of intensification benefits arise from positive 'spillovers' that result from proximity to other people, and which arise particularly in large, densely populated urban areas. They include better access to services and employment, critical mass to support a wider range of retail, entertainment, and dining options (for example), and so on.

The costs of intensification can include noise, traffic congestion, shading, blocked views, and potential adverse effects on air and/or water quality.

For Auckland, PWC estimate $6.6 billion of NPS-UD intensification benefits versus only $1.3 billion of costs, giving a benefit-cost ratio (BCR) of 5.1. This is significantly higher than for the other Tier 1 Councils in PWC's analysis, which highlights the importance of intensification to the Auckland region.

4.9 Highest and Best Use of Land

Finally, the proposal will also enable the land to be put to its highest and best use, which is a precondition for economic efficiency to hold in the underlying land market.