Weiti Subdivision - Village 1: Fast Track Consent Application

Economic Impact Assessment

11 November 2022 – Update

m.e consulting

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Economic Impact Assessment

Prepared for

Ara Weiti Develoment Limited

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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 development also provides housing capacity to assist in meeting residential demand, by creating new lots for residential development.

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.

Ara Weiti Development Limited (AWDL) are seeking a Fast-track consent to accelerate the development of a residential subdivision with a retirement village superlot and small commercial/mix-use sites. In addition to sustaining construction jobs, the project also provides residential lots and enables subsequent dwelling construction which can help meet projected population growth in the Hibiscus and Bays area in the northern fringe suburbs of Auckland. Given the Auckland region has been particularly hard hit by the effects of a COVID-19 driven downturn, this has the potential to be beneficial.

The development site is located towards the Northern fringe of Auckland, on the east coast between Albany and Silverdale. The site is currently sits on undeveloped land behind a recently established subdivision. The proposed development will see the construction of the subdivision and supporting infrastructure, enabling new residential dwellings to be built. The current plans for the development indicate a yield of 220 individual residential sites and a large superlot with the capacity to accommodate a retirement village of 142 dwellings.

To assess the potential effects an economic impact model (IO) has been developed. The AWDL consultant team have provided forecasted cashflow estimates and a development stage timeline under the Fast-track pathway, while the standard consent scenario is expected to have the same cashflows but with a 21 month delay to construction activity.

A fast-tracked approval process will see development commencing in 2023 through to 2026, compared with a process that delays construction activity by 21 months. This allows the development to start earlier, ensures an earlier return, and the reduced timeline means the development is more likely to proceed, leading to more certainty of investment.

Results

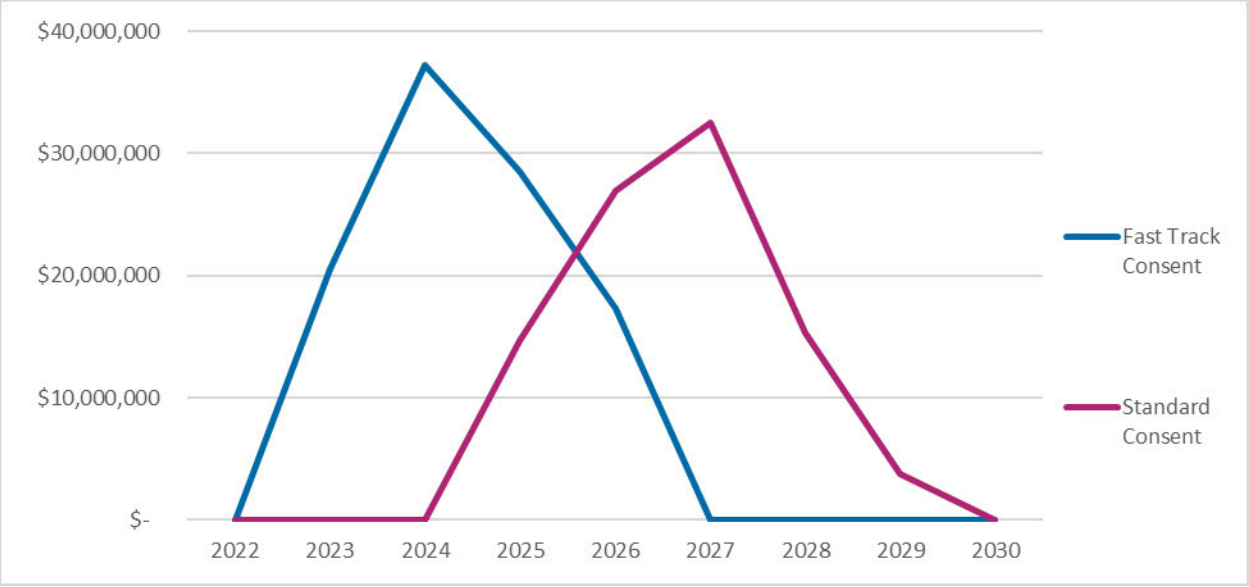
	Fast Track Consent	Standard Consent	Difference
Spend ($m)	s 9(2)(b)(ii)		
Direct Value Added ($m)			
Indirect Value Added ($m)			
Induced Value Added ($m)			
Total Value Added ($m)			
Direct Employment			
Indirect Employment			
Induced Employment			
Total Employment			

Contribution to GDP

Budget estimates provided by The AWDL consultant team indicate that around s 9(2)(b)(ii) will be spent to carry out the development of the subdivision. Under the Fast-track scenario, the cumulative **direct value added** from the present to completion of the project under this scenario, is projected to be around **$28.3 million**. By comparison, the scenario for the development without Fast Track consent has a cumulative direct value added of $2.8 million less. The difference is a result of the timing of construction which means a greater reduction in the present value of future benefits through discounting. A delay of approximately 21 months is the driver of differences.

Based on the IO modelling, the development will stimulate a total of around $67.7 million of direct plus indirect value added (GDP). Once the induced effects are included, this rises to $103.6 million in value added (GDP) across the duration of the development. When the total impacts of the two scenarios are compared, as shown in Figure 0.1, **the fast track development pathway generates approximately $10.4m more total value added (GDP) than the traditional RMA pathway.**

Figure 0.1: Annual Total Value Added Impact



Contribution to Employment

In 2023, the Fast-tracked development will directly sustain approximately 65 Full time equivalent jobs (for a year) mainly across initial site works (see Figure 0.2 below). By 2024, this total is projected to reach 125 as earthworks and infrastructure construction activity peaks, followed by around 101 job years sustained in 2025 and 66 in 2026 during the final stages of the subdivision construction. In total, the development proposed could directly sustain a cumulative total of around 356 FTE's (for a year) by completion in 2029 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 1,041 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.

Figure 0.2: Employment sustained by sector under Fast-Track (FTE years)

Economic Sector	2023	2024	2025	2026	Total FTE
Direct Employment (FTEs)					
Construction	61.6	110.3	86.3	52.1	310
Professional Services	3.5	14.2	14.2	14.2	46
Total Direct (FTEs)	***65***	***125***	***101***	***66***	***356***
Direct, Indirect and Induced (FTEs)					
Primary Sector	2.9	5.3	4.3	2.7	15
Mining and Quarry	0.4	0.7	0.5	0.3	2
Manufacturing	18.0	32.8	25.9	16.1	93
Utilities	1.1	2.0	1.6	1.0	6
Construction	90.6	162.5	127.2	76.9	457
Wholesale trade	8.9	16.4	13.0	8.1	46
Retail Trade	13.3	24.9	19.8	12.7	71
Accommodation and food services	8.0	15.0	12.0	7.7	43
Road transport	5.4	10.1	8.0	5.1	29
Information media and teleco	2.5	4.7	3.8	2.4	13
Finance	2.1	3.9	3.1	2.0	11
Insurance and funds	2.1	3.9	3.1	2.0	11
Rental, hiring and real estate services	2.8	5.3	4.2	2.7	15
Professional Services	24.0	53.3	45.8	35.1	158
Government Admin (local and central)	1.0	1.8	1.4	0.9	5
Education and training	2.2	4.2	3.4	2.2	12
Health care and social assistance	3.4	6.4	5.1	3.3	18
Arts, Rec., Personal & Other services	6.7	12.5	10.0	6.4	36
Total Direct, Indirect and Induced (FTEs)	**195**	**366**	**292**	**187**	**1041**

1 Introduction

Ara Weiti Development Limited (AWDL) are seeking a consent under the COVID-19 Recovery (Fast Track) Consenting Act 2020 to accelerate the development of residential lots and supporting infrastructure in Weiti. Given some sectors of the Auckland economy have been particularly hard hit by the effects of a COVID-19 driven downturn, granting fast tracked development status has the potential to be beneficial. AWDL 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 Recovery (Fast-track Consenting) Act 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 fast-track process
- Referred projects: these are projects not listed in the legislation, but can be referred by the Minister for the Environment to an expert consenting panel for consideration under the fast-track process.

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

Before deciding whether to refer a project to an expert consenting panel under the Act, the Minister must be satisfied the project will help to achieve the purpose of the Act. The Minister will have regard to a list of matters set out in Section 19 of the Act, included in those matters are;

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 (under the RMA timeframes) to highlight the degree to which the fast-tracked proposal generates economic benefits for people and communities affected by the COVID-19 downturn.

1.3 The Application

Ara Weiti Development Limited have applied for fast track consent to cover the subdivision of the residential lots, the creation of the superlot set aside for a retirement village and the subdivision of the lots required for the development of commercial space on the Ara Weiti Road. The application does not cover the building of the dwellings or the retirement village or the commercial space.

Therefore, this assessment is limited to assessing the differences between the timing under the RMA and the COVID-19 Recovery (Fast Track) Act of the creation of the subdivisions. While we note that the timing of construction of residential dwellings and other components will be brought forward – they do not form part of this assessment.

2 Study Area and COVID-19 Impacts

2.1 The Site

The development site is located on a large section of land in Weiti, to the north of Auckland. As shown in Figure 2.1, the site is currently vacant land. Williams Group are seeking a Fast Track consent as a referred project in order to shorten the consenting timeframe, speeding up development of the Weiti Village 1 project. The project includes the development of 220 new residential lots[1] as well as a large superlot for a proposed retirement village and a commercial/mix-use site with supporting roading servicing infrastructure. The subdivision development has a projected yield of approximately 220 resident dwellings, with 142 dwellings included in the development of the retirement village superlot, providing a total projected yield of approximately 362 dwellings.

Figure 2.1: Weiti Village 1 Development Area

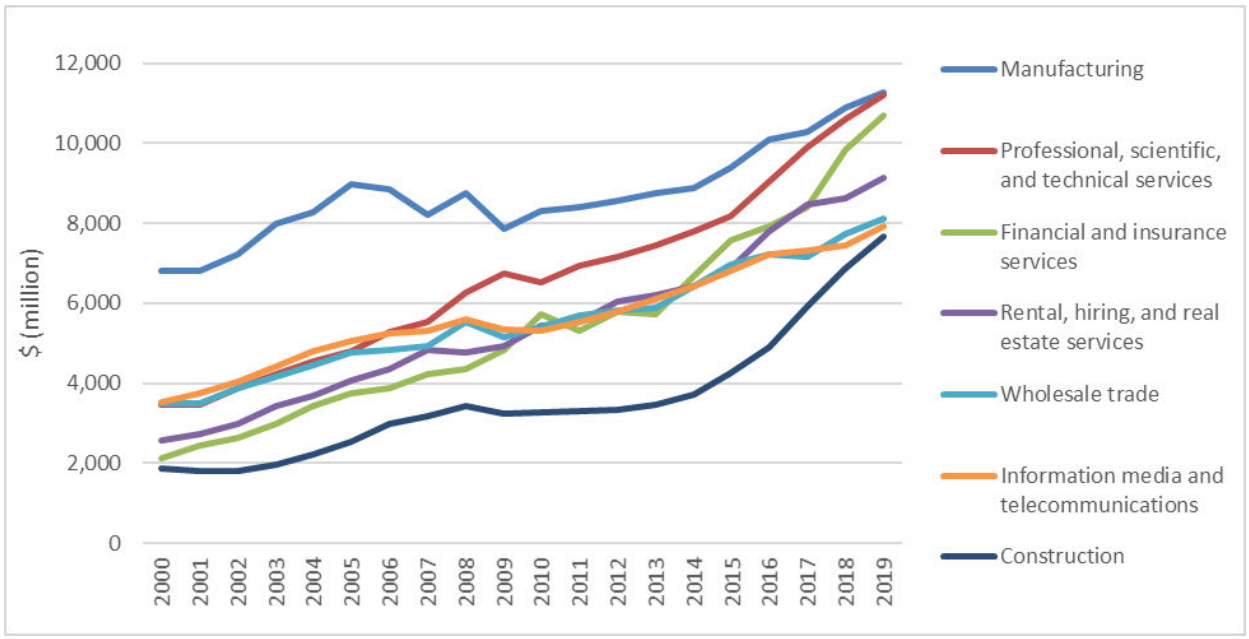
Source: Woods, May 2022

[1] According to plans as of May 2022.

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 2020[2]. 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 region's 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.

Figure 2.2 - Contributions to GDP in Auckland by Industry 2000-19 (Source: MBIE)

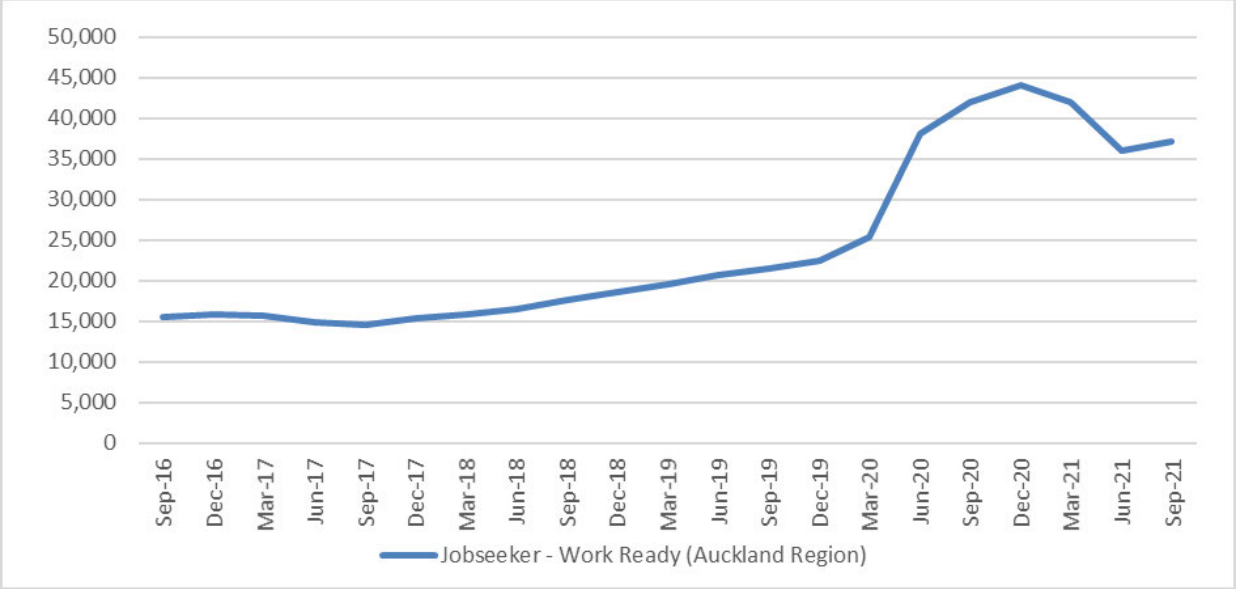


Given the wide economic impacts of COVID-19, businesses within most sectors have experienced some negative impacts on their ability to operate. This, combined with the downturn in industries directly impacted is causing further flow on effects to many in the wider community/economy at present. By way of example, Job Seeker Support data from the Ministry of Social Development (MSD) shows that numbers in Auckland are still higher than pre-COVID-19 levels (Figure 2.3). While the numbers were trending back down in the first half of 2021, there has been a slight increase in the most recently published quarter. While

[2] Sourced from Stats NZ

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.

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

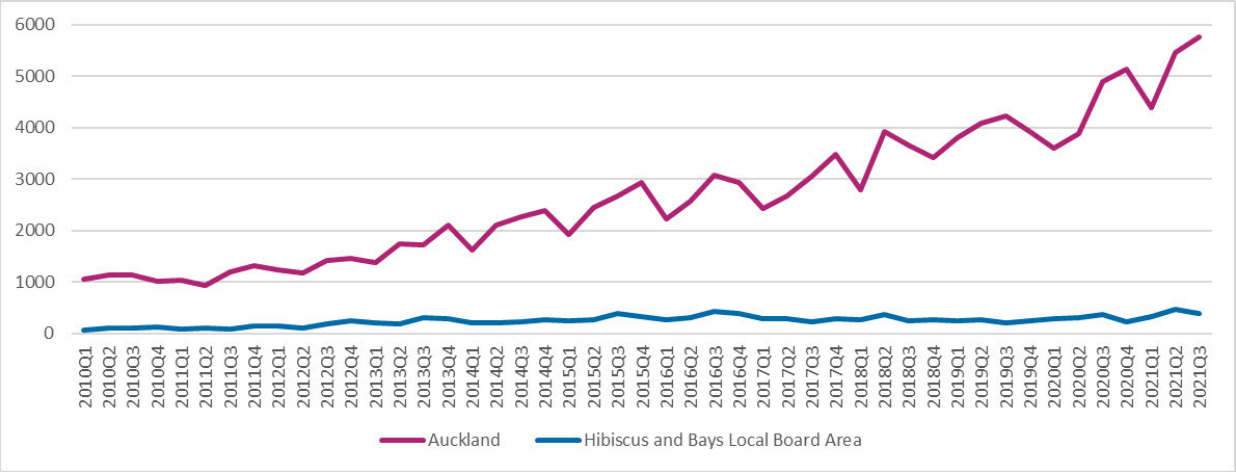


2.2.1 Construction Industry

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.

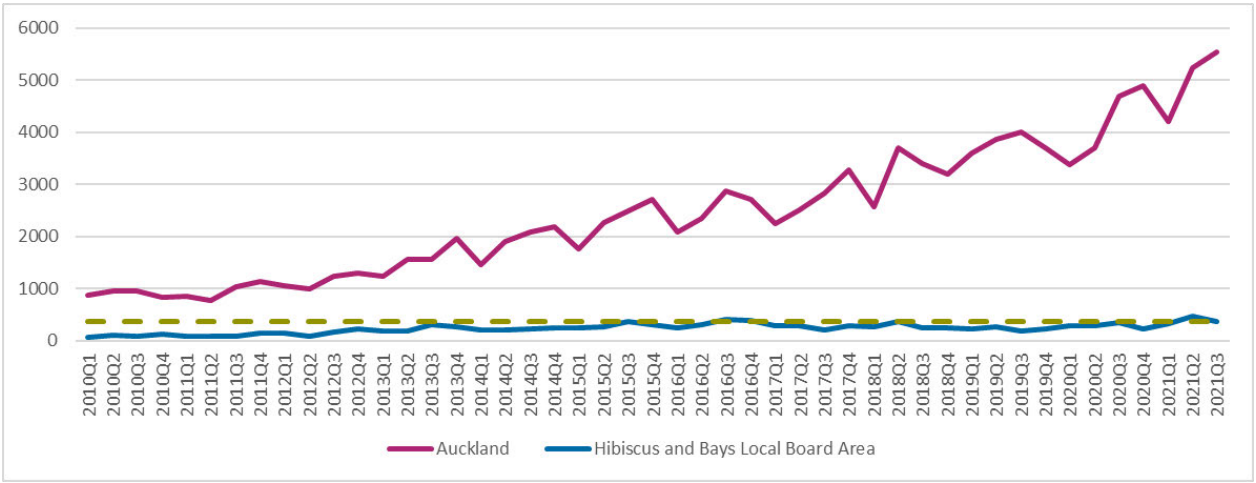
Building consent data offers an ability to measure intended activity in the construction sector in the short-term future, particularly the next 12 months. Based on data from Stats NZ, construction consent numbers for the Auckland region have exceeded pre-COVID levels, which may have been influenced by delays causing a backlog. Figure 2.4 shows total construction consents by quarter for the Auckland Region and the Hibiscus and Bays local board area. It shows that consent numbers fluctuate between quarters, but historically the trend has been increasing. Total construction consent numbers have been generally increasing since the second quarter of 2020. While in the most recently published quarter (third quarter of 2021), there were 387 consents for the Hibiscus and Bays local board area and 5,758 for the Auckland region. While this still looks positive for the next 12 months of construction activity, there is considerable uncertainty for the 12-24 months that follow.

Figure 2.4 - Total Construction Consents by Quarter for Hibiscus and Bays Local Board Area and Auckland Region



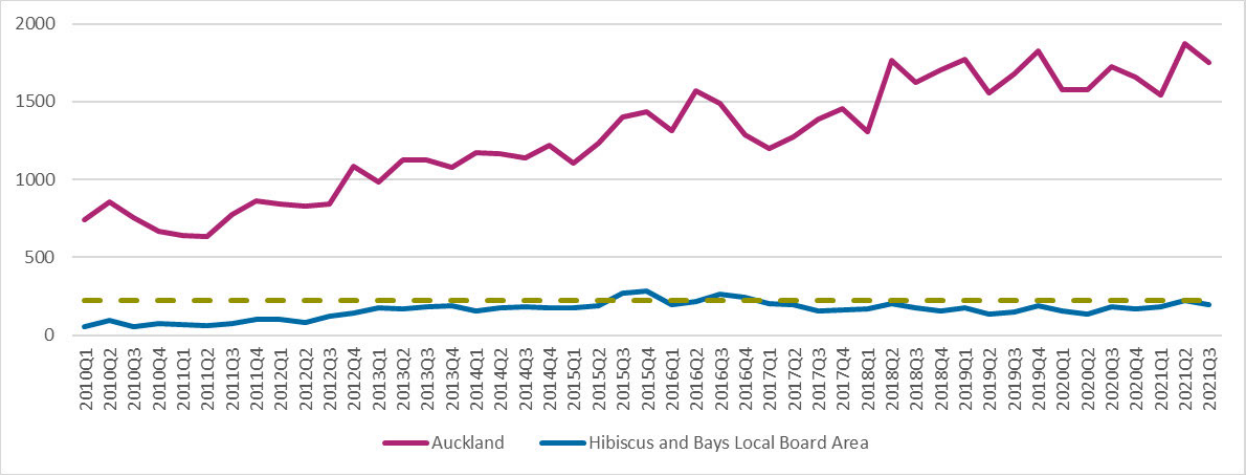
Quarterly dwelling unit building consents (a further subset of total construction consents) over the past ten years are shown in Figure 2.5. In the most recent quarter, the Auckland region had 5,544 dwelling unit building consents, reaching its highest point in all quarters since 2010. For the Hibiscus and Bays local board area, these numbers have been relatively stable over the last five years, with 387 dwelling unit consents recorded in the most recent quarter. The projected dwelling yield of the Weiti Village 1 subdivision is 362 dwellings which would roughly be the equivalent of one quarter worth of dwelling consents for the Hibiscus and Bays area. Given the role Auckland's city fringe areas play in providing capacity for residential development, this will see these areas highly represented in the numbers of consents on a quarterly basis. While the number of residential building consents have remained relatively constant with some fluctuation in the Auckland total, it is difficult to grasp the impact due to variability in scale between individual consent dwelling types and sizes.

Figure 2.5 – Dwelling Unit Building Consents by Quarter for Hibiscus and Bays Local Board Area and Auckland Region



The proposed dwelling has a projected yield of 220 individual residential sites across a range of site sizes. While the AWDL development provides the residential sites and supporting infrastructure within the creation of the subdivision, the further development of these sites will see the construction of at least 220 houses[3]. This has the potential to provide a significant positive impact to the residential construction sector. As shown in Figure 2.6, quarterly house consents have also shown volatility while generally trending upwards overtime for the Auckland region as a whole, while the Hibiscus and Bays area has been relatively stagnant at around 200 consents per quarter. The capacity to build up to an additional 220 dwellings can significantly reduce uncertainty to residential housing construction in the local Hibiscus and Bays area, while representing a sizeable share within the Auckland region.

Figure 2.6 – House Consents by Quarter for Hibiscus and Bays Local Board Area and Auckland Region

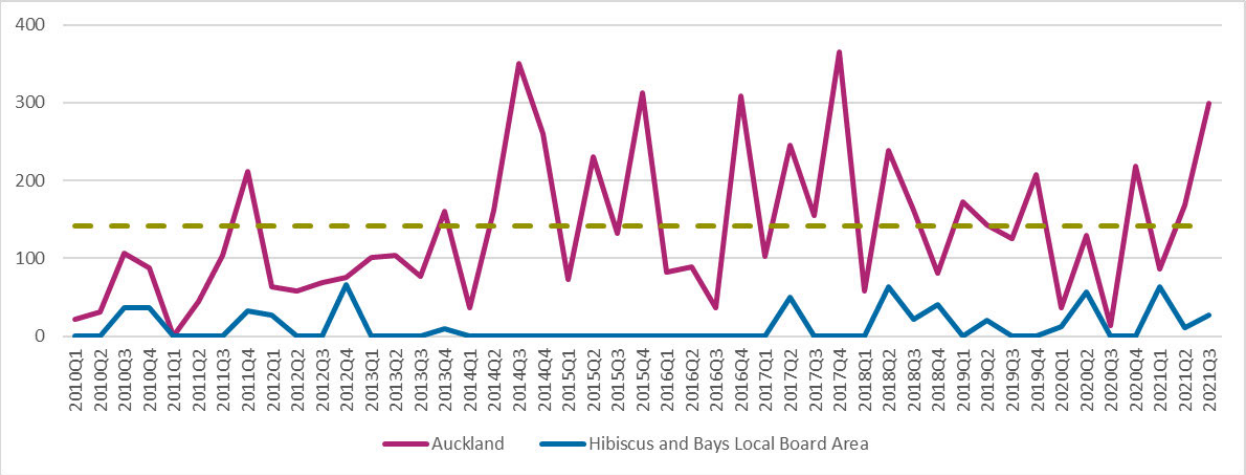


In addition to the individual residential sites, the prosed development contains a large 40,267 square metre superlot, earmarked for development as a retirement village. The dwelling yield of this site as a retirement village is projected to be around 142 retirement village units, as well as supporting common facilities. Quarterly retirement village unit building consents are shown in

Figure 2.7 for the Hibiscus and Bays local board area and the Auckland Region.

[3] Assuming one dwelling per site. However, the dwelling types and numbers per site may be more intensive.

Figure 2.7: Retirement Village Unit Consents by Quarter for Hibiscus and Bays Local Board Area and Auckland Region



At the beginning of 2020, the construction section directly employed 62,000 employees across 25,000 businesses in the Auckland region[4]. 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, but also support the sector because it can provide a significant number of job opportunities, across a range of skill levels, for workers in industries adversely impacted by COVID-19. This will help ensure that there is a steady stream of projects in the development pipeline, which provide businesses and workers with surety of output and employment over longer periods, encouraging investment in plant and equipment as well as in training and hiring of new staff. In addition, the sector has strong links into a wider value chain such that additional activity in the construction sector is supported by additional activity in manufacturing and services sectors.

[4] Stats NZ: Geographic units by industry and statistical area 2000-20, based on data from the Statistics New Zealand Business Register as of February 2020.

3 Economic Impacts

3.1 Approach

This analysis relies on an estimated cashflow analysis based on data provided by AWDL, in respect to their own forecast spending and the timing of that spending on earthworks, heavy and civil construction, infrastructure, and construction services. That is, costs and timeframes to obtain necessary consents, develop the land up to and including the completion of dwellings for the residential market. This spending by AWDL is mostly directed to businesses within the Auckland region[5].

Specifically, M.E have assumed that all construction related activity will be carried out by businesses within the Auckland region. The balance of spending (i.e., consent, design, 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 generated and sustained 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 and businesses pay wages and make profits. The links between the study area and the surrounding regions are also captured, showing the extent of the spread of the additional economic activity. This is important as it captures the purchase of raw materials from surrounding regions to support additional construction activity.

The IO model contains data on gross output for each sector and employment in Auckland. We are then able to then generate an annual average ratio of gross output per person employed in each sector in order to translate additional economic activity into additional employment – by sector. As the cashflow analysis provides spending detail based on a mix of costs per stage of the development and for construction, we have split the year into quarters for this analysis. By applying these ratios to the quarterly revenue each sector is forecast to receive from AWDL spending, M.E have estimated the count of jobs (by sector and approximate location) sustained each quarter as a result of the proposed development ("job years and quarters").

AWDL have provided forecasted cashflow by development stage, with time estimates under the Fast-track pathway and a resource consent scenario. The fast track consent scenario has a projected total spend of s 9(2)(b)(ii) which is also expected under the standard consent scenario. Both scenarios are expected to deliver the same scale of development, although the standard consent scenario is expected to be subject to a 21 month delay to the start of construction[6]. Therefore, the scenario under the regular consent process, pushes back construction related cashflows by almost 2 years.

The analysis compares the value added and job years, sustained over time for each scenario. As the IO model uses 2016 as a base year, the projected spending inputs to the model are deflated to 2016 terms.

[5] For the IO model all expenditure is assumed to be in Auckland for simplicity.

[6] See appendix for a full summary of assumptions.

From here, the IO model value added outputs are reinflated to present terms, while the employment outputs reflect the 2016 proportions of gross output per MEC without reinflation. The value added results are then discounted on a quarterly basis at an annual rate of 5%[7][8]. Discounting is used to reflect the rate of time preference and the opportunity cost of capital, reflecting the present value of future 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 2 years' time. The difference in value added between those two scenarios represents the benefits achieved under the Act.

3.2 Economic Effects

3.2.1 Direct Impacts: Value Added

The most appropriate measure of the economic impacts that occur in an area as a result of the development of a project such as proposed, is Value Added. Value added is effectively the contribution to GDP (less GST) that a project generates, as such it is the value of construction minus the intermediate costs to generate the construction (such things as the cost of building materials, consents, electricity, business services and imported goods). It captures wages and salaries paid, operating surpluses generated for owners, depreciation, and tax. In the construction sector it is equivalent to approximately 30% of total output.

The distribution of the direct value added impact under the fast track consent scenario is shown in Figure 3.1Error! Reference source not found.. Under the Fast-track scenario, we are informed that the subdivision development will begin at the end of 2023 and be completed by the end of 2026. The cumulative direct value added from the present to completion of the project under this scenario, is projected to be around $28.3 million. Breaking the results down annually, in 2023, the Fast-tracked development could have directly created around s 9(2)(b)(ii) in value added from earthworks. In 2024, the annual direct value added would peak at s 9(2)(b)(ii) for the year, as the earthworks overlaps with infrastructure construction. After this, the direct value added is s 9(2)(b)(ii) in 2025 and s 9(2)(b)(ii) as both subdivision construction concludes. The development as proposed would create an estimated $7.1 million value added per year, on average, if approved by Fast Track consent.

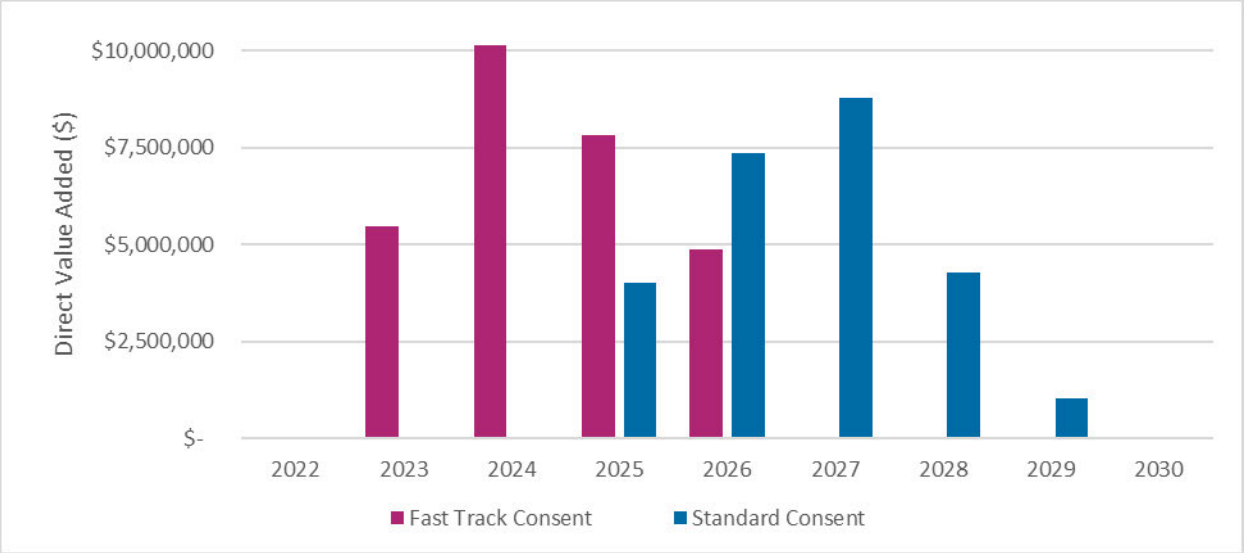
The value added directly created by the development is also shown in Figure 3.1 for the standard consenting process scenario. By comparison, the scenario for the development without Fast Track consent has a cumulative direct value added of $2.8 million less. The difference is a result of the timing of construction which means a greater reduction in the present value of future benefits through discounting. Without the fast track consenting process under the Act , the development will have to authorised through the normal consenting process. This is expected to add around 21 months onto the delivery, hence the peak construction phase is nearly two years in the future. As construction occurs from 2025 to 2029, 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 identical direct spending amounts, the one which is

[7] Treasury NZ default discount rate is 5%.

[8] Discounting is not applied to the employment impacts.

first to begin will generate the greatest value added in current terms. These benefits are particularly significant relative to the standard consent scenario from 2023 to 2025.

Figure 3.1 - Total Direct Value Added by Year - Fast Track v Delayed Consent Scenario



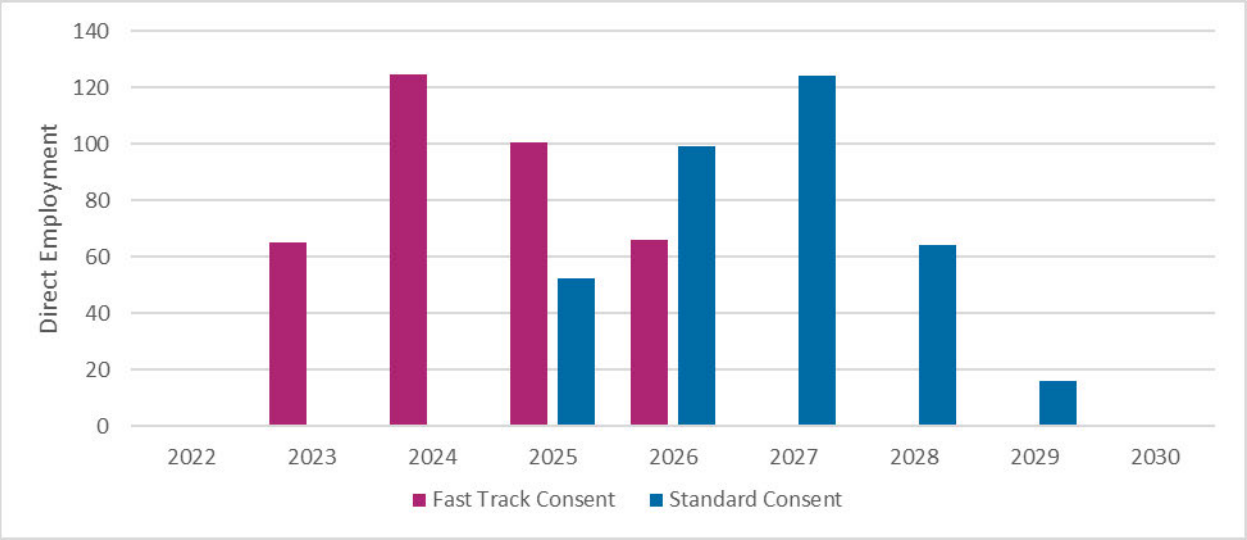
3.2.2 Direct Impacts: Employment

Under the Fast-track scenario, directly sustained employment begins in 2023 and is completed by 2026. Direct employment begins in 2023 with activity related to preliminary siteworks and earthworks. Direct employment in subdivision construction, through activities such as earthworks and infrastructure construction, is spread across the duration to completion in 2026. For all activity, an assumption is applied that costs are averaged out across each development stage. In reality, this spending is unlikely to be linear, altering the timing of spend and the subsequent employment impact. However, the overall amounts would be the same. The results include job years (Full-Time Equivalent) estimated to be sustained inside Auckland region, as it is assumed all direct activity is limited to the region. The majority of direct employment impact is construction sector activity with construction related to the subdivision running from 2023 to 2026.

Overall, a total of 356 job years are directly sustained between 2023 and 2026. Employment peaks in 2024 with around 125 jobs sustained as the peak stages of the earthworks overlaps with the start of infrastructure construction. The jobs are not limited to jobs occurring on the Weiti site, as the construction companies will have office-based staff included in the estimated ratios that will reside at headquarters around Auckland. It is important to note that while the development may generate a number of 'new jobs' and opportunities for apprentices and the like, the majority of the work will be carried out by existing skilled workers in the construction sector. Therefore, the development does not 'generate' new jobs as much as it sustains jobs across the sector. This is the case with all large scale construction activities.

A comparison of the direct impact on employment between consent scenarios is shown in Figure 3.2. It summarises estimated total job years (FTES) sustained directly by the development, through direct activity under the Fast Track scenario (red bars) and the standard consent scenario (blue bars).

Figure 3.2 - Total Direct Employment Sustained by Year - Fast Track v Delayed Consent Scenario



In 2023, the Fast-tracked development will directly sustain around 65 job years with construction employment through early site works. In 2024, this total increases to around 125 job years sustained, as the scale of construction activity begins to rise. The direct employment impact is 101 in 2025 and 66 in 2026 across the final two years of subdivision construction. In total, the development proposed could directly sustain around 356 job years by completion in 2026, if approved by Fast Track consent. By comparison, under a delayed resource consent, there is projected to be no differences in the overall employment impact, however, it is subjected to a longer time period estimated for approval. The large share of construction activity has a starting point 21 months later. This means that subdivision construction does not start until 2025 and runs till 2029. The key point is the timing of the labour needs between the two scenarios.

As shown in Figure 3.2, the benefits that the Fast-track consent delivers relate to the timing of local jobs likely to be directly sustained by proposed development. Significant employment activity is sustained earlier, delivering employment benefits to the community compared with the delayed alternative.

3.3 Flow on 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. As construction demands more girders (for example), wall panels and so on, the 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. The MRIO allows the calculation of these indirect and induced effects as they relate to this development – for the Auckland economy.

Based on the IO modelling, if the development is fast tracked, it will stimulate a total of **$67.7 million** of direct plus indirect value added (GDP). Once the induced effects are included, this rises to **$103.6 million** in value added (GDP) across the duration of the development under the Fast-track scenario.

The Fast-track scenario is also projected to contribute to sustaining the equivalent of around 1,041 job years or 1,041 Full Time Equivalent (FTE) workers working for one year, when the indirect and induced effects are considered. 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 impacts of the two scenarios are compared, differences arise 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 $10.4m more value added (GDP) than the traditional RMA consenting pathway. However, there is no difference in employment impacts of job years (FTE) between the two scenarios, although the timing of the employment impacts is delayed. Further detail of the indirect impacts can be found in the Appendix[9].

3.4 Summary of Fast Track Benefits

The development of Weiti Village 1, through earthworks and infrastructure construction, is estimated to directly sustain employment equivalent to 356 job years within the Auckland economy, in other words the employment equivalent to 356 FTE's working for one year. 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. This will allow them to employ more people across Auckland – potentially offsetting some of the employment downturn faced by sectors adversely impacted by COVID-19. As a Fast-Track consent is estimated to bring the peak of the project's activity forward by an estimated 21 months.

The development under a fast track consent is also projected to have a significant value added impact of $28.3m, directly, and a total impact of $103.6m. The difference between the standard consent scenario is approximately $2.8m less directly and $10.4m less when the total impact is considered.

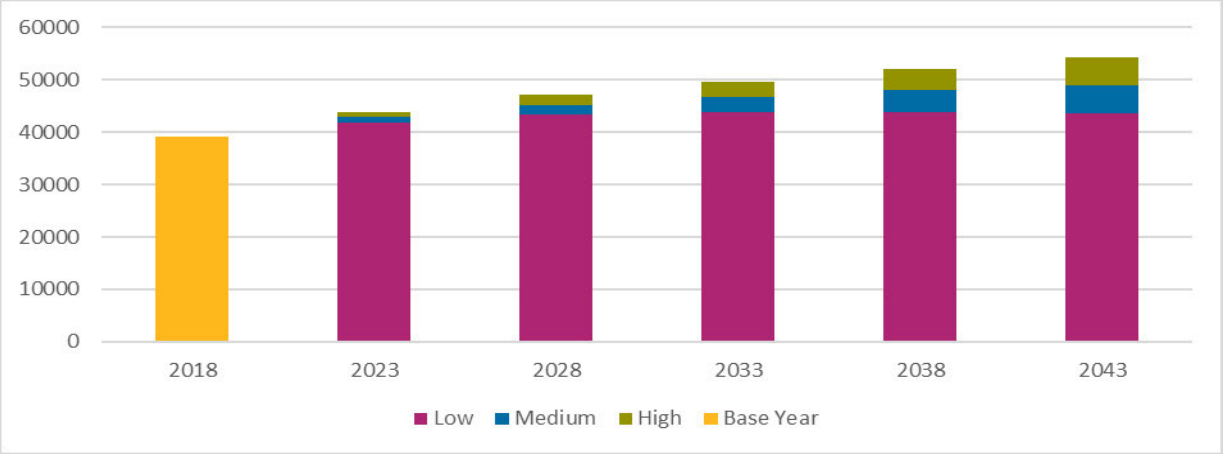
Bringing forward development means additional certainty for investors as the returns on investments occur sooner. This means that more investment is likely via the fast-track process – in total, than under the RMA process.

[9] See Appendix B – Indirect Impacts

4 Housing Supply

The population of Auckland is expected to grow significantly over the long term. The Hibiscus and Bays area will experience this trend, especially as the urban sprawl of Auckland continues to spread. The Hibiscus and Bays Local Board Area is projected to accommodate around 42,900 households in 2023, rising to around 49,000 in 2043 under the medium projection. This long term growth in household numbers is shown in Figure 4.1, where household numbers over the medium to long term are projected to increase by around 305 households per year under the medium projection or 520 under the high growth projection. As household numbers reflect the number of dwellings demanded, residential construction must keep up with this additional 305 households each year to meet the projected medium growth. This highlights the need for new residential dwellings to be constructed in the area.

Figure 4.1 - Projected Household Numbers for Hibiscus and Bays Local Board Area (2018 base year)[10]



While the proposed development does not involve AWDL delivering housing directly, 220 residential sites are provided, which equates to a capacity of at least 220 new dwellings. Through the designation of the superlot as a possible retirement village, it also provides capacity for approximately 142 additional new retirement village dwellings. Combined, this equates to a yield of approximately 362 dwellings projected to be ready for construction from 2026, pending Fast-track consent. The projected dwelling yield of the development would meet the need of more than an average year of projected household growth under the medium projection. The construction of new dwellings and the development of the retirement village superlot creates additional capacity that will more effectively help meet future demand in the Hibiscus and Bays area as more households move to the northern fringes of Auckland.

Overall, M.E consider that the anticipated economic and social benefits of the proposed net increase in residential dwelling capacity is likely to outweigh any potential economic and social costs. On that basis, a Fast-track consent is the most efficient approach to achieve the intended development outcome and will result in a public benefit by increasing housing supply sooner than if the traditional RMA process was used.

[10] Source: Stats NZ - Subnational household projections, by household type, 2018(base)-2043

5 Conclusion

The proposed construction of Weiti Village 1 with the construction of the subdivision and subsequent residential dwellings 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 subdivision construction expected to begin in 2023, 21 months sooner that could be likely under a standard consent approach. 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. Numerically, providing consent under the COVID-19 Fast Track pathway for this development generates a net additional contribution to GDP directly of approximately $2.8m in current dollar terms, that is over and above the standard RMA development timeline. When indirect and induced impacts are considered, this rises to $10.4m in current dollar terms.

Once fully developed, the project will provide capacity for new residential dwellings and a retirement village, which have the potential deliver a combined total of 362 new dwellings. This equates to more of an average year of projected household growth between 2023 and 2043 under the medium growth scenario. The development will help ensure that the Hibiscus and Bays area has sufficient capacity for residential development, in order to meet projected growth.

Appendix A – IO Model Assumptions

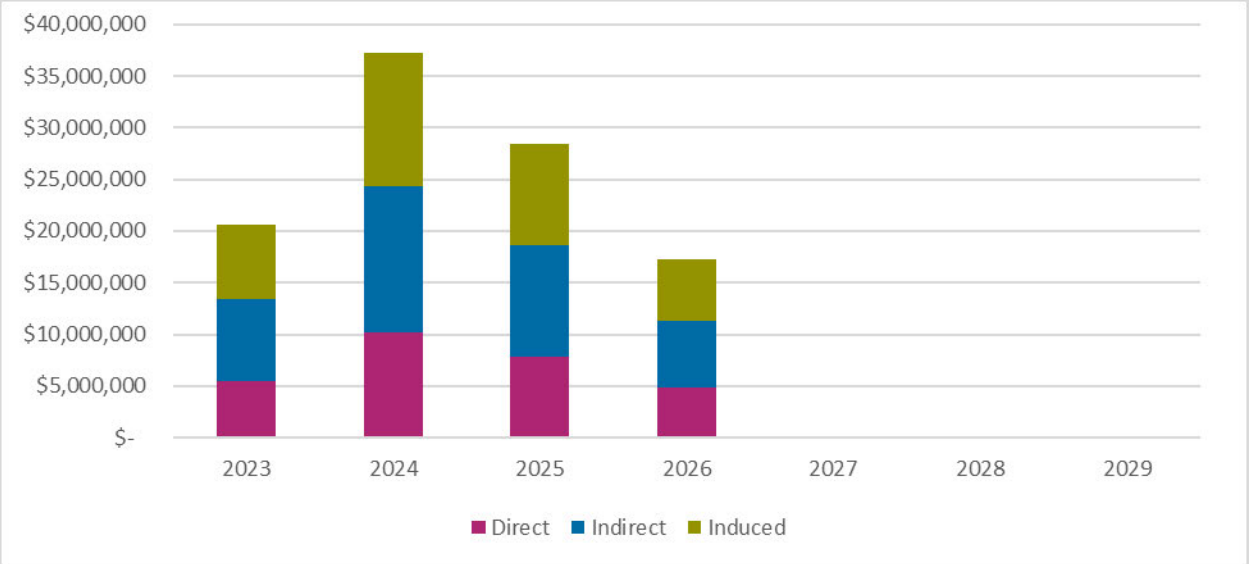
The following assumptions were made in order to run the input-output analysis:

- The analysis is based on a series of estimates for project expenditure and the timing of project stages. Quarterly expenditures are used, and the impacts are calculated based on the quarters in which they are expected to occur.
- This planned spending is to 48 economic sectors with 3 regions (Auckland, rest of the North Island, and rest of New Zealand) in an input-output model which has been customised for the Auckland economy using a 2016 base year.
- 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.
- The estimates provided by Ara Weiti Development Limited (AWDL) indicate that if approved, direct activity will begin in 2023 and finish in 2026. Earthworks and infrastructure construction are spread as across this period, encompassing site preparation, supporting infrastructure, and the development of the residential lots. For the standard consent scenario, this will start in 2025 and be finished in 2029.
- AWDL have provided an estimate for the value of consenting, design and construction costs for the subdivision development. The estimated construction costs provided cover infrastructure, earthworks, civil construction, and construction services, at total cost over the duration of the development. The total cost of this is estimated to be around s 9(2)(b)(ii) . Within the cost estimates an amount for contingencies of around s 9(2)(b)(ii) is included and spread across subdivision construction activity. Whereas, consenting and design costs of s 9(2)(b)(ii) and s 9(2)(b)(ii) for council development contributions were not included in the analysis.
- From here it is assumed that the costs are spread evenly across the duration over which each activity is projected to occur. This is done according to the assumed timeline. These assumptions therefore create figures close to an average expenditure per quarter, rather than the potential distribution of activity and expenditure. These are all classified as expenditure to either the construction or professional services industries and are exclusive of GST.
- Two scenarios are used, one which reflects approval of a COVID-19 Fast Track consent and the other a delayed resource consent, which reflects the standard process. According to Ara Weiti Development estimates, the timing difference is around 21 months, and there is no cost difference under the standard consent scenario.
- 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.
- The input-output model has a base year of 2016. As such, the spending projections are deflated to 2016 terms to be used as inputs to the model. For the model outputs, the value added results are reinflated back to present terms, while the employment results reflect employment numbers based on the base year (2016) proportions between gross output and employment (Gross Output per MEC) where no reinflation is applied. Furthermore, future inflation is not accounted for across the assessed timeline.

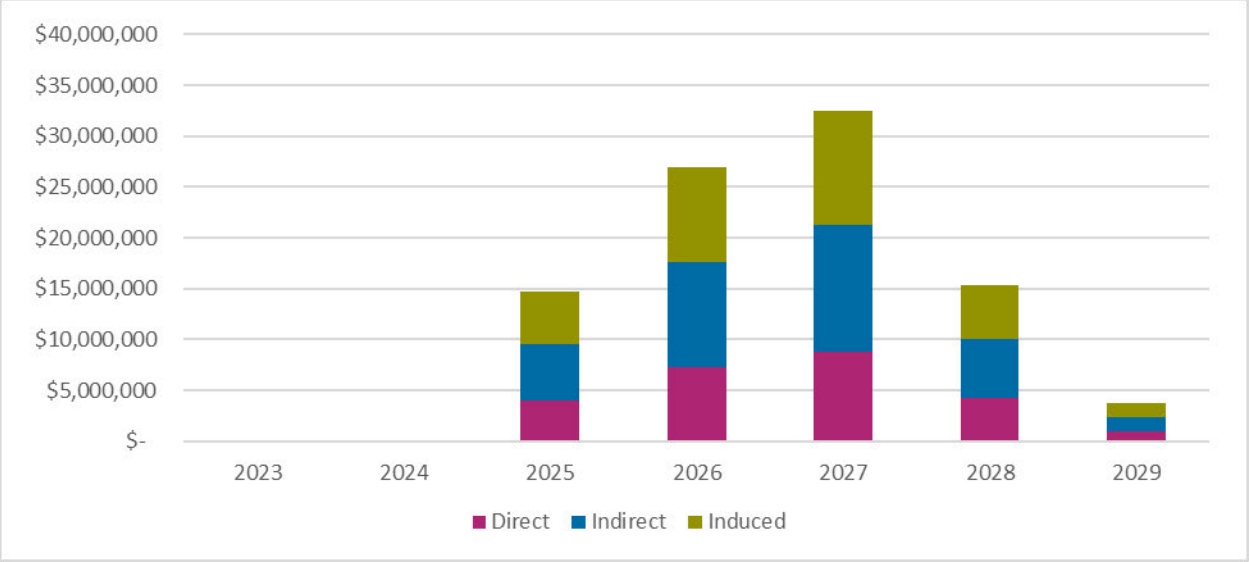
Appendix B – Indirect Impacts

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.

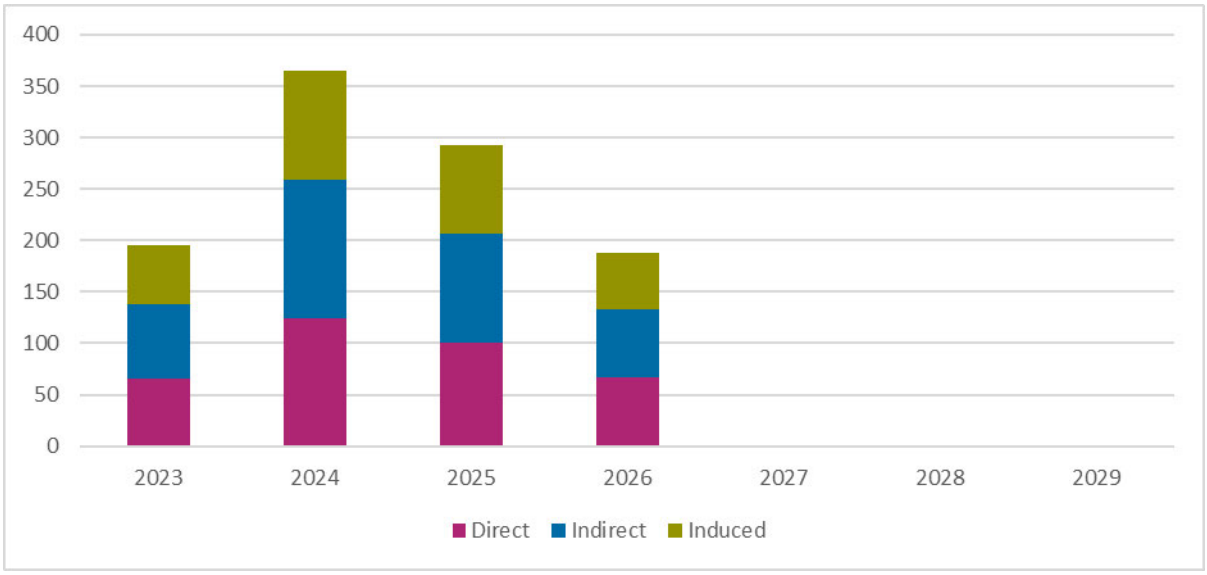
Yearly Value Added Impacts– Fast Track Scenario



Yearly Value Added Impacts – Standard Consent Scenario



Yearly Employment Impacts– Fast Track Scenario



Yearly Employment Impacts– Standard Consent Scenario