PROPERTY ECONOMICS

AUCKLAND SURF PARK

FAST TRACK ECONOMIC IMPACT

ASSESSMENT OVERVIEW

Client: AW Holdings 2021 Limited

Project No: 52194

Date: November 2022

SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. SURF PARK– AUCKLAND

Property Economics have been asked to summarise the economic impacts that will flow from the application by AW Holdings 2021 Limited for a resource consent regarding the development and construction of a variety of activities at a site located on Dairy Flat Highway on Auckland's North Shore.

This economic impact overview relates to application to have the proposal referred to the FastTrack process. The development proposal contains multiple commercial activities. These include:

- A surfing lagoon with associated services and facilities
- Farm to table restaurant
- Short-term visitor accommodation
- Wellness centre and associated visitor accommodation cabins
- Data Centre
- Solar Farm
- Associated infrastructure

This economic impact assessment primarily relates to a development of these facilities, but also identifies, at a high level, the potential value of their operation to the Region.

The economic impact estimates the total additional gross economic injection[1] (added Gross Domestic Product (GDP)) into the Auckland economy that would be brought about by the Project. The initial specifications and details have been provided by the applicant and represent the development's configuration and costings at this point in time. It is important to note that this is not site specific (i.e., Property Economics have not endeavoured to identify the extent to which particular parts of the Auckland Region will benefit economically). The report also assesses the likely economic impacts upon aggregate Auckland business activity given the composition of activities proposed.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

The economic impacts likely to be experienced as a result of the Project are broken down by the development phase which includes the construction costs (CAPEX[2]) of the development and the proportion of those costs that are retained within the Region.

The direct economic impacts are derived from the actual spending / expenses incurred through the construction of the anticipated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

[1] *For example, this has not taken into account the short-term loss of operational employment currently on site*

[2] *CAPEX – Capital Expenditure*

2. EXECUTIVE SUMMARY

AW Holdings 2021 propose to develop a wave park with associated services and facilities on a 43ha land holding on Dairy Flat Highway in Auckland.

The direct impact on the Construction and Construction Services sectors associated with direct employment measure approximately 2,100 FTE years. Direct economic injection from construction and development phases equate to nearly s 9(2)(b)(ii)

The total economic impact on business activity within Auckland as a result of the subject development over a 6-year period is estimated to be just over $524m (NPV)[3]. In terms of employment multipliers[4] this would contribute just over 1,180[5] FTEs during the peak development and operation year within Auckland, with a total number of FTE years at nearly 4,280 over the 6-year development period.

As part of this assessed economic activity the report has only included 2 years of operation for the Surf Park and facilities, this was included to have a comparable period with a non-FastTrack application. As such the operational years included have an associated level of activity equivalent to just over $20m (NPV 2029) per annum and 170 FTE's[6].

The direct ongoing on-site operational employment includes (at capacity): Surf Park 50 FTEs, Commercial Space 50FTEs, Solar Farm 10 FTEs, and the Data Centre (up to) 90 FTEs.

In relation to an estimated non-FastTrack application, this process would result in an additional $100m (NPV) and 900 FTE's (a large proportion of which results from early operations) over the same period to 2029.

This supports a key FastTrack Act purpose of resulting in a public benefit through generating additional employment (s19(d)(i)).

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3 *Net Present Value*

4 *Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.*

5 *NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.*

6 *It is important to note these relate to offsite employees*

3. TOTAL ECONOMIC ACTIVITY

This includes construction costs, which have been valued for the overall development.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (based on 106 sectors), which were then assessed at a district level based on Auckland economic activity, composition and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each $1 injected.

This was performed for the general and commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Auckland catchment for the proposed developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

3.1. ASSUMPTIONS

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'non-residential construction', 'non-building construction', 'other construction services'.
2. Associated (and estimated) land costs have been included in the financial repayment assessment for the Project.

3. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.

4. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data[7] to March 2022.

5. This report deals with the economic impact of proposed development on Auckland. These are specifically the direct impacts related to the operation and construction of the proposed development.

6. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.

7. For the purposes of this report a 6% discount rate has been applied.

8. Labour movements are based on average retention rates rather than specific company locations.

9. The proportion of materials and labour internalised in direct benefits to Auckland are based on standardised labour movements as well as employment and production composition within the Region. The amount of each 'flow-on' dollar retained in Auckland are based on the movement of resources (including labour) between other districts and regions.

Table 1 following outlines the resulting impacts on the Auckland economy as a result of the development.

[7] *Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.*

3.2. TOTAL AUCKLAND ECONOMIC ACTIVITY

TABLE 1: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (FASTTRACK)

($m)	2022	2023	2024	2025	2026	2027	2028	2029	Total
Earthworks and Civil	s 9(2)(b)(ii) [redacted]								
Civil Consultants	[redacted]								
Levies	[redacted]								
Demolition	[redacted]								
Other	[redacted]								
Infrastructure	[redacted]								
Total Development Costs	[redacted]								
Construction	[redacted]								
Carparking	[redacted]								
Land	[redacted]								
Construction and Development Costs	[redacted]								
Total Operational Expenses	[redacted]								
	[redacted]								
Total Capital and Opex (ex Land)	[redacted]								
	[redacted]								
Total Auckland Output (sector mulitpliers)	[redacted]								
Total Auckland Output (NPV)	[redacted]								
Development Employment			[redacted]	[redacted]					
Construction Employment			164	400	564	353			
Other Employment			208	193	479	328	173	168	
Total Employment			1,182	1,032	1,043	681	173	168	4,279
Direct FTEs			*680*	*570*	*560*	*290*			*2,100*

Source: Property Economics

NB1: The operational activity relates to the Surf Park and associated facilities only

NB2: Sector multipliers represent the impacts on Auckland as a result of direct, indirect and induced activities

The preceding table illustrates that the total impact on business activity within Auckland as a result of the Surf Park development to 2029 is **estimated to be just over $520 million**.

In terms of employment multipliers this would **contribute around 1180**[8] **jobs during the peak development and operation year** within Auckland, with a total number of **FTE years at approximately 4,280 over the same period to 2029**.

[8] *NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).*

The following table outlines the potential distribution of costs and timeframes based on a standard consent procedure.

TABLE 2: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (STANDARD)

($m)	2023	2024	2025	2026	2027	2028	2029	Total
Earthworks and Civil	s 9(2)(b)(ii) [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Civil Consultants	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Levies	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Demolition	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Infrastructure	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Development Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Construction	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Carparking	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Land	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Construction and Development Costs	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Operational Expenses	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Capital and Opex	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Auckland Output (sector mulitpliers)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Auckland Output (NPV)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Development Employment				716	389			
Construction Employment				145	353	499	312	
Other Employment				184	170	423	290	
Total Employment				1,044	912	922	602	3,480

Source: Property Economics

Table 2 illustrates a total contribution to GDP through to 2029 of $426m with just under 3,500 total job years created. The reasons for the significant decrease from the FastTrack application include:

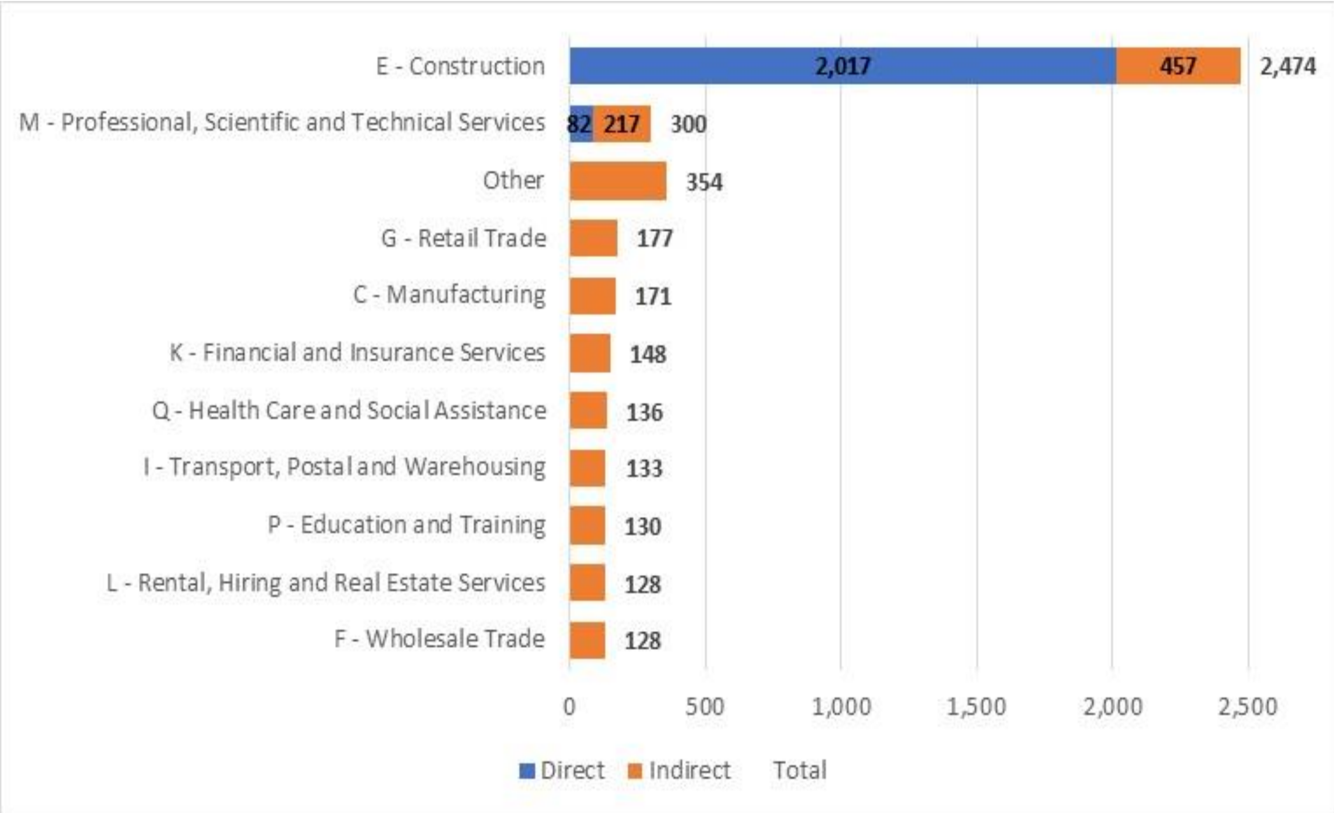
- The delayed time for development
- The application of Net Present Value (where $1 early is worth more than the same $1 a year later, the discount rate 6%)
- The loss of operational inclusion due to delayed development

3.3. TOTAL AUCKLAND DIRECT AND INDIRECT EMPLOYMENT

Figure 1 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period. It illustrates the significant direct impact on the Construction sector (as well as Construction Services).

The figure below illustrates the sectors associated with direct employment measure approximately 2,100 FTE years with the remaining 2,179 resulting from indirect and induced activity.

FIGURE 1: AUCKLAND EMPLOYMENT GENERATION BY SECTOR (DIRECT AND INDIRECT)



Source: Property Economics

4. OTHER ECONOMIC COSTS AND BENEFITS

Due to the nature of the Project assessed, there are a range of potential economic costs and benefits that are likely to be achieved within the market beyond the direct economic activity (employment and GDP) generated.

ECONOMIC BENEFITS:

1. Opportunity and Equity: The proposed development of the Surf Park, associated facilities, data centre and solar energy production has the potential to increase the employment profile of both the Regional and local (North Shore) economy providing opportunity for job growth and retention within and between the local economies.

   The opportunity to retain employment is vital for the economic well-being of the Region's economies. This in turn is likely to increase population growth and provide greater economies of scale and productivity.

2. Safeguarding of Existing Infrastructure. While a potential short-term loss of jobs is an obvious impact of COVID-19, loss of business infrastructure, construction capital, and skills are difficult for an economy to regain over the short to medium term, further repressing the region's potential recovery.

3. Operational Efficiencies and Increased Competitiveness: Along with increasing labour productivities, the development of additional employment is likely to improve overall business efficiencies increasing the competitive environment for the region.

   In addition, one of the purposes of the project is to improve productivity and economic efficiency as well as materially contributing to visitor spend within the Region.

   The development of accessible and competitive opportunities provides increased efficiencies and competitive opportunities for the Region and local economy.

4. Sector Specific Growth: This development facilitates a change to both secondary and tertiary business sectors through both a competitive location and the introduction of unique activities to support employment and business growth.

5. Impact on Current Employment Levels: While Covid-19 has had a less significant impact on the general economy than was initially estimated, it is clear that the next few years represent uncertain times with several crucial sectors likely to experience significant downturns and considerable restricting. While the sectors that are likely to benefit directly by this proposed development are not necessarily the hardest 'hit' sectors[9] of the economy, they do contribute substantially to overall community

[9] *Albeit this sector is coming under increasing pressure with decreasing sales prices and rapid increases in interest rates.*

wellbeing and will support greater spend and general economic activity that in turn supports greater activity in the affected sectors.

This supports a key FastTrack Act purpose of resulting in a public benefit through generating additional employment (s19(d)(i)). Additional employment opportunities contribute positively to improving income levels of many households in the Auckland, and therefore improve the economic, social and cultural wellbeing of both current and future generations (s19(b) of the Act).

While this assessment primarily addresses the initial development contribution to the regional economy, the proposed project will inevitability provide significant economic benefits to the regional and local economies that are unique.

The provision of the data centre and solar farms are likely to be significant generators of economic activity and employment. The estimated equipment necessary for the data centre is estimated at s 9(2)(b)(ii) and would have significant flow-on impacts throughout Auckland. The operations of both the data centre and the solar farm will both contribute significantly to regional GDP and represent material opportunities for the local economy.

The surf park and associated facilities represent a unique opportunity to provide increased recreational amenity and attraction for Auckland. Given the scale and expense of these amenities their provision is unlikely to be replicated elsewhere in the region and so exemplify a unique opportunity for the economy. The total revenue estimated to result from the surf park, and associated facilities, is approximately s 9(2)(b)(ii) per annum, with around 30%[10] of visitors expected to originate from outside the Auckland Region. This conservatively represents over a $10m per annum injection into the regional economy.

[10] *Note this is an estimated proportion of visitors. The proportion of spend and visitor nights is likely to be higher.*

5. SUMMARY

Overall, the proposed Surf Park project represents a significant opportunity for the regional and, potentially more importantly, the local economies to protect, sustain and grow jobs and income, provide additional job opportunities and income.

It is important to note that these benefits exist within a timeframe that is likely to see significant uncertainty in development opportunities and a lower appetite for risk, impacting on both the construction and productive base of the regional economy.

Benefits include:

- Total construction expenditure of nearly s 9(2)(b)(ii)
- Total 6-year (to 2029) Regional economic contribution of over $520m (NPV)
- Total 6-year Regional employment generation 4,280 FTE's
- Ongoing Regional operational contribution (Surf Park and facilitates only) s 9(2)(b)(ii) (2029 NPV)
- Off-site Regional operational employment 170 FTE's