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Jake Hughes
Hughes Developments Ltd
s 9(2)(a)

Faringdon South East and West Fast Track Application – Economic Memo

Introduction

Hughes Developments Ltd (HDL) has proposed a change to the Selwyn District Plan by rezoning two blocks of land south of Rolleston from rural (Rural Inner Plains) to urban (Living Zone, with two business centres).

As part of the planning process HDL has commissioned Market Economics (M.E) to conduct an economic assessment of employment that could be supported by the proposed Faringdon South East and West (FSEW) development. We understand that this memo will be used to support an application under the Covid-19 Recovery Act which allows the government to fast-track consents for projects that "*promote employment to support New Zealand's recovery from the economic and social impacts of COVID-19*"[1]. This memo discusses the results of the economic assessment.

Background

Over the last two decades, Selwyn District has experienced rapid growth in population, from around 28,300 in 2001 to 65,600 in 2019.[2] Population in the District has grown by 4.8% per annum, which is much faster than almost every other district in New Zealand, only Queenstown Lakes has grown at a similar rate. The Christchurch earthquakes and displacement of population to Selwyn District has been a key contributor to growth in the District. Since 2010 growth in the district has accelerated to over 5.4% per annum.

Complimenting strong population growth, the Selwyn District economy has also experienced strong employment growth up from around 12,500 jobs in 2001 to 22,600 in 2019.[3] Employment in the

[1] COVID-19 Recovery (Fast-track Consenting) Act 2020 – s4 Purpose.
[2] Statistics New Zealand (2020) Estimated Resident Population for Territorial Authority Areas, at 30 June (1996-2019) (Annual-Jun).
[3] Market Economics (2020) Modified Employment Count.

District has grown by 3.3% per annum, again much faster than almost every other district in New Zealand (only Queenstown Lakes grew faster at 5.5%).

Market Economics forecasts show that strong growth in the District is expected to continue in the future.[4] This growth has important implications for Council planning, with most growth likely to be located around the existing urban areas. Rolleston is the largest town in the District, as such it is likely to play a significant role accommodating both new residents and economic activity.

Selwyn District Council (SDC) and Greater Christchurch Partnership (GCP) conduct research into the quantum of urban land demanded and supplied, across the District and the wider Greater Christchurch Urban area.[5] This research suggested that there could be a shortage of urban land in Selwyn District, which may eventuate in the later part of this decade.[6] As a result, the GCP released a Future Development Strategy that updated settlement patterns in Selwyn District.[7] The strategy defined future development areas, which includes the FSEW sites.

We consider that an update of the GCP assessment would (again) show insufficient zoned capacity to meet demands in Selwyn District.[8] This is because growth over the last three years has matched or exceeded expectations, and the time period has shifted forward three years since the last assessment. This means that shortages projected for Selwyn in the longer term, will now occur in the medium term, i.e. a point between 2026-2028.

The following discussion provides a brief outline of key characteristics of the FSEW development, before focusing on each development component; residential and business. The memo then provides outputs of the economic assessment in terms of jobs and economic activity supported during the phases of development – consenting, land development, build development and then completion. The memo concludes with findings from this economic assessment.

Faringdon South East and West Developments

Faringdon South East and West developments are located on the southern edge of Rolleston, within the SDC Infrastructure Boundary. The sites are adjacent to two Special Housing areas that were

[4] Market Economics (2020) Selwyn Capacity for Growth Model and Economic Forecasts.
[5] National Policy Statement on Urban Development Capacity 2016.
[6] Greater Christchurch Partnership (2018) Greater Christchurch Housing and Business Capacity Assessment.
[7] Greater Christchurch Partnership (2019) Our Space 2018-2048: Greater Christchurch Settlement Pattern Update Whakahāngai O Te Hōrapa Nohoanga
[8] High growth areas are required to complete an update of the capacity assessment every three years, this work is meant to be completed by December 2020. However, the Government has proposed changes to this requirement which was meant to "come into force in the first half of 2020" - National Policy Statement on Urban Development (Proposed). Also, Covid19 has impacted many councils, we are aware that some high growth councils have postponed research that is required to report on the capacity research. Therefore, there may be delays in the update of the GCP capacity assessment.

developed under the Housing Accord (Acland and Faringdon South). Immediately north of the site is Faringdon, which was developed by HDL over the last decade.

Faringdon South East and West developments are proposed to be developed over the coming decade, with subdivisions occurring in 4 or 5 stages. HDL is aiming for consents to be completed in 2020, while earthworks and infrastructure is expected to occur 2021 to 2025, with sales of land being completed around 2026 or 2027.

Figure 1.1 shows Faringdon South West subdivision plan. The development is bounded by Goulds Road, East Maddisons Road and Selwyn Road. In total the area covers 46.3 hectares, most of which will be subdivided for residential lots (approx. 500). The development will include a range of lot sizes from low density (700m^2 to 1,000m^2) to medium density (400m^2 to 650m^2). The residential development has been prepared on the basis of achieving a net density of 12 households per hectare. The larger, lower density lots have been deliberately located around the periphery of the site so as to provide an appropriate level of density along the Rural-Urban interface.

The development also includes local amenities, reserves (green blocks, total of 1.4 hectares) and a business centre (pink block - 0.4 ha), which are intended to meet the needs of the local community.

Figure 1.1: Faringdon South West Subdivision Plan

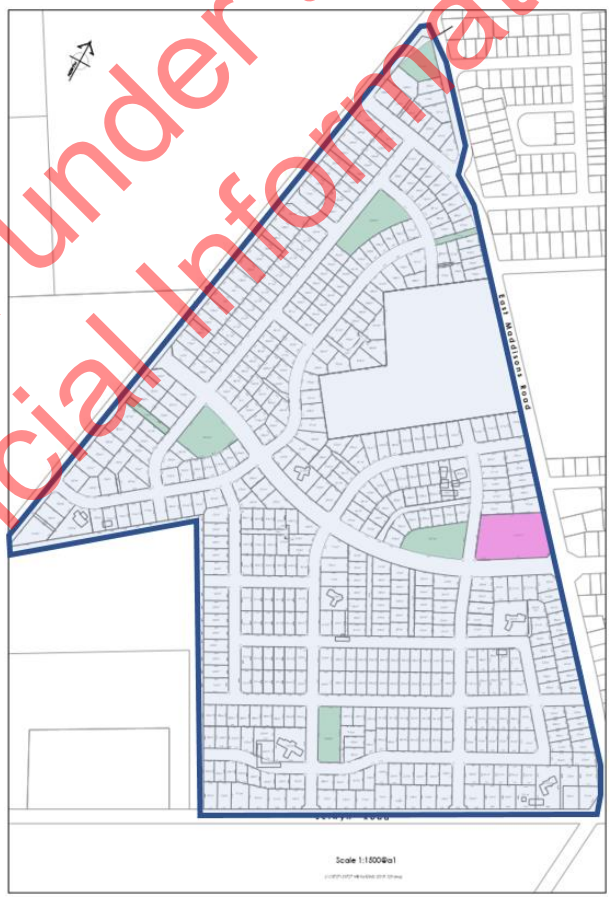

Figure 1.2 shows the Faringdon South East subdivision plan. The development is a rectangular block of land sitting on the north-western corner of Springston-Rolleston Road and Selwyn Road. In total the area covers 35.6 hectares, most of which will be subdivided for residential lots (approx. 430). The development will include a range of lot sizes from low density (700m^2 to 1,000m^2) to medium density (400m^2 to 650m^2). The residential development has been prepared on the basis of achieving a net density of 12 households per hectare. The larger, lower density lots have been deliberately located around the periphery of the site so as to provide an appropriate level of density along the Rural-Urban interface.

The development also includes local amenities, reserves (green blocks, total of 0.8 hectares) and a business centre (pink block - 0.6 ha), which are intended to meet the needs of the local community.

Figure 1.2: Faringdon South East Subdivision Plan

Faringdon South East and West Residential

The FSEW development is proposed to enable around 930 new dwellings to be developed in Rolleston. The residential capacity enabled within FSEW sits within the context of Rolleston's existing housing stock of approximately 6,440 dwellings[9] and construction of around 500 new dwellings per annum[10]. In this context FSEW would represent less than two years of growth in the Rolleston residential market, or approximately 1% per annum growth in the town over the coming decade.

[9] Stats New Zealand (2019) 2018 Census – Private Dwellings (occupied, unoccupied and under construction).
[10] Stats New Zealand (2020) Building Consents – 2013- 2020.

As another point of context, the Faringdon and Faringdon South areas (also HDL sites) were developed between 2012 and 2020. In total 1,850 lots were developed which is a rate of over 200 per annum. In this context FSEW would represent less than five years' demand or uptake. Also of importance is that the dwellings constructed in these areas have (mostly) been affordable, ranging from s 9(2)(b)(ii) .

This context shows that FSEW is important, but well proportioned, in the context of the Rolleston residential market and within the scale of development seen at comparable sites in the immediate area. It is likely that the development will provide a range of dwellings, with most being valued at less than s 9(2)(b)(ii).

Also, research commissioned by SDC[11] and HDL[12] suggests that there is limited capacity in other parts of Rolleston to accommodate future growth in this decade. While there are differences between the capacity estimates and methods adopted, the results both suggest that Future Development Areas will need to be zoned for urban activity in the near future.

This is especially important as it can take many years to develop a greenfield site for residential uses. Generally greenfield development has a lead time which includes,

- **Zoning**: planning process around changing of the District Plan to enable land development to commence (more than a year),
- **Land development**: the process required to subdivide land, which includes earthworks, roads, infrastructure, subdivision, etc (approx. 2 or more years),
- **Building development**: the process of building a house, which includes design, building consent, construction, code of compliance, etc (more than a year).
- **Staging**: developments are generally spread over a number of stages, which minimises the costs of development and ensures that supply is released according to market demands (5 or more years).

Given the impending shortage of residential land in Rolleston, it would be prudent to rezone FSEW land as quickly as possible. If a shortage eventuates, the price of land could increase, which may negatively impact affordability of housing. The change in zone for FSEW will alleviate the potential shortage, which will enable the District Plan to meet the needs of the community.

In conclusion, we consider that the immediate zoning of residential land in FSEW will have a positive impact on the community. Also, FSEW is within the infrastructure boundary, as such it will be efficient

[11] Greater Christchurch Partnership (2018) Greater Christchurch Housing and Business Capacity Assessment.
[12] Davie Lovell-Smith (2019) Rolleston Residential Land Capacity Assessment.

to allow this site to be developed. Based on our economic assessment, we consider it likely that FSEW would be built out over a 6 to 8 year period.

Faringdon South East and West Business

HDL is proposing to establish two business centres in FSEW, which are intended to meet the daily convenience needs of each community. These centres will also provide an opportunity for a community focus/heart and functions as a gateway to aid legibility.

These two new centres will be located on East Maddisons Road and Springston Rolleston Road, which also enables ready access for residents in adjoining areas such as Acland Park and Faringdon South. The location and role of the proposed centres is likely to improve transport efficiency, as they will reduce the amount of road trips from the area to other locations.

The scale of the centres will be established during the consenting phase, which means that it is not possible to establish the nature and range of economic activity that could be enabled within the proposed centres in FSEW. However, based on our understanding of the role of the proposed centres and the local population that is expected to live in FSEW, we consider that there could be approximately dozen tenancies and 50 to 100 jobs across the two centres.[13]

In conclusion, we consider that FSEW development should include business centres. The inclusion of business centres in FSEW will support local jobs for the community, both during the construction phase and on an ongoing basis through in-centre employment. Additionally, the centres will provide retail and services that meet the convenience needs of the community which will improve transport efficiency, as they will reduce the amount of road trips by residents to other locations.

Faringdon South East and West Economic Role

The economic activity associated with FSEW will change throughout the development phases. This memo estimates the economic activity supported during Consenting, Land Development, Build Development and then residents spend once the development is completed.

HDL has provided financial data which provides an estimate of the direct expenditure that is likely to occur during the land development phase and the development timeframes.[14] HDL has also provided dwelling typology data from the two existing Faringdon developments.[15] The dwelling typology data

[13] For this memo we have utilised our centres model, which assesses retail and services demand and supply across the hierarchy of centres for the entire country. The model provides a rule of thumb, that can be readily adopted to establish the demand per household for each centre type in the hierarchy. This model shows that the average household generates enough demand to support less than 1m^2 of floorspace within a local convenience centres.

[14] Hughes Development Limited (2020) Faringdon South East and West Land Development Budget (received 13/07/2020)

[15] Hughes Development Limited (2020) Faringdon and Faringdon South Dwelling Typologies 2012-2020.

is combined with build cost data[16] to estimate the likely construction expenditure that could occur during the build development phase. Finally, M.E has used retail expenditure data to establish the scale of economic activity that could be supported by the new households that will live in FSEW after the development is completed.[17]

Once identified, the direct expenditure impact was run through a Multi-Regional Input Output (MRIO) model which is similar to the commonly applied Economic Impact Assessment (EIA) method. This model allows the calculation of all flow-on effects associated with the direct activity generated by the FSEW development.

In summary, HDL, builder developers and the new residents that live in FSEW will purchase goods and services from other local businesses, which generates additional economic activity which is commonly referred to as indirect value. Also, the staff of the businesses will receive wages and salaries which they spend on goods and services, which generates additional economic activity which is commonly referred to as induced value. These additional flow on values have been established by inputting the direct expenditure into Market Economics MRIO model.

Table 1.1 shows the development timeframes that have been assumed in this assessment, with consent occurring in 2020 and land development beginning in 2021. The land is assumed to be developed in five stages, with first lots being available in late 2021. This memo assumes that build development starts in 2022 and is completed by 2028. The construction and uptake of land follows an S-shaped development path, with construction activity ramping up over a three-year period which is then followed by reduced construction activity as the development is full built out. FSEW development is assumed to be completely built out in 2028. Based on this development path, the residential population in the area would grow from 280 in 2022 to over 2,606 by 2028.

Table 1.1: Development Timeframes of Faringdon South East and West

Timeframes - FSEW	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Consenting										
Land Development		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5				
Build Develompment			100	150	200	200	150	100	30	
Residents			280	701	1,261	1,821	2,242	2,522	2,606	2,606

The direct expenditure associated with the FSEW development was estimated for each year and over forty types of spending. Table 1.2 provides a summary results of total expenditure for each of the four phases of development. The consenting phase is estimated to cost s 9(2)(b)(ii) and occur in 2020. The Land Development phase is estimated to cost s 9(2)(b)(ii) in total, spread over five years. The largest expenditure will occur when dwellings construction occurs, in total s 9(2)(b)(ii) will be spread over

[16] Market Economics (2020) Build costs data sets.
[17] Market Economics (2020) Retail Centres model.

seven years. Finally, Residents are expected to spend a total of s 9(2)(b)(ii) in the local economy over the period 2022 to 2029.[18] In total the new development will support approximately s 9(2)(b)(ii) in direct expenditure between 2020 and 2029. The direct expenditure will peak in 2024, with s 9(2)(b)(ii) being spent in total. Once FSEW is completely developed the direct expenditure will be approximately s 9(2)(b)(ii) per annum in the local economy.

Table 1.2: Direct Expenditure Faringdon South East and West

Direct Expenditure ($m)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Consenting	s 9(2)(b)(ii)									
Land Development										
Build Develompment										
Residents Spend										
Total										

The direct expenditure flows through the local economy, supporting jobs and economic activity in other industries and locations. The economic impact of the FSEW is shown in Table 1.3, which indicates that the development would support $684 million in GDP and approximately 12,400 job years over the development period. The peak of activity will be in 2024, with $109 million in GDP in Canterbury Region and employment of over 2,000 for that year. As the development is completed the impact will stabilise at around $12 million in GDP per annum and 340 jobs in the Canterbury region.

Table 1.3: Economic Impact of Faringdon South East and West

Economic Impact	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Value Added (GDP, $m)										
Canterbury Region	$ 1	$ 18	$ 62	$ 85	$ 109	$ 106	$ 74	$ 54	$ 25	$ 12
Rest of New Zealand	$ 0	$ 5	$ 16	$ 22	$ 28	$ 27	$ 19	$ 13	$ 6	$ 3
Total	$ 1	$ 23	$ 78	$ 107	$ 137	$ 132	$ 93	$ 68	$ 31	$ 15
Employment (jobs years)										
Canterbury Region	10	340	1,168	1,618	2,086	2,040	1,477	1,118	575	339
Rest of New Zealand	1	53	184	253	323	311	218	158	70	32
Total	11	393	1,352	1,871	2,409	2,351	1,696	1,276	645	370

Caveat: it must be noted that although the FSEW development will generate local benefits to Rolleston, that some of these benefits will merely be a transfer from other locations in the Region or Selwyn itself. Specifically, it is likely that if FSEW was not zoned for development that the demand for housing would be satisfied in another location within the region. This means that at a regional level much of the economic value associated ('supported') with FSEW may not be net additional or new, as this value would occur regardless of whether the FSEW development occurs or not. It is not possible

[18] This spend only includes spend by residents in the Selwyn economy. It does not include spend by these residents in the rest of the region or New Zealand.

to assess the magnitude of the transfer effects in this memo, so we are unable to establish the quantum of economic benefits that are caused ('generated') by FSEW.

Findings

It is considered that the development of Faringdon South East and West would produce positive benefits for local community, both in terms of allowing households to purchase affordable housing and it will support local jobs.

Based on the existing research there is likely to be a shortage of residential capacity in the coming decade, both in Selwyn and Rolleston. There is a clear case for more residential land to be zoned to meet the needs of the community. Also, timeframes associated with greenfield developments means that rezoning needs to occur soon to ensure that shortages do not eventuate. We consider that it is likely that if Faringdon South East and West was zoned in 2020 that the residential component would be easily developed in the coming decade.

Additionally, the business centres that are proposed for FSEW would provide positive benefits, both in terms of generating local employment and improving transport efficiency by providing for the convenience needs of the residents in the FSEW.

Finally, the economic role of the FSEW suggests that the development is expected to generate approximately s 9(2)(b)(ii) in direct expenditure over all phases of the development. This would support total economic activity of $684 million in GDP and employment of 12,400 jobs years between 2020 and 2028. Notwithstanding the likely transfer effects, the Rolleston community and economy is likely to benefit from additional economic activity that FSEW will generate in the local area.

As such we consider that the zoning of FSEW should occur immediately, it will generate employment[19], increase housing supply[20], contributing to well-functioning urban environments[21] and efficiently utilise infrastructure[22].

Rodney Yeoman

Associate Director

Market Economics

email s 9(2)(a)
mob s 9(2)(a)
www.me.co.nz

[19] COVID-19 Recovery (Fast-track Consenting) Act 2020 – s19d (i)
[20] s19d (ii)
[21] s19d (iii)
[22] s19d (iv)