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High level Economic Assessment of Proposed Fast-Track Development in Parnell, Auckland

Prepared for: **The Foundation Village Partnership**

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1. Introduction

1.1 Context & Purpose of Report

The Foundation Village Partnership ("**applicant**") owns land in Parnell that is currently under development for Stage 1 and 2 of a comprehensive retirement village named 'The Foundation Parnell'. Foundation Buildings 1 and 2 have been consented and are under construction.

The applicant proposes to construct Stage 3 of the comprehensive retirement village ("**Building 3**") on the site is located at 16 Titoki Street, Parnell, together with those parts of the neighbouring land within the "Foundation site" that are referenced in the Referral Report.

The Building 3 proposal is an 11-13 storey (average of 42m high excluding lift overrun) modulated building form that will accommodate 65 apartment style retirement units, a range of associated communal and administrative facilities, and basement parking, together with landscaping and general improvements to the existing at-grade spaces around the building.

Building 3 is proposed to be integrated with the approved Building 1 & 2 developments. To expedite the development of Building 3, the applicant seeks consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020 (**Act**). To assist, this report provides a high level assessment of the likely economic effects of the Building 3 proposal, particularly its impacts on GDP, jobs, and incomes.

In addition, this report briefly considers a range of wider economic effects of the proposal.

1.2 Purpose of Fast-Track Legislation

The purpose of the Act is to urgently promote employment to ensure New Zealand's economic recovery from COVID-19, whilst promoting certainty of future investment in the economy.

As per Section 19 of the Act, the Minister may consider various factors when determining whether a project will help to achieve the purpose of the Act. These include, but are not limited to:

- the project's economic benefits and costs for people or industries affected by COVID-19;
- its effect on the social and cultural well-being of current and future generations; and
- whether the project may result in a public benefit by generating employment.

1.3 Structure of Report

The remainder of this report is structured as follows:

- **Section 2** locates the subject site and outlines 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.

1.4 Summary of Findings

The proposed Building 3 development will create significant one-time boosts in GDP, jobs, and incomes, particularly during construction. Over a five- to six- year period, including flow-on effects, we estimate that the development could have the following national impacts:

- A one-time boost in national GDP of around \$143 million;
- Employment for 1,055 FTE-years (or 176 people employed full-time for 6 years); and
- Additional household incomes of \$69 million.

The proposed development will also generate a range of wider economic benefits. These benefits include providing a direct boost in housing supply, achieving high levels of land-use and infrastructure efficiency, and meeting the needs of an evolving and aging population.

In addition, once Building 3 is operational, it will complete the comprehensive retirement village on the Foundation site, and provide efficient ongoing employment for future staff and contractors. Accordingly, we support the Building 3 proposal on economic grounds.

2. About the Proposal

This section briefly describes the proposed development for which Fast-track consent is sought.

2.1 Location & Description

The subject site is located at 16 Titoki Street in Parnell, Auckland, together with those parts of the neighbouring land within the "Foundation site" that are referenced in the Referral Report.

The site of the proposed Building 3 development (identified in Figure 1 as red dashed lines) comprises approximately 7,400m², and is located within the broader Foundation site bound by Parnell Road to the east, George Street to the South, Titoki Street to the west, and Maunsell Road to north.

Figure 1: Location of Subject Site



The proposal is for the third and final stage of a comprehensive retirement village named 'The Foundation Parnell'. Resource consent is already held by the applicant for Foundation Buildings 1 and 2 (Stages 1 and 2) (identified in Figure 1), which are under construction.

The Foundation Building 3 proposal includes the integration of the proposed Building 3 development with Buildings 1 and 2, and the adjacent (heritage-listed) Pearson House. Figure 2 shows the location of the proposed Building 3 footprint in relation to its immediate environment.

Figure 2: Receiving Environment



2.2 About the Development

The proposed Building 3 development is an 11-13 storey (average of 42m high excluding lift overrun) modulated building form that will accommodate approximately 65 apartment style retirement units, as well as various resident and visitor amenities, and staff facilities.

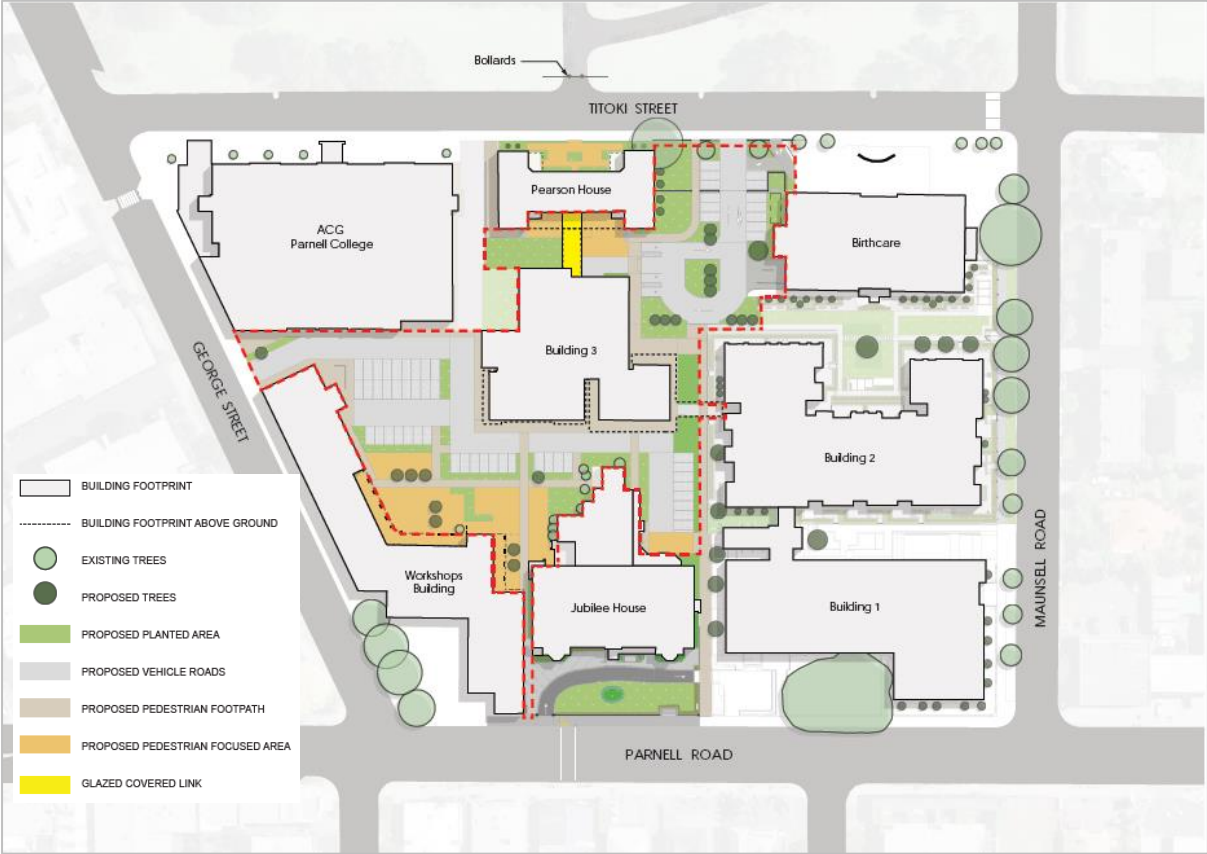
The amenities that are likely to be included within the building are listed below:

- Concierge
- Restaurant / café
- Wine bar & library
- Sports bar
- Library
- Wellness centre
- Swimming pool, spa & sauna
- Gymnasium

Undercover parking is proposed to be provided for within two basement levels (one of which will be interconnected with the basement of the approved Building 2).

The proposal also includes the reconfiguration and enhancement of the intervening spaces between Building 3 and other buildings located within the Foundation site (refer Figure 3).

Figure 3: Proposed Site Plan



3. Impacts on GDP, Jobs, and Wages

3.1 One-off Construction Impacts

The 65 apartment style retirement units and associated amenities that are proposed for Building 3 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.

The 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 onsite activities directly enabled by the proposal; plus
- **Indirect effects** – which arise when businesses working directly on the project source goods and services from their suppliers, who in turn may need to source good/services from their own suppliers, and so on.

The economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP measures the difference between a firm's outputs and the value of its inputs (excluding wages/salaries). It captures the value that a business adds to its inputs to produce its own outputs.
- **The number of people employed** – this is measured in terms of employment counts, which include both part-time and full-time workers, because Statistics New Zealand does not provide data on full-time equivalent employees (FTEs).
- **Total wages and salaries** paid to workers, which are often labelled 'household incomes.'

Having defined these key terms, the following table details the estimated economic impacts of the various activities that will be enabled by the Building 3 proposal.

Table 1: One-Off National Economic Impacts of Construction

Planning/Design/Consent	Direct	Indirect	Total
FTEs – 30 months	15	5	20
GDP \$m	\$6	\$3	\$9
Wages/Salaries \$m	s 9(2)(b)(ii)		
Site Preparation			
FTEs – 9 months	19	21	40
GDP \$m	\$2	\$2	\$4
Wages/Salaries \$m	s 9(2)(b)(ii)		
Construction			
FTEs – 3 years	80	245	325
GDP \$m	\$34	\$96	\$130
Wages/Salaries \$m	s 9(2)(b)(ii)		

In summary:

- The total value of the direct and indirect economic benefits of the proposed Building 3 development is estimated to be \$143 million (\$42m direct benefits and \$101m indirect benefits).
- Future planning/design/consenting work is estimated to create full-time employment for approximately 20 people for 30 months, generating § 9(2)(b)(ii) in wages/salaries;
- Site preparation (including infrastructure provision) is estimated to generate full-time work for approximately 40 people for 8-10 months (split across various stages), with § 9(2)(b)(ii) in wages/salaries paid; and
- Building construction of the 65 apartment style retirement units and associated community facilities will provide full-time work for around 325 people for three years (again, split across various stages), with around § 9(2)(b)(ii) paid in wages and salaries.

3.2 Ongoing Onsite Employment

Once operational, the Building 3 proposal will also provide ongoing employment for a diverse workforce. Key roles will likely include:¹

- | | |
|-----------------------------|------------------------------|
| • Carers and medical staff. | • Transport. |
| • Village managers. | • Chefs, kitchen staff. |
| • Gardeners. | • Marketing and advertising. |
| • Repairs. | • Laundry services. |
| • Maintenance. | • Accounts. |
| • Cleaners. | • Activities coordinators. |
| • Home help. | |

In total, based on information provided by the applicant, future onsite activity across the wider Foundation village is likely to sustain approximately 40 to 50 FTE jobs on an ongoing basis (inclusive of Building 3). On the basis that Building 3 supports a third of this employment, the Building 3 development is estimated to sustain approximately 15 FTE jobs.

¹ "Retirement village contribution to housing, employment, and GDP in New Zealand: A report for the New Zealand retirement village industry", PWC, March 2018, p23.

4. Wider Economic Effects of Proposal

This section briefly considers a range of wider economic effects of the Building 3 proposal.

4.1 Boost in Housing Supply

The proposal provides a significant boost in housing capacity by providing 65 apartment style retirement units. Developments like this are critical given the region's growing housing crisis, and the need to intensify existing urban areas to help meet growth in dwelling demand over time. While significant in its own right, when combined with the approved development under construction, the resultant comprehensive retirement village activity will also enhance choice.

4.2 Land Use Efficiency

The high-density nature of the proposal (11-13 storey modulated built form) represents an extremely efficient use of the site's available land area for development – noting the heritage constraints that are imposed for the site. Moreover, the proposal contributes to giving effect to the strategic direction set out in the Auckland Plan 2050, which encourages the development of apartment typologies to meet the changing needs and budgets of the region's evolving and aging population.

4.3 Infrastructure Efficiency

The proposal achieves high levels of infrastructure efficiency because, as a brownfields redevelopment, it does not require the extension of infrastructure trunk networks to service it. In addition, units of this nature (which are subject to a maximum occupancy of two people) generate lower peak/summer water demand and less stormwater than lower-rise developments, thereby creating less demand for Council water and stormwater infrastructure.

4.4 Travel Demand Efficiency

Residents of retirement villages have significantly lower transport demand generally, as well as lower peak demands than a typical household. This is due not just to the older age of retirement village residents and their relatively limited activity / mobility, but also the often-extensive provision of onsite social and recreational facilities to meet residents' needs without having to travel offsite. For needs not met onsite, the proposal is located in close proximity to both Parnell and the Newmarket Metropolitan Centre (and transport hub).

4.5 Critical Mass & Support for Newmarket Metropolitan Centre

Newmarket is one of 15 Metropolitan Centres in the region, which are second only to the CBD in the Auckland centres hierarchy. As the proposed units are occupied, they will help create a critical mass for a range of local services, which will help support the centre while improving the viability of local good / service provision for the benefit of all.

4.6 Meeting the Needs of an Evolving Population

Auckland's population is ageing, with a higher share of older people being met with shrinking shares of younger people. According to official projections, the number of Auckland residents aged 65 and over is set to more than double over the next 30 years.

The proposal responds to these projections for a growing elderly population, and caters to a specific demographic who wish to live in a community with others at a similar life stage. Importantly, it also frees up housing and land vacated by the retirement village residents for more intense use, such as by larger families, or freeing such land up for more intensive redevelopment.

This, in turn, is consistent with the National Policy Statement on Urban Development (NPSUD), which requires high growth areas such as Auckland to not only provide at least sufficient capacity to meet expected future demand in aggregate, but also to provide a range of housing typologies to meet a wide variety of needs and preferences.