Metlifecare – Karori: Fast Track Consent Application

Economic Impact Assessment

21 December 2022 –FINAL

m.e consulting

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1 Introduction

Metlifecare are seeking to be a referred project under the COVID-19 Recovery (Fast-track Consenting) Act 2020 (the Act) to accelerate the redevelopment of their existing retirement village in Karori. Given some sectors of the Wellington economy have been particularly hard hit by the effects of a COVID-19 driven downturn, granting fast tracked referral status has the potential to be beneficial. Metlifecare has commissioned Market Economics to assess the economic effects of bringing forward the proposed project, to quantify the effect granting a referral 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. Further, COVID-19 has had significant impacts on other key sectors to the New Zealand economy such as hospitality and healthcare. The lockdown measures which were implemented in New Zealand's response to COVID-19 have impacted revenue in the hospitality industry due to the shutdown of hotels, restaurants, bars and cinemas. New Zealand's healthcare sector has also felt the negative effects of COVID-19 with medical staff and hospital occupancy being put under extreme pressure throughout the pandemic, and various associated supply chain issues.

In order to provide a degree of economic impetus, government decided that the consenting and approval process as currently operated under the Resource Management Act 1991, did not provide the speed and certainty needed for developers to progress their plans. The Government recognised that by speeding up the development consenting 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 Act came into effect in July 2020. The purpose of the Act was to promote economic activity while continuing to promote sustainable management of natural and physical resources. As such, Metlifecare seeks that the Proposal is proceeding under a fast-track referral. As set out in the assessment below, the Proposal will provide significant positive economic benefits to an economy affected by COVID-19. Finally for developments with a residential focus, there is an added benefit of bringing additional housing supply on early, increasing capacity and in terms of overall house price reductions as supply increases.

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 (via the Environmental Protection Authority (EPA)) 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 evaluates the impacts of the fast-tracking the Proposal and the degree to which the Proposal generates economic benefits for people and communities affected by the COVID-19 downturn. The economic impact of the development of the Proposal and its ongoing operation is measured through an Input-Output (IO) model which is informed by projected spending and timeline estimates. The results are presented in terms of its contribution to GDP, through value added, and the level of employment it will sustain. Furthermore, the assessment also considers the impact that the Proposal will have on housing supply.

1.3 The Application

Metlifecare have applied for a fast-track referral to cover the redevelopment of their aging, aged care facility located at 29 Messines Road Karori, in Wellington (Figure 1.2). The application covers the demolition and rebuilding of the retirement village and care facility – including adding independent living units. The existing village has reached the end of its economic life as it was first developed in the 1960's.

The redevelopment is divided between Care Units and Apartments (Independent Living Units of ILUs), along with basement parking for 80 vehicles, as follows;

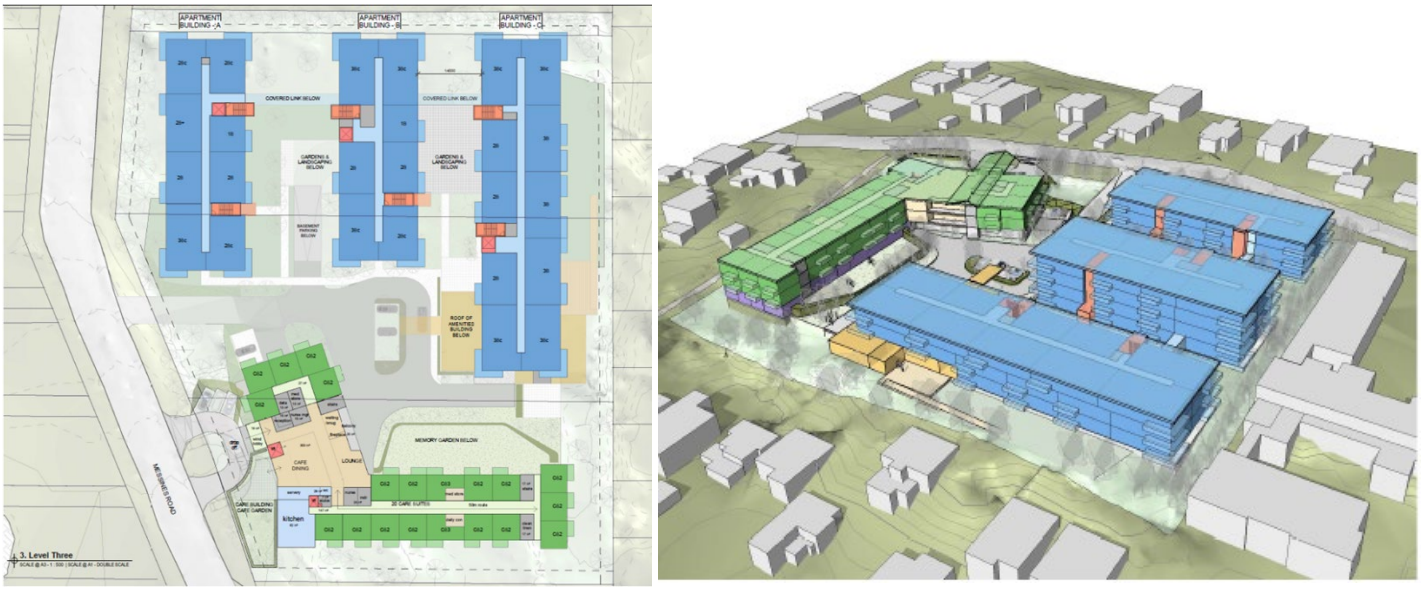
Figure 1.1: Metlifecare Karori Anticipated Redevelopment Units and developed GFA (sqm)

	Number
Care Units	
Care Suites	40
Memory Care	15
Total Care Units	**55**
Care Covered Parking	*16*
Open Guest/staff parking	*11*
Apartments	
1 Bed apartments	7
2 Bed apartments	50
3 Bed apartments	23
Total ILUs	**80**
ILU Basement Parking	*80*

	Area (sqm)
Apartments - ILUs	
Building A	2,654
Building B	3,380
Building C	3,374
Link passages	88
Basement Parking	2,641
Amenities	708
Care Building	3,860
Total GFA	**16,705**

The development is made up of three apartment buildings housing the ILUs (the blue buildings in Figure 1.2), a reception and amenities area and a three level care facility (in green in Figure 1.2, below). In total, the development consists of approximately 16,700sqm of developed GFA along with basement parking for 80 cars and outdoor carparking for 27 cars (16 covered).

Figure 1.2: Metlifecare Karori Village development: Bulk and Location

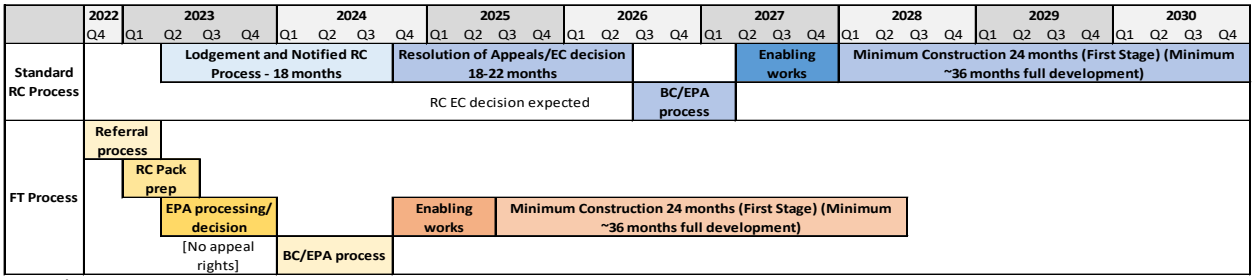


Source: Stapleton Elliot, July 2022

Under the standard RMA process the application for Resource Consent is anticipated to be lodged in the second quarter of 2023, with preparatory works for construction commencing in around early 2027. This takes into account an 18 month lodgement and public notification period under the RMA along with an almost 2 year resolution of any appeals and Environment Court process. This is followed by bulk earthworks and civil works taking approximately 2-3 quarters and, finally, construction which is expected to take a

minimum of around 24 months for the first stage and up to 36 months (depending on how the project is staged) (Figure 1.3).

Figure 1.3: Development Timeline under RMA and Fast Track scenarios



Assumptions

Bulk earthworks occur during the bulk EW season between 1 Oct and 30 April
BC/EPA process occurs immediately following RC approval and occurs in parallel with EW season
BC/EPA process takes up to 12 months

Under the Covid-19 Fast-track timing, this is reduced by 2.5 years. The major difference being the referral process and EPA processing timeline taking in total 4-5 quarters (till the end of 2023/start 2024), when building consenting/engineering approval process can be undertaken, and bulk earthworks and civil works can commence around mid-2025. This economic assessment now focuses on the differences between the timing of the development under the RMA and the COVID-19 Recovery (Fast-track Consenting) Act – effectively the impacts of bringing the development forward by 30 months.

1.4 The Site

The development site is the existing Metlifecare Karori Village located at 29 Messines Rd, Karori, on the western side of Wellington. It is situated in a largely residential setting. There are currently 62 FTE (68 staff) in the village, with 65.2 FTE required for the redeveloped village.

Figure 1.4: Metlifecare Karori Village Location

2 Economic impacts of redevelopment

2.1 Approach

This assessment relies on an estimated cashflow analysis based on data provided by Metlifecare, in respect to their own forecast spending and the timing of that spending on earthworks, building construction, any infrastructure construction, and construction services. That is, the costs and anticipated timeframes to obtain necessary consents, deconstruct the existing buildings, earthworks and construction of the apartments and Care Units. This spending by Metlifecare is mostly directed to businesses within the Wellington region[1].

Specifically, M.E have assumed that all construction related activity will be carried out by businesses within the Wellington region. The balance of spending (i.e., consent, design, and development project management costs) is also assumed to be directed to businesses based in Wellington, due to the scale of Wellington's service sectors. M.E. have matched this planned spending to 109 economic sectors in a Multi-Regional Input-Output (MRIO) model which has been customised for the Wellington economy (using a 2020 base year). The MRIO model provides projections of the value added and employment generated and sustained in the economy as a result of this additional activity. Value added (synonymous with GDP) arises through the spending, directly through the construction process and indirectly as construction suppliers increase their purchases of raw materials and services, 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 means that if the Wellington construction sector purchases aggregates or timber supplies from, say Manawatu-Whanganui Region, then increased demand in Wellington, as a result of this development, has flow on effects in Manawatu-Whanganui region which are captured in the MRIO.

The IO model contains data on gross output for each sector and employment in Wellington. 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 Metlifecare's construction activity, M.E have been able to estimate the additional count of jobs (by sector and approximate location) sustained in each quarter as a result of the proposed development ("job years").

Metlifecare 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

[1] For the IO model all expenditure is assumed to be in Wellington for simplicity. Businesses within the Wellington economy have sufficient construction skills and capacity to cover all of the various construction tasks required for this build.

to a two and a half year delay to the start of construction[2]. Therefore, the scenario under the regular consent process, pushes back construction related cashflows by two and a half years.

The analysis compares the value added and job years, sustained over time for each scenario. As the IO model uses 2020 as a base year, the projected spending inputs to the model are deflated to 2020 terms. From here, the IO model value added outputs are reinflated to present terms, while the employment outputs reflect the 2020 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%[3][4]. 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 two and a half years' time. The difference in value added between those two scenarios represents the benefits achieved under the Act.

2.2 Economic Effects

2.2.1 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.

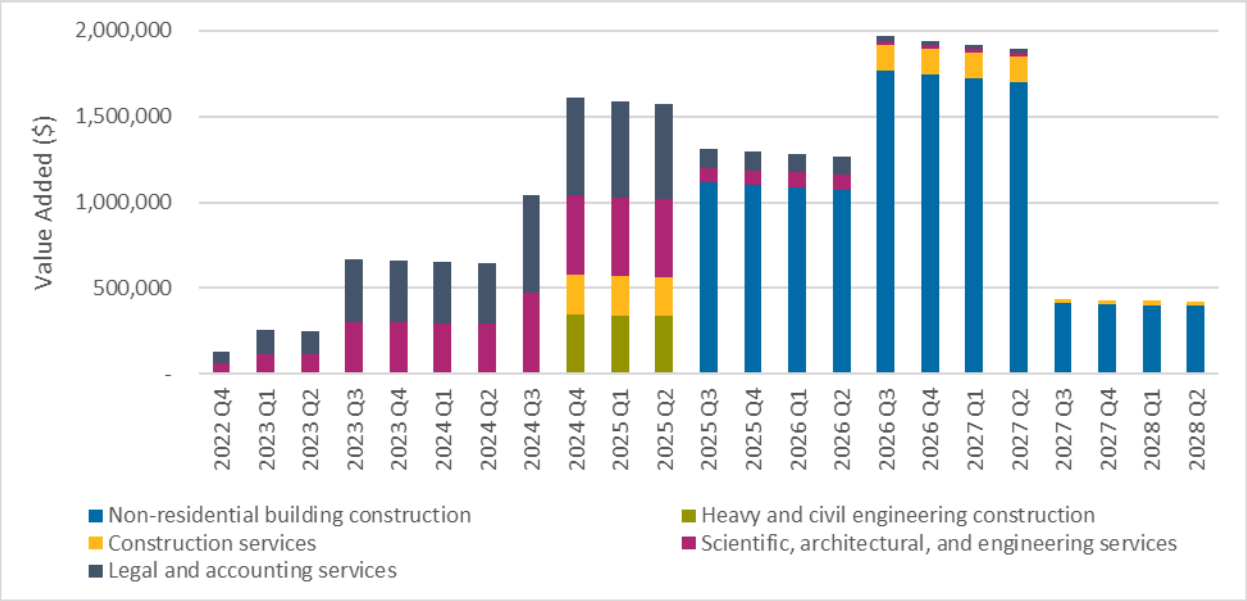
The distribution of the direct value added impact by industry under the fast track consent scenario is shown in Figure 2.1. Under the Fast-track scenario, we are informed that the development's enabling works will begin at the end of 2024 and be completed halfway through 2028. The cumulative direct value added from the present to completion of the project under this scenario, is projected to be around $23.7 million. Breaking the results down annually, in 2023, the Fast-tracked development could have directly created around $1.8 million in value added related to professional services. In 2025, the annual direct value added would increase to $5.8 million for the year, as the main earthworks phase occurs and overlaps with the first stages of infrastructure and building construction. After this, the direct value added peaks at $6.5 million in 2026 as construction activity is at its highest. Finally, direct value is $4.7 million and $0.8 million in 2027 and 2028, respectively, as construction of the buildings concludes. The development as proposed would create an estimated $4.1 million value added per year, on average, if approved by Fast-Track consent.

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

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

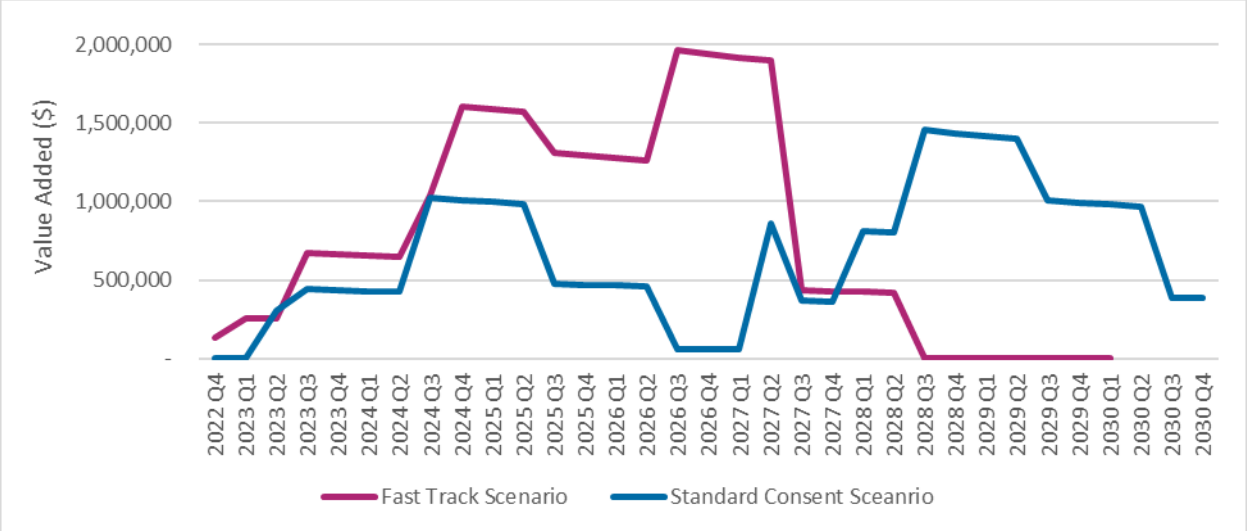
[4] Discounting is not applied to the employment impacts.

Figure 2.1: Direct Value Added by Industry – Fast-track Scenario



The value added directly created by the development is also shown in Figure 2.2 for the standard consenting process scenario (blue line) and the fast-track process (red line). The scenario for development under the standard RMA timeline consent generates a cumulative direct value added of $1.9 million less than the fast-track scenario.

Figure 2.2 - Total Direct Value Added by Quarter – Fast-track v Delayed Consent Scenario



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 be authorised through the normal consenting process. This is expected to add around 30 months onto the delivery, hence the peak construction phase is around two to two and a half years in the future. As the standard consent scenario has construction occurring from 2028 to 2030, these inflows are discounted significantly more than the scenario with Fast-Track consent. Thus, as future periods

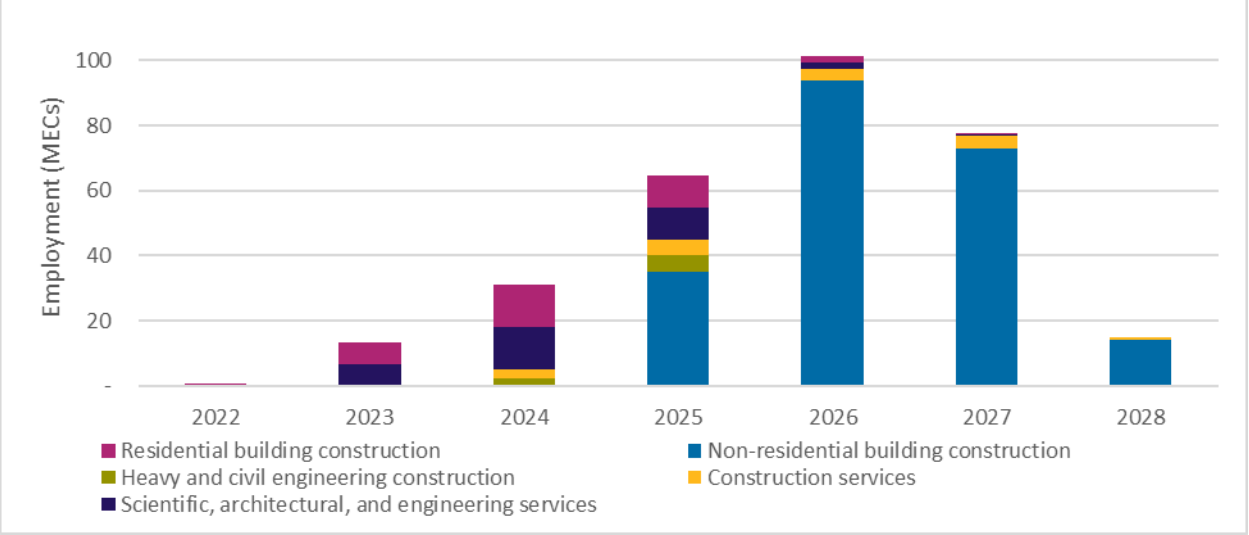
are discounted more heavily, for two scenarios with identical direct spending amounts, the one which is first to begin will generate the greatest value added in current terms. These benefits are particularly significant relative to the standard consent scenario from 2024 to 2027.

2.2.2 Direct Impacts: Employment

Under the Fast-track scenario, directly sustained construction employment begins in 2024 and is completed by 2028. Direct employment in 2023 and most of 2024 is related to activity from professional services. By the fourth quarter of 2024, direct employment in construction, through activities such as site preparation, earthworks and infrastructure are spread across the first nine months followed by building construction with a duration of three years, running to completion in 2028. The results include job years (MECs, similar to Full-Time Equivalent) estimated to be sustained inside the Wellington region, as it is assumed all direct activity is limited to the region. The majority of direct employment impact is construction sector activity with onsite construction related to the development running from 2024 to 2028.

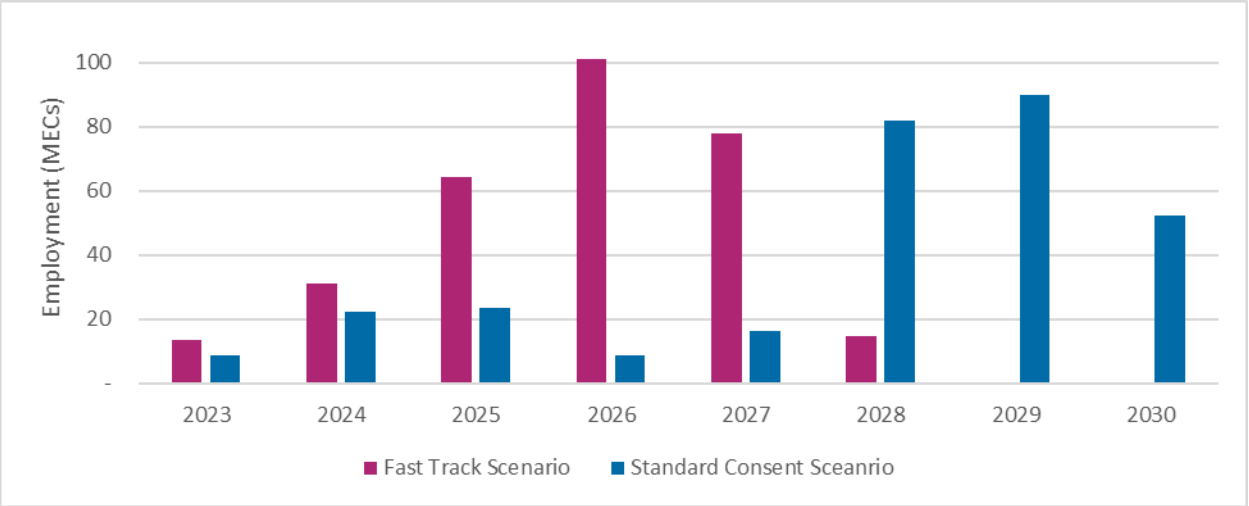
Overall, a total of 304 job years or Full Time Equivalent years' worth of work (FTEs), are directly sustained between 2023 and 2028. In 2023, the Fast-tracked development will directly sustain around 14 FTEs through professional services. In 2024, this total increases to around 31 FTEs sustained, as some construction activity begins. The direct employment impact rises to 64 in 2025 as building construction begins. It then peaks at 101 in 2026, before slowing down across the final stages of construction, with 78 and 15 FTEs in 2027 and 2028, respectively. The majority of the direct employment is in construction industries, although there is professional services employment at a lower level which spans both the consenting/design and construction phases. Furthermore, the construction jobs are not limited to jobs occurring on the construction site, as the construction companies will have office-based staff included in the estimated ratios that will reside at headquarters around Wellington. 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.

Figure 2.3: Direct Employment Sustained by Industry – Fast-track Scenario



A comparison of the direct impact on employment between consent scenarios is shown in Figure 2.4. It summarises estimated total job years or FTEs sustained directly by the development, through direct activity under the Fast-track scenario (red bars) and the standard consent scenario (blue bars). By comparison, under a delayed resource consent, there is projected to be no differences in the overall employment impact, also with a total of 304. However, it is subjected to a longer time period estimated for approval. The large share of construction activity has a starting point two and a half years later. This means that building construction does not start until 2028 and runs till the end of 2030. The key point is the timing of the labour needs between the two scenarios as 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 sooner, compared with the delayed alternative.

Figure 2.4 - Total Direct Employment Sustained by Year – Fast-track v Delayed Consent Scenario



Furthermore, the employment within the retirement village and its care home will also be impacted by the development. Figures provided by Metlifecare indicated that the existing operation currently employs 62 FTE in the village and is projected to require 65.2 FTE once redeveloped. This is an increase of 3.2 FTE, although there will be almost four years where no onsite retirement village operation related employment occurs due to construction – during this period between 64 – 101 construction jobs are sustained.

2.3 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 Wellington, with others made around New Zealand. As construction demands more girders (for example), wall panels and so on, the manufacturing sector increases output. In addition, when more labour is required in construction and in the suppling sectors, 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 Wellington economy taking into account inter-regional goods flows.

Based on the IO modelling, if the development is fast-tracked, it will stimulate a total of **$82.2 million** of direct plus indirect value added (GDP) in current terms. Once the induced effects are included, this rises to **$121.0 million** in value added (GDP) across the duration of the development, again in current terms.

The Fast-track scenario is also projected to contribute to sustaining the equivalent of around 1,170 job years or 1,170 full time workers working for one year, when the indirect and induced effects are considered. FTE figures projected for each year are set out in Figure 2.5. While all the direct impacts are assumed to occur in the Wellington 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 2.5: Employment sustained by Economic Sector under Fast-Track (FTE years) scenario

Economic Sector	2022	2023	2024	2025	2026	2027	2028	Total Job years
Direct Employment (MECs)								
Construction	-	-	5.0	45.1	97.2	77.0	14.9	**239**
Professional Services	0.9	13.6	26.1	19.4	4.0	0.8	-	**65**
Total Direct (FTEs)	**1**	**14**	**31**	**64**	**101**	**78**	**15**	**304**
Direct, Indirect and Induced (MECs)								
Primary Sector	0.0	0.3	0.8	3.1	6.3	4.9	1.0	**16**
Mining and Quarry	0.0	0.0	0.1	0.5	0.7	0.5	0.1	**2**
Manufacturing	0.1	0.8	2.5	18.0	40.5	31.5	6.2	**100**
Utilities	0.0	0.1	0.3	2.1	4.7	3.7	0.7	**12**
Construction	0.0	0.7	8.7	92.3	209.1	164.2	32.0	**507**
Wholesale trade	0.0	0.5	1.5	7.4	15.4	12.0	2.3	**39**
Retail Trade	0.1	2.0	4.9	16.5	31.6	24.4	4.7	**84**
Accommodation and food services	0.1	1.3	3.1	9.4	17.4	13.4	2.6	**47**
Road transport	0.0	0.6	1.4	5.4	10.7	8.3	1.6	**28**
Information media and teleco	0.0	0.2	0.5	1.7	3.1	2.4	0.5	**8**
Finance, insurance and funds	0.0	0.5	1.3	4.0	7.6	5.8	1.1	**20**
Rental, hiring and real estate services	0.0	0.4	0.9	3.2	6.2	4.8	0.9	**16**
Professional Services	1.1	16.7	33.1	36.2	33.1	23.1	4.3	**148**
Government Admin (local and central)	0.0	0.3	0.6	2.0	3.8	3.0	0.6	**10**
Education and training	0.0	0.5	1.3	3.2	5.7	4.4	0.8	**16**
Health care and social assistance	0.1	0.8	2.0	6.0	11.1	8.6	1.7	**30**
Arts, Rec., Personal & Other services	0.1	1.1	2.6	7.6	13.8	10.7	2.1	**38**
Total Direct, Indirect and Induced (FTEs)	**2**	**28**	**69**	**228**	**438**	**339**	**66**	**1,170**

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 because it occurs sooner and is discounted less. Figure 2.6 presents a summary of impacts (in current terms) of the development under the Fast-track timeline. It highlights how the impacts are concentrated into the Wellington Region, but a significant portion of impacts are felt across the rest of the North Island ($24.1m of Value Add) and a smaller portion in the South Island ($8.7m in Value Add).

Figure 2.6: Summary of Impacts under the Fast-track consenting pathway

	Wellington Region	Rest of North Island	Rest of New Zealand	Total
Direct Value Added ($m)	$ 23.7	$ -	$ -	$ 23.7
Indirect Value Added ($m)	$ 42.5	$ 11.3	$ 4.7	$ 58.6
Induced Value Added ($m)	$ 22.1	$ 12.7	$ 3.9	$ 38.8
Total Value Added	**$ 88.2**	**$ 24.1**	**$ 8.7**	**$ 121.0**
Direct Emplyoment	304	-	-	304
Indirect Employment	404	101	44	550
Induced Employment	165	112	38	316
Total Employment	**874**	**213**	**83**	**1,170**

Under the RMA consenting timeline, the value added amounts (in current terms) are smaller given the greater discount, while the employment totals are the same – albeit they occur later (Figure 2.7).

Figure 2.7: Summary of Impacts under the RMA consenting pathway

	Wellington Region	Rest of North Island	Rest of New Zealand	Total
Direct Value Added ($m)	$ 21.7	$ -	$ -	$ 21.7
Indirect Value Added ($m)	$ 37.9	$ 10.1	$ 4.2	$ 52.1
Induced Value Added ($m)	$ 19.9	$ 11.4	$ 3.5	$ 34.8
Total Value Added	**$ 79.5**	**$ 21.5**	**$ 7.7**	**$ 108.7**
Direct Emplyoment	304	-	-	304
Indirect Employment	404	101	44	550
Induced Employment	165	112	38	316
Total Employment	**874**	**213**	**83**	**1,170**

In total, in current dollar terms, the fast-track development pathway generates approximately $12.3m more value added (GDP) than the traditional RMA consenting pathway in current terms. However, there is no difference in employment impacts of job years 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[5].

2.4 Summary of Fast-Track Benefits

The development of Melifecare Karori is estimated to directly sustain employment equivalent to 304 job years (FTEs) within the Wellington economy, in other words the employment equivalent to 304 people working full time for one year (see Figure 2.5 for details). In addition to that, it will indirectly sustain considerable local jobs across the supply chain in a range of sectors, while the staffing needs of the redeveloped village will move from 62 FTE to 65.2 FTE once completed. 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 Wellington – potentially offsetting some of the

[5] See Appendix B – Indirect Impacts

adverse impacts by COVID-19. As a Fast-Track consent is estimated to bring the peak of the project's activity forward by an estimated two and a half years.

The development under a fast-track consent is also projected to have a significant value added impact of $23.7m, directly, and a total impact of $121.0m. The difference between the standard consent scenario is approximately $1.9m less directly and $11.9m less when the total impact is considered.

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

Figure 2.8: Summary of Development Impacts: Fast-track vs RMA pathways

	Wellington Region	Rest of North Island	Rest of New Zealand	Total
Fast Track Scenario				
Direct Value Added ($m)	$ 23.7	$ -	$ -	$ 23.7
Indirect Value Added ($m)	$ 42.5	$ 11.3	$ 4.7	$ 58.6
Induced Value Added ($m)	$ 22.1	$ 12.7	$ 3.9	$ 38.8
Total Value Added	**$ 88.2**	**$ 24.1**	**$ 8.7**	**$ 121.0**
Direct Emplyoment	304	-	-	304
Indirect Employment	404	101	44	550
Induced Employment	165	112	38	316
Total Employment	**874**	**213**	**83**	**1,170**
Standard Consent Scenario				
Direct Value Added ($m)	$ 21.7	$ -	$ -	$ 21.7
Indirect Value Added ($m)	$ 37.9	$ 10.1	$ 4.2	$ 52.1
Induced Value Added ($m)	$ 19.9	$ 11.4	$ 3.5	$ 34.8
Total Value Added	**$ 79.5**	**$ 21.5**	**$ 7.7**	**$ 108.7**
Direct Emplyoment	304	-	-	304
Indirect Employment	404	101	44	550
Induced Employment	165	112	38	316
Total Employment	**874**	**213**	**83**	**1,170**
Difference				
Direct Value Added ($m)	$ 1.9	$ -	$ -	$ 1.9
Indirect Value Added ($m)	$ 4.6	$ 1.3	$ 0.5	$ 6.4
Induced Value Added ($m)	$ 2.2	$ 1.3	$ 0.4	$ 3.9
Total Value Added	**$ 8.8**	**$ 2.6**	**$ 0.9**	**$ 12.3**
Direct Emplyoment	-	-	-	-
Indirect Employment	-	-	-	-
Induced Employment	-	-	-	-
Total Employment	**-**	**-**	**-**	**-**

3 Housing Supply

The population of Wellington City is expected to grow steadily over the long term. From 2018 to 2043 the city is expected to add 33,300 people in 13,900 households. The majority of these people will be 65+ (21,200 or 63% of total growth). Wellington City makes up around 40% of the Wellington Region population and this is not expected to change much out till 2043. The region is expected to add 22,700 households from 2023 to 2043 under the medium projection and up to 41,300 under the high (Figure 3.1).

This long term growth in household numbers is shown in Figure 3.2 under the low, medium and high Statistics New Zealand projections. Average annual growth ranges from 196 dwellings per year from 2018 to 2043 under the low growth future up to 916 annually under the High. However, growth is slowing with the medium to long term growth (2033 – 2043) ranging from a loss under the low future of 20 households per year, through 370 household growth under the medium and 770 annually under the high.

As household numbers reflect the number of dwellings demanded, residential construction must keep up with at least an average of 475 households each year to meet the projected medium growth from 2023 to 2043. This highlights the need for new residential dwellings to be constructed.

Figure 3.1: Wellington Regional Household Growth, 2018 – 2043 (Low, Med, High Stats NZ)

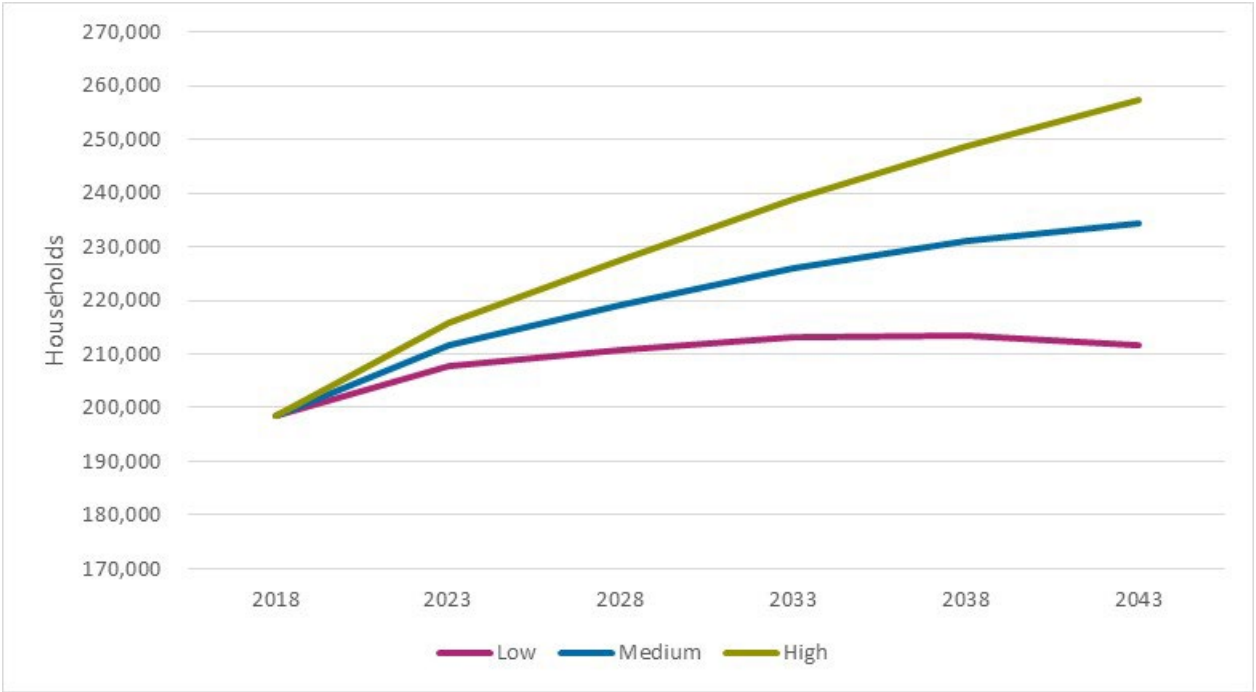
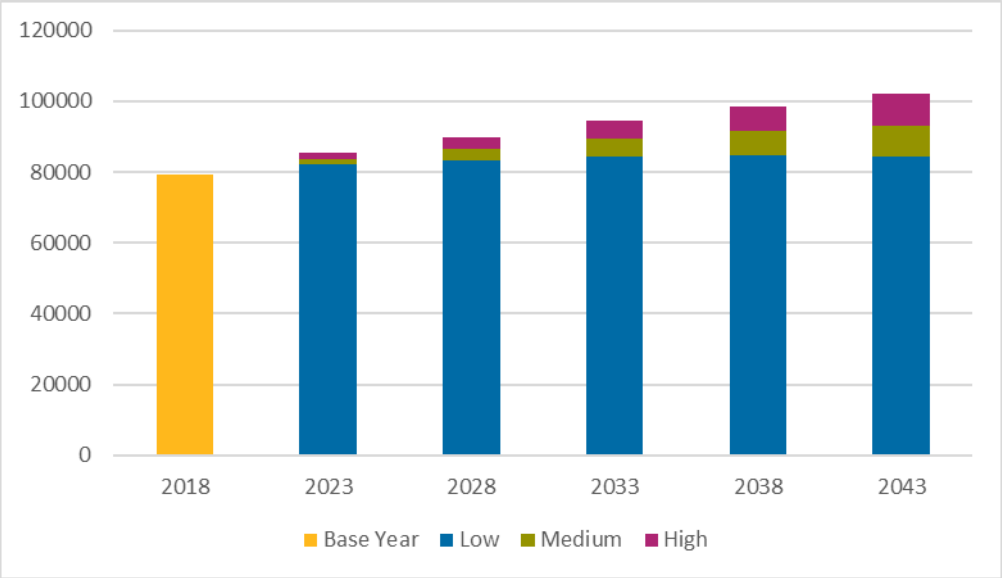


Figure 3.2 - Projected Household Numbers for Wellington City (2018 base year)[6]



While the proposed development does not deliver conventional housing, the provision of approximately 80 ILU and 55 care units targeted at the 65+ market is important given the 65+ age group represents over 70% of total anticipated population growth over the next 20 years (2023 – 2042). Every additional unit added into a retirement village or care facility potentially opens a family home up to the wider market. These more established homes are often better located relative to work, public transport and amenities than brand new subdivision developments so are an important part of the market for first or subsequent home buyers.

Overall, M.E consider that the anticipated economic and social benefits of the proposed increase in residential dwelling capacity - in particular capacity targeted at the retirement community 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.

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

4 Conclusion

The proposed redevelopment of Metlifecare Karori retirement village with the construction of a new 55-bed care home and 80 ILU dwellings is expected to positively contribute to the future economic and social wellbeing of the Wellington 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 Wellington 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 process is clear. It means that a large number of local jobs can be sustained in the short-term future, with the enabling development works expected to begin in 2024, 30 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, allowing consent to be applied for under the COVID-19 Fast-track Act, via the referred projects pathway, for this development generates a net additional contribution to GDP directly of approximately $1.9m in current dollar terms, that is over and above the standard RMA development timeline. When indirect and induced impacts are considered, this rises to $12.3m in current dollar terms.

In terms of employment, the redevelopment will sustain approximately 304 FTEs for a year. Once the flow on effects are included, this rises to employment equivalent to 1,170 workers working for a year (1,170 FTEs). Note that this figure does not change between the 2 scenarios - rather it is directly related to the scale of the development.

Once fully developed, the project will provide a renewed and updated retirement village, which has the potential deliver a combined total of approximately 135 units (ILUs and Care Units combined). Not only does this help meet the needs of a high growth community (the 65+ age group), but it potentially frees up established homes for first and subsequent home buyers assisting with housing market mobility.

Appendix A – IO Model Assumptions

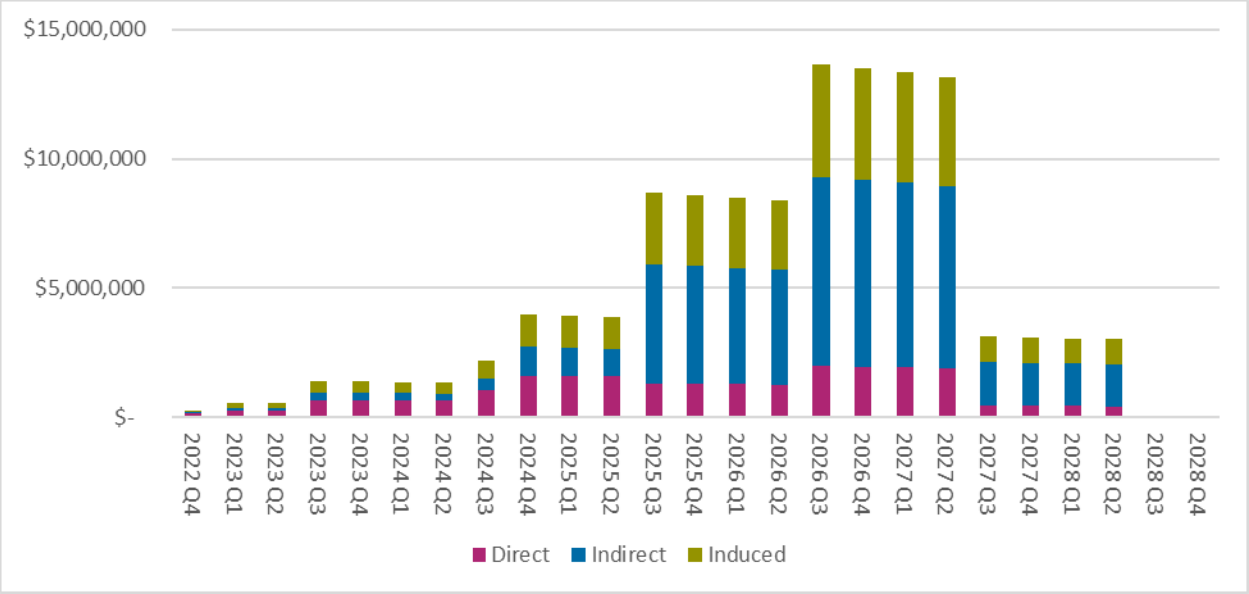
The following assumptions were made in order to run the input-output analysis:

- 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 109 economic sectors with 3 regions (Wellington, rest of the North Island, and rest of New Zealand) in an input-output model which has been customised for the Wellington economy using a 2020 base year.
- It is assumed that all direct expenditure of the development is received in the Wellington region. This was made for simplicity and the high likelihood that the major of spending is directed to Wellington as it is the region which surrounds the site and as one of New Zealand's major financial and service hub, has the capability to be largely self-sufficient in completing the development.
- The estimates provided by Metlifecare indicate that if approved, direct construction activity will begin in the fourth quarter of 2024 and finish after the second quarter of 2028. Earthworks and infrastructure construction are spread as the first 9 months, followed by 36 months of building construction. For the standard RMA consent scenario, this will start in 2027 and be finished sometime after the end of 2030.
- Metlifecare have provided an estimate for the value of consenting, design and construction costs for the redevelopment, with a total spend of s 9(2)(b)(ii) . The estimated construction costs provided cover infrastructure, earthworks, civil construction, and construction services, at total cost over the duration of the development.
- 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 RMA resource consent, which reflects the standard process. According to Metlifecare estimates, the timing difference is around 30 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 2020. As such, the spending projections are deflated to 2020 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 (2020) 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.

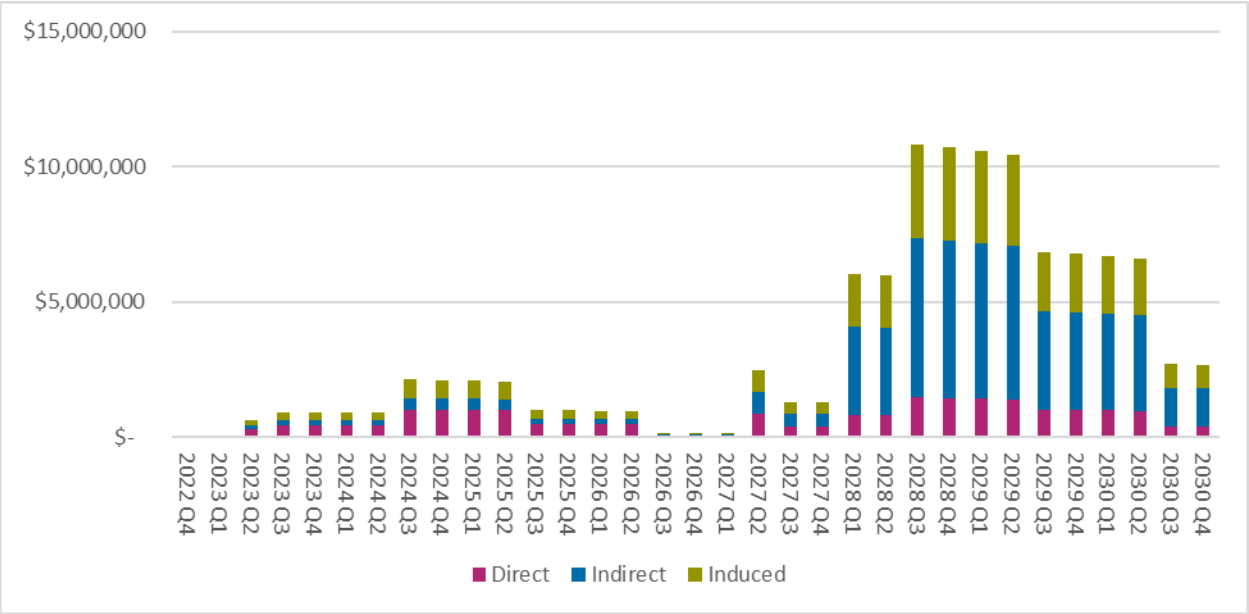
Appendix B – Indirect Impacts

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.

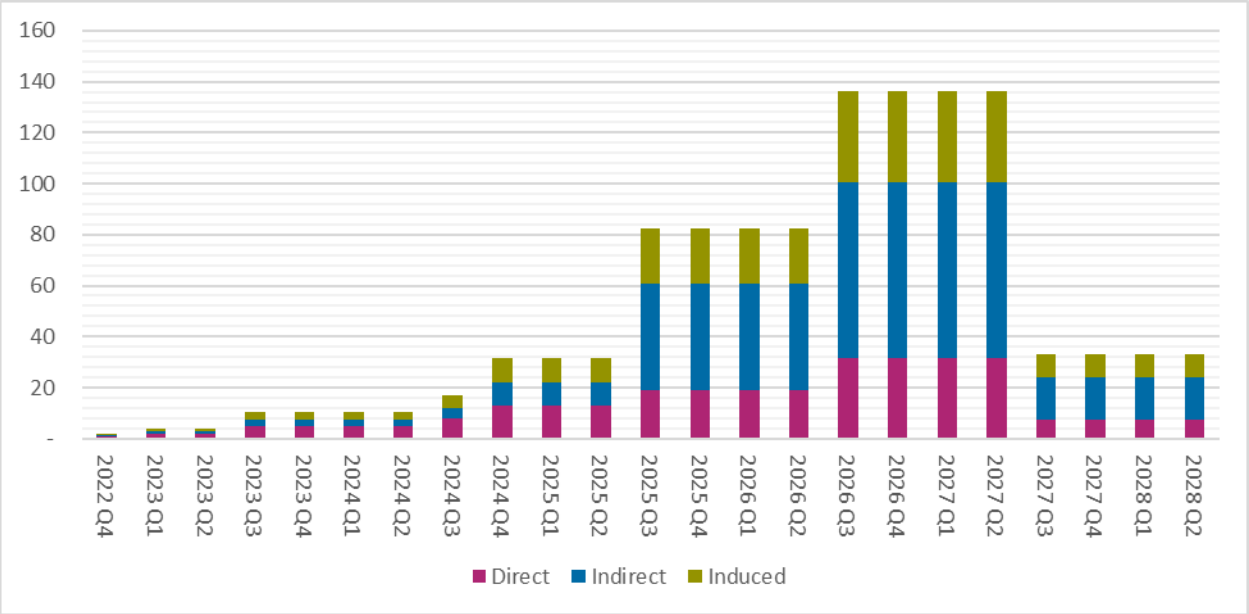
Quarterly Value Added Impacts– Fast-Track Scenario



Quarterly Value Added Impacts – Standard Consent Scenario



Quarterly Employment Impacts– Fast-Track Scenario



Quarterly Employment Impacts– Standard Consent Scenario