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Brief Economic Assessment of Proposed Development in Albany, Auckland

Prepared for: **Mansion Rear Ltd**

Authorship

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1. Introduction

1.1 Context & Purpose of Report

Mansion Rear Ltd (**applicant**) owns land at 8 Stevensons Crescent in Albany (**site**), which they wish to develop for mixed use (predominantly residential) purposes. While plans are still evolving, the latest vision enables nearly 140 residential dwellings plus a limited amount of commercial floorspace.

To expedite the development, the applicant seeks consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020 (**FTCA**). In support of that application, this report provides a high-level assessment of the likely economic benefits of the proposal, particularly in terms of its impacts on GDP, jobs, and incomes.

This report also briefly considers a range of wider economic effects of the proposal.

1.2 Purpose of Fast-Track Legislation

The purpose of the FTCA 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 FTCA, 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 will result in a public benefit by generating employment.

1.3 Summary of Key Findings

The proposed development will create a significant uplift in jobs and incomes for the local workforce, particularly during construction, while also generating a range of wider economic benefits.

These include providing a direct boost in housing supply, providing a range of homes to meet differing needs, enabling the highest and best use of the land, and providing a strong signal of investment confidence for the city.

In addition, once operational, the commercial activities enabled onsite will provide ongoing employment for future staff.

Accordingly, we support the proposal on economic grounds.

1.4 Structure of Report

The remainder of this report is structured as follows:

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

2. About the Proposal

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

2.1 Location and Description

The subject site is located at 8 Stevensons Crescent, on the north-western outskirts of Albany. It is bounded by Stevensons Crescent to the north and east, Dairy Flat Highway to the south and lifestyle plots to the west.

The site itself spans approximately 2.5 hectares and slopes gently to the east. The yellow outline in the map below identifies the site.

Figure 1: Location of Subject Site



2.2 About the Development

The proposal will accommodate 26 apartments plus 112 terraced houses, yielding almost 140 dwellings overall. Some of these are envisaged to be 'live-work' units, that offer the option of appropriate commercial uses on the ground floor. In addition, the proposal includes a dairy and café to service the local area. These are located on the south-eastern corner of the site, as illustrated in the indicative site plan below.

Figure 2: Indicative Site Plan



3. Impacts on GDP, Jobs, and Wages

This section estimates the proposal's likely impacts on GDP, jobs, and wages.

3.1 One-off Construction Impacts

3.1.1 Overview

Planning for, designing, consenting, and constructing the 138 (or so) dwellings and limited commercial spaces enabled by the proposal 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.

These 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 the effects of contractors directly engaged for the project; plus
- **Indirect effects** – which arise when businesses engaged 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.
- **Employment (FTEs)** – the number of full-time equivalent workers employed (FTEs).
- **Total wages and salaries** paid to workers, which are often labelled 'household incomes.'

3.1.2 Inputs and Assumptions

Table 1 below identifies the assumptions made to estimate likely on-off construction impacts, which include an average dwelling size of 110m². This is lower than the average of 130m² for nearby terrace houses and duplexes and reflects the likely smaller size of the apartments proposed as part of the development.

The dairy is expected to be only 75m² and the café 150m².

The assumed average construction cost for all buildings is \$2,500 per m². We acknowledge that the apartments are likely to be a lot more expensive than this, but adopt a site-wide average of \$2,500m² for simplicity and to keep the analysis as conservative as possible.

Table 1: Construction Cost Assumptions

Residential	Value
# of dwellings	138
Average dwelling size (m ²)	110
Cost per m ²	\$2,500
Residential Construction Cost	\$37,950,000
Commercial	
Dairy GFA (m ²)	75
Café GFA (m ²)	150
Total Commercial GFA (m ²)	225
Cost per m ²	\$2,500
Commercial Construction Cost	\$562,500
Total Construction Cost	\$38,512,500

In addition, we estimated planning/design/consent and land development costs based on the known costs of similar, previous projects. (However, we do not disclose them here for commercial sensitivity reasons on the basis that they are not publicly available like construction costs are in building consent data).

3.1.3 Estimated Economic Impacts

Having defined our methodology and set out our assumptions, the following table now presents the estimated one-off economic impacts of the development activities enabled by the proposal.

Table 2: One-Off National Economic Impacts of Construction

Planning/Design/Consent	Direct	Indirect	Total
FTEs – 1 year	4	2	6
GDP \$m	\$0.6	\$0.3	\$0.9
Wages/Salaries \$m	\$0.3	\$0.2	\$0.5
Site Preparation			
FTEs – 9 months	19	21	40
GDP \$m	\$1.8	\$2.2	\$4.0
Wages/Salaries \$m	\$1.1	\$1.1	\$2.2
Construction			
FTEs – 2 years	32	100	132
GDP \$m	\$9.3	\$25.9	\$35.1
Wages/Salaries \$m	\$4.1	\$13.1	\$17.2
Project Totals			
FTE-Years	81	219	300
GDP \$m	\$11.7	\$28.4	\$40.1
Wages/Salaries \$m	\$5.6	\$14.3	\$19.9

In summary:

- Future planning/design/consenting work is estimated to create full-time employment for approximately 6 people for 12 months, generating \$0.5m in wages/salaries;

- Site preparation (including infrastructure provision) is estimated to generate full-time work for approximately 40 people for 9 months (split across various stages), with \$2.2m in wages/salaries paid; and
- Construction of the 138 dwellings and associated commercial activities will provide full-time employment for around 130 people for 2 years (again, split across various stages), with around \$17m paid in wages and salaries.

3.2 Ongoing Onsite Employment

Once operational, the proposed dairy and café will also provide ongoing employment for future workers. In total, we estimate that future onsite activity across the development is likely to sustain approximately 6 FTE jobs on an ongoing basis, as outlined in Table 3 below.

Table 3: Ongoing Onsite Employment

Activity	FTEs
Dairy	1
Café	5
Total	6

4. Wider Economic Effects of Proposal

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

4.1 Boost in Housing Supply

The proposal provides a significant boost in housing capacity by providing an estimated 138 residential dwellings. Developments like this are critical to keep providing a range of smaller and more affordable dwellings to meet the region's rapidly evolving needs.

4.2 Land Use Efficiency

The high-density nature of the proposal represents an efficient use of the site's land, which helps give effect to the strategic direction set out in the Auckland Plan 2050. It encourages the development of apartments to meet the changing needs and budgets of the region's growing population.

4.3 Infrastructure Efficiency

Apartments and terraced dwellings, such as those proposed, generate lower peak/summer water demand and less stormwater than lower-rise developments. As such, they create less demand for Council water and stormwater infrastructure.

4.4 Critical Mass and Support for Nearby Centres

Albany is one of the Auckland Region's fifteen Metropolitan Centres, which are subsidiary only to the Auckland CBD in the region's centres hierarchy. As the dwellings in the development are developed and sold or leased, spending by future occupants will help create critical mass to support the ongoing health and vitality of the metropolitan centre, plus the nearby Albany Village. This, in turn, supports ongoing economic activity within those centres while assisting them to establish attractive destinations and amenity for existing and future nearby residents.

4.5 Providing for a Range of Dwelling Types

The proposal enables a range of dwelling types to be provided onsite, including apartments, terraced houses, and "live-work" units. This diversity of dwelling types is consistent with, and directly gives effect to, 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 demand, but also to provide a range of housing typologies to meet a wide variety of needs and preferences.

4.6 Highest and Best Use of Land

Finally, the proposal will also enable the land to be put to its highest and best use, which is a precondition for economic efficiency to hold in the underlying land market.