

PROPERTY **E**CONOMICS



TE PURU BUSINESS PARK

FAST TRACK ECONOMIC IMPACT

ASSESSMENT OVERVIEW

Client: Manukau Quarries

Project No: 52286

Date: February 2023



SCHEDULE

Code	Date	Information / Comments	Project Leader
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1. INTRODUCTION

Property Economics have been asked to summarise the economic impacts that will flow from the application by Manukau Quarries for resource consents relating to the development and construction of an industrial business park (Te Puru) comprising around 6,000sqm of building GFA¹ and 17,500sqm of yard space by 2026 ("the Project").

This economic impact overview relates to the application to have the Project referred to the FastTrack process.

This economic impact estimates the total additional gross economic output² into the Auckland economy that would be facilitated 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.

This assessment is not site specific. It is assumed the Te Puru Business Park area represents an efficient location for future growth and therefore the associated infrastructure is location specific. Additionally, the assessment has not endeavoured to identify the extent to which particular parts of the Auckland Region will benefit economically. It assesses the likely economic impacts upon aggregate Auckland business activity given the composition of activities proposed.

¹ Gross Floor Area

² For example, this has not taken into account the short-term loss of operational employment currently on site.

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 (CAPEX³) of the facilitated activities 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 operation of the facilitated 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.

2. EXECUTIVE SUMMARY

The Te Puru Business Park application proposes to develop the Site into an industrial business park with circa 6,000 sqm building GFA and 17,500sqm of yard space.

The total economic impact on business activity within Auckland as a result of the subject Te Puru Business Park development over a 3-year period is estimated to be just over \$40 million (NPV)⁴. In terms of employment multipliers⁵ this would contribute around 140⁶ FTEs⁷ during the peak development and operation year within Auckland, with a total of 345 FTE years over the 3-year development period.

The direct impact on the Construction and Construction Services sectors associated with direct employment measure approximately 181 FTE years over the 3-year construction period. Direct economic injection from construction and development phases equate to around \$39m.

The FastTrack process and development of the Project sooner than the standard RMA process would provide multiple economic benefits to the community including increased business location choice, more local employment opportunities, lower marginal infrastructure costs.

³ CAPEX – Capital Expenditure

⁴ Net Present Value

⁵ Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

⁶ 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.

⁷ An FTE relates to a fulltime equivalent employee or the number of hours worked considered to be at a fulltime rate. FTE years relate to that level of work over a period of a year.

In summary:

- If the FastTrack process is used (with completion in 2026), then the total impact on business activity in Auckland is estimated to be in the order of \$40.3 million with a total number of 345 FTE's over the period.
- If a standard consenting process is used (with completion in 2028):
 - at the point of completion there will be a total contribution of \$39m with 331 FTE years created.
 - in 2026 (when the FastTrack process would have completed), the standard consent process will only have generated \$9.8m in regional activity and 86 FTE years.
- Accordingly, the use of FastTrack process is estimated to result in an additional \$30.5m more in economic activity and 259 FTE years created by 2026.

3. ECONOMIC CONTEXT

In assessing the potential economic impacts, it is important to firstly establish the context in which they will be assessed. For the purposes of this assessment the three important parameters are:

- 1) The geospatial extent of the economic impact. While facilitation of additional business development and spend is likely to have a national economic impact, the majority of impacts are likely to be retained within the Auckland Region. As identified, for the purposes of this assessment, the extent of economic impacts is focussed on the retention of activity within this area.
- 2) The economic impacts are those resulting from the industrial development over a three-year period.
- 3) In terms of the statutory considerations the RMA provides context in terms of the utilisation of resources and the resulting impact on the price and provision of these resources. It calls for the "*efficient use and development of natural and physical resources*", with economic efficiency being defined as "*the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs*"; Part II section 7 (b) RMA.

As identified the proposed development is likely to have economic impacts that are felt beyond the specific costs and benefits within the region. Additionally, there are likely to be non-economic effects, such as environmental. While these effects may result in economic impacts for the most part they have not been addressed here.

4. TOTAL ECONOMIC ACTIVITY

This section assesses the potential economic activity generated within the Auckland Region specifically attributable to the Project through spending on the general civil works and industrial development.

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 48 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.

4.1. 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. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. 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 data⁸ to March 2022.
4. 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.
5. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchment. As stated, this assessment is not site specific.
6. For the purposes of this report a 6% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific company locations.
8. 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.

⁸ Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

4.2. TOTAL AUCKLAND ECONOMIC ACTIVITY

TABLE 1: TOTAL GROSS AUCKLAND ECONOMIC INJECTION OF PROJECT (FASTTRACK)

	2022	2023	2024	2025	2026	Total
Direct Expenditure (\$m)						
Land						
Earthworks / Civil Works			\$3.6	\$3.2	\$1.2	\$8.0
Demolition			\$0.1			
Civil Consultants			\$0.5			\$0.5
Levies				\$1.1	\$0.6	\$1.8
Other					\$1.6	
Infrastructure				\$1.7	\$0.4	\$2.1
Total Development Costs (excl. land)			\$4.2	\$6.0	\$3.8	\$14.1
Construction			\$5.6	\$5.3	\$9.8	\$20.7
Total Construction and Development Costs (excl. Land)			\$9.8	\$11.3	\$13.7	\$34.8
Increased Local Spend*				\$1.6	\$2.4	\$4.0
Total Direct Expenditure (excl. land)			\$9.8	\$12.9	\$16.1	\$38.8
Level 2 Multiplier Impacts						
Total Auckland Output NPV (48 sector multipliers)**			\$11.1	\$13.6	\$15.6	\$40.3
Employment (FTE Years)						
Development Employment			31	44	28	102
Construction Employment			54	59	74	187
Other Employment			6	11	39	56
Total Employment (FTE years)			90	114	141	345

Source: Property Economics

* Increased Local Spend by residents, employees, construction workers and additional local business spend through the different stages of development.

**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 Te Puru Business Park development over an 3-year period is estimated to be in the order of \$40 million.

In terms of employment multipliers this would contribute over 140⁹ jobs during the peak construction year within Auckland, with a total number of FTE's at 345 over the development period.

⁹ 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. The fundamental differences here are primarily the extended consenting timeframe.

TABLE 2: TOTAL GROSS AUCKLAND ECONOMIC INJECTION (STANDARD)

	2022	2023	2024	2025	2026	2027	2028	Total
Direct Expenditure (\$m)								
Land								
Earthworks / Civil Works					\$3.6	\$3.2	\$1.2	\$8.0
Demolition					\$0.1			
Civil Consultants					\$0.5			\$0.5
Levies						\$1.1	\$0.6	\$1.8
Other							\$1.6	
Infrastructure						\$1.7	\$0.4	
Total Development Costs (excl. land)					\$4.2	\$6.0	\$3.8	\$14.1
Construction					\$5.6	\$5.3	\$9.8	\$20.7
Total Construction and Development Costs (excl. Land)					\$9.8	\$11.3	\$13.7	\$34.8
Increased Local Spend						\$1.6	\$2.4	\$4.0
Total Direct Expenditure (excl. land)					\$9.8	\$12.9	\$16.1	\$38.8
Level 2 Multiplier Impacts								
Total Auckland Output NPV (48 sector multipliers)**					\$9.8	\$12.0	\$13.8	\$35.6
Employment (FTE Years)								
Development Employment					30	42	27	98
Construction Employment					51	57	71	179
Other Employment						11	38	49
Total Employment (FTE years)					86	109	135	331

Source: Property Economics

The table illustrates a total contribution to GDP through to 2028 of \$35.6m with just over 331 total FTE positions created.

The reasons for the significant decrease from the FastTrack application include:

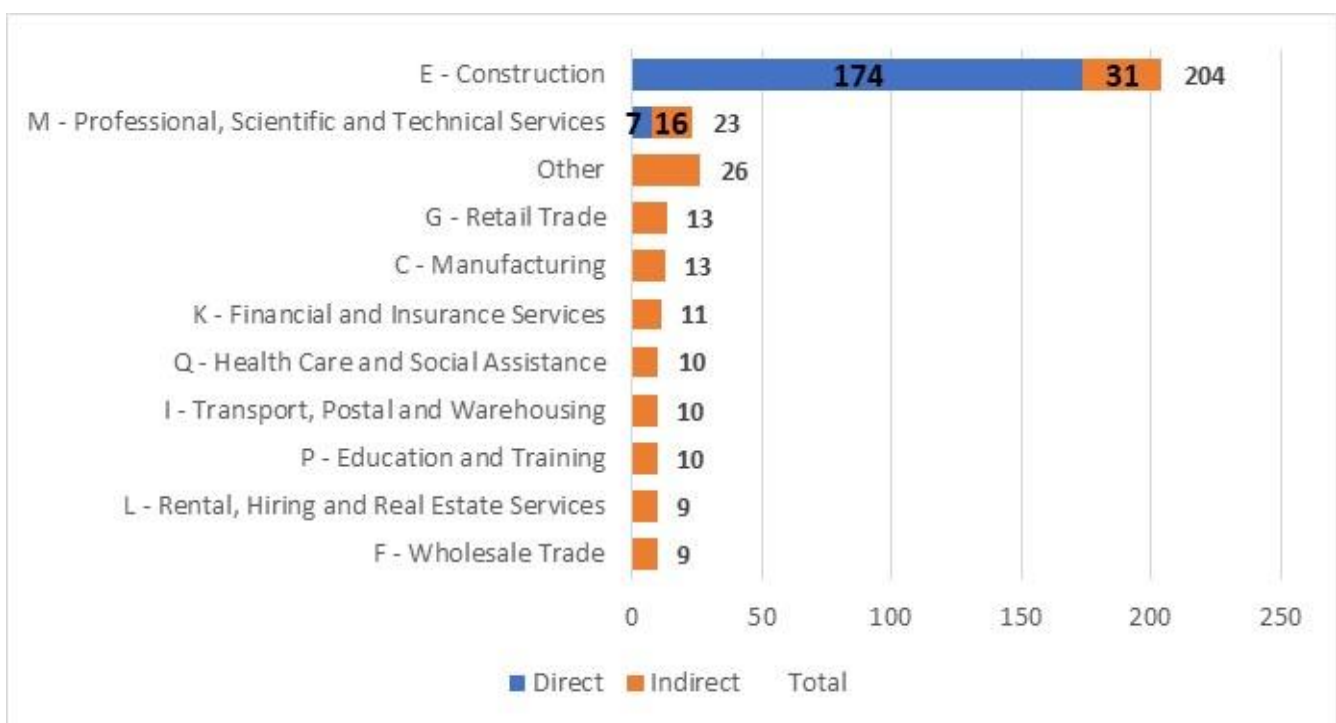
- The application of Net Present Value (where \$1 early is worth more than the same \$1 a year later, the discount rate 6%)
- The discount relativity (e.g., changes in productivity) between a job created now and one in the future.
- In 2026 (over the next 3 years) the FastTrack proposal will have generated over \$30m and nearly 260 additional FTE's to the Auckland economy compared to the standard consent procedure.

4.3. 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 181 FTE years with the remaining around 158 FTE years resulting from indirect and induced activity.

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



Source: Property Economics

TABLE 3: TOTAL DIRECT EMPLOYMENT BY YEAR

	2024	2025	2026	TOTAL
Direct Employment	45	62	74	181

Source: Property Economics

Table 3 provides a further breakdown of direct FTE employment by year under the FastTrack option. The highest year is anticipated to be 2026 with 74 direct FTEs.

5. 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. **Increased Land:** The proposed development has the ability to supply the market with industrial activity increasing capacity within a single-planned area. This provides not only the ability for the area to improve its responsiveness to growth demands but itself facilitate further growth within the area with an increase in overall competitiveness and efficiency due to the intensity of the proposed development. This is in keeping with one of the key purposes of the FastTrack Act¹⁰ of increasing overall housing supply (s19(d)(ii)).

Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size.

2. **Decreased Marginal Infrastructure Costs:** Once again the opportunity to cohesively plan an area has the potential to bring with it, economies of scales and lower marginal infrastructure costs. Additionally, the 'future provision and identification' of this area allows for the future proofing of the area and the community and private infrastructure requirements.
3. **Impact on Current Employment Levels:** While Covid-19 has had a less significant impact on the general economy than 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 of the economy, they do contribute substantially to overall community wellbeing and will support greater spend and general economic activity that in turn supports greater activity in the affected sectors.

While the sectors that are likely to benefit directly by this proposed development were initially less affected by the pandemic the impacts have been more recently felt throughout the development and construction industries. "After adjusting for seasonal effects, the construction industry had a \$1.8 billion sales fall, down (8.9 percent) from the June 2021 quarter"¹¹.

¹⁰ COVID-19 Recovery (Fast-track Consenting) Act 2020

¹¹ <https://www.stats.govt.nz/news/construction-and-retailers-curbed-by-covid-19/>

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).

6. SUMMARY

Overall, the proposed project represents a significant opportunity for the Auckland economy to protect, sustain and grow jobs and income, provide additional job opportunities and income, while also providing additional competitive business opportunities.

This development also positively contributes to the outcomes sought in the NPS UD¹² by providing additional industrial capacity and providing more choice in the market in relation to industrial business location opportunities.

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 localised and regional economies.

¹² *National Policy Statement on Urban Development 2020*