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**Te Tauoma Stage 1B Fast
Track Consent Application**
Economic Impact Assessment

1 October 2021 – Final

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Te Tauoma Stage 1B Fast Track Consent Application

Economic Impact Assessment

Prepared for

Shundi Tamaki Village Limited

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Executive Summary

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. In order to provide a degree of economic impetus, government are speeding up the consenting process for qualifying development projects, meaning 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 qualifying developments themselves (commercial, residential and infrastructure) would stimulate and facilitate economic activity in communities suffering from COVID-19 driven downturns.

Finally, the developments may also provide housing capacity to assist in meeting residential demand.

To this end, the COVID-19 Recovery (Fast-track Consenting) Act came into effect in July 2020. The purpose of this Act was to promote economic activity while continuing to promote sustainable management of natural and physical resources. Developers can apply under the Act, seeking Fast-track status for consents.

Shundi Tamaki Village Limited are seeking a Fast-track consent to accelerate the development of a multi-stage residential and mixed-use development in St Johns, Auckland. In addition to bringing forward the development of residential dwellings in Auckland, the project helps sustain construction jobs. Given Auckland has been particularly hard hit by the effects of a COVID-19 driven downturn in tourism, this has the potential to be beneficial.

The development site is located at 261 Morrin Rd, within the east Auckland suburb of St Johns. The site was formerly the Tamaki Campus of the University of Auckland. The proposed development will see providing housing for over 1,500 households, along with 11,000sqm of commercial space and over 3,000sqm of retail and food services built across four stages over the space of eight years. The build will provide a range of residential dwelling types and commercial and retail spaces.

To assess the potential effects an economic impact model (IO) has been developed. Shundi Tamaki Village Limited have provided forecasted cashflow by development stage with time estimates under the Fast-track pathway, while the normal consent scenario is expected to have the same cashflows but with a 12-24 month delay.

A fast-tracked approval process will see development commencing in 2022 through to 2030, compared with a process that delays by 12 months.

Results

Contribution to GDP

Shundi Tamaki Village Limited are expecting to spend some § 9(2)(b)(ii) to carry out the development (plus statutory levies and fees). Under the Fast-track scenario, the cumulative **direct value added** from the present to completion of the project under this scenario, is projected to be around **\$288 million**.

Based on the IO modelling, the development will stimulate a total of \$837 million of direct plus indirect and induced value added (GDP).

When the total impacts of the two scenarios are compared the fast track development pathway generates approximately ^{§ 9(2)(b)(iii)} more value added (GDP) than the non-COVID-19 relief pathway.

Contribution to Employment

In 2022, the Fast-tracked development will directly sustain approximately 123 Full time equivalent jobs (for a year) across a range of sectors (see Figure 1 below). By 2023, this total could increase to around 655 job years sustained, as the construction begins, and this is expected to peak at 819 in 2027. In total the development proposed could sustain a cumulative total of around 5,472 FTE's (for a year) by completion in 2030 if approved by Fast Track consent. The Direct jobs are assumed to be sustained in the Auckland Region.

The Fast-track scenario is projected to sustain the equivalent of 13,842 Full Time Equivalent (FTE) workers working for one year, once the indirect and induced effects are added. While all the direct impacts are assumed to occur in the Auckland region, the indirect impact of the proposed development will have effects reaching the rest of the North Island and the rest of New Zealand.

There is no difference in employment impacts between the two scenarios as the same volume of work will be carried out.

Figure 1: Employment sustained by sector under Fast-Track (FTE years)

Economic Sector	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total FTE years
Direct Employment (FTEs)										
Residential building construction	0.0	146.1	155.8	264.4	320.4	250.1	180.0	115.2	66.9	1,137
Non-residential building construction	0.0	42.3	44.2	56.7	67.7	57.6	52.1	33.4	19.4	269
Construction services	0.0	411.2	413.7	195.1	206.6	294.0	506.7	324.3	188.4	1,521
Scientific, architectural and engineering services	26.4	11.9	36.5	66.4	77.9	64.6	8.4	5.4	3.1	284
Legal and accounting services	36.9	16.4	48.3	49.1	53.8	57.3	11.6	7.4	4.3	261
Advertising, market research and management services	60.4	27.2	80.4	82.3	90.2	95.8	19.2	12.3	7.1	436
Total Direct (FTEs)	123	655	779	714	817	819	778	498	289	5,472
Direct, Indirect and Induced (FTEs)										
Primary Sector	0.6	8.0	8.9	10.9	12.9	11.3	9.7	6.2	3.6	72
Mining and Quarry	0.0	0.3	0.3	0.3	0.4	0.3	0.3	0.2	0.1	2
Manufacturing	7.1	119.7	130.8	155.3	183.6	162.0	145.8	93.3	54.2	1,052
Utilities	0.6	8.2	9.0	10.1	11.9	10.8	9.9	6.4	3.7	71
Construction	2.4	906.9	937.6	942.0	1,102.9	1,031.3	1,116.9	715.0	415.3	7,170
Wholesale trade	2.3	45.5	49.1	54.4	64.0	58.0	55.5	35.5	20.6	385
Retail Trade	1.3	15.8	17.5	19.8	23.2	21.0	19.2	12.3	7.1	137
Accommodation and food services	1.6	13.6	15.6	17.7	20.8	18.8	16.4	10.5	6.1	121
Road transport	3.6	29.9	34.2	39.7	46.6	41.9	36.0	23.0	13.4	268
Information media and teleco	2.2	11.1	13.4	14.8	17.2	15.9	13.1	8.4	4.9	101
Finance	1.5	7.7	9.3	10.2	11.8	11.0	9.2	5.9	3.4	70
Insurance and funds	1.2	6.0	7.3	8.1	9.4	8.7	7.1	4.5	2.6	55
Rental, hiring and real estate services	2.2	14.9	17.4	19.9	23.3	21.1	17.9	11.5	6.7	135
Professional Services	154.8	187.4	330.3	397.3	455.6	427.1	194.2	124.3	72.2	2,343
Government Admin (local and central)	2.8	17.7	20.8	23.5	27.5	25.1	21.1	13.5	7.8	160
Education and training	7.2	50.9	59.2	68.4	80.3	72.4	61.1	39.1	22.7	461
Health care and social assistance	7.4	70.4	79.6	92.5	108.8	97.4	85.0	54.4	31.6	627
Arts, Rec., Personal & Other services	9.0	68.4	78.8	89.9	105.4	95.4	82.1	52.6	30.5	612
Total Direct, Indirect and Induced (FTEs)	208	1,582	1,819	1,975	2,306	2,129	1,900	1,217	707	13,842

1 Introduction

1.1 Background

Shundi Tamaki Village Limited (“STVL”) are developing the former Tamaki Campus of the University of Auckland at 261 Morrin Rd, St Johns into a multi-stage residential and mixed-use development that eventually will house over 1,500 households, along with 11,000sqm of commercial space and over 3,000sqm of retail and food services. The development is master planned over multiple stages and has been conceived as a ‘community in the park’ and is branded as **Te Tauoma**, a name gifted to the development by iwi engaging in the project. The development will retain one of the significant buildings already on the site as commercial and retail space with new apartment buildings widely spaced across the large site. The buildings will be sleeved with retail outlets and other active street frontage activities, and is well placed to take advantage of public transport options (e.g. the train stations at Glen Innes 300m away and the Panmure Transport Hub are less than 1km from the site), and AMETI, which will pass immediately adjacent to the site.

In order to develop the site fully, STVL will need to apply for a range of consents for development under the Resource Management Act 1991 (the ‘RMA’). The consenting processes are long and the length of time incurs a range of costs – both direct costs borne by the developer (such as holding costs including finance charges) and indirect costs borne by the community (deferred employment and deferred GDP). Any reduction in the length of time taken for development increases both the viability of the development and returns to the community.

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. In order to provide a degree of economic impetus, government decided that the consenting and approval process as currently operated under the RMA, did not provide the speed and certainty needed for developers (such as STVL) to progress their plans. Government recognised that by speeding up the development 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 COVID-19 Recovery (Fast-track Consenting) Act (the ‘Act’) came into effect in July 2020. The purpose of this Act is to promote economic activity while continuing to promote sustainable management of natural and physical resources. 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 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. The criteria that are relevant to this project (in terms of this assessment) are:

- a) *the project's economic benefits and costs for people or industries affected by COVID-19:*
- b)
- c) *whether the project would be likely to progress faster by using the processes provided by this 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 compares the fast-tracked development impacts generated by the Te Tauoama Stage 1B development, facilitated by the Act, against the standard development impacts under the standard RMA timelines, to highlight the degree to which the fast-tracked proposal generates economic benefits for people and communities affected by the COVID-19 downturn.

2 Study Area and COVID-19 Impacts

2.1 The Site

STVL are developing the former Auckland University Tamaki Campus adjacent to Colin Maiden Park and the future AMETI route (Figure 2.1). The Maungakeikei-Tamaki Local Board area is in the process of a significant transformation as Tāmaki Regeneration Limited and Kainga Ora redevelop the 2,800 or so State-owned residential properties to more than double the existing residential density across Tāmaki (being Glen Innes, Point England and Panmure). This will be associated with new and improved local and neighbourhood centres and employment opportunities. Te Tauoma, once fully developed, will add some 1,500 dwellings into the mix providing additional retail demand which will strengthen and add mass to the Glen Innes centre and Panmure. The commercial and retail components of the development will provide employment opportunities to the wider community as well.

Figure 2.1: Te Tauoma, 261 Morrin Rd



The full Te Tauoma development is intended to occur over an 8-10 year period. At this point Stage 1A is consented, which includes 4 buildings along the Morrin Rd edge of the site, a carpark building and 3 apartment buildings (circled in blue above). Stage 1A includes:

- 220 residential apartments,
- 3,100m² of commercial floorspace across 21 tenancies,
- 344 parking spaces and 464 secure cycle parking spaces.

The component of development that is the subject of this report is Stage 1B, circled in red on Figure 2.1, above. Stage 1B includes:

- two apartment buildings with a combined 191 residential apartments,
- 217 parking spaces and 106 secure cycle parking spaces.

The single level of basement parking spans the full combined Stage 1 development area and many of the car and cycle parking spaces approved under Stage 1A will be utilised to support accommodation within proposed Stage 1B towers.

In total STVL are expecting to invest s 9(2)(b)(ii) in Stage 1 of the development. It is important to note that while they are being consented in stages, STVL will ultimately deliver Stage 1A and 1B at the same time. If consent is not obtained for Stage 1B, M.E understand that STVL may need to reconsider their overall masterplan approach.

2.2 COVID-19 Impacts on Auckland

Auckland has a diverse economy, which (overall) serves to mitigate the impact of COVID-19. Tourism and industries associated with it have been most affected by the economic downturn associated with the pandemic. While tourism still represents a significant proportion of the Auckland economy, there is less reliance on this one industry than in other areas of New Zealand. However, across the board, all industries are impacted at some level through effects related to COVID-19, such as disrupted supply chains, trading restrictions, and general uncertainty. Figure 2.2 shows the contribution to the gross domestic product (GDP) of the Auckland region from the seven largest industries until March 2020¹. While the data available does not illustrate any significant changes caused by COVID-19, it does highlight the fact that Auckland's economy is well diversified across different industries. The industries shown contributed 57% of the region's GDP in 2019. The sectors most impacted by COVID-19 (such as accommodation and food and beverage services) represent only around 0.5% and 1.6% of the region's GDP, respectively. The construction sector, on the other hand, generates almost \$8 billion in Regional GDP in Auckland and represents almost 7% of the total.

Given the wide economic impacts of COVID-19, businesses within most sectors have experienced some negative impacts on their ability to operate. This, combined with the downturn in industries directly impacted, is causing further flow on effects to many in the wider community/economy at present. By way of example, Job Seeker Support data from the Ministry of Social Development (MSD) shows that counts are trending back down but are still high in Auckland compared to pre-COVID-19 levels (Figure 2.3). While Job Seeker numbers are not the same as unemployment figures (as not all unemployed are eligible for MSD's Job Seeker Support), the numbers do help us understand how employment (and unemployment) is trending in the Auckland region.

¹ Sourced from Stats NZ.

Figure 2.2 - Contributions to GDP in Auckland by Industry 2000-19 (Source: MBIE)

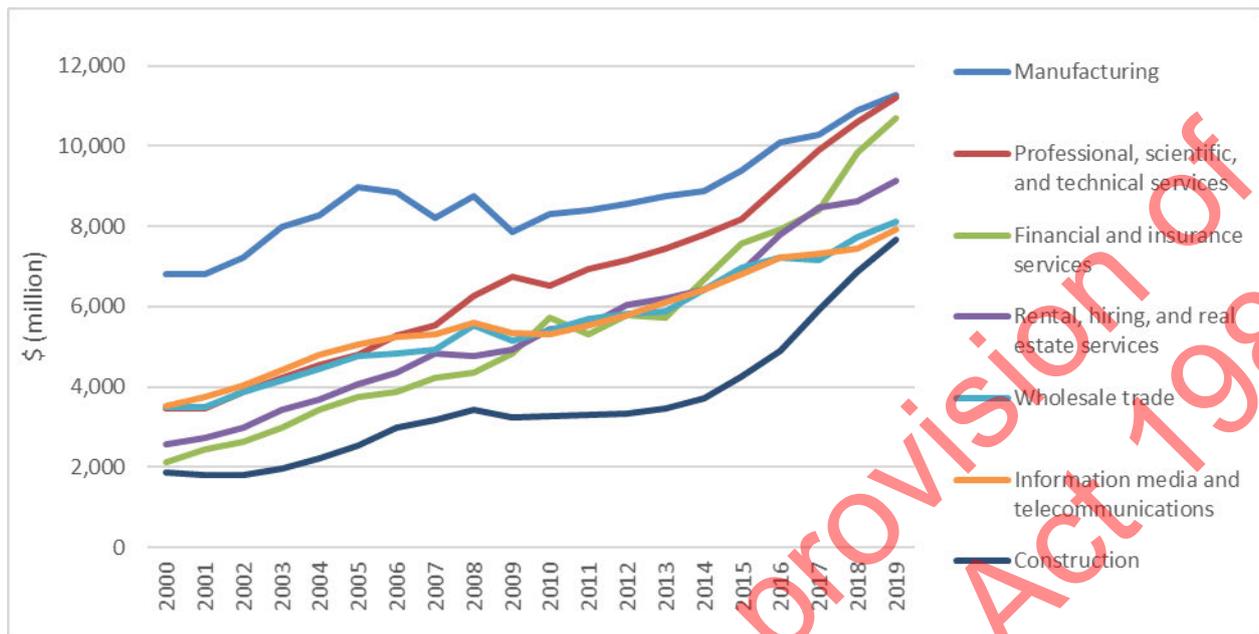


Figure 2.3 - Job Seeker Support Data by Quarter for Auckland (Source: MSD)



2.2.1 Construction Industry

The construction sector tends to grow commensurate with overall economic growth. As more jobs are sustained or created in central areas, more households are going to reside in the area to live and work, thus driving demand for dwelling and other commercial construction.

Building consent data offers an ability to measure intended activity in the construction sector in the short-term future, particularly the next 12 months. Based on data from Stats NZ, construction consent numbers have exceeded pre-COVID levels, which may have been influenced by delays causing a backlog. Below is an analysis of the consent data for the Auckland region and the Orakei Tamaki Area. Orakei Tamaki Area refers to the combination of the Orakei and Maungakiekie-Tamaki Local Board



Areas. The combination allows for greater understanding of the spatial context of the Te Tauoma development, as it is located in the Maungakiekie-Tamaki Local Board close to the border of Orakei Local Board. Figure 2.4 shows total construction consents by quarter for the Auckland Region and the Orakei Tamaki area. It shows that consent numbers fluctuate between quarters, but historically the trend has been increasing. Total construction consent numbers increased in the first quarter of 2021 in the Orakei Tamaki area (372) and in Auckland (4,381). The same trends in the last quarter apply to consents for new residential dwelling units (a subset of total construction consents). Figure 2.5 shows quarterly consents have rebounded since the first COVID-19 lockdown. Auckland consented 4,208 new residential dwelling units with 361 consented within the Orakei Tamaki area. While this still looks positive for the next 12 months of construction activity, there is considerable uncertainty for the 12-24 months that follow. Increasing interest rates and inflation along with a halt to quantitative easing, means money becomes more expensive to borrow – and you need more of it to build homes and infrastructure. In addition, investors are now able to get higher returns in investments other than housing, so demand for housing begins to reduce. This combination of supply cost increase and demand drops means that as interest rates rise, construction activity slows.

In the most recent quarter, the Auckland region had 777 new apartments² consented with 95 consented specifically within the Orakei Tamaki area (Figure 2.6). The Stage 1B proposal includes 191 residential apartments, which will form part of the 411 being delivered through the Stage 1 development. Approximately 1,500 apartments will be developed as part of the overall Te Tauoma development over the next 8-10 years. If distributed evenly this represents around 150 new dwellings per annum. On an average quarterly basis this is between 35 – 40 units per quarter, or between 35% and 40% additional residential units in the Orakei Tamaki area. The Te Tauoma development represents a significant and important housing development both for the Orakei Tamaki catchment and for the wider Auckland Region.

At the beginning of 2020, the construction sector directly employed 62,000 employees across 25,000 businesses in the Auckland region³. The construction sector employs a significant proportion of the total regional workforce. It is important to keep workers in this sector employed and avoid escalating unemployment and underemployment. The best way to do that is to ensure that there is a steady stream of projects in the development pipeline, that way businesses and workers have surety of employment over longer periods so can invest in plant and equipment as well as training and new staff. In addition, the sector can provide a significant number of job opportunities, across a range of skill levels, for workers in industries adversely impacted by COVID-19. The sector also has strong links into a wider value chain such that additional activity in the construction sector is supported by additional activity in the manufacturing and services sectors.

Finally, the location of the Orakei Tamaki area within the surrounding region means that large scale construction projects such as Te Tauoma are likely to provide opportunities for construction businesses across the wider region.

² This refers to individual apartment units not entire apartment buildings.

³ Stats NZ: Geographic units by industry and statistical area 2000-20, based on data from the Statistics New Zealand Business Register as of February 2020.

Figure 2.4 - Total Construction Consents by Quarter in Auckland and Orakei Tamaki Area

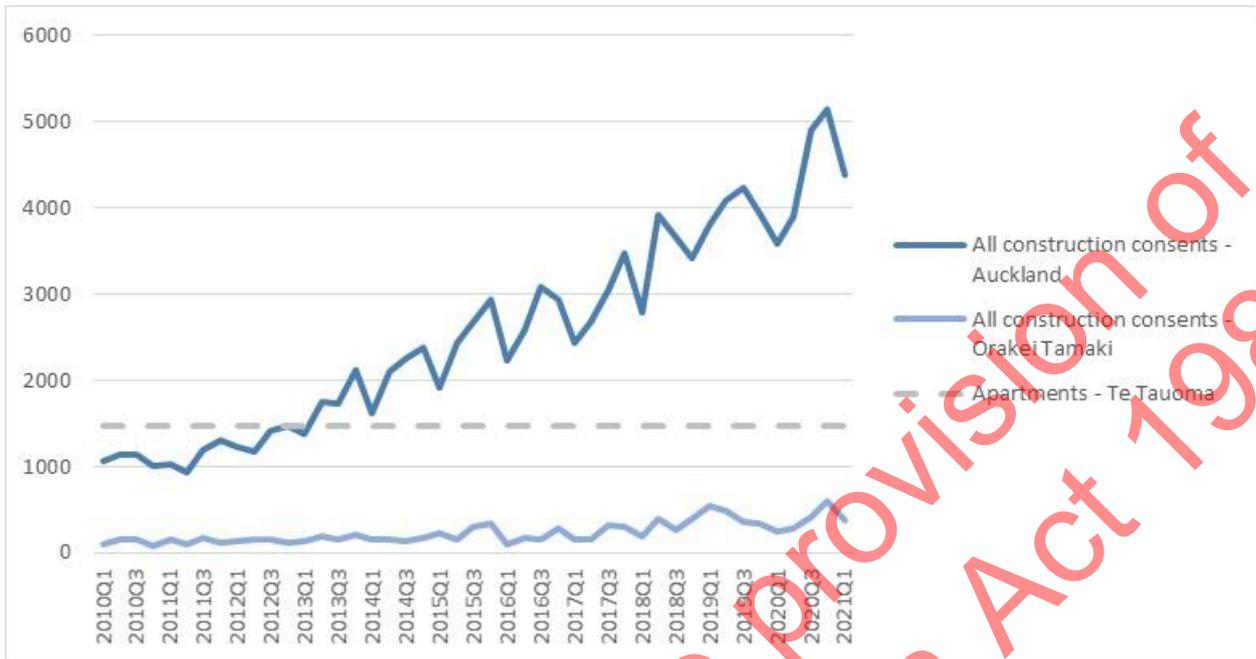
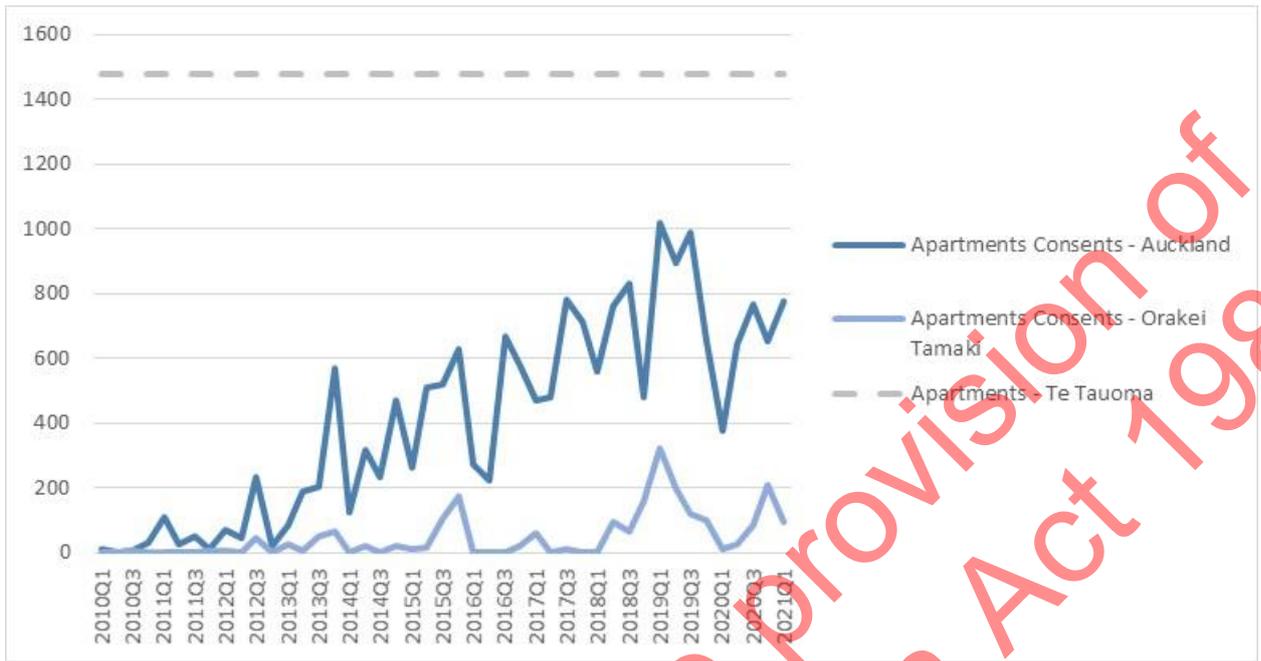


Figure 2.5 - Residential Building Consents by Quarter in Auckland and Orakei Tamaki Area



Figure 2.6 - Apartment Building Consents by Quarter in Auckland and Orakei Tamaki Area



3 Economic benefits

In order to support an application under the COVID-19 Recovery (Fast-track consenting) Act, developers must demonstrate that the project will help to achieve the purpose of the Act. The Minister will consider a range of matters when determining this, including whether a project will generate economic benefits for the people or industries that might have been impacted by COVID-19 downturn. The Minister may also have regard to whether the project will generate employment.

To assess this, we have discussed with the developer (and their advisors) the nature of relief that the fast-track pathway delivers. The differences between a standard (RMA) development pathway and a fast-track pathway is driven by the concept of net present value (or NPV). This concept is motivated by the time value of money – that is, money now is worth more than money in the future. Therefore, the value today, of additional economic activity that generates value added or employment depends on when the activity will occur. The fast-track pathway allows for significant economic activity created by Te Tauoma to be experienced sooner. This is worth more to the current community than employment and GDP in a number of years' time. 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.

3.1 Approach

To assess the economic benefits of a fast-tracked application relies on assessing the effects of two development scenarios (fast-track scenario and RMA scenario) and discounting (using NPV) the impacts back to current terms. This means modelling as though the development proceeds now, compared with the development proceeding in 1-2 years' time once the RMA processes are complete.

This analysis relies on project timings and budgets provided by STVL. This included detailed breakdowns of spending into categories such as site preparation, construction, design, approvals, consultancy services and PR/marketing. That is, the total costs split by year for the construction of residential buildings, non-residential (such as recreational and car park buildings) and school buildings. This spending by the developer is directed to construction businesses within the Auckland region⁴.

Specifically, M.E have assumed that all construction (including construction services such as electrical and plumbing work) and related professional services such as architectural services, engineering and land surveying will be carried out by businesses that operate within the Auckland region. The balance of spending (i.e., accounting, finance, insurance, legal, advertising/marketing and other services) is also assumed to be directed to businesses based in Auckland, due to the region's status as New Zealand's major hub for the service sectors.

⁴ For the IO model all direct expenditure is assumed to be in Auckland for simplicity.

M.E. have matched this planned spending to 106 economic sectors in a multi regional input-output (MRIO) model (using a 2016 base year). The IO model provides projections of new additional value added and employment in the economy as a result of the development of Te Tauouma. The new spending related to this project drives economic impacts, both directly and indirectly, as the new activity flows on to other sectors of the economy. The economic links between Auckland and the rest of New Zealand are also captured, showing the extent of the spread of the additional economic activity. The MRIO model contains data on total output for each sector in Auckland and the required employment to create this output. We are able to use these numbers to estimate the additional employees required as a result of an increase in output. Using the budgets and timings provided by STVL, M.E is able to estimate the annual employment required to complete all stages of the construction (i.e. direct employment), as well as the additional direct value added.

STVL have provided a forecasted construction budget by development stage with time estimates under the fast-track pathway. This application is for Fast-Track consent only for Stage 1B, therefore the effects recorded assume that Stage 1B is consented quickly while the stages that follow are consented along standard RMA timelines (albeit starting from an earlier date). The normal consent scenario is expected to have the same cashflows but with a 12 month delay.

Therefore, the scenario under the regular consent process, pushes back all spending by 12 months with no additional economic activity in the delay period. The analysis compares the value added and Full Time Equivalent workers or FTEs⁵, sustained over time for each scenario. The value added results are then discounted on an annual basis at a rate of 5%⁶. Discounting is used to reflect the rate of time preference and the opportunity cost of capital, reflecting the present value of future benefits. It is also known as a net present value analysis (NPV). 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 the future. The difference in value between those two scenarios represents the benefits that would be achieved if Stage 1B was consented under the Act.

3.2 Economic Effects

3.2.1 Direct Impacts

Under the fast-track scenario, we have assumed that all stages of the development will be completed in August 2030. The cumulative direct value added from the present to completion, is projected to be around \$9(2)(b)(ii). The construction is set to be completed in stages, with Stage 1 split further into Stage 1A and 1B. The consents for Stage 1A have been granted already, and under the fast-track scenario it is anticipated that consents for Stage 1B would be granted in March 2022. Construction for Stage 1 would then start in January 2023 and completed in June 2025. Future stages are then completed between August 2027 and August 2030. Under the RMA scenario, all timings are pushed out 12 months (to account for delay in consents) (Table 3.1).

⁵ A more accurate terminology for FTEs is job year equivalents – that is the workload that is equivalent for a full time worker working for one year.

⁶ Treasury NZ default discount rate is 5%.

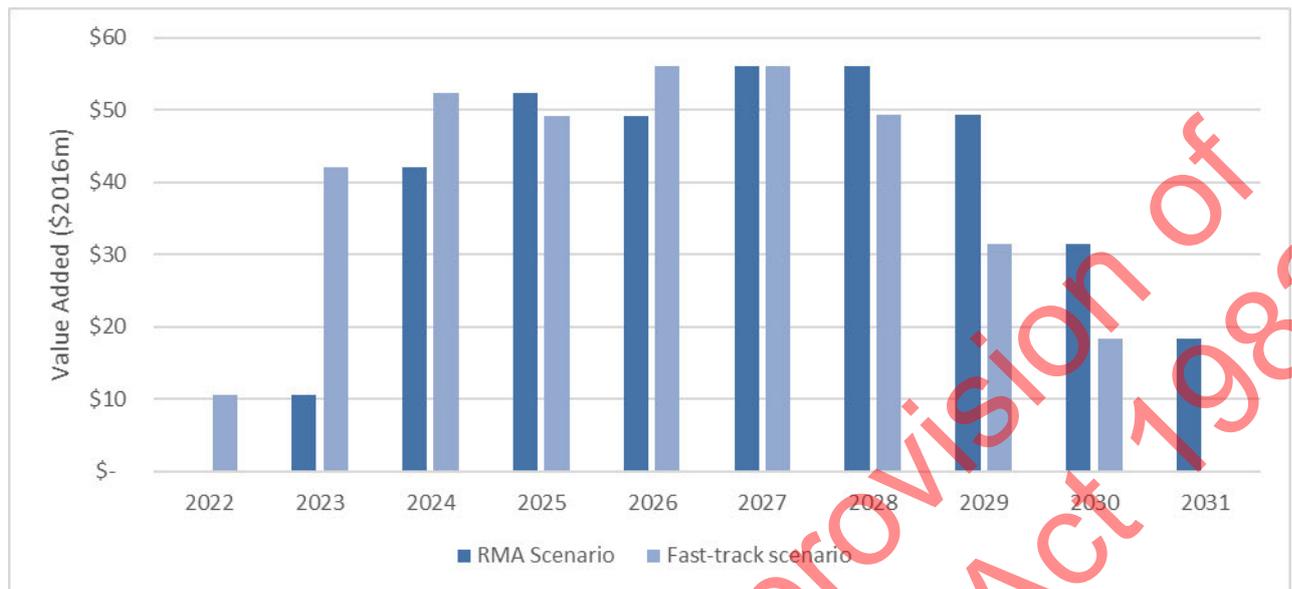
Table 3.1: Te Tauoma Construction Timings under Fast-track scenario and RMA scenario

	RMA Scenario		Fast-track Scenario	
	Start	Finish	Start	Finish
Stage 1A Resource Consent granted	Complete		Complete	
Stage 1B Resource Consent granted		1/03/2023		1/03/2022
Stage 1 Design & Consents	2/03/2023	16/02/2024	2/03/2022	16/02/2023
Stage 1 Construction start on site	29/12/2023	29/12/2023	29/12/2022	29/12/2022
Stage 1 Construction	1/01/2024	4/05/2026	1/01/2023	4/05/2025
Stage 2 Design & Consents	4/02/2025	30/03/2026	5/02/2024	30/03/2025
Stage 2 Construction	31/03/2026	4/08/2028	31/03/2025	5/08/2027
Stage 3 Design & Consents	31/03/2026	11/06/2027	31/03/2025	11/06/2026
Stage 3 Construction	14/06/2027	28/09/2029	14/06/2026	28/09/2028
Stage 4 Design & Consents	14/06/2027	22/12/2028	14/06/2026	23/12/2027
Stage 4 Construction	25/12/2028	1/08/2031	26/12/2027	1/08/2030
Primary school design & Consents	19/02/2024	3/02/2025	19/02/2023	4/02/2024
Primary school Construction	4/02/2025	4/02/2027	5/02/2024	4/02/2026

Figure 3.1 summarises estimated value added generated directly by Te Tauoma if Stage 1B is consented earlier under the fast-track process (“fast-track scenario”), compared to if it was consented with the other stages under the RMA (“RMA scenario”). The results include the economic value added generated by firms directly involved in the development inside the Auckland region, as it is assumed all direct activity is limited to the region. Under the fast-track scenario, Te Tauoma begins to contribute value added to the New Zealand economy in 2022, ramping up quickly to contribute over \$40 million (in 2016 dollars) in 2023. Direct value added peaks in 2026 and 2027 with \$56 million.

Under the RMA scenario, all effects are pushed out a year, with no economic impact including employment arising until 2023. The benefit of additional residential capacity is also delayed under the RMA scenario.

Figure 3.1- Direct Value Added Sustained by Year – RMA and Fast-track scenarios



When considering the time value of money (i.e net present value or NPV), the fast-track scenario contributes \$14m more in direct value added than the RMA scenario. The difference is a result of the delay under the RMA scenario of construction which means a greater reduction in the present value of future benefits through discounting. If it were not for the fast-track process set up by the Act, Stage 1B would need to be consented through the normal consenting process. This is expected to add around 12 months onto all future timings. As construction is the area where most of the spending is directed, by the time it starts to add value to the economy, these inflows are discounted significantly more than the scenario with Stage 1B being consented as a 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 benefit for the local community.

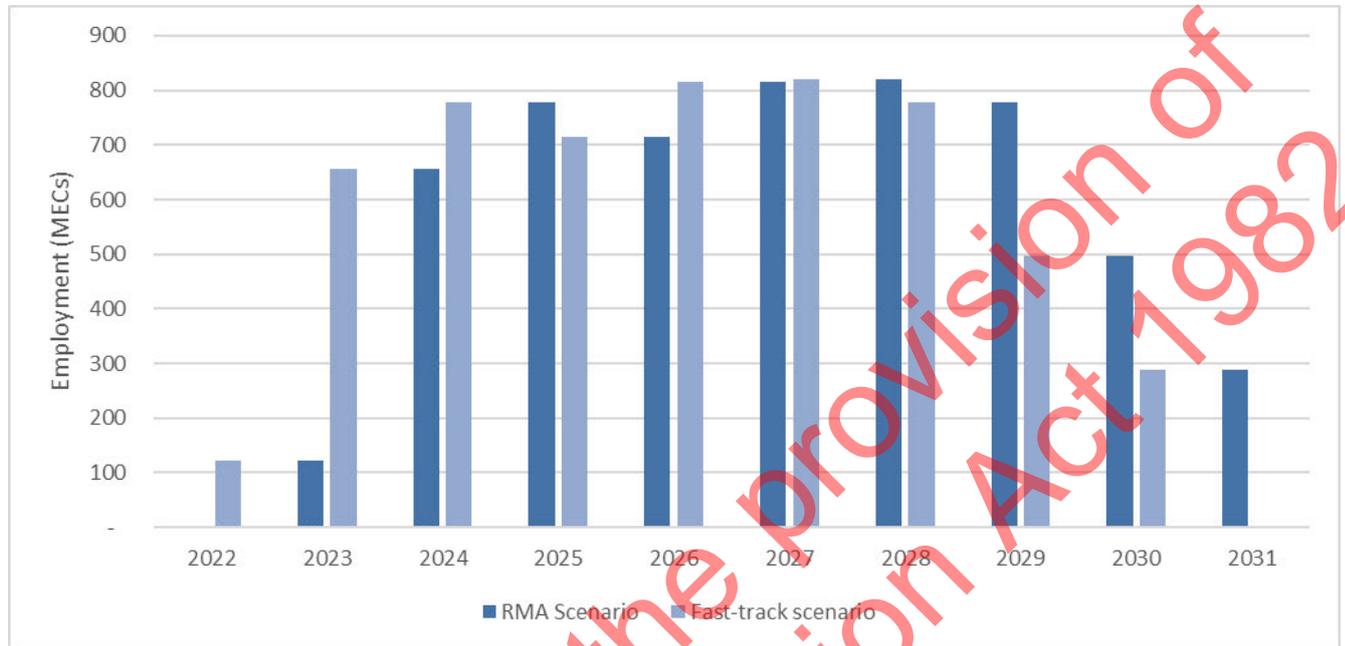
3.2.2 Employment

Under the fast-track scenario, directly sustained construction employment begins at the start of 2022 and is sustained through to 2030. This employment is primarily in construction but also includes professional services employment. By the end of 2030, the fast-tracked scenario could have directly sustained a cumulative total of around 5,470 FTEs across a range of sectors. At its peak in 2027, the construction can sustain an estimated 819 jobs. On average, the entire construction project is estimated to create 608 employees annually. This is shown in Figure 3.2, which summarises estimated total FTEs or MECs⁷ sustained directly by the Te Tauoma development under the fast-track scenario and the RMA scenario. The results include annual employment estimated to be sustained inside the Auckland region, as it is assumed all direct activity is limited to the region. Local jobs are not limited to

⁷ Modified Employee Count (MEC), this measure adds working proprietors (not registered as employees) to Statistics New Zealand's Employee Counts to provide a more accurate measure of actual employment by sector and location.

occurring on site, as construction companies for example will have office-based staff included in the estimated ratios, as well as other professional service employment located around the region.

Figure 3.2 - Direct Jobs Sustained by Year - RMA and Fast-track scenarios



By comparison, if Stage 1B were consented under the RMA, there is a longer time period estimated for approval. This means that construction does not start till the 2023 and runs till the end of 2031. While the number of jobs does not change (as it is assumed there are no total cashflow variations), the employment benefit is delayed by the RMA process.

3.3 Total Economic 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 Te Tauoima, across the whole economy. Many of the products required in construction are manufactured by industries based in Auckland. Therefore, as a construction demands more girders, wall panels and so on, the manufacturing sector increases output to meet these demands. In addition, when more labour is required, 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.

Based on the MRIO modelling, if the development of Te Tauoima development is fast-tracked, it will stimulate a total of \$724 million of direct plus indirect value added (GDP). Once the induced effects are included, this rises to \$837 million value added (GDP) across the duration of the development under the fast-track scenario. The fast-track scenario is also projected to indirectly contribute to sustaining

the employment equivalent of 13,842 FTEs⁸ working for a year, once the indirect and induced effects are included. While all the direct impacts are assumed to occur in the Auckland region, the indirect impact of the proposed development will have effects reaching the rest of the North Island and the rest of New Zealand as raw materials and intermediate materials are imported to meet the additional demands of this construction.

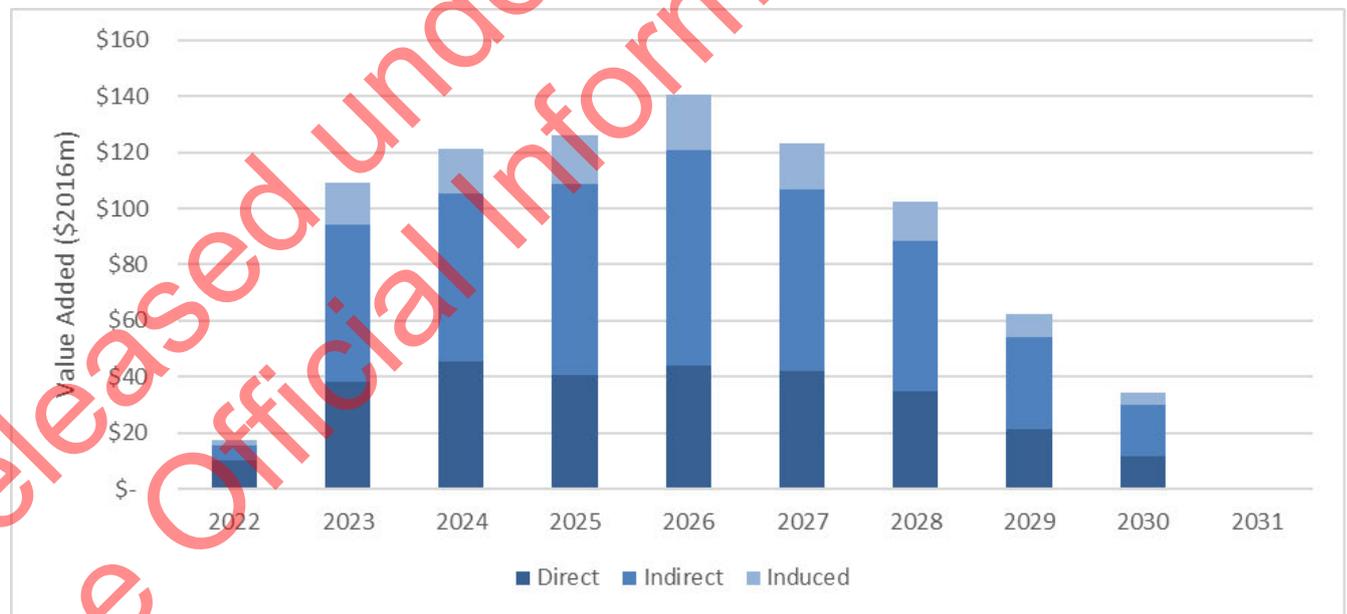
3.4 Fast-Track Benefits

It is important to note that Economic Impacts are not the same as ‘benefits’⁹, however for the purposes of this report, economic impacts in the form of contribution to GDP and employment have been used as proxies for benefits.

When the Total Economic impacts of the two scenarios are compared, differences arise based on the timing of the benefit flows. Due to the discounting of future activity, value added is greater under the fast-track scenario. In total, in net present value terms, the fast-track scenario generates approximately \$35m more value added (GDP) than the RMA scenario in the Auckland economy, when including both indirect and induced effects. At the national level the fast-track scenario stimulates \$40m more contribution to GDP in NPV terms than under the RMA scenario.

The following graphs demonstrate this by showing the full economic impact from the MRIO model of both scenarios measured by discounted (using NPV) value added.

Figure 3.3: Direct, Indirect and Induced Value added effects - Fast-track scenario (NPV)



⁸ Defined as the employment equivalent of a full time job for one person for a full year.

⁹ Economic Impacts are the effects a project has on the economy, such as increased activity and employment, contributions to GDP etc. Benefits to the community flow from these effects – Household incomes, government incomes, retained earnings etc.

Peak delivery of contribution to GDP under the fast-track scenario occurs in 2026 with just under \$140m of Total GDP delivered by the development's construction. Under the RMA scenario this peak occurs 1 year later and is slightly lower.

Figure 3.4: Direct, Indirect and Induced Value added effects - RMA scenario (NPV)



3.5 Summary of Fast-Track Benefits

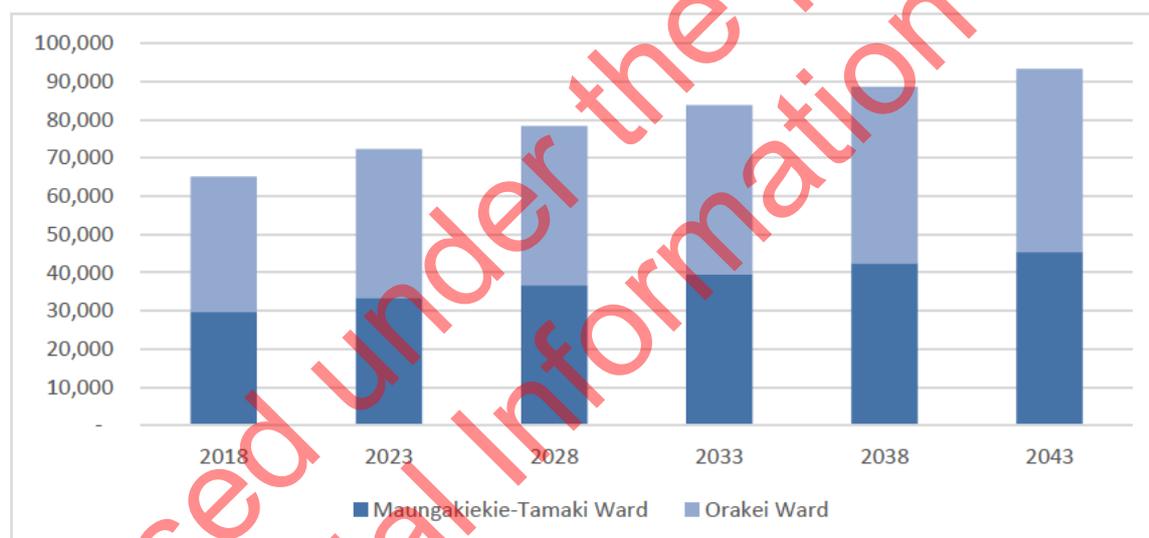
The development of Te Tauoma, from civil engineering and site preparation work leading to the sale of apartments and through to construction, is estimated to directly sustain employment equivalent to 5,470 FTEs working for a year within the Auckland economy. In addition to that, it will indirectly sustain considerable local jobs across the supply chain in a range of sectors. 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. A Fast-Track consent is estimated to bring the peak of the development's activity forward by an estimated 12 months.

4 Housing Supply

In considering whether the project will help to achieve the purpose of the Act, the Minister may also have regard to whether the project will result in a public benefit by increasing housing supply.

The population of Auckland is expected to grow significantly over the long term. The Orakei Tamaki area will experience this trend, especially as the importance of higher density residential property increases. The Orakei Tamaki area is projected to accommodate around 72,000 households in 2023, rising to around 93,000 in 2043. This long-term growth in household numbers is shown in Figure 4.1, where household numbers are projected to increase by around 1,100 households per year till 2043. As household numbers reflect the number of dwellings demanded, residential construction must keep up with this additional 1,100 households each year. This highlights the need for new residential developments, particularly higher density housing, to be constructed in the Orakei Tamaki Area.

Figure 4.1: - Projected Household Numbers for Orakei Tamaki Area (2018 base year)¹⁰



¹⁰ Source: ME Area Unit Households Projections – Market Meter.



The proposed development at Te Tauoma is planned to increase the housing supply by delivering approximately 1,500 residential apartments in total within the Orakei Tamaki area – Stage 1B (the subject of this application) is expected to deliver some 191 dwellings. The total build can be achieved by 2030, provided a Fast-Track consent is obtained for Stage 1B. The development represents a significant addition to residential capacity in the area. Providing capacity to meet residential demand in a timely manner, helps keep home ownership affordable. Higher density residential apartments translate to lower priced units (all else being equal) and subsequently lower housing costs, due to the lower amount of land on a per dwelling basis. The development therefore provides greater opportunities for more affordable housing¹¹ compared with no development proceeding. Under the fast-track scenario, the dwellings are likely to come to market earlier, helping alleviate a housing shortfall in the short term and helping ensure demand is met at as low a price as possible.

Based on our assessment, we believe the project will result in a public benefit by increasing housing supply in the Maungakiekie-Tamaki Local Board and consenting Stage 1B under the Act would mean that this benefit and increased supply could be provided sooner.

Released under the provision of
the Official Information Act 1982

¹¹ “More affordable” in a relative sense. The resulting dwellings may or may not meet existing definitions of affordable housing.

5 Conclusion

The proposed construction of the Te Tauoma development is expected to positively contribute to the future economic and social wellbeing of Auckland, 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 affected by COVID-19 and will assist in sustaining the large construction sector (and many other sectors) within the Auckland region (including upstream suppliers) suffering as a direct and indirect result of a downturn in economic activity and the uncertainty of the economic climate.

Once fully developed, the project will deliver approximately 1,500 apartments into the Orakei Tamaki area, of which some 191 are the subject of this Fast-Track application. The total development equates to approximately 3 years of average growth. The area is forecasted to have a 28,000 increase in households between 2018 and 2043, which will induce demand for new housing. The scale of Te Tauoma represents a significant contribution to the supply of housing in the area. In addition, the development will help ensure that the Auckland Isthmus has a range of residential options available for prospective households as well as help sustain Auckland's apartment construction sector.

The Te Tauoma development will also contribute directly to the economic growth of the Auckland Region and indirectly to the rest of New Zealand. The construction is expected to create \$288m in direct value added in the Auckland Region across 9 years, sustaining 5,470 FTE job years. When taking into account indirect and induced effects, the value-added effect increases to \$837m sustaining 13,840 FTE job years across 8 years.

The benefit of using the Fast-Track consent pathway to consent Stage 1B of the development is clear. Local jobs, primarily in the construction sector are created in the short-term future, with the construction expected to begin in 2022 – 12 months sooner that could be likely under a traditional resource consent approach (RMA scenario). 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 slow, putting local jobs on the line. It is also unclear how the large-scale commercial construction sector has been affected by COVID-19 and what the outlook is for firms which specialise in this type of construction.

Numerically, providing consent under the COVID-19 Fast-Track pathway for Stage 1B of this development generates a net additional contribution to GDP of approximately \$58m in current dollar terms.

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. Annual expenditures are used, and the impacts are calculated based on the years in which they are expected to occur.
- It is assumed that all direct expenditure of the development is received in the Auckland region. This was made for simplicity and the high likelihood that the majority of spending is directed to Auckland as it is the region which surrounds the site and as New Zealand's major financial and service hub, has the capability to be largely self-sufficient in completing the development.
- Only Stage 1 had detailed budgets which broke down costs into specific construction tasks and services (i.e cost for laying foundations, cost for build frame, electricians, plumbers etc). The split of these were then used to inform future stages where relevant.
- Other costs are assumed to be spread evenly across the development stage in which they are expected to occur (total cost/years).
- Two scenarios are used, one which reflects approval of a COVID-19 Fast-Track consent and the other a delayed consent, which reflects the standard process under the RMA (RMA scenario). STVL have estimated that the timing difference is around 12 months and no changes in expenditure are provided.
- The results of the input-output model are discounted (except for employment) annually at an annual rate of 5%, which is line with the default discount rate recommended by Treasury NZ.
- Inflation is not accounted for.