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Brief Economic Assessment of Proposed Fast-Track Development in Tauranga

Prepared for: The Pitau LP

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1. Introduction

1.1 Context & Purpose of Report

The Sanderson Group is a family-owned business that has developed more than \$1 billion of property over the past 35 years, including several luxury retirement villages. Its subsidiary, the Pitau LP, recently acquired land in Mount Manganui, Tauranga, where it plans to create a retirement village and aged care facility.

To expedite the development, the Pitau LP seeks consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020 (**Act**). To assist, this report provides a high-level assessment of the likely economic effects of the proposal, particularly its impacts on GDP, jobs, and incomes. In addition, this report briefly considers a range of wider economic effects of the proposal.

1.2 Purpose of Fast-Track Legislation

The purpose of the Act is to urgently promote employment to ensure New Zealand's economic recovery from COVID-19, whilst promoting certainty of future investment in the economy. As per Section 19 of the Act, the Minister may consider various factors when determining whether a project will help to achieve the purpose of the Act. These include, but are not limited to:

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

1.3 Key Findings of Report

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

- A one-time boost in GDP of approximately \$240 million;
- Employment for 1,825 FTE-years (or 305 people employed full-time for 6 years); and
- Additional household incomes of \$120 million.

Once operational, it will provide full time employment for 130 to 140 people across various roles.

In addition, the proposed development will generate a range of wider economic benefits, such as providing a direct boost in housing supply to meet growing demand, achieving high levels of land-use and infrastructure efficiency, and meeting the needs of an evolving and aging population.

Finally, granting of Fast Track consent will enable these economic benefits to be realised 12-18 months sooner than they likely would do otherwise, so, we strongly support it on economic grounds.

1.4 Structure of Report

The remainder of this report is structured as follows:

- **Section 2** locates the subject site and outlines the proposed development.
- **Section 3** estimates the proposal's impacts on GDP, jobs, and wages.
- **Section 4** briefly describes other likely economic effects of the proposal.

2. About the Proposal

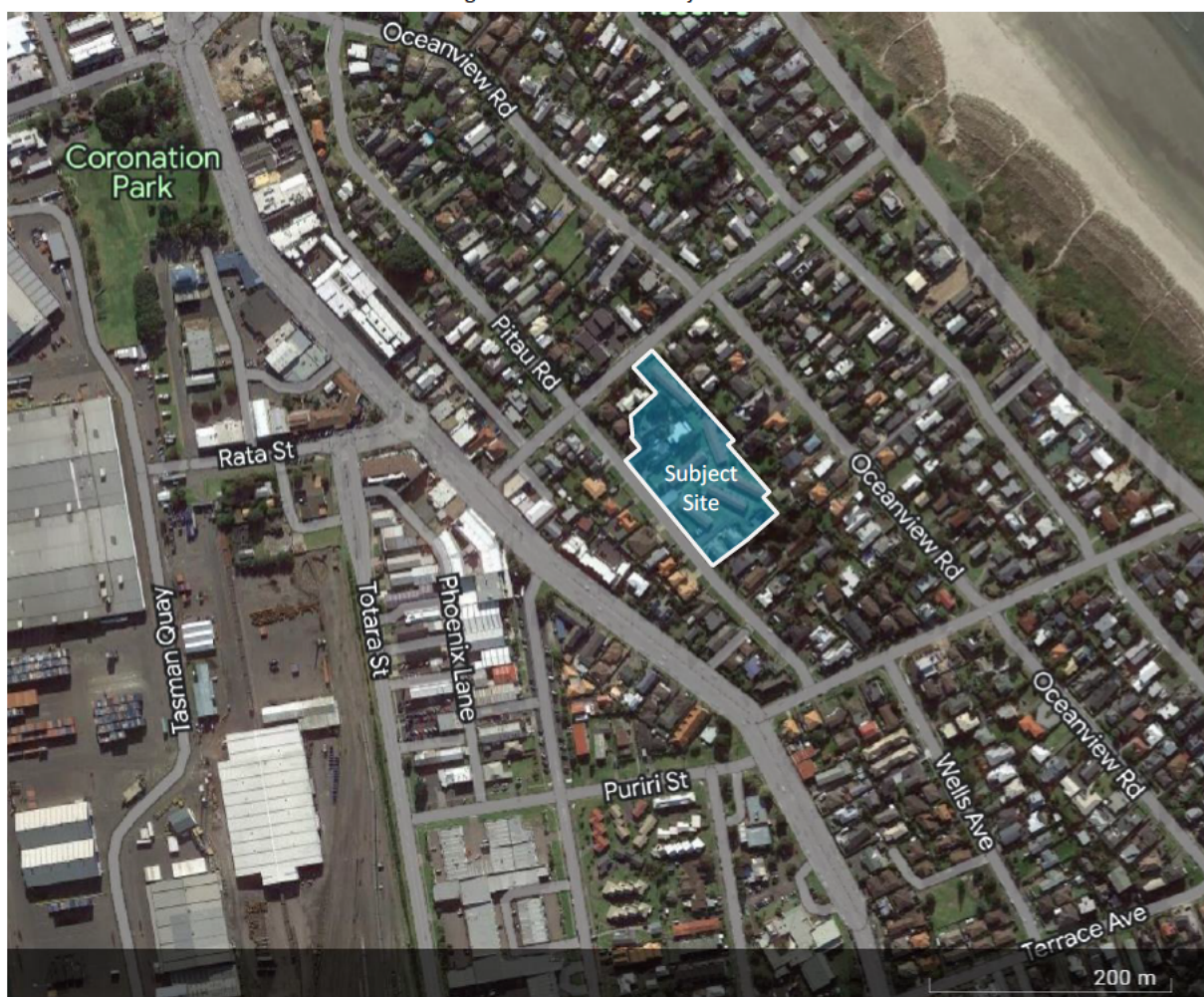
This section briefly describes the proposed development for which Fast-track consent is sought.

2.1 Site Location & Description

The subject site is located on Pitau Street in Mount Maunagnui, Tauranga, as illustrated by the blue-shaded area in the map below. It is bound by Pitau Road to the west, Grove Avenue to the north, and existing dwellings to the south and east.

The site spans six parcels with a total land area of 1.03 hectares. It was previously used as housing for the elderly, but most of the buildings are near the ends of their useful lives and thus no longer fit for purpose.

Figure 1: Location of Subject Site



2.2 About the Development

The proposed development is a luxury retirement and aged care facility centrally-located within a walkable distance to the Mount Maunganui downtown centre. It will provide 167 independent living units (i.e. apartments) ranging from 80-130m² plus 60 care suites of 30-40m². In addition, various onsite facilities will be provided to meet the daily needs of residents, including:

- café
- lounges
- cinema/theatre
- library
- health spa
- gym
- swimming pool, and
- hair and personal care

The building is divided into three, separate 6-level towers connected via an adjoining common spine, with undercover parking in the basement. The two figures below are recent renders of the proposal's overall building mass, and main lobby, respectively.

Figure 3: Render of Overall Building Mass



Figure 2: Render of Main Lobby



3. Impacts on GDP, Jobs, and Wages

3.1 One-off Construction Impacts

The various processes associated with designing, consenting, and constructing the proposal's 167 apartments, 60 care units, and onsite facilities will have significant one-off economic impacts on local GDP, jobs, and wages. We quantified these using a technique called multiplier analysis, which traces the impacts of additional economic activity in one sector – such as construction – through supply chains to capture estimate the overall impacts. These impacts include:

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

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 and salaries). It captures the value that a business adds to its inputs to produce its own outputs.
- **The number of FTEs employed** – this is measured in terms of full-time equivalents, which combines part-time and full-time workers to provide a single employment metric.
- **Total wages and salaries** paid to workers, which are reported as 'household incomes.'

For example, when a construction company wins a new project, they usually subcontract various parts of the build to other companies to help complete the job, such as hiring glaziers, tilers, and plumbers. Those subcontractors, in turn, will need to source a range of materials and services from their suppliers, who may also need to source materials and services from their suppliers, and so on. Multiplier analysis enables the impacts of these supply chain interactions to be captured to estimate the overall impact of the new building project, including its direct and flow-on (supply chain) effects.

Having defined these key terms, the following table shows the estimated economic impacts of the various activities that will be enabled by the proposal based on costings provided by Sanderson. As shown, the project will be split into four construction stages, which will span approximately six years.

3.2 Ongoing Onsite Employment

Sanderson estimate that 130 to 140 full time staff will be required to run the facility and service the residents once fully operational. Based on industry data, key onsite roles are likely to include¹

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

3.3 Support for Covid-Affected Workers

Although New Zealand initially did an outstanding job of stopping the spread of Covid-19 by entering lockdown earlier than most other countries, and has also benefitted from its isolated geography, the pandemic's economic effects have ultimately been profound.

While the proposed development is not a panacea for the economic woes foisted on our economy by the pandemic, it will provide a strong, short-term demand for labour, some of which can potentially be filled by workers that have lost their jobs to Covid-19. Indeed, with construction expected to provide full-time employment for hundreds of people for about six years, it will provide a much-needed short-term economic stimulus.

The economic merits of this are strengthened by the fact that the applicant is an experienced and well-resourced developer who, I understand, is ready to commence this project immediately upon sign-off. This will help ensure that the employment figures estimated herein crystallise into real job opportunities for an affected workforce as soon as technically possible.

3.4 Project Acceleration

Not only will the project provide meaningful employment for a wide range of local workers, as illustrated above, but it will likely progress considerably faster via the Covid-19 (Fast-Track Consenting) Act 2020 (FTCA) process than would otherwise be the case.

Absent Fast-Track approval, the proposal is likely to be subjected to a notified resource consent process that could take more than two years, with several factors prolonging it. They include:

- Multiple rounds of further information requests under section 92 of the RMA;
- Submitters raising unexpected or complicated issues during public consultation;
- Lengthy evidence exchange periods prior to the hearing;
- The number of witnesses required to give evidence at the hearing;

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

- Long periods taken to reach a decision; and
- The numerous tasks associated with potential appeals to the Environment Court.

By avoiding these lengthy and complicated steps, Fast Track consent will enable the project to commence sooner and aid New Zealand's gradual recovery from the pandemic.

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 167 apartment style retirement units. This, in turn, helps the Council fulfil its obligations under the National Policy Statement on Urban Development 2020 (NPSUD) to provide “at least” sufficient housing capacity to meet demand at all times.

In addition, the proposal acknowledges and directly responds to the sub-regions rapidly-ageing population, and enables them to “age in place” while maintain long-held social connections. At the same time, it helps give further effect to the NPSUD by providing a range of housing options to meet diverse and evolving needs (as per Policy 1).

4.2 Land Use Efficiency

The high-density nature of the proposal is a highly efficient use of the site’s available land, which helps maximise economic efficiency in the underlying land market.

4.3 Infrastructure Efficiency

The proposal will also achieve very high levels of infrastructure efficiency. There are several reasons. First, it is a brownfields redevelopment, which therefore does not require the extension of reticulation networks and new roads to service it.

Second, multi-storeyed developments like the proposal generate lower peak/summer water demand, thereby creating less demand for Council water infrastructure.

Third, retirement village residents have significantly lower transport demands than a typical household due to their (often) relatively limited activity/mobility, plus the often-extensive provision of onsite social and recreational facilities to meet their needs without having to travel offsite. For residents needs not met onsite, the proposal is within walking distance of the local shopping area, or it can be accessed via the shared fleet of electric vehicles, electric bikes, and shuttle service. Together, these will significantly limit demand on the local transport network and also minimise carbon emissions.