

**To:** Andrew McCarthy, Oyster Capital  
**From:** Property Economics  
**Date:** 17 February 2021  
**Re:** Economics Memo – Oyster Capital Fast Track Referral Application

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## 1.0 INTRODUCTION

Oyster Capital (“Oyster”) propose to lodge an application for a referred project under the Covid-19 Recovery (Fast-track Consenting) Act 2020 (the “Act”) to utilise the fast-track consenting process via an expert consenting panel. This application relates to the development of a contiguous landholding at 76, 76A, 116, 136 and 140 Waihoehoe Road (“the site”). This landholding forms part of a larger land area within Drury East that is currently subject to a private plan change process - Drury East Private Plan Change (“PC50”) - to rezone the land from Future Urban to the Terraced Housing and Apartment zone under the Auckland Unitary Plan (“AUP”) which will enable quality urban development and well-functioning urban environments. Oyster has a sale and purchase agreement for the site, and has full control of the site for the purpose of rezoning and future residential development. This proposal for a referred project will give effect to the purpose of the Act to promote employment and New Zealand’s recovery to the economic and social impacts of Covid-19 through the enabling the construction and delivery of a comprehensive development that offers employment opportunities and an accelerated supply of quality housing choice and diversity.

To support the application for a referred project, this memo provides a summary of the proposal, site description and a high-level economic cost benefit assessment of the proposal.

## 2.0 SITE DESCRIPTION AND PROPOSAL

### 2.1 SITE DESCRIPTION

The site comprises 34.65ha of land at 76, 76A, 116, 136 and 140 Waihoehoe Road which is currently zoned Future Urban (“FUZ”) under the AUP.

The site is predominantly rural in nature and currently contains several lifestyle blocks and an industrial facility (South Auckland Forging Engineering Ltd). The site is mainly in pasture.

### 2.2 PROPOSAL

Oyster are proposing the staged development of this land into a mix of terrace and detached housing, 9 residential superlots and supporting roading and servicing infrastructure. A total of 376 dwellings are proposed, which will be delivered across three stages.

Figure 1 shows the proposed development.

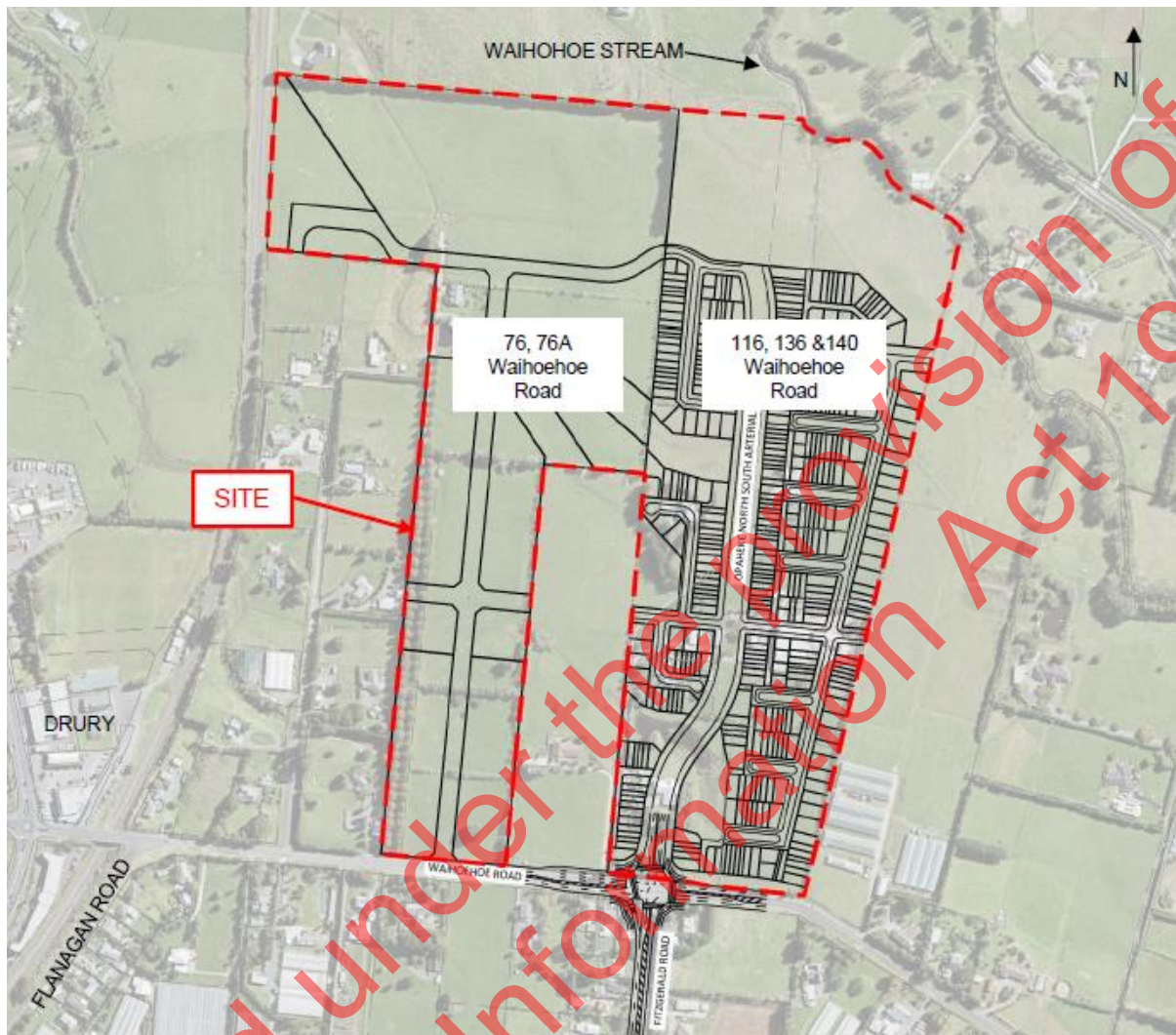


Figure 1: Plan of proposed development

### 3.0 ASSESSMENT

The economic assessment objective is to provide a high-level assessment of the potential extent of economic activity generated through development of the proposed residential at 76, 76a, 116, 136 and 140 Waihoehoe Road, Drury. This economic assessment relates to the proposed development at Drury, Auckland comprising 376 residential dwellings, of various attached and detached typologies, and 9 residential superlots over approximately 34ha of land.

The economic impact estimates the total additional gross injection (Added Gross Domestic Product (GDP)) into the Auckland economy brought about by the proposed development.

The initial specifications and details have been provided by Oyster and represent the development's configuration and estimated costings currently available.

It is important to note that this is a gross injection and is not site specific.

It also assesses the likely economic impacts upon Auckland business activity given the composition of activities above.

Although there are undoubtedly economic benefits that are specific to the location, they are primarily driven by proximity to transport corridors, efficiencies, ownership opportunities, site size and the opportunity costs associated with other sites.

The economic impacts likely to be experienced as a result of the anticipated development are broken down by the development phase which includes the construction costs (CAPEX<sup>1</sup>) of the development and the proportion of those costs that are retained within the Region.

The following assumptions have been employed as part of the economic modelling:

- 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'.
- Associated (and estimated) land costs have been included in the financial repayment assessment for the project.
- Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
- 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 Business Frame data<sup>2</sup> to March 2020.
- 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.
- The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchments. As stated, this assessment is not site specific.
- For the purposes of this report an 6% discount rate has been applied.
- Labour movements are based on average retention rates rather than specific company locations.
- 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 illustrates the total economic activity generated within Auckland as a result of the development being undertaken.

<sup>1</sup> CAPEX – Capital Expenditure

<sup>2</sup> Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.,

**Table 1: Total Gross Auckland Economic Injection (\$m 2020)**

(\$m)	2021	2022	2023	2024	2025	TOTAL
Earthworks and Civil		s 9(2)(b)(ii)				
Civil Consultants						
Levies						
Construction						
Infrastructure						
Total						
Multiplier						
TOTAL AUCKLAND OUTPUT						
Total Employment		373	976	739	844	2,932

The preceding table illustrates that the total impact on business activity within Auckland as a result of the Waihoehoe Road development over a 6-year period is estimated to be in the order of \$354 million. In terms of employment multipliers this would contribute over 980<sup>3</sup> jobs during the peak construction year within Auckland, with a total number of FTE's at 2,900.

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.

### 3.1 ECONOMIC BENEFITS

**Increased Land/Dwelling Supply:** The proposed land area has the ability to supply the market with an additional 376 dwellings increasing capacity within a single master-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. 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.

**More affordable Housing:** The potential provision of additional feasible residential development capacity within the wider area is likely to have the impact on reducing counterfactual land values. A significant contributor to residential property values is the underlying land values impact by growth expectations and supply. The identification of additional residential land areas suitable for development is likely to reduce price pressure in the local and surrounding markets.

**Greater Housing Choice:** A development area over 376 sites offers with it the opportunity for a mix of residential options, with potential for increased density than that offered in a more fragmented development environment. The proposal offers both detached dwellings as well as a range of attached townhouses.

**Decreased marginal infrastructure costs:** Once again the opportunity to masterplan an area has the potential to bring with it, economies of scales and lower marginal infrastructure costs. Additionally,

<sup>3</sup> 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 'future provision and identification' of this area allows for the future proofing of the area and the community and private infrastructure requirements.

### 3.2 ECONOMIC COSTS

**Reduced land production:** While this is typically an issue with any greenfield locations it is tempered significantly in this case by the identification of this site for future residential development.

### 4.0 CONCLUSION

Overall, the project represents a significant opportunity for the Regional and local economies to protect, sustain and grow jobs and income, provide additional job opportunities and income, while also providing additional competitive residential 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 of both the construction and productive base of the Regional economy.