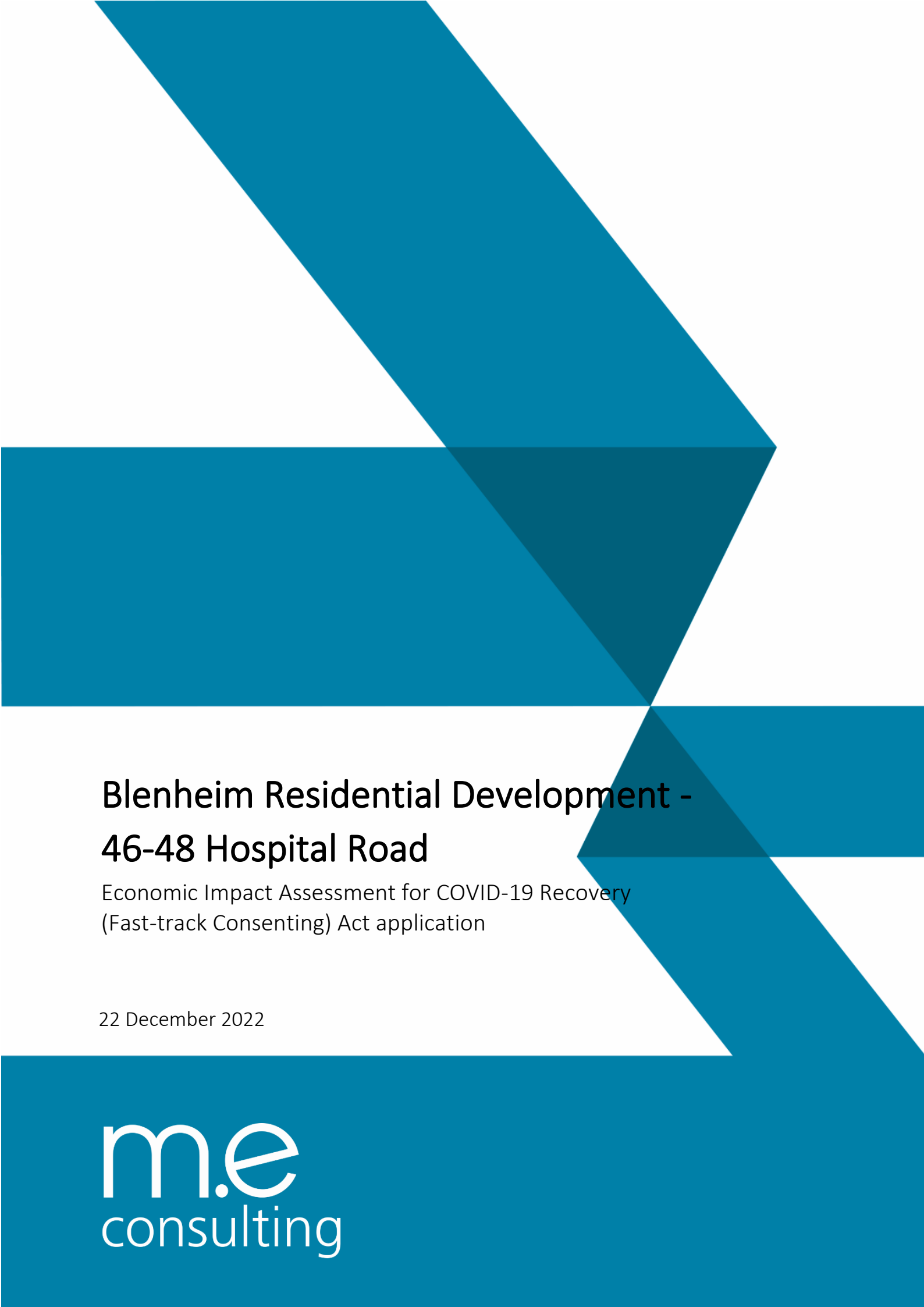


The background features a large, abstract geometric design composed of several overlapping triangles and polygons in shades of blue and teal. The design is asymmetrical, with a large teal triangle pointing downwards from the top left, and other shapes creating a dynamic, layered effect across the page.

Blenheim Residential Development - 46-48 Hospital Road

Economic Impact Assessment for COVID-19 Recovery
(Fast-track Consenting) Act application

22 December 2022

m.e
consulting



Blenheim Residential Development - 46-48 Hospital Road

Economic Impact Assessment for COVID-19 Recovery
(Fast-track Consenting) Act application

Prepared for

Hapai Development Limited Partnership

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Report author(s): Tilly Erasmus Kieran McLean

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Director approval: Greg Akehurst

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Executive Summary

The New Zealand government have recognised that the COVID-19 pandemic has caused deep economic and social disruption in New Zealand. To provide economic stimulus, Government introduced a short-term intervention¹ by way of the COVID-19 Recovery (Fast-track Consenting) Act (“the Act”), which came into effect on 9 July 2020. The aim of the Act is to fast-track projects that can boost employment and economic recovery. Government established that by speeding up the development process, benefits would flow to communities, as demand for labour would increase sooner, and wages and salaries paid would sustain communities earlier.

Hapai Development Limited Partnership (HDPL) are seeking a Fast-track consent to accelerate the development of a medium density residential subdivision (“the project”) at 46-48 Hospital Road (“the site”) in Blenheim. To assist, this report evaluates the impacts of fast-tracking the consent and illustrates the degree to which the project generates economic impacts and helps to achieve the purpose of the Fast Track legislation. In addition to sustaining construction jobs, the project also delivers residential dwellings, which can help meet projected population growth in the Blenheim area.

The economic impacts of the project are estimated using a bespoke Multi-regional Input-Output (MRIO) model and then presented in terms of Value Added (VA), and the level of employment it will support. The difference in economic impacts between the fast-tracked consent (FTC) process and the alternative (standard consent process) is illustrated using discounted cashflow analysis. This difference is interpreted as the effect of fast-tracking the development.

HDPL provided forecasted cashflows for the development of the site, with time estimates under:

- A fast-track pathway,
- A limited notified resource consent pathway, and
- A publicly notified resource consent pathway.

The total spend is similar under all scenarios **s 9(2)(b)(ii)**, but the timing of when spending occurs, varies.

A fast-tracked approval process will see the project commencing in 2022² through to 2027, compared with the conventional consent pathway, which delays construction activity by up to a year and runs from late 2022 to 2028.

Contribution to Value Added³

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 **\$14.6 million**. By comparison, the scenarios for the development without Fast Track consent have cumulative direct value added of **between \$400,000 and \$600,000 less** for limited notification and publicly notified, respectively. The differences are a result of the

¹ It includes a 'sunset clause' which will see the legislation repealed on 8 July 2023.

² At this early stage expenditure are largely similar under all scenarios, and largely consists of professional fees (e.g. design, technical assessment, consultants, etc.)

³ Similar to Gross Domestic Product (GDP), but excluding some taxes.



timing of construction which means a greater reduction in the present value of future benefits through discounting.

In addition to the effects directly associated with the amount of expenditure required to develop the site, the ‘indirect’ and ‘induced’ impacts (flow-on impacts) are also relevant. These reflect the additional activity, stimulated by the development, across the whole economy. Based on the IO modelling, the development will stimulate a **total of \$52.3 million in VA**, once indirect and induced effects are included. This implies the fast track development pathway generates approximately **\$1.6m to \$2.2m more VA** than the limited notification and publicly notified pathways, respectively.

Contribution to Employment

The development of the site, through earthworks and residential dwelling construction, is estimated to **directly sustain employment equivalent to 276 job years** across the country. Almost all of this (96%) is expected to be supported within the Marlborough region. In total, the Fast-track scenario is projected to sustain the equivalent of **1,795 job years, across the country, once the indirect and induced effects are included**. The FTC 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. The FTC process is estimated to bring the construction activity forward by an estimated nine to twelve months.

Well-functioning Urban Environment

In addition to the conventional economic effects, the project will deliver other benefits, contributing to a well-functioning urban environment⁴. This report discusses at a high level, the possible contribution by the project. The main points are presented in the table below:

Contribution by the project	
Housing	The current design shows 105 dwellings being delivered, of various sizes, typologies and tenure. This accounts for around 85% of the average annual demand in Blenheim. Almost half (48%) of the units are one- and two-bedroom homes.
Affordability	The developer’s intention is to provide housing that is a combination of homes for market sale, build to rent, community rental and progressive home ownership. The exact proportion of dwellings which will contribute to affordable housing outcomes has not yet been finalised.
Choice	The project contributes to housing choice for Blenheim households, providing a range of options relating to typology, tenure and price.
Accessibility	The site is well placed relative to the CBD, shopping facilities, open space and recreation facilities, public transport routes and education facilities.
Other	The development is within the existing urban boundary of Blenheim (rather than on greenfield land), contributing to a more compact city, which is generally more efficient (lower transports costs, etc.).

⁴ As defined by the National Policy Statement on Urban Development (NPSUD) 2020.



Conclusion

The proposed construction at 46-48 Hospital Road is expected to positively contribute to the future economic and social wellbeing of the Marlborough region, and through flow on effects, other areas of New Zealand. The benefit of the Fast-track consent pathway is clear. It means that a large number of local jobs can be sustained in the short-term future, with the civil construction expected to begin in 2023, nine to twelve months sooner that could be likely under a standard consent approach. The outlook for the residential construction sector is highly uncertain at present, considering the high interest environment, house price decline in large parts of the country and a looming recession. There is a real risk that construction activity will rapidly slow, putting even more local jobs (and households) on the line.

Once fully developed, the project is anticipated to yield 105 residential dwellings, of various sizes, price points, typologies and tenure. This equates to around 85% of the projected annual average demand in Blenheim over the next three decades. In light of the potential shortfall of residential dwellings (and of the right type) over the long term in Blenheim, the development will contribute to meeting the projected growth.

In addition to the conventional economic effects, the project will deliver other benefits. These are associated with their contribution to a well-functioning urban environment.



1 Introduction

Hapai Development Limited Partnership (HDLP) is seeking a consent under the COVID-19 Recovery (Fast Track) Consenting Act 2020 to accelerate the residential development at 46-48 Hospital Road in Blenheim. The development is set to deliver mixed tenure, medium density housing with the aim to address a wide range of community and iwi housing needs. HDLP has commissioned Market Economics (M.E) to assess the economic effects of bringing forward the proposed project, that is, to quantify the effect of granting consent under the Fast Track legislation.

The government have recognised that the COVID-19 pandemic has caused deep economic and social disruption in New Zealand. To provide economic stimulus, the Government introduced a short-term intervention⁵ by way of the COVID-19 Recovery (Fast-track Consenting) Act (“the Act”), which came into effect on 9 July 2020. The aim of the Act is to fast-track projects that can boost employment and economic recovery. Government established that by speeding up the development process, benefits would flow 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.

The Act established two pathways for projects to be fast-tracked:

- *Listed projects*: these are outlined in Schedule 2 of the Act and are eligible for the fast-track process,
- *Referred projects*: these are projects not listed in the legislation, the Minister for the Environment can refer them to an expert consenting panel for consideration.

The Act sets out the criteria a project will be assessed against to see the degree to which it supports the purpose of the Act. 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 relevant matters (for this assessment) are:

- a) the project’s economic benefits and costs for people or industries affected by COVID-19, and*
- b)*
- c) Whether the project would be likely to progress faster by using the processes provided by the 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. Contributing to well-functioning urban environments*

⁵ It includes a 'sunset clause' which will see the legislation repealed on 8 July 2023.



1.1 Project Aim

HDLP is seeking consent under the Act for a medium density residential subdivision (“the project”) at 46-48 Hospital Road (“the site”) in Blenheim. To assist, this report evaluates the impacts of fast-tracking the consent and illustrates the degree to which the project generates economic impacts and helps to achieve the purpose of the Fast Track legislation. More specifically, it assesses the project’s impacts in terms of Value Added (similar to GDP) and employment under different temporal assumptions. The economic impacts of the project are estimated using a bespoke Multi-regional Input-Output (MRIO) model. In addition, estimates of the housing role the completed project will play within the context of local and regional residential growth. These estimates contribute towards the assessment of public benefit that the project represents.

The results are presented in terms of Value Added (VA), and the level of employment it will support. The difference in economic impacts between the fast-tracked consent (FTC) process and the alternative (standard consent process) is illustrated using discounted cashflow analysis. This difference is interpreted as the effect of fast-tracking the development. The results include estimates of the employment footprint of the project throughout the development process along with flow on economic effects of the development across the Marlborough economy.

The approach and findings are summarised in the section 3.

1.2 The Development Site

This section briefly describes the proposed development.

The development site spans approximately 4.5 hectares⁶, and is located at 46-48 Hospital Road, which is to the east of the Wairau Hospital, in Blenheim (Figure 1-1). The site is zoned ‘Urban Residential 2’ under the Proposed Marlborough Environment Plan (PMEP) and is surrounded by residential zones consisting of older, larger standalone homes on large sites (700-1,500sqm). The site has predominately been cleared of buildings, with the exception of one house to the west of the site entrance on Hospital Road (red marker).

⁶ Net developable area of 3 hectares.

Figure 1-1 - The Development Site at 46-48 Hospital Road, Blenheim



According to the proposed layout in the Masterplan Report⁷, the site will accommodate a range of dwellings (typologies, size, tenure and prices). In total, 105 dwelling units are proposed, consisting of:

- 45 standalone units,
- 36 duplex dwellings and
- 24 terrace homes.

Figure 1-2 below shows the proposed layout of dwelling units, on the site. The design shows lower profile homes (single storey) being placed along the property edges bordering existing residential areas. This will maintain the suburban grain of single storey, standalone homes. Higher density homes (terrace homes) are planned along the non-residential hospital edges.

⁷ Masterplan Report by Reset Urban Design. 18 November 2022



Figure 1-2: Proposed Layout (Masterplan)





2 Approach and Assumptions

The fundamental basis for assessing the benefits of granting consent under the Fast Track legislation is that the project can proceed sooner than it would under the normal the Resource Management Act 1991 (RMA) process (with all of the RMA safeguards, checks and balances in place). To do this requires assessing the impacts (costs and benefits) under the RMA pathway, and then repeating the assessment under COVID-19 Fast Track timeline.

This analysis relies on an estimated cashflow analysis based on information provided by HDLP with regards to the spending and timing of that spending on site preparation, building construction, council fees and professional services. That is, costs and timeframes to obtain necessary consents, develop the land up to and including the completion of dwellings for the residential market. This spending by HDLP is viewed as one-off and mostly directed to businesses within the Marlborough region⁸.

Specifically, M.E have assumed that all construction related activity will be carried out by businesses within the Marlborough region. The balance of spending (i.e., consent, design, and development project management costs) is assumed to be mostly⁹ directed to businesses based in Marlborough, due to the availability or potential availability of these services within Marlborough. M.E. have matched this planned spending to 48 economic sectors in MRIO model¹⁰ which has been adapted for the Marlborough economy (using a 2016 base year). The spending is spread out across a six-year assessment period (2022-2028) with cash flows expressed on a quarterly basis and then discounted, to express future cash flows (and economic impacts) in today's terms.

The model traces the flow of transactions through the economy to estimate the associated Value Added (VA) and employment as a result of the additional activity. VA arises through the spending, directly and indirectly, as the activity flows on to other sectors of the economy and businesses pay salaries/wages and generate profits. The links between the study area and the surrounding regions are also captured, showing the extent of the spread of the additional economic activity. This is important as it captures the purchase of raw materials from surrounding regions to support additional construction activity.

As the IO model uses 2016 as a base year, the projected spending inputs to the model are deflated to 2016 terms. From here, the IO model VA outputs are reinflated to present terms (\$₂₀₂₂), while the employment outputs reflect the 2016 proportions of gross output per MEC without reflation. The results (VA) are then discounted on a quarterly basis at an annual rate of 5%¹¹. Discounting is used to reflect the rate of time preference and the opportunity cost of capital, reflecting the present value of future benefits. 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 VA between the conventional consent pathways and the FTC pathway, represents the benefits achieved under the Act.

⁸ A small share of the spending on professional services is directed to the Rest of South Island and Rest of New Zealand regions.

⁹ A small share (10%) of the expenditure is directed to 'Rest of South Island' and the remainder (10%) to the Rest of New Zealand.

¹⁰ Technical detail about the Input-Output modelling assumptions is included in Appendix 1.

¹¹ Treasury NZ default discount rate is 5%.



The MRIO model contains region-specific data on sectoral employment and gross output for each of the sectors, which enables us to generate an annual average ratio of gross output per person employed in each sector. This is used to translate the economic impacts (VA) into additional employment – by sector. A requirement of the referral process is to understand the impact in COVID-19 hit sectors or areas. By translating output and value added into employment, we are able to show the potential impacts across Marlborough from an employment perspective as well.

It is acknowledged that the timing of a conventional resource consent pathway can vary greatly, depending on the need for public notification, hearings, complexity of the further information requests under section 92 of the RMA, the number and complexity of submissions to consider, and so forth. To account for the possible variation, we modelled two resource consent pathways, i.e. with and without public notification, which includes and excludes a Council hearing, respectively. The difference between these two pathways is estimated to be around three months.

HDLP provided forecasted cashflows for the development of the site, with time estimates under:

- A fast-track pathway,
- A limited notified resource consent pathway, and
- A publicly notified resource consent pathway.

The total spend is similar under all scenarios (\$50.1m), but the timing of when spending occurs, varies. Relative to the FTC process, construction is delayed by between nine and twelve months under a conventional resource consent process. Put differently, cashflows are pushed back (further into the future) by nine to twelve months under the traditional process.

The results are reported using two metrics – VA and employment.

Value Added is a portion of the GDP (excludes some taxes) that a project generates. It is the value of all activity minus intermediate costs. VA is the sum of:

- Wages and salaries paid,
- Operating surpluses generated for owners,
- Consumption of fixed capital,
- Tax on production, and
- Net of subsidies.

Employment is expressed in terms of Modified Employee Counts (MEC). MEC is a headcount of employees and includes an allowance made for working proprietors (who are not counted as employees therefore are not included in the EC numbers).

The analysis is based on current prices, and future expenditures are not inflated. The results are presented in 2022-dollar terms (\$₂₀₂₂).



3 Economic Effects

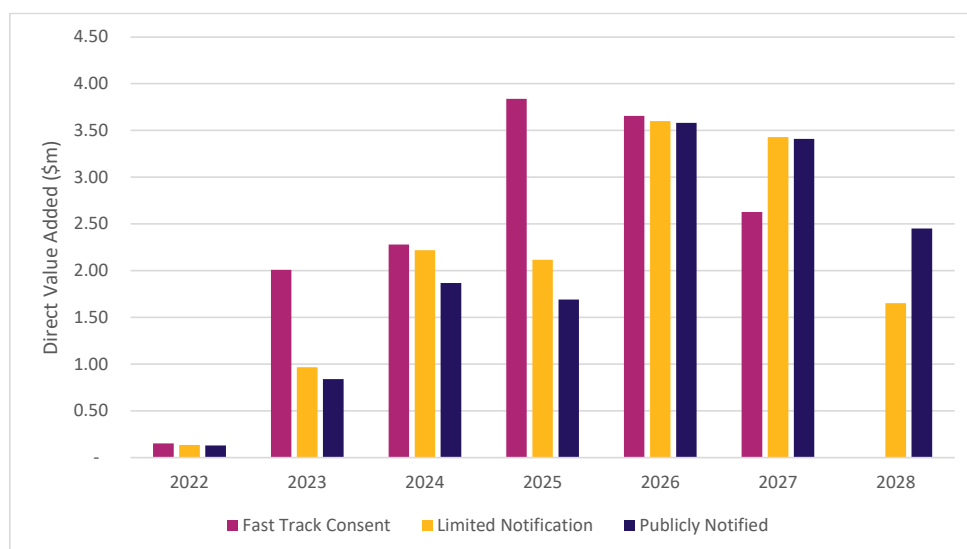
3.1 Direct Impacts

3.1.1 Value Added

The most appropriate measure of the economic impacts that occur in an area as a result of the development of a project such as proposed, is Value Added (VA). VA is effectively the contribution to GDP (less GST) that a project generates, as such it is the value of construction minus the intermediate costs to generate the construction (such things as the cost of building materials, consents, electricity, business services and imported goods). It captures wages and salaries paid, operating surpluses generated for owners, depreciation, and tax. In the construction sector it is equivalent to approximately 30% of total output.

The VA directly created by the development under the different pathways, is shown in Figure 3-1. As mentioned previously, it is assumed that the proposed development will deliver its associated benefits sooner if the fast-tracked pathway is followed. Under the Fast-track scenario, site preparation and earthworks on the site is expected to start towards the latter half of 2023, and construction in the first quarter of 2025, with completion expected towards the end of 2027. Under the publicly notified (conventional) resource consent process, site preparation is expected to start towards the middle of 2024, with construction starting early in 2026. Completion under this scenario, is expected towards the latter part of 2028.

Figure 3-1: Direct Value Added by Year (\$m₂₀₂₂)



The cumulative direct value added from the present to completion of the project under the FTC scenario, is projected to be around \$14.6m. Breaking the results down annually, in 2023, the fast-tracked development could generate around \$2m in VA from the technical preparation phase (consents,



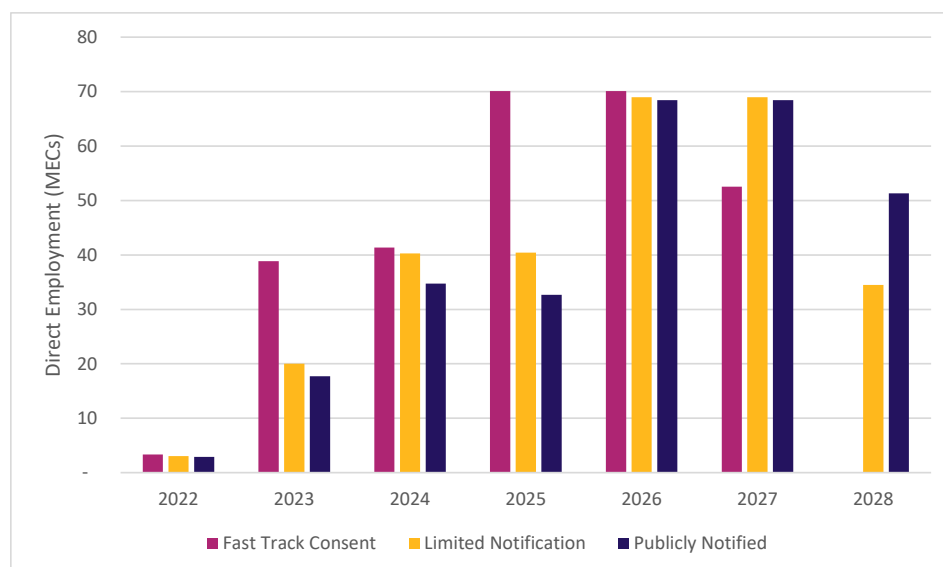
professional services, design, etc.). In 2024, the annual direct VA generated is estimated around \$2.3m for the year, and peaks at \$3.8m in 2025 as site preparation comes to an end and construction starts up. In 2026 and 2027, during the construction phase, VA being generated is estimated at \$3.7m, and \$2.6m, respectively. On average, the project could generate, around \$2.9m VA annually, if approved under the FTC process.

By comparison, the conventional consent process for the development (without fast-track consent) has a cumulative direct VA of between \$400,000 and \$600,000 **less**¹² than the FTC scenario. The difference between the RMA and FTC process is a result of the timing of construction (further into the future), which means a greater reduction in the present value of future benefits through discounting. Without the FTC process under the Act, the development will have to be authorised through the conventional consenting process. This is expected to result in about nine to twelve months added onto delivery.

3.1.2 Employment

This section presents the direct employment effects associated with the development. The results report the number of jobs that could be sustained annually by the additional economic activity (VA), across the country. Figure 3-2 summarises the MEC job-years that can be sustained directly by the development, through direct activity under the Fast Track scenario (pink bars) and the two standard consent scenarios (yellow and blue bars).¹³

Figure 3-2: Direct Employment Sustained (MEC)



It is important to note that while the development may generate a number of ‘new jobs’ and opportunities for apprentices and the like, the majority of the work will be carried out by existing skilled workers in the

¹² The range reflects the two conventional resource pathways (with and without public notification).

¹³ Importantly, these numbers are not cumulative.



construction sector. Therefore, the development does not ‘generate’ new jobs as much as it sustains jobs across the sector. This is the case with all large-scale construction activities.

In 2023, the development will directly sustain around the equivalent to 39 job years. Under the FTC scenario, and as construction activity ramps up, the employment impacts increase to the equivalent to 70 job years in 2026 and 2027. Overall, the residential development on the site is projected to directly sustain employment equivalent to approximately 276 job years by completion in 2027, if approved by Fast Track consent. For all activity, an assumption is applied that costs are averaged out across each development stage. In reality, this spending is unlikely to be linear, altering the timing of spend and the subsequent employment impact. However, the overall number of job-years would be the same.

Most of the direct employment effects are associated with the construction sector, and construction activity between 2025 and 2026, but the employment is not limited to on-site jobs, as the consenting and design related services precede construction at the initial stages of the project, and construction companies will also have office-based staff.

Under a delayed resource consent, there is projected to be no difference in the overall (sum) employment impact, however, the FTC scenario sustains employment earlier than the standard approach. Under the FTC scenario, 39 jobs are supported in 2023 under the FTC scenario, compared to 18-20 jobs under the conventional process (difference 19-21 job years). At the peak, in 2025, between 30 and 37 more jobs are supported as a result of the FTC process (relative to the activity that would’ve occurred under the RMA consent process).

The benefits that the Fast-track consent delivers relate to the timing of local jobs likely to be directly sustained by proposed development. Significant employment activity is sustained earlier, delivering employment benefits to the community compared with the delayed alternative.

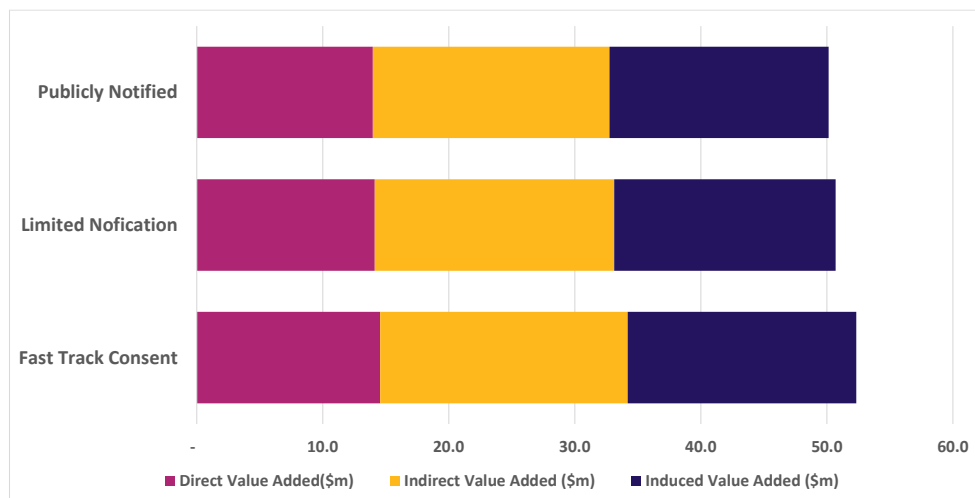
3.2 Flow on Impacts

The previous section only presented the direct economic impacts (VA and employment sustained). 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 the development, across the whole economy. Many of the products required in construction are manufactured by industries based in Auckland. As construction demands more girders (for example), wall panels and so on, the manufacturing sector increases output. 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. The MRIO allows the calculation of these indirect and induced effects as they relate to this development.

Based on the IO modelling, if the development is fast tracked, it will stimulate a total of \$34.2m of direct plus indirect VA (discounted at 5%). Once the induced effects are included, this rises to \$52.3m. By comparison, the direct plus indirect VA under a traditional consent process is estimated to be between \$32.8m and \$33.1m, and including the induced impacts, **s 9(2)(b)(ii)**. Figure 3-3 presents the total VA impacts under each of the scenarios.



Figure 3-3: Total Value Added Impacts (\$m)



The FTC scenario could sustain the equivalent of around 1,795 job years when the indirect and induced effects are considered. While the direct impacts are concentrated within the Marlborough region (96% of effects felt locally), the indirect impact of the proposed development will have effects reaching the rest of the North Island and the rest of New Zealand.

When the flow on effects of the scenarios are compared, differences arise based on the timing of benefits. Due to the discounting of future activity, VA is greater under the FTC scenario. In total, in current dollar terms, the fast-track development pathway generates approximately \$1.6m-\$2.2m more VA than the traditional RMA consenting pathway. However, there is no difference in employment impacts of job years between the scenarios, although the timing of the employment impacts is delayed. Further detail of the indirect impacts can be found in Appendix 2.

3.3 Summary of Fast Track Benefits

The development of the Hospital Road site, through earthworks and residential dwelling construction, is estimated to directly sustain employment equivalent to 276 job years across the country. Almost all of this (97%) is expected to be supported within the Marlborough region. In addition to that, it will indirectly sustain considerable local jobs across the supply chain in a range of sectors (1,140 job years in total). 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. The FTC process is estimated to bring the construction activity forward by an estimated nine to twelve months.

Based on the IO modelling, the direct VA impact of the development under a fast-track consent is estimated around \$14.6m, and including the indirect and induced impacts, lifts the total VA impact to \$52.3m (discounted at 5%). The impacts under a conventional consent scenario is approximately \$400,000-\$600,000 less (direct impact) and \$1.6m-\$2.2m less when the total impact is considered.



Bringing forward development means additional certainty for investors as the returns on investments occur sooner. This means that more investment is likely via the fast-track process – in total, than under the RMA process.

3.4 Well-functioning Urban Environment

“A well-functioning urban environment enables all people and communities to provide for their social, economic, and cultural well-being and for their health and safety, now and into the future.”¹⁴

The National Policy Statement for Urban Development (NPSUD) introduced the concept of “well-functioning urban environment” in 2020. The meaning of this term is set out in Policy 1, and relates to

- enabling a variety of homes and land for business (price, type, location, size, etc.),
- enable Māori to express their cultural traditions and norms,
- ensuring accessibility,
- supporting and not limiting the competitive operation of the land and development markets,
- reducing greenhouse gas emissions, and
- resilience to the effects of climate change.

This section discusses at a high level, ways in which the project contributes to a well-functioning urban environment.

3.4.1 Housing

According to the Housing and Business Capacity Assessment (HBA) recently completed for the Marlborough region, the population was projected to reach 61,000 by 2048. Nearly 80 per cent of this growth was projected to occur within 10 kilometres of central Blenheim.

The HBA identified a potential (overall) shortfall in residential development capacity for approximately 900 dwellings over the next three decades. The report concluded that though the majority of the shortfall appears to occur largely in the long-term provision of land, there is uncertainty over whether demand can be met over the next five years.

Additionally, the report pointed out, there appears to be a mismatch in the type of housing provided, relative to the future population need (which will likely require smaller housing options). The Housing We’d Choose study (2021) highlighted this pattern too. One person households are expected to increase over time (as a share of the total population). By 2043, these households are expected to account for nearly a third of all households, from its current level of 22% of the total population. The average household size in Marlborough was 2.4 people at the last Census (compared with 2.7 across NZ). This is expected to decline over time, to 2.3 by 2043. In contrast, consent data suggests a relatively large share of 3- and 4-bedroom standalone homes are being delivered by the market.

¹⁴ Resource Management (Enabling Housing Supply Other Matters) Amendment Act 2021



The project is expected to deliver 105 dwelling units in total, with 16 of them one bedroom and 34 two-bedroom units. This suggests, almost half (48%) of the proposed dwellings are smaller homes that could be delivered over the next two to three years.

To put the number of dwellings proposed at the site, in context, it is compared with historical building consent rates. According to the HBA, historical building consent rates showed an average of 160 dwellings being delivered annually between 2015 and 2018, and 130 annually between 2008 and 2018. In the 2020/21 year, data showed only 100 consents for new dwellings were issued in Blenheim. The downturn can be attributed to several factors, including the 2020 COVID-19 lockdown response and lack of subdivision activity. The drop appears to be temporary however, with the number of resource consents issued for new dwellings, tracking higher for 2021- 2022 than the previous year. In light of these numbers, the number of dwellings proposed at the site will make a sizeable contribution to the housing stock.

The HBA modelling estimates annual demand for 123 additional dwelling units in Blenheim, over the next 30 years. This suggests, the 105 homes planned for the development site, accounts for around 85% of the annual demand. It is acknowledged that the development is staged, and dwellings will be delivered across multiple years. Nevertheless, in view of the potential shortfall (900 dwellings) the additional housing¹⁵ will make an important contribution.

3.4.2 Affordability

As is the case across most of the country, housing affordability in Marlborough has been highlighted by several recent reports as an issue that needs addressing.

Housing and Business Capacity Assessment 2021 (Marlborough District Council): The Infometrics housing affordability index¹⁶ shows housing affordability in Marlborough has been decreasing since 2015. The number of people applying for social housing has more than tripled over the past five years, with 234 families¹⁷ on the waiting list at the end of September this year. Support agencies in Marlborough seeking to assist those in housing need, indicate there is a pronounced need for one-and two-bedroom homes, and some larger homes to accommodate extended family groups.

Marlborough Housing We'd Choose - April 2022. (Market Economics): As house prices rise and affordability becomes a concern (because house prices are increasing at a faster rate than incomes), households are increasingly making trade-offs.

Marlborough Local Insights Report: May 2022 (Ministry of Business, Innovation and Employment): Recruiting workers is proving a challenge for employers in the district, due to a lack of affordable (and suitable) housing.

¹⁵ It is unclear what portion of the dwellings has been included in the housing supply figures for the HBA.

¹⁶ The ratio of the average current house value to average household income

¹⁷ Ministry for Social Development Social Housing Register. <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/housing-register.html>



The government has introduced several housing policies¹⁸ in an attempt to address affordability by simultaneously increasing supply and curbing demand. In addition, Kāinga Ora (KO), the government's public housing arm, in undertaking a large-scale urban development programme, and plans to deliver 40,000 new homes throughout the country over the next 20 years.¹⁹ These will be a mix of social, market and affordable homes. Over the past two years, KO have delivered six one- and 22 two-bedroom homes in Blenheim, with a further 18 units under construction.

While government's contribution is important, more is needed. It is our understanding HDPL is currently in the process of negotiating the conditions of the land acquisition with the Ministry of Housing and Urban Development (MHUD). This relates to what proportion of the dwellings will contribute to affordable housing outcomes. The developer's intention is to provide housing that is a combination of homes for market sale, build to rent, community rental and progressive home ownership. Regardless of the final agreed proportion, the development on the site is anticipated to contribute in a meaningful way to affordable housing in Blenheim.

3.4.3 Choice

Choice plays a role in economics because it underpins competition. When consumers have different options, they can meet their needs in an optimal way by making trade-offs based on their own value sets. In simple terms, deciding between options, involves an assessment of the positives and drawbacks across alternatives (a type of cost-benefit analysis).

Historically, a relatively large share of less intensive forms of residential accommodation has been delivered by the market – mostly standalone homes. This suggests that Blenheim has mainly low and medium density housing. The HBA reports 95% of new dwelling consents issued between October 2019 and June 2021, in the Blenheim urban area, were for standalone houses, with the remaining 5% being either units or ancillary dwelling units. There is an observed preference shift within the urban area (albeit very slowly) towards smaller (and attached) units. The HWC study revealed that while the majority of households prefer standalone housing, once ability to pay is factored in, about a third of households are willing to consider attached housing. The HBA also noted that feedback from the construction sector suggests, smaller and attached homes are becoming more popular due to affordability considerations.

In the case of this assessment, choice relates to typology, tenure and price. The analysis suggests the project would contribute to housing choice for Blenheim households, providing a range of options (as already pointed out).

¹⁸ National Policy Statement for Urban Development, Medium Density Residential Standards, Housing Acceleration Fund, foreign buyer ban, changes to interest deductibility for investors, extension of the bright-line test, etc.

¹⁹ <https://kaingaora.govt.nz/developments-and-programmes/what-were-building/urban-development-large-scale-projects/>



3.4.4 Accessibility

The site is located in the suburb of Witherlea in the southeast of Blenheim. The Blenheim town centre is 2.7km as the crow flies or approximately a six-minute drive (via Hospital Road and Redwood Street). This suggests Blenheim's main shopping destination is within a short drive from the new development.

In terms of open space and recreation, the development site is well situated with easy access to the nearby Harling Park and Wither Hills Farm Park, with several mountain biking and walking tracks. The Taylor River is approximately 900m west of the site, with access to the Taylor River Trail via Taylor Pass Road, a short (1km) walk or cycle from the site.

There is a bus stop located at 11 Hospital Road, which is serviced by the Blenheim bus 'south route'. The south route connects to other routes (including to the airport) at the Seymour Street Terminal, offering great connectivity to the public transport network from the development site.

The site is well placed relative to education facilities. A visual inspection shows seven early childhood education centres within a one kilometre radius of the site. The development site sits within the Redwoodtown school zone (Years 1-8) for primary level education, and in terms of secondary levels, Marlborough Girl's College is a 7-8 minute drive (4.2km) away and Marlborough Boys' College, 4 minutes (2.4km via Weld Street). Richmond View School (Year 0-13) is also within a short drive of the development site.

3.4.5 Other

A compact urban environment has a range of benefits, with many of these relating to transport efficiency, minimising transaction costs, reduction of transport-related emissions and creating vibrancy. More compact cities are generally more efficient. The project is proposed within the existing urban boundary of Blenheim (rather than on greenfield land), which implies it will contribute to a more compact city and therefore, the benefits associated with such an urban form.



4 Conclusion

The proposed construction at 46-48 Hospital Road is expected to positively contribute to the future economic and social wellbeing of the Marlborough region, 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 Marlborough, sustaining jobs in the large construction sector (and many other sectors) within the region (including upstream suppliers) suffering as a direct and indirect result of a downturn in economic activity and the uncertainty of the economic climate.

The benefit of the Fast-track consent pathway is clear. It means that a large number of local jobs can be sustained in the short-term future, with the civil construction expected to begin in the latter part of 2023, 6-9 months sooner that could be likely under a standard consent approach. The outlook for the residential construction sector is highly uncertain at present, considering the high interest environment, house price decline in large parts of the country and a looming recession. There is a real risk that construction activity will rapidly slow, putting even more local jobs (and households) on the line. It is also unclear how the large-scale non-residential 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 this development generates a net additional contribution to GDP in current dollar terms of approximately \$400,000-\$600,000 directly, and between \$1.6m-\$2.2m when indirect and induced effects are included.** While the employment impacts are not projected to differ, fast track consent will bring forward the employment impacts by nine to twelve months. Overall, the project under fast track consent has a direct value added impact of 14.6m with 276 jobs sustained directly. When the induced and indirect effects are included, the total impact is around \$52.3m in value added with an employment impact 1,795 MEC job years sustained. The direct impacts are concentrated within the Marlborough Region, while the indirect and induced impacts will impact Marlborough as well as the rest of New Zealand.

Once fully developed, the project is anticipated to yield 105 residential dwellings, of various sizes, price points, typologies and tenure. This equates to around 85% of the projected annual average demand over the next three decades. In light of the potential shortfall of residential dwellings (and of the right type) over the long term in Blenheim, the development will contribute to meeting the projected growth.

In addition to the conventional economic effects, the project will deliver other benefits. These are associated with their contribution to a well-functioning urban environment.



5 Appendices

Appendix 1 - Input-Output Modelling

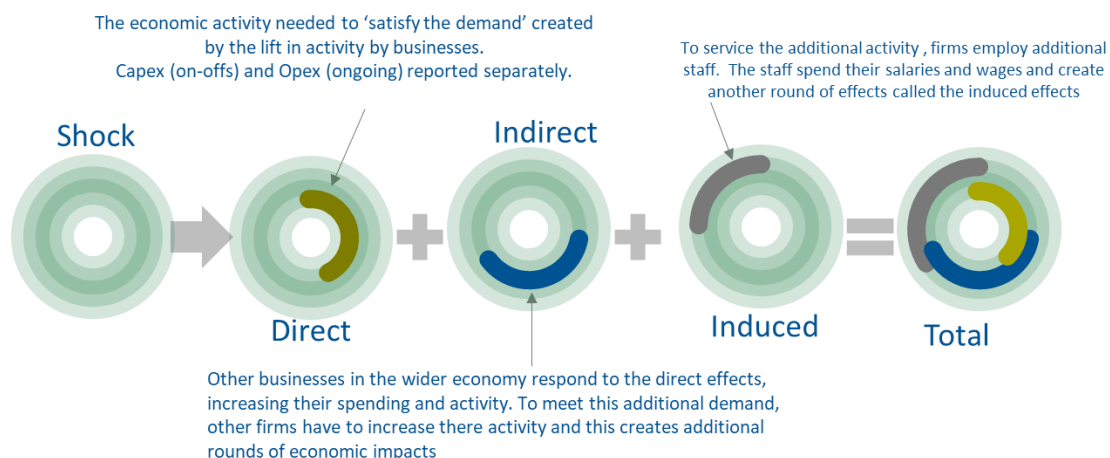
One of Input-Output modelling's strengths is that the results are easy to interpret. Similarly, IO models are easy to use and cost effective to develop for different areas. However, IO analysis is not without limitations, despite being widely applied in New Zealand and around the world. The most common limitations relate to the historical nature of IO Tables. We use IO tables derived from recent Supply and Use Tables. Therefore, they may not accurately reflect the current sectoral relationships in the economy.

With reference to IO modelling in general, a key assumption is that input structures of all industries (i.e. technical relationships) are fixed. In the real world, however, technical relationships will change over time. These changes are driven by new technologies, relative price shifts, product substitutions and the emergence of new industries. For this reason, IO analysis is generally regarded as suitable for short-run analysis, where economic systems are unlikely to change greatly from the initial snapshot of data used to generate the base IO tables. In addition to the 'fixed structure' assumption, other important assumptions (and limitations) of IO models are:

- **Constant return to scale:** This means that the same quantity of inputs is needed per unit of output, regardless of the level of production. In other words, if output increases by 10 per cent, input requirements will also increase by 10 per cent.
- **No supply constraints:** IO assumes there are no restrictions to inputs requirements and assumes there is enough to produce unlimited products.
- **The model is static:** No price changes are built in meaning that dynamic feedbacks between price and quantity (e.g. substitution between labour and capital) are not captured.

The following indicators are used to measure economic impact:

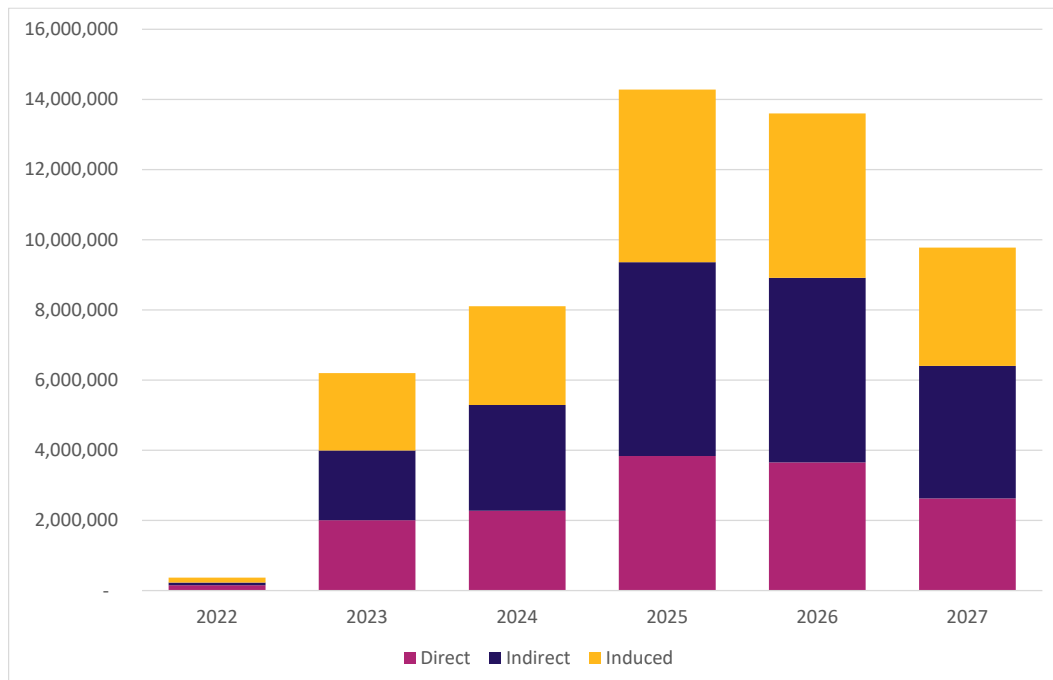
- **Value added** measures all payments to factors of production (land, labour and capital), and excludes all purchases of intermediate inputs. It broadly equates with gross domestic product (GDP) as a measure of economic activity on the national level, and gross regional product on the regional level.
- **Employment** is measured in Modified Employee Count years (MECs). This is the number of full-time and part-time employees as well as working proprietors on an annual basis. This provides a measure of the labour demand associated with the estimated level of economic activity. Note that additional MEC-years do not necessarily require that additional persons be actually employed. It may mean existing employees or proprietors work longer hours to complete the additional work.



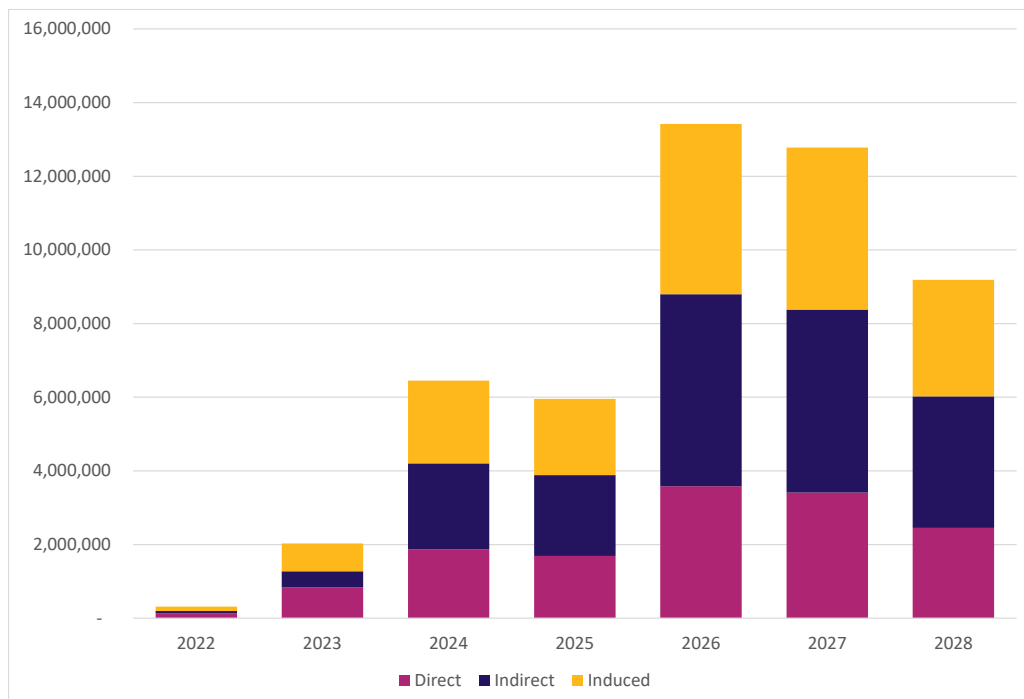


Appendix 2: Indirect Impacts

Annual Value Added Impacts– Fast Track Scenario

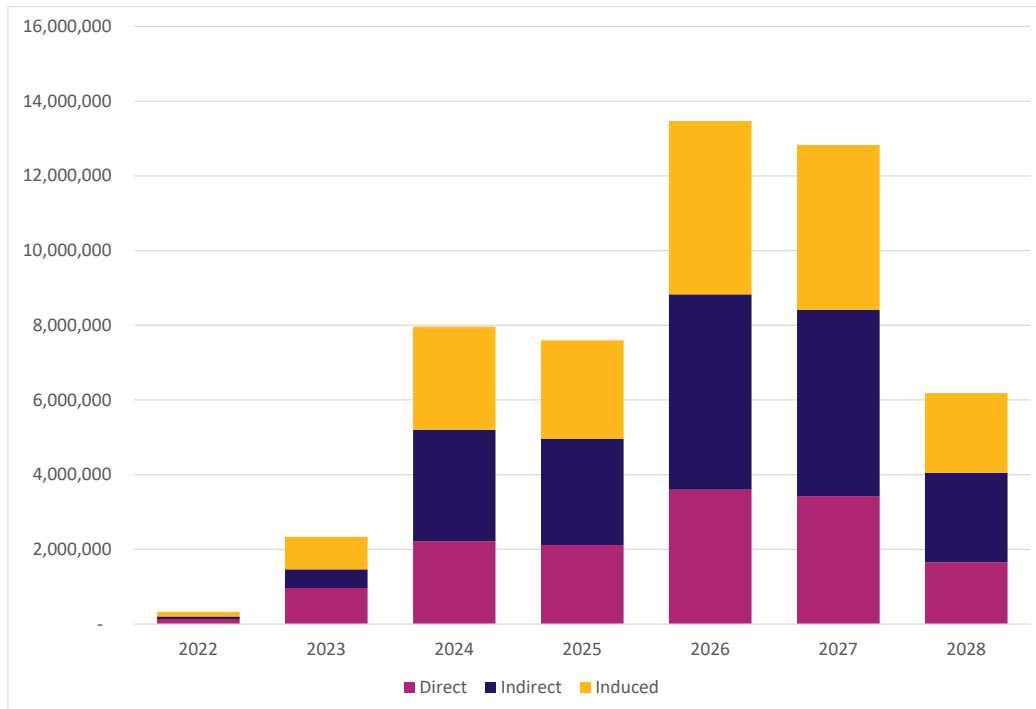


Annual Value Added Impacts – Standard Consent Scenario (Publicly notified)

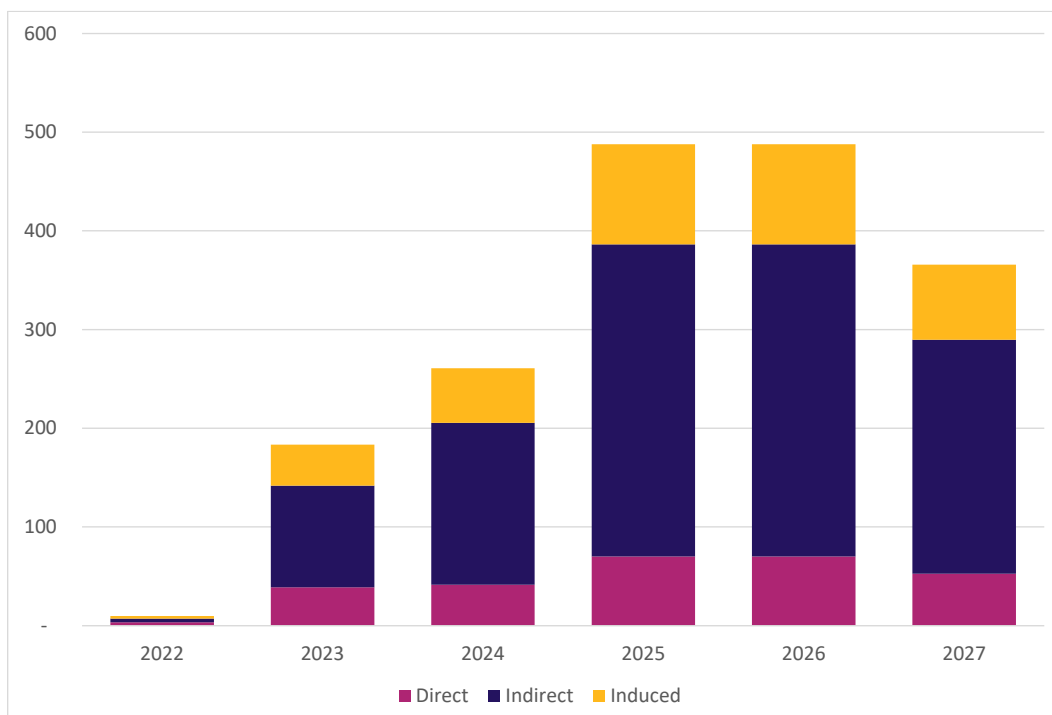




Annual Value Added Impacts – Standard Consent Scenario (Limited Notification)

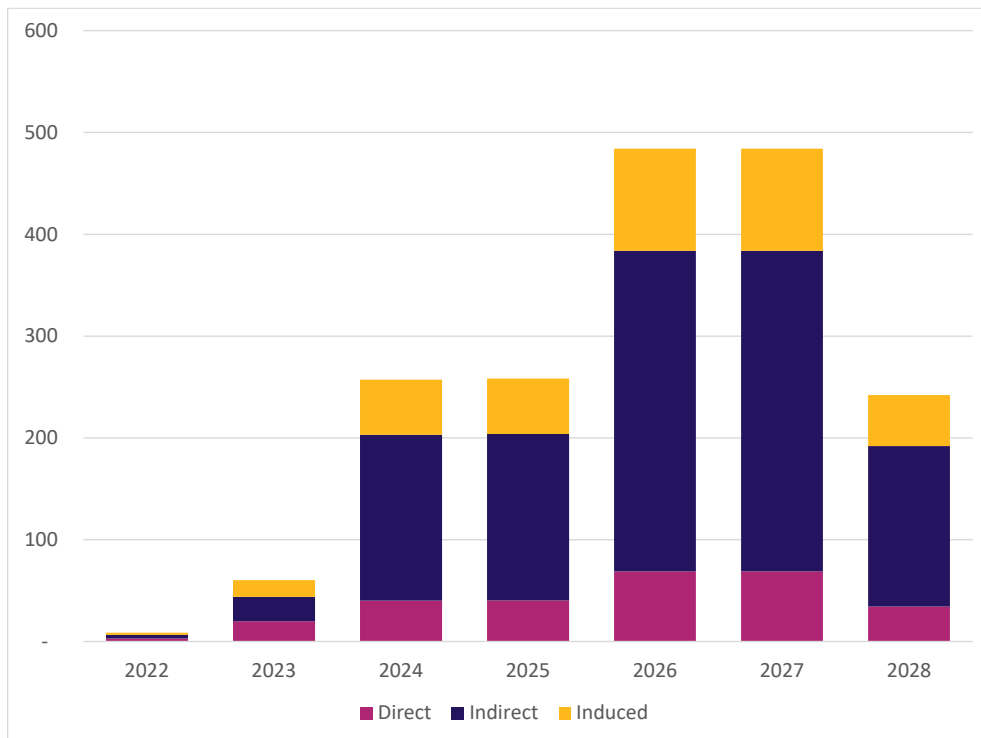


Annual Employment Impacts– Fast Track Scenario

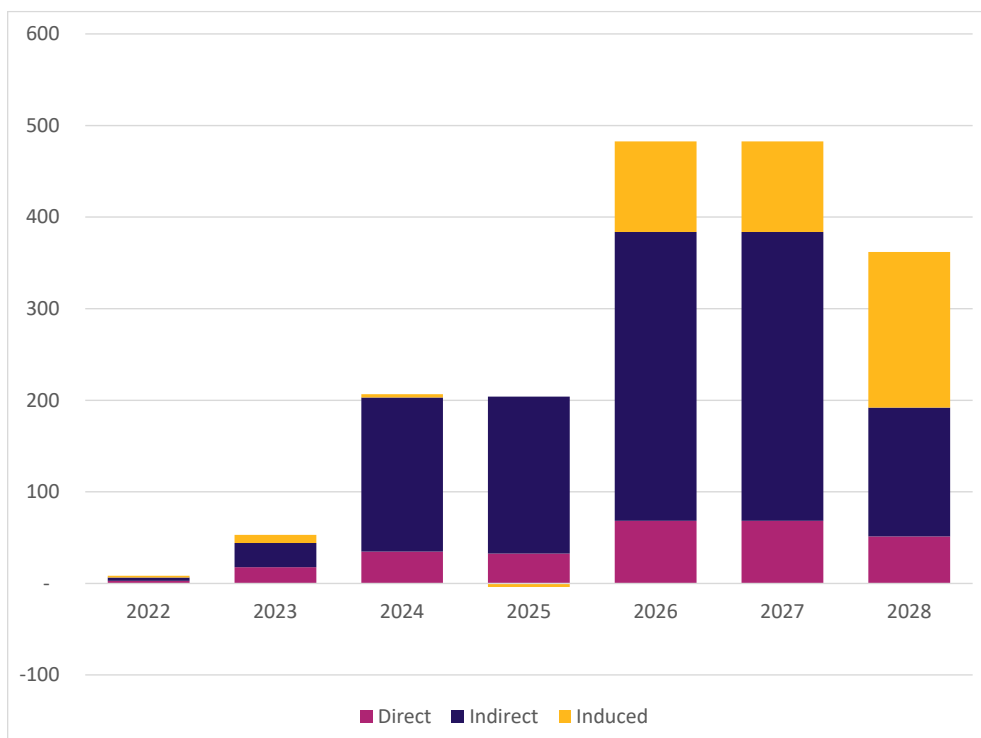




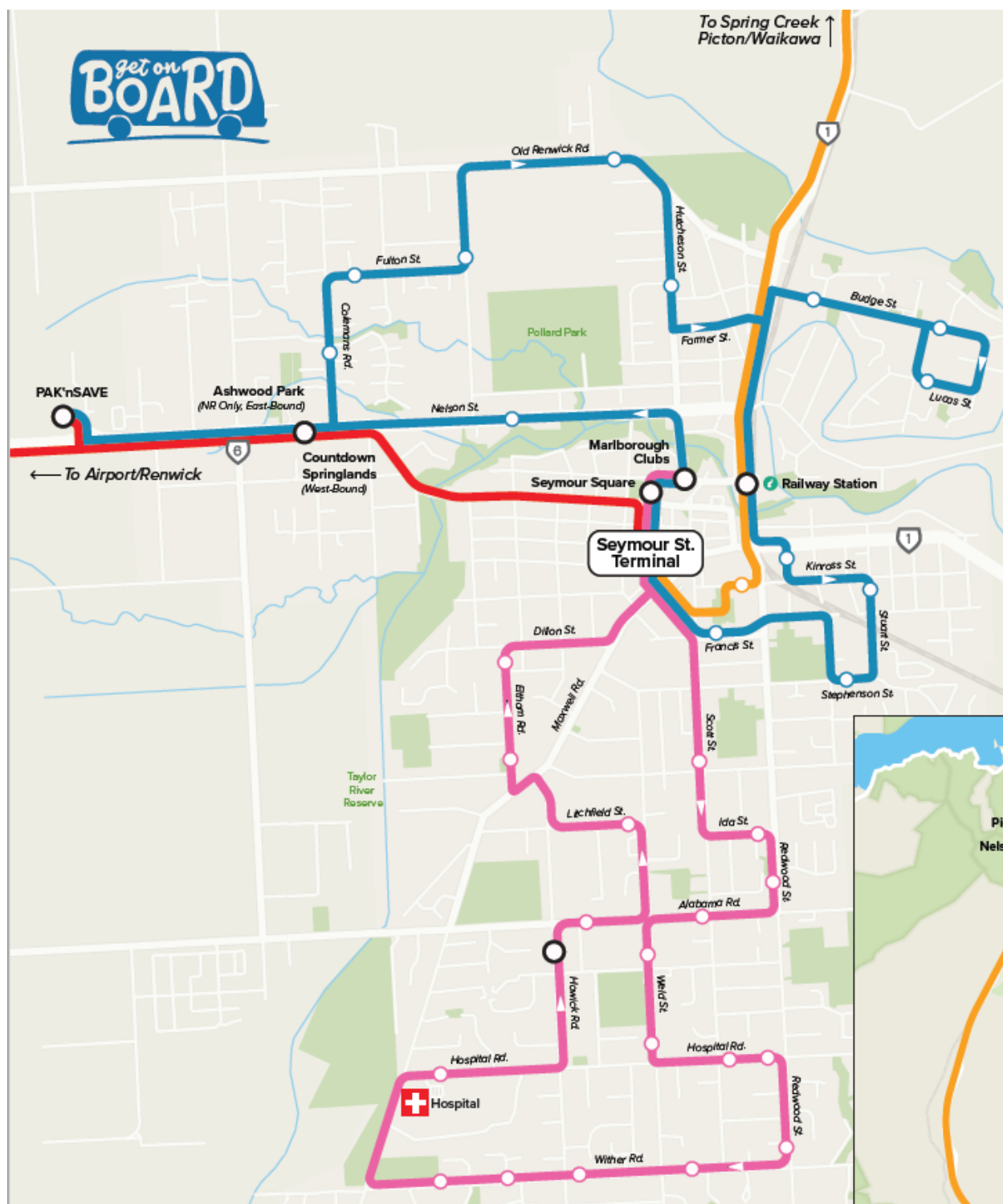
Annual Employment Impacts – Standard Consent Scenario (Publicly notified)



Annual Employment Impacts – Standard Consent Scenario (Limited notification)



Appendix 3: Blenheim Bus Routes



Source: Marlborough District Council