

**THE ECONOMIC BENEFITS OF THE PROPOSED WOODGATE LIFESTYLE VILLAGE AT
AOKAUTERE, PALMERSTON NORTH**

**Report Prepared for
Woodgate Retirement Trust**

**By
Mike Copeland
Brown, Copeland & Co Ltd**

3 September 2021

Released under the provision of
the Official Information Act 1982

INTRODUCTION

Background to the Project

- 1 The Woodgate Retirement Trust (Woodgate) wish to develop a lifestyle retirement village in Aokautere, south east of Palmerston North (the Project). The address is 131 Pacific Drive and the development will be on about 7 hectares but with earthworks covering 10.7 ha of an existing 48 hectare title. The proposed retirement village is anticipated to house around 130 to 150 villas of varying sizes, 20 apartments, a hospital and a dementia care facility providing 82 rest home beds and a wide range of recreation and retail servicing activities. The land is zoned residential and retirement villages and hospitals are both classed as discretionary activities within this zone.

Purpose and Scope of Report

- 2 The purpose of this report is to assess the economic (and social¹) effects of the Woodgate Lifestyle Village proposal. The remainder of the report addresses the following:
 - 2.1 Increases in employment, incomes and expenditure in the local Palmerston North economy during the construction phase of the Project;
 - 2.2 Increases in employment, incomes and expenditure in the local Palmerston North economy during the operational phase of the Project;
 - 2.3 Other economic benefits of the Project;
 - 2.4 A discussion of the potential economic costs of the Project; and
 - 2.5 Some overall conclusions.

INCREASED ECONOMIC ACTIVITY IN PALMERSON NORTH DURING PROJECT CONSTRUCTION²

- 3 The Project's construction is expected to take 2.5 years. The Project has an estimated construction cost of approximately § 9(2)(b)(ii) million (excluding consenting and land costs and GST). The majority of the equipment, materials and services required for the Project's construction will be sourced from within Palmerston North City, with the remainder sourced from elsewhere within New Zealand.
- 4 During the retirement village's construction, an on-site workforce equivalent to 500 one year³ full time equivalent (FTE) employees will be required, implying an average of 200 on-

¹ A number of the economic effects of the Project also have a social dimension to them.

² Unless stated otherwise, data in this section provided by Woodgate. This is supplemented with material sourced from a report – *Putting Care In Our Communities*; prepared by PricewaterhouseCoopers New Zealand for Summerset Group Holdings Limited; May 2013 (the PWC report).

site employees over the Project's 2.5 year construction period. Wage and salary payments for these employees are estimated to average § 9(2)(b)(ii) million per annum.⁴ Non-labour costs therefore total § 9(2)(b)(ii) million or § 9(2)(b)(ii) million per annum over the 2.5 year construction period. It is assumed around 70% (§ 9(2)(b)(ii) million per annum) will be spent with local Palmerston North businesses. These include local construction goods and service suppliers, retail and wholesale trade outlets, business service providers, building product manufacturers and other local industries.

- 5 These are the direct economic impacts for the Palmerston North economy during the Project's construction. However in addition to these direct expenditure, employment and income economic impacts there are indirect impacts arising from:
- 5.1 The effects on suppliers of goods and services provided to the site from within the Palmerston North economy (i.e. the "forward and backward linkage" effects); and
- 5.2 The supply of goods and services to employees at the site and to those engaged in supplying goods and services to the site (i.e. the "induced" effects). For example, there will be additional jobs and incomes for employees of supermarkets, restaurants and bars as a consequence of the additional expenditure by employees directly involved in the village's construction at the site and living within Palmerston North.
- 6 Multipliers can be estimated to gauge the size of these indirect effects. The size of the multipliers is a function of the extent to which an area's economy is self-sufficient in the provision of a full range of goods and services and the area's proximity to alternative sources of supply. Multipliers for expenditure⁵ (2.6), employment (2.3) and household income (2.3) have been taken from the PWC report to estimate total impacts (i.e. direct plus indirect impacts) for the Palmerston North economy during the 2.5 year construction period of:
- 6.1 Additional expenditure of § 9(2)(b)(ii) million per annum;
- 6.2 460 additional jobs; and
- 6.3 § 9(2)(b)(ii) million per annum in additional wages and salaries.
- 7 As indicators of levels of economic activity, economic impacts in terms of increased, or the retention of, expenditure, incomes and employment within the local economy are not in themselves measures of improvements in economic welfare or economic well-being.

³ The actual time elapsed to construct the village will be longer than one year with some workers employed on-site for more than one year and others for less.

⁴ Based on an average salary (including overtime) per employee of § 9(2)(b)(ii) per annum.

⁵ The PWC report does not contain multipliers for expenditure. Instead the local economy gross domestic product (GDP) multiplier has been used.

However, there are economic welfare enhancing benefits associated with increased or retained levels of economic activity. These relate to one or more of:

- 7.1 Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs, hence increasing profitability or lowering prices;
 - 7.2 Increased competition: Increases in, or the retention of, the demand for goods and services allow a greater number of providers of goods and services to enter markets and there are efficiency benefits from increased levels of competition;
 - 7.3 Reduced unemployment and underemployment⁶ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, increases in, or retention of, economic activity can bring efficiency benefits when there is a reduction in unemployment and underemployment. The extent of such gains is of course a function of the extent of underutilised resources within the local economy at the time and the match of resource requirements of a project and those resources unemployed or underemployed within the local economy; and
 - 7.4 Increased quality of central government provided services: Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the quality of such services in a community can be increased if increased or retained economic activity maintains or enhances population levels.
- 8 It is reasonable to presume that increases in economic activity (i.e. expenditures, incomes and employment) within the Palmerston North economy as a consequence of the Project's construction (and operation – see next section of this report) will give rise to one or more of these four welfare enhancing economic benefits for the local community.
- 9 Not only does the Resource Management Act at Section 32 2(a) require consideration of opportunities for economic growth and employment, but local, regional and national governments all seek to increase and/or retain levels of economic activity within their borders.

INCREASED ECONOMIC ACTIVITY IN PALMERSON NORTH DURING PROJECT OPERATION⁷

⁶ Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

⁷ Unless stated otherwise, data in this section provided by Woodgate. This is supplemented with material sourced from a report – *Putting Care In Our Communities*; prepared by PricewaterhouseCoopers New Zealand for Summerset Group Holdings Limited; May 2013 (the PWC report).

- 10 Once operational, the lifestyle retirement village will require inputs of goods and services and employee labour. Apart from labour, Woodgate has estimated annual expenditure on goods and services provided by Palmerston North businesses to the retirement village will average around § 9(2)(b)(i) million per annum. These are likely to include security services, laundry services, gardening services, building and electrical maintenance services and suppliers of pharmaceutical and other medical products.
- 11 Woodgate anticipate an on-site workforce at the new retirement village of around 200 FTE staff with wages and salary payments of § 9(2)(b)(ii) million per annum⁸.
- 12 Multipliers for expenditure (2.25), employment (1.8) and household income (1.9) from the PWC report are used to estimate total impacts (i.e. direct plus indirect impacts) for the Palmerston North economy during the operation of the retirement village of:
- 12.1 Additional expenditure of § 9(2)(b)(iii) million per annum;
- 12.2 360 additional jobs; and
- 12.3 § 9(2)(b)(iii) million per annum in additional wages and salaries.
- 13 These direct plus indirect economic effects take account of the village operator's expenditure, employment and wage and salary payments but no account of the retirement village residents' spending within the local economy. To the extent that the proposed retirement village at Aokautere leads to an increase in (or retention of) Palmerston North's population and households, there will be additional expenditure within the local economy and flow on benefits in terms of additional employment and income. This indicates that the operating phase expenditure, employment and income impacts have been conservatively estimated.

OTHER ECONOMIC BENEFITS⁹

Improved Housing Affordability

- 14 The PWC report suggests that retirement villages yield an average population density of 49 persons per hectare, which is more than twice that of the average New Zealand city. Residents moving into a new retirement village, as is proposed by Woodgate for the Aokautere site, will typically move out of lower-density houses into the higher density retirement village thereby freeing up land and dwellings capable of housing a greater number of occupants.
- 15 The Project will:

⁸ I.e. an average salary (including overtime) per employee of § 9(2)(b)(ii) per annum.

⁹ Much of the material in this section of the report is drawn from the PWC report.

- 15.1 Increase the number of dwellings within the Palmerston North – i.e. on the Project site;
- 15.2 Provide for an increase in the occupancy of vacated existing dwellings; and
- 15.3 Create the possibility of redeveloping existing dwellings more effectively (e.g. conversion of low density housing to medium density housing).

Providing Fiscally Efficient Healthcare and Other Services

- 16 The proposed retirement village will provide more efficient healthcare and other services to the Palmerston North community improving the level and effectiveness of healthcare and freeing up Government and district health board (DHB) resources for other health care services. In particular the retirement village will:
 - 16.1 Provide on-site 24 hour nursing services, enabling more timely and cost effective care including checking residents take the correct medicines at the correct times, nutrition monitoring, blood pressure monitoring, wound inspection and dressing and the earlier detection of health ailments;
 - 16.2 Provide an alternative to hospital care in the case of the earlier discharge of hospital patients, hospice care, the care of the chronically ill (patients assessed as having a maximum of 12 weeks to live), short-term respite care, the care of accident victims and the care of persons under 65 requiring long term care because of illness. The retirement village care bed costs, at around \$160 per day, will be much less than the costs of providing a public hospital bed for these types of care;
 - 16.3 Provide a centralised location for general practitioners and other health care providers to visit a number of patients, reducing their and/or their patients transport costs. For example, the legislation relating to In Between Travel (IBT) requires home healthcare workers to be reimbursed for their travel time (in addition to their vehicle costs) and this has significantly added to the costs to DHBs in providing home health care services.¹⁰ Having clients located within a concentrated area reduces such costs, whoever is the provider and funder;
 - 16.4 Reduce the number of emergency call out responses; and
 - 16.5 Privatised some health care costs to the residents themselves, further reducing the costs of, and pressure on, publically provided health care services.

¹⁰ See Home and Community Support (Payment for Travel Between Clients) Settlement Act, 2016. This is referred to as the in-between travel (IBT) legislation and came into effect on 1 March 2016.

Creating Safer Communities

- 17 Retirement villages, such as that proposed by Woodgate at Aokautere, create a safer environment in which risks to older people residing in the village can be substantially reduced. These safety benefits relate to safer, age-appropriate principles incorporated in the village design and construction, reductions in both the real and perceived risks of crime affecting residents and a reduction in the need for residents to travel on public roads resulting in reduced road accident costs. Also having available appropriate equipment and training of staff can reduce the risk of injuries to staff as compared to home care outside of retirement homes by for example family members or home support workers.

Promoting Independence and Supporting Positive Aging

- 18 By providing a continuum of care, from independent living to full palliative care the proposed retirement village will enable its residents to live with a level of independence consistent with their specific needs for as long as possible. The retirement village will also support improved health outcomes, companionship, social engagement and a sense of belonging. These outcomes not only provide direct benefits to village residents and their families and friends, but also indirectly benefit the wider community by reducing publically funded healthcare costs.

Increasing the Cost-effectiveness of Palmerston North City Council's Provision of Services

- 19 As a result of the Project, there will be increased rates income for the Palmerston North City Council. In part this will be offset by the increased cost of services that need to be provided by the Council. However, because of:
- 19.1 Economies of scale;
 - 19.2 Reduced upfront capital and ongoing maintenance costs for the Council as a result of Woodgate being responsible for all their own on-site capital expenditure and on-site maintenance costs for drains, roads, etc.; and
 - 19.3 Consolidation of rates invoices into a single payment from the village to the Council
- there is likely to be a net increase in Council income available for the provision of enhanced ratepayer services or a reduction in the pressure for rates increases.

Providing Benefits to Village Residents' Families

- 20 A new retirement village in Aokautere will bring benefits to residents' family members in that:
- 20.1 Family member carers can be freed up to return to the workforce; and

- 20.2 Transport costs will be reduced for family members residing nearby if without the Project their elderly relations need to be placed in retirement villages more distant to family members' places of residence.

POTENTIAL ECONOMIC COSTS OF THE PROPOSED WOODGATE LIFESTYLE VILLAGE

Utilities

- 21 Externality costs can arise when utilities provided by central or local government (e.g. roads, water supply, storm water and flood control systems and wastewater disposal) are not appropriately priced. In the case of Woodgate's proposed new retirement village at Aokautere, no such externality costs will arise.
- 22 Woodgate will be responsible for meeting the costs of access to and from the site. Woodgate, visitors to the site and the village residents will also make payments via road user charges, fuel taxes and rates for the ongoing maintenance and necessary upgrades to the local council road network.
- 23 With respect to water supply and wastewater and storm water disposal the Project will pay for connections to the Council infrastructure together with development levies, rates and any applicable user charges, which will be subsequently recovered from the retirement home's residents. There will be no cross-subsidisation by other ratepayers.

Local Road Congestion Costs

- 24 It is understood that the Project will have vehicle access by way of a new collector road linking to Pacific Drive, which has capacity to accommodate the full development of this growth area. Consequently, it is not anticipated that the Project will generate any material local road congestion costs.

Property Value Changes

- 25 Any property value changes (e.g. for properties that will be adjacent to, or near, the proposed new retirement village) are a reflection of, and not in addition to non-economic or "intangible" effects. This has been accepted by the Environment Court¹¹.

CONCLUSIONS

- 26 Woodgate's proposed new retirement village at Aokautere will have a local catchment for residents able to transfer to the village but continue to live within or near their existing community.
- 27 The new retirement village will enhance the social and economic well-being and the health and safety of the residents of the Palmerston North community by:

¹¹ See *Chen v Christchurch City Council* 1997; and *Foot et al v Wellington City Council* 1998.

- 27.1 Creating additional expenditure, employment and income within the local economy during the Project's 2.5 year construction period;
- 27.2 Creating additional expenditure, employment and income within the local economy once the retirement village is operational;
- 27.3 Improving housing affordability;
- 27.4 Providing fiscally efficient healthcare and other services;
- 27.5 Creating a safer community;
- 27.6 Promoting independence and supporting positive aging;
- 27.7 Increasing the cost-effectiveness of Palmerston North City Council's provision of services; and
- 27.8 Providing benefits to village residents' families.
- 28 The new retirement village will improve resource use efficiency by:
- 28.1 Increasing economic activity and population in the Palmerston North economy, enabling increased economies of scale, increased competition, greater utilisation of resources and improvements in the level of services provided by central government;
- 28.2 Providing fiscally efficient healthcare and other services;
- 28.3 Increasing the cost-effectiveness of Palmerston North City Council's provision of services; and
- 28.4 Freeing-up time and reducing transport costs for village residents' family members;
- 29 During its construction and operation the new retirement village will provide opportunities for economic growth and employment.
- 30 Woodgate's proposed new Aokautere lifestyle village will not give rise to economic externality costs.