

Economic Assessment of:
Proposed Mixed Use
Development at 48 Esmonde
Road, Takapuna

PREPARED FOR
Kingstone Property Limited



ABOUT US

OUR AREAS OF EXPERTISE

Economic Analysis

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations, and urban development. We have developed a range of methodologies using a quantitative approach to analyse urban spatial structure and audit land-use regulations.

Property Research

We provide property and retail market research to assist with planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market-feasibility of specific projects.

Development Advisory

We provide development planning and costing advisory services to support small and large-scale developments.

P: 09 963 8776

150 Foundry Road, Silverdale, Auckland

adam@ue.co.nz

www.ue.co.nz



CONTENTS

1.	SUMMARY.....	4
2.	OVERVIEW OF THE PROPOSAL	6
3.	SITE DESCRIPTION	7
4.	LOCAL SUBURB VALUES.....	8
5.	LOCAL SUBURB AMENITY.....	9
6.	INFILL VS GREENFIELD DEVELOPMENT TRENDS.....	11
7.	RETAIL & OFFICE IMPACT ANALYSIS.....	12
	7.1. Retail Space.....	13
	7.2. Office Space.....	17
8.	SERVICED APARTMENTS ASSESSMENT	19
9.	LARGE SCALE MIXED-USE DEVELOPMENT SITES.....	21
10.	INTENSIVE DEVELOPMENT ADVERSE ECONOMIC EFFECTS	23
11.	EMPLOYMENT GENERATION AND GDP IMPACT	23
12.	INFRASTRUCTURE EFFICIENCY	25
13.	AGRICULTURAL LAND IMPACT	26
14.	AUCKLAND UNITARY PLAN CONSIDERATIONS	27
15.	NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT	30
16.	REGIONAL POLICY STATEMENT.....	30
17.	CONCLUSIONS AND RECOMMENDATIONS.....	31
18.	APPENDIX 1: DEVELOPMENT SITES	33



1. Summary

The main findings of the assessment are as follows:

- The proposal is for a large, masterplanned, mixed use development that would provide in the order of 550 dwellings (including apartments, serviced apartments and retirement units) and supporting commercial, retail and food and beverage floorspace.
- The site is in close proximity to the Northern Busway and State Highway One providing efficient transportation links. This provides access to a range of key employment areas, including the CBD.
- The site has island characteristics that would support an exclusive market perception and increase demand.
- The site is high in amenity with close proximity to schools, community facilities, medical facilities, entertainment facilities, parks and recreation facilities that will increase demand.
- The proposal would enable a large, intensive residential mixed-use development in an established urban location. Developments of this scale are critical for achieving intensities sought by the AUPs 'quality compact city' objective.
- There are only a small number of large urban infill development sites (around 10) remaining in the Auckland region. This means the site is a relatively rare opportunity to increase density in a central location.
- Large masterplanned developments are better placed to enable high-density housing than smaller sites because they are able to offer a higher amount of on-site amenity (e.g. green space, pools, gyms, retail). This supports the overall viability of more intensive housing.
- Over the past 12 months 54% of new housing has been on greenfield land and 46% has been in infill locations. This indicates that while there is an increasing proportion of infill occurring under the AUP it is still below the target of 60-70%.
- The proposed retail space is aligned with the demand generated on-site for day-to-day retail goods and services. It would therefore not have an adverse competitive or economic impact on any other centre. Activities and Standards have been incorporated into proposed the Takapuna 2 precinct to support the local residential community while not undermining the role, function and viability of existing centres nearby.
- The proposal includes a small amount of office space that would in large part be used to provide services for residents and live-work opportunities. This, combined with the rate of demand growth on the North Shore, will ensure this office space would not have an adverse competitive or economic impact on any other centre. Activities and Standards have been incorporated into proposed the Takapuna 2 precinct to support the local residential community while not undermining the role, function and viability of existing centres nearby.



- There are currently 12 serviced apartment operators on the North Shore. The Spencer on Byron, in Takapuna, is the only large serviced apartment operator, with 80 rooms. The proposal is in a central and accessible location for this type of business and visitor accommodation.
- The proposal increases the direct GDP impact of the construction of 48 Esmonde Road by \$118.5 million above the baseline development.
- The proposal increases the flow-on GDP impact of the construction of 48 Esmonde Road by \$295.8 million above the baseline development.
- The proposal increases the direct employment impact of the construction of 48 Esmonde Road by 300 FTE jobs above the baseline development.
- The proposal increases the flow-on employment impact of the construction of 48 Esmonde Road by 330 FTE jobs above the baseline development.
- The proposal would enable an additional 187 dwellings (over and above the consentable base case which is estimated at 373 dwellings). This would result in an infrastructure cost saving of \$31 million as there would be 187 fewer dwellings required on Future Urban Zone ("FUZ") greenfield land would be required to accommodate future population growth.
- The proposal supports the AUP-RPS as it enables urban infill development within the urban area.
- The proposal supports the policies within the NPS-UD in regard to the provision of a range of housing types and choice.
- The Plan Change request provides for the needs of the future residents, it will also reduce travel for services from residents. The Plan Change is expected to have a range of economic benefits and no notable adverse economic costs. In particular, the proposal would not undermine the role, function and viability of existing centres nearby. The proposal is therefore recommended for approval on economic grounds.



2. Overview of the Proposal

This report is in support of a Plan Change (Takapuna 2 Private Plan Change).

The report focuses the establishment of new precinct plan that seeks to provide for the comprehensive and integrated redevelopment of the site. The precinct enables a new residential community comprising a mixture of housing types within a unique urban setting.

The key zoning of the land within the precinct is Residential - Terrace Housing and Apartment Buildings Zone. A limited range of non-residential activities is intended to support the local residential community while not undermining the role, function and viability of existing centres nearby.

The proposal is for a large predominantly residential mixed-use development comprising approximately 550 dwelling units and a small amount of 2,000m² of commercial and healthcare activity (10-20 units). This is greater than the baseline development, which is in broad terms a 5-level mixed-use development, which would comprise approximately 370 dwelling units and the same amount of retail and office activity (10-20 units)¹. It should be noted that dwelling units includes a mix of apartments, retirement units and serviced apartments.

It is noted that a resource consent has been granted for Stage 1 of the development. The consent enables two new buildings, one along the eastern site boundary up to seven storeys in height, to be used as visitor accommodation providing approximately 164 studio units, 18 one-bedroom units, and four penthouses on the top level. The second building will also be up to seven storeys and be constructed along the Esmonde Road frontage and will be primarily residential including approximately 37 one-bedroom units, 32 two-bedroom units, and 17 three-bedroom units (total 86 Units) as well as non-residential uses including a café, a health care facility, a childcare facility, a convenience store, a community facility, and a supporting business centre (total GFA of approximately 2,000m²) all of which would be used primarily by residents and people staying in the visitor accommodation and their guests.

Figure 1: Indicative Proposed Floorspace Composition

Activity	Baseline (THAB)		Proposal		Differential	
	Floor Space	Units	Floor Space	Units	Floor Space	Units
Dwelling Units	30,100	370	45,170	550	15,070	180
Retail	1,000	10	1,000	10	0	0
Office/Other	1,000	10	1,000	10	0	0
Total	32,100	390	47,170	570	15,070	180

Source: Jasmax

* includes retirement and services apartments

¹ The baseline of approximately 370 dwellings and the proposal of 550 dwellings have been derived from the architectural plans, which show which apartments fall within the permitted THAB height and the total apartments within the proposal.

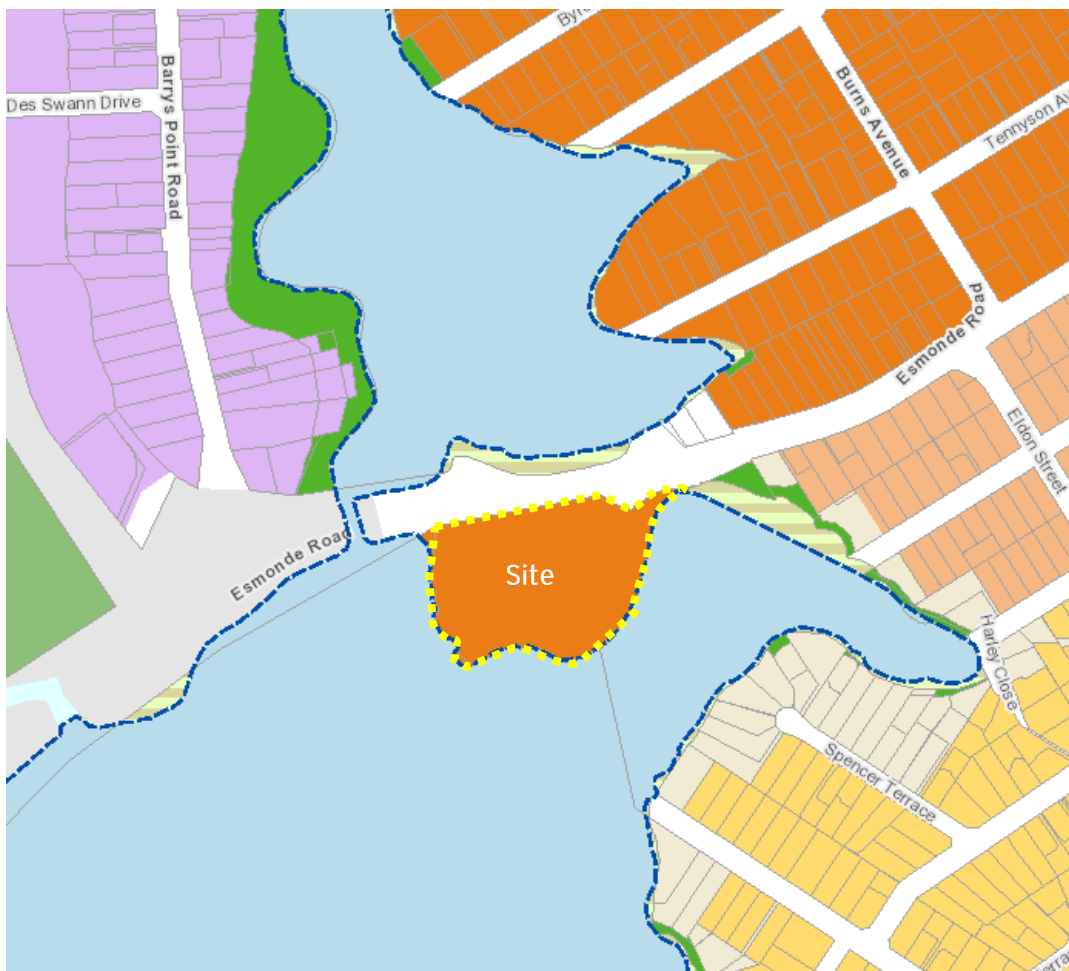


3. Site Description

The proposed development is a 2.2 hectare site located at 46 Esmonde Road, Takapuna. The key characteristics of the site are:

- It is zoned THAB.
- It is in close proximity to Takapuna town centre and the CBD.
- The site is in general terms an island with good views and water access.
- The site is in close proximity to both the Northern Busway and State Highway One providing strong transportation links.

Figure 2: Site Location Map



Source: Auckland Council

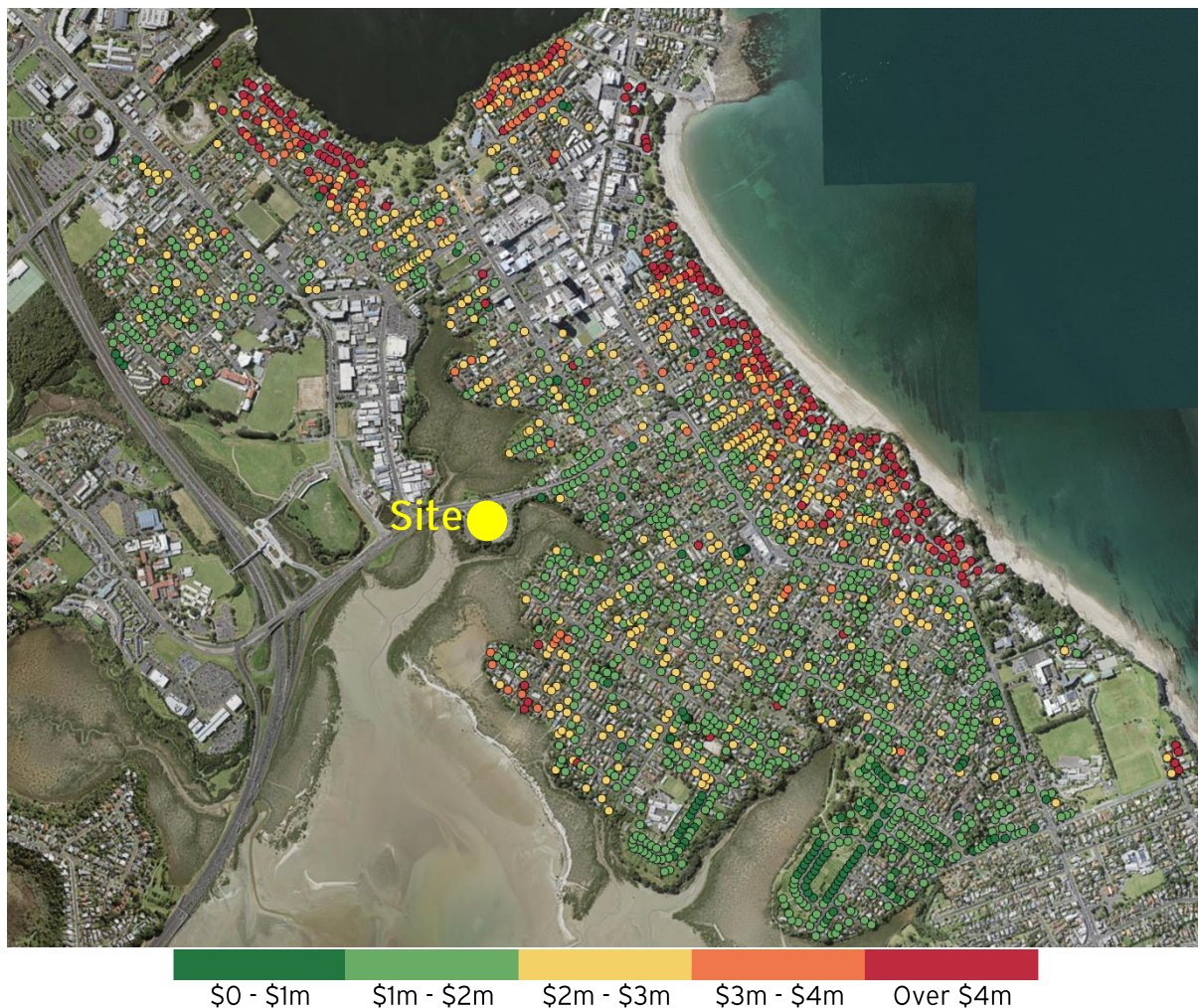


4. Local Suburb Values

The suburbs surrounding the site are of high value within the regional market. Figure 3 shows the Capital Value of residential properties surrounding the Site (2017 Auckland Council valuation). The main points to note are:

- Sale prices range from around \$4+ million around Takapuna Beach and Lake Pupuke.
- In coastal areas near to the site, sale prices have been in the \$2-3 million range.
- These prices show strong demand for this location and this reflects the local amenities, particularly the coastal area, and the proximity to the CBD.
- The island characteristic of the site would create an exclusive market perception and increase demand.
- The site is adjacent to a busy arterial road which would have some impact on the demand for adjacent properties.

Figure 3: Capital Value of Residential Properties Surrounding Proposed Site



Source: Auckland Council, CoreLogic



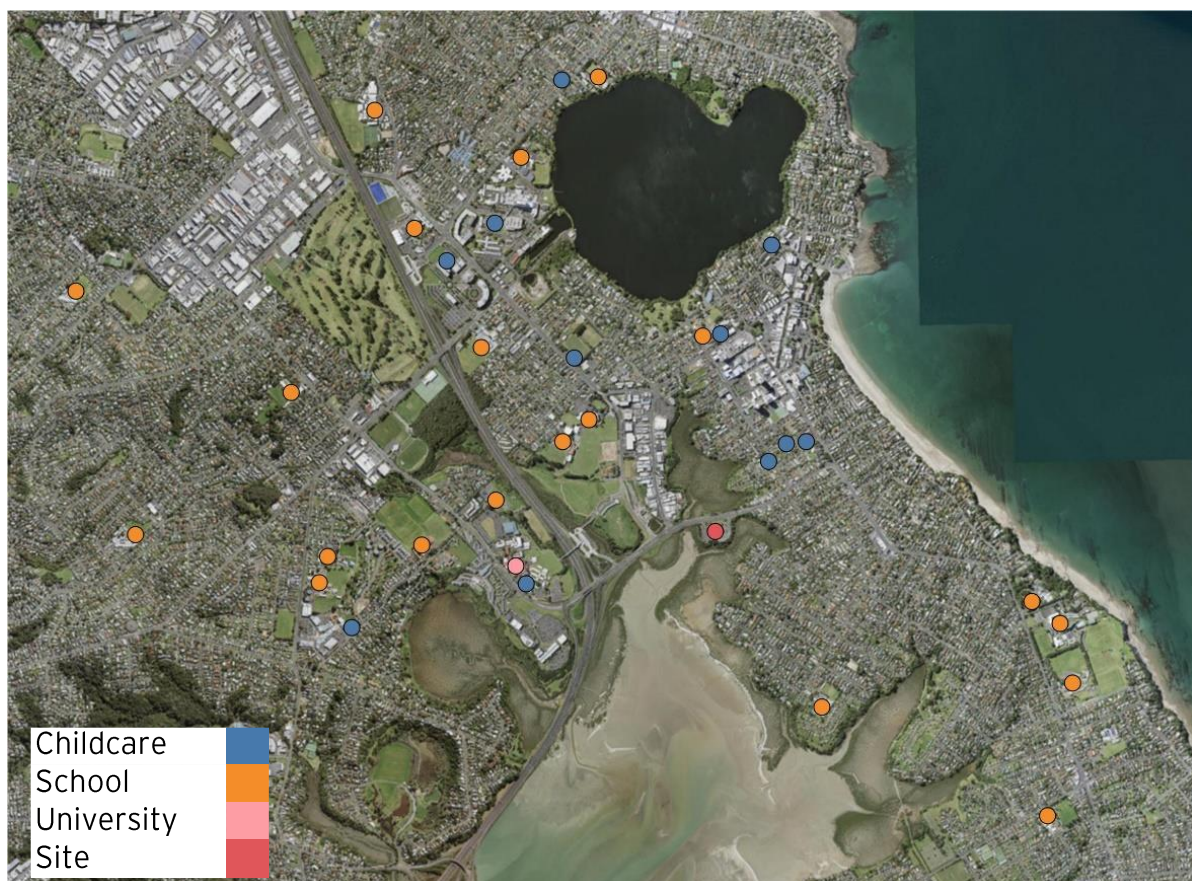
5. Local Suburb Amenity

Figures 4-6 illustrate the amenities surrounding the site. These include:

- 22 schools (primary, intermediate, secondary),
- 11 childcare centres,
- 1 university,
- 11 community facilities (churches, community halls, etc),
- 3 gyms,
- 26 medical facilities (doctors, dentists, hospitals, etc.),
- 5 arts and entertainment (theatres, galleries, etc.),
- 17 parks, and
- 18 recreation activities (sports clubs, game clubs, etc.).

These amenities would increase demand for dwellings on the site and support the intensive development proposed.

Figure 4: Childcare, Schools and Universities



Source: Google Maps

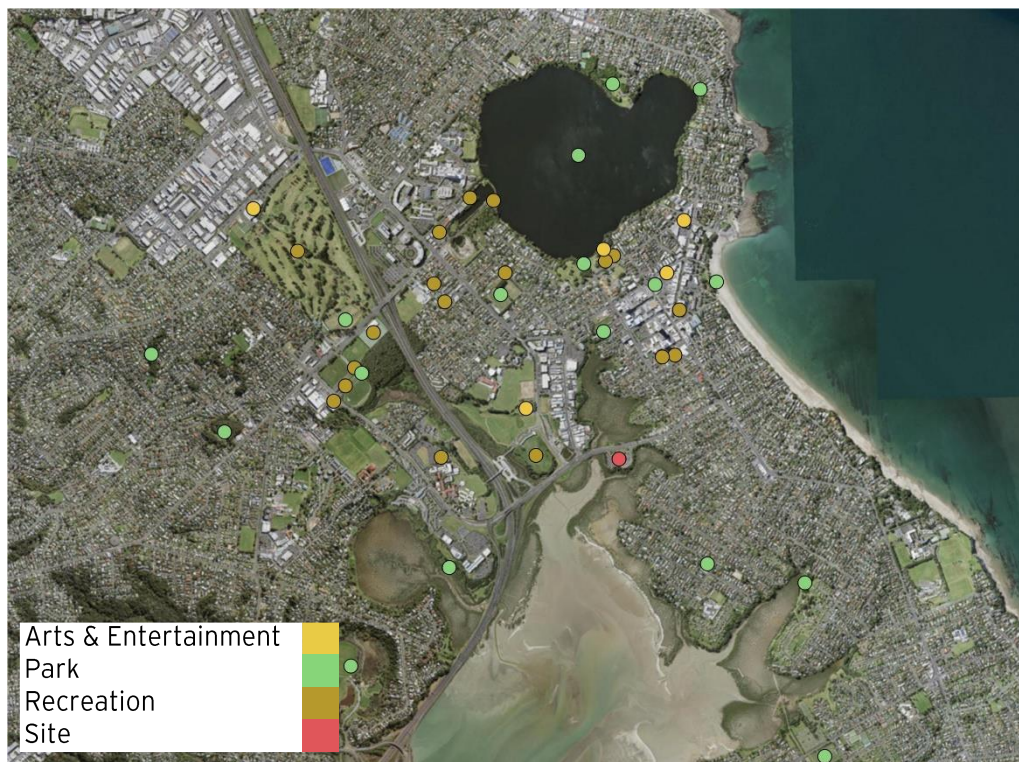


Figure 5: Medical, Gyms and Community Facilities



Source: Google Maps

Figure 6: Arts & Entertainment, Parks and Recreation



Source: Google Maps



6. Infill vs Greenfield Development Trends

A notable economic benefit of the proposal is it would enable a large, intensive mixed-use development in an established urban location. Developments of this scale make a substantial contribution to achieving intensities sought by the AUPs 'quality compact city' objective. This is achieved by the master-planning and development planning process which provides a level of certainty about the quality and composition of the development for purchasers.

The following figure shows the location of new houses consented over the past 12 months in Auckland. The main point to note is that 42% of new housing has been on greenfield land and 58% has been in infill locations². This indicates only a moderate increase in infill development is occurring under the AUP than previous plans, reflecting the economies of scale available to greenfield development. The proposal would make a significant contribution to additional infill development in the City.

Figure 7: Infill/Greenfield Building Consents by Typology (January 2020 - January 2021)

		Number Proportion	
Stand Alone	Infill	2,790	44%
	Greenfield	3,590	56%
	Subtotal	6,380	100%
Terrace	Infill	4,590	62%
	Greenfield	2,820	38%
	Subtotal	7,410	100%
Apartment	Infill	2,340	82%
	Greenfield	500	18%
	Subtotal	2,840	100%
Total	Infill	9,720	58%
	Greenfield	6,910	42%
	Total	16,630	100%

Source: Statistics NZ

² Some of the Infill sites would have not been built on previously and would technically be Greenfield. This indicates that around 50% of new houses are on brownfield sites.



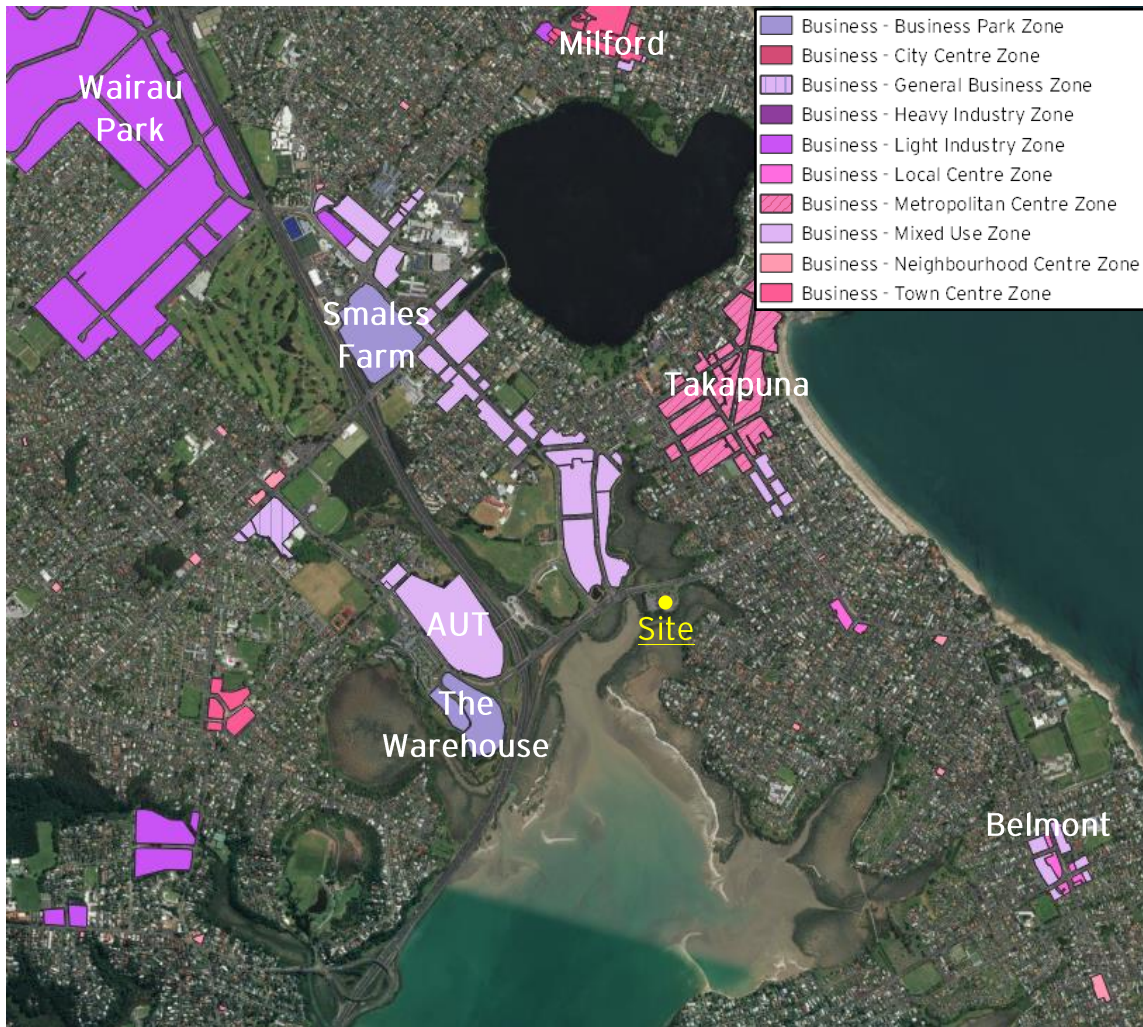
7. Retail & Office Impact Analysis

This section evaluates the economic impact of the proposed commercial activities on the surrounding centres. The proposal would enable up to 1,200m² of retail GFA and up to 2,000m² of combined retail and office/commercial or community GFA.

As outlined in Figure 8, the local area contains the following Metropolitan Centre and several Town Centres:

- Takapuna Metropolitan Centre;
- Belmont Town Centre;
- Northcote Town Centre;
- Hauraki Town Centre;

Figure 8: Business Zoned Areas Within 5km



Source: Auckland Council



7.1. Retail Space

The proposal site is geographically isolated and retail on the site would primarily service the immediate resident population.

In the order of 800-1,000 people are estimated to be permanent or temporary residents on the site, at any one time. This population would be the primary market for retail/food & beverage stores. It is approximately the size of a small neighbourhood.

The following figure shows the number of residents per retail store for the North Shore. For example, there is one café, restaurant or takeaway for every 590 people.

Figure 9: Demand for Retail Space

Business Typology	Retail Stores North Shore	Resident Population per Retail Store	Retail Stores Supported On Proposal Site
Cafes, Restaurants and Takeaway Food Services	615	260	3.5
Pharmaceutical and Other Store-Based Retailing	273	590	1.5
Clothing, Footwear and Personal Accessories Retailing	183	880	1.0
Specialised Food Retailing	153	1,050	0.9
Non-Store Retailing	132	1,220	0.7
Supermarket and Grocery Stores	126	1,270	0.7
Furniture, Floor Coverings, Houseware and Textile Goods Retailing	105	1,530	0.6
Motor Vehicle Retailing	96	1,670	0.5
Recreational Goods Retailing	87	1,840	0.5
Electrical and Electronic Goods Retailing	84	1,910	0.5
Hardware, Building and Garden Supplies Retailing	51	3,150	0.3
Pubs, Taverns and Bars	39	4,110	0.2
Motor Vehicle Parts Retailing	39	4,110	0.2
Fuel Retailing	27	5,940	0.2
Clubs (Hospitality)	15	10,690	0.1
Retail Commission-Based Buying and/or Selling	15	10,690	0.1
Department Stores	12	13,370	0.1

Source: Stats NZ, Urban Economics

The retail stores that are considered to be commercially viable within the development are highlighted in yellow. These include 3-4 cafés, restaurants or bars, 1-2 chemists, 1 specialised food retailer, and 1 dairy/grocer. Overall, there would be demand for around 1,000 - 2,000m² of retail space within the development (however a maximum of 1,200m² that is enabled by the precinct plan as a permitted activity).

The proposed quantity of retail space is aligned with the demand generated on-site for day-to-day retail goods and services. It would therefore not have a competitive or economic impact on any other centre.

More generally the regional retail markets have exhibited very low vacancy rates over the past



decade, and no centres are currently experiencing any adverse competitive or economic effects as a result of new competition entering the market. It is therefore concluded that the proposed retail space would not present any adverse economic effects.

The proposed retail space would however have notable positive economic effects. These include:

- Provide immediate access for residents within the development to a range of goods and services.
- Reduce transportation costs by providing immediate access to goods and services.
- Provide the necessary on-site amenities to support the development.

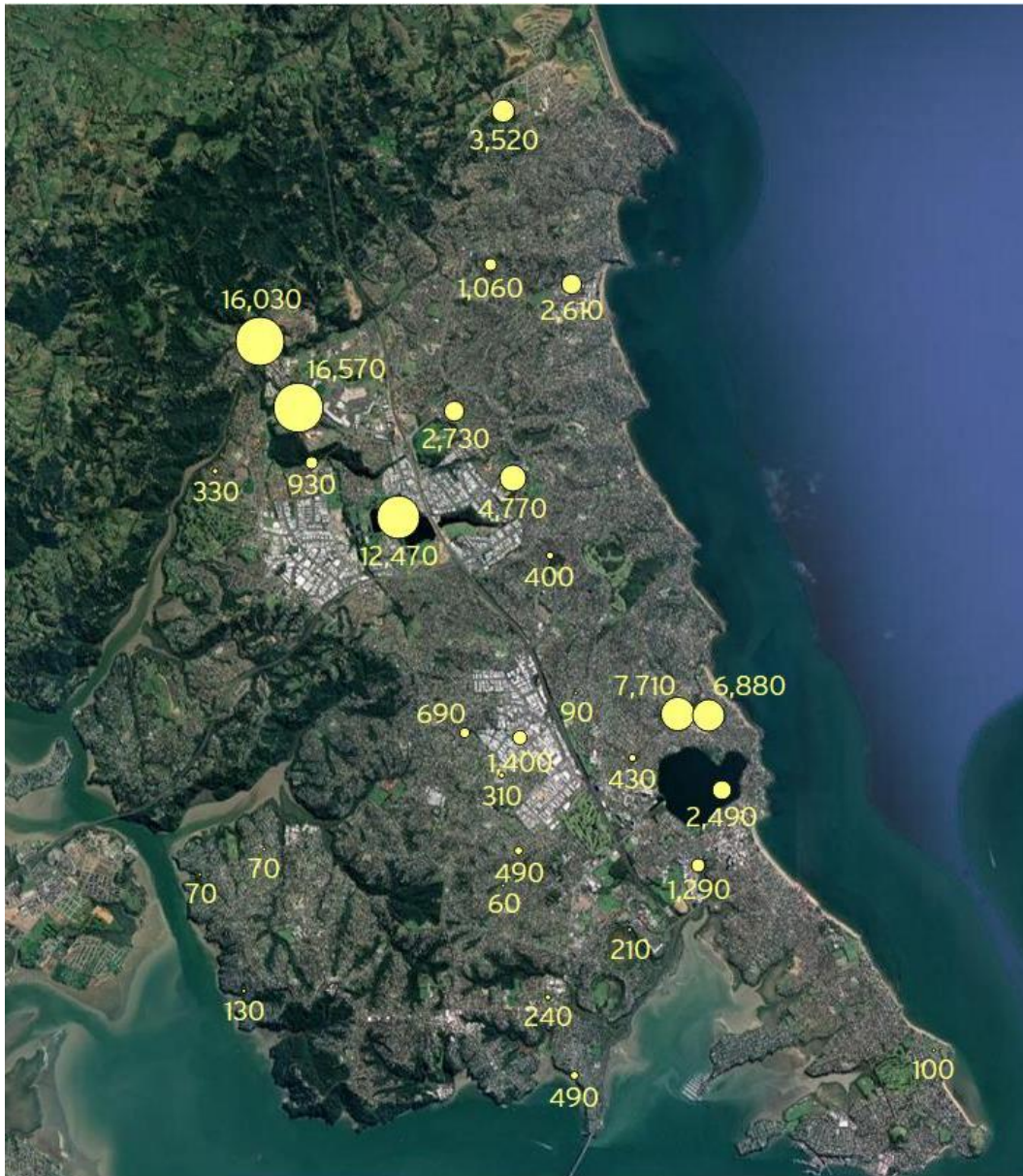
In summary, the proposed retail space is of a small scale that would have no discernible competitive impacts on existing centres and would provide access to a range of goods and services within the development that provide for the day to day needs of residents.

The proposed precinct provisions should enable up to a maximum of 1,200m² of retail space. This would provide for the needs of the local residents and would ensure retail on the site is not of a scale that would have any impact on the surrounding centres.

This Figure 10 shows the retail floor space consented over the past decade (2012 - 2021) by local board area. This shows the relatively small scale of the proposal within the context of retail market growth within the North Shore the past decade.



Figure 10: Retail Building Consents Floor Space (2012-2021)



Source: Statistics NZ

Methodology Note:

The proposal site is geographically isolated and retail on the site would primarily service the immediate resident population. The estimates of demand for commercial floorspace undertaken in this section are designed to reflect the geographic isolation of the site and therefore they account only for the demand/need of residents within the development. There are limitations to the supportable retail floorspace demand estimation models for small neighbourhood centres, particularly for sites that have unusual geographic/locational characteristics. For this reason the demand estimate has been based on a residents per store analysis, as this is considered more reliable.



The quantity of commercial space that is proposed is consistent with a small neighbourhood centre, which in new large scale masterplanned developments (Millwater, Hobsonville Point, etc) tend to range in size from 2,000 - 8,000m². Given the proposed development is at the smaller end of the range in terms of size for a large masterplanned development, the proposed commercial centre of 2,000m² is considered a conventional size and type to meet the needs of the immediate population. At this scale the proposed commercial GFA would attract a small proportion of demand from those living in the surrounding area, as is common to all centres, however this will be limited by the geographically isolated nature of the site.

A centre of 2,000m² (including a maximum of 1,200m² of retail) is not large enough to generate any adverse distributional effects, given the rate of demand growth, and the focus on convenience that is inherent to such centres, rather would provide benefits through increasing access to day-to-day goods on services on-site.

It is worth noting that the THAB commercial activity that is permitted within the zone is on a per site basis, so could potentially exceed the proposed 2,000m² cap in the precinct plan if the site is subdivided. For this reason a 400m² base case for the proposed zone is not considered to be useful. Rather, an assessment of the development enabled by the proposal is considered best practice as this accurately reflects and assesses the market supply and demand/need and related economic effects.

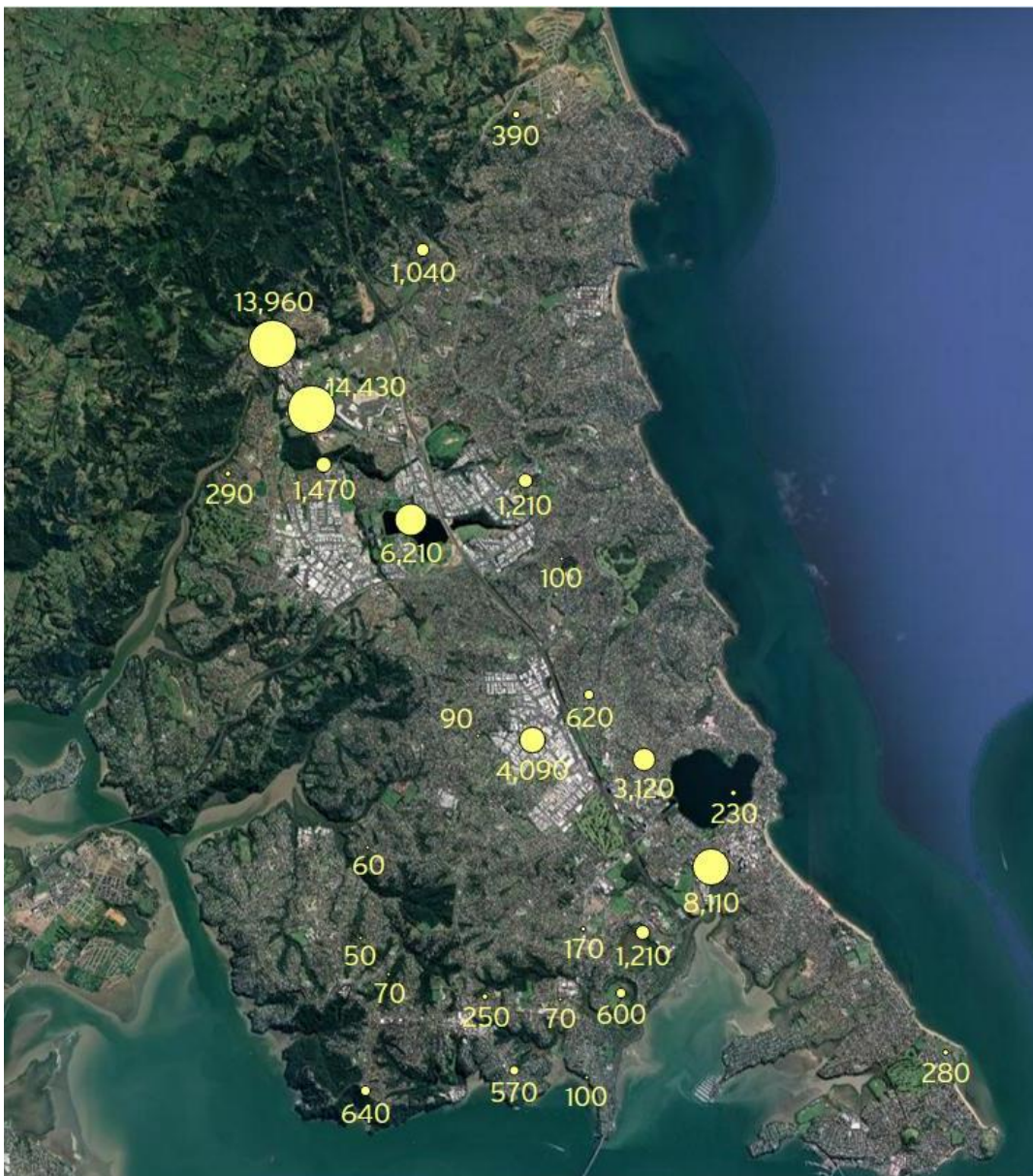


7.2. Office Space

Over the ten-year period ending 2010, the North Shore had a total of 54,900m² of new office space consented. This indicates annual demand of around 5,500m².

The distribution of office building consents across the North Shore local boards over the last 10 years are shown in Figure 11. New office space has been concentrated mainly in the upper half of the North Shore (39,100m² or 71% of all new supply). By contrast, the Takapuna area had 8,110m² (15% of all new supply) of new office space over this period, potentially indicating fewer opportunities to develop additional office space in this location.

Figure 11: Local Board Office Building Consents (GFA) 2012-2021



Source: Statistics NZ



The proposal would enable up to 2,000m² of commercial and healthcare GFA (including retail GFA). Given the rate of demand growth on the North Shore, and the central and accessible location of the proposed development site, there is strong demand for this proposed quantity of office space.

As the proposal is centrally located, is adjacent to a major arterial road, and is integrated within a large mixed-use development that includes a large number of residents, there is no prospect for any competitive impact, and subsequent economic effect, on any existing centre.

Anecdotal evidence indicates that there is an increase in the number of people choosing to work from home, part time and full time, as a result of the structural shift in work created by Covid-19. Having some office space on-site would enable some shared space or small office space predominantly for residents. This would provide a small live-work opportunity within the development that would have notable economic benefits, mostly related to reduced transportation. It would also efficiently utilise some space that is not overly suited to residential use, i.e. at the ground level, within the development.

More generally the regional office market has exhibited very low vacancy rates over the past decade, and no commercial centre across the City is currently experiencing any adverse competitive or economic effects as a result of new competition entering the market.

It is therefore reasonable to conclude that the proposed office space would not present any adverse economic effects on existing centres

The proposed office space would however have notable positive economic effects. These are as follows:

- Provide an opportunity for residents to live and work within the development. This is a strong market prospect for owners that would like to purchase or rent/own office space for small - medium scale businesses. Given the close proximity to the CBD this is considered an attractive live-work location.
- Reduce transportation costs by providing onsite employment opportunities.

In summary:

- The proposed office space is of a small scale.
- The proposed office space would have no discernible competitive impacts on existing centres.
- The proposed office space would provide access to a range of employment services for residents.



8. Serviced Apartments Assessment

This section evaluates the economic costs and benefits of the serviced apartments.

There are currently 12 serviced apartment operators on the North Shore, as shown in the following two figures.

The majority of these are medium in scale. With the largest being The Spencer on Byron in Takapuna. Serviced apartments are clustered around Albany and Takapuna.

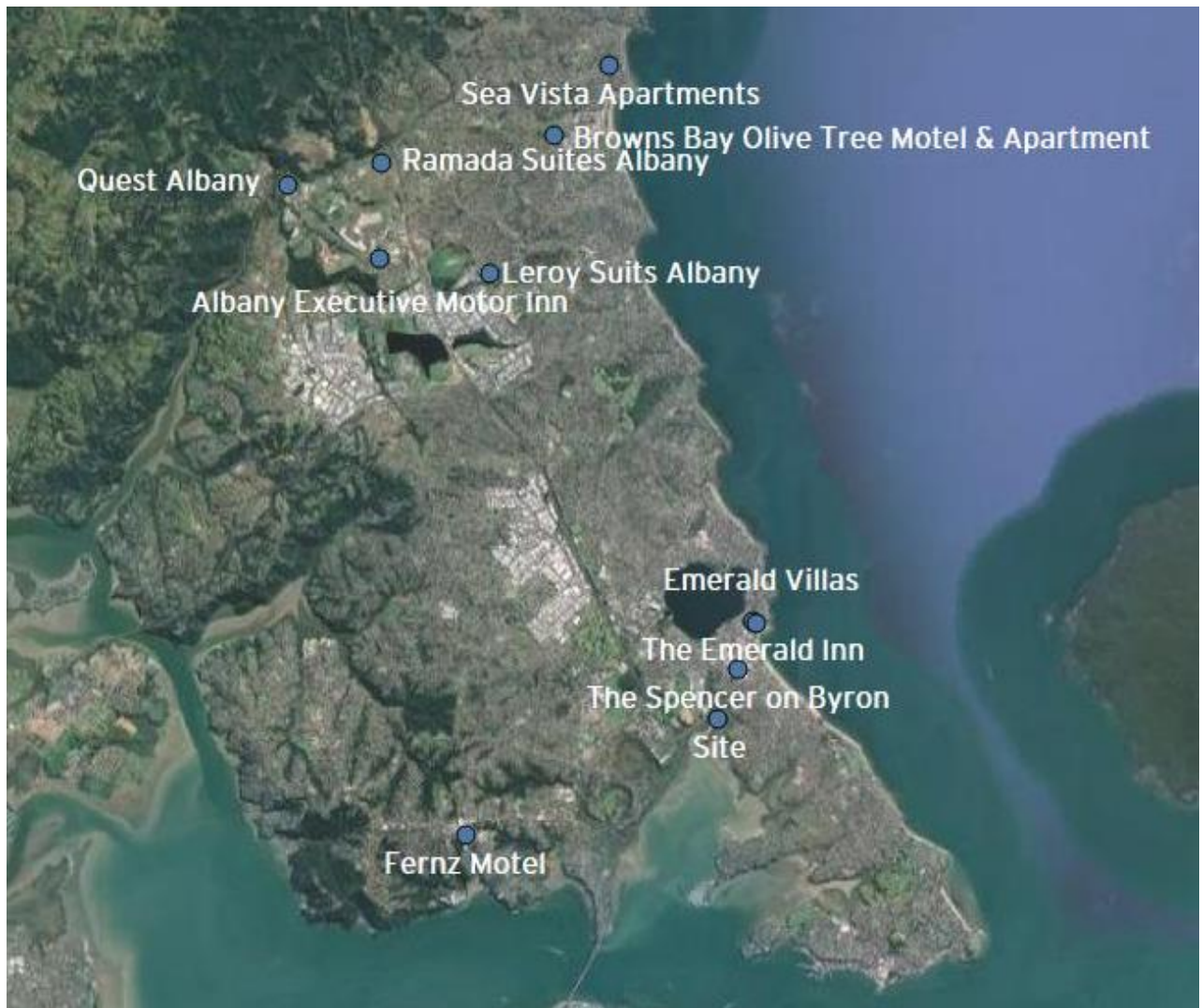
Figure 12: North Shore Serviced Apartments

Name	Number of rooms
Albany Executive Motor Inn	40
Browns Bay Olive Tree Motel & Apartment	3
Edgewater Orewa	12
Emerald Villas	2
Fernz Motel	10
Leroy Suits Albany	65
Quest Albany	38
Ramada Suites Albany	65
Ramada Suites Orewa	20
Sea Vista Apartments	9
The Emerald Inn	6
The Spencer on Byron	80
Total	350

Source: Urban Economics



Figure 13: Distribution of Serviced Apartments in the North Shore.



Source: Urban Economics

The proposal would enable serviced apartments within the Takapuna area. This is attractive to residents looking to access temporary accommodation for work in the lower half of the North Shore and the CBD. It is also attractive to visitors looking to stay for several weeks or months in a high amenity location within the North Shore.

In summary, the proposed serviced apartments would have strong demand given the location of the site. It would increase the supply of short-medium stay residential accommodation in the lower half of the North Shore which would have notable economic benefits, namely increasing the supply of residential accommodation for this niche market.



9. Large Scale Mixed-Use Development Sites

There are only a small number of large sites that enable large scale mixed-use infill developments remaining in the Auckland region. These are summarised in the following figures and Appendix 1.

The small number of remaining large urban infill development sites highlights the importance of the proposed development for the wider region. There are around seven remaining sites that can accommodate 500 plus residential units in a masterplanned mixed-use development within the existing urban area. And of these, only two are in a central rather than peripheral location.

The proposed development is a relatively unique opportunity for an intensive development that would not otherwise be possible. This is because a large site can be masterplanned to incorporate a diverse and complimentary set of uses. By comparison, smaller sites are not able to be masterplanned in this way and tend to have lower density development outcomes.

It is worth highlighting the significant economic benefit that large masterplanned developments have in delivering high-density housing, both on peripheral greenfield sites and on larger undeveloped (or under-developed) sites within the existing urban area.

Masterplanned mixed-use developments can offer a more attractive option for some buyers than isolated apartment buildings. This is in large part due to the on-site amenity and unique lifestyle that can be achieved in larger masterplanned developments. For example, including gyms, cafes, childcare facilities and integrated live-work offices are likely to be attractive in the market. This may in turn lead to more people moving from lower density housing into higher density housing than would otherwise be the case. The retirement village sector is an example of this, with villages over the past 10-15 years increasing in size to over 500 units and providing a range of onsite amenities. This has been seen in the proportion of 70 year plus households choosing retirement villages increase from 4% in 1993 to 15% in 2017³.

In summary, the site is a relatively unique opportunity for a large masterplanned development in a central location, and this offers a range of significant economic benefits.

Figure 14: Large Residential/Mixed-Use Development Sites in Auckland (5+ hectares)

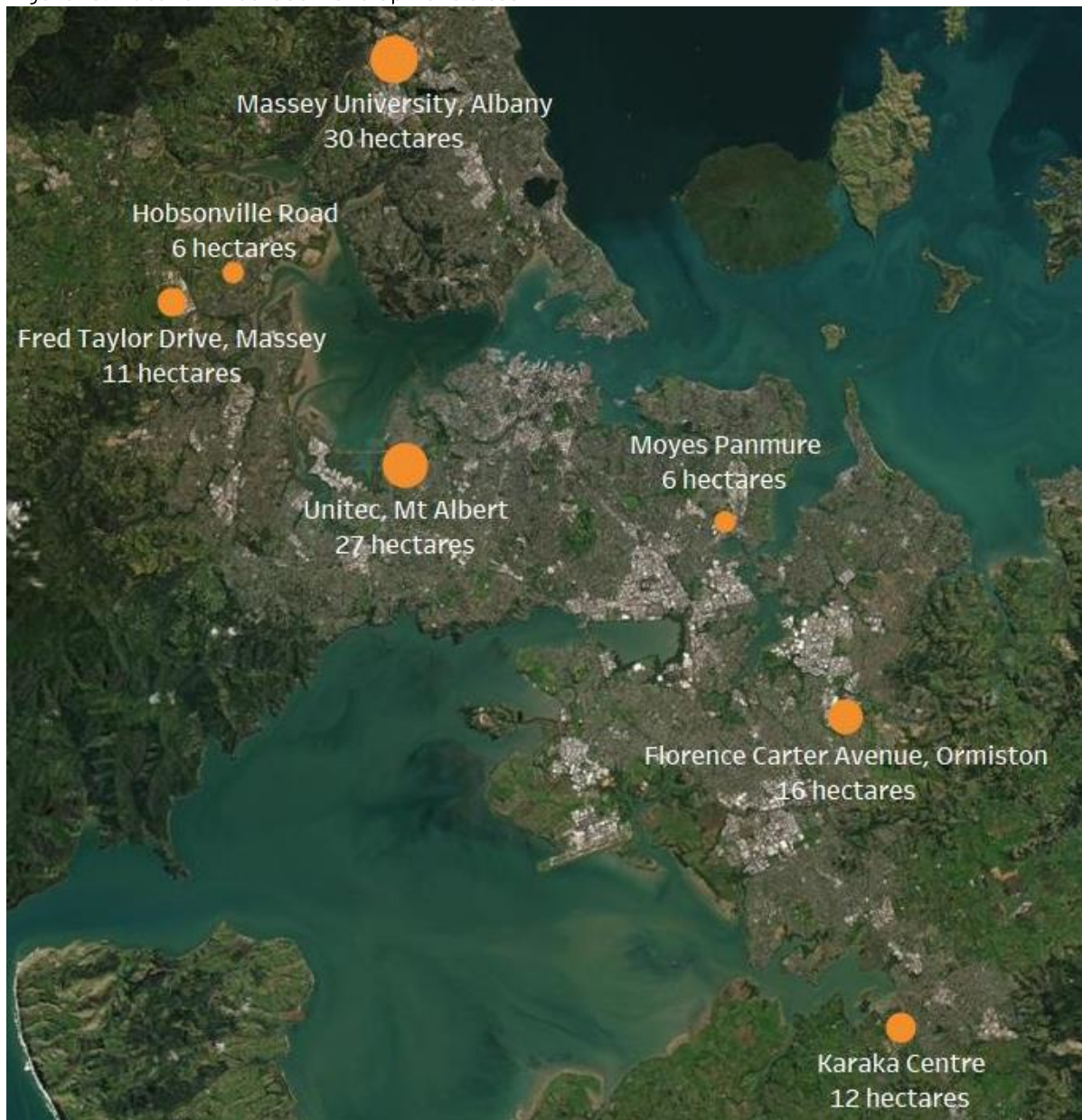
Site	Zone	Size (ha)
Massey University, Albany	Mixed Use	30
Unitec, Mt Albert	Mixed Use	27
Karaka Centre	Mixed Use	12
Fred Taylor Drive, Massey	Mixed Use	11
Hobsonville Road	Mixed Use	6
Moyes Panmure	Mixed Use	6
Florence Carter Avenue, Ormiston	Light Industrial	16

Source: Urban Economcs

³ Urban Economics, New Zealand Retirement Village Market Prospects 2018 - 2038



Figure 15: Vacant Mixed Use Development Sites



Source: Auckland District Council, Corelogic



10. Intensive Development Adverse Economic Effects

Intensive multiple-level development can have adverse economic effects on immediately adjacent properties, namely a loss in value due to reduced sunlight and privacy. Several hedonic studies have found that these effects tend to be minor or indiscernible (i.e. very minor or indiscernible impacts on the value of adjacent properties). For example, a study completed by MOTU “Valuing Sunshine”⁴ found:

“ceteris paribus, that each extra hour of sunlight received per day by a house (on average through the year) leads to a 2.4% increase in house price. This estimate remains virtually constant when we test sunlight across seasons and suburb types, and interact its value with elevation and viewspan.”

This indicates that there are minor effects in terms of shading from new apartment buildings, as an example of the literature on this topic.

The proposal site is not immediately adjacent to any existing urban areas. Notwithstanding the above, this substantially reduces any potential for any adverse economic effects on surrounding properties due to reduced amenity. For this reason, a landscape architect or urban designer is considered to be better placed to comment on these effects.

11. Employment Generation and GDP Impact

The following figures display the estimated GDP and employment impacts from the consentable baseline construction and the proposal. The direct impact is calculated using current construction costs per square metre with costs attributed proportionately to relevant industries. Indirect and induced effects are estimated using the national input-output tables released by Statistics NZ.

It is estimated that in the base case (refer to Figure 1), construction of the proposal would have a total impact of \$908.2 million, with \$259.8 million involved directly in the project and an additional \$648.4 million of indirect and induced expenditure in other industries.

The proposal increases this economic impact by \$414.3 million, with an additional \$118.5 million of direct expenditure and an additional \$295.8 million of indirect and induced expenditure. This takes into account the dynamic nature of an economy, where an increase in demand for one industry’s products generates additional demand for the factors of production used in that industry, as well as an increase in spending from the people who work in that industry. This process continues throughout the economy increasing spending and employment in many different industries.

Figure 16: GDP Impact of Proposal

	Direct Expenditure			Indirect & Induced Spending			Total Spending		
	Baseline	Increase	Proposal	Baseline	Increase	Proposal	Baseline	Increase	Proposal
Professional Services	\$20.0	\$9.1	\$29.2	\$44.9	\$20.5	\$65.4	\$64.9	\$29.6	\$94.6
Construction	\$175.0	\$79.8	\$254.8	\$442.2	\$201.7	\$644.0	\$617.2	\$281.6	\$898.8
Manufacturing	\$64.8	\$29.6	\$94.4	\$161.2	\$73.6	\$234.8	\$226.0	\$103.1	\$329.2
Total	\$259.8	\$118.5	\$378.4	\$648.4	\$295.8	\$944.2	\$908.2	\$414.3	\$1,322.5

Source: Statistics NZ, Urban Economics
51624.5.02



The national 'value added per employee' for each industry has been used to estimate the full time equivalent (FTE) employment for this project. It is estimated that the baseline consented construction of 48 Esmonde Road would generate 1,370 FTE jobs, with 650 FTEs involved directly in the project and an additional 720 FTEs created as a flow on impact in other industries. The proposal generates an additional 630 FTEs, comprised of 300 FTEs involved directly in the project and 330 FTEs created as a flow on impact in other industries.

Figure 17: FTE Impact of Proposal

	Direct FTE Generated			Flow On FTE Generated			Total FTE Generated		
	Baseline	Increase	Proposal	Baseline	Increase	Proposal	Baseline	Increase	Proposal
Professional Services	110	40	150	60	30	90	170	70	240
Construction	400	190	590	510	230	740	910	420	1,330
Manufacturing	140	70	210	150	70	220	290	140	430
Total	650	300	950	720	330	1,050	1,370	630	2,000

Source: Statistics NZ, Urban Economics

Methodology Note:

Figure 18 shows the total jobs and median income for the construction sector and the total economy in Auckland for the 2010-2019 period. It is evidence that total sector jobs achieved growth of 2.9% per annum over the 2010-2019 period, and the construction achieved higher growth of 7.1% per annum over the same period. Total sector median income increased at 2.6% per annum, and the construction sector median income increased at a marginally higher rate of 3.3% per annum. These rates of median income growth only marginally exceeded inflation.

The main conclusions that can be drawn from Figure 18 are:

- total jobs have risen quickly in Auckland, with many years experiencing an addition of 30,000 - 40,000 additional jobs,
- construction median income has historically been marginally higher than total sector median income (\$53,000 vs \$48,000 in 2019), and
- the construction sector jobs have increased at a much faster rate than total sector jobs (7.1% versus 2.9% per annum).

A shortage of labour in the construction sector would typically result in a faster increase in median earnings relative to the total sector, as businesses offered higher incomes to attract new workers. This however is not evidence in Figure 1, with construction sector median income growth being only marginally higher than total sector (average) income growth. The likely explanation for this is that Auckland's labour force has historically been able to respond to increasing demand for labour by expanding its labour force, from retaining natural population increase, internal migration (attracting workers from other regions) and international migration (attracting workers from overseas). The main implication is that the increasing growth in construction sector output does not appear to have any significant impact on the output of the total regional economy, due to its ability to rapidly expand its workforce. Therefore, the proposal would increase the total output of the construction sector and this would not result in any significant diversion of labour from other sectors, and would



result in a net potential employment overall.

Figure 18: Total Sector Jobs & Income vs Construction Sector Jobs & Income 2010-2019 (Auckland)

Year	Total Sector		Construction Sector	
	Jobs	Median Income	Jobs	Median Income
2010	737,000	38,000	51,000	40,000
2011	750,000	39,000	52,000	41,000
2012	767,000	40,000	52,000	42,000
2013	780,000	41,000	54,000	43,000
2014	805,000	41,000	57,000	45,000
2015	839,000	42,000	62,000	46,000
2016	875,000	43,000	68,000	48,000
2017	914,000	44,000	76,000	49,000
2018	939,000	45,000	83,000	50,000
2019	953,000	48,000	87,000	53,000
Annual % Increase	2.9%	2.6%	7.1%	3.3%

Source: Statistics NZ

12. Infrastructure Efficiency

Auckland Council estimate that the City requires \$6.7 billion of expenditure on the infrastructure network to enable growth in future urban areas in the North Auckland sub-region (Auckland Future Urban Land Supply Strategy, July 2017, page 20). This equates to expenditure of \$168,000 per dwelling.

The following figure details the increase in dwelling yield and infrastructure efficiency as a result of the proposal. As displayed, a THAB zone (base case) development would enable a total dwelling yield of 363 units. The proposal would enable a yield of 550 dwellings, 187 more than the base case.

The additional 187 dwellings yielded from the proposal would result in an infrastructure cost saving of \$31 million (187 dwellings * \$168,000). This is because the additional dwelling yield resulting from the proposal would mean that 187 fewer dwellings on FUZ (greenfield) land would be required to accommodate future population growth.

In summary the proposal would have the benefit of reducing regional infrastructure servicing costs by \$31 million.

Figure 19: Proposed and Base Case Dwelling Yields

Base Case	Dwelling Yield	363
	Infrastructure Cost per Dwelling	\$168,000
	Total Infrastructure Cost	\$61
Proposal	Dwelling Yield	550
	Infrastructure Cost per Dwelling	\$168,000
	Total Infrastructure Cost	\$92
Base Case vs Proposal	Additional Dwelling Yield	187
	Total Infrastructure Servicing Cost Saving	\$31

Source: Urban Economics, FULSS



As further explanation of the above, there are cost efficiencies from utilising existing infrastructure capacity instead of building new greenfield infrastructure. These efficiencies occur up until the point that the existing infrastructure capacity is utilised. Beyond this point, there may be greater cost efficiencies from upgrading the existing infrastructure or building new greenfield infrastructure, and this depends on the relative cost of each on a per dwelling basis. It is often the case that there is a greater cost in upgrading infrastructure than building new greenfield infrastructure, as the former requires replacing existing lines within an urban area, whereas the latter requires new lines to be laid as part of a new greenfield development.

It is worth noting that while there are cost efficiencies of utilising the existing infrastructure capacity in Takapuna, if there is more intensification than anticipated in this area, this may require infrastructure upgrades which come at a relatively high cost.

Since the AUP became operative in 2016 approximately 35 hectares of residential land around the Takapuna Metropolitan Centre was zoned THAB. This pattern of zoning anticipates a significant amount of infrastructure capacity exists or is planned in Takapuna.

Since 2016 only four apartment developments (with 142 units) have been built in the Takapuna THAB zone, around 30 apartments per annum. This rate of apartment infill development is lower than would be expected given the proximity to the CBD and high level of amenity in Takapuna. Consequently, the development and related infrastructure capacity provided by the THAB zone in this location has not been utilised to any notable extent. For this reason, the additional capacity enabled by the proposal would efficiently utilise this capacity.

13. Agricultural Land Impact

The proposal would enable an additional 187 dwellings than the consentable baseline (circa 370 dwellings). This higher yield results in a more efficient utilisation of the site and its associated infrastructure, and therefore demand for these dwellings would not need to be met on other land, e.g. new greenfield land.

Enabling additional density within the existing live zoned urban area results in less agricultural land being converted to urban uses to meet the demands of a growing population over time. This is an economic benefit. In this instance, the proposal would result in approximately 12 fewer hectares of agricultural land being used for urban development. This would retain in the order of \$600,000 of agricultural land value (based on a price of \$50,000 per hectare⁵).

⁵ The current market value of agricultural land reflects the net present value of its future agricultural use. While the current market value is a private transfer value, it provides a basis for understanding its economic value for agricultural production.



14. Auckland Unitary Plan Considerations

The proposal is evaluated against the relevant economic objectives and policies of the THAB zone, as follows.

H6.2. Objectives

- (1) Land adjacent to centres and near the public transport network is efficiently used to provide high-density urban living that increases housing capacity and choice and access to centres and public transport.*
- (2) Development is in keeping with the areas planned urban built character of predominantly five, six or seven storey buildings in identified areas, in a variety of forms.*
- (3) Development provides quality on-site residential amenity for residents and the street.*
- (4) Non-residential activities provide for the community's social, economic and cultural well-being, while being compatible with the scale and intensity of development anticipated by the zone so as to contribute to the amenity of the neighbourhood.*

The proposal is considered to meet the first objective as it is close to public transport and is for an intensive form of housing that would not otherwise be achieved in the market. The location of the site, within close proximity to the CBD, is a particular selling point for potential buyers, and would support commercial feasibility of the proposed development.

The proposal is considered to meet the second objective as it achieves a relatively high level of density.

The proposal is considered to meet the third objective as it provides a range of on-site amenities that are generally sought by the market in such developments.

The proposal is considered to meet the fourth objective as it is masterplanned and integrates the design elements and amenities that are required to support this intensity of development.

The proposal is evaluated against the relative economic objectives and policies of the RPS, as follows:

B2.2. Urban growth and form

B2.2.1. Objectives

- (1) A quality compact urban form that enables all of the following:*
 - (a) a higher-quality urban environment;*
 - (b) greater productivity and economic growth;*
 - (c) better use of existing infrastructure and efficient provision of new infrastructure;*



- (d) improved and more effective public transport;*
- (e) greater social and cultural vitality;*
- (f) better maintenance of rural character and rural productivity; and*
- (g) reduced adverse environmental effects.*

(2) Urban growth is primarily accommodated within the urban area 2016 (as identified in Appendix 1A).

(3) Sufficient development capacity and land supply is provided to accommodate residential, commercial, industrial growth and social facilities to support growth.

(4) Urbanisation is contained within the Rural Urban Boundary, towns, and rural and coastal towns and villages.

(5) The development of land within the Rural Urban Boundary, towns, and rural and coastal towns and villages is integrated with the provision of appropriate infrastructure.

(RPS B2.2.1, emphasis added)

The proposal is in support of this policy, particularly in respect of achieving a 'compact urban form' within the existing 'urban area 2016'. As outlined in this report, large infill sites are rare and make an important contribution to intensification.

B2.2.2. Policies Development capacity and supply of land for urban development

(1) Include sufficient land within the Rural Urban Boundary that is appropriately zoned to accommodate at any one time a minimum of seven years' projected growth in terms of residential, commercial and industrial demand and corresponding requirements for social facilities, after allowing for any constraints on subdivision, use and development of land

The proposal would support all aspects of this objective. In particular, it would achieve a level of intensity that would not otherwise be possible in the market, and it would support infill development which represents around only 40-45% of all new development in Auckland.

With regard to the policy requiring a minimum of 'seven years' capacity (slightly less than the ten years capacity required under the NPS-UD over the medium term), Auckland's capacity for new housing was re-evaluated using the ACDC model. This found that the total capacity had decreased rapidly, from 270,000 to 140,000⁶, and the average price of new houses had increased to \$1.2 million. Consequently, the Auckland Unitary Plan (AUP) no longer has sufficient capacity to enable new affordable housing.

"The enabled feasible capacity for dwelling supply, as modelled for the 2016 draft Unitary Plan

⁶ National Policy Statement on Urban Development Capacity 2016: Housing and business development capacity assessment for Auckland, December 2017, Auckland Council.



recommended by the Independent Hearings Panel, was for approximately 422,000 - being 270,000 (modelled) in brownfield existing urban areas and 130,000 (assumed feasible) in future urban areas, with the remainder being potential Housing NZ developments and future dwelling growth in rural-zoned areas. The new modelling shows, principally due to rising construction costs and flat to declining sales prices, that the brownfield enabled feasible capacity of 270,000 has since reduced to 140,000; and that the future urban feasible enabled capacity has changed slightly as it is now modelled, from 130,000 to 146,000 dwellings."

(Page 5, National Policy Statement on Urban Development Capacity 2016: Housing and business development capacity assessment for Auckland, December 2017, Auckland Council).

This analysis indicates that Auckland does not have a minimum of seven years capacity. Further, Watercare's current estimates are that they presently have infrastructure for 55,000 additional dwellings in Auckland. This falls short of the RPS requirement to have a minimum of seven years capacity.

The proposal would make a notable contribution towards achieving this policy, by efficiently utilising a large urban infill site and existing infrastructure capacity.

A Precinct Plan has been prepared as part of this private Plan Change to give effect to the outcomes sought for the site. The Precinct Plan includes objective, policies and standards and assessment criteria in order to deliver on the objectives of the Plan Change. I have reviewed the prepared Precinct provisions and note the following:

- There is a maximum of 2,000m² of commercial and healthcare GFA, and a maximum of 1,200m² for retail GFA (within the 2,000m² maximum). No tenancy would exceed 200m² GFA.
- At this scale there would be no distributional effect on other centres as it would be approximately commensurate with the day-to-day on-site requirements of residents.
- The site is not likely to function as a destination given its access from Esmonde Road. This would act as a market constraints on retail and 'other commercial' activity provided on-site.
- It is likely that there would be some office space that is utilised by residents as a home office.
- As the commercial activity would service on-site residents needs it would reduce traffic from the site to surrounding centres.
- Having a small amount of retail and 'other commercial' activity on-site would improve amenity for residents and support the overall viability of the development. It should be noted that on-site amenity is an important to the commercial success of large master planned developments.



15. National Policy Statement on Urban Development

This section outlines the relevant considerations with regard to the National Policy Statement on Urban Development (NPS-UD).

The key provisions of the NPS-UD that relates to efficient land markets is as follows:

NPS-UD: *“Policy 1: Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum: have or enable a variety of homes that:*

(i) meet the needs, in terms of type, price, and location, of different households...”

“Policy 2: Tier 1, 2, and 3 local authorities, at all times, [must] provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term [1 to 3 years], medium term [3 to 10 years], and long term. [11 to 30 years]”

“Policy 8: Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well functioning urban environments”

The proposal would support this policy. As outlined in the previous section, Auckland has fallen short of meeting its requirements under the NPS-UD. The proposal would achieve additional infill housing and therefore would make a notable contribution to achieving this policy.

16. Regional Policy Statement

The Auckland Unitary Plan (AUP) Chapter B2 Urban Growth and form promotes a compact urban form that enables the following:

- “(a) a higher-quality urban environment;*
- (b) greater productivity and economic growth;*
- (c) better use of existing infrastructure and efficient provision of new infrastructure;*
- (d) improved and more effective public transport;*
- (e) greater social and cultural vitality;*
- (f) better maintenance of rural character and rural productivity; and*
- (g) reduced adverse environmental effects” (B2.2.1)*

For the reasons outlined in this report, and most notably the scarcity of sites that are suitable for large intensive residential/mixed use developments and the ability for such developments to achieve a high level of density through design, economies of scale and the provision of on-site



amenities, the proposal offers a relatively unique opportunity to achieve the above objectives and would result in significant economic benefits.

17. Conclusions and Recommendations

The proposal would have the following key **economic benefits**.

1. The site has access to the Northern Busway and State Highway 1 providing efficient transportation links.
2. The site has island characteristics that would create an exclusive market perception and increase demand.
3. The proposal increases the direct GDP impact of the construction of 48 Esmonde Road by \$118.5 million above the baseline development.
4. The proposal increases the flow-on GDP impact of the construction of 48 Esmonde Road by \$295.8 million above the baseline development.
5. The proposal increases the direct employment impact of the construction of 48 Esmonde Road by 300 FTE jobs above the baseline development.
6. The proposal increases the flow-on employment impact of the construction of 48 Esmonde Road by 330 FTE jobs above the baseline development.
7. The proposal would enable an additional 187 dwellings. This would result in an infrastructure cost saving of \$31 million as there would be 187 fewer dwellings required on Future Urban Zone ("FUZ") greenfield land would be required to accommodate future population growth.
8. The site is in close proximity to schools, community facilities, medical facilities, entertainment facilities, parks and recreation facilities.
9. The proposal enables a masterplanned commercial mixed-use development in an established urban location. This will support the compact city objective of the AUP.
10. The proposal reduces transportation costs by providing on-site access to goods/services and employment.

The proposal would have the following key **economic cost**.

1. Intensive multiple-level development can have adverse economic effects on immediately adjacent properties, namely a loss in value due to reduced amenity (sunlight, views and privacy). The academic literature indicated that these effects tend to be minor or indiscernible (i.e. very minor or indiscernible impacts on the value of adjacent properties). It is noted that a landscape architect or urban designer is well placed to evaluate these potential effects from a qualitative perspective.



The proposal is expected to have a range of economic benefits and no notable economic costs. The proposal is therefore recommended for approval.



18. Appendix 1: Development Sites

This appendix contains the identified, vacant mixed use infill sites in Auckland. It also includes sites with different zoning that are planned to be utilised as mixed use sites.

Massey University, Albany (30ha Mixed Use Zone)

There is a large swath of Mixed Use zoned land adjacent to and including the Massey University Albany campus. The land is wholly owned by the university and there are no publicly available plans or physical indication to develop the land.



Auckland Regional Council



Fred Taylor Drive Massey (11ha Mixed Use Zone)

*Note blue & yellow outlined areas are planned for residential development (blue.) Bunnings (yellow) has been built and is in operation.

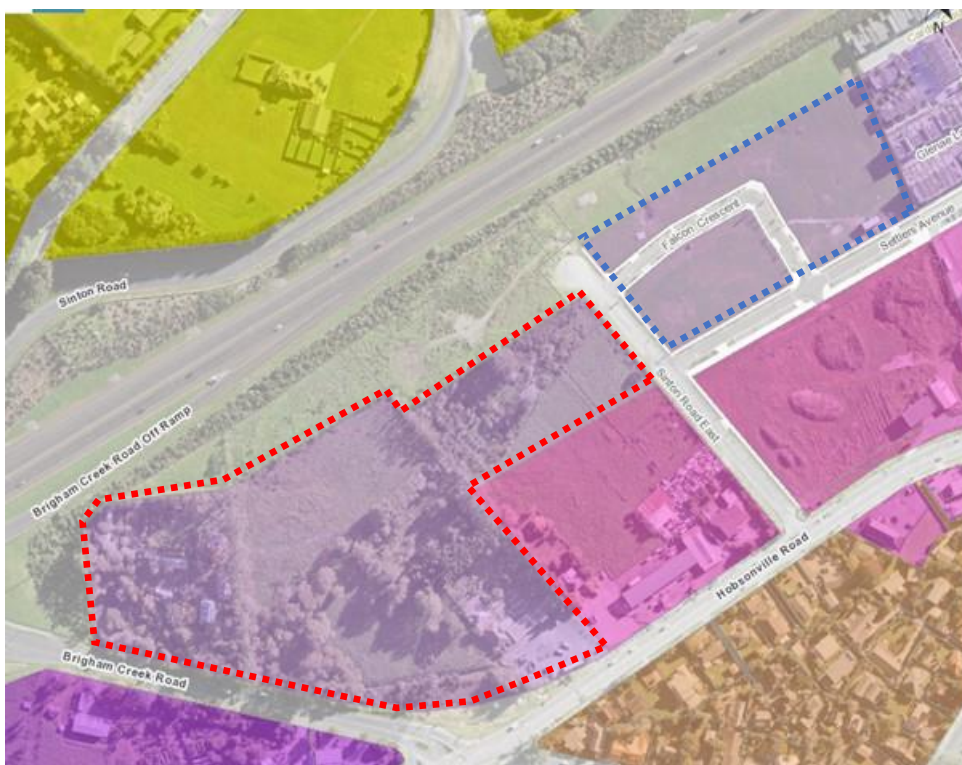


Auckland Regional Council



Hobsonville Road (6ha Mixed Use Zone)

*Blue outlined area planned residential development



Auckland Regional Council



Moyes Panmure (6ha)

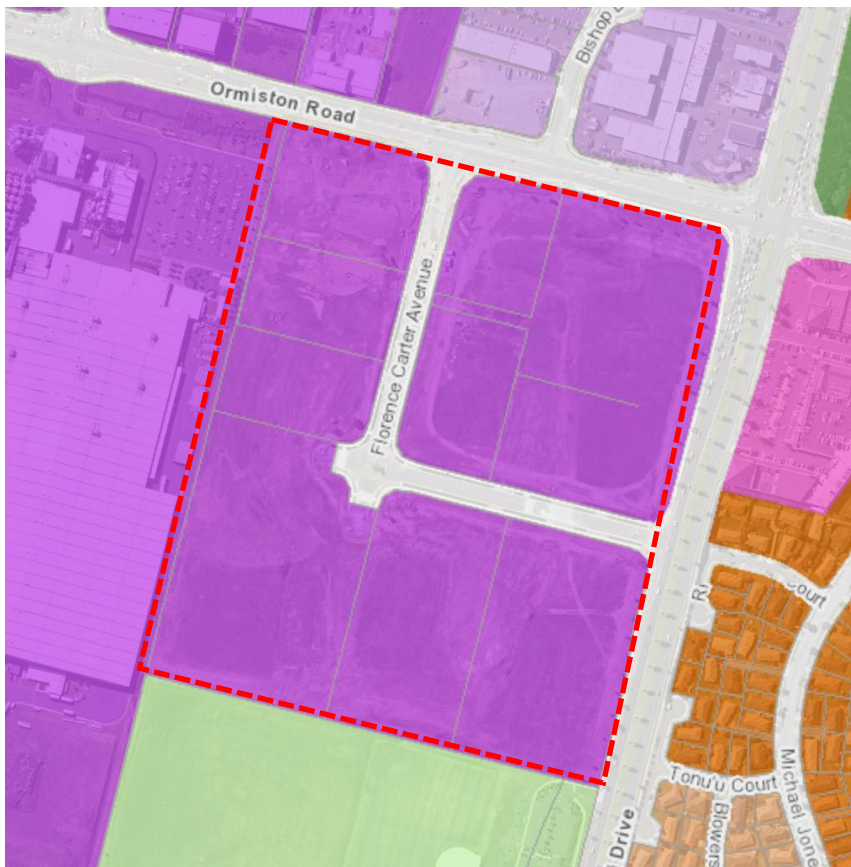


Auckland Regional Council



Florence Carter Avenue, Ormiston (16ha)

Previously zoned exclusively as light industry, 9.3ha was approved for rezoning as business mixed use in November 2020.



Auckland Regional Council



Rangitira Avenue (3ha)



Auckland Regional Council



Unitec, Mt Albert (27ha)

The Unitec site in Mount Albert is 27 hectares. Currently utilized for the Mount Albert Unitec Campus, the government plans to put 4,000 houses on the site under the kiwibuild program. The new zones are; mixed use, special purpose (tertiary education,) and residential (terraced and apartments.) The final handover of the land to the government will occur later this year.



Auckland Regional Council