

# **Drury Metropolitan Centre Fast-track**

Auckland Council Specialist Memo

**Annexure 2:**

**Economics**

**James Stewart**

**11 August 2025**

# Economics Memo

**Prepared by:** James Stewart – Economist, Chief Economist Unit, Auckland Council

**Date:** 11 August 2025

## Qualifications and Relevant Experience

1. I am an economist within the Chief Economist Unit at Auckland Council, a position I have held for the past 20 months. In this role, I provide independent, evidence-based economic advice to Council staff and elected members. My work primarily involves assessing the economic and welfare impacts of land use policies and Council investment decisions, with a focus on ensuring that these decisions promote long-term wellbeing and efficient resource allocation across Auckland.
2. I hold a Bachelor of Commerce (Honours) in Economics and have seven years of experience in urban economics consultancies in New Zealand and Australia.
3. I have prepared technical assessments for resource consent applications, plan changes, and fast-track applications.

## Code of Conduct

4. I confirm that I have read the Environment Court Practice Note 2023 – Code of Conduct for Expert Witnesses (**Code**) and have complied with it in the preparation of this memorandum. I also agree to follow the Code when participating in any subsequent processes, such as expert conferencing, directed by the Panel. I confirm that the opinions I have expressed are within my area of expertise and are my own, except where I have stated that I am relying on the work or evidence of others, which I have specified.

## Specialist Assessment

### Executive Summary

5. This review assesses the economic analysis <sup>1</sup> submitted in support of the Drury Metropolitan Centre fast-track application.
6. The assessment identifies limitations in the methodology used — primarily the reliance on input–output (I-O) modelling — which may overstate the economic benefits by not fully accounting for opportunity costs, displacement effects, and resource constraints.

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<sup>1</sup> Property Economics Limited, Appendix 20: Economic Impact Assessment – Drury Centre Precinct Stage 2, prepared for Kiwi Property Holdings No.2 Ltd, February 2025.

7. Many of the claimed benefits are transfers rather than net gains. Several others would benefit from further substantiation or clearer linkage to additional societal value. At the same time, key economic costs — such as infrastructure funding pressures and congestion impacts — may be understated. The opportunity cost of the reservation of limited infrastructure capacity has been omitted entirely and this may represent a significant cost particularly if effect to the Proposed Development consent is not given until much later.
8. While the Proposed Development may generate economic benefits associated with commercial activity, a more robust evaluation would entail a cost–benefit analysis (CBA) that compares the full range of incremental costs and benefits against a clearly defined counterfactual. This would provide a clearer picture of the net economic value of the Proposed Development and support more informed decision-making of the Panel.

#### **Economic impact and employment calculations**

9. The methodology underpinning the stated “total economic impact” has limitations and as a result overstates the economic benefits of the Proposed Development.
10. The input-output (I-O) analysis methodology has limitations that affect its suitability for calculating benefits (gross or net). In my view it has constraints, including (at a high level):
  - a) Assumes fixed input-output coefficients
  - b) No Supply Constraints
  - c) Absence of price mechanism
  - d) Static framework
  - e) Exclusion of externalities
  - f) No leakages.
11. The implication of these limitations is that the stated economic impact (referred to as a “significant economic benefit” in the conclusion<sup>2</sup>) of \$1.45 billion may be overstated.
12. The report states the number of FTEs during development (estimated at 7,750 FTEs over 11-years) as a benefit<sup>3</sup>. In economic terms, I consider these as a transfer of employees from other locations. There is no basis to assume that these employees would otherwise be unemployed, at another development or in another industry.

#### **Economic costs and benefits**

13. I have reservations about the way the costs and benefits of the Proposed Development are assessed in the report<sup>4</sup>.

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<sup>2</sup> At page 22 of Property Economics report February 2025.

<sup>3</sup> At page 22 of Property Economics report February 2025.

<sup>4</sup> At pages 18-21 of Property Economics report February 2025.

14. It is unclear what counterfactual the report is assessing the Proposed Development against. My understanding is that since the land is zoned and there is a precinct plan in place, the Proposed Development will occur regardless of the outcome of this FTAA application but at a later point in time and would otherwise be subject to the precinct plan thresholds. This is relevant to assess the incremental value of costs and benefits that arise from the Proposed Development.
15. The report posits several “potential economic benefits” arising from the Proposed Development<sup>5</sup> which represent transfers (not benefits) and others that would benefit from clarification as it is unclear what resources are generated from them:

***Transfers:***

- a) “Increased Employment Opportunities and Economic Activities”
- b) “Greater Levels of Investment in the Local Market”
- c) “Greater Level of Growth”

***Dubious benefits:***

- a) “Operational Efficiencies and Increased Competitiveness”
  - b) “Sector Specific Growth”
  - c) “Increased Internalisation of Retail and Drury Centre Expenditure”
16. Other benefits listed in the report may have some merit but would be more convincing if they were expressed in terms of the incremental resources they represent over the counterfactual scenario.
17. There are two costs identified within the report<sup>6</sup> that arise from the Proposed Development.
18. The “Cost of Infrastructure” is relevant because the Proposed Development requires infrastructure to be in place to generate any of the stated benefits.
19. I understand that if this FTAA application is approved, it would contribute towards the cumulative infrastructure capacity allocated to the precinct. Additionally, resource consents are enabling and there is no obligation on the consent holder to give effect to the consent. This suggests that the infrastructure capacity allocated to the proposed development may be held in abeyance until effect is given to it, or the consent lapses. This reservation of capacity could potentially limit the availability of infrastructure capacity for other developments, i.e. represent a cost on third parties.

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<sup>5</sup> At pages 18-21 of Property Economics report February 2025.

<sup>6</sup> At pages 18-21 of Property Economics report February 2025.

20. This is a material opportunity cost generated by the Proposed Development that warrants consideration, particularly as none of the stated benefits would arise in this circumstance.
21. The potential for “Increased Congestion or Generation of Disbenefits” is also relevant in this context, given that the Proposed Development is expected to elevate traffic flows both into and out of the area.
22. Congestion costs have been identified by Auckland Transport (AT) specialists as a potentially significant impact arising from the Proposed Development. The AT memo highlights a high likelihood of increased network congestion, including increased delays, safety effects, and reduced public transport efficiency.
23. I understand that a range of infrastructure upgrades have been identified as required to support the proposed development and address congestion. This includes earlier measures (e.g. the ultimate Waihoehoe Road upgrade). Later measures include the construction of Mill Road (northern and southern connections) and the Drury South Interchange. However, Auckland Council's funding specialist, Brigid Duffield, notes that these later projects are multi-billion dollar projects that are unfunded, with no funding commitment from NZTA, and given their scale will be many years away from delivery with uncertainty around when/if they will be delivered.
24. The incremental cost of congestion arising from the Proposed Development may be reduced as these mitigation measures are delivered. However, the timing of key mitigation measures remains highly uncertain, with many controlled by NZTA rather than Council, and significant funding gaps remain unresolved.
25. The opportunity cost of the allocated infrastructure capacity is a reasonably foreseeable cost not considered in the report, and in my opinion warrants further consideration.
26. The other costs identified in the report are relevant and should be considered. However, to ensure a balanced and transparent assessment, they should be evaluated within a consistent analytical framework that allows for comparison with the benefits of the Proposed Development. This would entail framing them in terms of their incremental values relative to the counterfactual.
27. I suggest a cost-benefit analysis framework, following Treasury guidance<sup>7</sup>, as the Proposed Development involves the reallocation of societal resources (e.g., opportunity cost of infrastructure).

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<sup>7</sup> <https://www.treasury.govt.nz/publications/guide/guide-social-cost-benefit-analysis>

## **Conclusion**

28. The economic assessment provided in support of the Proposed Development relies on input–output modelling, which has limitations for assessing the costs and benefits of the Proposed Development.
29. Several of the claimed benefits are more accurately characterised as transfers. Others would benefit from further substantiation or clearer linkage to incremental resource changes.
30. The report highlights two relevant costs but would benefit from further analysis by framing those costs in terms of the incremental value they represent over the counterfactual scenario so they can be weighed against the benefits.
31. The opportunity cost that arises from allocating infrastructure capacity to the Proposed Development should be considered in the analysis.
32. I suggest a cost-benefit analysis framework is adopted to compare the full range of incremental costs and benefits from a clearly defined counterfactual.