TWC on the Kāpiti Coast

Assessing the economic benefits of The Wellington Company's developments in Ōtaki and Paraparaumu

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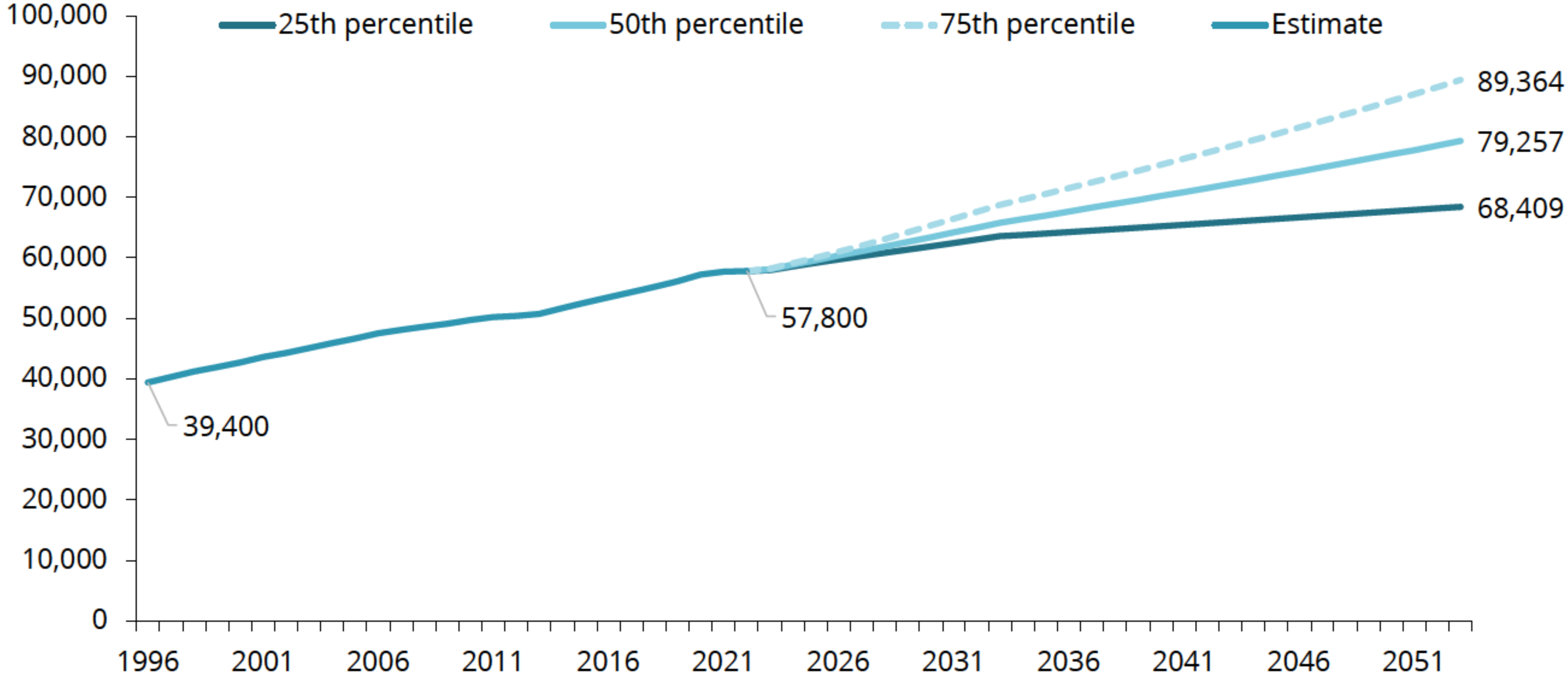
Overview

- Housing benefits
- Expanded rating base
- New neighbours, new colleagues
- Teamwork makes the dream work

The essential context

The population is growing

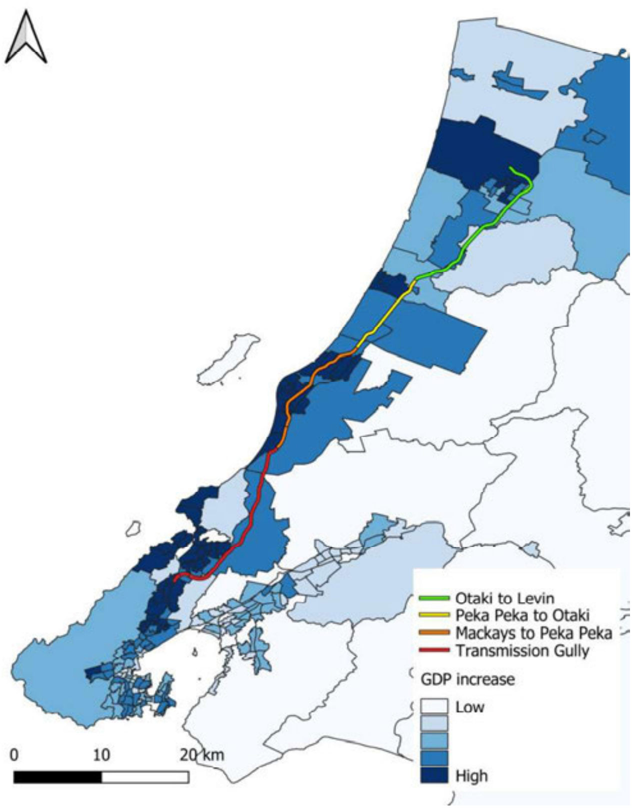
Figure 1: Estimated and projected population, Kāpiti Coast District



Source: Sense Partners, Statistics New Zealand

Better accessibility promotes the coast

Figure 2: Modelled GDP impacts of transport investment

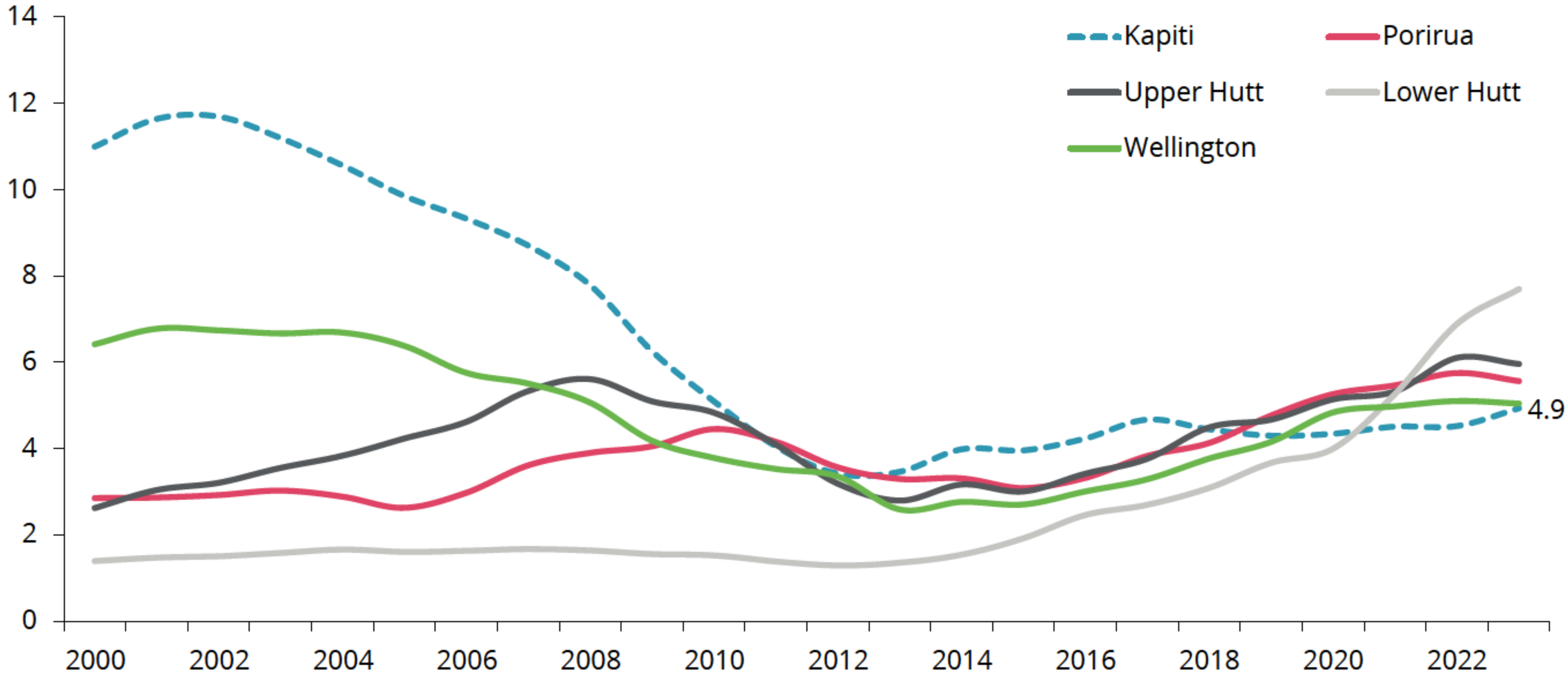


Source: Sense Partners

- The Kāpiti Expressway has improved access to the district
  - ~10-minute time saving, but real value is in expanded capacity.
  - Future expansions (Ō2NL) will build on this.
- Capital Connection rail
  - New trains and increased service frequency by ~Jan 2029

Housing has not kept up

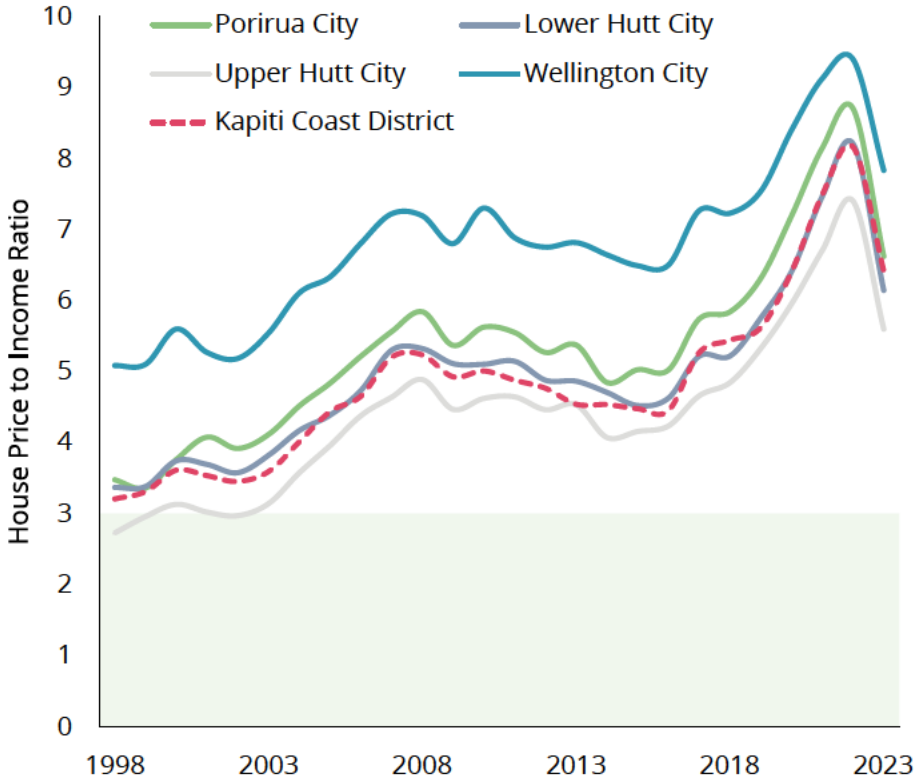
Figure 3: Consents per 1,000 residents, 5-year rolling average

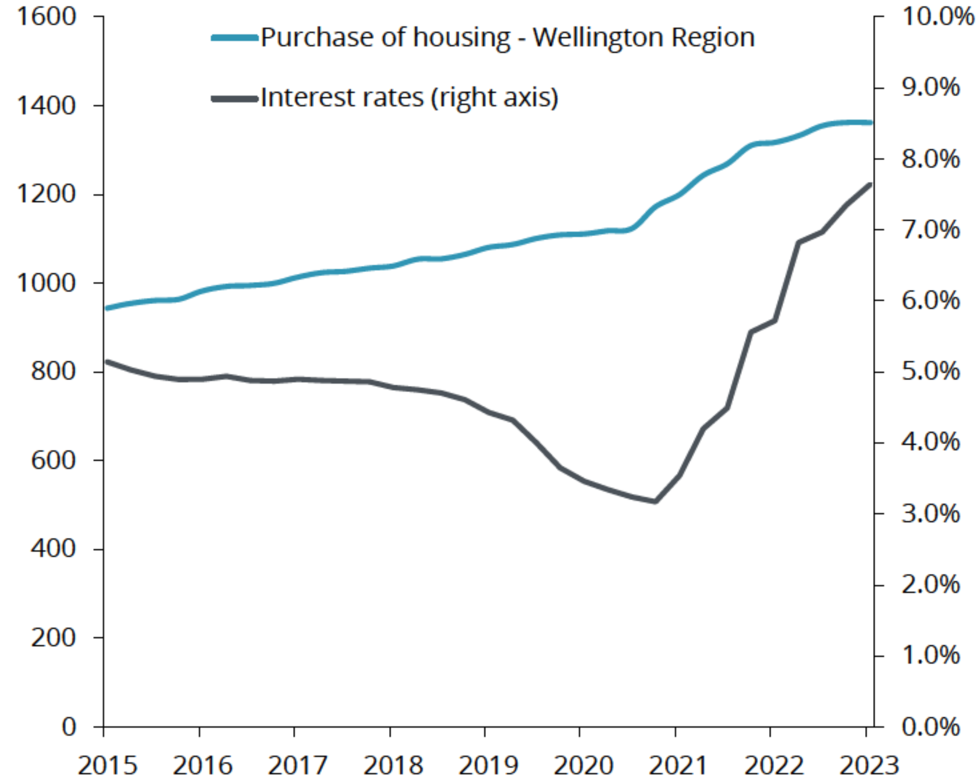


Source: Statistics New Zealand; Sense Partners analysis

The result is unaffordability

Figure 4: House price to income ratio (left) and Cost of purchasing housing (right)

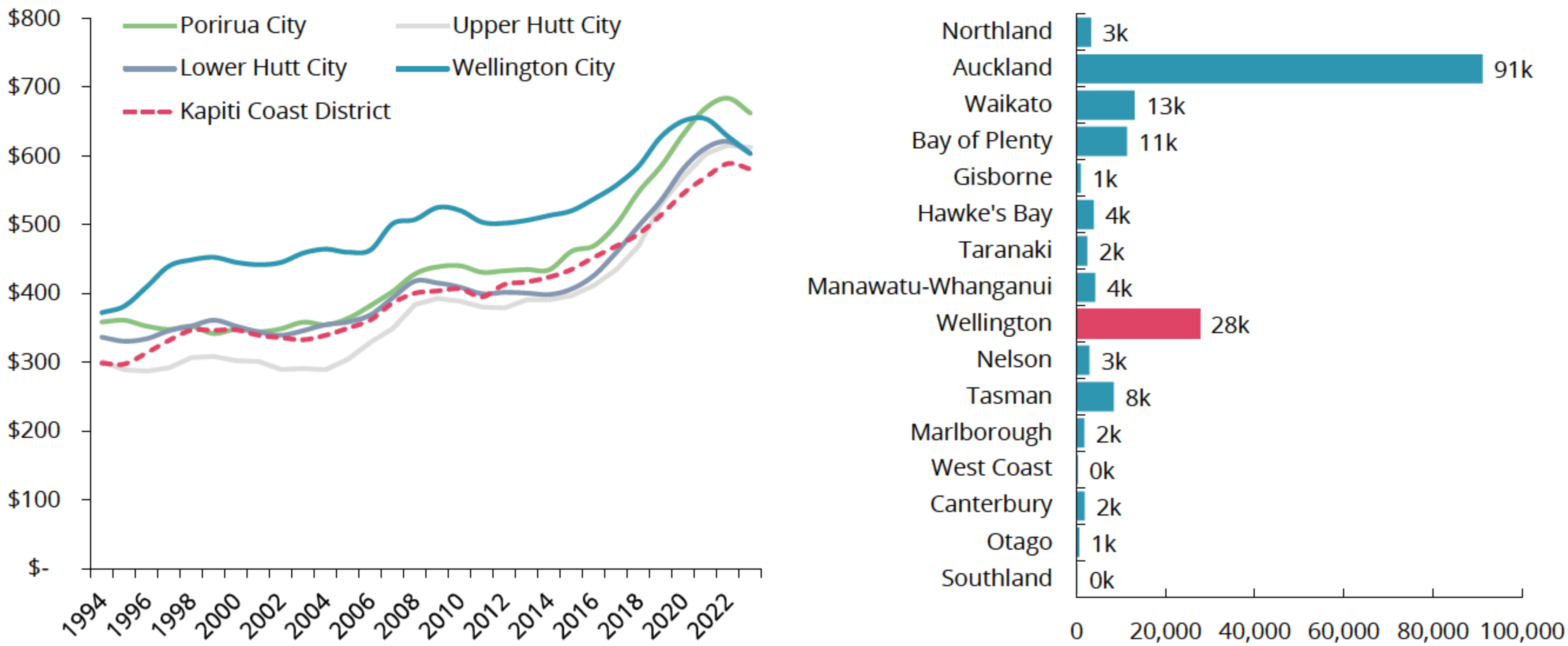




Source: Statistics New Zealand, REINZ, RBNZ; Sense Partners analysis

And a backlog of unmet demand

Figure 5: Real median rents (left) and Sale price implied 'need' for homes (right)

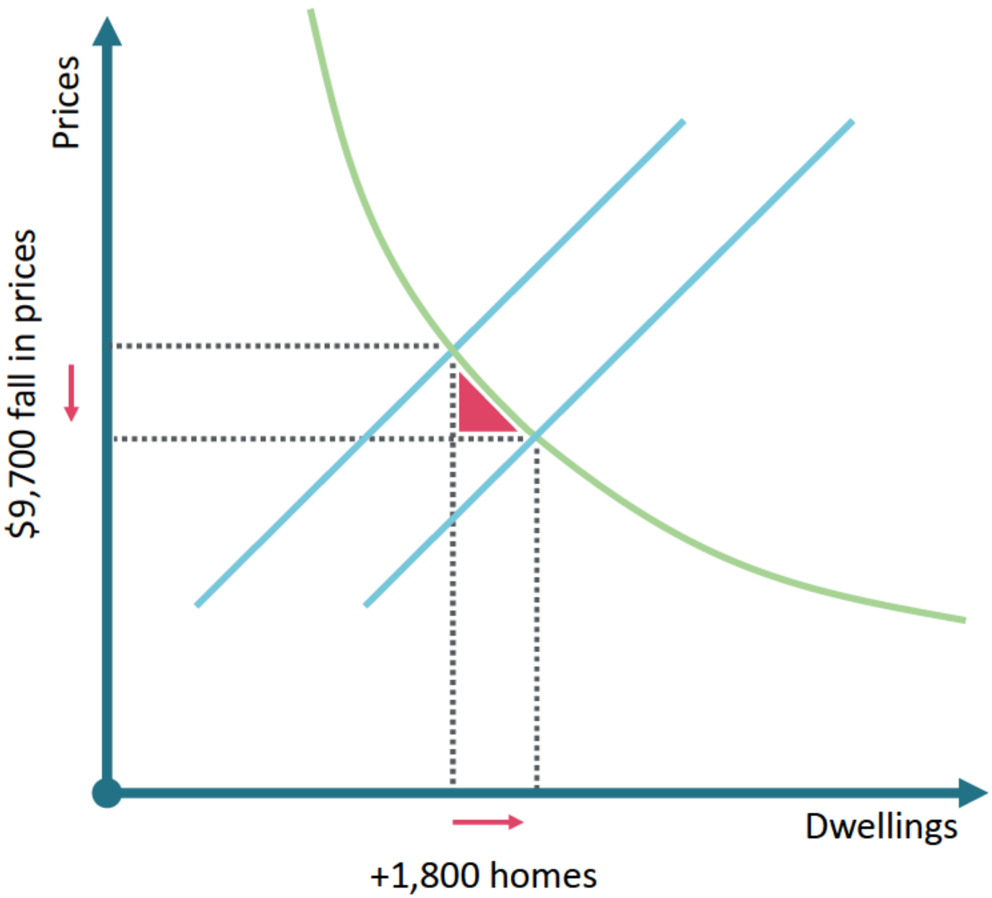


Source: Statistics New Zealand, REINZ; Sense Partners analysis

The housing benefit

We estimate a $8.6m housing benefit

Figure 6: Housing supply, demand, and consumer surplus



- We use a comparative statics approach to measuring the benefit.
- Lower house prices across Wellington region are a benefit to new residents.
- This is money into the community: affordable housing leaves money in people's pockets.

Expect this benefit to ease housing stress

- Increased supply will benefit owners *and* renters.

- *Not just a house, a life:* *(Analysis by The Urban Advisory for KCDC)*
  - 27% of KCD homeowners “stressed” – spending +30% income on housing.
  - 28% of KCD renters “extremely stressed” – spending +50% income on rent.
  - Keep in mind: prices have fallen, interest rates have risen – the cost of housing has not fallen since this 2021 analysis

An expanded rating base

An expanded rating base equivalent to $9.5m

Figure 7: Estimated rates revenue using current rates schedule

Rating category	Value	Unit	Per dwelling	Total
Base	0.38116	c/$	$3,051.32	$5.5m
Road	0.07013	c/$	$561.42	$1.0m
Stormwater	0.01597	c/$	$127.85	$0.23m
Potable Water	$177.60	Per dwelling	$177.60	$0.32m
Sewerage	$461.00	Per dwelling	$461.00	$0.83m
Districtwide Comm. Facility	$909.50	Per dwelling	$909.50	$1.6m
Otaki Comm. Facility	0.00250	c/$	$20.01	$0.01m
Paraparaumu Comm. Facility	0.00181	c/$	$14.49	$0.02m
Total				$9.5m

Source: KCDC; Sense Partners analysis

- Equivalent to additional $9.5m in rates revenue
- Based on the 2023/2024 rates schedule
- Based on average sale price of $800,000 across 1,800 dwellings.

New neighbours, new colleagues

New workers directly add to economic activity

1,800 homes

- We estimate these 1,800 homes will bring in approximately 3,600 new residents.
  - Some will be new to the region, attracted by new homes in a great location.
  - Some will already live within Wellington but choose to move. Typically, they will create space for other new residents.

3,600 residents

91 jobs in Kāpiti

- We estimate 1,570 jobs across the whole region – mostly Wellington City. Of these, 91 new jobs are in Kāpiti.
  - With an average Kāpiti wage of $57,500, the total wage bill could reach $5.2m per year.

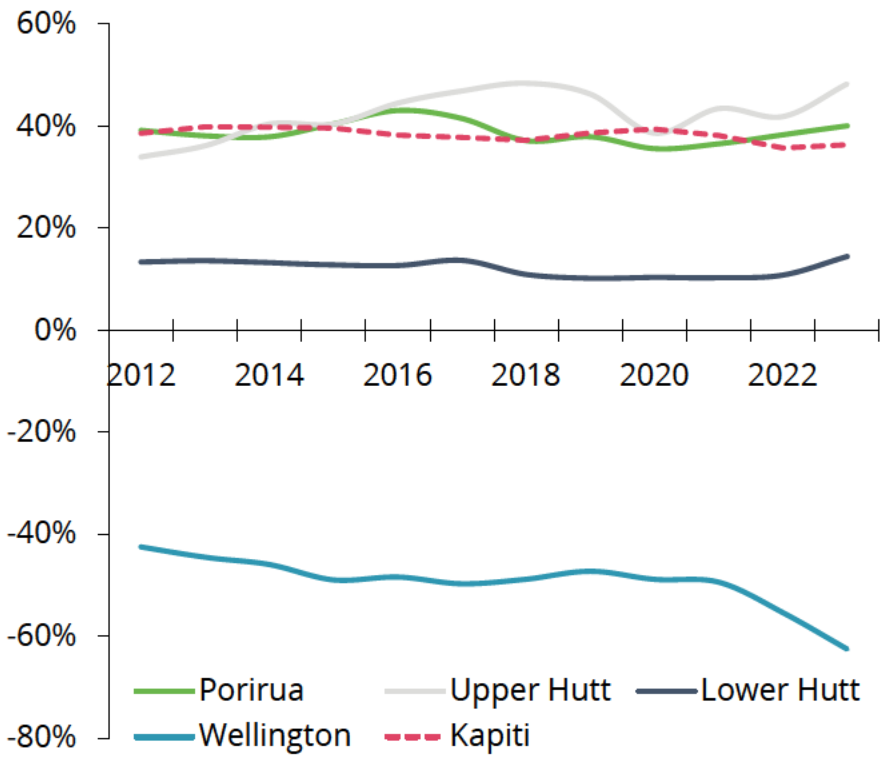
$9.8m Kāpiti GDP

- We estimate Kāpiti GDP increases by $9.8m each year ($107,000 per new worker). Regional GDP grows by $197.3m ($125,000 per worker).

Teamwork makes the dream work

The Wellington Region is a single economic unit

Figure 8: Net commuter share

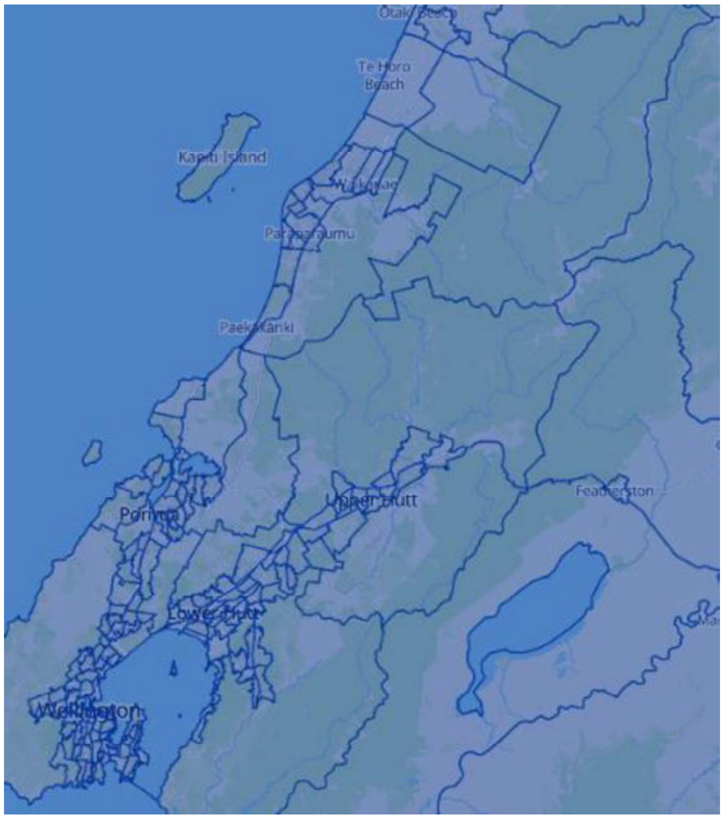


- 36% of employed residents in Kāpiti commute for work elsewhere.
- Kāpiti Coast, Porirua, the Hutt Valley, and Wellington city operate as a single economic unit.
- We model productive gains across the whole region.

Source: Statistics New Zealand; Sense Partners analysis

We are better together

Figure 9: Example of the areas our model tests



Source: Statistics New Zealand

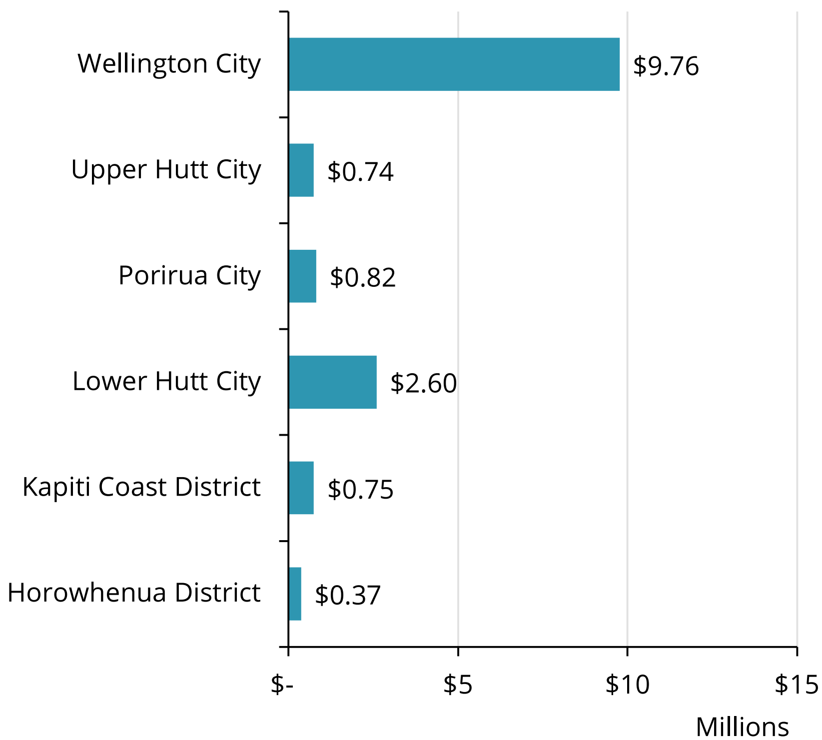
- Cities bring people together. The economic benefits are termed “agglomeration” benefits.

- We can measure productive agglomeration:
  - Firms have a larger pool of workers to choose from
  - Workers have that same benefit – better job opportunities
  - Firms, their suppliers, and their customers are closer, making it easier to work together.

- Our model looks at the Wellington Region and Horowhenua, but models at a small spatial level.
  - The data and results are specific and tailored to the Kāpiti Coast

We estimate an additional $0.75m annual benefit

Figure 10: Agglomeration benefit by Territorial Authority



Source: Sense Partners analysis

- The improved productivity brings in an extra $0.75m for Kāpiti each year.
  - This is annual - it adds up over time.
- For the whole region, the extra benefit is over $15m per year.
  - It is attributed to areas outside Kāpiti, but we can credit Kāpiti for building the needed housing.
- Combined $10.5m increase in Kāpiti's annual GDP (approx. 0.2% of Kāpiti GDP).
  - That's nearly $126m in present value over the next 30 years.

In summary: housing, jobs, and productivity

$8.6m housing benefit
From a 1.1% fall in regional house prices

91 jobs in Kāpiti paying $5.2m in wages
These are permanent jobs, not a one-off construction boost

$10.5m increase in Kāpiti GDP
That's over $126m in value over the next 30 years

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