

Delmore Fast-Track

25/06/2025 – Auckland Council Response

Annexure 2:

Economics

James Stewart

Addendum

25 June 2025

To: Carly Hinde, Principal Project Lead, Planning and Premium Resource Consents, Auckland Council

cc: Dylan Pope, Planning Consultant, DCS
Gary Blick, Chief Economist, CEU, Auckland Council

From: James Stewart, Economist, CEU, Auckland Council

Subject: Addendum to review of economic assessment (16 May) BUN60444768

1. Background to this addendum

I have been asked to respond to the Applicant's Economic expert's comments, dated 30 May 2025. I have also been asked to provide further analysis in this addendum on the regional economic costs and benefits of the Delmore Fast Track Proposal (Proposed Development) to assist the Applicant's and Panel's understanding of my initial memorandum, dated 16 May 2025, a copy of which I have attached to this addendum.

In my earlier memorandum, I recommended adopting a cost-benefit framework to systematically evaluate the trade-offs inherent in the proposal. In my view, this framework of analysis is needed to determine whether the Proposed Development results in a net welfare gain or loss to society.

The primary reason for my view is that the Proposed Development requires the use of societal resources that would otherwise be utilised / allocated elsewhere – i.e. it imposes opportunity costs to society that have not been assessed in the economic assessment submitted with the application (by Urban Economics Ltd).

I have also been asked to:

- provide comments on the significance of the Proposed Development to the region from an economic perspective in light of the purpose of the Fast-track Approvals Act 2024 (**FTAA**); and
- assist the Expert Panel on questions relating to economic issues from its Minute 3 dated 26 May 2025.

This addendum addresses these matters.

2. Response to Mr Adam Thompson's (Urban Economics Ltd) 30 May memorandum

Mr Thompson asserts that a tranche of projected future households demand greenfield land exclusively and would not accept substitutes, such as houses in existing urban areas. He draws on

regionwide projections¹ from the Auckland Plan 2050 to form this view (presented in his Figure 1). I do not accept this view as it ignores the many trade-offs households make when choosing where to locate. Households choose to locate in an area based on the characteristics of the area, the land and the dwelling itself and how it fits with the individual household's needs and constraints; trade-offs are inevitable, given limited resources.

I disagree with Mr Thompson when he states, "Mr Stewart and I agree that greenfield housing is more affordable than infill housing".² This is not my view. I had stated, "We acknowledge it is plausible that the same house and land package in a greenfield location would be brought to market [at] a lower price, but this is a function of the locational characteristics³" which is not the same as more affordable. I use the word 'same' as *ceteris paribus* assumptions i.e., assuming all the qualities of the house and land are otherwise identical saving for the location. For example, it is unlikely that a newly constructed three-bedroom standalone house on a 500m² section would demand the same price in Milldale as it would in the City Centre. This does not mean the Milldale house is more affordable but that a trade-off has occurred. The City Centre household may pay more for their home but save on travel costs (including time) to get to work or amenities they value.

The concept of affordability is contextual and relates to individuals' needs, preferences and constraints. Price is one consideration that households typically weigh up when making their decision on where to locate, but households will consider price in the context of other preferences they have.

Mr Thompson believes that my view is, "...that the quantity of zoned land should exactly match the infrastructure capacity, in terms of dwelling yield and capacity...".⁴ This is not my view, and I am uncertain how Mr Thompson came to this conclusion. My view is that zoning is intended to limit frictions between competing land uses and infrastructure capacity should be paid for by its beneficiaries.

Mr Thompson states, "It is worth noting that FUZ land, when viewed on a map, is relatively evenly distributed across the city, implying that there is relatively even demand across the region. This would reflect the population growth pattern shown in Figure 3 [this figure shows a map of Auckland with intercensal (2018-2023) population growth scaled points] below, which has been relatively evenly spread, suggesting that demand for FUZ land is also relatively evenly spread. This supports the assumption in my assessment that demand can be allocated broadly pro-rata to FUZ land."⁵ I disagree with Mr Thompson's interpretation on these points for a few reasons:

- 1) FUZ is an Auckland Unitary Plan zone. The spatial distribution of FUZ is not dictated by market preferences, but by planning preferences.

¹ The projections are useful for planning purposes e.g., timing / delivery of infrastructure and zoning of land for various uses to reduce frictions, but not for understanding decision making.

² At page 2 of Mr Thompson's 30 May memo.

³ From page 2 of my 16 May 2025 memorandum. Mr Thompson omits the latter part of the sentence (from the comma onwards) when he quotes this.

⁴ At page 3 of Mr Thompson's 30 May memo.

⁵ At page 4 of Mr Thompson's 30 May memo.

- 2) I do not interpret the population growth pattern to be particularly even considering there were significant areas within the Isthmus where negative growth occurred over the intercensal period.
- 3) A better explanation of the pattern of growth is absence of binding constraints in those locations. This explains why West Auckland grew while much of the Isthmus shrunk in population (West Auckland has a large amount of ‘upzoned’ land⁶, while there are significant areas of the Isthmus constrained by Viewshafts and / or Special Character Areas).
- 4) Not all FUZ is equal. Some FUZ land is anticipated to be unlocked earlier than other areas.

Mr Thompson asserts (final paragraph page 5) that the lower price that greenfield developments can offer dwellings at is the central economic consideration that underpins ‘significant economic benefits’ (under the Fast Track Approvals Act). Mr Thompson does not quantify this potential incremental value of lower priced dwellings, nor does he assess this value against the costs that would arise in delivering them, such as displacing the same lower priced dwellings in a different FUZ area. I suggest that Mr Thompson conduct a cost-benefit analysis that systematically weighs up the all the costs and benefits of the Proposed Development so the Panel can interrogate the robustness of that claim.

I consider the legislative intent behind the phrase ‘significant economic benefits’, that Mr Thompson refers to in the FTAA, necessarily encompasses an assessment of the net position i.e., considering both the benefits and the costs. To interpret it otherwise would depart from basic principles of sound economic analysis.

Mr Thompson says that the proposal would result in a “net addition to the number of dwellings build [sic] in the Hibiscus Coast.”⁷ To be more precise, since the area is already identified as FUZ it implies that the dwellings would be built eventually, so it is not a ‘net’ addition as such. It represents the development being brought forward in time, so the costs and benefits arise earlier.

Mr Thompson agrees that “external costs can occur and need to be considered”, but asserts that the trade-offs associated with greenfield expansion have already been addressed through the AUP review process—specifically through the identification of FUZ land—and therefore do not require further examination⁸. I agree that the FUZ land represents the Council’s planned direction for expansion, as further detailed in the FDS but have reservations about Mr Thompson’s claims:

- 1) It is not clear that all costs and benefits have been considered when Council zoned land for FUZ. This is evident in the timing of the proposed release under the FDS as being late in the process (2050+) and the lack of structure plan. Council would likely have brought forward the timing of the proposed Delmore development area if the benefits of the area being live zoned exceeded the costs, relative to other FUZ areas being live zoned, and / or there was the capacity to provide a financing and funding solution for the infrastructure. A salient example is Slippery Creek which has major stormwater issues, arising from the flood plain of the Otūwairoa Stream, that are not financially viable to resolve with infrastructure improvements. This area is currently zoned FUZ but it has been indicated in the FDS that parts of this future urban area are, “no longer considered appropriate for urban development” and the remainder of the Drury-Ōpaheke is “red flagged”.

⁶ Upzoned land refers to land with more relaxed zoning provisions such as greater height limits or site coverage.

⁷ At page 7 of Mr Thompson’s 30 May memo.

⁸ At page 7 of Mr Thompson’s 30 May memo.

- 2) There is the potential for externalities to arise from the proposed Delmore area being live-zoned. This includes potentially not being able to provide infrastructure to other locations at all, or infrastructure being delayed or being provided at greater cost overall.
- 3) Further, while I am not a planner, I understand that the precise form and timing of urbanisation of FUZ land is subject to further planning processes, namely structure planning and a plan change to live zone the land, involving further section 32 analysis of costs and benefits. I do not consider that the AUP plan review process can be seen as conclusive evidence that the economic benefits of this specific proposal, now several years on, outweigh the costs.

I agree with a broader point raised by Mr Thompson that the use of capacity in infrastructure is generally more efficient than maintaining it as idle capacity. However, much of the idle capacity (as it relates to wastewater treatment) would likely be used anyway given the area has several ongoing greenfield developments as well as infill potential across the urban area. Additionally, it is unclear whether the capacity would be taken up at a faster rate than it already has been if the proposed Delmore development was enabled – which would countermand Mr Thompson’s point somewhat. Additionally, some level of idle capacity exists to reduce frictions in development – coordination being a principal motivator for government intervention in infrastructure markets.

It is also important to note that Watercare’s advice dated 13 June 2025 (page 3) that it:

... has assessed the capacity of the existing and planned bulk infrastructure required to support the Delmore Project ahead of the 2050+ timing in the FDS and confirms that the earliest connections could be provided without precluding development of the existing live zoned areas and sequenced growth would be from 2050+. ...

Therefore, the assumption that idle capacity could be utilised without an opportunity cost does not hold in this case.

I disagree with Mr Thompson’s view (page 13) that a CBA is not possible for the typical applicant. First, FTAA applicants are not typical applicants in the context of resource uses under the Resource Management Act (RMA). These applicants have proposals for developments or infrastructure projects with purported ‘significant economic benefits’ that would bypass the RMA process. Second, detailed CBAs are possible as they are conducted regularly to demonstrate a project or policy intervention does (or does not) deliver net economic benefits.

Mr Thompson puts forward that as part of the proposal, the applicant will fund part of a supporting arterial road (NoR6) estimated to have a cost of \$10M. My understanding is that this estimated cost is approximately in line with the general cost of construction of part of the arterial road but not the whole arterial road or other supporting arterials, such as NoR10. Should the funding and financing of these other roads need to be brought forward to support the Proposed Development, and this would likely displace other infrastructure investment priorities and potentially increase overall cost. This is a high-level example of the potential economic costs that has not been considered.

Mr Thompson suggests that the \$10M funding from the applicant is an economic benefit which he considers significant. I disagree with this claim as it represents a transfer from one party to another with no welfare enhancement. To understand the economic costs and benefits of a new arterial road an assessment of the direct travel benefits (travel time savings, fuel savings, accident reduction) and wider economic, environmental and social benefits (improved access, reduced emissions and noise, land value uplift, etc.) should be contextualised with the total cost

of construction, including the \$10M general cost of construction, the other omitted costs outlined above and the opportunity cost of the land.

In any event, as Auckland Transport has highlighted in its comments:

- 1) The partial delivery of NoR6 would not enable the corridor to function as intended and would not deliver the regional transport benefits relied on in support of the proposal; and
- 2) The applicant's proposed realignment of the NoR6 road would impose additional costs on Auckland Transport (e.g. land acquisition).

3. Conceptual framework for assessment of regional costs and benefits

To assess the costs and benefits of advancing development in the Delmore area ahead of Future Development Strategy (FDS) scheduling, an appropriate counterfactual / baseline of comparison must be established. This is because costs and benefits occur at the margin as an incremental change from the baseline, and must be measured relative to what would occur in the absence of the intervention.

In my opinion, an appropriate baseline would include the current FDS timeline, in which the Delmore area is scheduled for live-zoning in the 2050+ period. That is not to say that the FDS necessarily represents the optimal pattern of growth, but that it is an appropriate baseline of comparison for the Proposed Development scenario at the margin because Council is planning on delivering infrastructure on that timeline.

This baseline indicates that development in the Delmore area will eventually proceed – just not as early (2050+) – if it does not occur as part of this fast-track application. This difference in timing (the delta) is the critical difference between the baseline and the Applicant's proposal. I suggest an analysis period of 50 years makes sense; aligning the analysis period with the expected life of a dwelling in New Zealand.

At a high-level the conceptual framework of a cost-benefit analysis of the Proposed Development would include:

1. infrastructure provision (opportunity cost)
2. additional dwellings (including consumer surplus)
3. environmental (including ecological)
4. transport.

These categories encompass matters that require input from other disciplines / experts to ensure a comprehensive and balanced assessment of the suggested regional benefits. In this regard, I understand that the extent of the project's transport benefits is being assessed by Auckland Transport (including whether the partial completion of the NoR 6 road is a regional benefit), while the extent of the project's ecological benefits is being assessed by Council's ecologists.

I discuss the considerations arising under each of these headings that would need to be properly analysed to understand the economic effects of the Proposed Development.

Infrastructure provision

Some of the infrastructure required to support the Proposed Development is planned (at a high level) to also be delivered by the Applicant, bringing forward the delivery of this by circa 25 years.

If the full extent of the cumulative infrastructure required to support development in the Delmore area were to be brought forward by Council, Auckland Transport and Watercare to match the Applicant's timing, this would displace the existing pipeline (delaying delivery to other areas) and / or increase the financial burden on ratepayers to support delivery. In that scenario, the costs would be shifted to other private agents and / or socialised.

Alternatively, if the full extent of the cumulative infrastructure required to support development were not brought forward by Council, Auckland Transport and Watercare then there is the potential for adverse impacts as a result of inadequate infrastructure provision.

Additional dwellings

The proposed dwellings would provide a consumer surplus to the residents that occupy them. This consumer surplus was going to arise eventually, but it is proposed to be brought forward in time which has a value.

There is likely some level of transfer effect where the residents of the Proposed Development would otherwise occupy other dwellings in Auckland. To the extent that this occurs these transfers do not represent a net increase in welfare beyond the consumer surplus they gain from occupying dwellings in Delmore over their next best alternative.

There is also a displacement effect that arises from bringing the Proposed Development ahead of other developments, to the extent that the other developments are delayed. The residents that would have otherwise received a consumer surplus but that has been delayed.

Environmental effects

It is my understanding that, as part of the Proposed Development, the Applicant proposes an area for ecological enhancement offsetting. A full accounting should factor in:

- the cost of reserving and improving the offset land;
- the loss of existing ecological value due to the Proposed Development; and
- the value of the ecological improvements expressed as a societal welfare enhancing annuity over the analysis period.

Additionally, any loss of productive rural land should be included as an opportunity cost of the land being urbanised prior to 2050. It is plausible that other productive rural land would have been urbanised, but was delayed due to the proposed development.

Transport

The fringe location of the Proposed Development suggests that it may contribute to higher transport costs than otherwise, i.e. higher fuel / electricity usage, increased emissions, congestion and commuting times, etc. These should all be considered in the analysis including likely changes in vehicle fleet, infrastructure improvements and increased service levels of public transport overtime that may offset future costs.

Monetising costs and benefits

Where costs and benefits are difficult to monetise, they should still be identified explicitly. This allows these costs and benefits to be assessed in the margin of uncertainty within the sensitivity testing.

Including the above framework as a cost-benefit analysis would provide the Panel with a robust way to acknowledge resource trade-offs and uncertainty to gain a clearer picture of the net benefit (or net cost) of the Proposed Development. As matters stand, the Applicant's assessment has not provided a robust assessment which answers this question.

4. Definition of '(significant) regional or national benefits'

The phrases 'significant regional or national benefits' (used in the purpose of the FTAA: section 3) and 'regional or national benefits' (used in sections 81 and 85 of the FTAA), are not explicitly defined within the legislation. There are currently no accepted metrics/quantitative thresholds that can be used to determine if infrastructure or development projects have (significant) regional or national benefits.

The Economic Assessment by Urban Economics makes an attempt using figures from an input-output analysis to show that the Proposed Development would 'deliver significant economic benefits'. This methodology, while common, has significant caveats and drawbacks, as I outline in section 5 of my earlier memorandum. I do not consider it is a robust methodology to value benefits as it does not acknowledge the costs of achieving those benefits.

The most appropriate assessment methodology would be to look at the result of a cost-benefit analysis. The result would demonstrate the net impact on welfare (net benefit or net cost) from weighing up the most salient, quantifiable costs and benefits resulting from the proposed development. This would be in relation to an appropriate baseline counterfactual e.g., enabling the proposed development according to the FDS timing (2050+). The uncertainty or sensitivity of the result would be expressed as a range of results and any outstanding unquantified costs or benefits could be recognised in the interpretation of that range.

The panel may look at the scale of the Proposed Development and the timeframe in which it is anticipated to be delivered. This can be useful but still has some shortcomings i.e., no acknowledgement of the costs or transfers from other developments. It does, however, give a better indication of the scale as it relates it to other developments compared to an input-output analysis. In this instance, the Proposed Development is anticipated to deliver 1,250 new dwellings over approximately seven years from start of construction (or nine years total) i.e. 179-139 dwellings per annum, on average.

To put this into a regional context, Auckland grew from 547,059 dwellings to 611,895 dwellings in the intercensal period (2018-2023), or around 12,967 dwellings per annum, on average. The proposed development on a seven-year timeframe represents 1.4% of this annual regional dwelling growth, or around 1.1% on a nine-year timeframe.

As additional context, Hobsonville Point⁹ grew in the same intercensal period from 2,025 to 5,403 dwellings, or around 676 dwellings per annum, on average. This is equivalent to around 5.2% of Auckland's dwelling growth.

⁹ Combining the statistical areas (SA2) of: Hobsonville Point Catalina Bay, Hobsonville Point Park and Hobsonville Scott Point.

Milldale is planned to have 4,500 dwellings by 2030. Based on a Google Earth visual inspection, land clearing appears to have begun in late 2017, suggesting Milldale’s full buildout will result in 346 dwellings per annum, on average. This is equivalent to 2.7% of Auckland’s dwelling growth over the 2018-2023 intercensal period.

Area (observation period)	Annualised growth (nominal)	Annualised growth (% of Auckland intercensal 2018-2023)
Auckland (2018-2023)	12,967	100%
Hobsonville Point (2018-2023)	676	5.2%
Milldale (2017-2030)	346	2.7%
Delmore (7-years)	179	1.4%
Delmore (9-years)	139	1.1%

Acknowledging that it is made up of a number of smaller developments in coordination, Hobsonville Point also includes a significant tranche of non-residential activity e.g. retail, commercial offices, open spaces and civic spaces. Hobsonville Point is still several years away from being fully built out.

Milldale also has high planned dwelling count (4,500 dwellings) and is the first major development on the western side of SH1 in the Hibiscus Coast. On completion, Milldale will provide the social infrastructure (schools, shops, open spaces, and other amenities) for future contiguous developments to piggyback off.

The Proposed Development is smaller than both Hobsonville Point and Milldale but still represents a sizeable number (1,250) of new dwellings to Auckland. The 1.1 - 1.4% of annual dwelling growth could be interpreted as small, but the 2018-2023 intercensal period was one of the largest building boom periods in Auckland’s recent history – in part helped by recent land use reforms from the Unitary Plan (November 2016) enabling significantly more dwellings and the record low interest rates starting at the onset on the pandemic (March 2020).

These comparisons are provided to give context to the scale of the proposed Delmore development relative to other recent or ongoing developments in the region.

5. Responding to the Panel’s economic questions

Most of the questions raised in the Panel’s Minute 3 (dated 26 May 2025) appear to be directed toward the Applicant’s economic expert, Urban Economics Ltd. However, where appropriate, I have provided responses or commentary based on my expertise, and I have also addressed aspects of the Applicant’s response (dated 17 June 2025) where relevant.

How are the house prices determined /derived? How realistic are there? Will they be fixed at 2025/26 rates or affected by inflation?

I assume this refers to the economic assessment section 11 (Market Positioning Analysis). The analysis methodology has been explained by Mr Thompson as a simple regression of the sale price on size, then a post estimation adjustment of 10% downward. It is not clear why Mr Thompson used this method but ultimately the prices charged are a market positioning decision.

The prices charged do not reflect any economic benefit in terms of affordability and there is very little reason to believe they will be the final prices charged by the developer.

For added context:

- a. the Delmore developer will look to maximise their profit so will charge at a price point that does this. This could mean targeting more affordable dwellings if they believe the market is strong enough; or potentially, targeting a more expensive product.
- b. Market conditions change regularly. It is likely that the developer will charge based on current market conditions (including competition) and pricing in expected changes. The prices in Figure 33 and Figure 34 in the economic assessment are likely intended to be demonstrative of the relativity in current prices to other developments and they may charge very different prices in the future if the application is approved.

The prices are plausible in current day terms but would likely not be the final amounts charged once considering changes to the housing market overtime, once the Proposed Development goes to market.

Should this assessment include population projections for the development? For the wider area?

An extract from the Auckland Growth Scenario version 1.1 (released 19 August 2024) has been provided, showing population and household forecasts for MSM 31, the Hibiscus and Bays Local Board, and the Auckland region. While the Proposed Development lies outside the Hibiscus and Bays Local Board area, it is adjacent to its boundary. Notably, the Local Board area does not include land west of State Highway 1.

Projections have not been prepared specifically for the Delmore development but for MSM 31, the smallest geographic unit in the Macro Strategic Model (MSM) used in AGS v1.1. MSM 31 fully encompasses the Proposed Development. Figure 2 illustrates the spatial extent of MSM 31 in relation to the Proposed Development. It is important to note that AGS v1.1 projections do not account for the Proposed Development and are instead based on the timing assumptions of the Future Development Strategy (FDS).

Mr. Thompson has provided population projections¹⁰ for the ‘Hibiscus Coast’ that are significantly higher than those presented in the Auckland Growth Scenario v1.1, which I have supplied. It appears that Mr. Thompson has extrapolated figures from a statement on the Watercare website¹¹, which notes that “about 800 new homes [are] connected each year.”

I have significant reservations about the methodology used to project future population growth in this manner. Extrapolating long-term growth from short-term infrastructure connection rates—without accounting for broader demographic, economic, and planning factors—risks producing inflated and potentially misleading projections.

Mr. Thompson’s population projections indicate growth of approximately 66,000 additional people over 30 years (2025–2055), whereas the Auckland Growth Scenario v1.1 projects growth of 10,700 people over 27 years (2025–2052) for the MSM 31 area. On an annualised basis, Mr.

¹⁰At page 2 of Mr Thompson’s 17 June memo.

¹¹ <https://www.watercare.co.nz/home/about-us/latest-news-and-media/plans-to-invest-500m-for-growing-hibiscus-coast-community>

Thompson’s projection is more than 5.5 times higher—albeit covering a slightly different geographic extent.

However, when combining the projected population growth for both the Hibiscus and Bays and Rodney Local Boards (which is a significant geographic extent), the AGS v1.1 forecasts a total increase of approximately 33,500 people over 27 years. This equates to around 56% of the annualised growth rate implied by Mr. Thompson’s projections for just the ‘Hibiscus Coast’.

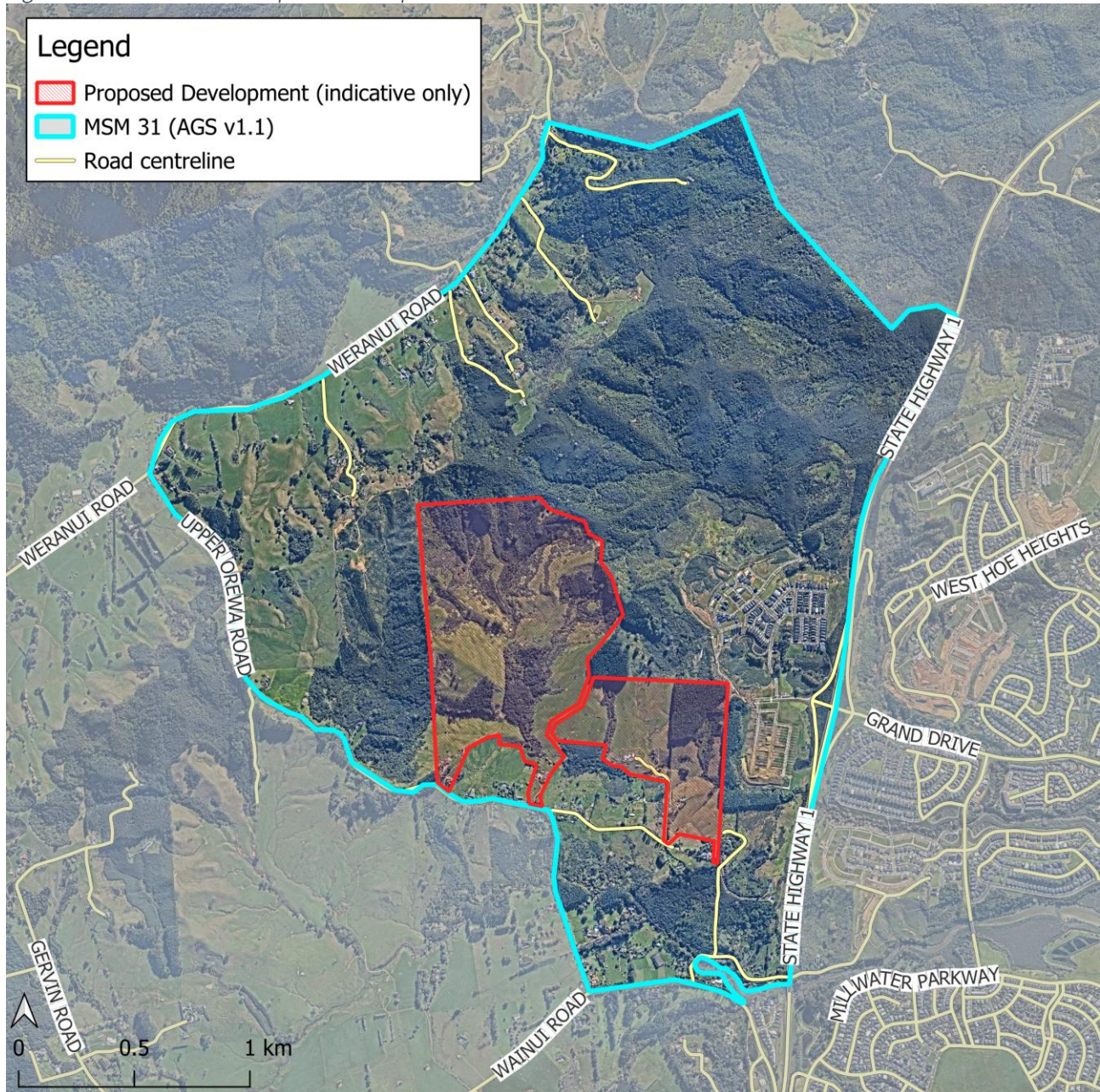
Figure 1: Auckland Growth Strategy v1.1 population and dwelling forecasts

Population	2025	2027	2032	2037	2042	2047	2052
Delmore + surrounding area (MSM 31)	500	600	1,100	1,500	2,000	2,000	2,100
Hibiscus and Bays Local Board	114,400	115,100	116,700	117,700	118,700	120,800	125,100
Auckland	1,749,400	1,798,800	1,906,600	2,012,400	2,112,700	2,206,600	2,293,500
Annualised growth							
Delmore + surrounding area (MSM 31)		50	100	80	100	0	20
Hibiscus and Bays Local Board		350	320	200	200	420	860
Auckland		24,700	21,560	21,160	20,060	18,780	17,380
Households							
Delmore + surrounding area (MSM 31)	100	200	400	500	700	700	800
Hibiscus and Bays Local Board	42,000	42,500	43,700	44,900	46,200	47,800	49,500
Auckland	594,000	613,100	654,300	698,200	740,400	781,900	814,600
Annualised growth							
Delmore + surrounding area (MSM 31)		50	40	20	40	0	20
Hibiscus and Bays Local Board		250	240	240	260	320	340
Auckland		9,550	8,240	8,780	8,440	8,300	6,540

Source: Auckland Council (AGSv1.1 (19/08/2024))

Note: ‘Auckland’ is the sum of the MSM zones and may not equal regional forecast due to rounding.

Figure 2: MSM 31 area and Proposed Development



Source: Auckland Council, LINZ, Nearmap.

Has the extent of greenfields development required been correctly identified? The report seems to use FUZ and greenfield land interchangeably. The definition in the AUP is Greenfield Land is identified for future urban development that has not been previously developed. Presumably that is not intended to only apply to FUZ and includes land that is live zoned but that has not been previously developed? e.g. Milldale is not fully consented yet so, while live zoned, would this not also contribute to greenfield development? Furthermore, most of that which has been consented and developed within Milldale has occurred since 2016. Should this information therefore contribute to the capacity modelling?

I have addressed this in my 16 May memorandum, I consider the terminology in the economic assessment to be unorthodox.

More broadly, I disagree with the use of capacity a proxy for demand employed by Mr Thompson. This methodology does not consider price or preferences of households, nor does it consider future changes to underlying market conditions. It instead assumes demand will be distributed pro rata across the region based on the level of modelled capacity at a point in time.

Figure 12 is odd as most FUZ is zoned prior to land use consents being lodged and dwellings constructed. Please provide comment on the Greenfield figures in particular – was this live zoned land or FUZ or a combination of both?

I agree that figure 12 should be clarified.

Mr Thompson attributes to me the view that, “...greenfield dwellings are cheaper than infill dwellings, and less greenfield dwellings are being built than required, consequently people are leaving Auckland, reducing the rate of population growth.”¹² I have not made these claims.

Presume the staging of live zoning FUZ that Auckland Council anticipates been taken into account in Auckland Council’s Auckland Plan 2050 and the recently released FDS, has it also informed this assessment?

I agree that this should be clarified.

In his response to the Panel, Mr. Thompson acknowledges the high cost of infrastructure but does not clearly define what he means by “economic benefits” in relation to the Proposed Development. He states: “My assessment adopts a similar approach [to the FDS], and accounts for the economic benefits of using infrastructure efficiently (one of the most significant economic benefits overall in most instances given the high cost of infrastructure).”¹³

However, the Proposed Development appears to face significant infrastructure constraints. In such cases, the benefit of utilising one type of infrastructure may come at the expense of increased costs elsewhere. Moreover, other developments—either within the existing urban area or in competing greenfield areas scheduled for release prior to Delmore—may be able to leverage existing infrastructure capacity without requiring as substantial new investment. This suggests a potentially higher level of infrastructure efficiency compared to the Proposed Development.

A systematic assessment of both costs and benefits is therefore necessary to determine the net effect of the development on societal welfare. For this reason, I recommended a cost-benefit analysis framework in my memorandum dated 16 May and have expanded on that framework in this addendum.

Report states that “middle-lower income NZ-born Aucklanders are relocating to regions due to a shortage of affordable homes”, where is the specific data to back up that assumption? Furthermore, if that is the target market, why are there no two-bedroom dwellings within the development? Do middle-lower income NZ born Aucklanders want to live at the far edge of a region?

The Census data does show that larger numbers of New Zealand-born Auckland residents are leaving Auckland to move to the regions or overseas. In the intercensal period over 135,000

¹² At page 3 of Mr Thompson’s 17 June memo.

¹³ At page 4 of Mr Thompson’s 17 June memo.

people who lived in Auckland in 2018 moved to another part of New Zealand by 2023¹⁴. The reasons are more speculative but, in my view, it is not unreasonable to assume that housing affordability (the relationship between house prices and incomes) is a factor for these shifts.

I stated in my earlier memorandum that the Proposed Development could contribute to housing affordability. This does not mean that the housing offered in the Proposed Development must be lower priced. By having more housing overall, it provides a greater level of competition that means landowners must compete the price of housing down to the margin.

What the developer wishes to offer to the market is up to them as they bear the risks of failure and fruits of success.

In Mr Thompson's response to the panel he says, "It should be noted here that demand is a function of quantity and price, so more houses are demanded at a [sic] lower prices."¹⁵ This is not quite true because 'demand' refers to the entire relationship between price and quantity demanded i.e., at a given price, a quantity of units is demanded. It is true to say that:

- 1) the quantity demanded is a function of price, and
- 2) for normal goods, when prices are lower the quantity demanded is higher and vice versa, and
- 3) the demand for a location is reflected in land values i.e., land that is in demand commands a higher price from the market because it has a higher value.

The statement "the main driver of house price growth has been the imbalance between infill and greenfield housing" is overly simplistic and somewhat inaccurate. Does this need further qualification/interrogation?

I agree with the Panel members that the original statement is overly simplistic and somewhat inaccurate.

Mr. Thompson's response¹⁶ does not adequately address the question. While he touches on regulatory constraints, there are several well-established economic theories that explain house price growth. These include interest rates, population growth and demographic shifts, income growth, construction costs, and broader government policies, in addition to land use regulations.

Mr. Thompson appears to refer to regulatory constraints when mentioning infill and greenfield housing. Land use regulations can artificially restrict the supply of land for urban development, leading to higher prices than would otherwise occur. Expanding the supply of land for housing can be achieved through more spatially extensive urban zoning and more intensive zoning of brownfield sites.

In Auckland, outward growth is limited by the rural-urban boundary, with Future Urban Zone land released periodically. Upward growth is also constrained by zoning rules and overlays, which limit intensification.

¹⁴ <https://www.stats.govt.nz/news/new-zealanders-on-the-move/>

¹⁵ At page 7 of Mr Thompson's 17 June memo.

¹⁶ At pages 10-11 of Mr Thompson's 17 June memo.

While I am more cautious about the view that land use regulations are the primary driver of dwelling price growth, I agree that they have likely contributed to higher prices than would otherwise have occurred in their absence.

6. Conclusion

This addendum addressed further comments from the Applicant's economic expert, Mr Thompson (Urban Economics Ltd), in a memorandum dated 30 May 2025.

I have also provided some further clarification of my position on what a good conceptual framework of a cost-benefit analysis of the Proposed Development should look like. This was to better demonstrate what is absent from the original Economic Assessment submitted as part of the application – primarily the identification of an appropriate baseline and the omission of opportunity costs. I consider a cost-benefit analysis would greatly assist in enabling an assessment of the value of the proposal.

I have made a cursory attempt at quantifying the scale of the Proposed Development in the context of understanding the FTAA legislation's intention of the term 'significant'. I note that while the Proposed Development does contribute many dwellings to the region, and in the context of other developments its significance may be considered more modest. I also note that this addition to the housing supply may come at the cost of other developments being deferred or increased financing requirements in order to fund associated growth infrastructure. The Proposed Development also represents an acceleration in timing, rather than a net addition to the housing stock.

Finally, I have attempted to provide further clarification to questions asked by the Panel of the Applicant's economic expert in Minute 3 on the 26 May 2025 including, where relevant, Mr Thompson's responses to these questions in a memorandum dated 17 June 2025.

A comprehensive analysis of the costs and benefits of the Proposed Development would be prudent, given the development is likely to displace the planned infrastructure pipeline and result in increased costs to society. This would enable the Panel to determine if the Proposed Development is an improvement to societal welfare over this baseline despite these costs. Such an analysis should integrate the findings of other relevant disciplines (ecology, transport, etc), to enable the Panel to reach a robust and holistic conclusion on the extent of the project's regional benefits.

Memo

16 May 2025

To: Carly Hinde, Principal Project Lead, Planning and Premium Resource Consents, Auckland Council

cc: Dylan Pope, Planning Consultant, DCS
Gary Blick, Chief Economist, CEU, Auckland Council

From: James Stewart, Economist, CEU, Auckland Council

Subject: Review of Proposed Delmore Residential Development, Hibiscus Coast, Auckland Economic Assessment by Urban Economics – BUN60444768

1. Background and proposal

The Chief Economist Unit has been asked to review and comment on an Economic Assessment ('the report') prepared by Urban Economics Ltd for a proposed residential development seeking resource consent in the Hibiscus Coast, Auckland. The consent would enable the development of a new residential suburb (Delmore) in Auckland's northern fringe. It is our understanding that the resource consent has been lodged as a fast-track application.

The resource consent was lodged by, or on behalf of, Vineway Limited, to construct a comprehensively planned residential community at 88, 130, 132 Upper Orewa Road and 53A, 53B and 55 Russell Road, Orewa. The planned community is anticipated to give rise to approximately 1,250 residential units once complete.

The land for the proposed development is currently zoned as Future Urban Zone (FUZ) land in the Auckland Unitary Plan (AUP) and is anticipated to be 'live-zoned' in the Future Development Strategy (FDS) post 2050.

2. The study area

The report identifies the Hibiscus Coast, including Milldale, Silverdale, Orewa and Whangaparaoa Peninsula, as the primary spatial study area. In our view this study area is a reasonable approximation of the sub-regional residential market that the proposed development would likely appeal to.

3. Demand for greenfield residential land is overstated

The report focuses on the demand for housing in greenfield development locations across Auckland. The definition of 'greenfield' adopted in the report is atypical, as it includes only FUZ land at the time the Unitary plan become operative (November 2016). The way this definition of greenfield is used is potentially misleading as it could imply that there is a significant good-faith market of households that would only consider purchasing new homes located on land that was, until recently, FUZ land. The corollary is that other homes (such as in the existing urban area or in a newer, developing areas like Milldale) could not act as substitutes for these households. In my view this is not a reasonable position as greenfield housing must compete with other housing.

The definition adopted also implies that Milldale is not a greenfield development which in my view it is. The report itself identifies a spatial study area, namely the Hibiscus Coast, which would have

significant competing opportunities of existing older homes, new infill housing and greenfield housing, such as Milldale (parts of Orewa West and Silverdale might also fairly be characterised as greenfield developments).

Section 5.2 of the report assumes that demand for dwellings in greenfield locations across Auckland will be distributed pro rata by the level of potential development capacity in those greenfield locations. This results in the stated conclusion that 7,450 dwellings across Auckland over 2016-2026 should have been located on the Hibiscus Coast's greenfield areas (or 750 p.a.), when only 200 were – implying a significant shortfall in development and significant latent demand.

It is not clear in the report why demand for dwellings in greenfield locations should be expected to be met evenly, spatially (across the region) and temporally (over time), nor is it clear why the estimated capacity for growth of the area has been used as a proxy for demand for that area. In our opinion both treatments are inappropriate as assessments of demand. Our view is that demand for land is signalled through its price and determined by its highest and best use – this is revealed by the market value of the land's characteristics, including zoning.

Additionally, typical households are willing (and often prefer) to locate in established urban areas i.e., there is significant competition between the existing urban land and new greenfield land because established urban locations are often closer to things households value – family/friends, employment, education, shopping, and other amenities. This implies that demand for housing can potentially be met within existing urban areas. The demand assessment does not address this.

4. Residential prices and affordability

Section 2.1 suggests that one benefit of the proposed development would be enabling the construction of affordable dwellings. We agree that the proposed development could contribute to more affordable housing outcomes by creating more development opportunities, enabling supply to be more responsive to demand. However, there is an opportunity cost of prioritising enabling infrastructure to this location as it means other locations of potentially higher demand are deprioritised. Additionally, the report does not address affordability of housing as it only discusses land / house prices. Looking at these prices as they relate to incomes would be a more tangible way to achieve this. For example, the ratio of median house prices to median incomes has improved since the AUP.

Section 6 of the report (page 18) states that greenfield developments are able to be brought to market at lower prices than infill housing because they can achieve greater economies of scale for land development and construction, as well as lower raw land prices. This is somewhat misleading as it does not consider the trade-offs households make when making purchasing decisions. Greenfield locations tend to be further away from the city centre and other amenities that households value, which lowers the value of the raw land. Households can choose to trade off proximity for lower prices, among other trade-offs, but may pay higher transport costs over time. Equally, greater economies of scale can be achieved by constructing intensively, such as apartment buildings in the city centre.

We acknowledge that it is plausible that the same house and land package in a greenfield location would be brought to market at a lower price than if it were in an infill location, but this is a function of the locational characteristics. Infill locations are in greater demand so have higher prices. Greenfields are located on the edge of the existing urban extent, so households have to travel relatively further distances to access things they value.

Figure 19 in section 6.1 presents a chart of the median Auckland house prices from 2003 to 2023, identify 2016 when the AUP became operative as a point in time when house prices began increasing more rapidly. The report states that the annual average house price increased from \$26,900p.a. pre-AUP to approximately \$100,000p.a. post-AUP. In our view the chart presented, and the accompanying commentary, is not consistent with data on median sales prices. We have recreated the chart from REINZ median house price data for Auckland (using the June value as representative of the year), both charts at the end of this review.

Data from REINZ shows, the average annual growth in median house prices pre-AUP was \$41,500p.a. and post-AUP was \$28,750p.a. (this reduces further to \$20,000p.a. when excluding years influenced by the historically low OCR in 2020 onward). Looking through the cyclical fluctuations, the Auckland median house price currently vacillates around \$1M suggesting an average growth between June 2016 and February 2025 of around \$23,000p.a.

In section 7 of the report, the author uses internal migration data showing more residents are leaving Auckland than arriving and conclude that housing affordability may be a contributing factor to the outward flows. We agree that housing affordability issues may be a cause of net internal migration away from Auckland.

5. Other cited benefits

The report notes that the proposed development may be efficiently located for private vehicle travel, pointing to a number of employment nodes within approximately 30-minutes' drivetime.

The report estimates employment and GDP contributions from the construction of the proposed development and then ongoing existence value of the proposed residential community. The methodology (input-output analysis) employed in calculating these numbers does not acknowledge the costs involved and assumes significant latent capacity in the economy that would otherwise not be employed e.g., the employees are assumed to be idle without the proposed development. In economic terms these numbers are meaningless without the context of these costs.

Additionally, the 'benefits' are likely overstated:

- 1) there is no acknowledgement of leakages through taxation, savings or imports.
- 2) the model is static, so prices do not respond to changes in supply and demand
- 3) there is no acknowledgement of transfers

6. Treatment of costs

There is limited acknowledgement in the report of the costs of enabling the proposed activities from a societal perspective. This point is important because Auckland Council has limited ability to fund capacity improvements for trunk infrastructure to support growth that cannot be collected from existing growth charges (e.g. development contribution charges). Council must choose the best options for growth regarding their budget constraint.

The report does note that the existing wastewater network in the area is constrained, and a full buildout of the development will not be possible until additional wastewater capacity is enabled. There is no discussion on how this cost should be weighed up against the proposed development's potential benefits.

7. Summary

Taking guidance from the purpose section of the Fast Track Approvals Act, “The purpose of this Act is to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.” Our view is that the report does not demonstrate that the proposed development would deliver significant regional or national benefits because the report does not adequately identify the costs and benefits of the proposal or assess the scale of those costs and benefits. As a result, it also does not reach any conclusion about whether the benefits of the proposed development outweigh the costs for society.

While the report begins to outline several seemingly tangible benefits of the proposed development, including more housing and improved affordability, it does not sufficiently quantify these benefits, nor does it adequately consider the costs, such as the opportunity cost of the committed trunk infrastructure investment by Council.

Auckland Council must consider resource use from a societal perspective and has limited resources to support growth with growth related infrastructure. The proposed development would likely redirect planned investment from other identified future growth locations, and/or other Council initiatives identified in the Long-Term Plan, to support the proposed development. These trade-offs must be recognised and quantified to have a proper understanding of the net benefit of the proposed development relative to other opportunities/priorities.

The economic assessment should be structured in a way to explicitly acknowledge the trade-offs (the costs and benefits) arising from the proposed development being brought forward. The economic assessment should contain:

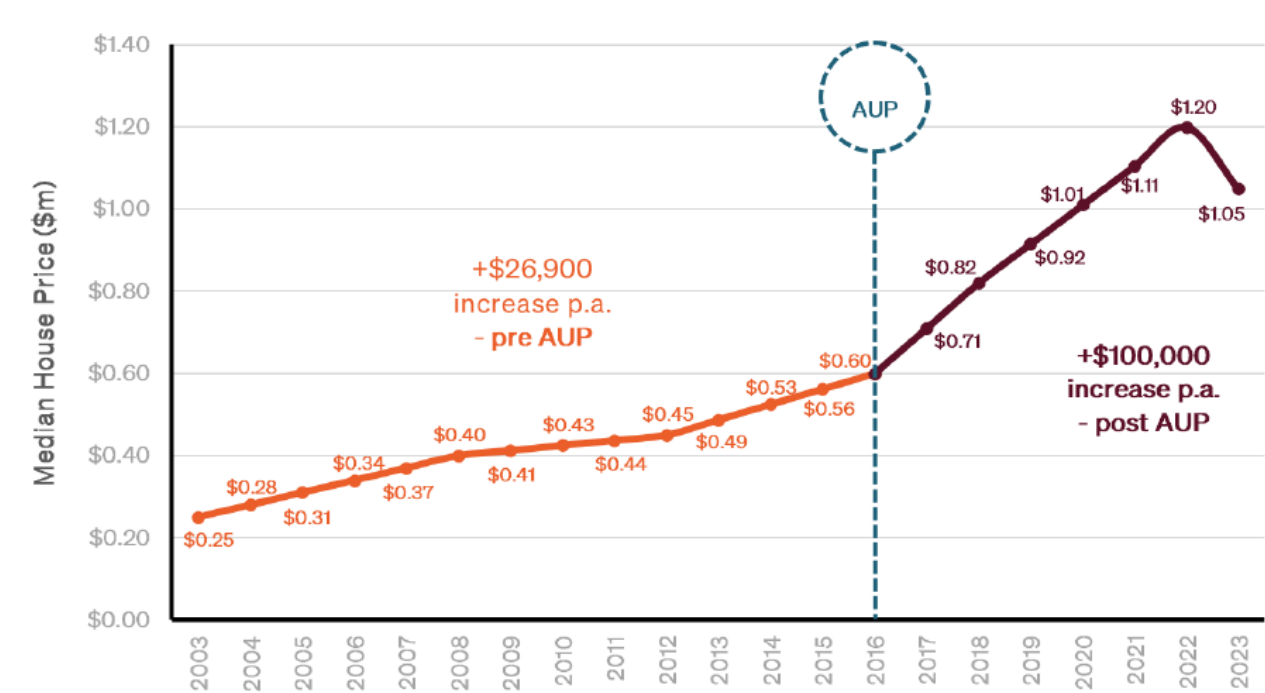
- 1) a framework of how the costs and benefits of the proposed development will be assessed, with acknowledgement of:
 - a. an appropriate counterfactual / ‘business as usual’ scenario
 - b. an appropriate scenario outlining the differences the proposed development represents
 - c. identified costs and benefits arising from the difference
 - d. the spatial and temporal extents the costs and benefits are being measured over
 - e. which segments of society are likely to bear these costs or enjoy these benefits
- 2) quantification of costs and benefits where practicable
- 3) a qualitative assessment of costs and benefits that are not able to be quantified and justification of the potential scale of these unquantified costs and benefits
- 4) a calculus of the net cost or net benefit of the proposed development to societal welfare and accompanying statement of the ‘net’ effect
- 5) appropriate sensitivity testing of underlying assumptions; particularly under what assumptions the headline results invert (where net benefits become net costs, or vice versa)

If convincing, this analysis would form part of an evidentiary base or justification as to why it should be supported by Auckland Council ahead of other existing priorities identified in the Long-Term Plan and Future Development Strategy.

Finally, the economic assessment should also clarify the points alluded to in this review that have given a false impression.

Urban Economics (Figure 19, page 21):

Figure 19:
Auckland Median House Price Growth 2003-2023



Source: REINZ

Auckland Council Chief Economist Unit (recreation):

