

25 September 2025

RANGITOOPUNI PROJECT – RESPONSE TO ECONOMIC REVIEW:

Without addressing all the various comments in the Council's review (**Review**) there are a number of high-level critiques of the economic assessment undertaken by Property Economics for the Rangitoopuni Fast Track proposal (**Project**). These form the basis for much of the detailed discussion outlined in the Review. Including:

1. The appropriateness of Cost Benefit Analysis
2. The limitations of IO modelling
3. The consideration of regional significance

RESPONSE:

1. Cost Benefit Analysis

The FTAA requires identification of significant regional or national benefits (see sections 3 and 81) and consideration of whether the adverse impacts of the project are "*sufficiently significant to be out of proportion to the project's regional or national benefits*" (section 85). There is no explicit requirement in the FTAA to carry out a CBA for a project.

While quantification of the regional or national benefits involves an economic or financial assessment, we understand that the proportionality test is essentially a planning judgment that will ultimately be determined by the panel.

That is because the proportionality test requires value judgments as to the relative importance (or value) of the adverse impacts. While there are ways of ascribing financial values to adverse effects, none of those methodologies remove the inherently subjective nature of such judgments.

While all modelling approaches have limitations the EIA undertaken for Rangitoopuni illustrates the level of economic activity that this development would result in. This level of significant economic activity is then weighed by Rangitoopuni's planners against the potential adverse impacts outlined in the various other reports.

There are a number of reasons why it is considered unnecessary and inappropriate to undertake a CBA as requested in the Review:

- a) As with the RMA, the FTAA process allows for consideration of other costs (primarily non-economic effects) to be weighed and considered by the Panel. Given the subjective nature of the assessment of adverse impacts, a CBA cannot replace or usefully inform that evaluation.

- b) A CBA, as outlined, is expensive, complicated and requires assumptions regarding the monetarisation of non-financial matters (e.g. ecological or amenity effects) that would render the results problematic to compare.
- c) When considering the regional economic benefit, or social benefit the FTAA does not explicitly identify economic efficiency but does state that the assessment as a whole will consider the potential adverse impacts of the proposal which are, in part, weighed against the economic impacts.
- d) As identified in the review, CBAs are routinely used by both Treasury and NZTA in the context of their internal decision-making. The purpose of such CBA's is different to the evaluation required under section 85 FTAA, however. The CBA is used to assess an intended project or policy against alternatives, either roading or policy options, rather than simply seeking to assess the level of economic effect to assist the sponsor in deciding whether to proceed.

Having undertaken assessments for NZTA, including Fast Track applications, there are clear reasons for adopting this approach, including, but not limited to, the prudent expenditure of limited public funds. The CBA is not then used in the RMA decision-making process.

- e) The undertaking of a CBA, particularly to the extent outlined, would in effect create a hurdle more prohibitive than an assessment currently experienced under the RMA process. That is contrary to the scheme of the FTAA. An EIA in this instance provides a useful assessment of actual economic benefit.

2. Limitations of IO modelling

Modelling is inherently limited by the information available and the assumptions made. Additionally, models (including CBAs) are limited in providing direction of effects in dynamic markets.

Having said this, the extent of some limitations identified in the Review are potentially exaggerated. While supply constraints are recognised in the assessment undertaken, they are temporal based on the economy of the time. A key reason for the initial Fast Track process was the need to encourage development and construction activity within the sectors most affected during and following the Covid-19 period. This along with a number of other macroeconomic effects have meant an assumption of underutilisation of resource within the modelling (such as labour, unemployment for the Auckland Region as of June 2025 quarter is 6.1% the country's highest) is a valid response.

This speaks to both the issue of 'transfers' in the review and the use of CBA modelling for this purpose. Firstly, regarding transfers, the current underutilisation of resources, such as employment, especially in the regional context, would strongly suggest the potential for this

proposal to utilise unused resources, while potentially allowing for repatriation of the lost workforce to other economies. In terms of CBA modelling labour costs are treated as a cost in preparing a CBR (cost benefit ratio) meaning these jobs represent a cost to be weighed against other benefits.

Additionally, Mr Stewart is concerned that the development of infrastructure for this project represents an inefficient outcome, with additional unnecessary 'whole of life costs' borne by the community through the Council. It is our understanding that the infrastructure concerned is not to be vested to the Council but held and maintained by a resident association. This renders Mr Stewart's concern moot.

Many of the criticisms in the review revolve around the issue of process, through a CBA and stem from the reviewer's interpretation of the approach required by the FTAA. This assumption then flows through the entirety of his assessment, including the need for the economic assessment to make value judgements on cultural and social issues that are clearly assessed in the relevant expert assessments.

Ironically in his paragraph 24, the reviewer raises the issue around the risk of double counting. Given the clear directive of the FTAA to assess significant benefits and balance with potentially adverse effects, it would appear inappropriate and dangerous (and lead to double counting) for the economics assessment to both attempt to quantify these issues or to include them in an attempt to compare them (essentially the role of the panel).

3. Regional Significance

3.1. The Council Memorandum of Planning Matters 17 September 2025, paragraph 377(f) states that *"we accept that the proposal will provide potentially regionally significant benefits with respect to the cultural, social and environmental well-being of Te Kawerau ā Maki. As noted above, making a determination on the actual scale of these benefits is not appropriate for Council to undertake, however we accept the conclusions reached by the Applicant in Section 11.3 of the AEE in this regard."*

This conclusion demonstrates that the Project aligns with the provisions of the FTAA, specifically Section 3, which states that *"the purpose of this Act is to facilitate the delivery of development projects with significant regional or national benefits"*.

3.2. The Council Memorandum also states that *"the scale of housing and retirement village accommodation proposed is (whilst not insignificant) modest relative to regional demand and does not clearly meet a regionally significant threshold. It is acknowledged that the extent of land subject to this Application however is of scale and the development brings forward an investment in that land including providing recreational amenities for occupiers and the general public"*.

In terms of the scale of the proposed development, two relative benchmarks should be considered:

- a) The relative contribution to GDP: The first measure is the total GDP for Auckland at \$158b per annum. Given the size and extent of the Auckland market and the fact that the Construction sector contributes only a little over 6% to the regional economy, the relative contribution to GDP offers little to the Panel's understanding of the Project in the context of the residential market. For all intents and purposes, no housing project could have 'significant' benefits under this benchmark.
- b) The relative scale to regional demand: The HBA 2023 identifies a requirement for approximately 226,700 additional dwellings across the region between 2022 and 2052 (including the competitiveness margin). This equates to an average of around 7,560 dwellings per annum. When considered against this regional quantum, it is not meaningful to benchmark an individual development project directly against total regional demand, as the latter reflects an exceptionally large and diversified housing market.

Instead, the scale of the Project (especially the retirement village component) should be assessed in terms of its functional contribution to retirement living-specific provision. In this context, Property Economics considers that the proposed retirement village component (i.e., 296 retirement village /care units) is regionally significant.

According to JLL's New Zealand Retirement Village Database, the average retirement village in Auckland provides around 120 units. From a standalone retirement village perspective, the proposed retirement village is clearly of regionally significant scale, and its delivery will contribute to accommodating specific sectoral demand within the Auckland regional housing market.

SUMMARY:

After considering the points raised in the Review, Property Economics stands by the approach taken and considers this provides the most appropriate information to evaluate the economic benefits of the Project under the FTAA.

Phil Osborne / Tim Heath