

# PROPERTY **E**CONOMICS



**CCKV NELSON DEVELOPMENT**

**FAST TRACK ECONOMIC**

**IMPACT ASSESSMENT**

Client: CCKV

Project No: 52279

Date: February 2025



## SCHEDULE

Code	Date	Information / Comments	Project Leader
52279.4	February 2025	Report	Phil Osborne

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## CONTACT DETAILS

Phil Osborne

Mob: [REDACTED]

Email: [REDACTED]

Web: [www.propertyeconomics.co.nz](http://www.propertyeconomics.co.nz)





## 1. INTRODUCTION

Property Economics have been commissioned to assess the economic impacts that will flow from the application by CCKV for resource consents relating to the construction of a retirement village comprised of 192 units (including 36 total care units), the development of 182 residential dwellings (30 of which would be terraced housing), and a community facility ("the Project").

This Economic Impact Assessment ("EIA") estimates the total additional gross economic output<sup>1</sup> into the Nelson regional economy that would be facilitated about by the Project. The initial specifications and details have been provided by the applicant and represent the development's configuration and costings at this point in time. It is important to note that this is not site specific.

It is assumed the CCKV area represents an efficient location for future growth and therefore the associated infrastructure is location specific. Additionally, the assessment has not endeavoured to identify the extent to which particular parts of the Nelson Region will benefit economically. It assesses the likely economic impacts upon aggregate Nelson business activity given the composition of activities proposed.

This EIA is designed to provide an economic assessment in terms of the Fast-Track Approvals Act (2024) ('the FTAA') based around economic injection, employment, and scale of economic impacts / benefits for the economy.

The FTAA supports development proposals to expedite the consent process where the proposed development results in significant regional or national benefits and the efficient

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<sup>1</sup> For example, this has not taken into account the short-term loss of operational employment currently on site.

operation of the consenting process and contributes to a well-functioning urban environment (as per Policy 1 of the National Policy Statement on Urban Development (NPS-UD)).

The economic impacts likely to be experienced as a result of the Project are broken down by the development phase which includes the construction costs (CAPEX<sup>2</sup>) of the facilitated activities and the proportion of those costs that are retained within the Region.

The direct economic impacts are derived from the actual spending / expenses incurred through the operation of the facilitated development.

Indirect economic impacts are the increased spending brought about by those firms / households and their employees / occupants, who supply the development, while induced economic benefits are measured in terms of the additional income that will be spent in the area due to increased business activity.

## 2. EXECUTIVE SUMMARY

The CCKV application proposes to develop the Site into a retirement village as well as 182 dwellings with circa 5,500 sqm of commercial and cultural GFA.

The total economic impact on business activity within Nelson as a result of the subject CCKV development over a 7-year period is estimated to be just over \$356 million (NPV)<sup>3</sup>. In terms of employment multipliers<sup>4</sup> this would contribute 660<sup>5</sup> FTEs during the peak development and operation year within Nelson, with a total of 2,737 FTE years over the 7-year development period.

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<sup>2</sup> CAPEX – Capital Expenditure

<sup>3</sup> Net Present Value

<sup>4</sup> Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

<sup>5</sup> NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs) and relate to job years rather than one employee.

### 3. ECONOMIC CONTEXT

In assessing the potential economic impacts, it is important to firstly establish the context in which they will be assessed. For the purposes of this assessment the four important parameters are:

- 1) The geospatial extent of the economic impact. While facilitation of additional housing provision is likely to have a national economic impact, the majority of impacts are likely to be retained within the Nelson Region. As identified, for the purposes of this assessment, the extent of economic impacts is focussed on the retention of activity within this area.
- 2) The economic impacts are those resulting from the residential development over a seven-year period.
- 3) In terms of the statutory considerations, the Resource Management Act (RMA) provides context in terms of the utilisation of natural resources. It calls for the “*efficient use and development of natural and physical resources*” (Part II section 7(b))<sup>6</sup>.

This can be considered from the perspective of economic efficiency which can be defined as “*the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs.*”<sup>7</sup>

- 4) The FTAA section 22, subsection (1)(b) outlining the criteria for assessing the application including whether the Fast Track process:

“(i) would facilitate the project, including by enabling it to be processed in a more timely manner and cost-effective way than under normal processes’

“(ii) is unlikely to materially affect the efficient operation of the fast-track approvals process”.

As identified the proposed development is likely to have economic impacts that are felt beyond the specific costs and benefits within the region. Additionally, there are likely to be non-economic effects, such as environmental. While these effects may result in economic impacts for the most part they have not been addressed here.

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<sup>6</sup> Resource Management Act 1991, section 7(b).

<sup>7</sup> Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

This report has not considered the profitability of the proposed development's operations and relies on the motivation of the applicant to assume that the development is feasible.

## 4. TOTAL ECONOMIC ACTIVITY

This section assesses the potential economic activity generated within the Nelson Region specifically attributable to the Project through spending on the general civil works and residential development.

This includes construction costs, which have been valued for the overall development.

The impact of this injection on the initial business cycle has been calculated. This 'construction multiplier' was based on the national input-output tables produced by Statistics New Zealand (based on 48 sectors), which were then assessed at a district level based on Nelson economic activity, composition and productivities.

This estimates the 'leakage' from the regional economy (within specified sectors), and therefore the overall regional production (within a given business cycle) for each \$1 injected.

This was performed for the general and commercial construction sectors. These multipliers are based on 'net' flows by broad sector type and are therefore approximations.

Total output impacts to the Nelson catchment for the proposed developments include:

- Direct Construction Cost x 'Construction Multiplier' +
- Direct Development Cost x 'Development Multiplier' +
- Direct Increased Commercial Spending x 'Commercial Multiplier' +
- Indirect Business Spend x 'Commercial Multiplier' +
- Induced Retail Spending x 'Retail Multiplier'

Each identified multiplier relates simply to the economic sector from which the activity is generated.

### 4.1. ASSUMPTIONS

The following assumptions have been applied in this impact analysis in order to assess the level of economic injection into the overall economy at this time. This has some (limited) impact on the distributional effects of the costs and benefits but can be quickly adjusted to accommodate more specific construction and on-going costs and injections.

1. For the purposes of this Economic Impact Assessment, it has been assumed that the construction costs will fall within the definition of the following categories (based on a standard 'special' commercial ratio): 'residential construction', 'non-residential construction', 'non-building construction', 'other construction services.'
2. Financial or loan costs on capital primarily fall outside of the local catchment and impact the national economy.
3. The origin of labour has been assessed based on regional labour movements furnished by Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data<sup>8</sup> to March 2024.
4. This report deals with the economic impact of proposed development on Nelson. These are specifically the direct impacts related to the operation and construction of the proposed development.
5. The economic activity generated is based on the development's gross activity and does not consider this redirecting growth opportunities from elsewhere in the catchment. As stated, this assessment is not site specific.
6. For the purposes of this report a 6% discount rate has been applied.
7. Labour movements are based on average retention rates rather than specific company locations.
8. The proportion of materials and labour internalised in direct benefits to Nelson are based on standardised labour movements as well as employment and production composition within the Region. The amount of each 'flow-on' dollar retained in Nelson are based on the movement of resources (including labour) between other districts and regions.

Table 1 following outlines the resulting impacts on the Nelson regional economy as a result of the development.

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<sup>8</sup> Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

## 4.2. TOTAL NELSON REGIONAL ECONOMIC ACTIVITY

**TABLE 1: TOTAL GROSS NELSON REGIONAL ECONOMIC INJECTION OF PROJECT**

	2026	2027	2028	2029	2030	2031	2032	Total
<b>Direct Expenditure (\$m)</b>								
Earthworks / Civil Works	\$16.0		\$16.0		\$16.0			\$48.1
Civil Consultants	\$7.2		\$4.5		\$6.3			\$18.0
Other	\$8.3	\$8.3	\$5.0	\$5.0	\$3.3	\$3.3		\$33.2
Levies			\$1.3	\$3.1	\$5.0	\$3.1		\$12.5
Infrastructure		\$4.5	\$3.0					\$7.5
<b>Total Development Costs (excl. land)</b>	<b>\$31.5</b>	<b>\$12.8</b>	<b>\$29.8</b>	<b>\$8.1</b>	<b>\$30.7</b>	<b>\$6.5</b>		<b>\$119.3</b>
Construction		\$24.1	\$48.3	\$60.3	\$24.1	\$60.3	\$24.1	\$241.3
<b>Total Construction and Development Costs (excl. Land)</b>	<b>\$31.5</b>	<b>\$36.9</b>	<b>\$78.0</b>	<b>\$68.4</b>	<b>\$54.8</b>	<b>\$66.8</b>	<b>\$24.1</b>	<b>\$360.6</b>
Increased Local Spend*			\$0.5	\$1.3	\$1.9	\$2.6	\$3.0	\$9.3
<b>Total Direct Expenditure (excl. land)</b>	<b>\$31.5</b>	<b>\$36.9</b>	<b>\$78.5</b>	<b>\$69.7</b>	<b>\$56.7</b>	<b>\$69.4</b>	<b>\$27.1</b>	<b>\$369.9</b>
<b>Level 2 Multiplier Impacts</b>								
<b>Total Nelson Output NPV (48 sector multipliers)**</b>	<b>\$34.0</b>	<b>\$38.0</b>	<b>\$75.9</b>	<b>\$65.0</b>	<b>\$50.4</b>	<b>\$59.4</b>	<b>\$33.6</b>	<b>\$356.3</b>
<b>Employment (FTE Years)</b>								
Development Employment	288	120	276	75	283	61	0	1,103
Construction Employment		183	310	337	104	236	123	1,294
Other Employment	6	26	78	89	59	62	20	340
<b>Total Employment (FTE years)</b>	<b>294</b>	<b>329</b>	<b>663</b>	<b>502</b>	<b>446</b>	<b>359</b>	<b>143</b>	<b>2,737</b>

Source: Property Economics

Note 1: Increased Local Spend by residents, employees, construction workers and additional local business spend through the different stages of development.

Note 2: Sector multipliers represent the impacts on Nelson as a result of direct, indirect and induced activities.

The preceding table illustrates that the total (direct, indirect and induced) impact on business activity within Nelson region as a result of the CCKV development over a 7-year period is estimated to be in the order of \$356 million.

In terms of employment multipliers this is estimated to contribute over 660<sup>9</sup> jobs during the peak construction year within Nelson, with a total number of FTE years of 2,737 over the development period.

<sup>9</sup> NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

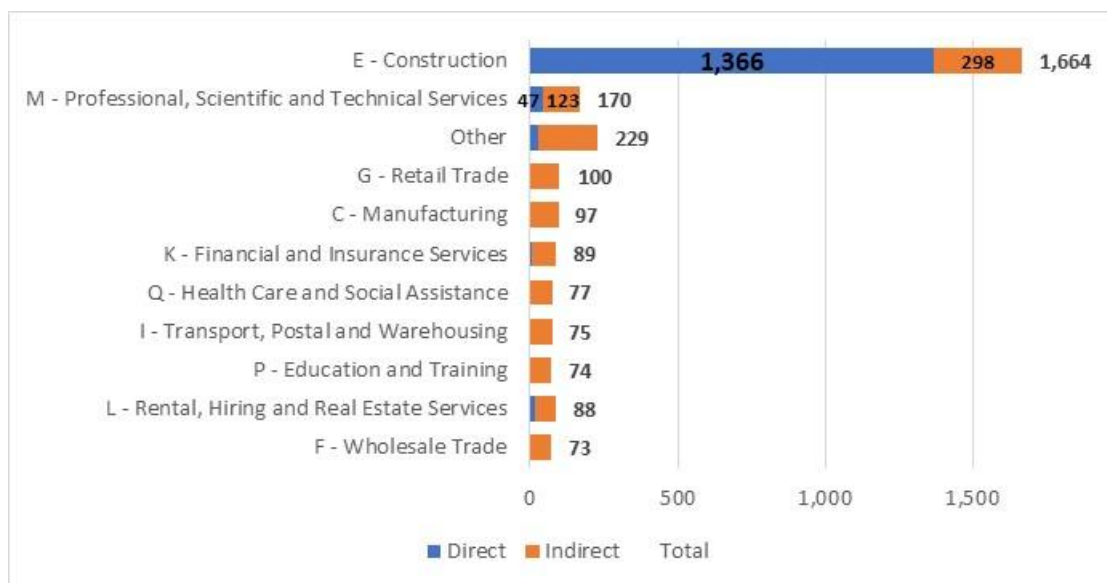


#### 4.3. TOTAL NELSON REGIONAL DIRECT AND INDIRECT EMPLOYMENT

Figure 1 below disaggregates employment generated by sector and Direct and Indirect (including induced) FTE employment over the identified period. It illustrates the significant direct impact on the Construction sector (as well as Construction Services).

The figure below highlights the sectors associated with direct employment measure approximately 1,462 FTE years with the remaining around 1,275 FTE years resulting from indirect and induced activity

**FIGURE 1: NELSON EMPLOYMENT GENERATION BY SECTOR (DIRECT, INDIRECT AND INDUCED)**



Source: Property Economics

## 5. ECONOMIC BENEFITS OVERVIEW

Due to the nature of the Project assessed, there are a range of potential economic benefits that are likely to be achieved within the regional beyond the direct economic activity (employment and GDP) generated.

### 5.1. ECONOMIC BENEFITS

There are a number of potential economic benefits from the proposed development, including:

- Increased Land and Dwelling Supply
- More Affordable Housing
- Decreased Marginal Infrastructure Costs
- Increased Local Economic Activity and Local Employment Opportunities
- Increased Local Amenity
- Greater Levels of Investment in the Local Market
- Impact on Current Employment Levels

These are articulated in more detail below.

#### Economic Benefits:

1. **Increased Land / Dwelling Supply:** The proposed land area has the ability to supply the market with an additional 374 dwellings increasing capacity within a single -planned area. This provides not only the ability for the area to improve its responsiveness to growth demands but itself facilitate further growth within the area with an increase in overall competitiveness.

Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size.

2. **More Affordable Housing:** The potential provision of additional feasible residential development capacity within the wider area is likely to have the impact on reducing counterfactual land values.

The proposed provision for Ngāti Koata housing is likely to have a direct, rather than market led, impact on the supply of housing at an affordable and social level.

A significant contributor to residential property values is the underlying land values impact by growth expectations and supply. The identification of additional residential land areas suitable for development is likely to reduce price pressure in the local and surrounding markets.

3. **Decreased Marginal Infrastructure Costs:** Once again the opportunity to masterplan an area has the potential to bring with it, economies of scales and lower marginal infrastructure costs. Additionally, the 'future provision and identification' of this area allows for the future proofing of the area and the community and private infrastructure requirements.
4. **Increased Economic Activity / Local Employment:** The increased local population base will result in a net increase in the number of full-time equivalent employees able to work within Nelson due to the project generating increased demand for local business and services. This will be a net gain for the local economy and stimulate further growth and amenity improvements for the area.
5. **Increased Local Amenity:** Master-planned developers are able to provide high amenity, master planned environments with purpose built, and targeted amenity values. This is particularly true for the proposed development as it can provide dedicated associated community services and amenities.
6. **Greater Levels of Investment in the Local Market:** The proposed Project can contribute to the overall development and revitalisation of the surrounding community, attracting investment and fostering local entrepreneurship. This can provide significant impetus for growing the local economy.

In particular, the demand generated by a development can stimulate investment in various ancillary services and businesses. These can include transportation services, equipment manufacturers and retailers. The presence of the Project can create opportunities for local entrepreneurs to innovate and offer unique services.

7. **Impact on Current Employment Levels:** While Covid-19 has had a less significant impact on the general economy than initial estimated, it is clear that the next few years represent uncertain times with several crucial sectors likely to experience significant downturns and considerable restricting

While the sectors that are likely to benefit directly by this proposed development are not necessarily the hardest 'hit' sectors of the economy, they do contribute substantially to overall community wellbeing and will support greater spend and general economic activity that in turn supports greater activity in the affected sectors.

The Nelson economy has experienced a particularly difficult period with total employment rising only 2 over the past 3 years, in comparison to the national rise of 5%. Additionally, there has been no growth in the Nelson construction sector, while nationally this has grown 3% over the same period.

This supports a key FTAA purpose of resulting in a public benefit through generating additional employment. Additional employment opportunities contribute positively to improving income levels of many households in the Nelson, and therefore improve the economic, social and cultural wellbeing of both current and future generations.

## 6. SUMMARY

Our EIA estimates that the proposed development would have significant and positive economic impacts on the Nelson regional economy and represents a significant opportunity for the region to protect, sustain and grow jobs and income while also providing additional competitive residential opportunities. This essentially leverages off the locational attributes that the region provides for the development, which allows retention of a greater level of activity throughout the construction and operation of the facilities.

This development also positively contributes to the outcomes sought in the NPS UD<sup>10</sup> by providing additional housing capacity across a range of typologies and providing more choice in the market in relation to price points and location.

It is important to note that these benefits exist within a timeframe that is likely to see significant uncertainty in development opportunities and a lower appetite for risk, impacting on both the construction and productive base of the localised and regional economies.

Economic Benefits include:

- Total 7-year regional economic contribution of around \$356m (NPV).
- Total 7-year regional employment generation 2,737 FTE years.

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<sup>10</sup> National Policy Statement on Urban Development 2020