

Technical Memo

To:	Environmental Protection Agency	From:	Insight Economics
Date:	Friday, 7 February 2025	Page:	9 (including this page)
Subject:	Gordonton Fast Track Referral – Preliminary Economic Assessment		

To Whom it May Concern,

Insight Economics has been engaged to assist with a fast-track application to establish a retirement village in Gordonton, in the Waikato District. This brief memo provides a preliminary assessment of the likely economic impacts of the proposal.

Structure of this Memo

The remainder of the memo is structured as follows:

1. About the Proposal
2. High-Level Policy Review
3. Need for Additional Retirement Living Capacity
4. Initial Assessment of Likely Economic Effects
5. Scope of Future Assessment
6. Qualifications and Experience

About the Proposal

The proposed project for which a fast-track application under the Fast Track Approvals Bill is being applied for is the consenting of:

- The construction of a retirement village comprised of 659 residential units, cafe, apartment style accommodation and health care provisions
- Roading, pedestrian, cycling infrastructure associated with the retirement village
- Water, wastewater and stormwater infrastructure associated with the retirement village
- Disturbance of earthworks associated with the retirement village
- Water Take Permit
- Water Discharge Permit

The purpose of this project is to establish a retirement village/estate which has a point of difference to reflect the rural values and attributes of the site and surrounding locality and to provide much needed aged care living for the Waikato District and Region. The project shall include grazing land in and around the site to break up what would be the typical perception of a retirement village. An additional point of difference is also ensuring the site provides connectivity with the village of Gordonton through pedestrian walk-ways and/or cycle-ways.

The project shall create a unique village/estate style layout with seven or so 'clusters' of housing. Each cluster is intended to be of approximately six hectares and have a density of approximately 15 - 20 units per hectare (approximately 120 housings/units per cluster).

It is intended to provide on-site amenities/ facilities, including a communal facility, with the main centre offering typical village amenities, cafe, apartment style accommodation and further health care provision. Provision of infrastructure will all be managed on site.

The proposed site is of irregular shape and is approximately 66.55 ha comprised in one record of title 676234 legally described as Lot 3-4 Deposited Plan 328606 and Lot 2 Deposited Plan 481700. The site has a relatively flat topography. Remnant forest vegetation occupies fragments of the site, comprised within a small grove dominated by kahikatea (*Dacrycarpus dacrydioides*), with other native species present such as lemonwood (*Pittosporum eugenioides*), tī kōuka (*Cordyline australis*) and pōhuehue (*Muehlenbeckia australis*). The grove of remnant forest vegetation within the site is not marked as a Significant Natural Area (**SNA**) on current operative plan maps.

The site has approximately 3.8 km of stream habitat. There are seven artificial watercourses with a combined length of approximately 2.6 km and five modified watercourses with a total length of approximately 1.2 km. The site is identified to have a stream/water body running along the west boundary adjoining with the Gordonton village, identified as the Komakorau Stream.

The site is zoned as 'Rural' under the Waikato Operative District Plan (**ODP**) and General Rural Zone under the Waikato Proposed District Plan – Appeals Version (**PDP-AV**). The site adjoins Gordonton Primary School to the north, also identified as Designation C31 under the ODP and Designation MEDU-29 under the PDP-AV. The site is also applicable to a Site of Significance to Māori (item 284) which is detailed to be the Otaahua Pā and is described as a Pā site with shallow ditch, depressions and a small terrace.

High-Level Policy Review

NPS-UD

The National Policy Statement on Urban Development (**NPS-UD**) came into effect in August 2020. It requires Councils in high growth areas to provide “at least” sufficient development capacity “at all times” to meet expected future demand for additional dwellings well into the long term.

The NPS-UD also imposes strict monitoring and reporting requirements, which vary depending on the extent of growth pressures experienced. The strictest requirements are imposed on Councils in Tier 1 urban environments, where capacity shortfalls have historically been the most acute. Waikato District comprises part of the Greater Hamilton Tier 1 urban environment and must therefore complete a detailed Housing Capacity Assessment (**HCA**) every three years. This brings together a raft of information about dwelling supply and demand to ensure that enough capacity is provided.

The latest HCA was prepared by Market Economics in December 2023 for the Tier 1 Future Proof partners.¹ It identifies significant shortfalls in dwelling capacity to meet expected demand across most locations in the short term. In the medium term, Hamilton City and Waipa are deemed to have insufficient capacity at the aggregate level. While Waikato District appears to have sufficient capacity overall, shortfalls are identified in three of the five locations assessed, including near the subject site. This is illustrated in Table 1 below.

¹ Market Economics (2023). *NPS-UD Housing Development Capacity Assessment*. Prepared for Future Proof Partners (Hamilton City Council, Waikato District Council, and Waipā District Council).

Table 1: Future Proof Area Summary of Demand, Capacity and Sufficiency Assessment: Medium-Term

MEDIUM-TERM (2022-2032)		Current Prices Scenario						
AREA	Additional Demand + Margin ¹	Plan Enabled Capacity ²	Infrastructure Served Capacity ³	Commercially Feasible Capacity ⁴	Reasonably Realised Capacity ⁵		Net Sufficiency ⁶	
					Conservative Allocation/Baseline	HCC Growth Model	Conservative Allocation/Base	HCC Growth Model
WAIKATO DISTRICT								
Pokeno/Tuakau	1,700	23,600	21,100	5,500	3,900		2,200	
Te Kauwhata	600	8,300	7,500	1,100	900		300	
Huntly/Ohinewai	1,100	9,700	8,700	200	20		-1,100	
Taupiri/Hopuhopu/Ngaruawahia/Horotiu	800	12,700	11,600	800	200		-600	
Raglan	800	5,400	3,700	1,200	500		-260	
Total⁷	5,100	59,700	52,700	8,700	5,600		500	
HAMILTON CITY								
Greenfield	15,200	46,700	24,600	9,000	6,000	5,500	-2,800	- 4,500
Infill/Intensification		195,700	65,200	29,700	6,400	5,200		
Total⁷	15,200	242,500	89,800	38,700	12,400	10,700	-2,800	-4,500
WAIIPA DISTRICT								
Cambridge	2,300	21,700	21,700	4,800	2,100		-170	
Te Awamutu	1,300	20,300	20,300	2,200	2,100		800	
Total⁷	3,500	42,000	42,000	7,000	4,100		600	
TOTAL FUTURE PROOF⁷	23,700	344,200	184,500	54,500	22,100		- 1,700	- 3,300

Source: M.E NPS-UD Housing Demand and Capacity Assessment: Future Proof Area, 2023.

This demonstrates a need for additional housing under the NPS-UD.

NPS-HPL

The National Policy Statement for Highly Productive Land (NPS-HPL) came into force in October 2022 and aims to protect our most productive land for land-based production. It requires Councils to map highly productive land (HPL), and closely manage the subdivision, use and development of it by avoiding inappropriate use and development.

However, Clause 3.10 of the NPS-HPL allows territorial authorities to allow the development of HPL if three sequential criteria are met, namely that:

- a) there are permanent or long-term constraints on the land that mean the use of the highly productive land for land-based primary production is not able to be economically viable for at least 30 years; and
- b) the subdivision, use, or development:
 - i. avoids any significant loss (either individually or cumulatively) of productive capacity of highly productive land in the district; and
 - ii. avoids the fragmentation of large and geographically cohesive areas of highly productive land; and
 - iii. avoids if possible, or otherwise mitigates, any potential reverse sensitivity effects on surrounding land-based primary production from the subdivision, use, or development; and

- c) the environmental, social, cultural and economic benefits of the subdivision, use, or development outweigh the long-term environmental, social, cultural and economic costs associated with the loss of highly productive land for land-based primary production, taking into account both tangible and intangible values.

While the first two limbs of the test are outside our area of expertise, we are confident that the proposal satisfies Clause 3.10(c) from an *economic* perspective. Upon successful referral, we will demonstrate this by using the total economic value (TEV) framework to compare the likely economic costs and benefits of the proposal to those of potential future rural production on the subject site. The TEV framework helps capture the full spectrum of economic effects, not just those that are readily quantifiable.

In short, having considered the requirements of the NPS-UD and the NPS-HPL, we consider that the proposal can be supported on economic grounds.

Need for Additional Retirement Living Capacity

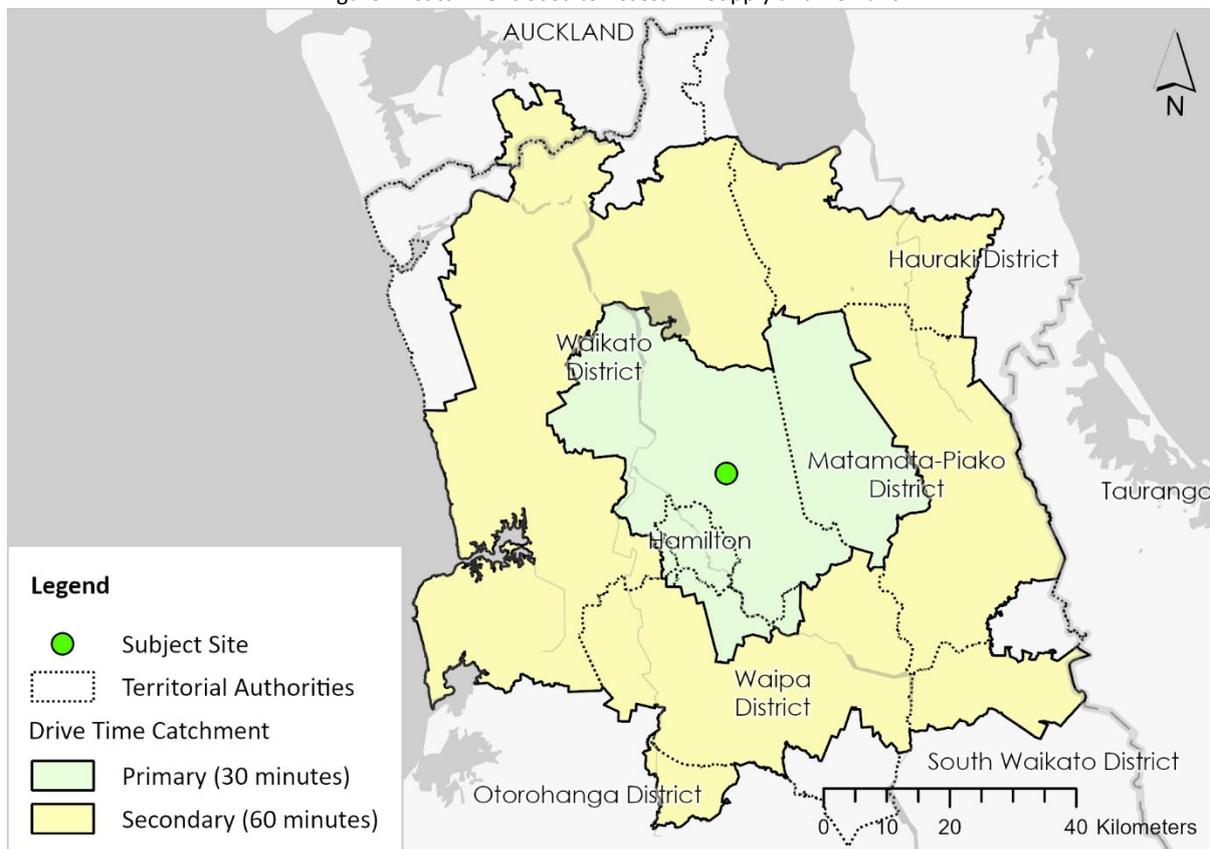
While the latest HCA acknowledges that retirement villages will contribute to future housing demand, it does not assess supply and demand in this sub-market separately.

To quantify this, we first delineated a catchment for the site, comprising:

- A **primary catchment** within a 30-minute drive of the subject site; and
- A **secondary catchment** within a 60-minute drive of the site.

The primary catchment is shaded in green in Figure 1 below, and the secondary catchment in yellow.

Figure 1: Catchment Used to Assess RV Supply and Demand



We then determined future supply and demand for retirement village living within the catchment.

Table 2 sets out the demand calculations. We adopt a penetration rate of just 2% for the secondary catchment, as the demand for retirement living in the catchment will naturally decrease with distance. The population projections reflect the average of the Statistics New Zealand (**Stats NZ**) medium and high growth scenarios.

Table 2: Calculation of RV Unit Demand for Catchment

Measure	Base Year (2023)	Short-term (3 yrs)	Medium-term (10 yrs)	Long-term (30 yrs)
Primary Catchment				
75+ Population	14,080	16,333	21,933	40,204
Penetration Rate ²	20%	20%	20%	20%
RV Residents	2,816	3,267	4,387	8,041
Occupation Rate ³	1.3	1.3	1.3	1.3
Primary Catchment RV Unit Demand	2,166	2,513	3,374	6,185
Secondary Catchment				
75+ Population	12,345	14,504	19,565	35,514
Penetration Rate	2%	2%	2%	2%
RV Residents	247	290	391	710
Occupation Rate	1.3	1.3	1.3	1.3
Secondary Catchment RV Unit Demand	190	223	301	546
RV Unit Demand	2,356	2,736	3,675	6,732

These calculations translate to the following estimates of growth in demand:

- 380 RV units over the short term (3 years);
- 1,319 RV units over the medium term (10 years); and
- 4,375 RV units over the long term (30 years).

By comparison, our analysis identified capacity for only an additional 460 retirement village units within existing and emerging villages in the primary catchment over the medium to longer term. This suggests that there will be significant unmet demand of more than 800 retirement village units in the medium term, and about 3,900 over the longer term. The proposal acknowledges this unmet future need and directly responds to it, thereby helping to meet the needs of an ageing local population. For further information, see **Appendix A**.

² This is the current penetration rate in the catchment, which is calculated by dividing the estimated RV resident population by the 2023 population estimate for the 75+ age group.

³ As per the New Zealand retirement villages whitepaper: New Zealand Retirement Village Database (NZRVD) and Aged Care Database (NZACD), published by JLL.

Initial Assessment of Likely Economic Effects

Following are the likely economic impacts of the proposal:

- **Meeting the Needs of an Ageing Population** – The proposal caters to a specific demographic of older people who wish to live in a community with others at a similar life stage. This is important, because not only is the local population growing, but it is also ageing. In fact, the number of residents aged 75 and over in the primary catchment is projected to grow by 158% in the next 30 years.⁴
- **Releasing Existing Housing to the Market** – By providing housing options that cater specifically to older residents, this frees up existing housing for others. For example, older, larger dwellings could be made available for younger families or first homebuyers, for which they are likely to be better suited.
- **Boosting the Supply of Housing** – The direct boost in dwelling capacity created by the proposal will help narrow the gap between future supply and demand. This will help the market be more responsive to growth in demand, thereby reducing the rate at which house prices grow over time (relative to the status quo).
- **Socioeconomic Benefits of Retirement Villages** – Retirement villages offer numerous socioeconomic benefits. For example, they enhance wellbeing, support social connection, and often provide a continuum of care, enabling residents to move from independent living to managed care if/when required without the need to relocate.
- **One-Off Economic Impacts** – Constructing the retirement units and associated facilities enabled by the proposal will generate significant one-off economic impacts.
- **Ongoing Employment** – In addition, once operational, the various retirement village will likely sustain a diverse workforce.
- **Highest and Best Use of Land** – The proposal will also enable the land to be put to its highest and best use, which is a precondition for economic efficiency to hold in the underlying land market.
- **Foregone Rural Production** – The key economic cost of the proposal is forfeiting the site for alternative uses, such as rural production. The impact of this will be reduced by allowing grazing to occur on parts of the subject site.

Scope of Future Assessment

Upon successful referral, we will provide a comprehensive assessment of the likely economic impacts of the proposal. This will build upon our initial assessment above, and include additional context on the local housing market. In addition, we will quantify the likely one-off economic impacts of the proposal, and estimate the ongoing employment sustained onsite.

⁴ Under the Stats NZ medium growth scenario.

Qualifications and Experience

Insight Economics are New Zealand's leading economic experts on resource management, property development, and local infrastructure. We have prepared economic assessments for several major developments under the Covid-19 Fast-Track process, including:

- A retirement village in Parnell, Auckland (granted)
- A world-class "green hydrogen" facility in Taranaki (granted)
- The \$1 billion Lakeview development in Queenstown (granted)
- A 1,600-lot comprehensive development on the edge of Hamilton City

In addition, we have helped gain RMA planning approval for dozens of large-scale projects across New Zealand worth more than \$30 billion, including:

- New Zealand's largest gas field (Maui)
- New Zealand's largest mussel farm
- Auckland Airport's future second runway
- Kiwirail's \$1 billion freight hub in Palmerston North

Fraser Colegrave is the founder and managing director of Insight Economics. He has 27 years of commercial experience, including 24 as an economic consultant. Fraser has worked extensively for many of the largest companies in New Zealand, and regularly advises local and central Government on a range of associated policy matters. He has provided economic expert evidence at more than 120 hearings before Councils, Independent Hearing Panels, the Land Valuation Tribunal, the Environment Court, Boards of Inquiry, the Family Court, and the High Court of New Zealand.

I trust that this memo provides all the information that you need for now, but please let me know if you need anything further.

Sincerely,



Fraser Colegrave
Managing Director
Insight Economics Limited

Appendix A: Need for Additional Retirement Living

Drive Time Catchment Methodology

To delineate the primary catchment, an isochrone representing a 30-minute drive time from the subject site was derived using the 'OSRM' package in R Studio. This package enables an interface between R and the OSRM API, which is a routing service based on the commonly used OpenStreetMap data.⁵ The resulting isochrone was then used to define the catchment area by overlaying SA2⁶ data and selecting the SA2s whose centroids intersected with the 30-minute drive time isochrone.

The same process was used to delineate the secondary catchment using a 60-minute drive time.

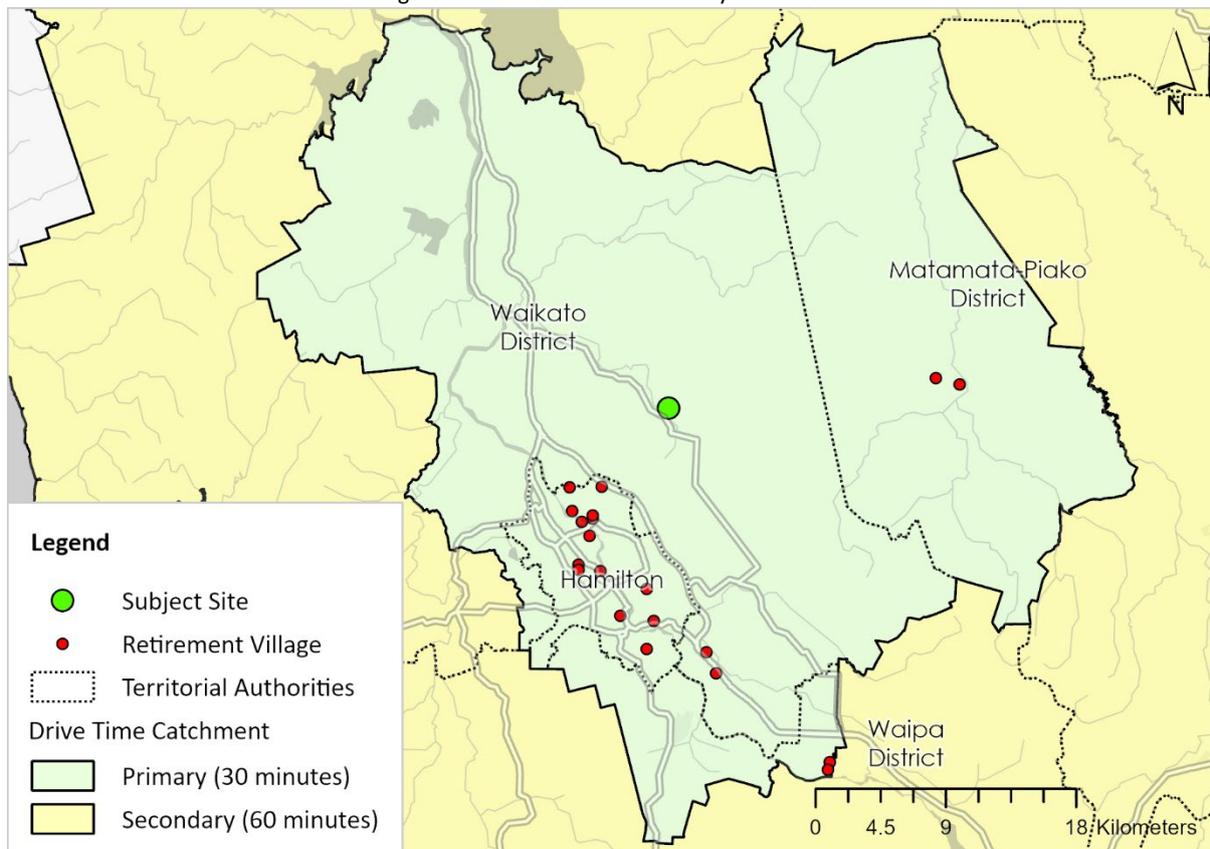
The resulting **primary catchment** extends from Rangiriri in the north, to Cambridge and Ohaupo in the south, Te Kowhai in the west, and Tātuanui in the east.

The **secondary catchment** extends from Ramarama (Auckland) in the north, to Otorohanga in the south, from Raglan in the west to Paeroa in the east.

Retirement Village Capacity

We identified 20 established or emerging retirement villages within the primary catchment area, and estimated their existing and future capacity using various sources, such as Eldernet, Village Guide, and RV operators own websites. Figure 2 locates the retirement villages within the primary catchment area, while Table 3 below displays the results.

Figure 2: Location of RVs in Primary Catchment



⁵ See <http://project-osrm.org/> for further information.

⁶ SA2 stands for Statistical Area 2, which is a common spatial building block defined by Statistics New Zealand and used in many datasets. It replaces the former Census Area Units ('CAUs').

Table 3: Capacity of RVs in Primary Catchment

Retirement Village Name	Territorial Authority	Capacity (RV Units)		
		Existing	Short Term	Medium-Long Term
Alandale Village	Hamilton	133	133	133
Arvida Cascades	Hamilton	5	5	5
Awatere Village	Hamilton	130	130	130
Bupa Foxbridge Village	Hamilton	79	79	79
Bupa St Andrews Village	Hamilton	62	62	62
Forest Lake Gardens Metlifecare	Hamilton	198	198	198
Hilda Ross Village	Hamilton	220	220	220
Karaka Pines Rototuna	Hamilton	32	57	141
Linda Jones Village	Hamilton	209	209	209
Netherville Village	Hamilton	103	103	103
Roseland Park Village	Hamilton	54	54	54
Summerset Down the Lane	Hamilton	233	233	233
Summerset Rototuna	Hamilton	225	225	225
Village Gardens Lifestyle	Hamilton	62	62	62
Lockerbie Retirement Village	Matamata-Piako	33	83	165
Tasman Village	Matamata-Piako	88	88	88
Tamahere Country Club	Waikato	147	179	198
Tamahere Eventide Home Trust	Waikato	146	146	146
Patrick Hogan Village	Waipā	20	93	185
Te Awa Lifecare	Waipā	40	40	40
Total		2,219	2,399	2,676

This translates to the following estimates of growth in capacity:

- 180 RV units over the short term; and
- 457 RV units over the medium-long term.