



Memo

To: Michael Campbell, Director, Campbell Brown Limited
From: Derek Foy and Rodney Yeoman, Directors
Date: 25 February 2023
Re: Queen's Homes FTCA application 82 Hobsonville Road, preliminary economics assessment

Purpose

The purpose of this memo is to provide a preliminary economic assessment of the development proposed at Hobsonville by Kings Heights Group Limited ("KHL"), to inform pre-application discussions with the Ministry for the Environment, in relation to a potential application for consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020 ("FTCA"). This memo does not provide a full economics assessment such as will be required to be lodged with any future FTCA application, and that full assessment will be completed as a second stage after pre-application discussions have taken place.

Introduction

KHL is planning to develop 82 Hobsonville Road, Hobsonville ("the Site") with a retirement village of around 354 units. This memo provides a preliminary assessment of the employment outcomes, investment certainty and public benefits associated with the development of the Site, for pre-application discussions with the Ministry.

Site location

The Site is located on the northern side of Hobsonville Road, about 3.1km east of the Westgate metropolitan centre, and opposite a large established residential area on the south side of Hobsonville Road. The 4.05ha Site is zoned Future Urban Zone ("FUZ") under the Auckland Unitary Plan ("AUP"), and is located within "Whenuapai Stage 1" of the Auckland Future Urban Land Supply Strategy,¹ ("FULSS") which showed this area was planned to be developed in "Decade one 1st half 2018-2022" (Figure 1). The Whenuapai Structure Plan shows that the Site is anticipated to accommodate high density residential activity, potentially with a small amount of medium density residential on the northern part of the Site, although that is difficult to distinguish from the Structure Plan map (Figure 2).

¹ Auckland Council (2017) Auckland Future Urban Land Supply Strategy.



Figure 1: FULSS future urban areas sequencing for Whenuapai

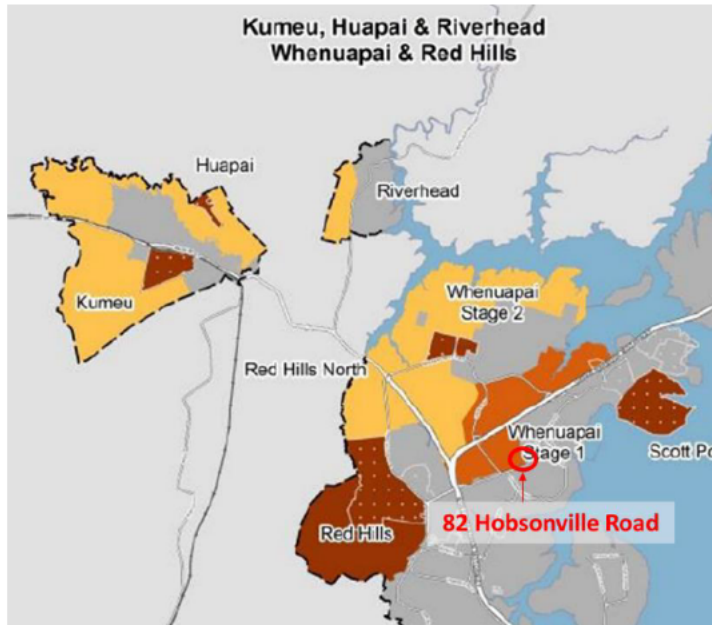


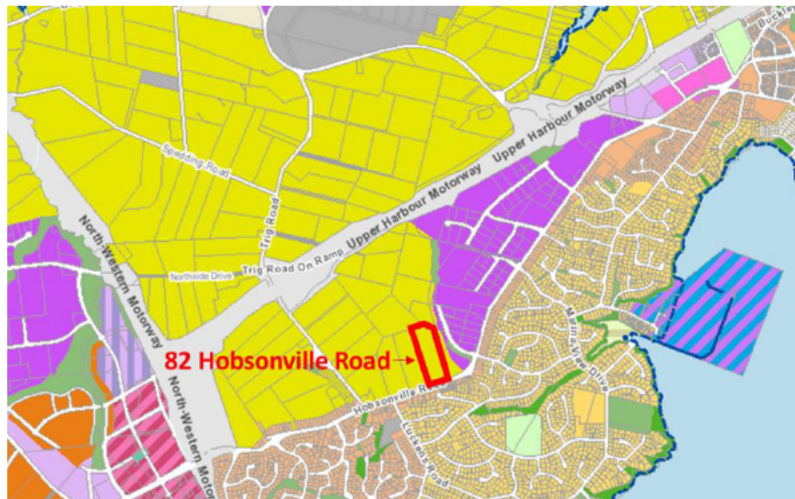
Figure 2: Auckland Council Whenuapai Structure Plan (2016)



KHL is proposing that the Site be developed for a retirement village, a residential activity that is consistent with the use and density envisaged in the Structure Plan. The Site is currently surrounded by other FUZ sites to the west and north, with a smaller (1.75ha) parcel to the east, the eastern part of which is zoned Light Industry Zone ("LIZ") (Figure 3). On the southern side of Hobsonville Road, opposite the Site, is a large established residential area, with sites within about 50m of Hobsonville Road zoned Residential - Mixed Housing Urban Zone ("MHUZ"), and further from that road zoned Residential - Mixed Housing Suburban Zone ("MHSZ").

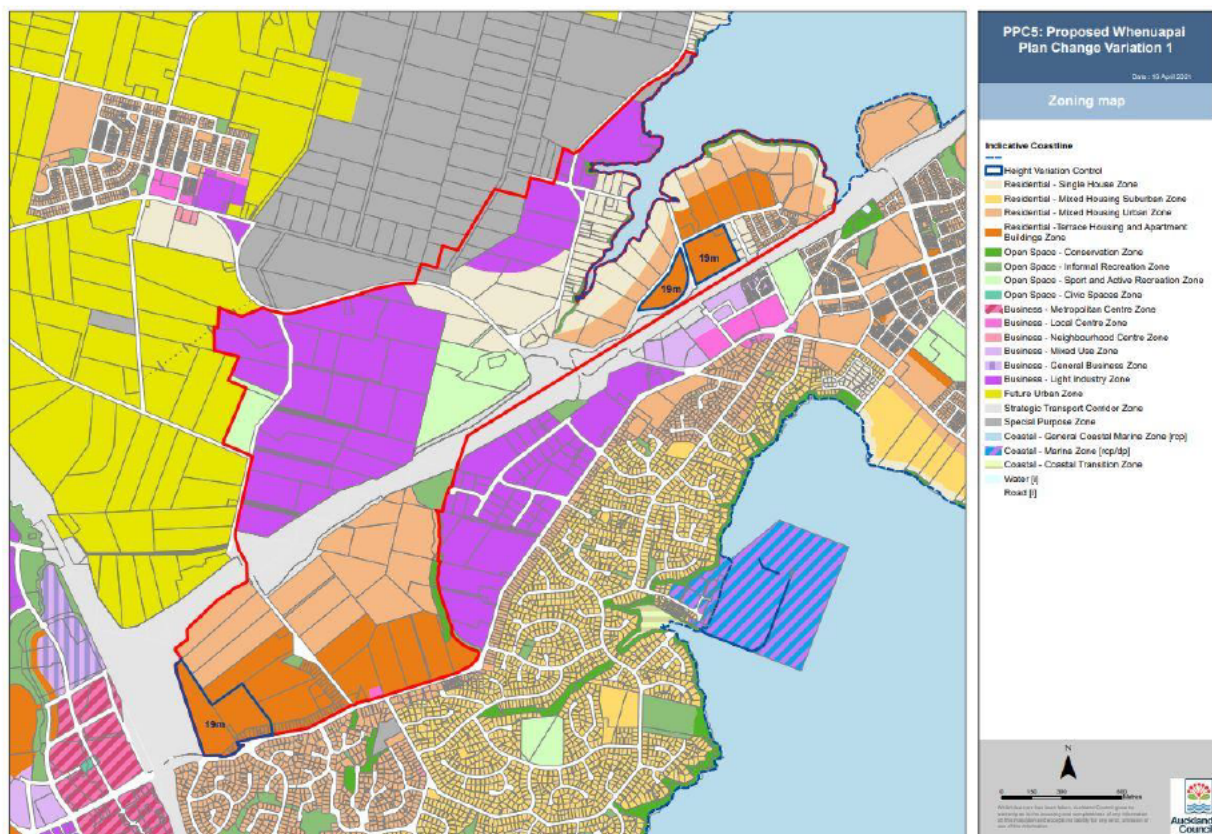


Figure 3: AUP zoning (FUZ in yellow)



The Structure Plan shows the Site as being anticipated to accommodate predominantly high density residential zone, and was identified as Terrace Housing and Apartment Buildings Zone (“THAB”) under the Council-initiated proposed Plan Change 5, prior to PC5 being withdrawn in late 2022 (Figure 4).

Figure 4: PC5 Variation 1 proposed zoning (April 2021)²



² “Draft Proposed Variation 1 to Proposed Plan Change 5 – Whenuapai Draft Section 32 Report”, 19 April 2021, Appendix 1: Proposed Variation 1 – Proposed Zoning Map



The Structure Plan and Plan Change, and recent legislation that promotes greater urban intensification³ all provide some indication that higher density residential development is anticipated on the Site when the land is rezoned in the future. While the Site is located outside the urban environment, and therefore excluded from Auckland Council's proposed Plan Change 78 (Intensification), that plan change also indicates a preference for higher rather than lower dwelling densities. The 354 units proposed within the retirement village would equate to just over 90 dwellings/ha, on the 4.05ha Site, a density that is consistent with the higher density anticipated.

Development proposal

Figure 4 shows the proposed development plan for the Site. Key elements of the proposed development include:

- ❖ Administration and reception areas.
- ❖ Four five- or six-storey buildings accommodating 267 residential units, with each building having undercroft parking.
- ❖ 42 villas, including 25 two-bedroom and 17 three-bedroom units, each with parking for at least one vehicle.
- ❖ A 45 bed/room care unit providing hospital level care for residents.
- ❖ Shared facilities including a resident's lounge, pool, croquet lawn, bowling green
- ❖ Landscaped grounds including walkways throughout the Site, an open space area around the waterway that passes through the Site.

³ National Policy Statement on Urban Development 2020 and Resource Management Enabling Housing Supply and Other Matters Amendment Act 2021.



Figure 5: 82 Hobsonville Road proposed retirement village



Employment outcomes

For this preliminary economic assessment, we have drawn on the land uses and dwelling typologies identified above, publicly available information about comparable retirement village developments in Auckland, and indicative development construction costings provided by the developer, to estimate total construction and other development costs.

The following assessment provides an estimate of the economic activity associated with the key aspects of the proposed KHL development. That activity includes:

- ❖ **Consenting and land development:** We have estimated the consenting and land development costs of the Site based on industry knowledge from similar developments, adapting them to the scale of the proposed development.
- ❖ **Dwelling construction:** We have used the typology and size of the dwellings and other buildings and facilities (floorspace, height and structure of buildings, and type of rooms) to estimate the potential construction activity stimulated by construction work, based on actual (recent) costs relating to the existing retirement village developments in a selection of other developments in Auckland to estimate the activity that may be generated during the construction of the dwellings. We have verified these estimates using building consent data⁴ and construction cost data from Quotable Value specific to retirement villages.⁵

⁴ Statistics New Zealand (2022) Building Consent Value and Floorspace - Factories, industrial, and storage buildings for Upper Harbour, Henderson-Massey and Rodney Local board areas.

⁵ Quotable Value (2022) QV Cost Builder.



- ❖ Resident spending. There will be on-going expenditure by residents that live in the retirement village. For this assessment we have estimated likely future resident spending using a research report into the expenditure patterns of retired households in New Zealand.
- ❖ On-going employment that can be expected within the retirement village.

Demand for the proposed retirement village

North-west Auckland is a high growth area, with significant new residential construction underway and projected to continue for the next few decades. Retirement villages will become an increasingly important part of the residential landscape due to the aging population throughout New Zealand, including in north-west Auckland (Hobsonville, Whenuapai, Kumeu, Redhills). New Zealand's major retirement village operators have identified the area as an area of future high demand, with new retirement villages in Hobsonville,⁶ Whenuapai,⁷ and Huapai,⁸ in varying stages of construction. There are no retirement villages closer to the Westgate centre, or to the established suburban areas of West Harbour and Massey than the Site, meaning the proposed village is well placed to service both existing and growth markets.

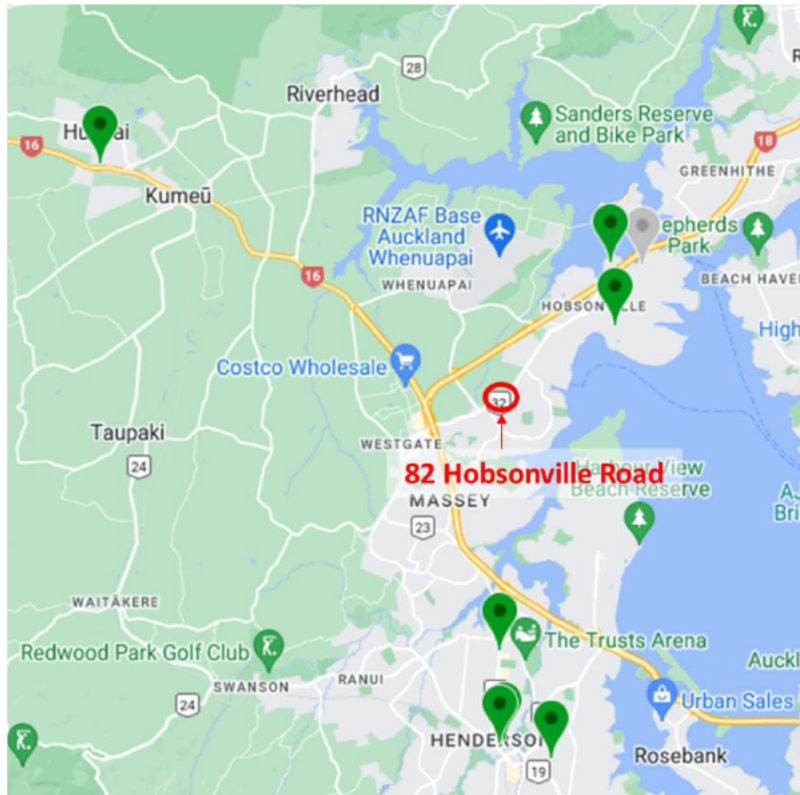
⁶ Keith Park Retirement Village (Ryman), Summerset at Monterey Park (Summerset), Waterford on Hobsonville (Oceania)

⁷ Whenuapai Village (Metlifecare)

⁸ Country Club Huapai (Hoppers Living)



Figure 6: Location of retirement villages in north-west Auckland⁹



Research on retirement village demand concluded that there will be demand nationally for an additional 24,544 units in retirement villages before 2033, and there are only 12,238 units in the construction pipeline (including early consenting stages), leaving a shortfall of 12,306 units, of which around 29% (3,600) are projected to be needed in Auckland.¹⁰ This indicates strong market potential for additional retirement village space within the next decade, and a lack of supply.

Historically development of new retirement villages has proved challenging in established urban areas, given the large land area (4ha+) required to accommodate an integrated village with facilities such as proposed on the Site. The Site represents a good opportunity to establish a new village close to an established urban area, supporting a well-functioning urban environment.

The high level of demand for retirement village space also provides some certainty that the proposed village will proceed. Commercially the village represents an excellent opportunity for KHL to establish a profitable business for which there is and will remain strong demand, and we understand that as outlined in the referral application form the developer is has completed large residential developments on Auckland's North Shore.

⁹ Source: www.eldernet.co.nz/

¹⁰ New Zealand Retirement Villages and Aged Care research report, July 2022



Economic activity from construction

The direct spend associated with the retirement living development of the Site is expected to be around \$207.8 million, comprised of costs for consenting, consultants, land development and construction. Based on the modelled land and building development costs it is expected that the average unit within the development could sell for around \$900,000, which is much lower than the current average dwelling price in the Hobsonville area (\$1.15 million) or Whenuapai (\$1.32 million), and therefore represents a good opportunity for village residents to downsize and free up capital.¹¹ Applying a conservative construction cost (rather than a higher) and sale price makes the impacts assessed here conservative.

Finally, to provide a preliminary indication of employment we have drawn from our previous economic assessment of other residential and commercial developments in Auckland to estimate the potential GDP, income and employment outcomes that could be generated by construction of the residential units and other buildings and facilities on the Site.

The direct expenditure that is generated through the construction of the village will flow through the economy, which will result in additional economic activity in supporting industries, and additional employment. These are the indirect and induced impacts. The direct, indirect and induced economic impact supported by construction of the village (including some resident spend during this time) is estimated to be around \$192.0 million in GDP over the five year construction period and support approximately 2,120 employment years.¹² That equates to 1,917 full time equivalent employment years over the development period in the Auckland economy, which equates to 383 jobs per year over five years.¹³ The 1,917 FTE jobs is comprised of 675 directly employed, and 1,242 employed indirectly or as a result of indirect and induced effects.

Figure 7: 82 Hobsonville Road retirement village development economic activity created

Preliminary Economic	GDP (\$m)	Income (\$m)	Employment
Auckland	\$ 192.0	\$ 101.1	2,120
Rest of NZ	\$ 66.9	\$ 30.0	554
Total	\$ 258.9	\$ 131.0	2,674

Much of this economic activity will be created in the short-term, due to the strong influence of construction and development costs of the Site. As the development is completed, the impact of the

¹¹ Homes (2022) Suburb Trends - House Prices.

¹² Total Employment Count, which is equal to the count of employees and working proprietors.

¹³ The employment recorded in this assessment is measured in terms of Total Employment Count (TEC), which includes part-time, casual, and full-time positions. While this type of measure of employment is the standard used in New Zealand for economic data and economic modelling, there are some instances where Full-Time-Equivalent (FTE) metric is used. For the purposes of the FTCA application we have also provided an estimate of the employment FTE within the Auckland economy.



new dwellings will stabilise at \$11 million in GDP per annum and approximately 151 jobs in the Auckland economy. This activity is generated by the on-going spending by residents that live within the Village, and by workers employed in the Village.

Public benefits

There will also be public benefits associated with the development of the Site that will contribute to achieving the purpose of the FTCA 2020, and which will generate public benefits for the local community and the wider economy. In this section we provide a brief qualitative discussion of these benefits, which are also addressed by other experts from their perspectives.

The first notable public benefit exists because the Site is located close to existing established urban activities, and well serviced by infrastructure. While we have not assessed the infrastructure costs associated with servicing the quantum of development proposed, compared to an equivalent amount in a more remote greenfield location, it is likely that there will be public benefits from the fact that the Sites is located very near existing urban development, and therefore infrastructure costs will be lower than comparably-sized developments in greenfields locations that are not yet serviced by water and wastewater. This outcome would improve the productivity of the economy, by reducing the amount of resources needed to accommodate new growth.

The second notable public benefit arises because the Site is close to major transport infrastructure (including State Highways 16 and 18) and to significant and established retail, commercial and employment and business areas within 2.5km of the Site, including the large Westgate metropolitan centre, the Hobsonville local centre, and the Hobsonville Road mixed use and industrial zones. This means that the Village's residents, and the Village commercial entity, will easily be able to access goods and services nearby. This means that those consumers will be able to travel more efficiently and better access their needs locally than will residents of comparably sized developments in more remote greenfields locations. This superior access to local businesses will contribute to mitigating transport costs and emissions, relative to development in many alternative locations, resulting in better transport outcomes and associated public benefits. The Site is located on an existing bus route, offering good access to public transport.

Third, we consider that development of the Site will contribute to a well-functioning urban environment. The proposed development is an appropriate location in which to enable higher density residential growth because it is adjacent an established residential area, and is close to the key infrastructure networks, and other services. Locations with those characteristics are an appropriate place for higher density residential activity to establish.

The development of the Site can be expected to positively impact the local businesses in the area, and contribute to the efficient functioning of the nearby centres and business areas. Village residents would be expected to shop and visit businesses within the local area, which will improve the viability



of existing business and also potentially attract more businesses and community services to the area. This additional activity can be expected to improve the level of amenity in these centres, which will positively contribute to a well-functioning urban environment. Research into spending of retirement age households indicates they each spend around \$30,000 per year on retail goods and household and recreation services each year,¹⁴ which would equate to an injection into the (primarily local) economy of over \$10 million a year.

In conclusion, we consider that there are likely to be a range of public benefits associated with the proposed development that will contribute to a well-functioning urban environment. These benefits should be considered when assessing whether the development will achieve the purpose of The FTCA 2020 and will encourage the sustainable management of the urban area.

Conclusions

This preliminary assessment has shown that the proposed development of KHL's site at 82 Hobsonville Road would:

- ❖ Stimulate a significant amount of employment during the construction phase, equivalent to 1,917 full time equivalent employment years in Auckland.
- ❖ Support an ongoing level of employment of around 151 workers per year in Auckland through the accommodation of residents and the workforce employed within the Village.
- ❖ Generate total direct, indirect and induced impacts of \$258.9m in GDP, of which \$192m would be in the Auckland economy and \$66.9m would be directed elsewhere in New Zealand.
- ❖ Generate a range of public benefits, primarily as a result of the location of the Site adjacent and proximate to a wide range of established retail, commercial, and employment activities, and existing infrastructure.

Derek Foy

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¹⁴ "New Zealand Retirement Expenditure Guidelines", Massey University NZ Fin-Ed Centre, September 2022. Figure calculated as the average of one and two person households, assuming an average household occupancy of 1.25 persons within the proposed village