26 September 2025

SUNFIELD ECONOMIC REVIEW RESPONSE:

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

1. The use of the Economic Impact Assessment (**EIA**) by PE as opposed to a Cost Benefit Assessment (**CBA**) used by Treasury and NZTA
2. The limitations of an EIA – specifically utilising IO modelling
3. The absence of a counterfactual position
4. Specific inclusions or exclusions of costs (overstating benefits) - specifically the treatment of employment
5. The overall measure 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.

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While all modelling approaches have limitations the EIA[1] undertaken for Sunfield illustrates the level of economic activity that this development would result in. This level of significant economic activity is then weighed by Sunfield'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 difficult 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

[1] It is important to note that the economic assessment for Sunfield also identified some qualitative costs and benefits.

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.

The statement that IO modelling always overstates economic activity is not the case, as internalisation rates can increase with an overall increase in demand. This would see an improvement in the regional economy's trade balance with potentially a fall in imports.

Finally, the Review suggests if an EIA is utilised then a CGE model would be more appropriate. While this form of EIA is generally more extensive, the level of assessment required usually limits it to more substantive policy changes or in the case of NZTA, a State Highway Network Assessment.

3. **A counterfactual position:**

Much has been made in the Review of the requirement to provide a counterfactual position, which is relatively standard in a CBA modelling approach.

There are 3 approaches to counterfactuals:

a) Site based: What activity could otherwise occur on the site and its economic significance

b) Activity based: Can the activity occur elsewhere and what is the economic significance

c) Process based: What other process (timing) could be followed and what is the economic significance

While not quantifying it, the EIA identified the loss of rural production on the site as an economic cost to be considered (site-based approach). In terms of the RMA process this is generally the most applied counterfactual in terms of identifying a counterfactual.

Additionally, the EIA provides commentary on the efficient nature and location of the site in the wider urban network in comparison to alternatives (activity-based approach).

In terms of the process-based approach, the Minister has determined the project has sufficient benefit such as to list it for consideration under the FTAA. The use of this process is considered appropriate given the uncertainty of timing around other processes.

4. Specific exclusions / inclusions

The Review sets out a concern around the treatment of employment as an indicator of the significance of the Project's economic benefit. While treated differently through a CBA, a key benefit identified in the Sunfield economic report (and in fact a key objective under the first iteration of the Fast Track process) report is the generation of employment through construction and development.

The inclusion of employment generated is a vital consideration in the economic significance of the Project and therefore important in understanding the overall level of significance of the Project's benefits.

It is also important to consider employment in relation to both the market in which Auckland has a 6.1% unemployment rate, as well as the dynamic nature of labour markets when jobs are scarce.

5. Regional Significance:

The Review states that even if the EIA was an acceptable approach (in addition to the qualitative impacts identified) that the Project is unlikely to meet the threshold of regional significance. Three relative benchmarks are then considered:

a) The relative contribution to GDP: The first measure considered 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 contribution to plan-enabled capacity: Firstly, it is important to note that no document considers the 2.8m houses enabled in Auckland as either feasible or reasonably expected to be realised, so the benchmark itself holds no practical value. Secondly, even though the Project is likely to take some time to complete, the provision of 4,000 additional homes in a market that delivers approximately 18,000 per annum is significant. Sunfield would be one of the largest master-planned developments in the Region.

c) The relative contribution to 'other' developments: Although apparently sourced from the Property Economics report, it is unclear what the "other" developments are that the Review refers to. Suffice to say, as identified above, consideration of one project in relation to all others combined is an inappropriate benchmark in considering the significance of a single development proposal.

Overall, the examples of significance represent inappropriate benchmarks under which no application for housing in Auckland would be considered to generate significant benefits. Additionally, the suggested assessment approach providing a net position against a counterfactual would further undermine the use of these benchmarking tools, with almost no applications reaching a meaningful threshold at all.

6. Loss of Employment Land:

Aside from the peer review, Winton has requested a comment on the economic impact on the loss of land within the masterplan's employment hub as a result of changes to integrate Mill Road – Stage 2. Property Economics understands the loss of land within the employment hub equates to 7.8ha or 14%. For completeness Mill Road – Stage 2 results in a reduction in employment hub land within the masterplan from 54.8ha to 47.0ha. Property Economics understands no other aspect of the Sunfield masterplan is affected.

In terms of lost employment potential this would equate to around 1,200 employees as not all employment is located on the employment hub land, i.e. employees in the retail centres, schools, early learning centres, retirement villages, etc. From an economic perspective the potential reduction of around 1,200 employees does not represent a significant economic impact with around 9,800 employees still able to be accommodated within the masterplan.

Furthermore, the economic benefits of the Sunfield project are derived from a range of elements within the masterplan. The economic benefits lost solely as a result of a 14% reduction of land in the employment hub component is estimated at a net present value of $70m with a loss in job years of approximately 500. As a proportional loss for the Project as a whole, this compares with a total GDP impact of $3.1b and 24,000 FTE job years (rounded).

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