



# **FTC Silverlight Studios Economic Advice**

**Final Report**

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# 1 Introduction and Background

Under the COVID-19 Recovery (Fast Track Consenting) Act 2020 (the FTCA) the Environmental Protection Agency (EPA) assigns Expert Consenting Panels (ECP) to consider and determine resource consents and designations for certain eligible projects, replacing the role local authorities provide under the Resource Management Act 1991 (RMA).

Silverlight Studios Ltd (SSL) Wanaka has applied for consent with the EPA to construct and operate a film studio complex at 707 Wanaka–Luggate Highway, approximately 7 km east of Wanaka township (the Application). The EPA has appointed an ECP who are in the process of considering this application.

The ECP has requested an assessment of whether the application will have an effect on the housing market that is more than minor. The specifics of the assessment are:

*The supplier will undertake the following for the Silverlight Studios ECP:*

*a) Review the SSL application, particularly the Assessment of Environmental Effects (AEE) and the discussion relating to the proposed staging of the development.*

*b) Review the Economic Assessment prepared by Market Economics dated 12 July 2021, attached as Appendix 16 to the AEE.*

*c) Review the memorandum from Market Economics dated 20 August 2021 provided in response to the Panel's request to the Applicant made under clause 25, Schedule 6 of the Act.*

*d) Review generally available information in relation to housing availability and house price/rents in the Queenstown Lakes district area.*

*e) And any other relevant information necessary to answer the following matters in light of the review of the documents outlined above:*

*i. To assess the likely impact of the Silverlight Studios Ltd (SSL) application on the current housing availability in the short term and medium term.*

*ii. To assess the likely impact of the SSL application on the upwards pressure on housing prices/rents in the short term and medium term.*

*iii. To take into account the staging of the development of the proposed application across 10 years as well as the proposal to have accommodation on site – referred to by the Market Economics documents but the subject of a separate application to come before the EPA as a direct referral.*

*iv. To advise, in light of the preceding assessments, whether the SSL application will have an adverse effect on housing availability, housing prices or housing rents that is more than minor in either the short term or medium term or over the SSL Project's anticipated 10-year development period.*

## 2 The Application and Economic Impact Assessment

The SSL Project is a development of a large scale film studio in the Wanaka area. It incorporates a lake, several locations enabling representation of Paris, New York, Venice, and sites for an Italian, seaside and mediaeval villages. There will be several soundstages, workshops and other buildings, and the site will cater to both film crews and tourists.

Market Economics (ME) has prepared an economic impact assessment (EIA) for the main SSL FTCA application<sup>1</sup>. Capital expenditure (CAPEX) and operating expenditure (OPEX) were estimated / forecast by SSL and provided to ME for this EIA. This information forms the basis of the EIA and the subsequent employment and housing demand estimates. ME are an established and reliable source of information in the area of economic impact analysis, and they have demonstrated a high level of expertise in this area. As with all analyses of this type, the underlying assumptions are typically the most important drivers of the results, and the limits on accuracy of any analysis of this type should be taken into account. Apart from those items noted below, I have relied on the EIA as a basis for assessing the economic impacts, particularly the employment impacts, of the project.

CAPEX is estimated at \$280 million with 80% in the first year, and OPEX rises to \$70 million by year 2 of the development. This expenditure appears consistent with the proposed timing of development shown in Table 7 of the application. We note that the timing of these estimates appears highly optimistic, and further note that the expenditure on construction projects of similar magnitude elsewhere in the country takes place over a longer period than that estimated by SSL<sup>2</sup>. However for the purposes of this analysis the proposed expenditure profile has been taken as given.

ME estimate GDP, household income and employment impacts, reporting only the total impact which includes direct, indirect and induced impacts. For the purposes of this review only the employment count is relevant, but it is noted that the three indicators typically respond in the same direction and general magnitude. ME uses modified employee count (MEC) as their employment indicator, which includes employees and working proprietors. The relationship between MEC and Full Time Equivalent (FTE) employment indicators is not clear, but for the purposes of this review we have assumed that the MEC includes full and part time workers, and is thus the full headcount of people needing to be housed to support the development. In this respect it assumed to be an upper limit to the likely number of additional people working, and hence associated housing demand. If the MEC indicator were equivalent to FTEs, a higher number of workers would be involved than the MEC indicates since some of them would be part-time.

The employment profile associated with CAPEX and OPEX is shown in Figure 1 below, which is reproduced from Figure 3-4 of the ME report. It shows 6000<sup>3</sup> MECs for the first year and 2300 for the subsequent years in total, with the high MEC in the first year associated with the \$220 million in CAPEX for that year. Within the Queenstown Lakes District (QLD) this estimate is 4000 MEC in the first year decreasing to 1700 by year 5. It was not clear how the 1200 long term cast and crew workers noted in the EIA for

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<sup>1</sup> Appendix 16 of the SSL FTCA Application

<sup>2</sup> For example the Metro Sports Centre in Christchurch involves an estimated \$300 million in expenditure and will take place over 3 years.

<sup>3</sup> All figures rounded.

the SSL Accommodation application<sup>4</sup> reconciled with the direct employment and total employment in Figure 1, which estimates only 633 directly employed by SSL and the lessee. For the purposes of this analysis, it has been assumed that Figure 1 is correct but that almost all of the employment impact is located in the Wanaka area, because it is considered likely that direct employment will reside largely around the Wanaka area, with some commuting from Cromwell. The wider workforce will include impacts in the Queenstown area since this is a major business centre and some of the supply of goods and services is likely to come from there. An alternate scenario where the employment impact being spread evenly around QLD and Cromwell<sup>5</sup> is included as a sensitivity test, but the difficulties in reconciling the direct workforce numbers variously quoted by SSL should be kept in mind.

Employment (MEC <sub>2021</sub> )	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Total
<b>CAPEX Impacts</b>												
QLD	4,117	120	371	304	-	-	-	-	-	-	-	4,912
Rest of Otago Region	624	21	55	45	-	-	-	-	-	-	-	745
Rest of New Zealand	1,321	39	119	98	-	-	-	-	-	-	-	1,577
<b>Total CAPEX</b>	<b>6,062</b>	<b>180</b>	<b>545</b>	<b>447</b>	<b>-</b>	<b>7,234</b>						
<b>OPEX &amp; Household Impacts</b>												
QLD	9	1,044	1,054	1,054	1,062	1,066	1,068	1,068	1,068	1,068	1,068	10,632
Rest of Otago Region	1	197	200	199	200	201	201	201	201	201	201	2,001
Rest of New Zealand	6	369	366	364	367	370	371	371	371	371	371	3,696
<b>Total OPEX &amp; Households</b>	<b>17</b>	<b>1,610</b>	<b>1,619</b>	<b>1,617</b>	<b>1,629</b>	<b>1,636</b>	<b>1,640</b>	<b>1,640</b>	<b>1,640</b>	<b>1,640</b>	<b>1,640</b>	<b>16,329</b>
<b>Workers Directly Employed by SSL and the Main Lessee on Site</b>												
QLD	7	570	570	613	613	623	633	633	633	633	633	6,157
Rest of Otago Region	-	-	-	-	-	-	-	-	-	-	-	-
Rest of New Zealand	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Studio Workers</b>	<b>7</b>	<b>570</b>	<b>570</b>	<b>613</b>	<b>613</b>	<b>623</b>	<b>633</b>	<b>633</b>	<b>633</b>	<b>633</b>	<b>633</b>	<b>6,157</b>
<b>Total Impacts</b>												
QLD	4,134	1,734	1,995	1,971	1,675	1,689	1,701	1,701	1,701	1,701	1,701	21,701
Rest of Otago Region	625	218	255	244	200	201	201	201	201	201	201	2,747
Rest of New Zealand	1,327	408	485	461	367	370	371	371	371	371	371	5,273
<b>Total</b>	<b>6,086</b>	<b>2,360</b>	<b>2,734</b>	<b>2,677</b>	<b>2,242</b>	<b>2,259</b>	<b>2,273</b>	<b>2,273</b>	<b>2,273</b>	<b>2,273</b>	<b>2,273</b>	<b>29,720</b>

Source: M.E Silverlight Studios EIA Model 2021. Total economic impacts (including direct, indirect and induced). MEC is modified Employment Count (employees & working proprietors)

Figure 1: Distribution of Total Employment Impacts for Years 1 - 11 - SSL

The EIA highlights the potential for negative effects associated with housing and infrastructure demands. The potential for the impact on housing availability was the subject of an information request from the Panel to SSL, and ME responded with a memo (N. Hampson, 21 August 2021) providing further information on the housing impacts and availability. The relevant information for this LWP analysis contained in the 21 August 2021 memo is:

- On site accommodation will be provided for 26% of the estimated 1200 long term workers in 314 bedrooms.
- The memo considers that employment of those currently residing in Wanaka would not have a housing impact, but the analysis undertaken in this LWP report is based on an assumption that given the relatively low unemployment in QLD it is likely that the employees who are currently resident in Wanaka would be moving from existing jobs in the area which would then need to be filled externally. If the SSL employment is additional to that currently in the area, then the net impact is the same regardless of where those employed by SSL currently reside.

<sup>4</sup> Appendix 14 SSL Accommodation application

<sup>5</sup> Cromwell dwellings at Census 2018 are 2289 total with 492 unoccupied. Because consent information is not available at the Cromwell scale, the number of dwellings under construction (69) are used as an estimate of the construction capacity.

- The current housing stock in the Wanaka ward is 8420 dwellings, of which 69% are available for residents as opposed to holiday homes (31%). Thus the effective housing stock for residents is 5809.
- ME expects the addition of demand from SSL to contribute to upward pressure on rental, house and section prices. They expect this to be short term (not defined by ME) and ME suggests the market will adjust to demand over the medium term.
- The ME analysis indicates that the provision of worker accommodation will provide economic benefits and few negatives.

### 3 SSL Accommodation application and EIA

SSL have applied for a further fast track consent for the inclusion of short and long term accommodation within the original Project activities. Specifically these include the on-site accommodation referred to in the ME memo (August 2021) for 314 workers. This accommodation will be provided within the Paris, New York and Venice precincts in 2024, 2025 and 2026 respectively. The EIA associated with this second SSL FTCA application is the 21 August 2021 memo that was supplied to the ECP in response to their request for further information on accommodation impacts in the main SSL FTCA application. The relevant information in this memo is covered above.

The AEE for the SSL Accommodation FTCA application estimates the direct employment impact is 185 additional jobs associated with the construction of the accommodation, and 30 ongoing jobs associated with the operation of this accommodation. The flow on impacts of the construction and ongoing expenditure associated with the SSL Accommodation application do not appear to have been estimated.

#### 3.1 QLD and Wanaka employment, population and required dwellings

Infometrics (2021)<sup>6</sup> estimates employment in QLD to be 21,597 in June 2021, although this is not consistent with 2018 Census data and subsequent changes (+5.6% June 2019, -3% June 2020 and -7.2% June 2021; Infometrics 2021). Therefore the 2018 Census data with changes since that time is used, together with the current 3.8% unemployment rate, to estimate the current worker population in QLD to be 28,248.

Total population is estimated at 48,300<sup>7</sup>. The population grew at an annual rate of 6% between 2016 – 2021. Its recent growth rate peaked at 9% in 2018.

The ratio of worker population to all non-retired (<65 year old) population is 0.679 based on 2018 Census data. This LWP analysis uses the ratio of worker population to non-retired population as an indicator of the number of dependents associated with each employed person. So for each worker added in the SSL application, a further 0.47 of a person was added to the population to account for non-working partners, children and other dependents.

Using this ratio of 0.67 workers to dependents, for the ongoing total employment associated with SSL of 1700, taking into account that 85% of the main workforce of

<sup>6</sup> Infometrics, 2021. Quarterly Economic Monitor. <https://gem.infometrics.co.nz/queenstown-lakes-district/indicators/unemployment?compare=new-zealand>.

<sup>7</sup> Infometrics 2021. Queenstown Lakes District Economic Profile. <https://ecoprofile.infometrics.co.nz/queenstown-lakes%2Bdistrict/Population/Growth>

630 will be permanently based within QLD<sup>8</sup>, it is estimated that SSL will add a total of 2365 people to the district.

Using average household size for QLD of 2.78<sup>9</sup> people per household, gives a permanent dwelling requirement of 850 dwellings.

### **3.2 Housing availability for permanent workforce**

The EIA for the accommodation notes a total 5809 occupied residential housing stock in the Wanaka ward, and the Census data for 2018 estimates 13719 occupied dwellings in QLD with a further 1797 in Cromwell.

The required dwellings associated with SSL is an additional 14.6% on top of the current stock for Wanaka, and 5.5% of the QLD and Cromwell housing stock.

Residential building permits are averaging 1216 / year for the last four years in QLD, which is an addition of 8.9% per annum. A further 69 were under construction in Cromwell at the 2018 Census, which is taken as an estimate of the residential construction rate in that town. While the EIA notes that there was a fall in QLD residential building consents in 2020 and the first quarter of 2021, recent data has been stronger and it appears unlikely that this is a sustained decline in residential building activity.

Taking into account the recent trend population growth of 6% and proportion of houses that are unoccupied in QLD (30%) assuming that the houses consented are an equivalent mix of occupied and unoccupied, the rate of consent issuance for residential building would not be keeping up with the rate of population growth (excluding SSL). It is noted that there are a number of factors that could affect this conclusion such as a weighting of construction for permanent residents, but given available data it is not possible to conclude that the current housing supply and demand are in balance.

Within the Wanaka ward, on a pro rata basis the building consent data for the last four years indicates an average of 526 residential houses built per annum of which 363 are available for residents (31% unoccupied estimate from EIA).

The additional housing required for total (including flow on) workers associated with main SSL FTCA application if housed in the Wanaka area would require 2.34 years of current building rates to accommodate, even without any other population growth and 1 year in the wider QLD.

Taking into account the accommodation likely to be developed on site between 2024 and 2026 of 314 bedrooms, and assuming that 15% of the 633 onsite workers were short term and needed to be accommodated within these 314 bedrooms, there would be 219 bedrooms available for longer term residents. This would equate to 79 dwellings reducing the SSL induced permanent dwelling demand of 850 to 771<sup>10</sup>. If all new permanent dwelling houses went to workers resulting from the SSL FTCA application, it would require 2.12 years of construction at current rates in Wanaka, and <1 year of construction in QLD.

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<sup>8</sup> Assumption in EIA Section 2.3 Bullet point 13. The calculation of 850 dwellings is  $(1700 - ((1 - 0.85) * 630) / 0.67) / 2.78$ . The additional permanent employment associated with the on-site accommodation is not included as it is below the rounding errors of the analysis.

<sup>9</sup> Census 2018. 39,153 divided by 13719 occupied private dwellings and 342 occupied non private dwellings.

<sup>10</sup> The calculation for this is  $(850 - (314 - (0.15 * 633))) / 2.78$

If we assume that the current construction rate is required to meet non-SSL related workers, then some increase in the rate of construction is required to meet the additional demand from the SSL FTCA application. Indicatively with a 60% or 20% increase in construction rates, it is estimated that to meet this demand in Wanaka would take between 3.5 and 10.6 years respectively (Table 1). Given that the current rate of construction does not appear to be keeping up with population growth, and given current constraints on the workforce and its ability to build sufficient houses nationally, it is questionable whether the higher rate of increase in residential construction can be achieved.

A sensitivity test has been undertaken using a larger household size of 4 people per household based on Coleman and Karagedikli (2018) who estimated 0.25 - 0.3 additional houses per person increase in population<sup>11</sup>, which results in fewer houses being required to accommodate the total workforce and dependents. This is shown in Table 2 and indicates that the additional demand in Wanaka could be met in between 2.5 and 7.4 years using the 60% and 20% increase in residential housing construction rates.

A further sensitivity test using the base 2.78 household size and 0.25 dependents per worker is shown in Table 3. It indicates that it would take between 3 and 9 years to accommodate the total additional demand from the main SSL FTCA application using the 60% and 20% increase in residential housing construction rates.

A test of the outcomes if the employment were spread throughout QLD and including Cromwell is shown in Table 4, which estimates between 1.4 and 4.1 years to accommodate the additional demand from the main SSL FTCA application if spread throughout the QLD and Cromwell using the 60% and 20% increase in residential housing construction rates.

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<sup>11</sup> This is a very conservative assumption because the same paper indicates that the housing stock undershot substantially during the period of analysis. It also is likely to take into account that a number of areas included in their study likely had underutilised housing capacity.

*Table 1: Base Scenario - years to accommodate increased demand for housing associated with SSL (2.78 people per house, 0.47 dependents per worker)*

<b>Additional rate of construction</b>	<b>Additional houses built</b>	<b>Years to accommodate</b>
+20%	72.5	10.6
+40%	145.1	5.3
+60%	217.6	3.5

*Table 2: More people per dwelling sensitivity test - years to accommodate increased demand for housing associated with SSL (4 people per house, 0.47 dependents per worker)*

<b>Additional rate of construction</b>	<b>Additional houses built</b>	<b>Years to accommodate</b>
+20%	72.5	7.4
+40%	145.1	3.7
+60%	217.6	2.5

*Table 3: Fewer Dependents sensitivity test - years to accommodate increased demand for housing associated with SSL (2.78 people per house, 0.25 dependents per worker)*

<b>Additional rate of construction</b>	<b>Additional houses built</b>	<b>Years to accommodate</b>
+20%	72.5	8.9
+40%	145.1	4.4
+60%	217.6	3.0

*Table 4: QLD and Cromwell wide sensitivity test - years to accommodate increased demand for housing associated with SSL (2.78 people per house, 0.47 dependents per worker, workers accommodated throughout QLD and Cromwell)*

<b>Additional rate of construction</b>	<b>Additional houses built</b>	<b>Years to accommodate</b>
20%	187.3	4.1
40%	374.5	2.1
60%	561.8	1.4

### **3.3 Housing availability for the construction workforce**

The EIA estimates 4,100 total additional workers associated with the main SSL FTCA application for the first year, then lower numbers in the subsequent years. This is the total workforce including flow on impacts, with 400 – 900 direct jobs in QLD associated

with construction (Figure 4-9, EIA) for the main SSL FTCA application. In addition there will be some 185 jobs required for the fitting out of accommodation associated with second SSL Accommodation FCTA application, although the flow on impacts associated with this construction expenditure have not been detailed.

It is noted that any increases required for accommodation of workers needed to construct the off-site housing for the additional demand (i.e. these are additional workers not included in either application) will place further demands on the requirement for housing in the region. Coleman and Karagedikli (2018)<sup>12</sup> estimate nationally that each percentage increase in population increases the construction workforce requirements by about 10%.

There appears no possibility of accommodating all these required additional 4,100 additional workers (including flow on impacts) associated with the initial construction phase of the main SSL FTCA application in the Wanaka area using existing housing stock. It is possible that if the tourism remains suppressed that there will be short term stay accommodation that could be utilised for these construction workers, but since this accommodation is likely still to be in demand in peak summer and winter periods this may not be a full solution. Lake Wanaka tourism area had guest nights of 948,000 in 2018/19, which is less than a full year's accommodation for 4,100 workers (400 – 900 direct workers plus flow on impacts). Furthermore there will be large parts of the workforce who would not want to live in a hotel or motel for long periods, and will seek more standard residential accommodation. It is likely there would be substantial pressure on the Wanaka housing market during this period.

### 3.4 Housing and rental market

The EIA for the SSL Accommodation consent notes that:

*[Wanaka ward] median house price is one of the highest in the country (currently \$984,000 as at June 2021) and average weekly rents are \$527 - also amongst the highest in the country (and higher than the district average).<sup>2</sup> Housing affordability is a key issue for the district, and with house prices and building costs expected to rise faster than average incomes, affordability is projected to worsen over the long term. (Page 4, para 3).*

This information is consistent with other data for QLD. It indicates that the current supply of housing is not keeping up with demand, as discussed in Section 3.2 of this LWP report. It is expected that additional demand for housing will further increase prices and rents and/or will lead to other responses such as increases in people per household and use of non-standard housing options such as the use of garages, trailers, tents, and homelessness.

## 4 Response to assessment matters

This section responds to the specific matters to be addressed in Point 6 of the ECP minute requesting this LWP report. This LWP response uses the periods of 1 – 2 years for the short term, and 2 – 5 years for the medium term.

The discussion here is an opinion based on a review of the application. There is no definitive way to predict the impacts of such a development. Furthermore the context

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<sup>12</sup> Coleman, A., and Karagedikli, O., 2018. Residential construction and population growth in New Zealand: 1996-2016. Reserve Bank Discussion Paper Series, DP2018/02. January 2018. Wellington.

within which the development takes place could differ markedly from the current context in terms of housing and growth, so the impacts would in turn differ. The assessment is bounded by the available data and information, and no specific modelling has been undertaken beyond the calculations shown here. While limited sensitivity testing of some of the more uncertain assumptions has been undertaken, these are also bounded by data and knowledge. The difficulties in reconciling SSL's estimates of the long term workforce, and the potential for the impacts to be spread around QLD should be noted. The responses provided below should be read with these caveats in mind.

*The likely impact of the SSL application on the current housing availability in the short term and medium term.*

The main SSL FTCA application will not add to the supply of houses in the short term, and the second SSL FTCA application for accommodation consent is likely to increase the supply of houses in the medium term for permanent residents by the equivalent of 79 dwellings at the current average household size over the period 2024 – 2026.

Using the information provided, the main SSL FTCA application together with its flow on effects will place severe pressure on housing availability in the Wanaka area in the short term, and significant pressure on housing availability in the medium term. It is likely that there will be a shortfall of houses available to accommodate permanent residents, and this will either lead to non-standard accommodation (tents, trailers, homelessness) or long commutes from other parts of the surrounding area.

*The likely impact of the SSL application on the upwards pressure on housing prices/rents in the short term and medium term.*

In the **short term** it is difficult to see how the construction workforce (400 – 900) and flow on employment impacts would be accommodated in the area for year 1 of the main SSL FTCA application, given that it would require 4,100 MEC to be housed in an existing housing stock of 5800 dwellings. While there may be opportunities to house workers in underutilised tourism accommodation, the construction stage is likely to place severe pressures on the housing market. The impacts would be less if the workforce were spread around QLD and Cromwell, but the feasibility of commuting from the Queenstown basin is affected by distance and time being over an hour travel, and the potential for the Crown Range route to be closed during parts of winter. ME considers that the most of the long term workers will target accommodation in the Wanaka area<sup>13</sup>.

In the **medium term** the main SSL FTCA application will place increased pressure on the housing market, and given capacity constraints in the residential construction market, it is of low probability that this pressure would be relieved in Wanaka in the medium term and it possibly will require up to 10 years (depending on the increase in the rate of construction) to accommodate the additional dwellings required, unless other factors induced a reduction in population pressures in the Wanaka area. Including the additional accommodation in the SSL Accommodation FTCA application the additional housing demand could be accommodated in the wider QLD and Cromwell area in the medium term (4 - 5 years) if it were spread evenly throughout the

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<sup>13</sup> Memo on Economic Effects of Providing Residential Dwelling Units within Silverlight Studio. SSL Accommodation application Appendix 14, page 2 para 4.

area. However it appears unlikely that the accommodation will be spread evenly across the wider area, and that the pressure would skew towards Wanaka.

It is expected that the employment impact of SSL will lead to further increases in rent and house prices in Wanaka beyond trends already observed to be arising with existing population growth pressures.

*Take into account the staging of the development of the proposed application across 10 years as well as the proposal to have accommodation on site.*

The main SSL project has minimal staging of construction, with 80% of construction to take place in year 1, with the remaining construction staged over years 2 – 4. The total workforce impact remains within 1600 - 2000 MEC for the period from 2 to 4 years. This profile of construction staging does not ameliorate the pressure on the housing situation for the first year, but the level of pressure remains reasonably constant thereafter.

Staging the development over ten years would reduce the acute impacts in that first year of construction. More detail on the likely profile of expenditure and workforce over the ten year staging would be required in order to respond this matter further.

*Advise, in light of the preceding assessments, whether the SSL application will have an adverse effect on housing availability, housing prices or housing rents that is more than minor in either the short term or medium term or over the SSL Project's anticipated 10-year development period.*

There is no specific guidance of which the author is aware on what could be considered to be a “more than minor” adverse impact in respect of the housing market. The response to this matter uses the Reserve Bank inflation target range of 1 – 3% as an indicator of the level of change that can occur within a normal economy without adverse effects. There is no science behind the use of this threshold, and other experts may use a different threshold. Ideally more detailed modelling would be made available to provide further guidance on this matter, and on the likely impact of the increased demand for housing. However we can use the past decade of imbalances in housing supply and demand in QLD and for New Zealand more generally as some sort of guidance on the likely impacts. As noted above the current housing market imbalance has resulted in rents and house prices in QLD being among the highest in the country.

The **short term** impacts of the construction phase of the main SSL FTCA application will be more than minor using this threshold of minor effects, and likely any threshold, as the additional demand of 4,100 MEC to a housing stock of 5809 permanent dwellings is likely to exceed any reasonable definition of minor impact whether the impacts are in the Wanaka area or more widely spread through QLD and Cromwell.

The **medium term** impacts from accommodating an additional 1600 – 2000 MEC longer term workers (including flow on impacts) are also considered to be more than minor. With a major (60%) increase in residential construction the housing demands of the increased permanent total workforce could be met in 3.5 years in the Wanaka area taking into account the on-site accommodation associated with the SSL Accommodation FTCA application. Given that there are substantial capacity constraints on construction, and given that demand already appears to exceed supply, a 60% increase seems unlikely. It is considered that the 20% increase in construction

capacity is more realistic<sup>14</sup> than 60% given current constraints, and that the impacts are likely to be greatly skewed to the Wanaka area. Under these assumptions the accommodation requirements of SSL and its wider impacts would require more than 5 years, and potentially 10+ years before the increased demand for dwellings could be met. Sensitivity testing of the assumptions used in reaching this conclusion indicate that alternate assumptions still result in significant periods before the workforce could be housed. This conclusion is reached even without consideration of the housing demands of the additional residential construction workforce (the workers required to build the additional houses).

The Residential Accommodation memo provided to the panel from Market Economics notes that there is likely to be upward pressure on rents and house prices in the short term, but that the additional workers are likely to be accommodated in the medium term (page 4, para 3). This LWP report estimates 5 – 10 years to accommodate the additional workers.

In order to consider whether this conclusion is reasonable, a counterfactual thought experiment was undertaken to understand whether there were situations where a significant development such as proposed by SSL would be possible without adverse impacts on housing. Such an analysis is useful as it ensures that a situation is not created where a development such as this were impossible to consent under the requirements under which the ECP is required to operate. It is considered that a development such the main SSL FTCA application could have no more than minor impacts if:

It were to occur in a different location such as:

- A larger population centre such that the increased housing requirements were only a small part of the total housing stock.
- A location where there was substantial unemployment so that the development workforce could be met from the available labour force that was underutilised.
- A location where population decline had led to available housing capacity.

It were to occur in a location such as Wanaka if:

- There was a clear and realistic plan for how the construction and permanent workforce as well as flow on workforce were to be housed.
- There was significant unemployment among the construction or other workforce.
- Decreasing population was being experienced in the Wanaka area.
- There was evidence of a willingness by a large number of owners to rent out homes which are classified as “unoccupied”, which are generally assumed to be holiday homes.

There is no evidence that any of these possible criteria are met in Wanaka in a way that would cause the main SSL FTCA application to have no more than minor effects.

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<sup>14</sup> Although still not necessarily achievable.

#### **4.1 Conclusion to Response to Assessment Matters**

Based on the information provided, it is the opinion of this reviewer that the main SSL FTCA application is considered likely to create a housing impact that is more than minor in both the short and medium term. This conclusion relies on information provided by the applicant and by Market Economics on behalf of the applicant, and the conclusion has not changed with any of the alternate assumption used in the sensitivity tests undertaken. This conclusion is consistent with the ME commentary and analysis.

That the housing impact is more than minor is to be expected given that the main SSL FTCA application is adding significant housing demands to an area that is already experiencing residential accommodation pressure, and there is only minor amelioration in the form of the second SSL Accommodation FTCA application. During the period before the housing demand is met, more than minor increases in houses prices, rent and crowding are considered likely, and homelessness or non-standard accommodation is possible.