



Department of
Building and Housing
Te Tari Kaupapa Whare

Urban Intensification Taskforce

Scoping paper

Building and Construction Sector Taskforce
11 November 2008, Wellington

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Part One: Introduction

Purpose

1. The Urban Intensification Taskforce has been established to propose a way forward for achieving better urban intensification outcomes for New Zealand and in particular, the Auckland Region.
2. The purpose of this paper is to provide information to enable the Taskforce to scope its work.
3. Parts One to Four of this paper set out the background to urban intensification in New Zealand and Auckland in particular. The final part, Part Five, identifies issues that the Taskforce may wish to focus on in its work. The number of issues is large and the Taskforce is likely to need to prioritise its efforts taking into account:
 - the importance and tractability of issues
 - where it can add most value
 - the work being undertaken as part of related initiatives, or by other actors.

Background to the Intensification Task Force

4. On 1 August 2008, the Minister for Building and Construction hosted the Building and Construction Sector Forum in Auckland. The goals of the forum were to:
 - start a process whereby the government and the sector work towards a shared understanding of strategic issues facing the sector
 - gain high level agreement of the big issues facing the sector
 - gain agreement on how the government and the sector can work together to address the big issues, including possible engagement mechanisms.
5. As an outcome from the meeting, sector leaders noted critical issues facing the sector including:
 - skills issues (defined broadly)
 - industry fragmentation and cost based procurement practices
 - fragmentation and poor quality planning for urban intensification
 - regulatory and other barriers to innovation.
6. Sector leaders agreed that a collaborative approach was needed to finding solutions to the critical issues involving central government, local government and industry. As a result, the Chief Executive of the Department of Building and Housing has convened two taskforces to address the issues identified by the forum:
 - One taskforce would explore issues associated with poor productivity in the building and construction sector and develop proposals to improve productivity including the development of a skills strategy; and

- A second taskforce would explore issues associated with urban intensification and develop proposals in support of improved approaches to urban intensification and the role of the sector in that. This paper relates to this second taskforce

The Intensification Taskforce

7. The objective of the Intensification Taskforce is to oversee the development of a strategy and action plan for achieving better urban intensification outcomes for New Zealand and, in particular, the Auckland region. It is anticipated that this would include oversight of work to¹:
 - Describe what successful urban intensification means in practice
 - Analyse the main barriers and impediments to the achievement of sustainable urban intensification, taking into account:
 - underpinning legislation and regulation including the Resource Management, Local Government and Building Acts
 - the way that industry, the advisory profession, local and central government agencies and communities interact with each other in the process of land use, planning and development
 - how infrastructure and other development activities of a public good nature are funded
 - community resistance to intensification
 - the perceived lack of high-intensity housing suitable for families and the related lack of consumer demand
 - Identify and assess possible options for better achieving sustainable urban intensification outcomes
 - Propose a way forward for achieving better sustainable urban intensification outcomes for New Zealand and, in particular, the Auckland region.
8. The taskforce is to:
 - report to an industry forum in March 2009 with a proposed way forward for achieving better urban intensification outcomes for New Zealand and in particular the Auckland Region
 - champion the proposed way forward with central and local government agencies and industry to seek their support in taking appropriate action.

¹ The following bullet points are extracted from the draft terms of reference for the Taskforce which is yet to be produced.

Other relevant initiatives

9. Urban intensification is one response to a number of national and local imperatives:
 - population growth and the need for new housing
 - housing affordability
 - economic development
 - sustainability.

10. Central and local government have a number of workstreams working in these areas. Particular work the Taskforce should be aware of includes:
 - Work on housing affordability by the House Prices Unit of the Department of Prime Minister and Cabinet.
 - Work on sustainable urban development led by the Department of Internal Affairs. DIA has recently issued a discussion document "Building Sustainable Urban Communities" and is seeking feedback by 28 November 2008.
 - A 10 year review of the 1999 Auckland Regional Policy Statement, recently commenced.
 - The Royal Commission on Auckland Governance established to investigate, and make recommendations on, local and regional government arrangements for the Auckland region in the future. It is expected to report at the end of March 2009.
 - The Ministry for the Environment is developing a National Policy Statement on Urban Design under the Resource Management Act. In preparation MfE is supporting the development of the New Zealand Urban Design Protocol.
 - Housing New Zealand Corporation's community renewal projects such as Talbot Park in Glen Innes, the Hobsonville development and plans to revitalise the Auckland suburb of Tamaki (carried out in conjunction with a number of national and local bodies).

Caveats

11. This briefing is based on a synthesis of readily available existing documents. It has focused on issue identification and does not analyse or propose solutions. It has been produce to simulate discussion and debate and does not represent government views or those of the Department of Building and Housing. It makes no recommendations except to the extent of any gaps in existing knowledge were identified.

12. The Building and Construction Industry Forum noted that intensification issues do not apply just to Auckland. While this briefing has attempted to pick up on generic intensification issues that might apply to other New Zealand cities, the fact is that most of the readily available material does relate to Auckland. The corresponding emphasis on Auckland in this briefing should not detract from the fact that issues need to be considered in the context of our other cities as well.

13. A number of the issues raised in this briefing apply are general urban development issues (ie they may arise not just in situations where intensification is envisaged). In scoping its work, the Taskforce may wish to consider how to focus on intensification per se. In some cases, it may be appropriate to ensure intensification issues are considered as part of other pieces of work, rather than for the Taskforce to deal with them itself.

Part Two: What is urban intensification?

14. Urban intensification means different things to different people. We suggest that the Taskforce uses a broad definition of urban intensification that captures any future scenario that results in an overall increase in average density (of dwellings, activity units, population, employment etc) of a city or region. In an Auckland context, for example, it is consistent with:
- Comprehensive re-development of areas around selected town centres (including the Auckland City CBD) and along transport corridors at higher densities. This may include low- and high-rise apartments, town houses, terraces, semi-detached, cluster housing and other multi-unit forms.
 - In-filling through the development of back sections or the reconfiguration of existing buildings. However, in-filling is not a priority in the ARG 2050. In-filling mostly provides only limited intensification and loss of opportunity for more comprehensive redevelopment.
 - Greenfield development inside the Metropolitan Urban Limit (MUL), again along transport corridors and around selected town centres. However, there is limited capacity for this.
 - Further greenfield development outside the MUL, including the possibility of developing higher density satellite towns with good transport links.
15. The opportunities identified in the Auckland Land Supply Study mean that the first and last of these options are by far the most important, but they are the most problematic. The first (comprehensive redevelopment) is the most complicated.
16. The second (greenfield development outside the MUL) tends to happen incrementally as a series of developments of detached housing of only slightly higher density than the traditional norm for this type of dwelling. Rather than allowing a series of relatively small new developments outside the MUL year by year, it may be better to go for a limited number of large scale developments complete with town centres. This has obvious challenges.

Potential benefits of intensification

17. A number of potential benefits of intensification are identified in the literature:
- **Housing provision** Intensification is one response to rapid population growth. Auckland is expected to grow from 1.3 million in 2006 to 2 million by 2041. It is also an appropriate response to changing household structure – the fastest growing households are:
 - young professionals
 - empty nesters
 - childless couples
 - senior citizens
 - single parents.

As a result the average size of households is decreasing and the demand for housing units is increasing faster than the population growth rate. It is considered that these groups are more likely to favour higher density housing.

- **Economic development** Intensive development has economic benefits arising from network effects of having businesses in close proximity to each other, their suppliers and customers.
- **Sustainable transport** Compact cities are more efficient for sustainable modes of transport. Higher population densities better support public transport. Also, compact cities enable people to live close to their places of work and play enabling greater use of walking and cycling.
- **Sustainable land use** Intensification avoids the need for urban sprawl and the loss of the countryside with its amenity and economic value. This has benefits for water quality, biodiversity, and air quality.
- **Sustainable energy** Higher-density housing construction techniques tend to be more suited to eco-friendly housing. For example, they can provide the tolerances necessary for a high standard of insulation.
- **Affordable lifestyles** Intensification places people closer to their places of work and play. This reduces their travel costs in a world of rising fuel prices. Similarly, there is potential for savings to household budgets from energy efficiency gains.
- **Affordable housing** Smaller housing units, lower land costs, and the use of commercial construction techniques associated with higher density housing potentially improve housing affordability. Housing costs are also lower because of economies of scale in developing supporting infrastructure such as roads and street lighting.
- **Social benefits** Compactness and mixed uses are associated with diversity, social cohesion and cultural development. Some also argue that it is an equitable form because it offers good accessibility.

18. It should be noted that to varying extents these arguments are challenged. In particular, there appears to be little empirical evidence that intensification improves housing affordability in practice.

19. Realising these benefits critically depends on doing intensification “right”. Currently 60% of new consents in Auckland are not occurring in identified growth centres, but on the urban fringes or areas within the city not targeted for growth or well serviced by public transport. There are also widespread concerns about the quality of intensive developments.

20. These concerns notwithstanding, there appears to be a general consensus that there are positive net benefits of intensification. The extent to which the benefits are realised depends on how intensification is achieved in practice.

Intensification concerns and risks

21. Against these potential benefits, arguments have been made that intensification should not be pursued as a matter of public policy:

- **There is plenty of countryside** The destruction of the countryside from urban sprawl is one of the more compelling arguments for intensification simply because it is so visible. But urban areas count for only a small proportion of New Zealand's land use, despite Auckland's low density by some international standards. From this perspective, such loss of countryside to further urban sprawl as might occur in a 2050 planning horizon might be seen as acceptable.
- **Consumer resistance** Kiwis have a high rate of car ownership, traditionally like to live on a quarter acre section (or have the dream of this) and our culture and lifestyle is not compatible with intensification. Some may enjoy living in apartments, but it is not for everyone.

A particular issue is that one road to intensification is through local or national government taking on the role of developer. However, government is not as strongly sensitive to market requirements as developers and this can exacerbate risks of development not being valued by consumers.

- **It leads to slums and bad social outcomes** International and local examples of poorly conceived or planned intensification show that, if not done right it can lead to concentrations of poverty and the creation of slums of the future. Research in Auckland has shown that there are wide perceptions of this risk.²
 - **It is too hard** Cities grow organically responding to the signals and interventions of a broad range of stakeholders, including householders, businesses, developers, landowners, local and national government. It is not clear that there are the tools required to make it happen in practice. This problem is particularly acute where there is a lack of suitable brownfield sites (or those that are available are too expensive to clear for redevelopment).
 - **It magnifies risks** The large scale of high density development magnifies the risks involved for all parties. Successful intensification requires the provision of related amenities. If these are not provided initially, they can be very difficult and expensive to provide later.
22. Again, there are responses to these arguments. Later parts of this briefing set out some of the barriers to intensification and the kinds of tools that may be available to overcome them.

² *Stocktake of Existing Consultation on Urban Intensification in Auckland*, Linley Wilkinson, 2006, sited in *Growing Smarter, an evaluation of the Auckland Regional Growth Strategy 1999*, July 2007.

Successful intensification

23. Successful intensification that delivers on the benefits listed above is likely to have the following characteristics.

- Intensification takes place around 'town centres' or along transport corridors
- It provides access to open spaces and other civic amenities and is aligned with new employment opportunities enabling people to live close to where they work and play
- It is integrated with the provision of public transport and provides for a range of other transport options, including foot and bicycle
- It provides for a mix of accommodation and tenure types that caters to differing personal preferences, family circumstances and levels of affluence
- It provides housing of quality whilst retaining affordability criteria
- It is carried out with the support of communities
- It creates precincts that support a sense of community and are not conducive to crime
- It supports the use of renewable energy and development of energy saving buildings
- It provides suitable retail and business areas, including provision for land intensive industry
- Other infrastructure requirements are provided in a sustainable way
- It happens at a pace that is sufficient to make a difference, but does not run ahead of:
 - the ability to trial new types of accommodation and development
 - demand for new accommodation
- It is valued by those who live, work or play in intensified areas.

Poor intensification

24. There is a concern that intensive developments can be 'slums of the future' as might happen if, for example:

- development is poorly serviced by transport networks and other infrastructure and amenities, perhaps as a result of poor communication and planning
- poor design leads to precincts that become centres of deprivation with high crime rates and are not valued by their occupants.

25. Intensification may also fail to happen at a sufficient rate resulting in:

- greenfield opportunities being lost to less intensive developments
- the availability of new housing being insufficient to meet demand with prices rising within the metropolitan urban limit
- development moves away from a city (eg leapfrogging) and the economic benefits of intensive business networks are lost both locally and nationally.

Part Three: Intensification in practice

26. This part provides the context for intensification in terms of what is currently planned and happening in Auckland, and in terms of current economic conditions. It then considers what drives and shapes intensification in practice.

The Auckland Regional Growth Strategy: 2050

27. In 1999, the Auckland Regional Growth Forum – a standing committee of the Auckland Regional Council comprising mayors and councillors of Auckland Regional, Rodney, North Shore, Waitakere, Auckland City, Manukau, Franklin, and Papakura councils – introduced the Auckland Regional Growth Strategy: 2050. The strategy noted:

One of the key features is growth will be managed by promoting quality, compact urban environments (intensification). Other features include:

- *most growth within the existing metropolitan area with development outside current urban limits only where environmental, accessibility and community principles can be met*
- *most urban growth focused around town centres and major transport routes to create higher density communities, with a variety of housing, jobs, services, recreational and other activities (mixed use)*
- *much less emphasis on general infill throughout suburban areas.*

28. It thereby formally confirmed an objective of urban intensification for the Auckland region.

Evaluation of ARGS

29. The ARGS strategy is still current and was evaluated for the Regional Growth Forum in July 2007. A number of issues raised in the strategy and its evaluation are reflected in this briefing.

30. The evaluation summary findings were:

A good start has been made on implementing the Regional Growth Strategy. The region is generally moving in the right direction, and councils have made significant progress in a wide range of areas. However, there are challenges relating to both sustainability and rapid growth that indicate that current approaches or 'business as usual' will not be sufficient. The evaluation concludes that the region needs to take a more sophisticated approach to implementing the RGS using new tools and approaches to achieve better, quicker implementation and on a larger scale. In particular, quality comprehensive redevelopment and intensification in town centres is critical to achieve the RGS vision.

31. It noted that:

There has ... been limited action in terms of planning for growth in the region's centres and corridors. This reflects market demand as well as the tools and practices in place. Consequently very little comprehensive redevelopment is taking place in centres. Current planning and approval processes are not encouraging centres-based development. There is also a lack of clarity around the future role and function of the region's key centres, corridors and business areas and their relationship with each other and the CBD. This leads to uncertainty as to the sequencing and nature of future growth and investment.

32. Although intensification is occurring in the Auckland region, it is not taking place in the majority of high-density centres and corridors identified in the ARGS. The main exception is Auckland CBD.

The Auckland Land Supply Study

33. The Department of Building and Housing recently commissioned consultants Market Economics and Harrison Grierson to review the adequacy of the Auckland region's residential land supply.

34. Estimated total current dwellings are 445,739. Future demand is expected to be an additional 47% by 2031 as shown in the following table³.

Table: Cumulative additional demand for dwellings, Auckland region

Year	Dwellings
2011	25,369
2016	70,956
2021	117,733
2026	164,659
2031	210,610

³ This is a central scenario based on Statistics New Zealand's medium population growth assumptions.

35. Against this additional demand current supply capacity is for an estimated 189,000 new dwellings, as shown in the following table.

Table: Auckland Residential Capacity 2008		
	Residential Units	
by source		
Vacant and vacant potential	25,273	13%
Infill/infill redevelopment	23,388	12%
Structure plan	34,199	18%
Business areas	75,259	40%
Rural	30,570	16%
Total	188,689	100%
by density		
<i>Within MUL</i>		
Conventional	34,265	18%
Medium	33,286	18%
High	78,044	41%
<i>Subtotal</i>	<i>145,595</i>	<i>77%</i>
<i>Outside MUL</i>		
Conventional	33,041	18%
Medium	2,961	2%
High	7,092	4%
<i>Subtotal</i>	<i>43,094</i>	<i>23%</i>
	188,689	100%
<i>Notes:</i>		
1. Structure plan capacity is scheduled to come on line in 5 - 10 years		
2. Infill/infill redevelopment assumes 20% of opportunities do not come to market, and 20% are higher density redevelopments		
<i>Source:</i> Adequacy of the Auckland Region's Residential Land Supply, Sept 2008, Harrison Grierson and Market Economics		

36. The demand and supply figures indicate that at a region wide level, there is supply capacity for approximately 21 years within the Auckland region.

37. However, there are grounds to suggest that not all the identified capacity will be realised in practice, and that constraints will emerge much earlier in some areas:

- A large portion of the residential capacity is on business land and assumes high density mixed use development. Fully realising this capacity over the medium term is doubtful because of a mismatch between the rate of high intensity development achieved recently and the rate and scale of intensification required to accommodate projected population growth over the next 20 years.
- A significant proportion of capacity is on rural land. This is at risk because of strong resistance to urban sprawl by rural communities and zoning rules that are inconsistent with intensive development of this land.

- It is unlikely that all infill potential will be realised since there will be strong homeowner and local community resistance (eg NIMBYs) to general infill occurring in high value suburbs.⁴
 - The study predicts a rapidly dwindling supply of greenfield and infill land, as a result of consumption for conventional density dwellings, with consequent lost opportunities for more comprehensive and more intensive development.
 - Land for conventional density development is predicted to run out in Manukau City, North Shore and Auckland City between 2012 and 2016 (**ie in less than eight years**).
38. Intensification will need to proceed at a considerable pace, if these constraints and their implications (eg very sharp increases in land prices within the MUL) are to be avoided.

Current economic conditions

39. Current economic conditions are dominated by fall out from the global credit crunch, but this has hit on the back of a slowdown in the domestic housing market.
40. The unusually tight credit conditions could lead to a sustained period of higher borrowing costs and increased risk aversion by financiers. An adverse consequence of the recent failure of property-related finance companies could be greater caution on the part of property investors and/or their backers. Credit conditions have worsened dramatically in recent weeks and the full effects of this on the sector are yet to be felt.
41. However, in contrast to previous slowdowns in the housing market, there appears to be an absence of over-supply. This is positive since the slowdown is likely to lead to growth in pent-up underlying demand. This suggests that actual demand may pick up reasonably quickly following a period of readjustment of house prices but this scenario is nevertheless subject to overall macroeconomic conditions remaining reasonably favourable.
42. It is likely that the current market conditions will lead to some consolidation in the industry. This will occur both through mergers as well as firm exits. There has been a trend over the last decade towards consolidation of residential building activity among larger firms and group builders. Historical data suggests that larger firms tend to maintain their market share when total activity is expanding and increase their market share (at the expense of smaller firms) as the industry endures a downturn.
43. Whilst intensification will happen over a very long time horizon, it is likely that the effects of the credit crunch will endure for a number of years.

⁴ This is based on the assumption that the most obvious remaining infill opportunities will be consumed first leaving a tail of 'theoretical infill potential' that will go unrealised.

Contributors to intensification

44. Intensification in practice is complicated because it depends on the actions of a range of stakeholders: local government, developers, householders, communities, and businesses each acting according to their own interests. As a result, intensification in practice is organic and does not follow a prescribed path.

Who contributes to urban development?

- individuals, families and communities create the social fabric of an urban area
- firms, organisations and individuals buy, sell, lease and develop land to create residential, commercial and industrial buildings, shaping the land use within an urban area and providing retail services, amenities and employment
- a range of funders and providers in central government, local government, or the private sector, make decisions on major urban public infrastructure investments
- local government provides leadership on urban issues, regulates and manages the pattern of urban development through the Local Government Act 2002 and the Resource Management Act 1991, works with its communities to promote community wellbeing, and delivers a wide range of local community services
- central and local government provide amenities ranging from libraries, open spaces, and schools to hospitals
- central government sets the statutory framework under which everyone operates. But, more importantly, it also owns land and develops it for public purposes, providing important community services such as hospitals, schools, and policing in urban areas.

45. Traditionally, there is a sense in which intensification is carried out by developers, within the statutory frameworks established by central and local government, taking into account the demands and preferences of consumers. For this reason, it is necessary to have a good understanding of the developers' business models and how they work in this context. No good overview was readily available in the preparation of this briefing. For this purpose, the business model can be considered the means by which developers' strategies, processes, and activities are translated into profit. It includes consideration of how risks are managed, development is financed, and organisational arrangements such as the formation of consortia and the use of sub-contractors. Different developers will have different business models, the range reflecting the variety of contexts in which they work.

46. While the business models will no doubt be familiar to a number of members of the taskforce, a formal analysis and description would be helpful to policy makers.⁵ Such an analysis might consider:

- whether certain business models are more suited to intensive developments
- the need for varied models to support innovation or diversity of development

⁵ It is notable that the 2007 UK Calcutt Review of Housing Delivery put considerable emphasis on understanding the developers' business model and how it had developed. Although the objective was housing delivery not intensification, the lesson that the insights gained were highly informative is likely to apply in the present context.

- the interplay between the business models and land availability and acquisition
- business sustainability and mechanisms to develop and apply good practice
- the interplay between business models and the planning and consenting process, including the impact of time delays.

47. Nor were any case studies of successful intensification in New Zealand readily available showing the dynamics between the various stakeholders. Again these may be useful.⁶

Factors driving and shaping intensification

48. At the macro level, intensification is driven by the interplay between:

- high level planning decisions that set constraints on housing development such as
 - Regional Policy Statements including any tools that constrain urban growth
 - District Plans including zoning, and
- economic and demographic factors that drive the demand for housing such as
 - economic trends such as employment opportunities and rising transport costs attracting population to major centres
 - population growth
 - changing household structure and size with a tendency to smaller households further driving the demand for new dwellings, and
- changing societal and consumer preferences such as
 - adoption of ‘green’ technology including water saving and energy efficiency
 - openness to new construction techniques
 - changing recreational activities

49. These factors drive intensification, but not necessarily ‘good’ intensification. The exact form, location and pace of implementation depend on a number of more specific factors. For convenience these have been grouped into: planning and coordination; the existence of opportunities for high density development and the ability of developers to exploit them; and factors affecting consumer demand.

Planning and coordination

- **Urban planning frameworks** Urban planning can strongly influence intensification, but it is dependent on:
 - mechanisms that translate high level plans into appropriate more detailed plans and ultimately zoning and consenting decisions in a consistent manner
 - appropriate coordination of housing with amenity and infrastructure development
 - mechanisms that give confidence that plans will occur in practice so that, for example, a developer can be sure that a development will be supported by promised public transport development.

⁶ The Urban Design Case Studies published by the Ministry for the Environment provides a useful resource but primarily focuses on good design rather than the processes used to achieve good intensification outcomes.

- **Infrastructure coordination** Major developments give rise to greater need for coordination with the development of supporting infrastructure. While the developer might be made responsible for some of this, there may be significant impact on power, water, sewage, transport etc that will need to be addressed at the territorial or regional authority level.

An issue arises regarding development levies. To the extent there is wider public benefit from intensification, it may be appropriate to subsidise infrastructure development.

High density development opportunities

- **Land availability** Land may be greenfield or brownfield. There are potential merits in brownfield development: to the extent that they are near existing amenities or able to use existing infrastructure they are more likely to deliver the benefits sought at lower risk. However, brownfield sites may be more expensive to acquire, may have considerable costs of clearance, and in some instances may carry risks such as environmental hazards resulting from previous forms of use.

The public benefit from brownfield site redevelopment can be greater than the private benefit to the developer. It may be appropriate to subsidise site clearance and/or necessary infrastructure upgrades such as storm water.

New Zealand has a legal mechanism in the Public Works Act for compulsory purchase for infrastructure development and other uses but not private housing redevelopment. The Building Sustainable Communities Discussion paper explores whether such a mechanism might be useful, though the Australian experience is that such mechanisms are rarely, if ever, used.

- **Sector structure and access to capital** Intensive developments are necessarily relatively large scale. This requires that participating developers are sufficiently large (individually or collectively) with access to the necessary sources of capital and underwriting. They also need business models that manage the risks and timeframes of the development process. Intensification on a very large scale may require new business models such as public private partnerships or consortia.
- **Planning and consenting processes** The processes for plan changes and consenting need to provide for reasonable confidence that each step in the process is a worthwhile investment, and will deliver the outcome in good time whether initiated publicly or privately. Plan changes and consents need to provide for development within an appropriate timeframe.
- **The existence of future business prospects** A set of prospects providing reasonable assurance of continuing business for developers extending out into the future is needed for several reasons:
 - The prospect of future business opportunities for developers supports the formation of an adequate capital base and accumulation of know-how
 - It manages risk by allowing approaches to be trialled and modified as appropriate
 - It allows the market to respond as new accommodation becomes available.

This is sometimes referred to as a pipeline, although the term is open to a number of other interpretations. What is envisaged here could be conceived as a funnel of longer term relatively uncertain opportunities (perhaps in zones scheduled for future development) reducing to more certain near term ones.

The flow rate of new development opportunities can influence the market. Who controls this is important to avoid any rent seeking.

- **Technology deployment and skills** High density accommodation both requires and provides an opportunity for different construction techniques – possibly adapted from techniques used in commercial building construction. The requirement comes because medium and high rise buildings require different techniques to bungalows or two storey houses. The opportunity comes because consumers tend to be more open to new techniques (or techniques adapted from commercial building construction) for apartments and town-houses than they tend to be for more traditional housing forms. This has implications for the mix of skills needed by the industry and business models in use.

Demand

- **Quality standards and assurance** The building code and consenting process provide quality standards. Intensification poses specific issues and the code needs to be kept up to date accordingly. Similarly, consenting authorities need to have the skills and experience to assess and monitor new kinds of development and assess the related risks.

For good reason, the code establishes minimum standards. It may be appropriate to establish supplementary mechanisms to provide assurance of higher standards where this leads to lower life cycle costs, or properties are being sold off the plan.

- **Amenity development** Intensive developments are more attractive if serviced by appropriate amenities. What is appropriate will vary from development to development, but might include libraries, open spaces, and schools. For very large scale development it might extend to a hospital or new town centre.
- **Appropriate tenure arrangements** Multi-unit developments in multiple ownership need the right legislative framework, and appropriate structures to ensure the rights and obligations of owners are delivered.
- **Customer sales** Developed properties need to be sold. The nature and volume of properties requires its own approach to marketing. Sale off the plan helps manage risk, and helps with developer's cash flow, but might need to be supported through demonstration units, unless the design and business model is proven. For larger developments risk sharing arrangements are important.

Part Four: Barriers to successful intensification

50. This summary of barriers to intensification draws, in part, on an evaluation of the Auckland Regional Growth Strategy in July 2007 and issues raised in the Building Sustainable Urban Communities discussion document. However, it is intended to be reasonably comprehensive, and not all the barriers may apply in practice.
51. They need to be seen in the context of the need for a rapid rate of intensification if projected demand for housing is to be met.

Planning and coordination issues

- **Lack of a shared vision** Without a compelling shared vision for the future role of a 'town centre' and the nature of a future community, there is inevitable uncertainty which is not conducive to developers or consumers. A rich understanding of the role of town centres and their supporting corridors is needed.

One factor driving the need for a shared vision is variation in taste. One person's vision of good urban design might be held ugly by another. Any strategy needs to cater for a diversity of tastes.

This may call for greater top down and more comprehensive 'master planning' approaches developed through closer working relationships between local government, community and developers, though such an approach is potentially fraught.

- **Weaknesses in consenting processes**⁷ Council planning processes and procedures tend to hinder rather than facilitate intensification. There is a lack of flexibility in existing rules to respond to intensification objectives. There is little incentive for innovation, leading to risk adverse practices. There is an inconsistency of council policies and practices, both within councils and also between the ARC and territorial authorities.
- **Lack of tools to implement plans** There are a limited number of tools to translate plans into practice. The ARGs evaluation observes that in comparison with a number of other cities, New Zealand relies on regulation at the exclusion of 'carrots'. To the extent that there are wider public benefits from intensification, provision of carrots may be appropriate.
- **Scale problems** High density redevelopment needs to happen at a very large scale, if it is to justify the concomitant investment in transport, infrastructure and amenities to deliver on the benefits. Opportunities for development at this scale are limited. Moreover, working at scale raises complex coordination issues and increases the likelihood and cost of not getting things right. This drives the need for more sophisticated risk sharing and partnership based approaches.
- **Leadership questions** Strong leadership is needed if the required scale of intensification is to be realised. Yet there is a sense that intensification is not

⁷ This bullet is quoted from the ARGs evaluation.

being led and, even if it were, it is not clear how this role might be discharged in practice.

- **Coordination with transport infrastructure** Intensification needs to be coordinated with the development of transport corridors and investment in public transport provision upgrades.
- **Growth management strategy** An ineffective growth management strategy (which could include growth management instruments such as urban limits that are not seen to be binding) can be a barrier to intensification. Credible urban growth constraints are needed to persuade developers to invest in intensification within urban limits. However, intensification is unlikely to accelerate sufficiently for Auckland's new housing needs to be met through intensification alone so any constraints do need to be relaxed over time lest land prices soar and growth is diverted elsewhere (it has been suggested that this is happening in Pokeno on the northern boundary of the Waikato region).

Relaxation is not necessarily inconsistent with the outcomes sought. Well designed satellite towns can be consistent with the effective management of urban growth, subject to the costs of good transport links, even though they may be outside existing planned urban limits.

An effective growth management strategy needs to be credible and tailored to the growth patterns sought.

- **Time horizon problems** Intensification will not happen at the required or desired rate unless there is a clear view as to what that rate is and how it might be phased in geospatial terms. That needs to be aligned with planning time horizons and recognise that it is not practical to be very prescriptive. The relatively short electoral cycle possibly creates a bias in favour of responding short term concerns ('nimbyism') over meeting longer term needs.

Limitations on high density development opportunities

- **Limited availability of appropriate brownfield sites** including difficulty in amalgamating sites in key areas and a need for mechanisms to direct development to sites designated for intensification.
- **Planning and consenting delays and biases** Delays caused by the time taken to obtain plan changes and consents increase the cost of development. A key driver of the delay is the notification process. The Auckland land supply study noted a 5 - 7 year timeframe for significant plan changes. The innovation associated with intensification and need for integrated planning can compound this problem. Intensive developments are more likely to lead to notification and more likely to lead to costly objections and disputes. More generally, long lead times increase uncertainty and costs.
- **Community concerns** Whilst there appears to be widespread community acceptance for the need for intensification in principle, translating that into community support at the neighbourhood level has proved difficult:
 - it is not clear what depths there are in practice to the market for intensified development

- NIMBY objections are inevitable from those most directly affected by specific proposed developments
- advocacy groups may oppose approaches or particular developments.

One problem is that there have been a limited number of high quality intensified developments to 'showcase' to the community the type of development that should become the norm in key areas. The prevalence of leaky homes has been a complicating factor as have been a number of examples of poor apartment construction.

- **Capital and financing constraints** The scale of intensive development projects requires that industry is structured to secure access to capital and finance. Access to finance is particularly acute given the credit crunch and there are similar difficulties with underwriting. The forum suggested that government intervention may be needed given the large costs and risks involved.

Factors affecting consumer demand

- **Unattractive market prices** As noted above, there is no established empirical link between intensification and affordability. The ARGS evaluation is unclear on this point, but there is a suggestion that intensive housing is not particularly price attractive. One difficulty in assessing the impact on prices is that, for example, a number of apartment developments have been at the luxury end of the spectrum. Conversely there have been a number of 'affordable' apartments but these have been very low quality and subject to particularly significant price drops of late. One possible problem may be a relatively high expense of acquiring and clearing brownfield sites compared with greenfield ones. Others are height restrictions and the higher price of land in the CBD and town centres.
- **Difficulty in meeting consumer needs** Meeting market needs requires delivering the right balance of services, infrastructure and amenities. While a central location and access to public transport may be important for some, access to open spaces and schools may be more important for others. This highlights a need to consider the wider area around a centre in planning and implementation to achieve intensification objectives particularly for brownfield sites where there may be limited opportunities to develop amenities nearby.

Part Five: What could be done?

52. This section considers what might be done to reduce or remove the barriers to successful urban intensification. Its purpose is not to make recommendations but to set out for discussion the range of issues the Taskforce may wish to focus on in its work.

53. The number of issues is large, and the Taskforce may need to prioritise based on its judgement about the importance and tractability of the various issues and the extent to which they are being considered in other fora. For convenience we have broken down the issues into five areas:

- What can be done to improve the urban planning and development process to better support intensification?
- How should intensification be led and what does this mean for the roles of national government, local government and industry?
- What can be done to reduce community and consumer resistance?
- What can be done to secure land for intensive development at the right locations?
- How can capital, skills and resources be matched to the requirements of scale?

54. There is inevitably some overlap and interdependence. The above list may be a suitable starting point for a discussion on the formation of workstreams, but before firming up any workstreams, the Taskforce may wish to consider:

- Which questions are the most important?
- Which questions are the most tractable?
- Where can the Taskforce add the most value?
- How to focus on intensification per se versus development generally?
- What other work is being done, and how to avoid duplication of effort?
- What makes a suitable grouping of issues for working groups?

Issue 1: What can be done to improve the urban planning and development process to better support intensification?

- What kind of growth strategy or high level plan is needed to support intensification?
 - How can we ensure a growth strategy envisions a future for which there is a way forward from where we are now?
 - How much detail of the vision for town centres and transport corridors is needed to clarify the type of intensification sought in practice?
 - How finely grained does the plan need to be to ensure that intensification provides the right mix of accommodation and suitable access to amenities?
 - Should the strategy have a timetable?
 - What attention should be given to the differing needs of accommodation, business⁸, industry, and amenities in intensification?

⁸ According to the ARC, the shortage of business land is event more acute than that for housing.

- What tools are needed for the urban growth strategy, and what processes make it credible?
- Can growth strategies be better linked to other essential plans?
 - How do you coordinate intensification with transport and infrastructure development?
 - How are strategies linked to more local development plans and zoning decisions with consistency and flexibility?
 - Do district plans need to be move from being enabling to more prescriptive?
- What can be done to create sufficient certainty about the implementation of a growth strategy?
 - What leadership is needed?
- What can be done to improve the planning and consenting process?
 - Does it appropriately dovetail with developers' business models?
 - Can it be made faster and more efficient whilst still providing adequate safeguards?
 - Are there any inherent biases against more intensive types of development (or innovation more generally) that need to be removed?
 - Does it cater to large scale multi-unit developments?
- Is the building code sufficiently responsive to new types of development?
 - Could standards be lowered to improve affordability of intensive developments?

Issue 2: How should intensification be led and what does this mean for the roles of national government, local government and industry?

- Who should lead intensification?
 - How would this work in practice?
 - Would enabling changes in the regulatory framework be required?
 - Would this require a change in roles?
- Are changes needed to the respective roles of central and local government in respect to intensification?
 - Does central government need to move beyond its current focus on high level setting of the regulatory framework?
 - Are exceptions to the RMA required?
 - Should central government provide incentives to local government?
 - Are additional powers needed?
- How can the parties work better together?
 - What modes of collaboration are needed?
 - What can central and local government do to facilitate and support the industry?
- Do industry structures support intensification?
 - Is industry working at the right scale?
 - Are there other structural issues?
 - Are there any barriers to working jointly on large projects?

Issue 3: What can be done to reduce community and consumer resistance?

- Has the case for intensification been adequately made?
 - To what extent are the environmental and affordability outcomes being realised in practice?
 - Are there adequate high quality demonstration projects?
- Are there valid concerns about the quality of intensification that need to be addressed?
 - Do we need better design or technology?
 - Are there processes to evaluate what has been done to date?
- Is intensification occurring in the right place?
 - Are new developments near amenities, work, and places of leisure?
 - Are new developments taking place where there is the strongest need for redevelopment?
- Are new developments being marketed in the right way?
- What can be done to ensure the delivery of programmes or services (eg school development) required to make intensification projects successful?

Issue 4: What can be done to secure land for intensive development at the right locations?

- Does the availability of brownfield and greenfield sites fit our vision for intensification?
 - Do we need to do more to understand what is available?
 - Are sites best suited to housing, commerce, industry or a mixture?
- Who should bear the costs of clearance and residual risks?
- How should greenfield land be developed to support intensification objectives?
 - Is there a case for the development of satellite towns?
- Do we need more tools to assemble suitable sites?
 - What would this mean for property rights?
 - What has worked in practice in other jurisdictions?
- Do tenure arrangements/laws support intensification?
- Is land being parcelled and packaged in the right way and at the right locations?
- What should be done with Crown land?

Issue 5: How can capital, skills and resources be matched to the requirements of scale?

- How should large scale developments be financed?
 - What sources of capital and underwriting are available on the required scale?
 - How should risks be shared and managed?

- Does this have implications for business models such as public private partnerships?
- Who should finance associated infrastructure development and how can this been coordinated?

- Are there skills and technology issues?

- What more needs to be done to promulgate good design and planning in practice?

Further Reading

Key documents referred to in the preparation of this scoping report were:

Auckland Regional Growth Strategy

[*Auckland Regional Growth Strategy: 2050. A vision for managing growth in the Auckland Region.*](#) Auckland Regional Growth Forum, November 1999.

[*Growing Smarter, the Auckland Region in the 21st Century. An evaluation of the Auckland Regional Growth Strategy 1999.*](#) A technical report prepared for the Auckland Regional Growth Forum, July 2007.

Adequacy of the Auckland Region's Residential Land Supply, Harrison Grierson and Market Economics, September 2008.

[*International Trends and Lessons in Growth Management. A Review of Literature.*](#) A technical document produced on behalf of the Auckland Regional Growth Forum, as an input into the review of the Regional Growth Strategy. March 2007.

Ministerial Building and Construction Sector Leaders Forum

[*Urban Intensification.*](#) Presentation to the Ministerial Building and Construction Sector Forum, Richard Harris, August 2008.

[*Leading for the Future: Strategic Issues and Choices for the Building and Construction Sector.*](#) Executive summary and background paper for Ministerial Building and Construction Sector Forum. Department of Building and Housing, August 2008.

[*Leading for the Future: Building and Construction Sector Leaders Forum, Record of Proceedings.*](#) August 2008.

Other

[*Building Sustainable Urban Communities, a discussion document exploring placed-based approaches to sustainable urban development in New Zealand.*](#) Department of Internal Affairs, undated.

[*Urban Design Case Studies, Local Government.*](#) Ministry for the Environment, May 2008.

[*The Calcutt Review of Housebuilding Delivery.*](#) UK Department for Communities and Local Government, November 2007.