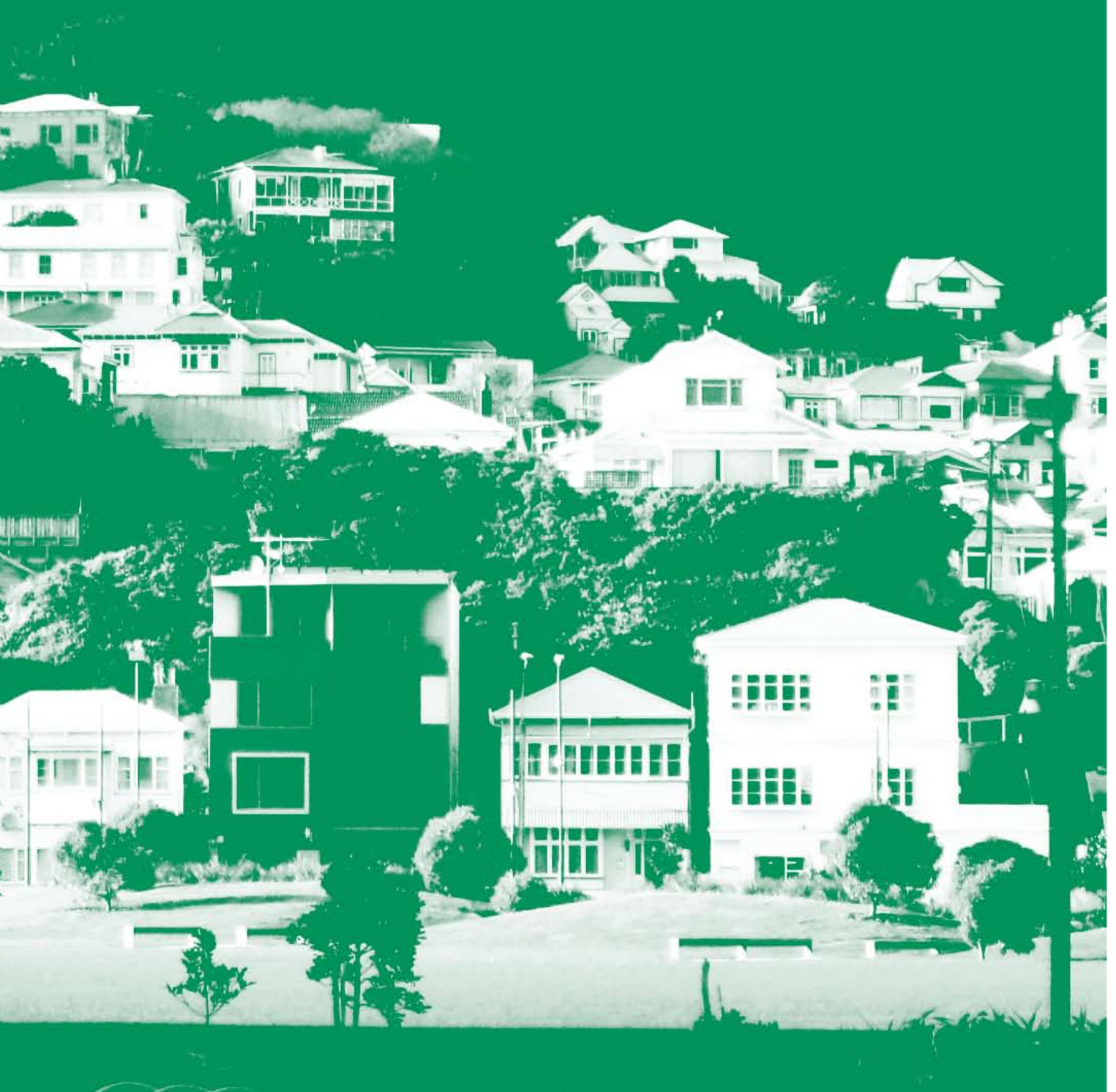




MAIN REPORT

Report and Recommendations of the Urban Taskforce

BUILDING AND CONSTRUCTION SECTOR
2009



“WE HAVE ENTERED THE URBAN MILLENNIUM.

At their best, cities are engines of growth and incubators of civilization. They are crossroads of ideas, places of great intellectual ferment and innovation...

[But] cities can also be places of exploitation, disease, violent crime, unemployment, underemployment and extreme poverty... we must do more to make our cities safe and liveable places for all.”¹

KOFI ANNAN THE FORMER SECRETARY-GENERAL OF THE UNITED NATIONS, JULY 2000

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¹ [http://www.royalcommission.govt.nz/rccms.nsf/0/7750E258E948A116CC2575850043A083/\\$FILE/Vol1Part2.pdf?open](http://www.royalcommission.govt.nz/rccms.nsf/0/7750E258E948A116CC2575850043A083/$FILE/Vol1Part2.pdf?open)

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Background to the Taskforce

Last August building and construction sector leaders met at the invitation of the Minister for Building and Construction to identify common issues.

The forum recognised some common concerns.

- There is pressure on land – this will continue to constrain urban development.
- Urbanisation is an issue for all New Zealand cities, not just Auckland.
- There are too few large-scale higher density projects underway or planned to meet demand and future needs.
- There is patchy and sometimes poor quality urban development, despite best intentions.

A Building and Construction Sector Urban Taskforce of industry, central and local government leaders formed to make some practical proposals to address the issues. The focus was to improve urban development, particularly more complex, higher density urban developments.

The Taskforce has developed to demonstrate a strong sense of goodwill, and a clear resolve to master some of the constraints.

The Urban Taskforce is:

- Richard Harris, President NZ Institute of Architects, and Director Jasmax (Chair)

- Martin Udale, Chief Executive Officer, McConnell Property
- John Coop, Executive Director, Warren and Mahoney
- Ian Cassels, Director, The Wellington Company
- Ernst Zollner, General Manager, Strategy and Performance, New Zealand Transport Agency
- Peter Winder, Chief Executive, Auckland Regional Council
- Ree Anderson, Director Environment, Manukau City Council
- Penny Pirrit, Group Manager, City Planning, Auckland City Council
- Lesley McTurk, Chief Executive, Housing New Zealand Corporation
- Anne Carter, Deputy Secretary, Department of Internal Affairs
- Suzanne Townsend, Deputy Chief Executive, Department of Building and Housing
- Matthew Everett, Acting Manager Climate Change Policy, Ministry for the Environment.

The Taskforce views and recommendations are a collective view, unless otherwise indicated, and do not necessarily reflect the views of the organisations represented.

ACKNOWLEDGEMENTS

The Taskforce wishes to acknowledge the important contribution that the Working Group made to the Taskforce's work, and thank its members for the time they committed to improving the performance of the building and construction sector.

The Working Group members were:

- Kate Barker, Senior Policy Analyst, Local Government NZ
- David Brosnan, Chief Advisor, Sector Policy, Department of Building and Housing
- Jane Henley, Chief Executive Officer, Green Building Council
- Mike Higgins, Tomorrow Manukau
- Fiona Illingsworth, Leader Inter-agency Urban Development Unit, Department of Internal Affairs
- David Irwin, Director, Isthmus Group Limited
- Campbell Jensen, Senior Operator Urban and Infrastructure, Ministry for the Environment (through Government Urban and Economic Development Office)
- Paul Kos, Senior Strategic Advisor Urban Development, Wellington City Council
- Michelle Lewis, Principal Policy Advisor Land Use and Transport Planning, New Zealand Transport Authority
- Allan McGregor, Project Director, NZRPG
- Jan McCredie, Group Manager Urban Design, Manukau City Council
- Kobus Mentz, Director, Urbanism Plus
- Penny Pirrit, Group Manager City Planning, Auckland City Council
- Connal Townsend, Chief Executive, Property Council of NZ
- Martin White, Group Manager Urban Development, Auckland Regional Council

OUR APPROACH

- 1 The Taskforce took a high-level approach to develop a strategy and action plan for better urban development. The Terms of Reference emphasised higher density urban development.
- 2 The Taskforce took oversight of work to:
 - a. describe what successful urban development means in practice, including the value proposition
 - b. analyse the main barriers and impediments to the achievement of higher density urban development
 - c. identify and assess possible options for better achieving better urban development outcomes
 - d. propose a way forward for achieving better urban development outcomes for New Zealand, and Auckland in particular.
- 3 The Taskforce started out looking specifically at urban intensification. We found that many of the issues facing intensive developments play out in larger scale urban developments.
- 4 Our findings are neither rare nor unusual. People involved in urban development have been familiar with the issues for some time. They have most recently been echoed in the report of the Royal Commission on Auckland Governance, and in parallel work hosted by the Department of Internal Affairs. While the issues are not new, the convergence of views from varying sectors and interests is new.
- 5 We hold a strong belief that change is needed and welcomed, by people in both the private and public sectors. The industry shares a common resolve to make progress alongside Government. We have a clear view of actions needed sooner rather than later.
- 6 There is a range of tried and tested models for accelerating higher density urban development to choose from. We are firmly of the view that success cannot be achieved through either the private sector or the Government acting alone. In today's climate the wisdom of partnering is inescapable.

PART I

Successful Urban Development Assists Economic and Social Prosperity

THERE IS A GOAL WITHIN OUR GRASP:

Well functioning urban environments for New Zealanders that are efficient, productive and great places to live, work and visit.

- 7 The Taskforce approached its work to enable greater options for NZ urban living and urban development. During our work, the financial and political climate within New Zealand changed, giving urgency to recovery and growth. The Taskforce sees a bigger gain from its work. There are both economic and social gains to be secured:

Successful urban development fuels competitiveness

'Successful international cities are more productive and innovative, grow faster, have higher wages, and attract people, capital, and economic activity. Businesses cluster together and benefit from economies of scale in terms of production, marketing, sales, and access to infrastructure. Co-location of people, activities, and skills stimulates knowledge and idea transfers, prompting innovation. Concentrations of workers provide both a pool of labour and ready consumer markets. These cities can develop strong financial markets, which provide the capital that businesses need to grow.'

Royal Commission on Auckland Governance 2009, Vol1 p50

- 8 Successful urban development secures wide benefits:
 - a. economic development and growth
 - b. greater value from infrastructure investment
 - c. meeting the demands of population growth efficiently
 - d. providing choice that meets demand for urban living
 - e. social cohesion and resilient communities.

Economic development and growth

- 9 There is a strong body of evidence to show that cities play an important role in economic growth.² Successful cities are where the bulk of value-adding activity and labour market transactions take place. They are 'productivity machines' and net contributors to a nation's wealth and prosperity.

Higher productivity

- 10 Economists assessed GDP contribution gains of 2% to 3% per annum from higher density development in Melbourne³ (i.e. higher rates of growth in that city compared to the rest of the country). Those same economists believe that this lift is possible in Auckland, where a third of the nation's GDP is generated.
- 11 This lift in productivity and wealth generated comes from clustering people and economic activity in larger, denser urban agglomerations. They arise because population and employment density:
 - a. enables the specialisation required to support a fine division of labour, which in turn leads to higher productivity
 - b. provides a 'thick' labour market, allowing greater choicer and providing better opportunities for optimal 'matching' of workers and firms
 - c. plays a key role in economic growth by lowering the cost of transporting ideas (through knowledge and information spillovers between firms and people, and because cities act as centres of learning and skill acquisition).

Great places attract talent and skills

- 12 Talent is attracted by vibrant cities. High-value, knowledge-intensive and service-oriented economic activity relies on sufficient concentrations of skilled workers. Skilled workers place a high value on, and are attracted to, vibrant and liveable cities that provide a range of social, cultural and environmental amenities. Amenities tend to be concentrated at a limited number of accessible centres rather than dispersed across wider areas. In turn, firms locate to the places where the workers are.
- 13 Creating a great place triggers a virtuous cycle of success.

Design is important

- 14 Diseconomies to agglomeration can occur without careful design and implementation, including:
 - a. congestion
 - b. pollution
 - c. loss of urban amenity (such as open space).

² Lewis, G. & S. Stillman (2005) Regional Economic Performance: How Does Auckland Compare? New Zealand Treasury Working Paper 05/08.

³ SGS Economics and Planning (2006) Competitive Cities and Prosperous Economies: The Role of Urban Design, report prepared for the Ministry for the Environment. (Page 9)

- 15 These diseconomies act as counter forces to employment concentration, and, if unchecked, may threaten to overwhelm agglomeration benefits.
- 16 Actions that reduce the need to travel (e.g. with compact mixed use centres), or reduce transport costs, (through improved transport infrastructure or services) also create an opportunity to improve accessibility between residential and employment populations. This in turn increases employment density, giving rise to increased productivity.⁴
- 17 Realising the economic benefits of higher density living arrangements requires a sophisticated approach to both higher density urban forms, and building environments that people want to live in – that is, great places.

GREATER VALUE FROM INFRASTRUCTURE INVESTMENT

- 18 Higher levels of urban density, in general, lead to cities that are cheaper to build and run. This lowers costs to both households and to central and local government – which can lead to lower tax/rate burdens for people over the long term.

Denser development reduces capital and operating costs

- 19 The benefit of different forms of urban development on capital and operating costs varies from place to place – it depends on the nature of the existing infrastructure, and whether a development requires a small additional investment in that infrastructure, or a complete overhaul. The impact of higher density living on long-term capital and operating costs has been extensively studied.
- 20 Studies on the relative cost of infrastructure expansion between lengthening infrastructure pipelines/services versus increasing the capacity of existing networks/services

'are close to unanimous in stating that development models that are denser, direct growth to existing infrastructure and follow contiguous patterns, result in lower capital, operating, maintenance and replacement costs'.⁵

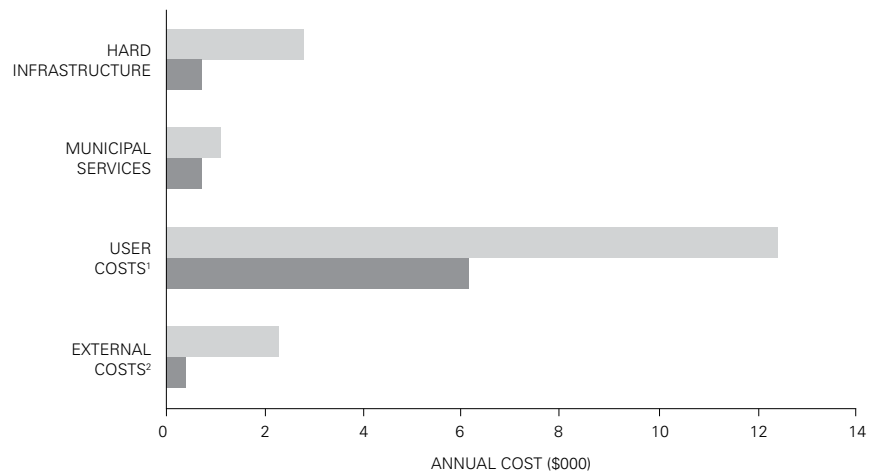
- 21 A 2005 Canadian Mortgage and Housing Corporation research report compared both capital and operating costs of different housing development densities in major cities – see Figure 1 below.

FIGURE 1
ANNUALISED COSTS BY DEVELOPMENT SCENARIO

(\$/household)

- LOW DENSITY DEVELOPMENT IN OUTER SUBURBS
- HIGH DENSITY DEVELOPMENT IN THE DOWNTOWN CORE

¹ Includes vehicle costs and home heating
² Includes motor vehicle collisions, climate change, and air pollution.



⁴ http://www.med.govt.nz/templates/MultipageDocumentPage_34155.aspx

⁵ 'Costing mechanisms to facilitate sustainable community planning', Canada Mortgage and Housing Corporation research report, May 2005, page 14

- 22 The Canadian research confirms lower costs:
- cost efficiency is a function of density – more compact neighbourhoods have lower costs per household
 - capital costs vary more by scenario than operating costs
 - on a lifecycle cost basis (excluding revenues from property taxes and development charges), high-density neighbourhoods in inner areas are as much as 50 per cent more cost efficient than low-density outer suburbs neighbourhoods
 - external costs such as accidents and air pollution are significantly greater for low-density outer suburbs neighbourhoods.
- 23 Similar studies in Australia concluded that though more higher density development strategies require quite sizable investments, the discounted total costs were still lower than both the 'business as usual' and urban expansion scenarios.⁶

Successful urban development maximises use of infrastructure capacity

- 24 Concentrating activities at nodes of relatively high transport accessibility maximises the benefits from significant central and local government investment in transport and other infrastructure. Studies have shown that as densities increase, people move away from private automobiles and towards greater use of rail and bus, if those options are available.⁷
- 25 Increased densities also provide greater population within the catchment of each transport node, allowing passenger transport to become more efficient.⁸ In addition, concentrating urban growth can provide large costs savings for other types of infrastructure, such as water and sewerage.⁹

- 26 More higher density urban development has benefits for private infrastructure and investment. It supports the 'critical mass' needed for commercial activity such as shops and restaurants, and community infrastructure such as tertiary facilities, libraries, and entertainment.

MEETING THE DEMANDS OF POPULATION GROWTH EFFICIENTLY

- 27 Eighty-six percent of New Zealanders live in urban areas, with over 70% living in the 16 main urban areas. Thirty-three percent of New Zealanders live in metropolitan Auckland.¹⁰ The vast majority of people live in suburbs.

Successful urban development will match fast growth with homes

- 28 Rapid growth continues to be forecast for New Zealand's population with another 586,000 people (or 14%) between 2006 and 2021.

Forecast population growth in Auckland in 2021

Another 340,300 people (or 58%) of that forecast population will live in Auckland¹¹

Household numbers will grow by 269,500 (17.4%)

135,500 new households, half of the country's household growth, will be in Auckland¹².

- 29 This means that New Zealand needs almost 20,000 new dwellings every year, with half of these in Auckland. What's worrying is that this year new dwelling consents are forecast to be less than 15,000¹³ (3,500 in Auckland).
- 30 This is significantly short of the volume needed to meet population and household growth.

⁶ 'International trends and lessons in growth management', Auckland Regional Growth Forum, March 2007, page 91

⁷ Bannister, D. (2007) Cities, Urban Form and Sprawl: A European perspective. OCED, Transport Research Centre.

⁸ Ascari, 2006. 'Intensification within the MUL: Residential and Commercial Impacts' report prepared for the Auckland Regional Council

⁹ SGS Economics and Planning (2003) Urban Consolidation and Infrastructure Costs: A Research Roundup. Urbecon Newsletter, December 2003

¹⁰ <http://www.stats.govt.nz/urban-rural-profiles/historical-context/default.htm>

¹¹ [http://www.royalcommission.govt.nz/rccms.nsf/0/7750E258E948A116CC2575850043A083/\\$FILE/Vol1Part2.pdf?open](http://www.royalcommission.govt.nz/rccms.nsf/0/7750E258E948A116CC2575850043A083/$FILE/Vol1Part2.pdf?open)

¹² [http://www2.stats.govt.nz/domino/external/pasfull/pasfull.nsf/0/4c2567ef00247c6acc256efc000edfd4/\\$FILE/Alltbls.xls](http://www2.stats.govt.nz/domino/external/pasfull/pasfull.nsf/0/4c2567ef00247c6acc256efc000edfd4/$FILE/Alltbls.xls) - using the 'medium' projections

¹³ NZIER forecast for DBH, March 2009

Successful urban development will use land more efficiently

- 31 Auckland’s supply of residential land, within the urban limits, will be exhausted by 2029.
- 32 The Auckland Residential Land Supply Survey¹⁴ indicates a 20+ year supply of land for residential development is common in other cities. However in Auckland’s case, much of the capacity is in business-zoned land, which can also be used for mixed use development with both apartments and commercial uses. Auckland’s business land takes up half of the total supply capacity. In theory this land could be applied to housing, (at the expense of business growth).
- 33 This represents a massive challenge; to match growth needs will mean reversing the current state where 75% of building is in low density development on the urban fringe.

Higher density development is only a quarter of what’s built

- 34 Patterns are changing. Construction of new Auckland dwellings is approximately a ratio of 75:25 lower density and/or urban fringe to higher density urban development.
- 35 Recent years show a trend to higher density dwellings with apartment living in Auckland’s inner city doubling Auckland’s CBD population in just 5 years (from 3,771 households to nearly 18,000 residents in 8,289 households¹⁵).

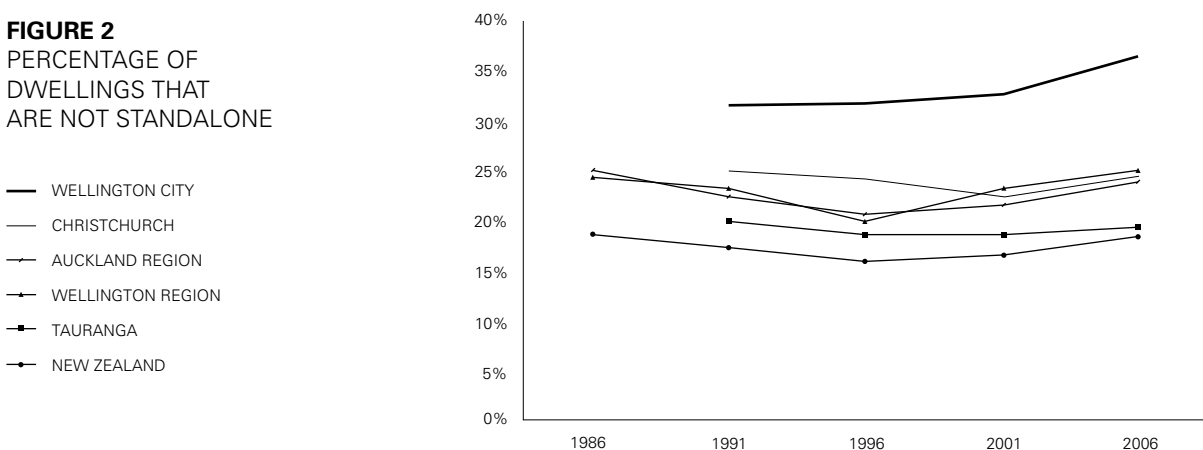
PROVIDING CHOICE THAT MEETS DEMAND FOR URBAN LIVING

- 36 Changing household patterns create new patterns of housing demand – with a growing trend away from the family home in the suburbs and towards:
 - a. smaller lot sizes but with growth in average floor areas
 - b. good access to employment
 - c. easy access to public services and amenities
 - d. increased variation in housing tenure options.

Trend away from low density, stand alone homes

- 37 The trend is that not only is there population growth, but that more households are forming for the same population; housing demand is being driven by both high population growth and different rates of household formation, including growing numbers of:
 - a. those in the household formation age range who see apartments and units as being a more affordable step onto the home ownership ladder
 - b. renters looking for accommodation close to their employment
 - c. family households who both work, want good access to employment/services/amenities and don’t want to spend leisure time maintaining large grounds
 - d. older households who either want a more urban lifestyle or need to trade down to smaller dwellings (both because they can’t manage larger sections but also those who want to release capital to supplement their retirement income).

FIGURE 2
PERCENTAGE OF DWELLINGS THAT ARE NOT STANDALONE



¹⁴ A report commissioned by the Department of Building and Housing and undertaken in 2008 with the cooperation of the Auckland Regional Council
¹⁵ Auckland City Council 2008 – CBD Facts and Figures, retrieved from <http://www.aucklandcity.govt.nz/auckland/economy/cbd/glance.asp> on 22/12/08

SOCIAL AND COMMUNITY BENEFITS

- 38 The extent to which increased urban density contributes to improved social cohesion is a contested question – with a number of studies suggesting that increased density encourages positive community interaction and diversity.^{16 17 18} Others query the delivery of greater levels of interactions between neighbours¹⁹.

Successful urban development includes affordable housing

- 39 What can be said is:
- medium or high-density dwellings use less land, are more energy efficient and lower the costs of commuting, and therefore they are often more affordable overall²⁰
 - well planned communities can consciously attract a mix of residents a mix of affordable product to reverse the current pattern of concentrating disparity in particular streets and suburbs (Housing NZ is investing significantly in such a reversal)
 - there can be economic and social consequences of poor quality developments, if they create environments that do not create a sense of pride in where people live and/or a sense of community. Graffiti and crime are well known consequences, but so too are poor educational achievement, higher crime and prison rates, and poor health.

Successful urban development requires more recognition of the role of cities

- 40 Efficient, productive towns and cities – and Auckland as an internationally competitive city – will yield greater long lasting economic and social prosperity.
- 41 New Zealand is already highly urbanised, and has been urbanised for some time. Yet our challenge is to become as well organised about the competitive and productive focus of the urban economy, as we have been in support of the rural economy.

- 42 The greater the attention we pay to competitive cities and urban concentrations, the greater the opportunity to yield higher labour productivity – and thus GDP per capita – simply due to ‘agglomeration benefits’ – such as economies of scale, more efficient supply chains and better match of labour demand and supply.

There is no one way for successful cities to develop

- 43 Successful cities grow to be functional urban environments in a variety of ways – there is no one ‘right’ way. Some continue to develop new suburbs on greenfields sites on the fringe of existing towns and cities; some cater for growth in higher density urban developments; most do both.
- 44 The important thing is to provide consumers with a choice of living environments that work, and that reflect the way New Zealanders want to live. As more and more people become urban and even inner city dwellers, and as household patterns move to smaller family units and longer living, the shape of both the housing and the services that people need close by has been shifting. Demand for new forms of higher density living has not been matched by supply.
- 45 The need to have good options for New Zealanders on how they want to live – including the options of living in higher density housing – leads to a specific goal for this Taskforce:

Well functioning urban environments for New Zealanders that are efficient, productive and great places to live, work and visit.

How does higher density development differ?

- 46 There is no one definition of higher density, or higher density urban development. Urban growth varies from place to place, reflecting the location of land, the nature of the local market, the topography, local aspirations.

¹⁶ Roger Evans Associates (2007) ‘Urban Design Compendium 2 – Delivering Quality Places’ report prepared for English Partnerships and the Housing Corporation

¹⁷ Ministry for the Environment (2005) The Value of Urban Design, Ministry for the Environment, Wellington.

¹⁸ *ibid*

¹⁹ Prof. Jenny Dixon, Auckland University

²⁰ Kel Sanderson, Statement of evidence to LGAAA Hearing, April 2007

- 47 Traditional suburban standalone housing typically translates to the quarter acre – a thousand square metres, or 10 sections per hectare. This provides housing for between 35-55 people on each hectare.
- 48 Higher density developments can house up to 225 people per hectare – depending on the mix of ‘townhouses’, terraced dwelling and apartments.
- 49 When the Taskforce discusses issues regarding ‘*higher density urban development*’, it is talking about more, higher density urban development compared to the traditional suburban standalone house.

Higher density development is about more than housing

- 50 Higher density development also provides a mix of development that meets the full spectrum of people’s everyday needs – for work, for play, for shopping, for schooling. Higher density urban development aspires to provide the full range of elements that make a place great.

Successful urban development unlikely if left unaided

- 51 Some higher density urban development is already happening. One approach could be to let current trends continue, taking no action to change the mix, the quantity and characteristics, or quality of urban development.

- 52 The Taskforce does not see this as a valid or desirable approach because:
- a. both regulatory and industry barriers to higher density development are falsely skewing the volume of activity towards urban fringe development. This is despite growing consumer demand, and imperatives to deliver more value from public infrastructure investments
 - b. much of the higher density housing that has been developed to date has been poor quality, typified by ‘shoebox’ apartments with poor resale performance. Development is sometimes not integrated with or connected to wider physical and social infrastructure that makes higher density urban living a successful option
 - c. different forms of urban development can assist productivity and prosperity, both necessary for New Zealand to be more competitive, and to meet social and demographic pressures.
- 53 Taken together, these factors suggest that New Zealand needs to alter its practices to make higher density living both desirable and practical for many more New Zealanders.

PART 2

Main barriers and impediments to successful urban development

- 10
- 54 Case studies of a range of higher density urban developments took a view across ten developments in the bigger cities earlier this year, in Auckland, Wellington and Christchurch. We took a developer perspective, asking developers and their advisers about what worked on the ground.
- 55 There were some sobering findings. The only developers confident about continuing their business model in the current economic climate were those converting already consented inner city commercial buildings into apartments. Other developers were more pessimistic. Some had concluded that current ways no longer work.
- 56 The majority view was that financial models they had been using no longer work in today's conditions.
- Previously, developers used a combination of high debt gearing, and funding from pre-sales of housing, to provide capital. This approach will not work now, as mezzanine finance companies have collapsed, and banks now seek higher levels of investor equity before they provide funds.
- 57 This changes the dynamics for investors significantly. Until recently, developers carried long lead times to get projects to market through high levels of borrowing, and funding up-front costs through pre-sales. Future investors must get projects to market much more quickly, to secure sufficient return on the higher levels of equity.
- 58 The situation is serious. Over half of the developers involved in the case study would not undertake the same development again. The costs, time and risks are simply too high for the return generated.

Main barriers and impediments to successful urban development

The case studies looked at greenfields, brownfields and inner city sites. These factors commonly hinder developers undertaking high quality, larger scale urban developments:

- difficulty in aggregating significant areas of residentially zoned land
- decreasing access to, and ease of securing finance necessary for projects, and mezzanine finance, high debt levels and gearing are not viable
- developers who are undercapitalized revert to a low cost development model, which is not applicable or scalable to large master planned developments
- longer timeframes to design, consent and deliver make budgeting costs and sales revenue more difficult and uncertain
- upfront costs and early financial commitments are necessary before any building can be delivered e.g. consenting, master planning, and developer levies
- delays in consenting come from resistance from people who live adjacent to developments, residents objecting to later development stages, and a presumption within the regulatory framework that people will be adversely affected by the development
- extended timeframes are associated with plan change processes and resource consenting stages (even if a plan change is not necessary). Longer timeframes mean key 'technical' staff within councils move on, and there is a need to re-educate council officers – increasing the commercial return risk
- Resource Management Act process does not recognise that intensified residential developments are beneficial for communities, and does not consider a balanced impact of the development – assessment appears to be weighted towards environmental impacts rather than a balance with wider community benefits
- council processes can impede the development process, especially where elected representatives override officers' technical advice, or, where more than one council is involved in the consenting process (developers face repetition of process, and lack of communication between the two bodies)
- development is generally occurring where consents are already in place rather than on sites more suited to high quality intensification; existing provisions often act as a hindrance to intensification – e.g. minimum car parking requirements based on traditional suburban calculations
- shortage of project managers experienced in larger scale and more complex urban development projects
- the timing and burden of development contributions/levies
- the capability and experience of developers themselves for new types of developments.

59 There are four main reasons why it is easier to build conventional housing on the fringe of existing cities:

- a. difficulty acquiring sufficiently large sites to enable effective scale
- b. difficulty ensuring the delivery of integrated infrastructure and services/amenities associated with high quality and larger scale projects

Note: A critical success factor to delivering better quality urban environments is the integrated delivery of both the building and the surrounding economic and social infrastructure and amenities. The surrounding infrastructure and amenity is particularly important for higher density living, as it provides the wider community architecture that allows living in a New Zealand way, while living and working more closely.

- c. regulatory costs, timeframes, and up-front financial costs for developers
- d. banking sector constraints on the ability of developers to raise finance.

Note: Giving credit markets more confidence about the delivery and timescale for public infrastructure, and timeframes for aggregating land and completing regulatory processes, is important if private sector developers are to access finance.

Agreed enablers for successful urban development

- a desire for higher density urban development and a proactive, supportive council in some metropolitan cities (a small number)
- some councils enable faster plan changes and will grant an overarching consent for larger scale urban development projects
- regulatory provisions which require the integration of transport and land use provisions with growth strategies – e.g. the Local Government (Auckland) Amendment Act 2004
- urban design panels enable innovative urban development projects
- public education, and awareness of good quality medium density housing examples
- support from central government that urban development is of regional significance and that the benefits and issues extend beyond local territorial authorities
- mechanisms at regional level such as a clear growth strategy or spatial plan that signals growth opportunities and enables developers to aggregate residentially zoned land for higher density development.

PART 3

Options for delivering better higher density urban development

1. LEADERSHIP

- 60 We are building too slowly. We are building some poor quality. We are building too much that meets yesterday's needs. We are failing to provide choices. We are missing opportunities to make great places for community. We are missing opportunities to bring forward urban development to match infrastructure led recovery.
- 61 Step change can only be brought about by concerted private and public sector action that addresses shortfalls and shifts the status quo beyond recognition.
- 62 We find the challenge a compelling one. A handful of actions are needed urgently:
- vision and leadership for quality urban development
 - a partnering model which delivers urban development projects
 - two to three projects now
 - action that accelerates development and clears road blocks
 - a common goal delivered by Government and industry.

VISION AND LEADERSHIP FOR QUALITY URBAN DEVELOPMENT

- 63 Delivering better urban development – including urban intensification – takes focus and leadership from central and local government, and the private sector.

Central Government leadership

- 64 There is no one Ministerial portfolio with an overview of urban development issues.
- 65 For instance, the Inter Agency Urban Development Unit, hosted by the Department of Internal Affairs – reports to six Ministers:
- Minister for Infrastructure
 - Minister for the Environment
 - Minister of Housing
 - Minister for Building and Construction
 - Minister for Local Government
 - Associate Minister for Local Government.

- 66 Neither is there a single government agency responsible for successful urban development, despite New Zealanders high rate of urbanisation. The Inter Agency Unit is itself short lived until 30 June 2009.

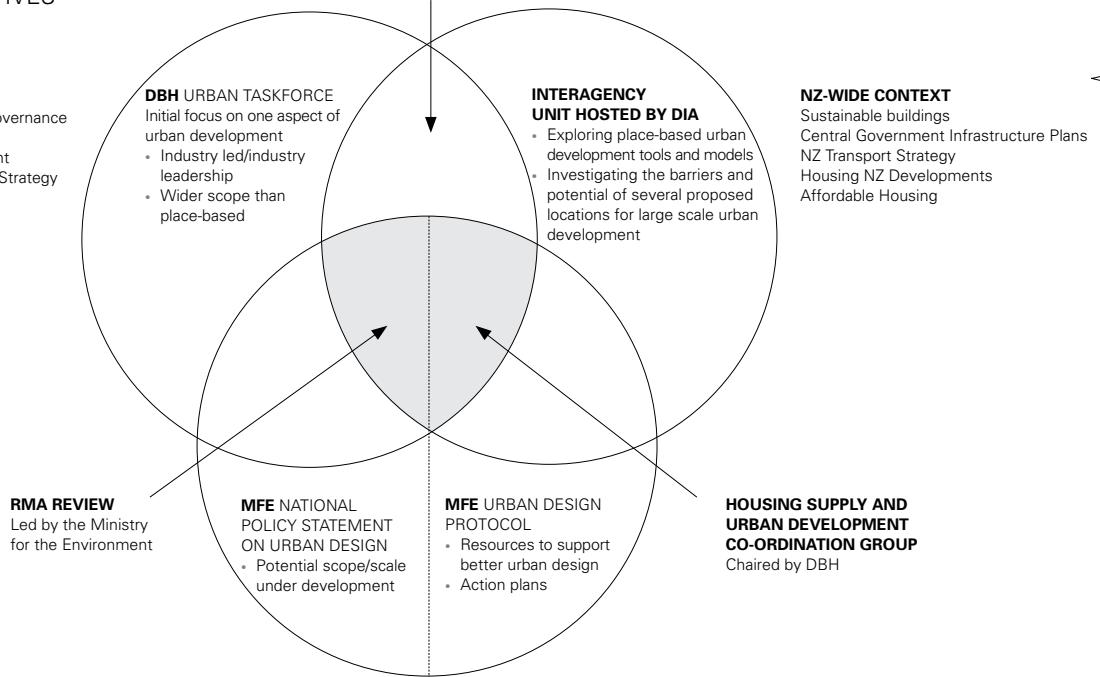
Overlapping roles make progress more difficult

- 67 The Taskforce mapped the roles and responsibilities for various government agencies in urban development. We found overlapping roles, and diffuse accountability – see figure right.
- 68 We are told that degrees of overlap between government agencies are not necessarily unusual. Within the Government:
- almost all Cabinet papers involve consultation and a range of perspectives on a particular issue from a number of government agencies – this ensures that all sides of an issue are considered before Cabinet is asked to make a decision
 - it is appropriate that there are multiple single purpose delivery agencies – such as the New Zealand Transport Authority – which also have a legitimate interest and expertise to bring to an issue such as urban development.
- 69 However, it is unusual for there to be no one government agency with a clear lead on urban development. We contrast this with an intergenerational approach to rural development, where the country has excelled. Would the advance of urban development benefit from an integrated and focussed approach, with a focal point for a Government-sector dialogue about the issue? We think it would.

SUPPORTING BETTER URBAN DEVELOPMENT
WIDER CONTEXT AND SPECIFIC GOVERNMENT INITIATIVES

AUCKLAND-SPECIFIC CONTEXT
Royal Commission on Auckland Governance One Plan
Auckland Regional Policy Statement
Auckland Regional Land Transport Strategy

SYSTEM WIDE ISSUES E.G.:
• land aggregation
• funding – esp. infrastructure/amenity financing
• streamlining development processes
• coordination/integration



Coordination across Local Government, Central Government based in Auckland (GUEDO), Central Government based in Wellington

Practice in Australia

Government agency leadership – Australian state examples

State of Queensland

The Department of Infrastructure and Planning is the lead agency. It provides strategic leadership for urban development. It brings planning functions together into one department to lead local, regional and state-wide planning initiatives. It also plans, delivers and coordinates a programme of developments by:

- undertaking strategic planning of locations to be economic or industrial hubs
- acquiring land where necessary to ensure that critical projects progress
- creating organisations to undertake developments.

Individual agencies apply to the Department of Infrastructure and Planning to assess and coordinate inter-agency projects. The Department also has a monitoring and audit function.

State of Victoria

Although not formally designated as a lead agency, the Department of Planning and Community Development has a central role in providing advice, support and delivery to cross agency projects with these functions:

- planning policy and reform – managing the regulatory framework, providing advice on planning policy, urban design and strategic planning, providing information on land development and delivering planning and development projects
- planning services and development facilitation – responsible for delivering major planning and urban development projects, support to local government planning decision making, urban planning approval advice for Ministers and Planning Authorities
- strategic policy, research and forecasting – responsible for supporting whole of department and whole of government approaches to integrated community development and planning.

Federal Government of Australia

Prime Minister Rudd has established a Major Cities Unit and recently appointed its Director General.

- 70 The Taskforce recognises that the question of Government leadership on urban development issues, and the choice of an agency or department to take the lead role on behalf of the Government, is an issue for the Government. There are any number of ways the leadership role can be organised and delivered.

THE TASKFORCE RECOMMENDS:

70.1 Government identifies a lead department to provide strategic leadership and to:

- a. champion quality urban development and productive, competitive cities
- b. develop new responses to meet growth pressures, and changes in consumer preferences
- c. mandate new partnering models to lead and deliver complex projects
- d. provide strong inter-agency coordination
- e. work with private sector and local government on urban development issues, including the implementation of the recommendations in this report.

- 71 Councils are required through Long Term Council Community Plans to enunciate a wider vision for an area, and can also do so on a metropolitan basis – such as Auckland’s Regional Growth Strategy (and instruments such as ‘One Plan’). While these growth plans exist, their implementation is hindered. Council leadership is needed to:
- a. overcome difficulties faced by the development community, including the need to deal with multiple councils on a single development, and to negotiate ‘not in my backyard’ attitudes which lead to political responses which over-ride professional and technical advice
 - b. bridge ‘silos’ within councils, where one part of the council administration acts (unknowingly) against urban development strategies being developed by other parts of the same council – e.g. applying the same standards for both higher density/mixed use developments in the inner city and stand-alone new dwellings on the urban fringe
 - c. address funding constraints when the main source of council funds is rates and/or development levies
 - d. support staff capability and provide tools to facilitate development.

Private sector leadership

- 72 The profit motive provides strong incentives for the private sector to identify and deliver viable property development projects – while managing the associated commercial risks. Making projects happen is the core strength of private developers.
- 73 Larger and more complex projects such as regeneration invariably require an intricate coordination of central government infrastructure, local government infrastructure and amenities, and the commercial and development skills provided by the private sector.
- 74 The private sector is not well placed to lead that coordination and, in the current environment, is likely to face size and capitalisation problems in taking on larger development projects. Even so, there are areas where the private sector can take a greater leadership role than it does now.

Goodwill exists within the development industry

- 75 Opportunities that would be freely offered include:
- a. whole-of-sector technical support to central and local government in urban policy and urban development issues, including the implementation of the Taskforce’s recommendations
 - b. engaging with the finance sector, which is risk averse in the current economic climate, about the dynamics of the development industry and what could be done to improve credit availability
 - c. leading some of the Taskforce’s recommendations to develop a stronger apartment culture, and a climate for more higher density living in New Zealand.
- 76 The sector is willing to continue to contribute its time, and to bring its experience to work with a Minister and a lead agency.

THE TASKFORCE RECOMMENDS:

76.1 A sector-led advisory group is made available to Ministers as needed, and would include designers, developers and financiers that:

- a. provide technical support to Government on urban policy issues, including the implementation of the Taskforce’s recommendations
- b. meets at least six monthly with Ministers to track progress, assist, and keep up momentum.

2. NEW PARTNERING AND FUNDING MODELS TO DELIVER URBAN DEVELOPMENT PROJECTS

77 The current way of working doesn't always provide assurance to all parties that all parts of a development will come together when needed. The steps are many, and rely on a complex interplay between project components delivered by a number of parties.

78 Delays are common:

- a. it takes time for developers and councils to aggregate land to the scale needed (aggregating does not necessarily mean owning)
- b. councils' regulatory process have high levels of uncertainty about the time and cost of working through these processes
- c. utility and infrastructure providers rarely deliver full confidence that the required infrastructure and amenities will be reliably delivered on time and in sync with other components of the project
- d. councils and developers managing upfront costs associated with council development levies e.g. in the order of \$19,500 per property, and charged at the point of consent for the development rather than on completion or nearer the point of sale.

79 These issues cumulatively create delay, uncertainty, additional upfront cost and risk to any one development project. This impacts on the length of time that a developer needs to finance the initial upfront costs, with consequences for the overall commercial viability, and affordability of a development. In some cases, these issues determine what's undertaken – case studies highlighted that the choice of projects commissioned often reflects land assembly issues.

80 Some desirable developments do not proceed. Some proceed, but corners are cut and the quality of the final development suffers as a result. The recent credit crunch has exacerbated this problem, but it existed before current credit market conditions arrived.

Partnering is inevitably needed

81 The interconnectedness of quality and affordable urban development means that partnering is a pre-requisite. In some cases, this works already. Some developers and councils engage well, establishing a single point of contact for all their consenting issues. But this approach is the exception rather than the rule.

82 Something systematic is needed. This has been found over time in many countries where an urban development agency approach has provided durable arrangements.

'Development agencies are not just creatures of national government or creatures of local government, they are sponsored by local, regional, national and intergovernmental organisations and many are also increasingly sponsored by private sector partners of various kinds.

They operate as partnerships, special purpose vehicles, and they tend to emphasise implementation roles, but in many parts of the developing world they also have strategic and initiating roles.

It's clear that where development agencies work, there is a good partnership between different parts of the public sector, good partnership across different parts of the private sector, and good partnership between the two, there's no good public private partnership unless the public sector is well organised and the private sector is well organised'.

Urban Regeneration Review Greg Clark Chair OECD Cities and Regions
<http://www.belfastcity.gov.uk/stateofthecity/docs/GregClarkPresentation.pdf>

83 The Taskforce favours an urban development agency model as a tried and tested way to bring together complex projects. The support of national governments actively changing the way they do their business through the agency is critical to success.

84 The Taskforce is drawn to the proven ability of purpose built development agencies to:

- a. speed up the process of development
- b. scale up of the process of development where that is necessary
- c. introduce a wider range of partners into the process in a more direct and effective way
- d. create efficiencies, particularly the sharing of costs and the sharing of risks, innovation in the sense of being free to do things a bit differently
- e. deliver long-term value by creating a financial engine for pursuing development over the long term.

85 Further careful work is needed on its exact form and functions but two types of agency which could work here have been examined.

Urban development agencies tried and tested model

- 86 Worldwide, there are about 20,000 development agencies, and growing by the day, in the UK and the European Union countries, in Latin America, North America and Asia and Asia Pacific. There are notable successes in Australia and the UK.

Urban development agency models

Model One: an urban development entity approach

- 87 The urban development entity is a way of working that gives all parties greater confidence that the respective parts of the development will be delivered as quickly as possible.

Urban development entity

A specific urban development entity (UDE) is established for each development where:

- central/local government land is transferred to a UDE
- the UDE is owned by the Crown and/or council – but with the potential inclusion of third parties as shareholders where they contribute land/equity
- the UDE specifies the development zone, prepares the initial area plan and obtains the required land use and planning consents (i.e. generally takes over regulatory planning powers within the nominated zone)
- the UDE will also arrange for the delivery of appropriate public infrastructure and amenities – with this work (generally) being contracted to the private sector (this will also require utilities providers to prioritise upgrade work in this area)
- the central/local government investment in the development is land equity plus any infrastructure investment that would have occurred anyway (roads/rail/services). The land provides equity able to be borrowed against to fund the development of the plan and the provision of infrastructure amenities.

Delivering the project:

- the land is tendered to private developers at market value – with development rights/consents and delivery (or undertakings) of specified infrastructure/amenities – on the basis that the developer will build in accordance with an agreed area plan.

(This sale stage includes the ability for agreed change to the area/master plan to achieve commercial viability and maximise quality outcomes.)

- the UDE retains commercial rights and remedies if construction does not comply with contracted quality/time standards
- private developers construct and sell completed buildings to end users/investors.

Risks and rewards:

- value uplift from land sales resulting from zoning consents, infrastructure services and land development provides profit to the government/council – which can be taken as profit/dividend, recycled as equity into the next project or used to fund the provision of social services/amenities. This means that:
- public agencies carry the risk that land sale values are lower than original (plus holding) costs plus improvements
- private developers carry the risk that house/building sale prices are lower than land purchase prices plus construction costs.

Central government would need to have a further agency (possibly based in an existing department) that managed growth and coordination issues over a range of UDEs.

Examples from Australian states

VicUrban, State of Victoria

Melbourne is the nearest example of one entity with multiple projects (e.g. Docklands, a 207 hectare brownfield renewal project, revitalisation of Dandenong as a regional capital and reversing socio-economic decline). A portfolio approach to projects provides the ability to fund the early negative cashflow stages of projects from surpluses generated by other projects in the payback stages of their life cycle. Australian experience of this approach identified some risk that such entities increasingly behave as pure property developers and are seen as competition with private development companies; outcomes that would need to be managed if these models were applied in New Zealand.

The Westwood Village, South Australia is an example of a stand-alone finite life project to revitalise a run down

public housing area by increasing housing densities (building new dwellings and upgrading others).

The East Perth Redevelopment Authority (EPRA), Western Australia was established to undertake a number of brownfield and contaminated site redevelopments and to link the developments with expanded public transport networks.

The Redfern-Waterloo Authority (RWA), Sydney was established in 2005 with the objective of addressing concentrations of low socio-economic performance (e.g. high crime, benefit dependency).

South Bank Corporation, Queensland has the objective of managing growth in an area expected to be one of the densest residential areas in Australia in 15 years time.

Multiple gains delivered by private public partnering

Honeysuckle

Established in 1992, as a NSW State Government organisation responsible for one of Australia's largest urban renewal projects. It is redeveloping 50 hectares of derelict land and buildings.

Since 1992 the project has generated \$1.335 billion in economic activity, attracting \$500 million in private investment, and 5,000 jobs have been created.

The Corporation's key objectives are to:

- prepare and market the Honeysuckle site (formerly surplus government land) for private sector development
- provide new and improve old infrastructure to encourage private sector development of the Honeysuckle site
- stimulate development in adjacent areas
- ensure the community has access to the harbour foreshore
- create publicly owned and accessible places on the Honeysuckle site
- make Newcastle's CBD an even more attractive place to live, work and visit.

The Corporation was incorporated under the Growth Centres Act 1974 in 1992. The Corporation's functions and powers are to promote, coordinate, manage and secure the orderly and economic development of land within the growth centre.

As a NSW State Government organisation, corporate governance is the province of a board of directors which reports to the Minister for Planning. www.honeysuckle.net/pages/index.php

Subiaco Redevelopment Authority, Perth, Western Australia

Established in 1994 by the State Government of Western Australia, this development agency has shifted the provision of separate houses to higher density housing from the Perth metropolitan ratio of 77:23 to a project ratio of 69:31 over ten years (1996-2006).

The project has trebled the number of residential units on site from 305 in 2001 to 1034 in 2008. Retail and commercial space has also increased, and over \$500 million in private sector investment has been secured. In 2008 three development applications for \$9.98 million were received for latter stages of the project.

The Redevelopment Authority is governed by a board of directors appointed by the Minister of Planning and Infrastructure. www.sra.wa.gov.au

Model two: urban regeneration company (URC)

88 This is an approach used in the United Kingdom for complex urban re-generation projects. A company is formed by central and local government, with

the private sector. It oversees a complex urban development project from gestation to completion, and then disbands.

The urban regeneration company

The urban regeneration company (URC) approach used in the UK for complex urban regeneration projects has the following key features:

- a URC company is formed between central and local government and private sector investors, each with a third shareholding
- the URC completes a baseline market assessment of a proposed development, and prepares a resulting area plan for development
 - the URC enters into formal agreements with central and local government for:
 - the completion of regulatory and consenting processes – completed by local councils (for example, by establishing special teams)
 - land aggregation (which may come in part from central or local government)
 - the provision of national and local infrastructure and amenities, which are financed through normal means (central and local government borrowing and/or taxes)
- the URC, having overseen the completion of the land, regulatory/consenting and infrastructure issues, sells the rights to develop the property to the private sector on the basis that there is an agreed rate of return for the developer
 - the developer then develops in accordance with the agreed area plan, and markets and sells the resulting properties. The URC monitors the completion of the resulting properties, to ensure the developer builds to the agreed quality and standards set out in the area plan. There are set penalties and remedies if the developer tries to economise on quality – although there is limited incentive to do so because the developer is facing an agreed rate of return on investment
 - there is a risk and reward sharing arrangement between the URC and the developer:
 - if the developer sells the resulting properties at a price higher than the agreed rate of return, then the resulting 'excess profit' is shared between the developer and the URC
 - if the developer sells at a price lower than the agreed rate of return, the URC compensates the developer for part of the losses the developer has incurred.

- 89 We have undertaken a comparison of the URC and the UDE approaches. The main difference is that the URC has private sector shareholding – and thus the private sector is overseeing the development of both the area plan as well as the ongoing monitoring of the project. Private sector involvement from start to finish:
- a. increases banker confidence about the commercial viability of the project
 - b. ensures that commercial disciplines underpin the development and oversight of the project through the URC – stronger incentives to deliver and sharper accountability if there is non-delivery
 - c. gives the URC oversight of the project from start to finish – ensuring that the initial vision is delivered
 - d. shares risk between the public and private sector in the event that there are unexpected profits or losses. While this sharpens accountability and the incentives to perform, and ensures that a commercial perspective is applied to the project, it exposes public sector bodies to a level of commercial risk not seen in the UDE approaches.

Principles for any partnering models

- 90 Either model is known to deliver outstanding results. The exact form of partnership will depend on individual circumstances – for example, the extent to which there are compulsory land acquisition issues (which probably need to be handled through the public sector). Whichever models for an urban development agency might be chosen, the Taskforce has highlighted underlying principles which underpin success.

THE TASKFORCE RECOMMENDS:

90.1 That Government establishes an urban development agency model that incorporates a set of partnering principles:

- a. at the outset, there is a clear and agreed vision for a development. This vision should be defined to the point where there is a clear development concept and a commercial, and bankable, proposition for the private sector
- b. the respective parties bring the skills (and assets) that only they can bring to the table, and should manage those risks that they are most capable of managing
- c. there is an enforceable commitment for each party to deliver its part of the development, and commercial penalties if there is any default
- d. land assembly, regulatory/consenting processes and infrastructure/amenity development should be (substantially) completed before private sector capital is called upon
- e. there should be contestability for the delivery of services as far as practical
- f. commercial arrangements should be used to bring the parties together which, once established, should be operated on an arms-length basis outside direct central or local government political control
- g. a separate partnership should be created for each development – with the partnership model and terms and conditions being tailored to the specific features of each development
- h. central Government would need to have a capability (possibly based in an existing department) to manage growth and coordination issues over a range of partnerships.

3. UNDERTAKE TWO TO THREE 'READY-TO-GO' URBAN DEVELOPMENTS USING A PARTNERING MODEL

- 91 The Taskforce makes a number of recommendations about taking complex projects forward, including an urban development agency and some incentive and financing models. We support putting these approaches into practice sooner rather than later.
- 92 The Government could choose two to three urban development projects that are stalled, or currently in the pipeline, to:
- meet housing shortfalls and support recovery in the housing market – current residential construction levels are well below those needed to meet population growth. Progressing two to three well targeted developments will support the supply of housing when it is most needed
 - allow the recommended development and funding models to be applied in the New Zealand context, to demonstrate the impact of new approaches, and to fine tune these for local application
 - provide local examples to confirm that higher density housing delivers great places to live, and economies for public infrastructure providers.
- 93 The Inter-agency Urban Development Unit hosted by Internal Affairs is scoping a number of options for developments in the Auckland area. These could form the starting point for the proposed projects, although other stalled private sector led projects should be considered. This will require detailed commercial consideration, which is beyond the scope of the Taskforce's brief.

THE TASKFORCE RECOMMENDS:

93.1 That the Government works with local government and developers to apply a partnering model to two to three 'ready to go' higher density urban development projects to address housing shortages, provide economic lift, and illustrate the impact of new ways of working.

4. CLEARING ROAD BLOCKS AND CREATING ACCELERATION

- 94 The urban development agency model will only prove necessary for challenging developments, typically developments on multiple properties or for urban regeneration.
- 95 For developments involving single or specific sites, there are fewer issues with land aggregation and consenting processes. However, actions can be taken between the public and private sector to facilitate development, and to reduce the costs and risks faced by the private sector. Case studies found that joint teams worked well, although these were less effective when personnel changed, or technical council staff were not involved in the early stages.
- 96 Common enablers are:
- establishing teams within councils to work with developers to facilitate the resource and consenting process with consistent membership, as far as possible, over the course of a project
 - providing incentives for developments that generate cost savings (or potential sources of income) for central and/or local government
 - reducing the upfront costs associated with a development by using funding sources other than development levies.

THE TASKFORCE RECOMMENDS:

96.1 To clear roadblocks, and to accelerate quality development:

- councils establish teams (with personnel in decision making roles) to 'account manage' intensive urban developments to facilitate the consenting process and infrastructure provision. As far as possible, the team should have consistent membership over the course of a project
- incentives are considered for developments that generate cost savings or revenue for central and/or local government (these might include guaranteed time scales)
- ways to reduce upfront costs associated with a development are investigated including the use of local government funding sources other than development levies.

Actions to be taken coordinated by the identified lead central government agency.

Develop incentives to support developments that reduce costs or create economies for communities

- 98 Earlier in this report, the Taskforce noted that more concentrated cities create cost savings for the public sector in reduced infrastructure and operating costs. Increases in GDP, and in Government revenues through taxes and GST, deliver value also for Government.
- 99 In some cases, the public sector will have specific social objectives that it wishes to support – such as achieving a level of affordable and social housing supply and/or bridging urban disparities.

Joint ventures can capture social objectives

- 100 In these cases, the public sector might consider joint ventures and other forms of direct financial support. The Taskforce proposes that central and local government develop mechanisms to support such developments up to the estimated value of the cost savings, or the costs of social objectives associated with a proposed development.
- 101 The incentives mechanisms can take a number of forms, including straight financial assistance to developers, and/or the provision of land or other assets to contribute to a development. In the Taskforce's view, the key issues are that:
- recognition of wider public benefits is made, and limited to the estimated value of these public benefits. The Taskforce is not proposing subsidies for development beyond that which can be justified on public policy grounds
 - research may be required in New Zealand to quantify the size and scope of wider public benefits. While there is overseas data on wider benefits, New Zealand specific data will be required to calibrate the proposed incentives at the right level.

THE TASKFORCE RECOMMENDS:

101.1 Incentives are provided to developments which generate wider net public benefits, such as:

- a. economies in the provision of infrastructure or amenities (within the location or elsewhere in the region)
- b. achievement towards wider central/local government social or other strategic objectives.

101.2 The value of such incentives may be up to the estimated value of the identifiable net public benefits.

101.3 These incentives could take a variety of forms, including:

- a. financial support for development through joint ventures and other means
- b. in kind support, such as contributing land to a development
- c. rebates on rates and/or development levies in recognition of cost/efficiency gains elsewhere.

Develop alternatives to development levies and other mechanisms to spread up front development costs

- 102 Councils provide infrastructure and amenities including sewerage, drainage, water and transport. Councils often charge developers for the provision of these services through upfront development levies, rather than funding them out of the rating base.
- 103 Charges are levied for economic infrastructure (water, storm water and sewerage, transport) and social infrastructure, a range of community and recreational services, such as parks and libraries. This reflects a legislative view that developers should bear an appropriate proportion of the expected future capital costs from new developments.

Development levies vary across the country

Varying development levies

- Porirua City Council recreation and civic development contribution of \$5,228 for each new dwelling in 2006/07.
- Tauranga City Council charges of between \$11,850 (plus 5.9% of land value) and \$32,750 (plus 3.4% of land value) per subdivision lot.
- Christchurch costs rising from \$13,000 to an intended \$25,000 per lot by 2010.
- Auckland City has recently increased charges from \$7,000 in 2006 to potentially up to \$19,500 per unit, with different charges for central city residential developments.

There is room for other methods

- 104 Views on financing policy and development contributions varied within the Taskforce. Some support passing on a fair and reasonable proportion of the cost of growth through the development contributions policy. The August 2007 Report of the Local Government Rates Inquiry set out some key arguments in favour of current policy: development contributions 'internalise' the cost of additional infrastructure caused by development, and they avoid some current residents in a community from subsidising others (namely, new residents). Others see that development levies, as currently charged, create barriers to quality and affordable urban development. Nearly half of the developers in the case studies suggested the high level of development levies is beginning to make the difference between whether a project proceeds or not.
 - a. Developers pay for infrastructure investment at the outset of a project – before the project generates any income – increasing borrowing costs and risks, reducing the commercial viability of projects.
 - b. There is an economic case that the costs of infrastructure should be met from the users of the infrastructure – which means future as well as current generations and may include the wider community which benefits from population and economic growth.
 - c. Central government-funded infrastructure is funded through alternative mechanisms – either from current taxation or from borrowing.

- 105 On balance the Taskforce view is that there is a case for considering new approaches to infrastructure financing. Case studies highlighted little transparency between the level of development contributions and the additional costs being borne by the councils. This concern is of long standing, and is highlighted in the mid-decade litigation with the North Shore City Council. In addition, the current reduction in building activity has decreased revenue flow from development levies. This means that councils face revenue reductions at this time.
- 106 If development levies are to continue, the private sector members of the Taskforce in particular consider they should be related closely to additional costs imposed by specific development. A greater level of disclosure regarding the approximate value of the extra costs imposed, and the total value of the proposed development contributions, would be an important first step. We have been told that this would introduce complexity and greater transaction costs into the development contributions system, possibly to the point that development contributions would become unworkable. While mindful of this, the private sector members of the Taskforce argue that, if it is to continue, the development contributions policy will gain greater acceptance, and will be a more sustainable policy, if there is a closer relationship between costs incurred and levies charged.
- 107 The following recommendations reflect a balance of the Taskforce view, with strong support from the private sector members, but they are not unanimous recommendations.

THE TASKFORCE RECOMMENDS:

107.1 The balance of the Taskforce recommends that if development levies are charged:

- a. the total value of the levies charged relates closely to the additional costs imposed by the specific development on the local authority, and that
- b. there should be a greater level of disclosure between developers and councils about the value of the extra costs imposed on councils by development, compared to the total value of development contributions.

Infrastructure or development bonds have found favour

- 108 Some members of the Taskforce consider that it is appropriate to pass a fair and reasonable proportion of the cost of urban growth onto developers through development contributions. Other members of the Taskforce concluded a new approach is required. A potentially viable alternative is greater use of debt, with all of the expected infrastructure and amenity costs of a designated development being bundled and funded through the issue of a bond on a fixed interest basis by the local authority. This debt would be repaid over time by both residents and businesses benefiting from the development, or from the increased rating base associated with the increase in capital value attributable to the development.
- 109 The Taskforce heard that there is considerable unease amongst local authorities and ratepayers about local authorities increasing their debt burdens. These concerns are not necessarily well founded – the 2007 Report of the Local Government Rates Inquiry found that local authority debt levels were generally low, and itself noted that there are very good reasons for local authorities to make greater use of debt to finance long-life investments. If, however, there is widespread community concern about the greater use of debt, using an infrastructure or a development bond would enable a separate identification used for capital assets, and distinguish it from debt raised to finance operational activity. This could provide transparency to ratepayers about the level of debt being raised as an investment in the future development of the city, compared to the level of debt raised (for example) for operational purposes.
- 110 The Taskforce is aware that discussions are underway within local government about reducing debt-financing costs through consolidation of existing debt into a single debt portfolio. Creating a new type of debt through infrastructure bonds, may not fit with such a strategy; in which case the single debt instrument would be used instead.
- 111 The following recommendations reflect a balance of the Taskforce view, with strong support from the private sector members, but they are not unanimous recommendations.

THE TASKFORCE RECOMMENDS:

111.1 The balance of the Taskforce recommends:

- a. councils develop longer term funding mechanisms for locally supplied amenities/ infrastructure – e.g. debt instruments (such as infrastructure bonds) that pay for the costs of an investment over their economic life
- b. central and local government work together to create alternative forms of financing for infrastructure, recognizing ratepayer concern about borrowing and debt levels.

Regulatory reform is required

- 112 Higher density developments face:
 - a. high regulatory hurdles – through the Resource Management Act and the requirement for public notification of larger scale projects – which create greater timeline and regulatory costs risk
 - b. increased local government processing time/ costs for consents (because of greater complexity, lower levels of familiarity, and a greater risk of community opposition).
- 113 The Taskforce supports the current changes to the Resource Management Act currently before Parliament.
- 114 The next stage of the Resource Management Act review could consider ways to both quicken and simplify, and support quality outcomes, in the consent process for larger scale urban developments. The private sector members of the Taskforce support:
 - a. extending the proposed fast-track pathway under the Resource Management Act for major projects to cover larger scale urban development and intensification projects (this would require a review of the thresholds for the proposed fast-track pathway)
 - b. recognising urban development explicitly in Part 2 – the purposes and principles of the Act – which currently focus on the natural and physical environment.

Spreading best practices across local government

- 115 During the course of its work, the Taskforce heard a variety of effective approaches across local authorities for:
 - a. consultation with communities about the vision for the development of the urban environment, and the trade-offs involved in different pathways. Some territorial authorities have established ways of consulting once, but consulting well, with their communities
 - b. detailed planning rules and guidelines surrounding such details as the ratio of car parks per higher density dwelling vary. Some Auckland councils require these in higher density developments, but Wellington City Council inner city rules do not.
- 116 It is unclear whether best practice is shared within local government, and this gap could be closed by local authorities themselves or through Local Government NZ.

Conclusions

- 117 The following recommendations regarding the Resource Management Act reflect a balance of the Taskforce view, with strong support from the private sector members, but they are not unanimous recommendations. The other recommendations below are unanimous.

THE TASKFORCE RECOMMENDS:

117.1 The balance of the Taskforce recommends:

- a. the Government concludes the changes to the Resource Management Act (RMA) currently before Parliament
- b. the next stage of the RMA review develops ways to quicken consent processes for large scale urban developments by
 - i. considering the recognition of urban development explicitly in Part 2 - the purposes and principles of the RMA
 - ii. considering an extension of the proposed fast-track pathway under the RMA for major projects to cover larger scale urban development projects (*central government through the Ministry for the Environment*).
- c. a 'consult once, consult well' culture is developed with territorial authorities learning from those who do this well already (*Local Government NZ*)
- d. a mechanism is developed to share best practice across territorial authorities on the detailed planning rules and guidelines surrounding higher density dwellings (*Local Government NZ*).

Promote the value of higher density urban living

118 Some consumers are sceptical of the benefits of high density living, many are not. There is a need to ensure that quality, affordable higher density housing options are presented to show their fit with our culture and lifestyle. Achieving this would require actions on:

- a. consumers' perceptions of the perceived drawbacks of higher density living (e.g. noise, lack of privacy, safety, access to outdoor space, or the perceived impact on the value of neighbouring properties)

Note: A recent survey of Wellington apartment dwellers showed that 27% of residents identified noise as a drawback to apartment living. Nearly 41% identified the shared open space in their apartment complex as 'poor' or 'average'. Nearly 10% identified noise, and concerns over safety and security, as reasons for considering moving from apartment living.

- b. supporting changes to body corporate rules, and supporting better management and governance of common spaces
- c. deepening an 'apartment culture' in New Zealand - higher density living is relatively new to most New Zealanders and we have not yet developed a set of behavioural norms around noise and privacy.

119 Addressing these issues would reduce 'not in my backyard' attitudes to higher urban density living. Similarly, the attitudes are mitigated by delivering the economic and social infrastructure/amenities essential to supporting higher density living.

THE TASKFORCE RECOMMENDS:

119.1 To promote the value of higher density living:

- a. pass the Unit Titles Amendment Bill currently before Parliament to streamline body corporate rules and processes (*central government through the Department of Building and Housing*)
- b. review the Building Code to ensure it adequately deals with consumer needs in quality medium/ high density housing (eg: noise abatement/ acoustics) (*central government through the Department of Building and Housing*)
- c. create community title for common building amenities which would provide legal recognition for common areas within a development that are owned and managed by a body corporate comprising all lot owners within the scheme (*central government through the Department of Building and Housing*)
- d. deepen the culture of higher density living by:
 - i. consolidating and publicising existing material on living considerately in higher density environments (*Industry to lead in consultation with appropriate central and local government agencies*)
 - ii. develop industry knowledge/skills about quality intensive design (through training curricula) (*NZ Institute of Architects*).

Terms of Reference

URBAN TASKFORCE

Aim

To propose a way forward for achieving better urban outcomes for New Zealand and, in particular, the Auckland region.

Context

Building and construction sector leaders met in Auckland on 1 August 2008 at the invitation of the Minister for Building and Construction. Particular issues identified by the forum included that:

- productivity growth, especially labour productivity has been disappointing and is limiting sector ability to respond positively to change
- improving skill levels, across the board, is critical for improved sector productivity
- pressure on land use will continue to drive urban intensification – and that urbanisation is an issue for all New Zealand cities, not just Auckland and that:
 - there are not enough large scale intensification projects currently underway or planned to cope with future needs within current urban boundaries
 - the quality of urban intensification to date, in delivering sustainable urban environments, has been patchy and generally poor.

To develop practical proposals to address the above issues it was decided to establish taskforces made up of industry, local and regional government, and central government leaders:

- A Sector Productivity Taskforce, to:
 - develop a sector wide skills strategy
 - develop an improved approach to the procurement of construction projects.
- An Urban Taskforce, to:
 - develop proposals to improve current approaches to planning and coordination in support of improved urban development.

It was proposed that the sector forum should reconvene in mid 2009 to consider progress on the above.

Urban intensification

A number of issues relating to urban intensification were discussed including:

- a number of urban locations, particularly in the Auckland region, face an increasingly scarce supply of currently zoned greenfield land for residential, business and mixed-use development
- achieving more efficient use of land through higher density development of town centres, suburbs and new urban areas is critical to enabling New Zealand's urban areas to grow sustainably
- intensifying land use in strategic areas could provide New Zealanders with more housing choice, viable public transport and more satisfying places to live, work and play
- the pace and nature of urban intensification is currently insufficient to accommodate projected population growth
- this reflects significant impediments to achieving sustainable urban intensification in practice:
 - the lack of a strong vision to guide sustainable urban development
 - the long lead times involved in the land use planning and development process, particularly when re-zonings are required
 - the lack of coordination between the large number of parties involved in national, regional and local planning and implementation of large-scale developments
 - issues of limited resources and skills shortages at all levels of government and the development industry
 - community resistance to urban intensification proposals within existing urban areas
 - a lack of high-intensity housing suitable for families
 - difficulties assembling useful parcels of land from fragmented groups of properties in town centres and suburbs
 - difficulties funding urban development projects, particularly in the current climate of global financial instability.

Unless these problems are reduced or removed, shortages of land may constrain the future growth of our cities.

Objectives

The objective of the 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. This would include oversight of work to:

- describe what successful urban intensification means in practice, including the value proposition
- 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, and professional practices, codes and capacity
 - 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 are funded affordably and equitably
 - 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.

Role

The role of the Urban Taskforce is to meet three to four times as required to:

- consider and agree a terms of reference for work to progress each of the above work streams
- oversee each work stream and in doing so:
 - identify and provide guidance to the Taskforce secretariat on any issues affecting progress
 - ensure that appropriate connections and links are made between work streams

- consider the findings and proposals of each work stream including:
 - their relevance to the issues identified by the sector forum on urban intensification
 - the practicality of proposals and their ability to support urban intensification
 - how the proposals would be implemented, including the roles of industry, local and regional government and central government
- champion the proposed way forward with central and local government agencies and industry to seek their support in taking appropriate action.

Membership

Taskforce members will be drawn from industry, local government and central government but the group is not intended to be representative. Individual members will be recognised sector leaders and will have knowledge and understanding of the strategic context in which the development sector operates including the nature of issues, challenges and opportunities facing it from an urban intensification perspective.

The Taskforce may choose to establish working groups to progress particular work streams (e.g. a land use planning group). Membership of the working groups will be selected by the Taskforce and may draw on people from outside the Taskforce who are recognised for their specialist skills, knowledge and experience.

Reporting

The Taskforce will compile an overview of its findings and proposals (including advice on 'next steps' necessary to implement or further refine its proposals) and report to the Chief Executive Officer (CEO) of the Department of Building and Housing by March 2009. Once finalised, proposals will be presented to the sector forum when it reconvenes in mid 2009.

Accountability

The CEO of the Department of Building and Housing will, convene, but not chair, the Taskforce. A Taskforce Chair, to be appointed by the CEO, will be accountable to the CEO for the operation of the Taskforce. The Taskforce will report back to the CEO with findings and proposals (including advice on 'next steps' necessary to implement or further refine its proposals). The CEO will ensure the Minister is advised of progress.

Ministerial involvement

Ministers will not attend meetings of the Taskforce but will be regularly updated on progress and provide input via the Chief Executive, involving the Taskforce chair as appropriate.

Support

In carrying out its work the Taskforce will be supported by:

- a small secretariat that will provide administrative, analytical and communications support. The secretariat will manage and coordinate work on the Taskforce's behalf and pull together conclusions and proposals in the form of written reports and presentations
- working groups to be drawn from suitable skilled and experienced persons from across central government, industry and local and regional government to explore particular issues and develop proposals for the Taskforce's consideration
- some funds, to be managed by the secretariat, to purchase research and analytical inputs.