

## Urban Taskforce

Speech by Chair, Richard Harris, Director, Jasmax

Thanks to all of you for taking time out from busy schedules to focus on these key issues for the sector. We face big challenges, but we have some good ideas and we are keen to work with the Government to get some action.

Let me begin by painting you a picture. Imagine Eden Park chocker for the World Cup Final in two years time. The All Blacks against the Wallabies is my pick. That's 60,000 fans. Double it. 120,000 fans.

That's how many people on current projections are added to Auckland's population every five years. It's a city the size of Dunedin. They will have to be housed; room will have to be found within the current city limits, services will have to be expanded.

That's the challenge facing Auckland. Other cities will face similar challenges. It's a sobering thought.

We are not alone in this. Globally, urban growth requires the equivalent of a new city the size of Auckland every week for the next 40 years. I am just grateful we only have New Zealand to worry about.

But with every challenge there is also an opportunity – to do things a whole lot smarter.

So I want to do three things today:

1. To scope out the nature of the growth opportunity and challenge facing our cities. Especially Auckland which is one of the engines driving our economy - so it matters.
2. To outline the case for higher density. Why more people can live in quality, affordable homes within existing city limits and why we will all be better for it
3. And describe the steps we can take today to make it happen.

The focus of the taskforce over these last 10 months was to find ways that can make cities even better places to live, work and play. And that doesn't mean bigger, more spread cities. It means doing more with what we have now. We believe we have a practical and affordable strategy that can make a dramatic difference to the quality of the environments where most of us live.

So let's consider the opportunities and challenges. First of all, more and more of us live in cities. When cities perform well, economies prosper. Efficient cities are more productive. They employ more. They grow the economic pie so there is more to share around. In these times of recession, the imperative is obviously that much greater.

But we have a serious challenge.

Across New Zealand our population continues to grow rapidly – naturally and through migration. Another half a million at least before 2021. Most of this growth will be in cities.

To ensure everyone has a roof over their heads, we need to build about 20,000 dwellings a year. We are currently building only 15,000. Half of those homes will need to be built in Auckland.

The housing downturn is not helping. The sector contracted by a quarter in the past year. We are losing skilled workers. That means we will be even more poorly positioned to meet the upturn in demand when it happens.

So not only are we not building enough, but we don't have enough land within existing city limits to meet the need with low density housing. It's not just about quantity and quality either. We must build affordable houses if more Kiwis are to realise their housing dreams.

Let's consider the case of Auckland. Here are a few cold, hard facts.

- The Auckland region's supply of residential land is expected to be exhausted by 2029.
- In the cities of Auckland, Manukau and North Shore, this might happen within seven years.
- And we are not making the best use of the land we have – 60 percent of consents for new dwellings are on land near urban fringes and not near town centres and transport corridors.

The challenge is similar in other cities – despite the trend to higher density CBDs with apartments, most new dwellings are in low density, urban fringe locations. In Auckland only a quarter is higher density urban development.

We are not a lone voice on this. Last month Statistics New Zealand released a very interesting study on population trends in Auckland. One quote struck me:

*“If the Auckland region is to accommodate almost two million people by 2031, some residential suburbs will need to have population densities similar to those central Auckland has at present.”*

That's about 4,600 per square kilometre presently. As an aside, the density in central Auckland is projected to almost triple to over 13,000 per square kilometre by 2031. So let's now look at the case for higher density.

Right now there are some big barriers to overcome if we are to increase the density of our urban development. For example:

- The collapse of finance companies has deprived developers of a ready source of capital for projects which were structured around low equity and revenue flowing from pre-sales. Now banks are demanding higher equity. Developers will scale back projects. This compounds the supply problem.

- The building and resource consenting process adds costs and delays and makes projects more uncertain.
- Development levies increase the financial burden on developers. They can cost thousands of dollars per property. In Auckland, as much as \$19,500. The problem is they are levied at the time of consent when money is tightest.
- The RMA process appears biased against intensified residential developments, putting the emphasis on environmental issues over community benefits.
- It's difficult to aggregate significant areas of residentially zoned land.

We must clear these roadblocks. We can't continue with a bias to low density if we are to build great efficient cities, contain the cost of providing services and other infrastructure and meet the desires of more New Zealanders for quality, affordable places to live with more choice. And without great efficient cities, our productivity as a country will continue to lag.

Cities hold all the opportunities, attractions and amenities that people today value.

Well planned, higher density cities which are great places to live work and play make sense.

Medium or high density dwellings use less land, are more energy efficient and lower the costs of commuting. More people can walk or cycle to work. These houses are more affordable. These communities are more connected.

With both local and central government, as well as things like power and telecommunications, we can provide more services, more cheaply to more people. Simply, more people are using each pipeline, whether is it public transport, water, energy or sewage. That means a bigger bang for the ratepayer, taxpayer or consumer buck. When money is tight, that is important.

Economists call these things "agglomeration benefits." More people clustering together creates more economic opportunities, whether it is the extra coffee cart or child care centre in a neighbourhood or simply firms finding it easier to get the skilled workers they need – it all means more jobs and profit. Some experts say a well functioning major city like Auckland could add 2 – 3 percent to GDP a year.

Do it right and you get a virtuous cycle of success. Attractive cities with a range of well located amenities that are easily accessed mean people want to live in higher density areas and so the cities attract more talented people. In other words great cities attract great people and create great opportunities.

You might ask who would want to live in higher density housing? Plenty – just look at those who already do:

- Young professionals
- Students

- Empty nesters
- Single parents and single people generally
- Childless couples
- Senior citizens.

Housing affordability as well as lifestyle are key drivers. The point is we need to provide a greater choice of living environments if our cities are to work better. And at the moment we are not meeting an obvious demand for higher density living.

I appreciate this is not without challenges.

Many of us still dwell in the quarter acre pavlova paradise. British MP Austin Mitchell wrote his ode to Kiwi suburban dreams in 1972 and the dream still lives on.

People still like to use their cars to get to work.

And their impression of the alternatives is not great either.

Many still equate higher density with the old soulless tower blocks of London's East End or Germany's East Berlin.

There's also inevitable political resistance. We have plenty of land so the path of least resistance is to just expand the city limits.

But unless we commit to improving the quantity and quality of urban developments, we will not reap the clear economic and social benefits of great cities. We will not be getting the best value for each ratepayer, taxpayer and consumer dollar invested in our cities.

And given the shortage of land we will not actually be helping many New Zealanders realise any housing dream at all.

So what can be done?

There is no doubt we can do better:

- We need to convince more councils – and more New Zealanders - that committing to higher density living makes sense.
- We need to provide more and better choices for medium and high density living.
- We need to facilitate the opportunities for new developments through mechanisms such as a spatial plan.
- We need to make a start now on some specific projects.

Simply, there needs to be a new partnership between our sector and local and central government that commits to quality urban development. We have seen it overseas. We can do it here.

So what steps should we take?

**Central government leadership.** We need a lead department (and a Minister) that champions the cause of urban development, that coordinates across the public sector and works with the private sector and local government on specific projects. Australian states have dedicated agencies. The Federal Government there has a Major Cities Unit.

**Private sector leadership.** We need a sector-led advisory group to be a touchstone for Ministers and departments, providing technical support and advice on urban policy issues.

**Developing new partnership models for** complex projects involving both the public and private sectors.

These could be companies which could have a varying mix of Crown, local authority and private shareholders. There are numerous different models but they all:

- Speed up the process of development.
- Create efficiencies such as cost and risk sharing and
- Provide a vehicle for a wide range of partners, including service providers.

Without delving into the complexities of various structures, there are a few essential ingredients for success:

- A clear and agreed vision for the development and one that is bankable for the private sector.
- Enforceable commitments upon each party and penalties for default.
- A separate partnership for each development.

Let's look at an example.

The Honeysuckle development in Newcastle Australia has since 1992 revitalised 50ha of derelict portside land and buildings. In doing so it has attracted \$500 million in private investment, created 5000 jobs and generated \$1.3 billion in economic activity.

The message is that partnerships work overseas. Some 20,000 of them exist. Honeysuckle is just one of many excellent examples we can draw on.

We strongly recommend the Government take the lead and choose two or three pilot urban development projects now. There are options we have identified in Auckland and Christchurch which could lend themselves to a public-private partnership approach and provide a much needed boost to housing supply. Our sector would welcome this leadership.

What else can be done?

There are a number of other measures that could be taken:

- Improve the management within councils of intensive urban developments. Dedicated teams with consistent personnel would help developers and designers.
- Investigate ways to reduce upfront costs imposed by councils on developments and ways to improve the transparency behind development levies. There should be a closer link between the costs councils incur with developments and the levies charged.
- Consider ways of providing incentives to developers for projects which have clear benefits, such as lowering the cost of providing infrastructure and amenities. For example rates rebates or contributing land for development.
- Extend the new RMA fast track consent process to large scale urban development projects.

Obviously there is much more detail in our report.

To sum up, now is the time to work out how we can better grow our cities. We need to think seriously about making our cities more efficient and more attractive if we are to make great urban places, grow the economy and meet the housing aspirations of New Zealanders.

New Zealand has always had a sharp focus on the rural sector. It is now time to bring an equally sharp focus to the urban sector. My Taskforce has developed a plan based around:

- Greater central government leadership on urban planning – a lead minister and a lead department
- Private sector input through a new sector led advisory group
- New public-private partnership models which trigger private investment, and;
- Clearing specific road blocks at the local government level.

The Government's proposed Auckland reforms, RMA changes and Building Act review are a good start.

But the stakes are high. I'll go back to that Eden Park analogy. Two full stadiums, 120,000 people added to Auckland every five years. Other cities face similar pressures.

We can turn these challenges into economic opportunities if we have the will to do so.

But the time for urgency is now before the inevitable lift in economic activity aggravates pressures.

We are not alone in saying this. The Royal Commission on Auckland Governance summed it up well when it said:

*“Successful international cities are more productive and innovative, grow faster, have higher wages and attract people, capital and economic activity.”*

Our challenge is to realise that vision. I firmly believe the power of our ideas and the strength of our purpose can make it happen. It needs determination in both the public and private sector – neither can achieve the lift on their own.

Thank you. I'd now like to know what questions you have.