



Unplanned Consequences? New Zealand's experiment with urban (un)planning and infrastructure implications

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Background

Aotearoa New Zealand cities and urban areas are home to most of the national population, with the four largest cities, Auckland, Christchurch, Wellington, and Hamilton having grown to account for well over half of the country's total population. This means that the social, economic and environmental wellbeing outcomes that are achieved within these areas are extremely important given the numbers of people involved. Assessing the impacts of urban planning decisions remains a high priority.

For the most part, the communities that live within the urban areas have become wealthier as the cities grow, having higher incomes and more resources on average than the rural communities in New Zealand¹. For much of the last 100 years, people have moved to urban areas to gain better opportunities, including improved access to housing, education, employment, physical infrastructure and other features those urban environments provide.

However, there are communities within the cities which have experienced inferior outcomes. Most notable is the continuing deterioration in levels of affordable housing which has been termed a 'housing crisis'². Over the last two decades many households within urban areas have not been able to afford the housing options that the market provides. Also, the public and community providers of social housing have not been able to meet the growing demands for more affordable homes.

Consecutive governments have implemented a raft of policy changes in an effort to solve the housing crisis. The volume of policy changes that have been implemented over the last decade shows how significant the 'housing crisis' issue is for the government and the wider community. It also shows that there are many facets to the issue and that it will not be solved by any single policy in isolation.

Unfortunately, even with the best intentions, affordability of housing has not improved and in most urban areas it has worsened substantially. There are growing numbers of socially deprived

¹ Statistics New Zealand (2018) Total household income (grouped) by household composition, for households in occupied private dwellings, 2013 and 2018 Censuses.

² White, I and Nandedkar, G (2020) *Housing crisis? What crisis? How politicians talk about housing and why it matters.*

households living in motels³, in crowded situations, and cars⁴, and there are record numbers on the waiting lists for housing⁵. This is despite quite strong new housing construction activity, especially in Auckland, and shifts toward smaller and lower cost housing typologies and sizes.

Most recently, the government implemented a set of policy changes that are intended to help solve those problems – the National Policy Statement on Urban Development 2020 (NPSUD) and the Enabling Housing Supply Act 2021 (HSAA)⁶. These policies are intended to see a substantial revision of the planning frameworks in the main urban areas of New Zealand, which will influence many aspects of the urban area and outcomes for the communities that live there. The government considers that the HSAA “*will allow more affordable homes to be built more easily in areas with good access to jobs, transport, and community facilities like schools and hospitals.*”⁷

While these policy changes are likely to impact many aspects of the urban environment, this article explores the potential outcomes that could arise in terms of infrastructure – with a focus on public transport.

Public infrastructure

Central and local government invest considerable sums of public money on public infrastructure in the urban areas, which for the most part is intended to provide the community with services that they would not have received if the government did not intervene. The amount of money that is invested each year represents a considerable proportion of the community’s public and private resources. This includes investments in transport networks, water supply and wastewater reticulation, recreational areas, stadium, schools, hospitals, universities, etc.

For most public infrastructure there are both private and public benefits associated with the provision of them, which are benefits that spill over to the entire community, to both users and non-users alike. Those public benefits that accrue to the wider community are additional to the direct benefits that the users of the infrastructure receive directly. This characteristic of public infrastructure is important, as the quantum and distribution of the public benefits that spill over to the community are related to the nature of the urban area and the spatial location of the infrastructure.

Also, it is important to understand that for large-scale public infrastructure, such as public transport and utilities, there tends to be an inherent outcome where the costs associated with serving additional people decline with scale. This outcome is referred to as a ‘natural monopoly’, where there are economies of scale present and the cost of meeting the needs of existing and future community needs declines as growth is accommodated within the urban area.

In summary, central government and local government invest billions of dollars in public infrastructure and this investment has been planned to meet the expected growth in demand of the community. The public benefits that accrue to the community will be dependent on the extent to which the infrastructure is used. As an example, the government is investing many billions of dollars into rail networks, with Auckland CBD Rail Loop set to cost more than \$4.4 billion⁸, and requiring upgrades to

³ Radio NZ (2021) [More children living in motels as housing crisis unrelenting](#) – 29th October 2021.

⁴ 1News (2022) [Hundreds living in cars as winter chill bites](#) 1st August 2022.

⁵ Ministry of Social Development (2022) [Housing Register](#) – March.

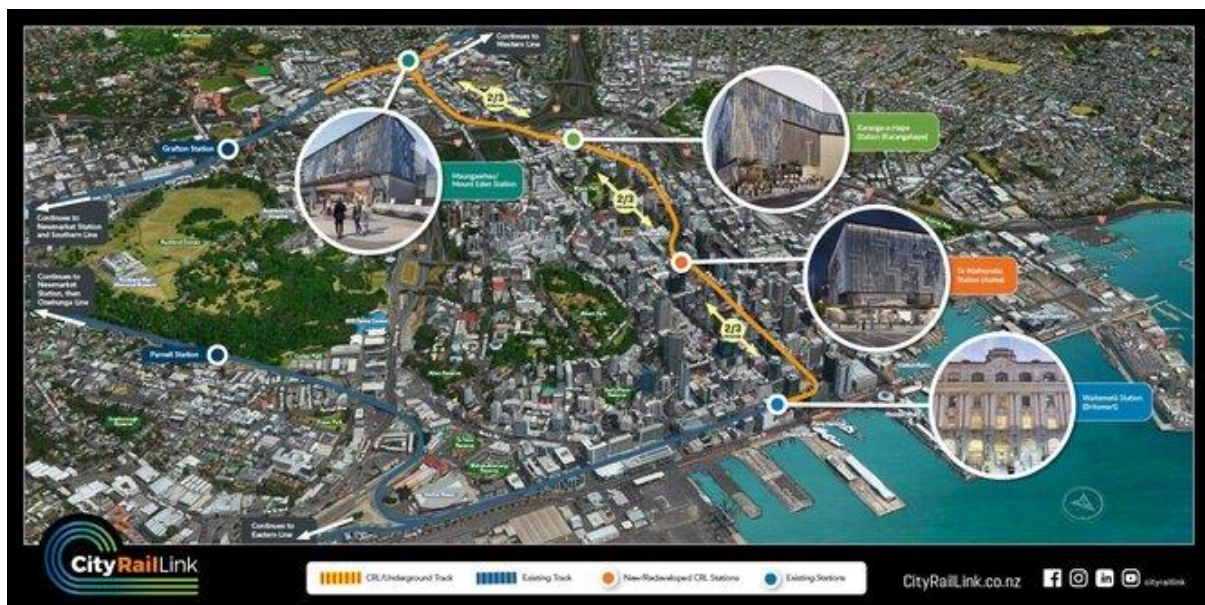
⁶ [Resource Management \(Enabling Housing Supply and Other Matters\) Amendment Act 2021](#).

⁷ New Zealand Government (2021) [Bill to boost housing supply passes](#). Press Release 14th December 2021.

⁸ City Rail Link (2022) [Key Facts about CRL](#).

the rest of the network of \$6.7 billion⁹. The preferred option for the Auckland Light Rail line along Dominion Road is estimated to be \$14.6 billion and future Light Rail Links to Northshore and West Auckland also being planned¹⁰. On a per capita basis the investment in rail represents an investment of \$20,000 per Aucklanders. This is obviously a large resource investment, and the extent to which the new rail infrastructure is utilised will be critical to the social wellbeing outcomes for the community in Auckland.

The investment within the rail infrastructure has been premised on the concept that growth in residents and business activity will occur in central parts of Auckland and in and around the stations along the rail network. If growth occurs as planned, then passenger volumes will be higher than they would otherwise be and the public benefits from the investment that spill over would be significant. These expected outcomes support the case behind investment of large amounts of public resources; however, if growth does not eventuate as planned then the rationale behind the investment may be undermined and the purpose of the HSAA may also be diminished.



Auckland City Rail Link. Image obtained from www.cityraillink.co.nz

Planning for growth

The growth of an urban area can result in positive and negative impacts that accrue unevenly to groups in the community. Local government implements planning frameworks that are intended to mitigate the negative costs and encourage benefits that are generated by growth. These planning frameworks also have an important role in the coordination and provision of public infrastructure.

Many councils have implemented policies that encourage growth into areas that would benefit the community and be served cost-effectively. Generally, councils have encouraged growth in areas around centres, proximate to transport corridors, and in progressively staged greenfield locations around the fringe of the urban area. This type of planning for growth has been termed 'Smart Growth' or 'Compact City' urban planning. This concept of planning tends to encourage growth into areas that have good transport links to avoid sprawl and encourages mixed-use development with a range of

⁹ NZ Herald (2021) [Rail shock: Auckland's \\$4.4b City Rail Link needs \\$6.7b more to reach its potential](#), 12th June.

¹⁰ Minister of Finance and Minister of Transport (2022) [Auckland Light Rail - decision to progress](#).

housing typologies.

Compact City or Smart Growth planning tends to encourage more intensive developments and less greenfield development. In part, some of the aspects of this planning framework have been blamed for exacerbating the housing crises in the urban areas. For example, some compact city policies have included future urban zones and urban boundaries on the edge of the urban area which have been designed to manage greenfield developments and coordinate the provision of required public infrastructure. This part of the compact city policy has been blamed for increasing land values and the cost of new housing in the greenfield areas.

Unplanning for growth

The NPSUD introduced intensification requirements (Policy 3) and a range of other policy changes in 2020¹¹ to encourage more development within urban areas. Much of the intensification requirements align with concepts of Compact City planning, with councils required to increase the allowance for higher density development in CBD, Metropolitan centres and within a walkable distance from these larger centres and rapid transport nodes. It also allowed councils to consider intensification in other areas which have high demand. For the most part, the intensification requirements should reinforce the Compact City planning approaches that have been adopted by councils and substantially increase capacity.

Less than eight months ago the HSAA brought forward the intensification requirements set out in the NPSUD and introduced a new requirement that high growth councils would need to change almost all residential zoned land to a new zone called Medium Density Residential Standard (MDRS). The MDRS will allow considerable amounts of additional development potential within the residential parts of the urban area. The councils that have released research on the impacts of the MDRS have shown that the development potential will be orders of magnitude greater than expected demand. Furthermore, the government's economic assessment that supported the new standards suggests that this MDRS could generate a 100% increase in development activity within the urban areas and that this will be located in residential zones which are outside the walkable catchments of public transport and main centres¹².

While the scale of the impacts predicted in the government assessment may be questioned, it is clear that MDRS is likely to result in a different distribution of growth across the urban areas. Specifically, the government is expecting that growth will be dispersed across the wider urban area and less concentrated around centres and transit hubs.

This is a clear departure from past council planning frameworks. The widespread Compact City thinking is replaced by a *laissez faire* approach. The Act is effectively 'unplanning' for growth, allowing the market to decide where growth will occur. It is likely to result in ad hoc development dispersed across urban areas. All high growth councils are required to adopt the requirements of HSAA in August 2022, when the Act comes into operation. We consider the blanket application of MDRS across entire urban areas is likely to diminish the benefits that could be achieved from intensification.

The dissipated development pattern enabled by HSAA will be more difficult to plan for and costly to serve with infrastructure. Also, with major public infrastructure such as rail and other rapid transit the dispersal of growth enabled by HSAA will result in fewer people living within walking distance of

¹¹ Removal of car parking minimum requirements.

¹² PwC (2022) The Medium Density Residential Standards under the Resource Management Act: Estimates of development impacts at the Statistical Area 2 level.

centres and transit hubs, and correspondingly lower patronage of public transport services. The benefits associated with these large resource intensive projects are likely to be diminished.

The Auckland case

Auckland has recently gone through a process of substantial changes to its planning framework, the Auckland Unitary Plan (AUP), which was in part based on the Compact City approach and represents the largest increase in development potential enabled within a plan change in the nation's history¹³. Under the AUP, the Council enabled enough residential capacity to meet 60-70% of growth within the existing urban area and 30-40% in greenfield locations¹⁴. The goal of the plan was to shift from the continued expansion of the urban boundary to accommodating more growth within the urban area via intensification. The Compact City approach adopted by the Council provided considerable supply of development capacity within and around major retail and commercial centres, and along transport corridors¹⁵. It was demonstrated that the cost of providing public infrastructure to meet the needs of intensifications was much cheaper than for greenfield developments¹⁶.

Since the AUP was adopted the amount of development within the urban area has increased steadily and there are clear signs that the intensification policy is being achieved. Recent assessments show over 85% of new dwellings in Auckland were located within the existing urban area, which has exceeded the goals of Council, and that the amount of intensive multi-units (terraced and apartments) increased to more than half of new housing development¹⁷.

Proposed zoning changes to meet the requirements of the HSAA¹⁸ show that most of the urban area in Auckland can increase in intensity, which will result in an unprecedented increase in development potential, more than ten times what is expected to be required in the coming three decades¹⁹. [19] If all of the opportunity for intensification was developed, then the City would house a community of over 10 million people. The broader spread of growth (see maps) suggests there will be fewer benefits from growth occurring in places where there is good public infrastructure and new investments in public transport – contrary to the intended outcomes.

¹³ Auckland Unitary Plan Independent Hearings Panel 2016.

¹⁴ Auckland Council (2013) Auckland Plan.

¹⁵ Auckland Council (2017) [Housing and business development capacity assessment](#)

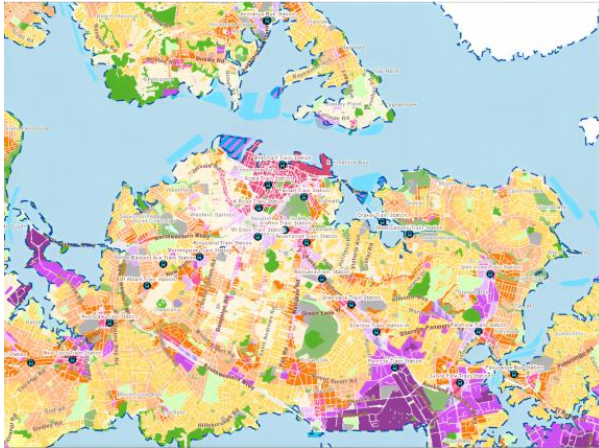
¹⁶ Auckland Council (2017) [How should we fund our greenfield infrastructure?](#)

¹⁷ Auckland Council (2018) Auckland Economic Quarterly - [What people want: A plan becoming action.](#)

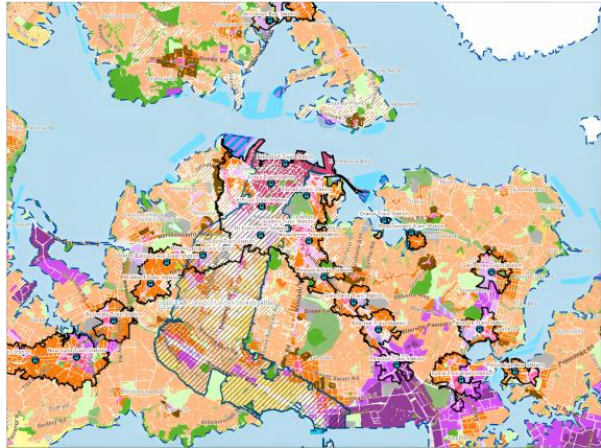
¹⁸ Auckland Council (2022) Preliminary Response to NPSUD and EHSA Act and consultation process – (April-May).

¹⁹ Fairgray, D (2022) Auckland Unitary Plan - Approval of Intensification Planning Instrument for Public Notification - [Attachment D3 Intensification Planning Instrument Section 32 Economic.](#)

Auckland Unitary Plan 2016



Proposed Intensification 2022



Map shows zoning under the AUP and the proposed intensification policy. The proposal shows that most of the urban area in Auckland is proposed to increase in intensity, which is indicated in the Council's planning maps with land changing from lower-intensity zones (yellows/whites) to higher-intensity zones (orange) for most residential areas and increased intensity around public transport and centres (dark orange).

Conclusion

Overall, the 'unplanning' approach to be implemented under HSAA is likely to result in unintended consequences, where the positive benefits from intensification are diminished because of the likely wide disbursement of development within urban areas. These would be contrary to the objectives of the government, particularly in relation to the core "well-functioning urban environment" concept.

The large investments in public infrastructure are less likely to be utilised to their full potential. This is important as more than 70% of New Zealand's growth will occur within urban areas and there will be greater financial costs for funding more infrastructure to service that growth, which would not have been needed under the previous planning provisions.

This policy will have implications for many urban areas in New Zealand. More time and assessment effort should have been devoted to understanding the likely impacts.

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