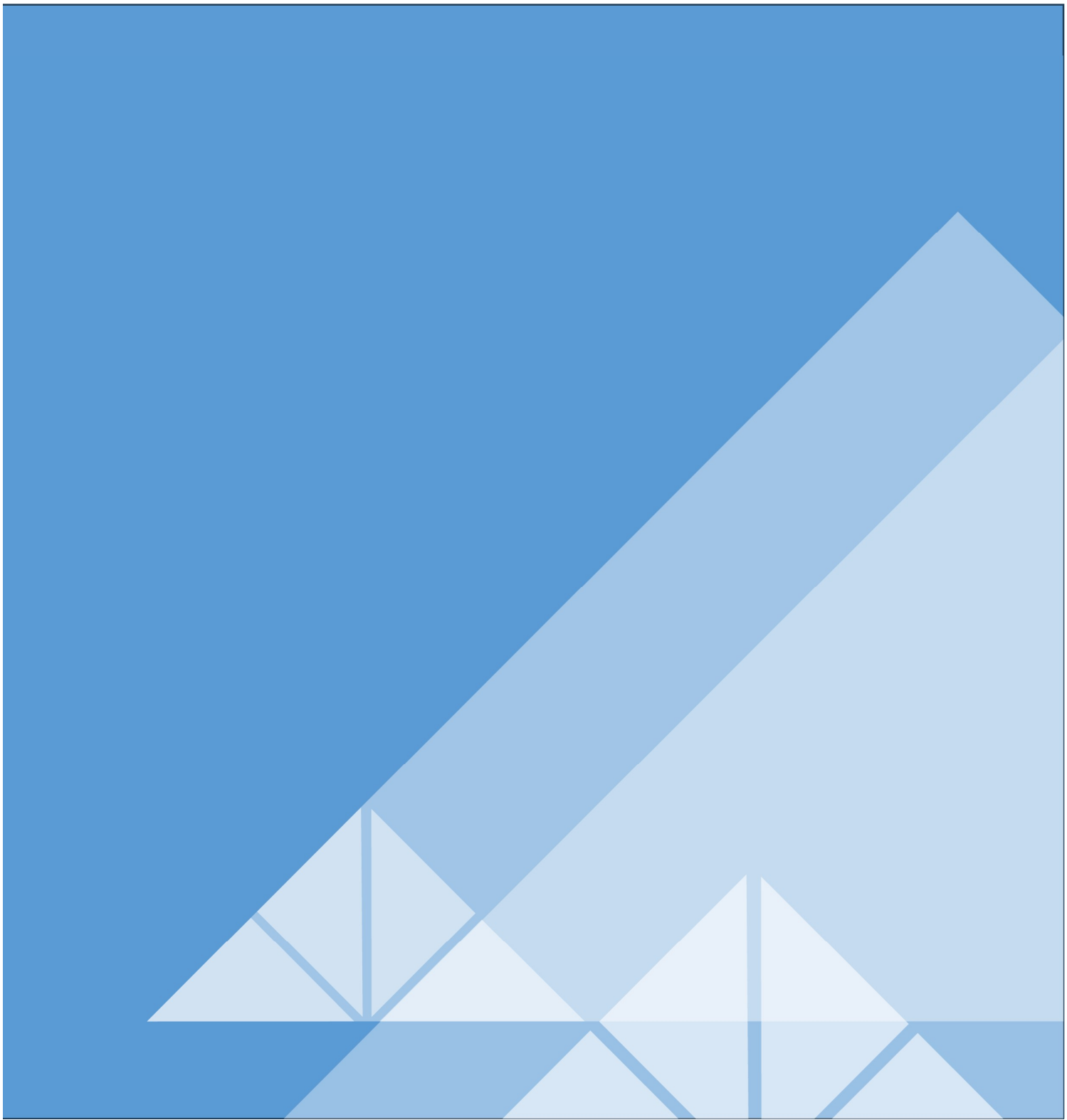
Study Report SR486 [2024]

Communities under construction

Andrea Simpson and Orin Lockyer



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Abstract

Auckland's rapid population growth has necessitated policy changes to address housing, infrastructure, and transport challenges. The 2020 National Policy Statement on Urban Development (NPS-UD) and Medium Density Residential Standards (MDRS) aim to increase housing supply by encouraging urban densification. This report examines the evolution of these policies, their impact on communities, and the industry's response. While some developers have embraced the changes, others remain indifferent, with decisions driven by market demand and land use optimization. Concerns include potential community disruption and the impact on neighbourhood character. The report highlights the need for careful policy implementation and industry adaptation to ensure the successful integration of medium-density housing into Auckland's and Aotearoa New Zealand’s urban landscape.

Keywords

Development, community engagement, developers, medium density construction, high density construction.

Executive summary

Auckland has experienced significant population growth over recent decades, rising some 20% from ~1.18 million in 2001 to ~1.7 million in 2021. This growth is forecast to continue, with Auckland projected to account for approximately 40% of New Zealand's population growth between 2018 and 2048 (Stats NZ, 2022b). While presenting a multitude of opportunities and positive impacts, this upward trend has also placed pressure on some of the city's cornerstones for economic success – housing availability, infrastructure development and effective transport links.

The 2020 National Policy Statement on Urban Development (NPS-UD) aimed to increase housing supply, predominantly by increasing density in urban areas. Local councils have been strongly encouraged to plan for and accommodate a range of housing types, including medium-density housing (MDH), in their urban areas and along public transport corridors.

The Medium Density Residential Standards (MDRS) introduced alongside the NPS-UD compel councils to ease planning restrictions to encourage increased residential densification. One of the most visible aspects of the MDRS is the newly relaxed allowance to build three homes of up to three storeys in residential areas without resource consent, providing the site complies with development rules and standards and is not subject to a special qualifying matter such as being a site of cultural or ecological significance, or presenting a risk from natural hazards.

The state of the NPS-UD and MDRS is currently in flux. While the new policies initially garnered bipartisan support, the standards are unlikely to continue in their current form. While the specifics of the policies explored in this report may not be as relevant in the current policy landscape, any future implementation of policy hinges upon understanding how the development sector responds to any new policy environment.

This report approaches the topic from two directions:

- Tracking the evolution of these policies and the subsequent key challenges and concerns for existing and future residents.
- Consulting active Auckland-based developers, real estate agents and their analysts, and financiers to gain an industry view on the real-world response to these policies.

These interactions focused on understanding developers' views of the evolving density policies and how they envisage their plans being affected.

Interviewees offered their views on the key aspects of the new policies, which ranged from enthusiastic implementation through to casual indifference. Some interviewees have significantly revised their project plans to take advantage of selected new policies, while others were largely unaffected. All responses were ultimately driven by ensuring the highest and best use of available land and meeting market demand within that constraint – for example, addressing varying preferences for storeys, layout, shading, outside area and views – in order to maximise profits, and in some cases, the new policies made it easier to do so.

Working from most responsive through to least responsive, policies that elicited the most tangible reaction from the development sector interviewees were:

- allowance for constructing three buildings of three storeys without resource consent
- increased allowance for impervious surface area
- removal of minimum car parking requirements
- allowance for individual outdoor spaces to become communal/contiguous.

Industry professionals interviewed during this project conveyed several key messages:

- Although the industry reiterated that no existing resident owns a view (outside of protected viewshafts), building to the maximum allowable requirements is not necessarily a profitable plan. Demographic analysis is playing an increasingly significant role in project planning, with the sector targeting specific buyers and building to meet their requirements, which may not be the maximum three storeys. Shading will likely be more of an issue for neighbourhoods with a lower market value, as three-storey developments are often more financially viable in those areas compared to areas with higher market value.
- In areas with high land values, multi-storey apartments are often more financially viable compared to townhouses, despite this requiring the developer to undertake the resource consent process (which the NPS-UD specifically removes for three-storey homes). The publicly notified resource consent process offers more protection for surrounding residents by allowing their input and possible objections.
- The exterior aesthetics, layout and amenities of MDH are only considered in terms of maximising sales. These decisions are not influenced by surrounding communities and the potential impact on existing residents. Providing the building is Code compliant, these groups do not have a reasonable ability to object.
- Most developments constructed under the MDRS will share joint ownership of common areas as per the Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Act 2022, which sought to strengthen governance arrangements for those living in developments with common areas and amenities. Interviewees unanimously viewed rules relating to occupant behaviour as largely unenforceable and did not believe they would alleviate issues with anti-social behaviour should they arise in MDH developments and affect the surrounding community.

Presenting the policy background alongside sector commentary gives an insight into how these new regulations are influencing real-world decision making and how their practical implementation could impact those living in communities under construction.

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1. Introduction

Auckland has experienced significant population growth over recent decades. The city's population was approximately 1.2 million in 2001, while available data shows that, as of 2021, the estimated population was 1.7 million, representing an increase of approximately 20%. This growth is forecast to continue, with Auckland projected to account for approximately 40% of New Zealand's population growth between 2018 and 2048 (Stats NZ, 2022b).

Increases in the domestic population have been accompanied by strong immigration figures (excluding COVID-19 border closure periods), with new migrants contributing to greater economic growth and a more highly skilled labour market in addition to increasing New Zealand's diversity across a variety of demographic variables. This upward trend presents a multitude of opportunities and challenges, and the benefits noted above might only be realised if supported by the cornerstones of housing availability, infrastructure development and effective transport links.

With these goals in mind – and as housing supply, infrastructure and transport face increasing pressure even under Auckland's existing population – central government identified medium-density housing (MDH)[1] as part of the solution to increase Auckland's future housing capacity while maintaining the qualities that make it an attractive city. Auckland's movement towards MDH is now evident in the nature and number of its building consents, with approvals for multi-unit dwellings increasing 32% in the year ending July 2022 (Stats NZ, 2022a). Therefore, although this report adopts an Auckland-centric focus, its discussion points are relevant to other cities included in the new policies detailed below.

While increased densification certainly meets some of Auckland's baseline challenges, MDH also brings significant challenges for the surrounding communities.

1.1 National Policy Statement on Urban Development and Medium Density Residential Standards

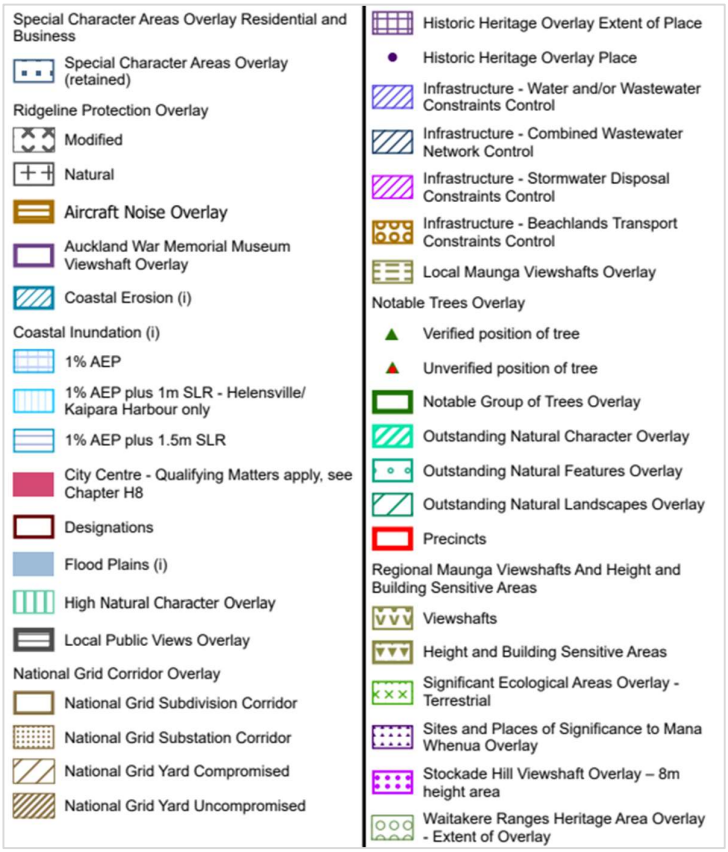
The 2020 National Policy Statement on Urban Development (NPS-UD)[2] aimed to remove hurdles for increasing housing supply by providing guidance and requirements for urban development. Increasing density in urban areas is fundamental to the NPS-UD, with local councils strongly encouraged to plan for and accommodate a range of housing types, including MDH, in their urban areas.

The NPS-UD replaced the National Policy Statement on Urban Development Capacity 2016,[3] with the two policy statements sharing many underlying principles. The NPS-UD is more prescriptive for New Zealand's larger Tier 1 cities (Auckland, Hamilton, Tauranga, Wellington and Christchurch), and it requires council planning decisions to contribute to well-functioning urban environments. It also makes specific reference to amenity values, climate change, housing affordability and Te Tiriti o Waitangi.

[1] In this report, MDH refers to residential buildings that bridge the divide between apartments and stand-alone homes – townhouses, terraced housing and low-rise apartment complexes.
[2] https://environment.govt.nz/publications/national-policy-statement-on-urban-development-2020-updated-may-2022/
[3] https://environment.govt.nz/publications/national-policy-statement-on-urban-development-capacity-2016/

The NPS-UD will alter the development landscape of all Tier 1 cities. For example, Auckland Council will be required to enable buildings of six storeys or more within walking distance from the city centre, the city's 10 largest metropolitan centres and near rapid transit stops such as train and busway stations and to remove previous minimum car parking requirements.

The Medium Density Residential Standards (MDRS)[4] were introduced alongside the NPS-UD and will compel councils to ease planning restrictions to encourage increased residential densification. One of the most visible aspects of the MDRS is the allowance for the construction of three homes of up to three storeys in residential areas without resource consent, providing the site complies with development rules and standards, and is not subject to a special qualifying matter (QM) such as being a site of cultural or ecological significance or presenting a risk from natural hazards (Figure 1).



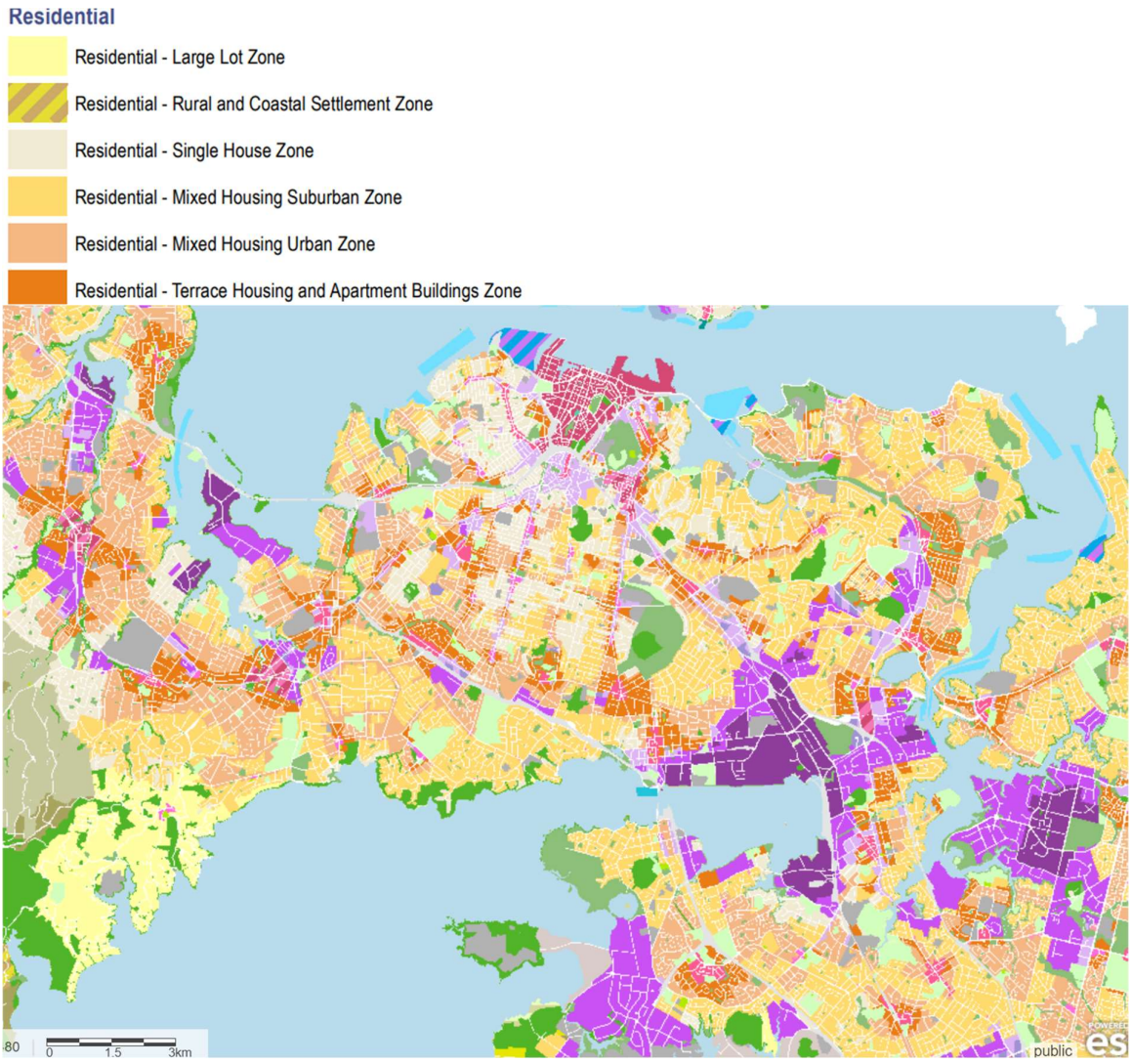
Source:
https://aucklandcouncil.maps.arcgis.com/apps/webappviewer/index.html?id=df2ce24d0c3046598604c21c40fdd45c

Figure 1. Auckland Council Plan Change 78 spatially identified qualifying matters.

Where a QM is identified, councils may be able to maintain less-intensive developments on that site than those required under the NPS-UD and MDRS. This has become a point of difference between central and local government, with the former criticising Auckland Council's wide-ranging exemptions under the QM framework.

[4] https://environment.govt.nz/assets/publications/Files/Medium-Density-Residential-Standards-A-guide-for-territorial-authorities-July-2022.pdf

The city's heritage overlay is one such example, with Auckland Council stating that these QM restrictions only apply to around 3.6% of Auckland's residential land. The definition of residential land means this is a small percentage of a very large area. However, this encompasses every property within Auckland's rural-urban boundary.[5] Narrowing the area to central Auckland, the QMs currently cover 41% of residential land within 5 kilometres of the CBD, 94% of central Grey Lynn and 91% of east Ponsonby. While research has shown that community concerns at times fail to materialise post-construction (Witten et al., 2018), the zoning map suggests that QMs in some areas are being utilised to effectively prevent MDH in traditionally affluent neighbourhoods (Figure 2).



Source: https://aucklandcouncil.maps.arcgis.com/apps/webappviewer/index.html?id=df2ce24d0c3046598604c21c40fdd45c

Figure 2. Auckland Council Plan Change 78 Single Housing Zone vs Mixed Housing Suburban Zone vs Mixed Housing Urban Zone.

[5] The rural-urban boundary extends from Warkworth to Papakura and from the Waitākere Ranges to eastern Howick.

Against this backdrop, in April 2023, Auckland Council did concede to including land within the Auckland Light Rail Corridor, having originally excluded this area in 2022.

These QMs mean residential intensification is not necessarily all one-way under these new policies (areas zoned for intensification have been rezoned to have less residential intensification). For instance, the revised map to include QMs notably affects areas previously zoned for intensification due to concerns around erosion among other risks.

1.2 Project objectives

The implementation of the NPS-UD and MDRS will revolutionise Auckland's residential landscape. If successful, these policies will see a reimagining of how housing connects people with transport, infrastructure, access to thoughtful and sustainable design in higher-density developments and improved enjoyment of local amenities. Not all Aucklanders share this optimistic viewpoint however.

Opposition to higher-density housing has sparked a contentious debate about the impacts of higher-density developments for surrounding communities, with concerns primarily focused on the potential for obstructed natural light, an increased strain on infrastructure, increased congestion, compromised privacy, a loss of neighbourhood character and overcrowded amenities as higher competition for resources threatens to create an imbalanced and overloaded urban environment.

The NPS-UD and MDRS specifications, as they currently sit, can be readily summarised – their interpretation and implementation by the development sector operating in Auckland in their wake less so.

This report approaches this topic from two directions:

- Tracking the evolution of these policies and the subsequent key challenges and concerns for existing and future residents.
- Consulting active Auckland-based developers, real estate agents and their analysts, and financiers to gain an industry view on the real-world response to these policies.

Interviews were conducted with developers and project managers of four brownfield sites and two greenfield sites in the Auckland region along with supplementary discussions with two of the four major financiers of Auckland's residential construction projects, agents from Auckland's three largest residential sales agencies and three members of their respective analytics teams. These interactions focused on understanding developers' views of the proposed planning changes, whether they are genuinely engaging with the evolving density policies and how they envisage their plans being affected.

The semi-structured conversations began by ensuring the person had sufficient exposure to the new policy conditions and generally followed this pattern of discussion:

- A foundational discussion to establish the type of projects the interviewee currently had under way and/or their project pipeline.
- The interviewee's awareness of the changing MDH regulations and their understanding of the potential impact on their projects and the wider Auckland development sector.
- Areas of improvement or deterioration compared to previous policies. Interviewees were asked to discuss any changes they would make to current or future projects assuming a stable policy environment (working within the rules as of late 2023).

1.3 A moving target – allowances for Auckland and broader amendments

The MDRS proceeded through the select committee process despite some groups (both within Parliament and outside it) voicing concerns that this was rushed – a view exacerbated by the subsequent legislation being passed under urgency. Following feedback, the government amended the MDRS to alter the intensity of development enabled and thus changed its effects (both positive and negative) upon surrounding communities.

The Auckland implementation timeline for these new policies was altered further in 2023, with the Minister for the Environment granting Auckland Council a 12-month extension beyond the previous deadline for notifying decisions on submissions on Plan Change 78[6] following the severe storm events in January and February 2023. Plan Change 78 has a new deadline of 31 March 2025 to allow Auckland Council time to assemble and analyse additional flood and landslide data in the wake of these storms and assess whether changes are required to ensure the NPS-UD accurately reflects potential new risk levels.

This decision was accompanied by a missive from central government for Auckland Council to employ stronger controls under the NPS-UD "to prevent large impermeable areas such as driveways, car pads and terraces in new and existing sites. These controls should be used with non-regulatory measures to encourage more site permeability through private and community-based re-vegetation schemes."[7]

This appears to be a contradiction of the government's own amended requirements for Auckland Council under the MDRS, which replaced the 60% impervious area limit with a requirement for 20% minimum landscaped area, effectively allowing an 80% impervious area limit. Response from the development sector was firm and swift with interviewees reporting their plans to alter landscaping wherever possible to utilise this newfound flexibility, as discussed further in section 2.5.

1.4 Auckland communities under construction – challenges and choices

The policy amendments noted above have reshaped the playing field for existing communities, new MDH residents and developers. Each group now faces a revised set of incentives, challenges and choices as policy makers seek to create a balanced planning environment that meets diverse (and, at times, conflicting) needs across the development landscape.

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[6] Auckland Council's proposed response to requirements in the NPS-UD 2020 along with the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021. These compel the council to enable more development in the city centre and at least six-storey buildings within walkable catchments from the edge of the city centre, metropolitan centres and rapid transit stops; enable development in and around neighbourhood, local and town centres; incorporate Medium Density Residential Standards that enable three-storey housing in relevant residential zones in urban Auckland; and implement qualifying matters to reduce the height and density of development required by the RMA to the extent necessary to accommodate a feature or value that means full intensification is not appropriate.

[7] https://www.aucklandcouncil.govt.nz/have-your-say/hearings/types-of-hearings/npsud-independent-hearings/LegalGuidelinesAndProcedure/npsud-procedural-minute-2023-04-13.pdf

As this report is focused on the pre-construction phase, brief analysis of legal objections, planning objections and changes to consented plans was completed to ensure these points remain valid for its purpose. Resource consent appeals and objections, interviews with Auckland-based developers and a review of international standards suggest that opposition to MDH is largely related to concerns around:

- shading, views and privacy in intensified areas
- aesthetics
- nuisance factors
- congestion and parking
- amenities
- impacts from pressured network infrastructure.

A brief description of each potential impact below is accompanied by comments and information gathered from the industry engagement outlined above.

2. Potential impacts in intensified areas

2.1 Shading, views and privacy

Shading, views and privacy are interconnected issues and raise significant concerns for residents living in areas zoned under the MDRS.

The Auckland Design Manual suggests: "At least 70% of living rooms and private outdoor spaces in a development should receive a minimum of three hours direct sunlight between 9am and 3pm in mid-winter. In dense urban areas, a minimum of two hours may be acceptable." (Auckland Council, 2024, p. 35). However, this is simply a guide and not a statutory document.

The provision remains in place to construct up to three dwellings of up to three storeys on each site without an approved resource consent, assuming the development complies with all other standards and planning rules, is arguably one of the more disagreeable aspects of the MDRS for existing residents. However, the policy amendments have changed the effects for surrounding neighbours with revised boundary rules, setbacks and glazing standards.

A summary of the changes that existing residents in Auckland might expect is shown in Table 1 (SHZ = Single House Zone, MHS = Mixed Housing Suburban Zone, MHU = Mixed Housing Urban Zone).

Table 1. Operative standards versus proposed amendments under the MDRS.

Standard	Operative SHZ	Operative MHS	Operative MHU	Proposed MDRS
Building height	8 m	8 m	11 m	12 m
Height in relation to boundary	2.5 m + 45°	2.5 m + 45°	3.0 m + 45°	4.0 m + 60°
Building coverage	35%	40%	45%	50%
Landscaped area	40%	40%	35%	20%
Outlook space	N/A	6 x 4 m from principal living area; 3 x 3 m from principal bedroom; 1 x 1 m from habitable rooms	6 x 4 m from principal living area; 3 x 3 m from principal bedroom; 1 x 1 m from habitable rooms	4 x 4 m from principal living area; 1 x 1 m from all habitable rooms
Outdoor living space	N/A	Ground floor: 20 m² being no less than 4 m; First floor: 5 m² or 8 m²	Ground floor: 20 m² being no less than 4 m; First floor: 5 m² or 8 m²	Ground floor: 20 m² being at least 3 x 3 m; First floor: 8 m² being at least 1.8 m
Front yard setback	3 m	3 m	2.5 m	1.5 m
Side and rear yard setback	1 m	1 m	1 m	1 m
Window glazing	N/A	N/A	N/A	Minimum of 20% glazing on street facing façade

From a pragmatic industry viewpoint, shading policy establishes a line from the boundary from the neighbouring site and prescribes an angle into the site, and the neighbouring building must be constructed within that line.

As noted in Table 1, buildings were previously not to exceed a height of 2.5 m measured vertically above ground level at side and rear boundaries. Thereafter, buildings were to be set back 1 metre for every additional metre in height (45°).

In general, the higher the building, the more distance is required from the boundary to avoid incursions upon sunlight and privacy, The change to a 12 m building height with a 4 m distance and 60° angle means the line into the site will be much steeper, with the potential for buildings closer to the boundary casting more shade on the adjoining property than previously.

While amendments have revised height and boundary requirements, specific view shaft overlays such as the Auckland War Memorial Museum Viewshaft[8] maintain their status.

2.1.1 Industry discussion on market preferences

Although the potential shading scenario outlined above is possible and while the industry consensus was that nobody owns a view, discussions also suggested that existing residents' concerns will vary widely across the city as each developer has an incentive to provide the optimal level of amenity to drive property sales.

For instance, interviewees noted that buildings with a lower market price point tend to be marketed on the basis of the number of bedrooms and bathrooms rather than their aspect for natural sunlight. Although a space measuring a minimum of 6 m² with a width of 1.8 m qualifies as a single bedroom, buyer requirements mean the double bedroom layout (10 m²) is much more common. Those consulted (three agents and three analytics team members) agreed that discerning market preferences essentially trump the bare minimum requirements.

With these considerations in mind, buyer forecasting is an increasingly critical component of project planning, with developers and lenders using demographic analysis to better understand who would be interested in purchasing in a location, for what purpose and how to achieve the highest possible profit.

Agents interviewed who are marketing MDH properties priced between $650,000 and $950,000 were especially focused on this, effectively tracking potential purchasers through a property journey using site-specific data from third-party analytics providers such as Relab, aggregate mortgage borrowing, interest rates and population demographics, particularly of school-age children –schools that ranked highly in the previous decile system often had a halo effect on property prices in the enrolment zone. The decile system was replaced by the Equity Index (EQI) on 1 January 2023, with funding due to take effect in 2024. The EQI sees a reshuffle of funding using 37 socio-economic factors associated with poor education outcomes rather than the perhaps less-nuanced decile system. One of the analytics teams indicated work had

8 https://unitaryplan.aucklandcouncil.govt.nz/Images/September%202013%20version/Overlays/Viewshafts/Museum%20viewshaft%2001%202013-03-04.pdf

begun in 2023 to create a simple translation tool to easily communicate the EQI to buyers more familiar with the previous decile system.

Discussions with agents centred on preferred layouts for MDH, which may affect development planning decisions:

- Buyers in the $650,000–950,000 range largely expected this would mean a three-storey format with a relatively small footprint and were seemingly increasingly comfortable with shared amenities to maximise their lifestyle such as gyms.
- Buyers in the $1–3 million category are still interested in three-storey units, albeit with a larger footprint and with one bedroom on the ground floor. Those buyers purchasing at the $3–4 million price point very rarely buy units above two-storeys.
- No agents had many $4+ million buyers looking at MDH. These buyers value unobstructed views from single-storey units with lift access from internal garaging.

Analysts noted that this could suggest buyers searching in the $1–3 million range may require accommodation for older children, a tenant or childcare provider, which is perhaps less of a consideration for buyers searching at higher price points.

Developers are also increasingly motivated to present to a targeted buyer group in the current economic climate, as lenders noted developers without a credible forecast cash flow may be charged a risk rate of above 12%. Simply put, developers have a vested interest in building units that meet the demands of the most profitable segments of the market. The financial cost of neighbourhood tensions is a further consideration for developers, who noted that past friction had resulted in construction delays[9] in addition to costly legal expenses.[10] Much like the maximum height limit, developing to the absolute extremes of allowed activity may not always prove the most profitable option.

While these discussions covered a diverse range of projects across a variety of topography, price points and infrastructure systems, the industry sentiment showed shading and loss of views is not entirely inevitable in the pursuit of commercial viability, particularly where good design is applied. See Appendix A (on Pg.25 of this report) for more discussion on considerations for developers.

2.2 Aesthetics

Providing a development complies with all standards, existing residents are unlikely to successfully oppose construction based purely on its appearance as design and colourways are subjective and Auckland Council has no control over the aesthetic characteristics of a development.

This could change as the growing number of units being developed under build-to-rent schemes (BTR) add another pathway to residential property investment, ownership and security of tenure and could also alter developers' designs with respect to privacy, views and external aesthetics.

Although BTR schemes can bring investors, landlords and renters together, the incentives are seemingly market-driven with an additional consideration for aesthetics and long-term quality – attractive buildings and thoughtful layouts that appeal to long-

[9] Following a series of court actions and appeals, one developer estimated this process cost $630,000 by the time the development was completed.
[10] One such example is *Wallace v Auckland Council* [2021] NZHC 3095 (CIV 2021-404-000539 [2021] NZHC 3095).

term tenants and higher-quality builds that typically result in lower ongoing maintenance costs for the building owner and/or developer.[11]

For example, with a planned completion date of June 2024, Kiwi Property is constructing 295 BTR apartments at Resido[12] – a development exclusively for renters – with a further 245 BTR units consented and 1,800 BTR in its potential project pipeline. Resido offers flexible lease terms from 12 months to 10 years and welcomes pets – a common barrier for renters looking for secure tenure and/or accommodation that allows animals. Notably, Resido also has a full-time on-site maintenance team. Schemes like this could see changes in how MDH projects are designed and managed as owner and/or developer motivations differ from those divesting of the asset upon completion.

2.2.1 Industry discussion on aesthetics

The cost of exterior cladding is the key decision-making driver for the developer group when making a selection, with no consideration made for reflectivity, contrast with the surrounding setting, colour clarity or material longevity nor community concerns about their views of a new building. Two developers noted that, from experience, exterior cladding constitutes approximately 10–20% of the total construction cost. However, in MDH complexes, the body corporate (or similar) is normally responsible for its ongoing maintenance. There is subsequently little incentive for developers to consider the long-term costs of restaining cladding or ensuring cost-effective access for maintenance for example. This opinion also applied to landscaping installation and general maintenance. However, existing residents may exert more influence should developers seek resource consent (and thus a design review) for developments that exceed the MDRS. Although none of the developer groups were involved with the Resido development, they indicated that industry was observing it with interest .

2.3 Nuisance factors

New Zealand, like many other nations, experienced significant shifts in working routines as a result of the COVID-19 pandemic. This period highlighted the feasibility and benefits of working remotely such as reduced commuting time and increased flexibility.

Earlier in 2023, InternetNZ found that approximately 60% of respondents worked in roles that allowed them to work from home and that 78% chose to take that opportunity either some or all of the time.[13] Although this has decreased from 83% in March 2022, it suggests some companies continue to offer a hybrid work model over 3 years on from the government's announcement that the country would move to Alert Level 4 (isolation) on 25 March 2020.

Although more New Zealanders are back in the office, at least some of the time, greater flexibility to work from home can exacerbate some of the challenges and

[11] If building to sell, the developer group considered bonus sunlight and views in proportion to the envisaged final price point. This has created the byproduct of additional provisions for shading, design dominance and privacy beyond council requirements in some locations. Further discussions confirmed this has been factored into planning for six developments breaking ground across Auckland in 2024/25, 2026/27 and 2028.
[12] https://www.kiwiproperty.com/development/sylvia-park/
[13] https://internetnz.nz/new-zealands-internet-insights/new-zealands-internet-insights-2022/flexible-working

concerns around MDH. During the construction stage, these challenges may include noise management, driveway movements, dust and disruption from construction and restricted street access during working hours – inconveniences that may have gone unnoticed by most people working from a central base prior to COVID-19.

Some challenges may continue after construction is complete. Shared driveways are a fundamental aspect of MDH design generally allowing a more efficient use of land area and reducing costs yet they can also create a point of conflict between neighbours – for example, if fast traffic movements are perceived to endanger safety or are considered excessive and are more noticeable for residents working from home.

While Auckland Council licensing requirements apply to some business operations,[14] many home-based businesses are able to operate freely with no current plans to change this for MDRS zones. Associated customer visits and deliveries could prompt concerns about disruption, as traffic movements in the common area markedly increase.

2.3.1 Industry discussion on nuisance factors

Most developments constructed under the MDRS will share joint ownership of common areas as per the Unit Titles (Strengthening Body Corporate Governance and Other Matters) Amendment Act 2022. While this Amendment Act sought to strengthen governance arrangements, in reality, these are considered broadly ineffective after the unit is sold. While they may offer a sense of security for potential purchasers, enforcement is unlikely as body corporate powers are limited, and owners living off site have little incentive to police their tenants' behaviour. The provision of a 6-month on-site delivery manager has helped one developer assuage such concerns. However, this role tends to focus on construction-related 'teething issues' with the complex rather than long-term residential considerations and will likely be dispensed with once property prices start rising again to create more of a sellers' market.

Planning for projects currently under construction shows little regard to noise, dust and other construction-related nuisance factors beyond legal requirements. Earlier in 2023, both lenders confirmed a preference for a staged demolition process to lessen project risk as credit conditions were tightening, thereby lengthening the overall disturbance period for the surrounding community. However, when consulted further in October 2023, this sentiment had receded. The resource consents obtained pre-MDRS had prescriptive rules for addressing each issue such as minimum insulation requirements, wet-working methods to limit dust, silt collection, set working hours and decibel management, and these conditions have been retained.

2.4 Congestion and parking

Parking is a key concern for existing communities newly zoned for MDH, with 71% of respondents to a 2020 residential survey stating that access to car parking that is attached to their dwelling was either very important or quite important (Allen & O'Donnell, 2020). This concern was perhaps exacerbated by the Auckland Council Unitary Plan amendment in February 2022 that removed minimum parking requirements for developments across the city alongside increased on-street parking charges, with a further rise taking effect on 28 August 2023. The changes to the

[14] Businesses requiring a licence include health and beauty, and food preparation. A full list is available at https://www.aucklandcouncil.govt.nz/licences-regulations/business-licences/Pages/default.aspx

required number of car parks per unit did see some developments partially accommodating these changes, with a greater number of new apartment complexes offering electric bicycle charging stations.[15] However, this move did not meaningfully resolve parking pressure in surrounding communities, particularly in fringe heritage suburbs that typically have little off-street parking.

Residential parking zones (RPZ) sought to ease parking pressure for residents but the priority weighting system means RPZ remain problematic. The number of priced permits (70 per car per year) is capped at 85% of the number of parking spaces available in the zone, with permits first allocated to residents in houses on a single title without off-street parking or an apartment building built before 1944 without off-street parking. Following these groups are houses on a single title with one off-street space, then all other houses or townhouses with apartments bringing up the rear. This prioritisation is applied each year when permits are reissued, and securing a permit does not guarantee the availability of any parking space, which operates on a 'first in, first served' basis. The potential for 'parking wars' is clear.

Aucklanders' transport methods of choice are inextricably connected to the region's worsening congestion challenge, with central and local government seeking near-term and longer-term solutions for a city that has historically grown out rather than up. As infrastructure projects such as the City Rail Link continue to experience delays and cost overruns, community concerns about increased congestion in the near term collide with the potential for a more efficient use of infrastructure in the longer term, further complicated by how a more intensive urban footprint may protect existing natural amenities for communities by minimising urban sprawl.

Research undertaken in 2021 referenced the development sector's response to the 2016 Auckland Unitary Plan (AUP) as one tool for understanding how the number of dwellings may change under the MDRS (PwC & Sense Partners, 2022).

The researchers noted the significant key differences between the AUP and the MDRS and adjusted the model accordingly:

> [T]here are important ways that what happened under the AUP is different from what we expect to happen under the MDRS. The AUP favoured development at the urban fringe over intensification near the city centre and left in place other constraints to development beyond zoning rules, resulting in some measured results that do not align with the demand patterns predicted by theoretical frameworks for urban spatial equilibrium. The MDRS is intended to alter this. To align our forecasts with that intent, we adjust our model to neutralise the AUP bias toward urban fringe development, allowing demand and opportunity cost characteristics to drive the response to up-zoning instead. (PwC & Sense Partners, 2022, pp. 12–13).

The researchers forecast that, 27,900–53,700 additional dwellings could be added to Auckland during the 5–8-year period following the policy enactment.[16]

The link between increased dwellings and congestion is non-linear. The speed-flow relationship utilised by traffic engineers shows that, beyond a certain congestion point,

[15] Examples include complexes along the Great North Road ridge, bordering on the largely heritage suburb of Grey Lynn.
[16] This represents the low, base and high estimates with sensitivity range, with a base estimate of 39,200 additional dwellings.

each additional car will have an adverse impact on both the capacity and speed of the transport corridor (Wallis & Lupton, 2013). Pre-MDRS, modelling indicated that, in the absence of congestion pricing or other interventions, by 2048, the proportion of Auckland car travel in severe congestion would increase by 29% in the morning and afternoon peaks and by 38% in the interpeak, with severe congestion on the freight network during both the morning peak and interpeak increasing by 50% (Ministry of Transport, 2020). The MDRS's encouragement of car-free households seeks to alleviate this predicted future congestion.

2.4.1 Industry discussion on congestion and parking

Existing developments required to have car parks as conditions of consent would need to apply for a variation under the Resource Management Act 1991 to remove any required on-site car parks. None of the group were currently seeking such a variation.

Developers did note, however, that the removal of minimum car parking has made it far easier and more cost-effective to undertake and complete future projects as it could remove the need for below-ground construction, the allocated area could be used for increased amenities such as a gym or it could allow for extra/larger units if the parking was to be above ground.

The removal of minimum parking has serious repercussions for the provision of accessible parking. The requirement for Auckland Council to remove car parking minimums included an exception for accessible parking. However, NZS 4121:2001 *Design for access and mobility – Buildings and associated facilities* only requires accessible parking where general parking is provided. Should a developer choose to forego parking entirely (in full compliance with the NPS-UD), the subsequent accessibility parking will not be required. While accessible parking has not been previously required for residential developments, recently developed single-dwelling neighbourhoods typically provide space for off-street parking.

The removal of minimum parking and the larger footprint of accessible parking means increasing the MDRS could have a disproportionately detrimental effect for users who often do not have alternative transport options.

The ratio did not explicitly exclude tandem car parking, which could pose an issue for people with disabilities (who may require ease of access and space for wheelchairs for example). All other improvements were the purchaser's, responsibility and structural limitations means that not all requests could necessarily be met.

Unlike the recognised value of additional space or configurations to meet market demand, industry discussions suggest there are limited commercial drivers for parking for people living with disabilities or with different needs. As such, these facilities seemingly play no real role in industry decision making or planning beyond legal requirements.

This is significant, with one developer noting that, within a future complex comprising 250+ units, they have allocated approximately 2% of area to units that could be altered for adaptable living providing the unit was purchased off the plan. Depending on the requested alterations, this could result in a price premium up to 15% for specified features, which were classified as changes to plans that exceeded the permitted structural alterations. However, these could also include changing water pressure to allow for different height showerheads and installing additional power points in particular locations. In some cases where a contract allows such variations, it

can also allow the developer to make their own changes unchecked. In many cases, off-the-plan contracts will also include an entire agreement clause that can effectively override all previously indicated plans. These examples are not intended to represent the experience in every development but it does suggest that, in some circumstances, the disregard for accessible parking is echoed in other parts of the buying process.

All four developers stated that congestion is beyond their control and, providing they are meeting all standards, the issue lies with central and local government infrastructure projects rather than individual developers.

To summarise, industry is responding as one would expect: maximising returns within the bounds of their legal requirements. Whether this is meeting the needs of people with different abilities therefore becomes a policy discussion rather than an industry issue.

2.5 Amenities

The MDRS could create fragmented development across Auckland in the near term and pose a challenge for the traditional delivery of amenities. For instance, suburbs may have previously grown at a reasonably predictable pace, allowing forward planning for increased requirements such as schooling as dwelling numbers grew. The faster and more populous intensification on a smaller footprint envisaged under MDRS will likely place pressure on schools, green spaces, sports fields and other public amenities. The planning, viability and construction of such amenities typically requires the user population to reach a critical mass, meaning amenity delivery may lag behind need.

It is also important to note that, although amendments to the minimum outdoor living space for ground floor units in MDRS zones sought to address such concerns, seeing the minimum increased from 15 m² to 20 m² (see Table 1), this area can now be grouped for communal use.

2.5.1 Industry discussion on amenities

All four developers plan to make revisions, where possible, to communalise outdoor living spaces in developments with a lower price point. The group noted that residents in higher-priced developments tend to value individual outdoor area rather than shared spaces, even if the former is considerably smaller.

While not directly involved, one developer discussed a development in northwest Auckland as an example. The development consists of three housing typologies: apartments, townhouses and stand-alone houses. The apartment complex has a shared space equal to a combined area of 8 m² per unit. Although pre-project market analysis suggested individual balconies measuring 8 m² or larger were considered desirable by purchasers in the $600,000–750,000 price range (and preferred over a shared space of a larger combined area), the developer noted the demand pressure at that price point, and the complex sold quickly despite the communalised area. The townhouses sold well also. Balconies were included to meet buyer preferences, while the stand-alone housing had small, individual backyards and separate driveways.

One developer cited a shared rooftop area included in a low-rise apartment complex comprising 12 units. Security cameras installed for safety captured a total of 129 hours of usage over a 12-month period, with the majority of that occurring within the first month as residents briefly inspected their new shared property. The developer envisages using such space for energy capture in future developments, which they

believe will attract more purchaser interest along with reducing potential noise complaints from surrounding communities should such shared rooftop space suddenly gain popularity among the residents.

In the lower-rise MDH typology such as three storeys, the amendments still apply. This may see outdoor living space amalgamated to create a contiguous area for recreation (playgrounds and socialising outdoors for example). However, as with the rooftop example above, these communal areas only add amenity value if residents actually wish to use them. If not, the potentially preferred individual outdoor space for each unit could be rolled into the greater community area and may result in less amenity value for some residents.

2.6 Impacts from pressured network infrastructure

The qualifying matters referred to in section 1.1 provide an exemption from the MDRS for areas with special characteristics, which could include ecological beauty, cultural significance, iconic viewshafts or an increased risk from natural hazards such as coastal erosion.

A limited number of sites are exempt on the basis of stormwater, wastewater and water supply constraints where a network-scale service would be prohibitively expensive or difficult. By contrast, the capacity of local services for water, wastewater and stormwater infrastructure to meet demand is not considered a qualifying matter.

The changes to the minimum landscaped area requirements (noted in Table 1) replaced the 60% impervious area limit with a requirement of 20% minimum landscaped area. This essentially raises the impervious area from 60% to 80% should a developer choose to provide the minimum 20% landscaped area. Further, the decrease in minimum landscaped area from an effective 40% to 20% also allows that the 20% of site area allocated to grass or plants can include the canopy of trees regardless of the ground treatment below them. The dripline of a tree is considered a guide for working near trees without damaging the root systems, and the dripline itself is defined as the outmost circumference of the tree's canopy – the widest extent of the branch spread. A tree with a broad canopy would therefore allow for a greater area of impervious surface beneath the tree out to the extent of the dripline (as it is often more cost-effective to convert areas to impervious surfaces from an ongoing maintenance perspective), thus potentially placing increased pressure on public infrastructure such as stormwater treatment.

With infrastructure pressures of different types evident across the Auckland region, this report briefly looks at an example of the strain on water infrastructure in one selected area earmarked for increased residential densification:

- Coxs Bay is located in Westmere and, along with Herne Bay, will be included in the proposed MDRS zone. The southern part of Coxs Bay has separate stormwater and wastewater systems but the remainder has a combined wastewater network owned by Auckland Council's Watercare feeding into the Manukau treatment plant.
- Sewage overflow into Coxs Bay occurs frequently during significant rainfall, with the 65-year-old Western Interceptor unable to cope with increased volumes.
- A decade ago, Watercare announced it would begin the construction process for a Central Interceptor, comprising a 13-kilometre pipeline connecting Western Springs to the Manukau treatment plant. Separated sewerage systems were deemed financially unfeasible, with 2013 cost estimates of approximately $1.3 billion.

- At the time, Watercare hoped this would reduce sewage discharge into the harbour to 6–12 incidents per year. However, this forecast is less certain now that the completion date has been extended to at least 2026 and perhaps 2030.
- In the meantime, a long-term permanent alert advises against all swimming in Coxs Bay and nearby Meola Creek, with neighbouring Herne Bay and Home Bay also experiencing significant sewage overflow at times rendering them unswimmable.

This is simply one example of the current pressure on public water infrastructure. While it does not necessarily represent all developments and these effects may be ameliorated by development contribution funding, it remains a key challenge that has not been aided by changes to the limits on impervious surfaces.

2.6.1 Industry discussion on impacts from pressured network infrastructure

A pressured infrastructure system alongside policy changes to impervious surface requirements are creating some unintended consequences when realistically applied by industry. Two developers noted that, on projects drafted during 2022, once payments to Watercare, Vector and Chorus and development contributions were included, a complex of under six units was unprofitable in many city fringe locations in the Auckland region, even assuming a favourable contour that lowered pre-construction costs such as earthworks.

During the course of discussions, viewed redrawn development plans showed green space replaced by the maximum amount of impervious area in light of this change (making way for car parks that could be purchased separately). These changes were in addition to increased paving under spreading trees, discussed above, to satisfy the landscaping requirement at a considerably lower cost than planting the whole area.

3. Summary

The NPS-UD and MDRS have the potential to revolutionise Auckland's residential landscape and have understandably created concerns and a certain wariness as existing communities assess how a significant increase in MDH might affect their neighbourhood and lifestyle.

This research has sought to present the policies alongside a snapshot of what their practical implementation may look like, taking into consideration industry discussion with developers and supplementary engagement with real estate agents and construction sector managers from New Zealand's two largest banks. These discussions have emphasised the importance of aligning policy with development incentives. Where these differ, perverse outcomes may include a loss of green space, underutilised communal areas and reduced access to mobility parking.

Against the backdrop of the MDRS, developers are negotiating a delicate matrix of land prices, valuable existing buildings, the cost of and access to capital, contours, material and labour costs, infrastructure connections and, ultimately, buyer demand, which dictates their forecast price point and lending rate.

Despite wide-ranging spatial overlays, the application of MDRS is not practical in every eligible location, with developers only employing the MDRS where commercially feasible and lenders providing capital where prudent. These feasibility considerations, primarily driven by market demand, mean that existing residents do not necessarily need to fear huge, unattractive buildings overshadowing their daily lives in every part of the city zoned for MDH, as tracking density along network corridors is an eminently reasonable strategy to satisfy Aucklanders' longer-term transportation needs.

Where development does occur, however, existing residents are seemingly quite justified in their concerns about the broader impervious surfaces, lower parking provisions and a lack of body corporate compliance and landscaping as these policy directives do not currently appear to be creating the envisaged outcomes.

While the council and existing residents may have the opportunity to comment on the aesthetics of a neighbouring building if the development exceeds the MDRS and permissions, there is very little ability to do so if the development remains within the rules. This means existing residents may essentially be faced with three storeys of a building exterior they dislike and only having the ability to provide input through the design review process should the developer seek resource consent to go above three storeys. This could result in a taller – but perhaps more agreeable looking – neighbourhood. However, this will vary by project.

The gap between potential and reality widens in Auckland's older suburbs where the qualifying matters overlay, and ageing infrastructure means industry has experienced little success in satisfying Auckland Council and Watercare of their ability to effectively connect to the existing system while keeping their costs within a feasible range.

This does raise questions about the purpose of zoning land for higher-density development when the infrastructure is not currently available to support it and nor will be in the foreseeable future. It effectively dilutes the spatial location mapping for MDH and makes clear that allocating land by zoning does not necessarily result in the envisaged outcomes.

Next steps

A set of development case studies would allow an in-depth analysis of how selected MDH projects progress, whether community concerns materialise and, if so, to what degree.

Presenting a current, genuine business plan would show where policies were failing to achieve their targeted outcomes and how this could be mitigated or resolved.

The accompanying engagement process could leverage information from Auckland Council's extensive 2020 programme to avoid duplicating research and efficiently devise a hierarchy of key stakeholders.

By studying real developments in the real-time industry environment, the objective would be to identify areas where both community and development incentives align to allow each to serve their own best interests[17] and allow for measures that benefit both developers and the surrounding communities.

[17] One example is a developer creating a community wetland in an area that was deemed too expensive to drain.

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Appendix A: Developer considerations

Construction inputs

New Zealand's ongoing infrastructure demand means that the country requires approximately 8–10 tonnes of stone, gravel and sand per capita (Aggregate and Quarry Association, n.d.), making New Zealand the world's third-highest user of aggregate per capita.

In 2022, Auckland was importing 2.2 m tonnes of aggregate each year to supplement the region's production of 11.1 m tonnes, not through lack of supply but rather the lengthy process required to obtain resource consent (Aggregate and Quarry Association, 2022). Transportation has now become the key cost driver as local aggregate availability remains relatively low. As a rule of thumb, the cost of transporting aggregates doubles in the first 30 kilometres and costs continue to rise for every further kilometre travelled. An average house requires 250 tonnes of aggregate (Aggregate and Quarry Association, n.d.).

Given this persistent lack of supply and associated cost, the soil quality and contour of sites becomes an even greater driver of project feasibility. Many sites zoned for the MDRS have been deemed unworkable after considering aggregate requirements, as a sloping contour or proximity to a sensitive area (such as a wetland or coast) often requires greater aggregate volumes and places pressure on returns.

One case had all the above attributes in addition to a high-value location. The foundation specifications meant a two-storey three-unit development with large moveable bronze privacy shades provided the views and sunlight demanded at this price point and yielded a 21% higher return than that forecast from the allowable three-storey five-unit development. This trend was anecdotally supported by discussions with two Auckland-based producers of exterior architectural mesh, who both reported 2022 to be their busiest year since founding their businesses in 2010 and 2014.

Infrastructure connections, resource consent and design review

High cost of capital and restricted access to lending has driven demand for more cost-effective sites that are zoned for three-storey developments and can readily withstand such foundations with a surge of consenting activity near the Panmure and Glen Innes train station hubs. The 'Remuera rough guide', a very approximate anecdotal guide to construction project returns along the Remuera Road ridgeline, decrees that the profit margin emerges after four storeys. Further, sites in more established areas of the city, which are often synonymous with higher initial purchase costs, are often accompanied by older infrastructure and higher connection contributions.

In one case, seeking resource consent for seven storeys proved more feasible than adhering to the three-storey allowance, despite the process triggering a design review process involving council. Once the cost of the site, demolition and cost of capital were considered, the three-storey plan had a forecast return of 3.9%, well below the development group's expectations. A seven-storey building has been granted resource consent subject to architectural mesh to protect existing residents' privacy with the project forecast to return 7.5% upon completion in 2024.