



Proposed Plan Change 78

to the Auckland Unitary Plan (Operative in part)

SECTION 32

EVALUATION REPORT (ECONOMY MATTERS)

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Executive Summary

Introduction

Auckland Council, as a tier 1 territorial authority, is required by the RMA to prepare, notify and progress an Intensification Planning Instrument (IPI) – proposed Plan Change 78 (**PPC78**) - to be notified on or before 20 August 2022 in accordance with s80F(1)(a) of the RMA.

S32 Assessment

S32 requires assessment of the benefits (positive effects) and the costs (negative effects) of a plan change or policy. This assessment considers the broad benefits and the costs of PPC78. Proposed PPC78 contains a number of Qualifying Matters (QM) which would enable a lesser level of development than is mandated in the directive MDRS and Policy 3 provisions. This s32 report examines the benefits and the costs arising in two circumstances:

- a. If the MDRS and Policy 3 provisions as mandated in the HSAA are unamended.
- b. If the MDRS and Policy 3 provisions are amended by Qualifying Matters.

At the high level, the potential benefits and costs assessment is straightforward. The legislation seeks to increase plan-enablement for housing throughout Auckland, to facilitate housing supply. Potential effects include increases in housing supply, housing diversity and choice, and downward pressure on housing and land prices, with likely higher levels of dwelling ownership, and lower housing costs within household living costs. These outcomes generally represent benefits to the community at large, including through positive effects on community cohesion.

If the QMs were to result in a lesser level of development enabled by the MDRS and Policy 3, the foregone benefits would represent some cost (some benefits foregone).

The QMs are also intended to deliver benefits to the community, mainly by retaining established conditions and values in the urban environment, which would be lost or diminished if the MDRS level of development were fully implemented in all locations. These matters mandated by the community through the RMA process¹ relate to the natural environment as Outstanding Natural Landscapes, Outstanding Natural Features, Significant Ecological Areas, Volcanic Viewshafts and height sensitive areas, High Natural Character areas; to health and safety/protection and cost matters as Coastal Inundation, Flood inundation and Coastal Erosion QMs; and to the built environment as Special Character Areas. QMs applying to water and wastewater infrastructure relate to the costs to the community to fund additional capacity.

The loss or diminution of these matters would represent a cost or loss of benefit to the communities affected.

At issue in s32 terms is how the costs of not fully implementing the MDRS and Policy 3 provisions compare with the costs of not retaining (loss) those matters which the QM provisions seek to retain. Most simply, a consideration of the potential benefits foregone on each side of the comparison.

¹ As provisions settled through the statutory planning process including community consultation.

Key considerations

Context, timing, scale and location are key consideration in this assessment.

PPC78 will increase housing enablement, but the effects will not all arise immediately in the Auckland economy. Some effects from changes to plan-enablement will accrue quickly, including perceptions of development opportunity. However, market response in terms of property acquisition and new housing development will accrue progressively, because these depend on not just opportunity, but on the level of demand from Auckland households and investors. The key processes in the Auckland economy are established, the market already has substantial development opportunity under the AUP, and the development sector requires feasible projects to respond to demand. Housing development can be expected to continue progressively, with small shares of overall potential taken up in any year.

Scale is critical, because the benefits will arise mainly from the amount of plan-enabled capacity in relation to demand for housing. The enabled capacity is many times the anticipated demand into the very long term. Importantly, the large level of enablement means it is not a 'zero sum' situation, where lesser levels of development in one location must be directly compensated in other locations. Rather, the extensive enablement offers abundant scope for effects to be offset without material impact on the property market. This places the relevant focus on the quantum of enabled capacity, and the margin between enabled capacity and anticipated demand. The benefits which accrue to the community will be broadly in line with the level of housing demand from the (resident) population. Beyond the level at which market-wide effects will arise, increasing the quantum and margin does not mean a corresponding *pro rata* increase in potential benefits. For assessing QMs, the relevant focus is on the quantum of enablement with the QMs in place, as distinct from any percentage reduction compared with fully enabling the MDRS and Policy 3 provisions in all locations.

That said, location is also critical, because demand, enablement and the QMs are not simply distributed *pro rata* across the Auckland economy. Location is never neutral, and it is important to consider how outcomes in specific locations may differ from the effects city-wide.

Main Findings

The s32 assessment has a number of key findings.

First, the potential benefits foregone if the provisions are not fully implemented – the cost of not fully implementing in all locations - is small. There are several reasons for this:

- a. PPC78 is very enabling. It would provide for housing capacity to meet Auckland's demand into the very long term, far beyond the 30-35 year 'long term' horizon of the NPSUD. The plan-enabled capacity with MDRS and Policy 3 provisions fully implemented in all locations would be approximately 3,289,000 dwellings² (excluding allowance for capacity in the Future Urban zone). That indicates a large margin (around 2,376,000 dwellings capacity in the high demand future) between projected demand (815-913,000 households by 2051) and enabled capacity.

² Numbers are expressed as 'approximately' because they are modelled estimates, and have underlying assumptions about mean dwelling sizes. Assumed smaller mean size would show more dwellings. Larger mean size would show fewer dwellings.

- b. Implementation of the QMs would potentially reduce enabled capacity by approximately -463,000 dwellings. That would mean plan-enabled capacity of approximately 2,826,000 dwellings, and a potential margin between demand by 2051 and capacity of around 1,913,000 dwellings.
- c. The potential reduction in capacity from the QMs would represent around -14% of the total plan-enabled capacity from a fully implemented position. However, that would not correspond to a *pro rata* -14% reduction in the benefits of the extra enablement, because there is such a large margin at the Auckland-wide level. The size of the margin is such that it would be many years into the future beyond the long-term horizon (2051) before effects could become material. Standard economic assessment approaches which apply discount rates to assign greater weight and value to effects occurring early, and less weight to those occurring later, would show small effects on a Present Value basis.

Second, the costs (foregone benefits) of not implementing the QMs will arise from the time PPC78 is implemented, and will be greater than the costs (foregone benefits) of not fully implementing the MDRS and Policy 3 provisions. There are several reasons for this:

- d. Many of those effects will begin to accrue as soon as development of affected sites starts. A share of the housing activity in Auckland (currently around 11,000 of the 20,000 new dwelling consents annually) can be expected to be directed to sites subject to a QM.
- e. These effects will start to have immediate flow-ons, as a number of the foregone benefits will accrue to adjacent sites, whether or not development begins on those. This is the case for QMs whose benefits arise in aggregate across localities, including Volcanic viewshafts, all of the natural landscape and character QMs, and the Special Character sites. This suggests that such costs will accrue relatively rapidly to these areas, at a faster rate than the development of individual sites.
- f. The foregone benefits of a lesser level of development will be low, and would accrue later, so there is limited prospect of those costs being greater than those of not applying the QMs, especially on a Present Value basis.

These findings apply at the city-wide level, and also at the sub-regional level of LBAs.

It is also important to consider effects in specific locations, especially where the incidence and effects of QMs may be relatively high, in relation to the plan-enabled capacity.

The Central City and Inner Auckland

There is considerable interest in central Auckland. The CBD itself is ringed by older established residential areas (Parnell through to Ponsonby and Grey Lynn), which have substantial numbers of residential zone properties identified as Special Character, which have less potential for intensification to add more housing capacity. Key issues relate to the potential housing capacity on residential and business zoned properties in central Auckland, including in the wider contexts of urban form and economy growth in a diverse and multi-nodal city. The assessment shows:

- g. There is substantial plan-enabled capacity to accommodate housing growth in the residential areas around the CBD. Under PPC78, dwelling numbers could increase to 3 times their current level, allowing for minimal increase on SCA sites. Such growth would arise primarily from apartment development.

- h. There is also substantial plan-enabled capacity in the business zoned areas (Central City zone and Mixed Use zone). This would also arise from apartment development. The plan-enabled capacity in residential and business sites would enable dwelling numbers increase to around 3 times their current level, with around 70% of this on business zoned sites.
- i. It is also relevant to consider the enabled capacity in those suburbs which are centrally located (broadly, Newmarket through Mt Eden and Morningside to Westmere) but which are mainly outside a readily walkable distance from the CBD. These suburbs would have plan-enabled capacity sufficient for dwelling numbers on residential sites to increase to 2-3 times their current level, and on residential and business sites to increase to more than 3 times their current level. This would be with QMs including Special Character applying.
- j. Further beyond that 'middle cordon' of centrally located suburbs is an outer cordon (broadly from Mt St John through Balmoral to Mt Albert), also beyond ready walkability to the central city but relatively central within the Auckland context. These would have plan-enabled capacity sufficient for dwelling numbers on residential sites to increase to around 3 times their current level, with similar scope on business zoned sites.

Urban Context

It is important to consider the plan-enabled capacity in the central parts of Auckland and especially the CBD in relation to the city's overall growth. In terms of enabled capacity, the CBD and inner suburbs could accommodate more than a quarter of household growth to 2051 (high scenario). That is unlikely. For many households the central city is a very attractive place to live. Auckland has the common urban characteristic of highest development intensity, property values and employment focusing in the city centre. However, it is important to differentiate between the central city being the most attractive location overall, and assuming that it is the most attractive location for every segment of the housing market, and every business.

Like most large cities Auckland has a multi-nodal urban form. These commonly evolve as an efficient spatial structure to serve the needs of businesses and households, and provide a wide range of living options by location and dwelling typology. This urban structure offers different trade-offs among living environment, space, dwelling types, affordability, access to employment, goods and services, education and recreation. A core requirement is to provide capacity for household growth to satisfy demand across an urban economy – including but not limited to the central city.

Summary

The preliminary overall conclusion is that PPC78 including QMs would provide for greater overall benefit for the Auckland community than would full application of the MDRS and Policy 3 provisions in all locations.

1 Introduction

1.1 Objective

The purpose of this Report is to provide an economic evaluation of proposed Plan Change 78 in accordance with sections 32 and sections 77J, 77K, 77L, 77P, 77Q and 77R of the RMA.

Auckland Council, as a tier 1 territorial authority, is required by the RMA to prepare, notify and progress an Intensification Planning Instrument (IPI) – proposed Plan Change 78 (**PPC78**). The IPI is required to be notified on or before 20 August 2022 in accordance with s80F(1)(a) of the RMA.

The IPI is to incorporate the medium density residential standards (MDRS) into relevant residential zones and to give effect to Policy 3 and 4 of the National Policy Statement on Urban Development 2020 (NPS-UD³).

The NPS-UD and RMA, as amended by the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021⁴ (“**HSAA**”), provide scope for a number of discretionary matters to be addressed in the IPI, including Qualifying matters, Related matters, and Consequential matters.

1.2 Scope of this Report

This Report provides the economic assessment of PPC78. It adheres to the s32 framework required by the RMA and HSAA to consider the benefits and the costs of a proposal.

The provisions of the HSAA are far-reaching. They will directly and indirectly affect fundamental aspects of the Auckland urban economy and community, into the long term. A detailed and thorough assessment is required. Accordingly, this Report presents a wide-ranging evaluation of the overall effects of the changes which are contained in the IPI. These changes include those which enable additional levels of development for housing, and also those that limit or qualify additional levels of development, compared to the baseline of Policy 3 and the MDRS.

It is intended to be read alongside the Section 32 Overview Evaluation Report.

1.2.1 Approach

The approach reflects the nature of the proposed changes, and the assessment provisions contained in the HSAA.

The primary aim of the legislation is to increase the plan-enabled housing capacity of urban Auckland. The NPSUD Policy 3 provisions mandate enabling development to a height of at least 6 storeys in ‘walkable catchments’ around the central city, metropolitan centres, and rapid transit hubs across Auckland, as well as in areas adjacent to other high demand centres. These Policy 3 provisions would apply to approximately 40,378 residential zoned sites and approximately 51,980 business zoned sites in Auckland.

³ As updated May 2022.

⁴ Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021

The MDRS provisions mandate enabling development of up to 3 dwellings per site without resource consent in all other residential zoned areas. These MDRS provisions would apply to approximately 316,441 residential zoned sites in Auckland⁵.

Together these provisions will affect almost all of urban Auckland. *A priori*, they would provide for plan-enabled housing capacity which is several times greater than Auckland's projected housing demand, into the long term. They will directly affect the development potential and growth patterns throughout the city.

The scope to not implement these provisions is limited. It depends on establishing that there are valid 'Qualifying Matters' ("QM") which would justify a lesser level of development, for reasons of incompatibility or inappropriateness.

The legislation requires that the proposed plan changes are evaluated under s32 of the RMA. The established approach in s32 evaluation is to consider the proposed plan change, including any variations, in comparison with the appropriate counter factual(s). S32 requires assessment of the benefits (positive effects) and the costs (negative effects).

Accordingly, this s32 assessment is to consider the benefits and the costs of PPC78, including the proposed main variations which arise predominantly from the proposed QMs. This requires assessment and comparison of the likely benefits and the costs in two circumstances:

- a. If the MDRS and Policy 3 provisions as mandated in the HSAA are unamended.
- b. If the MDRS and Policy 3 provisions are amended by Qualifying Matters.

The starting point is the levels of development enabled in each case. However, the implications of the MDRS and Policy 3 provisions are not limited to their direct effects in housing enablement. They will affect most aspects of the urban community and economy. There are three clear considerations:

- a. One is the level of housing enablement.
- b. From that a second set of considerations includes the direct and wider effects for housing supply, and consequences for housing values and the property market, and housing costs and affordability. That set also relates to the outcomes for the Auckland urban living environment, because the higher enabled housing densities and the different distribution of capacity will have a mix of outcomes, as both benefits for and costs to households and the community.
- c. The third set relates to the broader urban growth and development outcomes, especially implications for Auckland's urban form and efficiency. These include energy and resource use in travel and interactions, and urban infrastructure, which will have flow on implications for wider issues of sustainability and consequences for climate change.

These matters arise as a consequence of the additional housing capacity which would be enabled by the MDRS/NPSUD provisions. They will be directly influenced as well by any Qualifying Matters which affect the level of development enabled in any location.

Importantly, while some effects will arise once the new provisions are implemented, many others will arise at later times in the future, especially as ongoing growth in demand for housing sees the outcomes of the provisions manifest 'on the ground'.

⁵ Excluding 13,053 sites zoned as Large Lot or Rural and Coastal Settlement

1.2.2 Specific HSAA Evaluation Requirements

The HSAA specifies a number of evaluation requirements to assess QMs.

First, the outcomes to be assessed are to be identified as a '*level of development*'⁶. In particular, assessment is required where a QM would provide for a different '*level of development*' from the default MDRS provisions. This term is examined in Section 2.

Second, such outcomes are to be assessed in terms of incompatibility or inappropriateness. The level of development mandated under the MDRS and Policy 3 provisions needs to be shown as being "*incompatible*" with a QM listed under s77I (a-i). Any lesser level of development enabled under a QM must be assessed to take account of the costs and broader impacts, including potential benefits.

For other QMs, those which are not specifically identified in s77I, Council must establish that a specific characteristic of the urban environment would make the level of development enabled by the MDRS and Policy 3 '*inappropriate*'. Assessment of any lesser level of development must take account of the national significance of urban development, and the objectives of the NPSUD.

This means the HSAA framework for assessing QMs is wide-ranging, with consideration of "costs and broader impacts" and examining inappropriateness in relation to urban development *per se*, and the NPSUD objectives which encompass the core aspects of the urban environment. Both routes require broad, multi-faceted and long-term evaluation of the effects of the likely 'level of development'.

To a substantial degree, the mandated broad and long-term assessment fits well with the provisions of RMA s32. Nevertheless, there are challenges from the requirements to assess a 'level of development' and show that to be 'incompatible' or 'inappropriate' within the broad frameworks offered by urban development *per se*, and the objectives of the NPSUD.

1.3 Potential Benefits and Costs

At the high level, the potential benefits and costs for assessment in s32 terms are straightforward.

The legislation seeks to provide a high degree of plan-enablement for housing throughout the urban economy, in order to facilitate housing supply. Potential direct effects include increases in housing supply and in housing diversity and choice, and downward pressure on housing and land prices. Potential consequent effects include higher levels of dwelling ownership, and lower housing costs within household living costs. These are generally considered to represent benefits to the community at large, including through positive effects on community cohesion.

If the QMs were to result in a lesser level of development than otherwise enabled by the MDRS and Policy 3, the foregone benefits would represent a cost (loss of benefit).

The QMs are intended predominantly to retain established conditions and values in the urban environment, which would be lost or diminished if the level of development enabled by the MDRS and Policy 3 provisions were fully implemented in the relevant locations. That loss or diminution represents a loss of benefit (a cost) to the affected community. These established conditions and values as defined through the RMA process⁷ relate to the natural environment (ONLs, ONFs, SEAs, viewshafts and height sensitivity, HNC),

⁶ Under clauses 77J and 77L of the Act.

⁷ As provisions settled through the statutory planning process including community consultation.

health and safety and costs (inundation, flooding and erosion), and the built environment (SCA). The QMs applying to water and wastewater infrastructure relate to additional costs to the community to fund additional capacity.

The broad weighing up of benefits and costs in s32 terms relates to how the benefits of retaining the conditions and values through implementing the QMs (costs avoided) compare with the benefits foregone if the MDRS and Policy 3 provisions are not fully implemented.

Importantly, the assessment requires more than a simple comparison of dwelling numbers. While numerical analysis is a key aspect of this s32, both the benefits and costs will arise directly and indirectly over time, through a range of urban processes. That is recognised explicitly in the evaluation framework mandated in the legislation, to assess broader impacts including costs and benefits, and in relation to the benefits of urban development and the objectives of the NPSUD.

It highlights the needs to understand how, when and where the potential benefits and costs are likely to arise in the Auckland economy. These in turn require sound understanding of the economy and its housing and property markets, supported by a robust evidence base to examine the relevant matters. Those tasks are core aspects of this s32 assessment.

1.4 Assessment Structure

To address these matters, the requirements for s32 assessment and the evaluation structure for the s32 are summarised in Figure 1-1. The left side of the Figure shows the requirements for s32 assessment (with wording summarised for clarity). The central part of the Figure shows the nature of the assessment required, including:

- a. The overall view as to whether PPC78 is the most appropriate way to achieve the purpose of the RMA as set out in the HSAA, in relation to outcomes from economic, social, cultural and environmental effects.
- b. Whether PPC78 the Proposal (HSAA) is the most appropriate way to achieve the HSAA objective of enabling (additional) capacity for urban housing.
- c. Taking into account other options, which relate mainly to the QMs that may affect the level of development enabled.
- d. Taking account of the efficiency of the Proposal in terms of the likely benefits (positive effects) relative to the likely costs (negative effects).
- e. Taking account also of the effectiveness of the Proposal, in terms of the likely degree to which objectives would be achieved, in relation to the likely extent of negative effects.
- f. While having regard to the implications for economic growth, which include urban development *per se* and the effects on Auckland's economy and community, and economic performance.
- g. While also having regard to the implications for employment, relating to urban development *per se* and economic performance by Auckland's private and public sector entities.
- h. With the assessment to quantify these effects where this is practicable.

- i. At a level of detail which is appropriate to a Proposal which requires site-specific assessment and would have substantial effects across almost all of New Zealand's largest urban economy (directly affecting 33% of the national population and approximately 38% of business activity).

A basic consideration is that the HSAA will directly affect land use outcomes across a large integrated urban economy and environment. It follows that in addition to effects which arise directly, many other effects will arise indirectly and consequentially from changes in how the Auckland economy will function. This is particularly relevant to the requirements to assess matters in relation to urban development *per se*, and the wide-ranging objectives of the NPSUD.

The right side of the Figure summarises the specific matters to be assessed in order to satisfy the requirements of s32. The two broad sets of effects are those arising for the Auckland economy and property markets, and those arising for the Auckland living environment. These key matters are:

- a. The direct effects of the MDRS and Policy 3 provisions on the level of development enabled, including development capacity.
- b. The likely effects of this greater enablement on the Auckland housing market, and the wider land and property markets.
- c. The likely housing and development outcomes for Auckland, from the interactions of the housing development enabled with demand for housing, arising from population and household growth and change.
- d. The likely urban development and growth outcomes for Auckland, arising from the combination of housing growth and other components of urban growth including provision of infrastructure, business activity, and provision of public and private sector services.
- e. At the higher level, the likely impacts through the economy on housing markets and households, particularly dwelling supply and housing value and price implications.
- f. At the economy-wide level, the likely effects from urban form and growth outcomes on the functioning of the economy, including travel and transactions, and agglomeration effects, which affect wider efficiency and sustainability matters.

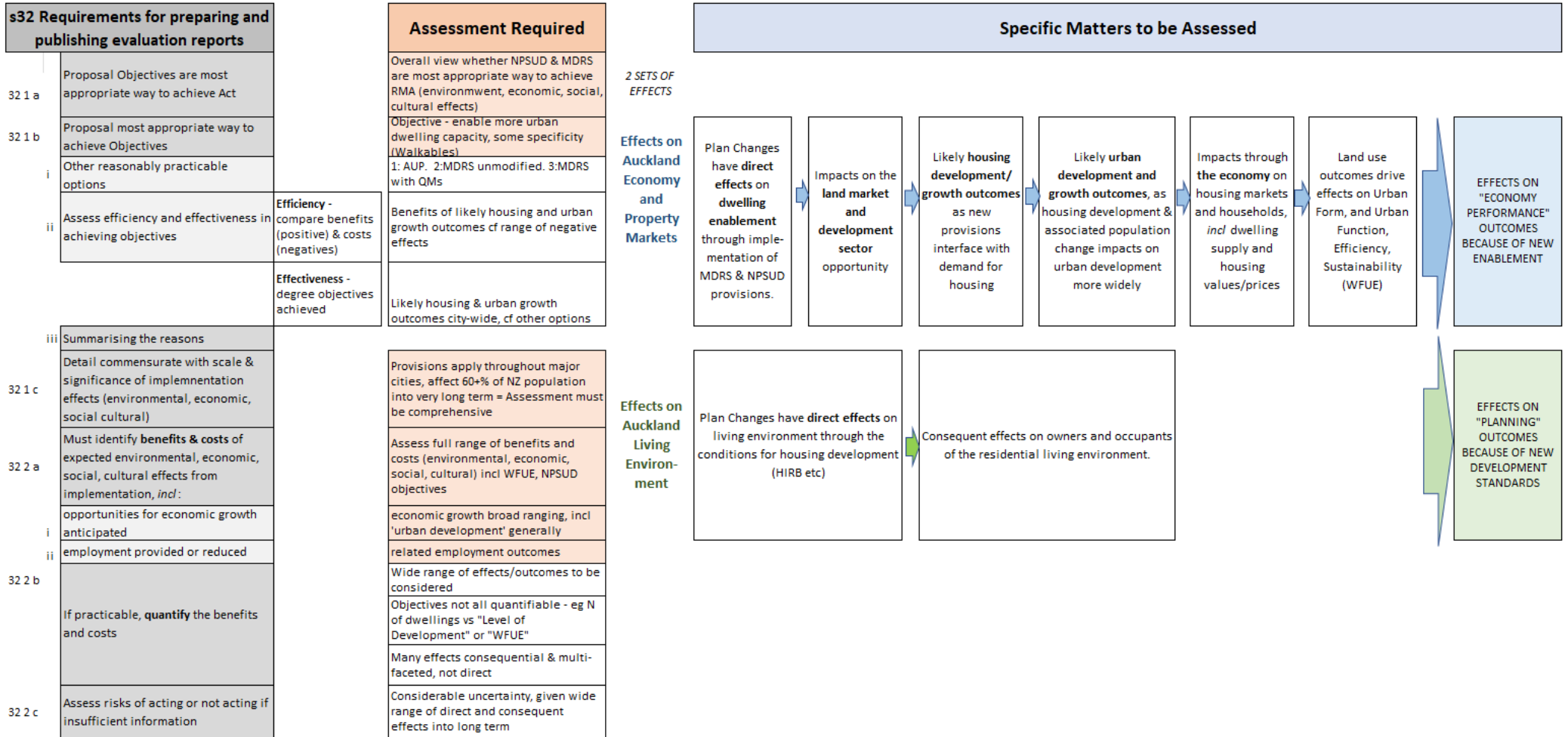
These are broadly the 'economy performance' outcomes, affected directly and consequentially by the new housing enablement provisions.

The matters relating to the living environment for the community are:

- a. The direct effects of the HSAA and NPSUD on the living environment, in terms of the development enabled, and the potential development response.
- b. The consequent effects on owners and occupants of the residential living environment.

These are broadly the 'living environment outcomes' as affected directly and consequentially by the new housing enablement provisions.

Figure 1-1 : S32 Requirements and General Evaluation Structure



1.5 Report Structure

This Report is structured as follows. Following this introductory Section 1, each section covers a main component of the s32 requirements.

Section 2 sets out the Assessment Framework. This starts with examining the provisions set out in the legislation, in terms of the MDRS (Medium Density Residential Standards) Schedule 3A and NPSUD Policy 3. These describe and to a degree define the level of development which the Plan must enable in order to comply. It examines the conceptual and practical basis for the s32 assessment - the purpose of the provisions and the intended outcomes, the assessment structure set out in the HSAA, including the level of development, the significance of urban development, and the objectives of the NPSUD. A particular focus is the processes through which the provisions will affect the Auckland urban environment, including effects on the land and property markets, and potential impacts on housing supply.

Section 3 sets out the Methodology, including the geographic basis, how the plan-enabled capacity has been estimated, and how Qualifying Matters have been identified and put 'on the ground'. This includes some detail because of the complexity of Auckland's urban living environment, and the need for accuracy in terms of the housing development enabled by each Plan provision in each location. It also provides assessment of the Auckland market, to help identify how the MDRS and Policy 3 provisions are likely to have effect on that market. The description covers development feasibility, since the enabled capacity is well in excess of anticipated demand, and considers possible growth outcomes for Auckland, as the basis for examining effects on urban form. This includes discussion of the role of residential growth and the CBD within Auckland's urban structure.

Section 4 examines the direct effects of the MDRS and NPSUD Policy 3 provisions, in terms of plan-enabled capacity. It also examines the QMs which Council proposes for the Plan, which would affect the level of development enabled, including their combined effects. This considers the matters of '*incompatibility*' with the level of development enabled (in the case of 77I (a-i) QMs) and specific characteristics which contribute to the '*inappropriateness*' of the level of development enabled (in the case of QMs under 77I(j)). The assessment covers plan-enablement outcomes for locations within Auckland, including areas of key interest in and around the central city, and areas subject to QMs.

Section 5 examines the indirect and flow-on effects of the provisions. Particular focus is on housing supply, potential effects on the housing and land markets, matters of housing affordability, and some implications for competitive land markets. It also considers likely effects on Auckland's future growth and urban form/development outcomes. This is because the MDRS and Policy 3 provisions will directly affect the land use and development intensity enabled in the urban environment. The primary direct effect of the provisions will be on the land use patterns in Auckland, for both housing activity, and for the business activity (including built development) which locates in response to the housing and associated population patterns. The land use and development outcomes will drive direct and consequent effects across the urban environment, which will inform the assessment of '*costs and broader impacts*' under 77J(3)(c), and the effects of specific characteristics on urban development per se and the objectives of the NPSUD under 77L(b).

These together provide the basis for assessing implications for urban development *per se*, and the objectives of the NPSUD. It also considers how the expected development and growth outcomes will affect the functioning of the Auckland urban economy in terms of efficiency and sustainability, including implications for Auckland's economic growth and employment (s32(2)(a) i & ii). The assessment considers

how patterns of housing and business growth are likely to affect efficiency in regard to urban travel, and infrastructure. These more general economy aspects inform the assessment of effects of provisions and QMs on 'urban development' *per se*, and the objectives of the NPSUD.

This section also draws together the findings to address the question of the benefits and the costs of different outcomes. The focus is on the potential foregone benefits (costs) if the MDRS and NPSUD Policy 3 provisions are not fully implemented, as against the foregone benefits (costs) if the aspects which the QMs seek to protect and retain were instead lost because the MDRS and Policy 3 levels of development were fully implemented in all locations.

2 S32 Assessment Framework

This section sets out the s32 assessment framework in relation to MDRS and Policy 3. It examines the relevant provisions, and the implied evaluation framework, as set out in the Act, and details the methodology for s32 assessment of Qualifying Matters.

2.1 Approach

There is an overall requirement for evaluation of a plan change, as provided for in s77G, in terms of s32 of the RMA. It applies to any plan change, including QMs which may amend MDRS and Policy 3 provisions. The standard structure of s32 evaluation is to consider a plan change in terms of the anticipated costs and benefits resulting from the change. Commonly, evaluation of the costs and benefits covers much more than just monetary considerations, with costs generally as negative effects, and benefits in terms of positive effects. That is the case here.

The key matters to be assessed in regard to Qualifying Matters are set out on 77J and 77L. This framework includes some discussion of the key matters which need to be considered, and their underlying rationale. It includes assessment of the current circumstances which will influence outcomes.

2.2 Overview of MDRS and Policy 3

The main purpose of the NPSUD and the HSAA⁸ is to enable greater capacity for housing than is currently provided for in the district plans of cities. This is primarily through the combination of minimum enabled development heights (6 storeys) in areas around main centres and rapid transit hubs (NPSUD Policy 3), and enabling up to three dwellings per site as a permitted activity in the remaining residential zoned areas in cities (MDRS).

It is important to first understand how the provisions of the HSAA and the NPSUD fit together, how those provisions specify – for the mandated plan changes - the housing development to be enabled, and the framework in which that enabled housing development may be assessed in s32 terms. That includes the effects of QMs which would result in a level of development which is less enabling than what the MDRS (Schedule 3A) or NPSUD (Policy 3⁹) specify.

The process is set out in three clauses of the Act, which first (in 77G) set out the duty to incorporate MDRS and give effect to Policy 3, then (in 77J) specify the requirement to evaluate any proposal for a Qualifying Matter which may result in lesser enablement, and then (in 77L) specify the requirements for such evaluation report as to how outcomes may be assessed with regard to MDRS (Schedule 3A and Policy 3). The level of (housing) development is shown in Schedule 3A of the MDRS, and Policy 3 of the NPSUD. It is also important to understand the housing development required to be enabled to comply with those standards, guiding the required structure of s32 assessment, and also the various terms used.

While there has been considerable focus on the notion of maximising housing capacity, it seems clear that compliance with the Act and policy statement does not depend on providing for the maximum possible

⁸ Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021

⁹ Policy 3 applies to a Tier 1 city, Policy 5 to other cities.

development capacity for housing. Rather, the focus is on the level of development enabled, which does not equate to a maximum housing capacity (as discussed below).

2.2.1 Key Provisions

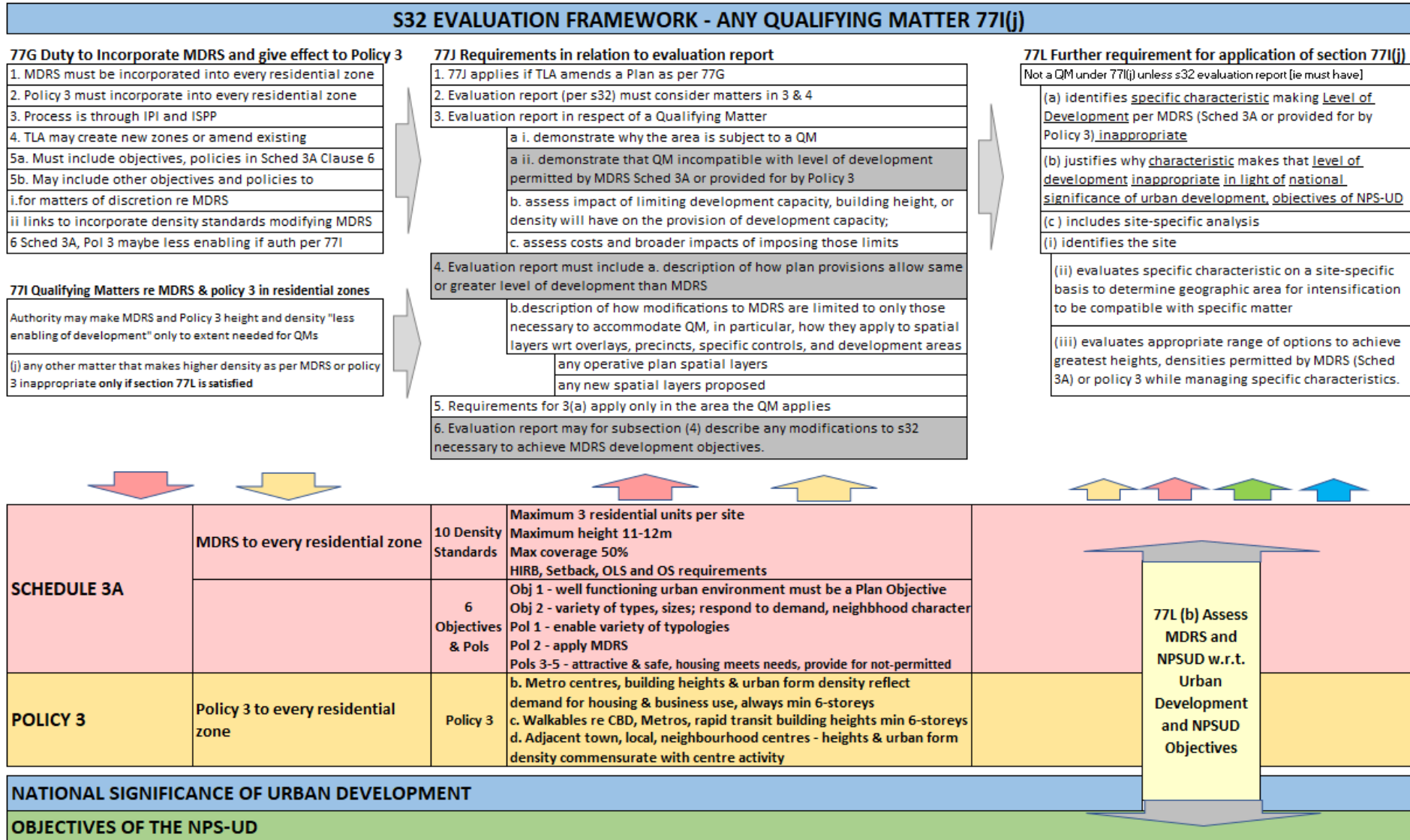
The Act provisions set out specific steps to incorporate MDRS provisions in the Plan. These define the specific steps for the s32 assessment, as follows:

- i. Clause 77G (*Duty to Incorporate MDRS and give effect to Policy 3*) sets out a Council's duty to incorporate MDRS and to give effect to Policy 3 (NPSUD) in residential zones.
- ii. Clause 77I (*Qualifying matters in applying medium density residential standards and policy 3 to relevant residential zones*) identifies qualifying matters if they are less enabling of development, and that any "other matters" must be able to satisfy 77L if they make "higher density" inappropriate.
- iii. Clause 77J (*Requirements in relation to evaluation report*) specifies that when amending a plan in terms of 77G, a council must prepare an evaluation report, and in relation to any Qualifying Matter show why the QM is "incompatible" with the level of development permitted by MDRS, assess the impacts of limiting development capacity, and assess the costs and broader impacts;
- iv. Clause 77L (*Further requirement about application of section 77I(j)*) sets out the assessment required for any Qualifying Matters under 77I(j), including to identify the specific characteristic which makes the MDRS level of development "inappropriate", and justify why that level of development is inappropriate. Importantly, it sets out the required scope of assessment, directing that inappropriateness be assessed "*in light of the national significance of urban development and the objectives of the NPSUD.*"(77L(b)). This means the MDRS and its appropriateness is required to be assessed in relation to urban development generally and the objectives of the NPSUD.

2.2.2 Structure of the Required Assessment

An evaluation structure to take account of these provisions is set out in Figure 2-1. The chart shows the sequence through 77G, 77J and 77L. It also shows the significance of the MDRS provisions (Schedule 3A and Policy 3) to those clauses. The flow-chart further specifies the explicit tie-in through 77L, which must be applied to all Qualifying Matters, in which the MDRS provisions must be assessed in relation to the national significance of urban development and the objectives of the NPSUD.

Figure 2-1 : S32 Evaluation Structure for any Qualifying Matter



Within that evaluation structure, the Act contains several terms which relate to the provisions. It is important to understand how these apply to the implementation of the provisions, and to any s32 assessment. Key terms include incompatible and inappropriate as criteria for assessing QMs; the ‘level of development’ in relation to plan enablement of housing; and ‘site-specific analysis’ to assess QMs.

2.2.3 Incompatible

There are two criteria by which the effects of a QM are to be assessed in relation to the “level of development” enabled under MDRS and NPSUD. Assessment must demonstrate incompatibility in relation to 77J(3)(ii), and inappropriateness in relation to 77L(a), specifically:

- a. 77J(3)(ii) requires that a council “*demonstrate why the territorial authority considers...that the qualifying matter is **incompatible** with the level of development permitted by the MDRS (as specified in Schedule 3A) or as provided for by policy 3 for that area*”.
- b. This test is one of compatibility, as to whether the MDRS level of development and the Qualifying Matter is “incompatible”.
- c. The criteria for assessing incompatibility are to be determined by the territorial authority.
- d. The framework for this is set by “*the level of development permitted by the MDRS...or provided for by policy 3*”, with the authority required to both identify what that level of development is, and why that is incompatible with the QM.

2.2.4 Inappropriate

Consideration of inappropriateness relates to a specific characteristic which would make the enabled level of development “inappropriate”. Specifically:

- a. 77L(a) requires the need to identify “*the specific characteristic that makes the level of development provided by the MDRS (as specified in Schedule 3A or as provided for by policy 3) **inappropriate** in the area; and*
(b) justifies why that characteristic makes that level of development inappropriate in light of the national significance of urban development and the objectives of the NPS-UD;”
- b. The test here is one of appropriateness, and whether the characteristic of the QM means the level of development is inappropriate¹⁰. The setting is clear, however, as inappropriate is to be assessed “*in light of the national significance of urban development and the objectives of the NPSUD*”. The term “in light of” provides a clear nexus. The assessment is to be carried out in regard to urban development, and the objectives of the NPSUD.
- c. The reason for the different terminology is not clear, as it could be argued that “inappropriate” could have the same meaning as “incompatible” with regard to the significance of urban development, and the objectives of the NPSUD. Neither term is defined in the Act.

¹⁰ On the basis that “not appropriate” and “inappropriate” have the same meaning.

2.2.5 Level of Development

In both instances, the basis for comparison is the ‘level of development’ which would, or would not, be enabled.

The term ‘level of development’ is a critical aspect for evaluation and reporting, as a main benchmark for the assessment of Qualifying Matters. It is used throughout *Part 1 Urban Intensification and other matters* and throughout *Subpart 2 Specified territorial authority must incorporate medium density residential standards and intensification policies into district plan*, from 77F to 77S. It is not defined in the Interpretation.

- a. It is contained in 77G(7) with reference to *“the level of development”* allowed by the existing plan may be the same or greater than the MDRS. In 77H(1) there is another reference to a level of development being greater than provided by the MDRS.
- b. In 77J(4) it again relates to how a *“district plan may allow the same or a greater level of development.”* In 77K(1)(d) it relates to how a *“level of development...would be prevented by a qualifying matter.”* This is repeated in 77Q(1)(d), and within the General subdivision requirements (Part1 General, 7).
- c. The most explicit reference is where it sets the benchmark for assessment in 77L(a) in terms of *“the level of development provided by the MDRS (as specified in Schedule 3A or as provided for by policy 3) inappropriate in the area; and (b) justifies why that characteristic makes that level of development inappropriate in light of the national significance of urban development and the objectives of the NPSUD”*.

This raises some key issues. Although it is not defined, *“level of development”* appears to be a general term describing housing development which includes but is not necessarily limited to the amount of capacity. The Act contains elsewhere the specific term *“development capacity”* which is defined in the NPSUD as the *“number of dwellings”*, which indicates that *“level of development”* does not equate to the number of dwellings enabled.

The term *“level of development”* is more appropriate as a benchmark than *“development capacity”*, because it is a general term which encompasses housing development and includes but is not limited to development capacity. That appears consistent with its use in the Act. It occurs in 77J in relation to a qualifying matter being incompatible with the *“level of development”*, where 77J(3)(b) requires assessment of the provision of development capacity. It is in assessment of the level of development (77J(3)(a), and part of assessing the costs and broader impacts of imposing limits (77J(3)(c), in relation to that level of development. It is used in the same way in relation to urban non-residential areas (77O) to be evaluated under 77P.

77L is specific in setting the structure for assessing the effects of a Qualifying Matter(s) on *“the level of development provided by the MDRS (in Schedule 3Aor policy 3)”*. Importantly, there is no reference to development capacity in this.

This indicates that the term level of development may include other common components of housing development including dwelling type, dwelling size and dwelling value, which are consistent with the notion of *“development”* being a broad-ranging term.

The objectives of the NPSUD offer guidance on this. Objective 1(a) defines a well-functioning urban environment as one which *“enables a variety of dwellings that meet the needs of households in terms of type, price and location...”*. That definition encompasses a number of key aspects of housing supply which are together appropriate to community needs, and it appears that ‘level of development’ is suitable as a broader term relating to housing and including typology, price and location, in conjunction with numbers of dwellings

(‘development capacity’). It encompasses the demand for housing from the community, and it is consistent with the assessment criteria set out in 77L(b).

The practical issue is that enabling development capacity without having regard as well to other core aspects of housing is unlikely to support the NPSUD objectives. This is because development capacity might be maximised by developing as many small dwellings as would fit on to a site, but such development would meet the housing needs of only a small share of the market, given the diversity of household sizes and ages, life stages and incomes.

For this s32 evaluation, the term level of development is taken as including type, price, location and numbers of dwellings enabled in relation to demand and need for housing from households and communities.

It means the starting point for evaluating the implications of a QM is consideration of the level of development in these terms. Comparison of outcomes with a QM(s) in place against the unmodified MDRS and Policy 3 provisions, would include the numbers of dwellings, and also the mix of types and prices in a location where a QM would apply.

Since housing demand in a competitive market is not limited to just that area in which a QM would apply, such consideration must be broader (geographically) than just the directly affected area. This is because the level of development enabled in a QM area will directly affect, and be affected by, the level of development in surrounding locations.

That is also consistent with the criteria specified in 77L, in which the level of development is to be assessed in relation to “urban development (77L(b))” which is itself a broad term pertaining to cities and including but not limited to housing development.

Elsewhere, other terminology is used. Relating to qualifying matters, the requirement under 77L(j) indicates a narrower perspective in terms of “*higher density*” only, rather than the broader “*level of development*” term: “(j) any other matter that makes higher density, as provided for by the MDRS or policy 3, inappropriate in an area, but only if section 77L is satisfied.”

2.2.6 “Maximising Capacity”

Importantly, consideration of Schedule 3A and policy 3 indicates that the level of development required for compliance is not specified as being the maximum development capacity possible.

The relationship between level of development and MDRS (Schedule 3A and policy 3) is set out variously.

- a. Development capacity is defined in the NPSUD 1.41 interpretation as “*development capacity means the capacity of land to be developed for housing or for business use, based on:*
 - (a) *the zoning, objectives, policies, rules, and overlays that apply in the relevant proposed and operative RMA planning documents; and*
 - (b) *the provision of adequate development infrastructure to support the development of land for housing or business use*

Clause 3.25 (2) of the NPSUD sets out that “*development capacity...*” (which) “*...must be quantified as the numbers of dwellings*” in different locations and of different types¹¹.

- b. The terminology about development capacity is guided generally by the “*greatest heights and densities permitted by the MDRS*” which relate directly to Schedule 3A, Policy 3 and Policy 5.
- c. Schedule 3A applies to residential zones in Tier 1 cities in locations not covered by Policy 3.
 - i. The only specific density matter is shown under Part 2 Density standards - 10 Number of residential units per site – “*There must be no more than 3 residential units per site.*” This would seem to set a maximum or upper limit, rather than an approach to maximise development capacity – there is no suggestion of a minimum.
 - ii. There is a maximum height of 11-12m.
 - iii. There are (more liberal) provisions on HIRB, setbacks, building coverage, outdoor living space, outlook space, windows to street and landscaped area.

This indicates that the maximum permitted capacity in terms of dwelling numbers is therefore the built capacity enabled within the height, HIRB and other provisions, to a maximum of 3 dwellings per site.

Elsewhere in Policy 3 (and 5), there is a provision for capacity to be maximised, however this is only in the city centre zone, rather than residential zones. Policy 3(a) mandates “*as much development capacity as possible*” in the city centre.

In metropolitan centre zones, Policy 3(b) is to enable “*building heights of development to at least 6 storeys*”, otherwise the terminology is quite broad “*building heights and density to reflect demand for housing*”.

In walkable catchments Policy 3(c), the provisions also require “*building heights of at least 6-storeys*” at the edge of city centre and metropolitan centre zones, and existing and planned rapid transit stops.

Under Policy 3(d) in the areas “*adjacent to neighbourhood centre, local centre and town centre zones*” the requirement is for “*building heights and density of urban form commensurate with the level of commercial activities and community services.*” The meaning of “*commensurate*” is apparently to be determined by the council concerned.

This consideration of Schedule 3A and policy 3 shows that the “*level of development*” required to comply is at most broadly defined, and it does not have specific reference to “*development capacity*” in terms of the numbers of dwellings or types of dwellings.

The provisions to enable development to 6-storeys specify a minimum development height and a maximum site coverage, which together imply a potential built capacity and floorspace. Within that buildable envelope, the number of dwellings enabled will depend on the mix of dwelling sizes, a matter which may be determined by the level of demand for dwellings, and the needs of households.

The MDRS provisions in other residential zones outside the walkable catchments would enable up to 3 dwellings per site. The implied development capacity is therefore a maximum of “*number of sites x maximum 3 dwellings*”. There is no minimum number of dwellings, which indicates that under MDRS the range of development capacity

¹¹ There is nothing specific about how this may relate to the HBA process, in which net additional capacity, and feasible or reasonably expected to be realised capacity is required to be estimated. On that basis, the focus appears to be on gross development capacity, irrespective of the existing dwellings on each site.

is between “1 x number of sites” and “3 x number of sites”¹². Otherwise, the level of development, or development capacity, is specified in broad terms only, relating to the role of existing centres.

2.2.7 Site-specific Analysis

Clause 77 specifies a requirement for ‘site-specific analysis’. It is important to understand what this means, and to not confuse this with site-by-site analysis.

A site-specific analysis is appropriate for assessing the effects of the provisions and any QM(s). This approach satisfies the need to examine each site to ensure that a QM is relevant to the site, and/or that a specific characteristic is present, while also enabling appropriate analytical rigour achievable when examining a number of sites with shared characteristic, and/or when effects which determine incompatibility or inappropriateness arise only at the aggregate level. This is a common feature of urban communities and economies.

Consistent with this, the legislation itself applies at the aggregate level because it relates to urban areas – which are substantial aggregations of people and activities. This required scale means it is not possible to examine effects without taking account of the implications of (any) specific characteristic for both the immediate setting and the wider community/economy. The effects of a characteristic will very rarely be self-contained within a site – that is the nature of cities and co-location. The legislation itself provides for this direct link to the ‘wider than individual site’ level, because under Qualifying Matters 77I (j) it refers to “higher density” which can occur only at a level greater than the individual site.

Moreover, the nature of QMs is that their characteristics arise in multiple sites, otherwise they would not be important enough to be a QM. This means that “site-specific analysis” needs to be undertaken at a wider than single-site level, even for direct effects, and especially for the indirect and flow on effects across community and economy - while at the same ensuring that each specific site is able to be examined through the process.

The MDRS/NPSUD pertain specifically to urban areas (defined as at least 10,000 persons). Their provisions can therefore be intended to apply or have effect at the individual or site level only to the extent that site-level effects contribute to that wider urban environment. The logic is that since the rationale for the legislation/provisions can apply only at the aggregate level, any analysis must also apply at that same aggregate level, not at only an individual level.

The confirmation of this is the 77L basis for assessment being “urban development”, and for the objectives of the NPSUD. Both are city-wide. Specific sites can contribute to these individually but mostly in combination with other sites, but no single site can by itself impact significantly on those assessment criteria.

In any case, the Act specifies assessment is required under s32, which requires overall assessment, and consideration of cumulative and aggregate effects.

¹² There are approximately 316,441 residential zoned sites outside the walkable catchments. We note that in many instances under existing provisions, sites would be able to accommodate more than 3 dwellings. That is, for many lots the AUP is more enabling than the MDRS.

A site-specific analysis can take account of the site-specific matters, including as part of the wider analysis (aggregate effects), whereas a site-by-site analysis of only the effects of an individual site does not offer an appropriate platform for evaluation. For these reasons, a site-by-site analysis alone is not an appropriate avenue for assessment.

Analysis requires the capability to examine a specific site where appropriate – especially to show the incidence of provisions which are less enabling, and the locations where QMs would have effect – and at the same time provide for an aggregate level assessment, up to the whole of a territorial authority area if needed. The requirements to assess matters in terms of objectives for a well-functioning urban environment and efficient operation of competitive markets cannot be undertaken at a localised level, because the important direct and indirect flow on effects would not be identifiable, and the implications for households and communities would not be adequately covered.

For this reason, the requirements to identify the “area” within a city which is subject to a QM (77J(3)(a)(i) and “assess the costs and broader impacts” means both a specific geographic focus and assessment of the costs and impacts which must extend outside that geographic focus because the area lies within a Tier 1 city. Importantly, the direct effects of a QM within a geographic area will have effects on the level of development inside that area and outside that area as a consequence.

The requirement to undertake “site-specific analysis” 77L(c) of the characteristic which makes the MDRS level of development incompatible similarly requires both identification of the “site” and its characteristic, and also assessment of the reasons for such incompatibility. Within a city, those reasons will arise from both the site itself, and the site’s inter-relationships with other sites including those not directly showing the characteristic or being subject to the QM.

Unless the assessment under 77J and 77L is undertaken at both the area or site-specific level and the wider level – including up to the whole of the city as required – then it will be difficult to satisfy the requirements to examine matters in relation to NPSUD objectives or urban development generally, since those matters arise at the wider level and in aggregate.

2.2.8 Walkable Catchments

For centres and RTN hubs a walkable catchment radius has been applied, apart from 1,200m for the central city. A number of enquiries relate to increasing the size of walkable catchments in the assumption that it will enable more capacity, and result in a more efficient urban economy. It is important to understand the rationale.

First, the 800m walkable catchments include extensive areas, and in each case there is substantial plan-enabled intensity within the 800m radius. Extending the area where intensification is enabled is unlikely to add more developed capacity, rather the likely outcome would be to distribute intensification more widely.

That suggests that extending the area for intensification would be counter-productive in generating additional walking activity. This is because peoples’ propensity to walk diminishes with increasing distance. On average a higher share of people in the 0-400m distance band around a centre will be regular walkers than those living in the 401-800 m band. It means total walking activity can be enhanced if intensification is concentrated into areas closer to a centre - simply, catchments are more walkable in the first 400m than in the 401-800 m band.

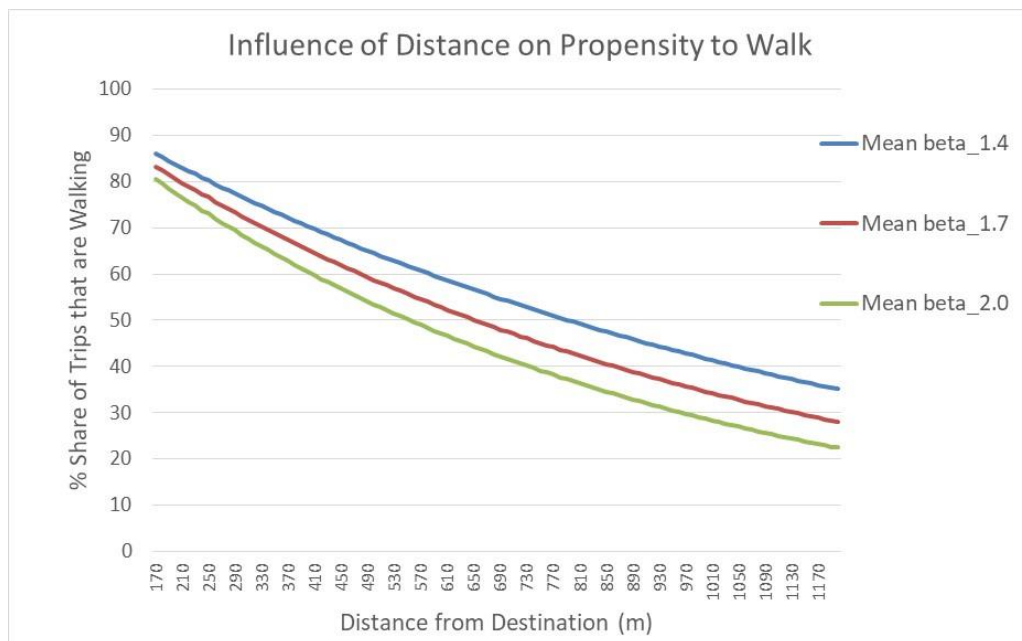
That is highlighted because the total amount of intensification is driven by the amount of growth in the market. Where the plan-enablement is much greater than the projected additional housing demand, then extending the areas of intensification will not increase the total level of intensification, rather it will be distributed more widely.

This means that to enhance the total volume of walking activity for a given population size, it is preferable if that population is concentrated into those shorter distance bands.

That is shown in the attached graph¹³. For any given population, the volume of walking to a centre is higher if that population is relatively concentrated around that centre. The more the population is spread out, then the less is the propensity to walk, and the lower the total amount of walking, with a lower mean number of walking trips per person.

It shows that increasing the notional size of the walkable catchment will not materially increase the catchment population – it would instead spread it out. Extending the edge of the ‘walkable’ catchment would reduce the likelihood of development occurring in the most walkable areas.

Figure 2-2: Propensity to Walk by Trip Distance



To illustrate, extending the walkable catchment from 800 to 1200 m will more than double the land area, but assuming development is spread *pro rata* with enabled capacity, then considerably more than half of the population will be in locations where walking is much less attractive.

2.3 Well-functioning Urban Environment

The objective of well-functioning urban environments is at the core of the NPSUD. The NPSUD interpretation states that the “*well-functioning urban environment has the meaning in Policy 1.*” It is at the start of Objective 1 “*New Zealand has well-functioning urban environments...*”. It is the focus of Policy 1, for “*Planning decisions to contribute to well-functioning urban environments*”.

The NPSUD recognises that a range of matters contribute to the well-functioning urban environment, and makes explicit provision for more matters to be assessed, as relevant, noting that the listed matters are “*as a minimum*”.

¹³ Yang, Y., & Diez-Roux, A. V. (2012). Walking distance by trip purpose and population subgroups. *American journal of preventive medicine*, 43(1), 11-19.

Accordingly, a key aspect of the amendments proposed by Council is inclusion of the concept of the well-functioning urban environment at a high level in the RPS, such that it may flow through other levels of the RPS and the District Plan. This is being brought into the RPS, and will sit over the district plan.

2.3.1 Effects on Well-functioning Urban Environment

The implications for the WFUE will arise mainly from the urban development outcomes of the new regulatory settings under NPSUD and MDRS. While the greater enablement will generate some effects, many of these will be marginal to those effects already arising from the substantial enablement which is contained in the Unitary Plan.

The NPSUD/MDRS provisions will bring substantially greater enablement, including in locations further from the city centre. However, because the AUP is already enabling, many of the additional impacts on potential housing development will mostly apply in the future.

This underlies the need for a three-part evaluation process, to first identify/estimate the likely/potential growth outcomes which will influence the WFUE and apply to the NPSUD objectives, then to examine the likely effects of QMs on these outcomes, and to then assess those expected outcomes in relation to the WFUE and the objectives.

2.3.2 Potential positive effects (benefits) and negative effects (costs)

The housing enablement and likely development path will generate a range of effects. Some will arise at the high level, in terms of housing and land values, and through cumulative and aggregate effects on urban form and function. While having localised effects, assessment of these is most appropriate at the city-wide level.

Other matters arise at a more localised level, though may not need to be examined for specific locations. These relate especially to the safe and efficient functioning of the urban environment, including flooding and stormwater, air quality, and marine inundation. They also include traffic congestion and ease of movement and interaction.

Still other effects arise mainly at the location level, especially from the built housing outcomes 'on the ground', and the living environment for people and households. These relate especially to dwelling density, privacy and 'over-looking', views, open space, sunlight and shading, ease of movement and accessibility, all of which affect the quality of day-to-day living. Their assessment is suitably addressed at the local (suburb or smaller) level, as well as considering aggregate effects across the city as a whole.

Particular direct effects relating to implications for an immediate living environment include:

- Density – the numbers of dwellings, population and households per area of land
- built form – the number and share of sites which are developed to 3-levels or to 6-levels, or are not further intensified from their current built form undeveloped

to help inform effects on:

- privacy
- views
- sunlight and shading
- open space
- ease of movement and accessibility.

These matters are addressed generally and/or specifically¹⁴ in the settled provisions of the RPS and AUP, and contribute to the well-functioning urban environment which is a key objective of the NPSUD.

The distribution and incidence of such effects is important – the average city-wide effect is of limited relevance to people in a particular locality where effects are several times higher than that Auckland average, and it is important to understand how many sites (and people and households) would be affected.

2.4 National Significance of Urban Development

2.4.1 Effects on Urban Development

Similar issues apply to the assessment of how the NPSUD/MDRS provisions and QMs individually and especially in combination will further affect ‘urban development’.

‘Urban development’ is a comprehensive and encompassing term relating to cities. Urban economies and communities are complex and multi-faceted entities. Its broad scope is necessary, because the MDRS and Policy 3 provisions will have direct impacts on land use throughout Auckland (and other Tier 1 cities). As well as residential land use, their consequent and flow on effects will influence also all business and other land uses, and the combined effects through time will directly impact the ‘well-functioning urban environment’.

Accordingly, it is important to understand first the likely direct effects of the MDRS and Policy 3 provisions across Auckland, and from that to understand the ‘next round’ effects on other land uses, and then consider the effects of land use and development paths throughout the urban economy.

The final step is to consider how QMs may impact on these outcomes.

2.4.2 Urban Context

The nature and functioning of cities and urban living environments directly affects the wellbeing of the entire population, most directly for urban residents and communities. Issues arise from the size and diversity of cities, their growth, their established footprints and histories, community diversity and change. The wider context encompasses economic conditions and trends at national and global and regional levels, as well as migration, demographic trends, diversity among philosophies, and global matters including climate change, and energy supply.

The main issue areas arise directly from urban development outcomes and Auckland’s urban form, both strongly influenced by the new provisions, and any effects of the QMs. The core purpose of the HSAA is to provide for additional enabled capacity for housing, using a broad-brush approach throughout urban Auckland. The Policy 3 provisions provide for additional capacity, through enabling development to at least 6-storeys in substantial areas across Auckland, with geographic focus on locations closer to - within walkable distance of - the CBD and larger commercial centres (Metropolitan centres and some town centres), and rapid transit hubs. That geographic focus is generally consistent with the growth strategy in the AUP, and provides for higher intensity in and around centres, and less intensity across the balance of urban Auckland, in locations further from the goods and services available from commercial centres, and employment nodes.

¹⁴ Auckland council. *Section 32 Overview Evaluation Report*. August 2022.

However, the MDRS provisions will apply on a largely undifferentiated basis throughout residential zones across the rest of urban Auckland. One likely outcome is a broader spread of housing development, with reduced focus on the central city and around main centres, and more spread of growth across suburban areas. This will be reinforced because the lower land values and larger lot sizes in those suburban locations more distant from the city centre will increase the chances of opportunistic development.

Auckland's growth context is important. In combination, the NPSUD and MDRS provisions would enable considerably more housing capacity than likely housing demand, into the very long term (150+ years). This is the case even in a high growth future for Auckland – in which New Zealand's growth is characterised by strong natural increase and high levels of in-migration, and Auckland would attract a substantial share (over 45%) of the total national increase.

This combination of enabling substantial capacity while minimising differentiation among locations can be expected to significantly increase the influence on urban development outcomes of decisions by individual property owners and urban developers, while reducing the influence of broader community-level objectives and integrated planning approaches. Likely consequences include greater diversity and broader geographic spread of growth across the city.

The provisions are expected to have material effect on Auckland's land and property markets. The most direct effects will accrue to sites which are developed, with flow-on effects to other sites. This means the development patterns themselves will influence the overall market responses. That is relevant to the assessment of QMs.

Hence the importance of recognising those direct and flow-on effects, into the long term. Cities are complex. Urban environments are characterised by many externalities, where effects accrue for those not directly involved in the decisions on activities and land uses which generate effects. In the urban setting people are closely co-located, and many of the effects generated on a property are not internalised to that property, but instead affect other properties as well.

This is a basic aspect of urban economies. It is an important influence on planning and policy initiatives to manage negative outcomes and achieve positive outcomes, especially the attention to community participation (democratic process). Generally, the number and effect of externalities will increase with population density, and since the MDRS/NPSUD provisions are intended to increase housing capacity per site and per zoned area, one effect will be higher population density in some locations.

As well as effects on the immediate living environments within Auckland, the urban form and (housing) growth outcomes will directly affect the city's overall efficiency and sustainability. The distribution of people and activities – the simple “what happens where when why” paradigm – is directly influenced by housing capacity and housing development patterns. The location of people and business activity and interaction patterns are a key influence on resource use and transaction costs including travel and goods exchange, as well as costs of the infrastructure (notably roading, and 3 waters) needed to enable urban land use intensities. The major scale economies characteristic of infrastructure commonly mean that incremental outward expansion, coupled with progressive intensification of already developed land, is favoured as an efficient growth strategy. This is particularly because that is both in accord with the main economic drivers of land markets at the micro-level, and consistent with efficient urban function including travel and transport, and interactions.

These characteristics of urban economics have long underpinned economic policy initiatives – including though not limited to urban planning – toward compact cities and limiting outward expansion, including Auckland's quality compact urban form strategy.

This is the urban context for the HSAA. The likely changes to the underlying market conditions and any consequent shifts in Auckland's growth outcomes may see situations where future outcomes are not consistent with existing provisions in the Plan, including established community-level or city-level policies affecting specific locations, and/or which relate to aggregate and cumulative effects across multiple properties.

Under 77I and 77L, the legislation makes provision for QMs to modify the levels of development enabled under MDRS and Policy 3, including effects which arise cumulatively or in aggregate.

Some QMs relate to the costs of urban development, including costs of water supply and drainage to provide for enabled capacity, which arise in aggregate from specific effects at the individual property level, but with effects unable to be provided for at that same individual property level. Others relate to situations such as Special Character Areas where the benefits of the policy arise at both the individual property level and at the aggregate level, where the overall benefit to the community is greater than the sum of the individual property benefits.

Importantly, the assessment of the QMs is centred around the "lesser level of development" which would be enabled, with the evaluation with regard to the significance of urban development, and the objectives of the NPSUD.

Accordingly, the issues relate first to enablement and potential housing supply, because it is critical to establish accurately the level of development which would be enabled by the MDRS and NPSUD provisions, including the likely dwelling typology and values. Then, for the s32 assessment of effects, it is important to understand the outcomes likely to arise in the Auckland living environment. Those outcomes give rise to many of the benefits and costs expected to result from the implementation of the new provisions. Arising primarily at the household and neighbourhood level, they cumulate across the city.

A further set of outcomes will arise at the aggregate or city-wide level. A major reason is that the MDRS and NPSUD provisions will directly and indirectly affect development and land use outcomes throughout Auckland, most directly for residential and also for business and public sector activity. Those urban growth and development outcomes are the principal drivers of the effects which must be assessed in relation to the significance of urban development, and the objectives of the NPSUD, especially implications for urban efficiency including energy and resource use, with flow on implications for sustainability and consequences for climate change.

Those expected outcomes in turn set the context for assessing QMs, as to their potential effects on growth outcomes.

2.5 Land Market Effects

A major focus of the NPSUD/MDRS legislation is the drive to use planning provisions to influence land values and housing prices. This reflects *inter alia* the view that planning and regulation have been a major cause of the growth in housing prices, especially since 2000. Accordingly, an important aspect of this s32 assessment is to consider the likely effects on land supply, land values and housing prices.

2.5.1 Influences on land values

One part is understanding the main drivers of residential land values in the urban environment. The basics are that the value of urban is influenced most strongly by potential land use and location¹⁵. For Auckland's residential land, the primary driver of value is potential use in terms of the capability to develop one (or more) dwellings on a site. Additional value typically accrues according to lot size, as well as accessibility, amenity and other characteristics. This is within the general structure of land value being a function of the capability to develop a dwelling, the size of the site including potential for use complementary to the housing (such as outside space for household activities, etc), the location relative to household services and employment, and other factors¹⁶.

Direct analysis of Auckland and Wellington residential property land values, for example, shows that the capability for a dwelling accounts for the major share of site value - an unsurprising outcome, consistent with the literature as well as key processes known to influence land value assessment (including property valuation and institutional financing).

Current land values reflect *inter alia* the potential for enabled residential intensification, net of the costs associated with implementing that intensification, and including any opportunity cost from loss of existing built improvements on the land. In many instances, the existing built improvements (typically a dwelling) will mean that the opportunity cost currently outweighs the additional returns realisable from utilising the land more intensively. Analysis of this potential has for several years been a key part of the feasibility assessment required, first under the NPS-UDC then under the NPSUD for councils' Housing and Business Capacity Assessments (HBAs). That approach has been applied for this s32 analysis (see below Section 3.7).

Where the MDRS provisions would enable more development (including but not limited to the maximum of 3 dwellings as of right) to increase the enabled intensity of a site, then a likely direct consequence is an increase in the land value of that site, to reflect that extra potential. We note that analysis of the plan-enabled capacity under the existing Auckland Unitary Plan shows that many sites already have significant enabled capacity which is greater than the existing built development. That will affect the potential for an additional boost to land value of a site now subject to MDRS provisions.

Across Auckland, the potential uplift in land value from MDRS provisions would most likely arise for sites currently zoned Single House, where more dwellings would be enabled, and therefore greater return could be derived from the land.

There would also be likely direct effects on land values in the walkable catchment areas subject to the mandatory intensification provisions of Policy 3. The processes through which these effects will arise is similar to those for the MDRS, however their magnitude may be greater because there would a greater increase in the level of enablement, from provisions for development to at least 6 storeys on the sites. Such value uplift would again reflect the greater returns realisable from a site because of the increase in its potential intensity of use.

It is important to recognise that the AUP is already enabling for many sites. In some instances, the MDRS provisions would not enable a greater intensity of use, to affect a consequent uplift in value. That applies especially to sites zoned MHU, though it also may apply to some MHS zoned land. The existing THAB zoning

¹⁵ This applies to almost all resources, where much of the value derives from its potential use and the benefits which may derive from that use. The literature commonly approaches resource valuation in terms of use and non-use benefits.

¹⁶ Market Economics Ltd 2016. *Housing We'd Choose*. Report to Auckland Council.

already enables development to a height of 18m, such that the additional capacity enabled from the Policy 3 provisions may be limited, and the land value uplift correspondingly limited. The potential for value uplift from greater potential intensity of use would arise especially for MHU, MHS and SH zoned land included in the walkable catchments. There is likely to be lesser uplift from the increased intensification potential on sites subject to the MDRS provisions. This capacity uplift is considered in Section 5.2.

2.5.2 Economy-wide Impacts on Residential Land Values

There are two main economy-wide impacts on land values expected at the aggregate level.

One effect anticipated is that the greater enablement would mean an increase in the potential supply of sites for development, which may exert downward pressure on land values across the economy. In this regard, a key matter is the extent to which such effect is already established in the market, because the Unitary Plan is enabling, and there is little indication of supply constraints acting to put upward pressure on prices¹⁷. That substantial plan-enabled capacity in Auckland is widely recognised, and it is likely to have been already priced-in by the market given the Unitary Plan has been in effect for 6 years. Because of this, enabling more capacity through the PPC78 can be expected to have a limited effect on land values in aggregate – particularly because the Unitary Plan enables more capacity than anticipated housing growth in the long term.

This suggests that the total value of residential land (and business land with potential for residential use), already reflects its ongoing use by the existing population, and the anticipated potential future use as population grows. Because of this, a main effect of the new provisions is likely to be some redistribution of land value, with some land becoming more valuable, but other land less valuable, as the market response to the new levels of development enabled is likely to include upward adjustment in some locations, and downward adjustment in others.

One reason for this is that the greater enabled capacity is unlikely to materially alter the overall level of demand for housing through stimulating or generating additional population and household growth over the current outlook. Auckland's population and housing growth have remained relatively strong, and this has been consistent with the regional economy's role within the national economy over the long term. The region has consistently attracted a premium in terms of employment and economy growth, and population growth. That is expected to continue, and it is reflected in the region's growth outlook. Importantly, its substantial role in national growth suggests there is quite limited potential for Auckland to attract an even greater share of New Zealand's population or business growth.

As a consequence, the medium-term volume of demand for housing land can be expected across Auckland is not expected to change materially when the MDRS/NPSUD provisions are implemented - albeit that demand would be distributed more widely according to plan-enabled capacity (and setting aside for the moment effects on housing affordability and dwelling ownership).

These effects will arise according to the net additional capacity enabled, and the location of that capacity. QMs will reduce that additional capacity.

A second effect is that there will be less differentiation in land values according to zoning, because the MDRS provisions will apply a relatively uniform level of enablement. That standardisation of enablement is not

¹⁷ Notwithstanding the strong increases in Auckland housing values over the 2019-2021 period, as low interest rates and relatively high confidence stimulated property-buying activity. Auckland housing prices have cooled considerably in the last 4-5 months.

expected to substantially affect any land value premiums associated with location, including for land which is relatively accessible to the CBD and/or major commercial centres and/or places of employment and/or transport hubs. These locations can be expected to maintain some value premium over less accessible locations.

2.5.3 Potential for Market Shock

A related issue is the potential for the changed plan-enablement through the HSAA provisions to ‘shock’ the Auckland housing market. When introduced suddenly and/or with little notice, major changes in policy or economic conditions are widely seen to be ‘shocks’ to market conditions, which can generate relatively rapid market adjustments.

The HSAA provisions will significantly increase the total plan-enablement for housing across the market, in the order of a 50% increase in development opportunity. The key question is what degree of change that will mean for market conditions.

As noted, the Auckland market under the AUP already has a large amount of plan-enabled capacity, which is several times the expected long-term demand for housing. Current enablement is in the order of 1.8 million dwellings, which is about twice the projected level of demand in the long-term horizon, to 2051. Already known for the 6 years since the Unitary Plan became operational, this level of potential supply will be priced-in to the Auckland market.

The HSAA would mean enablement in the order of 3.26 million dwellings, which is more than 3 times the total long-term demand. The obvious question is whether enabling 3 times demand rather than 2 times represents a material shock to the market. The large margins between demand and enablement suggest that much of the additional enablement would be to the long-term future, with limited effect in present value terms.

This suggests that implementation of the MDRS and Policy 3 provisions would have a limited shock effect on the Auckland housing market. This is especially in the current situation where new housing supply levels are tracking well ahead of population and demand growth (slowed by the Covid pandemic). It also suggests limited prospect of a significant shock in particular parts of the market, or specific segments of demand - such as lower price points – or to specific locations. Analysis of both consent and new development trends shows there is already considerable diversity in new dwelling delivery, in terms of pricing, typology and size. The increased enablement is expected to arise throughout the market, and give increased long-term opportunity for wide diversity of housing by typology, price and location. That diversity of opportunity already exists - albeit at a lesser level, but much greater than projected demand. The same largely applies to opportunity by location.

These matters indicate that the ‘market shock’ effect of the HSAA provisions is likely to be limited. That is important for two main reasons:

- a. First, it means that the effects of PPC78 will arise predominantly as changes at the margin to the current patterns of housing development in the Auckland market. Accordingly, the current situation and trends offer strong guidance from which to estimate and examine future growth outcomes. That also means change will reflect predominantly the volume of growth on dwelling numbers across areas of existing preference and opportunity, as distinct from substantive changes in typology, dwellings values or location preferences. This does not mean simple *pro rata* growth. However it means that the current parameters of growth can be seen as a suitable projection base.

- b. Second, it means that there is not a consequent need to adjust Auckland’s growth outlook – for population, households, business activity and employment – based as it is on a core ‘Business-as-Usual’ (BAU) future, to take account of changed housing market conditions which may affect *inter alia* the attractiveness of the city to in-migrant population or businesses

2.5.4 Site-specific effects

That said, the increased enablement can be expected to see land value on individual sites increase as development occurs or is imminent, which is the established pattern. Typically, if more dwellings are developed on a site, then the total value of that land will reflect the capability to accommodate those dwellings. Since the original site must be subdivided or cross-leased to enable alienation of each individual dwelling, then the combined value of the 3 or more sites will reflect that capability. It will not be simply the pre-development value of the land now divided by 3. For example, the average value of a 200m² MHU site is 70% of the value of a 600m² site. This suggests the total value of land which had previously been in one 600m² site would be about 2.2 times that value when it is subdivided to become 3 x 200m² sites. That is an important consideration in regard to the effects of the MDRS and Policy 3 in relation to housing values and affordability (Section 5).

2.6 Impacts on Housing Supply

These considerations set the context in which the effects of QMs on the Auckland land market are to be assessed. The key effect of QMs is to enable a lesser level of development than under the MDRS provisions. In most instances, that would mean the level of development enabled is no different from currently under the AUP. It means the main consequence is that there would not be substantive adjustment to the site’s value.

These primary direct effects on land value will in turn affect the feasibility of housing development, and the scale, location and value bands of potential supply of new housing. These effects will influence the level of development put in place, and urban growth and urban form outcomes. Housing supply, especially components of each typology and value bands to meet the needs of different segments of the market, are an important component of the Well-functioning Urban Environment.

2.6.1 Market Uptake of Housing Supply

The potential and likely supply of new dwellings will depend on there being sufficient buyers to afford and purchase them. Much of the focus in national and regional housing policy is on provision of affordable dwellings for non-owner households. However, it is important to consider the wider market, the role of each major demand segment in that market, and the roles of existing dwellings and new dwellings in meeting household ownership demands, as well as demand for investment properties to be available to private households as rental accommodation.

A particular issue is that the ability of non-owner households to afford their own dwelling is governed heavily by their ability to secure finance, and to afford to meet mortgage commitments into the long term. A range of models is available to assess what the value of properties that households in each income band can afford. An important aspect of any evaluation is to understand the numbers of non-owner households for whom additional new dwelling supply, and released existing dwelling supply is likely to be affordable. Such analysis has been an important part of the HBA reports for NPSUD compliance.

2.6.2 QM Direct Effects on the Level of Development

A main focus of the evaluation of QMs is their direct effect on levels of development.

The wider context of the HSAA evaluation framework is the potential implications for urban development *per se*, and the objectives of the NPSUD. As noted, level of development is more than just the number of dwellings, with housing demand from any community manifest as a mix of dwelling typologies and sizes and values, in order to meet the needs of different households. This is explicit in the NPSUD objectives, and evaluation based on only the numbers of dwellings will not meet the needs of a diverse community. Since the numbers of dwellings and the mix of typologies and dwelling value bands are all components of an appropriate level of development for housing, at issue is the degree to which any QM or QMs may affect that.

To address this, each of the QMs has been assessed as to direct effects as the difference from what would be enabled under MDRS and Policy 3, in terms of both dwelling numbers, and the level of development (issues addressed in Section 4).

2.6.3 QM Wider Effects

The effects also need to be considered at the higher level, in terms of overall effects on enablement from QMs in combination. An obvious focus is where several QMs may apply in the same specific or general location. This prospect is considered in Section 4.3.

3 Methodology

This section sets out the main methodology for identifying plan-enabled capacity, including the potential effects of Qualifying Matters, and for assessing the outcomes and effects in the context of the HSAA provisions.

3.1 Overview

Total plan-enabled capacity has been examined through a two-step procedure. Capacity is assessed in terms of numbers of dwellings enabled, and the core matter of level of development draws from this.

The first step is to identify the built envelope which could be developed on a site, taking account of the provisions relating to site coverage, height, HIRB and setbacks. The output is an estimate of the total built floorspace. This calculation is done for every residential zoned site in Auckland, so is site-specific.

The second step is to estimate the number of dwellings that could be developed within that built envelope. This calculation requires input on the appropriate dwelling size (in m²), because dwelling size obviously affects the plan-enabled capacity at both site level, and in aggregate. The calculation assesses only complete dwellings able to be built. This modelling has been undertaken by Auckland Council.

Although plan-enabled capacity may be maximised by selecting a small dwelling size, it is appropriate to apply a size which reflects the market patterns and the mix of dwelling typologies and sizes, as representing the needs of Auckland households. On that basis, a mean dwelling size of 120m² has been applied to estimate plan-enabled capacity.

This modelling for each plan-enabled future has been applied to the existing subdivision pattern. That is, plan enabled capacity has been estimated according to the current cadaster. It is assumed no further subdivision of lots prior to the implementation of the new Plan provisions, except for sites of 10,000m² or larger which are assumed to be subdivided to 300m² lots.

The first core output is estimated plan-enabled housing capacity, in total and in terms of basic development intensity as measured by dwellings per site, and numbers of sites of each intensity. This is identified for Auckland overall, and by geography within the urban economy. There is particular focus on central Auckland. However, effects from housing enablement flow throughout the economy, and it is important to consider all parts of each since

The plan-enabled capacity has been examined in relation to the NPSUD/MDRS provisions applying unconstrained across residential zoned land.

It has also been applied taking account of the potential effects of QMs, individually and in combination.

3.2 Scenario Approach

To address the range of potential outcomes, a simplified scenario-based approach has been applied. This sets out first the likely growth outcomes with MDRS and NPSUD provisions fully enabled. The second scenario shows the estimated outcome where enablement is affected by QMs.

The base estimates have applied the mean dwelling size of 120m². A smaller dwelling size would see a larger number of plan-enabled dwellings, while a larger mean size would indicate a smaller number. There is scope to also examine outcomes with smaller or larger dwelling sizes than the base 120m², however at this stage the

focus remains on the two applying the base mean dwelling size, since both are likely to be affected similarly by the mean size assumption.

The structure applied is to examine the two core scenarios. These focus on the amount of plan-enabled capacity in relation to future housing needs of the Auckland population, and the effects of the QMs as they vary by location.

3.3 Geography

The geographic location of plan-enabled housing capacity is important for several reasons. Most fundamentally, the distribution of capacity for growth will have major influence on the city's growth patterns. The urban form outcomes directly affect the efficiency with which the economy functions, including business and household interactions, the provision of infrastructure, and the living environment for the community. Efficiency in turn directly influences sustainability.

Auckland is a large and well-established city and urban economy. It is a multi-nodal economy, with the CBD as the largest and most intensively developed node, supported by a network of metropolitan centres and major business hubs (including the airport and seaport), and below that by the network of town centres and local centres. In common with larger cities, economic and population growth has seen the spatial economy evolve from a small mono-centric town to this multi-nodal structure, which itself has evolved to efficiently meet the needs of businesses and households. One feature of such development is that even though the size of the CBD continues to grow, the share of economic activity, including employment and residential activity in the CBD diminishes over time. This is because more services viably establish outside the city centre, and can efficiently satisfy demands within the economy.

In terms of how the city functions, while the CBD is the most attractive location for many businesses to operate, and the CBD environs are the most attractive for many households to live, there are many other locations which are equally or more attractive for other businesses and households. That includes multi-branch service and business activities, which serve the urban market from multiple locations. This is important for urban planning, because it means capacity for development and growth needs to be provided for in a range of locations across the city. It is not a matter of only seeking to maximise development in and around the city centre. Business and residential activities need land, a fixed resource, and the intensification of activity results in a range of benefits and costs, including those arising from built urban form. That applies to plan-enabled capacity for housing, characteristically involving trade-offs between living space and location, as well as prices, which sees a mix of preferences within the housing and property markets.

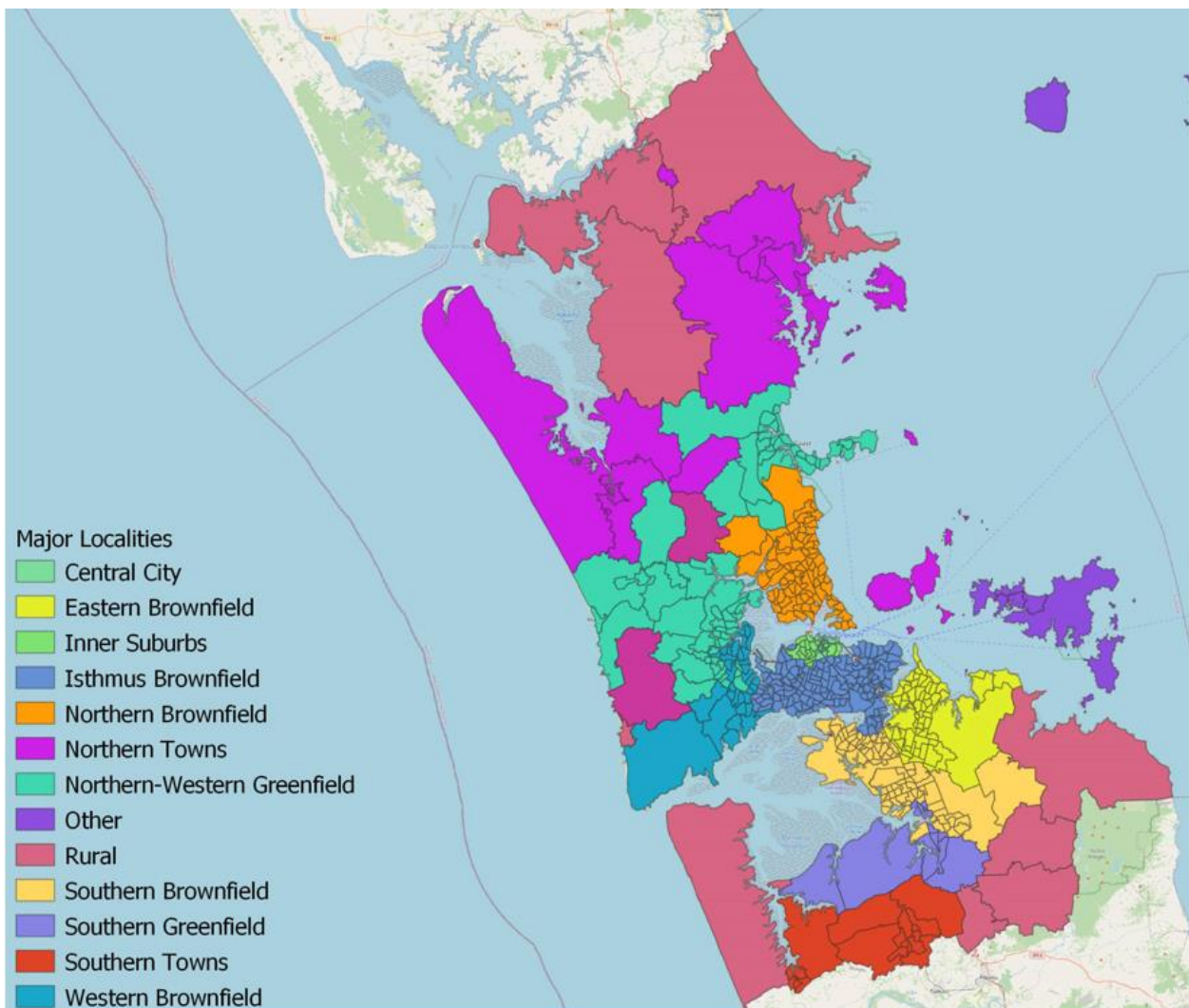
Accordingly, it is important to consider the geographic patterns of plan-enabled housing capacity, in relation to business and household activity, to understand the implications for how the city will function into the future. These likely geographic and urban form outcomes are especially important for the assessment of the Plan Changes in relation to the 'significance of urban development' and the NPSUD objectives, including the future functioning of the city under the likely growth outcomes from the plan changes, and with the QMs having effect.

3.3.1 Sub-regional Areas

At the broad scale, there are 21 Local Board areas with both administrative/community roles within the wider geographic framework. That provides a useful high-level geography for examining the city and the plan-enablement arising from the plan changes, particularly because of the local boards' role in enabling democratic process.

In addition, it is important to understand plan-enablement within the wider spatial economy, as each area has key roles in the economy and the housing market. These areas do not necessarily concord with the LBA boundaries, but are sub-regional areas defined here to differentiate areas within urban Auckland, especially how they relate to the central city. These include more established areas where new housing development is predominantly brownfield (northern, western, central, eastern and southern), and other often later-developed areas where a higher proportion of housing development is still greenfield (northern-western and southern). For completeness, the broad typology is also useful to differentiate the rural areas and outlying northern and southern towns. The structure is shown in Figure 3-1.

Figure 3-1: Map of Sub-regional Areas (SA2 groupings)



3.3.2 SA2 Areas and Localities

This assessment also considers specific locations within Auckland. Given the requirement for site-specific assessment, and because QMs may be quite localised, it is important to enable closer geographic focus, to examine outcomes at the suburb level, as well as geographic groupings relating to QMs. The SA2 (Statistical Area 2) locations defined by StatisticsNZ offer analysis for some 556 SA2 areas, each covering a specific geographic area of the city.

The SA2 framework offers a sound basis for examining specific localities, which are conveniently defined as (contiguous) groupings of SA2 areas. There is specific focus on the CBD itself, the inner suburbs immediately adjacent the central city (including Parnell, Ponsonby, Freemans Bay, Grey Lynn and St Mary's Bay), as well the middle cordon of suburbs around this inner cordon (from Newmarket through Mt Eden to Westmere), and the outer cordon around that. These suburbs in the northern and central isthmus are characterised by proximity to the CBD, as well as the presence of Special Character areas, the transition areas between business and residential activity, and generally higher housing intensity including apartment development. These are addressed in Section 4.5.

3.3.3 Walkable Catchments

Another major geographic structure is the defined Walkable Catchments around the centres and rapid transit points. These Walkable Catchments (WCs) have been defined from GIS-based analysis of walking distance around the edges of main centres. They do not concord exactly with SA2 or SA1 boundaries. They have been defined at the property boundary level, to ensure that entire properties are defined as being inside or outside the WCs, rather than crossing boundaries. This approach is appropriate for both geographic clarity, and because the effects to which the WCs apply arise at the property level – in terms of both plan-enablement for built form, and also for activity at the household level (notably propensity to walk) – as well as beyond the WCs.

Other geographic groupings are applied as relevant to the assessment of the plan changes in and of themselves, and the assessment of QMs. While in some instances the SA2 geography does offer a useful structure, in other cases the geography of the QMs does not coincide with the statistical definitions, and it is important to be able to apply specific geographies or to drill down at geographic level.

While the WCs relating to the metropolitan centres do have a general relationship with the structure of the established spatial economy, that is not the case for the walkable catchments around the RTN stations. These stations offer relative accessibility to the wider economy, however they do not have the specific concentrations of goods and services and employment offered by the metropolitan centres.

3.3.4 Distance from City Centre

Finally, it is relevant to consider location relative to the city centre. The city centre is - other things being equal - the most efficient location for urban activity. On average, greater distance from the centre implies higher costs and higher resource use for housing and business activity. This rationale, encapsulated in central-place theory, means that a relatively compact urban form is consistent with efficiency and sustainability objectives, whereas a less compact form implies higher levels of energy and resource use in the functioning of a city.

That said, it is important to recognise that Auckland is a poly-centric or multi-nodal city having multiple major sub-regional centres of commercial and business activity outside the CBD, serving households and businesses, and significant nodes of employment. A city is not merely a very large village. Multi-nodal urban forms commonly emerge as the most efficient spatial structure to serve the needs of business, households and the wider community and economy.

One consequence is that for many businesses and households, the effect of travel distance from the CBD itself is quite limited, and employment and household and business needs are able to be met more efficiently by other centres, especially the metropolitan centres. Business and household interaction patterns, including travel, show this.

This means that the relative attractiveness of the central city as a place to do business or reside is not as great as for a smaller city or town. As a consequence, distance from the central city is just one indicator among many of urban efficiency and sustainability.

3.4 Estimating Plan-enabled Housing Capacity

The plan-enabled housing capacity for Auckland has been identified at the site level for all residential zoned sites in Auckland.

3.4.1 Total Plan-enabled Capacity

The assessment considers first the calculated total enabled capacity by site, for each location and in relation to Walkable Catchments, and each of the Qualifying Matters, whose incidence is identified at the site level. The core output is the estimated plan-enabled housing capacity, in total and in terms of basic development intensity as measured by dwellings per site, and numbers of sites of each intensity.

However, a simple count is not sufficient for assessing the plan changes and plan provisions. The ‘level of development’ is the broader term encompassing capacity (numbers of dwellings) and the characteristics of development, including dwelling size, dwelling typology and the immediate (at least) urban built environment. The objectives of the NPSUD are defined more broadly than just capacity, and take into account the housing needs of the community in terms of typology and pricing and location, as well other matters in the living environment – as may be represented by the numbers and mix of dwelling typologies and sizes and values, as required to meet the needs of the community.

Accordingly, the estimates of enabled capacity take account of the site parameters including the developable building height (predominantly 3-level and 6-level bands). This shows the enabled capacity by typology.

Current patterns in the Auckland market show that most terrace housing developments are to 3 levels, with few at 2-level. Apartment structures vary. The 3-level apartments represent the ‘walk-up’ typology, which has become popular because it is cheaper and easier to build than the mid-rise apartment typologies – typically the 4-6 level structures. At 7 levels or higher, apartments are generally seen as high rise, commonly requiring heavy construction equipment, and commonly delivered by larger construction firms.

3.4.2 Capacity in Business zones

Auckland’s business zoned areas have considerable capacity for residential development, with specific provision enabling housing in the city centre, metropolitan centre, town centre, local centre and mixed-use zones. Assessment of potential capacity is not straightforward. While the enabled built capacity can be identified in terms of site dimension, building heights and other Plan provisions, in most instances such calculation shows that very substantial capacity may be built.

However, living in the central city and main centres is not the preferred option for many households, and there are important choices and trade-offs to be made. This means that enabling capacity in the business-centre zones is only one part of the overall requirement to accommodate growth. The Plan must provide for appropriate capacity for housing throughout the city, including business-centre zones where this meets the needs of a share of the population, but also across residential zones.

In this regard, it is important to take into account the market responses to date to the provision of residential capacity – predominantly apartments – which has seen focus on some specific locations of high amenity and

the central city, and more limited development in other centres. While ‘apartments’ account for around 20% of new dwelling consents in Auckland, only a portion of those are developments involving many apartments and construction of more than 5 floors. Among other matters, this means the divide between terrace housing and apartments is not always a clear-cut one, especially outside the CBD and larger centres.

Development in business zoned areas may also be cyclical. The central city has seen less development, with some shift most recently toward suburban locations. Public sector investment (Kainga Ora) has been important in this. However, the central city has the largest concentration of apartments, and further development can be expected there - with residential as part of mixed use (business and residential) or as residential only.

The capacity in business zoned sites has been estimated at a site level, for each area of centre zoning (City Centre, Metropolitan Centre, Town Centre, Local Centre, Neighbourhood Centre) as well as some other business zoning, notably Mixed Use, Business Park and General business zoned areas. The assessment excluded Light Industrial and Heavy Industrial zoning. This is a two-step process, with estimation first of the total developable capacity according to Plan provisions, then estimation of the share of that capacity which may be taken up by residential uses (apartments). This focused capacity on the CBD and metropolitan centres, with limited capacity assumed for Town centres.

3.5 Estimating Effects of Qualifying Matters

3.5.1 Overview

The effects of Qualifying Matters on plan-enabled housing capacity has also been identified at the site level for residential zoned sites in Auckland.

The direct impacts of QMs would see potential reduction in the level of development enabled, and likely to arise, in locations where the QM applies. Every residential site to which a QM is applied has been identified. That has allowed site-specific analysis, relating to all sites in total and in combination whose plan-enabled capacity is potentially affected by a QM.

A standard 3-step comparison of levels of development has been:

- i. Under NPSUD/MDRS without modification (the IPI future)
- ii. With all of the QMs applied
- iii. With a specific QM applied to understand its place within the wider set of QMs

Most sites are affected by only one QM. However, many sites are subject to more than one QM, with some subject to as many as 7 QMs. The analysis allows for each QM to be examined in isolation, as well as for various combinations of QMs. This provides capability to undertake site-specific assessment, focusing on those sites affected by one or more QMs. The effects of the QMs are considered in Effects of Qualifying Matters 4.3.

This section examines the potential effects of Qualifying Matters on the levels of housing enablement, and feasibility, and considers implications for Auckland’s growth patterns.

The assessment covers:

- a. Special Character
- b. Height and Viewshaft
- c. Waitakere Heritage
- d. High Natural Character

- e. Outstanding Natural Features
- f. Outstanding Natural Landscapes
- g. Significant Ecological Areas
- h. Coastal Inundation
- i. Coastal Erosion
- j. Flooding Inundation
- k. Healthy Waters protection

It also addresses potential effects arising from Water Supply and Wastewater infrastructure:

- l. Water and Wastewater constraints
- m. Combined Wastewater Network constraints

These QMs have been examined individually, and in combination.

The analysis focuses on:

- i. The level of development enabled, including amount of plan-enabled capacity expressed in terms of numbers of dwellings. This is to understand the potential to contribute to future housing needs.
- ii. The difference in level of development between the without QM and with QM circumstances. This is to understand the effects of each QM on the level of development enabled.

3.5.2 Site-Specific Analysis

The direct impact of Qualifying Matters is through the level of development enabled, and likely to arise, in locations where the QM applies. Every residential site to which a QM is applied has been identified.

This provides capability to undertake site-specific assessment, focusing on those sites affected by one or more QMs. The numbers of sites affected is shown in Table 3-1. The numbers of sites affected by one or more QMs is shown in Table 3-2.

Table 3-1 : Numbers of Sites affected by Qualifying Matters

Short Name	Modelled as	Sites Affected	Sites Affected as % Auckland
WaterCare Controls	Watercare_Water_Wastewater_Constraints_Control	44,085	11.9%
Waitakere Heritage	WaitakereRangesHeritageAreaOveraly	5,049	1.4%
Coastal Inundation	Coastal_Inundation_QM	10,659	2.9%
Flooding	Flooding_QM	8,022	2.2%
Coastal Erosion	Coastal_Erosion_QM	11,924	3.2%
High Natural Character	HighNaturalCharacter_QM	467	0.1%
ONF overlay	OutstandingNaturalFeatureOverlay	1,142	0.3%
ONL overlay	OutstandingNaturalLandscapeOverlay	875	0.2%
SEA overlay	SignificantEcologicalAreasOverlay	12,891	3.5%
Healthy Water	HealthyWater_LowSoakage	601	0.2%
WC Waste Network	Watercare_Combined_Wastewater_Network	6,667	1.8%
Other Sites not affected		334,363	90.4%
Total Sites		369,872	100.0%

Source: Housing Enablement Model 2022

Table 3-2 : Numbers of Sites affected by One or More Qualifying Matters

Number of QMs	Count of Sites excl WaterCare	Share of Affected Sites	Share of Total Auckland Sites	Count of Sites inc WaterCare	Share of Affected Sites	Share of Total Auckland Sites
1	23,113	65%	6%	57,165	75%	15%
2	9,266	26%	3%	13,529	18%	4%
3	2,658	7%	1%	4,120	5%	1%
4	368	1%	0%	1,185	2%	0%
5	86	0%	0%	190	0%	0%
6	17	0%	0%	17	0%	0%
7	1	0%	0%	1	0%	0%
8	-	0%	0%	-	0%	0%
9	-	0%	0%	-	0%	0%
10	-	0%	0%	-	0%	0%
Total	35,509	100%	10%	76,207	100%	21%

The detail for every site also provides capability to examine sites which are not affected by any QMs. This is especially important in locations where significant numbers of sites are affected by QMs, in order the understand the level of development on those sites, as well as the overall level of development in each locality.

3.6 Auckland Market Conditions and Trends

This assessment of the Auckland housing market is important, for both understanding the market conditions in which the HSAA changes will be applied, and for assessment of how the additional plan-enablement can be expected to affect market conditions.

Research into market processes and patterns has highlighted the need to draw on actual or real-world information where possible. This analysis draws from a wide evidence and information base, including statistics on property, housing, new housing consents, as well as wider economy indicators.

3.6.1 New Dwelling Values

There are two main information sources for new dwellings. One is the StatisticsNZ new dwelling consents data, the other is customised Corelogic data on new dwellings recorded each year in their database. For this assessment, Council purchased a significant dataset from Corelogic detailing the key parameters of new housing development in the Auckland market. The most recent short-term data covers the 2018-2021 period when the AUP has been in place, an earlier dataset covers the 2013-2017 period. This allows a 2013-2021 time series.

The focus is on the recent short-term, as the best reflection of current day patterns. This dataset covers some 39,007 new dwellings developed in Auckland in the 2018-21 period, with 21,284 houses¹⁸, 9,404 ownership home units and terrace houses, and 8,319 apartments (including 174 rental flats).

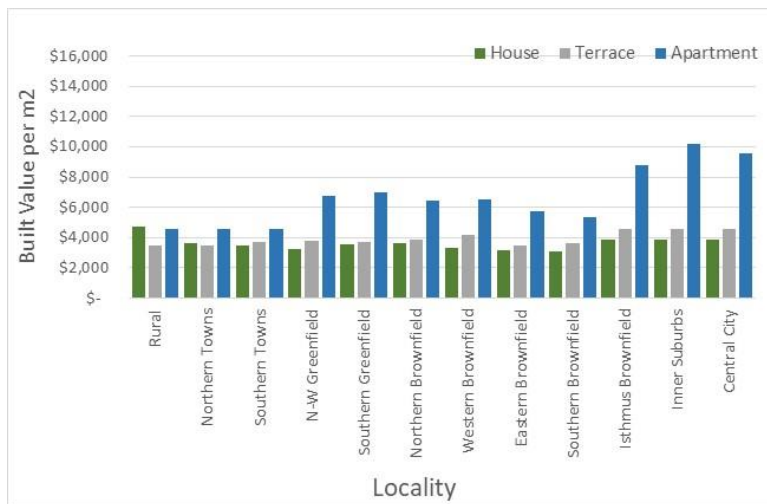
It provides detail at a property level on dwelling land value (\$ 2021 terms), site size (m²), dwelling built value and development size (floorspace m²), and year of completion. The data, including by SA1 and SA2 location is unique in that it covers dwellings which are new to the market. This offers advantages over sales data which includes both new and existing dwellings, and where new dwellings are often not recorded as a 'sale' when they have been built on contract to a land-owner. This dataset also has advantages over the new dwelling consent data, which shows estimated construction and development costs in total and per m², though not the final built value, nor the land component of a new dwelling.

This dataset shows for new dwellings to the market, and in each main location:

- a. The market value (in \$2021 terms) of new dwellings of each type and floorspace size
- b. The market value per m² of development
- c. The land component of new dwellings, on a per m² basis and also in relation to built value.

That further offers direct comparison with consent statistics showing construction costs per m² for dwellings by type and size (m²) and importantly the overall relationship between consent values per m² and final delivered values per m² for dwellings delivered in each year. That data has been used for the feasibility assessment of the plan-enabled capacity, applying the relevant delivered values per m² of floorspace for dwellings of each type and size, and the estimated land value component of the completed development. These values are summarised in Figure 3-2 to Figure 3-4.

Figure 3-2: Built Values per m² by Dwelling Type and Locality



¹⁸ Houses, Home and Income, and 1+ Dwelling.

Figure 3-3: Land Values per Built m² by Dwelling Type and Locality

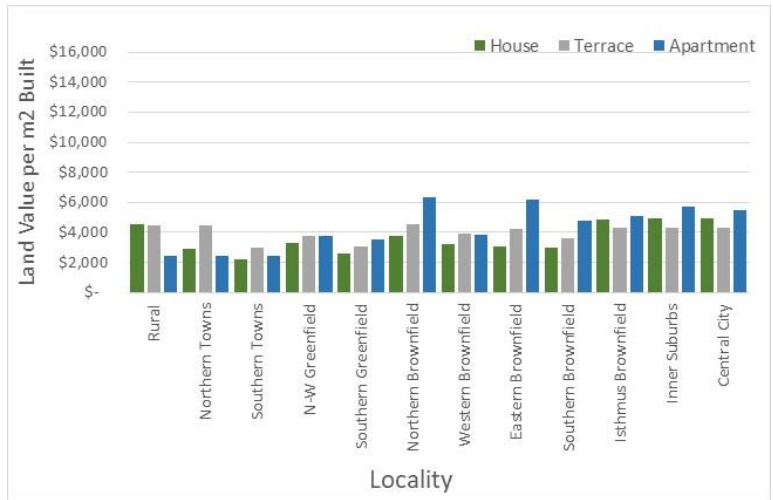
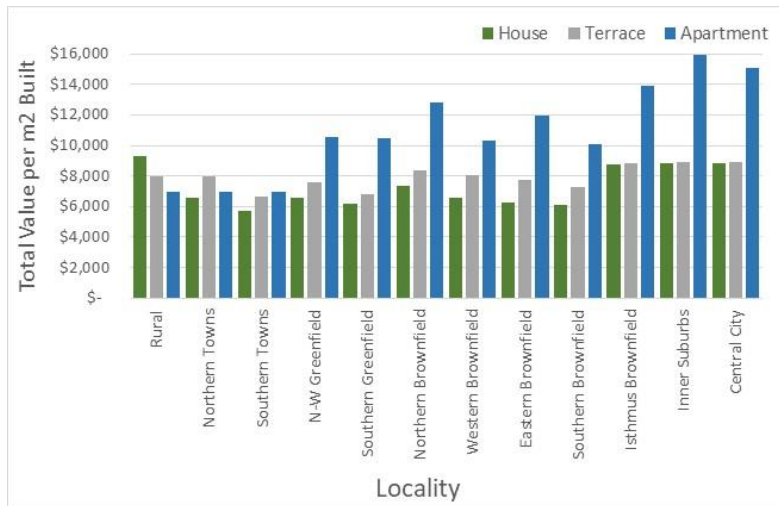


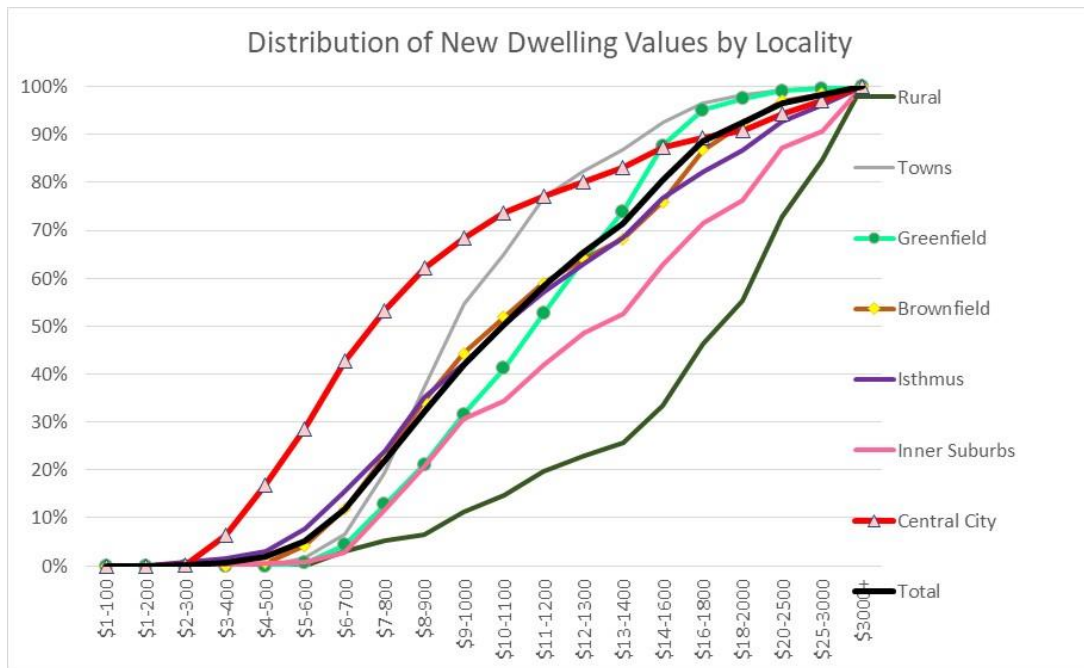
Figure 3-4: Total Values per Built m² by Dwelling Type and Locality



There are significant differences apparent in the mean values of new dwellings across locations in Auckland. In particular, the central city shows a greater likelihood of lower value/cost dwellings, with more than half at \$800,000 or lower. This reflects especially the higher incidence of apartments, and smaller sized dwellings.

However, in the inner suburbs of Auckland there is less evidence of any trend to lower cost dwellings, with the distribution showing limited variation over most of Auckland. The rural parts show a heavier weighting toward larger and higher value dwellings, associated with higher levels of expenditure on lifestyle or rural residential lots (Figure 3-5).

Figure 3-5: Auckland New Dwelling Values by Location 2018-21



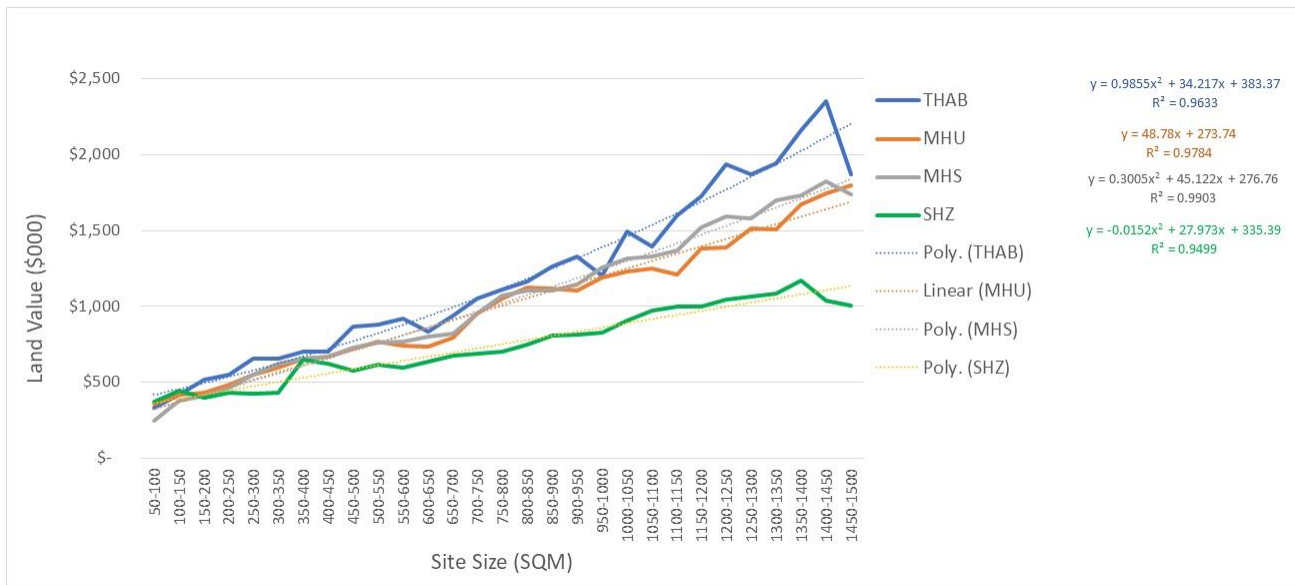
3.6.2 Lot Values

Residential lot values are determined by a mix of factors, however the main influence is the potential to use a site for a dwelling(s). This reflects the main benefit to the land owner. Other influential factors are location and site size (m²).

The relationship between site value and site size is shown in Figure 3-6. The key feature is that while site value does reduce as site size reduces, this value reduction is not pro rata with size. Rather, there is a clear value which accrues at the point where a site is able to accommodate a dwelling. This applies irrespective of the zoning. The base point for a site size of 100m² is in the order of \$250,000 to \$360,000 for the site. This reflects its ability to accommodate a dwelling. Above that minimum, site values increase with greater lot size. Sites in the 300-350m² size band have mean values of \$430-\$650,000, more than for the smallest sites but not 3-4 times that value.

This is certainly expected in the housing market, with land value driven mainly by potential use, and the ability to accommodate a dwelling largely a binary effect – a site is large enough for a dwelling and valued accordingly, or it is not. In residential zoned areas there are very few individual lots which are too small to accommodate a dwelling.

Figure 3-6: Site Land Values by Size of Site and AUP Zoning 2021



It is important to understand this, because zoning provisions which reduce the minimum site size for a dwelling cannot be expected to result in a *pro rata* reduction in mean site values. Values will tend lower, toward a minimum at which almost all of the site value derives from the ability to accommodate the dwelling, with only small shares of total value attributable to other factors.

This pattern is also clear in the land values for apartments and other developments where the land is owned on a strata or similar structure which does not involve actual subdivision of land into separately owned parcels. Commonly, the land value per dwelling is low compared with stand-alone houses and terrace houses, but the land value per m² is very high because its intensity of use is very high. The Corelogic data analysed for this research shows that across Auckland for apartments the land value per dwelling is relatively low - \$426,000 per apartment for new apartments in the 2018-2021 period, compared with \$728,000 for new stand-alone houses, and \$452,000 for units and terrace houses. However, the value per ha for apartments is much higher, in the order of 26 times the value of land for stand-alone dwellings and 13 times that of land for units and terrace houses.

This matches quite well with the much higher built intensity of apartments – on average, the built m² of floorspace per m² of land area for apartments is 17 times that of stand-alone houses, and 9 times that of units and terrace houses. These patterns show that land values are closely related to both land use and the built intensity of dwellings, and also the value per m² of built space.

Importantly also, it demonstrates that any shift toward lower mean land costs per dwelling will be associated with substantial increases in land value per ha. This is because the land is used more intensively, and its value derives primarily from the opportunity it offers to locate a dwelling. Simply, more dwellings per ha means greater value per ha, even as value per dwelling reduces. This is the expected outcome.

While there may be suggestions that land values might reduce because a given area of land is able to be used more intensively, that does not concord with the basics of economics, where resource (land) value derives predominantly from potential use and location. It is not a matter of simply apportioning a ‘starting’ land value among more dwellings, and then seeing a *pro rata* reduction based on a share of the original value. Instead, the

division of land among more dwellings is one part of the intensification process, which sees more value accrue to land as it is used more intensively. Moreover, very substantial costs are typically incurred to achieve intensification. Building up to more levels is more expensive than building to just one or two levels, as evident in the much higher costs per m² for apartments compared with stand-alone houses.

3.6.3 New Housing Sizes

As noted, while plan-enabled capacity may be maximised by selecting a small dwelling size, it is appropriate to apply a size which reflects the market patterns and the mix of dwelling typologies and sizes, as representing the needs of Auckland households. That underlies the use of a mean dwelling size of 120m² applied to estimate plan-enabled capacity.

However, it is important to recognise that this average is used for the purpose of calculating plan-enabled capacity, and it is not to be assumed that all dwellings are 120m² in size. The detailed statistics on Auckland new dwelling consents over the past 5 years – taking the most recent pattern from among some 30 years’ of statistics – show a gradual decrease in mean dwelling size, both because of a shift toward smaller typologies – apartments and terrace and town houses and away from stand-alone dwellings, as well as a decrease in stand-alone dwellings themselves. In 2015, mean consent size for a stand-alone dwelling was 233m², by 2021 this had fallen to 213m² (-9%). This is shown in Table 3-3 for each dwelling typology.

In the future, the intensification provisions including the MDRS enablement of 3 dwellings per site are likely to see substantial shift toward terrace housing and apartments, toward the mean 120m² applied here. Based on these most recent size distributions, the 120m² would see some 30% of dwellings at 90m² or smaller, 45% in the 90-150m² band, and 25% in the 150m² and over band.

The plan-enabled capacity has been examined in relation to the NPSUD/MDRS provisions applying unconstrained across residential zoned land, and also taking account of potential effects of QMs.

Table 3-3 : New Dwelling Consents by Floorspace Size Auckland 2017-2022

	Last 12 Months	Last 24 Months	Last 36 Months	Last 48 Months	Last 60 Months
<i>Number of Consents</i>					
Houses	6,818	13,505	20,189	26,327	31,467
Town / Terrace Houses	8,980	14,766	18,608	21,579	23,581
Apartments	2,997	5,375	8,748	11,534	13,777
Retirement Units	772	1,160	1,682	2,503	3,314
All Dwellings	19,567	34,806	49,227	61,943	72,139
<i>Mean Floorspace (m²)</i>					
Houses	213	208	208	212	215
Town / Terrace Houses	115	116	118	120	120
Apartments	98	104	103	101	101
Retirement Units	133	138	136	135	130
All Dwellings	147	150	153	156	158

Source: StatisticsNZ 2022

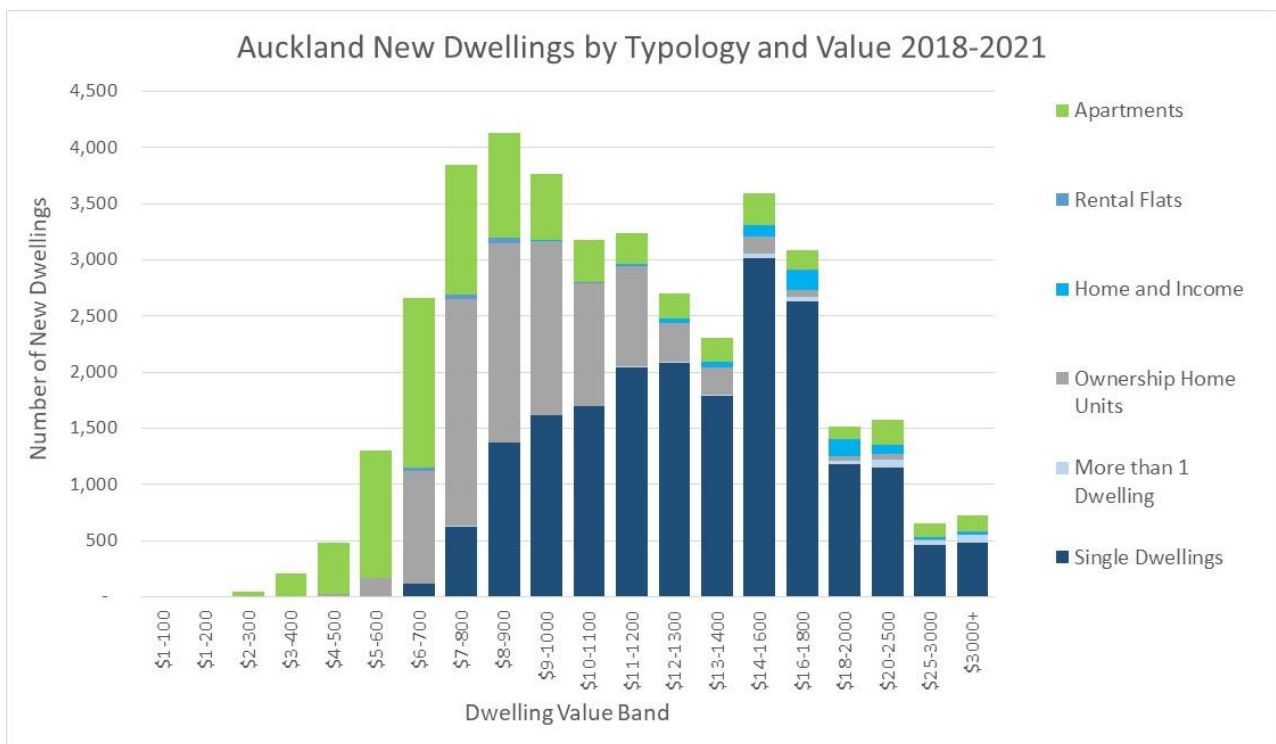
The value structure of the new dwellings is shown in Figure 3-7. Apartments are relatively concentrated in the under \$800,000 bands, with smaller shares in the \$900,000 and over value bands. Units and terrace houses are grouped in the \$600-900,000 value bands, though with a significant share in the \$900-1,200,000 bands. Stand-

alone houses start in the \$700-800,000 band, with substantial numbers in the \$800-\$1,400,000 band. Significant groupings are evident in the \$1,400-1,800,000 bands.

There are important differences between the terrace housing and apartment typologies and the markets they serve. Broadly, terrace housing is a more generalised and diverse typology. Apartments tend to be a more “niche” typology for smaller households than terraces. This is because most apartments are 1 or 2 bedrooms, while terraces are 2 to 4 bedrooms. This means terraces can serve the needs of a wider range of household types, especially family households with 2 or more children, whereas apartments are more closely suited to single persons or couples, or small-sized families.

That is important for locations where much of the potential intensification would arise from apartment development, and is suited to more-specific market segments than terrace housing, and a narrower range of household types and sizes. This tends to mean some ‘sorting’ among potential locations by the market, where because of the supply structure, especially if apartments are a high share of available supply, for example, in the inner suburbs.

Figure 3-7: Auckland New Dwelling Values by Typology 2018-21



The value structure of Auckland new dwellings in the 2018-2021 period is shown in Table 3-4. This illustrates the positioning of apartments more in the lower value end of the new dwelling estate, with home units (mostly terrace housing) in the lower-middle to middle value bands, and stand-alone houses in the middle to upper bands.

Table 3-4 : Distribution of Auckland New Housing Values by Typology 2018-2021

Dwelling Value (CV \$000)	Single Dwellings	More than 1 Dwelling	Ownership Home Units	Home and Income	Rental Flats	Apartments	Total
\$1-100	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$1-200	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$2-300	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
\$3-400	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.5%
\$4-500	0.0%	0.0%	0.1%	0.0%	0.0%	1.2%	1.2%
\$5-600	0.0%	0.0%	0.4%	0.0%	0.0%	2.9%	3.3%
\$6-700	0.3%	0.0%	2.6%	0.0%	0.1%	3.9%	6.8%
\$7-800	1.6%	0.0%	5.2%	0.0%	0.1%	2.9%	9.9%
\$8-900	3.5%	0.0%	4.5%	0.0%	0.1%	2.4%	10.6%
\$9-1000	4.1%	0.0%	4.0%	0.0%	0.0%	1.5%	9.7%
\$10-1100	4.4%	0.0%	2.8%	0.0%	0.0%	1.0%	8.1%
\$11-1200	5.2%	0.0%	2.3%	0.0%	0.0%	0.7%	8.3%
\$12-1300	5.3%	0.0%	0.9%	0.1%	0.0%	0.6%	6.9%
\$13-1400	4.6%	0.0%	0.6%	0.1%	0.0%	0.5%	5.9%
\$14-1600	7.7%	0.1%	0.4%	0.3%	0.0%	0.7%	9.2%
\$16-1800	6.8%	0.1%	0.2%	0.4%	0.0%	0.4%	7.9%
\$18-2000	3.0%	0.1%	0.1%	0.4%	0.0%	0.3%	3.9%
\$20-2500	2.9%	0.2%	0.1%	0.2%	0.0%	0.6%	4.0%
\$25-3000	1.2%	0.1%	0.0%	0.1%	0.0%	0.3%	1.7%
\$3000+	1.2%	0.2%	0.0%	0.0%	0.0%	0.4%	1.9%
TOTAL	52.0%	0.9%	24.1%	1.7%	0.4%	20.9%	100.0%

Source: Corelogic 2022

The distribution of Auckland's new dwellings in each value band is shown in Table 3-5. Single dwellings are the highest value on average, with a mean of \$1,436,000 and a median value of \$1,250,000. The larger sized dwelling types – classified as more than 1 dwelling, and Home and Income, are also higher value.

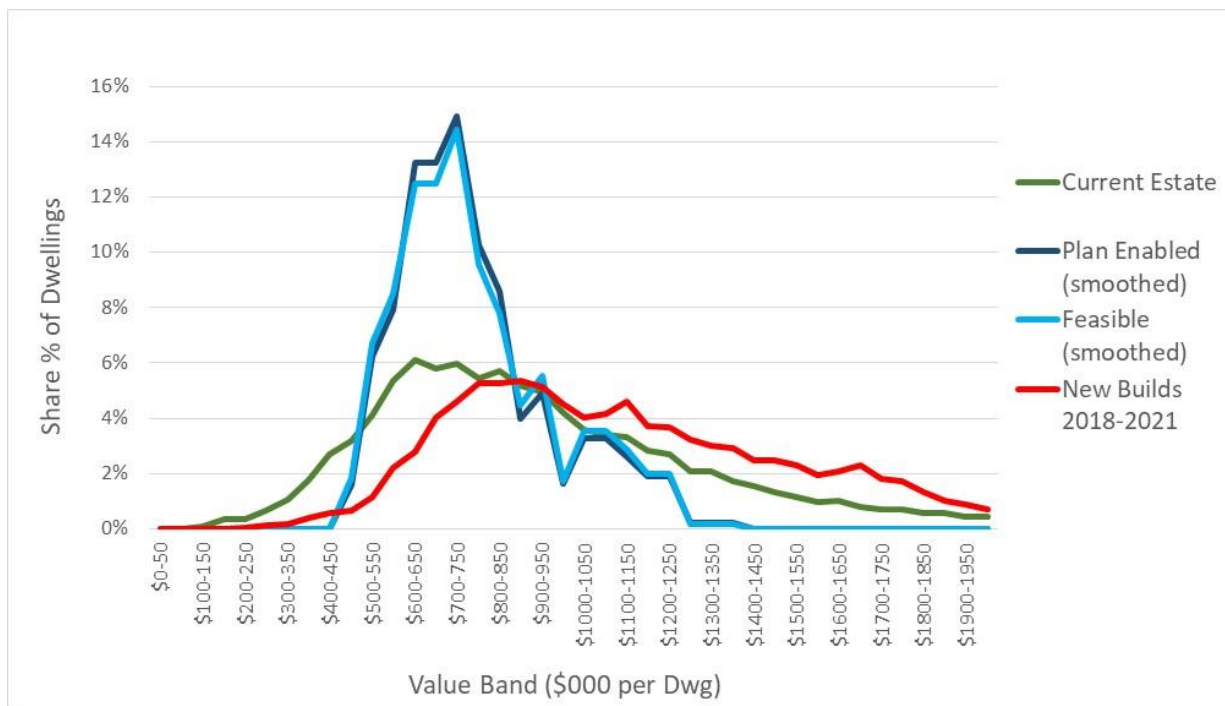
However, among Ownership home units (the second largest segment with a 24% share of new builds), the largest numbers are in the \$600-1,200,000 value bands. The mean new dwelling value is \$926,000 and the median value is \$850,000. Apartments, accounting for a 21% share of total new builds, are more concentrated in the \$500-900,000 bands, with a mean new dwelling value of \$932,000, a median value of \$750,000, and just over 40% in the \$700,000 and under bands.

Table 3-5 : Distribution of Auckland New Housing Values in Each Typology 2018-2021

Dwelling Value (CV \$000)	Single Dwellings	More than 1 Dwelling	Ownership Home Units	Home and Income	Rental Flats	Apartments	Total
\$1-100	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$1-200	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
\$2-300	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.1%
\$3-400	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	0.5%
\$4-500	0.0%	0.0%	0.3%	0.0%	0.0%	5.5%	1.2%
\$5-600	0.0%	0.0%	1.7%	0.0%	0.0%	13.9%	3.3%
\$6-700	0.6%	0.0%	10.7%	0.0%	14.9%	18.5%	6.8%
\$7-800	3.1%	0.3%	21.5%	0.0%	27.0%	14.1%	9.9%
\$8-900	6.8%	0.3%	18.9%	0.2%	28.7%	11.5%	10.6%
\$9-1000	8.0%	0.6%	16.5%	0.5%	1.1%	7.3%	9.7%
\$10-1100	8.4%	1.8%	11.5%	1.2%	5.2%	4.6%	8.1%
\$11-1200	10.1%	2.9%	9.5%	1.5%	1.7%	3.4%	8.3%
\$12-1300	10.3%	2.9%	3.7%	5.5%	1.1%	2.7%	6.9%
\$13-1400	8.8%	3.8%	2.5%	8.2%	1.1%	2.5%	5.9%
\$14-1600	14.9%	11.8%	1.6%	15.5%	2.3%	3.5%	9.2%
\$16-1800	13.0%	12.1%	0.6%	26.5%	3.4%	2.1%	7.9%
\$18-2000	5.8%	9.7%	0.4%	23.4%	1.1%	1.3%	3.9%
\$20-2500	5.7%	22.4%	0.5%	11.7%	3.4%	2.7%	4.0%
\$25-3000	2.3%	11.5%	0.0%	3.5%	1.1%	1.5%	1.7%
\$3000+	2.4%	20.0%	0.1%	2.3%	7.5%	1.7%	1.9%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Corelogic 2022

Figure 3-8: Auckland Dwelling Value Distribution – Current 2021, Plan-enabled and Feasible



3.6.4 New Dwelling Consent Trends

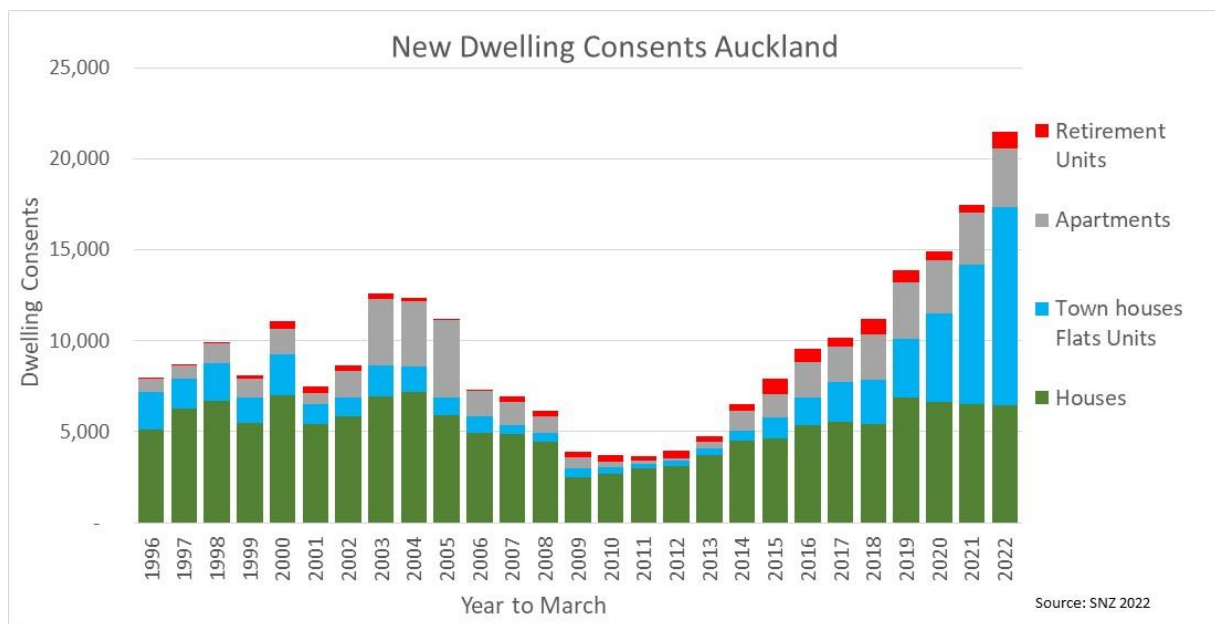
The new dwelling values are generally consistent with the new dwelling consents information, which is another important guide to the market’s likely response to the new plan-enablement, and therefore the effects of the NPSUD/MDRS changes. The new consent patterns show the broader situation, within which the new dwellings (examined above) have been developed ‘on the ground’. Several matters are relevant.

First, the number of dwellings consented has continued to increase significantly since 2016, and since 2018 the volume of consents for new dwellings has outstripped population and household growth. While one component of new supply is simply the replacement of existing dwellings, the major share is provision of additional dwellings to meet demand. Consent numbers have been at record high levels, averaging more than 18,000 over the 3 years to 2022. This is well ahead of population growth. In the June 2021 year, there were more than 19,000 consents, at the same time as Auckland’s population fell by more than 1,200 households (more than 3,000 persons). New consents have continued to increase, to a new peak of 21,477 for the year to March 2022.

The high number of consents also shows that there is substantial capacity for additional housing, and that the development sector is acting to utilise this capacity and build more dwellings.

It is not simply the volume of new consents. There has been a substantial change in the structure of new supply (Figure 3-9). In 2016 before the Unitary Plan was implemented, stand-alone dwellings accounted for 48% of new supply, while units and terrace houses accounted for 23%. Apartments also accounted for 23%.

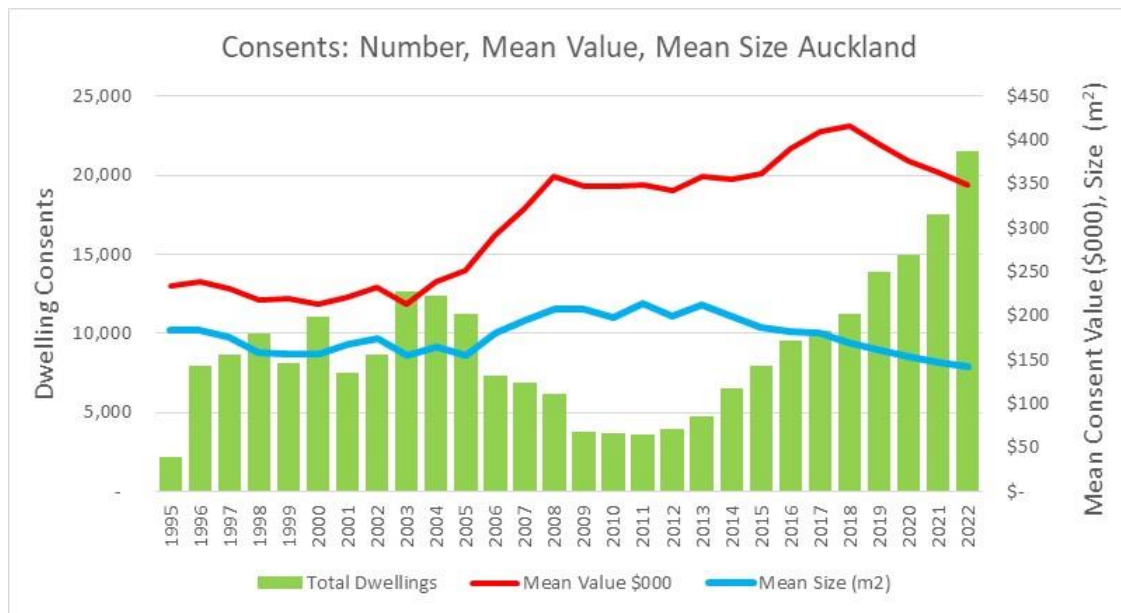
Figure 3-9: Auckland New Dwelling Consents by Typology 1996-2022



By 2022, the pattern has shifted, with stand-alone houses’ share down to 30%, apartments also down to 15%, and units and terrace houses up to nearly 51%. That said, in 2022 the number of new dwellings consented in every typology was greater than the 2016 level. The biggest change is the increase in units, mainly terrace houses, which are currently being consented at a rate of over 200 per week. Council statistics indicate that over 95% of consented dwellings are developed.

At the same time, there have been substantial shifts in the mean size of new dwellings, as more dwellings in the smaller size ranges are consented. This continues the trend observed since 2013, and in the mean value of consents with a steady drop since the peak in 2017. By 2022, Auckland’s mean consent \$ value was some -17% lower than in 2017 (Figure 3-10). This reflects both the shift toward terrace houses and apartments, and decreases in new consent values in real \$ terms, showing greater shares of smaller and lower cost dwellings.

Figure 3-10: Auckland New Dwelling Consents and Trends in Mean Size and Value 1996-2022



The greater enablement has also seen substantial intensification of residential areas within Auckland, with focus around the CBD and the larger centres, particularly to take up the development opportunity offered by the THAB zone, and the MHU zone.

One major consequence of the greater enablement under the AUP was the dramatic flattening of housing price growth during the 2016 to 2019 period, when Auckland prices rose at a rate of just 0.5%pa. That was much slower than New Zealand as a whole (+4.06%pa) and far below the 12%pa increase seen in the 6 years leading up to the 2016.

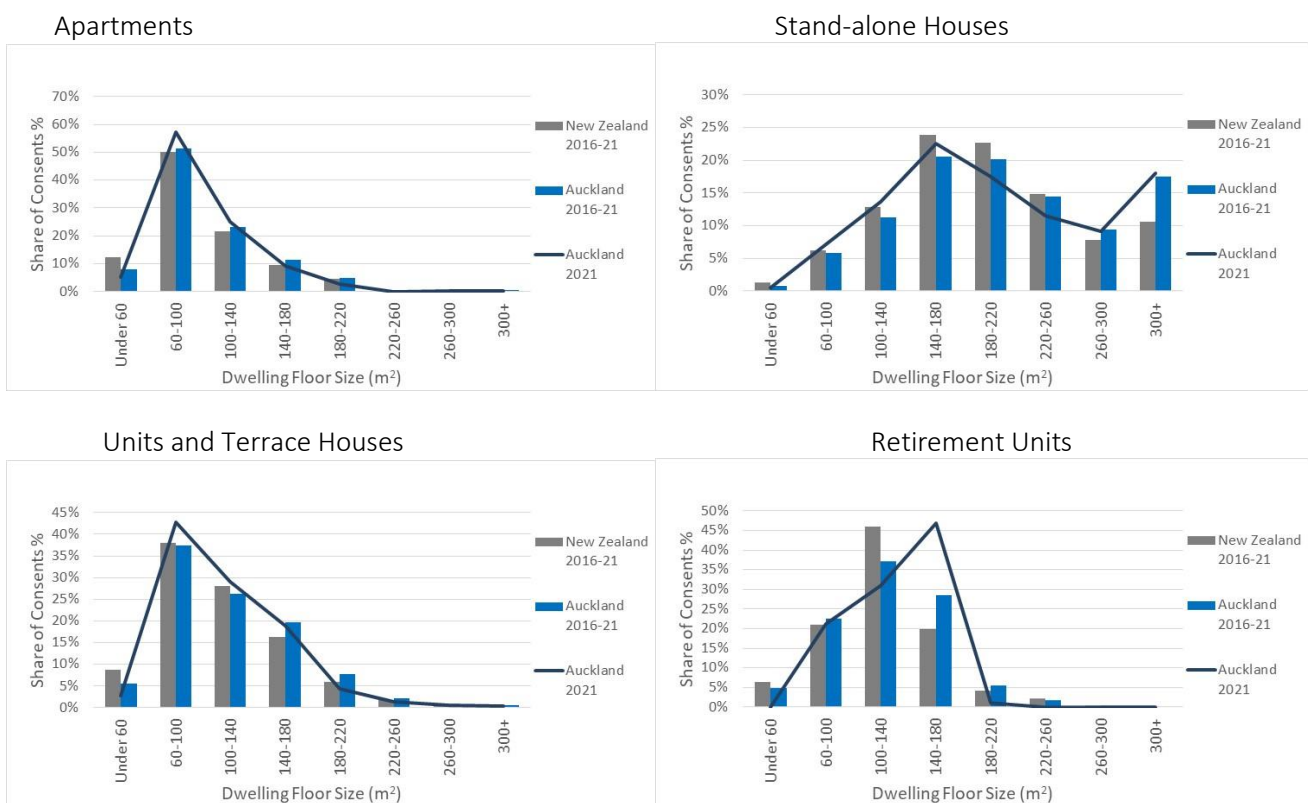
Since December 2019, Auckland housing prices have risen by +16%pa, as the very low interest rates and ready availability of finance, together with fairly strong consumer confidence (despite the Covid pandemic) seeing een patterns very similar to the early 2000s (prior to the GFC). That said, Auckland’s price growth recently has been below the New Zealand average of +17%pa (as it had been also in the 2000-2007 period), and lower than the increases observed in Hamilton, Wellington, Tauranga and Christchurch.

An important finding is that the conditions in Auckland’s housing market represent a stable planning context – the NPSUD and MDRS notwithstanding – and circumstances where there is no indication that demand for new

housing is putting pressure on new supply of land or intensification opportunity. Price pressures are closely related to national economic conditions, as indicated by RBNZ and most economic commentators¹⁹.

The mean values show part of the pattern. Another key indicator is the size range of each dwelling type, showing the market opportunity to purchase new dwellings of different sizes. The pattern for the 2016-21 period (with the AUP in place) is shown in Figure 3-11. Stand-alone houses are predominantly at 140m² or larger, with around one in six at 300m² or larger. Units and terrace houses are smaller, with the largest grouping (38%) in the 60-100m² and another 26% in the 100-140m² band. Apartments are smaller on average, with 60% in the under 100m² bands, and small shares over 140m². Note also that apartment sizes are 10-15% smaller than shown in the consent statistics, where mean sizes are estimated from the number of apartments and the total consented GFA area including common areas, rather than the mean private living space per apartment.

Figure 3-11: Auckland New Dwelling Consents by Size 2016-21



3.6.5 Consenting Patterns within Auckland

It is useful to understand the patterns of new consenting within Auckland. Relevant indicators include the rates of new consents relative to existing dwellings, the focus on terrace and apartment dwellings, variations in size, value and value per m². These aspects are important for housing development feasibility, and are shown in Figure 3-12 to 3-17, for each of the General Localities across Auckland. The graphs are indexed (base =1000) to

¹⁹ For example - https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/analytical-notes/2013/an2013-10.pdf?sc_lang=en
[Borrowing constraints and housing market liquidity - ScienceDirect](#)

depict how the rates for each indicator vary across the Localities. An index of 1000 or greater shows that a Locality is generally higher than the Auckland average for that indicator.

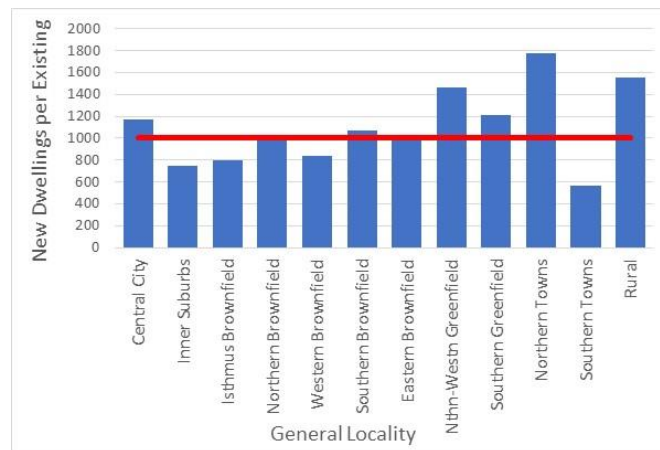
Figure 3-12 compares new dwellings consented relative to existing dwellings, over the 2016-21 period. The outer “greenfield” areas, as expected, show higher index values, especially because there is more remaining greenfield potential there.

The central city shows a higher index value, which indicates a higher incidence of new consents than the Auckland average over that period. It suggests that new development in the central city itself is proceeding at a rate above the Auckland average.

The ‘brownfield’ suburbs show a lesser rate than the Auckland average, which is expected given that sites are predominantly built on, and the growth potential is almost all driven by the potential to intensify already developed sites. The inner suburbs around the CBD show a rate on a par with the other brownfield areas (excluding Northern which is close to the Auckland average). This suggests the market is taking up intensification opportunities in those inner suburbs with significant numbers of SCA sites at a rate similar to other areas with much lesser incidence of SCA.

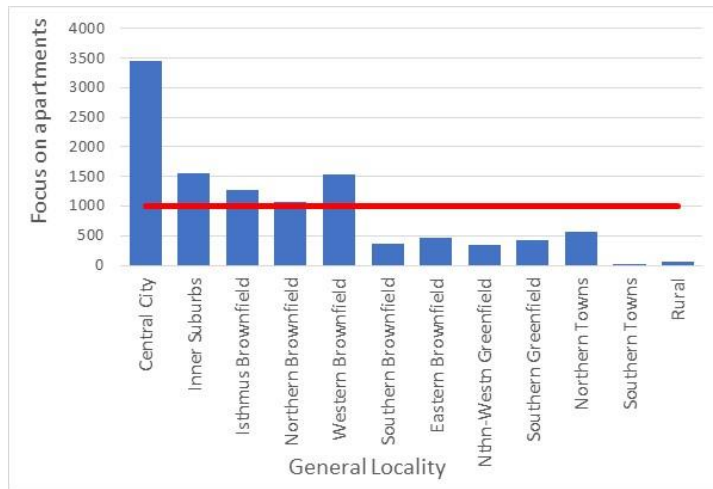
It is also important to note that this intensification is occurring in a period following the introduction of the NPSUD in 2020 when there is uncertainty about the development potential of sites. Commonly, in a period when future changes to regulations are signalled (such as being in walkable catchments) but before their impact is identified, property owners and developers are more likely to opt to wait before reaching decisions, so as to not miss out if greater intensification is enabled.

Figure 3-12: Auckland New Dwelling Consents per Existing Dwelling 2016-21



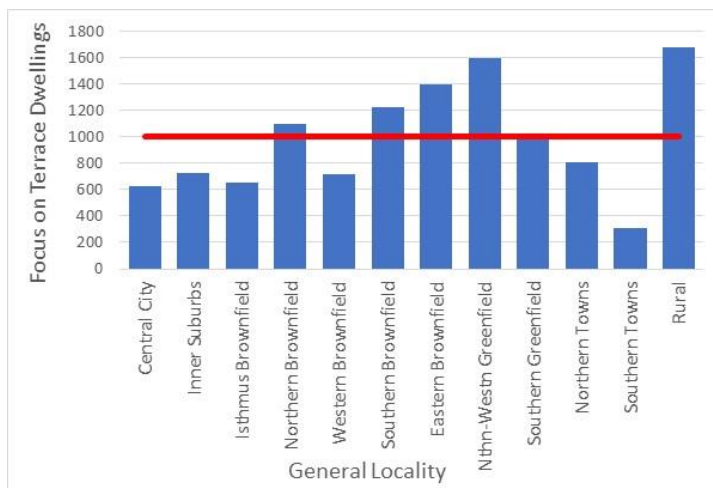
Part of the reason is clear in Figure 3-13 which shows higher propensity to develop apartments in the central city and inner suburbs, ahead of the other brownfield areas, and well ahead of the greenfield and outer areas. Again, this is expected, and consistent with the trend to intensify more through apartment development in the inner areas.

Figure 3-13: Relative Focus on Apartments by Locality 2016-21



In contrast, there is relatively less focus on terrace housing and unit developments in the inner suburbs and the brownfield areas generally (Figure 3-14).

Figure 3-14: Relative Focus on Terrace Housing by Locality 2016-21



The greater focus on apartments is evident in the new dwelling mean size patterns, with the central city and inner suburbs showing mean dwelling size at only about 70% of the Auckland average, and mean dwelling sizes substantially larger in the greenfield areas, and other towns (Figure 3-15). It is also apparent in the pattern for new consent values to be lower in the central city and inner suburbs, consistent with the focus on smaller dwellings and apartments (Figure 3-16).

Figure 3-15: New Dwelling Size Patterns by Locality 2016-21

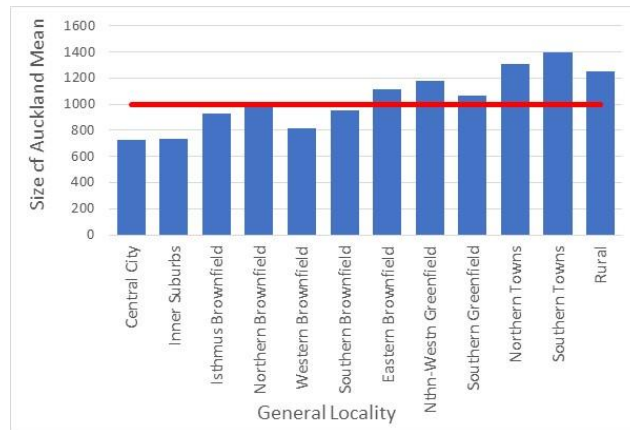
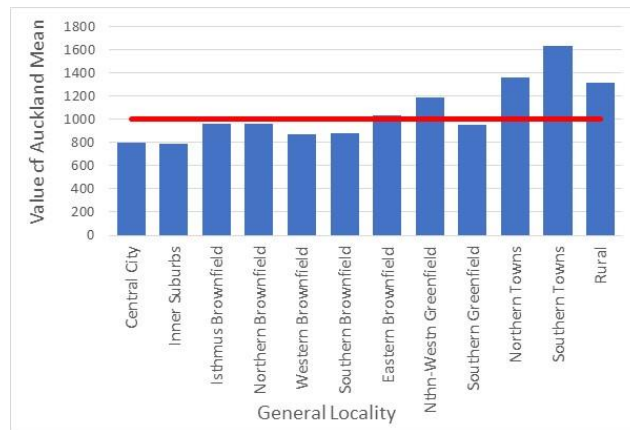
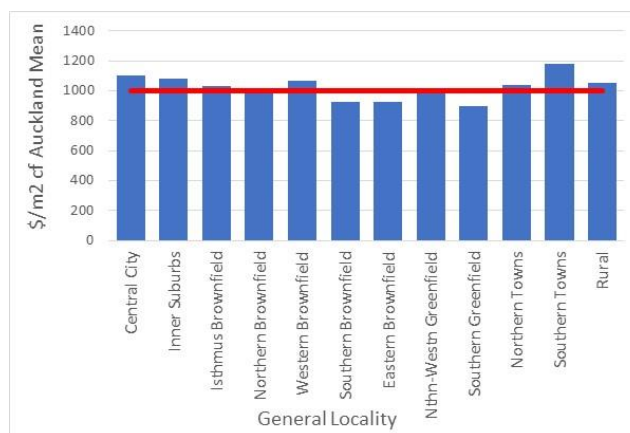


Figure 3-16: New Dwelling Value Patterns by Locality 2016-21



Finally, the consenting patterns show limited variation in the costs per m² of new dwellings, though the somewhat higher values in the central areas reflect the higher incidence of new apartments, which exhibit generally higher than average construction costs (Figure 3-17)

Figure 3-17: New Dwelling Value \$ per m² Patterns by Locality 2016-21



3.7 Development Feasibility

The feasibility assessment is a key aspect. This is because there may be substantial differences between plan-enabled capacity and likely demand for additional housing into the long term. It is important to focus on development feasibility, to consider what plan-enablement is likely to mean in terms of realised housing development.

3.7.1 Plan-enabled vs Feasible Capacity

This is material to the s32 assessment. The large amount of capacity enabled means that only a small share of such capacity is likely to be demanded to serve population and household growth into the long term. It is especially important in regard to the QMs which would see a lesser level of development enabled. Unless such reduction in capacity would have effects, in terms of less housing development occurring than would otherwise be the case, or otherwise have an influence on market perceptions and behaviours, then there is less chance that it would have a material effect, especially within the 30-35 year long term framework of the NPSUD.

Accordingly, it is relevant to consider the likely feasibility of housing development over that long term, to understand potential growth outcomes, and especially whether any QMs may affect housing supply and availability to the market.

This matter is well-recognised. There is a substantial research base into housing development and feasibility in New Zealand. Much of this has developed since about 2014, when the Auckland Unitary Plan hearings had considerable evidence presented as to the feasibility of developing new dwellings. This requirement subsequently became a key aspect of the NPSUD requirement to assess the sufficiency of housing supply for the HBA process.

The assessment of the Auckland housing market is also a key part of the analysis of the wider impacts of the NPSUD/MDRS enablement. This is because providing for additional enabled capacity can be expected to affect the land and housing market city-wide, and potentially different locations within that market.

3.7.2 Feasibility Approach

The methodology developed there, and since recommended in the advice on the NPS-UDC and then the NPSUD, has been to analyse the costs of dwelling development, including land, and costs associated with sale, against the likely sale price of a new dwelling. Where the likely sale price would deliver sufficient margin over the dwelling cost including land, then the development has been considered to be commercially feasible. This approach was not new, it drew from the methods commonly applied by property developers in their assessment of project feasibility, and has been applied widely for policy assessment and planning.

Such analysis has included a range of dwelling typologies and sizes (commonly large, medium and small houses, terrace houses or units, and apartments) to indicate the likely amount of feasible capacity for new dwellings. For the HBA analyses for council compliance with the NPSUD, that has been compared with expected demand for dwellings (based on anticipated household growth) to assess the sufficiency of dwelling supply. The feasibility methodology, relatively straightforward, has been widely accepted as a reasonable representation of how the market for new housing works, including through consultation with the developer sector, and review by MBIE and MfE.

That methodology offers a suitable basis for assessing the likely outcomes of the MDRS provisions. This is because the main direct effects of the MDRS provisions are covered by the methodology – the cost of land, the cost of dwellings (with different sizes and typologies able to be assessed, and information on the expected market values of new dwellings able to be provided).

There has also been substantial research into housing affordability, for both households which are currently non-owners, and for those which are already owners, and therefore commonly having some equity for purchasing a new dwelling. Affordability is a key influence, as it affects the amount of new development, with builders and developers needing to recognise how much demand there is for housing, and the levels of demand for different dwelling typologies and value bands. That said, in addition to demand from owner-occupiers, there is also demand from investors for rental properties, often for developments of two or more attached dwellings. That aspect is considered below.

The feasibility assessment requires assumptions about market conditions into the future. This includes analysis of demand from households, and estimates of likely market value of new dwellings built, the likely costs of development and construction, and the value of land. A range of information has been drawn on here to understand the current operation of the housing market, and to help anticipate likely or potential trends in prices and values into the future.

3.8 Auckland Growth Outlook

To understand the wider implications of plan-enabled capacity and the effects of QMs, it is necessary to place the likely growth outcomes ‘on the ground’.

Many of the key effects and outcomes, especially those higher order matters relating to the benefits of urban development and the well-functioning urban environment will be influenced by the urban form outcomes. To a considerable degree, the urban form outcomes are effectively decided because PPC78 is legislated, and will enable very substantial plan-enabled capacity throughout urban Auckland, with higher levels of development enabled in the walkable catchments.

This puts considerable focus on the QMs, and the extent to which they may result in different urban growth patterns from that under unaltered MDRS and Policy 3 provisions. The QMs are not spread evenly across the economy. It is not a question of whether or not the MDRS and Policy 3 provisions will positively contribute to those matters, more a question of whether any QMs may detract from those.

That said, it is important to consider not just the different housing growth patterns *per se*, but to also examine the implication for how the city will function under different growth outcomes, and what this means in terms of urban development *per se*, and the objectives of the NPSUD. The approach is described in section 3.9.

3.8.1 Auckland Growth Outlook to 2051

The base point is Auckland’s likely growth futures. These draw on the latest population and household projections released by StatisticsNZ, extending to 2048 and extrapolated to 2051. The projections also provide detail at LBA and SA2 level, and these have been drawn on as appropriate.

The region's economy growth outlook has been examined drawing on the Merit model²⁰, covering employment and GDP outlook, by sector of the economy. From this base, the projected regional growth by sector has been allocated across the spatial economy, taking account of the trends in each location (centre, business area, other) over the 2003-2021 period, together with growth in household numbers in the catchments of each centre/business areas, and projected development at the urban edge (drawing from FULSS).

The latest population and household growth projections released by StatisticsNZ indicate that Auckland can expect another 241,000 households by 2051 (medium projection) within a range of 142,000 (low) to 338,000 (high). That would see Auckland's total household numbers at between 716,000 (low) and 913,000 (high) by 2051 (Table 3-6).

Population growth may be slower or faster than projected, although the range offered by StatisticsNZ is based on a 95% probability that the population will be at least the low projection by 2050, and a 50% probability that it would be at the medium projection. The assigned probability is 5% that the population will exceed the high projection.

The assessments of capacity and demand are forward looking, over a long time period (30+ years). There is consequent uncertainty in both demand and Auckland's plan-enabled capacity – for example, the enabled dwelling numbers may be fewer or more than estimated if dwelling sizes are greater or smaller than modelled.

Table 3-6 : Auckland Population and Household Growth Context 2018-2051

Year	High	Medium	Low	High	Medium	Low
2018		1,654,800			549,900	
2019		1,681,300			560,000	
2020		1,716,900			573,300	
2021	1,715,600	1,715,600	1,715,600	571,800	574,200	573,800
2023	1,823,100	1,778,700	1,735,300	610,400	598,200	586,000
2028	1,984,100	1,891,800	1,801,400	665,600	640,400	615,200
2033	2,146,100	2,001,800	1,861,600	721,700	682,800	643,600
2038	2,306,900	2,107,000	1,914,100	775,800	722,300	668,400
2043	2,466,400	2,207,800	1,958,300	827,700	758,000	687,600
2048	2,624,300	2,302,900	1,993,400	879,800	793,200	705,400
2050	2,690,300	2,342,100	2,007,600	901,500	807,800	712,600
2051	2,723,800	2,361,900	2,014,700	912,600	815,200	716,200
2020-50	973,000	625,000	291,000	328,000	235,000	139,000
2020-50 %	57%	36%	17%	57%	41%	24%
2021-51	1,008,000	646,000	299,000	338,000	241,000	142,000
2021-51 %	59%	38%	17%	59%	42%	25%

Source: StatisticsNZ 2022

3.8.2 Growth Model Overview

The potential outcomes reflect futures where the projected households are distributed in different patterns, according to the likely market response to the MDRS and Policy 3 provisions on one hand, and the modifying effects of the QMs on the other. For both outcomes, a starting point is the established patterns of Auckland's new housing growth in the period under the AUP as a strong reflection of current demand preferences (Section 3.6).

²⁰ Sourcing to be confirmed

Potential growth outcomes have been modelled, using a straightforward structure to distribute housing development across locations. The requirement is to estimate housing development outcomes from the plan-enabled capacity, over relevant time frames (adopting 2031 and 2051 as the medium-term and long-term milestones). The process takes account first of the capacity that is plan-enabled (step 1) without and with QMs; and within that the capacity which is feasible to develop (step 2).

The analysis shows that the amount of feasible capacity (number of dwellings) is generally greater than demand for additional dwellings across Auckland, such that only a share of feasible capacity would be taken up - that is, the number of additional dwellings by 2031 and 2051 to satisfy household needs, plus some margin as appropriate.

It is not a matter of simply allocating growth *pro rata* with feasible capacity. A range of matters affect housing development and housing uptake choices, and this assessment allows also for greater or lesser influence of five matters:

- a. Location preferences – applied to each of the general localities;
- b. Housing prices – weightings toward dwellings of higher or lower built values, to allow focus for example on lower-priced new dwellings;
- c. Housing typology – weightings to reflect greater preferences toward terrace houses or apartments;
- d. Distance from the CBD – weightings by distance, including toward locations closer to the CBD;
- e. NPSUD/Walkable Catchment – weightings for higher or lower preferences for locations within Walkable Catchments

These matters are applied in combination to assign a higher or lower probability than the *pro rata* average for each site, with the total of all ‘expected’ developments adjusted to match the projected demand level. The base approach applies an allocation approach to reflect the relative chance of uptake, rather than modelling housing uptake according to the site-specific probability at points in time. A main reason for this is that development feasibility *per se* is an important influence, current patterns reflect existing development and purchase preferences, and there is a large and varied amount of development (dwelling consents) across typologies and value bands and locations. Projecting substantial variance from those influences needs careful consideration. In addition, a practical consideration is that the complexity of modelling required to adequately take into account the combined effects of site feasibility and location preferences and dwelling preference and ability to pay all by segment of the market including current owners and first-home buyers and renters, is challenging.

Accordingly, the base case projections draw from development feasibility, and then applying a relative weighting according to current typology and location preferences.

3.9 Auckland Urban Form Outcomes

The implications for Auckland’s urban form outcomes are important for the s32 assessment, relating especially to ‘urban development’ *per se*, and the NPSUD objectives.

There has been considerable attention to current housing enablement, and the effects of the existing AUP on development patterns, notably those relating to developable heights and protection of viewshafts, and Special Character. That includes substantial debate about the whether such provisions are likely to significantly constrain housing growth, given the large margin between demand and enabled capacity into the long term, and potential flow-on impact on housing prices. Another component is the potential for QMs to impact on housing development in the central city, potential effects in the role of the CBD in the economy, and the possible

impacts on the city's efficiency of urban form, and productivity. These matters have many dimensions. It is prudent to consider them carefully.

3.9.1 CBD in the City Economy

The starting point is understanding of how urban economies function and grow, which are broadly matters of urban spatial theory. Central place theory holds that a city centre is generally the most efficient location, and is on average the most attractive location for business and residential activity. One often-expressed view is that because the central city (CBD and adjacent suburbs) is on average the optimum location for businesses and households, it follows that maximising development in the central city will deliver the most efficient and sustainable urban form and growth outcomes for the economy.

However, the situation is more complex than this. Cities grow over time. This growth, and the consequent demand for space, brings both outward and upward growth. Increasing size means that other centres and nodes can develop and establish efficiently within an urban economy, in locations outside the CBD. As well, the CBD working and living environments change over time, with the intensification of activity and built form commonly means only some of the preferred environments still persist in the central city. One consequence is that for many businesses and households, the central city is not their most efficient or attractive location. The larger size of the urban economy offers many other opportunities for activity to locate efficiently.

This understanding is important for effective urban policy. A primary consideration is the overall efficiency (and therefore sustainability) of urban form, in terms of a spatial pattern of centres and business areas (distribution of business activity and population) to effectively and efficiently meets the requirements of businesses and households, taking account of the underlying physical geography, and the size and nature of the economy.

In particular, a city is not just a large village. In a village, the centre is the most efficient location, for all or most activity. As a village evolves to a town, conditions change, including opportunity for small service centres to emerge, and for different sectors of the economy to co-locate for their common benefit. The same processes have effect as the town grows to be a city, and a small city becomes a large city. A key feature of larger cities like Auckland is their multi-nodal structure, with the CBD supported by multiple centres and business areas, which are individually much smaller than the CBD, but in aggregate account for a substantially greater share of the economy. The central city continues to be the main hub, and continues to grow, but accounts for a smaller share of total activity as the economy expands. Auckland's CBD accounts for about 20% of the city's employment, about 22% of economic activity (GDP), as well as about 7% of the population.

This multi-nodal spatial structure is much more efficient and sustainable than the mono-centric city ('large village'), where all of the business activity and employment were concentrated in the city centre. It is very evident world-wide, as the common development patterns as city size increases, for urban economies to develop from mono-centric towns to multi-nodal economies. Like most larger cities, Auckland is not a mono-centric economy, but a multi-nodal economy, where business activity has a range of locations across which it can locate efficiently, according to sector-specific needs and in relation to both household demand, and labour

force availability²¹. In similar vein, households can locate efficiently across the range of locations and living environments.

This reflects a combination of factors, including that land is a factor of production, and urban activity requires space. Some of the space to accommodate growth can be provided by upward intensification, some requires land at the urban edge, some may be best-located to serve local or sub-regional demand rather than the whole city. The mono-centric village form is not efficient for larger cities.

This is important, because it means that for many households and business the central city is not the preferred or optimal or most efficient location. It is not a question of affordability, as there many dwellings with higher values, throughout the city. All locations have a range of dwelling values around their local average, and accessibility to work, education and so on influences choices and trade-offs.

Of direct relevance, a considerable share of the urban assessment in New Zealand has been based on modelling of mono-centric cities²², with analysis of a 'large village' as if it were the ideal urban form. This has included key assumptions about the concentration of employment and goods and services all located in the city centre. Estimates of urban efficiency, household travel costs, and the value of land are driven by their distance from the city and the assumption that there are no other nodes of employment or service centres which can offer a more efficient and less costly outcome. In particular, the effects of travel increase in direct proportion to distance from the city centre, such that property values decline very quickly as distance from the city centre increases, and therefore the value of a central location is shown to be very high compared with other locations. In this approach, to illustrate, a household living 10km from the city centre would have annual travel costs 10 times those of a household living only 1km away.

However, that is not the case. For example, analysis of households' mean travel distances using the Auckland MSM capability suggests that households 10km from the CBD have annual travel rates (vkm per household) which is only 1.5 to 1.7 times those living 1 km away. This suggests that the mono-centric modelling potentially over-states by several times the effects of distance from the CBD – which is a key input to land value and development modelling.

Such results have under-pinned views that the benefits of central location are very high relative to other locations, and the related view that a highly centralised city represents the most efficient and sustainable outcome – commonly characterised by very substantial high-rise housing development close to the city centre as the 'best' outcome. That in turn has influenced views about the negative effects on Auckland's urban form and efficiency if housing development is not maximised in central areas, with associated negative effects on housing affordability if the land value component of housing costs is not minimised through the combined effects of high rise to occasion smaller average living space, and less land per dwelling. This view has seen, for example, suggestions that Auckland's growth should be focused as closely as possible around the CBD, such as all within 5km – a rationale based heavily on the 'large village' view of an efficient urban economy.

²¹ This highlights the importance of careful treatment of urban modelling results, to ensure these reflect accurately how a city functions as a spatial economy..

²² An approach which the Environment Court described as 'generally unrealistic'

3.9.2 Multi-Nodal City – an efficient Urban Form

For this s32 Report, the large or mega-village concept is not accepted as a sound basis for assessment.

The assessment here is based on Auckland as an established and relatively efficient multi-nodal spatial economy, which has evolved as the city and region have grown, in response to the urban economic processes. This means that housing growth outcomes from the new legislation will occur within, and influence, that economy, and will arise cumulatively over time. These outcomes will arise from the combined effects of that multi-nodal economy and the MDRS and NPSUD provisions.

It is important to differentiate between the specific and the average. On average, urban efficiency is enhanced where development intensity is highest in the city centre, and development intensity is progressively lower with increasing distance from the CBD. However, within that high-level structure are other nodes of activity serving sub-catchments in the wider economy, where local needs for employment and goods and services are predominantly met more efficiently from sub-regional and local centres within the wider, even as some higher order needs are still served most efficiently from the central city.

This means that higher development intensity in inner areas generally contributes to urban efficiency, and the central city is the most desired residential location for many. However, that is not the case for all or even a majority. Households have a range of needs and abilities to pay for housing, affected by demography, incomes, employment, accumulated wealth and so on. Hence, the population exhibits a mix of housing preferences (location, typology, value) which may be efficiently met across a range of locations within the economy. Basic indicators such as land values and built investment can be useful to help interpret demand patterns, although those capture only part of the picture²³.

These matters highlight the importance of making provision for housing and business opportunity in a range of locations within a multi-nodal city form for Auckland, which are able collectively to meet the requirements and abilities of the household sector and the business sector. Housing enablement across the city needs to provide for the expected level of demand – with suitable margin – in different locations, rather than assume that enablement needs to be maximised in every location, or that one location such as the CBD the best for all. The demands and preferences of the urban community reflect many dimensions, including housing capacity.

That is directly consistent with the approach and the assessment criteria identified in the HSAA. The NPSUD provisions explicitly recognise the benefits of enabling capacity close to centres and transport hubs right across the city, with the walkable catchment provisions applying widely. The drive for intensification is not limited to the central city. Further, the outcomes of the HSAA enablement are to be assessed in relation to the objectives of the NPSUD and the significance of urban development – both of which reach across all aspects of cities, and locations within cities, and deal with much more than housing capacity *per se*. That includes the requirement to consider the implications for both the broad concept of ‘urban development’, arising from the PPC78, and for NPSUD objectives including Auckland as a Well-functioning urban environment. These matters are considered further in Section 5.

²³ For example, Auckland residential land values per lot are higher in the central city than in the middle and outer suburban areas. However, these values reflect a combination of factors, including that competing demand from business activity is strongest in the central city, amenity levels, and accessibility to locations other than the CBD itself.

4 Direct Effects - Plan-enabled Housing Capacity

This section of the s32 considers the direct effects, in terms of the plan-enabled capacity for housing which would result from the MDRS/NPSUD provisions. These outcomes underlie the benefits and costs of the provisions which the s32 must assess.

Examined first is the Auckland-wide total outcome, for the situation without Qualifying Matters, and a view of the high-level geographic pattern of this enablement. Then, the effect on levels of development from QMs is considered. This provides focus on the key areas of interest, especially the central city and inner suburbs. The reporting format is straightforward, enabling direct comparison of alternative outcomes within a single table, overall and for each location.

The assessment covers in each instance the two broad situations – MDRS and Policy 3 without any qualifying matters, then with QMs, and in selected cases with specific QMs examined (including Viewshafts/Height and SCA).

4.1 Scope

The proposed new Plan provisions will be highly enabling of housing development. The MDRS provisions would enable a maximum of 3 dwellings per site, with development to 12 metres, while the NPSUD Policy 3 provisions will enable development to 6 storeys in walkable catchments. The QMs may result in lesser levels of development being enabled in some locations.

These are the core direct outcomes of the NPSUD/MDRS provisions, with attention on the level of development enabled, and the effects of QMs on that enablement. These potential outcomes, particularly their scale and location, are the key drivers of benefits and costs assessed in Section 5.

Total plan-enablement is considered first, then the effects of QMs. One issue is the location of plan-enabled capacity within Auckland, relating especially to plan-enabled capacity in the inner suburbs and SCA areas. A related issue is the geographic distribution of the QMs, and how their effects may vary across locations. Attention is paid to the potential effects of QMs on the level of development enabled in different locations, and how that may affect the outcomes and benefits and costs of the new provisions.

Examination of cities and housing markets typically gives rise to large amounts of information and many numbers. The requirement to assess PPC78 is no exception. The modelling and analysis offers scope for plenty of detail, especially about the levels of development which would be enabled under proposed provisions. In order to focus on presentation of the most relevant information on plan enabled capacity, the reporting (table) structure used in the body this Report considers the most relevant information, in a standard format, with the detail directed to Appendices.

The standard core set of information presented is to show:

- a. The current level of housing. This is to set the current context, and show the extent of change which would be enabled under PPC78.
- b. The level of development which would be enabled under MDRS and Plan Change 3, in a situation where there were no effects from qualifying matters.
- c. The level of development which would be enabled if those QMs and all of the other proposed QMs were applied.
- d. The effects on enablement of specific QMs within the wider picture.

A basic structure is used to show the outcomes for the main geographies of the provisions, with detail for areas affected by the NPSUD Policy 3 provisions – the Walkable Catchment areas around main centres and rapid transit nodes – and the balance of the urban residential zoned areas which will be subject to the MDRS provisions.

This structure provides the core information and allows for direct comparisons of outcomes in a single table. For consistency that format is used for Auckland overall, and for each location examined in more detail. This approach is to offer sufficient detail in the main body of this s32 Report, while avoiding a proliferation of tables and numbers.

That said, a second standard table is applied to show the context of PPC78 for each location. That table shows the plan-enabled capacity relative to current housing in each location – to show the extent of growth and change enabled – and the enablement with all of the proposed QMs in effect. This table identifies the scale of plan-enablement in direct relation to the current level of housing development in each location. It also shows the projected household growth in each location, using the high growth projection to 2051. This is important for understanding possible effects on housing development paths in Auckland, and the potential implications for the housing and development markets.

This approach is consistent with the purpose of the HSAA, with its primary direct aim to increase the amount of plan-enabled capacity for housing, and also with consideration of the QMs which could directly affect the levels of development enabled.

4.2 Plan-enabled Housing Capacity

The plan-enabled housing capacity for Auckland has been identified at the site-specific level for all residential zoned sites in Auckland. The first requirement is to understand the high-level outcome for the Auckland economy as a whole.

4.2.1 Total Plan-enabled Capacity

Table 4-1 sets out the plan-enabled capacity under the MDRS/NPSUD provisions, for the residential zoned areas affected by the NPSUD Policy 3 and MDRS provisions. The plan-enabled capacity estimates are provided with the estimated capacity currently enabled under the AUP, and also the existing dwellings in residential zones.

The proposed provisions would see very substantial plan-enabled capacity across Auckland’s residential zoned areas, with around double the capacity enabled by the Auckland Unitary Plan.

Total plan-enabled capacity in residential zones would be 2,853,000 dwellings, including an estimated 559,000 in the walkable catchment areas subject to NPSUD Policy 3, and 2,294,000 in other residential zoned areas subject to MDRS provisions. This is 1,428,000 more dwellings (+47%) than the 1,425,000 currently enabled under the Auckland Unitary Plan. It compares with some 480,000 dwellings on residential zoned land currently (urban Auckland²⁴), and implies the provisions would enable around 2,373,000 more dwellings on residential land than are currently developed in Auckland.

²⁴ The 2022 total dwelling count in urban Auckland is likely to be around 20,000 dwellings more than this, allowing for the strong numbers of new dwellings consented in the last 12 months to be progressively put in place.

The plan-enabled capacity would accommodate, if developed, an increase of around 5.9 times over the current level of dwelling supply.

Table 4-1 : Plan-Enabled Housing Capacity Residential Zoned Land with MDRS/NPSUD

Location	Existing Dwellings	AUP	MDRS - No QMs	Difference	Difference %
NPSUD	64,000	245,000	559,000	314,000	128%
MDRS	416,000	1,180,000	2,294,000	1,114,000	94%
Total Residential	480,000	1,425,000	2,853,000	1,428,000	100%

Source: Housing Enablement Model 2022

The capacity estimates do not include allowance for residential development on business zoned sites. Land in the Business: centre zones would enable substantial built development, and a proportion of that capacity is expected to be for residential uses, especially in the City Centre and Metropolitan Centre zones. That capacity is indicatively estimated at 436,000 more dwellings.

The residential and business capacity together would see the potential enabled capacity at around 3,289,000 dwellings, or around 2,761,000 more than the current dwelling count, 528,000 including dwellings in business zones (Table 4-2). In combination with the potential on business zones, the NPSUD and MDRS provisions would enable an increase in dwelling capacity in Auckland of around 6.2 times.

Table 4-2 : Plan-Enabled Housing Capacity Residential and Business Zoned Land

Location	Existing Dwellings	AUP	MDRS - No QMs	Difference	Difference %
NPSUD	64,000	245,000	559,000	314,000	128%
MDRS	416,000	1,180,000	2,294,000	1,114,000	94%
Total Residential	480,000	1,425,000	2,853,000	1,428,000	100%
Business Zoning	48,000	400,000	436,000	36,000	9%
Total inc Business	528,000	1,825,000	3,289,000	1,464,000	80%

Source: Housing Enablement Model 2022

These capacity estimates do not include potential from the Future Urban zoned (FUZ) land, which is approximately 10,000ha largely adjacent to the urban edge. Indicatively, that could accommodate a further 130-140,000 dwellings into the long-term, and would take Auckland's total plan-enabled capacity for housing over 3.4 million dwellings. The following assessment does not include potential housing capacity on FUZ land.

4.2.2 Built-form Enablement

The estimated enabled capacity by typology is summarised in Table 4-3. As an overview, the NPSUD and MDRS provisions would see substantially more enablement of terrace housing and duplexes, with corresponding reduction in the likelihood of stand-alone individual houses being developed. Current demand for new dwellings includes a substantial number of stand-alone dwellings, accounting for 47% of the total new dwellings consented in Auckland since 2016, and 30% in the latest year to March 2022. The new provisions can be expected to further encourage attached rather than detached dwellings, reinforcing the current trend, and it is expected that stand-alone dwellings will account for a significantly smaller share of new dwellings over time. The indicated dwelling mix, based on the numbers of dwellings which would be enabled on each site under the new provisions, would see around 7-8 times as many terrace houses or units as new stand-alone dwellings built – translating as around 124,000 houses, and around 2,235,000 terrace houses enabled. It could also see a

substantial increase in apartment capacity in residential zoned areas, with in the order of 494,000 apartments indicated in total, of the total enabled capacity of 2,853,000 dwellings.

Note that there is considerable flexibility in the estimates, with scope for a greater or smaller share of attached dwellings to be terrace houses rather than apartments. In particular, the substantial margin between demand plan-enabled capacity would offer considerable scope for stand-alone dwellings to represent a greater share than indicated, into the long term.

Table 4-3 : Plan-Enabled Housing Capacity Residential Zones by Indicative Dwelling Typology

	MDRS - No QMs
House	124,000
Total Terrace	2,235,000
Total Apartment	494,000
Total	2,853,000

Source: Housing Enablement Model 2022

4.3 Effects of Qualifying Matters

4.3.1 QM Constraints

The plan-enabled capacity with the QM applies has been assessed according to the MDRS/NPSUD provisions, with the incidence of each QM identified on a site-specific basis, and the effects of each QM on plan-enabled capacity assessed.

Specific modelling of the buildable envelope and floorspace capacity is seen as the most accurate way to assess plan-enabled capacity on each site, in order to systematically assess the level of development. The effects have been modelled systematically across every site by Council's GIS specialists.

The effects of each other QM have been modelled as described above. In the first instance, the effects of all the QMs together have been examined. Subsequently, the effects of specific QMs are able to be assessed.

4.3.2 SCA and Viewshafts

The assessment identifies the effects of each QM specifically, including the effects of Height/Viewshaft QM and the Special Character (SCA) QM. The effects of these two QMs relate directly to the buildable envelope on each site, especially through any height constraints for the height/viewshaft provisions. Many of the sites subject to viewshaft and height sensitivity provisions are also subject to the SCA.

4.4 Overall Effects of QMs on Level of Development Enabled

Table 4-4 shows the effect on plan-enabled capacity if all of the QMs are implemented. Auckland would have capacity in residential zones for an estimated 2,853,000 dwellings under the NPSUD and MDRS provisions without any QMs. Further capacity in Business Zones, estimated at 436,000 dwellings, would take the total plan-enabled capacity to around 3,289,000 dwellings. Note that the estimates of business zone capacity takes account of the viewshaft and height sensitivity provisions.

Implementation of all the proposed QMs would see Auckland's total plan-enabled capacity at some 2,390,000 dwellings in residential zones and 2,826,000 dwellings in total. The difference of approximately -463,000 dwellings equates to -16% of plan-enabled capacity in residential zones, and -14% overall.

This would see plan-enabled capacity at around 3.1 times projected demand by 2051, and around 5.3 times the current dwelling numbers in Auckland.

Table 4-4 : Effects of Proposed QMs on Plan-enabled capacity

Location	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
NPSUD (WC) with SCA	40,000	6,000	- 34,000	-85%
NPSUD (WC) excl SCA	518,000	461,000	- 57,000	-11%
NPSUD (WC) Total	559,000	466,000	- 93,000	-17%
MDRS with SCA	62,000	13,000	- 49,000	-79%
MDRS excl SCA	2,233,000	1,910,000	- 323,000	-14%
MDRS Total	2,294,000	1,924,000	- 370,000	-16%
Total	2,853,000	2,390,000	- 463,000	-16%
SCA Total	102,000	19,000	- 83,000	-81%
Total inc Business	3,289,000	2,826,000	- 463,000	-14%

Source: Housing Enablement Model 2022

Table 4-5 provides more detail, showing the overall effect of the Volcanic Viewshaft/height protection and Special Character QMs. These together account for around one-third of the total effects of QMs. The table shows the overall effects of the two QMs, which could see plan-enabled capacity at 3,121,000 dwellings, or around -5% less than the MDRS level (-6% less in residential zoned areas²⁵)

Table 4-5 : Additional Effects of Other Qualifying Matters on Plan-enabled Capacity with Height and SCA QMs

Location	MDRS - No QMs	MDRS - Height & New SCA	Difference	Difference %	MDRS - All QMs	Difference (all QMs)	Difference (all QMs) %
NPSUD (WC) with SCA	40,000	6,000	- 34,000	-85%	6,000	- 34,000	-85%
NPSUD (WC) excl SCA	518,000	483,000	- 35,000	-7%	461,000	- 57,000	-11%
NPSUD (WC) Total	559,000	489,000	- 70,000	-13%	466,000	- 91,000	-16%
MDRS with SCA	62,000	14,000	- 48,000	-77%	13,000	- 49,000	-79%
MDRS excl SCA	2,233,000	2,182,000	- 51,000	-2%	1,910,000	- 323,000	-14%
MDRS Total	2,294,000	2,196,000	- 98,000	-4%	1,924,000	- 370,000	-16%
Total	2,853,000	2,685,000	- 168,000	-6%	2,390,000	- 463,000	-16.2%
SCA Total	102,000	20,000	- 82,000	-80%	19,000	- 83,000	-81%
Total inc Business	3,289,000	3,121,000	- 168,000	-5%	2,826,000	- 463,000	-14.1%

Source: Housing Enablement Model 2022

²⁵ Note that the plan-enabled capacity would be greater if smaller dwellings are developed, and less if larger dwellings are developed.

The proposed QM for water supply and infrastructure constraints would also impact on plan-enabled capacity. This is shown in Table 4-6 which shows an overall effect of around -301,000 dwellings in terms of plan-enabled capacity. It would represent around 65% of the total effect of QMs on plan-enabled capacity.

Table 4-6 : Additional Effects of Other Qualifying Matters on Plan-enabled Capacity with Height and SCA QMs

Location	MDRS - No QMs	MDRS - WaterCare QM Only	Difference	Difference %	MDRS - All QMs	Difference (all QMs)	Difference (all QMs) %
NPSUD (WC) with SCA	40,000	30,000	- 10,000	-25%	6,000	- 34,000	-85%
NPSUD (WC) excl SCA	518,000	497,000	- 21,000	-4%	461,000	- 57,000	-11%
NPSUD (WC) Total	559,000	527,000	- 32,000	-6%	466,000	- 91,000	-16%
MDRS with SCA	62,000	40,000	- 22,000	-35%	13,000	- 49,000	-79%
MDRS excl SCA	2,233,000	1,985,000	- 248,000	-11%	1,910,000	- 323,000	-14%
MDRS Total	2,294,000	2,025,000	- 269,000	-12%	1,924,000	- 370,000	-16%
Total	2,853,000	2,552,000	- 301,000	-11%	2,390,000	- 463,000	-16%
SCA Total	102,000	70,000	- 32,000	-31%	19,000	- 83,000	-81%
Total inc Business	3,289,000	2,988,000	- 301,000	-9%	2,826,000	- 463,000	-14%

Source: Housing Enablement Model 2022

Although the difference is material in terms of plan-enablement, if all of that capacity were not enabled there will still be a substantial margin between projected housing demand into the long term, and plan-enabled capacity.

4.4.1 Auckland's Growth Context

The NPSUD and MDRS provisions would enable considerably more housing capacity than Auckland is expected to require in order to accommodate its future population and household numbers into the long term. The latest population and household growth projections released by StatisticsNZ indicate that Auckland can expect another 241,000 households by 2051 (medium projection) within a range of 142,000 more households (low projection) to 338,000 more (high projection). The StatsNZ projections for Auckland do not extend beyond 2048, nevertheless the national projections out to 2075 indicate continued steady growth, and it is likely that Auckland's growth path to 2051 will continue at a broadly similar rate after that.

That would see Auckland's total household numbers at between 716,000 (low) and 913,000 (high) by 2051 (Table 4-7).

One implication of this assessment is that the NPSUD and MDRS provisions will enable very considerably more housing capacity than is anticipated to be demanded by the Auckland population, into the long-term future. The plan-enabled capacity under the NPSUD and MDRS provisions would see a considerable margin between dwelling demand and plan-enabled capacity, with enabled capacity in the range of 4 times greater than projected demand by 2051 (high growth projection) and 5 times greater (low projection).

The high level of enablement will provide both opportunity for housing development, and a wide range of choice for developers and owners. That said, housing demand is driven most directly by the numbers of persons who wish to live in their own private household, so that dwelling numbers for both owner and renter households reflect most closely overall household numbers. There is little scope for dwelling numbers to get out of balance and grow materially faster than the number of households, other than in periods of catch-up where household formation rates (and household numbers) may have been suppressed by conditions in the economy. In

Auckland, at the aggregate level the strong growth in new dwellings consented in the 2020-21 period when resident household numbers fell, suggests much or all of any supply shortfall in the region will have gone.

Table 4-7 : Plan-Enabled Housing Capacity Residential Zoned and Business by Scenario

	Existing Dwellings	AUP	MDRS - No QMs	MDRS - All QMs
NPSUD	64,000	245,000	559,000	466,000
MDRS	416,000	1,180,000	2,294,000	1,924,000
Total Residential	480,000	1,425,000	2,853,000	2,390,000
Business Zoning	48,000	400,000	436,000	436,000
Total inc Business	528,000	1,825,000	3,289,000	2,826,000
	Future Dwellings	Plan-enabled Capacity Margin (2051 High)		
High Households	913,000	912,000	2,376,000	1,913,000
Medium Households	815,000	1,010,000	2,474,000	2,011,000
Low Households	716,000	1,109,000	2,573,000	2,110,000

Source: Housing Enablement Model 2022

With all of the proposed QMs in place, the enabled capacity would be more than 3 times the total demand for housing in around 30 years' time. The margin between housing demand and plan-enabled capacity is very large, and at the city level it is difficult to foresee any constraint into the very long term. This finding of substantial margins is important for the assessment of any QMs that may see a lesser level of development than the NPSUD and MDRS would enable, given the focus on provisions which would be 'less-enabling' than the MDRS sets out.

4.4.2 Section 77J (4) Requirements

It is relevant to consider reporting requirements. Section 77 J (4) sets out that the evaluation report must include, in relation to the provisions implementing the MDRS (but not policy 3 of the NPS-UD):

- (a) a description of how the provisions of the district plan allow the same or a greater level of development than the MDRS:
- (b) a description of how modifications to the MDRS as applied to the relevant residential zones are limited to only those modifications necessary to accommodate qualifying matters and, in particular, how they apply to any spatial layers relating to overlays, precincts, specific controls, and development areas, including—
 - (i) any operative district plan spatial layers; and
 - (ii) any new spatial layers proposed for the district plan.

The description required by section 77J(4)(a) and (b) is provided in each qualifying matter evaluation report.

It is important to also consider how in aggregate the provisions of proposed Plan Change 78 would enable the same or a greater level of development than the MDRS.

Schedule 3A Part 2 sets out Density Standards "there must be no more than 3 residential units per site." There are 329,494 residential zoned sites which are subject to the MDRS provisions. Under that Density standard with a maximum of 3 dwellings per site, this would suggest that there would be "no more than" 988,482 dwellings (residential units) on those sites if all had the maximum of 3 dwellings.

However, the provisions of PPC78 would enable an estimated 1,924,000 dwellings on sites subject to the MDRS provisions, with all of the QMs in place.

On that basis, in aggregate the PPC78 provisions are considerably more enabling of development (by approximately 2.1 times) than the MDRS provisions as set out in the Density standards.

4.5 Outcomes by location within Auckland

As well as understanding the implications at the high level (region) it is necessary to understand how PPC78 is expected to have effect across different areas within Auckland, and also how the QMs would affect the levels of development enabled. This has been done first to show the broad geographical distribution, by LBA and general location within the economy. The same format is applied to consider the MDRS/NPSUD provisions unconstrained, as affected by all the QMs together; to indicate the significance of the plan-enabled capacity in relation to Auckland's current level of housing development.

4.5.1 Local Board Areas

Table 4-8 shows the distribution of plan-enabled capacity by LBA. This outlines the existing dwellings, then the plan-enabled capacity under MDRS with no constraints, then with all QMs in place.

The table shows the substantial plan-enabled capacity under the MDRS/NPSUD provisions without constraints, when compared with existing dwelling levels. The table shows the variations among the local board areas in terms of the effects of QMs, with those relatively concentrated into the older areas of Auckland – including Albert-Eden, Waitemata, Orakei and Devonport-Takapuna – though also in relation to the Hibiscus and Bays LBA.

Table 4-8 : Plan-Enabled Housing Capacity (Residential Zone) by Local Board Area

Local Board Area	Existing Dwellings	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
Rodney LBA	15,400	118,200	115,600	- 2,600	-2%
Hibiscus and Bays LBA	40,300	234,900	127,200	- 107,700	-46%
Upper Harbour LBA	21,300	114,800	105,900	- 8,900	-8%
Kaipatiki LBA	30,400	173,000	134,500	- 38,500	-22%
Devonport-Takapuna LBA	21,200	117,400	94,000	- 23,400	-20%
Waitakere Ranges LBA	14,400	67,300	50,200	- 17,100	-25%
Henderson-Massey LBA	37,400	258,700	218,800	- 39,900	-15%
Whau LBA	26,000	157,700	153,800	- 3,900	-2%
Waitemata LBA	14,800	70,100	38,300	- 31,800	-45%
Orakei LBA	32,200	171,900	140,500	- 31,400	-18%
Albert-Eden LBA	32,000	180,900	127,700	- 53,200	-29%
Maungakiekie-Tamaki LBA	25,100	134,100	119,500	- 14,600	-11%
Puketapapa LBA	18,300	94,500	85,700	- 8,800	-9%
Mangere-Otahuhu LBA	18,800	110,200	101,800	- 8,400	-8%
Otara-Papatoetoe LBA	21,800	133,200	129,500	- 3,700	-3%
Howick LBA	46,400	265,000	229,300	- 35,700	-13%
Manurewa LBA	25,700	149,600	142,900	- 6,700	-4%
Papakura LBA	19,700	138,200	135,000	- 3,200	-2%
Franklin LBA	19,200	163,300	139,600	- 23,700	-15%
Total	480,000	2,853,000	2,390,000	- 463,000	-16%

Source: Housing Enablement Model 2022

Consistent with the high enablement which would arise from the MDRS/NPSUD provisions, the additional plan-enabled capacity is substantial in each case. The table shows the plan-enabled residential zoned capacity, and also the estimated business zoned capacity. The final column shows the indicated total enabled capacity which is over and above current dwelling numbers, as a percentage of the current dwellings. This is to illustrate the margin.

Table 4-9 : Plan-Enabled Housing Capacity of Current Housing Levels

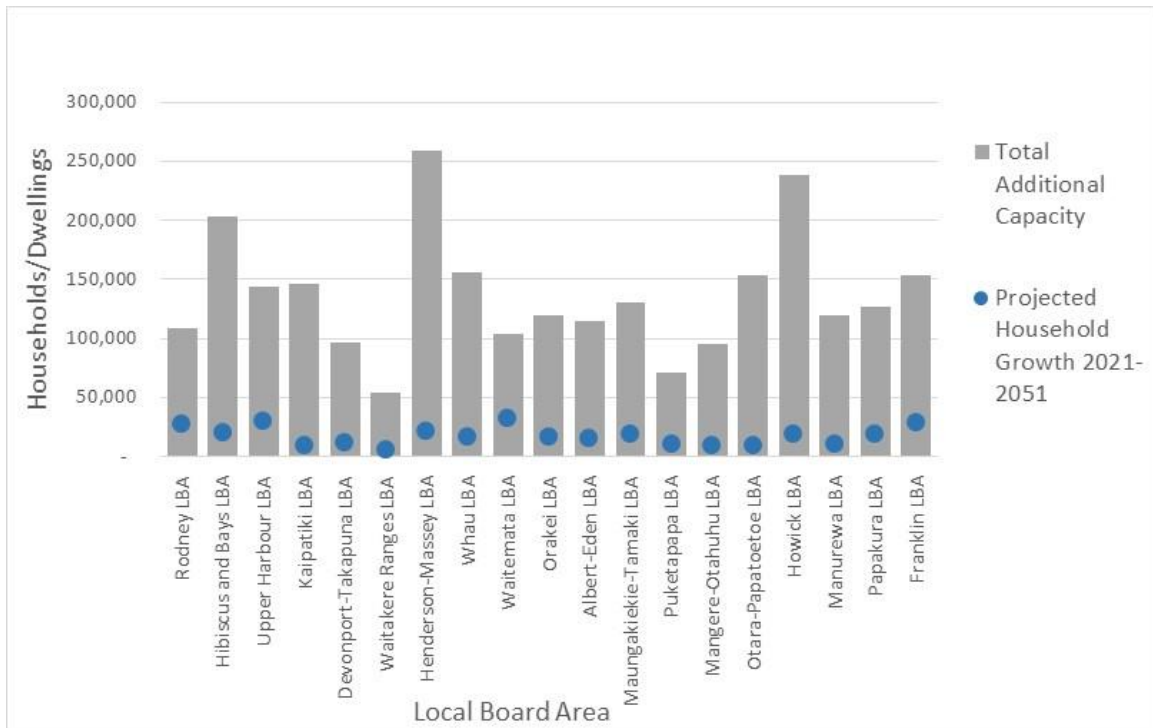
Local Board Area	Current Dwellings Res Zones	MDRS - All QMs	Plan-enabled (Res) additional to current	Estimated Additional Business Capacity	Total enabled additional to current - (%)
Rodney LBA	15,400	115,600	100,200	7,000	693%
Hibiscus and Bays LBA	40,300	127,200	86,900	12,000	488%
Upper Harbour LBA	21,300	105,900	84,600	51,000	637%
Kaipatiki LBA	30,400	134,500	104,100	6,000	476%
Devonport-Takapuna LBA	21,200	94,000	72,800	15,000	426%
Waitakere Ranges LBA	14,400	50,200	35,800	2,000	367%
Henderson-Massey LBA	37,400	218,800	181,400	40,000	660%
Whau LBA	26,000	153,800	127,800	26,000	574%
Waitemata LBA	14,800	38,300	23,500	104,000	230%
Orakei LBA	32,200	140,500	108,300	8,000	364%
Albert-Eden LBA	32,000	127,700	95,700	22,000	325%
Maungakiekie-Tamaki LBA	25,100	119,500	94,400	38,000	490%
Puketapapa LBA	18,300	85,700	67,400	2,000	381%
Mangere-Otahuhu LBA	18,800	101,800	83,000	12,000	484%
Otara-Papatoetoe LBA	21,800	129,500	107,700	43,000	669%
Howick LBA	46,400	229,300	182,900	26,000	507%
Manurewa LBA	25,700	142,900	117,200	3,000	465%
Papakura LBA	19,700	135,000	115,300	9,000	640%
Franklin LBA	19,200	139,600	120,400	10,000	784%
Total	480,000	2,390,000	1,909,000	436,000	492%

Source: Housing Enablement Model 2022

The estimated capacity in business zoned areas is shown separately, because it is important to understand the potential of these areas, and their role in overall housing capacity. The business zoned areas account for a substantial share of total capacity in Waitemata LBA which includes the CBD, as well as Upper Harbour (Albany metropolitan centre), Henderson-Massey (Henderson and Westgate centres) Devonport-Takapuna (Takapuna metropolitan centre) and Otara-Papatoetoe (Manukau metropolitan centre).

Figure 4-1 shows the net additional plan-enabled capacity with all QMs for each LBA, in comparison with projected household growth to 2051 (high future). The bars show the enabled capacity, the blue dots show projected household increase over the next 3 decades. The projections are taken from StatisticsNZ projection series. In each case, there is a very substantial margin between plan-enabled capacity and projected household growth.

Figure 4-1: Plan-Enabled Capacity by LBA of Projected Housing Demand



4.5.2 General Location

Table 4-10 shows the distribution of plan-enabled capacity by the general locations across Auckland, from the central city to the northern and southern towns, and rural Auckland. This sets out the plan-enabled capacity currently, then as it would be under PPC78 with no constraints, then as capacity with only the viewshaft/heights and SCA QMs having effect, and finally with those QMs and all other QMs also in place.

The table shows similar substantial increases in plan-enabled capacity for all except the central city (predominantly Central City zone) under the MDRS/NPSUD provisions without constraints, when compared with the existing provisions. There are considerable variations among the locations in terms of the effects of QMs, again being relatively concentrated into the older areas of Auckland – especially the inner suburbs, the central isthmus (brownfield) and the northern brownfield suburbs. Elsewhere, the QM effects are much less.

Table 4-10 : Plan-Enabled Housing Capacity (Residential Zone) by General Location

Location	Existing Dwellings	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
Central City	500	2,200	1,300	- 900	-41%
Inner Suburbs	14,200	70,300	34,900	- 35,400	-50%
Isthmus Brownfield	133,700	740,800	633,300	- 107,500	-15%
Northern Brownfield	83,000	472,100	391,000	- 81,100	-17%
Western Brownfield	32,800	183,000	160,600	- 22,400	-12%
Southern Brownfield	68,100	411,600	392,300	- 19,300	-5%
Eastern Brownfield	56,800	338,800	284,700	- 54,100	-16%
Northern-Western Greenfield	56,700	372,900	238,100	- 134,800	-36%
Southern Greenfield	7,700	77,200	75,000	- 2,200	-3%
Northern Towns	8,100	61,400	60,400	- 1,000	-2%
Southern Towns	13,200	100,500	96,000	- 4,500	-4%
Rural	5,100	22,100	22,100	-	0%
Total	480,000	2,853,000	2,390,000	- 463,000	-16%

Source: Housing Enablement Model 2022

Table 4-11 provides more detail about the context, showing the plan-enabled capacity with all of the QMs in place, relative to the current levels of development (housing) in each location. Consistent with the high enablement from the MDRS/NPSUD provisions, the additional plan-enabled capacity is substantial in each location. This takes account of estimated capacity on business zoned land. The indicated total enabled capacity which is over and above current dwelling numbers - as a percentage of the current dwellings (final column) - reflects the margin.

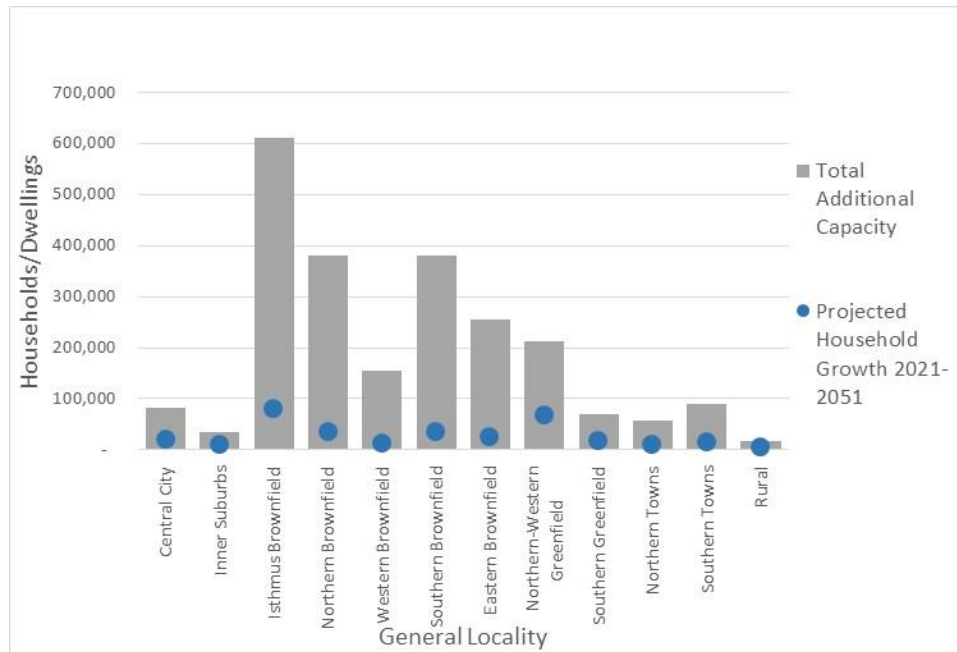
Table 4-11 : Plan-Enabled Housing Capacity (Total) by General Location

Location	Current Dwellings Res Zones	MDRS - All QMs	Plan-enabled (Res) additional to current	Estimated Additional Business Capacity	Total enabled additional to current - (%)
Central City	500	1,300	800	80,900	na
Inner Suburbs	14,200	34,900	20,700	15,300	254%
Isthmus Brownfield	133,700	633,300	499,600	111,100	457%
Northern Brownfield	83,000	391,000	308,000	72,200	458%
Western Brownfield	32,800	160,600	127,800	26,100	469%
Southern Brownfield	68,100	392,300	324,200	55,700	558%
Eastern Brownfield	56,800	284,700	227,900	28,100	451%
Northern-Western Greenfield	56,700	238,100	181,400	31,200	375%
Southern Greenfield	7,700	75,000	67,300	3,500	919%
Northern Towns	8,100	60,400	52,300	4,000	695%
Southern Towns	13,200	96,000	82,800	7,400	683%
Rural	5,100	22,100	17,000	200	337%
Total	480,000	2,390,000	1,910,000	436,000	489%

Source: Housing Enablement Model 2022

Figure 4-2 shows the net additional plan-enabled capacity with all QMs for each LBA, in comparison with projected household growth to 2051 (high future), again with the bars showing enabled capacity, the blue dots the projected household increase over the next 3 decades. In each case, the margin between plan-enabled capacity and projected household growth is substantial.

Figure 4-2: Plan-Enabled Capacity by General Locality of Projected Housing Demand



4.5.3 Inner City Capacity

There is considerable interest in the housing capacity of the central city. This has been assessed first for the inner city comprising the CBD itself and the immediately adjacent suburbs (Parnell, Freemans Bay, Ponsonby, St Mary's Bay, Herne Bay and Grey Lynn) then considering the suburbs in the adjacent cordon. Central Auckland includes more than just the closest suburbs, and it is important to consider the inner suburbs generally, including the Inner Cordon (within 1-2km of the centre), the Middle Cordon (generally 3-4km out), and the Outer Cordon (suburbs on the isthmus and generally up to 6km from the centre). These areas are shown in Figure 4-4.

The plan-enabled capacity in the Auckland inner city is summarised in Table 4-12, covering the CBD itself and the immediately adjacent suburbs. The assessment indicates capacity in residential zones for up to 64,000 dwellings with MDRS/NPSUD provisions applied, more than double that enabled under the Unitary Plan. With all QMs in place, the enabled capacity is in the order of 31,000 dwellings.

Table 4-12 : Plan-Enabled Housing Capacity (Residential Zone) Auckland Inner City by Location

Locality	AUP	MDRS - No QMs	MDRS - All QMs
Grey Lynn-Kingsland	7,700	21,400	10,100
Freemans-Ponsonby	8,700	25,100	11,300
Parnell-Grafton	7,000	17,500	9,600
Inner Suburbs	23,400	64,000	31,000

Source: Housing Enablement Model 2022

This is set in context in Table 4-13, which shows that plan-enabled capacity relative to the current levels of development (housing) in each part of the city centre. Because of the high enablement from the MDRS/NPSUD provisions, the additional plan-enabled capacity is substantial in each location, with all of the QMs in place. The figures take into account the estimates of capacity on business zoned land, which is a key component of central area living – currently around 58% of dwellings in this locality are in business zones, predominantly CBD apartments.

In the adjacent suburbs, on residential zoned sites the provisions with all QMs in place would enable the level of development to be more than double the current situation, to around 31,000 dwellings from the current 16,600. The estimated total level of development in the suburbs including business zoned land (both Central City and Mixed Use zones) would be in the order of 47,000 dwellings, or around 30,000 more than currently.

On the business zoned areas (the 'Central city' total) the level of development could be around 67,000 dwellings, or around 47,000 more than currently. It is important to recognise that such capacity would be almost wholly apartments and mostly high-rise developments, which will depend on developer activity and involve very substantial projects. That said, there are already around 200 apartment buildings in the CBD, providing for around 19,400 dwellings²⁶ and new consent data shows 7,600 apartments in some 240 developments consented in the central city since 2016²⁷.

The indicated total enabled capacity including business zoned sites over and above current dwelling numbers reflects the margin in the order of 77,000 dwellings – though noting that more than three-fifths of this is in business zoned sites.

²⁶ RIMU, Auckland Council 2022

²⁷ StatisticsNZ 2022

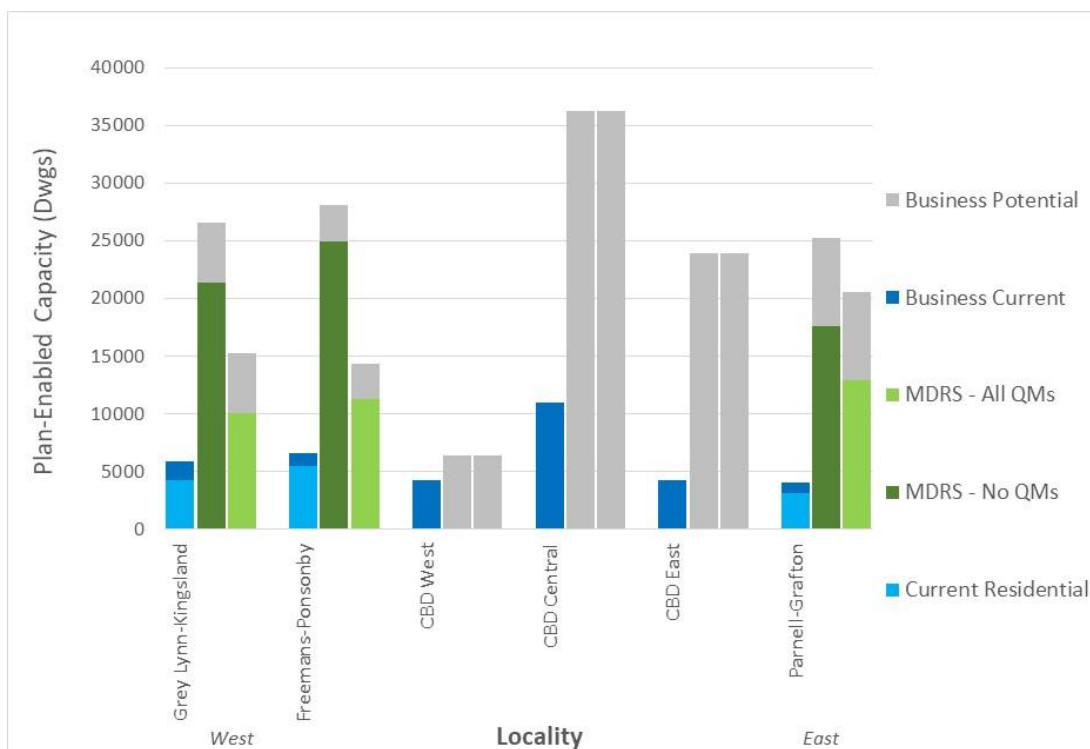
Table 4-13 : Plan-Enabled Housing Capacity (Total) Auckland Inner City by Location

Locality	Current Dwellings	MDRS - All QMs	Estimated Business Capacity	Estimated Total Capacity	Total Enabled additional to current	Additional enabled to current - (%)
Grey Lynn-Kingsland	5,900	10,100	5,200	15,300	9,400	159%
Freemans-Ponsonby	6,600	11,300	3,100	14,400	7,800	118%
Parnell-Grafton	4,100	9,600	7,700	17,300	13,200	322%
Inner Suburbs	16,600	31,000	16,000	47,000	30,400	183%
CBD West	4,300	-	6,400	6,400	2,100	49%
CBD Central	11,000	-	36,300	36,300	25,300	230%
CBD East	4,300	-	23,900	23,900	19,600	456%
CBD	19,600	-	66,600	66,600	47,000	240%
Total Central City	36,200	31,000	82,600	113,600	77,400	214%

Source: Housing Enablement Model 2022

The estimated plan-enabled capacity is represented schematically in Figure 4-3, from Grey Lynn and Ponsonby-Freemans Bay in the west, across the central city to Parnell in the east. This is not a precise cross-section, but it groups the localities in order to show the indicated residential plan-enabled capacity together with the business zoned estimates, and presents both in comparison with the current housing levels (in blue shade).

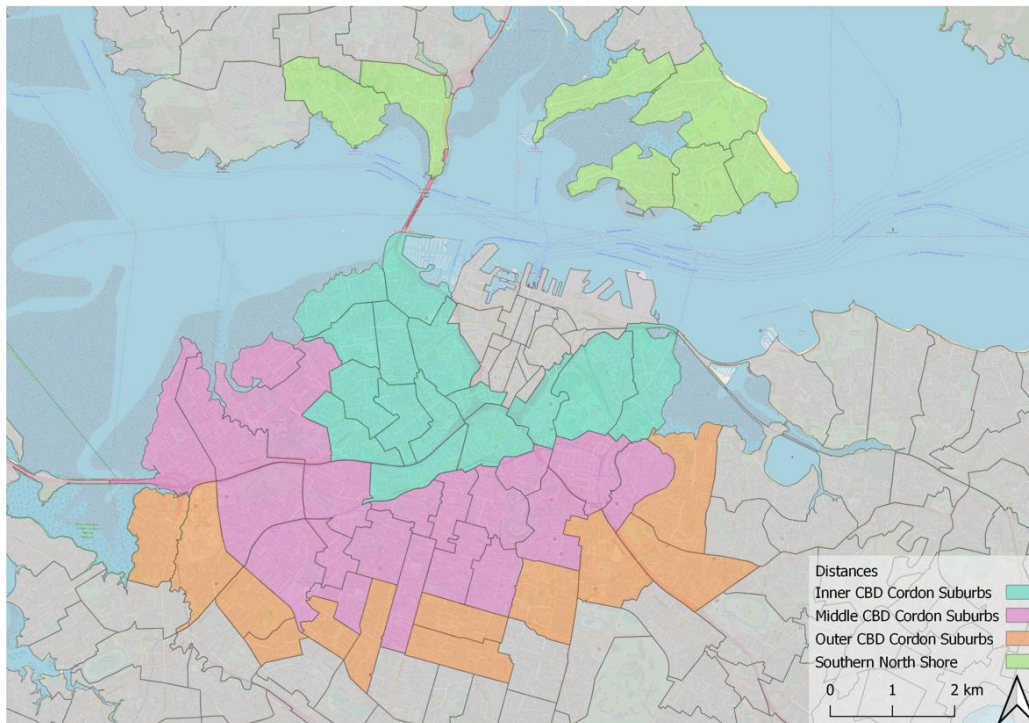
Figure 4-3: Plan-Enabled Capacity in Central City by Type and Locality



To place this in context, the enabled capacity could see the central city able to accommodate between 13% (high future) and 21% (medium future) of Auckland's households by 2051 if all of that enabled capacity were taken up by then. Currently, the central city has just under 7% of Auckland's total dwellings.

The capacity in the central areas of the city is more than just those closest suburbs. The assessment also considers the inner suburbs generally, described here as the Inner Cordon (within 2km of the centre), Middle Cordon (generally 2-4km out), and the Outer Cordon (on the isthmus and generally from 4 and up to 6km from the centre). These areas are shown in Figure 4-4.

Figure 4-4: Central City Suburbs – Inner, Middle and Outer Cordons



4.5.4 Inner CBD Cordon Suburbs

The Inner CBD cordon is established suburbs generally within 0-2km of the city centre. These areas (from Grey Lynn, Ponsonby and Freemans Bay in the west to Parnell and Grafton in the east) have very good accessibility to the central area, and for many residents this is an easy walk. They are characterised by relatively high property and dwelling values (on both SCA and other sites), relatively small site areas, and significantly greater built intensity (dwellings per zoned ha) than the Auckland average.

The plan-enabled capacity in these suburbs is shown in Table 4-14. Under PPC78 with the MDRS/NPSUD provisions fully implemented (beyond the MDRS Density standard) there would be capacity for up to 171,000 dwellings in residential (mainly) and business zones. This includes substantial residential capacity in the CBD itself, with considerable scope for apartment developments.

Implementing the viewshaft/height and SCA qualifying matters would see lesser capacity, in the order of 136,000 dwellings. Implementing also the other QMs would see plan-enabled capacity of slightly below 135,000 dwellings.

Table 4-14 : Plan-Enabled Housing Capacity MDRS and QMs – Inner Cordon Suburbs

Location	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
NPSUD (WC) with SCA	22,000	4,000	- 18,000	-82%
NPSUD (WC) excl SCA	19,000	13,000	- 6,000	-32%
NPSUD (WC) Total	41,000	17,000	- 24,000	-59%
MDRS with SCA	9,000	3,000	- 6,000	-67%
MDRS excl SCA	14,000	12,000	- 3,000	-21%
MDRS Total	23,000	14,000	- 9,000	-39%
Total	64,000	31,000	- 33,000	-52%
Total incl Business	160,000	127,000	- 33,000	-21%

Source: Housing Enablement Model 2022

This plan-enabled capacity is set in its wider demand context in Table 4-15. It shows the plan-enabled level of development of around 127,000 dwellings in relation to current dwelling numbers of 42,650. The margin of plan-enabled capacity over current development of around 84,000 dwellings indicates the potential for a more than two-fold increase in housing in these inner cordon suburbs, after allowance is made for all of the QMs to apply. As noted, a substantial component of the potential relates to business zoned land.

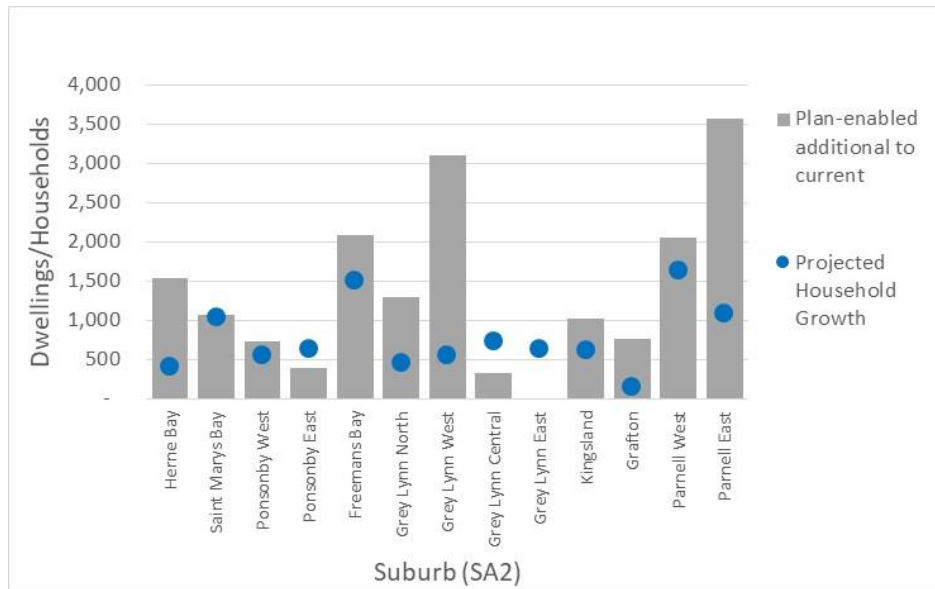
Table 4-15 : Plan-Enabled Housing Capacity (Total) Inner Cordon Suburbs

Location	Current Dwellings	MDRS - All QMs	Plan-enabled additional to current	P-E additional to current %
NPSUD (WC) with SCA	3,430	4,000	570	17%
NPSUD (WC) excl SCA	3,590	13,000	9,410	262%
NPSUD (WC) Total	7,020	17,000	9,980	142%
MDRS with SCA	2,650	3,000	350	13%
MDRS excl SCA	3,400	12,000	8,600	253%
MDRS Total	6,050	14,000	7,950	131%
Total	13,070	31,000	17,930	137%
Total incl Business	43,070	127,000	83,930	195%

Source: Housing Enablement Model 2022

Figure 4-5 sets this in the context of projected demand growth from additional households to 2051 (StatisticsNZ projections).

Figure 4-5: Plan-Enabled Capacity Inner Suburbs of Projected Housing Demand



4.5.5 Middle CBD Cordon Suburbs

Around the inner CBD cordon are established suburbs generally within 2-4km of the city centre, termed here the Middle CBD Cordon. These areas (from Newmarket across to Westmere and Mt Albert) have generally good accessibility to the central area, though for most residents this is beyond an easy walk. Substantial parts of these areas lie within Walkable Catchments, as defined.

The plan-enabled capacity in these suburbs is shown in Table 4-16. Under PPC78 with the MDRS/NPSUD provisions fully implemented, there would be capacity for around 106,000 dwellings in residential (mainly) and business zones. Implementing the QMs would see lesser capacity, in the order of 78,000 dwellings.

Table 4-16 : Plan-Enabled Housing Capacity by Scenario – Middle Cordon Suburbs

Location	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
NPSUD (WC) with SCA	12,300	1,400	- 10,900	-89%
NPSUD (WC) excl SCA	37,600	30,100	- 7,500	-20%
NPSUD (WC) Total	49,900	32,000	- 18,400	-37%
MDRS with SCA	7,500	1,500	- 6,000	-80%
MDRS excl SCA	29,800	25,800	- 4,000	-13%
MDRS Total	37,000	27,000	- 10,000	-27%
Total	87,000	59,000	- 28,400	-33%
Total incl Business	106,000	78,000	- 28,400	-27%

Source: Housing Enablement Model 2022

This plan-enabled capacity is set in its wider demand context in Table 4-17. It shows the plan-enabled level of development of around 78,000 dwellings in relation to current dwelling numbers of 17,820. The margin of plan-enabled capacity over current development of around 60,000 dwellings indicates the potential for a 3-4 fold increase in housing in these middle cordon suburbs, after allowance is made for all of the QMs.

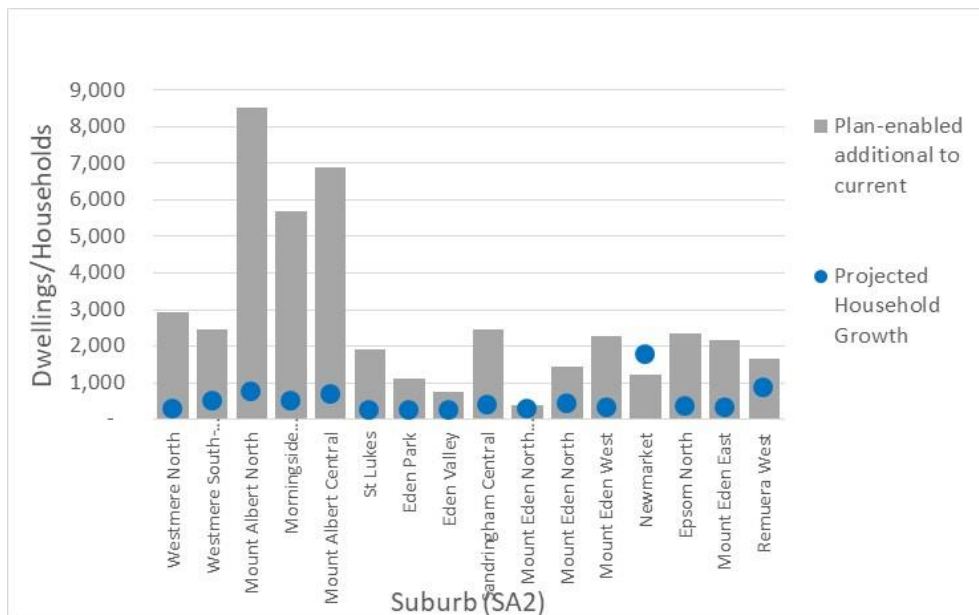
Table 4-17 : Plan-Enabled Housing Capacity (Total) Middle Cordon Suburbs

Location	Current Dwellings	MDRS - All QMs	Plan-enabled additional to current	P-E additional to current %
NPSUD (WC) with SCA	1,360	1,400	40	3%
NPSUD (WC) excl SCA	5,100	30,100	25,000	490%
NPSUD (WC) Total	6,450	32,000	25,550	396%
MDRS with SCA	1,510	1,500	-	0%
MDRS excl SCA	6,580	25,800	19,220	292%
MDRS Total	8,090	27,000	18,910	234%
Total	14,540	59,000	44,460	306%
Total incl Business	17,540	78,000	60,460	345%

Source: Housing Enablement Model 2022

Figure 4-6 provides a comparison of additional plan-enabled capacity with projected demand growth to 2051.

Figure 4-6: Plan-Enabled Capacity Middle Cordon Suburbs of Projected Housing Demand



4.5.6 Outer CBD Cordon Suburbs

Around the middle CBD cordon are established suburbs generally within 5-6km of the city centre, termed here the Outer CBD Cordon. These areas (from Remuera through Balmoral and across to Mt Albert) have generally good accessibility to the central area, though for most residents it is well beyond walking distance. That said, considerable areas within these suburbs lie within Walkable Catchments, for other centres.

The plan-enabled capacity in these suburbs is shown in Table 4-18. Under PPC78 with the MDRS/NPSUD provisions fully implemented (beyond the MDRS Density standard) there would be capacity for close to 89,000 dwellings in residential (mainly) and business zones. Implementing the QMs would see lesser capacity, in the order of ~29,000 dwellings.

Table 4-18 : Plan-Enabled Housing Capacity with QMs – Outer CBD Cordon Suburbs

Location	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
NPSUD (WC) with SCA	4,100	500	- 3,600	-88%
NPSUD (WC) excl SCA	22,300	12,500	- 9,800	-44%
NPSUD (WC) Total	26,400	13,000	- 13,400	-51%
MDRS with SCA	11,700	2,500	- 9,200	-79%
MDRS excl SCA	43,000	36,500	- 6,500	-15%
MDRS Total	55,000	39,000	- 15,700	-29%
Total	81,000	52,000	- 29,100	-36%
Total incl Business	89,000	60,000	- 29,100	-33%

Source: Housing Enablement Model 2022

This plan-enabled capacity is set in its wider demand context in Table 4-19. It shows the plan-enabled level of development of around 60,000 dwellings in relation to current dwelling numbers of 14,500. The margin of plan-enabled capacity over current development of around 45,000 dwellings indicates the potential for a more than 3-fold increase in housing in these outer cordon suburbs, after allowance is made for all of the QMs. This broad picture is consistent with the findings for the Inner and Middle cordon suburbs around Auckland's CBD.

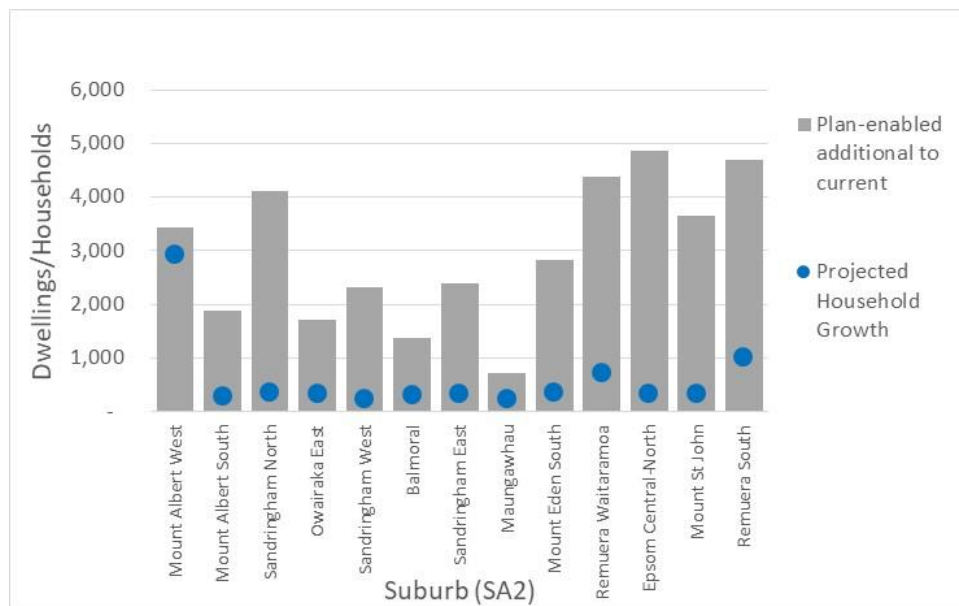
Table 4-19 : Plan-Enabled Housing Capacity (Total) Outer Cordon Suburbs

Location	Current Dwellings	MDRS - All QMs	Plan-enabled additional to current	P-E additional to current %
NPSUD (WC) with SCA	390	500	110	28%
NPSUD (WC) excl SCA	2,340	12,500	10,160	434%
NPSUD (WC) Total	2,740	13,000	10,260	374%
MDRS with SCA	2,480	2,500	20	1%
MDRS excl SCA	8,550	36,500	27,950	327%
MDRS Total	11,030	39,000	27,970	254%
Total	13,770	52,000	38,230	278%
Total incl Business	14,770	60,000	45,230	306%

Source: Housing Enablement Model 2022

Figure 4-7 gives the comparison of additional plan-enabled capacity with projected demand growth to 2051.

Figure 4-7: Plan-Enabled Capacity Outer Cordon Suburbs of Projected Housing Demand



4.5.7 Southern North Shore suburbs

There is also considerable interest in the suburbs in the southern parts of the North Shore, which historically had relatively good accessibility to the central city through harbour ferry services²⁸, which saw them develop relatively early in Auckland’s urban history - one consequence being the incidence there of SCA areas. These suburbs (Devonport, Stanley Point, Cheltenham, Narrow Neck, Bayswater, Northcote Point and Birkenhead) have also been examined as a relatively “inner” locality.

The plan-enabled capacity in these suburbs is shown in Table 4-20. Under PPC78 with the MDRS/NPSUD provisions fully implemented there would be capacity for around 42,500 dwellings predominantly in residential zones.

Table 4-20 : Plan-Enabled Housing Capacity with MDRS and QMs – Southern North Shore Suburbs

Location	MDRS - No QMs	MDRS - All QMs	Difference	Difference %
MDRS with SCA	14,800	3,200	- 11,600	-78%
MDRS excl SCA	24,700	11,500	- 13,200	-53%
MDRS Total	39,500	15,000	- 24,800	-63%
Total	39,500	15,000	- 24,800	-63%
Total incl Business	42,500	18,000	- 24,800	-58%

Source: Housing Enablement Model 2022

Implementing the viewshaft/height and SCA qualifying matters would see lesser capacity, in the order of 18,000 dwellings.

This plan-enabled capacity is set in its wider demand context in Table 4-21. It shows the plan-enabled level of development of around 18,000 dwellings in relation to current dwelling numbers of 8,050. The margin of plan-

²⁸ As well as currently

enabled capacity over current development of around 10,000 dwellings indicates the potential for about a doubling in housing in these southern North Shore suburbs, after allowance is made for QMs. This broad picture is consistent with the findings for the central area and CBD cordon.

Table 4-21 : Plan-Enabled Housing Capacity (Total) Southern North Shore Suburbs

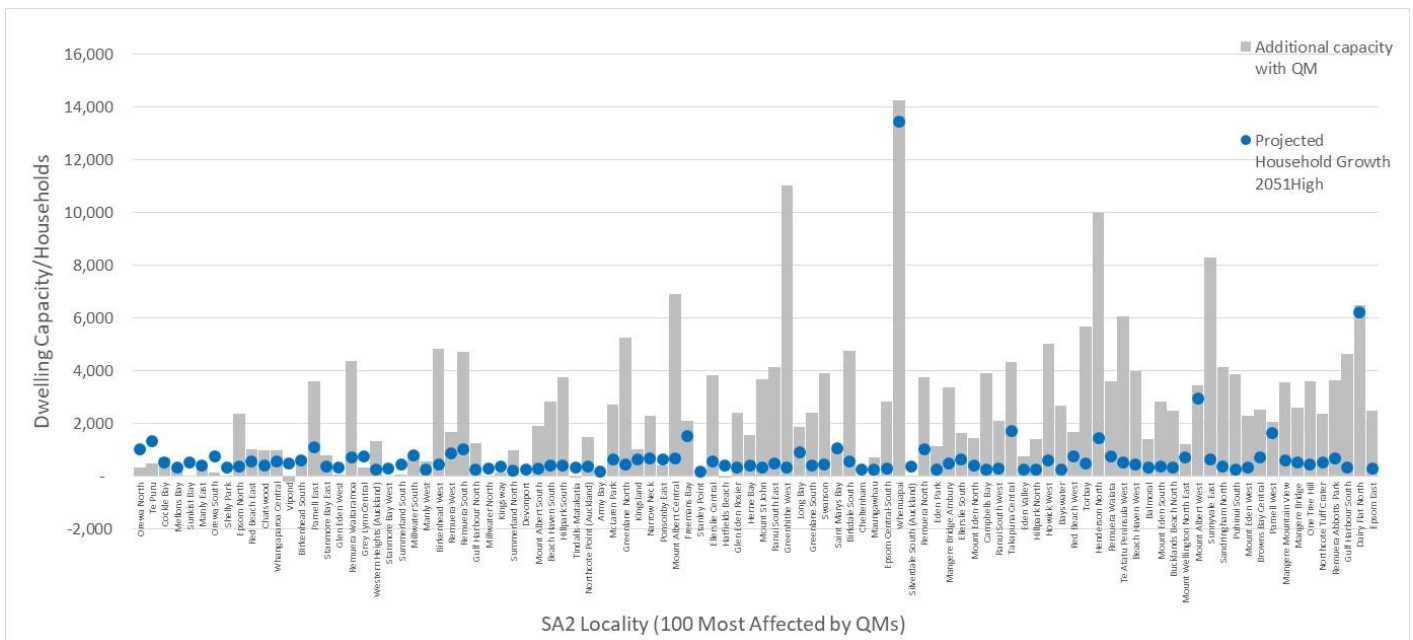
Location	Current Dwellings	MDRS - All QMs	Plan-enabled additional to current	P-E additional to current %
MDRS with SCA	3,170	3,200	30	1%
MDRS excl SCA	4,450	11,500	7,050	158%
MDRS Total	7,610	15,000	7,390	97%
Total	7,610	15,000	7,390	97%
Total incl Business	8,000	18,000	10,000	137%

Source: Housing Enablement Model 2022

4.6 Auckland-wide Patterns

As a final overview, the effects of the QMs on plan-enabled capacity have been assessed at the SA2 level across Auckland. The broad pattern is shown in Figure 4-8. For the most affected 100 SA2 areas (100 of the 556) the graph shows plan-enabled capacity in relation to projected demand growth. The general picture is relevant, rather than the detail. The consistent pattern throughout Auckland is the very substantial margin between plan-enabled capacity (grey columns) and projected housing growth in the next 30 years (blue dots).

Figure 4-8: Plan-enabled Capacity and Projected Growth – the broad pattern



4.7 Auckland Light Rail

The proposed Auckland Light Rail development would have implications for plan-enabled capacity and subsequent growth patterns, because there would be several stations on the central and southern isthmus and south from Onehunga to the Airport. The number of stations and their locations is yet to be determined. When

station locations are finalised, then they would be rapid transit stops, and the walkable catchment provisions would apply, with a higher level of enablement around the stations. For the current analysis, those areas are examined as if they are subject to MDRS but not the Policy 3 provisions for the walkable catchments. As a broad estimate of extra enablement, the plan-enabled housing density in the walkable catchments (dwg/ha zoned area), has been applied to the 1,920 ha (approximately) in the ALR corridor.

Order of magnitude, if the ALR Corridor were all within a walkable catchment, then this would increase the plan-enabled capacity by 80-90,000 dwellings (45-49%), compared with the estimated MDRS without QMs. At the Auckland-wide level, that would represent an increase of around +3% in total plan-enabled capacity. That is a small increase for the city as a whole, given the wide margin between demand and enablement, but it would be more significant across the isthmus (Newton to Onehunga), as well as along the Onehunga-Mangere sector.

However, this is an indication only. On one hand, not all of the ALR corridor may be in a walkable catchment (potential over-estimate); on the other, future provisions may enable more intensification around stations (potential under-estimate).

For this s32 Report, no allowance has been made for the potential effects of the Auckland Light Rail.

5 Wider Effects of MDRS

This section considers the wider effects of the MDRS provisions, and the QMs, likely to arise from the enablement of housing capacity.

Three main aspects are considered. First is the likely effects on the Auckland land and housing markets, from the increased plan-enablement across the land market, and how that extra enablement may affect the amount and rate of housing development, property and housing values. The base comparison is without and with QMs in place.

Second, how that extra enablement may affect the patterns of housing development, the urban form outcomes which may be expected for Auckland, and implications for the economy and community. This meets the HSAA requirement to assess QMs in relation to urban development and the objectives of the NPSUD, with the NPSUD/MDRS provisions assessed for their overall effects on the urban environment and economy. It extends beyond those locations where QMs will have direct effect, to cover in total direct, indirect and consequent effects in the urban environment.

Third, it examines the benefits and costs arising from the housing enablement, and from the QMs. The focus is the extent to which the potential benefits of extra housing enablement may be affected by QMs, in relation to the benefits arising from the QMs. The comparison is of costs of QMs (foregone benefits from a lesser level of enablement) against the costs of not having QMs – the benefits foregone if QMs are not in place. Benefits and costs are examined in the framework of effects on the urban environment and economy, as specified in the HSAA.

5.1 Expected Effects

Many economic and social processes are affected directly and indirectly by the NPSUD/MDRS provisions, with a focus on three broad effects.

First is the likely effect on the property market, and housing supply and affordability. A primary purpose of the HSAA is to influence the housing market, with increased plan-enablement intended to stimulate housing supply, place downward pressure on land and housing prices, and contribute positively to housing affordability. These are key intended benefits of the legislation, and an important part of the s32 assessment. This takes account of the core processes affected, the current conditions and performance of the Auckland property market with the AUP in place, Unitary Plan implemented, and to recognise different perceptions of how the property market is working.

Second is the likely housing development and urban growth outcomes for Auckland. The changes to plan-enabled capacity will affect the rates and patterns of household and business growth across Auckland, with land use patterns and growth paths having major influence on the economy - affecting urban form and efficiency, property and housing values, travel and transport, infrastructure, and the biophysical environment. These are directly relevant to the objectives of the NPSUD and urban development, especially the potential for a more efficient or less efficient urban form for Auckland, and in the context of the well-functioning urban environment.

That analysis underpins the considerations of likely effects on Auckland's form and function. And outcomes for economy growth, and employment. The focus is on the prospect of different outcomes without- and with-QMs in place.

These matters lead on to consideration of the benefits of QMs, and the comparison of costs and benefits, again with the focus on the without- and the with-QMs futures.

5.2 Housing Capacity and Auckland Urban Form

Housing growth outcomes have been modelled for this assessment, to reflect the expected development paths under the MDRS and NPSUD provisions. These reflect the substantial extra enablement, together with the established influences on Auckland's growth evident in the long and medium term. The estimates allow for feasible housing capacity only, rather than enablement *per se*.

5.2.1 Development Feasibility

The substantial difference between plan-enabled capacity and expected demand for housing puts emphasis on the feasibility of development. To adequately provide for demand, enough dwellings across the value bands and typologies need to be feasible, and built.

Plan-enabled housing capacity has been examined first as to the feasibility of development in the current and future market. A key finding is that a substantial share of the plan-enabled capacity is feasible in current market conditions. Further, development feasibility generally increases over time as markets grow and land values increase faster than improvement values, which means that the total amount of feasible capacity will increase into the future.

The major reason for the high level of feasibility is the increased enablement on residential sites. This means that new developments can offer substantial margins (profitability) because more built capacity can be provided. The returns on development reflect mainly this greater built capacity, so that land can be utilised more intensively, and in many instances the opportunity cost of an existing dwelling (if replaced) is low compared with the extra returns possible.

This does not mean that the existing land value on a site is simply divided up among the new dwellings. Rather, the greater intensity means that the value of the land is increased substantially when additional development occurs, and that increase in value is a significant part of the return to a developer. Because the actual (if subdivided) or notional (cross-lease or strata title) land parcel is smaller in size than the current site, the land value component of new development is relatively smaller. This reflects the common phenomenon of substantial increases in land value per ha or per m² when intensification occurs, while at the same time land value per dwelling (and per owner) is relatively less.

The analysis shows that a substantial number of dwellings are feasible, across the dwelling typologies and locations, and across the value bands (Figure 5-1). Total feasible capacity is significantly greater than demand for additional dwellings.

Figure 5-1: Plan-enabled and Feasible Capacity by Dwelling Value Band

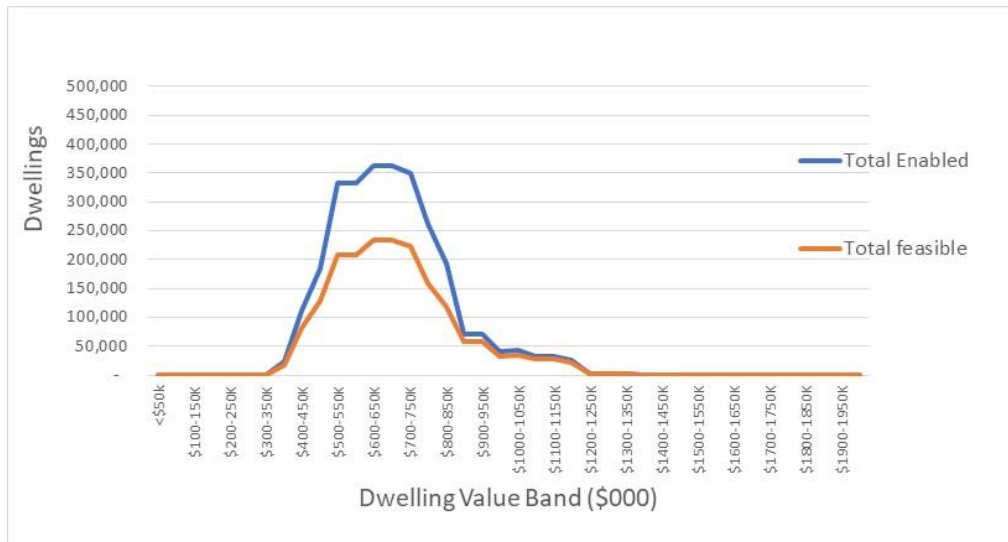
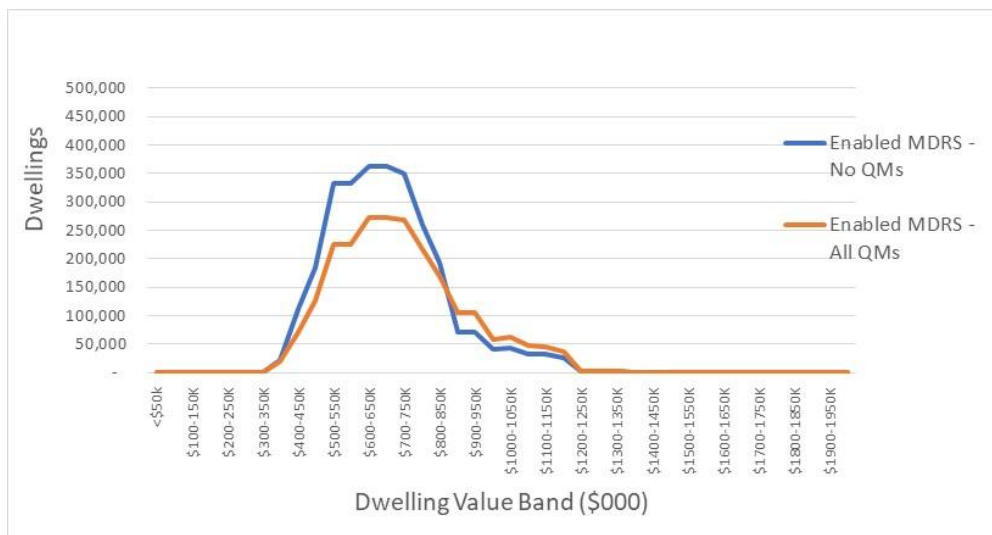


Figure 5-2 shows plan-enabled capacity by value band, comparing the without and with QMs situations. Inclusion of the QMs means there are fewer plan-enabled dwellings, across most value bands. The distribution across value bands is very similar, indicating that the QMs would not have greater effects on specific aspects, such as the enablement of lower value dwellings. Moreover, without or with QMs, the enabled housing capacity is well above the projected long-term demand for housing.

Figure 5-2: Plan-enabled Capacity under MDRS and NPSUD without and with QMs



A similar pattern is evident for feasible dwellings. Figure 5-4 shows the wider picture of plan-enabled capacity by value band (without QMs) and how this varies with distance from the CBD. Generally, the greater focus on apartment dwellings in the central areas (which are generally higher value than terrace houses) sees mean new dwelling value highest toward the centre, and progressively reducing as distance from the centre increases. Within the mix of dwellings (shown by the coloured bar segments) the incidence of the lowest value bands is seen to be greater as distance increases. This pattern is as expected, reflecting the combined effects of land values, development typology, and dwelling values.

Figure 5-4Figure 5-3 shows plan-enabled and feasible capacity by value band, without and with QMs. The inclusion of the QMs means there are fewer feasible dwellings in all value bands. However, again the number of feasible dwellings is substantially above the long-term demand level.

Figure 5-3: Plan-enabled and Feasible Capacity under MDRS and NPSUD without and with QMs

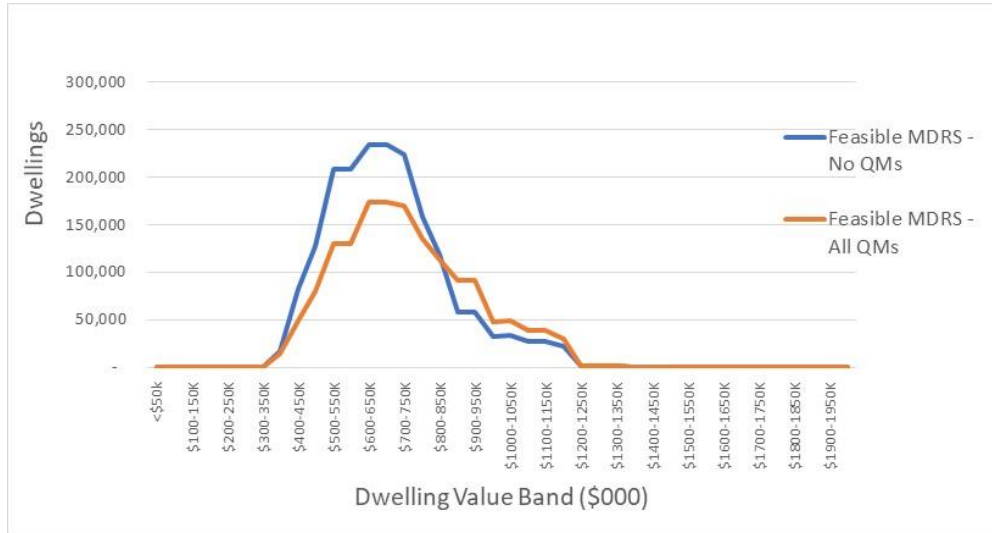
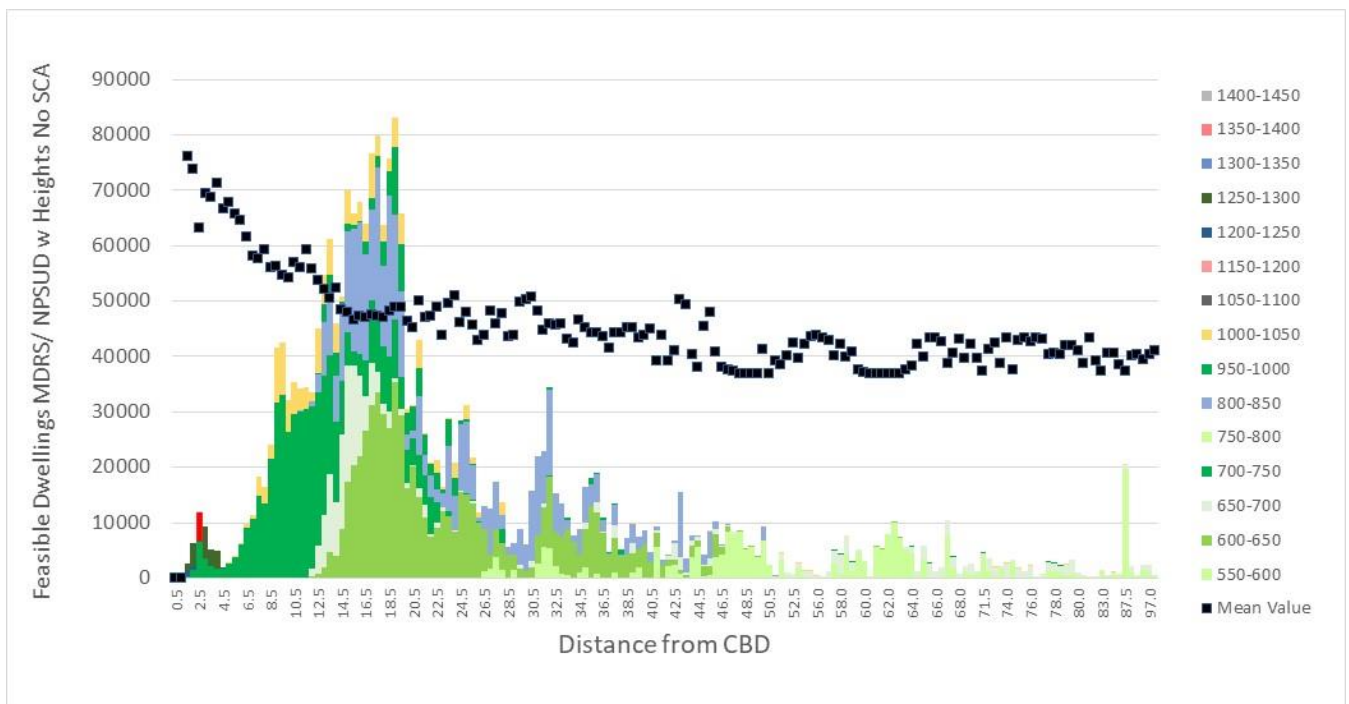


Figure 5-4 shows the wider picture of plan-enabled capacity by value band (without QMs) and how this varies with distance from the CBD. Generally, the greater focus on apartment dwellings in the central areas (which are generally higher value than terrace houses) sees mean new dwelling value highest toward the centre, and progressively reducing as distance from the centre increases. Within the mix of dwellings (shown by the coloured bar segments) the incidence of the lowest value bands is seen to be greater as distance increases. This pattern is as expected, reflecting the combined effects of land values, development typology, and dwelling values.

Figure 5-4: Plan-enabled Dwellings by Value Band and Distance from CBD

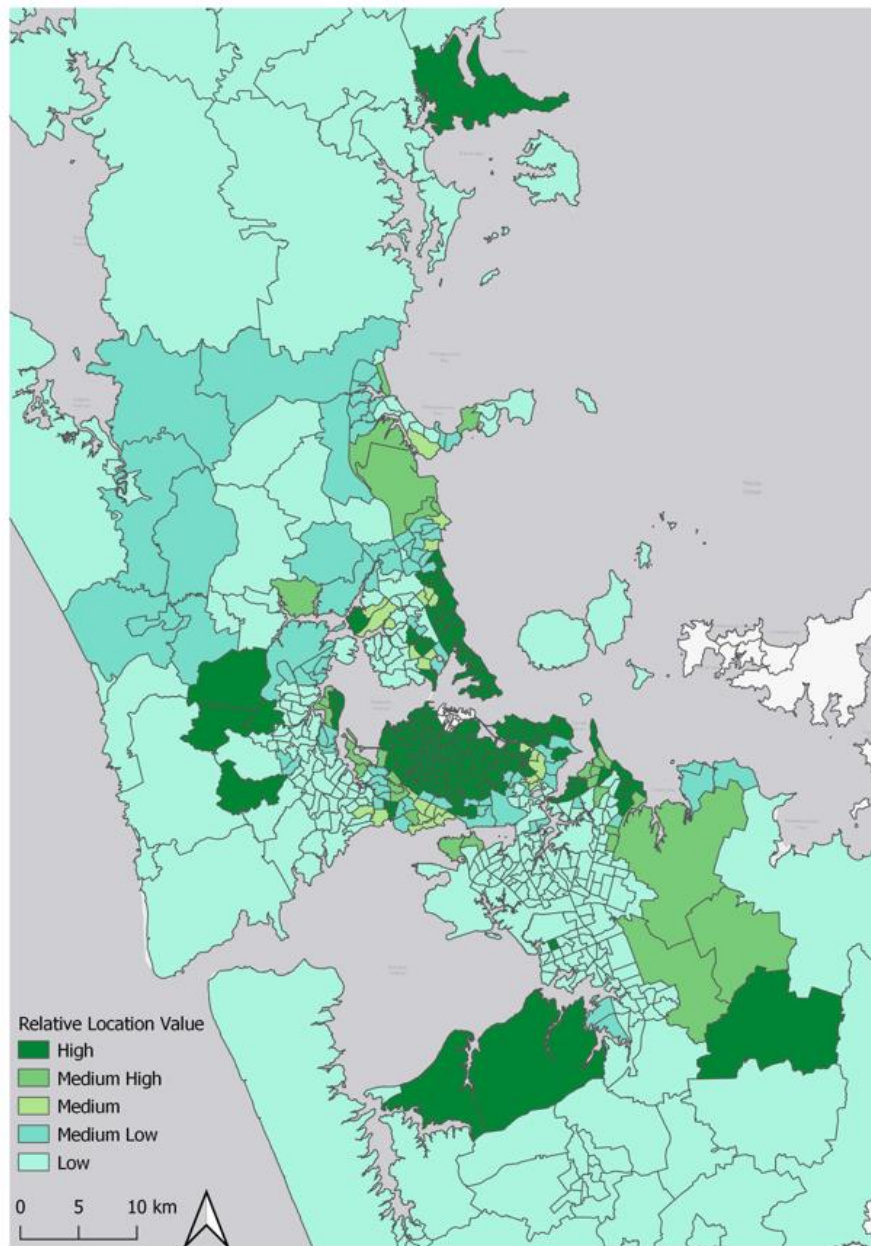


5.2.2 Patterns of Growth

The analysis of plan-enabled and feasible capacity covers each residential zoned parcel (site) in Auckland (n=369,872) drawing from the Council's rating and property dataset (2021). This is the platform for the growth scenarios, utilising the detail on feasible dwelling numbers, typology and values.

The projections take account of several influences. While the basic driver is the amount of feasible capacity, it is useful to understand how that feasible capacity may translate into housing growth. Since the amount of feasible capacity is substantially greater than projected demand, there is opportunity to understand how different influences may have effects in the future, and impact on growth patterns. The main matters examined are the attractiveness of location per se (as reflected in the relative location values), a focus on middle-lower value new dwellings, greater focus on walkable catchments, and greater focus on the central city. The current relative location values are shown in Figure 5-5.

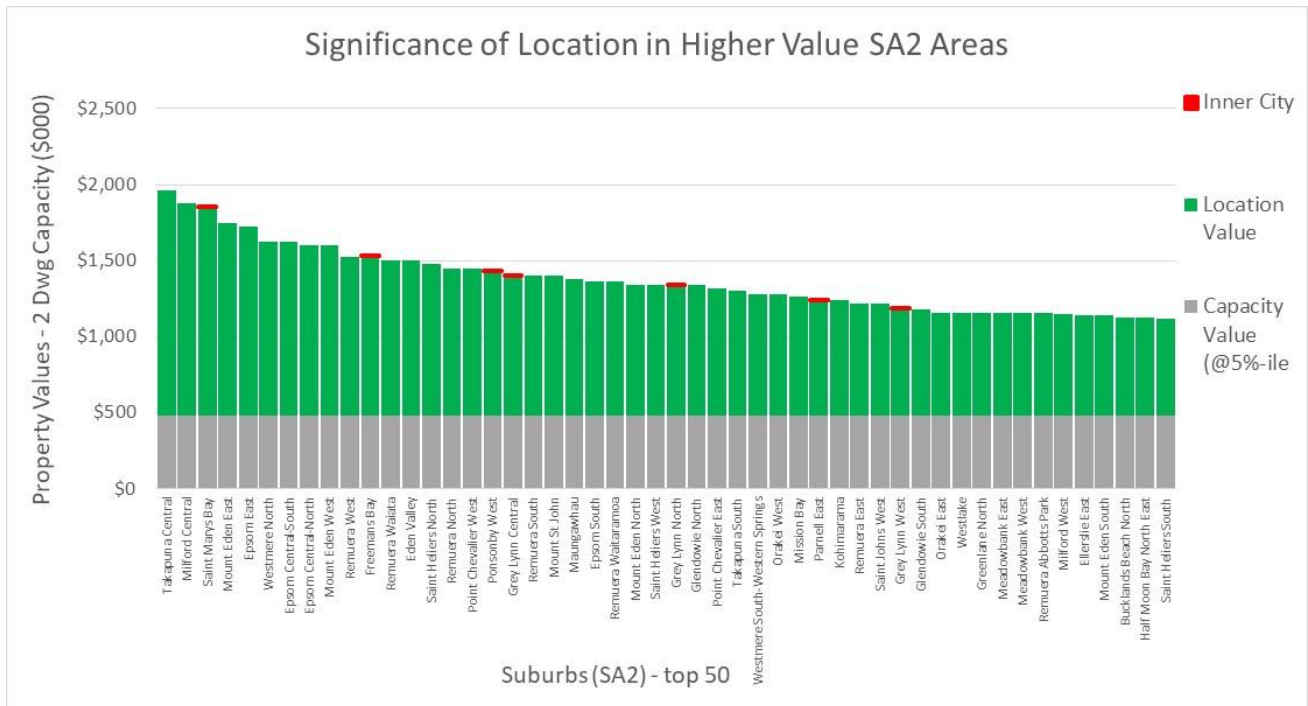
Figure 5-5: Relative Location Value in Auckland 2021



The map shows the relative attraction of areas (SA2s) as reflected by land value per site, after adjustment to exclude the value component of housing capacity (utility). This pattern broadly reflects the greater values associated with relatively central locations, and areas of high amenity, especially coastal locations on the North Shore and Eastern Bays areas.

However, it identifies a more nuanced pattern indicating that the location effect is less heavily focused on the central city than gross land values would indicate. That is shown in Figure 5-6. Although the inner suburbs are generally among the higher value areas, there are also many suburbs located outside the inner city suburbs which have high values, showing that proximity to the central city is not the dominant driver of value or location attractiveness.

Figure 5-6: Relative Location and Capacity (Utility) Value in highest value suburbs 2021



The modelling also allows for other influences, which are not reflected in trends to date. These include walkable catchments, a focus on lower priced dwellings, and greater emphasis on proximity to the CBD. The main drivers are the availability of feasible capacity, recent (2016-21) location preferences, and relative location value, and these modelled influences are to reflect variations around the base position. The more attractive locations indicate a general trend toward the isthmus and the already developed ('brownfield') suburbs to the north, west and south.

All of these influences have different effects. The number of feasible dwellings in the lower value bands reflects both the opportunity for smaller feasible dwellings (which is in part differentiated by location), and locations with lower property values than the Auckland average. Weighting to represent this segment of the market would see the likely geographic focus away from the more central suburbs, and relatively more development in greenfield areas and the region's towns. That said, there is feasible opportunity across most locations, and any weighting toward mid-lower value dwellings shows a quite broad spread, rather than high shares directed to specific locations.

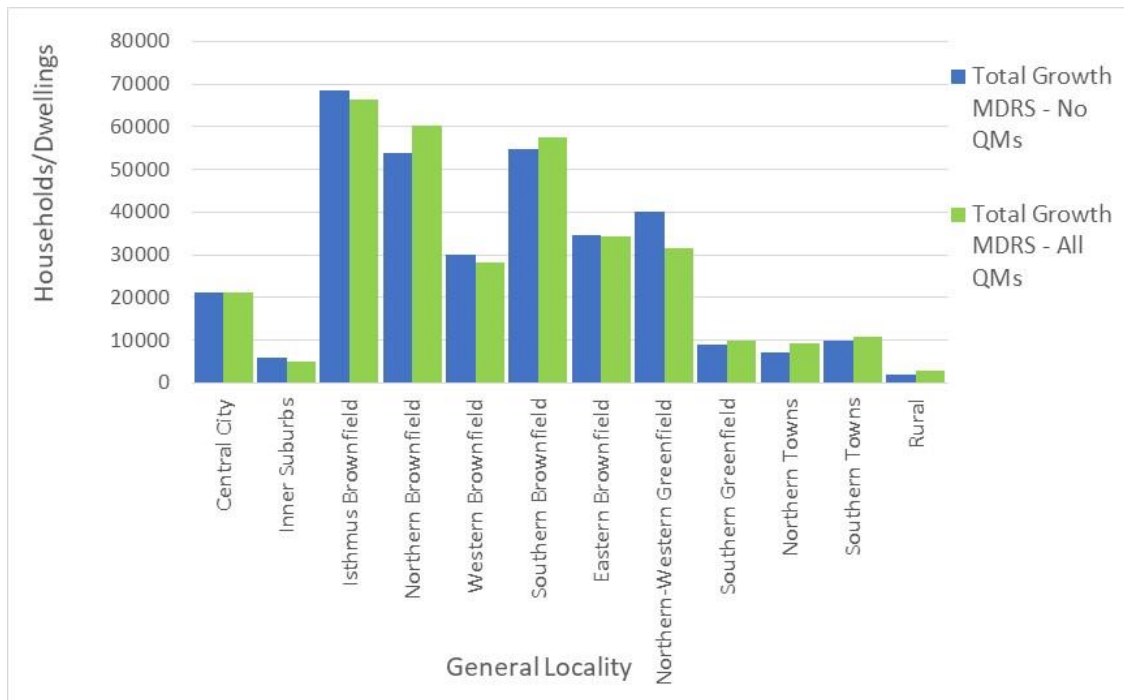
Greater relative focus on the central city would see higher incidence than *pro rata* in the inner suburbs around the city centre, as well as relatively higher incidence in the isthmus brownfield areas. Greater relative focus on the walkable catchments is straightforward, again with the influence applied by relative weighting.

Importantly, all of these effects are in play together, none is dominant, and the effects of some are directly offset by the effects of others. This broadly reflects the operation of the housing market, and the underlying major influence is the presence of feasible capacity itself in each location.

5.2.3 Growth patterns without and with QMs

The growth outcomes have been modelled without and with the QMs having effect. At the high level, there is limited difference in the growth outcomes. Figure 5-7 shows quite similar growth patterns in each General locality.

Figure 5-7: Housing Growth by General Locality to 2051 – MDRS without and with QMs

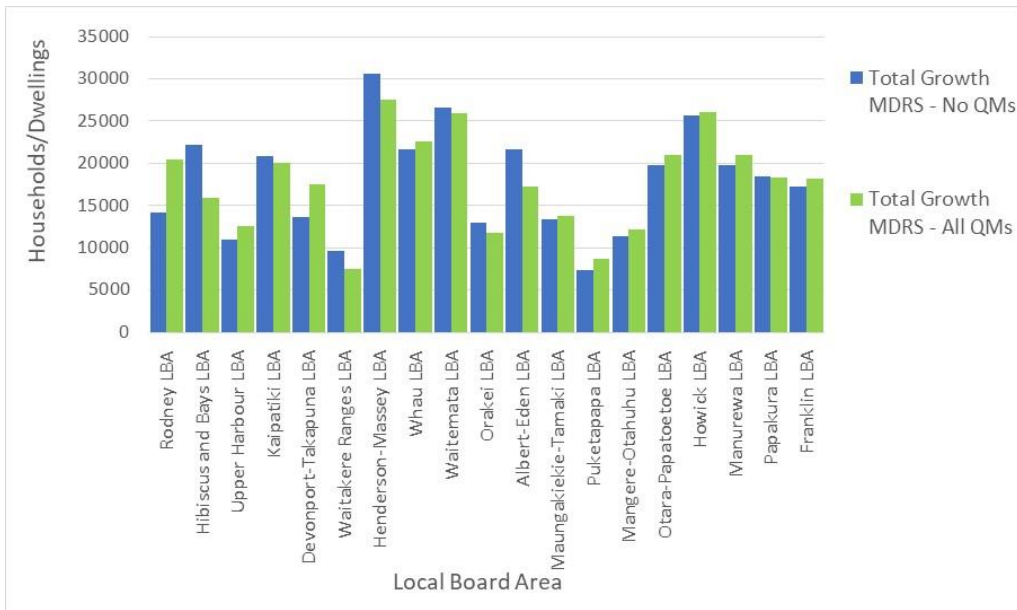


However, a key effect of the QMs is to provide for a lesser level of development in specific locations, and a direct consequence of that is some adjustment by the market to re-direct growth to other locations. The growth patterns show lesser growth with QMs in place in the inner suburbs and the isthmus brownfield suburbs. There is correspondingly more growth in the northern brownfield suburbs (North Shore) and southern brownfields.

In the locations where less growth is shown, the projections do not take up anywhere near the total feasible capacity, and there is considerable scope for further growth in the inner suburbs and on the isthmus. This is an important consideration in this type of growth modelling, where the growth uptake is weighted toward particular paths, but the allocation approach does not simply fill up locations in turn, and then move on to the next when there is no capacity left. The approach used here is broadly consistent with how the market works.

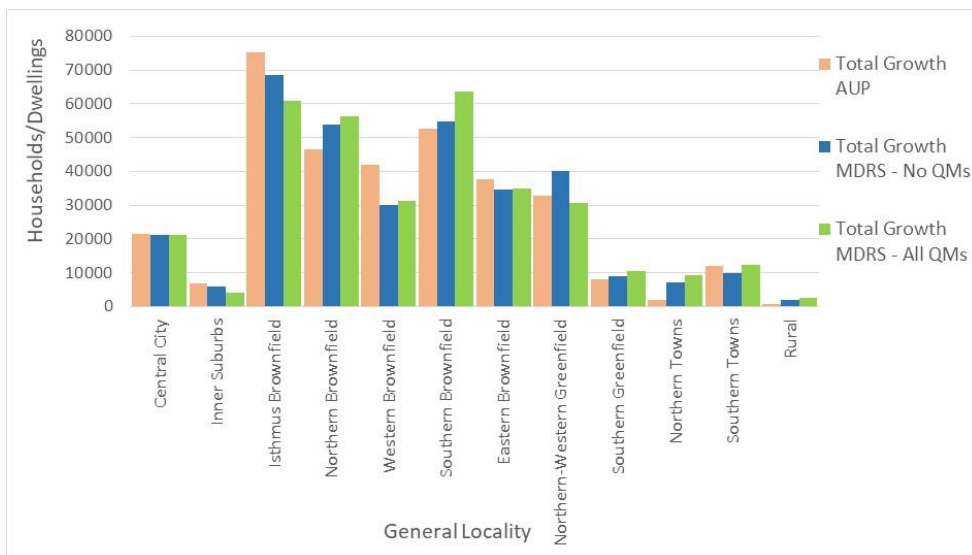
In the same way, the projected growth for each Local Board Area shows a generally consistent pattern between the MDRS without QMs and with QMs (Figure 5-8). The outcome with QMs in place would see relatively more growth in the LBA areas which are further from the central city.

Figure 5-8: Housing Growth by LBA to 2051 – MDRS without and with QMs



For both scenarios, the outcomes are consistent with the substantial level of enablement in locations away from the central areas of Auckland. This arises largely from the MDRS provisions applying to the residential zones outside the walkable catchment areas. Figure 5-9 shows the projected growth outcomes for each General Locality, comparing the MDRS without and with QMs, and with the existing AUP. The growth outlook with the AUP provisions would see more housing growth in the inner suburbs around the central city, and more growth on the isthmus. This is because the AUP’s enablement is geographically focused around centres, with limited options for intensification in the areas further away from the central city.

Figure 5-9: Housing Growth by General Locality 2051 – MDRS without & with QMs, and Unitary Plan



The future outcome in 2051 for total household numbers is shown in Figure 5-10. This graph sets both of the scenarios in the context of current household numbers, to illustrate the scale of growth as well as the overall pattern three decades from now. The corresponding outcomes for each Local Board area are shown in Figure 5-11.

Figure 5-10: Total households by General Locality 2051 – MDRS without and with QMs

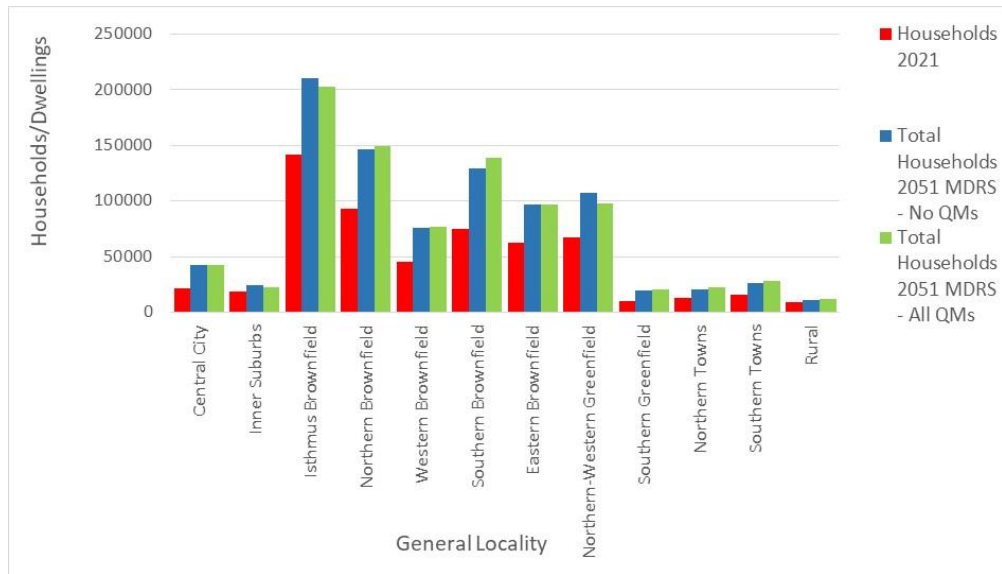
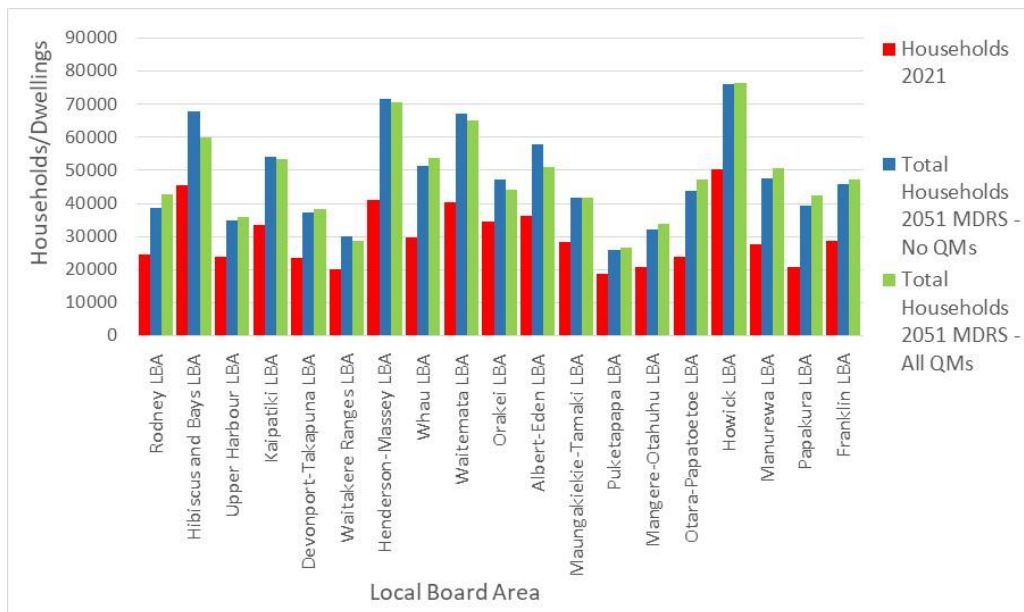
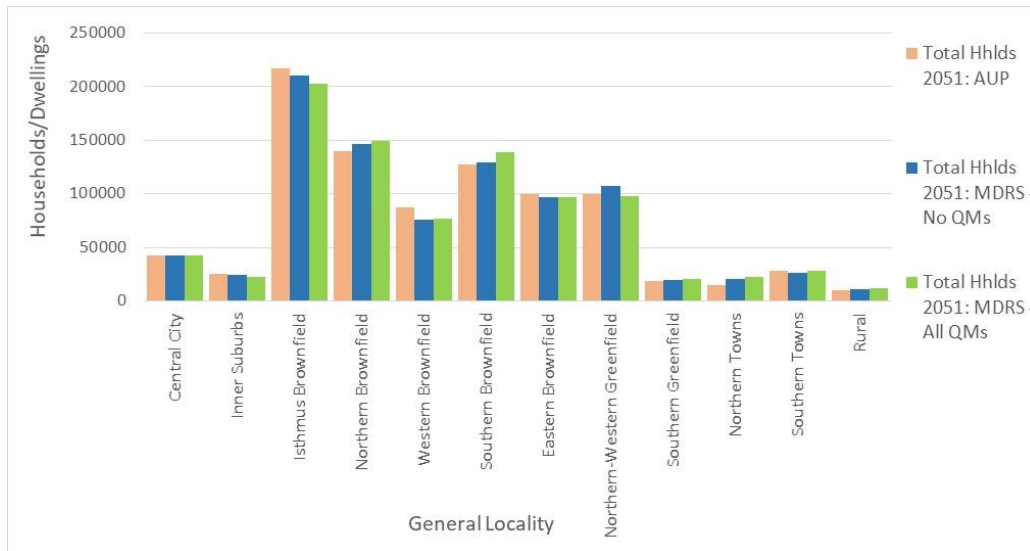


Figure 5-11: Total households by LBA 2051 – MDRS without and with QMs



Both of the MDRS scenarios are compared in Figure 5-12. This again shows the projected outcomes as against that enabled by the AUP, with the same assumptions and weightings applied in respect of the walkable catchments, location relating to the CBD, and housing values. The AUP future indicates more centre-focused growth, with more households in the inner suburbs and the central isthmus than either of the MDRS futures.

Figure 5-12: Total households by General Locality 2051 – MDRS without & with QMs and Unitary Plan



The main conclusion from the comparison of the MDRS-based outcomes is that the implementation of the QMs would have limited effect on the growth outcomes. This is especially because there would be substantial plan-enabled and feasible capacity which is not ‘used up’ in the scenarios, which could see the actual growth patterns without and with QMs closer than those as modelled.

5.2.4 Enabled Capacity by Distance from the CBD

The plan-enabled capacity in each travel distance band from the city centre is shown in Table 5-1, and compared with existing dwelling numbers. The plan-enabled capacity increases with distance outward from the city centre. Under the current AUP, there is plan-enabled capacity for close to 231,000 dwellings within 6km of the centre. The NPSUD/MDRS provisions without QMs would enable some 371,000 dwellings. With all QMs in place, the plan-enabled capacity would be some 276,000 dwellings. This is about 3.8 times the current 79,000 dwellings there.

Table 5-1 : Plan-Enabled by Distance from CBD

Distance from CBD (km)	Existing Dwellings	MDRS/ NPSUD No QMs	MDRS/ NPSUD (with all QMs)
0-2	28,800	96,500	90,000
2-3	13,500	67,900	40,000
3-4	10,500	57,700	36,100
4-5	10,900	61,400	44,600
5-6	15,200	87,500	65,000
0-6	79,000	371,000	276,000
6-10	87,000	478,900	414,600
10-12	45,100	304,900	281,200
12-15	66,700	411,100	370,300
0-15	278,000	1,566,000	1,342,000

Source: Housing Enablement Model 2022

Within 15km of the city centre, there are currently approximately 278,000 dwellings. The NPSUD/MDRS provisions without QMs would enable around 6 times the current (1,669,000). With all QMs in place, the plan-enabled capacity would be around 1,468,000 or about 5.3 times the current level.

The 2-dimensional picture is shown in Figure 5-13, which plots the cumulating enabled capacity by distance. A key difference between the enablement in the Unitary Plan, and that under the NPSUD/MDRS provisions, is that most of the additional capacity appears to kick in at greater distances, especially after the 20km mark. This has likely implications for the city’s growth patterns, and aspects such as travel efficiency and sustainability²⁹.

The wider picture is shown in Figure 5-14 where the increase in land area no longer shows strong growth in capacity because it starts to get out beyond the urbanised area.

A key metric in both graphs is the current dwelling count. The enabled capacity grows fast because the land area is increasing, however the established housing pattern sees density steadily reduce as distance increases, and the margin between existing dwellings and the enabled capacity increases significantly.

Figure 5-13: Plan-enabled Capacity and Distance from the CBD to 15km



²⁹ It is important to understand the effects of calculating capacity around a point such as the CBD (in this case). Typically, capacity values are small, and they increase rapidly with increasing distance. This apparently fast rate of increase is especially because land area grows exponentially as distance increases – if distance doubles, land area increases by 4 times. The capacity line therefore increases at 2:1 not 1:1, and visually capacity closest to the centre seems low.

Figure 5-14: Plan-enabled Capacity and Distance from the CBD to 30km



5.3 Land Market Implications

The MDRS/NPSUD provisions will directly affect the Auckland residential property market. That market is large and closely integrated within the wider Auckland economy. The main effects will arise from greater enablement from MDRS and Policy 3 provisions

There will be direct effects arising from the changes in land use, with greater intensification enabled on residential land. Potential use (together with location) is the major driver of land value, and residential zoned land will in most cases have the potential to be utilised more intensively, with more dwellings and dwelling space per site. Many residential zoned sites will be able to have more dwellings built on them than currently, especially in the walkable catchments where sites will have potential for development up to at least six storeys. The MDRS provisions will mean sites have potential for (a maximum of) three dwellings, while the MDRS' removal of the need for resource consent to develop those dwellings will mean lower development costs.

A priori, any site with increased development potential can expect a corresponding uplift in land value. However, this does not mean there would be an automatic increase in land value for all residential sites, because other influences will also affect values (as set out in Section 2). The influence of time and total market opportunity are important here.

The initial assessment based on review of the Auckland market situation and performance, and the parameters of the MDRS provisions concluded there is limited prospect of substantial change arising from a 'shock' to the Auckland economy. The considerable enablement already in place through the AUP, well recognised and being utilised in high levels of dwelling consenting and construction, means the greater enablement in the MDRS provisions will be primarily a change at the margin. The additional capacity will apply across many more sites, however there are already many sites with potential to intensify under the AUP provisions, with no shortage of sites and development opportunity indicated. The extra enablement will mean that there are more years' of development provided for, but not any major change in the balance between housing demand and the supply of new dwellings from the construction sector.

Those matters place considerable focus on the current housing development path as the likely indicator of market shifts, with the underlying parameters of the market expected to show little change. Although interest rates are rising there is little indication of pressure on owners to go the market because of affordability issues, especially as current prices are likely above the level at which most of the recent buyers will have purchased, while interest rates are still below the levels assumed by banks when borrowers seek to qualify for mortgages (7-8%). The common response with falling prices is for owners to sit tight and not capitalise any loss by selling. This was the pattern in the years following the GFC, for example. It means there is low incidence of forced sales to affect prices.

Moreover, the extra development potential from the MDRS and Policy 3 provisions is widespread across the market, and there is abundant opportunity to acquire and develop sites, if there is demand for new dwellings. With this very high level of opportunity, in most instances there is little pressure on existing owners to sell, with owner-occupiers generally able to remain in place until market conditions are more favourable (for a seller, when prices are higher). The relatively high incidence of owner-occupiers is a major reason for housing prices to show limited falls, relative to rises. In any case, the potential uplift in land value for sites with increased enablement would occur close to the time such development is imminent or under way, and would not be capitalised until sale. The market will be aware that the substantial enablement means the opportunity for any specific site is relatively low, given the large number of candidate sites.

Also relevant is the modest growth in Auckland's population (a decline in 2021) which together with the record level of consenting means much of any shortfall in housing supply has diminished or gone. In any case, it is to be expected that much of the effect of the MDRS provisions will already be priced in by the market, in the same way as the AUP provisions. The AUP was implemented in 2016, and Auckland developers, investors, and property owners have had plenty of time and opportunity to adjust to those enabling provisions. There is plenty of plan-enabled capacity for the full range of dwelling typologies – from single houses to multi-level apartments – in a wide range of locations across the city.

The 3 dwellings per lot provisions are widely recognised, and in the lead-up to the implementation the Auckland market is falling. There is no indication of a strong demand response to the new opportunity, especially because it is widespread. Moreover, the change applies mostly to sites with existing dwellings, where owners have opportunity to remain in place until conditions change.

For these reasons, the additional plan-enablement is not expected to place downward pressure on property prices, while the very widespread opportunity and the long - on average – lag before any greater opportunity may be realised is not expected to place upward pressure on prices. This in turn suggests there will be greater focus on the fundamental drivers of housing value – land's use for housing, and its location within the urban economy – rather than movements up or down being generated by change.

Accordingly, the expected outcomes for the market are based on those fundamentals, particularly the parameters of the new housing market as the strongest indicator of future conditions. The levels of feasible supply in all dwelling value bands above \$500,000 (and potentially \$400-500,000) indicates that the main limiting factor on the numbers of new dwellings developed is the level of demand, arising from population growth and ageing.

The relatively plentiful enabled capacity means that land values can be expected to reflect mainly the current use, with additional value reflecting the potential for intensification within a stable and generally 'predictable' setting, rather than any premium arising from likely supply constraints. That is, the additional value over and above existing land use will for most sites reflect their intrinsic characteristics and location, and the potential to

intensify use, though with little if any premium driven by constraints in either land supply or in development capacity - given the high level of development activity which has continued through a period of relatively slow population growth.

Importantly, these matters can be expected to apply irrespective of the QMs.

A key finding is that the implementation of QMs would not result in material negative outcomes for the housing market. This is principally because there is abundant development and feasible capacity, and a wide margin between feasible capacity and demand. On that basis, the housing and land market can be expected to function equally well with the QMs in place as without any QMs.

The assessment shows that there is substantial margin in all locations across Auckland, without indication of specific pressure points arising in particular locations which would negatively impact in terms of price pressure.

That does not mean there will be no on-going price pressures or fluctuations in the housing market, because the market is always subject to global and national effects – such as interest rates, migration levels, investment from overseas and consumer confidence – which are known to directly influence the housing market.

However, what it does mean is that any effects of the MDRS and Policy 3 provisions on the functioning of the housing market are not expected to be materially different if the QMs are implemented, compared with if QMs are not implemented. The implementation of QMs is not expected to have negative implications for land market efficiency.

On that basis, the benefits from the housing enablement provided for MDRS and Policy 3 provisions can be expected to be predominantly the same, whether or not the QMs are implemented.

This means that the costs of QMs, in terms of foregone benefits from the greater housing enablement, are very small, and close to zero.

5.4 Urban Form and Function

Another major consideration is the implications for Auckland's urban form and function.

At the high level and over the long-term, Auckland growth and form outcomes show limited change from the established urban form. The city will be about 60% larger in population and employment size in the long term. The majority of its growth capacity is within the existing urban edge, and much of the increase in capacity will occur through intensification on that same footprint. In the long term, Auckland will have a somewhat larger footprint in terms of geographic extent, though it will have a substantially heavier footprint per ha of urban land. This is expected, as growth will be accommodated through the mix of some outward expansion and a lot of intensification.

This means that there will be limited difference in the long-term growth outcomes between the without-QMs and with-QMs futures.

One important implication is that the QMs are not expected to result in a less efficient or less sustainable urban form for Auckland. Moreover, the large margin between enabled capacity and projected demand growth means there will be considerably flexibility within those overall growth parameters, and scope for development to follow a relatively efficient growth path without being constrained or directed into less efficient paths through shortfalls in capacity and opportunity. The scenarios illustrate this.

There is plenty of scope for the expected growth future to eventuate, and given the projected demand that may see little material difference between the future with QMs in place compared to the without-QMs outcome.

This means a future with MDRS and QMs in place can be expected to contribute equally well to the objectives of the NPSUD, and to Auckland as a well-functioning urban environment³⁰.

This would mean that the costs of QMs - in terms of foregone benefits arising from a less efficient and effective urban form outcome for Auckland, and lesser delivery of the objectives of the NPSUD – can be expected to be very low.

5.5 Employment and Economy Growth

The s32 structure requires assessment of the implications for employment and growth in the economy. The analysis of potential population and household growth, and consideration of the urban form and geographic growth outcomes, shows there is no material difference likely in economy and employment growth between the without-QMs and with-QMs futures.

While the patterns of urban growth may be different with the QMs in place, there is a wide margin between demand and plan-enabled capacity in all locations. This means there will be abundant opportunity, with QMs in place, for private and public sector activity to establish and expand, in order to efficiently operate within the Auckland spatial economy.

5.6 Benefits of QMs

The other side of the s32 assessment is the costs (benefits foregone) which would accrue to the Auckland community if the QMs are not implemented. These are described in the respective s32 assessments for each QM, and are summarised here.

There are QMs relating to the values and amenity of the natural and built environments mandated by the community through the RMA process³¹, including through a range of matters set out in New Zealand's statutory base, in regional and district plans, and supported by extensive research into community attitudes and values. These relate generally to the qualities and amenity which are valued by the community from the opportunity for their enjoyment, either directly or through knowledge of their existence and protection. The well-developed international literature on resource valuation identifies values arising from these features, including through community acceptance of responsibility to protect and/or enhance them.

5.6.1 Disbenefits/Costs to be avoided by QMs

This applies in the first instance to those QMs which seek to maintain, protect or enhance community access to and appreciation of the biophysical environment (ONL, ONF, SEA, High Natural Character, Volcanic viewshafts).

³⁰ That said, it is worth noting that both the MDRS without QMs and the MDRS with QMs growth patterns suggest a less efficient path than what is enabled in the AUP. This is because the AUP has greater shares of its development opportunity focused on the quality compact urban form, with growth focused on centres – as per the Policy 3 provisions – but with less enablement in other residential zoned areas, compared with the MDRS provisions. That would see, other things being equal, relatively higher shares of housing growth occurring in the more compact pattern.

³¹ As provisions settled through the statutory planning process including community consultation.

The positive outcomes from maintaining and protecting these values are benefits to the community. If those benefits are lost, as could be the case if the MDRS provisions were fully implemented, then that loss of benefits represents a cost to the Auckland community.

In similar vein, QMs relate to the community's enjoyment of and responsibility for the built environment, including history and community values, sense of place, identity, local public views and built amenity – for example, Special Character Areas (SCA). If those benefits are lost, as could be the case if the MDRS provisions were fully implemented, then that loss of benefits represents a cost to the Auckland community.

There are three QMs which provide for a combination of benefits and attributes, including safety and protection of life and property, as well as attributes in protection or enhancement of the environment. These QMs are the matters of Coastal Inundation, Flood Inundation and Coastal Erosion. They have direct implications for sites and areas directly affected, and flow-on implications for the areas and localities within which they would arise, as well as the community overall. They also relate directly to Climate Change, which is itself a specific aspect of the NPSUD and the well-functioning urban environment. The private and public costs of inundation and erosion, and the benefits of such effects being avoided, accrue to both individual property owners and to the community at large. Limiting the incidence of such effects, including through limiting the amount of housing development on sites subject to inundation and flooding delivers a number of benefits. Some accrue to the property owner, others to the community at large when private properties are affected. New Zealand communities have shown support for policy and expenditures to protect people and property, including willingness to share the expenditure load across the community. On that basis, the loss or reduction of values and benefits to the community which arise from the effects on property represents some cost to the community as well as individuals.

Two QMs relate to the efficient and sustainable functioning of the urban environment and economy, notably water and wastewater infrastructure, and transport. Key issues are around the efficiency and sustainability of built infrastructure, and the costs to households and the wider community to fund that infrastructure. These are important issues. The cost and efficient provision and utilisation of infrastructure is a fundamental aspect of a well-functioning urban environment, while transport and travel costs are significant aspects of household spending, and the difference between private vehicle and PT costs can be significant for many households. The cost of urban living is not solely about the cost of housing, and travel costs and infrastructure costs are important aspects of urban affordability.

Housing costs, housing affordability, location and access to employment are key matters in the context of urban living, and specific aspects of the well-functioning urban environment. At the higher level, these matters are important influences in housing location choices. Hence the direct link between the costs of infrastructure, transport and travel, and the well-functioning urban environment context of the NPSUD. This means that policies or actions which would materially increase the financial costs of urban living, through infrastructure and incurred travel costs, would materially detract from that well-functioning environment, and so would be at odds with both the objective of the NPSUD, and with the benefits of urban development. Both of these matters are specifically mandated as assessment criteria for QMs.

The QMs individually and in combination seek to maintain and/or preserve values arising from the natural and built environments, avoidance of risks and impacts to people and properties subject to flooding or other risk, as well as seeking to at least maintain the private and public benefits arising from efficient access to infrastructure

and services for the community at large. In each case, reduction or loss of such benefit represents a cost to people and the community.

5.6.2 ‘Incompatible’ and ‘Inappropriate’

The reason for implementing the QMs is that the cost to people and community of losing those benefits would make full implementation of the MDRS and Policy 3 provisions inappropriate or incompatible with the community’s values.

Under the legislation, QMs need to be justified on the basis that the full level of development enabled would be ‘incompatible’ (77J) or ‘inappropriate’ (77L).

This means that making provision for a level of housing development may be assessed as likely to lead to an outcome incompatible (under 77J) or inappropriate (under 77L) with matters which are important and significant to the Auckland community. The QMs may be justified on the basis of avoiding or minimising those incompatible or inappropriate outcomes.

The outcomes arising from the full implementation of the MDRS and Policy 3 provisions have been fully examined, and in cases where some outcomes are inappropriate or incompatible in relation to community values, then the relevant QMs are proposed. These matters have been assessed through detailed analysis of the implications of the provisions.

That is, in the identified instances, the full level of development enabled by the MDRS and Policy 3 provisions would be inappropriate or incompatible.

5.7 Costs and Benefits Comparison

The final part of the s32 assessment is consideration of the benefits and costs.

As detailed earlier, the comparison is relatively straightforward. On one side of the assessment are the costs arising from foregone housing development, if the MDRS and Policy 3 provisions are not fully implemented.

On the other side of the assessment are the costs from the loss of benefits in the urban environment and economy if the MDRS and Policy 3 provisions are fully implemented.

The scale and timing of those costs is very important.

5.7.1 Low costs of foregone benefits of enablement

The effects of the QMs are on the level of development enabled in particular locations. Some of that effect will arise immediately or quickly. This is mainly in terms of the development potential of affected sites, and any flow-on implications for the value of those sites.

However, much of the effect would arise only when a lesser level of development comes into effect, if housing development would not occur when it would otherwise have occurred. Relevant here is the amount of enablement and the range of opportunities for that development to occur in an equivalent location, compared with the scale of growth in Auckland – as the key indicators of whether such housing development would occur, and if so when it would occur.

The level of enablement is many times greater than the projected demand into the long term. This means that QMs' effects on housing development will be on average very low. To be realised, such effects would depend on housing development not occurring on QM-affected sites and also on there not being alternative sites where development could occur instead. Because there is abundant plan-enabled and currently feasible capacity, and because development of more sites will become feasible over time, then there is little prospect of the QMs affecting the level of development for housing at the Auckland-wide level. The potential for QM limitations to come into effect is generally very small and is likely to occur well into the future.

The scale and the timing mean that effects – costs as foregone benefits of enablement – are very low in present value terms.

5.7.2 Higher Costs of Foregone QM Benefits

The costs in terms of foregone benefits of community values would be greater than the costs of foregone enablement, for several reasons.

First, the costs of foregone benefits from housing enablement are very low, overall and in present value terms.

Second, the costs of lost community values are substantial. While not monetised or directly quantified, the fact that these benefits are part of a settled Plan through a process of community consultation over many planning cycles through the years shows that such benefits are generally seen as of value by a community of 1.8 million persons. A number of the values have been confirmed through the planning process, to Council, Environment Court and Court of Appeal levels, and including specific comparison of the benefits of housing enablement against environmental outcomes. Even if the mean ascribed value per person were small, in aggregate the values of a very large community are significant.

Third, it is important to take account the nature of the MDRS and QM provisions, in relation to the structures and timings of decision processes.

The nature of the MDRS provisions is that they confer enablement. They provide for what could occur, depending on the wishes of property owners, in the context of the market conditions. That potential could be implemented early, it could occur later, it may not occur for many decades. Future changes could see that potential extended or changed. Importantly, the enablement in place at any one time does not foreclose future options.

In contrast, the QMs seek to prevent or limit the amount of change which could occur, in order to maintain values which would be lost if development did occur. This is because changes from development are almost always not reversible, and change can occur in only one direction. This means that if an ONL limitation is removed and re-development occurs, then the ONL values are lost or reduced. On the other hand, if the disbenefits (costs) of ONL protection are determined at some later date to be no longer justified, then the benefits (costs avoided) are not lost, only delayed. Since there is a very large amount of enablement, then there is abundant scope for such delay to be not material.

Fourth, the costs of enabling in 2023 a lesser level of development – the foregone benefits of greater housing enablement – are likely to arise well into the future, and may not arise at all because of the very abundant opportunity to realise the same benefits within the urban economy, albeit with a different pattern of growth.

These matters mean there is higher likelihood that the costs from not implementing QMs will be incurred, and would occur earlier, than the costs of any lesser level of development than enabled under MDRS and Policy 3.

This may not apply in all situations and locations. Hence the attention to where the effects of QMs would arise, and how those can be expected to manifest as lesser levels of development in locations throughout the city, as well as at the city-wide level. There is considerable focus on the suburb (SA2) level, as this geography is a reasonable indicator of both the incidence of effects and also the opportunity or demand to be transferred to alternatives with similar market conditions.

Importantly, the growth assessment indicates that in all locations - at SA2 level and for localities such as the inner suburbs – there is still a substantial margin between projected demand and plan-enabled (and currently feasible) capacity for housing.

This suggests that the QMs are not likely to manifest as lesser levels of development than would otherwise be the case. That conclusion is to be expected for most locations given the large margin between feasible capacity and demand across the city.

5.7.3 Scope for Change

It is also important to consider the scope for change in the future, in relation to the costs and benefits of decisions made now.

Relevant to this is the selection of the high growth future for assessment, and the selection of a long-term horizon to consider current capacity relative to the future 30+ years out. Both help minimise the effects of under-stating demand.

There is in any case considerable scope for change in the future. PPC78 would come into effect in 2023. The Auckland Plan is due for review in 2026, and at that point there will be scope to evaluate the effects of the MDRS and Policy 3 provisions, and the QMs, and make amendments if required. The 10-year planning cycle means that within the long-term horizon used in this analysis, there are likely to be three reviews (2026, 2036, 2046).

This is very important, because it directly affects the probability of the costs and benefits arising. The largely irreversible nature of the loss of benefits which the QMs are seeking to protect means that there is high likelihood of such costs being incurred. This is especially because in most instances the effects of development on values in the biophysical or built environments will extend beyond the individual sites developed.

5.8 Summary

The assessment shows:

- a. The costs of foregone benefits of full enablement are very low in present value terms.
- b. The likelihood of such costs arising is low, given the very large margin between enablement and demand, and the wide opportunity for housing development throughout Auckland.
- c. There is substantial opportunity in the future to avoid such costs, through amendments to the Plan.
- d. The costs from loss of benefits of values addressed by the QMs would be substantial, and greater than the costs of foregone enablement
- e. The likelihood of such costs arising is high, given their nature and likely irreversible nature of such effects.
- f. This also means little opportunity in the future to avoid such costs, through future Plan amendments.

The overall conclusion is that PPC78 including QMs would provide for greater overall benefit for the Auckland community than would full application of the MDRS and Policy 3 provisions in all locations.