

## **The interplay of market forces and government action in the achievement of urban sustainability: the case of Auckland, New Zealand**

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This is a case study of urban intensification in the central business district (CBD) of Auckland. The city is the commercial centre of New Zealand with a population of 1.3m. It is a sprawling city with low population density and a high dependency on private motor vehicles for transport. Auckland has recognised the need to contain urban growth within its existing urban perimeter and achieve greater intensification. Progress has been made in this regard within the CBD where significant growth in inner city residents is evident. This has been achieved through private developers reacting to market demand rather than through public sector initiatives. The availability of finance for development and investment is seen as a key enabling element. Tax advantages for investment in property and planning bonuses for residential development are also significant elements in the complex mix of matters that has enabled this urban intensification. However the quality of development is marginal. Services for the expanded inner city population have developed in line with growth.

**Keywords:** apartment development, planning bonuses, tax incentives, urban intensification

## **Introduction**

Movement towards the achievement of urban sustainability is a complex process that requires action by both the public and private sectors. This paper attempts to analyse the interplay of market forces with public sector activity in the area of development of intensification of inner city living in Auckland New Zealand. Within the context of this paper the growth of inner city residential accommodation is taken as a proxy for urban intensification. It is acknowledged that other forms of development and use form part of the intensification mix however in the case of Auckland the lack until recently of people living in the inner city has been viewed as a significant social problem and is also the key to intensification contributing to sustainability. An increase in business activity in the CBD (central business district) whilst people continued to live in the suburbs would increase the volume of commuting and hence energy consumption and pollution.

## **Research Method**

This case study of Auckland has been assembled from a wide variety of sources. Wherever possible published data has been used however some information has been gathered from the authors own observations over time and from informal conversations with members of the property development community.

## **The Context**

By the standards of most cities Auckland's history is short. However its history is almost as long as the history of European settlement in New Zealand. Bush (1971) describes the beginnings of the city occurred on 20th October 1840 with the purchase of 3,000 acres from the indigenous Maori people by Captain Hobson on behalf of the British Crown for the purpose of establishing a capital for the fledgling colony. The area is situated on a narrow isthmus of land between two large harbours that almost divide the North Island of New Zealand. The area had a long previous history of Maori settlement. Auckland was originally established as the capital of New Zealand, however that function was shortly transferred to Wellington in order to better enable the Governor General to deal with unrest among southern settlers.

The initial growth of the Auckland region came from the provision of *“commercial and transport services linking the timber miller, flax gatherer, gold miner and agriculturist with the foreign industrialist and entrepreneur”*(Bush 1971p115).

The Auckland region now has a population of approximately 1.3m (2006 census) which is about one third of the total population of New Zealand. It has a diverse economic base mainly comprising commercial services, light industry and import and export activities through its sea port and international airport. It is the largest city in New Zealand and the principal commercial centre. Its significance as the principal commercial centre has grown progressively over the last three decades, it now holds a dominant position in the non rural economy of New Zealand. Auckland currently has a population growth rate of approximately 2.5% (ARC 2007) arising from, natural growth and internal and external migration.

Auckland's growth in the post war period has occurred firstly within a national economic regime that until 1984 provided protection to local industry through import controls and encouragement to export through tax incentives. However since 1984 a liberal economic management regime has existed with few controls or restrictions. In the 2009 Heritage Foundation / Wall Street Journal survey New Zealand was rated fifth out of 179 countries surveyed for economic freedom. It is also

substantially free from corruption with a score of 94% in the same survey which notes that Transparency International ranked New Zealand first in its Corruption Perception Index for 2007.

The evolution of Auckland can be seen as relating to Harris and Ullman's (1951) "multiple nuclei theory" i.e. a number of at first independent settlements have gradually amalgamated into a conurbation.

Overlaying this pattern is a strong pattern of suburbanisation from the 1940's onwards. This pattern of suburbanisation was encouraged through the 1960s and 70s by two central government policies. Firstly the development of an effective (at the time) road and motorway system facilitated efficient suburban commuting to the city centre by private car. Secondly a policy of providing subsidized mortgages to first home buyers provided they purchased a new house within a relatively low price limit; this encouraged the development of new houses on the fringe of the conurbation. The net effect of these policies has been that a conurbation with a largely suburban characteristic has evolved. Aucklanders typically live in single storey detached houses on a section of 6-800m<sup>2</sup> or more. About 72% (2006 Census) of houses are owner occupied. Auckland is a low density city with an average of 19 persons per hectare (Ceder 2008) this low even by Australian and American standards.

A large percentage of Aucklanders travel to work by private motor vehicle using the motorway system. Public transport is mainly by bus. Suburban commuter trains are available to some areas but are not extensively used. Auckland has no heavy industry, port activities are immediately adjacent to the central business district, light industry is now largely dispersed to suburban areas. Growth of the city has resulted in the motorway system becoming congested to the extent that commuting by car from the outer suburbs is now difficult and time consuming. Approximately 60% of peak time journeys into the CBD are by private car (ARTA 2007).

Government of the region is exercised at three levels. The national government's responsibilities include major road, rail track provision, law and order, healthcare and education. Regional strategy and planning is exercised through the Auckland Regional Council. Regional infrastructure provision and maintenance including road, water and sewerage is provided by a separate body Infrastructure Auckland and public transport is provided by the Auckland Regional Transport Authority (ARTA). Local government is exercised through four city and three district councils whose responsibility include town planning, local roads, water supply and drainage. This breakdown of responsibilities is not entirely satisfactory. The region has over time been subject to a number of restructures and the regional / local split of responsibility is currently the subject of a Royal Commission of Enquiry due to report in March 2009.

The Auckland Regional Council (ARC) has the following published strategies which are relevant to this paper. Infrastructure Auckland, the ARTA and the Local Councils are required to act to implement these strategies:

- Auckland Regional Growth Strategy. This was published in 1999 and provides a framework for managing growth through to 2050. It sets boundaries for urban development and designates areas for urban intensification.
- Auckland Regional Land Transport Strategy. First published in 1999, updated in 2003 and revised in 2005. This sets the strategy for the development of the regions roads, rail and ferry systems.

- Auckland Regional Economic Development Strategy. Published in 2002 this sets a strategy for economic growth through to 2022.

In addition the ARC has a Long Term Council Community Plan. This is a requirement for all regional and local councils under the Local Government Act 2002. It provides a ten year plan for development of the region based on “community outcomes” and is updated at three yearly intervals. The current plan was published in 2006 for the 2006 – 2016 period.

All the Local Councils have similar Long Term Council Community Plans.

Auckland has been subject to a Town Planning regime since the Town Planning Act 1926. Town Planning is now exercised through the Resource Management Act 1991. Planning is implemented through a system of “District Plans” administered by the city or district council these impose zoning controls that restrict uses to which buildings can be put in each zone. They also impose development controls including site intensity, height and distance from boundary as well as transport controls including road access from properties and carpark provision regulations.

### **Urban Intensification**

Within the context of urban sustainability the management of growth through intensification rather than continuing urban sprawl is generally regarded as a good thing. For instance Jenks, Williams and Burton (2000) argue “*Many hopes for sustainable urban futures rest on the fact that compact cities, produced through a process of urban intensification, can provide benefits in terms of resource efficiency, reduced travel demand, and liveable environments*” (p17). The UN Centre for Human Settlements in its report “*Cities as Solutions in an Urbanizing World*” (1996) argued that rural areas, small towns and low density outer suburbs have much higher consumption of resources than within intensely developed cities. The advantages the report claims for intense urban development includes.

- Lower cost per household for the provision of services such as water, waste water rubbish disposal, telecommunications, healthcare, education emergency services etc.
- Efficient use of resources through the concentration of production and consumption including the reclamation and recycling of waste materials.
- Reduced usage of land per head of population
- Reduced use of motor vehicles.

However it is also recognized that intensification with its concomitant resource efficiency on its own is not enough, cities must also be ecologically and socially sustainable. Newman and Kenworthy (1999) argue “*It is possible to define the goal of sustainability in a city as the reduction of the city’s use of natural resources and production of waste, while simultaneously improving its livability, so that it can better fit within the capacities of local, regional and global ecosystems*” (p7). Giradet (2004) postulates “*A ‘sustainable city’ enables its citizens to meet their own needs and to enhance their well-being, without degrading the natural world or the lives of other people, now or in the future.*” (p6). He goes on to acknowledge that liveability and sustainability are not always the same thing. Within this context the practice of zoning cities into separate activities so that work and living are split into separate locations comes under criticism as it requires greater movement of people and hence greater use of automobiles as well as public transport than if work is available

within walking or cycling distance. Newman and Kenworthy (1999) cite Bernick and Cervero (1997) to support this type of argument. Giradet also advocates for greater mixed use areas for social as well as transport economy reasons and quotes Jaime Lerner the former mayor of Curitiba “*the more you mix, the more human the city becomes*”.

## **Policy and Planning for Intensification in Auckland**

Within Auckland growth through intensification rather than further sprawl has been clear policy since the publication of the Regional Growth Strategy in 1999. The strategy provides a “growth concept” which includes the following key features (these have been abbreviated from the strategy document):

- The effects of growth are managed by promoting compact urban environments
- Most future growth is within the existing metropolitan area with development outside the current area only where environmental, accessibility and community principles can be met.
- Most urban growth is focused around centres of varying sizes and major passenger transport routes.
- The growth concept places less emphasis on general suburban infill as a way of accommodating growth and focuses more on redevelopment and intensification in specific areas.

The strategy states:

*The Growth Concept is based on compact urban environments. This means where urban growth, whether as part of the existing metropolitan urban area, a satellite town, or rural or coastal town, it should result in a compact urban form to avoid spreading the effects of urbanisation over a greater area. The Growth Concept puts greater emphasis on urban intensification than urban expansion (p28).*

Since the publication of the Growth Strategy the local councils of the regions have amended their District Plans to allow for the intensification in the specific areas and to contain development within the designated perimeter. In some cases these amendments have sought to encourage mixed use developments by the creation of “Mixed Use” designated areas. Where greenfield development has been permitted it has generally been of a compact nature. Primarily this has been in the Albany and Flatbush areas.

However in a substantially private enterprise economy the publication of a strategy and revised District Plans does not ensure that the development envisaged by the authors actually takes place. The District Plans particularly are enabling mechanisms, they permit such development to take place, the conduct of the development is left to private enterprise. Redevelopment to achieve intensification requires property developers to assemble finance, acquire land, carry out the redevelopment and on-sell the completed development to investors or owner occupiers. For this to happen a complex set of market conditions needs to be in place. Further for the developments to contribute to the economic and social sustainability of the urban area issues of mix of use, urban design and social development also need to be addressed. Within the New Zealand context much of this is left to the invisible hand of the market.

In this next section the evolution of intensification within the Auckland central business district (CBD) will be considered.

### **Residential Activity Within the CBD**

Whilst in the early days of development of Auckland people lived in the central area movement of residential activity from the central area to the suburbs occurred from the 1930s onwards. By the 1970s a lack of people living in the CBD was seen as a problem. A 1971 survey noted that *'over 64,000 people were employed in the central area yet those who actually lived there can be numbered in hundreds'* (Auckland City Town Planning Department 1971 p58). This situation was seen to be socially undesirable - *"Facilities provided to meet 'nine to five' demands during weekdays are largely under-utilized during weekends. The presence of more people is likely to reduce the incidence of crime and vandalism in the often empty city streets"* (Betts and Grove 1979 p6).

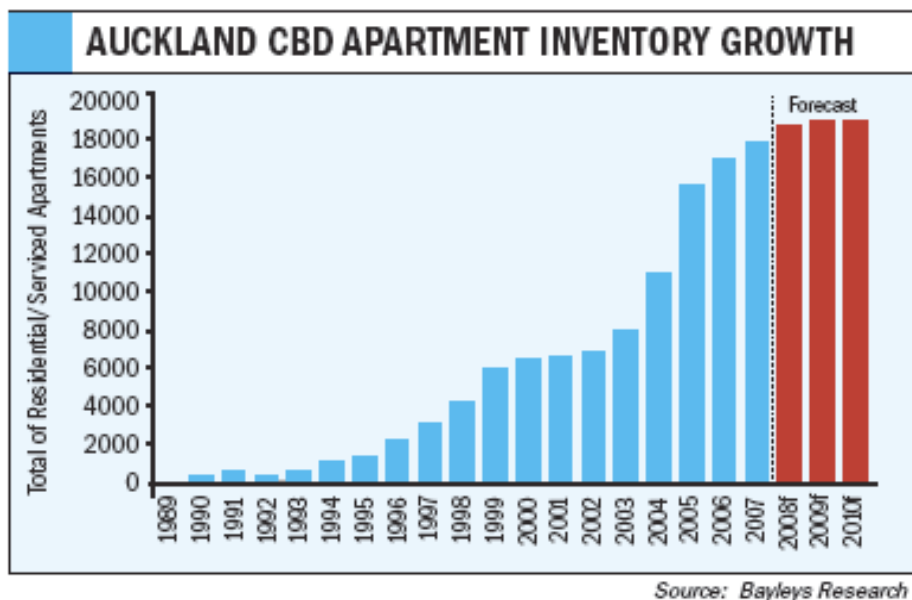
Throughout the 1970's and 80's the Council sought to remedy the situation, numerous reports were prepared and several conferences organized. The consensus of opinion particularly during the 1970s and early 80s was that the only means of getting people back to living in the inner city was for government to provide subsidized accommodation. However for reasons largely of inertia no action was taken. By the mid 80's such notions of direct government action had fallen out of favour but the reintroduction of people living in the inner city was still seen as desirable. Council attempted to encourage residential development by offering bonuses on permissible floor areas where developments contained residential accommodation, rating relief during development and by waiving a development levy on residential development. These moves had little effect and only a very minor level of residential development occurred until 1992 (Boon 1996)

Around 1992 a dramatic turn around in the development of inner city accommodation occurred. In 1991 the number of inner city residential units excluding state owned apartments and university accommodation was approximately 365, by the end of 1996 approximately 3,000 units had been added to the market. This turnaround appears not to have arisen from any government policy but rather from market driven changes. These were identified by Boon 1997 as:

- The availability of a stock of redundant office buildings of low value suitable for conversion to apartments - In the early 1990s following the stock market crash and general downturn in the economy there was a high vacancy rate in commercial buildings in central Auckland. This resulted in tenants moving to newer buildings and office buildings built during the 1950s and 60s becoming vacant. After a time they were sold at prices considerably below replacement costs and provided relatively cheap structures for conversion to apartments. The first apartment developments in this period were conversions of these office buildings.
- Changed economics of apartment development - The available stock of redundant office buildings enabled relatively cheap apartments to be delivered to the market and helped to establish the inner city living lifestyle. Once the lifestyle was established it appears that changes in market perceptions enabled higher prices to be achieved and made the development of new apartments an economic proposition.
- Life style changes - Four factors seem to have brought about changes in lifestyles that made inner city living acceptable to New Zealanders these are:
  1. new immigrants and returning New Zealanders with experience of inner city living sort to repeat that experience in Auckland
  2. the growth of Auckland had reached the stage where commuting from the outer suburbs had become an unattractive, time consuming and expensive proposition
  3. recreation and entertainment facilities in the city centre had improved

4. the first wave of baby boomers had reached that stage in life where their children had grown up and left home. A city apartment and weekend retreat or boat were therefore now viable propositions.
- Normal cycle of inner city decay and renewal - by the early 1990s much of the immediate perimeter of the inner city had been regentrified. It was therefore a natural progression for people looking to avoid commuting from the suburbs to look within the city centre itself.
  - Growth in sophistication of the property market - It was only in the 1980s that the mortgage market in New Zealand became generally willing to lend on apartment titles.
  - General liberalization of the economy - since 1984 the New Zealand economy has undergone a process of economic liberalization. This has had a significant impact on peoples ability to develop a lifestyle of their own choosing. Amongst the choices people have made is to move back into the inner city.

Since that time the development of apartments has continued and accelerated in 2003 refer fig 1 below.



Analysis of 2001 census data (Statistics NZ 2005) indicated the following breakdown of inner city apartment dwellers:

- Median age 29
- Median income \$26,500
- Working 92%
- Renting 72%
- European 65%
- Asian 31%
- Other 4%
- Families with children 9%
- Singles/couples 60%
- Flatmates 31%

Significant in this is the percentage of people renting at 72% compared with a national figure of 29% at the same census. Generally the apartments have been sold by the developers to investors who own either a single or small number of apartments. Investment companies or other non-government organisations who own large numbers of properties do not exist in New Zealand. The central governments social housing arm Housing New Zealand owns few apartments in the CBD all of which predate the 1980s. Similarly the City Council's social housing portfolio in the CBD predates the 1960s.

This movement towards urban intensification can therefore be characterised as having been enabled by District Planning regulation but brought about by the interplay of private sector developers, private investors and individuals and childless couples wishing to rent rather than buy.

### **Market Forces and Planning**

The timing of the start of this growth in inner city apartment development around 1992 which substantially predates the Growth Strategy published in 1999 indicates that it is substantially driven by the market forces described above and coincides with rather than is driven by public policy considerations of sustainability. However it can be argued that the acceleration of development in the 2003 – 2005 period was driven in part by the containment of the boundaries of urban sprawl set down by the Growth Strategy which had the effect of driving development activity away from the creation of further sprawl and into urban intensification.

However there are other dimensions to this growth of inner city apartments. The first is the evolution of the finance market so that it could support both development of and investment in apartments. Before the economic liberalisation reforms of the 1984 Labour government the New Zealand finance industry was small unsophisticated and heavily regulated. Loans for development purposes were hard to obtain. Loans for investment purposes for individual houses were obtainable but loans on unit titles of multi-storey blocks were difficult to get. Following the economic liberalisation things changed significantly. Firstly the major trading banks have emerged as the dominant players in the market having taken over most Building Societies and similar entities. With regard to property development in the second half of the 1980s the trading banks became significantly involved mainly lending on commercial rather than residential developments. When the commercial property market collapsed at the end of the 80s they lost significant sums on bad loans. As a result they adopted more conservative policies from then on. With regard to apartment developments, from the early 90s onwards typically trading banks were not willing to lend more than 60 – 80% of the total cost of a development (Burson 2006). The funding gap between the trading bank loan and the total cost of development led to the emergence of second tier finance companies as players in the market providing mezzanine finance to property developers to bridge the funding gap. Without this mezzanine finance it is unlikely that most apartment developments would have proceeded. In the period 2007-8 most of these finance companies collapsed as a result of risk exposure to property developments. Until new means of filling the funding gap between trading bank loans and the total cost of development emerge further development of apartments and hence further urban intensification is unlikely.

With regard to investment finance, the willingness of banks to lend on unit titles since the early 1980s has clearly been a major enabler of the emergence of the apartments for the investment / rent market. As a further indicator of the influence of the finance sector on urban development it is worth noting that since about 2005 banks have been wary of lending on apartments under 40 or



45m<sup>2</sup> (eg National Bank 2008). As a result the practice of developing small studio apartments has virtually ceased.

The second dimension is that of tax benefit from property investment compared to other classes of investment. Under the New Zealand tax system investors are able to write off losses on investment property against their personal income tax essentially on the difference between rental income and the cost of ownership, management and maintenance. However when they sell the property the capital gain is not taxed. With significant capital gains being made on property in the period under consideration this has made investment in property a more tax efficient and hence more attractive investment than other forms of investment (Westpac 2007).

It can therefore be argued that the availability of finance for development and investment together with the tax advantages of investing in property have been significant elements in the mix of market forces that have led to urban intensification in the case of Auckland.

There is also a bias in the District Plan that encourages the development of residential rather than commercial premises. The development controls relating to site intensity in the CBD effectively allow a site to be developed to twice the level of intensity (floor area relative to site area) compared to commercial development. At the prices that have prevailed in the period this has meant it has generally been easier to do profitable residential rather than commercial development.

However intensification is only one dimension of achieving a sustainable city as noted above there are other dimensions to sustainability.

### **Quality of Apartments**

As the development of apartments started to have a significant impact on the fabric of central Auckland public concern started to be raised about the quality of the apartments themselves and the impact of poorly designed apartment blocks on the urban environment.

With regard to the apartments themselves the concern centred on the apartments being too small, having poor outlooks, poor natural ventilation and containing rooms with internal spaces that had neither natural light nor ventilation. These concerns were of sufficient volume that the city council investigated and undertook public consultation of the matter in 2004. The outcome of this process was that an amendment to the District Plan was introduced (clauses 6.15 & 6.16). These amendments imposed controls on the minimum size of apartments, the mix of apartment types in a block (studio, 1 bedroom, 2 bedroom etc), the availability of natural light into spaces and minimum outlook for the apartments.

Similarly about the same time the city council took action to introduce Urban Design standards. Initially a Mayoral Task Force was appointed to investigate the problem. This led to a report in 2005 and the introduction of a system of peer review by an Urban Design Panel. This body does not have statutory powers but reviews all development proposals in the CBD and provides advice to the decision making bodies. In 2007 an Urban Design Framework was published to provide further guidance.

The need to introduce these controls can be seen as an indication that an unregulated free market cannot be relied upon to provide some qualitative aspects of sustainable urban development.

None of the apartments have been assessed by any formal environmental rating system. Currently in New Zealand a Green Star rating system only exists for office buildings.

### **Provision of Services to Inner City Residents**

Another dimension of sustainability in the inner city is the ability of residents to obtain the services they need to sustain themselves and have satisfactory social interactions.

As the established centre of the city, the CBD already contained many public services that residents of the new apartments can access within walking distances or short rides on public transport. These include the public library, art galleries, the museum, movie houses, concert halls and theatres etc. In terms of healthcare the main regional base hospital is located adjacent to the CBD and facilities such as general practice clinics, dentists etc already existed to service the day worker population or are available in adjacent inner suburbs. Tertiary education is provided by two universities and preschool facilities are available. Primary and secondary education is available in adjacent inner suburbs. The increase in the inner city population has enabled these services to be better utilised and has avoided the need to provide additional facilities if the same people had instead located themselves in greenfield developments on the periphery of the city.

More recent development of public services and facilities have included the provision of public spaces and walkways in the redeveloped viaduct basin area (completed 1999) and the redevelopment of the pedestrian areas of Queen St, the main street, to provide an attractive urban environment (completed 2008). These have been funded in part from development levies and the increased rating (local property tax) base that is derived from apartment developments.

The council has also been responsible for initiating the development of a performance arena for rock concerts etc. This was developed through a public private partnership and completed in 2007. It is operated by the private partner and has made a significant contribution to expanding the entertainment profile of the city.

With regard to provision of services by the private sector Queen St itself is a traditional strip retail street. In the 70s and 80s it struggled to compete with the new shopping malls in the suburbs. However in the last decade it has had a noticeable resurgence. Most major retail chains for categories such as fashion, fashion accessories, electronic goods, books, records, DVDs, travel, banking etc are present along with retail outlets focussed on tourists. In addition High St which runs parallel to Queen St has evolved as a boutique fashion precinct.

Fashion and food to go outlets have increased in number and more stay open on an evening to cater for residents as opposed to their traditional customer base of day workers. This is a significant change.

The number of bars has not changed greatly. The liquor trade tends to remain centred on traditional pubs however most have been refurbished and re-imaged and are noticeably more active on an evening. The exception to this is the viaduct harbour area which was redeveloped around 1999 which has a precinct of cafes and bars surrounding the waters edge.

The most noticeable change has been in the area of convenience shops and supermarkets. In the early 1990s there were no supermarkets and very few convenience shops (Hames Sharley 1991) Since that time two major supermarkets have been developed one to the east and the other to the west of the CBD. In addition numerous convenience stores have opened within existing retail

spaces. Many of these are part of a franchised brand, however some are operated by individual owners.

In addition to its role as a direct provider of services the city council has the ability to facilitate or debar the development of private sector services particularly through the operation of the zoning provisions of the District Plan and operation of various licensing laws. In practice most of the new or expanded commercial services have been provided without the need for action of the part of Council. Existing zoning laws allowed most of the required services. Two exceptions to this are significant. The first is that the creation of the two supermarkets described above required changes to the District Plan. The second relates to activities in the inner suburbs adjacent to the CBD. These areas are mainly zoned for relatively low density housing, however within them pockets of commercial land with a zoning known as "Business 2" exist. This land has traditionally been used for local retail services and services such as auto mechanics, panel beaters, dry cleaners, small printers etc which service the needs both of the CBD and inner suburbs. However the Business 2 zoning also permitted medium density housing. High demand and hence high prices for such housing led to much of this land being redeveloped as medium density housing and hence the erosion of the availability of such services. The City Council considered this to be unacceptable and in 1999 introduced changes to the District Plan such that residential development is no longer possible on Business 2 land.

A 2003 survey indicated most residents were satisfied with the services available to them in the inner city. However noise was seen as a significant problem (ACC 2003). In the Mercer Quality of Living survey 2008 Auckland rated 5<sup>th</sup> overall.

### **Now and Into the Future**

At the time of writing this paper (early 2009) development of further inner city apartments is almost at a complete halt. Several significant developments that were known to be in the planning phase and in some cases obtained building consents have been put on hold and are not proceeding to construction (Bayleys 2008).

Reasons for this appear to be in part associated with the general global downturn arising from problems with the finance industry flowing on from the sub-prime market collapse in the USA starting in 2006. This has led directly to a lack of development funding in the local market and indirectly to investor nervousness and hence an unwillingness to commit to purchase agreements before construction of the building commences (a requirement of the banks to supply development finance).

In addition to the global factors a number of local factors also exist which do not support further development. These include the collapse of the local mezzanine finance industry described above making developments very difficult to finance. Nervousness in local investor sentiment has also been increased by the collapse of a prominent property investment promoter Blue Chip in early 2008, together with negative publicity associated with problems arising from leaky buildings. There are also expectations of further price decreases for residential property. In a recent newspaper article economic commentators varied in their positions but predicted price decreases of between 5 and 42% in the next year (Herald 6<sup>th</sup> January 2009).

Whilst it does not appear to be a significant issue at this time it is likely that a point will be reached where land assembly will become an issue slowing further intensification. Much of the inner city is divided into small lots with fragmented ownership. This can create a significant barrier

preventing private developers assembling large enough parcels of land to create satisfactory developments from either a short term economic or long term sustainability perspective. A recent government discussion document (Department of Internal Affairs 2008) has identified this as a potentially significant issue and suggested that government action through such means as creating powers of compulsory purchase may be necessary.

## **Conclusion**

From a public policy perspective urban intensification can be regarded as development that supports the desirable goal of urban sustainability.

In the case of Auckland the intensification that has been achieved through the development of inner city apartments represents a significant shift in lifestyle away from living in a detached suburban house which until recently has been the almost universal choice of Auckland residents. This intensification appears to have been very substantially a private enterprise led initiative driven by a combination of:

- People wishing to live in the inner city rather than the suburbs, most often as tenants.
- Small investors seeking to invest in real estate and take advantage of the tax breaks available.
- Developers seeing the opportunity and being willing to take the risks.

Supporting these activities has been:

- A financial system that has enabled developers and investors to access the funds they need. The importance of this condition has been highlighted by current conditions where the absence of such funding means that apartment development is effectively not possible.
- Expectations of ongoing increases in values giving investors expectations of tax free capital gains.
- An enabling District Planning system with a bias towards encouraging residential development.
- A corruption free system meaning the process of development and investment is predictable and reliable.

However whilst the market has delivered the desired intensification in quantitative terms it has not in qualitative terms. Auckland's experience has been that design controls on individual apartments as well as urban design controls are necessary.

With regard to services for the increased number of inner city residents many services already existed and are now better utilised illustrating one of the benefits of intensification. Both public sector and private sector have been able to move in a satisfactory manner to provide additional services where required.

Whilst it has not been a barrier to date land assembly may become a significant barrier in the future.

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