

## **New Zealand Business Research Translation Competition**

### **The Heterogeneous Impacts of Widespread Upzoning: Lessons from Auckland, New Zealand**

#### **Is upzoning a solution to housing affordability?**

Ever wondered how our cities could become more affordable and sustainable? The answer may lie in a bold strategy called 'upzoning'. For those unfamiliar with the term, upzoning is a planning tool that allows property owners to construct larger or taller buildings, increasing the number of homes that can be built in a given area. Auckland, New Zealand, serves as a global pioneer in this arena of urban densification. In 2016, the city undertook arguably the world's most ambitious upzoning reform. Three-quarters of Auckland's parcels, previously zoned for single houses, were transformed to allow multiple units.

#### **But did this ambitious upzoning plan work?**

Early evidence of our research suggests that it did work, to a certain extent, and the impacts are multi-faceted. The upzoning led to an increase in land values, primarily due to the enhanced potential for redevelopment. The escalation of house prices in Auckland in recent years can be partially attributed to the upzoning exercises. Interestingly, the more units allowed on a parcel of land, the higher the value premium. However, the story doesn't end there. The relationship between household income in a neighbourhood and the land value increase from upzoning is not as straightforward as it appears and is not uniform across the city.

Upzoning had a stronger effect on property values in middle-income neighbourhoods in comparison to those in higher and lower-income areas. This could be due to various factors, including the current housing stock, the area's desirability, and the residents' financial capability to undertake redevelopment. Parcels in middle-income neighbourhoods experienced a greater appreciation from upzoning than those in higher- and lower-income neighbourhoods. The middle class seemed to reap the most benefits from these changes. Increasing the population density of an area can attract investments in better local amenities, as businesses and public services such as schools and parks can benefit from a more prominent local customer base. These improved amenities can make those middle-income neighbourhoods more desirable and increase property values.

However, the study highlighted a delicate balance in upzoning impacts. It discovered that while upzoning increased a property's redevelopment potential, the expected change in neighbourhood conditions could have a

negative effect. While beneficial for housing supply, the potential for higher living density might be viewed as a negative externality by existing residents, potentially affecting their quality of life. The study also indicated that wealthier neighbourhoods were less likely to be upzoned and more likely to be downzoned. Higher-income neighbourhoods often consist of single-family homes with distinct aesthetics and character. Residents may resist upzoning to preserve this character, especially if they are concerned that higher-density housing could lead to congestion, less privacy, and other negative impacts. These findings suggest a possible connection between income levels and the local politics of neighbourhoods, which could influence upzoning outcomes.

### **Unpacking the Complexities of Housing and Zoning Issues**

Upzoning, a strategy that permits the construction of larger buildings, carries the potential for a more sustainable and affordable urban future. This approach provides profitable redevelopment opportunities for businesses, such as real estate developers, leading to a surge in property values. However, it's crucial to note that the advantages of upzoning are not uniformly distributed across neighbourhoods. So, policymakers are tasked with a challenging balancing act. While upzoning can help address the soaring housing costs, it may also result in increased living density, potentially disrupting existing residents. Moreover, upzoning can inadvertently fuel gentrification, a process where a previously low-income neighbourhood undergoes redevelopment, leading to an influx of wealthier residents and potentially displacing the existing, often lower-income, residents. Robust community engagement is crucial to foster understanding and alleviating concerns about the negative impacts of urban densification and gentrification on well-being.

### **Towards More Equitable Housing Policies**

As we pursue more sustainable and inclusive cities, Auckland's upzoning initiative serves as a valuable case study. This bold move offers crucial insights for urban planners worldwide. Upzoning can be a potent instrument in a city's housing policy arsenal despite its complexities and limitations. However, it's not a universal solution, and its impacts can fluctuate based on numerous factors, including income levels and political dynamics. As cities continue to expand and evolve, the demand for fair housing policies intensifies. By examining initiatives like Auckland's upzoning, we can better understand the forthcoming challenges and opportunities.