Smart Limits?

An initial review of Restrained Growth as a growth management alternative

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1. Summary

Restraining growth is a strategy that has been suggested by some local interests, in response to a growing concern about the rate of growth, or the scale of growth into the future.

Restrained growth is about managing the quantity of growth. Current growth management strategies focus more on the quality of growth.

Restraining growth is not excluded by the legislation that is permissive in nature.

Case law offers little guidance on how “restrained growth” may be treated by the Courts. It is clear that a rigorous technical analysis would be required to support such a policy in the face of opposition.

Restraining growth is potentially in conflict with national policy that advocates regional development as an important component of achieving growth in the national economy.

Regional and local government environmental strategies take a generally neutral position on growth, addressing impacts and location rather than scale and rate of growth. Economic development strategies, if successfully implemented, would tend to increase growth rates.

Auckland Region reviewed options for slowing growth in 1998, and concluded that this type of strategy would be impractical due to the natural increase factors significant to Auckland, strong social and economic drivers of continued growth, and mismatch with the relatively open and free New Zealand market economy. Constraining growth in certain areas to achieve specific environmental objectives was seen as more appropriate.

Relevant case examples of strategies that restrain growth can be found in Australia and the Untied States, although restrained growth is not the norm for growth management in these countries.

Noosa Shire in South East Queensland has imposed a cap on the ultimate size of population for its area. This has been coupled with large-scale acquisition of land for National park to limit expansion of urban development. This strategy has succeeded in protecting the environmental attributes of the area, but has had a significant inflationary impact on property prices due to the limited supply of land. The strategy has not limited growth overall in wider region, and has had the effect of shifting demand elsewhere along the Sunshine Coast. The population growth cap implemented in 1997 has not yet been reached, and it is not clear what effects the cap may have on the community in the long term. This community is relatively small in size, with the largest community of Noosaville having a maximum population of 16,750.

Since the 1970’s, Boulder City in Colorado has implemented controls on growth rates to protect its “small town” environment. These controls have been coupled with the acquisition of large areas of openspace to contain urban expansion. Whilst many of its current resident s are happy with the strategy, effects have included inflated house prices and problems with housing affordability for those in basic service industries; unbalanced growth with congestion due to workers commuting into the City; and growth being pushed out into surrounding communities.

The case studies reviewed are clearly limited in scope. However, some themes emerge that may be relevant in considering restrained growth as an option for SmartGrowth.

- Restrained growth can take the form of either a cap on the rate of growth, or alternatively an absolute cap on the scale of development in a City or region.

- Growth caps are often implement ed alongside other growth limiting strategies, including acquisition of public-owned open space or green belts to contain urban expansion.

- Restrained growth may address localised issues but may also have the effect of shifting the problems elsewhere.

- If land supply is tightly regulated, price rises and land speculation become a significant issue.

- The longer-term implications of restraining growth may not emerge for many years and are hard to predict.

- Changing or withdrawing from a restrained growth strategy is likely to be resisted by existing residents given that maintenance of their property values is dependent on the limited land supply.

Setting a growth limit for the region would be difficult to determine and to quantify. It would be open to challenge unless rigorously justified.

A prescribed regional growth limit may be politically unsustainable as it denies future citizens the right to fully determine their future needs.

Defining capacity limits for specific local areas through structure planning methods is a viable approach.

A growth rate limit could be established. However, there is little evidence to show that past rates of growth in the Western Bay of Plenty are unmanageable. Growth impacts are unevenly felt across the sub region, and an average growth rate limit would not address this.

Restraining growth through directly influencing the drivers of growth is largely untenable because it would involve reducing the perceived attractiveness of the sub region for living and investment, with likely adverse effects on existing residents.

One area of potential to manage demand is to support other communities that may wish to take a share growth demand, although this would require more in depth examination.

Financial measures, such as charging entry fees are not legally permissible

Limiting the supply of land or development approvals to limit the scale or rate of growth is a tool used overseas to restrain growth. This is likely to have an inflationary effect on prices and reduce affordability for some sectors of the community.

In summary, the quantity of growth can be managed. There are examples elsewhere that demonstrate this. However, in practice there are many risks involved due to the complexity and uncertainty of the regions social, economic, and environmental systems to attempt such an approach at sub regional scale. The notion of considering the carrying capacity of systems to cope with growth does have merit at a more localised level, where issues can be more clearly defined and more readily influenced.

2. Introduction

The purpose of this report is to provide an initial review of the issues relating to restraining growth as an option for growth management, and consider whether this option should be further considered as part of the SmartGrowth project.

The two basic questions are:

Can the scale or rate of growth be managed?

And if it can,

Should the scale or rate of growth be managed?

The report includes a review of:

- The legislative context
- Policy context
- Experience in New Zealand
- International experience

The report considers the range of tools available to implement restrained growth and their advantages and disadvantages.

Recommendations are made on how Restrained Growth should be addressed in context of the SmartGrowth project.

3. Background

During the Option Development phase of SmartGrowth, a series of workshops were carried out to develop the understanding of SmartGrowth research findings with participants, and to assist in developing initial options for evaluation. (See Option Development Report – December 2002).

Through these workshops, a number of participants challenged the assumption that the growth projections should be taken as a given in developing a sub-regional growth management strategy. The concern was that the scale of the projected growth in population may be incapable of being accommodated without significant adverse effects and the loss or reduction of important values. Rather than endeavouring to accommodate projected growth, the alternative of restraining, or limiting the scale of growth was advocated.

Restrained growth was advocated by participants for differing reasons, including:

- To take the pressure off natural and physical resources
- To take the pressure of Maori cultural resources, and pressure for land alienation
- To maintain the lifestyle and amenity values of the area, that make it attractive in the first place
- To reduce costs on existing residents of providing additional services for newcomers
- To reduce pressure on house prices
- To divert a greater share of growth to parts of the region suffering from the effects of depopulation, or slow growth

The Joint Committee agreed that the issue of restrained growth required further research to provide a better understanding of its relevance, practicality, and implications.

Summary

Restraining growth is a strategy that has been suggested by some local interests, in response to a growing concern about the rate of growth, or the scale of growth into the future.

4. Description

For the purpose of this review, “Restrained Growth” is described as a growth management strategy that seeks to control the scale of growth, or the rate of growth.

This can be contrasted with strategies that seek to accommodate projected growth whilst avoiding, reducing or minimising adverse effects through such things as mitigation measures, or influencing location.

Summary

Restrained growth is about managing the quantity of growth. Current growth management strategies focus more on the quality of growth.

5. Legislative Context

5.1. Local Government Act 2002

The Local Government Act is the principal legislation that enables local government to function.

Part of the the Act’s purpose is :

> *“provides for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach.”*

This is further developed in the principles of the Act which includes:

> *“in taking a sustainable development approach, a local authority should take into account:*

I. the social, economic, and cultural well-being of people and communities; and
II. the need to maintain and enhance the quality of the environment; and
III. the reasonably foreseeable needs of future generations.”

A restrained growth strategy would need to be incorporated into the Long Term Community Plan.

5.2. Resource Management Act 1991

The Resource Management Act is the primary legislation affecting the use of land and natural resources.

The Act does not prescribe any particular methods for achieving the purposes of the Act, relying on the specification of purposes and principles to achieve the sustainable management of natural and physical resources, and the process for developing plans that achieve this.

Sustainable management

"means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural wellbeing and for their health and safety while"

a) Sustaining the potential of natural and physical resources (excluding **minerals**) to meet the reasonably foreseeable needs of future generations; and
b) Safeguarding the life-supporting capacity of air, **water**, soil, and ecosystems; and
c) Avoiding, remedying, or mitigating any adverse effects of activities on the **environment**.

Whilst sustainable management may not specifically exclude a restrained growth strategy, the term "managing" has tended to be considered to take the form of effects based management of development. Having said that, controlling the scale or rate of growth may be a means of addressing the cumulative effects of growth.

Section 32 (Duties to consider alternatives, assess benefits and costs, etc-) requires any plan provision to be necessary, efficient and effective having regard to other alternatives. In short, it requires adequate justification to regulate.

Summary

Restraining growth is not excluded by the legislation that is permissive in nature.

5.3. Case Law

No New Zealand case law has been identified in this review that directly addresses the issue of restraining growth rates.

Suburban Estates Ltd v Christchurch City Council, (Environment Court, C217/2001) addresses the form of growth of Christchurch City. The decision refers to urban growth objectives that seek to "accommodate" projected urban growth. The decision notes that there was:

"…no policy in the City Plan providing a ceiling to the City's population."

In this case, the City Council argued that rationing the rezoning of rural land to "living" (residential) on the periphery of the City was necessary to meet its objective to accommodate urban growth, with a primary emphasis on consolidation.

The Court ruled that there was no actual policy suggesting a rationing approach, and that a case by case approach was the correct interpretation of the Plan. The case highlights the technical rigour required to sustain any objectives and policies that may seek to directly control the supply of land for wider planning purposes.

Green and McCahill v Auckland Regional Council (High Court 4/97) concerns the extent of Metropolitan Urban Limits under the Auckland Regional Policy statement. The Environment Court had ruled to extend the MUL in the Okura/Long Bay area, with the appellants to the High Court seeking a further extension. Whilst the case refers to 'limits", this centres on the specific environmental attributes of the area and does not address the wider issues of the scale of regional growth. It addresses the location of growth rather than the scale or rate of growth.

Summary

Case law offers little guidance on how "restrained growth" may be treated by the Courts. It is clear that a rigorous technical analysis would be required to support such a policy in the face of opposition.

6. Current Policy Context

6.1. Central Government Policy

Current central government policy provides the setting for a restrained growth strategy. (www.labour.org nz). The following extracts provide an indication of the Central Government policy position on growth issues. Growth is a key component of the current strategy to improve living standards.

> *Economic Growth*
>
> *Labour's objective is to get New Zealand back into the top half of the OECD living standards. It will require us to lift the sustainable growth rate of the economy to make sure that New Zealand remains a desirable locality in which to live, raise families, work and do business.*
>
> *Labour knows that it is both possible and desirable to do that and at the same time protect environmental values and secure an equitable distribution of income and wealth.*
>
> *Labour recognises that, while new investment and innovative ideas will stimulate economic activity, change is at the margin: most people will continue to engage in the industries they are in, in the regions they now live in. Labour believes that there is a role for a smart and active government to protect existing industries, to facilitate their evolution in response to new opportunities and to maximise their potential contribution to exporting, to production, and to employment.*
>
> *Transport*
>
> *Labour is committed to developing a sustainable transport system that is safe, affordable, responsive to the needs of users, and which contributes to New Zealand's economic development, as well as social and environmental goals*
>
> *Immigration*
>
> *Labour's vision for New Zealand is for a society that is outward looking, tolerant, accepting, interesting and dynamic.*
>
> *To implement this vision, the Labour led government introduced the New Zealand Immigration Programme, with its emphasis on increasing New Zealand's talent and skill base and improving settlement and resettlement outcomes. This approach is designed to ensure that the benefits of immigration are shared by all.*
>
> *The New Zealand Immigration Service is now firmly focused on facilitating entry to New Zealand for those qualified to do so, while managing risks of irregular migration and non-compliance.*
>
> *A shortage of skills has been identified as a factor holding back economic growth and the*

government has made changes to immigration policy to help employers find the skilled people they need more quickly.

Environment

Promote environmentally friendly economic growth - growth that does not damage the environment.

There is also policy for Auckland that sees Auckland as pivotal in economic and social well being of the whole country. This emphasises the tackling of transport congestion issues, provision of health and education, and facilitation of business growth, including attracting foreign investment.

The strategy for regional economic development differs from historical strategies that had there focussed largely on alleviating regional wealth disparities. Regional economic development is now pitched toward increasing economic growth of New Zealand as whole. A '"Restrained Growth" strategy may not necessarily support this policy, as it would tend to reduce the supply of resources for investment, and potentially limit employment growth for activities that have a natural advantage in the Bay of Plenty.

Summary

Restraining growth is potentially in conflict with national policy that advocates regional development as an important component of achieving growth in the national economy.

6.2. Regional Policy

Regional policy relating to the Western Bay of Plenty subregion recognises the rapid growth and that the effects of growth require careful management . Current strategies are largely neutral on growth issues and emphasise the Councils environmental protection functions as a primary focus.

Some regional functions, such as regional land transport, inevitably touch on economic development issues. In this example, plans seek to "maximise regional and social economic benefits", which indicates a general acceptance of growth as a positive rather than negative influence. There is also recognition of the key role of the Port and of the need for greater accommodation of industrial activities in the Regional Policy Statement.

6.3. Local Policy

The Tauranga Strategic Plan highlights its role in "accommodating" forecast growth, including the provision of land and services infrastructure, and the achievement of high quality environmental outcomes. Part of the vision includes Tauranga becoming the fourth largest population centre in New Zealand. There is a general acceptance of the inevitability of continuing growth. Plans identify target areas for future business growth, with economic development seen as essential in creating a dynamic, thriving community. In general, growth is viewed positively for the improved employment, education, and cultural opportunities that are provided.

The Western Bay of Plenty Strategic Plan is also oriented to growth accommodation, although seeing Tauranga as the main urban growth centre. The settlement strategy is qualified by a policy of maintaining a rate of growth that the community can absorb. This is related to the capacity of servicing infrastructure, rather than managing the growth rate per se. Economic growth is seen as essential to maintaining and enhancing the quality of life for an increasing population.

Both Councils have implemented structure planning for urban development. Structure planning includes estimates of development capacity, which can be considered as a form of growth "cap". The objective of this approach is to manage services planning and funding rather than control the scale of growth.

Summary

Regional and local government environmental strategies take a generally neutral position on growth, addressing impacts and location rather than scale and rate of growth. Economic development strategies, if successfully implemented, would tend to increase growth rates.

7. New Zealand Experience

7.1. Sustainable Development in New Zealand

The Parliamentary Commissioner for the Environment published "Creating Our Future – Sustainable development in New Zealand" in 2002. The purpose of the report is to make a contribution to getting onto the "pathway" to sustainable development.

The report notes future demographic prospects – that population is expected to grow to a peak of 4.6 million by 2044 – and that these trends will contribute to environmental and social pressures and economic growth. The Bay of plenty is specifically recognised as an area that will increase its share of the national population alongside Northland, Auckland and the Waikato. (PCE p126)

The report also addresses the Governments continual emphasis on economic growth as a priority, and comments that growth may be unsustainable if it simply means escalating energy consumption, waste and pollution problems.

The report states:

In this context sustainable development could be regarded as growth that takes account of limitations and consequences, rather than growth for its own sake, which may generate social and economic burdens on current and future generations. (PCE p 130).

7.2. Auckland Region

The Regional Growth Forum produced a discussion paper "No or Slow Growth" (Auckland Growth Forum, 1998). This paper was prepared in response to general concerns about the effects and costs of growth during the development of the Growth Strategy.

Auckland's situation differs from the WBOP Subregion, with 50% of its growth from natural increase, compared to 20%. From the outset, influencing natural increase was considered to be impractical, with the implication that a substantial part of future growth was beyond any practical control strategy at regional level. Further, changes in household size and other demographic trends will have their own implications for land and other resource uses.

A no or slow growth strategy was seen as likely to hinge on reducing capacity, limiting development or encouraging the relocation of people or business.

The results of such a policy were seen as shifting the problem elsewhere, and If the drivers of growth are not slowed, reducing capacity is likely to have an inflationary effect with social and economic implications.

Factors limiting practical implementation of slow growth strategies included:

- An open and free market economy limiting the scope to control the location of business investment
- Attractiveness of the coastal setting, mild climate, big city opportunities, and family ties
- Inertia of existing investment in airport, port, and other infrastructure

The report noted that at the time, government economic and migration policy effectively promoted continuing high growth rates in Auckland.

The overall conclusion reached was that growth accommodation was the appropriate strategy, recognising that some areas will be more constrained by environmental or other objectives than others, and mechanisms in those areas to restrict development of capacity may be appropriate.

Summary

Auckland Region reviewed options for slowing growth in 1998, and concluded that this type of strategy would be impractical due to the natural increase factors significant to Auckland, strong social and economic drivers of continued growth, and mismatch with the relatively open and free New Zealand market economy. Constraining growth in certain areas to achieve specific environmental objectives was seen as more appropriate.

8. International Experience

Examples of strategies that restrained growth can be found throughout history and in many parts of the world.

In 1979, China introduced its “One Child Policy”. The policy was adopted to ensure that China, a country that has historically been prone to severe flooding and famine, would be able to feed its people. The rapid population growth that occurred after the Communist Party came to power had put a strain on the government's efforts to help its people. So in an attempt to combat the widespread poverty and improve the overall quality of life, the one-child policy was gradually adopted.

Obviously fertility related strategies that control growth of national populations are of very limited relevance in New Zealand, apart from their influence on push factors that encourage increased international migration.

Relevant examples are more likely to be found in countries that have social, cultural and economic conditions that more closely resemble New Zealand. For this reason two case studies have been selected in the United States and Australia that highlight issues and some implications of restrained growth strategies.

In general, the dominant growth management strategies in these countries are similar to those in New Zealand, with the emphasis placed on managing the quality of growth as opposed to the quantity of growth. In recent times, this has tended to focus on urban containment and compact city form through urban limits and increased densities. The examples of local strategies that constrain growth stand out because they go against the more typical grain of policy, and in many cases have been highly controversial.

Summary

Relevant case examples of strategies that restrain growth can be found in Australia and the Untied States, although restrained growth is not the norm for growth management in these countries.

8.1. Australia

8.1.1. Noosa, South East Queensland

Noosa Shire is located in South East Queensland, Australia. It is of particular relevance to SmartGrowth, not only because of its coastal "sunbelt" location, but also because it sits within a wider regional setting of South-East Queensland. Moves to cap population growth have been in train since the early 1980's, with the total population cap becoming law in 1997.

Since the Second World War Noosa as a community has been under pressure by development due largely to migration. In the 1960's large scale urban expansion was proposed in areas of natural wilderness and large canal estates were planned and built.

The catalyst for local community interest in growth control was the Noosa National Park, covering an area of important rainforest. The area came under development pressure in the 1960's from residential development. The Noosa Parks Association was formed and subsequently lobbied the State Government over a period of more than 25 years to secure additional land to protect the Park from development encroachment. The Association also lobbied to protect large areas of coastal dune to the North and South of Noosa Heads. Over 70,000 ha of land are now protected in National Park. Waterways have also been preserved to prevent any further marinas and canal-style residential developments.

The securing of open space was an important part of the growth control strategy of local conservation interests. Michael Gloster, chairman of the Parks Association has said:

"…The National Park now formed an impregnable protective barrier against any further westerly sprawl of the beachside communities – a central ingredient in any successful population limit or population cap." (Gloster, M. p118).

Population change also saw a growing number of new residents who were increasingly conservation and lifestyle conscious. In the early 1980's this community interest formed a pro-conservation campaign that gained sufficient community support dominate the local Shire Council in 1982.

A strategy of economical and ecological sustainability was proposed for the area through developing a mature tourism and export based local economy, coupled to a population limit related to environmental capacity. The plan was to place a cap on population that allowed growth for a further decade, during which time the local economy would be diversified. The new Council reversed plans for high-rise development, established new planning controls to protect the small town atmosphere and improved environmental quality.

The planned population cap was ultimately not supported by the community. Concerns about effects on the local economy lead to the conservation lobby being thrown out at the next local election, and replaced by a pro-development lobby. The development lobby was itself thrown out 3 years later on the basis of it s anti-conservation stance, unpopular development proposals, and financial mismanagement. A conservation-based council was returned and continued to implement its original strategy.

Addressing the issue of confidence of the community was crucial in gaining acceptance of the growth cap concept. The Council recognised that the mainstream community would remain nervous about accepting a population cap unless it was confident that this was compatible with on-going economic growth, wealth creation, and job growth.

The economic strategy of Noosa is to provide an environment that would be attractive self employed professionals and small business entrepreneurs, and independently wealthy retirees who would pour money into the community without competing for jobs.

Noosa Shire has been implementing a population "cap" since September 1997. The capacity of land for development under its current planning scheme was calculated, and this was set this as a population cap. The current cap sits at 56,500 people. The population as at 2001 was 44,530. Current estimates are that the cap will be reached in 2007.

The introduction of the growth cap was highly controversial when it was introduced. It was criticised as being radical and elitist, and taking opportunities for development. However, developers and investors in property have now come to support the policy because it has enabled high returns due to increasing property values. The policy is a now an overt component of the real estate industries marketing strategy. For example, this from a Noosa Real Estate website:

> "*Noosa is such a desirable destination, with so much Mother Nature to protect, that our local Council has wisely imposed a population cap of 55,000 permanent residents. When our population reaches this level, there will be no additional development allowed. At present, we have a population of around 41,000. This underwrites both our long-term quality of life and property values, eventually creating a permanent artificial shortage of supply. For the economists out there, imagine what this will do for property values in the long term." Laurie Prentice Properties Website – www.noosawaterfront.com.au)*

Property prices are high, with a single bedroom unit marketed as the 'cheapest' in town, on the market for $350,000.

An important feature of Noosa is that the community relatively small and is part of a much larger coastal urban region where alternative locations with similar locational features can be found. Hence the growth cap has not limited growth overall in the region, but has shifted growth to other areas.

The largest community in the Shire is Noosaville with a maximum population of 16,750. Other communities range in size from 200 to 13,700.

A recent development in the property market is the trend toward conversion of visitor accommodation to permanent residences. A long-term implication of this may be a reduction in the tourist driven economic base of the area.

Summary

> Noosa Shire in South East Queensland has imposed a cap on the ultimate size of population for its area. This has been coupled with large-scale acquisition of land for National park to limit expansion of urban development. This strategy has succeeded in protecting the environmental attributes of the area, but has had a significant inflationary impact on property prices due to the limited supply of land. The strategy has not limited growth overall in wider region, and has had the effect of shifting demand elsewhere along the Sunshine Coast. The population growth cap implemented in 1997 has not yet been reached, and it is not clear what effects the cap may have on the community in

the long term. This community is relatively small in size, with the largest community of Noosaville having a maximum population of 16,750.

8.2. United States

8.2.1. Boulder, Colorado

Boulder City is located in Colorado State, USA. It has a population of just over 100,000 people. It is situated within the wider Boulder County, which has a population of 250,000 people. Boulder County is large and diverse, featuring the Rocky Mountain National Park to farmland, and is one of the US's largest concentrations of research laboratories and high-tech industry.

The Boulder case is of interest because of the sustained period during which growth rates have been managed. To quote from a case study on Boulder,

"(The City) has learned that the art of managing growth and change is tricky, requiring constant adjustments as the community balances between conflicting values, and makes and rethinks trade-offs. (p 29, De Raismes and others, 2001).

Since the 1970's Boulder City has taken active steps to manage growth as a result of widespread concern about rapid growth on the quality of the local environment.

After early unsuccessful endeavours to use services provision to manage growth, the City implemented open space acquisition as a significant growth management tool. By 1999, the City had acquired 24,000 ha of open space, funded via a local sales tax. Open space has been used to preserve recreational opportunities, contain urban expansion, prevent annexation by other authorities for urban growth, and to prevent new transport corridors being built.

Since the late 1970's the City has implemented "Residential Rate Control" which rations the supply of building permits to cap the growth rate at no more then 2% per year. At the time, the growth rate was 6% per year, six times the national average.

The combination of these policies, and others that limit housing density, have succeeded in keeping population at around 100,000 and preserving aspects of the "small town" town environment and surrounding mountain setting. Over the past 5 years the average annual population growth rate has been under 0.5%.

Other effects have been caused by this strategy:

Inflated house prices

City studies have shown that house prices in Boulder are substantially higher than in other areas in Colorado. The growth management policies have succeeded in ensuring the area is highly attractive and demand for property is high. Price increases over a ten-year period were 2-4 times higher than other places in the surrounding County.

The housing stock is also more dominated by large, expensive single-family detached housing than other areas.

Existing residents remain highly satisfied with the strategy. However there is growing concern that children growing up in the City may not be able to afford to live in the community. There is also a lack of housing for lower and middle wageworkers including teachers, firemen, police and others critical to the community's functions. Exemptions are available under the residential growth management system for affordable housing although there has been limited interest from developers in taking these up.

There are views of some opponents of the growth management policy that it is largely geared to maintaining the interests of a wealthy elite. For example:

"Boulder would be a kinder, gentler place-for humanity and the environment-if it was zoned for inclusion rather than exclusion. Its unlikely city planners will properly zone this place on their own. That's because they're elected by the folks who hog huge spaces for themselves, while enjoying a government guarantee that they'll be surrounded only by like-minded hogs who take an abnormal toll on the environment but pay their Sierra Club dues on time." (Laugesen, 2000, p3)

Unbalanced growth

The control on growth rates did not apply to non-residential activities until the mid 1990's. There was an increase in employment of 27,000 between 1980 and 1995, while the population grew by only 19,000.

The effect of this is a large number of non-resident people commuting into the City for work with consequential traffic congestion. Over 40% of the work force commutes into the City from elsewhere.

Since 1995 initiatives have been taken to reduce job growth, primarily through down zoning of land to reduce the imbalance. Even with this, the growth forecast to the point of complete "build out" of the City is for employment growth six times the rate of population growth.

The City is now looking toward redevelopment of commercial areas to residential uses to further address the imbalance, focussing on affordable housing in mixed-use development.

The dilemma facing City governors is the effect that this may have on providing for economic robustness, diversity of jobs and business, and providing the tax base for providing desired community services.

Affects on other communities

Limiting growth in Boulder has created pressure on surrounding communities and contributed to urban sprawl elsewhere.

Housing demand has been pushed outward, but the sales tax generating non-residential businesses did not follow. Surrounding communities have had insufficient revenue to provide services to residents, and have followed a pattern of limiting housing growth and encouraging business growth to redress this imbalance.
Summary

Since the 1970's, Boulder City in Colorado has implemented controls on growth rates to protect its "small town" environment. These controls have been coupled with the acquisition of large areas of openspace to contain urban expansion. Whilst many of its current residents are happy with the strategy, effects have included inflated house prices and problems with housing affordability for those in basic service industries; unbalanced growth with congestion due to workers commuting into the City; and growth being pushed out into surrounding communities.

8.2.2. Other US Case Studies

There are a number jurisdictions in the US that have implemented controls on growth rates typically through limits on the number of residential building permits where growth exceeds a predefined level. The emphasis in most cases is on the rate of growth rather than the scale, driven by a desire to provide adequate and supporting infrastructure in a timely manner.

8.3. General Observations From Case Studies

The case studies reviewed are clearly limited in scope. However, some themes emerge that may be relevant in considering restrained growth as an option for SmartGrowth.

- Restrained growth can take the form of either a cap on the rate of growth, or alternatively an absolute cap on the scale of development in a City or region.

- Growth caps are often implement ed alongside other growth limiting strategies, including acquisition of public-owned open space or green belts to contain urban expansion.

- Restrained growth may address localised issues but may also have the effect of shifting the problems elsewhere.

- If land supply is tightly regulated, price rises and land speculation become a significant issue.

- The longer-term implications of restraining growth may not emerge for many years and are hard to predict.

- Changing or withdrawing from a restrained growth strategy is likely to be resisted by existing residents given that maintenance of their property values is dependent on the limited land supply.

9. Methods for Restraining Growth

9.1. Growth Limiting Policies

There are two key areas of policy that would need to be addressed in applying restrained growth.

- Establishing the purpose for the growth limits

- Quantifying the growth limit

These issues are discussed below in relation to the absolute and growth rate caps.

9.1.1. Absolute Growth Limit

The Noosa Shire case highlights specific circumstances that lead a local Council to implement an absolute limit on growth in its community. The reason in this case was to protect lifestyle values and a high quality coastal environment. The growth limit was an outcome of a very strong politically lead campaign, where the limits to growth were set strictly at the level of development allowed by local plans.

As noted above, it is important to recognise the wider regional context for this, where the community is but one part of wider coastal urban region.

For an absolute growth limit for a region, such as the Western Bay of Plenty, to be established a clear reason or reasons would need to be developed. This could include depletion of finite resources, potential loss of natural character values, or similar. This would in all likelihood involve several factors, leading to the development of a “grand vision” of how the area should be in the future.

Assuming reasons could be agreed, the challenge would then be to determine a level at which growth should be capped. In the absence of a largely politically lead outcome, this would entail detailed consideration of the carrying capacity of resources to be protected, and development scenarios to enable potential effects to be modelled. This is likely to be extremely difficult to do, and would include significant levels of uncertainty. For this reason, the growth limit would be potentially difficult to defend in the face of challenge.

Certainly, in the case of the WBOP region there is insufficient data and tools available to calculate optimal carrying capacity for the sub region, and therefore to establish any meaningful quantitative threshold for a growth limit.

Another method of setting an absolute growth limit would be to establish a benchmark from another community that has desirable attributes. Aside from the difficulty of reaching agreement on what constitutes ‘desirable”, relevance may be hard to establish. For example, has the benchmark community halted growth at the benchmarked level, and does that community share common social, environmental and cultural characteristics. A benchmarked growth limit is likely to be difficult to sustain in the face of any opposition given that it would be largely arbitrary.

A related issue is whether a community should even consider putting in place such prescriptive long-term control in light of future uncertainties. Part of the concept of sustainable development is the right of people to be involved in the determination of their own future. It is difficult to reconcile this with the current generation setting a permanent growth limit, as by definition it would deny the right of self-determination for later generations.

Whilst an absolute growth limit may be difficult to sustain at regional scale, more localised application of this concept may have more merit when there are definable environmental constraints. For example, recent structure plans prepared for Papamoa East take a comprehensive approach to assessing the carrying capacity of the area, and estimates a population capacity that that can be accommodated while protecting these values.

Summary

Setting a growth limit for region would be difficult to determine and to quantify. It would be open to challenge unless rigorously justified.

A prescribed regional growth limit may be politically unsustainable as it denies future citizens the right to fully determine their future needs.

Defining capacity limits for specific local areas through structure planning methods is a viable approach.

9.1.2. Growth Rate Limit

The Boulder case highlighted the circumstances that lead that Council to implement a limit on the growth rate. Combined with other measures, the City has reduced growth rates to below 1% per year.

The reason for setting a growth rate limit is typically to bring the growth rate within a level that the local community considers it can provide adequate services to meet needs, such as the provision of services networks, roading and schooling. In the Untied States the limit on growth rates is achieved by rationing the number of building approvals in a given period.

Setting an appropriate growth rate limit would perhaps be more practicable than an absolute limit, as an area experiencing rapid growth will know history of periods of high growth and where this has led to difficulty in keeping pace with growth.

Population growth rates in the Western Bay of Plenty are cyclical, with rates averaging 3 % per year over the past two decades. The peak growth rate in 1997 was 5%. These rates are not high by international standards, and it is questionable whether the rate of growth has been beyond the capacity of service organisations to respond, albeit with a degree of lag in some cases.

Average rates are also not necessarily the only consideration. Growth rates vary widely across the sub region. The difficulties in providing services to meet demand are therefore often localised, and hence any general limit on growth rates may not address this.

It is also doubtful whether a growth rate limit would have any bearing on issues such as roading where the effects of growth are cumulative, and the current method of funding involves a large degree of lag.

Summary

A growth rate limit could be established. However, there is little evidence to show that past rates of growth in the Western Bay of Plenty are unmanageable. Growth impacts are unevenly felt across the sub region, and an average growth rate limit would not address this.

9.2. Implementation Tools

Assuming a policy framework can be developed to provide reasons for and to quantify the growth limit, consideration can then be given to implementation tools.

Implementation tools are more typically applied to the "supply" of resources such as land and building approvals.

However, it is also valid to consider methods that could be applied to the demand side of growth management.

9.3. Demand Management

Factors influencing national population growth and fertility are outside the scope of this report, leaving the issue of migration as the major area of potential intervention to restrain growth.

9.3.1. Migration

77 percent of the WBOP sub region's recent growth in population is a result of migration (Bedford, May 2002). Free movement of people between regions and cities for lifestyle and employment rezones is an

accepted right of citizens in New Zealand. Whether there are opportunities to directly or indirectly influence migration trends requires the drivers of migration to be considered more closely. There are both pull factors and push factors that come into play.

A report commissioned by SmartGrowth (McLeay, March 2002, p2) identifies the Tauranga and Western Bay of Plenty as a “sunbelt area “ where migration is driven by ”a growing cohort of retirees and other relatively footloose population groups” who are pursuing a lifestyle options in attractive areas.

Local pull factors were researched by Bedford (2002) for the SmartGrowth project. Climate and coastal environment are cited as the most important reasons for people moving to the subregion. The drift to the sun is an international trend, and one that is unlikely to be open to direct influence through local intervention.

Allowing or promoting a decline in access to the environment, amenities and other factors giving rise to attractiveness could theoretically reduce the pull of migration. However this is not likely to garner support from any quarter. In a similar vein, deliberately negative marketing of the subregion shortcomings is unlikely to gain support from any quarter.

Employment is also a significant migration driver. The sub regions migration is characterised by a large number of people moving in and out largely due to poor job prospects and low wages. People are attracted in for lifestyle reasons, but many leave because this cannot be sustained through adequate employment.

Deliberately constraining employment opportunities is a strategy used in some areas concerned about growth pressure, but is an untenable strategy to restrain growth in the subregion given the already low wage rates and high levels of unemployment. The current shortage of land for business development may well be serving as a de facto restraint on growth already.

Feedback from participants in SmartGrowth workshops has identified a view that growth in the region may be self-limiting. As the urban area grows, the pace of life changes and the small town attributes and quality of life decline, making the region less attractive to migrants. However, there is no evidence of this trend in other Sunbelt regions. Even at a population of 300,000 in 2051, the City region is still very small by international standards.

It is also relevant to consider attractiveness in terms relative to other centres such as Auckland that will continue to grow with attendant growth problems that may strengthen push factors for some people.

The concept of “relative attractiveness” does present potential to restrain growth in the subregion by actively promoting the attractions of other areas that are not under such high levels of growth pressure. For example, other settlements in the eastern Bay of Plenty have similar climate and coastal environment qualities. Some support for the idea of spreading development has already come from elected members in the eastern Bay of Plenty where depopulation is a significant issue being faced. This concept could form part of a wider Bay of Plenty settlement strategy, where the issues and implications of this could be considered more fully.

9.3.2. Financial Methods

Charging an “entry fee” is sometimes cited as a possible means of capping or slowing the rate of growth.

Current legislation does not allow developer contributions to be charged as a tax to discourage activities. Contributions must be taken for purposes defined in a plan and spent accordingly.

An “entry fee” is also likely to lead to continued pressure for the provision for services from those paying, who will have legitimate expectations for service to be provided. It is also relevant that an entry fee will only directly affect a newcomer if they are moving into a new property (house or section).

In some respects, financial contributions are the antithesis of constraining growth. Financial contributions send a clear message to new comers that capacity is available, albeit at a price. The rate of contributions will also vary; in theory providing the cash flow required to meet growth needs as they change, thus doing away with the need to directly manage the rate of growth.

Summary

Restraining growth through directly influencing the drivers of growth is largely untenable because it would involve reducing the perceived attractiveness of the subregion for living and investment, with likely adverse effects on existing residents.

One area of potential to manage demand is to support other communities that may wish to take a share growth demand, although this would require more in depth examination.

Financial measures, such as charging entry fees are not legally permissible.

9.4. Supply Management

At City/region level, growth restraint techniques are more typically applied to the supply side of growth management.

9.4.1. Land

An absolute limit on the supply of land is a technique employed in the Noosa case cited above. In this case, the acquisition of land for National Park was used to permanently limit the supply of land for development, in addition to restrictions under local town planning provisions. There is also the technique of deliberately rationing land to levels below that which would be required in an unconstrained market. Implications for increased property prices are well documented.

Limiting the supply of new development sites through restricting land zoning in the face of continued demand will not necessarily limit growth, as the market will then move to secure supply through other means. Redevelopment and increased intensification of existing residential areas, and redevelopment of business land are likely responses. There is also potential for private plan changes to be pursued to address any shortage of land for development.

It is also possible to rezone or down zone existing areas to restrict development potential, however this is an area fraught with difficulty given the effect on property values and the question of compensation.

Summary

Restricting the supply of land may not necessarily limit growth, at least in the short to medium term, and will have the effect of increasing property prices.

9.4.2. Development Approvals

Overseas examples include rationing the number of building approvals in a given time period. Some areas make specific exceptions for housing for the elderly, and other categories e.g. low cost housing to attract workers. Many of the development caps using this technique have been limited in effectiveness and have proven to be "porous" either by design (cap too high), or by implementation (many exclusions). (Auckland Regional Growth Forum, 1998 p14)

In New Zealand, rationing of this kind would need to be implemented under the RMA through the district plan, as the Building Act is solely for the purpose of addressing safety and health issues related to the building work.

Whilst details may differ, the general implication of restraining supply in the face of high demand is to create shortages and upward pressure on prices. This has serious implications for affordability, particularly for the labour force required to support the community with basic services.

9.4.3. Services

Rationing or limiting the supply of services could be used to restrain growth. However, this would need to be within a wider strategy of restraining land supply, as rights would otherwise exist for development and Councils have obligations to provide services.

Summary

Limiting the supply of land or development approvals to limit the scale or rate of growth is a tool used overseas to restrain growth. This is likely to have an inflationary effect on prices and reduce affordability for some sectors of the community.

10. Conclusion

Restraining growth is a strategy that has been suggested by some local interests, in response to a growing concern about the rate of growth, or the scale of growth into the future. Restrained growth is about managing the quantity of growth. Current growth management strategies focus more on the quality of growth.

Local government legislation is permissive, and there is no specific legal restriction on the sub-region pursuing a restrained growth strategy. However, such a strategy is not consistent with current policy at national, regional or local level. National policies advocate economic development within all regions as a means of achieving higher rates of growth in the national economy to achieve a number of national goals. Restrained growth would not support this policy, as it would ultimately limit growth in enterprises that have a natural advantage in the Bay of Plenty.

Overseas examples highlight the effects of constraining the supply of land in the face of continuing demand, with inevitable price rises. It is also apparent that the effects of constraining specific parts of the local economy (e.g. residential development) have long term effects that are hard to predict, in particular social impacts arsing from a lack of affordable housing. The effects of constraining growth on the local land market also make it very difficult to change policy, given that private investment decisions are made on the assumption of permanent restriction being in place.

If a restrained growth policy is pursued, there are difficult policy issues to address in defining the reasons for restraining growth, and in particular defining growth limits that are meaningful and sustainable in the face of likely legal challenge. There is also a dilemma facing policy makers seeking to promote sustainable growth management. It is difficult to reconcile placing long term, prescriptive controls on growth as this effectively denies future generations their right to determine how their needs should be met.

At sub-regional level, there is insufficient data that would enable definition of growth limits. Similarly there is no compelling reason to consider current or past rates of growth experienced in the sub region as being unmanageable.

Implementation of restrained growth can involve intervention to influence demand or supply. Managing demand would require measures that would reduce the “drivers” of migration to the sub region. In most cases measures that influence demand are likely to adversely affect current residents and businesses. A regional settlement strategy to help spread demand to other settlements in the region would require further study as part of a wider regional settlement strategy.

Managing the supply of land is the most common practice elsewhere to restrain growth. Adverse effects on affordability are the likely outcome in the face of continued high growth demand.

In summary, the quantity of growth can be managed. There are examples elsewhere that demonstrate this. However, in practice there are many risks involved due to the complexity and uncertainty of the regions social, economic, and environmental systems to attempt such an approach at sub regional scale. The notion of considering the carrying capacity of systems to cope with growth does have merit at a more localised level, where issues can be more clearly defined and more readily influenced.

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