

QLDC Council

29 July 2021

Report for Agenda Item | Rīpoata moto e Rāraki take 5

Department: Planning & Development

Title | Taitara PDP Inclusionary Zoning options – non-statutory consultation proposal

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

1. The purpose of this report is to seek permission to initiate non-statutory public consultation on inclusionary zoning policy options for the District Plan.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note the contents of this report;**
2. **Approve** non-statutory public consultation on inclusionary zoning policy options for the district plan; and
3. **Approve** the General Manager of Planning and Development to make non-material final editing to the documentation prior to release.

Prepared by:



Katie Russell
Policy Planner

15/07/2021

Reviewed and Authorised by:



Tony Avery
GM Planning and Development

16/07/2021

CONTEXT | HOROPAKI

2. The district is world-renowned as a place to visit, stay and enjoy, and the work life balance in Queenstown Lakes region is something which many people move here to attain. This attractiveness comes with a price tag, and housing in the district is among the most expensive in the country. The root causes of housing unaffordability are complex; key challenges in housing in the district centre on housing supply, housing choice, housing availability, and quality.
3. Since the early 2000s Council has taken a number of steps to address housing challenges, in 2017 the Mayor's Taskforce on housing affordability called for, among other recommendations, that inclusionary zoning be implemented in the district plan and that an updated housing strategy be promulgated.¹
4. The draft Queenstown Lakes Homes Strategy along with the inclusionary zoning policy options dovetail as part of a suite of initiatives to promote an enduring legacy of improved housing outcomes in the Queenstown Lakes. A substantial amount of background work has supported both of these tasks and the next step is to present the concepts in detail to the public for non-statutory feedback.
5. This report seeks permission from Council to progress with non-statutory public consultation to inform and improve inclusionary zoning provisions in advance of RMA plan change process to come in the future. A separate agenda report has been prepared seeking permission for public consultation on the draft Queenstown Lakes Homes Strategy. It is proposed that both pieces of consultation will be run at the same time.

Background

6. Chronic housing unaffordability has a range of social and economic costs which has long been acknowledged by the Council, and since the early 2000s active steps have been taken to address housing supply and affordability through a number of levers. This background is traversed in detail in the report which supports the draft Queenstown Lakes Homes Strategy consultation proposal.
7. The district is and has been one of the most unaffordable places to live in the country for decades, and at the time of writing, the Queenstown Lakes District's average price is up 14.4% for the year to \$1,364,419. This compares with the national increase of 22.8% to \$96,532². At the same time, mean individual earnings are \$56,351 and have risen 3.7%³. These figures demonstrate that for a portion of the population, affordable homes are increasingly out of reach.

¹ [mayoral-housing-afforability-taskforce-report-october-2017.pdf \(gldc.govt.nz\)](https://www.gldc.govt.nz/assets/Uploads/mayoral-housing-afforability-taskforce-report-october-2017.pdf)

² Corelogic – June 2021. Cited from QLDC Valuation Memo – July 2021

³ 2020 figures - <https://ecoprofile.infometrics.co.nz/queenstown-lakes%2bdistrict/StandardOfLiving> accessed 9 July 2021

8. The need for housing (both ownership and secure rentals) for those on or around the median wage can be seen through the approximately 750 households on the waiting list for the Queenstown Lakes Community Housing Trust, a community housing provider discussed in further detail later in this report.
9. A number of Council and government initiatives to address housing affordability are underway. These include intensification and supply focus measures through the draft spatial plan and district plan at the local government level. At the central government level, policy that promotes housing supply is being implemented the National Policy Statement on Urban Development (NPS UD). Other initiatives targeted at housing affordability include extending the bright line test to 10 years for property investors and changes to the ways rental income and interest expenses can be claimed.
10. Despite these positive steps which address supply, the reality for many working households in the district is that the housing, when it is created or available, is still too expensive. This has been a systemic challenge for decades and remains a real and ongoing concern for residents of the district. This is consistently evident through the annual Quality of Life⁴ survey as well as a local renters survey⁵ run every three years.
11. Over time population growth is projected to continue despite the current challenges brought by the pandemic⁶. It is essential to consider that as growth is accommodated as required by government policy (the NPS UD), and enacted through local planning such as the spatial plan and district plan, that local action that ensures that some of the housing created remains affordable for those that live and work here.

Queenstown Lakes Community Housing Trust (QLCHT)

12. The QLCHT delivers affordable and community housing in the district, and is a council partner. QLCHT has a range of housing programmes, each designed to assist eligible low to moderate income households, who contribute to the social, economic and environmental wellbeing of this District and are genuinely struggling to commit to the area because of the housing affordability issue.
13. Their mission to help committed residents of the Queenstown Lakes District into decent affordable housing with secure tenure. Their programmes deliver secure rental and assisted ownership programme options, including their flagship assisted ownership programme the Secure Home⁷, developed in partnership with Council.
14. The Secure Home Programme established in 2019 represents a new approach to affordable housing delivery in the district. It ensures that the home created remains a community asset forever while at the same time allowing ownership interest for the

⁴ <https://www.qldc.govt.nz/community/community-research>

⁵ <https://www qlcht.org.nz/our-publications/surveys/>

⁶ <https://www.qldc.govt.nz/community/population-and-demand>

⁷ <https://www qlcht.org.nz/our-programs/secure-home/>

households through a leasehold ownership model – providing perpetually affordable housing.

a) The objective of Secure Home is not only to provide decent and affordable housing, but long-term housing stability and security in the same way that home ownership does.

- The household owns the improvements (the house) with a mortgage from the bank, and in addition pays a lease payment of 1.5% of the value of the land to the Trust. This lease only increases annually with inflation for the period the household remains in the programme.
- The Secure Home cannot be transferred or on-sold on the open market, but should a household decide to move on, the QLCHT will purchase the house back at the original purchase price, plus an annual inflation adjustment (provided the house has been well maintained). If the household has made any improvements to the property which the QLCHT has approved, then these too will be factored into the resale price.

15. To date the QLCHT has 219 households in their affordable housing portfolio in a variety of housing tenure types from Secure Home through to affordable and senior rentals. The foundational aspect of the QLCHT's success in delivery has been a planning mechanism called inclusionary zoning undertaken by Council which has provided a majority of the assets backing their work.

Inclusionary zoning – definition and previous local experience

16. A basic definition for inclusionary zoning is that it is a planning method which requires or incentivises developments, which meet set criteria, to provide a portion of the development for affordable housing. It is used internationally in places where the housing market is expensive (London and San Francisco are examples), but it is not widely used in NZ or Australia. Inclusionary zoning policies are always specific to the local context, there is no 'one size fits all' approach.

17. The Queenstown Lakes District has used the concept of inclusionary zoning in two different ways since the early 2000s:

a) Stakeholder Deeds:

- In 2007 Council sought to change the district plan and implement a form of inclusionary zoning (Plan Change 24 or PC 24). It went through the RMA schedule 1 process, was heavily litigated and ended in 2013 with a reduced and ineffective version of the initial provisions being inserted into the plan. While PC 24 was being litigated, a series of private plan changes to the district plan were initiated by developers. As a result of these factors, Council was in a position to negotiate with each developer for specific affordable and community housing outcomes to be included in their developments, these agreements are recorded through stakeholder deeds.

- These Stakeholder Deeds were effectively voluntary agreements between the Council and the relevant landowner/developer which occurred alongside a plan change process to rezone land for a higher density than the district plan otherwise allowed. The Council reached agreement in 15 development areas in association with private plan changes to the Operative District Plan.
- The contribution rate varied from one agreement to another, the highest rate was around 5% of the developable land. The outcome of these agreements was enforceable only once the plan change was approved and adopted by the Council, which was an entirely separate process. These agreement remain bound to the land and subsequent owners, to ensure that affordable housing contributions are secured if the land changes hands.
- These contributions form the backbone of the affordable housing in the district (delivered through the Queenstown Lakes Community Housing Trust). These negotiated agreements, while successful, are ad-hoc. Each agreement is unique and has led to different outcomes. They all require regular legal and administrative enforcement.

b) HASHAA and Special Housing Areas

- Special Housing Areas (SHAs) under the Housing Accords and Special Housing Areas Act 2013 (HASHAA) was a government initiative to ramp up housing supply. In essence, it sped up the consenting processes for residential developments and limit appeal rights. In return for this ‘benefit’ there was an expectation that some form of more affordable housing would be offered.
- To further promote affordability outcomes under HASHAA, the Council created a local policy (the LEAD policy) which provided guidance on the expectations of the Council for developments under the Act, requiring specific affordability outcomes beyond supply. The LEAD policy and the concepts expressed within in it resulted in stakeholder deeds between the developer, the Council and the Queenstown Lakes Community Housing Trust for each SHA brought to Council. The Stakeholder Deeds are intended to secure agreed outcomes under HASHAA and the LEAD policy with landowners and developers through a legally binding agreement.
- Eight Special Housing Areas have been approved by the Government and consented by the Council and which also have an affordable housing contribution to the QLCHT.
- Once the LEAD policy was implemented, the contribution percentage from developments to affordable housing rose from a starting point of 5% up to 12.5%⁸.

⁸ More information here: <https://www.qldc.govt.nz/your-council/council-documents/policies/special-housing-areas>

Contribution requirements under the LEAD policy and HASHAA are embedded into the consenting process, making them more efficient to enforce.

- HASHAA 2013 expired in September 2019 and was not renewed by the government. This means there will be no further developments (or affordable housing contributions) agreed using this mechanism going forward.

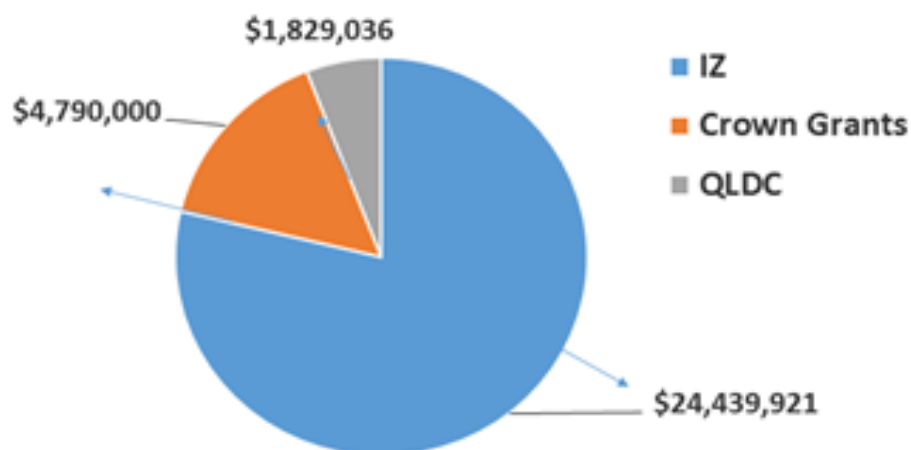
18. These two paths combined have led to just over 24 million dollars of affordable housing being developed in the district and delivered through the QLCHT. The QLCHT received the land or cash contributions from the developers, and uses these resources to develop housing for residents.

19. In an earlier iteration of affordable housing assisted ownership programme, households placed in homes were able to buy out the QLCHT and sell their properties on the open market. While this worked well for the individual households, this approach has not been found to be a sustainable affordable housing model for the district. This learning is reflected in how affordable housing is now held in the district. Since 2019, the homes created by the QLCHT which are a result of Council initiated contributions remain community assets in perpetuity (through the Secure Home and other programmes discussed previously) – this means that they will never be on-sold.

20. The combined yields from both prior inclusionary zoning efforts is demonstrated in the figure below. This information has been provided by the QLCHT.

Figure 1 Total QLCHT funds by source – as of June 2021

Note: QLDC figure does not yet include recent Jopp St transfer



21. Going forward, a new option to support inclusionary zoning and retained affordable housing delivery is needed. This direction was initially set by the Mayoral Housing Affordability Taskforce and confirmed by Council in October 2017 with Council approval for the Taskforce report which supported progress towards an updated approach to inclusionary zoning. The proposed approach set out in this document takes into

consideration what has been learned through previous inclusionary zoning approaches in the district, and further refined through current data, evidence and legislative context.

The inclusionary zoning options to be considered

- 22. The outcome being sought is to continue to supply housing which remains affordable in perpetuity in the district using the Resource Management Act. This report seeks permission from Council to progress with non-statutory public consultation to inform and improve inclusionary zoning provisions in advance of RMA plan change process to come in the future.
- 23. A range of pieces of research and reporting have been developed and considered in the course of developing this proposal. These include a Housing Needs Assessment report, macro and micro economic analyses and community engagement reporting, all of which will be provided online to support the proposed consultation. A complete list and summary of these is Attachment D.
- 24. The focus of the proposed consultation is to present four options/ways the council could achieve this outcome under the RMA. The options proposed represent a range of possible pathways for using the concept of inclusionary zoning in an RMA and Queenstown Lakes context. They range from enabling (less control – option 1) through to mandatory (most controlled – option 4). The four options are briefly described in the following table.

Figure 2 Options Table

Option 1	Reduce and remove controls that affect affordability and negotiate with developers to provide retained affordable housing when council is able
Option 2	Provide a bonus/incentive to developers for the provision of retained affordable housing
Option 3	Implement a mandatory requirement for developers to include some retained affordable housing – <u>applied in certain areas of the district</u>
Option 4 (preferred option)	Implement a mandatory contribution to include some retained affordable housing – <u>applied across most of the district</u>

- 25. These options and the supporting work behind are traversed in detail in the Issues and Options paper (Attachment C) and the Working Paper and Draft provisions (Attachment B in full, and summarised in Attachment A). These documents bring together an array of background work and consider a range of RMA approaches that could be used to help address housing affordability.
- 26. The Working Paper also provides a summary table of how the preferred option (4) could be applied through provisions in the district plan. In each situation described a portion of the development would be required to be provided to the Council who would then put

that contribution towards retained affordable housing schemes. This key criteria is explained at length in the document and reflected in the provisions. A simplified version of the provisions is reproduced in figure 4 below.

Figure 3 Option 4 in detail – taken from the Working Paper (Attachment B)

Development Type	District Plan proposed provision	Notes
Large greenfields residential subdivision on land within a urban growth boundary or other residential zone, e.g. more than 20 lots created	5 - 10% of lots transferred to the Council at no cost. Option via consent to provide equivalent off-site or in the form of a monetary contribution	Preference for lots within the development is to support mixed communities across the district
Smaller residential subdivision, 3 to 19 lots, on land within urban growth boundary or other residential zone	5 - 10% of the value of the lots created to be provided as a monetary contribution to the Council. Value to be based on valuers report on likely sale value.	Contribution in form of money to be used for affordable housing. Cut off of 2 lot subdivision recognises potential for smaller development to add to housing supply options
Rural Residential subdivision, Settlement or Special (Resort) zone subdivision of more than 2 residential lots	1 - 4% of value of lots created to be paid as a contribution	Contribution level recognises higher value of lots created. Contribution reflects that development does generate indirect demand for affordable housing
Residential development involving more than 2 dwelling units on a lot. Includes Residential Visitor Accommodation and independent living units in retirement villages	1 - 4% of the sale value of the additional units to be provided as a monetary contribution, or set amount per square metre of floorspace added. Possible option for larger developments (e.g. more than 20 units) to provide contribution in the form of a unit or units, subject to consent	Aimed at brownfield type development. Lower rate reflects feasibility issues. To avoid double dipping, if built on a lot for which a contribution has already been made a subdivision stage, then contribution would be reduced or not apply (i.e. a credit is recognised).
Residential development in Settlement, Resort and Rural-Residential zones	Set amount per square metre of floorspace added	
<p>Exempt types of residential development:</p> <ul style="list-style-type: none"> • Small units – less than 40sqm • Boarding houses, worker accommodation • Managed care facilities in retirement villages • Developments by Kāinga Ora / Community Housing providers 		

27. The preferred option and draft provisions are provided to ensure there is a clear understanding about how an inclusionary zoning pathway might work in the Queenstown Lakes for the public to consider and provide feedback on. Any potential changes to the district plan will need to be evaluated and assessed as part of future Section 32 reporting under the RMA and informed through the proposed consultation this report seeks approval for.

Public consultation on housing

28. It is important to note that any of the four options put forward for consideration must be promoted alongside broader focus on additional housing supply as well as other policy responses.

29. Therefore it is proposed that the inclusionary zoning policy options be presented alongside the draft Queenstown Lakes Homes Strategy⁹ in order to provide a wider lens for understanding the Council's suggested approach for addressing housing challenges.

30. Public views on both inclusionary zoning policy options and the draft Queenstown Lakes Homes Strategy are important to understand and incorporate as the proposals continue to be honed. To progress, it is proposed that the next step is to engage with broad sectors of the community and directly affected stakeholders and interested parties.

31. The purpose of the proposed consultation is to further inform and improve the approach to perpetually affordable housing provision in the district plan, and in particular to:

- a. Provide preliminary council direction on how to positively influence housing to the community, government and other stakeholders
- b. Provide information on inclusionary zoning and in particular the way in which it can work for the local Queenstown Lakes context and local delivery system
- c. Provide the public the opportunity to comment on the inclusionary zoning approach and options presented by council
- d. Assist with developing knowledge and understanding of the particular housing challenges that are unique to the area

32. Success will be measured through:

- a. Robust discussion of the project

⁹ Approval for consultation on the draft Queenstown Lakes Homes Strategy is being sought through a separate report to this council meeting.

- b. Demonstrated public understanding of the concepts, in particular inclusionary zoning, and how it is proposed to be applied in the Queenstown Lakes
 - c. A commensurate quanta of feedback relative to other similar pieces of work in the past
33. A variety of methods and materials will be used to invite feedback and engagement, including:
- a. Newspapers and radio
 - b. Social media tools and QLDC website
 - c. Drop in sessions
 - d. Public events if deemed appropriate
34. It is proposed that the consultation be run for six weeks under the Local Government Act and be open from August 16 – 27 September. Feedback received will be summarised and used to further refine the proposal for further consideration by the Council. Should the Council decide to adopt an option which requires a change to the district plan, further consultation under the RMA will be required.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

35. Option 1 **Approve** the inclusionary zoning policy options for non-statutory public consultation

Advantages:

- 36. It demonstrates bold leadership and sends a message to our communities, partners and central government the direction in housing being sought by Council, and aligns with the recommendations sought through the Mayor's Taskforce on Housing Affordability.
- 37. It provides space for the public and policy makers to understand the issues and options behind the inclusionary zoning proposal, and will enable the public including developers the opportunity to provide input to the proposal before Council makes a decision about notifying an inclusionary zoning plan change
- 38. It will ensure that the notified provisions will benefit from a broad range of views and perspectives as a result of consultation, and could led to a more expedient plan change process to come.

Disadvantages:

- 39. Presenting the draft Queenstown Lakes Homes Strategy and the inclusionary zoning policy options at the same time will be complex for people to understand all at once. This can be mitigated through a strong communications and engagement process.

40. May result in the development community seeking rezoning consents earlier to avoid any possible contribution that may be required under a future inclusionary zoning policy

Option 2 **Do not approve** the non-statutory public consultation on inclusionary zoning options and instead seek to notify an inclusionary zoning plan change as soon as is practicable

Advantages:

41. This option would result in notifying an inclusionary zoning plan change more quickly. Instead, documentation for the plan change would be prepared for a council decision to notify.

Disadvantages:

42. This option would remove an opportunity for public engagement on the policy prior to a formal RMA notification process
43. Could result in a more lengthy and expensive future plan change, and a less robust policy for notification being prepared without the benefit of informal public input.
44. May result in developers seeking rezoning consents earlier to avoid any possible contribution that may be required under a future inclusionary zoning policy

Recommendation

45. This report recommends **Option 1** for addressing the matter because it delivers on previous Council commitments to addressing housing affordability in the district and seeks to engage with the public on a topic which is important for many residents. The feedback which will be received is a critical element to build a reasonable and robust policy.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

46. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy.
47. The persons who are affected by or interested in this matter are the community and housing stakeholders regionally and nationally.

> MĀORI CONSULTATION | IWI RŪNANGA

48. Advance information on this work has been distributed to both Aukaha and Te Aō Marama and further outreach will be conducted through the community engagement period to come. This work sits as an action below the draft Spatial Plan | Whaiora, in which both Aukaha and Te Aō Marama are partners.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

49. This matter relates to the Strategic/Political/Reputation. It is associated with Risk 00056 – *Ineffective provision for future planning and development needs of the district within the district* in the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
50. The approval of the recommended option will address the risk by allowing Council to implement additional controls for this risk. This shall be achieved by seeking public input on housing policy directions which are intended to positively affect future housing supply and affordability.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

51. There are operational and capital expenditure requirements for the longer term outcomes from this work. The inclusionary zoning aspect is provided for within the proposed district plan budget. The immediate costs related to the requested pre consultation will be provided for through the proposed district plan budget.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEWE ME NGĀ TIROHANGA A TE KAUNIHERA

52. The following Council policies, strategies and bylaws were considered:

- Vision Beyond 2050; in relation to the district’s goals of a ‘*thriving community*’ and ‘*opportunities for all*’
- The Proposed District Plan;
- The draft Spatial Plan | Whaiora
- Mayoral Housing Affordability Taskforce Report; considered in relation to affordable housing interests in the District
- The Climate Action Plan; considered in relation to being climate conscious in resource use
- Housing Our People in our Environment (HOPE) Strategy; considered in relation to affordable housing interests in the District

53. The recommended option is consistent with the principles set out in the named policy/policies.

54. This matter is broadly included in the Ten Year Plan/Annual Plan

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

55. Both internal and external legal advice has been sought throughout this process as appropriate for the workstream.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

56. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future by seeking to address housing challenges that many households in the district are facing; as such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act. The recommended option:

- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council at this stage of the work.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Summary of Affordable and Community Housing Working paper and draft provisions for consultation
B	Affordable and Community Housing Working paper and draft provisions for consultation
C	Issues and Options – planning for affordable housing – July 2021
D	Evidence list and summary

Attachments A-C are distributed/presented separately.