

**QLDC Council**  
**18 March 2021****Report for Agenda Item | Rīpoata moto e Rāraki take: 4****Department: Planning & Development****Title | Taitara Hāwea Special Housing Area Deed – update on requests for amendments****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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- 1 The purpose of this report is to present a proposed update to the request for an amendment to a clause of the Hāwea Special Housing Area Deed between Council and Universal Developments that limits the sale of bare land.

**EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA**

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- 2 This report considers proposed changes to a Deed between Universal Development, the Council and the Queenstown Lakes Community Housing Trust associated with the Special Housing Area development at Hāwea. Consent has been granted for 465 lots and civil works are expected to begin in 2021. Universal Developments sought two changes to the Deed at the 18 January 2021 full council meeting. One of the changes was accepted, and further negotiation and information for one of the changes was requested by Council. This report provides this additional information and an updated request. The proposed change under discussion seeks to change the percentage of land that can be sold as bare land from 30% to 40%; and to exempt first home buyers from the constraint on the sale of bare land. The intent of this change is to allow for more flexibility in how a portion of the development is sold.

**3 RECOMMENDATION | NGĀ TŪTOHUNGA**

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That Council:

1. **Note** the contents of this report;
2. **Accept** the two proposed variations to clause 43 to the Hāwea Special Housing Area Deed (Infrastructure and Affordability) Deed; and
3. **Direct** the General Manger of Planning and Development to confirm these changes.

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4/03/2021

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5/03/2021

## CONTEXT | HOROPAKI

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### HASHAA and the Queenstown Housing Accord

- 4 Council and the government entered into the Queenstown-Lakes Housing Accord (the Accord) on 23 October 2014 under section 10 of the Housing and Special Housing Areas Act (HASHAA). The Accord established the Council as an authorised agency under the HASHAA<sup>1</sup>.
- 5 The purpose of HASHAA was to enhance housing affordability by facilitating an increase in land and housing supply in regions, such as the Queenstown Lakes, with housing supply and affordability issues. HASHAA in essence sought to solve housing supply challenges through a supply-focused approach, and provided an expedited planning process to do so, by creating Special Housing Areas (SHAs) primarily intended for residential development.

### The LEAD policy

- 6 To further promote affordability outcomes under HASHAA, the Council created a local LEAD policy which provided guidance on the expectations of the Council for developments under the Act. The LEAD policy and the concepts expressed within 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.
- 7 It is important to note the LEAD policy was a ‘live’ policy which was regularly updated to reflect learnings from each SHA agreement. What this means is that the SHA Deeds and their affordability outcomes became more nuanced over time, guided by the LEAD policy as it changed.
- 8 The relevant objectives of the LEAD policy are that<sup>2</sup>:
  - a. The recommendation of special housing areas facilitates an increase in land for housing supply.
  - b. The establishment of special housing areas accords with the Council’s overall strategic direction for urban development in the District.
  - c. Qualifying developments within special housing areas take a proactive approach to improving housing affordability issues by providing an appropriate mix of housing options including housing for owner occupiers, first home buyers, accommodation for workers and facilitating the provision of community housing.

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<sup>1</sup>Housing Accord: <https://www.hud.govt.nz/assets/Residential-Housing/Housing-Affordability/Housing-Accord-and-Special-Housing-Areas/Queenstown-Lakes-Housing-Accord/417ef2cb31/Queenstown-Lakes-District-Housing-Accord.pdf>

<sup>2</sup> LEAD policy: <https://www.qldc.govt.nz/media/g3kfzfn/hashaa-implementation-policy-lead-policy-updated-8-aug-2019.pdf>

- d. Development of housing in special housing areas occurs as quickly as practicable
- 9 The LEAD policy also sets out guidance on how affordability outcomes can be achieved, it states, “The Council expects landowners and developers to identify appropriate mechanisms to ensure that housing developed in a special housing area addresses the district’s housing affordability issues” and goes on to list **examples** of affordability mechanisms beyond the required contribution to the QLCHT.
- a. a range of appropriately sized sections (including smaller sized sections of 240-400m<sup>2</sup>);
  - b. a mixture of housing typologies and sizes is also desirable;
  - c. the nature of any covenants (or similar restrictions) imposed on sections;
  - d. methods to reduce property speculation of vacant sections; and
  - e. methods to retain affordability in the medium to long term.

### Hāwea SHA Background

- 10 The Universal Development’s Special Housing Area at Lake Hāwea comprises a 34.46 hectare area to the south of Cemetery Road, Lake Hāwea (Lot 2 DP 343855 as held in Record of Title Identifier 180128) as shown in the brown box at the bottom of **Figure One** below.

Figure One: Universal Development SHA location – Hāwea



## Quick timeline

- 11 At the full Council meeting on 13 December 2018, the Council agreed to recommend that the site be classified as an SHA<sup>3</sup>. On 21 December 2018 the Hāwea Special Housing Area Deed - (the Deed) was entered into and set out (amongst other items) the affordable housing details of the SHA development. The Deed was signed by Universal Developments Hāwea Limited, the Council and the Queenstown Lakes Community Housing Trust (QLCHT), and included affordability requirements which are discussed below.
- 12 At the January 2021 meeting two variations were proposed to the Deed by Universal Developments<sup>4</sup>. One of the proposals, seeking to increase the fixed home and land package prices was accepted. For the other proposal, seeking to increase the amount of the development that could be sold without a house build contract in place, Councillors requested further negotiation and information.
- 13 The draft minute extract from the January 2021 meeting is below.

**On the motion of the Mayor and Councillor Clark it was resolved that the Queenstown Lakes District Council:**

- 1. Accept the proposed variation to clause 41 of the Hāwea Special Housing Area Deed.**

**On the motion of the Mayor and Councillor Lewers it was resolved that the Queenstown Lakes District Council:**

- 2. Instruct the Chief Executive to have further discussion with Universal Developments Hāwea Limited with regard to the scope of change to clause 43 of the Hāwea Special Housing Area Deed and report the outcome to the next Council meeting.**

- 14 Universal Developments has now proposed two alternative variations to clause 43 which are discussed in detail later in this report.

## Affordability mechanisms in the Deed

- 15 The Deed and ministerial approval for the SHA incorporate several affordable housing requirements which satisfy the objectives and affordable housing outcomes sought through both HASHAA and the LEAD policy:
  - a. QLCHT contribution: It requires 12.5% of the developed land area to the QLCHT to be used for retained affordable housing. The Deed also requires that 20% of the

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<sup>3</sup> Agenda Report: <https://www.qldc.govt.nz/media/2mepnt2j/0-council-13-december-2018-draft-mins-public.pdf>

<sup>4</sup> Agenda Report: <https://www.qldc.govt.nz/media/gmznc1ig/4-universal-developments-covering-report.pdf>

- first stage of the development will be earmarked for this contribution (Clause 37 (b)).
- b. Restrictions on Visitor Accommodation: The Deed requires the registration of a restrictive covenant on the land, in favour of Council, limiting visitor accommodation
- c. Fixed package pricing: Another aspect is that the Deed defines fixed prices for house and land packages; these were amended by Council resolution at the January 2021 meeting to the following (Clause 41):
- Two bed, two bath, single garage dwelling, with driveway and front yard landscaping \$499,000;
  - Two bed, one bath, double garage dwelling, with driveway and front yard landscaping \$499,000
  - Three bed, two bath, single garage dwelling, with driveway and front yard landscaping \$549,000
  - Three/four bed, two bath, double garage dwelling with driveway and front yard landscaping \$599,000
- d. Restriction on on-sales for bare land within 5 years: The Deed also requires a restrictive covenant in favour of Council be registered on each title issued, restricting the on-sale of bare sections within five years of purchase (Clause 38 – 2019 amendment). This is anticipated to reduce speculation in vacant sections, as any purchaser will be locked in to their purchase for 5 years unless they build a dwelling, which will present significant holding costs and discourage speculation.
- e. Limits on section sales for individuals: impose a limit of one section or dwelling and land package per purchaser (Clause 39), but there are exclusions for sales of multiple sections to house builders;
- f. Embeds a vetting process for purchasers: The Deed requires that prospective purchasers are vetted in accordance with the Hawea SHA Purchaser Vetting Process as reviewed and approved by the Council (Clause 40). The vetting document ensures priority in sales is given to first home buyers who are permanent residents and are seeking to be owner occupiers, followed by other owner occupiers who have made preparations for building to commence within 12 months<sup>5</sup>.
- g. Provides low deposit options: offer a 5 per cent deposit requirement for first home buyers and a 10 per cent deposit requirement for purchasers who are not first home buyers (Clause 40).

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<sup>5</sup> Page 193 of attachment C

h. Limits the amount of bare land sales: This clause is the subject of the proposed change discussed further below. Clause 43 seeks to further encourage the development of houses, and discourage land speculation, stating:

- i. *the Developer may not sell more than 30% of the lots without there being an associated building contract for that lot at the time of sale.*

16 It should be noted that clause 44 of the Deed states:

*The Developer may, from time to time, propose to the Council amendments to clause 43. Should the Council agree that an amendment to this clause is appropriate, the parties will record the agreement by way of variation to this Deed. QLCHT agrees that its agreement to a variation under this clause will follow that of the Council's and that it will execute any Deed recording the variation.*

17 It is noted that this clause does not compel the Council to agree to amendments. Council did not compel Universal Developments to agree to the mechanisms to promote affordable housing in the Deed and signing up to the Deed was a risk taken on by the developer in the knowledge that circumstances could change from the situation at the time of the signing of the development.

### Proposed changes to clause 43

18 The two variations sought to clause 43 are:

**Variation one: To allow 40% of the development to be sold as bare land**

**Variation two: That the threshold in clause 43 will not apply to first time home buyers**

19 The variations in full: *...the Developer may not sell more than 40% of the lots without there being an associated building contract for that lot at the time of sale. The 40% threshold will not apply to first time home owners...*

20 The proposed variations seek to provide more opportunity for sales of the development through a less restrictive threshold for bare land sales, with preference being given to first time home buyers.

21 Accepting variation one would mean that an additional 10% of the sections could be sold as bare land. This represents approximately 46 more lots being sold without an associated build contract, or just over 5% of the present 760 residential houses at Lake Hāwea<sup>6</sup>.

22 The variation two is seeking to exempt first time home buyers from the bare land threshold in variation one altogether. In effect this means that should the development 'sell out' of the bare land option, that first time home buyers would still be able to choose to buy land or a house and land package on the balance of the land.

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<sup>6</sup> 2020 QLDC Population Projections: [https://www.qldc.govt.nz/media/jg3bkh5a/qldc-demand-projections-summary\\_july2020.pdf](https://www.qldc.govt.nz/media/jg3bkh5a/qldc-demand-projections-summary_july2020.pdf)

### Reasons provided for the variations

- 23 Universal Holdings has provided the following reasons to support their request. These are each listed and explained briefly below, and analysis is provided in the following section of the report.
- a. A higher contribution to the Queenstown Lakes Community Housing Trust: The Expression of Interest (EOI) and signed Deed were based on the LEAD policy criteria at the time of signing, which specified a 10% contribution to the Queenstown Lakes Community Housing Trust. This information was included in the application to the Minister for approval for the SHA development. When the SHA approval was issued, the contribution to the QLCHT was increased to 12.5% of the residential yield by the Minister.
  - b. Consumer interest in homes which are not tied up with large home building companies: Land and house packages provide housing for a distinct part of the market for whom organising a self-build is either not possible, or not of interest.
  - c. A more simple and therefore expedient sales process for bare land: Buying land is likely to be more straightforward than buying a land and house package, in that there are less parties involved, particularly from Universal Developments' perspective.
  - d. Changes in development lending conditions due to COVID-19: The Deed was signed in late 2018. COVID-19 emerged as an issue in early 2020.

### Discussion of reasons

- 24 QLCHT contribution: The contribution to the QLCHT represents a 25% increase on the initial expected contribution, and translates to a contribution of additional 10 sections to the QLCHT based on the expected residential yield in the EOI. While this adds to the amount of retained affordable homes for the community delivered by the QLCHT, it represents an unanticipated additional cost for Universal Holdings.
- 25 At the time the EOI and Deed were created, there were 400 expected residential sections. Through the subsequent subdivision design and consent process, a total of 455 residential sections have been approved for the SHA consent. So while the percentage to be passed to the QLCHT increased, so did the overall numbers in the development. As figure two demonstrates below, the additional consented residential units make up some, but not all of the unanticipated loss from the additional contribution requirement from the Minister.

Figure Two: SHA yields and QLCHT contribution totals

Development process	Residential section yield	Contribution to QLCHT
Expression of interest/Deed (2018)	400 sections	10% or 40 sections
Consent (2020)	455 sections 13.75% increase	12.5% ~ 56 sections 25% increase

- 26 The Deed also provides for an upfront contribution to the QLCHT of 20% of the first stage of the development (the current number of expected sections is 28 in the first stage). A side effect of the increased contribution is an unanticipated impact on the early cashflow for the development.
- 27 Consumer preference: Universal Development also discussed consumer preference and likely buyers, indicating that a portion of the expected purchasers in the development may be tradespeople, for whom a house and land package would not be as attractive as a self-build option. Specific data on consumer demand or market preferences have not been provided.
- 28 The employment profile of 'Wānaka and surrounds' is the closest available employment breakdown for Hāwea. It shows that 14.9% of the proportion of filled jobs in the area are associated with construction, and that the sector has experienced strong growth in the area recently<sup>7</sup>. This is not clear evidence of particular demand for self-build opportunities in this area, but rather an indication that self-building will likely make up a portion of the demand for the development as indicated.
- 29 There are other portions of the market for whom self-build will also be an attractive option, such as those who wish to have a more bespoke home than the pre-selected home building companies can provide. It is unknown whether these combined potential market segments would be more than what the Deed already allows for.
- 30 Land and house packages are attractive from a supply perspective because it is more likely that the land is not left bare. Home and land packages also can represent more efficient building practice (and more affordable housing) if they are undertaken in large blocks by companies approaching builds in bulk.
- 31 Lending conditions: No firm information on the development lending environment was provided, however it is not disputed that lending for large projects has become more challenging during the pandemic. The 2020 National Pipeline Report for Otago by the Ministry Of Business, Innovation and Employment forecasts a reduction in residential

<sup>7</sup> <https://ecoprofile.infometrics.co.nz/queenstown-lakes%2bdistrict/Employment>



building across the region and “for residential activity to be strongly hit by the COVID-19 pandemic as banks tighten lending requirements”<sup>8</sup>.

- 32 While developers could choose to wait for lending conditions to improve, the SHA process in the district requires that the land be developed within a set timeframe. Therefore, waiting for improvements in lending conditions may not be available for this development if they intend to utilise the SHA consent.

### Comparison to affordability outcomes against other SHA Deeds

- 33 The Hāwea SHA and associated Deed was one of the last Deeds signed under the now-expired HASHAA. Comparison of this Deed in relation to a selection of other Deeds was completed<sup>9</sup> which demonstrates that this Deed, as one of the last SHAs, goes further than any other SHA Deed in the district in terms of the specificity of the affordability outcomes alongside the provision of additional housing supply.
- 34 In particular the first SHA provided no ongoing affordable housing outcomes other than additional supply, as it was actualised prior to the LEAD policy being promulgated. As mentioned previously the LEAD policy was a live document, so as time passed the Deeds drawn up became more nuanced in terms of affordability outcomes.

### In summary

- 35 The Deed sets a high bar in terms of affordability outcomes, but given the changes wrought since COVID-19 and its signing, and the flexibility for review allowed for within the Deed, it is prudent to consider whether the requirements written are still fit for purpose.
- 36 The proposed variations still contribute to overall supply, but seek to provide slightly more flexibility in how the development can be sold, while still promoting housing choice for first time home buyers. The proposed variations do open the door to the possibility of more speculation in the development compared to the present Deed, but this could be considered a balanced approach given the changed environment.
- 37 In considering the proposed changes, the Council has to be satisfied that the development is still consistent with HASHAA, the Lead Policy and the overall affordability outcomes being sought through the Deed. As discussed earlier in the report the purpose of HASHAA is to increase affordability through increasing land supply. This purpose is still met under the variations sought, as the SHA will add to residential supply. The proposed variations still achieve the principles of the LEAD policy in the context of the rest of the affordability requirements set out within the Deed.

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<sup>8</sup> <https://www.mbie.govt.nz/assets/national-construction-pipeline-report-2020.pdf>

<sup>9</sup> This comparison has not been provided publicly as the other SHA Deeds are not in the public record at this time.

**ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU**

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**38 Option 1** Accept both proposed variations to clause 43 of the Deed*Advantages:*

39 Accepting both variations will allow the development to progress and should assist with viability in terms of time and finance, as an adjustment which the Deed foresees and allows for. Without changes to the Deed there may be a risk that the development is unable to proceed, or will proceed at a slower rate, thereby not bringing expected and consented supply to the market which could exacerbate affordability challenges for housing in the Upper Clutha.

40 Helps contribute to achieving the purpose of HASHAA, advancing the principles of the Lead policy, and helps the Council to achieve the housing supply needed under the National Policy Statement on Urban Development.

41 Contributes to affordable housing in the Upper Clutha

*Disadvantages:*

42 This will allow for at least 10% more bare land sales (as opposed to land and house sales). There is a risk that this land could end up being land banked at the discretion of the individual land owners.

**43 Option 2** Do not accept proposed variations to clause 43 of the Deed*Advantages:*

44 This option would maintain this clause in the Deed as it was signed, ensuring that land and house packages would comprise 70% of any stage of the development. It would also ensure that 70% of the development will be provided for less than the highest home and land package price of \$599,000.

*Disadvantages:*

45 This option could disadvantage Universal Developments as they seek to develop approximately 455 consented residential sections in a changed development climate.

46 More broadly, this could risk the District's acute housing supply and affordability issues continuing to grow, either through development delay or in the worst case withdrawal. This would result in adverse social and economic benefits, and the long and short term social and economic benefits offered by the proposal.

**47 Option 3** Accept **only** proposed **variation two** to clause 43 of the Deed*Advantages:*

48 Variation two could be accepted independently from variation one. Accepting variation two would place the choice for how to purchase a land and house package or to buy bare land in the hands of first time home owners, but would limit persons who already own a home or homes to buying house and land packages (once 30% of the land was sold as bare land). Under the current Deed, there is the possibility that first time home owners could only be able to purchase a house and land package, rather than bare land if the threshold for bare land sales had already been met.

*Disadvantages:*

49 Accepting this variation also means that there could be more bare land sales than the threshold in clause 43 sets – but only to first time home buyers, who generally are a group who are motivated to continue to develop. So, while there could be more perceived risk of land lying fallow or land banked, it is more likely that first time land/house purchasers will be motivated to construct their first home.

### Recommendation

50 This report recommends **Option 1** for addressing the matter. This option (to allow 40% of the development to be sold as bare land and to not apply this threshold to first time home buyers) still allows for a mixture of development types within the SHA, while also allowing the developer to have more potential purchasers. It also gives first time home buyers extra flexibility.

51 The Deed retains numerous affordability outcomes all of which align with the LEAD policy objectives and guidance, including a prohibition for on-sale of sections within five years, provision of land to the QLCHT for retained affordable housing, and set package pricing for all housing developed (other than housing developed on bare land). These, along with the other requirements discussed earlier, go some way to ensure affordability outcomes can be achieved.

52 Housing affordability is a consistent issue in the district, and the additional supply provided through this SHA, alongside the affordability requirements in this Deed, represents a complementary affordable housing proposition within the wider housing supply in the Upper Clutha.

### CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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#### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

53 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because it is routine and not mandatory, however it is of high interest to some parties.

54 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community, and specifically those with an interest in Hāwea or affordable housing. In particular, representatives from Hāwea Community Association expressed dissatisfaction with the January 2021 proposal.

### > MĀORI CONSULTATION | IWI RŪNANGA

55 The Council has not consulted with iwi on this matter as it is a discrete change to an existing agreement. Feedback from Te Ao Marama Incorporated on the broader SHA application in 2018 expressed interest in ensuring that SHAs achieved what they are designed to, “good housing for people at a good price”.

### RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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56 This matter relates to the Strategic/Political/Reputation It is associated with RISK00056 - *Ineffective provision for the future planning and development needs of the district* within the QLDC Risk Register. This risk has been assessed as having a low inherent risk rating.

57 The approval of the recommended option will support the Council by allowing us to retain the risk at its current level. This shall be achieved by allowing the development to progress as intended, adding additional housing supply to the Upper Clutha

### FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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58 There are no cost implications or resource requirements resulting from the decision.

### COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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59 The following Council policies, strategies and bylaws were considered:

- The LEAD policy

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

61 This matter is not included in the Ten Year Plan/Annual Plan as it is a discrete change to an existing agreement.

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

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62 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by supporting the addition of housing supply in Hāwea in a more affordable method than available under the RMA at this time.
- 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.

**ATTACHMENTS | NGĀ TĀPIRIHANGA**

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A	Letter from Universal re Clause 43
B	Proposed Variation to Hāwea SHA Deed
C	Signed Stakeholder Deed (circulated separately)
D	Hāwea SHA Amendment Deed