

**QLDC Council
26 November 2015**

Report for Agenda Item: 1

Department: Planning & Development

Special Housing Areas Expression of Interest: Arthurs Point and Onslow Road

Purpose

- 1 The purpose of this report is to present two Special Housing Area (SHA) proposals (Arthurs Point and Onslow Road) for consideration for recommendation to the Minister for Building and Housing (hereafter, the 'Minister').
- 2 These SHAs were recommended by an Evaluation Panel at the Council meeting held on 3 June 2015 and are again presented to Council following the Council's resolution at that meeting to seek further information specifically relating to infrastructure, community housing commitments and matters set out in 5.2 to 5.2.9 of Council's SHA Lead Policy.

Public Excluded

- 3 It is recommended that attachments H, I and J to this report are considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 section 7(2)(h) on the grounds that the withholding of the information is necessary to enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities and section 7(2)(i) on the grounds that the withholding of the information is necessary to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

Executive Summary

- 4 At the Council meeting on 3 June 2015, an Evaluation Panel recommended that the Council recommend four proposed SHAs to the Minister, and set out the advantages and disadvantages of various other proposed SHAs for the Council's consideration.
- 5 At the meeting, the Council resolved:

"3. Instruct the General Manager Planning and Development to proceed with negotiation with proponents of the following proposed Special Housing Areas, to ensure their proposals fulfil the criteria listed under points 5.2 to 5.2.9 of Council's SHA Lead Policy, including appendix B as confirmed at the Council's April 2015 meeting;

a Shotover Country

b Arthurs Point North

c Onslow Road

d Highview Terrace

4. Instruct the Chief Financial Officer, Chief Engineer and a suitably qualified independent professional to assess each of the proposed SHAs infrastructural requirements based on evidence of capacity, agreement as to any necessary upgrades, agreement as to funding and timing, and consistency with long term planning documents. This will be at the proponent's cost.

5. For each of the four proposed SHAs above:

☐ Gain confirmation from New Zealand Transport Agency that the proposal has no adverse effect on the State Highway network or that agreement exists between NZTA and the developer as to how any adverse effects can be resolved.

☐ Gain confirmation from the Otago Regional Council that the proposal is supported in principle, subject to any ORC approvals that have been identified as being required.

☐ Gain confirmation from the Ministry of Education that the proposal is supported in principle and is consistent with the Ministry's strategic objectives in the Wakatipu Basin.

6. Once the above steps are completed, a report to be brought back to Council identifying measures agreed to that meet HASHA and Lead Policy requirements on each proposed SHA so that the Council can with confidence recommend qualifying proposals to the Minister".

6 This report to Council sets out how those matters have been addressed since the meeting for the following two SHA proposals:

a. Arthurs Point North

b. Onslow Road

7 This report does not repeat the assessment of the Evaluation Panel relating to these two proposals. But the Council may wish to remind itself of the advantages and disadvantages of these proposals when considering whether to recommend one or more of them to the Minister.

8 Draft Deeds of Agreement between the two proponents and QLDC have been negotiated and agreed by the proponents in principle, subject to agreement by the Council for the above SHAs to identify commitments relating to infrastructure provision, affordability and community housing, as conditions on these proposals will be recommended to the Minister. A summary of the terms of each Deed of Agreement is included within Attachment I (*publicly excluded*).

9 This report endorses that Council recommends the two above SHAs to the Minister of Building and Housing under HASHA. The two proposals would deliver

a yield of approximately 102 residential units or sections. Alongside Shotover Country which is also presented for recommendation to the Minister (as outlined in a separate report) the three SHAs together would deliver an approximate potential yield of 197 residential units, contributing to Council's obligations under the Housing Accord, especially directly relating to the specified housing targets.

Recommendation

That Council:

1. **Note** the contents of this report and in particular the assessment outlined in the report, including measures implemented to address the resolutions of the meeting of 3 June 2015;
2. **Confirm** that the Council agrees in principle with the contents of the Arthur's Point North SHA Deed (Infrastructure and Affordability) and **delegate** to the General Manager, Planning and Development the authority to execute the Deed on behalf of the Council, subject to any minor changes;
3. **Recommend** to the Minister of Building and Housing that the land to which the Arthur's Point EOI relates be established as an SHA, subject to execution of the Deed and the performance of any conditions in it.;
4. **Confirm** that the Council agrees in principle with the contents of the Onslow Road SHA Deed (Infrastructure and Affordability) and **delegate** to the General Manager, Planning and Development the authority to execute the Deed on behalf of the Council, subject to any minor changes; and
5. **Recommend** to the Minister of Building and Housing that the land to which the Onslow Road EOI relates be established as an SHA, subject to execution of the Deed and the performance of any conditions in it.

Prepared by:



Kim Banks
Senior Policy Planner

13/11/2015

Reviewed and Authorised by:



Tony Avery
Acting General Manager,
Planning & Development
13/11/2015

Background

- 10 In late 2014, the Queenstown Lakes District Council (QLDC) invited expressions of interest for SHAs, and invited community feedback on the proposals. The proposals were assessed by an evaluation panel against the HASHA Act and Council's Lead Policy (dated 30 April 2015).
- 11 The report of the evaluation panel was presented at the Council meeting on 3 June 2015 and proposed four of the SHAs for recommendation to the Minister. The report also set out the advantages and disadvantages of other proposals for the Council's consideration. The four proposals recommended by the panel for submission to the Minister were:
 - a. Shotover Country
 - b. Arthurs Point North
 - c. Onslow Road
 - d. Highview Terrace
- 12 At the meeting, the Council resolved that, prior to recommending any SHAs to the Minister, a number of further actions were to be undertaken by proponents to address HASHA and Council's Lead Policy.
- 13 The resolutions of the meeting (above) are considered to have been suitably addressed by Onslow Road, and Arthurs Point North. Therefore the purpose of this report is to present these proposals to Council for consideration for recommendation to the Minister.
- 14 It should be observed that the proposed design and yield of the Arthurs Point SHA has been amended since the original EOI presented to Council in June 2015. The revised design is outlined in the revised EOI (November 2015) within Attachment B, and summarised in Sections 21-25 of this report. The revised design is considered to be more consistent with the Lead Policy, the purpose of HASHA, as well as the Proposed District Plan in that it provides for a larger number of smaller units, utilising alternative and more cost effective construction methodologies. Such design elements may contribute to overall affordability through potentially reducing sale prices as well as reducing ongoing operational costs (such as heating). The developer has also stated a commitment that the development should achieve a minimum Homestar rating of 6.
- 15 Key changes associated with the proposal are detailed in subsequent sections of this report.
- 16 The Onslow Road proposal remains consistent with the layout and yields presented at the June meeting. The developer also proposes to provide one freehold lot of approximately 250m² in size to the Community Housing Trust. The Community Housing commitment is specified within a Draft Deed of Agreement (refer below).

17 For completeness, no further correspondence has been received for the Highview Terrace SHA proposal. This proposal is not subject to this report or its recommendations.

18 Draft Deeds of Agreement (Attachments I and J) have been negotiated and agreed in principle with the SHA proponents, subject to agreement by the Council, to identify commitments relating to infrastructure provision, affordability and community housing, as conditions on these proposals will be recommended to the Minister.

Comment

Assessment process and resolutions of 3 June 2015

19 At the 3 June meeting the Council resolved that, prior to recommending any SHAs to the Minister, a number of further actions were to be undertaken for the recommended SHAs. Measures taken to address the resolution are detailed further below.

Summary of SHA proposals

20 The SHAs subject to this report propose the following dwelling or section yields:

- a. Arthurs Point - approx. 80 residential units, with a combination of apartments, compact house types, and low density housing; and
- b. Onslow Road - approx. 22 medium to low density sections.

Arthurs Point

21 The proposed design and yield of the Arthurs Point SHA has been amended since the original EOI. A revised EOI document has been developed (Attachment B) and the proposed dwelling yield has increased from 34 residential units as initially proposed, to 80 proposed residential units, comprising a mix of apartments, compact house types, and low density housing.

22 The revised design, while more intensive than the previous proposal, has been developed around a village concept, providing a range of housing types to reduce the cost of living and achieve “affordability by design”. The revised design includes a larger number of smaller dwelling units that are proposed to be constructed via more cost-effective construction technologies (including potential use of Cross Laminated Timber and the Amode panelised construction system), that may improve affordability through both reduced sale prices and ongoing operational costs (such as heating costs).

23 The revised design is outlined in detail within the revised EOI (Attachment B, November 2015), however key aspects include:

- a. Provision of a compact village environment on the lower half of the site fronting Arthurs Point Road, comprising a mix of apartments, compact house types (eg townhouses, duplexes, cottages) with more than 25% of units being 1 to 2 bedroom in size;

- b. Limited low density residential development within the rear upper hillslope;
- c. Height limited to three storeys;
- d. Alternative construction methodologies to reduce development and construction costs (including potential use of Cross Laminated Timber and the Amode panelised construction system)
- e. A stated commitment that the development should achieve a minimum Homestar rating of 6, consistent with section 5.2.9 and appendix B of the Lead Policy, and the Proposed District Plan.

24 The revised design is considered to be more consistent with HASHA and Council's Lead Policy, particularly as it relates to affordability and residential development quality. The proposal is also consistent with strategic objectives of the Proposed District Plan relating to the encouragement of diverse, healthy and affordable homes.

25 It is noted that the Three Waters Infrastructure Assessments, agency responses, and the Draft Deeds of Agreement have taken into account the revised design and increased intensity proposed for Arthurs Point North.

Onslow Road

26 Onslow Road SHA proposal remains consistent with that presented at the June meeting, as outlined in the EOI (Attachment A). Approximately 22 medium to low density lots are proposed, ranging in size between 290m² to 732m². The developer has stated a commitment that 70% of the lots would be less than 400m² in size, which exceeds the minimum criteria of Section 5.2.5(b) of the Lead Policy.

27 Further to the information presented in the EOI, the developer also proposes to provide one freehold lot of approximately 250m² in size to the Community Housing Trust, addressing section 5.2.5(e) of the Lead Policy. The mechanism for achieving this is specified within the Draft Deed of Agreement.

Three waters infrastructure reviews

28 Part (4) of the 3 June resolution required further assessment of infrastructure requirements by the Chief Financial Officer, Chief Engineer, and a suitably qualified independent professional. Accordingly, Three Waters Infrastructure Assessments have been undertaken by Holmes Consulting Group for each of the SHAs (Refer Attachments F and G). These reports and the stated outcomes are endorsed by the Chief Financial Officer and Chief Engineer.

29 The reports identify that all SHAs can be adequately and efficiently serviced, with the following upgrades potentially required to Council's infrastructure network, at the sole responsibility of the developer:

- Arthurs Point: stormwater
- Onslow Road: water supply, stormwater

- 30 The arrangements for any necessary upgrades (and funding responsibilities) are detailed within the respective Draft Deeds of Agreement (Refer Attachments I and J – *Publicly excluded*). A summary of the above infrastructure upgrades is also provided in Attachment H (*Publicly excluded*).
- 31 These Deeds of Agreement are agreed in principle by the SHA developers, subject to any amendments that may be necessary prior to finalisation and execution.

Agency responses (New Zealand Transport Agency, the Ministry of Education, and the Otago Regional Council)

- 32 Part (5) of the 3 June resolution required that for each of the SHAs, confirmation be obtained from the New Zealand Transport Agency, the Ministry of Education, and the Otago Regional Council that the proposal is supported in principle, subject to any necessary approvals that may be required.
- 33 Responses have been received from these agencies confirming no substantial concerns with the proposals. Agency responses are summarised below and included in Attachments C to E.

New Zealand Transport Agency (NZTA)

- 34 NZTA has advised (Attachment C) it is satisfied that the proposals are unlikely to have any immediate adverse effects on the safety, efficiency and functionality of the State highway network, and that the State highway network will be able to accommodate the traffic likely to be generated by the SHA proposals under current conditions.

Ministry of Education

- 35 The Ministry of Education has advised (Attachment D) that the Arthurs Point SHA is located within the Queenstown School Catchment; and that the Onslow Road SHA is located within the enrolment scheme home zone of the Shotover Primary School.
- 36 The Ministry of Education is satisfied that the anticipated growth in school age children resulting from the SHAs will not directly cause local schools to become overcrowded, and can be accommodated within either existing capacity or planned expansions.

Otago Regional Council ('ORC')

- 37 Correspondence from ORC is included in Attachment E.
- 38 ORC has advised that it is not its statutory function to provide 'support' for development proposals, rather their role is to provide feedback and the sharing of information or concerns it holds for consideration by QLDC in decision-making. The responses from ORC are therefore provided in this context.

39 In relation to the Arthurs Point, ORC has advised that a mapped landslide risk is identified on the site, and that it is important that QLDC has sufficient information on the landslide risk and methods of avoidance or mitigation if consent is granted.

40 In relation to Onslow Road, ORC has not identified any concerns in respect to natural hazards on the site.

Affordability and Community Housing

41 Proposed methods to address section 5.2.5 of the Lead Policy are outlined within the EOIs for each of the SHAs, and further detailed within the terms of the respective Draft Deeds of Agreement.

42 The Draft Deeds of Agreement include restriction against SHAs being used for short term rental/visitor accommodation, as identified by Section 5.2.5(f) of the Lead Policy.

43 An agreement with the Queenstown Lakes Community Housing Trust is in the process of being developed for both Arthurs Point and Onslow Road. Onslow Road proposes provide one freehold lot to the Community Housing Trust of approximately 250m² in size. The proposal for Arthurs Point is still being discussed between the developer and the Community Housing Trust.

44 The Draft Deeds of Agreement for both Onslow Road and Arthurs Point specify a requirement for an agreement to be reached between the SHA proponent and the Community Housing Trust (to the satisfaction of Council) prior to the SHA being recommended to the Minister.

45 All proposals are considered to have suitably addressed the requirements of section 5.2.5 of the Lead Policy.

Deeds of Agreement

46 Draft Deeds of Agreement (Attachments I and J) have been developed for consideration by Council to outline conditions on which these proposals will be recommended to the Minister. The Draft Deeds of Agreement address the resolutions of 3 June 2015 relating to Infrastructure and Affordability.

47 A summary of what is included in each of the deeds is provided in Attachment H (*Publicly excluded*).

48 The Draft Deeds of Agreement have been agreed in principle by the two SHA entities and QLDC. The deeds are structured such that they would be executed prior to recommendation of the relevant SHA to the Minister.

49 If the Council is satisfied with the terms of the draft deeds, the Council is requested to delegate to the General Manager, Planning and Development the authority to execute the deeds on behalf of the Council, subject to any further minor changes necessary to give effect to the deed.

Options

50 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

51 Option 1: Recommend that the Onslow Road and Arthurs Point North Special Housing Areas be recommended to the Minister following the execution of a Deed of Agreement between Council and the Developer.

Advantages:

- Helps contribute meaningfully to advancing Council's responsibilities under the Queenstown Housing Accord, and in particular to help the Council achieve the housing targets in the Accord.
- Assuming SHA status was conferred and a subsequent application for a qualifying development was successful, the proposed development would generate a significant number of social and economic benefits (both short term and long term).
- Address housing supply by enabling new and diverse housing options to be constructed in the Wakatipu Basin.
- Addresses housing affordability through increasing housing supply and providing for Community Housing mechanisms.
- Provides certainty over conditions for recommendation to the Minister via a Deed of Agreement.

Disadvantages:

- The assessment and mitigation of natural hazard risks identified by ORC is deferred.

52 Option 2: Not recommend the Onslow Road and Arthurs Point North Special Housing Areas to the Minister of Housing

Advantages:

- If proposals were to proceed assessment would be subject to the Proposed District Plan process, including the usual statutory notification provisions, hearing process and potentially Environment Court appeals.

Disadvantages:

- May result in a lengthy assessment process if proposals were to proceed under the usual statutory process of the District Plan and the RMA.
- Would adversely impact upon Council's ability to meet its commitments under the Housing Accord.
- Risk that the District's acute housing supply and affordability issues will continue to grow, with resulting social and economic impacts.
- May forgo the opportunity of providing new housing supply in the Wakatipu Basin.
- May forgo the short and long term social and economic benefits offered by the proposals.

53 This report recommends **Option 1**.

Affordability and Community Housing

54 The proposal will help address housing issues by both providing for new housing supply in the Wakatipu Basin in locations that are adjacent to existing residential settlements and therefore closer to existing urban infrastructure, community services and amenities.

55 The SHA proposals together will provide for greater diversity and choice in the form of housing.

56 Each of the SHA proposals are providing for Community Housing in some form, with Arthurs Point progressing an agreement within the Queenstown Lakes Community Housing Trust and Onslow Road proposing alternative mechanisms for dwellings to be retained as Community Housing.

57 Proposals for Community Housing have been incorporated into the Deeds of Agreement (Attachments I and J) (*publicly excluded*), and are summarised in Attachment H (*publicly excluded*).

Significance and Engagement

58 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because:

- **Importance:** the matter is of significant importance to the District
- **Community Interest:** the matter is of significant community interest
- **Existing policy and strategy:** Although consistent with the Queenstown Housing Accord and Council's Lead Policy of the Housing Accord, in addition to the Strategic Direction of the Proposed District Plan, the SHAs are in some instances inconsistent with District Plan rules (both operative and proposed).

Risk

59 This matter relates to the strategic risk SR1 'Current and future development needs of the community (including environmental protection)' as documented in the Council's risk register. The risk is classed as high. This is because of economic, social, environmental and reputational risks.

60 It should be noted that a key element of this risk is meeting the current and future development needs of the community. Whilst there is an element of environmental protection to this risk, the risk relates more to the economic and social consequences of not meeting development needs, which includes housing provision. The matter therefore can be considered to mitigate the risk of not meeting these needs. The subsequent resource consent assessment process under HASHA also provides the opportunity for further mitigation of risk.

61 The recommended option considered above mitigates the risk by: Treating the risk - putting measures in place which directly impact the risk.

Financial Implications

62 The proponent will be responsible for infrastructure connections and the provisions of appropriate infrastructure to support the development.

63 Clauses have been included within the Deeds of Agreement to ensure that Council will not be liable to any claims for compensation resulting from an SHA either not being recommended to the Minister, or a resource consent not being achieved for the SHA outcome.

64 Any cost implications for Council are likely to be minor.

Council Policies, Strategies and Bylaws

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

- Council's Lead Policy on the Housing Accord and Special Housing Areas: guides Council's assessment of SHAs
- Operative District Plan: relevant as it is the document that regulates housing development and urban growth management
- Proposed District Plan
- HOPE Strategy: relevant as it seeks to address the housing affordability issue in the District
- Economic Development Strategy: a key action is to "investigate all options for improving housing affordability in the District"
- 2014/2015 Annual Plan: A number of Community Outcomes are relevant, as they relate to the economy, and the natural and built environment

66 The recommended option is consistent with the principles set out in the named policy/policies. In particular SHAs help deliver on the HOPE Strategy and the Economic Development Strategy.

Local Government Act 2002 Purpose Provisions

67 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;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is generally consistent with the Council's plans and policies
- 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.

Consultation: Community Views and Preferences

68 The persons who are affected by or interested in this matter are neighbours adjoining the proposed SHA sites, and more generally the surrounding

community. It is considered that there is also likely to be some wider community interest in the proposal in Queenstown.

- 69 The Council undertook an initial expression of interest in late 2014, and on 24 April 2015 the Council called for community feedback on the proposed SHAs, including the two recommended by this report. There was limited feedback received on these SHA proposals during this period.

Legal Considerations and Statutory Responsibilities

HASHA is the relevant statute. Its purpose is as follows:

The purpose of this Act is to enhance housing affordability by facilitating an increase in land and housing supply in certain regions or districts, listed in Schedule 1, identified as having housing supply and affordability issues.

- 70 The recommended option will enable the achievement of this purpose. Council has entered into a Housing Accord with the Minister to achieve the purpose of the Act, and the main tool to achieve this is SHAs. Without a sufficient number of SHAs being established, Council is unlikely to be able to fulfil its obligations under the Housing Accord across its three year life.
- 71 The Housing Accords and Special Housing Areas Act 2013 (HASHA) provides no guidance by way of specified criteria on what matters local authorities should consider when deciding whether to make a recommendation or not to the Minister on potential SHAs. In particular, it does not indicate whether it is appropriate to consider 'planning issues', such as landscape, District Plan provisions and previous Environment Court decisions.
- 72 Despite the silence of HASHA, Council's legal advice is that planning and RMA considerations are relevant matters for Council to consider when deciding whether to recommend a potential SHA to the Minister. However, while these RMA considerations are relevant, Council's decision making should remain focussed on how to best achieve the targets in the Housing Accord. Whilst the weight to be afforded to any consideration – including RMA / planning context – is at the Council's discretion, HASHA considerations are generally considered to carry more weight.
- 73 HASHA does not set any statutory responsibilities in terms of consultation on the establishment of SHAs. However it is important to note that should SHAs be established, then the consent authority may request the written approval of adjoining land owners under Section 29 of HASHA if they are deemed to be affected and may undertake a Limited Notification process.
- 74 Section 14 of the Local Government Act is relevant to Council's decision making on this matter. In particular, subsections (c) and (h):
- (c) when making a decision, a local authority should take account of—*
- (i) the diversity of the community, and the community's interests, within its district or region; and*

- (ii) the interests of future as well as current communities; and*
- (iii) the likely impact of any decision on the interests referred to in subparagraphs (i) and (ii):*
- (h) in taking a sustainable development approach, a local authority should take into account—*
- (i) the social, economic, and cultural interests 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*

75 These statutory provisions take a strong intergenerational approach to decision making, and also place significant emphasis on social, economic and community factors, as well as environmental ones. In this light, SHAs can be viewed as a favourable initiative given the well documented housing affordability issues in the district and the adverse social and economic issues that result

Attachments

- A Special Housing Area Expression of Interest: Onslow Road
- B Special Housing Area Expression of Interest (November 2015): Arthurs Point
- C Agency Responses (NZTA)
- D Agency Responses (MoE)
- E Agency Responses (ORC)
- F Three Waters Infrastructure Assessments, Onslow Road, Holmes Consulting Group
- G Three Waters Infrastructure Assessments, Arthurs Point, Holmes Consulting Group
- H Summary of Draft Deeds of Agreement (*publicly excluded*)
- I Draft Deed of Agreement – Onslow Road (*publicly excluded*)
- J Draft Deed of Agreement – Arthurs Point (*publicly excluded*)