

**QLDC Council
26 November 2015**

Report for Agenda Item: 3

Department: Planning & Development

Special Housing Area Expression of Interest: Arrowtown Retirement Village

Purpose

- 1 The purpose of this report is to present to Council, for its consideration, an Expression of Interest from the Arrowtown Retirement Village for a Special Housing Area ['SHA'].

Recommendation

- 2 That Council:
 - a) **Note** the assessment outlined in the agenda report;
 - b) **Support** in principle recommending the proposed SHA to the Minister of Building and Housing, subject to further consideration following the execution of the requirements below;
 - c) **Instruct** the Acting General Manager Planning and Development to proceed with negotiation with the developer, to ensure the proposal fulfils the criteria listed under points 5.2 to 5.2.9 of Council's SHA Lead Policy, including Appendix B;
 - d) **Instruct** the Chief Financial Officer, Chief Engineer and a suitably qualified independent professional to assess the proposed SHA's 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 developer's cost;
 - e) **Require** the developer to 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; and
 - f) **Require** that once the above steps are completed, a report be brought back to Council identifying measures agreed to that meet HASHA and Lead Policy requirements so that the Council can with confidence recommend the proposal to the Minister of Building and Housing.

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16/11/2015

Reviewed and Authorised by:



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16/11/2015

Background

- 3 An Expression of Interest (EOI) for a Special Housing Area (SHA) was submitted to Council on Monday 2 November 2015. The proposal comprises land on McDonnell Road, held in the following legal description: Lot 5 DP 26714.
- 4 The site is approximately 20 hectares in area, and is zoned Rural General under both the Operative and Proposed District Plans. The northern boundary of the site is located approximately 750m from the southern edge of the Arrowtown Urban Growth Boundary, and just over 2km from the Arrowtown village centre.
- 5 The proposal comprises a retirement village development, consisting of a draft concept comprising the following mix:
 - 90-120 villa units
 - 40-55 apartment units
 - A 100 bed aged care facility offering rest home, hospital and dementia level care
 - Residents' community facilities, gardens and landscaped areas.
- 6 An 8m height limit currently applies within the Rural General Zone. For design reasons, the developer prefers that some flexibility is provided for height to enable gabled roof forms for two storey buildings so they can be developed in keeping with the Arrowtown style. The developer seeks a 9m height limit for two storey buildings, other than for the care facility where they seek 10m. As the legislation specifies a default SHA height limit of 27m unless otherwise specified, it is recommended that a 10m height limit apply to the proposed SHA. This would mean that if SHA status was conferred, and a subsequent application for a qualifying development was received by Council that exceeded this height limit, then Council would have the ability to reject the application.
- 7 The proposal comprises concept plans and images, and supporting assessments from a professionally qualified Planner and Landscape Architect, and engineers. The developer has undertaken extensive

consultation and a summary of this consultation and feedback is provided in the EOI. The EOI forms Attachment 1.

- 8 The Council's decision making responsibility is focussed on whether it recommends the site to be considered by the Minister of Building and Housing as a SHA. 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, HASHAA considerations are generally considered to carry more weight. Council's Lead Policy on Special Housing Areas should also inform decision making.

Comment

- 9 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:

Options

10 Option 1: Recommend the Special Housing Area to the Minister of Housing

11 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.
- Provides the platform for a different housing option in the Wakatipu Basin, noting retirement living options are at present very limited, and the population is ageing.
- 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 in two ways: by enabling new housing to be constructed, and by enabling existing housing supply in Arrowtown to be freed up.

12 Disadvantages:

- The proposal is considered generally inconsistent with the Operative and Proposed District Plans, due to its urban characteristics located outside of the Urban Growth Boundary.

13 Option 2: Not recommend the Special Housing Area to the Minister of Housing

14 Advantages:

- Would help preserve District Plan integrity.

15 Disadvantages:

- Would adversely impact upon Council's ability to meet its commitments under the Housing Accord.
- Would forgo the opportunity of providing a significant new housing option (retirement village) in the Wakatipu Basin.
- Would forgo the short and long term social and economic benefits offered by the proposal.

16 This report recommends **Option 1** for addressing the matter.

Planning / RMA Considerations

17 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.

18 What is clear is that HASHA is concerned with enabling more housing supply. To this effect, targets have been set in the Housing Accord that Council has agreed with the Minister of Building and Housing to meet.

19 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. While 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.

20 In theory, all or most proposed SHAs are likely to offend a District Plan provision – an EOI would not have been made for a permitted or a controlled activity. Therefore, a logical approach is to consider which District Plan provisions may have greater significance and which may therefore need to be given greater consideration.

21 The Lead Policy on Special Housing Areas specifies that SHAs in existing urban areas will be viewed more favourably from a 'location' perspective. However the Lead Policy also contemplates SHAs outside urban areas but where they immediately adjoin an urban area. The primary reason for this is to more readily enable extension of existing urban infrastructure and to provide for housing closer to services and amenities. It should be noted that sites further removed from urban areas, although clearly afforded less weight in the Lead Policy, are not precluded from consideration as SHAs.

22 The Lead Policy's preference for greenfield proposals to be located adjoining existing urban areas creates a specific issue for any EOI submitted that is outside the Urban Growth Boundary (UGB) in Arrowtown. Arrowtown is the only location in the District where an urban growth boundary is afforded statutory status under the Operative District Plan (noting urban growth boundaries are proposed to be applied more widely through the Proposed District Plan). The Council has previously considered four SHAs on or near the Arrowtown UGB, but did not recommend those SHAs for further consideration or recommendation to the Minister, for several reasons.

23 The Arrowtown UGB is considered to be the most sensitive of the RMA / planning issues that need to be balanced against the HASHA considerations.

Arrowtown Urban Growth Boundary and associated issues

24 The proposed SHA is located approximately 750m from the southern edge of the Arrowtown UGB.

25 The Arrowtown UGB was established by Plan Change 29 (PC29). PC29 was initiated by the Council and defended at the Environment Court, which ruled in the Council's favour. PC29 sought to:

- Establish an urban boundary for Arrowtown in the District Plan; and
- Introduce new policies that limit the growth of Arrowtown, and promote urban design outcomes for future growth.

26 Urban development outside the Arrowtown UGB is not prohibited, but would require a discretionary activity resource consent which would be assessed against the District Plan and RMA. As noted earlier however, HASHA is primarily concerned with increasing housing supply, so a balanced consideration that weighs up these competing matters is required.

27 The proposal comprises assessments from a Planner and Landscape Architect as to how the proposal addressed the UGB issue. The report author concurs with these assessments.

28 The following are considered to be mitigating factors:

- By being located 750m from the UGB, the proposed SHA is sufficiently removed from the UGB so as to not result in a 'sprawling' and contiguous urban form. Instead the proposal could be viewed as a small residential 'island' in the countryside.
- However, UGBs have several purposes, not only to protect the 'edge' of urban areas. Their purpose also includes to ensure a distinction between urban and rural land uses whether near town edges or not, and a significant aspect of UGBs is not only to protect the 'town edge' but also to discourage urban development in the countryside. Therefore, mitigating factors become critical, and are addressed below.

- The site is not located so remotely from Arrowtown so as to be difficult in terms of accessing services in Arrowtown.
- The developer is committed to a design response that seeks to respond sensitively to the built and landscape character of Arrowtown – the proposal will not comprise a generic, unsympathetic suburban design response.
- Existing and proposed topographical and landscape features and characteristics will reduce the visibility of development from McDonnell Road.
- Impacts on amenity values of neighbours will be minimised, and a minimal number of parties are likely to be directly and significantly impacted upon by the proposal.
- McDonnell Road is not one of the primary entry routes into Arrowtown. In terms of Arrowtown 'gateways' for residents and tourists, the entries via Malaghans Road, Arrowtown Lake Hayes Road, and Centennial Avenue are more significant.
- Retirement villages generate relatively low traffic volumes compared to other forms of residential development, and the safety and amenity impacts generated from additional traffic are likely to be minor.

29 It is also important to note that conferring SHA status for the site only enables the potential for development. SHA status in itself, does not guarantee applications for qualifying developments will be approved, and RMA matters (including UGBs and character / amenity issues) are a relevant and explicit consideration at the application stage under HASHA.

Housing Affordability

30 The proposal will help address housing issues by both providing for new housing supply, and helping to free up existing housing in Arrowtown and elsewhere in the Wakatipu Basin that might otherwise have been retained for a longer period of time by some ageing residents.

31 The developer has indicated that a significant proportion of the villa units developed would be marketed at around the 500K price point – which is considered to be a relatively affordable price point (ie. below the median house sale price in the Wakatipu Basin).

32 The developer has submitted a letter of support from the Community Housing Trust, and has indicated they are committed to contributing to the Housing Trust in some manner – noting that this will take a form different to the typical approach taken in residential developments, given the unique characteristics of a retirement village development. An appropriate contribution can be negotiated through the deed that Council will require the developer to enter into.

Infrastructure

- 33 In terms of social infrastructure, unlike the EOIs for the four other proposed Arrowtown SHAs previously submitted where impacts on a near capacity Arrowtown Primary School roll were a key area of concern, the proposal will have no significant direct impact on the school roll at Arrowtown Primary School. There may be some limited indirect impact if existing houses in Arrowtown are freed up, and families with school age children move into the houses. Such impact is likely to be minor, and there is some latent limited capacity available at the school.
- 34 A servicing report has been prepared for the developer by Rationale Limited. The report confirms the development can be serviced, however some decisions around servicing will need to be addressed in the deed between Council and the developer. This will be subject to further discussion and negotiation.
- 35 A traffic assessment confirms the proposal will have minimal effect on the surrounding roading network.
- 36 An assessment prepared by Davis Consulting Group confirms no liquefaction hazards are shown on Council's hazard maps.

Council's Lead Policy on Special Housing Areas

- 37 The developer has undertaken a review of the proposal against the Lead Policy. It should be noted that consideration of the Lead Policy is not a 'tick the box' exercise – whilst important the Lead Policy provides another *framework* for Council to assess proposed SHAs, and this still needs to be balanced with HASHA's overriding goal of increasing housing supply. Proposals that conflict with multiple elements of the Lead Policy may be difficult to support, but some inconsistency with a minority of principles may not be a reason on its own to view a proposal unfavourably.
- 38 The proposal is considered to be generally consistent with the principles espoused in the Lead Policy, noting the proposed retirement village development has different characteristics to a typical residential development.
- 39 The design concept is well thought out and addresses quite effectively the unique characteristics of the setting and wider Arrowtown locality. Most of the dwellings will be smaller 2 bedroom units. As the development will not be speculative, with a long term commitment being inherent in the development and business model, there is stronger guarantee of good general upkeep and maintenance.
- 40 The developer is committed to a community housing contribution, the form of which still needs resolving. This is will be negotiated and executed in a deed that will be required prior to Council recommending the land to the Minister of Housing as a SHA.
- 41 The proposal will address affordability by providing smaller dwellings and apartments that will be sold at a price point that is generally affordable, in a

relative sense in terms of the market in Arrowtown and the Wakatipu Basin. The proposal may also offer some wider housing benefits in terms of helping 'free up' housing in Arrowtown.

- 42 It is noted that the proposal is inconsistent with the Lead Policy's objective of establishing SHAs within existing urban areas, or adjacent to urban areas. However, the developer has convincingly argued for a number of mitigating factors that reduce the significance of this inconsistency.

Significance and Engagement

- 43 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy.

Risk

- 44 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.
- 45 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.
- 46 The recommended option considered above mitigates the risk by: Treating the risk - putting measures in place which directly impact the risk.

Financial Implications

- 47 The developer will be responsible for infrastructure connections and the provisions of appropriate infrastructure to support the development. Any cost implications for Council are likely to be minor.

Council Policies, Strategies and Bylaws

- 48 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
- 49 The recommended option is generally consistent with the principles set out in the named policies. In particular SHAs help deliver on the HOPE Strategy and the Economic Development Strategy.
- 50 There is however inconsistency with the Operative and Proposed District Plans. This is due to the fact that the proposed SHA challenges the integrity of the Arrowtown UGB, and is generally inconsistent with the District Plan in a number of respects. This is inherent in the HASHA legislation and has always been an anticipated conflict. This is not considered fundamental to the decision, but rather a relevant matter for Council to consider.

Local Government Act 2002 Purpose Provisions

- 51 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;
 - Can be implemented through current funding under the 10-Year Plan and Annual Plan;
 - Is generally consistent with the Council's plans and policies, noting however some inconsistency with the Operative and Proposed District Plans; 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.

Consultation: Community Views and Preferences

- 52 The persons who are affected by or interested in this matter are neighbours adjoining the proposed SHA site, and more generally the Arrowtown community. It is considered that there is also likely to be some wider community interest in the proposal in Queenstown, given the notable lack of retirement housing options.
- 53 The developer has undertaken extensive and multi-pronged consultation with the community, and has garnered significant levels of support from residents and community associations and organisations.
- 54 Appendix F of the EOI summarises the consultation process and responses received. However, in summary:
- 280 emails and feedback forms supporting the proposal were received by the applicant and forwarded to Council.
 - The developer advises that no feedback forms indicating opposition were received

- Letters of support from several key stakeholders were received. These include: Arrowtown Village Association, Arrowtown Promotion and Business Association, Queenstown Lakes Community Housing Trust, Probus
- The developer consulted with property owners adjacent or close to the proposed SHA site. Supportive correspondence has been received from adjacent property owners.

55 In addition, Council has provided for a community feedback process on the proposal, consistent with what was done prior to the 3 June Council meeting at which other SHAs were considered. Feedback that is provided prior to the Council meeting will inform Council's decision making.

Legal Considerations and Statutory Responsibilities

56 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.

57 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.

58 As stated previously, HASHA provides limited guidance as to the assessment of potential SHAs, beyond housing demand and infrastructure concerns. HASHA is silent on RMA / planning considerations, however our legal advice is that these are relevant considerations. The weight to be given to these matters is at the Council's discretion, having regard to the overall purpose of HASHA. These matters have been considered in this report. One matter the Council will need to consider is the consistency of any decision to recommend this SHA to the Minister and its decision in July to notify the proposed district plan which maintains the Arrowtown UGB in its current location. The decisions could be perceived to be inconsistent.

59 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 if they are deemed to be affected and may undertake a Limited Notification process.

60 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

- 61 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. In addition, the proposed SHA offers a means to address the lack of suitable retirement housing in the community. Anecdotal evidence suggests that some ageing residents need to leave the district to access suitable retirement housing, and this has a dislocating social impact.
- 62 In terms of future needs, the population of the Wakatipu Basin is ageing like most communities in New Zealand, and the need for retirement living options will grow.
- 63 The proposed development, if executed, would generate a number of economic benefits. In the short term there would be significant employment generation for design professionals, suppliers and the construction sector, whilst in terms of longer term benefits the proposal would generate permanent employment. The proposal would also add to the health service offering of the district.

Attachments

- A Special Housing Area Expression of Interest