

QLDC Council  
24 November 2016

Report for Agenda Item: 1

Department: Planning & Development

Review of the Council Lead Policy on Housing Accords and Special Housing Areas Act 2013 Implementation Guidelines (Lead Policy)

Purpose

The purpose of this report is to propose a new Lead Policy to replace the Council Lead Policy on Housing Accords and Special Housing Areas Act 2013 Implementation Guidelines adopted on 30 April 2015.

Recommendation

That Council:

1. **Note** the contents of this report and the recommended changes to the Council Lead Policy dated 30 April 2015 covering the four key areas of:
  - a. Amended location criteria including three categories identifying areas suitable for Special Housing Areas (**SHA**), potentially suitable and unsuitable;
  - b. Amended affordability criteria; and
  - c. Changes in the layout and structure of the Housing Accords and Special Housing Areas Act 2013 Implementation Policy (**Lead Policy**);
2. **Note** a further agenda item will be forthcoming identifying areas for inclusion in Category 2 (areas potentially suitable for SHA proposals) and Category 3 (areas unsuitable for SHA proposals) following the completion of the Wakatipu Basin Land Use Study as part of the Proposed District Plan, including consideration of Wanaka and the wider district;
3. **Adopt** the attached Housing Accords and Special Housing Areas Act 2013 Implementation Policy [as amended at the meeting];
4. **Agree** that Expression of Interests can now be accepted and progressed by the Council only for Category 1 land that is consistent with the adopted Lead Policy;
5. **Resolve** that all Council staff time and other costs of considering EOIs and preparing, reviewing and negotiating SHA agreements will be on-charged to the landowner or developer in line with hourly rates specified in the adopted 'Resource Consent and Engineering Fees and other Charges' schedule adopted 1 July 2016.

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## Background

- 1 The purpose of the Housing Accords and Special Housing Areas Act 2013 (**HASHAA**) is:

*To enhance housing affordability by facilitating an increase in land and housing supply in certain regions or districts [which includes Queenstown Lakes] identified as having housing supply and affordability issues.*

- 2 On 23 October 2014, the Queenstown Lakes District Housing Accord (**the Accord**) was signed between the Council and the Minister of Building and Housing (**the Minister**).
- 3 The intention of the Accord was to increase housing supply and improve housing affordability in the Queenstown Lakes District by facilitating development of quality housing that meets the needs of the growing population and the purpose of the HASHAA.
- 4 The Accord required the Council to prepare a Lead Policy. The original Lead Policy was approved by Council on 30 October 2014 and as part of this process clarification was also sought regarding community engagement on Expression of Interests (**EOIs**) received.
- 5 On 30 April 2015, the Lead Policy was amended to provide explicit reference to the need for negotiations to occur with SHA proponents on securing a commitment that a certain number of allotments be provided for community housing, or equivalent purposes. The updated Lead Policy also placed a prohibition on sites within SHAs being used for short term rental/visitor accommodation.
- 6 In total, seven SHAs have been approved by the Minister. These SHAs would deliver a potential yield of approximately 955 residential units, a 172 bed aged care facility and 18 staff accommodation units thus contributing significantly to the Council's obligations under the Housing Accord.
- 7 On 16 September 2016, the Housing Legislation Amendment Act 2016 (**the Amendment Act**) came into effect. The Amendment Act is intended to meet the high housing demand in areas outside of Auckland, where the Auckland Unitary Plan has now been adopted.

- 8 In Queenstown, while our Dwelling Capacity Model confirms a large amount of land is zoned for residential development, the release of zoned land is controlled by a small number of landowners and is currently slow. Existing plan change processes are also too slow to meet immediate needs. The three year extension is intended to allow HASHAA to continue to be used as an interim tool until other Resource Management Act (**RMA**) reforms are progressed.
- 9 The Amendment Act provides the Council with an opportunity to reconsider its strategies for increasing the supply of land and housing in the Wakatipu Basin, and potentially outside of the Wakatipu Basin. It also provides the Council with the opportunity to grow and better direct where the SHAs should be located.
- 10 This report is in response to the Council's resolution on the 6 October 2016 to:
  - 1 **Note** the contents of this report and the changes that the Housing Legislation Amendment Act 2016 (**the Amendment Act**) has made to the HASHAA;
  - 2 **Recommend** staff initiate a review of the Special Housing Areas Act 2013 Implementation Guidelines (**the Lead Policy**);
  - 3 **Recommend** this be reported to the new Council meeting for consideration.
  - 4 **Agree** that no Expressions of Interest shall be progressed by the Council until the new Council has made a determination on whether any changes should be made to the Lead Policy, including the criteria that Expressions of Interest should be considered against.
- 11 The existing Lead Policy is appended as **Attachment A**. It guides Council's approach to SHAs and ensures that the process for establishing and administering SHAs is transparent and consistent. It follows a very similar approach to that of Tauranga City Council.
- 12 Importantly, the Lead Policy cannot contradict any of the statutory obligations and requirements of the HASHAA. The key features of the existing Lead Policy are:
  - General principles to guide decisions;
  - Listed criteria for recommending a SHA to the Minister;
  - Minimum density requirements;
  - Opportunity for community engagement before decision to recommend to Minister;
  - Community Housing proposal desirables; and
  - Development Dees to secure certain obligations (infrastructure/community housing etc).
- 13 The criteria for the assessment of potential SHAs in the Lead Policy is as follows:
  - Location – within or adjacent to an existing urban area;
  - Adequate infrastructure;
  - Demand for Qualifying Development;
  - Affordability – does not mandate the delivery of housing at specified prices points;

- Predominantly residential – primary purpose of supplying residential development;
- Building height;
- Minimum number of dwellings; and
- Residential Quality.

## Comment

14 The amended Lead Policy is appended as **Attachment B**. There are five key areas that the Lead Policy has been amended that are summarised under the following headings :

- Location criteria;
- Wakatipu Basin vs entire Queenstown Lakes District;
- Affordability criteria;
- Process for assessing Expression of Interest; and
- Layout of the Lead Policy.

## Location

15 The revised Lead Policy seeks to be more strategic and directive around where SHAs will and will not be acceptable that the current approach. This will provide applicants and Council with greater certainty and avoid repeat applications for the same site.

16 The currently approved Lead Policy states that:

*“Location is not a statutory consideration under the Act. However, in the interests of sound resource management planning practice, environmental and economic impact, and consistency with the draft Strategic Directions chapter of the District Plan review – location is considered to be vitally important consideration for Council”*

17 The criterion for location is:

*“The proposed area shall be located within or adjacent to existing urban areas. Areas located in rural areas remote from existing urban areas and services will generally not be viewed favourably.”*

18 The above criteria provides for SHAs ‘adjacent’ to existing urban areas, which partly explains why all six of the seven SHAs approved to date are in ‘greenfield’ locations.

19 The ‘location’ criteria can be enhanced by providing a direct link to the Proposed District Plan (**PDP**) zonings, which was notified after the original Lead Policy was first determined. The PDP ‘up-zoned’ some areas, for example from Low Density Residential to Medium Density Residential, or from Rural General to Medium Density Residential, but the provisions have no real effect until submissions have been heard and ‘decisions’ issued.

20 This change could lead to areas that were identified in the PDP as being suitable for residential development potentially being fast tracked, recognising that the hearings on the PDP are not expected to be completed till late 2017 / early 2018.

One downside of this approach is that the submissions against the 'up-zonings' will effectively be negated if the area is developed under a SHA resource consent.

- 21 The revised Lead Policy provides three categories as follows:
- a. Category 1 – Areas suitable for SHAs, specifically areas consistent with the Proposed District Plan zonings and urban growth boundaries.
  - b. Category 2 – Areas potentially suitable subject to assessing proposals and the results of the Wakatipu Basin Land Use Study. Only Council can add items to this Category 2 via a paper to full Council, and
  - c. Category 3 – Areas unsuitable due to their sensitivity or inappropriate location for residential development.
- 22 At this time Categories 2 and 3 are not complete and officers will report back on sites for inclusion in this area via further papers to full Council. The results of the Wakatipu Basin Land Use Study will be material to Categories 2 and 3 in that areas capable of absorbing development could be included, similarly areas that cannot absorb further development.
- 23 The resolution sought is therefore to enable EOIs to be received but only for Category 1 land, as further work is required to identify Category 2 and 3 land. It is anticipated Categories 2 and 3 could be completed in early 2017 once the results of the Wakatipu Basin Land Use Study are available.

#### Wakatipu Basin only vs entire Queenstown Lakes District

- 24 The Housing Accord that has been signed with the Government does cover the entire Queenstown Lakes District, but has a focus on the Wakatipu Basin. The Council's Lead Policy currently only relates to the Wakatipu Basin. One of the reasons for this is that the targets set under the Housing Accord concentrate on the Wakatipu Basin, as opposed to the entire Queenstown Lakes District.
- 25 Housing affordability and accommodation options for shorter term/seasonal workers and permanent residents/families is a significant issue for the entire Queenstown Lakes District. While the housing issues are slightly different in Wanaka it is understood there is a shortage of rental and workers' accommodation and "affordable homes".
- 26 If a SHA is approved outside of the Wakatipu Basin, the only implication is that it would not count towards the targets that have been set in the Housing Accord. It is understood that the Minister would like to review the Accord and make it clearer that it applies to the entire Queenstown Lakes District. As a result, it is likely that the targets will be altered to take into the account of the development that is taking place district-wide.
- 27 With modified criterion there is no reason why the Lead Policy cannot relate to the entire Queenstown Lakes District. This could also open up smaller areas that are commuter towns from both Queenstown and Wanaka to explore whether or not a SHA could be established. This amended Lead Policy in **Attachment B** has therefore been expanded to apply district-wide. However the proposed resolution will only enable EOIs within certain areas of Queenstown at this time,

as further work is required by the Council to identify and agree on areas to be included in Categories 2 and 3. This will also include consideration of what areas of Wanaka should be included in Category 1, and whether other areas of the district should be included in any of the three categories.

28 It is important to note that every application will continue to be assessed on its own merits, and Council has full discretion whether to recommend an area to the Minister to be a Special Housing Area.

#### Affordability criteria

29 It is important to reiterate that the purpose of HASHAA, which is detailed in paragraph 1 above. In order to achieve the targets in the Accord to deliver more dwellings at an affordable price point, the Council's approach to date is to not mandate housing at specified prices points, but to focus on requiring certain proportion of qualifying developments to comprise of smaller subdivisions. This approach is proposed to be retained, due to the difficulties with setting particular price points.

30 The revised Lead Policy invites landowners and developers to demonstrate how they will achieve affordability, and provides examples such as that a proportion of any new sections created be at a smaller size (240m<sup>2</sup> to 400m<sup>2</sup>), and that a proportion of houses be a smaller size (2 bedroom) to assist in affordability. Mechanisms to control property speculation and affordability in the medium and long term are also encouraged.

31 A restriction on sole use of properties for visitor accommodation is required to ensure new housing stock is not immediately lost to visitor accommodation. However the wording of any restriction or covenant will be developed as part of any future resource consent application to ensure the restriction would not prevent a spare room being let out, for instance.

32 The requirement that developers engage with the Queenstown Lakes Community Housing Trust (**QLCHT**) is also proposed to be retained. Alternative delivery mechanisms to the QLCHT are not ruled out. To date, six out of the seven currently approved SHAs were able to work with and come to an agreement for a contribution to the QLCHT independent of Council.

#### Process for assessing EOIs

33 The process whereby public feedback is sought and provided to Councillors prior to making a decision on whether to recommend any areas to the Minister is retained. This process is not used by other councils but Council can include it in the Lead Policy to get a sense of the community view of a particular proposal.

#### Layout of Lead Policy

34 The layout and appearance of the Lead Policy has been revised to improve its readability.

## Summary

- 35 The Lead Policy has served the Council well for the initial stages of the HASHAA. The Amendment Act has provided an opportunity to review the process and to strengthen the Lead Policy to ensure that the Council's overall strategies for ameliorating the pressure on housing in the district are integrated with other important strategic goals and have the best possible long-term results from the extension of the HASHAA.
- 36 The revised Lead Policy will require further decision from Council on what land should be included in Categories 2 and 3.

## **Options**

- 37 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.
- 38 Option 1 Amend the Lead Policy and accept of Expression of Interests for processing in Category 1 areas in accordance with the requirements of the amended Lead Policy.

### *Advantages:*

- 39 Recognises that housing affordability and accommodation options for shorter term/seasonal workers and permanent residents/families is a significant issue for the entire Queenstown Lakes District not just the Wakatipu Basin.
- 40 Allows the Lead Policy to better align with the Strategic Direction of the Proposed District Plan, and potentially the Wakatipu Basin Land Use Study and the Ladies Mile Masterplan.
- 41 Provides an opportunity for the Council to better strategically achieve the housing targets set in the Accord.
- 42 Provides greater clarity for applicants with regard to the three categories that identify areas as suitable, potentially suitable and unsuitable for development.
- 43 Revised policy removes 'adjacency' criteria from location, but enables sites to be added only by Council to Category 2 if considered suitable.
- 44 Has enabled the Council to review the mechanisms for the supply and retention of affordable and community housing.
- 45 Enables applications for EOIs to be received again.

### *Disadvantages:*

- 46 Temporarily limits areas for EOIs to Category 1 land, which is linked to the Proposed District Plan (Queenstown only). To date, no EOIs have been on Category 1 land except for the Council's own SHA in Gorge Road. The change could reduce the likelihood of EOIs coming in until Categories 2 and 3 are completed in early 2017, temporarily slowing the delivery of housing.

47 Perceived tightening of the location criteria through removal of the 'adjacency' criteria and replacing it with a Category of identified sites.

48 Time and resourcing required by Council to undertake the review.

49 Option 2 Status Quo: Do not amend the Lead Policy

*Advantages:*

50 Avoids further time and resources required to review the Lead Policy.

51 People and the community are familiar with the existing Lead Policy and the quality of applications has steadily improved over time.

*Disadvantages:*

52 The opportunity to review the Lead Policy, to reflect the lessons learnt from the first three years of the HASHAA would be lost.

53 Difficult to turn down unsuitable locations that are 'adjacent' to existing urban areas, regardless of where they are.

54 Maintaining status quo would mean that developers proceed with preparing an application based on the existing Lead Policy, as it currently stands.

55 The processing of SHAs may be at odds with the strategic direction of the PDP and the results of the Wakatipu Basin Land Use Study and the Ladies Mile Masterplan.

56 This report recommends **Option 1** for addressing the matter as the revised Lead Policy builds on the lessons learned from three years of working under the HASHAA and provides a more strategic approach to the key criterion of 'location'.

***Significance and Engagement***

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

- **Importance:** the matter is of high importance to the District
- **Community interest:** the matter is of considerable interest to the community
- **Existing policy and strategy:** there is an opportunity for SHAs to better align with the objectives and policies of the PDP.

***Risk***

58 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. There is also a risk that if the Lead Policy is not reviewed efficiently as possible this process will be deemed to be inconsistent with the HASHAA.



59 A key element of this risk is meeting the current and future development needs of the community and providing for development that is consistent with the strategic direction of Council's Policies and Strategies. There is some social risk relating to the economic and social consequences of not meeting development needs, which includes the provision of land and housing.

### **Financial Implications**

60 The review of the Lead Policy has resulted in additional officer time, including input from various departments including: Planning and Development, Property and Infrastructure and Legal teams. The Lead Policy has also been workshopped with Councillors.

### **Council Policies, Strategies and Bylaws**

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

- Lead Policy as amended on 30 April 2015, which provides guidance for Council's assessment of SHAs.
- Queenstown-Lakes District Housing Accord.
- Operative District Plan (**ODP**), which regulates housing development and urban growth management.
- PDP, which sets out proposed changes to the ODP.
- Housing Our People in our Environment Strategy, which is relevant as it seeks to address the housing affordability issue in the District.
- Economic Development Strategy, a key action of which is to "investigate all options for improving housing affordability in the District".
- 2016/2017 Annual Plan, within which a number of Community Outcomes that are relevant as they relate to the economy, and the natural and built environment.
- 10 Year Plan 2015-2025.

62 The recommended option is consistent with the principles set out in the named policy/policies with the exception of the Proposed Category 2, which envisages development that is not consistent with the Operative and Proposed District Plans.

63 This matter is included in the 10-Year Plan/Annual Plan to the extent that it affects strategic regulatory functions and services, and will potentially lead to financial implications for the provision of core infrastructure and services.

### **Local Government Act 2002 Purpose Provisions**

64 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 ensuring that the best possible outcomes are achieved through out the HASHAA process;
- Can be implemented through current funding under the 10-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.

### **Consultation: Community Views and Preferences**

65 The persons who are affected by or interested in this matter are:

- a. residents/ratepayers of the Queenstown Lakes district community;
- b. the business, investment and tourism sectors located within and outside of the district;
- c. infrastructure providers; and
- d. Government.

66 The Council has not undertaken consultation or engagement with the community regarding the amended Lead Policy. HASHAA does not set any statutory responsibilities in terms of consultation on the establishment of SHAs.

### **Legal Considerations and Statutory Responsibilities**

67 HASHAA is the relevant statute with its purpose detailed in paragraph 1 of this report.

68 The amended Lead Policy supports the purpose of HASHAA as it will lead to better housing outcomes by facilitating an increase in the supply of land for housing in areas that better align with both the strategic direction of the PDP and the Wakatipu Basin Land Use Study.

69 Legal advice has been taken regarding this matter and the advice received confirms that the amended Lead Policy meets the purpose of the HASHAA and the Accord (noting that this is likely to be amended in the foreseeable future).

70 This report recommends the amended Lead Policy be adopted.

### **Attachments**

- A Existing Lead Policy dated 30 April 2015
- B Amended Lead Policy dated 24 November 2016