

QLDC Council
6 October 2016

Report for Agenda Item: 9

Department: Planning & Development

Update of changes to the Housing Accords and Special Housing Areas Act 2013 and an analysis of the Accord, the Lead Policy and SHAs

Purpose

- 1 The purpose of this report is to provide the Council with a summary of the changes to the Housing Accords and Special Housing Areas Act 2013 (**HASHAA**). It also provides an analysis of the Queenstown-Lakes District Housing Accord (**the Accord**), Housing Accords and Special Housing Areas Act 2013 Implementation Guidelines (**the Lead Policy**) and the Council's process for considering Special Housing Areas (**SHAs**).
- 2 An update on progress of the Wakatipu Basin Land Use Study (**WBLUS**) and the Ladies Mile masterplan is also provided.

Recommendation

That Council:

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 against which Expressions of Interest should be considered.

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30/09/2016

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Background

- 3 This report is in response to the general agreement made by Councillors at the 29 September Full Council requesting that staff prepare a report in response to the planning and development portfolio leader's recommendations. The recommendation was Council should not accept any further SHA applications until it has decided whether or not to adapt the Housing Accord and Lead Policy, and received and reviewed the Wakatipu Basin Land Use Study (**WBLUS**) and Ladies Mile Structure masterplan.
- 4 The purpose of the 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.
- 5 A Housing Accord was signed between the QLDC and the Minister of Building and Housing (**the Minister**) on 23 October 2014. The Accord is a tool used to facilitate residential development in the Wakatipu Basin. 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 meeting the purpose of the HASHAA. A copy of the Accord is contained in **Attachment A**.
- 6 The Council and the Government both agreed that joint action is needed to improve the supply of housing and affordability in this District. The Accord provides a basis of collaboration between both parties, who have sought to work together to focus on the unique housing issues that Queenstown faces.
- 7 The Accord sets targets for the consenting of new sections and dwellings in the Wakatipu Basin area of the Queenstown-Lakes District over three years.
- 8 The Steering Group (comprising of the Minister and Mayor) has the ability to amend the Accord, including the targets, upon agreement. These targets are to be reviewed annually, subject to reports on progress and the state of the building/construction sector.
- 9 An analysis of the Year 1 and the first six months of the Year 2 targets found that the figures were substantially higher than the five-year historical average of approximately 275 sections and dwellings per year. By April 2016, the adjusted number of new sections and dwellings consented was 399, which was 88% of the original Year 2 target of 450.
- 10 The agreed targets for the Wakatipu Basin were based on historical data that indicated slower rates of growth. The data highlights that there has been a significant surge in activity over the past 18 months. This surge was attributed to several factors including the boom in development and construction activity following the global financial crisis.
- 11 A Council resolution on 28 July 2016 confirmed that the Council was willing to negotiate and update the Accord targets in collaboration with the Minister.

Figures were agreed and the Mayor was delegated the responsibility to negotiate these with the Minister.

12 As a result, the Minister and Mayor agreed to amend Year 2 and 3 targets of the Accord in August 2016 to, as follows:

Total number of dwellings and sections consented			
	Year 1	Year 2	Year 3
	October 2014 – September 2015	October 2015 – September 2016	October 2016 – September 2017
Targets	350	450 650	500 750
Actual	557	399 (at 30 April 2016)	

13 A joint monitoring report will be produced by the Council and the Ministry of Business, Innovation and Employment relative to the Year 2 targets in early November 2016. The Council is currently tracking well towards these targets.

14 The Accord concentrates on the Wakatipu Basin. The Wakatipu Basin is limited to areas indicated green in Figure One below:

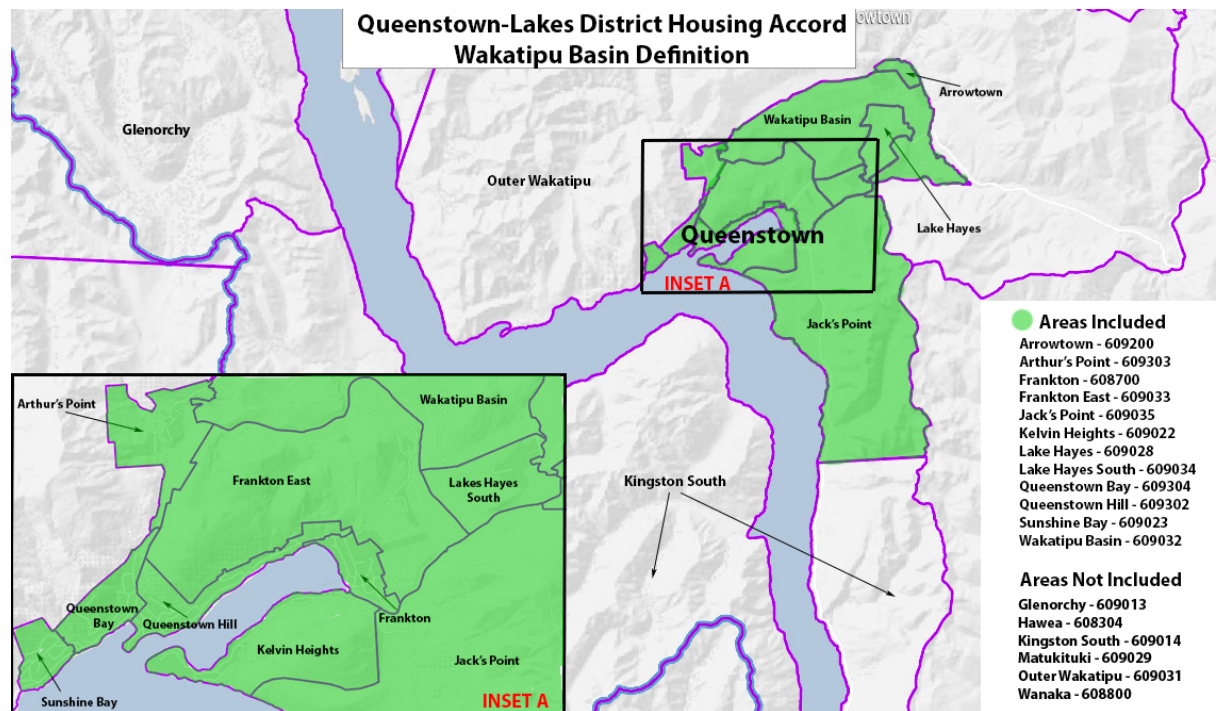


Figure One: Wakatipu Basin as defined within the Accord

15 Areas that are not included are Wanaka, Glenorchy, Hawea, Kingston, Matukituki and Outer Wakatipu.

- 16 The Accord is due to be re-negotiated with the Minister on 23 October 2017. The new Council may want to review the Accord prior to this date. An update on the practicalities of this will be provided at the meeting.
- 17 The Accord now requires the Council to prepare a Lead Policy, which guides Council's approach to SHAs. The original Lead Policy was adopted at the 30 October 2014 Council meeting.
- 18 The Lead Policy 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.
- 19 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 places a prohibition on sites within SHAs being used for short term rental/visitor accommodation.
- 20 One means of achieving the Accord targets is through Special Housing Areas (**SHAs**).
- 21 In November 2014, the Council completed a process in which it invited Expressions of Interest (**EOIs**) from the public for the establishment of SHAs. There was significant interest, with 16 EOIs originally received, with 3 being subsequently withdrawn. Three of these were recommended as SHAs to the Minister (Shotover Country, Arthurs Point and Onslow Road SHAs).
- 22 Since completing that process Council has received individual EOIs from developers and has decided to follow the same process, resulting in some of those EOIs being recommended as SHAs. It has also itself proposed an SHA along Gorge Road (known as the Business Mixed Use Zone (Gorge Road)). In total the Council has recommended seven SHAs to the Minister, which were all subsequently approved as SHAs.

Comment

Key changes to the HASHAA

- 23 On 16 September 2016, the Housing Legislation Amendment Act 2016 (**the Amendment Act**) came into effect.
- 24 The Amendment Act to the HASHAA is intended to meet the high housing demand in areas outside of Auckland, where the Auckland Unitary Plan has now been adopted. In Queenstown the release and supply of zoned land is too slow and existing plan change processes are likely to be 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 reforms are progressed.
- 25 The Amendment Act makes five key changes to the HASHAA:

- i. The deadline for establishing SHAs and the date of repeal of the HASHAA has been extended by three years to 16 September 2019 and 16 September 2021 respectively. This means that from now, any new SHAs will have until 16 September 2019 until they are disestablished. If an SHA is disestablished, this means that its SHA status no longer applies and any resource consent applications would be made under the Resource Management Act;
- ii. It sets new time limits for lodging resource consent applications and requests for plan changes or variations of proposed plans in respect of SHAs, which is 12 months from the date on which the Order in Council was notified in the Gazette (see the table in paragraph 26 below to see how this impacts on existing SHAs). This Council has not accepted any plan changes;
- iii. It provides the Minister with the power to recommend the early disestablishment of an SHA or the removal of part of the SHA in certain situations;
- iv. It allows plan change requests that are made but not completed under the HASHAA to continue when a PDP becomes operative; and
- v. It clarifies that local authorities must use the version of the plan that applied at the time of the application, unless the applicant requests otherwise. The impact of this is that the applicant can choose whichever version of the plan that maybe more beneficial to the assessment of the proposal.

26 The effect of the legislation on the SHAs that have been approved by the Council are as follows:

SHA	Date of notification in Gazette	Date of disestablishment
Onslow Road	19 May 2016	19 May 2017
Arrowtown Retirement Village Arthurs Point Business Mixed Use Zone (Gorge Road) Shotover Country	23 June 2016	23 June 2017
Queenstown Country Club	7 July 2016	7 July 2017

27 The housing issues in the Queenstown-Lakes district continue to move quickly. The extension of the SHA legislation by the Amendment Act provides an opportunity for the Council to consider its strategies for increasing the supply of land and housing in the Wakatipu Basin, and potentially outside the Wakatipu Basin. It also provides the Council with the opportunity to be more strategic in terms of where it wants the community to grow and where SHAs should be located. However, it would require a change to the Lead Policy and potentially the Accord.

The Lead Policy

28 The key elements that are set out in the Lead Policy are:

- Criteria for the consideration by Council of land/ sites as potential SHAs for recommendation to the minister under the HASHAA;
- Minimum density, planning rules and other matters that apply to qualifying developments within an SHA;
- Council's approach to community engagement with regard to the identification and potential progression of areas of land or sites as SHAs;
- Council's expectation with regard to the quality of residential development;
- Exclusion of visitor accommodation from SHAs; and
- Inclusions of community housing to promote long term community benefits for SHAs.

29 One major success of the work done to date has been the use of deeds of agreements with successful EOI proponents to provide certainty and enforceability of commitments to providing affordable housing, infrastructure issues, and reducing the likelihood of the SHA process being exploited to increase the value of land in advance of a sale to a third party. The Council pioneered these agreements and it is understood the Minister has since recommended to other Councils that they follow QLDC's lead.

30 The process for processing EOIs is outlined at point 5.1 of the Lead Policy. It states:

“Council will embark on an engagement process with the community (including land and property developers) in November 2014.

Council will request Expressions of Interest from landowners and developers for land that might be suitable for consideration as Special Housing Areas. The engagement process will also allow members of the general public to contribute their ideas on housing, with a specific focus on where new housing should be focused and what type of housing is required.

This process will not preclude Council from identifying and considering areas as Special Housing Areas which have not been nominated via the Expression of Interest process. For example, there might be broader urban areas in multiple ownership that are not nominated that Council considers might be suitable for Special Housing Area status.

Council will negotiate directly with landowners or developers seeking to use the provisions of the Act to ensure the agreed aims and targets in the Queenstown-Lakes Housing Accord are supported.

Each proposed Special Housing Area will be considered on its own merits. Consistency with this Policy and the Queenstown Housing Accord does not in itself compel the Council to recommend that a Special Housing Area is established as other factors may also be relevant.”

31 The Council has completed an open process in which it sought EOIs from the public for the establishment of SHAs in November 2014. Since that time it has received individual EOIs from developers and decided to follow the same process

but on an individual basis, resulting in some of these additional EOIs being recommended to the Minister as SHAs. The Council has also proposed an SHA along Gorge Road (known as the Business Mixed Use Zone (Gorge Road) SHA).

- 32 The EOIs that were received early/mid this year (Queenstown Country Club, Waterfall Park and Glenpanel EOIs) were all considered slightly differently to the other EOIs because of the imminent expiry of Sections 16 and 17 of the HASHAA and the timeframe required by the Minister to accept the SHA. The matters that were usually processed *after* the Council has indicated an in-principle acceptance of the EOI were front-loaded in these instances: Council staff consulted various agencies, the EOIs were placed on the Council website for community feedback/comments and the draft Deeds were negotiated (where possible) in advance of the Council's consideration of the EOI.
- 33 If the Council agrees that now is an opportune time to review the Lead Policy, it is recommended that the Council not progress any EOI received until the amended Lead Policy has been adopted by the new Council.
- 34 It needs to be made very clear that a review of the Lead Policy and process may not necessarily result in any substantial changes, but it is important that these are reviewed in light of the experience Council has gained from processing EOIs, the PDP process and the WBLUS and the Ladies Mile masterplan (discussed in paragraphs 40 to 51 below).
- 35 It will also make it very clear to the public that any work undertaken to develop an EOI while the Lead Policy and processes are being reviewed would be entirely at the developer's own risk.
- 36 Officers have received numerous recent enquiries regarding the potential establishment of SHAs. There is a risk that an application may be received prior to the first Full Council meeting of the next triennium, which is likely to take place nearer the end of the year. These reviews would need to take place in a timely manner.

Special Housing Areas

37 In total seven SHAs have been approved by the Minister including:

- Bridesdale Farm;
- Onslow Road;
- Arrowtown Retirement Village;
- Arthurs Point;
- Shotover Country;
- Business Mixed Use Zone (Gorge Road); and
- Queenstown Country Club.

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. However, it is noted that these are all subject to resource consent applications (with the

exception of Bridesdale, which has already been consented), which may impact on the overall yield for each of the sites.

- 38 The Bridesdale SHA resource consent has contributed significantly to the Year 2 targets of the Accord and approved an additional 134 residential sections.
- 39 Resource consent applications have been received for all the SHAs. It is noted that to date only one resource consent application has been received for the Business Mixed Use Zone (Gorge Road) SHA, where there is potential for considerably more.

Proposed District Plan Review and Wakatipu Basin Land Use Planning Study

- 40 On 26 August 2015 the Council notified the first stage of the PDP as part of its review of the Operative District Plan (**ODP**).
- 41 Hearings commenced in March 2016 and upon completion of the hearing of submissions on the Strategic Direction, Landscape, Urban Development and Rural Zone chapters, the Hearing Panel issued a memorandum on 1 July 2016 which stated:

“...that continuation of the fully discretionary development regime of the Rural General Zone of the ODP, as proposed by the PDP, was unlikely to achieve the Strategic Direction of the PDP in the Wakatipu Basin over the life of the PDP. We are concerned that, without careful assessment, further development within the Wakatipu Basin has the potential to cumulatively and irreversibly damage the character and amenity values which attracts residents and other activities to the area.

In addition, we consider there is some merit in the proposition that the rural character and amenity values of the Wakatipu Basin do not derive predominantly from farming and agricultural practices.”

- 42 The Hearing Panel considered that an additional study of the Wakatipu Basin was required and the Council has agreed to undertake such a study. In its memorandum, the Panel's preliminary view was that a detailed study was required so as to:
- a. Identify the environmental characteristics and amenity values of the area that should be maintained and enhanced, noting that these will vary across the Wakatipu Basin floor;
 - b. Identify those areas able to absorb development without adversely affecting the values derived in (a) and without adversely affecting the values associated with the surrounding Outstanding Natural Landscapes and Outstanding Natural Features;
 - c. Identify those areas that are unable to absorb such development;
 - d. Determine whether, given the residual development already consented, there is any capacity for further development in the Wakatipu Basin

floor and, if there is, where it should be located and what form it should take.

- 43 The Council has also requested that the Wakatipu Basin Land Use Study (**WBLUS**) identify other constraints and opportunities to land use planning in the Wakatipu Basin including hazards, transportation and infrastructure. This study is currently out for tender and will inform the re-zonings of the PDP, which will commence in April 2017.
- 44 This study will identify and consider the residual development already consented and approved SHAs, the capacity of the Wakatipu Basin to accommodate further development and the nature and type of any such development.
- 45 It will also identify any other important planning opportunities and constraints including but not limited to transportation, walking and cycle trails, water, waste water and stormwater management and any environmental constraints such as natural hazards that should be taken into account when considering the future capacity of the Wakatipu Basin to absorb further development.
- 46 The results of this investigation will be used to assist the Council in determining how it might address the matters raised by the Hearings Panel and submissions on the PDP. The Council will also recommend resource management methods to appropriately manage the character and amenity values of the Wakatipu Basin to achieve the strategic direction of the PDP.
- 47 Project delivery is in January 2017. Ideally, the study would be used as a strategic driver to guide changes in the Lead Policy, but if it is considered too long to delay, its early findings would still help give the lead policy stronger strategic direction.

Ladies Mile Masterplan

- 48 In relation to the Queenstown Country Club SHA on Ladies Mile, Full Council resolved on 26 May 2016 to:
 4. *Recognise the consequences should this development proceed [which is detailed in Paragraphs 90, 98, 99, 105, 106 and 119 of the report] which includes setting a precedent for future development on this portion of Ladies Mile Highway.*
 5. *Instruct Council officers to report back to Council on issues and options to master plan the development of the Ladies Mile area including a potential variation to the Proposed District Plan.*
- 49 The undeveloped parts of the Ladies Mile are held in multiple ownerships. It is acknowledged that it is very unlikely that a single developer will look at the overall area in any development.

50 The Council and the New Zealand Transport Agency (**NZTA**) have been involved in preparing the Ladies Mile masterplan, which is very high level and in the early stages of development. Key points of the proposed masterplan are:

- A limited number of defined vehicle access points to the State Highway;
- Provision of underpasses;
- A series of internal spine roads;
- Connecting trails to the state highway and to existing trails;
- A setback from SH6 and the limitation of heights;
- Proposed Medium Density Residential zoning);
- The provision of Local Shopping Centre zoning; and
- Integrated parks and reserves.

51 With regard to infrastructure, Holmes Consulting Group has been engaged to advise, in association with the Council's engineers, on servicing of the whole Ladies Mile area for three waters. The report will identify the required infrastructure upgrades and indicative costs. This report is due by the end of October.

52 As one SHA has already been approved on Ladies Mile (the Queenstown Country Club) and Council knows that other landowners are interested in progressing SHAs here, it is considered that this study should be used to inform the Lead Policy review.

Summary

53 In summary, the Council has to date substantially met the targets of the Housing Accord and is progressing seven SHAs, which have all been approved by the Minister.

54 The Bridesdale resource consent is moving along quickly with titles forecast to be issued early next year. Resource consents have been submitted for all other SHAs and these are currently being processed by the Council.

55 The Lead Policy has served this Council well for the initial stages of the HASHAA. The Amendment Act provides an opportunity to review the process and to strengthen the Lead Policy, and 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 effects.

56 The Council may also want to explore whether or not areas outside of the Wakatipu Basin, such as Wanaka, are included.

57 The PDP, WBLUS and the Ladies Mile masterplan will help identify areas that could best absorb further development in terms of landscape impact and infrastructural efficiency and costs. There is opportunity to better align the location of SHAs with the strategic direction of the PDP and achieve better outcomes in terms of the provision of affordable community housing, including the further investigation of a retention mechanism for affordable housing.

58 Bearing in mind HASHAAs three year extension, these processes and studies should not unnecessarily hold up the processing of EOIs, as the purpose of the HASHAA will need to be at the forefront of Council's decision making.

Options

59 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:

60 Option 1 Recommend the new Council review the Lead Policy and cease the acceptance of EOIs until a determination has been made on this.

Advantages:

61 Allows the new Council the opportunity to determine whether or not it wishes to review the Lead Policy, with the aim of achieving better outcomes for the Queenstown Lake District community.

62 Provides clarity to the community that the process for considering EOIs could potentially change and is under review, and that any new EOIs being developed are at the developer's own risk if different criteria or processes are instituted.

63 Provides an opportunity for the processing of EOIs and SHAs to better align with the provisions of the PDP, and the findings of the WBLUS and the Ladies Mile masterplan.

64 Provides an opportunity for the Council to better achieve the housing targets set in the Accord.

65 Enables the Council to review the mechanism for the supply and retention of affordable and community housing.

Disadvantages:

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

67 A delay in the receipt of EOIs while the review is being undertaken could result in a delay of the number of SHAs processed in the short term.

68 Option 2 – Retain the status quo

Advantages:

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

Disadvantages:

70 The opportunity to review the Lead Policy, to reflect the lessons learnt from the first two years of the HASHAA would be lost, until the newly elected Council meet in late 2016, meaning EOIs would continue to be processed without this benefit.

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

72 The processing of SHAs may be at odds with the strategic direction of the PDP and the strategic drivers that the WBLUS and the Ladies Mile Masterplan would identify.

73 This report recommends **Option 1** for addressing the matter for the reasons detailed in paragraphs 61 to 65.

Significance and Engagement

74 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

75 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 review is not undertaken as efficiently as possible this process will be deemed to be inconsistent with the HASHAA.

76 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 housing provision.

Financial Implications

77 The review of the Lead Policy will result in additional officer time, including input from the Planning and Development, Property and Infrastructure and Legal teams. The findings of the review will also be workshopped with Councillors.

Council Policies, Strategies and Bylaws

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

- Lead Policy, which provides guidance for Council's assessment of SHAs.
- The Queenstown-Lakes District Housing Accord.
- 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.

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

80 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

81 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

82 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.

83 The Council has not undertaken consultation or engagement with the community regarding the potential review of the Lead Policy.

Legal Considerations and Statutory Responsibilities

84 HASHAA is the relevant statute with its purpose detailed in paragraph 4 of this report.

- 85 The Council may consider that reviewing the lead policy supports the purpose of HASHAA as it is likely to lead to better housing outcomes by facilitating an increase in the supply of land for housing.
- 86 Taking into consideration the lessons learnt through the initial stages of the HASHAA, this report recommends the Lead Policy be reviewed.

Attachments

- A The Accord