

**QLDC Council
23 June 2017**

Report for Agenda Item: 4

Department: Planning & Development

Title: Updated Queenstown Lakes District Housing Accord

Purpose

The purpose of this report is to enable the Queenstown Lakes District Housing Accord (“**the Accord**”) to be updated in collaboration with the Minister of Construction and Housing. The original Accord was signed on the 23 October 2014, with the targets being recently updated in August 2016. The updated Accord includes new targets that relate to the entire Queenstown Lakes District.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Approve and Adopt** the updated Queenstown Lakes District Housing Accord, including the updated targets;
3. **Note** the updated targets apply to the entire Queenstown Lakes District; and
4. **Delegate** that the Mayor and Chief Executive refine and finalise the Queenstown Lakes District Housing Accord in conjunction with the Minister of Building and Construction.

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Background

- 1 The original Queenstown-Lakes District Housing Accord (“**the original 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.
- 2 The Council and the Government both agree that joint action is needed to improve the supply of housing supply and affordability in this District. The Accord provides a basis of collaboration between both parties, who have sought to work collaboratively to focus on the unique housing issues that Queenstown faces.
- 3 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.
- 4 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.
- 5 The housing targets were set following extensive analysis of the supply and demand characteristics of the local housing market and discussions with staff of Ministry of Business, Innovation and Employment (“**MBIE**”). The targets were developed having regard to:
 - Recent historical data for building and resource consent approvals.
 - Resourcing capacity of Council as regulatory authority
 - Capacity of the development sector
 - An assessment of population projections and housing demand (for both permanent and second homes)
- 6 The results of the monitoring reports showed that Council was significantly meeting its targets. For example, the first six months of Year 2 of the Accord, the adjusted number of new sections and dwellings consented was 399, which was 88% of the original Year 2 targets. This was substantially higher than the five year historical average of approximately 275 sections and dwellings consented per year.
- 7 The original 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 could be attributed to several factors including the boom in development and construction activity following the global financial crisis.

- 8 As a result, the Minister and the Mayor agreed to review the targets to set more ambitious targets that are more in line with the current construction boom and the high growth rates that Queenstown is experiencing. In August last year the Minister and Mayor amended the targets to be as per the below:

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	741	317 (at the 30 April 2017)

- 9 The Council has to monitor its tracking against the targets every 6 months, in October and April every year. The monitoring reports for Year 2 and the first half of Year 3 are contained in **Attachment A**. The Monitoring reports show that the Council has met its Year 2 targets and is on track to meeting the Year 3 targets.
- 10 The Minister and the Mayor met on the 16 May 2017 and agreed to review the contents of the Accord and set new targets that apply to the entire Queenstown Lakes District, as opposed to just the Wakatipu Basin only.
- 11 This report summarises the findings of the review of both the Accord and the targets. It also provides an analysis of the updated targets that were supplied by MBIE and discussed with the Minister.

Comment

Updated draft Accord

- 12 The proposed updated Housing Accord has been discussed with MBIE and Council staff. Essentially MBIE have agreed to the majority of amendments that have been promoted by Council staff. A copy of the draft updated Accord is contained in **Attachment B**.
- 13 The key changes to the Accord are as follows:
- It relates to the entire District (as opposed to a concentration on the Wakatipu Basin);
 - Emphasis on an increase of both land and housing supply, as opposed to housing supply only;
 - The format has been changed so that it is clear what the purpose of the Accord is;
 - The background data has been updated and tourism/visitor accommodation has been included as a competing factor;
 - The Queenstown Lakes Community Housing Trust has been added in as an agency the Council works collaboratively with;

- Date for monitoring targets is Jan to Dec (as opposed to Oct to Oct). This is more in line with the other monitoring that Council undertakes; and
- A point regarding surplus Council and Crown land that may be used to facilitate residential housing has also been included.

Analysis of resource and building consent data

14 A review of the past five years of resource and building consent data has taken place. The aim of this review was to set more ambitious targets for the Accord that are applicable to the entire District, which are more in line with the current construction boom and the high population growth rates that the District is experiencing.

15 Table One below provides a summary of the new lots and building consents approved from 2012 to 2016. The building consent numbers have been adjusted to remove any double ups (i.e. new section and new dwelling only one has been counted in the figures). This is inline with how the targets are monitored in the original Accord.

Table One: New Sections and Building Consents from 2012 to 2016

Year	Subdivision (New Lots)	Building Consents Adjusted	Total
2012	118	335 (365)	453
2013	354	409 (446)	763
2014	445	436 (597)	881
2015	373	452 (799)	825
2016	986	524 (890)	1510

16 The total number of dwelling and sections consented from 2012 to 2016 is highlighted in Figure One below (this does not remove double ups):

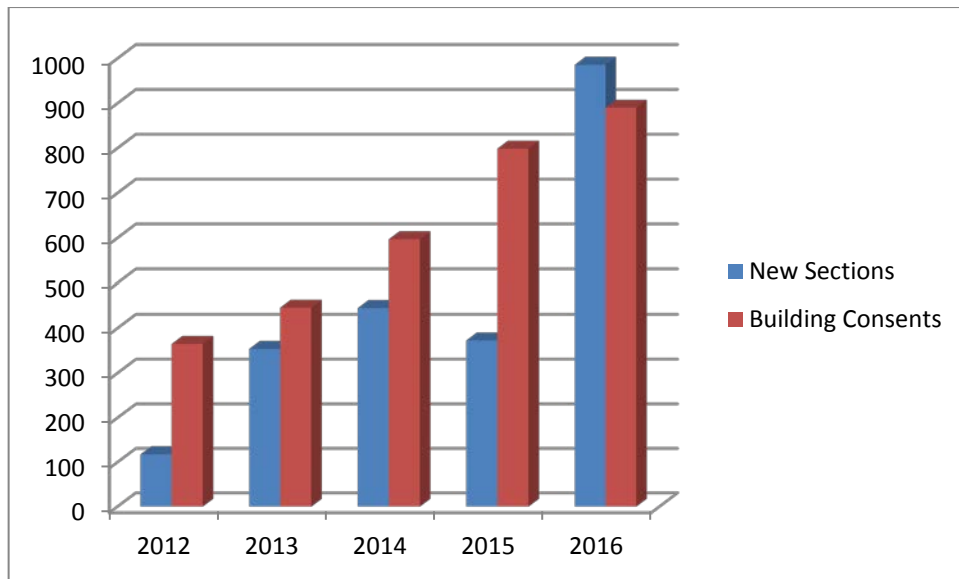


Figure One – Total number of dwellings and sections consented from 2012 to 2016

- 17 This shows a significant increase in both building consents and new sections from 2012 to 2016. The data also shows that there was a considerable increase in building consents issued and new sections approved in 2016, which was almost double that of the previous year. This increase in figures can be attributed to a number of factors including the release of the Bridesdale resource consent decision, multiple Shotover Country consents and Wanaka developments including Three Parks and Northlake.
- 18 Council have discussed the 2016 figures with MBIE and have argued that the high consent rates of 2016 were an anomaly and preference was to review the previous five years and use these trends to set new targets. However, a review of current building and resource consents suggests the Council will continue to process a high number of consents in the foreseeable future.
- 19 An analysis of the historic data was the starting point for discussions with MBIE.

Analysis of updated targets and background data

- 20 The District is one of the fastest growth areas in New Zealand in relation to the percentage increase in population growth and has also become one of the least affordable in terms of the cost of housing.
- 21 In August 2016 the Council contracted Rationale Ltd to produce fine grain population growth and visitor growth projections for the next 40 years (to 2058) to use for its 10 Year Long Term Plan, 30 Year Infrastructure Strategy and other strategic. These projections forecast a higher growth rate than what has ever been previously forecast. Updated information from MBIE also indicates much greater visitor numbers than previously projected.
- 22 These updated projections are showing a district wide population growth of 2.6% per annum increase to 2028 (representing a possible increase in population in 2015 from 32,410 to approximately 66,355 in 2048). Current vs

additional dwellings needed across the district to 2048 are illustrated in Table Two below:

Table Two: Current and existing dwellings needed by 2048

	Wakatipu	Wanaka	Total
Current Dwellings	10,631	6,412	17,043
Projected Additional Dwellings Needed	9,630	4,922	14,552
% Increase	91%	77%	85%

- 23 These projections are indicating that the District will double in size within the next 30 years. This equates to approximately 500 new dwellings per year district wide. In light of the above, the District has been defined as a 'high growth area; within the National Policy Statement for Urban Development Capacity.
- 24 Increases in both the holiday home market and tourism have an impact upon the PDP's capacity to cater for the District's usually resident population. This is through properties either remaining empty for the majority of the year or being utilised for visitor accommodation purposes rather than for residential activity, including the growing online house rental market through websites such as BookaBach and AirBnB.
- 25 In terms, of future residential growth across the District there are a number of areas zoned in the Wakatipu Basin for residential growth including Jacks Point, Frankton Flats, Kelvin Heights and Frankton. In addition, there are 7 approved Special Housing Areas, which contribute approx. 885 new residential dwellings (It is noted that the approved resource consent within the Business Mixed Use Zone has not been counted towards these figures). In Wanaka residential development rates continue to grow with high volumes of consents being issued from Northlake, Three Parks and zoned residential sites. These developments are likely to impact on the Years 1 and 3 targets of the updated Accord. While approved Special Housing Areas are likely to contribute to Years 1 to 3 of the updated Accord.
- 26 It is acknowledged that not all land owners are willing or able to develop their land in accordance with the zoning of the Operative District Plan and as a result land banking is a significant issue for our District, but more so in the Wakatipu Basin. Pre-application discussions with some developers have indicated that some of these areas are proposed to be developed in the foreseeable future.
- 27 Therefore, taking into consideration all of the data (including the higher rates of population growth, historical data, projections from the approved SHAs and proposed residential developments in the Wakatipu Basin and Wanaka), it is considered that the targets should be the range recommended by the Council

being 1100 to 1200 for Year 1, 1200 to 1300 for Year 2 and 1300 to 1400 for Year 3.

28 In addition, similarly to the original Accord the following clause has been included in the updated Accord:

The section and building consents are based on current market conditions (ie experience over the past 12 months) remaining similar over the three years to 31 December 2019. Should there be a change in the market conditions or other relevant factors, these targets may be reviewed and new targets agreed between the Government and the Council.

29 This gives the Council the flexibility to review the targets in consultation with the Minister if the market conditions dramatically change.

Initial targets suggested by MBIE

30 As a starting point for discussions MBIE suggested the targets be updated to the below:

Year 1 – Jan-Dec 2017	Year 2 – Jan-Dec 2018	Year 3 – Jan-Dec 2019
1300 (MBIE suggested targets) (1100-1200) (QLDC suggested targets)	1400 (MBIE suggested targets) (1200-1300)(QLDC suggested targets)	1500 (MBIE suggested targets) (1300-1400)(QLDC suggested targets)

31 At the Steering Group Meeting that took place on the 16 May 2017 the Minister agreed with the targets that were suggested by Council staff. It was noted at this meeting that these needed to be agreed by Full Council.

Options

Option 1: The Mayor and the Chief Executive negotiate and agree the updated Accord, including updated targets with the Minister.

Advantages:

32 Allows Council to put forward its views and negotiate the amended Accord and targets.

33 Allows Council to critically analyse the amended targets promoted by the Minister.

34 Supports the aims of the Accord by promoting the collaboration between the Government and the Council.

35 Promotes the increase in supply of land and houses across the District.

Disadvantages:

36 Time and resourcing required by Council to negotiate the amended Accord and targets.

Option 2 – Retain the status quo

Advantages:

37 Avoids further time and resources required to negotiate the amended targets.

Disadvantages:

38 Council would forgo the opportunity for the Accord to relate to the whole District.

39 Not changing the Accord and collaborating with the Minister would be inconsistent with the existing Accord.

40 Council would forgo the opportunity to work collaboratively with the Minister.

41 This report recommends **Option 1**.

Significance and Engagement

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

- a. the potential risks to the environment, landscape and social, economic and cultural wellbeing
- b. the importance of growth management approaches to the community
- c. the financial implications associated with meeting the targets, and processes of the Financial Strategy, Ten Year Plan and Annual Plan.

Risk

43 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. This matter relates to this risk because the Accord will have an influence on future planning processes under both the Operative and Proposed District Plans, in addition to affecting processes of the 10 Year Plan and Asset Management Plans. There is some social risk relating to the economic and social consequences of not meeting development needs, which includes housing provision.

Financial Implications

44 There are no direct financial implications resulting from the proposal.

Council Policies, Strategies and Bylaws

45 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.

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

47 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

48 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

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

- residents/ratepayers of the Queenstown Lakes district community;
- the business, investment and tourism sectors located within and outside of the district;
- infrastructure providers; and

- Government.

50 The Council has not undertaken any consultation or engagement with the community. The updated Accord is based on discussions with MBIE a review of existing data and forecasted growth across the entire District.

Legal Considerations and Statutory Responsibilities

51 The review of the Accord and setting of updated targets in collaboration with the Minister is in accordance with the requirements agreed within the original Accord.

Attachments

- A Joint Monitoring Reports
- B Draft Updated Queenstown Lakes District Housing Accord