

QLDC Council
28 September 2017

Report for Agenda Item: 1

Department: Planning & Development

Inclusion of Wanaka within the Housing Accords and Special Housing Areas Act 2013 Implementation Guidelines (Lead Policy)

Purpose

The purpose of this report is to recommend including the Proposed District Plan residential zoned areas of Wanaka, being the High Density Residential, Medium Density Residential, Low Density Residential, Large Lot Residential and Business Mixed Use Zones in Category 2 of the Housing Accords and Special Housing Areas Act Implementation Guidelines (Lead Policy) and make subsequent changes to this policy.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Include** Wanaka residential zoned land within the Proposed District Plan, being the proposed High, Medium and Low Density Residential, Large Lot Residential and the Business Mixed Use Zones within Category 2 of the Lead Policy (as shown in **Attachment A**);
3. **Approve** the amendments to the Housing Accords and Special Housing Areas Act 2013 Implementation Policy (Lead Policy), as amended at the meeting; and
4. **Agree** that Expression of Interests can now be accepted and processed by the Council only for Category 1 and 2 land that is consistent with the amended Lead Policy.

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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**). This was subsequently updated and amended on 12 July 2017. The updated Accord makes it clear that it relates to the entire District as opposed to a concentration on the Wakatipu Basin only.
- 3 The intention of the Accord is to increase land and 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 the 30 October 2014, as part of this process clarification was also sought regarding community engagement on Expression of Interests (**EOIs**) received. The Lead Policy is seen as an evolving document and was last updated on the 24 November 2016.
- 5 In total eight SHAs have been approved by the Minister. These SHAs would deliver a potential yield of approximately 1030 residential units, thus contributing significantly to the Council's obligations under the Housing Accord. It is noted that the Business Mixed Use SHA is currently the only live SHA. All the other SHAs are consented under and construction, and have been disestablished in accordance with the HASHAA. It is noted that to date all the SHAs have been established in Queenstown only.
- 6 This report is in response to the Council resolution on the 24 November 2016 to:
 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.
- 7 This report recommends that Wanaka residential sites of the Proposed District Plan (PDP) be included in Category 2 of the Lead Policy.

Comment

- 8 It is estimated over the past 15 years residential housing demand rose by nearly 7,000 homes across the entire Queenstown Lakes District, while the corresponding supply fell short by over 1,000 dwellings. This latent demand is

currently playing its role in the ongoing and increasing pressure on housing prices and affordability across the entire district.

- 9 Housing affordability and accommodation options for shorter term/seasonal workers and permanent residents/families is a significant issue for the entire district. While, the housing issues are slightly different in Wanaka it is understood there is a real shortage of rental and workers accommodation and smaller more “affordable homes”. Wanaka similar, to Queenstown has its own unique factors that are contributing to the decreased affordability that exists throughout the district. These are discussed further below.
- 10 A significant unique factor in relation to the district and Wanaka is the level of unoccupied dwellings, which absorb considerable levels of residential land for temporary non residents. In 2015 this was approximately 33%, which is a third of the Wanaka ward housing stock.
- 11 The Wanaka ward makes up approximately 38% of the district’s dwellings, with 6,400 in 2015. This is predicted to rise by over 11,300 in 2048, which equates to an additional 5,000 dwellings required over this time period. Essentially the number of dwellings required will be just under double the existing housing stock. An increasing proportion of this demand will be required in the lower price and income brackets.
- 12 The dwelling capacity model work undertaken for the PDP review confirms that there is more than sufficient capacity within the PDP zoned areas in 2048. The estimated ‘realisable’ (residential development that is likely to take place once various factors such as the market, topography, hazards etc have been taken into consideration) capacity for Wanaka within the Urban Growth Boundary was approximately 5,239 dwellings. It is noted that a significant portion of the capacity is tied up in the Northlake and Three Parks Special Zones, which account for approximately 44% of this capacity.
- 13 The dwelling capacity model also highlights that there is only approximately realisable capacity for 522 homes in the Medium and High Residential Density and Business Mixed Use zones of the PDP in Wanaka (excluding the Special Zones which are typically supplying more low density sites).
- 14 The difficulty with the PDP process is that some of the areas that have been residentially up zoned may not become operative for a number of years. Decisions for the Residential Zones, Business Mixed Use Zone and Upper Clutha mapping are due to be released in the first quarter of 2018, but are likely to be delayed being operative due to appeals in the Environment Court.
- 15 The SHA process provides an opportunity to get more medium/high density residential developments in appropriate locations at a much quicker rate than via the PDP. The other advantage to SHAs is that they can potentially target specific markets and presents developers/landowners with the opportunity to provide a mechanism that addresses both speculation and affordability. Discussions with the Queenstown Lakes Community Housing Trust have confirmed there is a high demand for affordable housing in Wanaka.

The Lead Policy and Wanaka

16 The Lead Policy provides three categories for the consideration of EOIs. These area as follows:

- a. Category 1 – Areas suitable for establishment of SHAs.
- b. Category 2 – Areas that may be suitable for the establishment of Special Housing Areas.
- c. Category 3 – Areas unsuitable due to their sensitivity or inappropriate location for residential development

17 It is considered more appropriate for the Wanaka residential zoned sites of the PDP to be included within Category 2 of the Lead Policy. While it is acknowledged that there are housing issues within Wanaka these are different frp, those that exist in Queenstown. Any proposals for SHAs in Wanaka will need to address the specific housing affordability issues that exist in Wanaka.

18 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 SHA.

19 Conferring SHA status for certain zones only enables the potential for development. SHA status, in itself, does not guarantee applications for qualifying developments will be approved, and planning matters (including UGBs, character / amenity and landscape issues) are a relevant and explicit consideration at the resource consent application stage as third, fourth and fifth tier considerations under HASHAA.

20 It is considered that the proposal to include Wanaka residential sites in Category 2 is generally consistent with the objectives and policies of the PDP. In particular it will promote compact and integrated urban form and Wanaka's rural landscapes will continue to be protected from sporadic and sprawling development. All the areas that are proposed to be included within Category 2 are located within the proposed Urban Growth Boundary of the PDP.

21 In summary, the proposal is considered to be generally aligned with the PDP. Noting that a detailed assessment will take place following the receipt of an EOI.

Other Proposed Amendments to the Lead Policy

22 It is also recommended that the Lead Policy be amended so that EOIs can be received for Category 1 and 2 areas only. This is to ensure that any SHAs align with the Strategic Direction of the PDP, and / or any other strategic studies that the Council have undertaken, for example the Wakatipu Basin Variation. As a result, it is recommended that the following paragraph be deleted from the Lead Policy (Section 3(1)):

The Council is not precluded from considering EOIs outside of these categories for the establishment of special housing areas. However, Criterion

2 – Strategic direction (below) will be stringently applied to the effect that successful EOIs will be exceptional cases.

- 23 This will provide guidance on areas that are potentially suitable or SHAs or may be suitable for SHAs, but more detailed work and investigation is required. The Council resolution of the 24 November 2016 has restricted the receipt of EOIs to be Category 1 areas only. As a result, the change to the Lead Policy represents the current process Council is following for the processing of EOIs and enables Category 2 areas to also be considered.
- 24 The only downside is that other potentially suitable sites maybe identified by developers/developers but it could only be added to the Lead Policy via an agenda item.
- 25 Another change that is recommended is that the “Community Housing Contribution” be changed to “Affordable Housing Contribution”. This is because the contribution being made from developers/landowners will go towards the provision of affordable housing across the District.
- 26 It is recommended that the affordable housing contribution guidance be amended to the following:

The Council will engage with landowners and developers and the Queenstown Lakes Community Housing Trust (or other suitable affordable housing provider) to identify and make contractual arrangements for an appropriate affordable housing contribution. As guidance, the Council considers at least 5% of the residential component of the development by developed market value or by area (depending on the nature of the development) is identified for affordable housing.

This is change provides more clarity regarding the affordable housing contribution discussions, which can be agreed as part of the Deed negotiation process.

- 27 It is recommended that another minor amendment be made at 3.6 of the Lead Policy, which clarifies feedback will be sought on all expressions of interests, as opposed to proposed special housing areas.
- 28 The proposed changes are tracked in the document contained in **Attachment A**.

Options

- 29 Option 1 Amend the Lead Policy to include the Wanaka residential zoned sites of the Proposed District Plan (being the Low, Medium and High Density Residential, Large Lot Residential and Business Mixed Use Zones) in Category 2 of the Lead Policy. Accepting the changes for acceptance of EOIs to Categories 1 and 2 only, and the receipt of the affordable housing contribution being made directly to Council.

Advantages:

- 30 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.
- 31 Allows the Lead Policy to better align with the Strategic Direction of the Proposed District Plan.
- 32 Helps contribute to the purpose of HASHAA, advancing the principles and priority actions in the Housing Accord, and in particular helps the Council achieve the housing targets in the Housing Accord by increasing the supply of land and housing across the entire District.
- 33 Provides a platform for a range of housing options to be developed across the Queenstown Lakes District Council, including medium and high density sections;
- 34 Has the potential to contribute to affordable housing in Wanaka via a requirement for a contribution to affordable housing. It will ensure that a consistent contribution is received from all SHAs, in line with the requirements of the Lead Policy.
- 35 Provides the Council with the opportunity to require mechanisms for the supply and retention of affordable and community housing across the entire District.
- 36 Enables applications for EOIs to be received for Category 2 areas in Wanaka.
- 37 Represents the current procedure for processing EOIs.

Disadvantages:

- 38 Limits areas for EOIs to Category 1 and 2 land, which is linked to the Proposed District Plan and other strategic studies undertaken by Council. This change has the potential to result in some delays to receiving EOIs.
 - 39 Perceived tightening of the location criteria by only accepting Category 1 and 2 sites for consideration.
- 40 Option 2 Retain Status Quo – do not amend the Lead Policy.

Advantages:

- 41 Avoids further time and resources required to update the Lead Policy.

Disadvantages:

- 42 Would temporarily forgo the opportunity for SHAs to be considered in Wanaka, which could impact on the Council's ability to meet its commitments under the Housing Accord.

- 43 Would forgo the short and long term social, and economic benefits offered by the proposal (outlined above).
- 44 This report recommends **Option 1** for addressing the matter because the revised Lead Policy is consistent with the Housing Accord and provides further direction on areas that maybe suitable for the establishment of SHAs.

Significance and Engagement

- 45 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because:
- a. Importance: The supply of land and housing (including affordable housing) is a District wide issue.
 - b. Interest: For the reasons above the matter is of high interest to the community.
 - c. Existing Policy and Strategy: The proposal is not consistent with the Operative District Plan, but could result in development that is more consistent with the direction of the PDP. The proposal is considered to be generally consistent with Wanaka 2020 and Structure Plan 2007, and is consistent with the Housing Accord. The Lead Policy also anticipates areas being added into Category 2.
 - d. Capability and Capacity: The key issue relating to the assessment of subsequent EOIs is the demonstration that a site can be adequately serviced in terms of water, waste water, storm water and access. This will be the responsibility of the landowner to provide this evidence.

Risk

- 46 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.
- 47 This matter relates to this risk because the supply of housing is central to the current and future development needs of the community.

Financial Implications

- 48 Under the HASHAA, developers are required to provide the necessary infrastructure to service their developments. Council negotiates Stakeholder Deeds to ensure the necessary infrastructure is provided. The processing of EOIs will result in additional officer time and input from various departments including; Planning and Development, Property and Infrastructure and Legal Teams. However, as per 24 November 2016 Council resolution all Council staff time is cost recoverable.

Council Policies, Strategies and Bylaws

- 49 The following Council policies, strategies and bylaws were considered:

- a. The Operative District Plan
- b. The Proposed District Plan
- c. Wanaka 2020 and Structure Plan 2007
- d. Long Term Plan
- e. Queenstown Lakes District Housing Accord
- f. Lead Policy for SHAs
- g. Housing Our People in our Environment Strategy, which is relevant as it seeks to address the housing affordability issue in the District.
- h. Economic Development Strategy, a key action of which is to “investigate all options for improving housing affordability in the District”.

2017/2018 Annual Plan, within which a number of Community Outcomes that are relevant as they relate to the economy, and the natural and built environment.

- 50 The recommended option is considered generally consistent with the majority of the above documents. In particular, the proposal is considered consistent with the Housing Accord and the Lead Policy envisages areas being added into Category 2. It is considered generally consistent with the PDP. However, the proposal could result in developments that are inconsistent with the Operative District Plan.

Local Government Act 2002 Purpose Provisions

- 51 This item relates to an amendment to the Council’s Lead Policy for Special Housing Areas. The proposed resolution accords with Section 10 of the Local Government Act 2002, in that it fulfils the need for good-quality performance of regulatory functions.

- 52 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 utilising the HASHAA to enable residential development that meets the needs of Wanaka;
- Is generally consistent with the Council's plans and policies; and
- Is unlikely to alter the intended level of infrastructural service provision undertaken by or on behalf of the Council.

Consultation

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

- a. residents/ratepayers of the Queenstown Lakes district community, particularly those who live and/or work in Wanaka;
- b. the business, investment and tourism sectors located within and outside of the district;

- c. infrastructure providers; and
- d. Government.

54 The Council has not undertaken consultation or engagement with the community regarding the amendments to the Lead Policy. HASHAA does not set any statutory responsibilities in terms of consultation on the establishment of SHAs. However, the Council will seek public feedback / comment regarding the establishment of any proposed SHA, which is in accordance with the requirements of the Lead Policy. In addition, should the SHA be established, 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 resource consent process.

Legal Considerations and Statutory Responsibilities

55 HASHAA is the relevant statute with its purpose detailed in paragraph 3 of this report.

56 The Council will need to consider the consistency of any decision to amend the Lead Policy and its decision in July 2015 to notify the PDP. The proposal is considered to be generally consistent with the PDP, and all the areas are located within the Urban Growth Boundary of PDP.

57 The proposal is also considered to be consistent with the Housing Accord and the purpose of the HASHAA.

Attachments

A Updated Lead Policy