

**Plan Change 24**  
**Affordable and Community Housing**

**Section 32 Report**

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For the Queenstown Lakes District Council

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# 1 Background

## 1.1 Introduction

This report has been developed to support the provisions of Proposed Plan Change 24 (the plan change), as required by Section 32 of the Resource Management Act 1991 (the RMA).

The plan change aims to increase the availability of affordable housing within the Queenstown Lakes District (the QLDC area) for future generations. Affordable housing is taken to mean housing where a low or moderate income household spends no more than 30% of gross income on rent or mortgage (principal and interest) repayments.

A lack of affordable housing has been recognised within the QLDC area as a particular issue for at least the past 7 years. The experience of mountain resort towns in other countries indicates that it is not uncommon for resort towns to experience a severe mismatch between the incomes of local households and property prices. Factors that exacerbate housing affordability problems include a service-based economy which is dependent upon many low to moderate income jobs, a small housing market that is bid up by investors, the commercial accommodation sector and the second and holiday home markets, and constraints on land supply (due to the landscape values of the district). The interplay of these factors can be evidenced in the QLDC area, where housing affordability is now worse than places like the Auckland Region.

Over time, based on the experience of other mountain resorts that have seen a decline in housing affordability, it is likely that the QLDC area will see a narrowing of the make up of the community, a reduction in economic growth rates and pressure for urban development in less expensive, but more environmentally damaging locations, within the district.

Recent statistics for the QLDC area from the 2006 census highlight the social effects of a reduction in housing affordability. The statistics show that there has been a reduction in the diversity of the community. In particular, there has been a growth in working households (households formed by couples with both members working) and a decline in households with non-working members. In conjunction with this trend has been an increase in the number of households in higher income brackets.

Table 1 presents data for the Queenstown / Wakatipu area on the changes to the number and share of different types of households between 2001 and 2006.

Table 1 Household Types 2001 - 2006

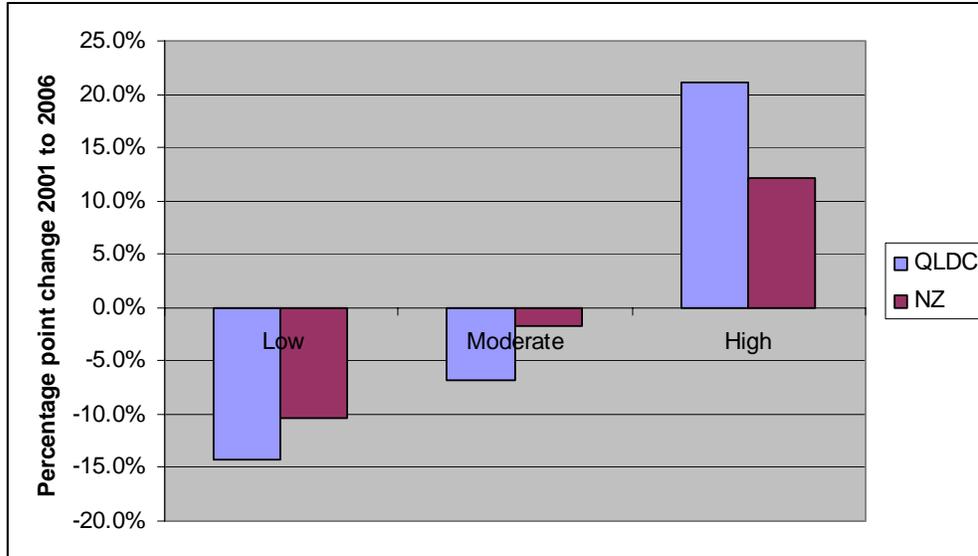
Type of household	Singles	Couples	Families	Other	Total
2001	915	1434	1497	513	4359
2006	1098	2103	1707	624	5532
2001	21%	33%	34%	12%	100%
2006	20%	38%	31%	11%	100%

Source: Statistics NZ 2006

Figure 1 shows the change in the share of households in different income bands for QLDC and NZ, between 2001 and 2006. It can be seen that in comparison to NZ, the share of households in lower income brackets (less than \$50,000 per annum) has fallen much more in QLDC. On the other side of the coin, the number of higher income households (more than \$70,000 per annum) has increased at a much faster rate than NZ. While on one level this trend suggests a more wealthy community, at another level fewer low to moderate

income households in conjunction with a reducing number of families in the district are an indication that the population of the QLDC area is becoming less diverse.

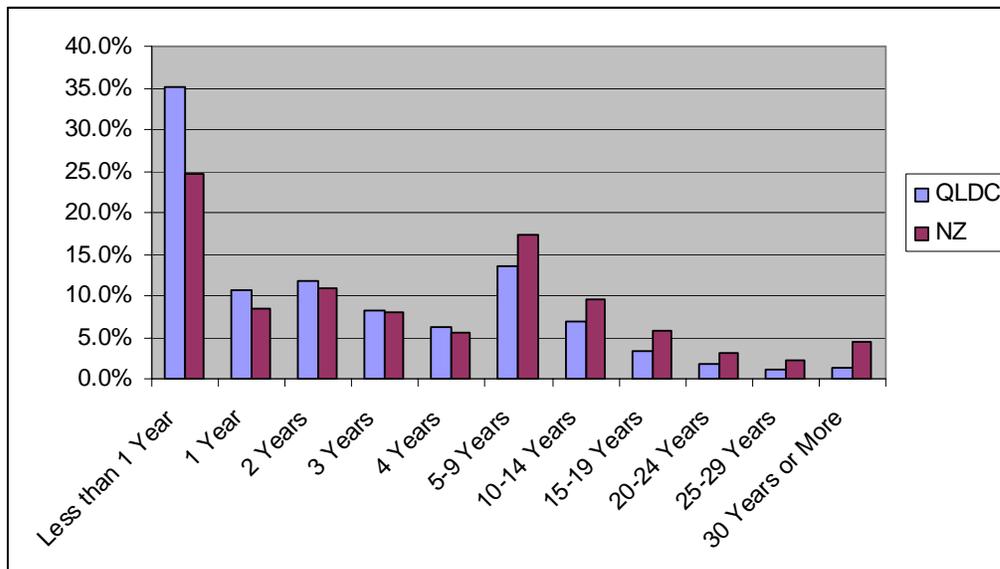
Figure 1 Change in percentage of households in different income bands, QLDC and NZ, 2001 to 2006



Source: Statistics NZ 2006

Coupled with these changes is a higher rate of turn over of the population, compared to elsewhere in NZ. One measure of this turnover is the number of years that people stay at the same residential address, as measured by the census. For 2006, comparing QLDC with NZ as a whole shows a much higher percentage of people staying in the same location for only 1 or 2 years, and a lower percentage of people in the 5 year plus category. This effect is not just related to a fast growing population. It shows a high churn rate in the population.

Figure 2 Years at usual residence for permanent resident population, 2006



Source: Statistics NZ 2006

Recent work on household incomes and housing costs by Rationale Ltd for the QLDC area<sup>1</sup> indicates that up to 30% of households that are likely to be formed in the district between 2006 and 2016 will face some level of housing stress, meaning that their housing costs are likely to exceed 30% of their household income. Between 2006 and 2016, around 1,500 affordable housing units will be needed to address future demand.

Table 2 Demand for Affordable Houses for QLDC area 2006 to 2016

\$ 2006 Income bands	\$20,000 or Less	\$20,001 - \$30,000	\$30,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More	Total
Households spending more than 30% of household income	118	200	363	456	402	16	1,556
Total households	521	558	973	950	976	1,187	5,166
% of total households	22.6%	35.9%	37.3%	48.0%	41.3%	1.3%	30.1%

Source: Rationale Ltd 2007

The above figures take into account:

- Likely increases in incomes, house prices and rents;
- Households who have sufficient income to rent, but not enough to buy a house;
- Households arriving in the district with sufficient capital to buy their own home; and
- Households with sufficient income to be able to purchase their own home.

The percentage of households facing housing stress will continue to rise into the future as in general over the past five years, house prices have grown faster than household incomes. This trend is expected to continue into the future.

The housing needs identified in the above figures are spread across the income bands as well as the range of households within the district. That is, they cover:

- Working and non-working households (e.g. retired)
- Renting and home ownership
- Family and non-family
- Long term and short term residents.

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<sup>1</sup> "Affordable Housing Project – Demand, Allocation and Implementation" Rationale Ltd (September 2007)

The Council's HOPE Strategy (which is discussed in the next Section) recognised that within this wide group of households, there is a need to focus on households that help to sustain the long term social and economic well being of the district. This particularly covers low to moderate income working households who reside permanently in the district and whose long term presence will assist with the move towards a higher skilled workforce involved in higher value activities, and a stronger community through having a more stable resident base.

## 2 Affordable Housing

### 2.1 Affordable Housing Strategy

The Affordable Housing Strategy - "Housing Our People in our Environment" (the HOPE Strategy) - was adopted by the Council in June 2005. The HOPE Strategy seeks to address the problem of a growing lack of affordable housing in the district through a range of mechanisms, including advocacy, financial investment and (regulatory) planning-based actions.

The HOPE Strategy identified a range of local and national-level actions appropriate for the QLDC area that focus on both the supply of housing, as well as actions to support lower income households to access quality housing.

Increasing the supply of housing is an important strand of the HOPE Strategy, as an adequate supply of housing will help to restrain land and house price inflation. However, in the case of the QLDC area, options to increase land supply are not straight forward, due to the high quality landscapes within which the district's settlements sit. An important element of encouraging a greater supply of housing that is more affordable for permanent residents therefore requires managing the pressures on the existing residential land market within settlements, particularly the pressures that are exerted from the strong visitor accommodation, the second and holiday home and the short term rental (seasonal worker) markets. This implies the need for stronger planning controls on how land is allocated for different types of residential and non-residential activities.

In addition to increasing supply, affordable housing strategies also need to look at demand-side measures, and how lower income groups can be assisted into home ownership, and/or cope with high rental costs. Central government has the main role in terms of income assistance for lower income groups and supplies some rental properties in the district, but far less than the demand that exists. Business owners also have a role to play in terms of the wages that are offered to workers, and also in terms of direct assistance with employee housing. These measures, while valuable, are not necessarily aimed at tackling the social and economic issues that the district faces: in particular a high turnover of workers and households, and a narrowing of its social profile.

The HOPE Strategy therefore identified the need for locally-based actions to help secure a supply of affordable housing that could be used to support the long term economic and social well being of the community. In particular, it was identified that there was a need to focus on helping working households on moderate incomes to stay in the district, thereby helping to build a more stable community and a more skilled workforce over time.

An important action to implement the HOPE Strategy has been the establishment of a Community Housing Trust to provide a range of affordable homes (rental and ownership) for residents qualifying under defined eligibility criteria. As a first initiative, the Trust has recently secured \$2m of central government funding to help provide a pilot shared home ownership scheme. This money has been provided by Housing NZ from the Housing Innovation Fund as a grant to the Council.

The quality design and location of affordable housing was identified in the HOPE Strategy as being important. Affordable housing should not be concentrated in one area, and should not be an excuse for poor design.

Retention mechanisms are also important so as to ensure a long-term supply of affordable housing and that public and private investment in affordable housing does not result in a one-off windfall gain to the first

occupiers of the units provided. It is likely that the Community Housing Trust will have an active role in the monitoring and management of affordable housing.

### 2.1.1 Central Government Assistance

The HOPE Strategy recognised that there are a range of mechanisms that currently exist or are in the process of being established to address housing need and affordability issues at a national-level. These measures tend to focus on helping to support demand for quality housing, from lower income groups. The measures include:

- A shared equity scheme is being considered by Housing NZ. This scheme provides for modest income households to be able to buy a house that would normally be out of their reach, particularly in more expensive locations. It works by providing home buyers on modest incomes the difference between the maximum amount they can borrow and the amount they need to buy a house in the region they live. This reduces the size of the required mortgage, therefore reducing repayments.
- Accommodation supplement. This is administered by Work and Income. The Supplement is a non-taxable benefit that provides assistance towards accommodation costs. It is available for both those that are, and are not, receiving a benefit. The accommodation supplement is calculated based on the value of assets, location, number of children, and whether the household rents or pays a mortgage. The maximum entitlement equates to around \$57,000, or roughly 90% of the 2006 Area Median Income for the QLDC area of \$63,800.

Table 3 Accommodation supplement (April 2007)

Status	Maximum weekly income (\$\$ gross)	Maximum Accommodation Supplement (\$ per week)
Single (no kids)	735	100
Single (+1)	1005	100
Single (+2)	946	125
Couple	1106	125
Couple (+ kids)	1165	165

Source: <http://www.workandincome.govt.nz/get-assistance/rates-info.html>

- KiwiSaver. First home buyers can use up to \$5,000 of savings towards a deposit for their first home once they have invested for at least 3 years.
- Housing NZ rental units. Rental properties are made available to qualifying households dependent on income, starting at 25% of net income if people are on an income equivalent to the NZ National Superannuation rate. The rent increases with higher earnings but is capped at the market rent. Housing NZ only has a total of 21 houses in the district.
- Welcome Home Loans are available for people earning less than \$85,000 with a maximum loan of up to \$200,000 with no deposit or \$280,000 with 15% deposit. No homes have been purchased in the QLDC area with this scheme due to the high property values.

At the time of preparing this report, there has also been discussion of a possible Affordable Housing Bill, while a Select Committee has been established to consider affordable housing issues. These initiatives may see some further actions emerge at the national level.

The above measures tend to increase the demand for housing, as they will assist households to seek better quality rental properties, or to move into home ownership. Running alongside these actions, there is therefore a need to look at the extent to which the development sector can supply a range of houses to meet the needs of the households supported by these measures. In addition, the above actions do not necessarily help to retain households in the district.

### 2.1.2 Possible regulatory actions

The planning system (developed under the RMA) has a key role in encouraging or hindering a supply of housing. A range of local actions were identified in the HOPE Strategy, among them the following planning-based actions which sought to promote a supply of housing:

- Introduce the issue of affordable housing into the objectives and policies of the District Plan so that it can become a relevant matter when plan changes/variations are proposed, as well as when resource consent applications are considered, for example in relation to activities that seek to exceed density standards. This is so the impacts of development proposals on affordability, both positive and negative, can be addressed.
- Investigate how to implement a distinction in the District Plan between visitor accommodation areas and higher density residential areas to help provide a stock of more affordable housing for permanent residents and ensure that a clear separation is provided in any new urban zoning, thereby reducing the pressure on the residential land market from the visitor accommodation sector.
- Extend the current assessment criteria for Comprehensive Residential Developments in lower density residential areas to include the provision of affordable housing as a consideration in whether to grant consent to development.
- Investigate the potential for incentives, such as density bonuses for affordable housing, in any proposals for up-zoning and when zoning new urban areas and, if appropriate, including these in the District Plan. Tie the provision of affordable housing to a suitable retention mechanism, and introduce location criteria to ensure affordable housing is located close to jobs, activities and transport.

The HOPE Strategy also noted the need to consider alternative forms of housing for workers, as well as the role that residential flats play in providing a pool of affordable rental units.

The Council is currently considering land supply issues through a number of investigations:

- The Visitor Accommodation and Residential Amenity work is looking at the High Density Residential Zone, and whether there would be benefits from limiting visitor accommodation developments to parts of this zone so as to offer a permanent residential area (and therefore opportunity for high quality, high density residential developments that will be more affordable compared to stand alone dwellings).
- The Frankton Flats development in Queenstown and the Wanaka Structure Plan Review are also addressing land supply issues.

The above actions are focused on the zoning rules that will apply to future development. While they will help to make the residential property market more responsive to the needs of permanent residents (as opposed to commercial and/or investor needs), they are an indirect means of providing affordable housing, and are not by themselves likely to address all of the affordable housing issues facing the district.

The HOPE Strategy advocated that there is a need to secure part of the supply of housing that will be offered in the future, for the long term benefit of the community. In other words there needs to be a direct contribution towards affordable housing from development, particularly from development aimed at the commercial, visitor and second and holiday home sectors. These projects increase demands for lower income jobs and a transient workforce. This contribution can be seen as a form of off-set to the adverse effects such development creates in terms of the long term social wellbeing of the community.

The private sector is responding to the reduction in housing affordability by bringing forward a number of development proposals which partly aim to increase the supply of land and houses, thereby helping to restrain growth in housing process. As a result of these proposals a number of plan changes have been completed (while others are underway) which are bringing into the resource management framework for the district the issue of affordable housing. Alongside these plan changes, Council has been negotiating stakeholder agreements with the parties involved, which seek to secure a supply of affordable housing. These agreements are negotiated on a case-by-case basis and are voluntary.

Whilst it is acknowledged that there needs to be sufficient supply of land, other considerations, including data from Council's Dwelling Capacity Model, indicate that the more effective use of currently zoned land is a more appropriate strategy than adding new undeveloped land outside of existing growth boundaries. It is notable that increasing the zoned availability of residential land does not necessarily transfer into the rapid availability of new housing. Also, much of the new housing coming forward is aimed at the 'high end' of the market, and very little is produced at prices deemed affordable to many residents and workers in the district. Lastly, the Council needs to balance affordability considerations against other aims such as sustainable growth management and landscape protection – there is a risk that over-supplying residential land would compromise these goals (which are supported through the District's Community Outcomes).

The mix of indirect, zoning-based measures to increase the supply of affordable housing into the future, and direct, contribution-based requirements is the focus of Plan Change 24.

### 3 Scope of the Plan Change

This section of the report provides an overview of the proposed plan change, and the analysis undertaken to date. This is to provide a context for subsequent sections of this report which provide greater detail on particular aspects of the proposed plan change.

#### 3.1 Process of Preparing the Plan Change

The plan change is intended to provide a framework within which the Council and land owners and developers can consider issues of affordable housing when proposing plan changes that will rezone land to provide higher development densities (i.e. rural to residential rezoning, as well as the upzoning of existing urban land). This framework will also be used to consider the effects of residential and non-residential development at higher densities than zone standards allow for.

The following points were incorporated into the scope of Plan Change 24, as developed in the preferred direction report (Working Paper One):

- The supply of affordable housing is a relevant resource management issue, and should be addressed in the District Plan
- The increased supply of affordable housing should be included as an objective and policy in the District Plan
- The extent to which developments can increase the supply of affordable housing should be included as assessment criteria.

Plan Change 24 is not limited geographically, and it will apply across the district when land is rezoned for residential and business purposes or existing urban zoned land is up-zoned.

Working Paper One prepared in April 2007 proposed the following objectives and policies. These objectives and policies are developed further in this report. They provide a statement of the intended purpose of the Plan Change.

<b>Objective 2(a) Affordable Housing</b>
Urban growth that contributes to, and helps sustain opportunities for low to moderate income working households to live in the district in proximity to their place of work and community services and activities.
<b>Policies</b>
1. New developments in urban areas (both residential and non-residential) should contribute to the provision of housing for working households on low to moderate incomes. Developments that provide for affordable housing shall not be expected to contribute further on that portion of the development that meets affordability criteria.
2. Particular consideration of the positive social and economic benefits of the provision of affordable housing should be given at the time of:
<ul style="list-style-type: none"><li>• rezoning of land from rural to urban as part of Structure Plan processes (e.g. Wanaka / Frankton</li></ul>

Flats),

- when up-zoning of existing urban land is proposed (such as when new provisions provide for additional residential density, housing or visitor accommodation units, or commercial floorspace)
- when considering discretionary and non-complying resource consents that seek to exceed normal density, floorspace or unit standards.

3. Contributions should be determined at a rate that takes into account:

- the direct, permanent employment demands that the development generates,
- the income profile of the employment generated, and the proportion of low to moderate income jobs,
- the number and type of affordable housing units required to meet the housing needs of these workers, taking into account the supply of, and demand for, housing units that will be able to be accessed by low to moderate income working households within the area of the development, and
- the range of methods that will be used to support the supply of affordable housing, including actions to increase land supply, support a range of housing choices and direct financial investments by public agencies like Central Government and the Housing Trust.

Note: to assist in the interpretation of these policies, the Council will produce, on a five yearly basis, a housing needs assessment that considers demand and supply factors, and the different methods to be used to address supply issues.

4. The value of the contribution, that is the rate at which the affordable housing units are to be offered for sale (affordable sale value), should reflect the income of working households in the district, with the sale value no more than 3 to 4 times the annual median income of the district.

5. Contributions may be in the form of money, land, units, or a mix of these. There is a preference for units within a development site, or in close proximity to it to be provided, with a monetary contribution only where the development is small in scale, or there would be an over concentration of affordable housing units within a particular area.

6. Affordable housing should be located within the confines of the urban settlements in the district, within walking distance of shops, community services and transport routes, be of a range of sizes (number of bedrooms) to match predicted housing needs, be constructed so that they are energy efficient and be well designed so that they integrate with surrounding development.

7. A concentration of affordable housing in neighbourhoods shall be avoided, with no more than 30% of households being identified as affordable housing units within any one neighbourhood.

8. Appropriate, long term (no less than 30 years) retention mechanisms shall be provided with any affordable housing, such that the housing remains affordable for subsequent, qualifying working households, and mechanisms should be put in place to ensure appropriate management, monitoring and maintenance of units.

9. Housing types that provide more affordable accommodation, such as residential flats, worker accommodation and intensive housing formats that reduce land costs should be encouraged, provided they

are well designed and appropriately located.

The purpose of this report is to develop these proposed provisions further in terms of section 32 of the RMA to determine the most effective and efficient provisions to achieve the objectives outlined.

### 3.2 Scope of this Analysis

This analysis is conducted to satisfy the requirements of Section 32 of the RMA 1991. Section 32 of the RMA states that an evaluation (including benefits and costs) of proposed provisions must be carried out before adopting any plan change. The evaluation should examine the extent to which each objective is the most appropriate way to achieve the purpose of the RMA; and having regard to their efficiency and effectiveness, whether the proposed policies, rules or other methods are the most appropriate for achieving the objectives.

Section 32(4) directs that for the purposes of this examination an evaluation must take into account:

- (a) the benefits and costs of policies, rules or other methods; and*
- (b) the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the policies, rules or other methods.*

The requirements of the RMA have been summarised by the Environment Court as the “Eldamos Tests”. These are:

- A. An objective in a district plan is to be evaluated by the extent to which:
  - (a) It is the most appropriate way to achieve the purpose of the RMA (s32(3)(a)); and
  - (b) It assists the territorial authority to carry out its functions in order to achieve the purpose of the RMA (s72); and
  - (c) It is in accordance with the provisions of Part 2 (s74(1)).
- B. A policy, rule or other method in a district plan is to be evaluated by whether:
  - (a) It is the most appropriate way to achieve the objectives of the plan (s32 (3) (b)); and
  - (b) It assists the territorial authority to carry out its functions in order to achieve the purpose of the RMA (s72);
  - (c) It is in accordance with the provisions of Part 2 (s74 (1)); and
  - (d) (If a rule) it achieves the objectives and policies of the plan (s76 (1) (b)).

## 4 The Current Situation - Policies

### 4.1 Partially Operative District Plan

The Partially Operative District Plan was prepared in the mid 1990s; a time when growth pressures were evident, but not to the extent and scale experienced over the past five years.

The District Plan is structured around district-wide level objectives and policies, and a range of different land use zones. The following tables discuss the existing objectives and policies of the District Plan, as they relate to the issue of affordable housing.

#### 4.1.1 Section 4: District Wide Issues

This section of the Plan identifies the key resource management issues for the district, and establishes the citywide objectives and policies to address them. Of relevance to the issue of affordable housing are the Urban Growth objectives and policies which address residential activities and compact urban form.

<i>Objectives and Policies</i>	Assessment
<p><i>The principal Urban Growth Issues identified are:</i></p> <ul style="list-style-type: none"> <li>• <i>The lifestyle preferences of the District's present and future population</i></li> <li>• <i>The effects of urban growth on the identity, cohesion and economic and social wellbeing of the existing residential, farming and settlement communities</i></li> <li>• <i>How best to accommodate growth</i></li> <li>• <i>The effect of energy use</i></li> <li>• <i>The effect on access to facilities and services, i.e. health, education and shops</i></li> </ul>	<p>The issues listed do not directly refer to housing affordability problems and the pressures on social well being from a high turn over of households within the district due a lack of such housing.</p>
<p><i>4.9.3 Objective 2 – Existing Urban Areas and Communities</i></p> <p><i>Urban growth which has regard for the built character and amenity values of the existing urban areas and enables people and communities to provide for their social, cultural and economic wellbeing.</i></p> <p><i>Policies</i></p> <p><i>2.1 – To ensure new growth and development in existing urban areas takes place in a manner, form and location which protects or enhances the built character and amenity of the existing residential areas and small townships.</i></p> <p><i>2.2 – To protect the living environments of existing low-density residential areas by limiting higher density development opportunities</i></p>	<p>Affordability issues are only indirectly addressed through the provision of opportunities for people to provide for their economic and social well being.</p> <p>The policies have a focus on the protection of residential amenity.</p>

<i>Objectives and Policies</i>	<i>Assessment</i>
<i>within these areas.</i>	
<p><i>4.9.3 Objective 3 – Residential Growth</i></p> <p><i>Provision for residential growth sufficient to meet the District's needs.</i></p> <p><i>Policies</i></p> <p><i>3.1 – To enable urban consolidation to occur where appropriate.</i></p> <p><i>3.2 – To encourage new urban development, particularly residential and commercial development, in form, character and scale which provides for higher density living environments and is imaginative in terms of urban design and provides for an integration of different activities, e.g. residential, schools, shopping.</i></p>	<p>The promotion of more intensive forms of housing is one way of providing for more affordable housing, but to date, higher density housing opportunities have tended to be taken up by the Visitor Accommodation sector, rather than providing residents with more affordable, high amenity housing.</p>

#### 4.1.2 Section 7: Residential Areas

The objectives and policies in Section 7 relate to land use activities occurring in residential areas identified in the urban parts of the district. These include the low density residential zone, high density residential zone, and provisions relating to more intensive residential housing such as medium density and comprehensive residential development.

<i>Objectives and Policies</i>	<i>Assessment</i>
<p><i>7.1.3 Objective 1 – Availability of Land</i></p> <p><i>Sufficient land to provide for diverse range of residential opportunities for the District's present and future urban populations, subject to the constraints imposed by the natural and physical environment.</i></p> <p><i>Policies</i></p> <p><i>1.1 – To zone sufficient land to satisfy anticipated residential demand</i></p> <p><i>1.2 – To enable new residential areas in the District</i></p> <p><i>1.3 – To promote compact residential development</i></p>	<p>On the face of it, the application of Policy 1.1 should provide for affordable housing (in that sufficient land needs to be zoned to meet demands). The Council's Dwelling Capacity Model demonstrates that a 20 year land supply is available. Therefore, despite such policies, housing has become less affordable over the life span of the current plan.</p>
<p><i>7.1.3 Objective 2 – Residential Form</i></p> <p><i>A compact residential form readily distinguished from the rural environment which promotes the efficient use of existing services and infrastructure.</i></p> <p><i>Policies</i></p> <p><i>2.1 – To contain the outward spread of residential areas and to limit peripheral residential or urban expansion.</i></p> <p><i>2.4 – In new residential areas encourage and provide for development</i></p>	<p>Policy 2.1 has been largely successful, but did not anticipate the need to require affordable housing to occur in planned residential areas.</p>

Objectives and Policies	Assessment
<i>forms which provide for increased residential density and careful use of topography</i>	
<p><i>7.2.3 Objectives and Policies – Queenstown Residential Areas</i></p> <p><i>Objectives</i></p> <p><i>1. Residential development and associated activities at a scale, density and character that enhances the essential elements of the surrounding landscape, lakeshore and the visual outlook from residential buildings.</i></p> <p><i>3. Higher density residential development around the periphery of the town centre of Queenstown and in new areas of residential development outside the main existing residential areas.</i></p> <p><i>Policies</i></p> <p><i>6. To provide for a residential environment which allows a range of housing types, including care of the elderly and dependent relatives.</i></p>	<p>What is identified in Policy 6 is that a range of housing types is sought. Currently this policy recognises the housing needs of elderly and dependent relatives. It would also be relevant to consider the housing needs of other members of the community (such as low to moderate income, working households), and the need to provide housing types to suit the different needs of this group.</p>

#### 4.1.3 Section 15: Subdivision Development

In addition to the density requirements provided in the relevant zone, Section 15 outlines the minimum lot requirements for subdivision. Where the zone standards for minimum lots allowable in particular areas are not achieved, consent is required as a non-complying activity. The objectives and policies for subdivision are primarily concerned with the adequate provision of services.

The following table illustrates the land requirements to provide additional housing in the district. Where significant land area is required for subdivision development, then this has an impact on the efficient use of zoned land and affordability, although it should also be noted that more intensive residential development is provided for through the residential provisions, as discussed above.

Lot Sizes, Averages and Dimensions		
3. Zone Subdivision Standards – Lot Sizes and Dimensions		
(i) Lot Sizes		
Remarkables	Activity Area 1	600
		No minimum in other areas.
LDR	Arthurs Point	800
	Queenstown Heights	1500
	Wanaka	700
	Elsewhere	600
HDR		450
Residential Arrowtown (His)		800
Townships		800 (apart from Makaroa)

#### 4.1.4 Special Zones

A number of special zones are provided for within the district, where land has been generally structure planned to provide additional residential land which does not fit into the standard residential zones. Special zones include Frankton Flats, Cardrona, Remarkables Park, Quail Rise, Penrith Park and Meadow Park. Specific objectives, policies and rules are outlined for these areas reflecting the unique issues and constraints with which they are confronted.

Resort zones include Jacks Point and Millbrook, which are based around golf courses and visitor accommodation associated with the resort concept. Residential activities are provided within these zones, some more limited than others. Development is subject to relevant structure plans, and a range of tools are used including average densities and limits on the number of dwellings in a particular area.

Rural Visitor zones provide for visitor and recreational activities, while also generally having provision for residential development.

#### 4.2 District plan changes and stakeholder agreements

Since the HOPE strategy was prepared, the issue of affordable housing is one that is beginning to be addressed in the RMA arena.

As discussed above, the Partially Operative District Plan does not make any direct reference to affordable housing, although there are more general statements about the need to enable the social and economic wellbeing of the district. It is noted that the District Plan was prepared at a time when housing affordability was not seen to be a particular problem.

More recently, numerous plan changes have started to acknowledge the issue. Plan changes that directly or indirectly have been promoted on the basis of their potential to increase the supply of affordable housing include:

- Jacks Point
- Peninsula Bay (Variation 25)
- Riverside Stage 6 (Plan Change 12)
- Proposed Plan Change 13 - Kiromiko
- Proposed Plan Change 19 – Frankton Flats
- Draft Plan Change 25 - Kingston
- Draft Plan Change - Mt Cardrona.

Proposed plan changes have been recently notified and are within the statutory process. Draft plan changes are still in the discussion phase, and are yet to be notified. These plan changes are the result of the desires of private landowners not yet able to lodge private plan changes.

Of particular relevance is Riverside Stage 6, adopted by the Council 30 March 2007, which rezones land at Wanaka from Rural Residential to Township to achieve higher density residential development. This plan change introduced Policy 9.1.4(9) into the Township Zone to provide for affordable housing, as follows:

*"To provide cost-effective housing options, including the provision of duplex housing within sub-zone A."*

In the section 32 analysis for Riverside Stage 6, the shortage of affordable/inclusive housing was defined as a resource management issue due to the implications of a lack of such housing not sustaining the social, economic and cultural wellbeing of communities.

Proposed Plan Change 19 - Frankton Flats (B) identifies affordable housing as a resource management issue:

*"In keeping with the primary goal of sustainability, development must create a liveable community characterised by high quality urban design to include:*

- *Compact residential neighbourhoods containing a mix of housing types and sizes, adequate open space, affordable housing and ready access to public transport"*

Proposed Policy 2.3 states:

- *"To provide for a mixture of residential dwelling types and densities including affordable community housing."*

In addition to District Plan provisions, stakeholder deeds are identified as an implementation method for affordable housing in Frankton Flats (B).

The Council has negotiated with the parties involved in these district plan changes to make provision for affordable housing through stakeholder deeds that are a side agreement between the landowners and the Council. In general, these stakeholder deeds have provided for up to 5% of units within a development to be provided as affordable units. Although units are preferred, provisions are included to enable contributions to be either in the form of cash, land, units, or a combination of all three.

It should be noted that in the course of stakeholder agreement negotiations with several of the developments progressing plan changes for new residential zoning, Council has started applying linkage zoning calculations similar to those proposed by Plan Change 24. The result of these linkage zoning calculations suggests that those developments would need to provide between 10% and 30% of the total development's residential units as affordable housing.

A summary of the stakeholder deeds is set out on the following pages:

Table 4 - Summary of stakeholder deeds

Provision	Riverside	Peninsula Bay	Kiromoko	Jacks Point	Mt Cardrona Station
Goal / Level of Contribution	5%	2%	5%	5%	5%
Purpose	Outcomes sought in accordance with HOPE	Outcomes sought in accordance with HOPE	To give effect to HOPE	To address availability of affordable housing	Outcomes sought in accordance with HOPE
Role of Community Housing Trust	Contribution administered by the Trust	Contribution administered by the Trust	Contribution administered by the Trust and any cash in lieu	Financial benefit shall pass directly or indirectly to Trust	Contribution administered by the Trust
Tenure Sought	Freehold ownership of total number of residential lots developed within the site	Freehold ownership of total maximum potential number of residential lots developed within the site	Land unless extenuating circumstances  Freehold ownership of a section or sections no smaller than minimum lot size	Residential land and/or housing stock	Freehold ownership of total number of residential lots developed within the site
Tenure delivered to the Trust	Freehold ownership of a number of developed residential units (equivalent to tenure sought); or  Combination of land and residential housing units	Freehold ownership of a number of developed residential units (equivalent to tenure sought); or  Combination of land and residential housing units	Money; or  May require sections to have residential unit or units constructed and offered for sale or rent (affordable)	To be determined by landowner (land/money/buildings)  5% of developed residential lots or 10% of residential lots developed at 50% market value	Freehold ownership of a number of developed residential units (equivalent to tenure sought); or  Combination of land and residential housing units
Retention Mechanisms	If land is sold this agreement to be transferred	If land is sold this agreement to be transferred	Resale of bare land within 5 years offered back to owner at pre-agreed cost  If land is sold this agreement	Structure to ensure long term provision of housing accommodation at a discount to market value	If land is sold this agreement to be transferred

Provision	Riverside	Peninsula Bay	Kiromoko	Jacks Point	Mt Cardrona Station
			to be transferred		
Location of Housing	Entire subdivision, throughout stages	Entire subdivision, throughout stages	Entire subdivision, throughout stages  Facilitate trading of sites to scatter through development	Determined in respect of each stage to avoid location in one area	Entire subdivision, throughout stages
Other Matters also addressed	Provision of reserves and open spaces	No	No	Development controls, design guidelines, public access, infrastructure, golf course, and open fires	Provision of reserves and open spaces

Given the approach of these plan changes and stakeholder agreements, it is appropriate to consider whether the District Plan should contain a coherent framework as to:

- When affordable housing is a relevant resource management issue, and therefore should be taken into account when new plan changes are prepared (by either the Council or as private plan changes)
- Provide a consistent approach to assessing how much affordable housing should be provided
- Ensure that a proportion of the housing that is to be provided is secured for the long-term public good.

### 4.3 Regional Policy Statement for Otago

Section 75(3) of the RMA specifies that the District Plan must give effect to any regional policy statement. This provision of the RMA was amended in 2005, whereby previously a district plan was required not to be inconsistent.

The Regional Policy Statement for Otago (October 1998) has some relevance to this plan change in terms of the built environment. Chapter 9 addresses the built environment and recognises that its management is a regionally significant resource management issue:

*“The wellbeing, safety and health of people and communities is closely linked to the built environment. The built environment meets basic human needs such as shelter and warmth, provides a system of mobility and access to services, infrastructure for economic activity, contributes to the community’s quality of life and protects its assets. For this reason, it is essential that the built environment is managed in a sustainable way for current and future generations” (page 120).*

The focus of the Regional Policy Statement is on the effects on the natural environment from the built environment, particularly urban settlements, transport and utilities.

#### *Objective 9.4.1*

*To promote the sustainable management of Otago’s built environment in order to:*

- (a) Meet the present and reasonably foreseeable needs of Otago’s people and communities; and*
- (b) Provide for amenity values; and*
- (c) Conserve and enhance environmental and landscape quality; and*
- (d) Recognise and protect heritage values.*

#### *Policy 9.5.5*

*To maintain and, where practicable, enhance the quality of life for people and communities within Otago’s built environment through:*

- (a) Promoting the identification and provision of a level of amenity which is acceptable to the community; and*

*(b) Avoiding, remedying or mitigating the adverse effects of community health and safety resulting from the use, development and protection of Otago's natural and physical resources; and*

*(c) Avoiding, remedying or mitigating the adverse effects of subdivision, land use and development on landscape values.*

Proposed Plan Change 24 is consistent with this objective and associated policies. It is aimed at providing for affordable housing through more appropriate development, land use and subdivision, helping to avoid adverse effects of urban expansion on the natural environment through making sure that a range of households can locate within the defined boundaries of the settlements of the district, while also providing appropriate housing choice thereby enhancing the quality of life for those that require access to affordable housing, and helping to provide a sustainable, mixed community.

#### 4.4 Regional Plans

Section 75(4) of the RMA specifies that the District Plan must not be inconsistent with a regional plan for any matter specified in section 30(1). No relevant regional plans have been identified.

#### 4.5 Other Relevant Documents

Section 74(2) (b) of the RMA specifies that a territorial authority shall have regard to any management plans and strategies prepared under other Acts; any relevant entry in the Historic Places Register; and other regulations relating to fisheries resources.

The most relevant documents to be considered are the Long Term Council Community Plan prepared under the Local Government Act, and the QLDC Growth Management Strategy.

##### 4.5.1 Long Term Council Community Plan

The Council's 2006 Long Term Council Community Plan (the LTCCP) contains many references to affordable housing. The LTCCP lists seven community outcomes as follows:

- Sustainable growth management
- Quality landscapes and natural environment and enhanced public access
- A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes
- Effective and efficient infrastructure that meets the needs of growth
- High quality urban environments respectful of the character of individual communities
- A strong and diverse economy
- Preservation and celebration of the district's local cultural heritage.

While the supply of affordable housing can be linked to all of these outcomes, for the sake of simplicity the LTCCP places a particular emphasis on the importance of affordable housing to social development outcomes. Under the heading of a safe and healthy community, the issue of affordable housing is listed, along with a number of monitoring criteria, as follows:

A safe and healthy community that is strong, diverse and inclusive of all age groups	
Issues	Indicators
Affordable Housing	Percentage of weekly household income spent on housing costs Percentage of houses owned or rented by low and high household incomes Median rental prices Median flat/apartment and vacant land sale prices Percentage of people living in crowded households

Affordable housing is then listed as a key strategic planning area in the section on “Summary of Activity Plans and Highlights”.

Actions to be taken to implement the Affordable Housing Strategy include:

- The setting up of the Community Housing Trust
- A memorandum of understanding with Housing NZ
- The development of a number of non-statutory guides on eligibility criteria and guidance for developers
- Development of retention mechanisms.

The QLDC Community Housing Trust was established in 2007 as an independent, charitable trust, not an organisation controlled by QLDC. Its role is to promote and/or provide housing for households that will contribute to the social, cultural, economic and environmental well-being of those living within the Queenstown Lakes District, at a cost within their means. A Trust Deed has been ratified, and the Trust has begun the process of developing policies, procedures and projects that deliver Community Housing to the district.

With respect to the District Plan, the LTCCP has identified that rapid community growth and a sensitive environment will result in continuing changes to the District Plan. It goes on to state under the Principal Objectives and Goals of the District Plan Section (Volume 2, Page 65) that the objectives are:

*To have an operative District Plan which reflects the policies and priorities contained within the LTCCP.*

A relevant goal under the District Plan section includes the preparation and notification of proposed plan changes, where this is deemed to be necessary and an effective and efficient method of giving effect to the LTCCP. Key issues relevant to affordable housing are identified within the LTCCP as:

- *A plan change to address affordable housing issues in the District Plan.*
- *Continuing to implement the actions (identified for Years 1 -2) arising from the HOPE Strategy.*

In summary, a diverse community that is inclusive of all people is a key community outcome of the LTCCP, and to ensure that this is achieved, the Council has identified the need to provide for affordable housing through a plan change.

#### 4.5.2 Growth Management Strategy

This strategy was adopted by the Council in June 2007. It sets out the general approach that the Council will take to managing growth within the district. The strategy is organised around a number of principles, one of which is ensuring that there is a mix of development that meets the on-going needs of the community.

Implementing the HOPE strategy is one action of the strategy (principle 2c). The following action is listed for this strategy.

Actions – Principle 2: The type and mix of growth meets current and future needs:

Principle No.	Strategy	Action	Agency	Priority	Possible monitoring target
2c / 2d	Affordable housing is promoted	<p>Increase housing choices for permanent residents, including affordable housing potentially through:</p> <ul style="list-style-type: none"> <li>• The establishment of the Community Housing Trust</li> <li>• Retaining areas for higher density housing for permanent residents</li> <li>• Investigation of inclusionary and/or linkage zoning provisions (requiring housing and business developments to provide land, cash or units towards affordable housing)</li> <li>• Provide bonus provisions where affordable housing is provided</li> <li>• Other appropriate means</li> </ul>	QLDC, Housing Trust, HNZ	H	10% of homes constructed between 2006 and 2016 and 20% of homes between 2016 and 2026 are deemed to be affordable (either within the open market, as controlled by the Housing Trust, HNZ and other providers)

## 5 Process to date

### 5.1 Plan Change 24: Issues and Options Report

The process of developing Plan Change 24 started in April 2006, with the preparation of an Issues and Options report. The Issues and Options Report was released for public comment in December 2006 and a number of submissions were received.

That report was developed over a number of months, following a number of Advisory Group meetings, which set out a range of options to promote affordable housing. The Issues and Options report identified the following preferred direction:

- The supply of affordable housing is a relevant resource management issue, and should be addressed in the District Plan
- The increased supply of affordable housing should be included as an objective and policy in the District Plan
- The extent to which developments can increase the supply of affordable housing should be included as an assessment matter
- A Financial Contribution under the RMA or a Development Contribution under the LGA that would be levied on all development should be investigated and applied through the appropriate process in 2 to 3 years time. Such a levy would be able to be met by committing affordable units, or land, over a period of time, in lieu of making a cash contribution
- To assist the Housing Trust in its work, and to share the costs involved, District Plan methods need to be complemented by other sources of funding (e.g. rates, loans), and further policy development. For example, Community Housing should be recognised as social infrastructure within the Council's Long Term Council Community Plan (LTCCP). Other sources of funding will need to be explored through the update process for the LTCCP, over the next 2 to 3 years. It is possible that the LTCCP process could result in a development contribution for Community Housing under the Local Government Act, although this is likely to require a change to that Act. If this was the case, then the financial contribution in the bullet point above would not need to be used.

### 5.2 Working Paper One

This Working Paper followed on from the Issues and Options Report. It set out a range of issues that needed to be addressed in the development of the preferred direction, as well as a pro forma plan change to help shape discussion and feedback.

The Working Paper, after reviewing a number of overseas examples of affordable housing schemes, identified the following three key issues:

1. The extent to which any affordable housing requirements should be shared between the residential and the non-residential sector

2. Whether costs should fall to new development or existing development; how to balance the need for new development to meet the needs of the workforce it will require, while also balancing the need for the existing community to house its workforce. This will need to involve a study of costs to future developments as well as how costs might fall on other home owners, developers or landowners, and the extent of these costs
3. How affordable housing should be defined so that it is of a high quality, is located in the right place and meets the needs of the community.

### 5.2.1 Coverage (Residential / Non-residential)

It was recommended that a “linkage zoning” type contribution system be used as a model for the approach to be developed for the District Plan, as this approach links urban growth, the natural environment and economic development. These links are very strong in the QLDC area as most households in the area are “working households” and economic forces are largely propelling the growth of the district.

It is clear from the North American experience with linkage zoning that linkage mitigation policies cannot be used to address housing affordability ‘catch up’ issues. Linkage policies can only be used for ‘keep up’; that is meeting the need for affordable housing generated by new development. Indeed, there is a need to ensure that: (1) a rational nexus is demonstrated between the impacts caused by the development and the mitigation required; and (2) there is ‘rough proportionality’ between the extent of the generated impacts and the mitigation required.

The Paper identified the need for work on developing the methodology that would be used to quantify how much affordable housing is needed to meet the needs of low to moderate income “working households” for different land use development types (e.g. residential, office, retail, visitor-related).

### 5.2.2 Mitigation levels

A broadly-based, linkage type requirement related to future employment generation would spread costs over the widest base, while limiting the contribution to a clearly defined “effect”. The following points were noted:

- Tying the linkage requirement, in the first instance, to the time of rezoning / change of land use would focus the contribution to a point where compensatory density bonuses could be addressed. In addition, part of the value uplift associated with the development process can be retained for the public good and cross-subsidy effects reduced
- The contribution rate will need to recognise that the total affordable housing demand will be met by a number of initiatives, and so only part of the demand will be met through the District Plan requirement. Other methods like expanding land and housing supply and Housing Trust-initiated developments will also be needed to meet demands
- To further help to minimize the costs of any new provisions, it will be important that objectives and policies and supporting information are clear about the number of units to be provided and the extent of discounting expected on the affordable units offered for sale. One way to “peg” prices to an affordable rate would be to relate required sale / rental values to median household incomes, with the intention that the scheme be focused on moderate income households.

### 5.2.3 Quality

Affordable housing will need to be carefully defined in the District Plan so as to ensure that developments that propose (or are required to provide) affordable housing do so in a way that supports wider urban design and community cohesion goals. Important dimensions are likely to include:

- The location of affordable houses
- The mix of units (size)
- The design
- Energy efficiency
- Retention.

Council staff have developed guidelines covering these aspects which are included in an update of the HOPE Strategy. One option would be for the District Plan to refer to these guidelines. However, it will be important that the District Plan (at a policy level) incorporate the main principles of these guidelines.

### 5.3 Consultation Process

Clause 3 of Schedule 1 of the RMA requires that Council consult with the Minister of the Environment, other Ministers of the Crown that may be affected, and tangata whenua of the area when changing the District Plan. The Council may also consult with anyone else when changing the District Plan.

Consultation on the Plan Change has involved:

- Issues and Options Report
- Advisory Group meetings
- Working Paper One – Preferred Direction
- Presentations to the QLDC Strategy Committee.

This consultation has highlighted a consistent set of themes. Opinions have varied between support for the preferred direction, to opposition in equal measure. Concerns raised include:

- Affordable housing is a central government issue
- Fewer constraints on land supply would address the issue (e.g. more land zoned for housing, both in urban and rural areas, and/or more high quality, high density development)
- Council-initiated schemes, such as development of public land holdings, rather than regulatory controls
- A contribution system is likely to raise the costs of market rate housing, undermining the purpose of the Plan Change

- There should be a focus on encouragement / incentives, such as density bonuses or rates relief for developers who offer affordable housing as part of their development.

In responding to these points, it is noted that:

- Central government (via Housing New Zealand's submission on the Issues and Options paper) supports Council's proposals in so far as they will help to complement and extend its own efforts. In other words, central government is unlikely to solve all local problems
- Land supply is being considered (in relation to the Wanaka Structure Plan as well as in relation to the Queenstown high density zone). However, given the growth pressures facing the QLDC area, there is no guarantee that an increased supply of land will drive down house prices to a point where they become more affordable for all households, and remain affordable into the long term
- Council-initiated schemes are part of the HOPE strategy, and need to be progressed. The preferred direction notes the potential need for some sort of rates funded investment in affordable housing to help address existing problems
- The question of the costs of any regulatory approach is a valid concern and is addressed in section 8.

## 6 Resource Management Issues

This part of the report considers whether affordable housing is a valid resource management issue.

Under Section 75 of the RMA, a District Plan may state “the significant resource management issues for the District”.

This is a change from when the Partially Operative Plan was prepared. At that time, it was a requirement of Section 75 that the District Plan had to state the significant resource management issues for the district.

Since the plan change will modify the existing plan, it is considered appropriate for the plan change to introduce a new significant resource management issue, even if the RMA does not now require this to occur. This is to maintain consistency, as well as to demonstrate that the policy development process set out in the RMA has been followed.

The RMA does not define what it means by the term "significant resource management issue". Generally, the statement is taken to mean some form of problem or concern where the District Plan may need to provide a regulatory framework to help address the problem. In economic terms, a resource management issue could be described as a market failure; that is the normal operation of the market is leading to an inefficient allocation of resources, such as through the presence of a negative externality that is not accounted for in the prices that people and organisations pay for the use of resources. A lack of affordable housing could be said to be a "market failure".

In relation to affordable housing and the RMA, the Issues and Options paper noted the following:

- Urban growth management policies (essential for sustainable management of the high quality natural environment in the district) limit the supply of land suitable for residential development. This pushes up land costs
- Commercial development increases local employment and hence the demand for housing, affordable to local workers, while market-rate residential development aimed at second home buyers and investors also increases local employment demands and hence demand for housing, affordable to local workers
- The economic, social and environmental effects of an inadequate supply of affordable housing include impacts on businesses (difficulties with retaining skilled staff), community infrastructure (from high rates of turnover of people, reducing the strength of community networks and services) and the environment (from pressure for urban growth to expand into less costly, but more environmentally valuable, rural land)
- To date, market forces have not resulted in an adequate supply of affordable housing
- Reducing rules and regulations to encourage the greater market-provision of affordable housing would have to be extensive to produce enough affordable housing, and would result in additional adverse social, economic and environmental effects
- An urban containment strategy (which is necessary to avoid the adverse effects of development on nationally significant natural resources) therefore has the potential to disable some people's economic and social wellbeing

- To ensure sustainable management of the district's resources, regulatory responses are needed to ensure that people and communities retain a range of options to provide for their wellbeing, within the overall framework of an urban containment strategy.

This provides the basic rationale as to why affordable housing should be considered a significant resource management issue for the district.

Support for the need to consider housing supply issues as part of growth management policies can be found in a range of studies. For example, in a review of the links between growth management and housing affordability undertaken for the Brookings Institute<sup>2</sup>, the authors concluded:

*The implications of our interpretation of the literature are clear: successful growth management programs are ones that include policy instruments designed to mitigate the adverse effects of urban growth and expand housing opportunities available to lower income households.*

In the absence of the consideration of housing supply for lower income households, growth management policies can see districts become exclusive areas, where housing only becomes affordable for higher income groups.

Based on this approach, Working Paper One proposed the following Issue:

Ensuring that present and future generations have access to a range of housing choices, particularly housing (both rental and owner occupier) that is affordable to low to moderate income households that support the economic base of the district.

Currently the District Plan does not directly address the issue of affordable housing. The Partially Operative District Plan organises Issues under various resource headings (such as Landscape and Visual Amenity).

Under Urban Growth, eight issues are identified. The most relevant are the third and fourth issues listed in Section 4.9.2, which are:

*The effects of urban growth on the identity, cohesion, and economic and social well being of the existing residential, farming and settlement communities.*

*How best to accommodate urban growth.*

The first issue listed is focused on the effects of new development on existing communities, not future communities, and is used to support subsequent objectives and policies relating to avoiding or mitigating adverse effects of new growth on existing communities.

In Section 7, which covers Residential Areas, seven issues are listed, all of which concentrate on the effects of residential development on infrastructure, services, and amenity.

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<sup>2</sup> The Link Between Growth Management and Housing Affordability: The Academic Evidence. A discussion paper prepared for The Brookings Institution Center on Urban and Metropolitan Policy, February 2002.

Given the scant coverage of the economic and social well being aspects of Section 5 of the RMA within existing Issues, it is appropriate for the plan change to introduce a new Issue into the District-wide section of the District Plan.

Strictly speaking, the issue as stated in Working Paper One reads more like a policy, that is an action that the District Plan should take (...ensuring that present and future generations have access.....). It would be appropriate to reword the issue so that it reads more like a statement of a problem.

As outlined in the HOPE strategy, a lack of affordable housing has serious implications for the long term sustainability of the district. Therefore the issue should be restated as follows, so that there is a stronger focus on both the environmental and social consequences of a lack of affordable homes, suitable for permanent and temporary residents:

#### *4.10 Affordable and Community Housing*

##### *4.10.1 Introduction*

*Housing is an important physical resource that helps to enable the social and economic well being of the District. Access to affordable housing enables employees on low and moderate incomes to live in the District, contribute to a diverse community mix and support the growth and diversification of the local economy. Affordable housing is taken to mean housing where a low or moderate income household spends no more than approximately 30% of gross income on rent or mortgage (principal and interest) repayments.*

*Factors that exacerbate housing affordability problems include a service-based economy which is dependent upon many low and moderate income jobs, a small housing market that is bid up by investors, the commercial accommodation sector and the second and holiday home markets, and constraints on land supply (due to the landscape values of the District).*

##### *4.10.2 Issues*

*A lack of affordable housing opportunities (both rental and owner occupier) for low and moderate income households may result in negative effects on the social, economic and environmental well being of the district.*

*The principle issues identified are:*

- How to provide for affordable housing in the urban settlements of the District whilst at the same time sustaining compact urban forms which are designed to protect the environmental values and outstanding landscapes of the District.*
- Affordable housing, if provided outside of the existing settlements of the District, may increase vehicle commuting trips and place lower income households away from support services and activities.*
- The growth of the District's economy may be restrained by a lack of affordable housing.*
- The ability of the community to provide for its social and economic well being is reduced if low and moderate income households cannot locate within the District.*

The issue as stated acknowledges the environmental, economic and social issues involved in affordable housing. It also acknowledges the two-tiered nature of the problem:

- A lack of affordable housing suitable for all the different groups within the district, and
- The more particular pressure on retaining households that support the social and economic sustainability of the district for the long term. This group is a sub set of the wider affordable housing sector and can be referred to as the “community housing sector”.

The Ministry for the Environment's Quality Plans website lists the following questions in relation to whether an Issue should be included within the District Plan:

Check list	Discussion
Is the issue a resource management issue?	Yes, the issue is a resource management issue in that access to affordable housing is an important aspect of the sustainable management of the natural and physical resources of the district. The supply of land and the extent of appropriate, affordable housing options on this land are directly influenced by the Resource Management framework that operates in the district.
Is the issue a significant one in the district/region/nationally?	Yes, the community have continually raised the issue of affordable housing in many forums, both from the perspective of maintaining a mixed community, as well as attracting and retaining a labour force for the economy.
Will addressing the issue in the plan be effective?	It is acknowledged that the District Plan can be only partially effective in addressing the issue. That is, the District Plan will not by itself, solve the housing affordability issue facing the district. However the District Plan can shape future development patterns to ensure that future affordability problems are reduced, and provisions can be crafted that will do this in an effective way.
Does the issue need to be addressed in the plan?	Yes, the Hope Strategy identified the need for the District Plan to address affordable housing. National-level documents like the NZ Housing Strategy also identify the role that regulatory techniques must play.  The work to date has shown that the normal operation of the market place is unlikely to deliver the number and quality of affordable homes needed to sustain the future community in the district.

## 7 Objectives

This part of the report considers the objective proposed by Working Paper One, and considers the objective against the three tests set out in Section 3.2 above.

The following objective was proposed in the preferred direction for Section 4.9 District Wide Issues: Urban Growth:

### Objective 2(a) Affordable Housing

Urban growth that contributes to, and helps sustain, opportunities for low to moderate income working households to live in the district in proximity to their place of work and community services and activities.

The objective covers the following matters:

- The objective is focused on urban, not rural, growth. This is appropriate as the focus is on the urban settlements of the district, and how to manage their growth and impact on housing affordability. However, recognition also needs to be given to the impact of visitor-related developments that are located outside of the urban settlements
- The term urban development is wide ranging and covers both residential and non-residential (business growth)
- Urban growth is to contribute to the provision of affordable housing. Urban growth is not expected to provide for all affordable housing needs, but neither is the objective purely facilitative - the objective does not state that urban development should be encouraged to provide affordable housing
- The focus of the contribution is on low to moderate income working households. This focus recognises the objectives of the HOPE strategy, and the need to concentrate on the economic well being of the district. However, there also needs to be some recognition within the objective of the need to retain a community mix
- The relationship of low and moderate income households and proximity to their place of work and community activities recognises the need for mixed communities that promote social well being and which do not marginalise lower income households in particular areas or suburbs within the settlements of the district.

### *Discussion*

The need for an affordable housing objective has been established by the previous section. The costs to the economy of the district of not addressing affordable housing are expected to be very high. The question is whether there is a more appropriate objective.

An alternative objective could be that urban development be *encouraged* to provide affordable housing. For example this may be through the provision of additional development rights (more land zoned for urban

development) or through additional density being allowed. It may also involve the current stakeholder agreement approach, which is the use of a non-regulatory tool.

This option was canvassed in the Issues and Options paper. While additional land supply is an important action, and one that many development proposals are now referring to in their consideration of the costs and benefits of their development, there is no certainty that the land made available will be directed to the needs of low to moderate income households. Land in the district is under intense pressure from the needs of higher income permanent residents, second and holiday home owners, investors, and the visitor accommodation sector. Unless there is some mechanism to secure part of the development opportunities that are going to become available over the next 10 to 20 years for affordable housing, then a simple expansion of the land supply may not work.

The stakeholder agreement process has delivered a measure of certainty over this very point – securing some housing for long term affordability – but each case has had to be negotiated as it has arisen. This involves a substantial commitment of staff resources as well as time and resources of the landowners preparing the plan changes, and there is a lack of a coherent framework to consider what a reasonable level of contribution is. In addition, case-by-case negotiation results in a lack of certainty for the developer and the potential for inequity.

The alternative to a regulatory approach would be to rely upon public investment to secure the needed stock of affordable housing. That is, the Council could use income (rates) or rate funded loans to buy housing from developers (or build it itself) and then to manage this housing via the Trust for the benefit of low to moderate income households in the district. Such an approach could spread costs across both existing and future residents.

The HOPE strategy and the preferred direction identified the need for such an approach to deal with the current housing affordability issues facing the district. In considering how to manage future affordable housing needs, it is appropriate for the Council to consider whether new development is creating an adverse effect that needs to be mitigated. Public investment should not be used as a way to manage this adverse effect. As discussed in the section on issues, it can be demonstrated that current development profiles are not leading to an adequate supply of affordable housing, and that this will have negative consequences for the sustainable management of the natural and physical resources of the district.

The objective can therefore be seen as a “keep up” regulatory tool to ensure that new economic activity in the district contributes to affordable housing at a level consistent with the adverse effects generated, so as to:

- help retain the desired community mix (range of incomes);
- ensure that economic development can continue into the future, and
- that the district's compact urban growth policies can be sustained.

It is possible that the proposed objective will see some development displaced to other districts, such as to Central Otago District where no such requirements apply. The extent of such an effect is unknown, but is unlikely to be significant, given that most visitor accommodation and commercial development needs to be located near the key tourist attractions in the district. It is possible that some lower value industrial development may relocate to Central Otago, but this is a trend that is anticipated to occur anyway as land prices steadily rise in the district.

*Is it the most appropriate way to achieve the purpose of the RMA?*

The purpose of the RMA is set out in section 5 of the RMA, which is to promote the sustainable management of natural and physical resources of the district. Section 5(2) states:

- (2) In this Act, “sustainable management” means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural wellbeing and for their health and safety while-
  - (a) Sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and
  - (b) Safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and
  - (c) Avoiding, remedying, or mitigating any adverse effects of activities on the environment.

The objective is appropriate for the following reasons:

- Urban and visitor related growth (rather than rural) growth generates the greatest demand for housing and jobs in the district, and with it pressure on natural and physical resources through the expansion of urban areas. Both business and residential development generates demands for low to moderate income jobs, and hence households
- Residential areas are a natural and physical resource, and the sustaining of that resource to enable people’s social well being is in accord with the sustainable management purpose
- The ability to house a working population within the district to support the economic base of the district is needed to provide an “environment” by which people and business can provide for their wellbeing
- Meeting foreseeable needs of future generations requires consideration of the effects of increasing unaffordability of homes in the district, and with this, the consequences for environmental management and for economic and social wellbeing.

*Does it assist the Council to carry out its functions in order to achieve the purpose of the RMA?*

- Under section 31 the function of the Council is to achieve integrated management of the effects of use, development, or protection of land and associated natural and physical resources of the district
- The objective will provide the ability for the community to mitigate one of the adverse effects of the growth strategy it has adopted, namely a compact urban area that protects nationally significant natural environments, and supports the economic base of the district. Compact urban development policies can reduce housing affordability if no mitigation actions are put in place.

*Is it in accordance with the provisions of Part 2?*

- The objective is consistent with section 5, and the need to enable people’s economic and social wellbeing, while protecting the environment

- It is also a relevant matter under section 7, particularly the maintenance and enhancement of the quality of amenity values, and the quality of the environment.

#### 7.1.1 Revised objective

Overall, the proposed objective is considered to meet the above tests, subject to the following modifications:

- There needs to be a focus on increasing the supply of affordable housing for all types of households (permanent and temporary)
- The need for high quality affordable housing that is appropriately located should be given greater prominence.

Thus the objective could be re written as two objectives, as follows:

##### *Objective 1 – Access to Affordable Housing*

*To provide a range of opportunities for low and moderate income resident households and temporary worker households to live in the district in accommodation appropriate for their needs.*

##### *Objective 2 – Quality of Affordable Housing*

*To ensure the provision of high quality affordable housing, in proximity to places of work, transport and community services.*

## 8 Policies

The possible policies set out in Working Paper One cover three main topic areas. These are:

- When contributions will be sought
- How the contribution will be assessed
- Where the contribution should be delivered.

The policies listed in section 3.1 can be grouped under these headings and are used in the analysis of them against the criteria set out in section 3.2.

### 8.1 When

The following policies were proposed in Working Paper One:

1. New developments in urban areas (both residential and non-residential) should contribute to the provision of housing for working households on low to moderate incomes. Developments that provide for affordable housing shall not be expected to contribute further on that portion of the development that meets affordability criteria.
2. Particular consideration of the positive social and economic benefits of the provision of affordable housing should be given at the time of:
  - (a) rezoning of land from rural to urban as part of Structure Plan processes (e.g. Wanaka / Frankton Flats),
  - (b) when up-zoning of existing urban land is proposed (such as when new provisions provide for additional residential density, housing or visitor accommodation units, or commercial floorspace)
  - (c) when considering discretionary and non-complying resource consents that seek to exceed normal density, floorspace or unit standards.

The question addressed by these policies is: at what point in the development process should an affordable housing contribution be sought?

The preferred direction set out in the Issues and Options Report was to introduce objectives and policies that would apply the proposed provisions to subsequent plan changes, as well as certain types of discretionary consents. By virtue of Section 104D of the RMA, the relevant objectives and policies would also be relevant when considering non-complying resource consents.

The preferred direction further suggested applying an affordable housing contribution to all forms of development (that is, development allowed for by existing district plan provisions, as well as development that will be enabled by subsequent plan changes), in the medium term, after further policy development work is undertaken.

The question of when a contribution will be sought needs to be considered within the wider context of whether seeking a contribution from a development may reduce the overall supply of housing, thereby creating a net disbenefit (that is some affordable houses are provided through the contribution, but overall there is a reduction in total houses supplied by the market place due to the costs involved). It is generally held that “taxation” of any activity, good or service tends to reduce its supply, all things being equal. Therefore, the use of tax-like measures in relation to the development of land and housing could reduce the supply of both.

Applying a contribution to existing development rights (as conferred by a District Plan zoning) implies the need to somehow pay for this contribution by either accepting a reduced return on investment, or cross subsidising the costs whereby other development in the project has to be sold at a higher cost to pay for the contribution. In the case of residential development, this has the effect of raising costs for other home buyers and renters, potentially adding to affordability problems.

The UK Barker Review on Housing<sup>3</sup> addressed this issue in the UK context by indicating that if the contribution could be tied to the point at which land use density provisions are set, then the impacts on other house prices will be minimised. It further noted that due to proposed changes to the regional and local planning systems, as well as measures to increase and enhance the delivery of housing infrastructure and affordable housing, the land and housing markets in the UK would be improved. This will lead to a situation of greater housing supply overall and an increased share of development gain going to the wider community. The costs to landowners of a reduction in land price will be more than offset by increases in housing welfare, which the proceeds of tax measures will be able to deliver.

To this end, the Barker Review made the following recommendations:

- The Review has considered these, and believes the Government should consider the granting of planning permission as a suitable point in the development chain in which to levy a charge based on local land prices that aims to capture part of the windfall development gain. Given the structure of the land and housing market, such a move would allow the cost of the contribution to fall largely on the landowner and avoid impacting on house prices.
- It is generally true that taxation of anything tends to reduce its supply – however in the case of land, it is the restrictions of the planning system that are the main constraints on land use for housing. The effect of the package of measures in the Review as a whole is expected to increase supply.

Working Paper One followed this line of reasoning by advocating that any requirement, in the first instance, be applied at the time of rezoning / change of use. This would focus the contribution to a point where density provisions (including bonuses) are being developed. In this way, part of the value uplift associated with the development process can be retained for the public good and cross-subsidy effects reduced on house prices. It will also tie the contribution to an overall increase in the supply of housing, rather than applying the contribution to a fixed supply of housing (which therefore implies fewer houses, should prices increase).

In discussing this approach, the following point was made in the preferred direction:

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<sup>3</sup> “Review of Housing Supply: Delivering Stability: Securing our Future Housing Needs – Final Report: Recommendations” (K Barker, March 2004)

*The value of land is... highly dependent on the applicable planning policies and the market value reflects the quality of the land, including the planning provisions that apply. District Plan changes and resource consents that "upzone" land enables a "planning gain" to arise. Under linkage zoning, a portion of that gain (relative to the increase in local employment created) can be used to meet the consequential need for affordable housing. Clearly the rezoning / upzoning process needs to be related to a wider growth management strategy, and managed so that development cannot use the provision of affordable housing as the sole reason to convert rural land to urban land, for example.*

This approach matches the current approach adopted by the development community in the use of stakeholder agreements. At the time of rezoning, when broad development parameters are being prepared and agreed, it is more efficient to include an affordable housing requirement, as the impact of this on the viability of proposed development can be taken into account in the consideration of the overall density of the development.

The options are therefore:

- Broad-based contribution that applies to all forms of development
- Applied at the point of rezoning / upzoning (Plan Changes)
- Plan Changes plus non-complying and certain discretionary activities.

As discussed above, a broad-based contribution system that applies to existing and new zonings may be inefficient, in that it may result in a reduced supply of housing. At this stage, the Council does not have sufficient information available to understand whether this will be the case. In other words there is a risk that an inefficient allocation of resources will result, with an overall disbenefit to the community. This is the basic reason that the Issues and Options report suggested holding off on a broad based contribution until further investigations of costs and benefits has been completed.

In the mean time, current practice whereby affordable housing is being proposed through the rezoning process, as well as the reasoning set out in the Barker Review, indicates that a contribution set through the planning process applied to new large development areas will be reasonably efficient and effective, and that the risks that such an approach may significantly distort the market are not large. This is especially so if the contribution is accompanied by an overall increase in the supply of housing. At a practical level, this could mean allowing for any affordable housing contribution to be over and above normal density standards. In other words if a new zoning allows for 100 units to be constructed on an area of land, with a 10% affordable housing contribution applying, then the zone rules could allow for a total of 110 units to be built on the site.

The extension of a contribution to certain forms of consents would be a logical and consistent step, in that developments that seek to exceed normal density standards are in effect seeking to obtain a windfall gain, in that the land price will reflect likely development, but not hypothetical development. It would be appropriate to specify that the proposed objectives and policies should be a relevant matter when considering resource consents that seek to increase the density of development (that is, additional units on a site over and above those provided for by permitted or controlled activity standards). Such an explicit statement would help to clarify that the objectives and policies would not be relevant to discretionary activities that do not seek to increase development densities.

### 8.1.1 Amended policies

The policies set out in the preferred direction should be revised as follows to address revised objective one:

1. *To assess the impact of the development and/or subdivision on the supply of and demand for affordable housing, and whether a contribution towards affordable housing is necessary to mitigate any adverse effects and/or impact of the development and/or subdivision.*
2. *To ensure that the affordable housing demand generated by the development and/or subdivision is avoided, remedied or mitigated.*

The proposed policies more clearly separate overall direction from actual methods.

The efficiency and effectiveness of the proposed approach, including the risks of acting or not acting can be summarised as follows:

- The efficiency of the proposed policies is expected to be positive. The policies acknowledge that an increased supply of housing is desirable, and even with the imposition of a contribution, the overall impact should be an increased number of residential dwellings being constructed in the district.
- The proposed policies will help to define when consideration should be given to affordable housing, helping to improve the effectiveness of current approaches where affordable housing issues are raised in an ad hoc manner
- The main risk of acting is that the application of the policies will see a reduction in development rates, and as a result, a decrease in housing affordability. However this outcome seems unlikely given the strong development pressures that the district is likely to experience over the next 10 to 20 years.

## 8.2 How Much?

The following policies were proposed in Working Paper One in relation to how much of a contribution should be required:

3. All urban development should contribute towards housing at a rate that takes into account:
  - (a) the direct, permanent employment demands that the development generates,
  - (b) the income profile of the employment generated, and the proportion of low to moderate income jobs, and
  - (c) the number and type of affordable housing units required to meet the housing needs of these workers, taking into account the supply of, and demand for, housing units that will be able to accessed by low to moderate income working households within the area of the development.
  - (d) the range of methods that will be used to support the supply of affordable housing, including actions to increase land supply, support a range of housing choices and direct financial investments by public agencies like Central Government and the Housing Trust.

Note: to assist in the interpretation of these policies, the Council will produce, on a five yearly basis, a housing needs assessment that considers demand and supply factors, and the different methods to be used to address supply issues.
4. The value of the contribution, that is the rate at which the affordable housing units are to be offered for sale (affordable sale value) should reflect the income of working households in the district, with the sale

value no more than 3 to 4 times the annual median income of the district.

The setting of a reasonable affordable housing contribution rate is obviously a key issue for the development of any regulatory framework. There are two main issues that need to be considered:

- On what basis the contribution rate will be assessed – what adverse effects are being mitigated?
- What the contribution rate should be (the mitigation level)?

The vehicle or mechanism by which the housing contribution is to be considered also needs to be addressed.

To date the Council has approached these issues through its stakeholder negotiations. These have been a non-statutory process involving the consideration of a number of factors. There is a danger that as each case is considered in isolation, different methodologies will be developed. One of the advantages of the plan change is to introduce a consistent methodology.

### 8.2.1 Mitigation method

Working Paper One reviewed different approaches to setting affordable housing contributions. The two most common approaches are:

- Inclusionary zoning
- Linkage zoning.

Inclusionary zoning requires a minimum percentage of residential development to be provided at below-market rates to meet the needs of qualifying households, as part of new residential developments. Inclusionary zoning is a housing production obligation based on the community's need for affordable housing as related to many factors, including insufficient provision by the market of housing affordable to residents, and a narrowing of the community profile of an area as higher land and house prices force out lower income households. As an approach, it is similar to the stakeholder agreements negotiated to date.

Linkage zoning requires that a development provide housing for a specified percentage of new employees generated by the development. Linkage programs focus only on the development's impacts as related to employee generation. Linkage zoning can apply to both residential and non-residential developments.

The advantages and disadvantages of the two approaches are as follows:

	Advantages	Disadvantages
Inclusionary zoning	<ul style="list-style-type: none"> <li>• Simple formula / approach</li> <li>• Currently being used in QLDC via stakeholder agreements</li> <li>• Affordable housing provision on-site helps to create more socially mixed communities</li> </ul>	<ul style="list-style-type: none"> <li>• Does not address housing needs generated by employment growth / activities</li> </ul>
Linkage zoning	<ul style="list-style-type: none"> <li>• Direct connection / nexus with economic growth and hence demand for labour and associated housing needs</li> <li>• Provides a match between supply and demand</li> </ul>	<ul style="list-style-type: none"> <li>• Complex formula and detailed information required to establish housing needs of employees</li> <li>• If dealing with relocation of business activities within the district (rather than growth) there may not be a net increase in employment.</li> </ul>

Working Paper One proposed a linkage zoning approach to the determination of how much of a contribution should apply to new developments. This was because:

- Its relationship between economic growth and housing demand matched the focus of the HOPE strategy
- It was broad-based, in that it would cover both the residential and non-residential sectors
- It is more consistent with the effects-based framework of the RMA.

Linkage zoning, as developed in North America, has had to meet legal tests related to establishing a rationale nexus between the impacts caused by the development and the nature of the mitigation required and that there must be a rough proportionality between the impacts generated and the extent of mitigation required. That is, linkage zoning has been demonstrated to be able to provide a reasonable link between development pressures and demand for affordable houses, and to result in contribution levels that are fair and reasonable. While the legal tests in New Zealand are different, they nevertheless cover much the same principles: there is a need to demonstrate a link between development and an adverse effect; while any mitigation method needs to be efficient, in that the costs of the mitigation should not exceed the benefits.

In contrast to linkage zoning, an inclusionary zoning type approach had a stronger link to community development goals, and the desire to retain a mix of households within different suburbs and development areas. While having a mix of households, rather than a concentration, is a relevant issue, it is considered that the linkage-type approach provides a better fit to the particular pressures facing the QLDC area.

The basic principles involved in a linkage zoning- type approach cover:

1. Calculating the full time equivalent direct jobs generated by the development, making allowances for part time jobs and multiple jobs
2. Understanding the income profile of the jobs created, particularly the number of low to moderate income jobs
3. Converting from workers to households, to identify the low to moderate income housing demand generated by the development.
4. Determining what an appropriate contribution towards affordable housing for the low to moderate income workers should be, taking into account factors such as what proportion of low to moderate income working households should live in an area, and the range of measures available to meet these needs.

Linkage zoning can be applied to residential developments by considering how much employment is involved in constructing, servicing and maintaining residential dwellings and sections. This covers services like repairs and maintenance, security, as well as house cleaning, lawn mowing, and services like accommodation and rental management. In a resort town, where there is a large number of second and holiday homes, this approach provides for a reasonable linkage to be developed between urban residential growth and demands for affordable housing. It is also reasonable for linkage zoning provisions to consider the down stream impacts of residential development on other non-residential activities, such as retail and community support services. Such an approach recognises the demand that residential activities place on other activities. However in so doing, it is important that any double counting issues be resolved, as discussed below.

Particular issues with the linkage zoning approach are:

- Double counting jobs created by economic and residential development, as well as multiple part time jobs held by the same individual
- Dealing with business relocations, rather than business growth.

### *Double counting issues*

These issues can be addressed through the methodology used, and through the specification of agreed job creation rates in relevant guidelines. Issues in developing agreed job generation rates are:

- Whether the job creation rates applied to housing cover construction jobs as well as jobs created indirectly to service the wider domestic sector, such as housing maintenance, retail and community entertainment sectors
- Job creation rates used to calculate the impacts of new commercial development focus on the direct jobs created, not induced or indirect jobs created throughout the economy due to multiplier effects. Account needs to be taken of the proportion of jobs attributed to residential development
- Job creation rates are factored down to account for multiple job holders. As the job generation ratios for commercial space measure the total number of full- and part time employees combined it is likely that there will be some double counting of jobs. Some employees, particularly part-time workers, are likely to hold two jobs. To avoid requiring two different commercial developments to

provide housing for the same employee, the number of total employees in commercial space that generate demand for housing, is to be adjusted for multiple job holding.

*Business relocations rather than employment growth*

A particular issue is whether new commercial development is to accommodate relocations of existing businesses, rather than new businesses. When new commercial/industrial/visitor accommodation projects are built, the enterprises that move into the new space may be from new businesses or from businesses relocating from other space. In the latter case, it may be argued that no new housing demand is being generated. However, the space from which they move is freed up for other tenants, and generally in the QLDC context, the space that will be freed up will be occupied by a new business, given the rapid growth of the economy. It is unlikely that the existing space will remain vacant or be redeveloped for some other, lower employment generating use. The net effect over time of new development is a net increase in employment in the community.

*Example of mitigation methodology*

It is intended that the HOPE Strategy be updated to include a detailed methodology that could be followed to ascertain the affordable housing contribution that will be required from a development. This methodology is likely to be based on the following steps:

1. The first step is to provide typical number of workers per metre square of floor area. For example the following information in table 5 is provided by Rationale Ltd.

Table 5 Employment generation

Broad category	Sector category	m <sup>2</sup> / employee
Retail	Main street	45
	Bulk	75
	Café	45
Commercial	Office	35
	Wholesale	50
Business	Business / workplace	35
	Yard / transport	35
	Accommodation	100

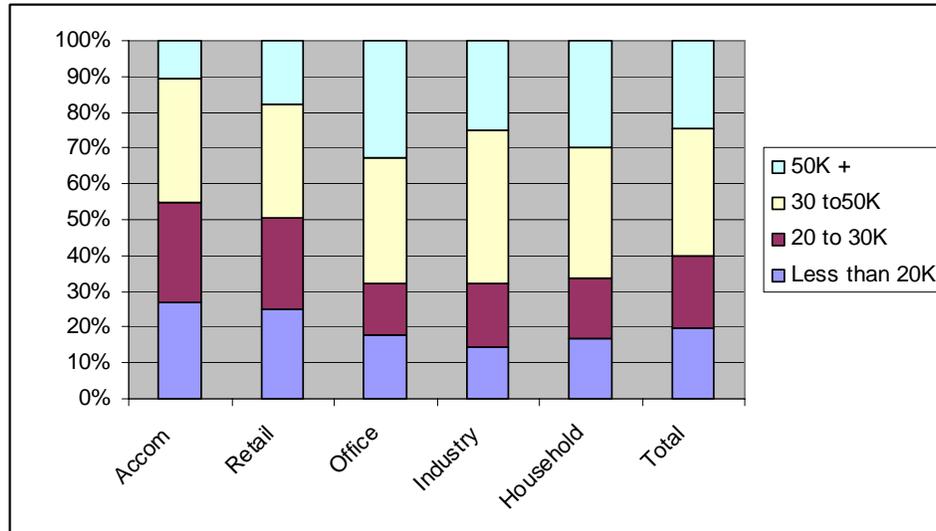
Source: Rationale Ltd

A similar rate of worker per floor area needs to be computed for residential development. An estimate at this stage is 0.3 workers per household.

2. An estimate then needs to be made of the number of households generated by this employment demand. For the purposes of this example, it is assumed that around 1.7 workers create one household. Based on this number, it is then calculated that 35% of the households created are likely to need some form of housing assistance.
3. The next step is to modify the Ward-level 35% affordable housing need by reference to the income profile of the workers in the different types of jobs. The information in Figure 3 has been obtained from the 2006 census. The data is for the Wakatipu area in QLDC. The graph shows the percentage of jobs in different income bands, by type of job.

As can be expected, there is a higher percentage of jobs in low to moderate income brackets in the visitor accommodation sector, compared to the office sector.

Figure 3 Annual Income for workers in different types of jobs – QLDC, 2006



Source: Statistics NZ 2006

4. This spread of jobs and incomes can then be combined with the number of households generated by different types of floor areas to determine the number of low to moderate income households generated by that development, as per the following table, which is an example only.

Table 6 Example of 1000sqm development

Type of development	Total FTE's created per 1,000m <sup>2</sup>	Σ FTE's per household	Total Households required	Portion of AH's required	Affordable Houses required	Sector income profile vs average	Sector Income Adjusted AH required per 1000m <sup>2</sup>
Accommodation	10.0	1.7	5.9	35%	2.1	110%	2.3
Commercial	21.9	1.7	12.9	35%	4.6	95%	4.4
Residential	3.5	1.7	2.0	35%	0.7	96%	0.7

The affordable housing demand generated obviously involves a number of assumptions, and these are set out in the Rationale report, and the updated HOPE Strategy.

### 8.2.2 Mitigation Rate

A critical issue for the plan change is setting the mitigation rate, that is, what the appropriate contribution towards affordable housing should be.

North American resort communities make extensive use of linkage zoning and it is helpful to consider the different approaches used in these communities to set a mitigation rate. The arguments used to demonstrate that a need for affordable housing is created by new development follow the same approach laid out in this report. The extent of mitigation required is more varied depending on the particular characteristics of the resort, the housing market and the introduction of other affordable housing policies, such as inclusionary zoning. For example:

- The Town of Vail has a goal of providing housing for at least 30% of new employees generated from development. Since commercial development already mitigates some impacts through a local sales tax, the commercial mitigation rate is set at 20%. There is a 10% inclusionary zoning requirement for residential development.
- Eagle County (surrounds the Town of Vail) set a 20% mitigation rate for all new residential, commercial and other non-residential development, with a preference for on-site provision; with a 25% rate for off-site provision and a 30% mitigation rate for a payment of fees in lieu.
- The City of Aspen has a mandatory linkage fee for all new commercial development over 1,000 sq ft, requiring affordable housing for 20% of the full time employees generated. The mitigation rate is on a sliding scale for tourism lodge developments, ranging from 30% to 60%.
- The mountain resorts in Summit County are required to provide housing for their employees: 40% for their full-time workforce, 60% of their seasonal workforce, with 75% of the housing provided within the resort.
- The City of Jackson and Teton County, Wyoming, established mandatory employee housing mitigation for planned resorts and non-residential development, with a mitigation rate set at 69%.
- Whistler, British Columbia has required all new commercial, industrial or tourism businesses to mitigate their impacts on the housing market since the enactment of a bylaw in 1975 introducing an employee-housing service charge.
- Nantucket Island (a resort community on the east coast of America) has adopted the following level of mitigation: one affordable dwelling unit is required for each 4,000 sq ft of gross floor area, with a fee in lieu payment based on the average sale price of a moderate level family housing in the prior year. In 2006 this was US\$800,000.

In the QLDC area, stakeholder agreements to date have set a level of 5% of the units to be created by the relevant developments. But these agreements have been based on a type of inclusionary zoning, That is, they are not linked to new employment generated by the development.

Work to date by Rationale Ltd indicates that there is a need to support around 30% of future households. These are households facing some form of housing stress. The linkage zoning principles set out above identifies that portion of new employees (converted into households) who are likely to face housing stress, adjusted to reflect the incomes of the jobs in the different employment sectors.

In considering how the demand identified by the linkage zoning approach should be mitigated, a number of issues need to be addressed as there are a range of mechanisms that are in place or could be put in place to assist low to moderate income households secure appropriate rental and homes to own. These include:

- Part of the demand involves households who, while not having sufficient income to buy a house, should be able to manage rental costs, provided that a sufficient supply of quality rental housing is available
- Developments offering smaller sections and more intensive housing formats that are cheaper to buy or rent. That is the extent to which the development will increase the supply of housing that is likely to be more affordable to lower income households
- The extent to which the development will provide a secure residential environment, that is residential areas where the ability to convert residential dwelling stock into other forms of accommodation, particularly visitor accommodation, is restricted
- Direct assistance from employers, such as assistance with securing mortgages for valued workers and the supply of rental accommodation for seasonal and temporary workers
- Income assistance via central government, including the accommodation supplement, which particularly benefits workers on less than 80% of area median income.

It also needs to be recognised that estimates of future housing needs are not a precise forecast, as they involve a wide range of assumptions as to future incomes and house prices. There therefore needs to be some flexibility around the mitigation rate.

As discussed all of the initiatives listed above are worthwhile, but none of them secure a proportion of housing to be retained for the long term economic and social benefit of the community. That is, none of the above methods involve a retention mechanism. There is no means of ensuring the housing provided will remain affordable for subsequent households.

To take into account the two dynamics at play - the extent to which developments increase the supply of affordable housing, and the extent to which a contribution towards housing that can be retained as affordable for the long term is needed - it is proposed that the consideration of the appropriate mitigation rate be broken down into two components.

The first is an affordable housing contribution. This is a supply side tool to cover the potential for an increase in housing supply to help address the affordable housing needs identified by the linkage-based methodology. The contribution would be delivered by zoning and development rules that help to ensure that such a supply is offered. For example, this may include zoning provisions that limit the ability of residential development to be converted to other activities (such as visitor accommodation), and development controls that require a mix of dwelling sizes to be provided. The measures are indirect measures in that while they seek to increase the stock and range of houses within the district, they do not directly seek to ensure that a proportion of housing is retained as affordable, and directed at the needs of particular groups in the community.

The second is the community housing contribution. This contribution is a sub-set of the affordable housing contribution, and would cover housing where a retention mechanism is imposed. This retention mechanism would ensure that the housing provided is retained as affordable in the long term. The retention mechanism will involve transfer of housing to the Council, for administration by the Community Housing Trust; as well housing that is retained in the private sector, but subject to covenants that control rental levels, resale levels and the eligibility of occupiers. In a sense the community housing contribution is an off-set for the long term adverse effects of development on the economic, social and environmental wellbeing of the district. The contribution needs to be aimed at low to moderate income working households who will reside permanently in the district.

In setting the community housing contribution (or off-set), there are two approaches that could be taken:

- A community outcome-driven approach, where the intention is that a certain proportion of low to moderate income households be retained in the community. That is, a community mix objective would drive the setting of the contribution rate.
- A residual demand-type approach, where the contribution is focused on meeting the residual demand for affordable housing, after all of the initiatives outlined above have been taken into account (such as increased housing supply, and business initiatives).

These two approaches are discussed in turn.

### *Community mix approach*

Under the community mix approach, the Council would state as an objective that it seeks to retain a range of households within the QLDC area, in different income brackets, with that range more closely matching national averages.

The strength of the community mix approach is its relationship with the broad community outcomes established under the Local Government Act, and as expressed by the HOPE Strategy.

It is an approach that would work in well with an inclusionary zoning-type approach. The community mix approach also has strengths under the linkage zoning approach.

2006 census data shows that the QLDC area has become more uneven compared to NZ as a whole, in respect of household income, since 2001. Table 8 shows the percentage change in the number of households in different income bands for NZ and QLDC between 2001 and 2006.

Table 7 Change in number of households by income band 2001 to 2006

Household income \$ 2006	NZ	QLDC
\$20,000 or Less	-24.54%	-26.84%
\$20,001 - \$30,000	-7.18%	-21.08%
\$30,001 - \$50,000	2.18%	7.17%
\$50,001 - \$70,000	10.66%	27.15%
\$70,001 - \$100,000	53.69%	96.70%
\$100,001 or More	86.66%	199.89%

Source: Statistics NZ 2006

From a community mix point of view, the proportion of lower income households in the district is rapidly declining. This can be seen in the comparison between 2001 and 2006 census data. In 2001, households with incomes of less than \$50,000 per annum made up 55.5% of total households in QLDC. By 2006, this proportion had declined to 35.9%. While some of this change can be attributed to national level changes (such as the growth of the economy as a whole and increased wages), some of the change appears to be locally driven. At a national level, the proportion of households in the under \$50,000 category declined from 61% to 49%, a reduction of around one fifth (20%). By comparison, QLDC saw a reduction of around one third (35%).

Table 8 looks at the change in the share (percentage of households) by income band between 2001 and 2006 for QLDC, and compares this change with what might have happened if the NZ wide rate of change applied. As can be seen from the last column, if NZ wide rates of change had occurred, then the district

would have had more lower and moderate income households than is actually the case. Equally, the district would have had fewer upper income households, but this difference can be largely attributed to faster rates of growth in these bands.

Table 8 Change in Income Band 2001 - 2006

Income band	QLDC 2001	QLDC 2006	NZ 2001-2006	QLDC adjusted	Assume following share for 2006	Number of households	Actual Households	Difference
\$20,000 or Less	15.9%	8.6%	-7.8%	8.1%	8.0%	685	739	-54
\$20,001 - \$30,000	15.6%	9.2%	-2.5%	13.1%	13.0%	1114	785	328
\$30,001 - \$50,000	24.1%	19.2%	-1.7%	22.4%	22.5%	1928	1646	282
\$50,001 - \$70,000	20.0%	18.9%	-0.1%	20.0%	20.0%	1714	1621	93
\$70,001 - \$100,000	13.1%	19.2%	4.3%	17.4%	17.5%	1499	1642	-143
\$100,001 or More	11.2%	24.9%	7.8%	19.0%	19.0%	1628	2135	-507
Total	100.0%	100.0%			100%	8568	8568	0

Source: Statistics NZ 2006

Some of this local-level change may be due to a faster increase in local, lower income wages, and more people within a household working, compared to New Zealand as a whole. Equally, some of the change may also be due to lower income households moving out of the district because of a lack of affordable housing, and being replaced with more working-orientated households who as a result, have higher incomes.

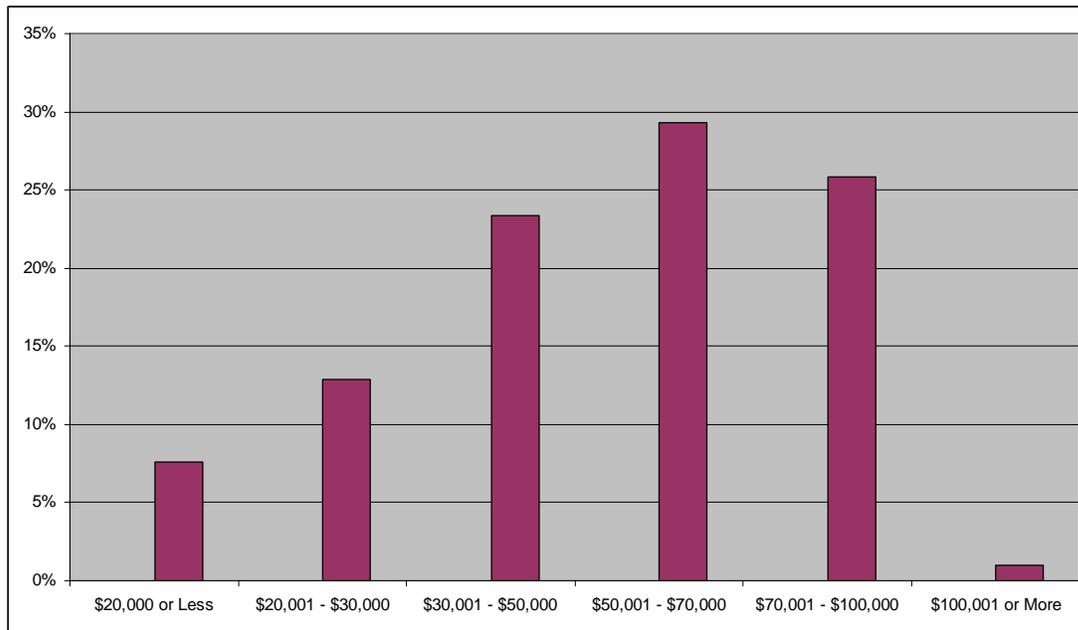
Using the above figures, to retain a community mix more in keeping with NZ as a whole, 650 more lower to moderate income households would be required to be present in the district than was the case in 2006. Taking 50% of this figure (or 350 households) as the proportion that is affected by local changes represents 15% of the households that were formed between 2001 and 2006.

### *Residual demand approach*

For the residual demand approach, the mitigation rate would be set by considering overall demand for affordable housing, and then assessing the extent to which other actions are likely to meet this demand. These other actions could include direct assistance by employers, central government assistance, as well as actions Council is taking to expand housing supply. The demand left after these other actions have been accounted for would set the contribution rate.

As an example of this approach, the work by Rationale suggests that 30% of all new households face some sort of housing stress, or up to 1,500 additional households, over the next 10 years. These households are spread across a number of income bands, as shown in the following graph.

Figure 4 Share of households needing assistance with housing costs, by 2001 (\$) income band



Source: Rationale Ltd

This total demand can be apportioned between different types of actions, as follows:

1. Of these 1,500 households, around 20% are in moderate income brackets where some workers will be in managerial or skilled worker type positions where there is an incentive for an employer to assist with finding or supporting accommodation for them, due to a desire to retain skilled staff, while their income potential should enable them to achieve homeownership by themselves at some point. At the 2006 census, 36% of workers were involved in managerial and professional jobs across all income bands. If it is assumed that 60% of these moderate income households fall into this category, then there are 40% who may need some assistance. This equals 130 households.
2. If it is further assumed that of these 1,500 households, around 45% are likely to be on very low incomes, where the main source of income is benefits and / or where these households are therefore eligible for some form of financial assistance from the government, the provision of State Housing. If 80% of need is to be met by central government, then 20% equates to 140 households.
3. In the middle is likely to be around 35% of the demand which falls between these two ends of the spectrum. This represents around 520 households. They are likely to be households with incomes between 80 to 140% of area median income. If it is assumed that the contribution should target 50% of these households, then this is 260 households.

Taking this approach, the contribution would need to deliver 530 (260 + 140 + 130) houses that would fall into a community housing category, or one third of the affordable housing demand, or around 10% of total housing demand.

Based on the community mix and residual demand approaches, it is recommended that the plan change set a requirement that 30% of the affordable housing need should be met by a community housing contribution,

unless it can be demonstrated that a lesser rate should apply due to the individual circumstance of the proposed zone or development proposal.

### *Community Housing Contribution Mix*

To manage the financial impact of the contribution on the developer, the mitigation rate could be broken down as follows:

- A percentage of required units transferred to the Council at no cost to the Council, perhaps consistent with the rates in the Stakeholder Agreements currently in place, with the value based on the land value of the lots / units to be created
- The balance to be sold at an affordable sale value, or rented at an affordable rental value, with appropriate restrictions on resale or increased rental, in place.

The proportion between these two forms of contribution, taking into account the default contribution of around 10% of total housing demand generated by the development and the current stakeholder deeds suggest that at least 40% of the community housing contribution should be in the form of land or dollar equivalent that is transferred to the Trust, via the Council.

The affordable sale and rental value for the balance of the contribution needs to be tied to the median household income:

- In 2006, for the Queenstown area this was \$65,000. At a 4 to 1 ratio, such a household could sustain (albeit with some sacrifice) the servicing of a mortgage for a \$260,000 home. In the Wakatipu area, lower quartile house prices are in the order of \$390,000. The difference between the two figures (\$130,000) represents the affordable housing value, or a 33% discount to median lowest quartile prices. At a 5:1 ratio, which is now common across the country, the gap between market rate and affordable housing sale value would drop to \$65,000. This is a 20% discount to the normal lowest quartile price.
- In terms of rental values, an AMI income of \$65,000 suggests the ability to sustain a rental outlay of \$430 per week, where such costs represent about 35% of household income.

It is recognised that there are costs to a developer from this requirement. These costs have been minimised by:

- Tying the contribution to the rezoning process in the first instance where it can be factored into the land value
- Allowing for the consideration of additional development potential, partly to increase the supply of housing, as well as to help off set the community housing contribution
- Applying the contribution to only part of the overall demand (a 1/3<sup>rd</sup> of the estimated affordable housing need)
- Allowing for part of the contribution to be units sold at a discount to normal market rates (and therefore not involving a transfer of units at no cost to the Council).

As discussed in Section 8.1 above, the proposal to introduce the community housing provisions on future rezonings will help to manage the impact of these additional costs. However, it can be expected that some

costs will be passed onto other activities, particularly new market-rate houses, and higher prices for goods and services. On the other side of the coin, the additional costs to these groups will be off-set by the longer term benefits to the community and the economy by having a greater range of low to moderate income households in the district.

### *Contribution assessment process*

The mechanism by which the community housing contribution will be calculated for each development could involve two different mechanisms:

- The contribution rate could be set within the provisions of Plan Change 24, at a fixed rate, irrespective of the particular circumstances of the future development, or the zone within which it will apply to. That is, a contribution rate could be set at  $x$  m<sup>2</sup> of affordable housing for every  $y$  m<sup>2</sup> of new floorspace. The rate would vary between the different types of floorspace (residential, retail, office, visitor), but would not take account of the individual characteristics of the development, and the extent to which it is likely to influence the supply of affordable housing.
- The contribution rate could be fixed at the time of the relevant plan change by reference to the need to complete an Affordable Housing Impact and Mitigation Assessment for the proposed development. For this process to work, an acceptable methodology needs to be set out.

While the former approach is preferred (as this approach will provide the most certainty to council, developers and the community), there is a need for flexibility. Flexibility could be provided by allowing plan changes to propose a contribution rate that is relevant to the development in question, provided that an acceptable methodology is followed. To this end it is proposed that the draft policies of the preferred direction be altered so that they refer to the need to prepare an Affordable Housing Impact and Mitigation Plan to determine what actions should be taken to manage the demand for affordable housing generated by a proposed development, and what community housing contribution would apply.

The revised provisions would refer to the need to prepare such a plan, with a new appendix in the District Plan setting out the content of the Affordable Housing Impact and Mitigation Plan. Within this appendix, the methodology set out in the Rationale report would be outlined, as well as the key outputs of this methodology. These outputs could be used to determine the amount of affordable housing that will be generated by the development. Alternatively, separate calculations could be prepared.

With regard to the community housing contribution rate, as outlined above, a contribution of 30% of affordable housing demand would ensure that a reasonable proportion of future housing would be protected for low to moderate income households by way of retention mechanisms. This rate should be stated in the methodology. The methodology would allow for this rate to be varied if there is good reason to do so.

### 8.2.3 Amended Policies

As noted, it is proposed to include a new appendix to the Plan which sets out the linkage methodology, and the actions that are expected to be taken to mitigate the demand for affordable housing provided by the methodology. Methods listed in the plan change would require the preparation of an impact statement in accordance with the appendix.

The efficiency and effectiveness of the proposed approach, including the risks of acting or not acting, can be summarised as follows:

- The proposed policy and associated AHIMS will help to ensure that affordable housing needs are more effectively managed in the future than at present. This will be because of the consistent framework set out
- The efficiency of the approach is expected to be assisted by the provision of an appropriate methodology to assess affordable housing demands and to state what an appropriate community housing contribution should be
- The risk of not including guidance on an appropriate response to future affordable housing demands is that the current situation where stakeholder agreements are negotiated on a one-by-one basis will be perpetuated.

### 8.3 Where

The following policies were proposed by the preferred direction in relation to where affordable housing should be provided, once decisions about when and how much have been settled:

7. Contributions may be in the form of money, land, units, or a mix of these. There is a preference for units within a development site, or in close proximity to it to be provided, with a monetary contribution only where the development is small in scale, or there would be an over concentration of affordable housing units within a particular area.
8. Affordable housing should be located within the confines of the urban settlements in the district, within walking distance of shops, community services and transport routes, be of a range of sizes (number of bedrooms) to match predicted housing needs, be constructed so that they are energy efficient and be well designed so that they integrate with surrounding development.
9. A concentration of affordable housing in neighbourhoods shall be avoided, with no more than 30% of households being identified as affordable housing units within any one neighbourhood.
10. Appropriate, long-term (no less than 30 years) retention mechanisms shall be provided with any affordable housing, such that the housing remains affordable for subsequent, qualifying working households, and mechanisms should be put in place to ensure appropriate management, monitoring and maintenance of units.
11. Housing types that provide more affordable accommodation, such as residential flats, worker accommodation and intensive housing formats that reduce land costs should be encouraged, provided they are well designed and appropriately located.

A critical part of any contribution system will be the principles that apply to how the contribution will be used.

An advantage to the incorporation of affordable housing provisions into the District Plan will be to have a consistent set of principles associated with where such housing should be provided and its design and quality.

Council is preparing guidelines to help with these issues. Of particular relevance is the Developer Guideline. The purpose of the Developer Guideline is to determine what qualifies as Community Housing. Community Housing is defined as '*Housing of an appropriate type, standard, and location which is permanently affordable for residents on low to medium incomes*'.

The Developer Guideline identifies the Council's desire to provide two types of community housing:

- Resident / family housing
- Worker / employee accommodation.

The document lists 8 criteria that housing must meet to qualify as community housing. These provide detailed targets and reflect the principles for community housing:

- Mix of tenures and dwelling sizes
- Size of dwellings, including minimum space standards and mixed typologies (i.e. studios, 2 bedrooms)
- On-site provision of housing as an integral part of the larger development, that is spread throughout the development and reflecting urban design principles
- Community housing to be externally indistinguishable from market housing
- Suitability of housing for a lifetime, appropriate for elderly people, families with young children, and people with disabilities
- Sustainability performance standards to achieve energy efficiency.

Important policy issues which need to be addressed in the District Plan, so as to support these guidelines, cover:

- On-site versus off-site provision
- Retention
- Quality.

#### *Off-site versus on-site provision*

There is a tendency for some developers to offer cash rather than units. Small developments may only support the contribution of part of a unit; therefore cash has to be accepted. There is also a basic driver for the consideration of cash rather than units, in that use of the same amount of money will deliver more units in a lower cost area, than in a higher cost area. The Barker Review made the following comment on cash versus units:

*Affordable housing requirements are, for the most projects, an efficient way of delivering additional sub-market housing and are worth pursuing. Importantly, they also promote mixed communities, and in most cases the amount of social housing delivered is higher as a result. But on-site affordable housing requirements can have the opposite impact, particularly for very up-market developments as the subsidy required to provide for affordable housing is so much higher. Overall, this delivers less housing. Allowing for off-site affordable housing quotas for some very up-market schemes therefore, could deliver more sub-market housing, as well as a higher overall level. But unless there is land available nearby, this may be difficult to achieve in practice. And considerations of mixed communities should mean this is exceptional, or only applies to some of the units.*

It is therefore appropriate to favour on-site provision, except where:

- The contribution amount would be only a fraction of a household unit, in which case a cash-in-lieu payment is appropriate
- Where development trends may lead to an over concentration of affordable units in one location, that is there is a confluence of market rate affordable housing, as well as community housing contributed through the proposed provisions

- Where the affordable housing can be provided in proximity to the development site, closer to transport and services
- Where it would be inappropriate to locate the affordable housing unit on a development site, such as in an industrial zone.

The proposed provision should be amended to reflect these principles. They should be incorporated into the required Affordable Housing Impact and Mitigation Statement.

### *Retention*

Mechanisms to protect the role of the housing provided as community housing are very important to the long term sustainability of the scheme. Without a retention mechanism, the "discount" that is involved in the affordable housing contribution is passed on to the first owner of the affordable unit as a windfall profit, preventing that subsidy from being recycled to other needy households. Many affordable housing programs restrict annual price appreciation by, for instance:

- Transferring the housing provided to a community land trust
- Tying it to inflation plus market value of home improvements
- Restricting who may purchase the unit, such as resale to a housing trust in the first instance, or to another qualifying household.

Preventing house price appreciation does reduce one of the key benefits of homeownership, namely building up equity in a property. However without the affordable housing unit, many households will be faced with only being able to rent (thereby building up no equity), while the restricted growth of capital growth provides an incentive for households to move out of the affordable sector into the mainstream market at some point, freeing up the unit for other low to moderate income households.

It is therefore appropriate that the District Plan refers to the need to provide a suitable retention mechanism, and reference needs to be made to appropriate techniques in the Affordable Housing Impact and Mitigation Statement.

### *Quality / Mix*

Ensuring that the units offered are of high quality (internal and external) is obviously very important to the social, economic and environmental sustainability of the scheme.

As with the topics covered above, guidelines have been developed by the council. These guidelines need to be referenced in the policies.

Particular reference needs to be made to:

- Design – ensuring that community housing is indistinguishable from other housing in the development
- Energy efficiency – that community housing is designed to a high standard so as to help reduce running costs for occupiers
- Size, number of bedrooms – that a range of unit sizes is provided, to meet expected demand.

### *Referencing External Documents*

One option for the plan change is to reference relevant external documents that address the above issues, such as the HOPE Strategy and/or the guidelines that the Council are preparing. The 2005 Amendment Act to the RMA has introduced new provisions relating to the referencing of documents within District Plans.

The two important provisions are that:

1. An amendment to, or replacement of, material incorporated by reference in a plan or proposed plan has legal effect as part of the plan or proposed plan only if a variation or change made to the plan states that the amendment or replacement has that effect.
2. Before a local authority publicly notifies a change to a plan, the local authority must:
  - make copies of the material proposed to be incorporated by reference available for inspection; and
  - give public notice stating that the proposed material is available for inspection
  - allow a reasonable opportunity for persons to comment on the proposal to incorporate the proposed material by reference; and
  - consider any comments they make.

To this end, it is important that the principles of the relevant guidelines be incorporated within the District Plan. Amendments and updates of the guidelines referenced in the District Plan need to be actioned by a plan change that will update the relevant reference in the District Plan. This makes amendments a time consuming process.

As a result, a section on design criteria is to be incorporated into the proposed affordable housing appendix.

#### **8.3.1 Amended Policies**

The following policies could be related to the second objective:

1. *To ensure that affordable housing is located within the confines of the urban settlements of the District.*
2. *To ensure affordable housing is well designed and energy efficient.*
3. *To avoid the concentration of Community Housing with provisions for its spread throughout a development and the settlements of the District.*

The efficiency and effectiveness of the proposed approach, including the risks of acting or not acting can be summarised as follows:

- The efficiency of the proposed policies in achieving the objective is expected to be greater than taking a “hands off” approach to the quality and location of affordable housing. Without an appropriate framework, affordable housing could easily be associated with low quality development, undermining the positive economic and social benefits of the proposed provisions

- The effectiveness of the policies will be enhanced by the material set out in Appendix 11 which will give guidance as to acceptable quality and mix.
- There are no significant risks of acting or not acting.

## 8.4 Methods

The following implementation methods are proposed for the two proposed objectives:

Objective 1 and associated policies will be implemented through the following methods:

- i. District Plan
  - a. Plan Changes that incorporate appropriate provisions relating to the supply of affordable housing and contributions to Community Housing.
  - b. Resource Consent conditions, including conditions on the number and type of allotments or dwelling units to be provided by the development to meet Affordable Housing needs, as well as contributions towards Community Housing.
  - c. Preparation of an Affordable Housing Impact and Mitigation Statement (AHIMS) (as set forth in Appendix 11) to determine the extent of affordable housing demands generated by development and/or subdivision and the range of actions to be taken to mitigate the identified effects.
- ii. Other Methods
  - a. By reference to the Hope Strategy
  - b. Actions of the Queenstown Lakes Community Housing Trust
  - c. Actions of Central Government.

Objective 2 and associated policies will be implemented through a number of methods:

- i. District Plan
  - a. Incorporation of appropriate site and zone standards in Plan Changes.
  - b. Resource Consent conditions
  - c. Design criteria set forth in Appendix 11.
- ii. Other Methods
  - a. Design guides
  - b. Design review
  - c. Design criteria as set forth in the HOPE Strategy.

## 9 Summary and Conclusion

This report has analysed the range of options for providing affordable housing. In assessing each option, relevant statutory and non-statutory documents have been considered. The effectiveness, efficiency, risk and appropriateness of objectives and the methods - including policies - have been assessed in accordance with the RMA.

*Are the policies the most appropriate way to achieve the objectives of the district plan?*

- The proposed policies and methods will provide a framework by which the community can respond to proposals to zone new residential and business areas (and upzone existing residential and business areas), and consider the merits of these proposals in terms of whether they provide opportunities for the provision of affordable housing.
- The policies and methods focus the consideration of the provision of affordable housing at the time of land use change. This enables contributions to be factored into development plans, and compensatory density increases to be considered, reducing the costs of the contribution to other homeowners.
- The proposed policies and methods will also provide a coherent framework to address the mechanics of how affordable housing may be provided, replacing the one-off agreements reached as part of plan change proceedings. This will help to reduce transaction costs for both developers and the Council.

*Do they assist the Council to carry out its functions in order to achieve the purpose of the RMA?*

- The policies will enable the Council to more effectively control the actual and potential effects of further urban development in the district, in an integrated manner. In particular, the provisions will enable the Council to consider both the negative and positive effects of growth on housing affordability.

*Are they in accordance with the provisions of Part 2?*

- The policies and methods will enable the Council to sustainably manage the natural and physical resources of the district. The provision of affordable housing will help to ensure the long term delivery of the compact settlements strategy of the District Plan. This strategy will not be undermined by a severe diminution of people's economic and social wellbeing.

### Conclusion

The proposed plan change satisfies the requirements of section 32. As a result of this analysis it has been decided to undertake a Plan Change, as outlined in this Report.

## 10 Supporting Information

The following documents were referenced in the consideration and assessment of Plan Change 24:

- Affordable and Community Housing – Demand, Allocation and Implementation (Rationale Ltd, 2007)
- Community Housing / Affordable Housing: Proposed Plan Change 24 – Issues and Options Report (Hill Young Cooper Ltd and Tricia Austin, 2006)
- Council Community Plan (Queenstown Lakes District Council, 2006)
- Dwelling Capacity Model (Queenstown Lakes District Council, 2007)
- Sustainable Building in Queenstown Lakes District (Sustainable Wanaka, 2007)
- Housing Our People in our Environment Strategy – Update (Queenstown Lakes District Council, 2007)
- Housing Our People in our Environment Strategy (Queenstown Lakes District Council, 2005)
- Linkage Zoning: North American Resort Case Studies (Tricia Austin, 2007)
- Proposed Plan Change 24: Community Housing – Policy Plan Change Working Paper One (Hill Young Cooper Ltd, 2007)
- Recommended Insulation and Glazing Requirements QLDC Affordable Housing (Sustainable Wanaka, 2007)
- Regional Policy Statement for Otago (Otago Regional Council, 1998)
- Responses to Affordable Housing consultation (Queenstown Lakes District Council, 2007)