Plan Change 10 – Implications for urban growth and economic development.

Prepared by Hill Young Cooper Ltd

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1 Introduction

1.1 Purpose of Report

Queenstown Lakes District Council has requested advice on various issues raised in submissions on Proposed Plan Changes 6, 8 and 10 to the partly operative Queenstown Lakes District Plan.

Plan Change 6 amends provisions relating to access widths, while Plan Change 8 alters on-site car parking requirements. Plan Change 10 amends various controls (and introduces new, additional controls) that apply to multi-unit development, for both residential and visitor accommodation developments, in the Higher Density Residential Zone, for the stated purposes of improving the quality of development in the zone.

Submissions on the proposed changes have questioned the cumulative impact of the changes, particularly their effect on:

- The ability of the higher density zone to accommodate development, and the impact on urban containment strategies if capacity is reduced
- Economic growth and if the restrictions are likely to significantly affect the visitor accommodation sector.

As part of the relief sought, submitters have requested that various issues objectives and policies of the Plan be modified to provide a stronger direction in the Plan in relation to:

- Visitor accommodation being an important resource in relation to the economic wellbeing of the district
- The Plan should identify areas suitable for visitor accommodation development, sufficient to provide for future demands
- High density development (residential and visitor accommodation) should be enabled around urban centres and transport routes, including Frankton in Queenstown
- The Plan should acknowledge that a change to the character of the areas covered by the higher density zone is inevitable because of the scale of

development that is anticipated; that is well designed, high density development.

- The Plan should provide a stronger link between the location of high density development and public (mass) transit.

1.2 Council's brief

The Council has requested advice on the following two issues:

1) Urban Growth

Having regard to the area of land zoned as HDRZ and with your knowledge of assumptions made for the urban growth strategy (e.g., we assume an assumption was made on the number of houses/units able to be accommodated in the HDRZ), is the cumulative and combined effect of PCs 6, 8 and 10 as described, give you any concern that the assumptions/calculations for the urban growth strategy are now compromised or that more land may be required to accommodate housing?

Even if the number of houses is less, does this have any significant impact on urban growth and consolidation for Queenstown and Wanaka?

Specifically, can you please comment if you consider there is any potential for PC10 (in combination with PCs 6 and 8) to have a significant impact on:

- *the Queenstown Urban Growth Strategy?*
- *District Plan objectives and policies for urban consolidation?*

2) Visitor Accommodation

Having regard to the modelling results are you able to comment on, and if so, do you have an opinion on the combined impact of PCs 6, 8 and 10 to economically develop and operate visitor accommodation in the HDRZ?

1.2.1 Background and Understanding of the Issues

The author of this report (David Mead of Hill Young Cooper Ltd) has an understanding of the issues raised in submissions based on his:

- Involvement in the Growth Options study which quantified future growth pressures and the issues and consequences of these pressures for the District;

- A review of the Residential Issues Study which underpinned Plan Change 10;

- Updating of growth projections in relation to proposed developments in the Frankton area;

- Preparation of an Issues and Options report on visitor accommodation and residential amenity;

- Preparation of a draft Growth Management Strategy for the District.

1.3 Purpose of Higher Density Zone

The District Plan currently expresses the purpose of the High Density Residential Zone (HDRZ) in terms of its role as:

- Contributing to the efficient use of land and helping to promote a compact urban form

- Providing for housing choices

- Accommodating more intensive forms of housing in locations that can best manage the amenity and transport outcomes associated with such housing.

The Plan does not provide any clear direction as to what would be an appropriate density of development in the zone, or its design. The HDRZ provisions are reasonably flexible, reflecting at desire to encourage development and not be too prescriptive about outcomes. There is no maximum or minimum density rule. The density of development is indirectly affected by the bulk and location controls that apply to development in the HDRZ.

The Plan states that the main function of the zone is to provide for more intensive residential activities. As part of this, there is a recognition that the character of the zone will change over time, with a transition from stand alone houses to low rise apartment and terraced house-type developments.

The role of the zone in providing for visitor accommodation is somewhat ambivalent. While at the policy level, the Plan acknowledges the need to control non-residential activities in residential areas so as to promote residential cohesion, at the level of rules, visitor accommodation developments are a controlled activity within the HDRZ. This activity status sends a signal that visitor accommodation is appropriate.

The Plan's provisions were developed at a time when the Queenstown and Wanaka areas faced some growth pressures (the mid 1990s), but the scale of growth currently occurring was not apparent. In Queenstown, the Plan acknowledged that Frankton would grow, and that over time there would be a shift of focus to the Frankton area, including more intensive development in that area, as development opportunities were taken up around Queenstown. The Plan provisions also reflect an uncertainty as to the demand for intensive housing developments and unfamiliarity as to how to manage its design.

These issues are common to many district plans. It was common for plans prepared in the early 1990s to take a liberal approach to higher density residential development due the uncertainty about the demand for such types of developments, and a concern that prescriptive controls might restrict market take up of higher density housing opportunities.

Many Councils have recently moved to provide more direction within district plans as to how to manage the design of higher density development, and its location. To this end, councils have:

- Moved to split higher density zones into those that are to provide for terraced house type developments, compared to those that are more suited to apartment type development (i.e. a clearer distinction between different intensities)

- For the terraced house zones, imposed average densities to ensure that appropriate formats occur, such as average densities of around 220m^2 to 280m^2 per unit which allow for a unit and an area of private open space on each lot.

- For apartment areas, removed density limitations, but in a number of cases added provisions about apartment sizes

- In all cases, moved to provide more direction on design outcomes, including internal amenity (privacy and outlook between units within a development, for example).

The role of higher density residential zones in accommodating growth pressures has also come more into focus as many Plans move towards "compact city" type approaches. High density zones need to be able to accommodate growth, but in a way that makes them attractive places to live. There are no benefits to growth management from simply "cramming" houses into areas, if all this does is create a poor quality environment that eventually turns away additional investment. Having said that, it is possible to provide high density, high quality residential areas.

1.4 Overview of changes

The three Plan Changes which are the subject of this report have different effects on development potential and development economics within the HDRZ. The details of the Plan Changes are not discussed in this report, as the main Hearings report will cover them. The following is a summary of the main changes.

1.4.1 Plan Change 6

By introducing access widths, this Plan Change potentially alters the developable area of lots.

Currently the Plan refers to NZ Standard 4404: 1981 (since updated to 4404:2004). In general, under this standard, developments of up to 4 units should provide an access way of 4.5m in width. For more than 4 units, the standard supports a street width of 12m, with a carriageway of 6m.

The existing District Plan provision only applies at the time of subdivision, not development.

The new Plan provisions:

- Apply at the time of development and subdivision
- Take into account existing and future development potential
- Support vesting access ways as public streets, particularly for developments of more than 20 units.

For developments of more than 5 units, the provision would appear to significantly increase access widths where a 12m access way width is now required for all types of development (not just subdivision). Previously, the Plan contained no specific standards for access ways that were part of a development. Widths of access ways were based on normal engineering parameters related to vehicle access and manoeuvring, and so widths of 4 to 5m were common.

1.4.2 Plan Change 8

This Plan Change alters on-site car parking requirements.

Under the Plan Change, on-site parking spaces for residential development increases from 1 to 2 spaces per unit, while for visitor accommodation, the standard alters from 1 space per unit for development with less than 15 units, to 2 spaces per unit, plus 1 coach park per 30 units.

The effect on development potential will partly depend upon whether car parking is provided on the surface, or within the development. Some impact on development potential can be anticipated, as each car parking space will take up around 17m^2 of land or floor area, based on a bay being 3.1m wide and 5.5m deep. An additional car parking space on the surface may reduce the achievable building footprint, while an underground car park will consume some floor space. Generally, incorporating car parking into the building (basement etc) will increase costs.

1.4.3 Plan Change 10

This Plan Change is aimed at improving the amenity of the higher density zone, particular the design of larger developments. New issue statements for the HDRZ identify concerns about current design standards. Larger, monolithic developments are seen to be a particular problem.

Desired design related outcomes cover:

- Integration with neighbouring built and natural environment
- Avoidance of repetitive and continuous building forms
- Open space between buildings
- Avoidance of dominant buildings that overshadow public spaces, block views and degrade the built environment.

Objectives and policies are proposed to be inserted related to the location of multi-unit developments. Location criteria refer to the following factors:

- Existing or proposed shops offering a range of services
- Public transport
- Public reserves.

To promote better design, Plan Change 10 alters various site standards relating to multi-unit development, while introducing new controls relating to overall site density and activity status trigger points.

The Plan Change therefore alters development potential through:

- More restrictive site and zone standards relating to building coverage, landscaping and building layout

- Maximum building length control
- A density limit
- Increased uncertainty through changed activity status for larger buildings and/or developments that involve more than the specified number of units.

The proposed changes can be summarised as follows:

Table 1 Plan Change 10 Elements

Element	Rule / provision	Provision
Multi unit developments – number of units	Activity status	Restricted discretionary if over specified number of units
Building size (footprint)	Activity status	Restricted discretionary if over specified size (m^2)
Building coverage	Site standard	Discretionary activity if over maximum coverage
Landscape coverage	Site standard	Discretionary activity if less than stated minimum landscaping
Continuous building length	Site standard	Discretionary activity if building length is over 30m
Site density	Zone standard	Non complying if exceed specified site density.

The above rules are applied through three different sub zones. Sub Zone B most closely approximates the current High Density Zone in terms of bulk and location controls, while Sub Zone A increases allowable site coverage rules, and Sub Zone C reduces them.

Of particular note in relation to the possible effect of the Plan Change on development capacity is the proposed site density rule. The site density rule introduces a density limit on development. No such limit currently applies in the Plan. The following limits are applied:

Table 2 Zone-Based Density Rule

Sub Zone	Minimum net site area per residential unit
Sub zone A	100m²
Sub zone B	150m²
Sub zone C	200m²

The Section 32 report indicates that these minimum densities are imposed to ensure that sites are not overcrowded with “tiny studio apartments”.

The area of land covered by the sub zones are set out below. The figures are for the zoned area, and do not take into account the fact that part of this area will be occupied by non-residential activities, some of which will be protected by designation, such as schools. In Queenstown in particular the presence of the Primary and Secondary School considerably reduces the effective area of the A sub zone.

Table 3 Area of land involved in sub zones – Queenstown

Sub zone	Area (ha)	% of Total
Sub-Zone A	42.77	25.8%
Sub-Zone B	92.60	55.9%
Sub-Zone C	30.30	18.3%
Total	165.67	100.0%

Table 4 Area of land involved in sub zones – Wanaka

Sub zone	Area (ha)	% of Total
Sub-Zone B	8.64	36.8%
Sub-Zone C	14.85	63.2%
Total	23.50	1 00.0%

2 Development patterns

This part of the report looks at recent developments patterns to provide a context within which the impact of the proposed Plan Changes on urban growth and economic development can be considered.

2.1 Residential development patterns

Only initial results from the 2006 census are currently available from Statistics New Zealand in relation to residential development.

The following table lists the number of occupied dwellings, as counted on census night for the Census Area Units in the QLDC District.

As can be seen from the table below (Table 5), the main urban areas in the Queenstown district have recorded slower growth than the rural Wakatipu area, while Wanaka and Hawea have grown faster than Queenstown.

The rate of housing development in the Queenstown Hill area is noticeable (an Area Unit that is partly covered by the Higher Density Zone). The rate of growth in this area unit can be compared to the slower rate of growth in the Arrowtown, Fernhill and Frankton areas, areas more associated with stand alone houses (lower density residential). The slower rate of growth in these areas partly reflects the lack of land supply in these areas (few vacant sections).

Table 5 Provisional Census Results

Statistical Area Unit	1996 Occupied Dwelling Count	2001 Occupied Dwelling Count	2006 Occupied Dwelling Count (Provisional)	% Change 1996 - 2006
Hawea	375	468	690	84.0%
Frankton	495	666	710	43.4%
Wanaka	1,122	1,446	2,100	87.2%
Glenorchy	183	216	230	25.7%
Kelvin Heights	279	339	410	47.0%
Sunshine Bay	576	687	870	51.0%
Wakatipu	432	570	940	117.6%
Lake Hayes	69	72	100	44.9%
Matukituki	96	114	150	56.3%
Arrowtown	588	690	870	48.0%
Queenstown Bay	762	813	930	22.0%
Queenstown Hill	822	981	1,230	49.6%
Total	5,799	7,059	9,230	59.2%

Looking at the share of growth accommodated in the area units listed, Table 6 shows the amount of growth accommodated in the Frankton area has reduced considerably in the 2006 to 2011 period, compared to the previous 5 years. Meanwhile the Queenstown Hill area has continued to grow at a fast rate, suggesting that the area plays an important role in accommodating growth pressures.

Table 6 Share of Growth – 2001 to 2006 – Occupied Dwellings

Area Unit	2001-2006	2006-2011
Hawea	7.38%	10.2%
Frankton	13.57%	2.0%
Wanaka	25.71%	30.1%
Glenorchy	2.62%	0.6%
Kelvin Heights	4.76%	3.3%
Sunshine Bay	8.81%	8.4%
Wakatipu	10.95%	17.0%
Lake Hayes	0.24%	1.3%
Matukituki	1.43%	1.7%
Arrowtown	8.10%	8.3%
Queenstown Bay	4.05%	5.4%
Queenstown Hill	12.62%	11.5%

The provisional census data does not yet provide for a count of total dwellings that is occupied and unoccupied dwellings. Making an allowance for unoccupied dwellings, the census figures suggests an annual demand for between 185 to 200 dwellings in the Queenstown urban area, of which around 50 have been accommodated in the Queenstown Hill area. In Wanaka, the above figures suggest a demand of around 300 units per year.

Recent building consent data (from 2001 to 2006) suggests that 50% of buildings classified as dwellings have been in the form of apartment and terraced housing developments, in the Queenstown area (515 out of 1043 units consented to between 2001 and early 2006, or 100 per year). Many of these more intensive dwellings are likely to be devoted to the visitor accommodation market. MacProperty[1], in their most recent newsletter, suggest that managed apartments now make up approximately 80% of the new apartment market, with

[1] Sourced from: http://www.macproperty.com/dyn_documents/market_report_apartments.pdf

many of these apartments made available for short term visitors. A 20% share of the apartment market suggests that currently, intensive housing formats make up about 10% of the total residential housing market (20% of 50%). This is therefore around 20 apartments per year.

Future demand for more intensive developments remains strong. For example MacProperty suggest that in the 12 months to 2006 approximately 450 apartments have been completed, and that over 1,100 apartments are likely to be built over the next 3 years in the Queenstown area.

While most of these apartments are directed at the visitor market, it is possible that should this market be oversold, there will be a shift back to meeting residential needs (i.e. long term rental and owner occupation).

Below is a table sourced from the recently published Issues and Options report on Visitor Accommodation and Residential Amenity. The first table provides one estimate of future demand for residential units in the Queenstown / Wakatipu areas.

Table 7 Estimated private dwellings – Queenstown / Wakatipu

Element	2006	2026
Usually resident population	17,170	34,575
People per occupied dwelling	3.09	2.35
Occupied dwellings	5,560	14,710
Ratio of occupied to unoccupied dwellings	1:0.33	1:0.2
Unoccupied dwellings	2,740	2,940
Total dwellings	8,300	17,655
Change 2006 to 2021		9,355

Source: Hill Young Cooper Ltd

At a 30% market share, the above numbers suggest the need to accommodate around 2,800 intensive housing units, or 140 per year, over the period up to 2026.

For Wanaka, residential development patterns are much more focused on stand alone houses on suburban style lots. Having said that, there has been some intensive housing developments, with Building Permit data indicating that between 2001 and 2006, 17% of units classified as residential involved intensive housing formats. As with Queenstown, many may be aimed at the

visitor market. For the residential market, demand may be only about 5% of total demand.

2.2 Visitor accommodation

Understanding the dynamics of the visitor accommodation market is much harder than for the residential sector. Visitor numbers are hard to predict, especially for the longer term, while visitors can stay in a variety of accommodation. Of particular relevance to the Plan Change 10 is the extent to which visitor accommodation demands are likely to be met by apartment-type development in the higher density zone, compared to other forms of visitor accommodation located in other areas.

Table 8 presents one estimate of future demand for visitor accommodation developments in the Queenstown / Wakatipu area. These estimates are very general, and have to make a number of (uncertain) assumptions about future levels of demand.

Table 8 Estimated visitor accommodation units – Queenstown / Wakatipu

	2006	2026	Change
Total Guest nights	3,476,691	7,088,377	3,611,686
Per day (average)	9,525	19,420	9,895
% of guest nights in CAM units	60.0%	70.0%	
Number staying in CAM units (average)	5,715	13,594	7879
Number of CAM units	6,744	16,041	9297
% in Hotels, Motels, Backpacker Units	78.9%	85.0%	
Number of Motel, Hotel, Backpacker and apartment units	5,324	13,635	8,311

Source: Hill Young Cooper Ltd

Many of these visitor units will need to be accommodated in town centre (commercial) and higher density areas. However it is not possible to be precise as to the extent to which the current HDRZ zone will need to cope with the demands for visitor accommodation, as there are a range of opportunities for visitor accommodation. In the Growth Options work, apartment type developments were assumed to meet around 35% of the additional visitor accommodation demands. The Growth Options work suggested that provision

therefore needed to be made for at least a further 800 to 900 visitor accommodation units in the Queenstown HDRZ. The balance was expected to be accommodated by Frankton developments. This allocation of visitor units was partly motivated by a desire to see a balance between visitor units and residential development in the Queenstown Bay area.

As noted by a number of people, the growth of the serviced apartment market is driven more by the needs of investors, rather than visitors. For example, MacProperty note:

> *"To generate returns, apartments are being forced to compete directly with the hotel sector to drive new business. It remains to be seen how sustainable this will be, given the higher costs in developing apartments, together with the fact that a large number have been developed on the ability for developers to obtain profits through selling individual titled apartments, rather than demand for more beds"*.

Visitor accommodation developments are possible in a number of District Plan zones, and while the HDRZ is the current focus of market activity, it is possible that this focus will shift in the future, if the economics of development in the HDRZ become less favourable. This may be due to an oversupply of product, other sources of accommodation being provided, or because of increasing costs, relative to other forms of visitor accommodation.

In Wanaka, it is apparent that the visitor accommodation sector is currently much more focused on the utilisation of second homes, holiday homes, home stays and the like. Therefore visitor accommodation tends to be located in the Low Density Residential Zone. However, it is possible that in the medium term, demand in Wanaka will reach a point where larger visitor-related developments can be justified. In this case, the HDRZ may take on a more prominent role.

In summary, the above figures indicate a sustained demand for housing and visitor accommodation units, and all of the indications are that the demand for units in intensive formats will increase over the next 20 years. This can be based on:

- Current market trends which are driven mostly by the needs of investors
- An increasing preference for visitors to stay in managed apartment developments

- Rapidly rising house prices meaning that more and more permanent households will need to look at more intensive living options

- Increasing costs of travel favouring residential locations that are close to workplaces and amenities.

What is at issue is where this demand in likely to locate. In both Queenstown and Wanaka, a range of opportunities will become available over the next few years which will make the existing HDRZs one option among a number.

2.2.1 Development densities in the higher density zone

The only currently reliable data on densities in the HDRZ comes from the Council's housing capacity model. Council operates an Excel spreadsheet model that it uses to help estimate housing capacity under current zonings.

For the HDRZ in Queenstown, the model estimates that there is the potential to develop units at an average density of 1 unit per 159m^2 of site area. For Wanaka, the assumption is that the density of development will be around 217m^2 per site.

At the Queenstown Lakes District Council Strategy Committee meeting of 11 May 2005, a report was received on the background to the capacity model which set out the rationale for these figures. The following text was sourced from that report:

> ***The High Density Residential Zones***
>
> *The estimated/ pseudo "minimum density" in the 2002 model was 117 m² on larger sites (i.e. over 859m²) and 157 m²/ unit on smaller sites. Notably, no distinction was made between Wanaka and Queenstown. In the revised 2005 model this has been changed to 1 unit per 159 m² in Queenstown and 1 per 217 m² in Wanaka. This was derived from a sample of actual developments that have occurred in the two towns in recent years and the densities that are being reached, as illustrated in the following table:*

PROPOSAL ~ QUEENSTOWN	Area (m^2)	No. of lwellings	Density (m^2/unit)
19 Adelaide St – Erect an 8 unit apartment building	1,189	8	149
23 Adelaide St - Erect an 8	596	8	75

PROPOSAL ~ QUEENSTOWN	Area (m²)	No. of lwellings	Density (m²/unit)
unit apartment building			
20 Beetham St - Erect 7 unit apartments	546	7	78
28 and 30 Hallenstein St - Erect five units	954	5	191
Fryer St - Construct six units	809	6	135
43 & 45 Belfast Terrace - Erect six units	1655	6	276
6 Vancouver Dr – Construct 4 residential units	1,205	4	301
251 Frankton Rd - Construct 18 units (RM000397 & 990408)	1,095	18	61
681 Frankton Rd - Construct 4 units (RM030987)	869	4	217
15 & 17 Gorge Rd – Construct 25 units (RM000205 – Whistler apartments)	1,645	25	66
21 Hallenstein St – Construct 4 units (RM020757)	600	4	150
58 & 62 Hallenstein St – Construct 21 units (RM020743)	1,972	21	94
55 Kent St – Construct 5 units (RM020705)	1,244	5	249
6 – 10 Lake Street –	1710	8	214

PROPOSAL ~ QUEENSTOWN	Area (m²)	No. of lwellings	Density (m²/unit)
Construct 8 units			
Averages for smaller lots	1,149	9	161
The Glebe - To erect 36 residential units on the cnr of Stanley and Beetham streets	3,945	36	110
12-16 Dublin Street – Construct nine units	2,676	9	297
183 Frankton Rd - Construct 40 units (RM040099) – The Club	4,285	40	107
327 Frankton Rd - Construct 83 units (RM030181) – The Shore	7,263	83	88
239 Frankton Rd - Construct 23 units (RM970197) – The Point	5,453	23	237
34 Lake Esplanade – Construct 57 units (RM 020335 & 020855) – The Beacon	4,592	57	80
Averages for larger lots	4,702	41	153
Total averages in Queenstown	2,215	19	159 m²/unit

PROPOSAL ~ WANAKA	Area (m²)	No. of lwellings	Density
62 Tenby St – To construct 8 units	1012	8	125

141 Lakeside Rd - Erect four apartments	1013	4	253
23 Lakeside Road - To erect 5 town houses	2028	5	405
61 Stratford Terrace - To erect 3 units	1259	3	420
52 Warren St - To erect 14 units	1012	14	72
29 Warren St – To erect 26 units	2023	26	78
57 on the Lake (57 lakeside Rd) – To erect 30 units	3780	30	126
124 Lismore St – To erect 4 units	1012	4	253
Averages in Wanaka	1,642	12	217m2/unit

Furthermore, the feasibility factor for the High Density Residential zone has been changed from 76% to 80%. I.e. whereas the model might say that, in theory, 4,000 more dwellings could "fit" into the High Density Residential zone, in reality this is likely to be more like 3,200 due to roading, slope, existing house, etc. As the pseudo "minimum densities" are based on actual examples of what is being achieved it is reasonable to assume that the pseudo "minimum densities" in the model will often be met 100%. That said, it was deemed that it would over-state densities if this were included in the model and for this reason the 80% has been favoured. It is also noted that once the new bulk and location rules have been notified for the High Density Residential zone, this zone will need to be entirely reviewed.

As can be seen from the above figures, there is a degree of variability between developments in terms of density, with the HDRZ providing opportunities for quite intensive developments (in some cases less than 100 m^2 per unit). These higher densities tend to be associated with the larger developments, possibly directed at investors and the short term visitor market.

The proposal to introduce a minimum net site area per unit of between 100m^2 and 200m^2 suggests that Plan Change 10 will have a direct impact on density (not taking into account effects from increased landscaping, parking and access requirements). This is because the developments with the smaller site sizes (i.e. less than 100m^2 per unit), will become Non-complying activities under the proposed rules. This point is discussed further below.

2.2.2 Statistics NZ Building Consent Data – Unit sizes and values

Statistics New Zealand record various data presented as part of building consents.

The following table lists the average value ($) and floor area (m^2) of units classified by Statistics NZ as:

- Terraced houses and similar units joined together horizontally; and
- Apartments, that is units joined vertically.

The table below presents average values for the combined Queenstown Bay and Earnslaw Area Units in Queenstown and the Wanaka Area Unit.

As can be seen from the table, there has been a steady rise in the value of development between 2001 and 2006. The average floor area of the nominated developments has increased, although there is obviously variability from year to year.

Table 9 Average value and size of terrace house and apartment developments

Year	Queenstown		Wanaka	
	Average value of unit	Average floor area m2	Average value of unit	Average floor area m2
2002	$127,684	159	$100,024	135
2003	$149,245	200	$166,847	201
2004	$210,051	205	$118,391	100
2005	$295,464	204	$174,295	148
2006	$273,414	149	$528,846	381

Average	$199,490	181	$200,286	188

2.2.3 Future capacity

The Council's capacity model presents one picture of the capacity of the HDRZ to accommodate growth.

The High Density zone in Queenstown represents a significant proportion of the currently available development potential of the wider urban area. 30% of the Queenstown urban areas capacity is accounted for by the Queenstown High Density zone, while the Wanaka High Density zone represents a much smaller proportion of available capacity. Table 10 sets out relevant information.

The figures for Queenstown include Remarkables Park, and Jacks Point, but exclude the proposed Kawarau Falls and Five Mile developments.

Table 10 Capacity model

HDRZ	Ha	Existing Dwellings	Approved Not Yet Built	Additional Capacity	Total Capacity
Queenstown High Density	145	1,473	222	2,106	3,801
Wanaka High Density	22	225	45	441	711
Total QT Urban zonings	1895	4560	322	7797	12679
Total Wanaka urban zonings	544	2,636	132	2,392	5,160
Proportion of total urban zonings - Queenstown HDR	8%	32%	69%	27%	30%
Proportion of total urban zonings -	4.0%	8.5%	34.1%	18.4%	13.8%

HDRZ	Ha	Existing Dwellings	Approved Not Yet Built	Additional Capacity	Total Capacity
Wanaka HDR					

It is also apparent that in both the Queenstown and Wanaka HDRZs, around 50% of the capacity of the HDRZs, as estimated by the Council, has been developed so far.

The capacity figures have been derived by the council using the assumptions set out above.

As noted, the above capacity figures do not take into account recent or proposed developments. The Five Mile Village development could easily add a further 3,000 to 4,000 higher density units. Five Mile has a design capacity of 10,000 people, mostly involving higher density formats.

In summary, the HDRZ zone has seen considerable development pressures over the past 5 years, with the zone accommodating a reasonable proportion of district-wide development (both residential and visitor accommodation). It is likely that demand for more intensive housing developments will increase in the future as housing and transport costs rise, while visitor projections suggest sustained demand for additional visitor accommodation units.

2.3 Effect of Changes

The combined impact of the proposed changes on development potential in the HDRZ is not clear cut, as the market could react to the proposed changes in a number of ways:

- In response to a reduction in possible floor space obtainable in the zone, the market may favour reducing the size of individual units
- or alternatively it may promote fewer, but larger and more expensive units.

Given that much development in the zone appears to be directed at the investor market (where participants often have restricted access to capital), it seems more likely that the former response will prevail.

The report that led to the preparation of Proposed Plan Change 10 (the Residential Issues Study) identified a 15% reduction in capacity within the

Zone as a result of the proposed changes to standards, but concluded that overall there is sufficient land supply to satisfy demand until 2021. The report does not provide any calculations or advice as to how the figure of 15% was reached and the Section 32 assessment to Plan Change 10 does not consider the 15% reduction in capacity as a potential cost.

A reduction in the floor space capacity of the zone does however appear to be a direct effect of the Change and consequently, matters relating to the effects on the economics of development and on urban growth dynamics are valid considerations.

The effect on capacity can be assessed in two ways.

- The effect of the new site-based rules on the amount of floor space achievable on an “average site”
- The effect of the zone-based density rule.

2.4 Floorspace

In response to submissions on the Plan Change, the council has been considering the effect of the various development rules that are proposed to be put in place, taking various theoretical sites and modelling development envelopes, as provided for by the new site standards.

Boffa Miskell, who undertook the modelling, are at pains to point out that the modelling only provides an indication of total building footprint available on a site, and not what the impact of the changed rules might be on the number of units provided. That is whether the reduced footprints would see the same number of (smaller) units offered, rather than a reduction in their total number.

The following table lists the outcomes of the modelling work, in terms of the floor space obtainable in three different sub zones, with three different site characteristics, using as a base a 1000m^2 site.

Table 11

Scenario	Current rules	Sub zone A	Sub zone B	Sub zone C
1	798	550	686	650
2	1082	900	958	876
3	664	418	498	398
Average floor space	848	623	714	641
Number of units @ 135 m2 of floor area per unit, for 10 sites (eg 10,000 m2 total land area)	63	46	53	48
Reduction from current		17	10	15
% change		26.6%	15.8%	24.4%

Assuming that unit sizes remain the same, the modelling suggests a 15% to 25% reduction in theoretical capacity, when the new rules are compared to the old rules. For Queenstown, this suggests a shift in average density from around 160m^2 per unit, to around 200m^2 per unit. See Table 12 below, taking the "average density" used by the Council in its capacity model, as the reference point.

Table 12 Possible Changes in Density

	Current	Sub zone A	Sub zone B	Sub zone C
Density of housing units per m2 of site area	159	217	189	210

If the same number of units were to be obtained from the reduced development footprints available under Plan Change 10, then average densities are likely to

increase so that development is around the 120 m^2 of site area per unit. Average unit sizes may fall from 130m^2 to around 100m^2 of floor space. This is likely to be mostly achieved through a fall in the size of smaller apartments. However the introduction of the zone rule imposing a minimum site area per unit will reduce the extent to which this can occur.

Other conclusions of the modelling indicate the following:

- When combined, the effect of PCs 6, 8 and 10 on flats sites in Sub zone C is to lower the site coverage to a level more consistent with lower density development than high.

- In Sub zone A, while in theory allowable building coverage is increased compared to the current situation (65% permitted compared to 55% pre plan change), any benefit of the increased coverage is lost due to additional land area required for car parking access.

The most significant effect on development capacity (floor space) is that associated with the revised access way rule, and the requirement for development to provide wider access ways. On smaller sites, this has a significant impact on development potential. As sites get bigger, then the effect on development potential is likely to decrease.

A revision of the access way rule is likely to see achievable development densities closer to what was obtainable under the current provisions.

The effects of increased uncertainty on development potential (the shift in activity status to limited discretionary) is harder to gauge than the effect of the changed site and zone standards. This is because there are no criteria within Plan Change 10 as to what level of development is unacceptable, once the thresholds established by Tables 7.1 and 7.2 are exceeded, apart from the zone density standards set out in Section 7.5, and the 70% maximum building coverage.

It is unclear whether the policies and assessment criteria that apply to limited discretionary activities will be used to lower achievable site development densities, particularly those policies related to the location of development. In other words, it is not clear if the HDR sub zone densities take into account and comply with the location criteria, or whether the criteria will see a further reduction in the baseline maximum densities.

As for the impact of the additional design criteria, this will be a matter of how site characteristics, design and assessment requirements affect particular sites. It is notable that when other District Plans have been modified to provide more discretionary design criteria, after a period of uncertainty about the impact of

such changes on capacity, development and design practices have adjusted and re-established themselves at a new “equilibrium”.

2.5 Acheivable Density

The effect of imposing a minimum density “floor’ can be assessed by calculating the number of units that would be derived if the required minimum of 1 unit per 150m^2 was imposed on the developments that were listed in the council report that considered appropriate density figures for use in the Council’s capacity model. That is, if all development had a density of more than 150m^2 per unit.

Table 13 sets out this analysis for Queenstown, using the figures from Section 2.2.1. Where a development resulted in a density of less than 1 unit per 150m^2, then that number of units is retained. Where the density was greater than 1 unit per 150m^2 (for example 1 unit per 80m^2), then the density was reduced to 1 unit per 150m^2, and the number of units calculated on this basis.

Table 13

Site Area	Actual Units	Actual Density (M2 per unit)	Assumed density	Revised Units
1,189	8	149	150	8
596	8	75	150	4
546	7	78	150	4
954	5	191	191	5
809	6	135	150	5
1655	6	276	276	6
1,205	4	301	301	4
1,095	18	61	150	7
869	4	217	217	4
1,645	25	66	150	11

600	4	150	150	4
1,972	21	94	150	13
1,244	5	249	249	5
1710	8	214	214	8
3,945	36	110	150	26
2,676	9	297	297	9
4,285	40	107	150	29
7,263	83	88	150	48
5,453	23	237	237	23
4,592	57	81	150	31
44,303	377	118	174	254

Thus, rather than deliver 377 units (as is achieved under current rules), imposing a minimum of 150m^2 per unit (cutting out the more intensive developments) suggests a total of 254 units on the selected sites, or a reduction of around 30%. This is a hypothetical exercise; it is possible that the average density will increase on sites currently being developed at less than 150m^2 per unit, compensating for the reduction of the number of units achieved on other sites.

It is noted that the above analysis suggests an average density of 1 unit per 118m^2 (for both large and small sites). This is at odds with the "average" density figure of 159m^2 used in the model. In other words, the model may well be underestimating development potential.

2.6 Effect of Changed Capacity

The overall effect of the proposed plan change will be to lower achievable density in the higher density zone by between 15% and 30%. Taking a mid point of a 25% reduction suggests a reduction in achievable capacity of around

2,100 additional units to around 1,500 additional units for the Queenstown High Density zone, and from 440 to 330 units for Wanaka.

The reduction in available capacity of around 600 units in Queenstown represents around 5 to 6 years demand (for both housing and visitor units), at current rates of growth. In other words, the capacity of the zone will be reached 5 to 6 years earlier than might otherwise occur. This suggests that this growth will need to be accommodated elsewhere.

The main question is what the consequences are from this demand being displaced to other areas. Will it put more pressure on other areas, possibly seeing more rural land converted to housing and visitor accommodation developments?

The 2004 Growth Options study noted the important role that the present HDR zones provided in terms of accommodating growth pressures. It also noted the confusion over the role of the HDR zone, and whether it was aimed at residential development, or to provide for visitor accommodation. It was noted that the quality of design in the HDR zone was important if the area was to attract a stable residential base.

Overall, the Growth Options report advocated for:

- A mix of residents and visitors in and around the CBD
- Maintenance of the current walkable scale of the area
- Selective adjustments to zoning provisions, such as allowing for increased height in some areas, but overall maintaining the 2 to 3 storey format.
- Significantly increasing design standards.

The Growth Options work noted that demand pressures were such that the planning for the development of the Frankton area would need to accommodate a significant amount of future growth, much of it in higher density formats.

In both Wanaka and Queenstown, significant options are available to increase development potential elsewhere:

- In the Queenstown area, the proposed Five Mile and Kawarau Falls developments are likely to include a significant amount of high density development for both residential and visitor accommodation development
- In Wanaka the 3 Parks development will involve a more intensive component, as well as options elsewhere in the Structure Plan Area.

This suggests that provided zoning changes are made elsewhere to accommodate more growth in keeping with Council's urban growth strategies, then the proposed reduction in capacity in the existing HDR zone will not necessarily increase pressure for urban sprawl, or lead to the constriction of the visitor accommodation market.

Associated with the zoning changes is the need to significantly improve public transport options between the Queenstown CBD and Frankton. The success of the proposed land use changes in the Frankton area is very dependent upon this investment in public transport, particularly the attractiveness of the area for visitor accommodation.

In the medium term, further options are available to create additional capacity within the present HDR zone, particularly in Queenstown. For example additional height could be added to the Sub Zone A area, and there is discussion of rezoning part of the Gorge Road area for high rise development. However these responses fall outside the scope of the Plan Change. They could be noted as desirable consequential changes that the Council should pursue and investigate.

2.6.1 Increased costs of development

It can be expected that a reduction in achievable development on sites in the HDRZ is likely to raise the purchase cost of units and /or see some adjustment to underlying land values.

Increased unit costs can be expected because as density reduces, the land component of total unit value increases in relative proportion to the cost of improvements. As land becomes more expensive, and the land component of units increases, then the costs of units will increase. On the other hand, some adjustments to underlying land values can be expected due to fewer units being able to be built on a site.

Increased costs of units may affect investor behaviour, and may reduce market demand for investment units, especially if achievable returns (eg short term rentals) are insufficient to cover higher costs. Thus, there is a potential affect on the supply of visitor accommodation units. However there are opportunities elsewhere in the Queenstown area for visitor units to be built, and there may be a compensatory shift back to hotel / motel forms of accommodation, if the economics of "lettable apartments" become less favourable.

In terms of housing costs, increased costs may have some impact on affordability. However, overall, if there is a swing away from short term visitor

market towards longer term rental and owner occupation, then this will be positive for affordability.

2.6.2 Possible adjustments to Plan Change 10

The effect of Plan Change 10 will be to accelerate the need for additional and new zonings to be considered within planned growth areas. While overall this effect can be accommodated in the next 20 years, there would be benefit from reviewing the need for the proposed rules which have most impact on density. This is to help keep open longer term opportunities for growth management.

In terms of Plan Change 10 itself, the most significant effects on capacity are those associated with access ways (less room to accommodate buildings on sites) and the zone-based density limit (fewer units on a site). Both provisions, while having implications for urban design and development opportunities, are not directly aimed at "quality design outcomes".

A relaxation of the access way requirement for smaller developments, and the removal of the zone-based density rule (which is not directly related to design outcomes) would focus the Plan Change more acutely on design issues, and reduce adverse effects on capacity. In this regard, the zone-based site density rule could be modified so that it becomes a site-based rule that acts a trigger point as to when more detail design responses are needed, for example when development exceeds a density of 1 unit per 250m^2 of site area.

2.7 Possible Policy Changes

While the proposed changes as notified are ostensibly aimed at the design of development in the higher density zones, the proposed changes will affect the density of development within the HDR zone, and with this capacity.

The Plan Change attempted to neutralise the effect of reducing development potential in some areas, by increasing it in others. However the combination of a number of proposed controls has stymied this trade off.

The submissions suggest various changes to objectives and policies that attempt to "lock in" the role of the HDR zones in providing for visitor accommodation, and in terms of the changing character of the zone.

The role of visitor accommodation in the HDR zone is subject to a separate process.

The other submissions on the role of the zone in accommodating higher density development raise some valid points.

There are a number of changes to objectives and policies that are available that could help to reduce the impact of the plan changes on capacity, while still maintaining the focus on high quality design. These are:

- Stating issues and concerns about development in the HDRZ in a positive way – that is, high quality, higher density development is sought to promote the economic and social wellbeing of the area and to help contain the urban area.

- The aim of the zone is to promote amenity, rather than a reaction to poor design.

- Acknowledging in the proposed policies that the zone is aimed at developing a future character rather than protecting an existing character – that is, a change in amenity will occur, with a different form of development likely, but still providing for a high quality environment

- Using the location criteria set out in the policies to help determine the location of the HDR zones, and avoid any confusion that the location criteria may be applied to development within the zone

- Removing the zone-based density limit rule, and replacing the minimum unit area with a minimum unit size (floor space size), or limiting studio / one bedroom units to no more than 30% of units in a development, for example, if there is concern about the proliferation of small units.

- Using a site-based density controls as a means of triggering the need for a detailed consideration of design issues (that is rather than use the number of units on a site, use proposed density)

- Providing more direction within the assessment criteria as to how the core design issue of large monolithic developments should be handled.

3 Overall conclusions

The Council has requested advice on the following two issues:

1) Urban Growth

Having regard to the area of land zoned as HDR and with your knowledge of assumptions made for the urban growth strategy (e.g., we assume an assumption was made on the number of houses/units able to be accommodated in the HDRZ), is the cumulative and combined effect of PCs 6, 8 and 10 as described, give you any concern that the assumptions/calculations for the urban growth strategy are now compromised or that more land may be required to accommodate housing?

Even if the number of houses is less, does this have any significant impact on urban growth and consolidation for Queenstown and Wanaka?

Specifically, can you please comment if you consider there is any potential for PC10 (in combination with PCs 6 and 8) to have a significant impact on:

- *the Queenstown Urban Growth Strategy?*
- *District Plan objectives and policies for urban consolidation?*

2) Visitor Accommodation

Having regard to the modelling results are you able to comment on, and if so, do you have an opinion on the combined impact of PCs 6, 8 and 10 to economically develop and operate visitor accommodation in the HDRZ?

The conclusions of this report are that:

1. The combined affect of Plan Changes 6, 8 and 10 as they presently stand, would appear to be a lowering of achievable density in the HDRZ of between 15% and 30%, depending upon the extent to which smaller residential and visitor accommodation units are provided, in response to

the reduced floor space which can be built on a site, and the effect of the proposed zone-standard for density.

2. The reduction in density and floor space suggests 5 to 6 years less supply of development opportunities, based on current assumptions about the likely density of development in the HDRZ (rather than the theoretical density), and take up rates.

3. In Queenstown, it has been anticipated for some time that the Frankton area will start to take an increasing share of growth as the Queenstown Bay area begins to reach capacity thresholds. The effect of Plan Change 10 would appear to accelerate this process.

4. Provided additional capacity is provided in the Frankton area (as is planned) and appropriate public transport links provided, then there should be no adverse consequences in relation to urban growth management, in relation to residential or visitor accommodation growth.

5. In the Wanaka area, the on-going development of the Structure Plan provides an opportunity to consider additional areas for higher density development.

6. The effect of the Plan Changes on reduced capacity would be ameliorated to an extent by removal of the proposed zone standard for density and a recasting of issues and policies to a focus on promoting good design. These changes would help to reduce the perception that the proposed rules are about limiting density, when in fact they are aimed at good design of higher density developments.