

QLDC Council
28 January 2021**Report for Agenda Item | Rīpoata moto e Rāraki take : 4****Department: Planning & Development****Title | Taitara Updates to the Hāwea Special Housing Area deed between Council and Universal Developments****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

- 1 The purpose of this report is to present a proposed update to the Hāwea Special Housing Area deed between Council and Universal Developments.

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

- 2 This report considers a deed between Universal Development, the Council and the QLCHT which sets out the affordability requirements associated with the Special Housing Area development at Hāwea. Consent has been granted and civil works are expected to begin in 2021. Since the signing of the deed development conditions have changed and the Universal Development is seeking two variations which are allowed for within the deed, to allow for more flexibility in how a portion of the development is marketed and sold.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Accept** the proposed variation to clauses 41 and 43 to the Hāwea Special Housing Area Deed (Infrastructure and Affordability) Deed; and
3. **Direct** the General Manager of Planning and Development to confirm these changes.

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11/12/2020

Reviewed and Authorised by:



Tony Avery
GM, Planning and Development

18/01/2021

CONTEXT | HOROPAKI

- 3 Council and the Government entered into the Queenstown-Lakes Housing Accord (the Accord) on 23 October 2014 under section 10 of the Housing and Special Housing Areas Act (HASHAA). The Accord established the Council as an authorised agency under the HASHAA and outlines how the Council was to achieve the purpose of the Act and increase housing affordability and supply.
- 4 One development which was promulgated under HASHAA is the Universal Development's Special Housing Area at Lake Hāwea. The site is approximately 34.46 hectares and is to the south of Cemetery Road, Lake Hāwea (Lot 2 DP 343855 as held in Record of Title Identifier 180128) and is shown in the brown box at the bottom of figure one below.

Figure One: Universal Development SHA location - Hāwea



Quick timeline

- 5 At the full Council meeting on 13 December 2018 the Council agreed to recommend that the site be classified as an SHA¹. The QLDC LEAD policy under HASHAA required that developments identify and make contractual arrangements for an affordable housing contribution. To this end, on 21 December 2018 the Hāwea Special Housing Area Deed - (the Deed) was entered into and set out (amongst other items) the affordable housing componentry of the SHA development. The deed was signed by Universal Developments Hāwea Limited, the Council and the Queenstown Lakes Community Housing Trust, and included affordability requirements which are discussed in more detail later in this report.
- 6 The SHA proposal was finalised by the Minister on 24 June 2019 and Resource Consent was issued subject to conditions in April 2020. Civil construction is expected to begin in the first quarter of 2021.

¹ <https://www.qldc.govt.nz/media/2mepnt2j/0-council-13-december-2018-draft-mins-public.pdf>

The Deed

- 7 The deed incorporates several affordable housing requirements:
 - a. It requires 10% of the development to the QLCHT to be used for retained affordable housing, and that 20% of the first stage of the development will be earmarked for this contribution (Clause 37 (b)).
 - b. Another aspect is that the Deed defines fixed prices for house and land packages which are considered affordable, these are set out Clause 41:
 - Two bed, two bath, single garage dwelling, with driveway and front yard landscaping \$464,000;
 - Two bed, one bath, double garage dwelling, with driveway and front yard landscaping \$464,000;
 - Three bed, two bath, single garage dwelling, with driveway and front yard landscaping \$499,000;
 - Three/four bed, two bath, double garage dwelling with driveway and front yard landscaping \$550,000;
- 8 Clause 42 of the deed provides the ability to amend the house and land packages in Clause 41, with one of the justifications explicitly being the change in building costs.
- 9 Clause 43 seeks to further encourage the development of houses, and discourage speculators and flipping, stating: *the Developer may not sell more than 30% of the lots without there being an associated building contract for that lot at the time of sale.*
- 10 Since the signing of the Deed, the real estate market and build costs have continued to increase. Also since the signing of the deed, the Government increased the threshold for access to the Homes Start Grant from \$550,000 to \$650,000 for the Queenstown Lakes District. Covid 19 has also impacted the financial conditions of developments.
- 11 To reflect the changes in the development conditions, and as allowed for in the deed, Universal Developments have proposed two variations to the deed, both of which are described and discussed below.

Proposed variations to the deed

Clause 41

- 12 The first proposed variation is an update to the package pricing in Clause 41 to:
 - Two bed, two bath, single garage dwelling, with driveway and front yard landscaping **\$499,000 (7.5% increase)**
 - Two bed, one bath, double garage dwelling, with driveway and front yard landscaping **\$499,000 (7.5% increase)**

- Three bed, two bath, single garage dwelling, with driveway and front yard landscaping **\$549,000 (10% increase)**
 - Three/four bed, two bath, double garage dwelling with driveway and front yard landscaping **\$599,000 (8.9% increase)**
- 13 The package pricing was set four years ago, and the deed (first signed in 2018 and varied in 2019) recognised those prices. Since then there have been significant shifts in the development landscape. Of particular note, the threshold for household access to government grants for first time homeowners (the Homestart Grant) has increased from \$550,000 to \$650,000.
- 14 Other changes reasons cited include the increased cost of construction, and in particular building materials and labour during the four year period from the signing of the deed.
- 15 The highest package price in the proposed change (\$599,000) falls well under the Homestart threshold, and at the same time is roughly half the average current house value for the district. Therefore the housing that will be created represents a relatively affordable proposition for households in the Upper Clutha, even while flatly the packages are more expensive.

Clause 43

- 16 The second proposed variation to clause 43 seeks a larger allowance for the sale of sections without an associated build contract. Clause 43 (in part) is:

Unless the Council from time to time agrees, in any stage of the development, the Developer may not sell more than 30% of the lots without there being an associated building contract for that lot at the time of sale

- **Universal Holdings is proposing to change the limit to 50%.**
- 17 At present the deed requires that 70 percent of the development of at least 400 units be sold **with** an associated build package. The outcome of this proposal would amend this to 50 percent.
- 18 The intent behind the variation being sought is to positively impact the finance of the development and allow it to proceed at a faster pace than what is currently projected. The deed as written at present limits a portion of sections sales to those who also have build contracts lined up, essentially packaging for group home building companies to assist with limiting speculator interests, but at the same time excluding those who might be in a position to design and build over time.
- 19 Other clauses in the deed address potential speculator interests, including a limit on of one section per purchaser, and a 5 year prohibition on section on sales (unless there is a build on the section).
- 20 From a land use perspective, a potential negative for supporting this proposal is that it could result in the possibility of land banking or speculator interests for half of the

development. However, other clauses within the deed seek to control for this, and these will still apply with the proposed variation.

- 21 Potential positives for this proposal will be mean that a wider pool of purchasers will be able to access more of the development, thereby giving more financial options as Universal Developments seeks to operate in a changed development environment.
- 22 Both variations have been considered and is supported by the Queenstown Lakes Community Housing Trust (QLCHT), the other signatory to the deed.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 23 Option 1 Accept proposed variation to clauses 41 and 43 of the deed

Advantages:

- 24 This will allow the development to progress and remain viable in terms of time and finance, and are adjustments which the deed foresees and allows for. Without changes to the deed there may be a risk that the development is unable to proceed, or will proceed at a slower rate thereby not bringing expected and consented supply to the market.

Disadvantages:

- 25 In terms of clause 41, it means that the house and land packages are more expensive than they were previously, which will represent a real cost to end purchasers. In terms of clause 43, this will allow for more land sales as opposed to land and house sales. The implication could mean that a portion of the development could be held for land banking should individual future owners choose to hold the land rather than develop it.

- 26 Option 2 Do not accept proposed variation to clauses 41 and 43 of the deed

Advantages:

- 27 This option would maintain the deed as it was signed, ensuring that land and house packages would be 70 percent of any stage of the development, and that the house and land packages charges will remain as they were four years ago.

Disadvantages:

- 28 This option could unduly disadvantage Universal Developments as they seek to develop at least 400 residential sections for development in a changed development finance climate.

- 29 This report recommends **Option One** for addressing the matter.

Advice Since the signing of the deed the development finance conditions have shifted and making these changes is allowed for within the original deed, and may provide less inhibited income stream from the development. This deed goes further than many other

SHA deeds in the district in providing positive community affordability outcomes, and the proposed changes are limited in scope.

There are clauses within the deed which address potential speculator interests, including a limit on of one section per purchaser, and a 5 year prohibition on section on-sales (unless there is a build on the section). Overall the deed achieves affordability and housing supply outcomes which are advantageous.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

30 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because the issue is routine.

31 The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community, and specifically those with an interest in Hāwea .

> MĀORI CONSULTATION | IWI RŪNANGA

32 The Council has not consulted with iwi on this matter as it is a discrete change to an existing agreement. Iwi were consulted on the broader SHA application in 2018.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

33 This matter relates to the Strategic/Political/Reputation It is associated with *RISK00056 - Ineffective provision for the future planning and development needs of the district* within the QLDC Risk Register. This risk has been assessed as having a low inherent risk rating.

34 The approval of the recommended option will support the Council by allowing us to retain the risk at its current level. This shall be achieved by allowing the development to progress as intended, adding additional housing supply to the Upper Clutha.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

35 There are no cost implications or resource requirements resulting from the decision.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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

- LEAD Policy

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

38 This matter is not included in the Ten Year Plan/Annual Plan as it is a discrete change to an existing agreement.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

39 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by allowing the Hāwea SHA to continue to be developed in a timely fashion.
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Letter from Universal Development re clause 41
B	Letter from Universal Development re clause 43
C	Proposed variation to Hāwea SHA Deed
D	Signed Stakeholder Deed (circulated separately)
E	Hāwea SHA Amendment Deed - signed 17th September 2019