



# Section 32 Evaluation Report

## High Density Residential

### Contents

Section 32 Evaluation Report: High Density Residential.....	2
1. Purpose of the report.....	2
2. Statutory Context.....	2
3. Resource Management Issues.....	4
4. Non statutory consultation.....	13
5. Purpose and Options.....	14
6. Broad options considered to address issues.....	17
7. Scale and Significance Evaluation <sup>3</sup> .....	18
8. Evaluation of proposed Objectives Section 32 (1) (a).....	19
9. Evaluation of the proposed provisions Section 32 (1) (b).....	21
10. Efficiency and effectiveness of the provisions.....	31
11. The risk of not acting.....	31
Attachments.....	31

# Section 32 Evaluation Report: High Density Residential

## 1. Purpose of the report

Section 32 of the *Resource Management Act 1991* (the Act) requires plan change proposals to be examined for their appropriateness in achieving the purpose of the Act, and the policies and methods of those proposals to be examined for their efficiency, effectiveness and risk (MFE, 2014). Accordingly, this report provides an analysis of the key issues, objectives and policy response to be incorporated within the QLDC District Plan Review for the High Density Residential Zone; and outlines the decision making process which has been undertaken by Council.

The High Density Residential Zone will be positioned within Part 3 (Urban Environment), Chapter 7 of the Proposed District Plan, alongside the provisions of other urban zones within the District. The Zone has the purpose to residential development at increased densities, and supports the provisions of Part 2 (Strategy), namely Strategic Directions (Chapter 3) and Urban Development (Chapter 4).

Section 32(1)(a) of the Act requires that a Section 32 evaluation report must examine the extent to which the proposed District Plan provisions are the most appropriate way to achieve the purpose of the Act (Part 2 - Purpose and principles). Accordingly, this report provides the following:

- An overview of the applicable **Statutory Policy Context**
- Description of the **Non-Statutory Context** (strategies, studies and plans) which inform proposed provisions
- Description of the **Resource Management Issues** which provide the driver for proposed provisions
- A summary of **Initial Consultation** undertaken during the preparation of the Proposed District Plan
- An **Evaluation** against Section 32(1)(a) and Section 32(1)(b) of the Act
- Consideration of **Risk**

## 2. Statutory Context

### Resource Management Act 1991

The purpose of the Act requires an integrated planning approach and direction, as reflected below:

#### *5 Purpose*

*(1) The purpose of this Act is to promote the sustainable management of natural and physical resources.*

*(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 well-being 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 remaining provisions in Part 2 of the Act provide a framework within which objectives are required to achieve the purpose of the Act and provisions are required to achieve the relevant objectives.

The assessment contained within this report considers the proposed provisions in the context of advancing the purpose of the Act to achieve the sustainable management of natural and physical resources. The Queenstown Lakes District is one of the fastest growing areas in New Zealand. Alongside (and related to) this considerable growth, the District has also become one of the least affordable areas in New Zealand, with the second highest median house price in the country, coupled with relatively low median incomes. As a result, home ownership has become unaffordable for the average person. Coupled with this, strong tourism growth has also lead to a decline in rental supply, and a lack of secure tenure options.

Recent estimates predict that the District will continue to experience significant population growth over the coming years. Faced with such growth pressures, it is evident that a strategic and multifaceted approach is essential to manage future growth in a logical and coordinated manner. Overall, appropriate regulatory

mechanisms are necessary to address current regulatory burdens to housing development, and increase the supply of housing which “enables people and communities to provide for their social, economic, and cultural well-being.”

The High Density Residential Zone supports the Strategic Direction and Urban Development framework of the District Plan to achieve a compact urban form, achieved through enabling higher density development in appropriate locations. The zone provides one of the mechanisms for managing urban growth in a way and at a rate which advances section 5(2) of the Act.

Section 31 of the Act outlines the function of a territorial authority in giving effect to the purpose of the Act:

*31 Functions of territorial authorities under this Act*

*(1) Every territorial authority shall have the following functions for the purpose of giving effect to this Act in its district:*

*(a) the establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the district*

Section 31 provides the basis for objectives, policies, and methods within a District Plan, to manage the effects of development in an integrated manner. With regard to the High Density Zone, the provisions outlined in this report have been developed in accordance with QLDC’s function under Section 31 to manage the potential adverse effects of urban growth and development.

Consistent with the intent of Section 31, the proposed provisions support the Strategic Directions and Urban Development framework of the Proposed District Plan, and enable an integrated approach to the multiple effects associated with urban development, and integrated mechanisms for addressing these effects through the hierarchy of the District Plan.

Section 31 reinforces the multi-faceted approach to managing urban development, which is based upon the establishment of defined urban limits, integrating land use and infrastructure, and promoting density in strategic locations.

### **Local Government Act 2002**

Sections 14(c), (g) and (h) of the Local Government Act 2002 are also of relevance in terms of policy development and decision making:

*(c) when making a decision, a local authority should take account of—*

*(i) the diversity of the community, and the community's interests, within its district or region; and*

*(ii) the interests of future as well as current communities; and*

*(iii) the likely impact of any decision on the interests referred to in subparagraphs (i) and (ii):*

*(g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and*

*(h) in taking a sustainable development approach, a local authority should take into account—*

*(i) the social, economic, and cultural interests of people and communities; and*

*(ii) the need to maintain and enhance the quality of the environment; and*

*(iii) the reasonably foreseeable needs of future generations*

As per Part II of the RMA, the provisions emphasise a strong intergenerational approach, considering not only current environments, communities and residents but also those of the future. They demand a future focussed policy approach, balanced with considering current needs and interests. The provisions also emphasise the need to take into account social, economic and cultural matters in addition to environmental ones.

Section 14(g) is of relevance in so far as a planning approach emphasising urban intensification in areas well served by existing infrastructure generally represents a more efficient and effective use of resources than a planning approach providing for more greenfield zoning and development.

## Otago Regional Policy Statement 1998 (RPS, 1998)

Section 74 of the Act requires that a district plan prepared by a territorial authority must “give effect to” any operative Regional Policy Statement. The operative *Otago Regional Policy Statement 1998* (RPS, 1998), administered by the Otago Regional Council, is the relevant regional policy statement to be given effect to within the District Plan.

The operative RPS 1998 contains a number of objectives and policies that are relevant to this review, namely:

Matter	Objectives	Policies
To protect Otago’s outstanding natural features and landscapes from inappropriate subdivision, use and development	5.4.3	5.5.6
Sustainable land use and minimising the effects of development on the land and water	5.4.1	5.5.3 to 5.5.5
Ensuring the sustainable provision of water supply	6.4.1	6.5.5
To promote sustainable management of the built environment and infrastructure, as well as avoiding or mitigating against adverse effects on natural and physical resources.	9.4.1 to 9.4.3	9.5.1 to 9.5.5

The provisions of the High Density Residential Zone, and the development outcomes sought by these provisions, serve the intent of the objectives and policies listed above through the promotion of an urban environment which supports choice, affordability, and efficiency in land and infrastructure use. The zone enables increased residential densities in appropriate locations to promote a compact urban form, thus minimising the encroachment of urban activities on the region’s outstanding natural features.

## Proposed Otago Regional Policy Statement

The Proposed RPS was notified in May 2015. In the preparation of the Proposed District Plan, Council must have regard to any proposed Regional Policy Statement, pursuant to Section 74(2) of the RMA.

Of particular relevance is Objective 3.7 ‘Urban areas are well designed, sustainable and reflect local character’ and Objective 3.8 ‘Urban growth is well designed and integrates effectively with adjoining urban and rural environments’. Supporting policies pertain to promoting good urban design principles, low impact design, and compact development.

The proposed High Density provisions are consistent with the direction set by both the Operative and Proposed Regional Policy Statement.

## 3. Resource Management Issues

The operative District Plan ‘Residential Areas’ chapter identifies High Density Residential Zones within Queenstown and Wanaka.

To understand the issues and potential changes that need to be undertaken in the District Plan Review a number of studies have been undertaken and others referred to, to give a full analysis of the residential issues.

The resource management issues set out in this section have been identified from the following sources:

- Medium to High Density Housing Study: Stage 1a – Review of Background Data (Insight Economics, 2014)
- Medium to High Density Housing Study: Stage 1b – Dwelling Capacity Model Review (Insight Economics, 2015)
- Brief Analysis of Options for Reducing Speculative Land Banking (Insight Economics, 2014)
- Analysis of Visitor Accommodation projections (Insight Economics, 2015)
- High Density Residential Zone Study (2014)
- Queenstown Lakes Housing Accord (2014)
- The Queenstown High Density Residential Zone Monitoring Report (2011)

- A Growth Management Strategy for the Queenstown Lakes District (2007)
- 'Tomorrows Queenstown' Community Plan (2002)
- Urban Design Strategy 2009
- The New Zealand Productivity Commission's Inquiry into the supply of land for housing 2014
- The New Zealand Productivity Commission's Housing Affordability Inquiry, 2012
- Alluvial Hazard Report, Opus International Consultants Ltd
- 'Wanaka 2020' Community Plan (2002)
- 'Wanaka Structure Plan' (2007)
- Arrowtown Community Plan (2002)
- Shaping our Future 'Visitor Industry Task Force' report 2014
- Otago Regional Council consultation on proposed RPS 2014/2015

The key issues of relevance to the High Density Residential Zone are:

### **Issue 1: Urban Form**

In July 2014, Queenstown Lakes District Full Council accepted the Strategic Directions chapter of the District Plan Review. The strategic direction forms the back bone of the District Plan, setting very specific clear and direct goals, to provide a relevant framework for administrators and decision makers.

Of particular relevance within the Strategic Direction is 'Urban Form' and Goal 3.2.2: "The strategic and integrated management of urban growth", along with Objective 3.2.2.1: "To ensure urban development occurs in a logical manner". This ties in with the Proposed RPS which promotes a compact urban form, avoiding sporadic or ad hoc developments that may detract from rural amenity and landscape values in the countryside. Therefore, new housing is sought in and around existing settlements that are already well serviced by transport links and amenities. Higher density development in close proximity to town centres will provide extra housing and visitor accommodation supply whilst minimising impacts on transport and other infrastructure, and the higher costs in providing this to greenfield locations.

The Growth Management Strategy 2007 (a non-statutory document) is intended to guide community planning for future growth and development of the district. Developed from community based planning workshops, community plans and council growth studies, it identifies six 'growth management principles'. The strategy highlighted the need for consolidating development in high density areas to support new growth, infrastructure supporting high quality development in the right places and good design to improve the quality of the environment.

Further streams of statutory and non statutory work and forums involving community input have reinforced this growth management approach.

These are highlighted and summarised below:

#### *Wanaka 2020*

The original Wanaka Structure Plan, prepared in 2004, was subject to a comprehensive review in 2007. The Structure Plan was widely circulated for community input in August / September 2007.

Three growth management responses were proposed in the Plan. Option 1 was to retain current development patterns, with a mix of infill and new greenfield growth. Option 2 was to accommodate all required development within existing zones. And Option 3 – the preferred option - was a mixed approach.

The Plan encourages more higher density developments near retail nodes and centres.

#### *Plan Changes 20 and 21*

Consultation and analysis on these proposed Plan Changes relating to urban growth boundaries for Queenstown and Wanaka occurred in 2007.

For Queenstown, a Discussion Document was prepared and consulted on. Three options were outlined in the document:

- Limit capacity: a tight boundary around the current urban zones to restrict growth
- Manage modest growth: providing for growth at Frankton Flats
- Enable significant growth – potentially merging Queenstown with adjacent settlements of the Wakatipu Basin to create a larger conurbation

These plan changes were subsequently abandoned, with a view to progressing policy in the District Plan Review.

#### *Plan Change 30 – Urban Boundary Framework*

Plan change 30 was notified in 2009 and made operative in 2012. It introduced the concept of urban growth boundaries as a strategic growth management tool into the District Plan.

The Plan change sought that the majority of urban growth be concentrated in the urban areas of Queenstown and Wanaka, and it enabled the use of Urban Growth Boundaries 'to establish distinct and defensible urban edges'.

#### *Urban Design Strategy 2009*

The strategy strongly promotes urban intensification and good quality urban design.

#### **Methods to address the issue:**

- Confirm existing extent of High Density zone
- Liberalise rules to enable better realisation of intensification objectives and policies

#### **Issue 2: Development capacity / potential and housing affordability**

The Queenstown Lakes District is recognised as one of the five least affordable housing areas in New Zealand, and the median house price is the second highest in the country.

Home ownership is unaffordable in the Queenstown Lakes District, with the second highest median house price in the Country coupled with relatively low median incomes. This makes mortgages 101.8% of the median take-home pay of an individual, to meet weekly mortgage payments and the median multiple (median house price divided by gross annual median household income) is 8.61. (Source Queenstown Housing Accord).

The district has some unique characteristics to its housing challenge within the New Zealand context. The district has a high number of homes owned for holiday purposes or rented out as visitor accommodation, and there is high rental housing demand from people who work in the tourism and hospitality industries. The District is also one of the fastest growing regions, with population growth since 2006 exceeding the national average. A study undertaken by Insight Economics (*Medium to High Density Housing Study Stage 1a – Review of Background Data*) predicts that the district will continue to experience high population growth over the next 20 years.

Whilst there are many legislative differences between Canada and New Zealand, it is worth noting the parallels that exist between some of the more prominent resort towns in Canada and New Zealand. Towns such as Banff and Whistler have been experiencing similar problems to Queenstown in terms of housing supply and affordability. As in Queenstown, there is a desire in these communities to protect the countryside and natural environment. As a result, both towns have made bold changes to their planning regulations over the past 5 years, with both towns making widespread use of high and medium density zones to address the issue.

The supply of land for urban development can be affected by a range of factors that are outside the scope of the District Plan. However, restrictive planning systems increase cost and time in the planning process and can limit the supply of land and housing. Additionally, the supply of land is influenced by the extent of land zoned for urban development; and the potential effects of landbanking.

The impact of overly restrictive planning regulation is firmly in the sights of Central Government, and in November 2014 the New Zealand Productivity Commission launched an Inquiry into the supply of land for housing.

In their 2012 report, the Commission stated:

*“A more balanced approach to urban planning is required in the interests of housing affordability. Land for housing can come from the development of brownfields sites, by infill development in existing suburbs, and by making suitable greenfields sites available, ideally in a complementary manner and in a way that provides for substantial short-, medium- and long term capacity.”*

The findings of the Commission highlight the need for the planning system to allocate sufficient land for urban development, and that this zoning should be supported by a policy framework which provides for a mix of urban forms.

Outside of the planning process, landowners / developers can also potentially withhold land with potential for future high values (referred to as ‘landbanking’). Landbanking limits developable land being brought to market, and therefore restricts the available land supply. This speculative – but rational - behaviour is often incentivised by restrictive and burdensome planning regulation and process which contributes to higher land value inflation, which incentivises land banking. It is also incentivised where a large proportion of potential dwelling capacity is held in a relatively small number of ownerships, such as is the case in Queenstown.

With respect to this matter, it is noted that Councils’ Dwelling Capacity Model shows that some 82% of dwelling capacity in the Wakatipu Basin is only held by 5 parties, with some 69% held by three parties. This represents a very high concentration of potential supply in a small number of ownerships. In addition, it is important to note that within these landholdings minimal housing has been developed over the past 5 years, despite strong demand. This may be attributable to speculative behaviour, or other reasons.

The New Zealand Productivity Commission in its draft report (June 2015) prepared as part of its inquiry ‘Using Land for Housing’ concludes:

*“The best way to tackle land banking is to increase the amount of land available for development and the amount of development that can take place on land through more permissive land use regulation, and removing barriers to servicing land with infrastructure. Where developable land is no longer seen as scarce, owners will see less value in holding it.”*

Insight Economics ‘*Analysis of Options for Reducing Speculative Land Banking*’ (2014) prepared for QLDC identified a number of planning and non-planning options the Council could consider to help reduce speculative land banking and thereby help address housing supply and affordability. As per the Productivity Commission’s findings, liberalisation of planning controls was one of the key recommendations to address land banking.

There is a significant and credible academic literature on the impact that restrictive planning regulation has on housing costs. ‘Restrictive planning regulation’ can refer both to limits on urban expansion (ie. urban growth boundaries) and limits on development within urban areas (and procedural difficulties).

The preeminent Harvard University economics Professor Edward Glaeser, and Wharton School of Business (University of Pennsylvania) professor Joseph Gyourko have been particularly prolific and influential researchers. In 2005 they concluded:

*“Measures of zoning strictness are highly correlated with high prices.”<sup>1</sup>*

Glaeser and Gyourko have always been clear to point out that notwithstanding such impacts, strong planning controls can also provide benefits. Clearly, cost/benefit analysis is always required by policy makers when weighing up the competing benefits and costs of planning regulation, and a balance should be sought.

The OECD Economics Department have also carried out a number of studies researching the impact of planning regulation and other factors on housing supply and prices. Caldera Sanchez and Johansson (2011) state:

*“Land use and planning policies are intended to reduce negative externalities that can be associated with new housing construction, but if they are poorly designed they may also restrict supply responsiveness”<sup>2</sup>*

A further paper by the same authors in 2011 found that:

*“Badly designed policies can have substantial negative effects on the economy, for instance by increasing the level and volatility of real house prices and preventing people from moving easily to follow employment opportunities”.*

The following is a particularly relevant policy conclusion by the authors:

*Land-use policies and regulations and policies towards the construction sector should ensure a more efficient use of land, as well as speeding up cumbersome licensing processes so as to facilitate a flexible adjustment of housing supply. In areas with a shortage of rental housing, reducing restrictions on the construction of multi-family dwellings consistent with urban planning rules may raise rental supply”.<sup>3</sup>*

The literature consistently emphasises that responsiveness (or ‘elasticity’) of housing supply to demand is critical – more so than theoretical supply capacity.

Some of the key determinants (all interrelated) of this responsiveness include:

- Planning regulation (ie. the availability of land zoned for urban development, and rules applying to development)
- Planning process (time, cost and risk)
- Competitiveness and scale of construction sector

Capacity in the High Density Residential Zone must also take into account the high prevalence of visitor accommodation that establishes in the zone and will continue to establish in the zone (given projected growth in tourism and the general desirability of locating accommodation close to centres), and detracts from permanent housing supply.

### **Methods to address the issue**

- Liberalise District Plan bulk and location rules
- Simplify and streamline provisions

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<sup>1</sup> Glaeser, E., Gyourko, J., Saks, R. ‘Why Have Housing Prices Gone Up?’, NBER Working Paper No. 11129, 2005

<sup>2</sup> Caldera Sanchez, A. and Johansson, A. (2011), “The Price Responsiveness of Housing Supply in OECD Countries”, *OECD Economics Department Working Papers*, No. 837.

<sup>3</sup> Andrews, D., Caldera Sanchez, A. and Johansson, A. (2011) “Housing Markets and Structural Policies in OECD Countries”, *OECD Economics Department Working Papers*, No. 836

- *Emphasise in policies a forward looking perspective with an emphasis on providing greater balance between development rights and amenity values*

### **Issue 3: Growth pressures: Residential and Visitor Accommodation**

Insight Economics report 'Stage 1a – Review of Background Data' presents key demographic information for the Queenstown Lakes area. It concludes "...that the district will continue to experience high population growth and...demand for new dwellings will also be strong."<sup>4</sup>

It also highlights that levels may be exceeded if the tourism industry continues to grow at a high rate.

The report notes high growth in dwelling demand and numbers of one person households and couples without children, which in turn require short / flexible accommodation options. It reports a strong growth in detached dwellings, but that home ownership rates are lower than the national average, which could indicate affordability issues / lack of suitable housing as well as a transient population. Strong growth in tourism, hospitality and associated industries is likely to see growth in the numbers of younger people living and working temporarily in Queenstown, and this will create greater demand for centrally located and relatively affordable rental townhouses and apartments.

Insight's analysis is backed by a report issued in May 2015 "Assessing Tourism Labour Market Needs" which projects a 46.2% increase in employment in the Otago region between 2014 and 2025. Much of this growth will occur in Queenstown and will be in the tourism and hospitality sector, and this is likely to create significantly higher demand for centrally located housing in Queenstown.

There is evidence that overcrowding is a growing issue in the District, especially in Queenstown. A number of cases have been highlighted by Council's Enforcement department, and from the Southern DHB. This is likely to be at least partly explained by high rental housing costs, poor availability of rental property, and poor tenure security- all of which tie back to insufficient housing supply.

The Southern DHB have expressed significant concerns in terms of the public health implications of this overcrowding. In particular, such overcrowding fosters greater ease of transmission of infectious disease. Not only is this considered to be intrinsically problematic in terms of health and wellbeing (Section 5 RMA), it can also impact on productivity.

Related to this is the strong projected growth over the next 20 years in visitor numbers, which will generate the need for a significant increase in the supply of commercial (hotels, motels, backpackers) and non-commercial (rental of private residences) accommodation. Strong demand is likely to continue for such visitor accommodation to be located near the Queenstown and Wanaka Town centres in the High Density zone, and this further creates a need for more liberal planning controls to provide for this.

Insight Economics undertook projections for guest nights and then translated that into projections for additional visitor accommodation capacity in Queenstown up to 2035. Very significant growth in demand is forecast. For example, an additional 3970 hotel guest rooms are forecasted to be required in the Wakatipu Basin. Even if it were conservatively assumed that only half of these hotel beds were to be provided in or adjacent to Queenstown town centre (as opposed to other locations in the Wakatipu Basin), this still amounts to 2000 additional hotel rooms which equates to around 15 mid sized hotels.

The planning controls of the Operative District Plan are too restrictive and are unlikely to enable anywhere near the required provision of hotel bedrooms.

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<sup>4</sup> Insight Economics. Medium to High Density Housing Study: Stage 1a – Review of Background Data (2014), Page 21

### **Methods to address the issue**

- *Liberalise District Plan bulk and location rules*
- *Simplify and streamline provisions*
- *Emphasise in policies a forward looking perspective with an emphasis on providing greater balance between development rights and amenity values*

### **Issue 4: Dwelling Capacity**

A supplementary report by Insight Economics, 'Stage 1b – Dwelling Capacity Model Review'<sup>5</sup>, assessed whether the current Council dwelling capacity model logic was sound and whether the inputs and assumptions were reasonable. Prior to the review, the Council model assumed that 100% of high density zoned land could be brought forward for development, however Insight Economics review of this model proposed new feasibility factors that show only 10% of high density zoned land is likely to be realised for new residential development over the next 20-30 years. This is a significant reduction in previously estimated capacity in the High Density Residential zone, and reflects the large range of social, commercial, economic and physical factors that act as barriers to realisation of housing supply.

Importantly, this work has been informed by several recent processes and inquiries. Work undertaken on the Proposed Auckland Unitary Plan has been particularly relevant. The original Dwelling Capacity work undertaken for the Unitary Plan found that the proposed provisions provided theoretical dwelling capacity for 565,000 new dwellings. However, the independent panel considering the proposed Unitary Plan assembled 15 experts from within Auckland Council and the private sector, including planners, developers, economists and demographers, to apply "real world" criteria to the council's previous forecasts, on likely population growth, and how many new dwellings would likely be built. The expert group concluded that 64,420 dwellings could be "feasibly" built, an amount substantially lower than the theoretical capacity of 565,000 dwellings. This has resulted in a realisation that Auckland now faces a huge shortfall of realistic supply, and alternatives are now being considered including no density limits.

In addition the Productivity Commission's Inquiry cites examples from Australia. An example from New South Wales identifies a scenario in which the theoretical capacity for medium density housing was initially estimated as 145,000 dwellings, however, the realistic and feasible capacity (accounting for a range of development barriers, costs and revenues) was only 8% of this (12,200 dwellings).

These examples demonstrate that for brownfield intensification, in particular, realistic dwelling capacity is often much lower than theoretical capacity. The matter is generally less pronounced for greenfield development, and the revision to the Dwelling Capacity Model has seen less reduction in capacity in greenfield locations.

The recent work by Insight Economics, and the outcomes of the Auckland Unitary Plan process has informed the review of the Queenstown Lakes District Dwelling Capacity Model (refer attached). The revised model demonstrates that there is very limited realistic capacity for high density housing in the HDR zone, and this supports the case for more enabling provisions to increase that realistic capacity. It also supports the need for the Proposed Medium Density Zone, as a method to provide further opportunity for housing close to centres and amenities. In the Queenstown context, Plan Change 50 also helps to address the issue.

Clearly, dwelling capacity is a complex matter, subject to many potential variables and influences. The Productivity Commission has recommended that the Ministry of the Environment consider developing a sophisticated model that could be applied throughout New Zealand. Until then, the revised Dwelling Capacity

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<sup>5</sup> Insight Economics, 'Stage 1b – Dwelling Capacity Model Review, 2015

Model for Queenstown is a relevant tool or guide for planning, however its significance should not be overstated and it is but one tool or indicator.

Further anecdotal evidence suggests that housing supply – in particular centrally located rental housing supply – is not keeping pace with demand. Matthew Paetz, District Plan Manager at Queenstown Lakes District Council, spoke to Queenstown Accommodation Centre's managing director Allan Baillie, on 18 February 2015. Mr Baillie advised that there is a "dire shortage" of rental properties. There is insufficient supply to meet demand and room sharing, and sometimes overcrowding, is starting to proliferate.

This lack of supply is supported by data. Trademe data shows that median rents in the District increased from \$380 per week in 2013 to \$500 per week in 2015. Economists consider rental price movements to be a good indicator of supply/demand balance, more so than house price movement.

### **Methods to address the issue**

- Liberalise District Plan bulk and location rules
- Simplify and streamline provisions

### **Issue 5: The impact of height, recession plane, private open space and other development controls on housing supply and urban growth management objectives**

The New Zealand Productivity Commission's inquiries have identified the negative impact that development controls can have on the realization of housing supply:

*"Councils should ensure that their planning policies, such as height controls, boundary setbacks and minimum lot sizes, are not frustrating more efficient land use. Such policies put a handbrake on greater density and therefore housing supply." New Zealand Productivity Commission, 'Housing Affordability Inquiry', 2012.*

The height and recession plane controls of the High Density Residential zone in the Operative District Plan are overly restrictive, especially on "flat" sites and in many situations make complying development to even 2 storeys (low rise) difficult to achieve. This results in a significant misalignment between the Operative District Plan's objectives and policies of the High Density zone and the development that is enabled by the rules.

As the Productivity Commission state in their 2015 Inquiry (page 125):

*The cumulative effect of multiple rules can also lead to disconnects between the stated objectives of a District Plan and its actual impacts on development capacity:*

*While most RMA plans endorse some degree of residential intensification, many plans contain provisions that can act as disincentives to achieving this aim. These include provisions such as requiring a minimum area of land per dwellings (irrespective of dwelling size), open space requirements per dwelling, car parking rules and restrictions on converting existing houses into flats. (New Zealand Transport Agency, sub. 73, p. 12)*

Private open space requirements can impact on development viability, and do not necessarily offer significant amenity benefits. For example, a balcony requirement can add substantially to the sale price of an apartment, and may offer minimal benefit if the development site is located in a dense urban setting or on a highly trafficked and noisy transport corridor. In addition, in a cooler climate such as Queenstown balconies arguably have generally less utility than in warmer climates, and Body Corporate rules often prevent their use for functions such as clothes drying. Requirements for deep balconies (ie. more than 1.5m) can also negatively impact on winter sunlight admission into units which can also have winter heating cost implications.

A recent (January 2015) paper prepared for Treasury and the Ministry of Business, Innovation and Employment (MBIE) by economists Motu - 'Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development' – quantified some of the economic impacts of rules such as balcony requirements. Motu found that balconies (ranging in area from 5 to 8 square metres; fairly typical minimum balcony area dimensions imposed by many Councils, although they are sometimes higher: the minimum

balcony area in the Operative Queenstown District Plan is 8 square metres) would typically add \$40,000 to \$70,000 to the selling price of an apartment. This is a major cost implication, especially for studio, one or two bedroom apartments.<sup>6</sup> For example it could mean the difference between a studio unit selling for say \$220,000, rather than \$270,000, which could have a fundamental impact on development viability (based on realistic rental return).

The MOTU report also quantified housing cost implications of a range of other planning rules for apartments, with the additional costs (specified as a range) set out as follows:

- Building height limits: \$18,000 to \$32,000
- Floor to ceiling heights: \$21,000 to \$36,000
- Mix of dwelling units: \$6000 to \$15,000
- Other urban design considerations: \$1,500 to \$8,000

It should be emphasized that the Motu study focused on the financial costs of planning rules and not potential benefits, and was explicit in acknowledging this. However, with regard to private open space it is considered that more flexibility is required and that generally speaking the market is best able to determine the need, depending on site location, views, aspect etc. Avoiding a mandatory requirement for balconies may help better realize the delivery of affordable rental studio apartments in central locations.

But it is important to emphasize that the market will often, if not always, demand balconies. So any notion that not mandating balconies will lead to most apartments not providing balconies is an unlikely one. For example, it is likely that in higher value locations, or for example locations near lake edges, the market is likely to inherently demand balconies. However, in a location such as Gorge Road, where sunlight access is sometimes limited, views are limited, the location is one inherently naturally suited to lower wage workers in the service industry who work in the town centre, and the road is increasingly trafficked, there may be less of a market driver for balconies, or at least larger balconies.

Furthermore the Productivity Commission's recent inquiry report (2015) concluded that the costs of imposing minimum private open space requirements were likely to exceed the benefits, citing the Motu study and work by MRCagney and recommended that Councils dispense with such requirements.

In central Queenstown and Wanaka there is very good access to parks, reserves, trails and lakes within a compact geographic area unlike in many large and dense urban centres. This mitigates against the lack of balcony provision.

The Productivity Commission in its 2015 report also critically assessed the use of height limits. They stated:

*Height limits can significantly reduce development capacity. This has implications not just for housing supply, but also for individual incomes and wellbeing and for the environment (as cities are forced to move outwards, increasing transport times).*

The report cites a number of studies that quantify the costs of building height limits.

However the report goes on to acknowledge the potential benefits of building height limits:

*Building height limits do have a role to play in managing negative externalities created by development, such as overshadowing of neighbouring properties or the creation of wind tunnels in streets.*

But that these potential benefits, which are often localised, must be balanced with "bigger picture" community-wide considerations:

*However, many of the benefits created by height restrictions are likely to be private and/or localised. Donovan and Munro (2013) state that building height limits:*

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<sup>6</sup> Motu Economic and Public Policy Research, Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development, January 2015

*often become a tool through which local residents seek to block new development. In these cases building height limits effectively get hijacked by pecuniary local interests (ie homeowners) who have a vested interest in constraining the supply of new development in their surrounding areas because of negative localised effects (perceived or real). (p. 49)*

*In comparison, as noted in the studies cited above, the costs of reduced development capacity, higher housing and transport costs are felt across a city and can be large, particularly for some members of the community. Donovan and Munro concluded that while “tall buildings no doubt do have negative impacts, we have not found any evidence to suggest that the economic costs imposed by building height limits outweigh the economic benefits of increased density”*

Discussion with property experts in the hotel industry confirm that many hotels will require building height of at least 3-4 storeys to achieve feasibility, especially as suitable land availability is relatively limited. Similarly discussions with some residential developers has indicated that more potential height on sloping sites can only assist with development feasibility, which on many sites is currently marginal.

Put simply, the current height rules are a fundamental barrier to enabling the supply of apartments and visitor accommodation necessary to provide for the overall wellbeing of the District.

#### **Methods to address the issue**

- *Liberalise District Plan bulk and location rules, but provide controls to balance extra development rights with reasonable amenity protection*
- *Simplify and streamline provisions*

#### **Issue 6: Urban Design and Amenity Values**

With higher density development, it is important that development achieves good quality urban design outcomes. Whilst the District Plan needs to become more enabling, it also needs to ensure that good quality urban design outcomes are achieved.

Whilst the Operative District Plan contains a large number of urban design criteria, these need to be reframed into a more concise and direct format consistent with the revised structure of the Proposed District Plan.

More intensive development can impact on amenity values, including outlook and views, sunlight access and privacy. As discussed above, balance should be struck between enabling more intensive development with its overall community wide and environmental benefits, and providing a reasonable degree of amenity value protection in terms of private, localized adverse effects.

#### **Methods to address the issue**

- *Frame policies and rules in a manner that better balances development rights and amenity values*
- *Continue Operative District Plan’s strong emphasis on urban design but in a more streamlined and focussed manner*

## **4. Non statutory consultation**

In developing the High Density Residential Zone and supporting provisions, during the preparation phase of the Proposed District Plan, QLDC invited informal feedback from the public and targeted landowners potentially affected by the proposed rezoning.

It is noted that public consultation during the preparation of the District Plan is not mandatory under the RMA, but is however provided for by 3(2) of Schedule 1, and has been undertaken by QLDC on issues where specific public input was sought.

A summary of the consultation undertaken is outlined below.

Date	Task
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February 2015	Copy of Draft Residential Zone Chapters and supporting summary document ('District Plan Review – Residential Chapter, Summary of Issues and Proposed Changes') placed on the QLDC website. Written feedback was invited.
9 February 2015	Letter sent to all residents within the extent of proposed High density Density Zone.  Written feedback was invited.
14 February 2015	Drop in session held in the Summit Room of the Edgewater Resort on Saturday 14 February, between 10am – 1pm.
21 February 2015	Drop in session held at the Council Chambers at 10 Gorge Road, Queenstown, on 21 February, between 10am – 1pm
2 March 2015	Drop in session held at Council Offices, Reece Crescent, on Monday 2 March, between 4.30 – 6.30pm.
4 March 2015	Drop in session held at the Council Chambers at 10 Gorge Road, Queenstown, on 4 March, between 4.30pm – 6.30pm

## 5. Purpose and Options

The purpose of the High Density zone is to facilitate higher density development – generally of up to three or four storeys on “flat” land in Queenstown, but potentially higher on “sloping” land (where development excavates below the slope it can achieve an additional one, sometimes two, storeys) in order to:

- Provide greater housing supply to respond to strong demand for centrally located housing
- Provide greater diversity of housing
- Place less pressure on the District’s road transport network by providing housing close to town centres where walking and cycling to the centres as places of employment, retail and entertainment is readily achievable
- Reduce pressure for residential development on the urban fringes and beyond
- Provide for more visitor accommodation development close to town centres, where the demand is typically strongest and is predicted to grow significantly

Whilst the Operative District Plan shares many if not all of these objectives, there is poor translation of these objectives into regulation that is sufficiently enabling to facilitate the density of development required, and within a process that is not associated with substantial risk and cost.

In addition, the Operative District Plan employs an overly complex zoning framework, with three High Density subzones. This is considered an unnecessary level of complexity for a district with such a small urban area and permanent urban population.

It is proposed that the two most intense subzones – Subzones A and B – be merged into one High Density Zone. And that the least intense of the subzones – Subzone C – become subsumed into the new Medium Density zone that is proposed in the District Plan Review.

### Strategic Directions

The following goals and objectives from the Strategic Directions chapter of the Proposed District Plan are relevant to this assessment:

*Goal 3.2.2: Strategic and integrated management of urban growth*

*Objective: Ensure urban development occurs in a logical manner:*

- *to promote a compact, well designed and integrated urban form;*
- *to manage the cost of Council infrastructure; and*
- *to protect the District's rural landscapes from sporadic and sprawling development*

*Objective : Manage development in areas affected by natural hazards*

*Goal 3.2.3: A quality built environment taking into account the character of individual communities*

*Objective 1: Achieve a built environment that ensures our urban areas are desirable places to live, work and play*

*Goal 3.2.4: The protection of our natural environment and ecosystems*

*Objective : Respond positively to Climate Change*

*Goal 3.2.5: Our distinctive landscapes are protected from inappropriate development*

*Objective : Direct new subdivision, use or development to occur in those areas that have potential to absorb change without detracting from landscape and visual amenity values*

*Objective : Recognise there is a finite capacity for residential activity in rural areas if the qualities of our landscape are to be maintained*

*Goal 3.2.6: Enable a safe and healthy community that is strong, diverse and inclusive for all people.*

*Objective : Provide access to housing that is more affordable*

*Objective : Ensure a mix of housing opportunities*

*Objective : Ensure planning and development maximises opportunities to create safe and healthy communities through subdivision and building design*

In general terms and within the context of this review, these goals and objectives are met by:

- Enabling development of high density zones close to existing town centres and urban communities
- Avoiding and mitigating in areas affected by natural hazards
- Promoting quality developments with a range of housing options to meet the needs of the community
- Reducing environmental effects within developments
- Promoting efficient use of existing services and infrastructure

As required by section 32(1)(b) RMA, the following section considers various broad options considered to address each issue and makes recommendations as to the most appropriate course of action in each case.

## 6. Broad options considered to address issues

Option 1: Retain the operative provisions

Option 2: **(Recommend)**: Increase maximum height limit in Queenstown, liberalise some other rules, but largely retain existing location of high density zones close to existing town centres to retain a compact urban form

Option 3: Comprehensive review of height and location of high density zoning over a much wider area with consideration of pockets of higher rise (five storeys plus) development

	<b>Option 1:</b> <b>Status quo/ No change</b>	<b>Option 2:</b> <b>Largely retain existing High Density Zone boundaries but increases height limits, revises other rules, streamline and consolidate provisions</b>	<b>Option 3:</b> <b>Comprehensive review of zoning over a wider area, with potential expansion of zones and higher building in specific areas</b>
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Does not enable further opportunities to increase development capacity.</li> <li>• Would continue to negatively impact upon development feasibility</li> <li>• Takes a short-term view – i.e. growth opportunities would be limited to development of a limited number of undeveloped sites, and redevelopment of existing building stock.</li> <li>• Does not adequately respond to projected visitor growth and a significant projected need for additional visitor accommodation, in addition to residential growth</li> <li>• Does not contribute to the vibrancy and economic prosperity of the sites in close proximity to town centres.</li> <li>• May stifle opportunities for economic development, thereby limiting ability for the town centre to prosper.</li> <li>• Does not give effect to the relevant goals and objectives of the proposed Strategic</li> </ul>	<ul style="list-style-type: none"> <li>• Has costs associated with going through the District Plan Review process (but this is required by legislation).</li> <li>• Greater development potential has the potential to generate greater impacts on the amenity values of existing properties</li> <li>• The limited increases in height / development potential may not go far enough to address projected visitor and residential growth</li> </ul>	<ul style="list-style-type: none"> <li>• Has costs associated with going through the District Plan Review process (but this is required by legislation).</li> <li>• Intensification and expansion may change the character of the wider area and lose focus</li> <li>• Inconsistent with the approach set out in the Strategic Directions Chapter.</li> </ul>

	<p>Directions chapter.</p> <ul style="list-style-type: none"> <li>• Does not achieve the goal for a streamlined and more coherent District Plan.</li> </ul>		
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Retains the established approach which parties are familiar with.</li> <li>• Low cost for Council</li> <li>• Maintains strong planning regulation limiting scale of development therefore ensuring strong protection of existing amenity values</li> </ul>	<ul style="list-style-type: none"> <li>• Better delivers on the longer term goal of delivering a compact form that is consistent with the Council's Strategic Directions Chapter and ORC's RPS.</li> <li>• Simplifies the District Plan making it easier for laypeople as well as RMA practitioners to interpret and apply.</li> <li>• Acknowledges that the District Plan takes a long-term view by enabling future development opportunities as the population increases over time.</li> <li>• Enables economic development and investment opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Would allow a comprehensive review of the Residential provisions.</li> <li>• Potential for more development and housing options.</li> <li>• Provides greater certainty than Option 2 that projected growth, particularly in visitor accommodation, will be provided for</li> </ul>
<b>Ranking</b>	<b>3</b>	<b>1</b>	<b>2</b>

## 7. Scale and Significance Evaluation

The level of detailed analysis undertaken for the evaluation of the proposed objectives and provisions has been determined by an assessment of the scale and significance of the implementation of the proposed provisions in the High Density Residential chapter. In making this assessment, regard has been had to the following, namely whether the objectives and provisions:

- Result in a significant variance from the existing baseline.
- Have effects on matters of national importance.
- Adversely affect those with specific interests, e.g., Tangata Whenua.
- Involve effects that have been considered implicitly or explicitly by higher order documents.
- Impose increased costs or restrictions on individuals, communities or businesses.

The level of detail of analysis in this report is moderate-high. New areas are not being added to the HDR zoning, which provides some limitations on the level of analysis required. However, relatively significant changes are proposed, especially for sites categorised as “flat”, which requires relatively elaborate assessment of costs and benefits.

## 8. Evaluation of proposed Objectives Section 32 (1) (a)

The identification and analysis of issues has helped define how Section 5 of the RMA should be expressed in Queenstown Lakes District, in terms of residential objectives. This has informed determination of the most appropriate objectives to give effect to Section 5 of the RMA in light of the issues. The appropriateness of potential objectives cannot be assessed abstractly without due consideration to the issues that frame what sustainable management means for the district at this point in time and into the future. For example, without the issue context of high growth pressures, alternative objectives may have been recommended that provide less emphasis on density and more emphasis on amenity protection.

Section 32(1)(a) requires an examination of the extent to which the proposed objectives are the most appropriate way to achieve the purpose of the Act. The following objectives serve to address the key High Density Zone issues. Reference is made back to the Strategic Directions chapter of the Proposed District Plan which seeks to give effect to the purpose of the RMA (Section 5) in terms of the Queenstown Lakes District Council context:

<b><i>Proposed Objective</i></b>	<b><i>Appropriateness</i></b>
<p><b>Objective 9.2.1 - High-density housing development and visitor accommodation will occur in urban areas close to town centres, to provide greater housing diversity and respond to strong projected growth in visitor numbers.</b></p>	<p>Sets a broad goal of achieving high density zones close to town centres for residential and visitor accommodation.</p> <p>Consistent with Goals 3.2.2 and 3.2.5 of the Strategic Directions chapter.</p> <p>Gives effect to RPS objective 5.4.3</p> <p>Gives effect to RPS policies 5.5.3 and 5.5.5</p> <p>The objective enables people and communities to provide for their social and economic wellbeing (S5(2) RMA) by providing for greater development opportunity and associated employment growth, and more housing options in a District facing significant housing pressures. A key element of wellbeing expressed in S5 is the health of people and communities. Evidence suggests there is growing prevalence of overcrowding in Queenstown, with associated public health risk, and the objective is an appropriate way of helping facilitate more housing supply to address this issue.</p> <p>However it does not in isolation address Section 5(2) in terms of avoiding,</p>

	<p>remedying or mitigating any adverse effects pertaining to impacts on amenity values and infrastructure, and this is where the objective must be read in conjunction with the other objectives which provide the counter balance.</p> <p>The objective addresses section 7(b) of the RMA 'the efficient use and development of natural and physical resources'. Intensification of existing urban land in strategic locations represents efficient use of developable urban land which is a scarce resource.</p>
<p><b>Objective 9.2.2</b></p> <p><b>High density residential and visitor accommodation development will provide a positive contribution to the environment through design that demonstrates strong urban design principles and seeks to maximise environmental performance.</b></p>	<p>Acknowledges the importance of the built and natural environments and for developments close to town centres to adhere to this through high quality design.</p> <p>Consistent with Goal 3.2.6 of the Strategic Directions chapter.</p> <p>Gives effect to RPS objectives 9.4.1 to 9.4.3</p> <p>Gives effect to RPS policies 9.5.1 to 9.5.5</p> <p>The objective enables people and communities to provide for their social and economic wellbeing (S5(2) RMA) by seeking to ensure intensive development contributes positively to the environment and people's experience of it.</p> <p>The objective has had particular regard to the 'maintenance and enhancement of amenity values'(RMA: Section 7c)</p>
<p><b>Objective 9.2.3</b></p> <p><b>A reasonable degree of protection of amenity values will be provided, within the context of an increasingly intensified and urban zone where character is changing.</b></p>	<p>Sets a firm expectation that there will be change in the zone, to provide higher density housing near town centres to provide for the social, economic and cultural wellbeing of the District (RMA) s5. However it also recognises that balance is required with regard to providing some protection of amenity values (RMA Section 7c), especially in terms of building dominance and outlook.</p> <p>An alternative objective that focussed exclusively on protection of amenity values without clarifying that change (intensification) is anticipated would be less appropriate as it would not provide the necessary policy direction required to enable urban intensification, support Council's urban form objectives, and provide for economic and social well being.</p>
<p><b>Objective 9.2.4 – Provide for community facilities and activities in the High-Density zone that are generally best located in a residential</b></p>	<p>Acknowledges that some non-residential activities that support a community purpose – such as medical centres, daycare and places of worship – can be</p>

<p><b>environment close to residents.</b></p>	<p>appropriately located in residential areas, thereby helping provide for the wellbeing of people and communities (RMA S5).</p>
<p><b>Objective 9.2.5 – Generally discourage commercial development except when it is small scale and generates minimal amenity impacts.</b></p>	<p>Recognises that intrusion of commercial activities into residential areas is not desirable, as it dilutes the strength of town centres and can adversely impact on amenity values (RMA S7c). However, it also recognises that small scale commercial land use can serve a positive purpose if its impact on amenity values is minor, by providing for social and economic wellbeing (RMA S5).</p>
<p><b>Objective 9.2.6</b> <b>High-density residential development will efficiently utilise existing infrastructure and minimise impacts on infrastructure and roading networks.</b></p>	<p>Specifically acknowledges the need to reduce infrastructure costs and utilise existing services by developing close to town centres. Urban intensification utilising existing infrastructure can contribute to economic wellbeing (RMA s5) as it can limit the financial burden on ratepayers that can be associated with the provision of infrastructure associated with urban sprawl.</p> <p>Represents efficient use and development of natural and physical resource (RMA S 7b)</p> <p>Consistent with Goal 3.2.4 of the Strategic Directions chapter.</p> <p>Gives effect to RPS objectives 6.4.1 and 11.4.1</p> <p>Gives effect to RPS policies 6.5.5, 11.5.1, 11.5.2 and 11.5.3</p>

The above objectives are considered to be the most appropriate methods of achieving the purpose of the Act, as they identify and give direction as to the how the specific issues that pertain to the high density residential are addressed.

## 9. Evaluation of the proposed provisions Section 32 (1) (b)

The below table considers whether the proposed provisions are the most appropriate way to achieve the relevant objectives. In doing so, it considers the costs and benefits of the proposed provisions and whether they are effective and efficient.

Changes to Section 32 of the RMA in 2013 place greater, explicit emphasis on the economic costs and benefits of provisions, including the impact of provisions on economic growth and employment, in addition to consideration of social and environmental matters.

*(See also Table detailing broad options considered in Section 4, above)*

**Objective 9.2.1: High-density housing development and visitor accommodation will occur in urban areas close to town centres ,to provide greater housing diversity and respond to strong projected growth in visitor numbers.**

**Objective 9.2.2: High-density residential and visitor accommodation development will provide a positive contribution to the environment through design that demonstrates strong urban design principles and seeks to maximise environmental performance.**

Summary of proposed provisions that give effect to these objectives:

- More liberal height and other development standards
- Building height 'bonuses' for development demonstrating higher environmental performance
- Clear and concise policies setting clear expectations on good urban design and the wider built environment
- Rules capturing development comprising more than 4 dwellings to be subject to urban design consideration

<b><i>Proposed provisions</i></b>	<b><i>Costs</i></b>	<b><i>Benefits</i></b>	<b><i>Effectiveness &amp; Efficiency</i></b>
<p><b><u>Policies:</u></b> 9.3.1.1 9.3.2.1 to 9.3.2.6</p> <p><b><u>Rules:</u></b> 9.6.1.1 to 9.6.1.26 (inclusive) 9.7.1.1 to 9.7.1.11 (inclusive)</p>	<p><b><i>Environmental</i></b> Increasing building heights may result in adverse effects on amenity values, such as increased shading and blocking some views. However, protection is still offered through recession plane controls and other methods.</p> <p>On flat sites, the ability to build to four storeys is subject to compliance with a Floor Area Ratio (FAR) control of 2.0. This effectively means that in order to build four storeys rather than two storeys, a lower site coverage will be required eg. 50% rather than 70%. Therefore the FAR control provides a compensatory mechanism with regard to amenity values in terms of provision for extra building height on flat sites.</p> <p>In addition, as recession plane controls will be retained (albeit more enabling than Operative provisions), 4 storey development</p>	<p><b><i>Environmental</i></b> Better enables the urban areas of the District to develop a compact form that reduces reliance on private motor vehicle transport, and promotes walking and cycling and helps to minimise urban sprawl potentially detracting from the landscape values so valued in the District.</p> <p>Lower rise (3-4 storeys) higher density development is generally more energy efficient in terms of heating than low density development, and higher rise (5 storeys or more) development.</p> <p>High expectations around design quality as expressed in the objectives and policies should help ensure that new development makes a positive environmental contribution from a visual perspective.</p>	<p>More enabling policy and rules are considered to be an effective and efficient method of enabling further capacity for high density development. Effectiveness of policy encouraging and enabling urban intensification can be significantly impacted by the extent and nature of rules such as bulk and location controls, private open space requirements and carparking. This fact has been central to the development of the rules and policy.</p> <p>Direct and unambiguous policies will aid effectiveness and efficiency, as will the concise and streamlined structure of the proposed provisions.</p>

	<p>will only be possible on larger existing sites, or where amalgamation occurs.</p> <p>The provisions also enable potential for height greater than 7m on sloping sites, however the assessment focus is on ensuring any impacts of the development – compared to a complying proposal – are minimal in terms of impact on outlook, views, sunlight. Therefore the provisions provide greater flexibility to construct taller buildings, but on the proviso that impacts are internalised.</p> <p><b>Economic</b> Higher density development close to centres is not without infrastructure upgrade costs. However, typically these costs are less than for traditional low density development on the edges or urban areas. As development occurs, development contributions will be accrued to help fund infrastructure upgrades</p> <p>Requiring high design quality adds costs to development projects, but ensures amenity values are addressed.</p> <p>Provisions providing for higher rise development can have both positive and negative impact on property values. Generally and in a broad sense, upzoning (ie. providing greater height / density) tends to result in uplift in property values, however there can be variations in impacts. For example, if a site loses most or all of its views as a result of a development occurring on a neighbouring site, then the potential exists for a fall in property value. The provisions have been designed to be</p>	<p>The height ‘bonus’ provisions for development that can demonstrate higher energy / environmental performance will lead to environmental benefits.</p> <p><b>Economic</b> Enabling greater development intensities close to town centres should help support the economy of the centres by creating more permanent and temporary (ie. visitor accommodation) population within easy access to the centres.</p> <p>In addition, it will be difficult for the wider economic development objectives of the district with regard to growth in visitor numbers, and in achieving higher yielding visitors, without the proposed provisions, as opportunities for new hotel development in Queenstown are strongly limited under the restrictive operative District Plan provisions.</p> <p>Enabling greater density and improving development viability will help support more construction activity and associated employment and economic benefits. The construction industry is a major aspect of the District’s economy, with the Council’s Economic Development Strategy demonstrating that in 2014 the industry provided estimated GDP of \$171 million, which was second behind ‘Rental, hiring and real estate services’, and higher than ‘Accommodation and Food Services’. The more enabling provisions will help support all three of these major District industries, which despite the goal of diversifying the district’s economy will remain major economic drivers.</p>	
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	<p>more enabling, but with safeguards designed to reduce the regularity with which development may have more than minor adverse effects on views and outlook therefore negatively impacting on property values. For example, as noted above the opportunity for four storey development on flat sites is subject to compliance with the FAR control, which means four storey development will require lower site coverage than would otherwise be the case for 2 storey development. In addition, recession plane controls demand that 3 or 4 storey development is set well back from common boundaries.</p> <p>Similarly, the provision to enable consideration of proposals involving building height up to 10m as a restricted discretionary activity on sloping sites would require an assessment of the extent to which the additional height over and above the 7m permitted baseline impacts on views, outlook, and shading.</p> <p>It is noted that no realistic rule regime will ever be able to guarantee view protection ,and indeed even the Operative provisions although relatively restrictive would enable</p>	<p>Better enabling higher density development in central locations will help minimise capital expenditure on road and infrastructure associated with a less compact urban form. A growth management approach based around urban intensification is also generally considered significantly more cost efficient than an approach based around sprawl. A number of studies support this notion. A comprehensive study from Smart Growth America in 2013 found that the upfront infrastructure development costs of 'Smart Growth' compared to conventional sprawling development reduces upfront infrastructure development costs by 38%<sup>7</sup>. This study cites a number of other studies supporting this notion. A study from 2015 by the New Climate Economy reaches similar conclusions.<sup>8</sup></p> <p>There is also a large body of research from Australia supporting these findings. Professor Peter Newman, of Curtin University, in particular has developed a substantial body of research quantifying the costs and benefits of compact urban development relative to urban sprawl.<sup>9</sup></p> <p>High density development close to town</p>	
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<sup>7</sup> Smart Growth America, 2013, 'Building Better Budgets :A National Examination of the Fiscal Benefits of Smart Growth Development'

<sup>8</sup> The New Climate Economy, 2015, 'Analysis of Public Policies that unintentionally encourage and subsidize urban sprawl'

<sup>9</sup> Refer for example to:

Trubka., R.; Newman,P.; Bilsborough, D. Costs of Urban Sprawl (1)-Infrastructure and Transport. *Environ. Des. Guide* 2010, 83, 1-6.

Trubka., R.; Newman,P.; Bilsborough, D. Costs of Urban Sprawl (3)-Physical Activity links to Healthcare Costs and Productivity. *Environ. Des. Guide* 2010, 85, 1-13.

	<p>development that could block views in some circumstances.</p> <p>A Westpac economist report in 2015 ('Home Truths Special Edition', 14 May 2015) supports the notion that higher density rezonings tend to increase land values:</p> <p><i>'But in the recent past there has been a strong push from both central and local government to liberalise housing supply rules...These recent regulatory changes – and perhaps an expectation of further liberalisation to come – may have created a perception that it will be easier and cheaper to subdivide today's properties, and intensify Auckland's housing, than it seemed in the past. This has boosted the perceived future value of the land upon which today's houses stand – thus pushing property prices higher'.</i></p> <p>In order for developers to achieve the greater building heights enabled in the proposed provisions, Green Star or Homestar certification is required. This adds some costs, however such costs are considered minor. Evidence demonstrates that achieving the ratings required adds minor costs to development, but provides significant operational cost savings. In addition, the minor (if any) additional costs are further mitigated by the significant additional development potential enabled through the "bonus" provisions.</p> <p><b>Social &amp; Cultural</b> Enabling further development capacity to higher density may generate some impact on the enjoyment of amenity values by existing</p>	<p>centres can provide for more affordable living options. Whilst high density apartment living is unlikely to be affordable in terms of raw housing costs, transport and heating costs associated with such living on average will be significantly lower than traditional lower density housing located remote from town centres or places of employment. As a result, higher density development – in particular small studio apartments – can potentially represent a <i>relatively</i> affordable housing option, when total living costs are considered. By liberalising regulation and removing requirements such as mandatory balcony requirements, the provisions will better enable this form of housing.</p> <p>It is considered that the proposed provisions will improve business certainty. Rules have been reduced, and the provision of greater permitted building height in tandem with low consenting risk means that investors or developers contemplating building developments greater than two storeys in height should have greater regulatory confidence than they would at present if they were contemplating non-complying building height scenarios.</p> <p><b>Social &amp; Cultural</b> Enabling the potential for more living options close to town centres helps respond to the housing issues in the District.</p> <p>Increased population and greater densities helps support the viability of cultural events and facilities, as well as attracting new events.</p>	
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	property owners and occupants, with the potential for greater noise and impacts on views and outlook.	Increased population and greater densities – especially if within well designed built development - can help support community safety.	
<b>Alternative options considered less appropriate to achieve the relevant objectives:</b>			
<i>Option 1: Retain the operative high density rules</i>		<ul style="list-style-type: none"> <li>• Do not sufficiently promote or enable high density development to achieve goals expressed in objectives</li> <li>• Lacks flexibility</li> <li>• Adversely impacts upon development feasibility and therefore potential realisation of high density development</li> </ul>	
<i>Option 2: Adopt more liberal high density rules than proposed</i>		<ul style="list-style-type: none"> <li>• Would help achieve intensification goals but potentially at the cost of unacceptable impacts on amenity values</li> </ul>	

**Objective 9.2.3: A reasonable degree of protection of amenity values will be provided, within the context of an increasingly intensified and urban zone where character is changing.**

Summary of proposed provisions that give effect to these objectives:

- Rules providing for height limits, recession planes, yards, Floor Area Ratio etc
- Policies stating key rules that will be used to provide reasonable amenity value protection
- Policies and rules providing an assessment basis for infringement of rules

<b>Proposed provisions</b>	<b>Costs</b>	<b>Benefits</b>	<b>Effectiveness &amp; Efficiency</b>
<p><b>Policies:</b> 9.3.3.1, 9.3.3.2</p> <p><b>Rules:</b> 9.7.1.1 to 9.7.1.11</p>	<p><b>Environmental</b> The rules will not guarantee all private and public views will be protected, nor guarantee sunlight access.</p> <p>However, such concessions are inherent in policy and rules facilitating urban intensification, with its wider community and</p>	<p><b>Environmental</b> Provisions help find a balance between enabling development that realises a compact urban settlement form and associated environmental benefits, whilst maintaining a reasonable degree of amenity value protection.</p>	<p>More enabling policy and rules are considered to be an effective and efficient method of enabling further capacity for high density development. Effectiveness of policy encouraging and enabling urban intensification can be significantly impacted by the extent and nature of rules such as bulk and location controls, private open space</p>

	<p>environmental benefits. In this light, the provisions seek to find a balance between enabling intensification and providing a reasonable degree of protection of amenity values.</p> <p>The recession planes selected are consistent with common practice across New Zealand. In fact, the selected controls are used in many low and medium density zones throughout New Zealand (including in hilly urban centres such as Dunedin and Wellington), so arguably are more restrictive than is optimal in a high density zone.</p> <p>As noted below, this restriction (albeit more enabling than operative provisions) will place some limits on redevelopment especially on smaller sites.</p> <p><b>Economic</b></p> <p>Whilst significantly more enabling than the Operative District Plan, the rules will provide limits on development potential thus potentially limiting the feasibility / profitability of development as compared to a more enabling set of provisions.</p> <p>In particular, for flat sites in most instances it will be impossible to build 3 storey let alone 4 storey development on traditional single sites (circa 700-1000 square metres in area) because of the recession plane controls. However the operative baseline is that two storey development can be challenging to achieve on such sites (under the proposed provisions two storey development will be readily achievable). As a result, 3 or 4 storey development will only be readily achievable</p>	<p>Flexibility is provided by the rules, to respond to development requirements and amenity values. For example, the rules for flat sites allow four storey development, but this is subject to a FAR control which requires a compensatory lower site coverage.</p> <p><b>Economic</b></p> <p>The rules provide for enhanced development opportunities and will improve development feasibility. They help enable the visitor accommodation requirements of the district, which are so important to the economic wellbeing of the district, and also contribute significantly to the tourism offering of the nation. Without the necessary growth in visitor accommodation (as the provisions enable), the growth projections of the Queenstown Airport and the District more generally are unlikely to be achieved. Therefore, a significant opportunity cost exists as long as the Operative District Plan provisions or a variant of them are retained.</p> <p>Increased population near town centres will help support existing businesses and provide for the growth of new businesses, helping to facilitate employment growth and employment.</p> <p><b>Social &amp; Cultural</b></p> <p>The provisions are likely to enable economic growth and employment growth, especially in the design and construction and related sectors, and hospitality. .</p> <p>The provision will enable greater population concentration close to town centres, which should help to support more cultural activity</p>	<p>requirements and carparking. This fact has been central to the development of the rules and policy, noting that current provisions in the Operative District Plan are not effective in achieving objectives around intensification due to their restrictiveness.</p> <p>Direct and unambiguous policies will aid effectiveness and efficiency , as will the concise and streamlined structure of the proposed provisions.</p>
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	<p>on existing larger sites, or where developers amalgamate two or more sites. This creates a degree of barrier to readily facilitating 3 or 4 storey development. However, this cost is deemed necessary to provide reasonable balance between development rights and amenity values.</p> <p>The rules will not guarantee view and sunlight protection, which may potentially result in developments occurring which might reduce property values of neighbouring properties. However this potential is considered to be limited by the checks and balanced designed into the provisions, for both flat and sloping sites.</p> <p>Also as noted above, upzoning typically results in an overall increase in property value in an affected area, due to increased development rights, and more often than not this is likely to cancel out any potential devaluing impacts.</p> <p><b>Social &amp; Cultural</b> Increase in intensity of development could generate increased noise and traffic impacts.</p>	<p>and a fuller range of social services.</p> <p>A more cohesive and integrated population, around existing town centres. Utilising existing infrastructure and amenity spaces.</p> <p>Strong development control policies to mitigate against noise and overdevelopment.</p>	
<b>Alternative options considered less appropriate to achieve the relevant objectives:</b>			
Option 1: Apply more restrictive rules	<ul style="list-style-type: none"> <li>• Would better protect amenity values but at the expense of realising the residential and visitor accommodation development necessary to provide for the social, economic and community wellbeing of the district</li> </ul>		
Option 2: Apply less restrictive rules	<ul style="list-style-type: none"> <li>• Would better provide for development potential but would be at the expense of reasonable amenity value protection</li> </ul>		

**Objective 9.2.4: Provide for community facilities and activities in the High Density zone that are generally best located in a residential environment close to residents.**

**Objective 9.2.5: Generally discourage commercial development except where it is small scale and generates minimal amenity impacts.**

Summary of proposed provisions that give effect to these objectives:

- Policies and rules enabling community activities
- Policies and rules generally discourage commercial activities except where they are small scale and generate minor effects

<b><i>Proposed provisions</i></b>	<b><i>Costs</i></b>	<b><i>Benefits</i></b>	<b><i>Effectiveness &amp; Efficiency</i></b>
<p><b><u>Policies:</u></b> 9.3.4.1, 9.3.5.1, 9.3.5.2</p> <p><b><u>Rules:</u></b> 9.6.1.6 to 9.6.1.9</p>	<p><b><i>Environmental</i></b> The policies and rules seek to strike a balance between enabling community facilities and services and providing amenity value protection.</p> <p>Environmental costs in terms of loss of amenity value are mitigated through rules requiring community activities to proceed through a discretionary activity resource consent process where impacts can be assessed.</p> <p><b><i>Economic</i></b> The provisions will place restrictions on the ability of landowners to develop their properties for commercial purposes.</p> <p>However, the provisions still enable the potential for small scale commercial activities to be established, provided they are low impact.</p>	<p><b><i>Environmental</i></b> Enabling consideration of community activities in the zone provides the potential for residents to access community services near their place of residence, therefore reducing car transport.</p> <p>Community and commercial activities will be subject to a resource consent assessment which will scrutinise impacts on amenity values, thus helping to minimise impacts.</p> <p><b><i>Economic</i></b> The provisions will help to ensure any impacts on residential property values resulting from community or commercial activities establishing can be avoided or minimised.</p> <p>Whilst commercial activities are generally discouraged, they are not prohibited and small scale commercial activities that generate minimal impacts on residential</p>	<p>Direct and unambiguous policies will aid effectiveness and efficiency, as will the concise and streamlined structure of the proposed provisions.</p>

	<p><b>Social &amp; Cultural</b> The need for resource consent approval for community activities increases the risk and cost for community activity providers, as compared to a regime that enabled community activities as a permitted or controlled activity.</p>	<p>amenity values and receive resource consent approval will provide for the wellbeing of land owners.</p> <p><b>Social &amp; Cultural</b> The provisions enable consideration of community activities and provided environmental effects are suitably addressed such activities are likely to be approved, providing for social and cultural wellbeing.</p>	
<p><b>Alternative options considered less appropriate to achieve the relevant objectives:</b></p>			
<p><i>Option 1: Apply more restrictive rules</i></p>	<ul style="list-style-type: none"> <li>• <i>During policy development considerations, the option of applying a 'prohibited' activity status for commercial activities was considered</i></li> <li>• <i>This could have assured better amenity value protection, and help better protect the 'edge definition' of town centres, but would have been too restrictive and inflexible and would not provide for low impact commercial activities that may be appropriate and provide for social and economic wellbeing</i></li> </ul>		
<p><i>Option 2: Apply less restrictive rules to community and commercial activities</i></p>	<ul style="list-style-type: none"> <li>• <i>Permitted or controlled activity status would better provide for ease of establishment of community activities but at the expense of less certainty in terms of residential amenity values.</i></li> <li>• <i>Discretionary or Restricted Discretionary activity status would provide for greater ease of establishment of commercial activities but at the expense of less certainty in terms of residential amenity values.</i></li> </ul>		

## 10. Efficiency and effectiveness of the provisions

The above provisions are drafted to specifically address the resource management issues identified with the current provisions, and to enhance those provisions that already function well. A number of areas of the existing chapter have been removed to aid the readability of the Plan by keeping the provisions at a minimum, whilst still retaining adequate protection for the resource.

By simplifying the objectives, policies and rules (the provisions), the subject matter becomes easier to understand for users of the Plan both as applicant and processing planner. Removal of technical or confusing wording, also encourages correct use. With easier understanding, the provisions create a more efficient consent process by reducing the number of consents required and by expediting the processing of those consents.

## 11. The risk of not acting

Population and economic growth projections provide a strong basis for the proposed approach. Although the projections are considered robust and sound, there is never certainty associated with projections, and population and economic growth scenarios can be disrupted by a wide range of domestic or international events.

The risk of acting by establishing more enabling provisions that respond to this projected growth is that, for whatever reason/s, actual growth falls well short of projections. This would mean that a higher intensity of development may have occurred on certain sites or locations than might otherwise be needed. However, it is known that regardless of ultimate population and tourism growth over the next 30 years, hotel developments in particular require greater building height opportunity to be feasible. If growth is far less than projected, development will simply not occur in response to the potential enabled by the District Plan. Therefore, the risk of acting is considered fairly limited, may amount to some relatively limited impacts on amenity, which should not be excessive given the checks and balances provided by the proposed provisions.

The risk of not acting, by retaining or largely retaining the Operative District Plan approach, is that in the event that the projections are realised, or even realised to say 60-70%, the housing issues and visitor accommodation needs of the District will not be met, economic potential will be under-realised, and there will likely be flow on social and economic effects.

Overall the risk of not acting is considered significantly higher than the risk of acting.

## Attachments

1. *Queenstown Visitor Accommodation Projections*, Prepared by Insight Economics for Queenstown Lakes District Council, 8 April 2015. - [link](#)
2. *Brief Analysis of Options for Reducing Speculative Land Banking*, Prepared by Insight Economics for Queenstown Lakes District Council, 6 August 2014 - [link](#)
3. *Medium to High Density Housing Study: Stage 1a – Review of Background Data*, Prepared by Insight Economics for Queenstown Lakes District Council, 30 July 2014 - [link](#)
4. *Medium to High Density Housing Study: Stage 1b – Dwelling Capacity Model Review*, Prepared by Insight Economics for Queenstown Lakes District Council, August 2015 - [link](#)