

QLDC Council
11 August 2022

Report for Agenda Item | Rīpoata moto e Rāraki take [6]

Department: Planning & Development

Title | Taitara Inclusionary Housing Plan Change Notification

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to seek Council's endorsement to notify the Inclusionary Housing plan change (the plan change) via the First Schedule of the Resource Management Act 1991 (RMA).

RECOMMENDATION | NGĀ TŪTOHUNGA

- 2 That Council:
 1. **Note** the contents of this report;
 2. **Approve** the Inclusionary Housing plan change for notification pursuant to section 79(1) and clause 5 of the First Schedule of the Resource Management Act 1991, having particular regard to the section 32 report included at Attachment A; and
 3. **Authorise** the Manager of Planning Policy to make minor edits and changes to the proposal and section 32 report to improve clarity and correct errors prior to notification.

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19/07/2022

Reviewed and Authorised by:



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20/07/2022

CONTEXT | HOROPAKI

- 3 The purpose of the Inclusionary Housing plan change is to amend the Proposed District Plan (PDP) to insert Objectives and provisions that require a contribution of either land or money towards retained affordable housing.
- 4 Housing affordability is a significant issue in the Queenstown Lakes District due principally to the district's high median house prices, coupled with average household incomes.
- 5 In May 2022, it is estimated that average house prices in the district are 13.9 times average household incomes, whereas the New Zealand-wide ratio of incomes to house prices is 8.8¹.
- 6 The ongoing lack of access to affordable housing has a range of social, economic and environmental consequences. This plan change builds on work previously undertaken through the QLDC HOPE Strategy (2005), Plan Change 24 to the ODP (notified in 2007), the Mayoral Taskforce (2017) and the Queenstown Lakes Homes Strategy 2021.
- 7 An inclusionary housing type process has been successfully used to negotiate stakeholder deeds with individual developers through private plan changes, and through Special Housing Areas (SHAs) approved via the Housing Accords and Special Housing Areas Act 2013 (HASHAA). Through these processes affordable housing contributions have been collected by the Council to fund developments undertaken by the Queenstown Lakes Community Housing Trust (the Trust).
- 8 This plan change will address housing affordability by providing an income stream to fund the construction of homes that are funnelled to people on low-medium incomes. It will assist with providing an income stream with which the Council can continue developing retained affordable housing through its relationship with the Trust.
- 9 The term 'inclusionary zoning' has been used during the development of this plan change. This term has the same meaning as 'inclusionary housing'. The term 'inclusionary housing' is proposed to be used in the planning provisions to align the provisions with the terminology used by Community Housing Aotearoa, and to assist plan users' understanding of the purpose of the provisions.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 10 The plan change will amend the PDP to introduce strategic policy and a new district-wide chapter containing Objectives and provisions that require a contribution (either in land or money) towards the district's retained affordable housing. The contribution will apply to qualifying residential development or subdivision and is targeted at PDP zones where residential activities are enabled.
- 11 Housing affordability covers both rental and ownership affordability. The focus of any planning-based affordable housing policies and methods is on increasing supply of

¹https://ecoprofile.infometrics.co.nz/Queenstown-Lakes%20District/StandardOfLiving/Housing_Affordability

housing that is affordable, whether that be via rental, full ownership or some form of assisted (or progressive) ownership in conjunction with a Community Housing Provider. A retention mechanism is required to ensure that over time the affordable housing provided is directed at low to moderate income households, and that this 'resource' remains available to future households with similar needs.

Summary of the proposed provisions

- 12 The RMA (s77E) enables local authorities to make rules about financial contributions in district plans. The rules must specify the purpose for which the financial contribution is required, how the level of contribution will be determined, and when the financial contribution will be required.
- 13 Financial contributions required under the RMA can be in the form of money and/or land (s108(9) RMA).
- 14 The proposed provisions (Attachment B) require a financial contribution of land or money to be provided to the Council for the purposes of delivering affordable housing, primarily through the Trust.
- 15 The contribution will apply to residential development in specified PDP zones, and will apply as follows:

Subdivisions:

- a. Residential subdivisions within urban growth boundaries or other Residential Zones outside urban growth boundaries:
 - i. resulting in more than 1 but less than 20 new lots: a monetary contribution equal to 5% of the estimated sales value of serviced lots; or
 - ii. resulting in 20 or more lots: a contribution of land comprising 5% of serviced lots transferred for to the Council.
- b. Residential subdivisions in a Settlement Zone, Rural-Residential Zone, Wakatipu Basin Rural Amenity Zone Lifestyle Precinct or Special Zone:
 - i. A monetary contribution equal to 1.0% of the estimated sales value of the lots created.

Development:

- c. Residential floorspace for any new or relocated units on lots that have not been subject to a financial contribution under 1 (a) above: A monetary contribution equal to the lesser of:
 - i. 2.0% of the estimated sales value of the additional units, or
 - ii. \$150 per sqm of the net increase in residential floorspace.
- d. Residential floorspace for any new or relocated units on lots that have not been subject to a monetary contribution under 1 (b) above: A monetary contribution equal to:
 - i. \$75 per sqm of the net increase in residential floorspace.

- e. For new residential floorspace on lots that have provided a monetary contribution under 1(a) above, a 'top up' monetary contribution equal to the formula (A) – (B):
With (A) being the lesser of:
2.0% of the estimated sale value of the additional units, or
\$150 per sqm of the net increase in residential floorspace, and
(B) being the per lot contribution paid under 1(a).

16 The following types of residential activities will be exempt from the contribution:

- a. a Residential Flat;
- b. social or affordable housing delivered by Kāinga Ora, a publicly owned urban regeneration company, the Council or a registered community housing provider that complies with the requirements of Schedule 40.1, where affordable housing comprises at least 10% of the dwelling units in the development;
- c. a managed care unit in a Retirement Village or Rest Home (as defined by the Retirement Villages Act 2003 or the Health and Disability Act); and
- d. a residential unit located in a Zone that already contains affordable housing provisions in the district plan, or where previous agreements and affordable housing delivery with Council have satisfied relevant objectives and their associated policies.

17 Should a subdivider or developer seek to provide an alternative form of contribution then a range of assessment matters come into play relating to the extent of the contribution, the location (if in land), and measures to ensure long term retention of the contribution to assist low-moderate income households.

18 The plan change is supported by a section 32 report (Attachment A) and supporting evidence (Attachment C), including an economic report, valuers reports and a legal opinion. The material consulted on for the Planning for Affordable Housing consultation (see paragraph 29 below) undertaken in August and September 2021 is also appended to the section 32 report.

Overview of the Queenstown Lakes Community Housing Trust

19 QLDC facilitated the creation of the Trust in 2007 as one of the recommendations which came out of Council's Housing Strategy at the time. The Trust is an independent, registered Community Housing Provider and is the Council-preferred delivery mechanism for affordable housing work in our district.

20 To date the Trust has built and delivered a total of 8 housing developments on land received through an inclusionary housing-type process (be this private plan changes under an RMA process, or through the more recent SHA process). These are detailed in Table 1² below.

² Source: Queenstown Lakes Community Housing Trust, 27 May 2022

Development	Year completed	No. of Homes	RMA / SHA
Nerin Square, Lake Hayes Estate	2013	27	RMA
Shotover Country	2016	44	RMA
Riverside, Wānaka	2017	11	RMA
Northlake, Wānaka	2018	2	RMA
Shotover Country	2019	6	SHA
Hikuwai, Wānaka	2021	6	RMA
Alps View, Lake Hayes Estate	2022	13	SHA

- 21 The Trust has construction underway with a further 10 homes at Northlake currently, and it's looking to commence construction on sections in Longview, Hāwea later this year, and civil works on its 68-Lot Tewa Banks project (Jopp St, Arrowtown) in spring 2022.
- 22 To date, the Trust has relied on contributions negotiated through private plan changes under the Operative District Plan (ODP) and through SHAs. The use of SHAs has now ceased as the enabling legislation has been repealed.
- 23 Council and the Trust are signatories to a Relationship Framework Agreement (RFA) which governs how Council and the Trust will work together to deliver affordable housing. The RFA includes limitations on the use of contributions provided by the Council to the Trust, including a requirement that any contribution must be used exclusively by the Trust for the purposes which the contribution is provided.

The role of the PDP in housing affordability

- 24 Through the course of reviewing the PDP there has been significant emphasis on enabling opportunities for additional housing to meet anticipated demand. This ensures that housing supply is not inappropriately constrained by planning rules.
- 25 The QLDC Housing Capacity Assessment 2021³ (HBA) developed as a requirement of the National Policy Statement on Urban Development 2020 (NPS-UD) shows that there is Plan-enabled capacity for an additional 47,900 dwellings across the urban environment in the medium term. This capacity rises to 64,500 dwellings in the long term, taking into account the capacity signalled by the Queenstown Lakes Spatial Plan 2021⁴. The current estimate of feasible and reasonably expected to be realised dwelling capacity is 19,200

³ <https://www.qldc.govt.nz/your-council/council-documents/national-policy-statement-urban-development-2020-nps-ud>

⁴ <https://www.qldc.govt.nz/your-council/council-documents/queenstown-lakes-spatial-plan>

additional dwellings in the long term. Council's most recent assessment is that, based on a high projection of population growth, there will be demand for an additional 17,000 dwellings by 2050.

- 26 Despite significant Plan-enabled capacity to meet demand, many people on low-medium incomes are unable to enter the housing market. The HBA shows that there is a mismatch between the likely value of new dwellings to be supplied and the affordability of these dwellings for residents. Demand is clustered in the \$600,000 to \$800,000 band, while supply is strongest in the \$1.3m to \$2.0m mark⁵.
- 27 Council's HBA states that housing affordability in the district will decline in the future for non-owner households, and that this trend is not a result of slow or restricted zoning and associated infrastructure delivery. In other words, we have adequate housing supply overall but the market has produced a significant shortfall of affordable dwellings in the short, medium and long terms⁶.
- 28 This plan change will assist with funding development of affordable housing which will be accessed by residents on low-medium incomes.

Consultation – Homes Strategy 2021; Planning for Affordable Housing survey

- 29 The draft Queenstown Lakes Homes Strategy and Action Plan (the Strategy) was released for public consultation between 16 August and 26 September 2021 and was endorsed by Councillors on 16 December 2021⁷.
- 30 The Strategy includes an Action to deliver an inclusionary zoning plan change, and consultation on inclusionary zoning options was undertaken at the same time as the consultation on the Strategy through an online survey called "Planning for Affordable Housing⁸".
- 31 A variety of methods and materials were used to invite feedback and engagement, including newspapers, radio, social media and the QLDC website.
- 32 The following background reports were available online:
- Working Paper and draft inclusionary zoning provisions
 - Issues and Options Paper - Planning for Affordable Housing
 - Economic Case for Inclusionary Zoning
 - Valuation Report for Inclusionary Zoning – June 2020
 - Valuation Report for Inclusionary Zoning - March 2021
 - Legal advice to QLDC – Alternative Approaches to Addressing Housing Affordability
 - Streamlined Planning Process Factsheet

⁵ [Housing Development Capacity Assessment 2021 Queenstown Lakes District 15 September 2021](#)

⁶ Ibid

⁷ [Full Council meeting 16 Dec 2021, Item 11](#)

⁸ <https://www.qldc.govt.nz/your-council/district-plan/proposed-district-plan/planning-for-affordable-housing>

- 33 The consultation attracted 52 emailed submissions and 156 submissions through the Planning for Affordable Housing Survey. The feedback received through the survey was generally supportive of inclusionary zoning as a method to address housing affordability. A detailed summary of the survey feedback was included in the 16 December 2021 Agenda paper to Full Council⁹.
- 34 Feedback received through email submissions raised a number of matters for consideration in the s32 analysis. Summarised, these included that any inclusionary zoning provisions should:
- be clear on the outcomes sought for the Queenstown Lakes District;
 - not be a standalone solution and be used in tandem with other interventions targeting affordable housing (such as the public housing build, build-to-rent, shared equity schemes, rent to buy, Kiwi build, and implementation of NPS-UD objectives and policies which enable greater supply of housing and remove overly restrictive rules that affect development outcomes in urban areas);
 - be well designed and signalled well in advance;
 - fully consider impacts on developer behaviour, including the potential impact on supply in the short to medium term; and
 - be clear on the legislative basis for inclusionary zoning by demonstrating that the need for affordable housing is directly connected to adverse effects on the environment.
- 35 The feedback received through consultation has been considered in the s32 analysis included at Attachment A to this report.

Options

Option 1: Approve the plan change for notification via Schedule 1 of the RMA

Advantages:

- 36 The plan change will build on work already undertaken through the district plan review which has ensured that the district has sufficient Plan-enabled housing capacity to meet anticipated demand, and this plan change would provide a funding avenue for retained housing to be funnelled to low-medium income residents.
- 37 The plan change will assist with addressing one of the recommendations of the HBA, which is that supply alone is not sufficient to address housing affordability in the Queenstown Lakes District.
- 38 The revenue and land from the inclusionary housing contributions are anticipated to be used by the Council to fund developments undertaken by the Trust. Since its establishment in 2007 the Trust has demonstrated a strong track record of fulfilling its

⁹ [Full Council meeting 16 Dec 2021, Item 11](#)

function to deliver retained affordable housing to qualifying residents. This plan change will ensure that a revenue stream will be in place to enable the Council to continue to support the Trust to operate once its current developments funded through SHAs and Stakeholder Deeds are complete.

- 39 The expert evidence underpinning the plan change has been carefully considered to ensure that the plan change provides a response to housing affordability that is specific to the Queenstown Lakes District. This reflects the unique situation in this district. District plans are developed at a district level to ensure that local issues are able to have district-specific solutions. Access to affordable housing for residents on low-medium incomes is a significant issue for the Queenstown Lakes District.
- 40 Feedback received through consultation undertaken in August and September 2021 shows strong public support for measures to address housing affordability. This plan change will demonstrate that the Council is committed to addressing what is a significant issue for the district's current and future residents.
- 41 Notification via Schedule 1 of the RMA will provide the opportunity for the public to make submissions on the plan change. Submissions will be able to be heard by Independent Commissioners appointed by Council. The Schedule 1 RMA process will enable the community's views (including developers' views) to be thoroughly considered before the Council makes decisions on the plan change.

Disadvantages:

- 42 The plan change is likely to be contested and will require resourcing through the Council hearing and likely through the Environment Court appeal process. There will be subsequent financial costs that aren't able to be predicted. Developers have signalled through the consultation undertaken in August and September 2021 that a mandatory approach to inclusionary housing will be challenged.
- 43 Stakeholder Deeds and SHAs have provided a *negotiated* contribution to the district's retained affordable housing stock. This plan change would result in a *required* contribution, with the ability for alternatives to the requirement to be considered through a discretionary activity resource consent process. QLDC will be the first council in New Zealand to use this approach, and the method proposed has not previously been established in New Zealand. The legal basis for this method under the RMA will likely be challenged.
- 44 The plan change may result in some extra costs for development, which may get passed forward to future homeowners, or be absorbed into land values. Evidence¹⁰ shows that these costs are likely to be transitional in nature. Attention has been paid to the specific circumstances of brownfields versus greenfields developments.
- 45 Retained housing is an alternative form of home ownership which may be seen as sub-optimal; however, it would ensure that the subsequent investment will become a

¹⁰ Sense Partners Economic Report included in Attachment C.

community asset and have ongoing community benefits and will provide an ownership avenue for residents priced out of the housing market.

- 46 Notification via Schedule 1 of the RMA will mean that there will be the opportunity for appeals to the Environment Court following the Council hearing and subsequent decisions. The appeals process will have time and cost implications for Council.

Option 2: Not approve the plan change

Advantages:

- 47 The Council would not need to invest in resourcing the plan change going forward.
- 48 The Council would have the opportunity to wait and see if other councils pursue a mandatory inclusionary housing policy via their district plans and could contribute to the process as a submitter. However, it may have limited direct benefit for the Council, as any inclusionary housing policy would need to be tailored to the specific district.
- 49 The Council could pursue an alternative approach by significantly further increasing Plan-enabled capacity to attempt to influence housing affordability. This may have the effect of increasing competition which may influence property values. However, significant Plan-enabled capacity is already signalled through the Queenstown Lakes Spatial Plan.

Disadvantages:

- 50 Lack of access to affordable housing has a range of social, economic and environmental consequences, summarised as follows:

Social: reduction in social cohesion and stability due to churn in the community;

Economic: difficulty in attracting and retaining skilled workers to the district, high staff turnover;

Environmental:

- pressure to address affordability by additional housing supply through rezonings and use of fast track processes. The rezonings may affect landscapes and/or other environmental resources;
 - displacement of housing demand to adjoining districts; and
 - additional traffic movements as workers commute greater distances.
- 51 Under this option, the above issues would not be addressed.
- 52 Evidence shows that there are significant financial/productivity costs associated with housing insecurity and unaffordability. Housing affordability is a contributing factor in the district's very high labour turnover rate. Economic evidence¹¹ estimates that the higher

¹¹ Sense Partners Economic Report included in Attachment C

labour turnover rate is costing businesses and the local economy \$105m - \$200m a year. For each worker made more secure and stable in their home, community and work, the wider economic benefit is \$55,000 - \$110,000. High turnover is not just an issue for private sector businesses, it is also relevant for the public sector that helps support a strong community.

- 53 This option would not see a return on Council's investment in the plan change work undertaken to date.
- 54 This option would result in significant uncertainty regarding a future income stream for the Trust. Once the existing agreements negotiated through the Stakeholder Deeds and SHAs are fulfilled, the Trust's funding sources will be uncertain. The Council would need to consider alternative funding methods for the Trust to continue delivering retained affordable housing.
- 55 This report recommends **Option 1** for addressing the matter because the plan change will result in direct and measurable benefits for housing affordability in the district. The plan change will result in the continuing development of affordable housing that is funnelled to residents on low-medium incomes. The housing market is not able to achieve these targeted benefits for current and future residents.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 56 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because it is of high importance to the district, however the plan change has been well signalled (most recently via the Strategy which was unanimously supported by Councillors) and is an extension of existing affordable housing policy in the Operative District Plan.
- 57 The Council has consulted on draft planning provisions in August and September 2021, and the feedback received has been considered in the plan change.
- 58 The acceptance of the plan change for full statutory public notification via Schedule 1 of the RMA provides a process for interested parties to make a submission and be involved in the decision-making process.

> MĀORI CONSULTATION | IWI RŪNANGA

- 59 The Council has undertaken consultation with Aukaha and Te Ao Marama by seeking feedback on the draft provisions. As required by Schedule 1 Clause 4A, Council is required to provide a copy of the draft plan change to the relevant iwi authorities and then to have particular regard to any advice received.
- 60 At the time of completing this report no feedback or advice has been received by Council from iwi.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 61 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 moderate inherent risk rating.
- 62 The approval of the recommended option will support the Council by allowing us to implement additional controls for this risk. This shall be achieved by notifying the plan change, which seeks to provide a funding mechanism for the development of retained affordable housing.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 63 The key financial implications for Council stem from uncertainty regarding the level of resourcing required to fund a Council hearing and any subsequent Environment Court appeal process. Funding will be sourced through the district plan budget.

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

- 64 The following Council policies, strategies and bylaws were considered:
- Operative District Plan
 - Proposed District Plan
 - Queenstown Lakes Spatial Plan 2021
 - Queenstown Lakes Homes Strategy 2021
 - Climate and Biodiversity Plan 2022-2025
 - Significance and Engagement Policy 2017
- 65 The recommended option is consistent with the principles set out in the named policies.
- 66 This matter is included in the Ten Year Plan/Annual Plan as part of the ongoing implementation and maintenance of the District Plan.

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

- 67 The First Schedule of the RMA sets out the process for undertaking changes to the PDP. Approval to serve public notice in accordance with Clause 5 is sought.
- 68 Section 74 of the RMA sets out the matters to be considered when preparing a plan change. This includes preparation of a section 32 report. The section 32 report has been attached to this report that sets out the evaluation in support of the plan change.

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

- 69 The recommended option:

- Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The proposal allows for notification of the proposal, which allows the community to be part of the decision making process through submissions, further submissions and any hearings and Environment Court process. The recommendation in this report is appropriate and within the ambit of Section 10 of the LGA.
- 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	Inclusionary Housing Section 32 Report
B	Section 32 Report Attachment 1: Proposed PDP Provisions
C	Section 32 Report Attachments 2 to 4: Relevant Statutory Plans, Supporting Reports, Summary of Pre-Notification Consultation: NOTE that this attachment has been circulated separately .