

Planning for affordable housing

Creating inclusive, mixed income communities is fundamental to the economic vitality and liveability of the Queenstown Lakes District as the district grows in a way that protects its outstanding natural environment.

Inclusionary zoning is a planning method which seeks to create affordable housing as development occurs, resulting in neighbourhoods across the district which provide housing options for a range of incomes and households.

This could be achieved in the Queenstown Lakes District through rules in the District Plan which require qualifying developments to contribute to affordable housing through land, money or units. The housing created would then be managed by a certified community housing provider, like the Queenstown Lakes Community Housing Trust (QLCHT).

Inclusionary zoning typically creates housing for those earning too much to be eligible for public housing, but not enough to be able to afford market rents or prices. These households make up a majority of the workforce in the district and include professions such as teachers and nurses.

Queenstown Lakes District Council (QLDC) has developed four potential approaches to inclusionary zoning based on findings from previous experience with inclusionary zoning. These include an in-depth analysis of housing demand, current trends in land and house values, and reporting on anticipated costs and benefits of an inclusionary zoning policy in the longer term.

These background reports are all available online at letstalk.qldc.govt.nz.

WHAT DOES AFFORDABLE MEAN?

Affordable housing is housing which is accessible to those on a low to moderate income with rent or mortgage repayments taking less than 35% of the household's income¹. To achieve this, affordable housing often involves some form of shared ownership or equity arrangement.

OPTIONS TO CONSIDER

QLDC is currently looking for feedback on four possible pathways for using inclusionary zoning in the District Plan, ranging from 'enabling' through to 'mandatory'.

enabling		mandatory	
OPTION 1	OPTION 2	OPTION 3	OPTION 4
less control		most controlled	

Each option is discussed in brief below. Each option seeks to provide a community benefit (in the form of affordable housing), but with different approaches. More in-depth discussion on each option is available in reports available online at letstalk.qldc.govt.nz.

To demonstrate a potential approach, the Council-preferred option (#4) has been developed into a set of sample provisions. This is available online at letstalk.qldc.govt.nz.

All the proposed policy options would provide housing for the same target group - low to moderate income households, based on area median incomes.

¹ At the time of writing the mean household income in the QLD is \$124,221.

Option 1:

Update the District Plan to reduce and remove controls that affect affordability, **and at the same time**, negotiate with developers to provide retained affordable housing when Council is able.

WHAT THIS LOOKS LIKE IN PRACTICE

(This option best captures the current methods Council uses to achieve affordability – status quo)

Council will continue to work on improving housing supply opportunities through implementation of the recently adopted Spatial Plan, and where appropriate, Council will relax amenity-based planning rules to allow for more permissive development both on individual sites as well as in new development areas. At the same time, when a developer applies for an upzoning plan change, Council would engage in negotiations about transferring (at no cost to Council) some of the development to either Council or the housing trust for affordable housing.

REDUCE AND REMOVE CONTROLS THAT AFFECT AFFORDABILITY

Explanation:

More land zoned for housing and reducing controls on housing development can have the effect of development incurring lower costs. Examples of this approach include changing amenity-based planning rules such as allowing for increased heights and removing minimum density provisions, parking requirements, and more.

Advantages:

- > Provides greater scope for a range of house types and sizes on sites
- > Greater design flexibility for smaller sites.

Disadvantages:

- > Other planning controls may need to be added or strengthened to address effects, an example being minimum outlook areas (providing for

views and sun) and minimum landscape/permeable areas so dwellings maintain quality

- > Landowners may not take the opportunity to construct smaller, cheaper dwellings
- > This would require Council to seek to amend parts of the District Plan which have recently been the subject of extensive submissions, hearings and decisions
- > Lower costs are not necessarily passed onto homeowners.

NEGOTIATE WITH DEVELOPERS TO PROVIDE RETAINED AFFORDABLE HOUSING WHEN COUNCIL IS ABLE TO

Explanation:

This option would involve Council raising affordability issues when it prepares plan changes or processes private plan changes.

Advantages:

- > Place/area specific solutions could be developed
- > Flexibility over contribution type and quantity
- > Reflects past practice.

Disadvantages:

- > Involves case-by-case negotiation
- > The extent of future plan changes is unknown, and any offer (or acceptance) of affordable housing provisions will be voluntary as there would be no planning rules to enforce affordability
- > May see inconsistencies develop over time between different plan provisions
- > May be complex to administer
- > Limited incentive to negotiate.

Option 2:

Update the District Plan to provide a bonus/incentive to developers for the provision of retained affordable housing.

WHAT THIS LOOKS LIKE IN PRACTICE

Council could seek to provide a density or building height bonuses to incentivise developments to provide affordable housing.

Explanation:

A bonus or incentive is a common tool used to help enable affordable housing production in many jurisdictions in the United States of America (USA). To be effective, any bonus would need to be of a sufficient scale to compensate for the affordable housing.

Generally, bonuses are difficult to justify under the Resource Management Act 1991 (RMA), due the effects-based approach of the legislation. Once the ability to extend building form or bulk is set, it sets a new standard. This means that under an effects-based approach, this extra development potential should be available for all forms of development, not just the development providing affordable housing.

Advantages:

- > Provides incentives, appropriate to market conditions, to developers for provision of community housing
- > Could be provided in targeted areas where additional development is being contemplated, such as town centres.

Disadvantages:

- > May be difficult to justify enabling a certain level of effects, for the benefit of community housing under the RMA
- > Neighbours may feel threatened if developments can exceed normal limits, including concerns about additional parking and traffic in an area
- > It is uncertain what level of incentive would need to be offered to encourage up-take of the provisions
- > The affordable housing product may not be retained long term.



Option 3:

Update the District Plan to implement a mandatory requirement for developers to include some retained affordable housing – **applied to new developments only.**

WHAT THIS LOOKS LIKE IN PRACTICE

When a block of rural land is up zoned from rural to residential, a set percentage of the development would be required to be provided as affordable housing.

Explanation:

This option would introduce a mandatory contribution for affordable housing, for all qualifying new greenfields developments.

This option sets out a contribution rate as a percentage of the total development. The contribution could be provided through either land, dwellings, or cash in lieu to Council, with some variability depending on the scale of the development.

This option would build on the practice established under the Special Housing Areas process whereby new greenfields subdivisions contribute to affordable housing (for example through transfer of land to Council or sale of lots or units at below market rates). Evidence details that such a requirement (provided it is not excessive) does not make development unviable.

A trigger level of development would need to be set and appropriate retention mechanisms developed (such as consent conditions or covenants) to control resale of any affordable housing sold into the private market.

Advantages:

- > Applies to greenfields (new development), but not brownfields (redevelopment)
- > Enables Council or the Community Housing Trust to secure community housing at a rate linked to development
- > Provides a clearly stated contribution regime, so that all greenfields developers are treated fairly and transparently
- > May provide an incentive for brownfields development.

Disadvantages:

- > Would not apply where development is already at maximum capacity
- > Relies upon continual urban expansion to generate supply
- > Justification for selective approach is likely to be challenged in the Environment Court
- > The costs of provision of affordable housing may be transferred to other players in the housing market in the short term
- > Monitoring of any consent conditions may be challenging.

Option 4:

Update the District Plan to implement a mandatory contribution to include some retained affordable housing – **applied to both new development and redevelopments.**

WHAT THIS LOOKS LIKE IN PRACTICE

When a block of rural land zoned for residential development is subdivided, a set percentage of the development would be required to be provided as affordable housing. In addition, when land is redeveloped (for example, from a few small baches to a large apartment complex), the developer would need to contribute to affordable housing.

Explanation:

This option would introduce a mandatory contribution for affordable housing, for all qualifying developments, whether they be in greenfields (new development) or brownfields (redevelopment) areas.

This option sets out a contribution rate as a percentage of the total development. The contribution could be provided through either land, dwellings, or cash in lieu to Council, with variability depending on the type of development and its scale.

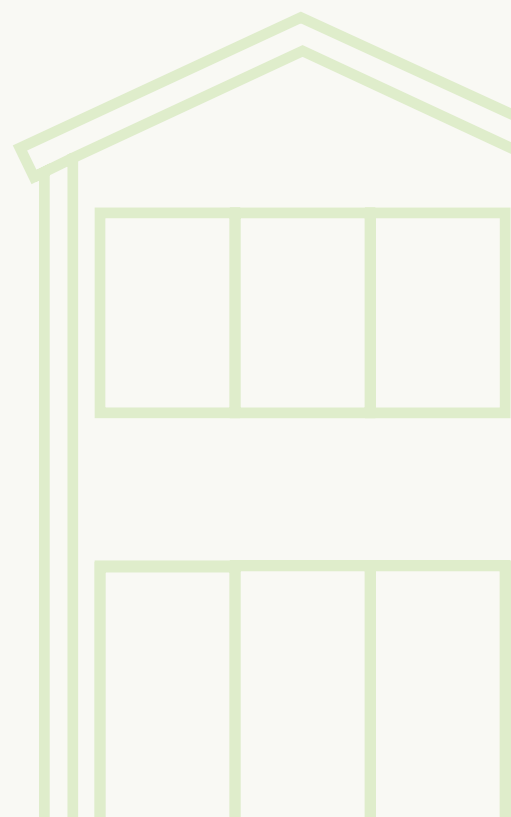
A trigger level of development would need to be set and appropriate retention mechanisms developed (such as consent conditions or covenants) to control resale of any affordable housing sold into the private market.

Advantages:

- > Applies widely, requiring community housing in low- and high-density areas, greenfields and brownfields
- > Enables Council to pass contributions onto the Community Housing Trust to secure community housing as they see fit
- > Provides a clearly stated contribution regime, so that all developments are treated fairly and transparently.

Disadvantages:

- > Justification is likely to be challenged in the Environment Court
- > The costs of provision of affordable housing may be transferred to other players in the housing market in the short term.



Discussion

There are a range of costs and benefits associated with the four inclusionary zoning options.

All options involve risks: A reduction in controls (**Option #1**) may be met with opposition from existing residents, as might a bonus-based provision (**Option #2**). The re-litigation of controls recently debated through the District Plan development process may also be a source of contention.

To date, the main method used by QLDC has been **Option #1** – negotiation at the time of plan changes. However, this has been on a largely unstructured, case-by-case basis, with ‘one-off’ Developer Agreements/Stakeholder Deeds used to secure the affordable housing contribution. The approach used through Special Housing Areas and the QLDC LEAD policy provided a more formal structure, but these are no longer available due to the expiry of the Housing Accords and Special Housing Areas Act 2013 (HASHAA).

The ‘plan change’ option is most closely aligned with current Special Housing Area and Stakeholder Deed techniques. However, the effectiveness of a ‘plan change’ option may have diminished compared to past experience. There are likely to be fewer plan changes than in the past, given that a revised District Plan is now being prepared which has a considerable element of ‘up zoning’ associated with it.

Any mandatory requirements are likely to be challenged by developers and landowners as running counter to current national-level policy which emphasises supply-side responses to affordability concerns. Yet a mandatory requirement is likely to be an effective method of addressing the housing affordability issues facing the district.

Have your say

We’d love to know what you think of the four inclusionary zoning options that could be used in the District Plan, and which of the options you support.

You can find more information on QLDC’s planning for affordable housing and share your thoughts at letstalk.qldc.govt.nz.

Feedback closes on
26 September 2021.