

In Confidence

Office of the Minister of Housing

Chair, Cabinet Legislation Committee

Establishing Special Housing Areas in Nelson City

Proposal

- 1 I seek Cabinet authorisation to submit the Housing Accords and Special Housing Areas (Nelson and Other Areas) Amendment Order 2019, made under sections 15 to 17 of the Housing Accords and Special Housing Areas Act 2013 (the Act) to the Executive Council.

Executive Summary

- 2 This paper seeks authorisation to submit the attached Order in Council to the Executive Council.
- 3 The Order will establish four special housing areas (SHAs) in Nelson at 3D Hill Street, 3A Hill Street, Suffolk Road and 71 Haven Road. These are all brownfield developments.
- 4 The Nelson City Council has recommended the establishment of these four new SHAs and based on advice from my officials, I am satisfied that they meet the statutory requirements of the Act.

Background

- 5 Nelson continues to face a shortage of housing and affordability issues since it was added to Schedule 1 of the Act. Population growth has outstripped supply of housing and prices have risen rapidly. The current Nelson Housing Accord, signed in June 2017, has set an annual target of 150 serviced residential lots and 300 dwellings to meet the growth in demand.

Proposed SHAs in Nelson

- 6 I propose that the attached Housing Accords and Special Housing Areas (Nelson and Other Areas) Amendment Order 2019 be authorised for submission to the Executive Council. The Order will establish the 3D Hill Street, 3A Hill Street, Suffolk Road and Haven Road SHAs, as recommended by Nelson City Council.
- 7 3D and 3A Hill Street are brownfield developments adjacent to a residential area, covering approximately 3.3 hectares with an expected total yield of 35 dwellings. These two SHAs will be built as an extension of the Ngāti Rarua SHA (at 3B and 3C Hill Street), which was established in December 2018. The sites are also adjacent to the larger 1A Hill Street and Saxon SHAs, which are being developed into a Summerset retirement village. The proposed SHAs will be accessed through Ngāti Rarua Street and are within 3km of the Richmond town centre.
- 8 The Suffolk Road SHA is a 0.4-hectre brownfield development comprising 11 dwellings, neighbouring an existing residential area. The SHA is located at the edge of the Stoke area, approximately 2km from Stoke town centre.

9 The proposed Haven Road SHA is a 0.365-hectare brownfield development on land which has been vacant for some time. The SHA is located near the Nelson city centre between existing residential and suburban commercial zones. The SHA has an expected yield of 30 apartments.

10 The key parameters of the four sites are summarised in the table below:

Table 1: Proposed Special Housing Areas

SHA name	Type	Approx. size (ha.)	Indicative yield (units)	Minimum dwelling number per qualifying development	Height Limit	Date recommended
3A Hill Street	Brownfield	1.64	20	20	2 storeys / 7.5m	12 Nov 2018
3D Hill Street	Brownfield	1.7	15	15	2 storeys / 7.5m	8 Oct 2018
Suffolk Road	Brownfield	0.4	11	11	2 storeys / 7.5m	11 Sep 2018
Haven Road	Brownfield	0.365	30	25	6 storeys / 20m	30 April 2019

Criteria for establishing SHAs and qualifying developments

- 11 The general process for establishing SHAs is outlined in Annex 1 of this paper. All recommended SHAs, and qualifying developments permitted within the SHAs, must meet certain requirements of the Act. The criteria and the process for considering them, are outlined in Annex 2 attached to this briefing. My assessment is that the proposed SHAs meet the requirements. My assessment of the proposed SHAs against each criterion is set out in Annex 2.
- 12 Section 16(2) of the Act requires me to have regard to existing geographic boundaries, the relevant district plans and any relevant proposed district plans to ensure that the boundaries of a proposed SHA are clearly defined in the Order in Council and easily identifiable in practice.
- 13 The boundary descriptions of the proposed SHAs, supplied by the Nelson City Council, have been reviewed by my officials and by a Crown Property service provider accredited by Land Information New Zealand. I consider the description is clearly defined and easily identifiable.
- 14 Section 17(2) of the Act provides for the responsible territorial authorities to recommend prescribed criteria related to minimum number of homes, maximum number of storeys and maximum calculated height. As required by section 15(7) of the Act, I recommend the inclusion of all criteria outlined in the table below in the proposed Order in Council.

Table 2: Criteria for qualifying developments

SHA name	Minimum number of homes in a qualifying development	Maximum number of storeys	Maximum calculated height (metres)
3A Hill Street	20	2	7.5
3 D Hill Street	15	2	7.5
Suffolk Road	11	2	7.5
Haven Road	25	6	20

Affordability considerations

- 15 The Nelson City Council has not recommended criteria related to affordability for the Hill Street or Suffolk Road SHAs. The Council's position is that the cluster of SHAs (which the two Hill Street SHAs will be part of) will have a large yield of approximately 350 dwellings in total. This significant increase in supply will enhance affordability in the Nelson housing market. The Suffolk Road SHA, being in the same housing market, will also contribute to this effect.
- 16 The Ministry of Housing and Urban Development (HUD) considers the Council's approach is generally in keeping with the purpose of the Act, and that the yield of these SHAs is significant enough to potentially improve affordability in the area.
- 17 For the Haven Road SHA, The Council proposes that 40 per cent of the developed units will be offered in a price range between \$550,000 to \$595,000, close to the median sales price of \$540,000 in Nelson. The intensive development will also add to the housing stock and mix of typologies in the area.

Minor amendments to certain website links used in other orders made under the Act

- 18 The Order also makes minor amendments to website links in the Housing Accords and Special Housing Areas orders for Hamilton, Tasman, Tauranga and Wellington. These minor amendments are necessary to update website links in existing orders due to the administration of the Act transferring from the Ministry of Business, Innovation and Employment to the HUD.

Risks

- 19 Due to the number of SHAs on adjoining sites, there is a small risk that the 3A and 3D Hill Street SHAs will have constrained access to existing services. This will require cooperation of other SHA developers in the area. This risk can be managed by the developer through private arrangements.

Partial repeal of the Act on 16 September 2019

- 20 Sections 16 and 17 of the Act will repeal on 16 September 2019, meaning no new SHAs will be able to be established from that date. Further, under section 18 of the Act, all existing SHAs will be disestablished on that date, meaning no new resource consents for developments within SHAs will be able to be lodged after 16 September 2019.
- 21 However, existing resource consent applications for developments within SHAs can continue to be processed until 16 September 2021.

Timing and the 28-day rule

- 22 I seek a waiver of the 28-day rule so that the Order creating the SHAs comes into force the day after they are gazetted. The waiver is sought to ensure timely effectiveness of the Order. The declaration affects only a particular local district and early commencement is necessary due to sections 16 and 17 of the Act repealing on 16 September 2019.

Compliance

- 23 The Order in Council will comply with:
- a. the principles of the Treaty of Waitangi;
 - b. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - c. the principles and guidelines set out in the Privacy Act 1993;
 - d. the relevant international standards and obligations; and
 - e. the Legislation Advisory Committee's Guidelines on Process and Content of Legislation.

Regulations Review Committee

- 24 I do not consider there are grounds under Standing Order 319(2) (2014) for the Regulations Review Committee to draw the Order to the attention of the House.

Certification by Parliamentary Counsel Office

- 25 The proposed Order in Council was certified by Parliamentary Counsel Office as being in order for submission to Cabinet.

Regulatory Impact Analysis

- 26 The Regulatory Quality Team at the Treasury has determined that:
- 27 The Treasury Regulatory Quality Team has determined that the decisions sought in this paper are exempt from the Regulatory Impact Analysis requirements on the basis that the Government has limited statutory decision-making discretion or responsibility for the content of proposed delegated legislation. This exemption is on the condition that information on the specific impacts (costs, benefits and risks) is outlined in Annex 2 of the Cabinet paper.

Consultation

- 28 HUD was involved in preparing the Amendment Order. The Ministry of Education, the New Zealand Transport Agency and The Treasury have been consulted on the contents of this Cabinet paper.
- 29 The Nelson City Council has not consulted publicly on the proposed SHAs.

Publicity

- 30 The declaration of the SHAs will be published in the Gazette and on the relevant Council websites.

Recommendations

I recommend that the Committee:

- 1 **note** that the Housing Accords and Special Housing Areas Act 2013 (the Act) enables the establishment of special housing areas by Order in Council to facilitate an increase in land and housing supply in regions and districts identified as having housing affordability and supply issues;
- 2 **note** that on 2 March 2018 Cabinet confirmed that the delegated authority would remain for the Minister responsible for Special Housing Areas (SHAs) to instruct the Parliamentary Counsel Office to draft Orders in Council declaring SHAs without first seeking Cabinet's agreement [Cab-18-MIN-0071 refers].
- 3 **note** that the Nelson City Council has recommended to me, the responsible Minister, the establishment of the 3A Hill Street, 3D Hill Street, Suffolk Road and Haven Road special housing areas;
- 4 **note** that the Housing Accords and Special Housing Areas (Nelson and Other Areas) Amendment Order 2019 was drafted in accordance with Cabinet's authorisation in recommendation two, and will give effect to recommendations three and four;
- 5 **note** that I have assessed the proposed special housing areas against the criteria specified in the Act and I am satisfied all requirements have been met;
- 6 **note** that section 15(7) of the Act requires the Minister of Housing to recommend the criteria for qualifying developments recommended by the relevant accord territorial authority under section 17(2) of the Act;
- 7 **note** that a waiver of the 28-day rule is sought:
 - a. so that the special housing areas can be declared as soon as possible;
 - b. on the grounds that the declaration affects only a particular local district and early commencement is necessary due to sections 16 and 17 of the Act repealing on 16 September 2019;
- 8 **note** the Order also makes minor amendments to website links in the Housing Accords and Special Housing Areas orders for Hamilton, Tasman, Tauranga and Wellington. These minor amendments are necessary to update website links in existing orders due to the administration of the Act transferring from the Ministry of Business, Innovation, and Employment to the Ministry of Housing and Urban Development.
- 9 **agree** to waive the 28-day rule so that the Housing Accords and Special Housing Areas (Nelson and Other Areas) Amendment Order 2019 can come into force the day after the Order is gazetted;
- 10 **note** that sections 16 and 17 of the Act will repeal on 16 September 2019, meaning no new SHAs will be able to be established from that date. Further, under section 18 of the Act, all existing SHAs will be disestablished on that date.

11 **authorise** the submission to the Executive Council of the Housing Accords and Special Housing Areas (Nelson and Other Areas) Amendment Order 2019.

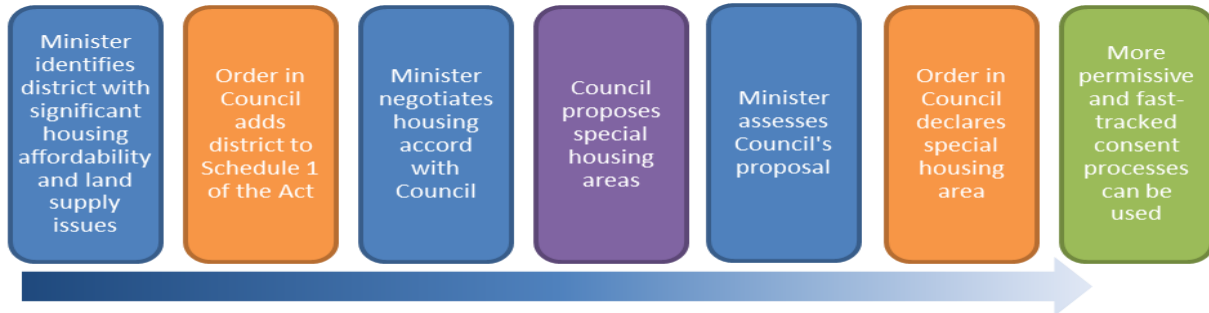
Authorised for lodgement

Hon Megan Woods

Minister for Housing

Annex 1: Special Housing Areas

The Act allows SHAs to be established by Orders in Council in districts listed in Schedule 1 of the Act, which have significant housing supply and affordability issues. Nelson City is included in Schedule 1 of the Act. The process for establishing SHAs is illustrated in the diagram below.



SHAs enable fast-tracked consenting processes for the construction of housing by allowing resource consents to be processed under the Act rather than the Resource Management Act 1991. The SHA process reduces the opportunities for appeal, which can add substantial costs and delays to developments.

Under the Act, a council party to a housing accord can recommend the establishment of SHAs to me as Minister of Housing with delegated responsibility for SHAs. There is a signed Housing Accord with the Nelson City Council.

On 2 March 2019 Cabinet confirmed that the delegated authority would remain for the Minister responsible for SHAs to instruct the Parliamentary Counsel Office to draft Orders in Council declaring SHAs without first seeking Cabinet's agreement [Cab-18-MIN-0071 refers].

Cabinet has decided not to extend the SHA regime beyond 16 September 2019, in accordance with the sunset clause in the Act. Resource consents already lodged under the Act will be able to proceed under existing approvals, even though the SHAs will be disestablished.

Annex 2: Legislative criteria to establish special housing areas and my assessment under each criterion

The Housing Accord and Special Housing Areas Act requires me to be satisfied that the following criteria, outlined in s16(3) of the Act, are met:

1. Adequate infrastructure to service qualifying developments in the proposed SHA exists or is likely to exist, having regard to relevant information
2. There is evidence of demand to create qualifying developments in specific areas of the scheduled region or district
3. There will be demand for residential housing in the proposed district

Based on advice from my officials, my assessment of the criteria is as follows:

Criterion 1: adequate infrastructure to service qualifying developments in the proposed SHA either exists or is likely to exist, having regard to local planning documents, strategies, and policies, and any other relevant information.

3A and 3D Hill Street

Three waters

Adequate services are available because the developer of the Saxton SHA is required to extend the water and wastewater mains and to provide sufficient capacity to service both the Saxton SHA and surrounding SHAs, including 3A and 3D Hill Street. This work is underway and due to be complete in early 2019.

The developers of the 3A and 3D Hill Street SHAs will meet the costs of connecting to the newly installed water and wastewater mains. Connections across the adjoining properties will be required, so the developers will also need to make access agreements with adjoining landowners.

Stormwater from the proposed SHAs will discharge north, through a tributary which forms the boundary of 3D Hill Street, to Saxton Creek. Saxton Creek is currently undergoing a staged programme of flood improvement works. However, these upgrades will not be sufficient to accept discharge from the proposed SHAs. Some onsite mitigation will likely be required, which will be designed, constructed and funded by the developers.

Until these upgrades are completed, the developer of each SHA within the cluster will design, fund and provide interim stormwater measures. The Council will assess these measures when granting qualifying development consents.

Transport

Traffic from the proposed SHAs (and the adjoining developments) will put pressure on Hill Street and local streets feeding Champion Road and Salisbury Road (all of which are in the Tasman District). The developers, Nelson City Council, Tasman District Council and New Zealand Transport Agency will need to work together during the consent process to agree what improvements will be required to mitigate the effects, and the contribution that will need to be paid by the developers.

Education

The scale of the proposed developments will not require a new school. Any students can be accommodated within the existing school network in Richmond.

Suffolk Road

Three Waters

The Council indicates that there is likely to be suitable provision for infrastructure to support the development as mains pipework for all three water services is located in Suffolk Road. The developer will meet all costs for connections to the site.

Transport

Local roads are adequate for the demand created by this SHA. Only one access to Suffolk Road will be permitted, therefore the developer will need to establish a shared right-of-way to Andy Whiting Place. The SHA includes land (part of 7, 7B and 7C Andy Whiting Place) intended for this purpose.

Education

The scale of the proposed development would not require a new school. Any students can be accommodated within the existing school network in Stoke and the neighbouring areas.

Haven Road

Three Waters

There is likely to be sufficient three water capacity through the council mains. However, an existing potable water private connection to the site may require an upgrade. And the developer will need to install onsite stormwater detention to mitigate additional flows due to capacity constraints on parts of the downstream system. The developer will also need to undertake further work, including a flood risk assessment of the site to demonstrate that the new building will not be at risk of inundation and does not affect adjoining land. The developer may be required to provide secondary flood routes if necessary. These issues will need to be resolved by the developer as part of the resource consent process.

Transport

There is existing access on Haven Road. However, additional design features may be required to ensure safety of pedestrians, cyclists and traffic. The developer will work with the Council's traffic engineer to determine the best access option

Education

The scale of the proposed development will not require a new school. Any students can be accommodated within the existing school network in the area.

My assessment based on information provided by the Nelson City Council is that Criteria 1 is met.

Criterion 2: there is evidence of demand to create qualifying developments in specific areas of the scheduled region or district.

The Council advises that there is ongoing demand for housing where those SHAs are located. The SHAs have been requested by the developers, and are supported by the land owner.

I am satisfied that Criterion 2 has been met and there is demand to create qualifying developments in the proposed SHAs.

Criterion 3: there will be demand for residential housing in the proposed SHA

The current Nelson Housing Accord was signed on 13 June 2017 and has a target of 150 serviced residential lots and 300 dwellings to be consented each year, commencing 1 July 2017, for three years. In the year to 30 June 2018, 154 sections were created and 254 dwellings were consented, which is at or close to the targets.

The Nelson district continues to face a shortage of housing and affordability issues. The most recent REINZ property data shows that, in the year ended 30 September 2018, the median house price in the Nelson region was at a record level of \$592,000, an increase of 23.1 per cent over the year to 14 June 2018.

Monitoring required by the National Policy Statement on Urban Development Capacity, based on data to mid-2018, indicates that in the last ten years population growth in Nelson has out-stripped supply (based on new consents issued) (see Figure 1).

Figure 1: new dwelling consents relative to household growth, Nelson City



Source: NPS-UDC Nelson Tasman Monitoring Report April – June 2018.

I am satisfied Criterion 3 for the proposed SHAs has been met. There is clear demand for residential housing in the proposed SHAs due to the current and projected population growth putting pressure on the housing market in the region.

Annex 3: Criteria for qualifying developments within each SHA

Legislative provision

Under the Act, a qualifying development in a SHA is a development:

- a. that will be predominantly residential;
- b. in which the dwellings and other buildings will not be higher than:
 - i. six storeys (or any lesser number prescribed)
 - ii. a maximum calculated height of 27 metres (or any lower maximum calculated height prescribed);
- c. that will contain not fewer than the prescribed minimum number of homes per development to be built; and
- d. that will contain no less than the prescribed percentage (if any) of affordable homes according to criteria set in the Order for the SHA.

Proposed criteria

The Nelson City Council has recommended the following criteria for the minimum number of homes in a qualifying development, the maximum number of storeys, and the calculated height for the proposed SHAs as follows:

SHA name	Minimum number of homes in a qualifying development	Maximum number of storeys	Maximum calculated height (metres)
3A Hill Street	20	2	7.5
3 D Hill Street	15	2	7.5
Suffolk Road	11	2	7.5
Haven Road	25	6	20

Annex 4: Nelson SHAs Maps

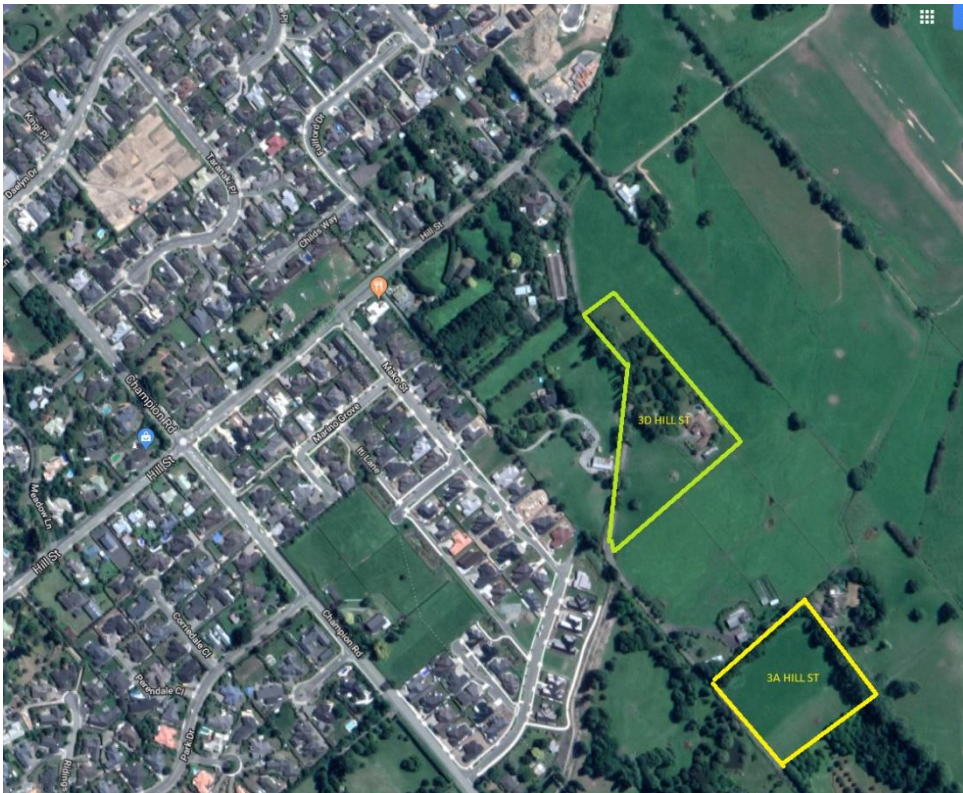
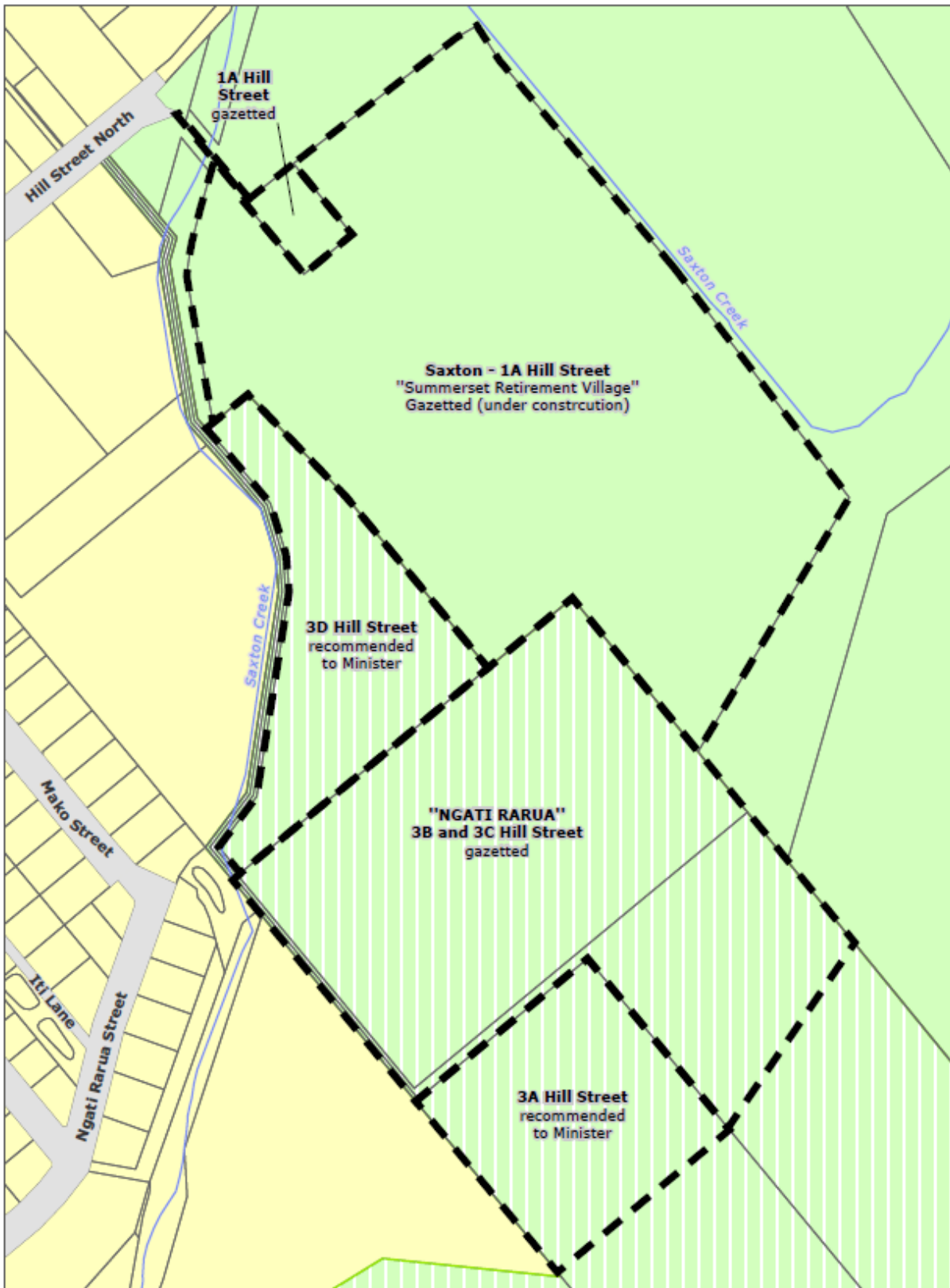


Figure A1: Indicative location of 3D and 3A Hill Street SHAs on aerial photo (Google Maps)

Figure A2: Hill Street SHAs (Source: Nelson City Council)



The map is an approximate representation only and must not be used to determine the location or size of items shown, or to identify legal boundaries. To the extent permitted by law, the Nelson City Council, their employees, agents and contractors will not be liable for any costs, damages or loss suffered as a result of the data or plan, and no warranty of any kind is given as to the accuracy or completeness of the information represented. Nelson City Council information is licensed under a Creative Commons Attribution 4.0 International License, and the use of any data or plan or any information downloaded must be in accordance with the terms of that license. For more information please contact us. Cadastral information derived from Land Information New Zealand. CROWN COPYRIGHT RESERVED.

Ngati Rarua
Special Housing Areas

Legend

- Special Housing Areas
- Residential
- Rural
- Rural - Higher Density Small Holdings Area

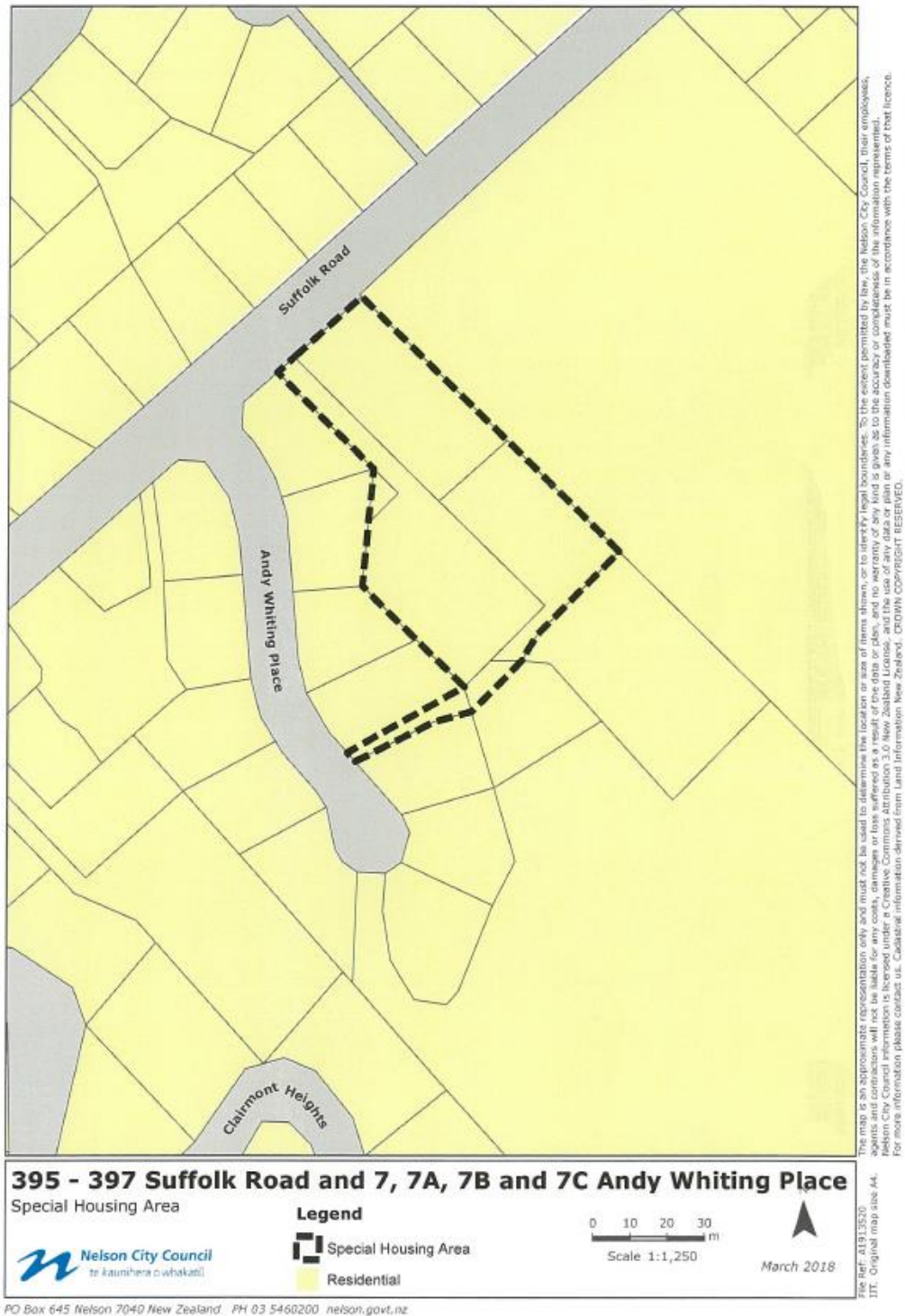
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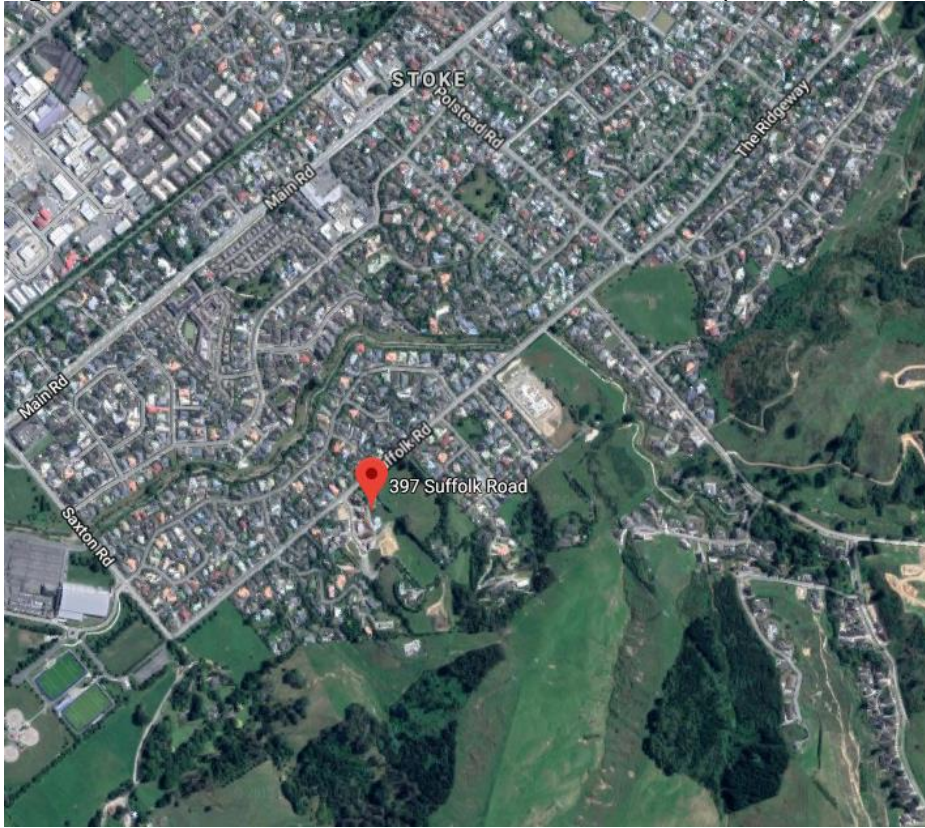
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Site location plans – Suffolk Road

Figure B1: Location plan – Suffolk Road SHA (Source: Nelson City Council)



1. **Figure B2:** Indicative location of Suffolk Road SHA on aerial photo (Source: Google Maps)



Site location plans – Haven Road

Figure C1: Location plan – Haven Road SHA (Source: Nelson City Council)

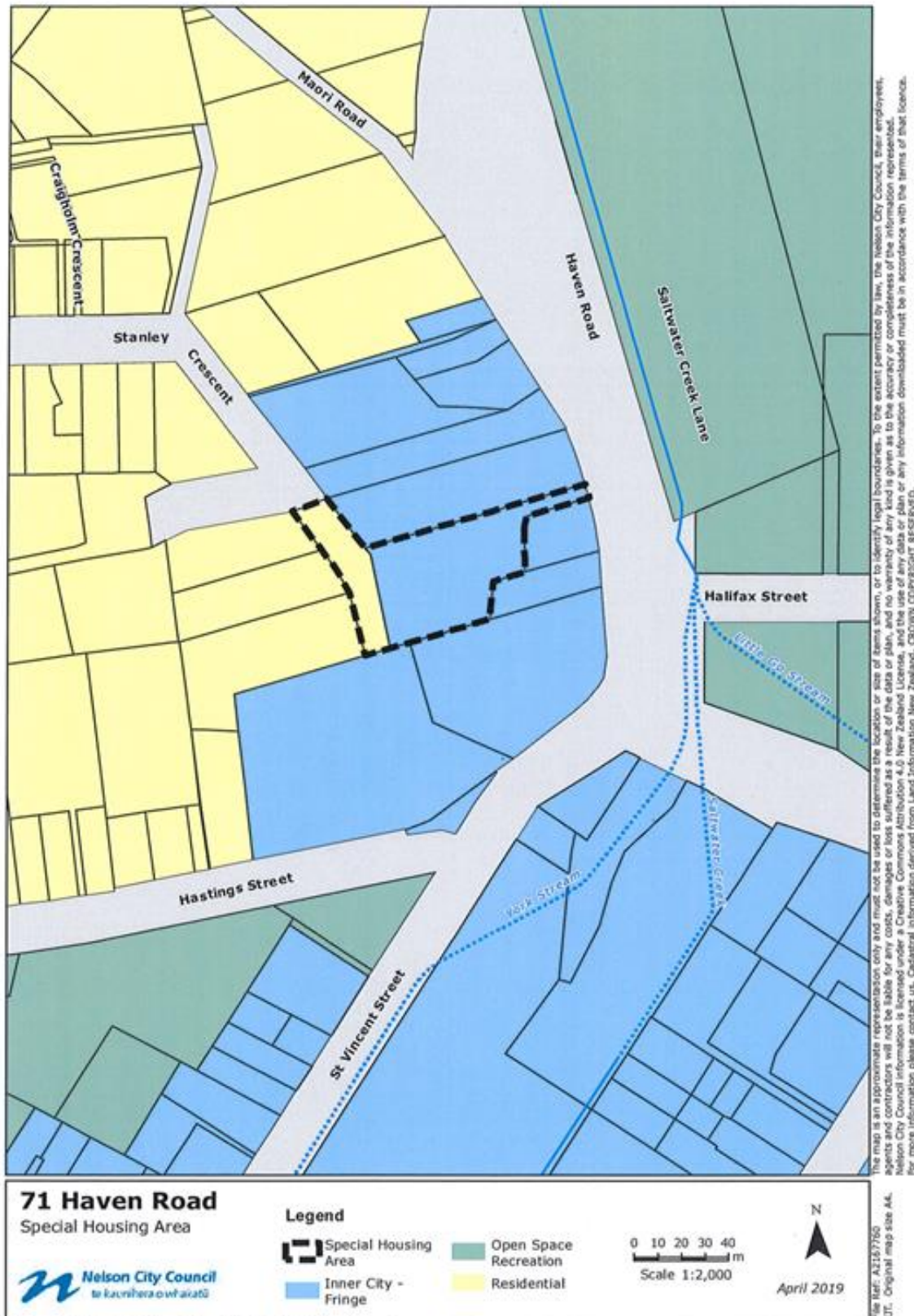


Figure C2: Indicative location of Suffolk Road SHA on aerial photo (Source: Google Maps)

