#### In Confidence

Office of the Associate Minister of Housing and Urban Development

Chair, Cabinet Legislation Committee

# **Establishing Special Housing Areas in the Queenstown-Lakes District**

### **Proposal**

I seek Cabinet authorisation to submit the Housing Accords and Special Housing Areas (Queenstown-Lakes) 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**

- This paper seeks authorisation to submit the attached Order in Council to the Executive Council.
- The Order will establish two special housing areas (SHAs): the Lake Hawea and the Bright Sky (Wanaka) SHAs in the Queenstown-Lakes District.
- The Queenstown-Lakes District Council has recommended the establishment of these SHAs and I am satisfied that they meet the statutory requirements of the Act.
- There has been significant opposition to the Lake Hawea SHA proposal. I have considered the feedback received and sought further advice from officials. My view is that the proposal meets the requirements of the Act and should proceed.
- During my discussions with Cabinet Legislation Committee on 18 June 2019, I agreed to provide further advice on options for raising the percentage of housing donated to the Queenstown-Lakes Community Housing Trust, which at the time was agreed at 10 per cent (LEG-19-MIN-0086 refers). After discussions with the Council, the developers have agreed to raise this percentage to 12.5 per cent for the Lake Hawea SHA (an additional ten houses) and 12 per cent for the Bright Sky SHA (an additional five houses). Affordability is discussed further in paragraphs 21-25.

# **Background**

- Population growth is putting increasing pressure on housing supply in the Queenstown-Lakes District. Rising housing demand is also pushing up rent and sale prices across the District, including the Wanaka ward, which includes Hawea. Development of houses with a range of sizes and price mix is essential to meet this demand.
- The current Queenstown-Lakes District Housing Accord was signed in July 2017. The Accord targets for the 2017, 2018 and 2019 calendar years are in the order of 1200, 1300 and 1400 dwellings and sections to be consented (across the entire district, including the Wakatipu Basin). The Queenstown Lakes District Council has

- recommended to me the establishment of two SHAs: The Lake Hawea and the Bright Sky (Wanaka) SHAs.
- 9 All previous SHAs recommended by the Council (eight in total) were in the Queenstown/Wakatipu area. The Lake Hawea and Bright Sky (Wanaka) SHAs are the first in the Wanaka/Clutha basin.

#### Proposed SHAs in the Queenstown-Lakes District

- I propose that the attached Housing Accords and Special Housing Areas (Queenstown-Lakes) Amendment Order 2019 be authorised for submission to the Executive Council. The Order will establish the Lake Hawea and Bright Sky (Wanaka) SHAs, as recommended by Queenstown-Lakes District Council.
- The Lake Hawea SHA is a 34-hectare greenfield development with an expected yield of 400 sections, along with a playground, reserves and a township service centre. It is located on Cemetery Road, south of the Hawea township with easy access to the Hawea Community Centre and the Hawea Domain. The SHA is adjacent to the existing urban area, and directly opposite two subdivisions currently being built. The price range will be between \$464,000 and \$550,000 with ten per cent of housing donated to the Queenstown-Lakes Community Housing Trust.
- The briefing that sought my decision on whether to recommend the making of the Lake Hawea SHA described the area of the proposed SHA as being 32 ha (BRF18/19020146 refers). This was an approximate size. Officials have confirmed with the Council that the exact area of the proposed SHA is 34.467 ha. This is the area reflected in the Order in Council and, for the avoidance of doubt, is the total area of the SHA I am recommending be made under the Act.
- The Bright Sky (Wanaka) SHA is a 12-hectare greenfield development with an expected yield of 281 one- to four-bedroom dwellings. It is close to Wanaka township between Cardrona Valley Road and Ballantyne Road. It is within a wider area that is currently being developed for both residential and commercial uses and which has long been anticipated for urban development.
- Jointly the two SHAs will support the delivery of close to half of the 2019 target of 1400 dwellings in the Queenstown-Lakes District.
- 15 The key parameters of the two sites are summarised in the table below:

Table 1: Proposed Special Housing Areas

SHA name	Туре	Developer	Appro x. size (ha.)	Indicativ e yield (units)	Minimum dwelling number per qualifying development	Height Limit	Date recommen ded
Lake Hawea	Greenfield	Wakatu Incorporation	34	400	30	2 storeys / 8m	21 December 2018
Bright Sky (Wanaka)	Greenfield	Bright Sky Land Ltd	12	281	30	3 storeys / 11m	4 February 2019

# Criteria for establishing SHAs and qualifying developments

- The general process for establishing SHAs is outlined in Annex 1 of this paper. All recommended SHAs, and qualifying development 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.
- 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.
- The boundary descriptions of the proposed SHAs, supplied by each 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.
- 19 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 re-required by section 15(7) of the Act, I recommend the inclusion of all criteria outlined in the table below, be included in the proposed Order in Council.

SHA name	Minimum number of homes in a qualifying development	Maximum number of storeys	Maximum calculated height (metres)
Lake Hawea SHA	30	2	8
Bright Sky (Wanaka) SHA	30	3	11

## Other considerations

The Act only allows me to assess SHA recommendations against the criteria listed above. However, other points of note in relation to the recommended SHAs are affordability and size of the developments.

Lake Hawea: Housing Affordability

In the case of the Lake Hawea SHA, the deed signed between the developer and the council contains affordability provisions. Specifically, 12.5 per cent of the development (50 finished and titled sections, worth an estimated \$12 million) will be gifted to the Queenstown-Lakes Community Housing Trust. Twenty per cent of these sections are prioritised to be completed at Stage 1 of the development.

In addition, the deed creates fixed pricing options per dwelling between \$464,000 and \$550,000, specifically to target first home buyers. These price points are well below average prices in Hawea and the wider districts, which are \$708,000 and \$941,000 respectively. The fixed price points will allow first home buyers to access KiwiSaver savings and be eligible for up to \$20,000 through a HomeStart grant. The developer has agreed to require only a five per cent deposit, and an extended due diligence period.

# Bright Sky (Wanaka): Housing Affordability

- The developer for the Bright Sky (Wanaka) SHA will gift 12 per cent of the land (33 finished and titled sections, worth an estimated \$10 million) to the Queenstown-Lakes Community Housing Trust.
- Releasing this increased amount of land to the Queenstown-Lakes Community
  Housing Trust requires some modification to the subdivision design and consideration
  of stormwater management, roading links and reserves requirements, all of which will
  be considered at the resource consent stage. This contribution therefore is subject to a
  successful resource consenting outcome that ensures an adequate provision of
  reserves and appropriate transport connections to the surrounding area.
- The developer has committed to providing a range of dwelling sizes, including some two-bedroom units. The developer has also agreed that houses within the SHA cannot be utilised for commercial visitor accommodation. This will be confirmed via a clause in the deed which will require an encumbrance on the titles.

#### Bright Sky (Wanaka): Effect on Rural Landscape

The Bright Sky SHA is within the Urban Growth Boundary Area for Wanaka under the proposed District Plan. While the Council recognises there is a loss of rural landscape, the trade-off is justified given the benefits of a compact and integrated urban form for Wanaka.

#### Risks of the Lake Hawea SHA

- 27 The Lake Hawea SHA has faced significant local opposition from the Keep Hawea Beautiful lobby group and the Hawea Community Association Incorporated. They have communicated their views in various forms to me, Minister Twyford, the Council and the Ministry of Housing and Urban Development (HUD). The Keep Hawea Beautiful lobby group have also procured legal representation and has administered a petition against the SHA within their community, which received 380 signatures.
- I note that the Queenstown-Lakes District Council has sought public feedback on the proposed SHA, despite this not being a requirement under the Act, which helps to mitigate the risks above. The Council's view remains that the SHA is a 'logical' extension of an existing urban area, which is not identified as an Outstanding Natural Landscape.
- Should Cabinet agree to the establishment of the SHA, there is a risk of further opposition of the Hawea community, potentially leading to a judicial review of the decision. I have sought advice from HUD officials, particularly regarding the main objections of the opposing groups, namely, that:

- a. there is no demand for this type of development in Hawea and sufficient housing capacity is provided elsewhere in the urban zone
- b. water infrastructure is insufficient to meet the proposed demand.
- Officials' assessment, based on information provided by the Council, is that sufficient demand does exist in the area and water infrastructure is likely to be adequate (Annex 2). Overall, the application meets the criteria under the Act and is in keeping with the Act's objectives.
- I am satisfied that the proposed development meets the criteria under the Act and any risks can be adequately managed.

# Timing and the 28-day rule

I seek a waiver of the 28-day rule so that the Order creating the SHAs come 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 desirable to comply with the purpose of the Act.

# Compliance

- The Order in Council will comply with:
  - a. the principles of the Treaty of Waitangi;
  - 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**

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**

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

# **Regulatory Impact Analysis**

The Regulatory Quality Team at the Treasury has determined that:

The regulatory decisions relating to the establishment of SHAs are partially exempt from the requirement to provide a Regulatory Impact Assessment as the government has limited statutory decision-making discretion or responsibility for the content of proposed delegated legislation. This exemption is subject to the condition that information on the specific impacts (costs, benefits and risks) of the proposed Lake Hawea, Bright Sky (Wanaka) SHAs are attached to this paper (Annex 2).

# Consultation

The Ministry of Housing and Urban Development was involved in preparing the Amendment Order. The Ministry of Education, the New Zealand Transport Agency, The Treasury and the Department of the Prime Minister and Cabinet have been consulted on the contents of this Cabinet paper.

#### Lake Hawea

- The Act does not require territorial authorities to offer consultation opportunities to local communities or the wider public prior to recommending the establishment of a SHA. However, the Councils have undertaken public consultation on the proposals: The Queenstown-Lakes District Council undertook a four-week public consultation process (in May-June 2018), followed by more targeted consultation with the local community and neighbouring developers, regarding how development could best be integrated with the local community and existing Hawea township.
- As a result of the feedback, the developer and Council agreed changes to the proposal, including a reduction in the total yield (from an original proposal of up to 1000 dwellings down to 400 dwellings).
- Two iwi groups Aukaha and To Ao Marama Incorporated were consulted by the Council. Neither iwi group raised concerns with the establishment of the proposed SHA.
- As discussed above in paragraphs 31-35, there is significant opposition to the development from the community lead by the Keep Hawea Beautiful lobby group and the Hawea Community Association.

#### Bright Sky (Wanaka)

- The Council invited public submissions on the SHA over a four-week period in February-March 2018. Twelve submissions were received: five submissions opposed the SHA, citing traffic congestion, visual and landscape effects and the need to retain open space; three submissions were supportive of the SHA, citing the need for affordable housing. Four submissions on the SHA were neutral, and included some suggestions for the Council to incorporate in the design, for example links with cycle trails.
- Some of the concerns of submitters regarding the effect of creating a through-road between Cardrona Valley Road and Ballantyne Road have subsequently been addressed in finalising the deed with the developer.
- Two iwi groups Aukaha (formerly Kai Tahu Ki Otago Limited) and To Ao Marama Incorporated were consulted. Neither iwi group raised concerns with the establishment of the proposed SHA.

#### **Publicity**

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

# Recommendations

#### I recommend that the Committee:

- 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 Cabinet agreed the delegated authority for the Minister responsible for special housing areas to instruct the Parliamentary Counsel Office to draft Orders in Council declaring SHAs without first seeking Cabinet's agreement will remain (CAB-18-MIN-0071 refers);
- note that the Queenstown-Lakes District Council has recommended to me, the responsible Minister, the establishment of the Lake Hawea and Bright Sky (Wanaka) special housing areas;
- 4 **note** that the Housing Accords and Special Housing Areas (Queenstown-Lakes) 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 Associate Minister of Housing and Urban Development 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 desirable to comply with the purpose of the Act;
- agree to waive the 28-day rule so that the Housing Accords and Special Housing Areas (Queenstown-Lakes) Amendment Order 2019 can come into force the day after the Order is gazetted;
- note the briefing that sought my decision on whether to recommend the making of the Lake Hawea SHA described the area of the proposed SHA as being 32 ha (BRF18/19020146 refers). This was an approximate size. Officials have confirmed with the Council that the exact area of the proposed SHA is 34.467 ha. This is the area reflected in the Order in Council and, for the avoidance of doubt, is the total area of the SHA I am recommending be made under the Act.
- note that I recommend, under the Act, the making of the attached Orders in Council declaring the Lake Hawea and Bright Sky (Wanaka) special housing areas.

authorise the submission to the Executive Council of the Housing Accords and Special Housing Areas (Queenstown-Lakes) Amendment Order 2019.

Authorised for lodgement

Hon Jenny Salesa

**Associate Minister for Housing and Urban Development** 

# **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. The Queenstown-Lakes district 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 (RMA). 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 the Associate Minister for Housing and Urban Development with delegated responsibility for SHAs. There is a signed Housing Accord with the Queenstown-Lakes District 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 also decided not to extend the SHA regime beyond 16 September 2019, in accordance with the sunset clause in the Act. Development already approved under the SHAs 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

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

Three Waters: Lake Hawea

Significant work is required to upgrade the freshwater supply. However, the developer, through the binding deed for the development, has agreed to pay for, design, obtain consents, and construct the required upgrades to the Hawea bore pump station, treatment plants and two water-mains.

The provision of adequate wastewater structure is dependent on the capital work set out in the Council's Long Term Plan for a 12 km connection to Project Pure (a wastewater processing treatment plant in Wanaka). However, the developer has provided three interim options to meet any intervening needs: temporary storage chambers on site; truck transfer to Project Pure and temporary on-site treatment plant.

The Otago Regional Council has confirmed that the land is suitable for onsite stormwater disposal and no new infrastructure is likely to be required. Nonetheless, through the deed, the developer is responsible for the design, consenting and construction of any stormwater infrastructure if necessary.

The Queenstown-Lakes District and the Otago Regional Councils have no concerns around the flood risks to the SHA.

Three Waters: Bright Sky (Wanaka):

Adequate freshwater supply will be achieved through the planned extension of existing water supply mains expected to commence in 2020/21. This date can potentially be brought forward. The developer has agreed to a payment of \$120,000 to facilitate this work, as part of the deed.

The Otago Regional Council has confirmed that the land is suitable for onsite stormwater disposal and no new infrastructure is likely to be required. Through the deed, the developer is responsible for the design, consenting and construction of any stormwater infrastructure if necessary.

A scheduled upgrade of wastewater infrastructure to commence this year will mitigate any downstream impacts. The developer has also agreed to consult with the council on programme and

cost apportionment if the scheduled work needs to be brought forward or other infrastructure is required.

#### Transport: Lake Hawea

The Council has confirmed that the existing roading network in Hawea is likely to have sufficient capacity to service any qualifying developments, with the deed requiring the developer to fund, design, and obtain consents for upgrades to intersections. The Council has agreed with the SHA developer and an adjoining developer to improve the most direct access road from Hawea to SH6. NZTA was consulted and had no concerns.

There is no public transport service for Hawea currently. The SHA can help improve the viability of future services by increasing population density and is well designed to connect to a public transport network. The SHA is able to connect with existing cycle and walking trails through reserves set aside under the Council's policies.

#### Transport: Bright Sky (Wanaka)

The SHA will have access to the Wanaka township through extensions to existing roads. The developer has agreed to contribute to the costs of the road and other traffic management measures to address the issues associated with increased traffic to the Cardona Valley Road and Ballantyne Road arising from the SHA. The Council and HUD confirm that adequate roading infrastructure is likely to exist. The NZTA was consulted and had no concerns.

The SHA is within walking distance to the Town Centre and to the Three Lakes commercial area and the Wanaka Recreational centre. It is connected to existing walking and cycling trails through reserves set aside in line with the Council's policies.

#### Education

The Ministry of Education advises that the existing school network can accommodate the Lake Hawea SHA. The Ministry is satisfied that its plan to expand the schooling network in Wanaka is sufficient to accommodate the anticipated increase from the Bright Sky (Wanaka) SHA.

I am satisfied that Criterion 1 has been met and that there exists, or is likely to exist, adequate infrastructure to support the SHAs recommended by the Queenstown-Lakes District Council.

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

Lake Hawea: The developer submitted an Expression of Interest to develop the SHA in response to the Council's request for proposals. Through the deed the developer has committed to commence preparation of a resource consent application for a qualifying development. This application will be for the full 400 lot development so that housing can be delivered at the earliest opportunity. A team of contractors has already been assembled.

Bright Sky (Wanaka): The developer submitted an Expression of Interest to develop this SHA in response to the Council's request for proposals. A stakeholder deed between the Council and developer has been signed, through which the developer has committed to commence preparation of a resource consent application for the total yield of the SHA. The Council is satisfied that there is demand for qualifying developments.

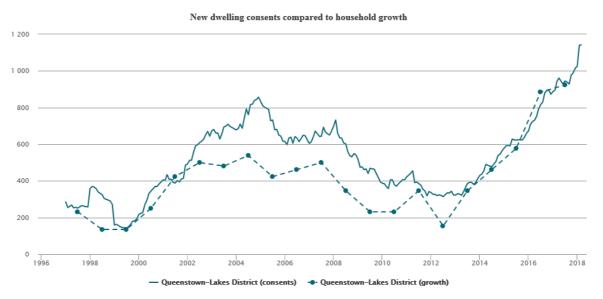
I am satisfied that Criterion 2 has been met and there is demand to create qualifying developments in the proposed SHAs.

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

Population growth is putting pressure on the Queenstown property market

The Queenstown-Lakes District's population is projected to nearly double between 2019 to 2058, increasing from 38,000 to just under 75,000 residents. The rate of growth is expected to be highest in the next 10 to 15 years. Figure 1 below shows the current rate of building consents issued by the Queenstown-Lakes District Council compared to demand.

Figure 1: Queenstown-Lakes District new dwellings consents compared to household growth



Source: MBIE/MfE Urban Development Capacity Dashboard, March 2019

Although supply has increased in pace with demand, the Council has noted that the Queenstown-Lakes market is complex. A significant proportion of the real estate is owned by absentee owners (both other New Zealand residents and overseas investors) who utilise their dwellings as personal holiday homes or 'second' homes. Some of these holiday homes are also used to provide rental accommodation for the District's resident population, and/or for short-term (mainly holiday) visitors (listed on platforms such as Airbnb and BookaBach). Buying a property is now well beyond the means of many of the District's residents.

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 Queenstown-Lakes District 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:

Table 1: Queenstown-Lakes criteria for qualifying developments

SHA name	Minimum number of homes in a qualifying development	Maximum number of storeys	Maximum calculated height (metres)	Other criteria (achieved via contracts between the Council and Developer)
Lake Hawea SHA	30 (per consent application)	2	8	10% of finished and titled sections gifted to the Queenstown Community Housing Trust (with 20% of these sections delivered at Stage 1)  Fixed price options between \$464,000 and \$550,000
Bright Sky (Wanaka) SHA	30(per consent application)	3	11	10% of finished and titled sections gifted to the Queenstown Community Housing Trust (with 20% of these sections delivered at Stage 1)

# Annex 4: Queenstown's process for establishing SHAs and impacts of the proposed SHA

SHAs may originate from:

- the Council identifying, considering and recommending areas to the Minister on its own initiative
- EOIs from landowners and developers for SHAs that the Council considers meet the criteria listed in the Act.

Queenstown-Lakes District Council considers each proposed SHA on its merits. In addition to the degree of consistency with the Council's SHA lead policy, other factors (such as planning and Resource Management Act 1991 matters) may be relevant to the Council's exercise of discretion to recommend the proposed SHA to the Minister. Council has full discretion whether or not to recommend a SHA to the Minister.

The proposed SHAs will affect existing residents and business and land owners in the area. The Queenstown-Lakes District Council has consulted publicly on the proposals and feedback has been taken into account.

# **Annex 5: Lake Hawea SHA Maps**

Figure A1: Location of SHA on aerial (Source: Google maps)

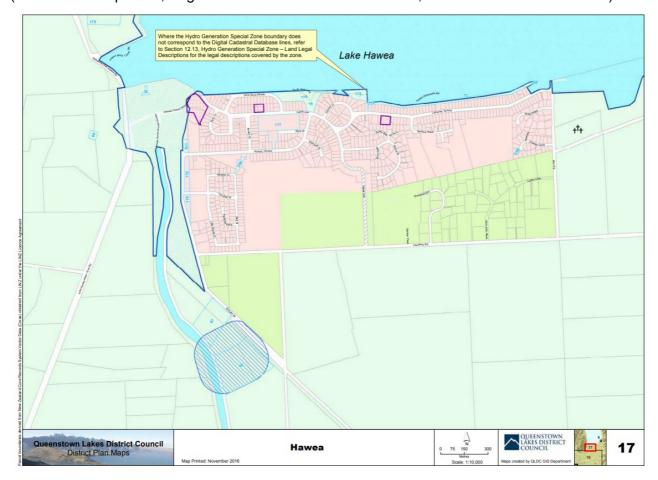


Figure A2: Location and layout of Lake Hawea SHA (Source: QLDC)



Figure A3: QLDC District Plan map for Hawea

(Pink = Township Zone; Bright Green = Rural Residential Zone; Pale Green = Rural General)



# Annex 6: Bright Sky (Wanaka) Maps

Figure B1: Location of Bright Sky SHA on aerial (Source: Google maps)



Figure B2: Location and layout of Bright Sky SHA (Source: QLDC)



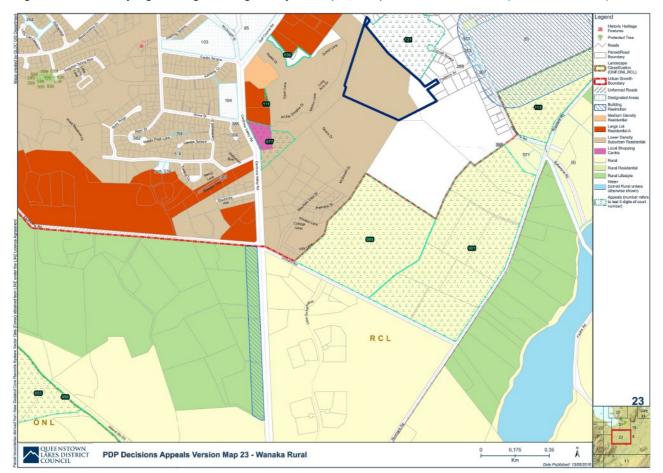


Figure B3: Underlying zoning for Bright Sky SHA per Proposed District Plan (Source: QLDC)