

**QLDC Council
18 April 2019****Report for Agenda Item: 5****Department: Planning & Development****Queenstown Lakes Community Housing Trust request for Jopp Street Land****Purpose**

The purpose of this report is for Council to consider a request to transfer Council land at Jopp Street, Arrowtown to the Queenstown Lakes Community Housing Trust for the purpose of achieving community affordable housing.

Executive Summary

The Queenstown Lakes Community Housing Trust has asked the Council to change the status of land at Jopp Street, Arrowtown and transfer it to them for the purposes of creating affordable houses for the community. The land is currently held in trust by Council for the purpose of public utility for the Borough of Arrowtown. They have asked for the land to be transferred at nil consideration. In addition, the Trust is also requesting that they are able to sell ten of the resulting house and land packages on the open market at full value to assist in offsetting the costs of developing and servicing of the subdivision.

Section 140 of the Local Government Act 2002 provides that endowment property (which Jopp Street is) must be retained by Council for the use which the property was vested in Council for (public utility). However, the Minister of Local Government may approve a change of use. Section 141 of the Local Government Act 2002 provides that Council may sell endowment land provided that the proceeds of sale are applied in a way consistent with the endowment purpose.

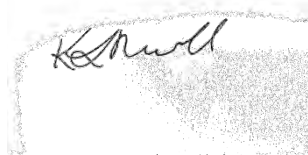
Recommendation

That Council:

1. **Agree** that the QLDC land at Jopp Street, Arrowtown (Lot 2 DP 300390) is surplus to requirements for public utility.
2. **Agree** to change the purpose of the land to that of housing from public utility (subject to the approval of the Minister of Local Government)
3. **Request** the Minister of Local Government to change the purpose of the endowment of the land to that of housing from public utility.
4. **Agree** to the transfer of the land to the Queenstown Lakes Community Housing Trust:
 - a) subject to Trust confirming its housing yields from its proposal; and
 - b) the provision of affordable housing for nil consideration or an agreed rate.

5. **Decline** the Trust's request to sell ten land and house packages to assist in recouping development costs.

Prepared by:



Katie Russell
Policy Planner

4/04/2019

Reviewed and Authorised by:



Tony Avery
General Manager, Planning
and Development

12/04/2019

Background

- 1 The Council and the Queenstown Lakes Community Housing Trust (the Trust) have a long standing relationship based on the mutual aim of achieving affordable homes for the community. The partnership was established in 2005 and was recently reconfirmed in March 2019 with the signing of an updated Relationship Framework Agreement, and the confirming of a new home ownership model: the Secure Home.
- 2 This work built on the Mayoral Taskforce's aspirational goal for 1000 community affordable homes by 2028, and the Trust is a key delivery partner on the pathway to achieving this goal.
- 3 For many years, a piece of Council land has been under consideration for the potential use as affordable housing is at Jopp Street, Arrowtown (Lot 2 DP 300390):
 - The community's Arrowtown Plan 2003 considered the potential to repurpose the Jopp Street site as a comprehensively designed residential development and community facilities, and considered the provision of multi-unit and affordable accommodation.
 - In 2007, the process for transferring land to the Trust for the purpose of delivering community housing was agreed at the September Finance Committee meeting, and steps to do so were outlined.
 - In March 2010 the Trust and Council signed a Heads of Agreement regarding their mutual intentions for the site, stating that a "*desired outcome for the parcel and environs is a high quality comprehensive development which will set an example of best practice by the Trust and Council*".
 - Council workshop in September 2018 confirmed that the Trust could complete preliminary site testing and high level planning.

Location and Status of the Land

- 4 The site is 3.6 hectares of land located on the southern side of Jopp Street in Arrowtown, and is adjacent to the Arrowtown Golf Club (to the south and west) and across the street from established residential neighbourhoods. It is situated within a terrace area between the glacial ridge and the Arrow River. Presently a paddock let out for horse grazing, its former use was as wastewater settling ponds for Arrowtown.
- 5 As part of their due diligence in relation to the project, the Trust has commissioned preliminary reports in relation to water, wastewater, storm water and traffic. These assessments have been provided and are adequate preliminary research. These reports are available.
- 6 Due to the history of the land, and in order to ensure the land is appropriate for the proposed development use and that public safety and Council interests are well managed, a further peer review of two additional reports, the geotech and contaminated land reports has been completed. These results have found that there are some risks to be managed, relative to the quality of the land for development which both the Council and the Trust should be aware of, and cater for during future development at this location. These are:
 - The geotechnical peer review concluded that a site specific plan for geotechnical remediation of the site be developed to wholly address 'good ground' requirements of the Building Act. The site is able to be developed once appropriate and thorough reclamation and remediation of the site has been achieved, and the risks around ground subsidence and foundation performance have been removed.
 - The contaminated land peer review recommended that overall the risk appears to be low outside the oxidation pond area. Within the oxidation pond area (.86ha) the risk is low, but through development will need to be subject to additional investigations, mitigation and cost to ensure the validation of soils. A site specific plan for remediation is required as part of development to limit future risks.
 - These reviews indicate that for successful and safe development of the land as proposed will require a reasonable financial investment to bring the land up to standard.
 - These risks should be noted by all parties as a part of any potential land transfer or sale

Figure 1: Lot 2 DP300390



- 7 At present, the land is held as a “public utility for the Borough of Arrowtown”. As utility services in Arrowtown are well established at present, it is possible that the land could be used for an alternative community purpose. Should a decision be made to utilise the land for a community purpose other than public utility, such as housing, it will require a change purpose of endowment, and the following steps will be required;
- Step one: Full council resolution to change purpose of the endowment from public utility to chosen purpose (e.g. housing).
 - Step two: Council would need to approach the Minister of Local Government, the Hon. Nanaia Mahuta, to approve a change in use for housing purposes for Arrowtown. It would be at the Minister’s discretion whether or not it is approved.
 - Step three: Progress with the land transfer or sale to the Trust to hold for the purpose of housing in Arrowtown in perpetuity.
 - Step four: Project will continue through a normal Resource Consenting process

Zoning

- 8 There has been a long history in regard to the zoning of the Jopp Street land, which for many years has been zoned rural general, and held outside the Urban Growth Boundary (UGB).
- 9 The Trust, in 2018 as part of the PDP Stage 2 process, lodged a submission seeking a change in the zoning of the site to include it within the extended

Arrowtown Urban Growth Boundary. The Independent Hearing Panel recommended up zoning the Jopp Street parcel from Rural General to Lower Density Suburban Residential, and also included it within Urban Growth Boundary for Arrowtown, with the Panel noting that it would be *a seamless extension to the existing urban landscape*.

- 10 The Council adopted the Stage 2 PDP recommendations at the March 2019 Council meeting. At the time of writing, there is the possibility of appeal on the Stage 2 PDP decisions until 7 May 2019.
- 11 Initial discussions with a valuer indicates that the value of the land is:
- \$3 - \$4 million as presently zoned
 - \$10 - \$11 million with consent to develop 50-60 units

Note: These values are indicative only, a formal valuation is being sought and will be provided at the 18 April meeting.

Affordable Housing in Arrowtown - Demand

- 12 At the time of writing, Arrowtown has one of the highest median property values in the country of \$1,325,850 (qv.co.nz, March 2019).
- 13 The QLDC Housing Capacity Analysis 2017 found that overall the District Plan enables roughly another 9,000 dwellings across the district, but only 1%, or 110 potential dwellings, are within the Arrowtown UGB. Further, this figure predominantly anticipates the zoning capacity for individual properties to choose to subdivide. This figure does not include Jopp Street site capacities.
- 14 An Arrowtown community renters' survey completed in 2017 by the Trust showed strong demand for affordable homes in Arrowtown with 89% of the 122 respondents showing interest in rental accommodation options from the Trust in the future.

Queenstown Lakes Community Housing Trust Request

- 15 The Trust is requesting that the Council transfer the Jopp Street land to the Trust for the purposes of creating affordable housing in Arrowtown. To support this request, the Trust has submitted a proposal for a 65 unit development on the site. A selection of supporting documents provided by the Trust can be found in the appendix, including the masterplan and building design ideas.
- 16 The proposal envisions a neighbourhood with good design aesthetics (in line with the Arrowtown Design Guidelines in the PDP) and connectivity to the existing trails network. All homes will have a single garage or carport as well as one off-street park. Final configuration of typologies has not yet been confirmed, but it is anticipated the development would be made up as follows:
- 5 x 1-bed units (at least 3 likely to be allocated for Senior Housing),
 - 20 x 2-bed homes for Seniors, couples and smaller families,
 - 36 x 3-bed homes for standard families,

- 4 x 4-bed homes for larger families.

17 The Trust has engaged with the Arrowtown Planning Advisory Group, the Arrowtown Golf Club, and the Arrowtown Community Board over the proposed project.

18 An important aspect of the proposal is that the land (or the bulk of the land, should some be sold) will be retained in perpetuity for the purposes of affordable housing, a key aspect of the Relationship Framework Agreement between the Council and the Trust.

19 Notwithstanding the point above, in order to provide the best affordable housing outcomes from the Trust's perspective, they are also proposing that ten of the 65 home and land packages be sold on the open market. The sale of these properties would offset the fixed development cost associated with subdivision and infrastructure development. Any fixed land development costs will ultimately be borne by the end home owners, e.g. the people on the Trusts waiting list.

Proposed Project Financials

20 The indicative high level financial breakdown of the costs associated with the development of the land and homes is illustrated below, and is largely based on the recent construction costs for Trust homes in Shotover Country on Cherwell Lane. The table shows the end of project borrowings and expenses associated with the project with the opportunity for the sale of ten homes.

Land development costs			
Number of units			65
Land development costs per property			\$ 70,000
Total land development costs			\$ 4,550,000
Build costs			
Bedroom typologies	Total number	Assumed cost of construction	Total cost of construction
1 bed	5	\$ 250,000	\$ 1,250,000
2 bed	20	\$ 320,000	\$ 6,400,000
3 bed	36	\$ 375,000	\$ 13,500,000
4 bed	4	\$ 400,000	\$ 1,600,000
Total build costs	65		\$ 22,750,000
Total project cost (land and build)			\$ 27,300,000
Average build cost per unit (land and build)			\$ 420,000

21 The Trust has suggested a true mixed tenure development with

- 35 x Secure Home properties
- 20 x Affordable Rentals (including around 5 allocated for Senior Housing)

- 10 x independently owned properties
- 22 The present financial snapshot for the Secure Home product is coming in higher than the Cherwell Lane properties, due to the high land values in Arrowtown. The Trust does have some ability to adjust these so that the homes are affordable for the residents.
- 23 These financial snapshots are high level estimates provided by the Trust. If the 65 units as presented turn out to not be achievable financially for the Trust, they will modify their fiscal and/or design plans to ensure the best perpetually held affordable housing outcome on the Jopp Street land.
- 24 It should be recognised that the yield and design of the proposed development is in its early stages. However, for any substantial changes to the masterplan including a large variance in the total number or type of units, the Trust will consult with Council, as is the nature of the relationship as agreed in the Relationship Framework Agreement.

Two risks

- 25 PDP appeals: While the zoning and UGB location have legal effect from 21 March 2019, any appeals relating to the site would affect the weighting given to the PDP provisions in a resource consent application. This means that processing of any resource consent application for the site may be more difficult if an appeal is received on the changed zoning or inclusion within the Urban Growth Boundary.
- 26 The Minister's Discretion: The Minister of Local Government is the final decision-maker regarding the proposed change in land status. The case will be made that a change in status is appropriate due to the acute housing crisis in the region, but ultimately it is at the Ministers discretion.

Consideration of the Steps to Enable QLCHT Proposal

- 27 There are a few clear decisions for Council should the transfer the land move forward:

Step 1: Agree that the land is surplus held for a public utility, and would be better used for the provision of affordable housing for the community.

The Engineering team has advised that the land is no longer needed for any sewage treatment works and could be considered surplus. In the LTP there is adequate funding provision for utilities in Arrowtown.

Step 2: Agree to transfer the land at nil consideration or for an agreed rate to the Trust to be held in perpetuity for the provision of housing in Arrowtown.

The Trust has indicated that the best case scenario for the project would be to have the land transferred at nil consideration. Under the Trust's proposal, the land will remain in community ownership in perpetuity, under the Trust's different tenure products. Any charges incurred in the land transfer will be passed onto the final users, the affordable home users.

Step 3: Decide whether to allow the Trust to sell ten units to assist in recouping costs.

The pros and cons of this step are discussed in the options section below.

Options

28 Option 1a Do not change status of land

Advantages

29 This will allow for the future use options for the Arrowtown community and maintains the pastoral edge of Jopp Street.

Disadvantages

30 There is risk that the District's acute housing supply and affordability issues will continue to grow, with resulting social and economic impacts felt more strongly in higher value locations with little room to grow such as Arrowtown.

31 This would stymie the Trust in its work towards affordable housing for the District and Arrowtown.

32 Option 1b Request change in status of land for the purposes of housing

Advantages:

33 This will allow for the provision of affordable housing for the Arrowtown community

Disadvantages:

34 There is risk that should Arrowtown's utility service needs change in the future, that the land would no longer be available for this purpose.

35 Option 2a Transfer the land to the Trust for nil consideration

Advantages:

36 This will allow the Trust to progress with its work in providing affordable housing at the lowest price possible.

Disadvantages:

37 The transfer of the land for free is a value exchange that may not be viewed favourably by some parts of the community. A transfer for nil consideration may also be viewed as a technical breach of Section 141 of the Local Government Act 2002 as the land will be transferred with no proceeds of sale being returned (notwithstanding the fact that the land will be developed for a purpose consistent with the endowment purpose).

38 Option 2b Transfer the land to the Trust at a value to be set by Council

Advantages:

39 This will support the QLCHT to deliver affordable homes for the Arrowtown community

Disadvantages:

40 This will add unanticipated costs to the project which will ultimately be borne by either the Trust, or the future home owners and occupiers

41 Option 3a Agree that the Trust may sell up to ten house and land packages yielded from the site to offset land development costs.

Advantages:

42 This will allow for the Trust to offset some of the land development costs, therefore reducing the end cost of the housing to residents.

43 This would achieve a mixed tenure of ownership within the development, which is considered good practice in affordable housing urban design.

Disadvantages:

44 This will release a portion of the land from the community to the private market, which may be viewed poorly by the community.

45 This also may be viewed poorly by the Minister, who may choose not to allow the change in status.

46 Option 3b Do not agree that the Trust may sell up to ten house and land packages yielded from the site to offset land development costs.

Advantages:

47 This will maintain the entirety of the property for community housing purposes

Disadvantages:

48 This will maintain the costs for the project which will ultimately be borne by either the Trust, or the future home owners and occupiers

49 This report recommends **Option 1b, 2a and 3b** for addressing the matter because it allows for the provision of affordable homes in Arrowtown assisting in achieving the Mayoral Taskforce goals, and also maintains the entirety of the land in community ownership in perpetuity.

Significance and Engagement

50 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because

- **Importance:** the matter is of high importance to the District. Housing supply and affordability is a significant issue for the District;
- **Community interest:** the matter is of reasonable interest to the community; both from a housing perspective and also as asset holders

Risk

51 This matter relates to the Community & Wellbeing risk category. It is associated with RISK00056 'Ineffective provision for the future planning and development needs of the community' as documented in the QLDC Risk Register. This is because of economic, social, environmental and reputational risks.

52 The supply of housing is central to the current and future development needs of the community. In this instance, it is considered that the social and economic benefits for affordable housing provision in Arrowtown are of importance for the long term prosperity and vibrancy of the town.

53 This matter treats this risk through the proposed transfer of land to the Trust.

Financial Implications

54 The financial implications of this decision are ones of opportunity cost, rather than operational or capital due to the value of the land physically and fiscally. There would be a small amount of savings related to rates paid on the property annually, and a small amount of loss due to the current yields from the rental of the paddock.

Council Policies, Strategies and Bylaws

55 The following Council policies, strategies and bylaws were considered:

- The Operative District Plan; considered in relation to zoning
- The Proposed District Plan; considered in relation to zoning
- The Infrastructure Asset Management Strategy; considered in relation to QLDC infrastructure plans and assets
- Housing Our People in our Environment (HOPE) Strategy; considered in relation to affordable housing interests in the District
- 2017/2018 Annual Plan and the Long Term Plan; considered in the context of QLDC assets
- Mayoral Housing Affordability Taskforce Report; considered in relation to affordable housing interests in the District

56 The recommended option is consistent with the principles set out in the named policy/policies.

57 This matter is included broadly in the 10-Year Plan/Annual Plan

- The Ten Year Plan states that QLDC will implement *a range of ongoing actions and supporting the Queenstown Lakes Community Housing Trust to provide affordable housing in the district.*
- This work would directly support this intention.

Local Government Act 2002 Purpose Provisions

58 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by providing land that creates homes for families and workers in Arrowtown; and
- Can be implemented through current funding under the 10-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,
- But will transfer the ownership or control of a strategic asset to the Queenstown Lakes Community Housing Trust from the Council, at the agreement of both the full Council and the Minister of Local Government, the Hon. Nanaia Mahuta

Consultation: Community Views and Preferences

59 The persons who are affected by or interested in this matter are members of the Arrowtown community, QLDC ratepayers, and stakeholders in the Queenstown Lakes Community Housing Trust.

60 The Trust has completed a reasonable amount of outreach since 2003 within Arrowtown and the broader community to engage on the subject of affordable housing on the site as discussed earlier in this paper. Further, the PDP Stage 2 process, has given the community opportunity to directly address the potential for development on this site.

Legal Considerations and Statutory Responsibilities

61 Legal advice has been sought and discussed earlier in this document around the process for changing the endowment purpose of the land and subsequent transfer of the land. It is recommended that further advice is sought regarding the structure of any such transfer and consideration paid to ensure compliance with Section 141 of the Local Government Act (ensuring that proceeds of sale are used for the endowment purpose)

Attachments

- A Formal Letter of Request for Jopp Street
- B Trust Proposal
- C Jopp Street Masterplan
- D Jopp Street House Typologies