

Community Housing / Affordable Housing: Proposed Plan Change 24

Issues and Options Report

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1 Introduction

1.1 Purpose of Report

The purpose of this discussion document is to identify feasible District Plan-based options to encourage the provision of community (affordable) housing in the district.

An adequate supply of affordable housing is obviously important to the long-term growth of the local economy.

The Council's Housing our People in our Environment (HOPE) strategy identified the potential to encourage the provision of affordable housing through District Plan mechanisms.

The following objectives (which are drawn from Council's policies and plans) have been identified by the Council as being particularly relevant to this project:

- Encourage a balanced mix of housing across all areas (affordable housing is not concentrated in one area, for example)
- Facilitate high quality design to ensure a world-class resort environment
- Ensure that the development of zones achieve the community vision (as expressed in the various community plans)
- Ensure infrastructure is adequate to meet community needs
- Ensure health of the local economy.

This report explains the background to concerns arising from a lack of affordable housing which led to the development of the HOPE strategy, and sets out a number of options as to how the identified issues could be (partly) addressed by way of changes to the District Plan.

This report is intended to provide a platform for community feedback on the issues and options involved, prior to the Council deciding whether it should alter the District Plan.

At this point, while no one option is advanced as the final recommended option, the Council has identified a preferred direction, as set out in Chapter 3 of this report. The Council wishes to hear feedback on this preferred direction. Based on this feedback, the preferred direction may be modified.

Any subsequent Plan Change proposals will be subject to the requirements of the Resource Management Act (RMA), including calling for submissions and a

public hearing. Appropriate justification for any changes also must be prepared under section 32 of the RMA.

1.2 Structure

The report contains 8 Sections, structured as follows:

- Section 2 discusses what community / affordable housing is
- Section 3 sets out Council's initial, preferred direction in relation to how to address community housing in the District Plan
- Section 4 discusses the issues and options relating to community / affordable housing
- Section 5 sets out the existing policy framework
- Section 6 describes the growth management pressures that the district faces, including an assessment of future demand for housing
- Section 7 identifies current District Plan provisions
- Section 8 sets out national and international approaches to the management of community / affordable housing in resort areas.

1.3 Process

This report has been prepared by Hill Young Cooper Ltd and Tricia Austin of the University of Auckland, in conjunction with Council staff. An advisory group has also provided input into the report.

The following process was used to develop this report:

- Review of the existing policy framework, which identified previous work and the current direction of the Council
- Review of national and international examples (summarised in Section 8), which illustrates options used by other authorities to address similar issues
- A draft Issues and Options report was prepared
- Advisory Group workshops were held in August and October to discuss the draft report
- A revised Issues and Option report was prepared in light of comments from the Advisory Group and Council officers, for consideration by the Council.

The advisory group comprised of Councillors Christine Kelly and Rick Pettit, together with Julie Crosswell, Alan Dippie, John Edmonds, Warwick Goldsmith, Rob Grieg and Mayor Clive Geddes.

2 What is Community Housing or Affordable Housing?

This section of the report briefly discusses community/affordable housing and the HOPE Strategy. Section 6 provides more detail on the nature and scale of the community/affordable housing problems facing the district.

2.1 What is community housing?

Community and affordable housing mean the same thing. The terms mean housing that is made affordable to residents. It does not mean housing that is occupied by community organisations or provided by the community for people who need some form of assisted care, such as housing for the disabled or mentally impaired persons. Nor does it mean housing provided by Housing New Zealand.

The HOPE Strategy defined affordable housing as:

“Housing is affordable if households can access adequate housing by spending a maximum of 30% of their gross income. Adequate housing includes the suitability of the dwelling to meet the specific needs of the household, in terms of size (not being overcrowded for example); the quality of the design and construction of the dwelling and its facilities and services, including reasonable physical condition, energy efficiency and privacy; and the suitability of the location enabling the household to access employment, shops, school and community facilities without long trips by car”.

The District Plan does not currently identify or define community or affordable housing. The term community housing has been coined by the Council in response to the development of the HOPE strategy. This strategy signalled the need for the Council to encourage a range of housing types that would be affordable for residents, through both market-based and regulatory means. To distinguish the different types of housing involved, the following terms are used:

- Market rate housing – housing that is built by developers and builders and sold or rented on the open market
- Community (or affordable housing) – housing that is made more affordable to residents with low to medium incomes through a range of measures that seek to reduce the costs of owning or renting homes, such as through public ownership of the land (but not the building), split equity (for example where a Housing Trust retains part ownership), or where rental levels are controlled in some way

- Social housing – housing that is provided by central government, such as Housing New Zealand rental units.

To further define the role of community housing, on 5 May 2006, Council resolved that it adopt a set of initial applicant eligibility criteria as its 'Community Housing Policy', which is available on Council's website at www.qldc.govt.nz. Eligibility is to be based on those who are employed in the district, and household income and assets. Further refinement of the eligibility criteria will occur in conjunction with the development of the Community Housing plan change. Such refinement will ensure that the District Plan provisions are developed in a coordinated way with the initiatives of the Queenstown Lakes Community Housing Trust, as well as other Council initiatives.

This report looks at the opportunities to encourage the provision of community housing units when new developments are being proposed.

Currently, the Council is negotiating with developers in an informal way for contributions to community housing. This Issues and Options report looks at whether, when rezonings are applied for, and/or new development proposals are put forward, the issue of community housing should be addressed in a more formal way under the District Plan.

2.2 Housing Our People In Our Environment Strategy (HOPE)

The HOPE Strategy was adopted by the Council in June 2005. The strategy seeks to tackle the problem of a growing lack of affordable housing in the district through a range of mechanisms, including financial and (regulatory) planning-based actions.

The strategy acknowledges that the scale of the problem facing the district means that no one action will be able to address all of the identified needs, and that the strategy needs to use a variety of methods to promote all forms of affordable housing.

The Council is currently in the process of setting up a Community Housing Trust, as recommended by the strategy. The purpose of the Trust will be to provide a range of affordable homes (rental and ownership) for residents qualifying under the eligibility criteria. The Council is also negotiating with developers, on a one-by-one basis, to obtain voluntary agreements that will provide the Trust with money, land or housing units. Other sources of funding for the Trust are also being investigated and pursued.

The Trust is not expected, by itself, to meet all of the affordable housing needs in the district. It is likely to only be able to address a small proportion of the total demand for affordable housing, depending upon funding streams. Nevertheless, the Trust will have an important role in steadily building up a stock of affordable housing that can be available for existing and future residents.

Other methods proposed by the HOPE Strategy to increase the supply of affordable housing include looking at ways in which the planning system could be used to encourage developers to offer more modestly priced, market rate housing, working with businesses in relation to the housing needs of employees, and seeking further assistance from central government.

2.3 Role of the District Plan

Under the heading of “Planning”, the HOPE Strategy suggested that in the initial stages of the strategy, Council take an encouragement role. That is, rather than impose regulatory requirements for affordable housing, the District Plan should reduce barriers to its provision. In the medium term, the Strategy identified the need to look at tools that would more directly assist with the provision of affordable housing.

The supply of land for residential development is a key role of the District Plan. As is discussed in Section 5, the district is reasonably well supplied with housing opportunities. Various plan changes are underway to make sure that an adequate supply of land continues into the future. Maintaining an adequate supply of land will be one of the main ways by which the District Plan can contribute to the supply of affordable housing.

However, increasing supply has not to date, stopped the escalation of house and land prices. The HOPE strategy identified that the District Plan also needed to look at ways in which the market place could be encouraged to provide affordable housing for residents, rather than housing aimed at the needs of visitors, temporary residents and investors.

As the district develops and expands over the 20 to 30 years, it will be important to build up a stock of affordable housing, so that when it becomes much more difficult to expand housing supply through zoning more land for urban development, a mechanism will be in place to offer affordable housing choices to residents.

To this end, the following actions are noted in the HOPE strategy:

- Introduce the issue of affordable housing into the objectives and policies of the District Plan so that it can become a relevant matter when plan changes/ variations are proposed, as well as when resource consent applications are considered, for example in relation to discretionary activities. This is so the impacts of planning changes on affordability, both positive and negative, can be addressed.
- Investigate how to implement a distinction in the District Plan between visitor accommodation areas and residential areas to help provide a stock of more affordable housing for permanent residents and ensure that a clear separation is provided in any new urban zoning.
- Extend the current assessment criteria for Comprehensive Residential Developments in lower density residential areas to include the provision of

affordable housing as a consideration in whether to grant consent to the development.

- Investigate the potential for incentives, such density bonuses for affordable housing, in any proposals for up zoning and when zoning new urban areas and, if appropriate, include in the District Plan. Tie the provision of affordable housing to a suitable retention mechanism, and introduce location criteria to ensure affordable housing is located close to jobs, activities and transport.

Mandatory requirements for new development to provide affordable housing (that are common in other countries such as inclusionary zoning or linkage requirements) were seen as a possible tool, but a range of legislative issues were identified in the HOPE Strategy. This Issues and Options report takes a closer look at these mandatory options.

2.4 Developing and Retaining Community Housing

The HOPE Strategy identified that community housing should be well designed, and should be spread evenly across the district (not concentrated in one area). In other words, the provision of community housing should not be an excuse for poor quality housing and should be subject to normal building design standards therefore need to apply to community housing units.

To help ensure that a concentration of affordable housing in any one area does not occur, any planning provisions for affordable housing need to focus on the right balance between providing land or units within a development, compared to providing such land or units off-site.

A further important issue identified in the HOPE Strategy is how to retain, for the longer term, housing that is provided as affordable housing. There have been instances in the district where new housing subdivisions, promoted as being affordable, have been brought up by investors and prices have quickly escalated above what local, lower income households can afford.

Housing that is made in some way more affordable through public intervention (such as public or developer subsidy or through the provision of additional development rights in return for some affordable housing) needs to be made affordable for subsequent occupiers. This may involve:

- Some form of restriction on re-sale of community housing units, such as restriction on capital gains, and / or the eligibility of subsequent buyers
- Some form of rental restriction and / or management structure for rental units
- Some form of public / private ownership structure (such as split equity or leasehold) that means capital gains accruing to the private owner are reduced.

These types of approaches would help to keep community housing that is provided through the planning process, affordable in the long term. It should be

assumed that in order to be defined as 'community housing', some form of retention mechanism will be required.

While some of these mechanisms can operate separate from the Housing Trust, it is likely that the Trust will have an active role in their monitoring and management (even if it does not own all of the units created).

3 Preferred Direction

This section of the report sets out Council’s preferred direction to incorporate affordable housing into the District Plan. Subsequent sections of the report provide more detail on the range of options that are available to the Council, as well as options used elsewhere.

The preferred direction consists of the following points:

- The supply of affordable housing is a relevant Resource Management Issue, and should be addressed in the District Plan
- The increased supply of affordable housing should be included as an objective and policy in the District Plan
- The extent to which developments can increase the supply of affordable housing should be included as assessment criterion that would apply to particular activities, such as comprehensive residential developments
- A Financial Contribution under the Resource Management Act that would be levied on all development, should be investigated and applied through a plan change process in 2 to 3 years time
- To assist the Trust in its work, and to share the costs involved, District Plan methods need to be complemented by other sources of funding (e.g. rates, loans), and further policy development. For example, community housing should be recognised as social infrastructure within the Council’s Long Term Council Community Plan (LTCCP). Other sources of funding will need to be explored through the update process for the LTCCP over the next 2 to 3 years.

These points are discussed in turn.

As is discussed in Section 4, there are strong arguments as to why the District Plan should identify affordable housing as a Resource Management Issue.

The first stage of the preferred direction is therefore to include affordable housing as an issue in the District Plan, and to develop an appropriate objective and set of policies. The objective and policies will need to set out:

- What outcome is being sought
- What is meant by community housing (in terms of eligibility criteria as well as building performance standards)
- When and where it is appropriate to provide affordable housing

- How community housing is to be retained into the future.

This will require a Plan Change to implement.

As part of this Plan Change, methods of implementation will need to be identified. The Plan Change will apply the objectives and policies to selected activities, such as comprehensive residential developments in the Low Density Residential Zone, where normal density thresholds are exceeded by way of resource consent application. (See Options C and D in Section 4 for a further description of these options)

The next stage of the preferred direction will be to investigate, develop and implement a Financial Contribution under the Resource Management Act (this is Option H in Section 4). The Financial Contribution would apply to all new development, and will require a contribution towards the cost to the community of providing a modest supply of affordable housing into the future. The contribution could be in the form of money, land, units, or a combination of these.

Other sources of funding towards the costs of developing a stock of affordable housing will also need to be identified, such as a general or targeted rate. These sources of funds would represent the existing community's contribution towards addressing the problem.

The basis of this approach is that:

- A partnership where developers and the community each contribute towards the problem is likely to be more successful in the long run, than relying on one or other sector to meet current and future needs
- A purely incentive-based approach that seeks affordable housing from allowing additional development rights will require a complex system of rules to work (and therefore may be expensive to operate), while it has the potential to load costs onto particular sectors, such as the neighbours of development where additional development is possible.
- A financial contribution applied to all development is more equitable and transparent than zoning provisions that apply to only some forms of development.
- The financial contribution can only seek to recoup part of the costs of providing a supply of affordable housing, and needs to be complemented by investment by the existing community.

4 Community / Affordable Housing: Issues and Options

4.1 Issues / Effects

The HOPE Strategy identified a range of issues associated with a lack of affordable housing in the district. While many of these are related to social and economic outcomes that are outside of the scope of the environmental focus of the District Plan, there is nevertheless a strong connection between these issues and resource management issues under the Resource Management Act.

The following issues were identified in the HOPE Strategy:

- *Lack of affordable housing undermining the long term sustainable growth of the district*

This issue relates to high market rental and home ownership costs making it increasingly difficult for median to low income residents to find suitable accommodation in the district. This constraint has significant implications for the long term social wellbeing of the district.

- *Adverse effects on the economic growth of the district from an inability to attract and retain a labour force*

Many employers in QLDC, including service providers like schools and police, are experiencing difficulty in attracting employees. Anecdotal evidence is that a particular problem occurs retaining middle level staff who are interested in buying a house in the area, but often compare house prices in the area with that available in other larger employment centres. The turn over of staff involved harms economic development.

- *Urban sprawl as market searches for lower cost land on fringes of settlements*

A natural reaction of the market place to rises in land and house prices will be to search for lower cost land on the fringe of settlements. In the case of the Queenstown / Wakatipu area, this approach conflicts directly with a desire to protect the outstanding landscape values of the area.

- *Increased impacts of transport as people travel longer distances*

This relates to the issue of urban sprawl, with lower cost housing locating in satellite towns, where people will have to travel further to get to work. This has implications for both public and private transport infrastructure as well as adverse effects on the environment.

The Council has decided that the District Plan should take a pro-active role in controlling the location and type (mix) of growth within the urban sector, including the extent of provision of affordable housing.

This stems from the growth management policies that the Council is pursuing to protect the natural environment of the Wakatipu Basin and the wider Wanaka area.

The essential planks of the argument are that:

- Growth management policies (essential for sustainable management of the high quality natural environment in the district) limit supply of land suitable for residential development. This pushes up land supply.
- Commercial development increases local employment and hence the demand for housing, affordable to local workers, while market-rate residential development aimed at second home buyers and investors also increases local employment demands and hence demand for housing, affordable to local workers.
- The economic, social and environmental effects of an inadequate supply of affordable housing include impacts on businesses, community infrastructure and the environment (e.g. pressure for urban sprawl).
- Market forces have not resulted in an adequate supply of affordable housing.
- Reducing rules and regulations to encourage the market-provision of affordable housing would have to be extreme to produce enough affordable housing, and would result in additional adverse social, economic and environmental effects.

In other words, an urban containment strategy (which is necessary to avoid the adverse effects of development on nationally significant natural resources) has the potential to disable some people's economic and social wellbeing.

To ensure sustainable management of the district's resources, responses are needed to ensure that people and communities retain a range of options to provide for their wellbeing, within the overall framework of an urban containment strategy.

Some of these responses should be regulatory in nature. Chief amongst the regulatory responses is a framework that ensures that the different types of land use activities that a community needs to function have the opportunity to locate within the (contained) urban area. Clearly, if a contained urban area cannot function, then at some point the containment strategy will be undermined, if not abandoned. In other words, a containment strategy needs to consider both how to slow or halt adverse development on the outside of the urban area, as well as how development should be managed within the containment boundary. To ensure the sustainability of the primary, environmentally-focused containment

strategy, the management of activities must have regard to social and economic effects within the contained urban area.

4.2 Options

Options for addressing issues of community housing need to focus on enabling and encouraging such housing to support the local community and the further development of the district's economy.

Section 32 of the Resource Management Act requires the consideration of both non-regulatory and regulatory options.

The main options are:

Non-regulatory:

- A. Continue the existing stakeholder agreement process to secure a proportion of a proposed development as community housing.
- B. Non-regulatory techniques to encourage the provision of affordable houses, such as an easier consenting route and / or public funding via loan/grant schemes, or remission of rates / development contributions in recognition of the public benefit provided by the provision of community housing.

District Plan policy-based:

- C. Introduce objectives / policies / assessment criteria so that the positive benefits of affordable housing provision can be taken into account and weighed against the possible adverse amenity / environmental effects of developments that involve rezoning proposals, or are non-complying.
- D. Introduce policies / assessment criteria that affordable housing is expected from developments involving particular discretionary provisions, such as comprehensive residential developments.

District Plan incentives:

- E. Introduce incentives, such as development controls, that encourage community housing as part of development such as density bonuses or parking reductions.

District Plan requirements:

- F. Introduce mandatory zoning provisions that apply to all residential developments requiring a contribution of a certain percentage of sites, or sites and dwellings, or cash in lieu, for community housing.
- G. Introduce mandatory linkage zoning, requiring all new commercial, industrial, and tourism development to provide community housing at a rate consistent with the anticipated number of employees, likely as a result of development

H. Apply a financial contribution to all development under section 108 of the Act, requiring a contribution towards the provision of affordable housing.

All these options would need to include criteria about the location, mix and quality of units, retention mechanisms, along with the role of the Trust as discussed in Section 2.

These options are discussed further in the following pages.

Non-regulatory: Option A

Stakeholder agreement process to secure proportion of proposed development as community housing continues as the status quo.

Description

This option would retain the status quo.

There would be no changes to the District Plan.

Instead, the Council would continue to use the existing stakeholder agreement process to negotiate voluntary agreements to contribute a proportion of new development, which has been enabled through re-zoning, to community housing.

Advantages

- Does not require a plan change or regulatory requirements
- Currently appears to be achieving a good level of agreement from developers

Disadvantages

- Does not provide certainty as agreement is voluntary and no guarantee that community housing will be secured as agreed
- Once the Plan is past the 2 year veto period on private plan changes, there may be less willingness from developers who need plan changes to include affordable housing within the plan changes
- It is likely Council will embark on less of these types of plan changes in the future

Non-regulatory: Option B

Non-regulatory techniques covering an easier consenting route and/or public funding via loan/grant schemes, or remission of rates / development contributions in recognition of the public benefit provided by the provision of community housing

Description

These options seek to back up current non-regulatory agreements with a range of financial incentives. These incentives, while they may not off-set all of the costs to the developer of the agreements, would nevertheless be a public recognition of their benefit.

One option could be to make the current consent process more efficient, either by making processing timelines more certain, possibly by having a case manager processing all such application, or by waiving or significantly reducing consent fees.

Loan/grant schemes could be made available to offset the costs to development of providing community housing. The grants would recognise the wider social benefits to the community, resulting in the public picking up some of these costs rather than the developer.

Another approach would be to allow a remission of rates / development contributions for the same purpose. Rates remissions could be offered to landowners who rent properties at below market rates, for example for the rental of residential flats to qualifying households.

Further analysis is required on these options, with the processing options most likely to be considered through the consultation process related to Council's forming of a CCO to provide regulatory services, while the LTCCP update process will need to consider the public funding options.

Advantages

- Does not require any statutory changes to the District Plan
- Helps to reduce transaction costs associated with development that provides (community) affordable housing
- Provides a public recognition of landowners and developers who assist with providing more affordable housing
- Recognises that the existing community needs to contribute to addressing the issue of affordable housing

Disadvantages

- RMA timeframes and required processes limit the benefits available through a streamlined consent process
- Remissions relating to rates would need to be applied for in each case
- The ability to waiver development contributions is constrained, as the Council still has to fund and build the required infrastructure
- The Council would need to make a financial allocation out of rates to cover the cost of the remission / reduced contribution, or load this cost onto all other contributions, as the capital and operational expenditure upon which the rate / contribution is based still needs to be met. This is an inefficient way of allocating resources

District Plan policy-based: Option C

Introduce objectives / policies / assessment criteria so that the positive benefits of community housing provision can be taken into account and weighed against possible adverse amenity / environmental effects of development which breach certain site and zone standards (e.g. height)

Description

This option reflects the recommendation of the HOPE Strategy and builds on recent plan changes that have identified community housing as a resource management issue, with the provision of community housing being seen as a positive benefit.

This option would reduce barriers to providing community housing by recognising the wider benefits of providing a proportion of new housing as community housing. It would provide guidance as to when the provision of community housing would create a beneficial effect that can be weighed against any adverse effects.

This option is likely to need further policy relating to community housing to support it (i.e. an update of the HOPE Strategy, or the LTCCP), for example identifying that a certain % of employees should be housed within the district. This type of policy has been successfully used in Whistler, BC to inform their key growth management and sustainability initiatives.

Advantages

- Provides policy-based support, but does not involve any changes to zoning or rules
- Encourages developers to consider including community housing as a benefit
- Does not rely on regulatory standards to encourage community housing
- Would provide more guidance as to when it would be, and would not be, appropriate to provide community housing

Disadvantages

- Does not enable the Council to secure community housing but relies on voluntary provision
- Each development (resource consent) or rezoning (plan change) would need to advance its own case as to whether community housing was a community benefit
- If not well defined (as to where affordable housing should be located, quality etc) the policy could be used to justify poor quality development
- Uncertain for developers as will be determined case-by-case as to whether the benefits of affordable housing (i.e. consistency with the objective & policy) outweigh adverse amenity effect of the non-compliance

District Plan policy-based: Option D

Introduce rules and assessment criteria that a contribution towards affordable housing is expected / sought from specific developments, such as development which involves discretionary provisions, such as the use of comprehensive residential provisions.

Description

This option would essentially add a number of “methods” to the previous option (introducing affordable housing as an objective and policy).

Further criteria would be added into the Plan that proposals that seek additional development rights would need to consider and respond to. That is, in addition to issues related to amenity, traffic and similar, the extent to which the development was to provide community housing would also need to be taken into account.

Proposals that provide for community housing would be able to draw upon the criteria in support of their development. In other cases, developers would need to argue why a contribution towards community housing was not to be provided.

As an example, this option could consider expanding the existing comprehensive residential development (CRD) provisions, tightening the relevant criteria so that only those proposals contributing community housing may use the CRD provisions.

The extent of community housing that would be expected on development would need to be determined, for example this could be around 5% as is currently being sought through many stakeholder agreements.

This option would also advance options for retention mechanisms that ensure community housing is retained over time (as also discussed under Option C).

Advantages

- Builds on techniques already used in the plan
- Clearly indicating the Council expectations for community housing contributions through development

Disadvantages

- May increase the costs of preparing consents (additional matters to be considered)
- Only applies where developers seek increased density and may not be taken up

District Plan – incentives: Option E

Introduce development controls that encourage community housing as part of development such as density bonuses, or additional building coverage or height.

Description

This option would develop a set of performance standards or rules whereby the provision of community housing would make the development eligible for some form of development bonus. This may include a density bonus, or height bonus, and could also include a reduction of parking requirements across the development.

As a general principle, the value of the incentive should be proportionate to the cost to the developer of providing the affordable housing.

The incentive would most likely carry an environmental cost but this would be offset by a social/economic benefit, both of which are public costs and benefits. Ideally only the amount of incentive necessary to encourage the developer to provide the quantum of affordable housing should be provided.

The incentive – such as an increase in allowable building density – must correspond with what the market is likely to demand.

Several models have been used to determine incentives for affordable housing contributions. These are described as follows:

- **Equivalent land-cost model:** This model compares the costs of providing the affordable housing to the cost a developer would incur by purchasing additional land to achieve the same overall project density allowed with the density bonus.
- **Equivalent development rights model:** This model compares the costs of providing the affordable housing to the cost a developer would have to pay to acquire additional development rights on the open market, and not just land acquisition costs.
- **Return on investment model:** This model compares the cost of providing the affordable housing to the potential return on investment to the developer of the density bonus. This requires knowledge of the project’s economic projections – such as area costs of development and project revenues – to accurately price the ‘projected return’ to offset the affordable housing contribution.
- **Marginal cost-to-profit model:** This model compares the marginal profits for the additional floor areas (density bonus) to the cost of the affordable housing provided by the developer. Requires similar knowledge to the return-on-investment model.

Such controls would need to be determined against the overall cost of allowing certain adverse effects to occur (such as greater density), against the economic and social benefit of the community housing provided.

Generally, bonuses are difficult to justify under the RMA, as any standard has to be set in reference to avoiding or mitigating adverse effects. The ability to extend beyond a set

District Plan – incentives: Option E

Introduce development controls that encourage community housing as part of development such as density bonuses, or additional building coverage or height.

limit therefore implies some form of adverse effects. Therefore, this approach could take a considerable time to develop and justify under section 32 of the RMA.

Advantages

- Provides incentives, appropriate to market conditions, to developers for provision of community housing
- Could be provided in selected areas where additional development is being contemplated (such as in Gorge Road in Queenstown)

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, such as 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

District Plan – regulatory: Option F

Introduce mandatory inclusionary zoning applying to all residential developments requiring a contribution of a certain percentage of sites, or sites and dwellings, or cash in lieu for community housing.

Description

This option would make clear and transparent the expectations of the community with regard to contributions towards community housing. All developers would have the same understanding of the proportional extent of community housing required, and enable the wider benefits of providing a proportion of community housing to be taken into account during the design and development process.

The inclusionary zoning requirement could be so worded as to encourage on-site provision, over off-site provision or cash in lieu. The latter requirement (of cash in lieu) could be used to ensure some contributions were available for community housing from small developments.

As used in many overseas countries, inclusionary zoning is based upon the following:

- Residential zoning and market forces commonly contribute to the “exclusion” of lower-income households from a community.
- Developing land for market-rate housing will reduce the land suitable for residential use, and hence displace opportunities for lower-cost housing, which could be within the reach of local residents and employees in key local industries.
- In addition, the development of market-rate housing will result in an increase in economic activity (properties and residents who need services provided locally) with a resultant increase in demand for housing affordable to local workers.
- The lack of a (market) supply response, in the form of housing affordable to local workers, will result in negative economic, social and environmental effects.
- The provision of community-affordable housing will serve to mitigate some of these effects and enhance the community’s social and economic environment.
- Locating community-affordable housing in and adjacent to, existing local centres and residential areas will reduce the necessity for long commuting journeys from more affordable-housing locations, and hence enhance the community’s physical environment.

As discussed in Section 3, similar arguments could be mounted in the New Zealand context.

District Plan – regulatory: Option F

Introduce mandatory inclusionary zoning applying to all residential developments requiring a contribution of a certain percentage of sites, or sites and dwellings, or cash in lieu for community housing.

Advantages

- Applies city-wide, encouraging community housing in low and high density areas
- Enables the Council or Community Housing Trust to secure community housing at a rate linked to development
- Provides a clearly stated contribution regime, so that all developers are treated fairly and transparently

Disadvantages

- Would not apply where development is already at maximum capacity
- Justification is likely to be challenged in the Environment Court
- The costs of provision of community housing may be transferred to other players in the housing market

District Plan regulatory: Option G

Introduce mandatory linkage zoning in a plan change, requiring all new commercial, industrial and tourism development to provide community housing at a rate consistent with the anticipated number of employees, likely as a result of the development

Description

This option would introduce objectives, policies, rules and assessment criteria that would require all commercial, industrial and tourism developments to provide community housing in relation to the anticipated increase in employment as a result of the development. This ensures that there is an increase in community housing (or employee-restricted housing) consistent with the rate of commercial growth.

As an example, in the 1980s new hotel developments in Queenstown were required to provide, onsite, accommodation for employees.

For this option to work, relationships need to be established between commercial development and the impact of additional workers on the housing market. Many of the international mountain resorts reviewed for this Study set out the following factors when establishing these links:

- Commercial development will result in an increase in employment in the community. In so far as that increase in employment includes low to moderate-income jobs, the development will result in a need for housing that is affordable to local employees.
- Whilst the development generates a demand for housing, this will not result in a (market) supply response for low to moderate-income employees, with consequential negative economic, social and environmental effects.
- The provision of community -/ affordable housing will serve to mitigate some of these effects and enhance the community's social and economic environment.
- Locating community- / affordable housing in the community will reduce the necessity for long commuting journeys from more affordable locations and hence reduce negative environmental effects.

Advantages

- Enables the Council or Housing Trust to secure a community housing contribution at a rate linked to economic development
- Provides a clearly stated contribution regime so that all commercial,

Disadvantages

- May be challenged in the Environment Court
- Costs of providing community housing may be transferred to increased prices for goods and services provided
- Relies on new commercial

District Plan regulatory: Option G

Introduce mandatory linkage zoning in a plan change, requiring all new commercial, industrial and tourism development to provide community housing at a rate consistent with the anticipated number of employees, likely as a result of the development

industrial, and tourism developments are treated fairly and transparently

development occurring, and therefore only addresses future issues rather than the existing lack of affordable housing.

District Plan regulatory: Option H

Introduce a Financial Contribution under the Resource Management Act

Description

This option would introduce objectives, policies, rules and assessment criteria (i.e. a formula) that would require all residential, commercial, industrial, and tourism developments to provide a contribution towards the provision of affordable housing, much in the same way that development has to contribute to the provision of other community resources, such as open space. The contribution could be in the form of cash for small developments, with the option of land or units for larger developments.

The District Plan already contains financial contribution provisions relating to infrastructure like roads, water supply, sewerage and reserves. These provisions are not yet operative, and are currently subject to appeal. The Council is instead utilising development contributions under the Local Government Act. However, the Local Government Act does not provide for contributions towards housing.

A financial contribution under the Resource Management Act has to be reasonably related to what is being authorised (for example off-setting or mitigating the adverse effect of an activity). The principles when setting financial contributions are: the condition must be imposed in accordance with the purposes specified in the District Plan; the level of contribution is determined in the manner described in the District Plan; and the condition must be fair and reasonable on the merits.

A financial contribution has some advantages over a zoning-based provision: developers can read the plan and ascertain exactly what will be required of them; developers and the public generally can be assured that everyone is being treated alike; and the prospect of litigation over the contribution on a case-by-case basis is significantly reduced.

The RMA requires that where a consent authority has received a cash contribution the authority has to deal with that money in reasonable accordance with the purposes for which the money was received.

Advantages

- Enables the Council or Housing Trust to secure a community housing contribution at a rate linked to development
- Provides a clearly stated contribution regime so that all development is treated fairly and transparently

Disadvantages

- Likely to be challenged in the Environment Court, and so needs to be robustly justified
- Costs of providing community housing contribution likely to be transferred onto the prices for goods and services, including housing.

District Plan regulatory: Option H

Introduce a Financial Contribution under the Resource Management Act

- Relies on new residential and commercial development occurring, and therefore only addresses future issues rather than the existing lack of affordable housing

5 Policy Framework

5.1 Policy Framework

The following objectives (which are drawn from the council's policies and plans) have been identified by the Council as being particularly relevant to this project:

- Encourage a balanced mix of housing across all areas (affordable housing is not concentrated in one area, for example)
- Facilitate high quality design to ensure a world-class resort environment
- Ensure that the development of zones achieve the community vision (as expressed in the various community plans)
- Ensure infrastructure is adequate to meet community needs
- Ensure health of the local economy.

In developing this report on the issues and options for community housing, these objectives need to be addressed.

The above objectives for the district, as they relate to community housing, can be found in the following documents:

- Long Term Council Community Plan
- Future Link Transport Study
- Residential Issues Study and Review
- Growth Options study
- Wanaka 2020 and Tomorrow's Queenstown
- Development contributions policy.

These documents are briefly discussed below. Subsequent sections provide a more detailed analysis of District Plan provisions.

5.2 National-level Initiatives

Through the New Zealand Housing Strategy, central government has signalled the need for local authorities to take a closer look as to how the planning system may be able to be used to promote affordable housing, both in the sense of removing barriers and creating incentives.

The New Zealand Housing Corporation's policy work programme for 2006/07 (in keeping with the NZ Housing Strategy), includes a project investigating strategic uses of planning mechanisms to obtain affordable housing. This project will look more closely at what can be accomplished under existing national legislation (such as the Resource Management Act and the Local Government Act), and whether new or additional legislation is needed.

5.3 QLDC Policy

5.3.1 Long Term Council Community Plan

The Long Term Council Community Plan (LTCCP) for the Queenstown Lakes District has been prepared under the Local Government Act 2002 (LGA) and describes how the Council intends to meet its obligations within this legislation. The key responsibilities set out within the LGA require the Council to provide for the cultural, economic, environmental and social wellbeing of the community. In achieving this, the 2006/2016 LTCCP lists the following community outcomes for the district:

- Sustainable growth management.
- Quality landscapes and natural environment and enhanced public access.
- A safe and healthy community that is strong, diverse and inclusive for people of all age groups and incomes.
- Effective and efficient infrastructure that meets the needs of growth.
- High quality urban environments respectful of the character of individual communities.
- A strong and diverse economy.
- Preservation and celebration of the district's local cultural heritage.

Under the heading of safe and healthy communities the issue of affordable / community housing is listed as an issue.

Issues listed under high quality urban environments include efficient use of urban land and the amenity and character of townscapes and residential areas are maintained or enhanced.

A more diverse economy and a stronger economy are issues identified in relation to economic growth.

The LTCCP goes on to list the following actions in relation to these outcomes and issues:

- Growth

Undertaking plan changes relating to the re-zoning of Frankton Flats and reviewing provisions relating to visitor accommodation.

- Urban design

Continuing to operate the Urban Design Panels, to prepare various design guidelines, to undertake Town Centre Strategies for both Wanaka and Queenstown, and to review the council's current policies regarding reflectivity.

- Affordable housing

Continuing to implement the Actions (identified for Years 1 – 2) arising from the HOPE strategy. This section of the LTCCP also notes the need to address affordable housing in the District Plan.

- Economic Issues

Development of an Economic Policy which will further the work undertaken through the Growth Options Study, the Growth Management Strategy, and the employment land study and provide an over-arching framework and context for this work.

Five submissions made to the LTCCP are identified as being particularly relevant to community housing.

One submitter raised particular concerns about affordable housing, and considers there to be opportunities to purchase housing in all price brackets similar to other cities. In contrast to this submission, other submitters support the budget of \$100,000 to be made available for studies by local firms for issues such as the incorporation of alternative fuels and renewable energy into affordable housing. Another submitter commented that many low income workers are forced to live in cars, caravans, sheds and garages sometimes, and that they leave because it is too expensive to live in the district.

Housing New Zealand Corporation made a submission on the LTCCP. Specific comments made relate to support of affordable housing as an issue in the LTCCP, offering assistance to the Council – particularly with sustainable housing issues, and encouraging the Council to consider issues surrounding housing affordability when developing plans for infrastructure.

5.3.2 Future Link Transport Study

This study was undertaken in 2005. Its purpose was to consider the long-term pressures on the main road network within the District and the options to manage identified adverse effects.

Critical issues identified in the study that are relevant to the consideration of the location of future urban development include:

- Significant pressure on State Highway 6A (Frankton Road) in Queenstown. The capacity of the road will be exceeded on a regular basis by 2021. While alternative routes into the Queenstown CBD are possible, such as the eastern corridor, the study has highlighted the need to seriously promote public transport, walking and cycling as an alternative to continued growth of private vehicles.
- Traffic levels in and around the Queenstown CBD are nearing a point where they are creating adverse effects in terms of the amenity of the centre and reduced land use accessibility. The study calls for a policy of parking restraint to help address this issue.
- In relation to Wanaka, the Strategy seeks to limit the growth of vehicle numbers in and around the CBD. The Strategy notes that the Wanaka Structure Plan provides the opportunity to provide additional routes around the CBD.

The Council is now in the process of taking forward a number of more detailed transport studies, including how to provide for public transport along SH 6A. To support public transport and to restrain private vehicle use, appropriate land use patterns are needed. Most importantly is the location of higher density activities adjacent to public transport routes. In relation to Queenstown and Frankton, public transport will work best when there are two viable destinations at either end of the corridor (i.e. CBD and Frankton). A public transport route along Frankton Road also opens up the opportunities to locate more affordable accommodation at Frankton, rather than have it all grouped in the CBD area.

5.3.3 Residential Issues Study

This study was prepared as a basis for Proposed Plan Change 10 (which is discussed elsewhere in this report). The study reviewed a range of design issues that were occurring in the residential zones of the district, particularly in relation to multi-unit development in the higher density zones surrounding the Wanaka and Queenstown CBDs.

The study made a number of recommendations in relation to the design of multi-unit development, aiming to ensure that all forms of development (visitor, market rate residential and in the future any community housing is well designed).

5.3.4 Growth Options Study

This study was carried out over 2004 and identified the growth pressures that the district faced, and the consequences of these pressures.

In relation to residential and visitor accommodation pressures, the study noted that in the short to medium term, the zones in the district could provide enough space to accommodate anticipated demand for:

- Visitor accommodation units in residential areas
- Homes for permanent residents
- Second and holiday homes.

However, current growth patterns and trends suggested that development would be uneven. There was a danger that visitor accommodation units would dominate the areas in and around the two CBDs, leading to unbalanced communities in these areas, and making the CBDs less attractive community hubs.

There were also concerns that by “crowding out” permanent residential development from the higher density areas, an opportunity to provide more affordable homes for residents was being lost.

Together the two forces – the search for more affordable housing, and a movement away from the CBDs – could fuel urban sprawl.

In the longer term, the study confirmed the need for additional housing and commercial capacity in Frankton in Queenstown, and in a new town centre and greenfields area in Wanaka.

5.3.5 Draft Growth Management Strategy

Following from the Growth Options Study, the November 2006 draft of the Growth Management Strategy sets forth a set of principles and actions, which have informed this Issues and Options paper. Promoting affordable housing is one such action under the principle of encouraging a mix of development types. Principle 4 states “the costs of development are made transparent, and positive outcomes are rewarded’ This principle is reflected in the discussion regarding council’s preferred direction for establishing objectives and policies for community housing, to be followed by investigation of Financial Contributions as well as other sources of funding.

5.3.6 Wanaka 2020 and Tomorrow’s Queenstown

These community planning workshops were held in 2002 and 2003. They both developed visions and outcomes for the respective centres and a range of strategies and actions to achieve them.

The outcome statements formed the basis of the community outcomes listed in the LTCCP. Many of these actions have been picked up in the Growth Options study, the Hope Strategy and Residential Issues Study, and have informed the actions set out in the LTCCP.

5.3.7 Development Contributions and Rating Policy

Over the past few years the Council has instigated a development contributions policy under the Local Government Act 2002. It has also reviewed its rating policy.

As noted in the Council's Contributions Policy, in order to make housing more affordable, as well as to clearly define relative impacts, multi-unit residential developments now have their contributions calculated on a per 100m² GFA basis, the same basis that applies to visitor accommodation units. This change may assist with the provision of more residential developments in the higher density zones.

Contributions are generally required in respect of:

- Water supply
- Wastewater
- Stormwater
- Roading
- Reserve Land
- Reserve Improvements
- Community facilities.

6 Affordability and Growth Management

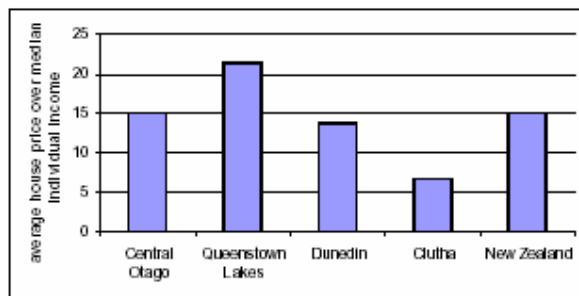
This section of the report provides an overview of the district's future (in terms of population and employment) and the implications of this for the provision of housing affordability.

6.1 Nature of the Housing Problem

The HOPE Strategy, as well as a number of other reports, has looked at the extent of the affordability of houses in the QLDC area, relative to other areas. A range of measures have been used to quantify the extent of the problem facing the district. All of the studies have noted the particular problems for QLDC in terms of affordable housing.

One of the more recent studies is that completed for NZ Treasury¹. Using data from the 2005 Household Economic Survey, the study developed ratios of median individual income to median house prices for all territorial authorities in the country. The ratio for QLDC was similar to that for Auckland City. The graph below shows the ratios developed for the Otago Region.

Figure 1 - Average House Prices in Otago



In discussing the causes of decreasing affordability, the study noted that the country has been through a number of affordability “bubbles” over the past 20 years. These “bubbles” have been caused by factors such as high interest rates (the mid 1980s), as well as periods of fast house price inflation, such as over the past 5 years.

¹ Affordability of Housing: Concepts, Measurement and Evidence. Mark Robinson, Grant M. Scobie and Brian Hallinan. Treasury Working paper 06/03, March 2006

Housing affordability will therefore be influenced by:

- Increased demand for houses, for example through fast population growth
- Increased demand for houses as a form of investment.
- Restrictions on supply, such as through land use zoning
- Decreasing costs of ownership, such as lower mortgage rates.

The QLDC area is subject to all four of the above influences.

A period of low mortgage rates and a mortgage rate war between lending banks has had an effect by increasing the number of investors wishing to buy houses.

The housing market in the QLDC area is in demand from a range of people including:

- Short term visitors
- Short term workers
- Longer term renters
- Investors
- Second and holiday home buyers
- Permanent residents.

In terms of supply of housing, information available from the Council indicates that there is a reasonable supply of housing opportunities in both the Queenstown and Wanaka areas, but that bringing this supply “on stream” was subject to a number of issues, including:

- Zoning changes are needed in some areas (such as in Frankton Flats in Queenstown and in Wanaka) to increase supply
- Land owner intentions mean that some land is held back from development
- Workforce issues mean that there is likely to be a constraint on the building industry being able to supply enough housing units to meet demand
- Costs of development are generally higher due to materials needing to be transported in, and the steep nature of much topography in the Queenstown area.

When new land and housing supply is offered, there is strong competition from the range of markets set out above which can quickly inflate prices.

Based on 2001 income data, the HOPE Strategy stated that, looking into the future, if house prices continue to climb as fast as they have in the recent past, and income levels only increase modestly, then up to 40% of all new

households renting or seeking ownership could experience affordability problems. (See the report *Housing Affordability in Queenstown Lakes District, May 2004* for further details). Many of these households are middle-income households who, in other market circumstances, should be able to access market-rate rental and owner occupied dwellings.

6.2 Recent growth patterns.

The district has grown strongly over the past five years, recording one of the highest growth rates in the country. Table 1 sets out provisional data from the 2006 census, in terms of residential dwellings. The Table lists the statistical Area Units in the district and the number and percentage change of occupied residential units between 2001 and 2006.

Table 1 – Occupied Dwellings

Area Unit	2001 Occupied Dwelling Count	2006 Occupied Dwelling Count (Provisional)	Change	% Change
Hawea	468	690	222	47.4%
Frankton	666	710	44	6.6%
Wanaka	1,446	2,100	654	45.2%
Glenorchy	216	230	14	6.5%
Kelvin Heights	339	410	71	20.9%
Sunshine Bay	687	870	183	26.6%
Wakatipu	570	940	370	64.9%
Lake Hayes	72	100	28	38.9%
Matukituki	114	150	36	31.6%
Arrowtown	690	870	180	26.1%
Queenstown Bay	813	930	117	14.4%
Queenstown Hill	981	1,230	249	25.4%
TOTAL	7,062	9,230	2168	

In the Queenstown / Wakatipu area, strong growth has been recorded in the Arrowtown, Lake Hayes and wider Basin areas. Queenstown Hill has also recorded reasonable growth in terms of apartments and units. In Wanaka, residential growth is much more suburban in nature.

The number of houses and units added to the existing housing stock in the district appears to have roughly matched population growth demands over the last five years, yet house and land prices have continued to rise.

6.3 Growth Pressures

The district is experiencing high rates of business and residential growth, some of the highest rates in the country. Highlights include:

- Between 2001 and 2006, the provisional census results indicate a growth in the population of around 30%. Occupied dwellings have increased by the same amount. Important growth areas have been Arrowtown and the rest of the Basin, Lakes Hayes Estate, Queenstown Hill, Wanaka and Hawea.
- Building permit data indicates that a total of 3,478 dwelling units were consented to between 2001 and 2006. The census records an additional 2,168 occupied dwellings. The difference will be accounted for by second homes and holiday homes not occupied on the night of the census, as well as residential units used as visitor accommodation units. 954 of the new dwellings were listed as terrace house and apartments; units that may be devoted to the visitor, rather than resident, market.
- At the same time the number of workers (full time and part time) has increased by 46% between 2001 and 2005, with a noticeable trend being the growth of the construction and business services sector. Employment in the café / accommodation sector still remains important, with 30% of people employed in this sector, compared with 6% nationally.
- The number of visitors (domestic and international) has grown less rapidly than population or employment, with visitor nights recording a 12% growth between 1999 and 2004. International tourism has been growing faster than domestic tourism. Around 60% of these visitors stay in commercial accommodation, with hotel and motel-type accommodation accounting for 60% of these visits.

Forecasts are for continued rapid growth of all three main elements of demand. Statistics New Zealand population projections (which are based on the 2001 census and will need to be updated to 2006) suggest a population for the Queenstown / Wakatipu area of around 26,000 by 2026 (up from 17,000 in 2006), and for the Wanaka / Hawea area of 12,700 (from an estimated base of 7,000 in 2006). For the Queenstown / Wakatipu area, forecasts used by the Council suggest a population more in the order of 35,000 by 2026.

Table 2 Estimated demand for private dwellings – Queenstown / Wakatipu

Element	2006	2026
Usually resident population	17170	34575
Occupied Dwellings	5561	14713
Ratio of Occupied to unoccupied dwellings	33.0%	20.0%
People per occupied dwelling	3.09	2.35
Unoccupied Dwellings	2739	2943
Total Dwellings	8300	17655
Change 2006 to 2021		9355

Table 3 Estimated demand private dwelling – Wanaka

Element	2006	2026
Usually resident population	7120	12720
Occupied Dwellings	3030	5530
Pop / Occupied Dwellings	2.35	2.30
Ratio occupied to unoccupied	60.0%	50.0%
Unoccupied Dwellings	2739	2943
Total Dwellings	4848	8296

The HOPE Strategy (based on 2001 census data) suggested that between 30% and 40% of the new permanent households may be face housing affordability problems in the future, given then current income profiles, and house and rental levels.

6.4 Capacity for growth

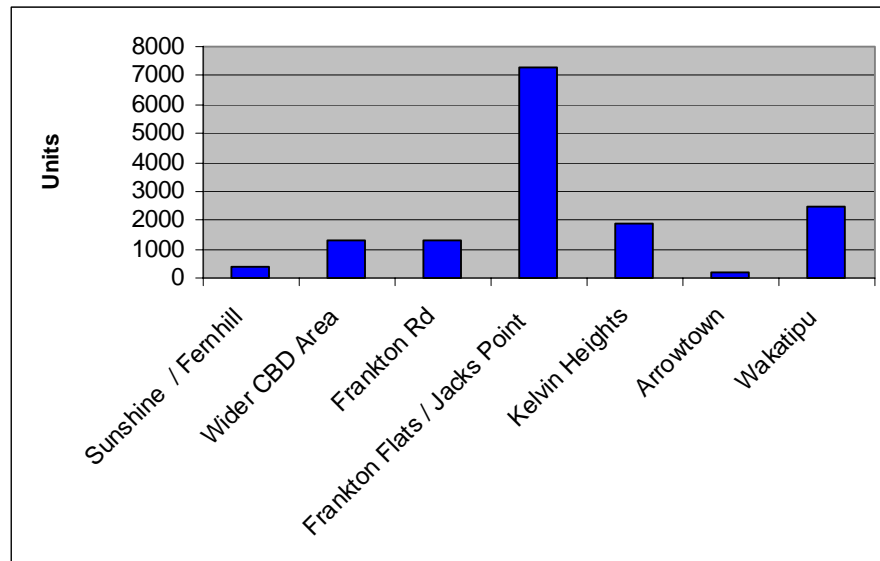
Work undertaken by the Council (residential capacity model), as well as work currently underway looking at the Wanaka Structure Plan and Frankton Flats has highlighted that current and anticipated zonings provide for the level of development set out above.

For residential development, considerable capacity is available within Higher Density zones. Identification of large lots, being those over 0.2 hectares, within the Low Density Residential Area of Queenstown, Wanaka and Arrowtown indicate that there is also significant potential for comprehensive residential development to occur in these areas.

6.4.1 Queenstown / Wakatipu

The following graph shows estimated capacity by broad residential zone, for the Queenstown / Wakatipu area. This capacity includes anticipated re zonings in the Frankton area, associated with the Five Mile development.

Figure 2 Growth Capacity: Residential areas



Total capacity is in the order of 15,000 additional units. The above figures suggest a demand for around 9,300 residential units, leaving some capacity for visitor accommodation units in residential areas (i.e. up to 5,500 units).

To date, the capacity available has not dampened land and house price movements; partly it appears because of the difficulties with maintaining supply and the large demands on the residential sector from investors.

6.4.2 Wanaka

In Wanaka, the Council is currently considering the Wanaka Structure Plan. This Plan, if fully implemented, would add considerable capacity to the area in terms of development potential, significantly in excess of the above demands.

While Wanaka has more options than Queenstown in how it can respond to growth pressures, the same issues arise. As development of the Wanaka area proceeds over the next 20 years, a stock of affordable housing should be created for the longer term.

6.5 Affordable Housing Targets

The HOPE Strategy identified the following targets (see Table 4) in relation to how many affordable houses may need to be built to help meet demand.

As reported in Appendix D of the June 2005 HOPE Strategy, the following table sets out the percentage of households in three different categories who may need some form of housing assistance.

Table 4 Demand for Affordable Housing - 2016

Type of Household	Queenstown		Wanaka	
	% of all households	Number of households	% of all new households	Number of households
Low income (less than 60% of average household income) - needing income assistance/subsidised rental	17%	720	16%	220
Middle income , households requiring access to - affordable market rate rental/owner occupied housing	19%	800	15%	200
Middle income households, with ownership aspirations and who may be in jobs important to the long term stability of the economy	6%	270	8%	110
Total	42%	1790	39%	530

The estimates of households that may need some form of assistance were prepared in 2004, and will need to be updated when data from the 2006 census becomes available. Table 4 suggests that 2,320 households are likely to need some form of housing assistance. It is this figure of approximately 2,300 units over a 10 year period that is most frequently cited. These figures are based on a continuation of high growth rates. A wide range of initiatives are needed to address a problem of this magnitude.

The HOPE Strategy noted that the Housing Trust should concentrate its efforts on people who are long term / committed local residents in key industries that are important to the economic and social wellbeing of the community. This focus reflects the fact that any locally-driven housing scheme should directly benefit the community and the economy and needs to work alongside other initiatives, not replace them. In particular a local scheme should not replicate central government schemes aimed at supporting low-income households.

7 Current District Plan Provisions

The Queenstown Lakes District Council District Plan became "partially operative" in September 2003. The District Plan contains a variety of zones and sub-zones, addressing the diverse landscapes and environments of the Queenstown Lakes District, ranging from town centre to rural and special purpose zones.

This section of the report discusses the current statutory framework that applies to residential activities and the opportunities that may be available to promote community housing.

7.1 Overview of the Plan

The District Plan is structured around different land use zones. In considering the provisions that could be used to promote community housing, it is necessary to consider, in relation to each zone:

- Objectives and policies
- Activity status
- Site standards
- Zone standards.

These provisions can be described as follows:

- Objectives and policies set the overall direction for the management of development within the district, and within specific zones. Objectives and policies become important when developments are proposed that do not comply with the usual rules and provisions for the zone.
- Activity status determines whether an activity (land use) is permitted, subject to compliance with relevant site and zone standards, or will be subject to resource consent procedures. If an activity complies with all the relevant site and zone standards, and it is not identified as controlled, discretionary, non-complying or prohibited then it is a permitted activity. Where consent is required, the Plan specifies the factors that need to be considered.
- Site standards are specified in relation to matters which tend to impact on the use of the particular site or adjacent sites. All activities which fail to meet these standards are discretionary activities.

- Zone standards are standards which are fundamental to environmental standards or character which are to be attained for a zone or area. All activities which fail to meet these standards are non-complying activities.

The subdivision provisions of the District Plan are also important. Chapter 15 of the District Plan states that there “shall be no permitted subdivision activities”. In other words, all subdivisions require some form of consent. Generally subdivision is a controlled activity where it can comply with site and zone standards (such as lot sizes and dimensions).

In many zones, subdivision is identified as discretionary regardless of compliance with standards (i.e. Gibbston Character). As with other activities, if subdivision is unable to comply with site standards consent is required as a discretionary activity; or as a non-complying activity if zone standards are not met.

Table 5 lists the activity status of the main forms of residential development in the district, by zone.

Table 5: Summary of Activities

Activities	Rural General	Rural - Ski Area Sub Zone	Rural - Gibbston Character	Queenstown Airport	Residential - Low Density	Residential - High Density	Residential - Arrowtown Historic Management	Rural Living Areas	Townships	Town Centre - Queenstown	Town Centre - Wanaka	Town Centre - Arrowtown	Town Centre - Corner Shopping Centre	Business	Industrial ¹	Millbrook Resort	Waterfall Park Resort	Jacks Point Resort	Rural Visitor	Penrithe Park	Bendemeer	Remarkables	Quail Rise	Meadows Park	Frankton Flats
Residential	P	P	D ⁱⁱ	PR	P	P	P	P ⁱⁱⁱ	P	P	P	P	P	P	P	P ^{iv}	D ^v	P ^{vi}	P ^{vii}	P ^{viii}	NC	C ^{ix}	C ^x	P	R ^{xi}
Multi-unit Development					D*	R																			
Residential Flat	C	C		PR				C	NC	P ^{xii}	NC	NC	NC	NC		NC	NC			NC					

Note: Endnotes are provided in Appendix I on page 60.

P= Permitted; C = Controlled; R = Restricted Discretionary; D = Discretionary; NC = Non-Complying; PR = Prohibited

* By way of comprehensive residential development provision

7.2 Objectives and policies

Community housing is not specifically provided for as an activity within the District Plan, although it is provided for in general terms as a residential activity. The focus of this section is on opportunities to promote community housing.

Residential activities are provided for throughout most of the District Plan zones, with the most relevant objectives and policies contained in the Residential section of the Plan - Section 7.1.3 – Objective 1:

“Sufficient land to provide for a diverse range of residential opportunities for the District’s present and future urban populations, subject to the constraints imposed by the natural and physical environment.”

Policies 1.1, 1.2, and 1.3 seek to zone sufficient land to meet needs, enable new residential areas, and promote compact residential development.

Elsewhere, objectives provide for residential activities in accordance with the overall characteristics and purpose of the particular zone. For example:

“Visitor, residential and recreation activities developed in an integrated manner with regard for landscape, heritage, ecological, water and air quality values and minimal impact on adjoining neighbours and roads.”
(Millbrook Resort 12.1.4 – Objective 1)

“Integrated management of the effects of residential, recreation, commercial, community, visitor accommodation, educational and Queenstown Airport Activities.” (Remarkables Park 12.10.3 – Objective 1)

“To enable the development of low density residential activities in conjunction with planned open space and recreational opportunities”
(Quail Rise 12.14.3 – Objective 1)

There is currently nothing specifically dealing with the issue of affordability. A recently proposed plan change (Plan Change 12 – Riverside Stage 6) introduces a new policy for township areas, reflecting the Council’s desire to provide for community housing to address land use efficiency, cost effective and resource efficient development:

“To provide cost-effective housing options, including the provision of duplex housing within sub-zone A.” (Townships 9.1.4 – Policy 9)

This plan change was notified on 3 August 2006 and seeks to rezone land at Riverside, Wanaka to achieve higher density residential development than the developer currently has consent for. Of particular interest is how the plan change has started to define affordable housing as a resource management issue in its section 32 report, as follows:

“2. Cost effectiveness and resource efficient development

This shortage of affordable/inclusive housing is considered to be a resource management issue given the implications it can have on sustaining the social, economic and cultural wellbeing of communities. The bottom line is that if workers and families can not find suitable accommodation they will not reside in the area, thereby adversely affecting the economic and social wellbeing of the community.” [Page 10]

The section 32 report goes on to discuss the issues in accordance with the purpose and principles of the RMA; where housing shortages have been predicted for the wider Wanaka area; and the need to rezone additional areas of land to meet projected demand. The increasing cost of housing is recognised in the report as excluding certain sectors from the housing market.

In seeking to achieve cost-effective housing options, in addition to the new zoning provisions providing additional housing opportunities, the plan change relies on other methods such as Stakeholder Deeds.

7.3 Opportunities

As highlighted in Table 5, in most zones, residential activities are generally permitted in principle. However, there could be some difficulties in complying with site and zone standards which may only allow for limited residential activities such as custodial apartments associated with the primary activity. Therefore residential activities could be discretionary or non-complying in some zones.

Specific provisions relevant to opportunities to encourage community housing are identified as:

- Comprehensive residential developments are discretionary activities in Low Density Residential Zones
- Multi-unit developments over a certain threshold/number are restricted discretionary activities in High Density Residential Zones (Proposed Plan Change 10)
- Residential flats are identified as permitted in residential zones, Town Centre Transition sub-zone, controlled in Rural General, Rural (Ski Areas sub-zone), Rural Living Zones, and Town Centre – Queenstown. However, they are non-complying in Townships, Town Centre – Wanaka & Arrowtown, Town Centre - Corner Shopping Centres, Business, Millbrook Resort, and Waterfall Park Resort.
- Residential units are discretionary in Gibbston Character Zone and Waterfall Park Resort, non-complying in Bendemeer Special Area.

In Special Areas the number and location of residential units are generally restricted, often subject to a structure plan or similar identification of Activity Areas.

7.3.1 Comprehensive Residential Developments

Comprehensive Residential Developments (CRD) are provided for as a discretionary activity in the Low Density Residential Zone.

The District Plan defines CRDs as follows:

“Means comprehensively planned and designed collection of two or more Residential units where:

- a) the building and subdivision consents are submitted concurrently*
- b) the net area for a residential unit is less than 450m²*
- c) the net area of the site containing all residential units is 2000m² or larger.”*

Essentially the CRD provisions enable development of more intensive residential activities, such as higher density units, or flats and apartments to be erected subject to site and zone standards.

Zone standards control height, building coverage and minimum net site area per unit, which is 200m² unless in Wanaka where it is 350m². Non-compliance with these standards requires consent as a non-complying activity.

Specific assessment criteria relate to adverse effects of the activity, such as traffic effects, privacy, pedestrian safety, and the ability to mitigate these. Other considerations are building bulk and coverage, room for landscaping, scale and compatibility with surrounding area, parking and manoeuvring, and adequate outdoor space.

Council records indicate that since 1999 only 25 resource consents have been issued for CRDs, and these are located predominantly in Queenstown. However, there are a significant number of sites throughout Queenstown and Wanaka in the Low Density Residential Zones that are of sufficient size to contain CRD. Furthermore, there is nothing stopping the amalgamation of sites to achieve the 2000 m² threshold to provide for CRDs.

7.3.2 Multi-Unit Developments

Multi-Unit Developments are provided for in High Density Residential zones. As detailed in Proposed Plan Change 10, such developments are a restricted discretionary activity. This plan change is not yet operative, and is in the early stages of the statutory process, having been notified on 12 October 2005, with submissions closing on 9 December 2005 and the hearing not yet having been held.

This plan change seeks to improve amenity in High Density Residential zones, introducing the following key provisions to the District Plan. (additional objectives and policies are also proposed to protect and enhance amenity values):

- Maximum number of units and building sizes by sub-zone
- Site Density in Sub-zones

- Building coverage
- Setbacks from roads
- Requirements relating to continuous building lengths over 16 metres to break up facades
- Landscape coverage

The provisions seek to encourage more intensive residential development in the high density residential area, while ensuring that matters of urban design and external appearance are addressed. Table 6 illustrates key standards for multi-unit developments.

Table 6: Multi-Unit Development Standards

Area	Maximum Number of units per site	Maximum Building Footprint	Density per unit	Building Coverage
A	7	500m ²	100m ²	65%
B	5	400m ²	150m ²	55%
C	3	300m ²	200m ²	45%

Table 6 represents both site and zone standards, and assessment as a restricted discretionary activity requires full compliance. Non-compliance with any of these standards would require consent as either a discretionary or non-complying activity.

Specific assessment criteria are identified for multi-unit developments, in relation to exceeding the number of units per site, and the building size. These further expand on the matters identified above, and respond largely to urban design issues.

7.3.3 Residential Flats

Residential flats are a type of residential dwelling established in association with the main residential unit. Traditionally flats have been used for housing extended family or for rental accommodation (home and income).

The intention of the District Plan is for residential flats to be in the same ownership as the residential unit and contained within the same building.

Residential flats are generally either identified as permitted, controlled, or non-complying activities in the various zones. Where the activity is not specifically provided for it is likely to be permitted, i.e. in Residential Zones, provided it complies with site and zone standards. The primary areas where residential flats are provided for are in Town Centre Transition sub-zone, Rural General, Rural (Ski Areas sub-zone), Rural Living Zones, and Town Centre – Queenstown.

Residential flats are identified as non-complying activities in many of the zones, including Townships, Town Centre – Wanaka & Arrowtown, Town Centre - Corner Shopping Centres, Business, Millbrook Resort, Penrithe Park and Waterfall Park Resort. Residential flats are also prohibited in the Queenstown Airport Mixed Use Area along with residential activities generally.

The District Plan therefore identifies quite specifically, through its application as a non-complying activity that it does not intend for such activities to occur in these locations. Generally this relates to commercial areas and structure plan areas, where it is not considered appropriate for subsidiary residential activities to occur. It is noted that in some zones there are provisions for residential units that provide for custodial management, but that these have not been specifically identified as residential flats but rather zones where residential activities are not provided for generally.

The provisions relating to residential flats have recently been amended by Proposed Plan Change 7, which was developed in response to issues relating to the size of flats compared to the primary unit. In addition, the plan change seeks to address issues relating to potential subdivision of these units, resulting in a higher density not intended under the Low Density Residential zone. This is achieved through an amended definition of residential flats.

The proposed definition ensures that residential flats remain subsidiary to residential units by requiring that they comprise no more than 35% of the gross floor area of the building (where they are attached to or within the residential unit), and if attached to an accessory building they can be no more than 50% that buildings. Ownership of both the residential flat and residential unit must be by the same person(s), and cannot have more than one kitchen or laundry.

Key points raised by submissions to the plan change are identified as follows:

- the plan change is contrary to the council’s Affordable Housing scheme by discouraging subdivision; and
- residential flats are often inappropriately used for visitor accommodation.

7.3.4 Density Requirements

This section reviews the extent to which the District Plan may provide an opportunity to provide community housing when normal density requirements are exceeded.

No subdivision is permitted by the District Plan. Effectively all subdivision is controlled where it complies with the site and zone standards, apart from the following zones where the District Plan identifies subdivision as being discretionary:

- Where contains an Area of Significant Indigenous Vegetation
- Penrithe Park Zone, north of the Visual Amenity Line on Plan A

- Rural Residential zone at the north of Lake Hayes
- Gibbston Character and Rural General zones both subdivision and location of residential building platforms.

Subdivision of a residential flat from a residential unit is a non-complying activity as the intention of these activities is for them to be associated with the primary residential activity.

Table 7: Minimum Lot Sizes

Zone	Minimum Density
Rural	None
Residential (Low Density)	600m ²
- Arthurs Point	800m ²
- Queenstown Heights	1500m ²
- Wanaka	700m ²
- Arrowtown Historic Management	800m ²
Residential (High Density)	450m ²
Rural Living	4000m ²
- Bob's Cove	none
- Rural Lifestyle	1ha
Townships	800m ²
- Makaroa	1000m ²
Town Centres	none
Special Zones	none
- dependent on structure plans	

When considering applications for subdivision, matters for assessment are identified in rules 15.2.6 to 15.2.19. In summary, these relate to lot sizes, subdivision design, access, esplanade reserves, hazards, servicing, and open space. Table 7 above indicates the minimum lot sizes required for subdivision, and which are zone standards. If these cannot be complied with, then activities are non-complying.

In addition to the minimum lot size requirements, zones standards within the Residential Zone require a minimum net area for each residential unit. Within the Low Density Residential Zone a minimum site density of 450m² is required per dwelling, although two residential units may be permitted provided:

- the site is in a medium density sub zone

- the site was contained in a separate CT as at 10 October 1995
- no residential unit has been built on the site
- the site has an area between 625m² – 900m².

In terms of subdivision, the minimum lot size requirements apply, but if there is an existing dwelling on the site then the minimum density requirements must also be considered.

7.4 Stakeholder Agreements

Stakeholder Agreements are a tool currently used by the Council to acquire a portion of a proposed development as a community housing contribution. These agreements are effectively a voluntary agreement between the Council and the landowner, and occur alongside a plan change process to rezone land for higher density residential development.

To date the Council has reached agreement in five development areas, and have secured up to 5% of the total number of residential lots. The outcome of these agreements only becomes enforceable if the plan change is approved and adopted by the Council, which is an entirely separate process. Furthermore, it requires development of the site to be substantially in accordance with the provisions of the plan change. The agreement is binding to the land, to ensure that community housing contributions are secured, even if the development changes hand.

Generally the agreements allow for transferral of a percentage of land, or the provision of a number of developed units to the same value in lieu of land (or combination of the two). In each case the land or units are transferred to the Community Housing Trust, in accordance with the council's Community Housing Policy. The Housing Trust then administers these properties on an ongoing basis.

In some of these agreements the Council seeks to ensure that sites are scattered throughout the development, and not concentrated in one location.

Structure plan or master plan processes are used to determine the appropriate level of development that can be absorbed by the landscape, in the relevant areas. Therefore it is not possible to determine an accurate number of units secured by agreement until the time of development. However, it is expected that the five agreements entered into so far could result in 75-100 properties for community housing.

8 National and International Examples

8.1 UK: Planning Gain Mechanisms for Affordable Housing

The UK planning legislation specifically includes a type of ‘inclusionary zoning’, under a ‘planning gain’ approach. In England, this is known as using Section 106 Agreements. These agreements are strongly supported by central government and enable local councils to negotiate agreements with developers for affordable housing. Contributions in the order of 20% are common, with areas of high housing stress, such as London, requiring a 50% contribution. The affordable housing obtained by these agreements will be for a diversity of households with different income levels, with percentages set aside for very low income households, low to moderate income households and key worker households. In addition, there is a diversity of organisational structures in place to manage the affordable housing stock obtained – from rental, through shared equity to ownership schemes.

In rural areas, Areas of Outstanding Natural Beauty (AONB) and in National Parks, the development of new housing, or the conversion of existing buildings, for housing is controlled and restricted to ensure housing for local people and key workers is available. For example, all new houses built within the Yorkshire Dales National Park, in the villages, will only be available at an affordable price for purchase by local residents and key workers. Where market rate housing is allowed, in the market towns in the National Park, a 50% affordable housing contribution is required.

Key Points:

- Affordable housing contributions, using a planning gain approach (known as Section 106 Agreements) are a central part of the UK planning system, with up to a 50% affordable housing contributions required in areas of high housing stress.
- In National Parks, AONBs and rural areas under development pressure, the development of new houses is only allowed for locals and key workers.

8.2 North American Mountain Resorts : Planning Mechanisms for Affordable Housing

Inclusionary zoning (requiring the provision of an affordable housing contribution with residential development) is a planning mechanism available to many of the North American resort communities investigated. Where inclusionary zoning is not implemented, linkage zoning (linking new commercial and tourism development to the provision of affordable housing) is most commonly used. A variety of incentives are used to encourage the provision of affordable housing, and to exceed requirements, where these are mandated.

8.2.1 Resort Municipality of Whistler, BC, Canada

In 1990, the Municipality of Whistler implemented a housing works and services charge on all new commercial, industrial and tourism development. This is an example of linkage zoning. Development is required to either provide housing for employees (covenant restricted) or cash in lieu. These funds have been used by the Whistler Housing Authority to develop a large inventory of employee restricted housing. The 1993 Community Plan capped future development – but a later amendment exempted resident-restricted housing from the cap. In 2001, over 32% of Whistler’s resident population were estimated to be living in resident-restricted housing.

Since the early 2000s, “non-cost” initiatives (changes to the zoning rules) have increased the supply of secondary suites (otherwise known as residential flats, accessory apartments or minor dwelling units) in lower density neighbourhoods, adding to the supply of affordable housing. Non-cost initiatives include density bonuses, detached garages with suites, detached suites and increased suite size.

Whistler 2020 (adopted 2005) recommends a range of actions to be considered for adoption including: providing property tax incentives (i.e. rates reductions) for rental housing at WHA rental rates; increasing density by allowing duplex development in a single-family unit zone, with one half of the duplex covenant restricted as affordable housing for local residents; requiring on-site provision of resident-restricted housing in Village enhancement policies; and adopting building regulations that require increased energy efficiency.

Key Points:

- Mandatory linkage zoning
- Since the early 2000s, incentives have been used to increase the supply of secondary suites (residential flats) in lower density neighbourhoods: - density bonuses, permitted minor dwellings, larger in size.
- Incentives under consideration are: - property tax reductions, increased densities (duplex in single family zones), and mandatory resident-restricted housing in enhancement areas.

8.2.2 Banff, Alberta, Canada

Affordable housing funds come from mandatory development contributions from all commercial and tourism development. Under mandatory linkage zoning, all new commercial development has to provide “required housing” at a rate of growth consistent with the rate of commercial growth. Currently, Banff has not adopted inclusionary zoning policies.

8.2.3 Aspen and Pitkin County, Colorado

Under the Aspen Area Community Plan (which introduced strong growth management and a quota system for all new development) at least 60% of the bedrooms in a residential subdivision must be in deed-restricted affordable housing units. The City also has an “Affordable Housing Zone” which provides

some exemption from the Growth Management Quota System. In the A.H. Zone the developer can exceed the quota of allocated units but must provide a mix of at least 70% deed-restricted units to 30% maximum market rate units. Deed restricted units are meant to be occupied – so there is a maximum vacancy period between tenants of 45 days.

Housing mitigation options include on or off site development, deed-restrictions on existing market-rate units, conveyance of land or in lieu fees.

All new residential development must integrate meaningful affordable housing on site. Priority planning processing is given to affordable housing developments, which are affordable for middle and moderate-income households.

In addition, there is mandatory linkage zoning: all new commercial development must pay a housing mitigation fee (per sq foot) and all new commercial development over 1,000 sq ft must provide affordable housing for 20% of the full-time employees generated. Development processing fees may be waived.

Long standing (since 1990) affordable housing programmes, (including a local sales tax, real estate transfer tax, and incentive zoning and mitigation requirements) have resulted in nearly 2,000 affordable housing units. The Aspen Affordable Housing Strategic Plan 2002 identifies sites and funding streams for the development of an additional 1,300 units over ten years.

Key Points:

- Mandatory linkage zoning (affordable housing for 20% of full time employees)
- Strong mandatory inclusionary zoning (60% requirement) – enhanced (to 70%) using Affordable Housing Zones to increase provision of affordable units, by allowing more units to be developed than allocated under the Growth Management Quota.
- Priority planning processing given to affordable housing

8.2.4 Town of Vail and Eagle County, Colorado

In the 1990s the Town of Vail implemented linkage zoning which required the developers of the ski resorts and other large employers to provide a certain number of affordable housing units for their employees. Since 2003, employee/housing linkage requirements have been extended to include all commercial and non-residential development, at the rate of 20% of the total housing unit need generated by the development’s employees. Inclusionary zoning and employee / housing linkage requirements are applied to all residential development plans. New residential projects over 4 units must provide local resident housing for 20 % of the project’s units or for the housing need generated by the project – either provide housing (20% rate on site or 25% off-site) or by a payment in lieu (at a 30% rate). So there is a strong incentive to provide resident-housing, and provide it on site.

Linkage zoning for employee affordable housing has resulted in housing for approximately 2,000 resort employees. In addition, there are 242 deed-restricted (rental and sale) units within the Town of Vail, many are built on land leased from the Town for \$1 a year.

No figures are available on the number of units developed under the mandatory inclusionary zoning policy, introduced in 2003.

Following a rational nexus study, the Town of Vail announced in October 2006, that it will be adopting a new set of regulations requiring commercial and residential project developments to provide employee housing units. The Council is currently reviewing a combination of commercial linkage and inclusionary zoning policies to help achieve the goal of 30% of local residents housed in the town.

Note: Second homes are a high proportion of the housing stock, running as high as 75% in some neighbourhoods.

Key Points:

- Mandatory linkage zoning (extended to all commercial and non-residential at 20% of housing need generated)
- Inclusionary zoning introduced 2003 and required at the rate of 20% for projects over 4 units. Strong incentive to provide on-site as the rate increases to 25% off site and goes to 30% for cash in lieu.

8.2.5 Breckenridge, Frisco and Summit County

Negotiated development approvals over several years, have resulted in nearly 1600 units of affordable housing, with some degree of deed-restriction (in some cases quite limited) to retain affordability into the future. The two mountain resorts are required to provide housing for employees in their Planned Unit Development approvals; for 40% of their full-time workforce and 60% of their seasonal workers during peak season; 75% of the housing must be provided within the resort.

There is a recent policy shift requiring employee housing with all new resort and commercial development. There is no proposal to adopt mandatory inclusionary zoning – but special incentives are being considered and/ or used to encourage on-site affordable housing alongside free-market housing, with deed-restrictions required. Incentives include reduced infrastructure requirements, reduced fee structures and development procedures, reduced parking requirements, and excluding affordable housing units from the zoned density counts for a parcel. In addition there is encouragement for accessory apartments / secondary units in low density neighbourhoods.

Note: 55% of Summit County’s housing stock is vacant / for seasonal use (2001).

Key Points:

- Inclusionary zoning is not mandatory. Incentives include reduced infrastructure requirements, reduced fee structures, reduced parking requirements and the exclusion of affordable housing from the zoned density counts for a parcel.
- Mandatory linkage zoning: the two mountain resorts are required to provide housing for approximately half of their employees.
- Encouragement of accessory apartments / secondary units in low density neighbourhoods.

8.2.6 Teton County / Jackson Hole

The County has a 15% mandatory inclusionary zoning for affordable housing - which applies to residential and employment generating developments. The inclusionary zoning requirement (introduced in 2003) applies right down to a single-family house on a parcel, where an in lieu fee applies. The preference is for on-site provision, followed by off-site provision, conveyance of land, then payment of fees in lieu. The provision of affordable housing is also promoted using flexible FAR and accessory units, waived or reduced fees on affordable housing projects, density bonuses, and multi-family zoning. In addition, affordable housing funds also come from a local sales tax (approved 2001) and from visitor bed taxes.

There is a proposal being considered for a Real Estate Transfer Tax to alleviate the externalities imposed by second home-ownership; and (in response to the development of very large dwellings) a proposal to link permit fees progressively to floor areas – i.e. the larger the proposed dwelling, the larger the fee paid.

Previous negotiated developments produced approximately 300 units by 2002. The sales tax is estimated to fund 300 units by 2007. The inclusionary zoning requirements were initially set to address the need (in 2003) for a further 500 affordable units.

Key Points:

- 15% mandatory inclusionary zoning – that applies right down to a single family house, where an in lieu fee applies.
- Incentives include: flexible FAR and accessory units, waived or reduced fees on affordable housing projects, density bonuses and multi-family zoning.

8.2.7 Tahoe Regional Planning Agency

The TRPA strictly controls the number of new houses developed per year, with a quota system, to ensure that any negative environmental impacts on Lake Tahoe can be minimized and / or mitigated. In addition there are strong controls on site coverage, topography, water etc. Partly in response to these strict controls, there has been construction of illegal second units on residential sites. For some communities in the region, these are seen as a source of affordable housing for

local workers. Some local municipalities are giving an amnesty for these illegal dwellings, requiring construction, facilities and services to be brought up to code etc, on condition that the unit becomes deed restricted as affordable housing. (City of South Lake Tahoe and Placer County) Inclusionary zoning is under consideration at the municipal level.

Key points:

- Illegal secondary units given amnesty, as long as they are brought up to code and deed restricted to affordable housing for locals.

8.3 Mandatory Linkage Zoning in the USA

The relationship between commercial developments aimed at the visitor market – which usually involves low to moderate-income jobs – and the need for affordable housing is referred to in the USA as the “rational nexus”.

Mandatory linkage zoning is a legal part of the planning / housing system in a number of US states, and used in several of the mountain resort communities considered. There are two legal considerations: (1) the rational nexus must be demonstrated between the impacts caused by the development and the nature of the mitigation required (i.e. the development creates a need for affordable housing); (2) there must be a “rough proportionality” between the extent of the impacts generated and the mitigation required (i.e. the fee in lieu of houses provided will be no greater than that required to meet the affordable housing need generated by the additional employees).

These legal considerations have lead to the development of nexus / proportionality formulae used for employee housing mitigation policies – to determine how much affordable housing for what type and size of commercial development.

Several steps are used:

1. Estimate the number of jobs likely to be generated by the proposed new development – based on existing similar development and adjusted for size;
2. Account for multiple job holdings to avoid double counting employees;
3. Convert the number of employees to households;
4. Identify the households to target on the basis of income levels;
5. Develop a formula that can be applied to commercial, office, tourism, or mixed-use developments to calculate mitigation required.

The developer then has the option of providing the required affordable housing or paying an equivalent fee in lieu. In North American, linkage zoning is extended to include market-rate residential development where there are significant employment generation effects, as is common in resort communities. An example of this approach, used in Pitkin County (Aspen) is described below.

8.3.1 Pitkin County Employee Housing Impact Fee

In Pitkin County (Aspen) a **Employee Housing Impact Fee** applies to residential and commercial development. A critical component of both determinations is the fee subsidy. This is calculated from the amount by which the buying power of a typical household falls short of the amount needed to purchase market-rate housing, and then adjusted to a per employee subsidy, based on the number of employees per household. In 2006, this was calculated as a per employee fee subsidy of US\$34,173, (or NZ\$52,000.)

In Pitkin County, the **Residential Employee Housing Impact Fee** does not apply to dwellings of less than 534 sq m interior floor area. The formula takes into account the size of development, construction employment, post-construction employment, and whether it is for a locally occupied dwelling or for second home use (the latter generating significantly more employment.)

The Commercial Employee Housing Impact Fees in Pitkin County are based on a determination of the numbers of employees generated by the type of development, according to the following categories:

- Tourist accommodation (per room) – luxury and historic;
- Commercial (per sq m)
- office – general, real estate, non-profit;
- retail;
- service (repair, personal, business);
- restaurants and bars, and
- government.

The required impact fee takes into account the expected number of employees generated by a development of that size and type and the employee fee subsidy.

Illustration of the Pitkin County Employee Housing Impact Fee formula (or affordable housing contribution) converted into NZ dollars.

Linkage zoning applied to new residential development:

- The fee for a residential development of 560 sq m is NZ\$7,700 (for covenanted local occupancy) and NZ\$30,080 (for a 2nd home).
- The fee for A 930 sq m residential development is NZ\$17,400 (for local occupancy) or NZ\$83,900 (for a 2nd home).

Linkage zoning applied to commercial and tourist development:

- The fee for a 465 sq m retail development is NZ\$188,500.

- The fee for a 232 sq m restaurant development is NZ\$240,500.
- The fee for a 930 sq m general office development is NZ\$585,000.
- The fee for a 10 room luxury tourist accommodation is NZ\$286,000.

Web Site References for the North American Resort Communities included in this report:

Resort Municipality of Whistler

www.whistler.ca

Whistler Housing Authority

www.whistlerhousing.ca

Town of Banff

www.banff.ca

City of Aspen and Pitkin County

www.aspenpitkin.com

Town of Vail and Eagle County

www.eaglecounty.us

Breckenridge, Frisco and Summit

www.townofbreckenridge.com

Teton Co /Jackson Hole

www.tetonwyo.org

Tahoe Regional Planning Agency

www.trpa.org

Appendix 1: Endnotes

Endnotes ii through xxi refer to Table 5: Summary of Activities on page 42

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- ⁱ VA and new residential non-complying in outer control boundary – Queenstown Airport
 - ⁱⁱ Although building platforms are discretionary (70m² – 1000m²) and non-complying otherwise
 - ⁱⁱⁱ Provided within identified building platform, or Ferry Hills Rural Residential Sub Zone otherwise discretionary
 - ^{iv} Provided within areas where residential provided for
 - ^v Up to maximum 100 units
 - ^{vi} Located in Homesite Activity Areas. Outline Development Plan, residential activity areas and village activity areas controlled
 - ^{vii} Non-complying in Windermere, apart from one unit for custodial management as discretionary.
 - ^{viii} More than one residential unit per site discretionary
 - ^{ix} Prohibited where exceeds 90 day continuous stay within grey hatched areas of Areas 4, 5, 6 and 8, or within blue semi-hatched area of Areas 5 and 8
 - ^x No more than 218 units or one per allotment
 - ^{xi} Provided only for managerial accommodation, and unless within airnoise boundary then non-complying
 - ^{xii} Provided in Town Centre Transition sub zone, otherwise controlled in Queenstown.