



22 December 2014

Inquiry into using land for housing  
New Zealand Productivity Commission  
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Dear Sir

### **SUBMISSION – INQUIRY INTO USING LAND FOR HOUSING**

The QLDC welcomes the opportunity to make a submission on the Productivity Commission's Issues Paper – 'Using Land for Housing'.

We understand that the Commission wishes to meet specifically with QLDC as a District experiencing high growth and significant affordability issues in 2015. This paper is therefore intended as a high level overview, and as an agenda for that subsequent discussion.

#### **1. Introduction**

The Queenstown Lakes District ('The District') is a high growth district. Housing affordability issues have been pronounced for some time. Appendix B of the Issues Paper shows that, with population growth of 66% between 2001-2013, the District was the fastest growing territorial authority in the country. High population growth is forecast to continue into the future.

The District is one of 10 territorial authorities (TAs) that the Commission proposes to compare the performance of to meet the Terms of Reference for the inquiry.

QLDC can provide key learnings to the commission.

In 2014 QLDC critically reviewed its 'Dwelling Capacity Model' (DCM) and made a number of changes based on international best practice to refine it. We consider that this represents an excellent case study of the common issues associated with such models, and how such models can be improved.

QLDC has undertaken a fundamental shift in its approach to District Plan regulation of residential development. The Operative District Plan typifies a number of the problems common to District Plans. The revisions proposed adopt plain language, are both prescriptive and definitive. The intention is to create a more accessible and user friendly District Plan that can be interpreted and understood without professional assistance.

A number of substantial process improvements have been made to resource consent processes.

QLDC is considering the appropriateness of reserves contributions for certain types of residential development.

## **2. Demand and Supply Forecasting – Queenstown’s Dwelling Capacity Model**

QLDC’s Dwelling Capacity Model (DCM) was first developed in 2003, in response to the high population growth occurring in the District and the recognition of the need to monitor the supply of land for development relative to demand, to inform planning policy.

Over time, the DCM has been refined to reflect the complexities of dwelling capacity. In particular, the early iterations of the DCM provided estimates of dwelling capacity based on broad and sometimes quite crude assumptions.

By the time of the 2014 review, a number of much refined ‘discount’ assumptions had been built in to the model, however these were still considered insufficient. A critical review showed that the model was significantly overstating capacity, as it had not factored key constraints such as topography, recent development, capital improvement, and the high usage of units as visitor accommodation in the high density residential zones.

Overall as a result of the 2014 review the dwelling capacity of Urban Areas in the District has been reduced from approximately 20,000 dwellings to 16,000 dwellings. Whilst this is a significant but not major reduction, it should be noted that the majority of this decreased capacity has occurred in and near central Queenstown where housing demand is most acute. Critically, the revised DCM reduced the capacity of the High Density Residential Zone from 2800 to 1000 dwellings, and reduced the capacity of the Low Density Zone in Kelvin Heights from nearly 2000 dwellings to 926 dwellings.

The lack of sophistication in the model has meant that for a number of years dwelling capacity has been significantly overstated. As a result planning decisions around density may not have been as enabling as they should have been – adding to the housing demand / supply imbalance.

In addition, it is critical to note that the results of the DCM, even with more nuanced assumptions, need to be carefully considered and interpreted. For example, the DCM may indicate a significant quantum of capacity exists in a location, however does not consider the composition of that capacity.

For example, an area may have a dwelling capacity of 10,000 dwellings, and a prima facie conclusion drawn that there is more than sufficient capacity. However, realistic market-responsive capacity is likely to be significantly affected depending on whether that capacity is controlled by one or two landowners versus multiple (and competing) ownerships. A seemingly high dwelling capacity may have limited value if that capacity is tightly held by only a very small number of landowners, with resulting land banking and speculation, and minimal release of land / dwellings to the market.

To an extent, this situation has been a feature of the Queenstown market in recent years.

## **3. District Plan regulation of Residential Development – Queenstown’s Operative District Plan versus it’s District Plan Review**

The operative Queenstown District Plan possesses many of the problems highlighted by the Commission in the Issues Paper.

In particular, the residential provisions:

- Lack strategic direction and focus
- Lack certainty and clarity
- Are overly wordy and unfocussed
- Are poorly structured
- Rely on some convoluted development controls and definitions
- Apply overly restrictive and inflexible development controls
- Focus overly on existing amenity values at the expense of development potential and the future housing needs of the District
- Allow significant potential for public notification of applications, therefore increasing risk and uncertainty

In summary, it might be said that the focus of the operative District Plan is overly focussed on the micro aspects of development, at the expense of the wider strategic issues facing the District. This has in part come about after many years of intense litigation around the operative District Plan, and the ultimate inclusion of provisions as a response to site specific issues.

Collectively, these problems act as a significant barrier to housing development, especially in brownfield locations. QLDC has acknowledged these problems in its District Plan review and is addressing these issues in the Review.

The key solutions can be broken down into the following categories:

- *Structural revision*
- *Policy revision*
- *Process revision*

### ***Structural Revision***

A major issue with the Operative District Plan is the structure of its chapters. Objectives and policies are poorly linked with rules and standards, and its “effects- based” nature with a variety of zone and site standards results in circular regulations which lack clarity and direction. There is also a significant amount of superfluous explanatory material.

The proposed Residential chapter in the District Plan Review adopts a much simpler structure. A short explanatory zone purpose statement leads the chapter, and this is followed by objectives and policies that are more direct, more outcome-focussed and more succinct.

An activity table follows which clearly sets out the activity status of activities, so with relative ease people are able to establish what they can and can’t do with their property. Rules also apply that set out parameters in terms of development controls.

Scores of assessment criteria are avoided – with the intent being to place far greater weight on objectives and policies to guide assessments and decision making. This creates a simpler and more accessible structure and also helps avoid unnecessary repetition.

### ***Policy Revision***

A major problem with the Operative District Plan is that it promotes diversity of housing and a compact urban form in its objectives and policies, yet this is not followed through in the rules.

In particular:

- Development controls in the High Density Zone are so restrictive as to make meaningful intensification on many sites difficult. In particular, height and recession plan controls make even two storey building form hard to achieve in some locations.
- There is no Medium Density Zone to provide for more affordable housing typologies such as townhouses, duplexes and terrace housing.
- Onerous private open space requirements affect development feasibility, and do not necessarily offer significant amenity value

These issues are addressed in the District Plan Review. Development control liberalisation is proposed in the High Density Zone to provide for potential 3-4 storey development.

A new Medium Density Zone is proposed. Importantly, it is proposed to adopt 'Floor Area Ratio' (FAR) to regulate development intensity rather than more traditional density controls.

Widely used internationally but with limited use in New Zealand, FAR is a more enabling form of development control and is more flexible than the traditional density approach of 'units per square metre'.

As an example, a traditional density control of 1 unit per 300 square metres, on an 800 square metre site, would only enable two dwellings. If the existing dwelling on the site was located closer to the front of the property, it might allow for that dwelling to be retained and a new dwelling to be built to the rear. However, in the more common scenario where a dwelling is located a third of the way back from the street boundary, it is often prohibitive economically to demolish the existing house and build two dwellings.

If FAR is utilised, then assuming a FAR control of 0.6 (i.e. Permitted Gross Floor Area = 0.6 x site area), on an 800 square metre site then 480 square metres of GFA is permitted. Subject to compliance with other controls (parking, height, site coverage etc) this then allows for a range of development options for example:

- 6 x two bedroom units
- 4 x three bedroom townhouses
- 2 x four bedroom homes

Importantly, in tandem with other development controls and criteria, FAR adequately controls bulk and dominance of buildings. As opposed to units per square metre density controls, it provides a better balance between development rights and amenity.

In addition, it is proposed to remove minimum private open space requirements, at least in the high density residential zone. An 8 square metre balcony can add between \$30,000 to \$40,000 to the purchase cost of an apartment, depending on structural approach. As an example, Wellington City Council has no private open space requirements in its centre zones. In some locations where there is limited view, or outlook, or on major transport corridors, balconies may offer little or no useable amenity – and a 'Juliet balcony' may be sufficient.

It is considered that the decision on how much and in what form private open space is provided is best left to the market.

### ***Process Revision***

Too many development proposals under the Operative District Plan are classified as discretionary activities, and subject to public notification and its inherent risks.

The Proposed District Plan proposes to make more use of permitted and restricted discretionary activity status, allowing for less risky, more streamlined and more certain process.

The inherent complexity and inaccessibility of the Operative District Plan also means that a large proportion of development applications require the assistance of planning consultants. This impacts on cost and timeliness. The greater simplicity and directness of the proposed provisions should lessen this burden.

In addition, simpler and more succinct planning provisions should make a Council Planner's assessment role easier and quicker, also assisting with costs.

## **4. Plan Change Process: Issues and Case Study**

### Plan Change 19 - A Local Example

QLDC's Plan Change 19 (PC19) is illustrative of how long and expensive plan changes under the RMA can be. PC19 involved rezoning land in Frankton from Rural General to a mixed use form of zoning providing for commercial, industrial and high density residential development.

PC19 was publicly notified in late 2007. Prior to public notification a substantial amount of analytical work was undertaken including a 169 page Section 32 report, and numerous technical reports. Following periods of deferment, and hearings, the decision on the plan change was made on 7 October 2009. The decision was subsequently appealed to the Environment Court. Only in December 2014 was the Plan Change made operative.

Therefore more than 7 years passed between when PC19 was first notified and when it was made operative.

There are number of reasons for the long period of time that PC19 took to proceed to an operative status. However one key reason is undoubtedly the length of time the Plan change took to work through Environment Court proceedings. QLDC understands that such timeframes are not rare across New Zealand.

### The South Australian Model

The Productivity Commission is interested in international comparisons. In terms of Plan Changes, it is useful to look at the South Australian system. Matthew Paetz, current District Plan Manager at QLDC, worked as a Team Leader in Development Policy in Adelaide from 2011-2014, working on several major plan changes.

Firstly, the different governance structure between Australia and New Zealand should be noted. Unlike New Zealand, Australia has a State tier of government.

A major difference exists between the New Zealand and South Australia planning systems in terms of plan change process. Critically, in South Australia, there is no appeal process for applications to rezone land.

Potentially there is more front-end process in South Australia. Proposals must be ratified by the State Government before being notified. It is not unusual for 6-9 months to pass between the proposal first being submitted by a council to the State Government and it being approved for notification. However this front end process does tend to shorten the decision end of the process, as major issues are addressed at the outset.

Following notification, there is one round of submissions (no further submissions). Submitters present evidence at a Council hearing. The evidence is typically limited to 10 minutes per submitter.

The Council then makes a recommended decision, and this is submitted to the Minister of Planning at the State Government. The period for final decision making varies, but is typically between 2 to 4 months. If approved, the proposal is then gazetted and made operative. There is no equivalent of Environment Court appeal (although Judicial Review can occur).

In South Australia, even the most complex and controversial proposals will typically take no more than 2 years from when they are first submitted to the Minister of Planning for approval to notify, to when they are made operative. Although there is no Environment Court appeal, a level of independent scrutiny and review is provided on the Council recommendation by the Minister of Planning. Like an Environment Court decision it is not rare for significant differences to eventuate between Council's recommendation and the Minister's final decision.

Whilst the governance systems are clearly different, potential may exist for the New Zealand Government's Minister for the Environment (or perhaps a delegate) to fulfil the role that the Minister of Planning plays in the South Australian system.

## **5. Consent Processes**

The Commission is interested in resource consent processes and the extent to which they delay and constrain housing supply.

In QLDC's opinion, the influence of these processes on housing supply is relatively limited, and that it is District Plan regulation and policy, and the time and cost involved in securing plan changes, that is of far greater importance.

QLDC has not missed a statutory timeframe for several years, and uses the RMA provisions for extending timeframes considerably less than almost every other council in the country. Notwithstanding this, QLDC has worked hard at improving the efficiency of its resource consent processing services, and various process and system improvements have been implemented over the course of the last 12 months under a new management regime.

## **6. Reserve Contributions**

Reserve contributions are a significant development cost. In higher value locations in Queenstown, reserve contributions can amount to more than \$8,000 per new dwelling. The developer will inevitably pass these costs on.

Preliminary investigations suggest that existing urban areas in Queenstown are sufficiently served by reserve land, even assuming significant population growth into the future. In addition, realistically, limited land is available for potential purchase for reserve purposes in any extent.

As a result, consideration is being given to potentially removing the requirement for reserve contributions in existing urban areas to incentivise this type of housing supply.

## **7. Conclusion**

Housing supply and housing affordability are complex issues influenced by multiple factors. However QLDC recognises that District Plan regulation and process has a significant influence on these matters.

Indeed, QLDC is already responding in several ways to these issues as outlined in this submission.

QLDC would be happy to assist the Commission further in its investigations.

Yours sincerely



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