



Section 32 Evaluation Report

Medium Density Residential Zone

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Section 32 Evaluation Report: Medium Density Residential Zone

1 Purpose of the report

Section 32 of the *Resource Management Act 1991* (the Act) requires plan change proposals to be examined for their appropriateness in achieving the purpose of the Act, and the policies and methods of those proposals to be examined for their efficiency, effectiveness and risk (MFE, 2014). Accordingly, this report provides an analysis of the key issues, objectives and policy response to be incorporated within the QLDC District Plan Review for the Medium Density Residential Zone; and outlines the decision making process which has been undertaken by Council.

The Medium Density Residential Zone will be positioned within Part 3 (Urban Environment), Chapter 8 of the Proposed District Plan, alongside the provisions of other urban zones within the District. The Zone has the purpose to residential development at increased densities, and supports the provisions of Part 2 (Strategy), namely Strategic Directions (Chapter 3) and Urban Development (Chapter 4).

Section 32(1)(a) of the Act requires that a Section 32 evaluation report must examine the extent to which the proposed District Plan provisions are the most appropriate way to achieve the purpose of the Act (Part 2 - Purpose and principles). Accordingly, this report provides the following:

- An overview of the applicable **Statutory Policy Context**
- Description of the **Non-Statutory Context** (strategies, studies and plans) which inform proposed provisions
- Description of the **Resource Management Issues** which provide the driver for proposed provisions
- A summary of **Initial Consultation** undertaken during the preparation of the Proposed District Plan
- An **Evaluation** against Section 32(1)(a) and Section 32(1)(b) of the Act
- Consideration of **Risk**

2 Statutory Policy Context

2.1 Resource Management Act 1991

The purpose of the Act requires an integrated planning approach and direction, as reflected below:

5 Purpose

(1) The purpose of this Act is to promote the sustainable management of natural and physical resources.

(2) In this Act, sustainable management means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety while—

(a) sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and

(b) safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and

(c) avoiding, remedying, or mitigating any adverse effects of activities on the environment.

The remaining provisions in Part 2 of the Act provide a framework within which objectives are required to achieve the purpose of the Act and provisions are required to achieve the relevant objectives.

The assessment contained within this report considers the proposed provisions in the context of advancing the purpose of the Act to achieve the sustainable management of natural and physical resources. The Queenstown Lakes District is one of the fastest growing areas in New Zealand. Alongside (and related to) this considerable growth, the District has also become one of the least affordable areas in New Zealand, with the second highest median house price in the country, coupled with relatively low median incomes. As a result, home ownership has become unaffordable for the average person. Coupled with this, strong tourism growth has also lead to a decline in rental supply, and a lack of secure tenure options.

Recent estimates predict that the District will continue to experience significant population growth over the coming years. Faced with such growth pressures, it is evident that a strategic and multifaceted approach is essential to manage future growth in a logical and coordinated manner. Overall, appropriate regulatory mechanisms are necessary to address current regulatory burdens to housing development, and increase the supply of housing which *“enables people and communities to provide for their social, economic, and cultural well-being.”*

The Medium Density Residential Zone supports the Strategic Direction and Urban Development framework of the District Plan to achieve a compact urban form, achieved through enabling higher density development in appropriate locations. The zone provides one of the mechanisms for managing urban growth in a way and at a rate which advances section 5(2) of the Act.

Section 31 of the Act outlines the function of a territorial authority in giving effect to the purpose of the Act:

31 Functions of territorial authorities under this Act

(1) Every territorial authority shall have the following functions for the purpose of giving effect to this Act in its district:

(a) the establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the district

Section 31 provides the basis for objectives, policies, and methods within a District Plan, to manage the effects of development in an integrated manner. With regard to the Medium Density Zone, the provisions outlined in this report have been developed in accordance with QLDC’s function under Section 31 to manage the potential adverse effects of urban growth and development.

Consistent with the intent of Section 31, the proposed provisions support the Strategic Directions and Urban Development framework of the Proposed District Plan, and enable an integrated approach to the multiple effects associated with urban development, and integrated mechanisms for addressing these effects through the hierarchy of the District Plan.

Section 31 reinforces the multi-faceted approach to managing urban development, which is based upon the establishment of defined urban limits, integrating land use and infrastructure, and promoting density in strategic locations.

2.2 Local Government Act 2002

Sections 14(c), (g) and (h) of the Local Government Act 2002 are also of relevance in terms of policy development and decision making:

(c) when making a decision, a local authority should take account of—

(i) the diversity of the community, and the community's interests, within its district or region; and

(ii) the interests of future as well as current communities; and

(iii) the likely impact of any decision on the interests referred to in subparagraphs (i) and (ii):

(g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and

(h) in taking a sustainable development approach, a local authority should take into account—

(i) the social, economic, and cultural interests of people and communities; and

(ii) the need to maintain and enhance the quality of the environment; and

(iii) the reasonably foreseeable needs of future generations

As per Part II of the RMA, the provisions emphasise a strong intergenerational approach, considering not only current environments, communities and residents but also those of the future. They demand a future focussed policy approach, balanced with considering current needs and interests. The provisions also emphasise the need to take into account social, economic and cultural matters in addition to environmental ones.

Section 14(g) is of relevance in so far as a planning approach emphasising urban intensification in areas well served by existing infrastructure generally represents a more efficient and effective use of resources than a planning approach providing for more greenfield zoning and development.

2.2 Otago Regional Policy Statement 1998 (RPS, 1998)

Section 75 of the Act requires that a district plan prepared by a territorial authority must “give effect to” any operative Regional Policy Statement. The operative *Otago Regional Policy Statement 1998* (RPS, 1998), administered by the Otago Regional Council, is the relevant regional policy statement to be given effect to within the District Plan.

The operative RPS 1998 contains a number of objectives and policies that are relevant to this review, namely:

Matter	Objectives	Policies
To protect Otago’s outstanding natural features and landscapes from inappropriate subdivision, use and development	5.4.3	5.5.6
Sustainable land use and minimising the effects of development on the land and water	5.4.1	5.5.3 to 5.5.5
Ensuring the sustainable provision of water supply	6.4.1	6.5.5
To promote sustainable management of the built environment and infrastructure, as well as avoiding or mitigating against adverse effects on natural and physical resources.	9.4.1 to 9.4.3	9.5.1 to 9.5.5

The provisions of the Medium Density Residential Zone, and the development outcomes sought by these provisions, serve the intent of the objectives and policies listed above through the promotion of an urban environment which supports choice, affordability, and efficiency in land and infrastructure use. The zone enables increased residential densities in appropriate locations to promote a compact urban form, thus minimising the encroachment of urban activities on the regions outstanding natural features.

2.3 Proposed Otago Regional Policy Statement

Section 74 of the Act requires that a District Plan must “have regard to” any proposed regional policy statement.

It is noted that the ORC is currently in the process of reviewing the RPS 1998. The first stage of the RPS review has already been undertaken and in May 2014 Otago Regional Council (ORC) published and consulted on the RPS ‘*Otago’s future: Issues and Options Document, 2014*’ (www.orc.govt.nz). The issues identified of particular relevance to the development of policies for the Medium Density Residential Zone in particular, included:

- **“Encouraging compact development:** *Poorly planned or scattered development leads to costly and less efficient urban services such as roads and water supply or health and education services, and can increase environmental effects”.*
- **“Having quality and choice:** *The quality of our built environment can affect our quality of life. Poorly planned settlements do not serve the interests of the community in the long term”.*
- **“Managing our infrastructure:** *We depend on reliable energy and water supplies, good quality roading, wastewater services and telecommunications...Development of these structures can be affected by sensitive development such as housing”.*

These issues are of relevance to the development of the Medium Density Residential Zone in that they reflect the symptomatic outcomes which can result from a lack of coordinated urban planning, and point to the need for a compact urban form.

An option suggested by ORC to facilitate a more compact urban form and more efficiently utilise infrastructure could be to “prioritise development in locations where services and infrastructure already exist over those that require new or extended services and infrastructure” and “avoid any development that would impact negatively on the use of essential infrastructure”.

In providing an urban environment which is well planned and provides choice, the discussion document suggested to “*ensure new urban areas provide a range of housing choice, recreation and community facilities*”.

The Proposed RPS was released for formal public notification on the 23 May 2015, and contains the following objectives and policies relevant to the Medium Density Residential Zone:

Matter	Objectives	Policies
Otago’s significant and highly-valued natural resources are identified, and protected or enhanced	2.2	2.2.4
Good quality infrastructure and services meets community needs	3.4	3.4.1
Energy supplies to Otago’s communities are secure and sustainable	3.6	3.6.6
Urban areas are well designed, sustainable and reflect local character	3.7	3.7.1, 3.7.2
Urban growth is well designed and integrates effectively with adjoining urban and rural environments	3.8	3.8.1, 3.8.2, 3.8.3
Sufficient land is managed and protected for economic production	4.3	4.3.1

The proposed Medium Density Residential Zone provisions have regard to the Proposed RPS by more readily facilitating a compact and efficient urban form through urban intensification, enabled through more liberal development controls and supporting policy frameworks. The Medium Density Zone establishes a new zone within the District Plan, which seeks to achieve a coordinated approach to urban development and infrastructure, and supports the issues and direction identified by the Draft RPS. Specifically, the structure and provisions of the Medium Density Residential Zone address the approach of Objective 3.7 (*Urban areas are well designed, sustainable, and reflect urban character*) through the inclusion of objectives, policies and rules which seek to encourage site sensitive and low impact design techniques; and density bonuses for buildings which achieve certification to a Homestar rating of 6 or more.

2.4 Queenstown Lakes District Council Operative District Plan

The operative District Plan ‘Residential Areas’ chapter does not apply a Medium Density Zone ‘proper’, although it does apply a ‘Medium Density Sub-Zone’ to specific areas of the Low Density zone in Queenstown; and another sub-zone of the High Density Residential Zone (Sub zone ‘C’).

The operative provisions of the ‘Low Density Residential - Medium Density Sub-zone’ enable development of two residential units on a lot, provided that no existing residential unit exists on the site, and the lot size is between 625m² and 900m². Whilst this enables some form of medium density development, this zone is limited to Queenstown, comprises a small number of potentially developable sites (ie. less than 60), and only supports the development of two units per site. Therefore, maximum yield efficiency is not supported by these existing provisions, and they do not address modern small housing solutions. This sub-zone is a historic anomaly and as most of the limited development opportunity facilitated by it has been executed, it has limited planning meaning or purpose moving forward.

The operative provisions of the ‘High Density Residential – Subzone C’ allow development up to a density of 1 residential unit per 250m². This zone is generally limited to areas of Queenstown and Wanaka which are in close proximity to town centres. Whilst this zone supports increased density, again this zone is spatially limited, and other supporting provisions, such as site coverage and maximum building footprint are more akin with a medium density development format. As part of the District Plan review, it is proposed for the existing ‘High Density Residential – Subzone C’ to be encompassed into the new Medium Density Residential Zone, with some associated rationalisation of development standards.

The Remarkables Park Special Zone provides for medium and high density housing development however, minimal housing development has occurred and there is a risk (from a supply perspective) of concentrating such a high proportion of potential medium density development potential in Queenstown in one location / ownership.

Similarly, in Wanaka the Three Parks Special Zone provides opportunity for medium density housing development. Whilst this zoning has an important role to play in the housing response in Wanaka, it lacks the same degree of centrality that the Proposed Medium Density Zone provides. In addition, the same issue as

Remarkables Park exists in terms of significant concentration of medium density development opportunity in a small number of ownerships.

Beyond these zones, and the 'Comprehensive Residential Development' provisions in the operative District Plan which have relatively limited application, there is limited opportunity for medium density development in the district – especially in areas where this form of housing is most needed, or could serve the greatest benefit for the efficient use of land and infrastructure. In the past, this lack of provision for a medium density housing solution has resulted in the proliferation of private plan changes, seeking to create Special Zones to enable such development in a market which is increasingly seeking more affordable and low maintenance housing options. This is considered to be a major flaw in the operative District Plan.

Overall, the operative District Plan does not clearly identify areas for medium density housing, and there is a lack of integrated policy and rules to apply to such development. The Medium Density Residential Zone therefore seeks to identify locations within Queenstown, Frankton, Wanaka and Arrowtown that are considered suitable for higher density development, and to support this through more enabling provisions. The zone supports the intentions of Part 2 (Strategy) of the Proposed District Plan, namely Strategic Directions (Chapter 3) and Urban Development (Chapter 4) which seek to achieve a compact urban form.

2.5 QLDC 10 year plan (2015-2025) Consultation Document

The 10 Year Plan (2015-2025) Consultation document highlights the significant growth pressures experienced in the District contributed by both residents and visitors, and identifies anticipated population growth to 2025. The 10 year plan is relevant to the development of policy within the Medium Density Residential Zone, as it provides the mechanism for funding allocation and expenditure, in line with the expectations of the community. In order to ensure that development and infrastructure programmes are effectively integrated there is a need to ensure that there is co-ordination between the LTCCP and District Plan.

The implementation of the Medium Density Zone, in combination with other strategic methods for managing future housing demand, will ensure that the Councils priorities can be better integrated with the District Plan direction.

3 Non statutory context and material sources

To understand the issues and potential changes that need to be undertaken in the District Plan Review a number of studies have been undertaken and others referred to, to give a full analysis of residential issues.

Community Plans

- 'Tomorrows Queenstown' Community Plan (2002)
- Urban Design Strategy (2009)
- 'Wanaka 2020' Community Plan (2002)
- 'Wanaka Structure Plan' (2007)
- Arrowtown Community Plan (2002)

Strategies

- Queenstown and Wanaka Growth Management Options Study (2004),
- A Growth Management Strategy for the Queenstown Lakes District (2007)
- Economic Development Strategy (2015)
- Wakatipu Transportation Strategy (2007)
- Wanaka Transportation and Parking Strategy (2008)
- Queenstown Town Centre Draft Transport Strategy (Consultation Document 2015)
- Queenstown Lakes Housing Accord (2014)

Studies

- Monitoring Report: Residential Arrowtown 2011, Queenstown Lakes District Council, November 2011
- Medium to High Density Housing Study: Stage 1a – Review of Background Data (Insight Economics, 2014)

- Medium to High Density Housing Study: Stage 1b – Dwelling Capacity Model Review (Insight Economics, 2014)
- Brief Analysis of Options for Reducing Speculative Land Banking (Insight Economics, 2014)
- Analysis of Visitor Accommodation projections (Insight Economics, 2015)
- MDR Infrastructure Review, Holmes Consulting Group, 15 May 2015
- Shadow and Recession Planes Study, Virtual Rift 3D Solutions, prepared 12 March 2015.
- Proposed Medium Density Housing Zone, Arrowtown, Review of Proposed Boundaries, Richard Knott Limited, 4th February 2015.

Other relevant sources

- *'Does Density Matter – The role of density in creating walkable neighbourhoods'*, discussion paper by the National Heart Foundation of Australia
- The New Zealand Productivity Commission's Inquiry into the supply of land for housing 2014
- The New Zealand Productivity Commission's Housing Affordability Inquiry, 2012
- Using Land for Housing – Draft Report, New Zealand Productivity Commission, 2015
- *Cities Matter - Evidence-based commentary on urban development (2015)*, Phil McDermott, <http://cities-matter.blogspot.co.nz/>
- *'Wellington City Housing and Residential Growth Study: Final Planning Assessment and Recommendations'*, The Property Group Limited, 2014.
- Shaping our Future: Energy Futures Taskforce Report 2014
- Shaping our Future 'Visitor Industry Task Force' report 2014
- Queenstown Airport Monthly Passenger Statistics (available at www.queenstownairport.co.nz)
- Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development, Motu Economic and Public Policy Research and the University of Auckland, January 2015
- New Zealand Tourism Forecasts 2015-2021, Ministry of Business, Innovation and Employment, May 2015
- Queenstown, Dunedin and Wanaka Market Review and Outlook 2015, Colliers International
- New Zealand Green Building Council, The Value and Affordability of Homestar.
- Draft Unitary Plan, Homestar Cost-scoring Appraisal for Auckland Council, Jasmax & Rawlinsons, 16 September 2013
- Westpac Report Home Truths Special Edition', 14 May 2015
- Analysis of Public Policies that Unintentionally Encourage and Subsidize Sprawl, The New Climate Economy, <http://newclimateeconomy.net/content/release-urban-sprawl-costs-us-economy-more-1-trillion-year>
- Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development, Smart Growth America, 2013.
- Density, the Sustainability Multiplier: Some Myths and Truths with Application to Perth, Australia, Newman, P. 2014

4 Resource Management Issues

4.1 Overview

The key issues of relevance to the Medium Density Residential Zone are:

- **Issue 1** – Growth
- **Issue 2** – Visitor accommodation demands are increasing
- **Issue 3** – Urban Form
- **Issue 4** – Reducing the environmental impacts of urban development
- **Issue 5** - Land supply and housing affordability
- **Issue 6** - Theoretical dwelling capacity and viability of re-development
- **Issue 7** - The impact of restrictive planning controls (such as height, recession plane, density, private open space) can reduce development viability and increase house prices
- **Issue 8** – Urban design and amenity values
- **Issue 9** – Economic diversification

These issues are outlined in further detail below.

Issue 1: Growth

The Queenstown Lakes District is one of the fastest growing areas in New Zealand. The Queenstown Lakes District is unique in that the region supports an estimated resident population of 30,900 people, and around 3 million visitors per year¹. Growth management approaches for the District must therefore consider the needs of both residents and temporary visitors.

Between 1991 and 2002 the resident population doubled across the District, and at this time, it was predicted under a high growth scenario, that the population might reach 29,000 to 30,000 people by 2021². Between 2001 and 2006, the QLDC *Growth Management Strategy (2007)* noted that the Queenstown Lakes District area was the fastest growing area in New Zealand, and experienced population growth of 30% over this period². In 2006, the resident population was 22,956 (www.stats.govt.nz), and predictions were for the resident population of Queenstown/Wakatipu to reach over 32,000 by 2026³.

Now, in 2015, the LTCCP (2015 to 2025) identifies a resident population of 30,700. This highlights firstly, that growth has already surpassed 2004 'high growth' predictions² (of 30,000 people by 2012), and is close to achieving 2006 predictions (of 32,000 by 2026) – some 10 years earlier than predicted. Alongside (and inherently linked to) growth in resident population, the District has also experienced considerable growth in tourism (LTCCP 2015-2025) (Refer further description under Issue 2 below).

Between 2013 and 2015, the Council has commissioned a number of growth studies. Most recently, Insight Economics has undertaken a review of previous studies and predictions, and developed a fresh set of predictions for the Queenstown Lakes District⁴. Insight Economics report indicates that between 2006 and 2013, the District again experienced growth in excess of national averages, with the highest recorded growth in Wanaka of 3.7% per annum (compared to a national average of 0.7%). Following a review of background data, and considering likely scenarios influencing growth, Insight Economics predicted population growth of 3.4% per annum to 2031 (representing a possible increase in population to 55,000 by 2031) and concludes *"...that the district will continue to experience high population growth and...demand for new dwellings will also be strong."*⁴ It also highlights that such levels may be exceeded if the tourism industry continues to grow at a high rate, requiring a greater population base to support the industry.

The report notes high growth in dwelling demand and numbers of one person households and couples without children, in addition to a unique age profile with high proportion of population between the ages of 25 and 44. These patterns suggest a high proportion of population within the 'first home buyers' and renting bracket, and the need for more diverse and flexible accommodation options⁴. It reports a strong growth in detached dwellings, but that home ownership rates are lower than the national average, which could indicate affordability issues / lack of suitable housing as well as a transient population. Predicted levels of growth are estimated to require an additional 6,518 dwellings, or 362 dwellings across the District each year⁵. In Arrowtown, there could be demand for an extra 690 to 870 dwellings over the next twenty years⁶.

Strong growth in tourism, hospitality and associated industries is likely to see growth in the numbers of younger people living and working temporarily in Queenstown, and this will create greater demand for centrally located and relatively affordable⁷ rental townhouses and apartments. This also highlights the need

¹ Shaping Our Futures 'Visitor Industry Task Force' Report 2014)

² QLDC Growth Options Study, 2004

³ QLDC Growth Management Strategy, 2007

⁴ Insight Economics. Medium to High Density Housing Study: Stage 1a – Review of Background Data (2014)

⁵ QLDC Economic Development Strategy, 2015

⁶ Arrowtown Dwelling Supply and Demand, Insight Economics, 2015

⁷ The relativity of affordability is emphasised. New build flats/townhouses are unlikely to be 'affordable' in terms of housing costs viewed in isolation, however if centrally located may represent a relatively affordable buying/renting option when transport and heating costs are factored in.

to plan for increasing infrastructure demands by more efficiently utilising land within proximity to town centres to minimise the need for capital expenditure.

In the past, significant growth rates experienced in the Queenstown Lakes District has resulted in pressure for the supply of greenfield land at the periphery of urban areas, on occasions leading to a sprawling urban form and the ad hoc provision of water, wastewater, and stormwater infrastructure networks. Sprawling infrastructure networks are generally acknowledged to result in greater financial costs (capital and lifecycle) when compared to higher density infill scenarios. Studies from the United States of America have considered the financial costs of urban sprawl, and found that:

“Sprawl increases the distance between homes, businesses, services and jobs, which raises the cost of providing infrastructure and public services by at least 10% and up to 40%. The most sprawled American cities spend an average of \$750 on infrastructure per person each year, while the least sprawled cities spend close to \$500”⁸.

Furthermore, a comprehensive study from Smart Growth America in 2013 found that the upfront infrastructure development costs of ‘Smart Growth’ compared to conventional sprawling development reduces upfront infrastructure development costs by 38%⁹. Conversely, a growth management approach based around urban intensification is generally considered significantly more cost efficient than an approach based around sprawl. A number of studies support this notion.

Whilst it is recognised that growth rates experience peaks and troughs in response to changes in market conditions and tourism patterns, it is evident that the District has, and continues to experience significant growth. The District Plan must ensure that the necessary regulatory mechanisms are in place to manage such periods of growth in a coordinated manner, avoiding as far as possible reactive private plan changes in locations less desirable (and potentially more costly over the long term) from transport and infrastructure perspectives.

It has been suggested by some members of the community that rather than plan for future growth, that the Council should attempt to limit growth. Such requests do not fully consider the multiple factors which influence growth (such as capacity and expansion of the airport, domestic tourism markets, immigration policies etc) or the potential adverse economic and social effects of attempting to stop growth (such as increased overcrowding where housing supply cannot meet demand, and the effects of economic decline). A report by Peter Newman (2014)¹⁰ highlights the economic decline experienced in US and UK cities where planning policy did not adapt to the changing global economy; and the general failure of policy intervention to transfer population away from the areas generating employment demand. It is not the role of the RMA to limit growth, but rather to manage its form and location to promote the sustainable management of natural and physical resources. Therefore, the formulation of the Medium Density Residential Zone and the associated objectives and policies has been developed following consideration of the significant growth pressures currently faced within the District and the potential risks associated with uncontrolled or piecemeal urban growth into the future.

Methods to address the issue:

- *Provision of the ‘Medium Density Zone’ in strategic locations to enable increased density of housing to cater for predicted levels of growth and support compact development objectives*

⁸ Analysis of Public Policies that Unintentionally Encourage and Subsidize Sprawl, The New Climate Economy, <http://newclimateeconomy.net/content/release-urban-sprawl-costs-us-economy-more-1-trillion-year>

⁹ Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development, Smart Growth America, 2013.

¹⁰ Density, the Sustainability Multiplier: Some Myths and Truths with Application to Perth, Australia, Newman, P. 2014

- Objectives and policies recognise that the zone will recognise change to an increasingly intensified residential character.
- Liberalise rules to enable better realisation of intensification objectives and policies
- Policies requiring the efficient utilisation of existing infrastructure networks
- Permitted activity status for certain low risk residential and visitor accommodation activities
- Non-notification of Restricted Discretionary activities for 4 or more residential units (2 or more residential units in Arrowtown) where the development is able to achieve certification to a minimum 6-star level using the New Zealand Green Building Council Homestar Tool

Issue 2: Visitor accommodation demands are increasing

Tourism growth supported by the Districts natural amenities will continue to play a dominant part in the local economy, and will have a direct effect on the associated resident population growth and amenities enjoyed by the local community⁵. A recent market report prepared by Colliers acknowledges that:

“Increasing visitor numbers continue to be one of the biggest forces behind the demand for residential and commercial property in Queenstown. The ongoing tourism boom is creating significant positive sentiment about the region’s economy, stimulating development, construction and investment activity”¹¹

The tourism industry has experienced strong growth over recent years, with commercial accommodation nights and length of stay consistently exceeding national averages. The latest national tourism forecasts prepared by the Ministry of Economic Development predict growth in total visitor numbers of 4 per cent a year reaching 3.8 million visitors in 2021 from 2.9 million in 2014¹². There is currently a lack of tourism information available to translate these forecasts to sub-national projections. However, the recent growth in visitor numbers is evident by Queenstown Airport arrivals information which identifies an increase in annual passenger numbers by 10.4% over the period from March 2014 to March 2015¹³).

Locally, the QLDC LTCCP (2015-2025) indicates a peak population (inclusive of tourism) in 2015 of 96,500, which is predicted to increase by almost 20% to 115,500 people by 2025. A recent study undertaken by Insight Economics¹⁴ predicts that total guest nights will continue to exceed the national average, increasing from a current value of 3.6 million per annum, to 6.9 million per annum in 2031 (based on a medium growth scenario) (Insight Economics, 2015). A number of proposed major projects, such as the airport expansion to cater for night flights and potential convention centres, if realised, will have a direct influence on the level of tourism growth, and in fact may exceed medium growth scenarios.

The District depends heavily on tourism growth and solutions to achieve increased capacity are necessary to cater for anticipated levels of growth. Planning controls are necessary to cater for changing visitor mix and the desire for alternative (and potentially lower cost) forms of accommodation (such as Air BnB). For example, the proportion of domestic tourists is predicted to decrease, alongside associated increased in Chinese tourists (from a current share of 3 percent, to 11 percent); and Australian tourists (from a current share of 23 percent, to 31 percent)¹.

In terms of accommodation demands, a report by Insight Economics¹⁴ predicts, a proportionately higher demand for hotels over the next 20 years, and increasing desire for ‘peer to peer’ (eg. Book-a-Bach, Air BnB) accommodation forms, with both anticipated to more than double current rates. Insight Economics predicts the need for an additional 7000 additional rooms in Queenstown / Wakatipu Basin alone, within Hotels,

¹¹ Queenstown, Dunedin and Wanaka Market Review and Outlook 2015, Colliers International

¹² New Zealand Tourism Forecasts 2015-2021, Ministry of Business, Innovation and Employment, May 2015

¹³ QAC Passenger Statistics, March 2015

¹⁴ Analysis of Visitor Accommodation projections, Insight Economics, 2015

Motels, Backpackers and Holiday Parks (combined); and an additional 1,139,270 peer to peer guest nights by 2035¹⁴.

It is recognised that there is a degree of existing capacity available in the District to cater for visitor accommodation. However, realisation of available capacity is limited by speculative market behaviour (Refer Issue 6 below), and may not address the changing visitor mix and increasing desire for peer to peer accommodation forms. On this issue, Colliers Queenstown predicts over the next 12 months “a shortage of tourist accommodation in Queenstown, with the town at capacity over peak periods” and “a shortage of tourist accommodation, resulting in increasing room rates”¹¹. Increasing tourist accommodation demand also has an impact on removing the supply of long term residential rental housing, and Colliers predicts “acute shortage of long term residential rental accommodation in Queenstown to continue, flowing through to rent increases”¹¹. Without an appropriate District Plan response, this could generate significant social, economic and environmental impacts (the latter possible if there is not a sufficient “infill” response and more housing is directed to the countryside or more reliance made on commuting from centres such as Cromwell).

The occurrence of overcrowding of residential properties is a recognised issue for the District, especially in Queenstown. A number of cases have been highlighted by Council’s Enforcement department, and from the Southern District Health Board. This is likely to be at least partly explained by high rental housing costs, poor availability of rental property, and poor tenure security- all of which tie back to insufficient housing and accommodation supply. The Southern District Health Board have expressed significant concerns in terms of the public health implications of this overcrowding. In particular, such overcrowding fosters greater ease of transmission of infectious disease. Not only is this considered intrinsically problematic in terms of health and wellbeing, it can also impact on productivity.

During consultation, some members of the community suggested that the Council should consider planning approaches for visitor accommodation undertaken in resort towns of Whistler and Banff (Canada) which are subject to similar pressures (ie. highly popular resort towns with small permanent populations and high housing costs). It is noted that a strong approach to the housing issue in both Banff and Whistler has been to significantly increase the areas of land zoned for medium density development. Despite their cold climates, both of these towns have established permissive planning regimes to enable infill housing for the purpose of visitor accommodation. It should be noted however that the statutory context of these areas is different, and some approaches may be difficult to replicate in Queenstown. For example, the cost of construction is typically lower in these areas, and additionally there are differences in the local economy which warrant different approaches.

In the face of growing tourism growth, and changing accommodation demands, it is evident that the District Plan should incorporate suitable policy to enable a range of visitor accommodation types in appropriate locations, and to balance the needs of visitor accommodation versus permanent rental supply. With regard to the experience of Whistler and Banff, the approach of the Proposed District Plan is consistent with the enabling planning framework applied in these areas, however the Proposed District Plan must also address the needs of an increasing resident population and economic diversification.

The proposed approach for addressing visitor accommodation demands via the Proposed District Plan is generally based on the assumptions that the Queenstown Town Centre, Wanaka Town Centre and High Density Residential Zones are anticipated to continue to meet demand for high density hotels, motels and backpackers due to the proximity of these zones to public transport, services, entertainment and amenities. Residential zones (and to an extent rural areas), will meet demand for lower intensity forms of peer to peer visitor accommodation (such as B&B’s, homestays, and the commercial letting of a residential unit or flat) to cater for (for example) domestic travellers, longer stays and family friendly accommodation. The medium density zone is therefore anticipated to cater for a portion of demand for lower intensity forms of visitor accommodation (with the possible exception of the Wanaka Transition Overlay which may be suitable for higher density visitor accommodation due to its proximity to the town centre). The structure of the provisions

for residential zones (such as levels of assessment) will also ensure that an appropriate balance is provided between the supply of permanent residential housing and short term accommodation.

It is however recognised that visitor accommodation can have negative effects in residential environments and, therefore, controls are necessary to avoid potential adverse amenity effects associated with visitor accommodation in residential environments, such as noise, parking and overcrowding. Furthermore, the occupation of residential units for visitor accommodation can also impact on the available supply of permanent rental accommodation and suitable regulation is necessary to balance these objectives.

Methods to address the issue:

- *Low Intensity forms of visitor accommodation (eg. the commercial renting of a residential unit or dwelling, homestays, lodges) provided for within the Zone as a Permitted Activity (less than 28 days) or a Controlled Activity (between 28 and 180 days)*
- *More intensive forms of visitor accommodation (such as Motels or Hotels) are discouraged by Non Complying status.*
- *Objectives, Policies and Rules provide for consideration of amenity effects of visitor accommodation on residential areas*
- *Purpose statement & objectives allow consideration to potential effects of visitor accommodation on reducing permanent rental supply*
- *'Residential Flats' will be enabled for use as visitor accommodation, however only one dwelling, residential unit or flat will be permitted as visitor accommodation per site – to protect amenity and retain accommodation as permanent rental supply.*

Issue 3: Urban form

Significant growth rates experienced in the Queenstown Lakes District results in ongoing pressure for the supply of greenfield land at the periphery of urban areas, leading to fragmented and disconnected settlements, and growing concern by the community at the lack of coordinated growth management.

The need for a compact and higher density urban form as a mechanism to manage growth, and achieve a more efficient and sustainable use of land has been articulated by the community for decades, beginning with the development of small community plans ('Wanaka 2020', Arrowtown Community Plan, 'Tomorrows Queenstown'). Each of these documents identifies the community's desire to contain urban growth within defined boundaries, and support increased density in appropriate locations to protect rural, heritage and natural amenity values.

Accordingly, in 2007, the Council commenced the development of the Growth Management Strategy (2007) (a non-statutory document) to guide community planning for future growth and development of the district. The strategy highlighted the need for consolidating development in higher density areas to support new growth; infrastructure to support high quality development in the right places; and good design to improve the quality of the environment.

The Growth Management Strategy resulted in the conclusion that growth should be located in the right places, with "*all settlements to be compact with distinct urban edges and defined urban growth boundaries*". To support a compact urban form, it was recognised that higher density residential areas should be realised close to main centres. Importantly, it also acknowledged that a compact urban form requires not only containment, but a managed approach to the mix and location of urban land uses enabled within defined boundaries.

Further streams of statutory and non-statutory forums involving community input have reinforced a compact urban form strategy:

<i>Wanaka Structure</i>	The original Wanaka Structure Plan, prepared in 2004, was subject to a
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<i>Plan Review (2007)</i>	comprehensive review in 2007. The Structure Plan was widely circulated for community input in August / September 2007. Three growth management responses were proposed in the Plan. Option 1 was to retain current development patterns, with a mix of infill and new greenfield growth. Option 2 was to accommodate all required development within existing zones. Option 3 (the preferred option) was a mixed approach, involving consolidation of development within defined urban limits, and encouraging medium density developments near retail nodes and centres.
<i>Plan Change 30 – Urban Boundary Framework</i>	Plan change 30 was notified in 2009 and made operative in 2012. It introduced the concept of urban growth boundaries as a strategic growth management tool into the District Plan. The Plan change sought that the majority of urban growth be concentrated in the urban areas of Queenstown and Wanaka, and it enabled the use of Urban Growth Boundaries ‘to establish distinct and defensible urban edges’. Plan Change 30 was made operative in November 2010, introduced a new objective into the District Wide Issues of the District Plan (Objective 7 Sustainable Management of Development) and supporting policies which enabled the use of Urban Growth Boundaries.
<i>Plan Change 20 (Wanaka Urban Boundary) and Plan Change 21 (Wakatipu Urban Growth Boundary)</i>	These Council led plan changes were notified alongside Plan Change 30 in 2009, and sought to implement Plan Change 30 (and the outcomes of community plans) by establishing urban growth boundaries for Queenstown and Wanaka. Consultation and analysis on these proposed Plan Changes relating to urban growth boundaries for Queenstown and Wanaka occurred in 2007. These plan changes were subsequently abandoned, with a view to progressing these in the District Plan Review.
<i>Plan Change 29 – Arrowtown Urban Growth Boundary</i>	Plan Change 29 was notified in 2009 and made operative in 2015. The plan change establishes an urban growth boundary for Arrowtown.

It is evident that the issue of urban containment and density has been seen as the appropriate tool to manage growth pressures experienced at the three main centres of Queenstown, Arrowtown and Wanaka; and to protect the character for which each of these areas is recognised. It is however acknowledged that urban containment within defined boundaries has the potential to result in adverse effects to housing affordability, if not combined with a suitably enabling framework that enables increased density within these boundaries. The New Zealand Productivity Commission notes that:

Whatever the case for their existence, considerable evidence shows that binding urban growth boundaries have major effects on new housing supply across cities and on housing prices (Malpezzi, et al, referenced in ‘Using Land for Housing’¹⁵).

Urban growth boundaries are proposed to be established via Chapter 4 (Urban Development) of the Proposed District Plan. To mitigate potential adverse effects on property values, it is necessary that areas within urban growth boundaries have sufficient opportunity for redevelopment via both greenfield and infill development. Therefore, enabling increased density within urban areas is essential to the successful functioning of a compact urban form; and forms part of the strategic housing approach sought by the Proposed District Plan. To achieve this, the District Plan must also liberalise current regulation which unnecessarily hinders increased density development.

¹⁵ Using Land for Housing – Draft Report, New Zealand Productivity Commission, 2015.

Whilst the District contains land that is zoned for higher density housing development, the majority of this land is located within Town Centres and utilised for visitor accommodation, and additionally, much of the development potential of this land has been realised. The lack of a medium density zone, and restrictive nature of the operative district plan's regulation has been noted to restrict increased density occurring within existing residential areas.

Accordingly, in July 2014, Queenstown Lakes District Full Council accepted the Strategic Directions chapter (Chapter 3) of the District Plan Review. The Strategic Directions identifies the key strategic goals and objectives the District Plan as a whole, and sets the framework for achieving a compact urban form. Of particular relevance within the Strategic Direction is 'Urban Form' and *Goal 3.2.2: The strategic and integrated management of urban growth*, along with *Policy 3.2.6.2.2 Enable high density housing adjacent or close to the larger commercial centres in the District*. Complementing and reinforcing this objective, the Urban Development framework (Chapter 4) has been developed to identify clear principles for the location and form of future growth, including establishing Urban Growth Boundaries for Queenstown, Wanaka and Arrowtown and enabling increased density within these.

The current District Plan review establishes an integrated growth management framework, which is replicated throughout the District Plan, beginning from the Strategic Direction and Urban Development Chapter at the top hierarchy of the Proposed District Plan, through to the provisions of individual zones. Enabling higher density in appropriate locations is central to the achievement of an efficient urban form, and the viability of strategic objectives and policies for managing growth. In particular, the provisions of the Medium Density Residential Zone have been formulated to support increased density and to provide greater scope for housing development to occur without the need for resource consent. All things being equal, more density and hence population adjacent to strategic public transport nodes and corridors should also help support the viability of public transport.

This approach ties in with the emerging Proposed RPS which promotes a compact urban form, avoiding sporadic or ad hoc developments that may detract from rural amenity and landscape values. The Proposed RPS supports new housing in and around existing settlements that are already well serviced by transport links and amenities.

Methods to address the issue:

- *Provision of the 'Medium Density Zone' in strategic locations to enable increased density of housing to cater for predicted levels of growth and support compact development objectives*
- *Objectives and policies recognise that the zone will recognise change to an increasingly intensified residential character.*
- *Objectives to support increased density of development close to town centres, local shopping zones, activity centres and public transport hubs.*
- *Liberalise rules to enable better realisation of intensification objectives and policies*

Issue 4: Reducing the environmental impacts of urban development

The environment is revered nationally and internationally and is considered by residents as the District's single biggest asset⁵. The natural environment underpins recreational and tourism industries and is a significant contributing factor to economic and population growth within the District.

Continued growth in population and visitor numbers increases demand for land at ever increasing distances from town centres. A sprawling urban form places increased pressure on the Districts highly valued landscapes and features, and exacerbates the environmental effects associated with population growth. Conversely, a compact urban form that reduces reliance on the private vehicle and maximises use of public transport, walking and cycling; and comprises well insulated and energy efficient housing forms helps to reduce energy demand, and minimise impacts to air quality. Higher density infill development can also help

to minimise demands for new housing in peri-urban locations which may be located on or close to significant natural environments.

The Shaping Our Futures Energy Forum Report also notes that “*The district’s demand for electrical and fossil-fueled energy continues to rise along with the increase in its population and lifestyle expectations*”¹⁶ and points to the need for a more efficient urban form to improve the sustainability of housing supply and reduce the Districts carbon footprint. Supporting this finding, a study of several global cities has found strong evidence that per capita private passenger transport is directly correlated with urban density, whereby cities with the highest urban density also have lower levels of energy use associated with private passenger transport¹⁷.

The District contains a large stock of poorly insulated and inefficient housing forms which have significant water and energy usage demands; impacting on the availability and capacity of natural resources and affecting the health and comfort of residents. In accordance with Councils functions in enabling people and communities to provide for their health and safety (Part 5 of the RMA) there is the opportunity through the District Plan review to better encourage sustainable housing forms, and include this as a matter to be considered in the assessment of consent applications.

It is acknowledged that requirements for sustainable building design in excess of the requirements of the Building Act, if imposed by mandatory rules, can add construction costs to housing development¹. The New Zealand Green Building Council notes that this is a common misconception, however, there is evidence that sustainable building design results in only minor additional capital costs on development, but can also have considerable economic benefits to the developer (through improved marketability) and the perspective purchaser (through reducing energy and water costs and increasing potential re-sale values)^{18, 19}. Specifically, an independent study notes that the achievement of a Homestar rating of 6 for a typical 3 bedroom house adds \$6,500 to construction costs¹⁹, but that this cost is recovered via savings of approximately \$729 per year in energy, water use and wastewater efficiencies²⁰. It is noted that this study was undertaken in the Auckland context, where the jump from a Building Code compliant dwelling to a Homestar 6 rated dwelling is higher than in Queenstown (where, for example, the Building Code already requires double glazing). The Green Building Council have advised that in Queenstown the extra cost per dwelling is likely to be in the order of \$4000 (personal conversation M Paetz / V McGrath 19/06/15), and savings per annum are likely to be closer to \$1000. This analysis also does not account for likely increases to resale values.

In working towards a more sustainable and energy efficient housing stock, the provisions of the Medium Density Residential Zone seek to encourage design in accordance with a Homestar rating of 6 or more. To mitigate the potential effects of mandatory regulation of Homestar, density and non-notification incentives are proposed where a design can achieve a Homestar rating of 6 or more. The use of incentives to achieve better planning outcomes has been considered by the Council and the community for some time, and is consistent with the outcomes of the *Growth Management Strategy for the Queenstown Lakes District* (2007).

Methods to address the issue:

¹⁶ Shaping our Future: Energy Futures Taskforce Report 2014

¹⁷ ‘Density, the Sustainability Multiplier: Some Myths and Truths with Application to Perth, Australia’, Peter Newman, 2014

¹⁸ New Zealand Green Building Council, The Value and Affordability of Homestar, www.nzgbc.org.nz/

¹⁹ Draft Unitary Plan, Homestar Cost-scoring Appraisal for Auckland Council, Jasmax & Rawlinsons, 16 September 2013

²⁰ Homestar Case Study Cost Benefit Analysis, eCubud Building Workshop Ltd, March 2013

- *Provision of the Medium Density Zone in strategic locations close to town centres, local shopping zones, activity centres and public transport (current or future) hubs to minimise reliance on private vehicle.*
- *Objectives and policies to encourage building design in excess of minimum regulatory requirements and achievement of a Homestar rating of 6 or more.*
- *Density 'bonus' and non-notification provisions to encourage achievement of a Homestar rating of 6 or more.*
- *Objectives and Policies encourage design which supports walking and cycling and connections to active transport networks.*

Issue 5: Land supply and housing affordability

Home ownership is unaffordable in the Queenstown Lakes District, with the second highest median house price in the country, coupled with relatively low median incomes. This makes mortgages 101.8% of the median take-home pay of an individual.

The district has some unique characteristics to its housing challenge, which have flow on effects to housing supply and affordability. Firstly, the district has a high number of homes owned for holiday purposes, and there is high housing demand from people who work in the tourism and hospitality industries. Increasing tourist accommodation demand has an impact on removing the supply of long term residential rental housing from the market, and Colliers predicts "*acute shortage of long term residential rental accommodation in Queenstown to continue, flowing through to rent increases*"¹¹.

The District is also one of the fastest growing regions, with population growth since 2006 exceeding the national average⁴. Recent population and tourism forecasts predict that the district will continue to experience high growth over the next 20 years^{4, 11, 14}. Demand for both long term and short term accommodation options to support this growth will continue to be strong.

Topography and the natural amenities enjoyed within the District, combined with policies which aim to protect such features, also compound affordability issues via restrictions on the availability of land suitable for housing. For example, Saiz (2010¹⁵) found that US cities that were naturally geographically constrained also had the strictest regulatory constraints, and that in such circumstances geographically constrained cities are likely to also have higher land values because property owners have greater incentives to use the political process to push for regulation that protects those values¹⁵.

It is recognised that the supply of land for residential housing or visitor accommodation can be affected by a range of factors that are outside the scope of the District Plan. However, restrictive planning systems increase cost and time in the planning process and can limit the supply of land and housing, leading to associated increases in both rental and house prices^{15, 21}.

Additionally, the supply of land is influenced by the extent of land zoned for urban development; and the potential effects of landbanking²². Landbanking limits the developable land being brought to market, and therefore restricts the available land supply. Whilst external to the District Plan, this speculative (but rationale and understandable) behaviour is often incentivised by restrictive and burdensome planning regulation and process which add complexity to development and contribute to higher land value inflation.

²¹ Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development, Motu Economic and Public Policy Research and the University of Auckland, January 2015

²² Brief Analysis of Options for Reducing Speculative Land Banking (Insight Economics, 2014)

The impact of overly restrictive planning regulation is firmly in the sights of Central Government, and in November 2012 the New Zealand Productivity Commission launched an inquiry into the supply of land for housing. The findings of the Commission highlight the need for the planning system to allocate sufficient land supply for urban development, and that this zoning should be supported by a policy framework which provides for a mix of urban forms.

In their 2012 report²³, the Commission stated:

“A more balanced approach to urban planning is required in the interests of housing affordability. Land for housing can come from the development of brownfields sites, by infill development in existing suburbs, and by making suitable greenfields sites available, ideally in a complementary manner and in a way that provides for substantial short-, medium- and long term capacity.”

The report discusses that a failure to match housing supply with demand can lead to an affordability crisis, and that mechanisms to address affordability are multi-faceted, but require increased land supply through rezoning and facilitating increased density within existing suburbs. In their more recent report, the Commission reinforces the consistent finding that restrictions on the availability of land are inflating land values, and that in order to be effective, methods of increasing land supply must be matched to the places where people want to live:

A number of factors affect the supply of housing, but one of the most important is the availability of land, both brownfields and greenfields. Land values have grown more quickly than total property values over the last 20 years, indicating that appreciating land values have been a key driver of house price inflation in New Zealand. This suggests a shortage of residential land in places where people want to live¹⁵.

Another relevant study considering global housing affordability issues concludes that “unlocking land supply at the right location is the most critical step in providing affordable housing” (McKinsey Global Institute, 2014¹⁵). Furthermore, increasing the supply of land for higher density living increases housing choice and can result in economies of scale which reduce construction costs:

Unlocking land allows economies of scale in land assembly, land development and housing construction. Larger building firms are able to generate scale efficiency from building large numbers of houses on contiguous sites and by purchasing at a greater scale, particularly building materials¹⁵.

A recent article by Dr Phill McDermott²⁴ also highlights the need for multiple approaches to address land supply and housing affordability:

“Resolving the supply and affordability housing crisis presumably requires action on all those fronts, and in a wide range of localities..... If nothing else, an approach to managing the release of additional land supply that identifies and works through multiple sites and agencies, that helps to free up and fund the infrastructure sector, and boosts the development and construction sectors would moderate any such impact²⁴.

It is recognised that there are a number of approved, planned and/or future projects planned within the District which provide potential housing capacity (such as Jacks Point, Frankton Flats, and Remarkables Park). However, the realisation of this capacity is at the control of a limited number of developers who can restrict the timing and quantity of land brought to market; and the uptake of this land by purchasers is affected by a number of economic factors (such as land price and design criteria).

²³ The New Zealand Productivity Commission’s Housing Affordability Inquiry, 2012

²⁴ Cities Matter, 2015, available online at <http://cities-matter.blogspot.co.nz/>

Insight Economics²² in a report recently prepared for the QLDC, identified a number of planning and non-planning options the Council could consider to help reduce speculative land banking and thereby help to address factors which are restricting housing supply. One such mechanism includes increasing the supply of suitably zoned land which supports re-development and increases market competition. The Productivity Commission (2015, page 257) has recently reinforced this view, stating:

The best way to tackle land banking is to increase the amount of land available for development and the amount of development that can take place on land through more permissive land use regulation.

To limit holding incentives on land, another method identified by staff and in some feedback provided to Council as part of engagement on proposed Special Housing Areas was to apply 'sunset clauses' to zoning, so there is greater incentive for landowners to develop their land, and less incentive to landbank. It is considered problematic to apply this approach to existing zones because of existing development rights and expectations, however it is proposed to apply such a provision to the density bonus provisions applying to Homestar 6 rated dwellings in the Medium Density zone, being a proposed upzoning. The use of incentives to promote development has been considered by the Council and the community for some time and is consistent with actions 2c/2d and 5h of the *Growth Management Strategy for the Queenstown Lakes District (2007)*.

In addition to planning regulation, evidence suggests that taxation approaches can be effective in addressing landbanking, preferably in combination with planning approaches. This has been advocated by Insight Economics and the OECD, and a recent editorial from *The Economist* ('Space and the City', 4 April 2015) promoted such a policy response. The use of economic tools can further support the incentive based approach of the Proposed District Plan, and a number of methods were previously identified within the *Growth Management Strategy for the Queenstown Lakes District (2007)*. Council has begun to assess different options in terms of applying different (higher) rates to undeveloped or undercapitalised land.

In recognition of the ongoing and increasing housing affordability issues affecting the District, the Queenstown Lakes District was added to 'The Housing Accords and Special Areas Act 2013' legislation, and a Housing Accord was approved by the Mayor and the Minister of Housing in October 2014. The Accord is intended to increase housing supply by facilitating development through more enabling and streamlined policy. The Housing Accord is a short term initiative, however the District Plan review needs to address the issue over the mid to long term through appropriate policy which does not unnecessarily restrict housing supply. Furthermore, as provided by Section 14(c) of the Local Government Act 2002, the Council must consider the needs of both current future generations over a longer term planning period.

Therefore, to provide for more affordable housing, limit the detrimental economic effects of landbanking and improve market elasticity, it is proposed to increase the supply of land for higher density housing through the creation of the current Medium Density Residential Zone. Medium density housing development of two storeys in scale can more effectively deliver on housing affordability needs as opposed to high density housing. This is due to the fact that relatively high densities can be achieved with a two storey building scale (provided non-height rules are sufficiently enabling), but at the same time construction costs can be kept at a level significantly lower than for high density development of 3 or more levels where structural construction costs are significantly higher.

The benefits of higher density in addressing housing affordability include:

- Economies of scale which minimise construction costs
- Increasing the spatial scale and diversity of housing supply

- Providing options for smaller houses and smaller lots (such as town houses and semi-detached) to reduce property prices
- Providing options for older people who wish to downsize
- Increasing supply in locations where people want to live, near employment centres with transport costs minimised
- Reduced heating costs associated with new build multi-unit development
- Dis-incentivising landbanking behaviour

The Medium Density Residential Zone establishes opportunities for higher density living which are limited under the operative regime, and will provide an important component of the total housing approach sought by the Proposed District Plan. The zone will be supported by enabling policy which avoids unnecessary complications for low risk housing activities. Importantly, the zone has been located in areas established urban areas, close to amenities, public transport routes, and in areas that people want to live.

Whilst it is acknowledged that some development in the zone may comprise higher end living, the regulatory framework needs to be enabling to help provide the opportunity for more affordable residential supply to be brought to market. Therefore it is critical that restrictive regulation that hinders such delivery is avoided, especially if it does not offer significant environmental gain (Refer Issue 7 below).

Methods to address the issue

- *Establish the Medium Density Zone to increase the supply of land for higher density housing*
- *Apply a sunset clause on the density bonus provisions in the Medium Density zone to incentivise development and discourage landbanking*
- *Liberalise District Plan bulk and location rules*
- *Simplify and streamline provisions*
- *Consider different rating approaches to undeveloped or undercapitalised land (outside District Plan process)*

Issue 6: Theoretical dwelling capacity and viability of re-development

It is recognised that there remains some land in the District which has the appropriate zoning to be developed for medium to high density residential housing or visitor accommodation, including a number of large properties within convenient access to the Queenstown Town Centre suitable for high density hotel or apartment development. There are also a number of approved housing developments which have either not yet started, or have not been fully implemented (such as Frankton Flats, Jacks Point and Remarkables Park). However, a number of economic and site characteristics influence the development feasibility of land, and the timing of the release of land is currently heavily controlled by a small number of developers. The uptake of this land by prospective buyers is also affected by choices around the financial impact of site specific design criteria and infrastructure costs (such is the case for Jacks Point).

To analyse the theoretical capacity of undeveloped land within the District, the QLDC maintains a dwelling capacity model. The model provides an indication of the available residential land within the District, and the potential yield which may be gained from that land. However, theoretical existing capacity is not necessarily 'development ready', and is held by a very small number of landowners with significant control over the market.

Insight Economics²⁵ has recently undertaken a review of the existing dwelling capacity model to assess whether the logic was sound, and whether the inputs and assumptions were reasonable in representing a realistic available capacity. Prior to the review, the Council model assumed that 100% of high density zoned land would be brought forward for development, with 72% to 100% for the existing Medium Density Subzone (referred to as 'feasibility factors'). However, Insight Economics review of this model proposed new feasibility factors which show only 51% of high density zoned land is likely to be realised for new residential

²⁵ Stage 1b – Dwelling Capacity Model Review'

development over the next 20 years, and 69% to 72% for the Medium Density sub-zone²⁵. These revised factors are a significant reduction in the previously estimated capacity. This is clearly a significant issue for the Council when reviewing the District Plan. However, questions still remain as to whether this revised capacity remains overstated, based on the findings of the Productivity Commission's Inquiry and examples cited from Australia. An example from New South Wales identifies a scenario in which the theoretical capacity for medium density housing was initially estimated as 145,000 dwellings, however, the realistic and feasible capacity (accounting for a range of development costs and revenues) was only 8% of this (12,200 dwellings)¹⁵.

The investigation by Insight Economics²³ also noted that land supply within the Wakatipu Basin is held very tightly by a very small number of landowners, who may have little shorter term incentives to rapidly develop their landholdings (and indeed in the face of limited alternative supply there may be significant economic benefit in 'land banking'). The evidence of the past 5-7 years shows that very little new housing supply has been realised in some of these locations; and land is often advertised for its landbanking potential.

It is evident that existing residential capacity is not sufficient in itself to realise the necessary development yield to cater for anticipated levels of growth (Refer Issue 1). These results point towards the need to increase the supply of land for housing, and minimise the negative externalities of landbanking. The ability to increase greenfield land supply within the district is limited by objectives to protect the Districts natural landscapes. In the absence of large areas of greenfield land, provision for increased density through zoning and development controls is necessary to achieve additional dwelling capacity.

Appropriately 'upzoning' wider tracts of residential land comprising many smaller individual land titles held in a multitude of ownerships offers the potential for a more elastic housing supply response, promoting competition in the market and incentivising the opportunity for smaller land owners redevelop their property. Increased supply of viable land will also have some effect on reducing incentives for land banking. To further limit holding incentives on land, another method identified by staff and in some feedback provided to Council as part of engagement on proposed Special Housing Areas was to apply 'sunset clauses' to zoning, so there is greater incentive for landowners to develop their land, and less incentive to landbank. It is considered problematic to apply this approach to existing zones because of existing development rights and expectations, however it is proposed to apply such a provision to the density bonus provisions applying to Homestar 6 rated dwellings in the Medium Density zone, being a proposed upzoning. The sunset clause and incentives for energy efficient design are consistent with actions 2c/2d and 5h of the *Growth Management Strategy for the Queenstown Lakes District (2007)*.

Whilst additional land supply is one component of the picture, it is recognised that the majority of land within the identified medium density residential zones is improved land, containing existing dwellings. Some of this land may not be suitable for development due to a number of factors, including the value of the existing dwelling relative to the land and the extent of existing development footprint. Such factors have been taken into account when determining the necessary scale and location of the medium density zone to realise an appropriate development yield.

Economic analysis points to the need for increased density offered by the medium density zone. However it is noted that the zone is not intended to cater for the entire extent of population/housing growth, and will be supported by the wider planning framework and development entitlements of other residential zones.

Methods to address the issue

- *Increasing land supply and density through the Medium Density Zone*
- *Apply a sunset clause on the density bonus provisions in the Medium Density zone to incentivise development and discourage landbanking*

Issue 7: The impact of restrictive planning controls (such as height, recession plane, density, private open space and balconies) can reduce development viability and increase house prices

The New Zealand Productivity Commission's inquiries have identified the negative impact that planning rules can have on the realisation of housing supply:

*"Land use regulations in District Plans affect the supply and price of development capacity, by limiting the use of particular pieces of land and adding steps to development processes"*¹⁵.

*"Councils should ensure that their planning policies, such as height controls, boundary setbacks and minimum lot sizes, are not frustrating more efficient land use. Such policies put a handbrake on greater density and therefore housing supply."*²³

The height and recession plane controls of the Residential zones in the Operative District Plan are overly restrictive, and in many situations make complying development to even 2 storeys difficult to achieve, especially on flatter land. Other existing rules such as minimum private outdoor living space for apartments (resulting in the need for balconies) also reduces the achievable development capacity due to financial or spatial constraints. These factors can make development uneconomical, or, create unnecessarily delays whereby developers require resource consent to achieve an alternative outcome.

Historically, in Queenstown and other New Zealand locations, there has been an emphasis on retention of amenity values in District Plans, often at the expense of enabling a sufficient housing response. This may be the result of a number of factors which include: public opposition to plans for intensification, and an excessive emphasis on Section 7c of the RMA *"the maintenance and enhancement of amenity values"* (the RMA requires 'particular regard' to be had to this matter. However these matters require balancing with other planning matters for example sections 7b (*"the efficient use and development of natural and physical resources"*) and 7f (*"maintenance and enhancement of the quality of the environment"*) of the RMA, and Part II). In addition, the amendments to Section 32 made in 2014 explicitly require the economic impacts of provisions to be considered).

The Productivity Commission highlights that the existence of restrictive planning rules which aim to protect amenity, often come at a significant opportunity cost in terms of the ability to economise on the use of land, with consequent costs for individuals and the community. Furthermore, in some cases the costs of such regulation exceed the likely benefits¹⁵.

Density controls have a fundamental influence on housing supply as they determine the maximum yield of housing possible on any given plot of land. The use of density controls by Councils in New Zealand is common. There are relatively rare situations in some zones applied by some Councils where either no density controls are applied (eg. Wellington), or a different form of development control is applied. For example, in Taupo, the Council applies a 'Floor Area Ratio' control and no density control.

Especially in locations with mid to high land values – such as Queenstown - higher densities than are typically provided for by traditional suburban density controls are required in order to facilitate feasible redevelopment. If density controls are not sufficiently liberal then the objectives and policies that may be espoused in Medium Density Zones may struggle to be provided for.

Supporting this approach, the Property Group (2014)²⁶ considers the impact of restrictive planning controls on the viability of development:

²⁶ 'Wellington City Housing and Residential Growth Study: Final Planning Assessment and Recommendations', The Property Group Limited, 2014.

'Without derogating from the need for regulatory control per se we believe that it is important to recognise the profound impact that district plan regulation has on developer confidence and activity. Our recent engagement with the development sector indicates that resource consents are one of if not the single biggest obstacle to getting development proposals off the ground. In most cases commercial contracts and bank funding are dependent on obtaining resource consent, and accordingly any uncertainty (avoidable or unavoidable) can cause developers to abandon proposals (The Property Group Limited, 2014)¹⁹'.

In addition, private open space requirements can also impact on development viability, and do not necessarily offer significant amenity benefits. For example, a balcony requirement can add substantially to the sale price of an apartment, and may offer minimal benefit if the development site is located in a dense urban setting or on a highly trafficked and noisy transport corridor. In addition, in a cooler climate such as Queenstown balconies arguably have generally less utility than in warmer climates, and Body Corporate rules often prevent their use for functions such as clothes drying. Requirements for deep balconies (ie. more than 1.5m) can also negatively impact on winter sunlight admission into units which can also have winter heating cost implications.

A recent (January 2015) paper prepared for Treasury and the Ministry of Business, Innovation and Employment (MBIE) by economists Motu²⁷ – quantified some of the economic impacts of rules such as balcony requirements. Motu found that balconies (ranging in area from 5 to 8 square metres would typically add \$40,000 to \$70,000 to the selling price of an apartment. MOTU also quantified housing cost implications of a range of other planning rules, with the additional costs (specified as a range) set out as follows:

- Building height limits: \$18,000 to \$32,000 per unit/dwelling
- Floor to ceiling heights: \$21,000 to \$36,000 per unit/dwelling
- Mix of dwelling units: \$6000 to \$15,000 per unit/dwelling
- Extended consent process: \$3,000 to \$6,000 per unit/dwelling
- Site coverage and greenspace: \$5000 to \$10,000 per unit/dwelling
- Other urban design considerations: \$1,500 to \$8,000 per unit/dwelling

It should be emphasized that the Motu study focused on the financial costs of planning rules and not potential benefits, and was explicit in acknowledging this. However, their analysis is important in recognising the financial implications of planning rules; and highlighted where some flexibility should be considered, particularly where these costs substantially outweigh potential benefits. The Productivity Commission's recent inquiry report (2015) concluded that the costs of imposing minimum private open space requirements were likely to exceed the benefits, citing the Motu study and work by MRCagney and recommended that Councils dispense with such requirements.

With regard to balconies and floor to ceiling heights, it is considered that more flexibility is required and that generally speaking the market is best able to determine the need, depending on site location, views, aspect etc. Avoiding such requirements may help better realize the delivery of affordable rental studio apartments in central locations, in particular.

Furthermore, it is noted that during consultation a number of members of the public suggested Council consider what North American ski resorts such as Banff and Whistler are doing to address housing issues, given the similarities between these towns and Queenstown (ie. highly popular resort towns with small permanent populations and high housing costs). Whilst it is noted that the statutory context is different, and there are a number of affordable housing initiatives that are undertaken in these resorts that may be difficult to replicate in Queenstown. Of relevance is despite their cold climates, both of these towns have been very

²⁷ Impacts of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development, Motu Economic and Public Policy Research and the University of Auckland, January 2015

careful not to set overly restrictive development controls, knowing the impacts overly restrictive controls can have on development feasibility and realisation of housing supply. Indeed, the sunlight protection controls proposed for Queenstown's Medium Density Zone, albeit liberalised versus the Operative Low Density Zone, are still more restrictive than the controls typically applied in Banff and Whistler. For example, in many of the Medium Density zones in Banff and Whistler, there are no specific shading controls, but instead use of side yards and maximum building heights are employed. For example, a side yard of 3m and a building height of circa 7.6m to 10.7m is often employed, regardless of orientation, which is more liberal than the proposed approach in Queenstown.

Whilst the more permissive planning regime applied in these areas would be beneficial in realising greater supply of housing and visitor accommodation, there is also the potential for "unintended consequences" associated with such an approach. For example, the increased heights and lack of recession planes in Queenstown may not appropriately protect the amenity which draws people to the District.

Nonetheless, the provisions of the Medium Density Residential Zone have been developed with specific regard to improving the ease of development for low risk activities. Where necessary, development standards have been revised to improve rules which may be unnecessarily triggering resource consent (with little design benefit to be gained from the process), and to better accommodate a portion of infill housing supply. A summary of the proposed variations from operative amenity controls (compared to the operative Low Density Residential Zone) include:

- Provision for site density of 1 unit per 250m²
- Minor increase in building height in Arrowtown (from 6 m to 7 m)
- Minor increase in height allowance for sloping sites
- Recession planes specific to each site boundary and liberalised
- Sound insulation requirements for residential uses adjoining the State Highway network
- No requirements for balconies or private open space

Recession plane controls have been revised (consistent with some operative special zones) to specify different angles for northern, eastern, western and southern boundaries – with the strictest control over the southern boundary. A 3D visualisation²⁸ was developed to investigate the comparative effect of changing the recession plane at the southern boundary to 2.5 m and 35° from the operative provision of 2.5m and 25° (ie. an increase of 10°). This illustrates that shading impacts associated with a 35° recession plane are only marginally different to the impacts of the operative 25°, and will still be able to effectively mitigate adverse shading impacts. The revised recession plane controls will maintain appropriate and reasonable sunlight access whilst not hindering development.

It should be noted that the Operative District Plan's recession planes are very restrictive by New Zealand standards, and have been in place for at least 40 years. Most Councils adopt the proposed approach to recession plane controls, or an approach of applying 2.0 / 2.5m and 45 degree controls on all boundary orientations. The rules do not fit the contemporary requirements for greater density, and change is required to better balance amenity considerations with development potential.

Overall, the Medium Density Zone has the purpose to increase the supply of land for higher density housing, achieved through the provision of a more liberal planning framework. Through the revised provisions, it is considered that uncertainty surrounded the consent process (and delay costs) should be minimised, this improving developer confidence. Furthermore, the revised amenity provisions are better aligned with their associated costs and benefits.

Methods to address the issue

²⁸ Shadow and Recession Planes Study, Virtual Rift 3D Solutions, prepared 12 March 2015.

- *Activity status aligned with purpose to enabling increased density housing, including Permitted activity status for certain low risk residential and visitor accommodation activities*
- *Non-notification of Restricted Discretionary activities for 4 or more residential units (2 or more residential units in Arrowtown) where the development is able to achieve certification to a minimum 6-star level using the New Zealand Green Building Council Homestar Tool*
- *Removal of balcony and private open space requirements*
- *Liberalisation of recession plane controls*
- *Minor increases to building coverage and height controls*

Issue 8: Urban design and amenity values

The quality of the urban environment plays a key role in the appeal of the District to residents, businesses and visitors. Whilst the District Plan needs to become more enabling, it also needs to ensure that good quality urban design outcomes are achieved.

It is acknowledged there is a general concern within the community that higher density housing has the potential to create ‘slums’, subsequently reducing the value of properties outside of the zone. However, a report by Paul Newman (2014)¹⁷ discusses that there is little evidence to support such claims, and that land values are more typically aligned with amenity and access to services – factors which generally improve with increased population density. As people move to amenity areas the pressure to subdivide/develop increases. If zoning is increased then land values typically increase.

Nonetheless, provision for increased density and greater affordability must be carefully balanced against high urban design standards.

“Experience from Johnsonville indicates that suburban communities can be very sensitive to the impact of density on neighbourhood character, and so rules relating to height, site coverage etc. need to take this into account whilst ensuring that the development yields possible (i.e. number of units, density) presents commercial viable development opportunities”²⁶

Whilst the Operative District Plan contains a large number of urban design criteria, these need to be reframed into a more concise and direct format consistent with the revised structure of the Proposed District Plan. Proposed development standards (for example recession planes, sunlight access, building height, and site coverage) have been retained to protect residential amenity and it is noted that density is not intended to come at the expense of quality design. In particular, medium density development in Arrowtown will be subject to consent, and must adhere to the Arrowtown Design Guidelines to ensure that building forms are consistent with the character and heritage significance of this area.

Such standards however, should be seen in the context of the purpose of the zone to accommodate a higher density of housing supply. Therefore, where necessary, existing rules have either been removed or liberalised to avoid the economic impacts of overly restrictive policy (Refer Issue 7), and ensure better alignment between the potential costs and benefits of such rules.

Building design and site layout also has a direct impact on energy consumption and health (Shaping Our Futures Energy Forum Report, 2014). It is recognised that the District Plan should encourage built forms which achieve more efficient energy use through solar orientation and insulation; and increase the ease and convenience of walking and cycling.

Methods to address the issue

- *Frame policies and rules in a manner that better balances development rights and amenity values*
- *Continue Operative District Plan’s strong emphasis on urban design but in a more streamlined and focussed manner*

Issue 9: Economic diversification

The economy of the Queenstown Lakes District is largely governed by tourism, and associated demands for goods and services to support the tourism sector. The QLDC Economic Development Strategy (2015) notes that *“the District is very reliant on relatively few industries, more so than any other district in New Zealand. These are industries that are servicing visitors and the growing population”* and that *“while the visitor economy is a strength, its dominance means that the District is one of the least diversified economies in New Zealand”*.

The Economic Development Strategy (2015) considers economic diversification is important for managing the seasonality of tourism demands, and managing potential periods of tourism decline (such as occurred during the Global Financial Crisis of 2008). Additionally, the growth of the resident population is also strongly linked to growth in tourism, with associated growth in demands for food, community, construction and retail services. As outlined under Issues 1 and 2, the District is anticipated to experience strong population and visitor growth over coming years. It is therefore necessary that the District Plan is capable of catering for the needs of a growing community, and that it also has the capacity during periods of growth to maximise opportunities for a diversified and self-sustaining economic base.

The *Shaping Our Futures Economic Futures Report* (2012) (which preceded the Economic Development Strategy (2015)) also identifies the association between economic development to community and social development, via connectedness and facilities to *“gather, educate and socialize and preserve attractions of living here”*. The appropriateness of higher density environments for providing such services and amenities is also identified by the report of the Heart Foundation²⁹ which notes *“higher density residential densities bring destinations closer together and support the presence of local shops, services and public transport”* and further that people *“are seeking out places where they can be less car dependent and where they can live, work and play”*.

Provision for appropriate community and commercial uses which contribute to economic diversification and social interaction are considered to be appropriate for a residential environment which is intended to support an increased density of population. Currently, the provisions of the operative District Plan generally limit commercial and community uses to specialist zones or sub-zones, and lack flexibility to cater for a growing community with changing needs.

Specifically, in Wanaka, the zone adjoins land within the Wanaka Town Centre Zone. A discrete area of the medium density zone here is considered to be appropriate for mixed use development forms, to provide for the managed expansion of the Wanaka Town Centre. This area may also accommodate higher density forms of visitor accommodation given its proximity to the town centre.

Methods to address the issue

- *Provision for low intensity commercial and/or community uses*
- *Support for mixed use development within a discrete area adjacent to the Wanaka Town Centre, subject to compliance with the provisions of the Wanaka Town Centre Zone Chapter (Refer further detail contained within the ‘Section 32 Evaluation Report: Wanaka Town Centre’).*

Issue 10: Better coordination of infrastructure and services and forward planning

In the past, the lack of strategic guidance within the Operative District Plan about where future development should be located has resulted in sprawling urban settlements. Urban sprawl prompts the need for expansion of infrastructure networks, with associated capital expenditure and maintenance costs to Council and ratepayers. Studies from the United States of America have considered the financial costs of urban sprawl, and found that:

²⁹ ‘Does Density Matter – The role of density in creating walkable neighbourhoods’, discussion paper by the National Heart Foundation of Australia

“Sprawl increases the distance between homes, businesses, services and jobs, which raises the cost of providing infrastructure and public services by at least 10% and up to 40%. The most sprawled American cities spend an average of \$750 on infrastructure per person each year, while the least sprawled cities spend close to \$500”³⁰.

Furthermore, a comprehensive study from Smart Growth America in 2013 found that the upfront infrastructure development costs of ‘Smart Growth’ compared to conventional sprawling development reduces upfront infrastructure development costs by 38%³¹. This study cites a number of other studies supporting this notion. There is also a large body of research from Australia supporting these findings.

Conversely, a growth management approach based around urban intensification is generally considered significantly more cost efficient than an approach based around sprawl. Accordingly, the Medium Density Residential Zone has been intentionally sited in locations where existing infrastructure capacity is available (or can be upgraded efficiently) and incorporates policy to ensure that development is designed consistent with the capacity of existing networks.

Methods to address the issue

- Supporting increased density in locations where existing infrastructure capacity is available (or can be upgraded efficiently)
- Provisions support the Strategic Directions (Chapter 3) and Urban Development (Chapter 4) policies by promoting a compact urban form.

4.2 Summary and outcomes

The identification and analysis of issues relevant to residential development has helped define how section 5 of the RMA should be expressed in the context of the Queenstown Lakes District. This has informed determination of the most appropriate objectives to give effect to section 5 of the RMA in light of the issues. The appropriateness of potential objectives cannot be assessed without due consideration to the issues that frame what sustainable management means for the district at this point in time and into the future.

The formulation of the Medium Density Zone, and the associated objectives, policies and rules has been developed following consideration of the significant growth pressures currently faced within the District and the potential risks associated with uncontrolled or piecemeal urban growth into the future. The provisions have been developed on the premise that the District is going to grow, and it is not the role of the RMA to limit growth, but rather to manage its form and location to promote the sustainable management of natural and physical resources.

For example, without the issue context of high growth pressures, alternative objectives may have been recommended that provide less emphasis on density, land supply and affordability; and more emphasis on amenity. In this scenario, the market would play a greater role in determining the location and form of future growth. However, regardless of growth pressures, such an approach takes a short term view and has the potential to result in a proliferation of a sprawling urban form, with the delivery of inefficient housing and infrastructure which does not necessarily promote sustainable management.

The Medium Density Residential Zone is also inherently linked to the strategic intentions of the District Plan, expressed by growth management objectives of the Strategic Directions (Chapter 3) and the Urban Development framework (Chapter 4). The zone is essential to the functioning of urban growth boundaries for

³⁰ Analysis of Public Policies that Unintentionally Encourage and Subsidize Sprawl, The New Climate Economy, <http://newclimateeconomy.net/content/release-urban-sprawl-costs-us-economy-more-1-trillion-year>

³¹ Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development, Smart Growth America, 2013.

Queenstown, Wanaka and Arrowtown which have the purpose to maintain the heritage, character and cohesion of these centres – whilst still being able to accommodate anticipated growth.

5 Initial consultation

In developing the Medium Density Residential Zone and supporting provisions, during the preparation phase of the Proposed District Plan, QLDC invited informal feedback from the public and targeted landowners potentially affected by the proposed rezoning.

It is noted that public consultation during the preparation of the District Plan is not mandatory under the RMA, but is however provided for by 3(2) of Schedule 1, and has been undertaken by QLDC on issues where specific public input was sought.

A summary of the consultation undertaken for the Medium Density Residential Zone is outlined below.

Date	Task
February 2015	Copy of Draft Residential Zone Chapters and supporting summary document (<i>'District Plan Review – Residential Chapter, Summary of Issues and Proposed Changes'</i>) placed on the QLDC website. Written feedback was invited.
9 February 2015	Letter sent to all residents within the extent of proposed Medium Density Residential Zone located at: • Arrowtown • Frankton • Fernhill • Queenstown Central • Wanaka Written feedback was invited.
14 February 2015	Drop in session held in the Summit Room of the Edgewater Resort on Saturday 14 February, between 10am – 1pm.
21 February 2015	Drop in session held at the Council Chambers at 10 Gorge Road, Queenstown, on 21 February, between 10am – 1pm
28 February 2015	Drop in session held at the Athenaeum Hall, Arrowtown on Saturday 28 February, between 10am – 1pm.
2 March 2015	Drop in session held at Council Offices, Reece Crescent, on Monday 2 March, between 4.30 – 6.30pm.
4 March 2015	Drop in session held at the Council Chambers at 10 Gorge Road, Queenstown, on 4 March, between 4.30pm – 6.30pm
21 April 2015	Letters sent to landowners of SH6 within area of proposed extension to the Medium Density Residential Zone.
1 May 2015	Letters sent to landowners of SH6A within area of proposed extension to the Medium Density Residential Zone.

Initial consultation indicated a range of views. A number of changes have been made to reflect public feedback. The key changes made in direct response to consultation include:

1. Significant reduction in the spatial extent of the Medium Density Residential Zone in Arrowtown.

Public consultation and external investigations undertaken during this time prompted a review of the extent of the zone in Arrowtown. A report prepared by Richard Knott Limited³² (Refer Appendix X) specifically recommended the removal of four specific areas from the zone, including:

³² Proposed Medium Density Housing Zone, Arrowtown – Review of Boundaries, Richard Knott Limited

- Land to west of Berkshire Street within Old Town Neighbourhood 2, Soldiers Hill
- Land to east of Berkshire Street within Old Town Neighbourhood 5, Stafford Street
- Land above (to the east of) the Arrowtown Scenic Protection Area within Newtown Neighbourhood 10, Adamsons Ridge
- Land to east of Nairn Street within Old Town Neighbourhood 6, Nairn and Criterion Street

These locations have subsequently been removed from the proposed zone.

Additionally, the eastern extent of the zone along Shaw Street has also been reduced in recognition of topography and potential visual impacts from McDonnell Road. The investigation by Richard Knott Limited (Refer Appendix X) also notes that *“This is a relatively newly developed area and it may be that existing improvement values will mean that redevelopment is not economically feasible for many years”*.

The current proposed extent of the zone in Arrowtown has therefore been considerably reduced from that which was advertised in February 2015.

2. Activity Status - Requirement for resource consent for multi-unit development proposals in Arrowtown

In recognition of the high quality design standards sought in Arrowtown, the permitted activity status was revised to ensure that any development involving more than 1 unit per site in Arrowtown will require resource consent, and will be assessed against the Arrowtown Design Guidelines.

3. Standards – Revision of site coverage and density provisions

Maximum site coverage has been reduced from 55% to 45%; and a density provision has been included to maintain residential amenity.

4. Significant reduction in the spatial extent of the Medium Density Residential Zone in Queenstown Central

The spatial extent of the Zone in Queenstown central has been reduced to exclude land bounded by Park Street, Cecil Road, Frankton Road and Suburb Street; resulting in an approximate halving of zoned land in this location.

6 Evaluation

6.1 Purpose and options

In serving the function of a territorial authority provided by Section 31(1) of the Act, the Medium Density Residential Zone chapter has the purpose to implement policy and tools to support the overall growth management framework of the proposed District Plan. The zone supports the integrated and hierarchical approach to urban development, and advances the intention of Section 31(1) of the Act for the integrated management of the effects of the use, development, or protection of land.

The purpose of the Medium Density Residential Zone is to facilitate higher density development of up to two storeys, close to town centres to:

- Provide greater housing supply to respond to strong demand for centrally located housing
- Increase supply elasticity, reducing landbanking incentives and improving housing affordability
- Provide greater diversity of housing
- Place less pressure on the District’s road transport network by providing housing close to town centres where walking and cycling to the centres as places of employment, retail and entertainment is readily achievable
- Increasing the viability of public and active transport networks
- Reduce pressure for residential development on the urban fringes and beyond

- Coordinated delivery of infrastructure and services

Whilst the operative District Plan shares many of these objectives, there is poor translation of these objectives into regulation that is sufficiently enabling to facilitate the density of development sought. As The Property Group²⁶ notes, there is little point in providing High or Medium Density zonings if the regulation imposed has not been designed in a manner that considers development feasibility, which is often driven strongly by density controls.

In addition to applying the Medium density zone in new locations in Fernhill, Frankton (SH6), Arrowtown and Wanaka it is proposed that the zone will replace the least intense of the High Density subzones – Subzone C – in the Operative District Plan.

Strategic Directions

The following goals and objectives from the Strategic Directions chapter of the draft District Plan are relevant to this assessment:

Goal 3.2.2: Strategic and integrated management of urban growth

3.2.2.1 Objective - Ensure urban development occurs in a logical manner:

- *to promote a compact, well designed and integrated urban form;*
- *to manage the cost of Council infrastructure; and*
- *to protect the District's rural landscapes from sporadic and sprawling development.*

3.2.2.2 Objective - Manage development in areas affected by natural hazards.

Goal 3.2.3: A quality built environment taking into account the character of individual communities

3.2.3.1 Objective - To achieve a built environment that ensures our urban areas are desirable places to live, work and play

Goal 3.2.4: The protection of our natural environment and ecosystems

3.2.4.1 Objective - Promote development and activities that sustain or enhance the life-supporting capacity of air, water, soil and ecosystems.

3.2.4.2 Objective - Protect areas with significant Nature Conservation Values.

Goal 3.2.5: Our distinctive landscapes are protected from inappropriate development

3.2.5.3 Objective - Direct new subdivision, use or development to occur in those areas which have potential to absorb change without detracting from landscape and visual amenity values.

3.2.5.4 Objective - Recognise there is a finite capacity for residential activity in rural areas if the qualities of our landscape are to be maintained.

Goal 3.2.6: Enable a safe and healthy community that is strong, diverse and inclusive for all people.

3.2.6.1 Objective - Provide access to housing that is more affordable.

3.2.6.2 Objective - Ensure a mix of housing opportunities.

3.2.6.3 Objective - Ensure planning and development maximises opportunities to create safe and healthy communities through subdivision and building design.

In general terms and within the context of this review, these goals and objectives are met by:

- Establishing a new Medium Density Residential Zone which enables higher density development close to existing urban centres, active and public transport routes
- Promoting quality developments with a range of housing options to meet the needs of the community
- Contributing to the overall compact growth management approach which seeks to reducing environmental, social and economic effects associated with urban sprawl
- Promoting efficient use of existing services and infrastructure, including potential increase in the viability of public transport

6.2 Broad options considered to address issues

The following section considers various broad options considered to address the identified resource management issues, and makes recommendations as to the most appropriate course of action with regard to advancing the purpose of the Act in the context of the urban environment.

- ***Option 1: Retain the operative provisions (status quo)***

Option 1 would involve retaining the operative provisions of the District Plan, being the existing 'Low Density Residential – Medium Density Subzone', and the High Density Residential Zone – Subzone C', and not expanding the extent of these zones. This option maintains the status quo.

- ***Option 2: Realise greater density and development potential in central locations only through new provisions for the High Density Zone and Low Density Zone, and not introduce a Medium Density zone.***

Option 2 comprises the absence of a medium density zone, and instead including additional provisions to support medium density housing in the High Density Zone and Low Density Zone.

- ***Option 3: (Recommended) Comprehensive review – introduce a new Medium Density Zone***

Option 3 involves a comprehensive review to establish a new Medium Density Zone, and integrate this with areas of the operative 'Low Density Residential – Medium Density Subzone', and the High Density Residential Zone – Subzone C'. This option involves creating new areas of medium density zoned land in locations close to town centres, local shopping zones, activity centres, and public transport hubs.

Option 1: Retain the operative provisions

Option 2: Realise greater density and development potential in central locations only through new provisions for the High Density Zone and Low Density Zone, and not introduce a Medium Density zone.

Option 3: (Recommended) Comprehensive review – introduce a new Medium Density Zone

	Option 1: Status quo/ No change	Option 2: Realise greater density and development potential in central locations only through new provisions for the High Density Zone and Low Density Zone, and not introduce a Medium Density zone	Option 3: Comprehensive review Introduce a Medium Density zone
Costs	- Does not enable further opportunities to increase development capacity. - Operative provisions of the general LDR Zone only support development to a density of 1 unit per 450m², and do not expressly support medium density built forms. - Unlikely to cater for predicted levels of growth, as operative provisions are not sufficiently enabling to provide for infill housing. Potential adverse social and economic effects (such as overcrowding and general economic decline) may arise with a failure of supply to meet demand. - Limited achievable yield as most development potential in existing sub zones has been realised; and does not liberalise operative provisions which are restricting housing development. - Takes a short-term view – i.e. growth opportunities would be limited to development of a limited number of undeveloped sites, and redevelopment of existing building stock. - Does not give effect to the relevant goals and objectives of the proposed Strategic	- Has costs associated with going through the District Plan Review process (but this is required by legislation). - Inclusion of provisions within High Density Zone and Low Density Zone lacks certainty/clarity around medium density development forms and complicated implementation of the District Plan. - Not likely to provide sufficient opportunity for higher density redevelopment to occur - More diverse housing would only be enabled in very urban settings and this would not provide for sufficiently diverse housing options in a variety of locations through the District where greater diversity is required - Is less able to provide for more affordable housing - Does not support a diversity of housing forms - Would require resource consent where developers seek to meet demand for medium density housing forms in areas not anticipated	- Has costs associated with going through the District Plan Review process (but this is required by legislation). - Intensification in certain locations will change the character and amenity of established residential areas. There is a concern within the community that medium density housing will create 'slums' and potentially reduce property values. However, a report by Paul Newman (2014)¹⁷ discusses that there is little evidence to support such claims, and that land values are more typically aligned with amenity and access to services – factors which generally improve with increased population density. If zoning is increased then land values typically increase. A Westpac economist report in 2015 ('Home Truths Special Edition', 14 May 2015) supports the notion that higher density rezonings tend to increase land values. - May require infrastructure upgrades to support increased density - Increased density may result in effects

	Directions chapter. • Does not achieve the goal for a transparent and streamlined District Plan. • Does not improve housing elasticity and supply • Requires reliance on high level policies and objectives for urban growth management & density, with a lack of consideration to development at the locality/site level. • Further incentivises landbanking whereby supply continues to be restricted • Compromises functioning of urban growth boundaries • Retains complex regulatory process, affecting the economics of development • Retains complex regulatory process which requires resource consent for alternative solutions • Limitation on supply further inflate land values and incentivise landowners to seek to protect their property values via regulatory processes • Does not provide any mechanism to address developers withholding land • Does not encourage sustainable or innovative building forms • Does not provide for a range of housing choices for older people or those wishing to downsize • May not sufficiently address current overcrowding and associated health concerns		associated with parking and access • The Zone at Frankton (SH6) is located within a noise sensitive environment (subject to road noise and airport flight paths) and development of this area will require noise mitigation.
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Benefits	• Retains the established approach which parties are familiar with. • Low cost for Council • Maintains strong planning regulation limiting scale of development therefore ensuring strong protection of existing amenity values	• Better delivers on the longer term goal of delivering a compact form that is consistent with the Council's Strategic Directions Chapter and ORC's Proposed RPS. • Simplifies the District Plan making process • Acknowledges that the District Plan takes a long-term view by enabling future development opportunities as the population increases over time. • Enables economic development and investment opportunities	• Delivers on the longer term goal of delivering a compact urban form that is consistent with the Council's Strategic Directions Chapter, the Proposed Urban Development Chapter, and ORC's Proposed RPS. Will assist in mitigating potential impacts on property values associated with the establishment of urban growth boundaries. • Would allow a comprehensive review of the Residential provisions • Potential for more development and housing options • Clearly signals support for medium density housing forms • Identifies new locations suitable for medium density development in strategic locations which are able to better support sustainable and active living through proximity to services and public and active transport routes. • Essential to support the efficient use of land within urban growth boundaries • Supports ease of interpretation of provisions and rules through an integrated zone • Promotes elasticity in housing market and minimises the incentive for landbanking • Improves housing affordability through enabling smaller housing forms • Provides increased housing choice for older people wishing to downsize • Development of the new zone provides opportunities to encourage more sustainable building forms, with less demand on infrastructure, water and energy use. • Provides opportunities to dis-incentivise land banking via sunset clauses • Provision for smaller housing forms reduces construction cost per unit and creates
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			opportunities for economies of scale • Liberalisation of Rules and notification clauses should reduce the numbers of resource consents required and the time and costs associated with this process • Liberalisation of Rules (such as removal of private open space requirements for apartments) has the potential to increase capacity and may promote more innovative building forms • May reduce scale of overcrowding issue through enabling smaller forms of infill housing
Ranking	3	2	1

Conclusions:

Overall, following a review of the three alternatives above, *Option 3: Comprehensive review - Introduce a Medium Density zone* has been identified as the most appropriate solution in meeting the purpose of the RMA, to address the resource management issues relevant to the urban environment. The benefits for housing supply, affordability and infrastructure efficiency to be realised through introduction of the zone have been assessed to outweigh the potential costs.

The options above have been considered and assessed in the context of the significant growth pressures and housing affordability issues currently experienced within the District. It is noted that without the issue context of high growth pressures, alternative options may have been given more weight that provide less emphasis on density, land supply and affordability; and more emphasis on amenity. However, consistent with Section 14(c) of the *Local Government Act 2002*, regardless of the relevance of growth pressures at any given point in time, the provisions seek to address housing supply on a long term basis, recognising the interests of current as well as future communities.

Furthermore, the approach has not been a radical shift in operative provisions (as may be seen in locations such as Whistler and Banff, Canada), and the structure of the provisions, whilst liberalised, still provide an appropriate balance between providing for growth, and protecting the natural amenity values which draw people to the District. For this reason, drastic change to the operative provisions (such as removing amenity controls) has also not been considered as a feasible (or desirable) alternative option.

7 Scale and Significance Evaluation

The level of detailed analysis undertaken for the evaluation of the proposed objectives and provisions has been determined by an assessment of the scale and significance of the implementation of the proposed provisions in the Medium Density Residential chapter. In making this assessment, regard has been had to the following, namely whether the objectives and provisions:

- Result in a significant variance from the existing baseline.
- Have effects on matters of national importance.
- Adversely affect those with specific interests, e.g., Tangata Whenua.
- Involve effects that have been considered implicitly or explicitly by higher order documents.
- Impose increased costs or restrictions on individuals, communities or businesses.

The level of detail of analysis in this report is high, recognising that the provisions introduce a new zone into the district plan to realise housing supply at higher densities; and that residential provisions affect a large area of the Districts population. Therefore, the analysis has been informed by consideration to a number of statutory and non-statutory documents, including the outcomes of previous community planning processes, plan changes, and specific economic analysis undertaken for the Proposed District Plan. In particular, Insight Economics has identified predicted population growth of 3.4% per annum to 2031 (representing a possible increase in population to 55,000 by 2031) and concludes “...that the district will continue to experience high population growth and...demand for new dwellings will also be strong.” Such findings provided the basis for further analysis of the appropriate methods for managing such growth via the Proposed District Plan. The findings of other credible external studies have provided further context to the analysis, in particular the findings of the ‘Housing Affordability’ and ‘Using Land for Housing’ inquiries being coordinated by the New Zealand Productivity Commission.

8 Evaluation of proposed Objectives (Section 32 (1) (a))

Section 32(1)(a) requires an examination of the extent to which the proposed objectives are the most appropriate way to achieve the purpose of the Act. The following objectives serve to address the key resource management considerations for the Medium Density Residential Zone.

Reference is made back to the Strategic Directions chapter of the Proposed District Plan which, in combination with the objectives below, seeks to give effect to the purpose of the RMA (Section 5) for the Queenstown District context. The objectives are also assessed against the role and function of territorial authorities specified by Section 31(1) of the Act.

<i>Proposed Objective</i>	<i>Appropriateness</i>
8.2.1 Medium density development will be realised close to town centres, local shopping zones, activity centres, public transport hubs and non-vehicular trails in a manner that is responsive to housing demand pressures.	Sets a broad goal of achieving medium density zones close to town centres, services and public transport routes. Consistent with Goals 3.2.2 and 3.2.3 of the Strategic Directions chapter. Gives effect to RPS objective 5.4.3, 5.4.1 Gives effect to RPS policies 5.5.3 to 5.5.6 Has regard to Proposed RPS objective 2.2 and 3.4 Serves the intent of Section 5 of the RMA through promoting the sustainable use of land and resources, and Section 31 of the RMA by establishing objectives and policies for controlling the actual or potential effects of the use of land.

8.2.2 Development provides a positive contribution to the environment through quality urban design solutions which complement and enhance local character and identity	Recognises that medium density housing has the potential to change the character and amenity of residential areas, but that quality urban design solutions can mitigate perceived effects. Consistent with Goal 3.2.3 of the Strategic Directions chapter. Gives effect to RPS objectives 9.4.1 and 9.4.3 Has regard to Proposed RPS objectives 3.7 and 3.8; and policies 3.7.1, 3.7.2, 3.8.1, 3.8.2, 3.8.3 Supports 5(2) of the RMA through ensuring development enables people and communities to provide for their social, economic and cultural wellbeing.
8.2.3 New buildings are designed to reduce the use of energy, water and the generation of waste, and improve overall comfort and health.	Advances Section 5 of the Act for “...<i>the sustainable management of use, development, and protection of natural and physical resources...</i>” by encouraging sustainable building designs which reduce demands for energy and water, and potentially limiting or delaying the need for capital infrastructure projects. Gives effect to RPS objective 5.4.1 and 6.4.1 Gives effect to RPS policies 5.5.3 to 5.5.5 Has regard to Proposed RPS objective 3.4 and 3.6
8.2.4 Provide reasonable protection of amenity values, within the context of an increasingly intensified suburban zone where character is changing and higher density housing is sought.	Acknowledges that some change to the amenity and character of established residential areas is anticipated to enable an increased density of housing. However, the scale of change can be managed through the inclusion of controls to protect amenity to a reasonable level. Consistent with Goal 3.2.3 and 3.2.6 of the Strategic Directions chapter. Gives effect to RPS objectives 9.4.1 to 9.4.3 Gives effect to RPS policies 9.5.1 to 9.5.5 Has regard to Proposed RPS 3.7 and 3.8 and policies 3.7.1, 3.7.2, 3.8.1, 3.8.2, 3.8.3. Supports the purpose of the RMA through mitigating adverse effects of development, whilst enabling social and economic wellbeing through support for increased density – with a number of economic benefits including housing affordability, and social benefits for improving cohesion and connectivity. Meets the intent of Section 31(1) of the Act through an integrated approach to manage the multiple effects of land development.
8.2.5 Development supports the creation of vibrant, safe and healthy environments	Recognises that growth and development, if delivered in the right way, can have positive effects to the local community, and that ‘place making’ achieved through increased density has a proven link on improving the uptake of walking and cycling. A key element of wellbeing expressed in S5 is the

	health of people and communities. Evidence suggests there is growing prevalence of overcrowding in Queenstown, with associated public health risk, and the objective is an appropriate way of recognising the relationship between the design of buildings and urban settlements and public health and safety. Consistent with Goal 3.2.3 of the Strategic Directions chapter. Gives effect to RPS objective 9.4.1 Has regard to Proposed RPS objective 3.7 Supports the purpose of the RMA through enabling people and communities to provide for their social, economic and cultural wellbeing.
8.2.6 In Arrowtown medium density development responds sensitively to the town's character	Recognises the unique character and heritage significance of Arrowtown, and that medium density development shall only occur where this is of high quality and sensitive design. This objective is supported by policies which ensure building design is consistent with the Arrowtown Design Guidelines. The combination of policies and objectives provide the necessary weight for decision makers to consider the impacts of development on the Arrowtown character, and the ability to seek amendments or refuse applications which have the potential to compromise this. Consistent with Goal 3.2.1, 3.2.3 and 3.2.6 of the Strategic Directions chapter. Supports the purpose of the RMA by avoiding, remedying, or mitigating any adverse effects of activities on the environment.
8.2.7 Ensure medium density development efficiently utilises existing infrastructure and minimises impacts on infrastructure and roading networks.	Specifically acknowledges the need to reduce infrastructure costs and utilise existing services by developing at higher density close to town centres, and also that the layout of development can effect infrastructure demands. Consistent with Goal 3.2.2 of the Strategic Directions chapter. Gives effect to RPS objectives 9.4.1 to 9.4.3 Gives effect to RPS policies 9.5.1 to 9.5.5 Supports Section 5(2) of the RMA by managing the way and rate that land and physical resources are used.
8.2.8 Provide for community activities and facilities that are generally best located in a residential environment close to residents.	Acknowledges that some non-residential activities that support a community purpose – such as healthcare services, daycare and social or cultural services – can be appropriately located in residential areas, thereby helping providing for the wellbeing of people and communities.

	Consistent with Goal 3.2.6 of the Strategic Directions chapter. Gives effect to RPS objective 9.4.1 Has regard to Proposed RPS objective 3.7 Supports 5(2) of the RMA through ensuring development enables people and communities to provide for their social, economic and cultural wellbeing.
8.2.9 Enable low intensity forms of visitor accommodation that are appropriate for a medium density environment to respond to strong projected growth in visitor numbers.	Provides for the occurrence of visitor accommodation within the zone where adverse effects can be avoided, remedied or mitigated. Consistent with Goal 3.2.1, 3.2.2 and 3.2.6 of the Strategic Directions Chapter. Gives effect to RPS objectives 5.4.3 and 9.4.1 Has regard to Proposed RPS objective 3.4, 3.8 Consistent with Section 31(1) of the RMA through providing one of the mechanisms for the integrated management of visitor accommodation demands across the District, and will be supported by provisions of other chapters and zones.
8.2.10 Provide for limited small-scale commercial activities where such activities: (a) contribute to a diverse residential environment; (b) maintain residential character and amenity; and (c) do not compromise the primary purpose of the zone for residential use.	Acknowledges that limited commercial activities, when combined in higher density environments, can have positive benefits on residential amenity, and may avoid the need for people to travel for access to services or amenities. However recognises that potential effects must be appropriately managed to maintain the integrity of the zone. Consistent with Goal 3.2.1 and 3.2.3 of the Strategic Directions chapter. Gives effect to RPS objectives 9.4.1 to 9.4.3 Has regard to Proposed RPS objectives 3.4, 3.7 and 3.8 Supports the purpose of the RMA through enabling people and communities to provide for their social, economic and cultural wellbeing; whilst managing the potential effects of development.
8.2.11 The development of land fronting State Highway 6 (between Hansen Road and the Shotover River) provides a high quality residential environment which is sensitive to its location at the entrance to Queenstown, minimises traffic impacts to the State Highway network, and is appropriately serviced.	Provides specific policy for a defined area of medium density zoned land adjacent to the State Highway, recognising the potential effects of development in this location associated with reverse sensitivity, visual amenity and traffic impacts. Supported by site specific policies, this objective will ensure the necessary weight is applied to sustainable management objectives in this location. Consistent with Goal 3.2.2 and 3.2.3 of the Strategic Directions chapter.

	Gives effect to RPS objectives 9.4.1 to 9.4.3 Has regard to Proposed RPS objectives 3.7 and 3.8 Recognises the need for integrated management to address the specific effects of the use of land and resources in this location, as required by Section 31(1) of the RMA.
8.2.12 Objective – The Wanaka Town Centre Transition Overlay enables non-residential development forms which support the role of the Town Centre and are sensitive to the transition with residential uses.	Provides for the managed extension of the Wanaka Town Centre into adjoining residential zoned land. Specific provisions are applied to this area, recognising that it provides a transition with the town centre yet still maintains a residential form and amenity (Refer further detail within the 'Section 32 Wanaka Town Centre Zone' report. Gives effect to RPS objective 9.4.1 to 9.4.3 Gives effect to RPS policies 9.5.1 to 9.5.5 Has regard to Proposed RPS objective 3.7, 3.8 and 4.3 Advances section 5 of the Act by enabling people and communities to provide for their social, economic and cultural wellbeing.
8.2.13 Objective – Manage the development of land within noise affected environments to ensure mitigation of noise and reverse sensitivity effects.	Recognises that some areas within the proposed medium density zone may be subject to noise effects associated within their proximity to the State Highway network and being within the flight paths of the Queenstown Airport. The policy provides for sound insulation within new buildings as a method of protecting residential amenity. Gives effect to RPS objective 9.4.1 to 9.4.3 Gives effect to RPS policies 9.5.1 to 9.5.5 Has regard to Proposed RPS objective 3.8 Consistent with Section 31 of the RMA which enables <i>"...the establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources"</i> and <i>"the control of any actual or potential effects of the use, development, or protection of land ..."</i>.

9 Evaluation of the proposed provisions (Section 32 (1) (b))

The below table considers whether the proposed provisions are the most appropriate way to achieve the relevant objectives. In doing so, it considers the costs and benefits of the proposed provisions and whether they are effective and efficient. The proposed provisions are grouped by issue for the purposes of this evaluation.

Issues 1, 2, 4 – Growth, visitor accommodation and the sustainable management of land and resources

Objectives:

- Medium density development will be realised close to town centres, local shopping zones, activity centres, public transport hubs and non-vehicular trails in a manner that is responsive to housing demand pressures.
- Provide reasonable protection of amenity values, within the context of an increasingly intensified suburban zone where character is changing and higher density housing is sought.
- Development supports the creation of vibrant, safe and healthy environments
- Ensure medium density development efficiently utilises existing infrastructure and minimises impacts on infrastructure and roading networks.
- Enable low intensity forms of visitor accommodation that are appropriate for a medium density environment to respond to strong projected growth in visitor numbers.
- New buildings are designed to reduce the use of energy, water and the generation of waste, and improve overall comfort and health.

Summary of proposed provisions that give effect to these objectives:

- Rule specifying that the proposed density bonuses will expire 5 years after the operative date of the provisions
- Activity status which enables low risk residential and visitor accommodation activities that are anticipated for the zone without the need for resource consent
- Rules enabling a higher density of development per site
- Policies which clearly support increased density as one of the mechanisms to meet future housing and accommodation demands
- Policies which acknowledge that change within the zone is expected over time to address residential demands, and Rules which allow for change with appropriate controls to protect amenity to a reasonable level
- Policies which enable consideration to the extent to which development efficiently uses land and infrastructure
- Policies which recognise the need for solar oriented design to limit energy costs
- Policies which encourage built forms and amenities to improve uptake and convenience of walking and cycling
- Increased density and non-notification incentives to encourage design to a Homestar rating of 6 or more.

<i>Proposed provisions</i>	<i>Costs</i>	<i>Benefits</i>	<i>Effectiveness & Efficiency</i>
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<u>Objectives</u> 8.2.1, 8.2.3, 8.2.4, 8.2.5, 8.2.7, 8.2.9 <u>Policies:</u> 8.2.1.1 to 8.2.1.5 8.2.3.1 to 8.2.3.3 8.2.4.1 to 8.2.4.3 8.2.5.1 to 8.2.5.4 8.2.7.1 to 8.2.7.5 8.2.9.1 to 8.2.9.3 <u>Activity table:</u> 8.4.10 8.4.22 <u>Rules:</u> 8.5.5 8.6.2.1 8.6.2.2 8.5.1 8.5.4	<i>Environmental</i> Intensified urban land may exacerbate environmental effects associated with stormwater runoff, waste generation, water and wastewater treatment, energy consumption and air quality. Policies relating to energy efficient design (7.3.3.2, 7.3.3.3) and encouragement of walking and cycling (7.3.4.1 to 7.3.4.4), without the support of Rules, may not go far enough to improve the health and sustainability of the District. The bonus density expiry rule may generate potential costs in underutilising the areas of land zoned for MDR, in terms of areas considered to have good spatial planning qualities for intensification in support of public transport, walking and cycling and efficient use of infrastructure. However, on expiry the fall-back provision will be the permitted density of 1/250 which still enables moderate densities. In addition, it is noted that Council has a duty under Section 35 of the RMA to monitor District Plans, and it is considered appropriate that around the halfway point of the 5 year expiry period, the provisions and development outcomes be reviewed. Without prejudicing future Council decisions, it may be considered that a future plan change may have merit in either extending, or abolishing, the sunset clause. <i>Economic</i> It has been suggested by some members of the community that rather than plan for future	<i>Environmental</i> Higher density development minimises the environmental effects of urban growth, in comparison with a sprawling scenario which allows a low density settlement pattern affecting a significantly larger development footprint. The density ‘bonus’ and non-notification provisions for development that can demonstrate higher energy / environmental performance will lead to environmental benefits through reducing water and energy usage, and potentially waste minimisation. The density bonus expiry rule will assist in bringing redevelopment forward, including redevelopment utilising the density bonus for Homestar rated development. This could help create better market awareness and acceptance of Homestar rated homes, leading to permanent benefits in terms of greater uptake of higher performing housing and its resulting environmental, economic and social benefits. Increased population density within defined limits can improve infrastructure efficiency in favour of the expansion of linear infrastructure networks, which consumes significant land resources with associated environmental impacts. The Shaping Our Futures Energy Forum Report also notes that <i>“The district’s demand for electrical and fossil-fueled energy continues to rise along with the increase in its population and lifestyle expectations”</i> and points to the need for a more efficient urban form to improve the sustainability of housing supply and reduce	More enabling policy and rules, and avoiding the need for resource consent for low risk activities, are considered to be effective and efficient methods of enabling further capacity for medium density development. Direct and unambiguous policies will aid effectiveness and efficiency, as will the concise and streamlined structure of the proposed provisions. The provisions are also considered to be effective in reducing incentives for landbanking. Firstly, the zone provides increased supply of land which can be used for housing, and enables a greater number of players in the market – reducing the control over supply by larger developers and improving affordability. Furthermore, following community feedback, a sunset clause has been applied to density and non-notification incentives whereby these provisions would expire after five years. It is considered that the density bonus expiry rule can act as an effective method of disincentivising land banking and realising more housing supply in a responsive manner. Furthermore, the structure of policies and rules also seeks to encourage more sustainable building forms through density and non-notification incentives for buildings achieving certification to a Homestar™ rating of 6 or more. The incentive approach rather than mandatory regulation is considered to be effective in avoiding financial costs associated with mandatory regulation, but provides scope for a developer to consider options for providing sustainable design to gain benefits in achievable yield.
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	growth, that the Council should attempt to limit growth. Such requests do not fully consider the multiple factors which influence growth (such as capacity and expansion of the airport, domestic tourism markets, immigration policies etc) or the potential adverse economic and social effects of attempting to stop growth. Potential impacts of growth prevention strategies include potential economic decline due to reduced employment opportunities and reduced demand for goods and services. This will have a flow on effect in reducing property values. A report by Peter Newman (2014) identifies previous examples of economic decline experienced in the UK and US; and the general failure of policy intervention to transfer population away from the areas generating employment demand. Higher density development close to centres is not without infrastructure upgrade costs. However, typically these costs are less than for traditional low density development on the edges or urban areas. Requiring high design quality adds costs to development projects. Requiring energy efficient, solar oriented designs may increase costs associated with building design and land acquisition. However, such requirements have been retained at the level of Objectives and Policies to enable case by case considerations, based on the merits and site specific considerations of the proposal. Design of buildings to achieve Homestar	the Districts carbon footprint. Supporting this finding, a study of several global cities has found strong evidence that per capita private passenger transport is directly correlated with urban density, whereby cities with the highest urban density also have lower levels of energy use associated with private passenger transport. Policy which enables density in appropriate locations may support increased uptake of public transport and use of active transport networks, reducing reliance on the private motor vehicle. In particular, the development of medium density zoned land at Fernhill is conveniently located next to a frequent bus service, and near to local shopping nodes. Increased population density in these locations may act to improve the viability of the bus service (and reduced costs) over time. Encouragement for energy efficient design and mechanisms to promote walking and cycling can reduce energy consumption associated with heating and transport. Economic Enabling greater development intensities close to town centres and local shopping zones should help support the economy of the centres by creating more permanent and temporary (ie. visitor accommodation) population within easy access to the centres. Liberalisation of Rules should improve the economics of development. Providing for low risk residential and visitor	
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	rating of 6 or more can result in minor increases to construction costs. Advice from the Green Building Council is that the achievement of a Homestar rating of 6 for a typical 3 bedroom house in Queenstown adds around \$4,000 to construction costs, but that this cost is recovered via savings of approximately \$1000 per year in energy, water use and wastewater efficiencies. When combined with potential savings via economies of scale for smaller housing forms, and increases to resale prices, this additional cost should not be significant. Provision of bicycle parking and end of trip facilities may increase build costs and occupy space which may otherwise be used for commercial gain. However, such requirements have been retained at the level of Objectives and Policies to enable case by case considerations, based on the merits and site specific considerations of the proposal. The density bonus expiry rule could potentially result in significant front ending of development and oversupply. However, this is considered unlikely as most commercially astute developers will strongly factor in market conditions in their development plans. In addition, given the rule sets an expiry, any landowner who does not take advantage of the rule within the expiry period will lose the commercial opportunity presented. However this is the <i>raison d'être</i> of the rule.	accommodation activities without the need for resource consent (i.e. Activity table 7.6.1.9, 7.6.1.21) avoid economic costs associated with the regulatory process, and improves developer confidence. Simplifying the regulatory process may also enable more players in the market, increasing supply elasticity. Better enabling higher density development in central locations will help minimise capital expenditure on road and infrastructure associated with a less compact urban form. A growth management approach based around urban intensification is also generally considered significantly more cost efficient than an approach based around sprawl. A number of studies support this notion. A comprehensive study from Smart Growth America in 2013 found that the upfront infrastructure development costs of 'Smart Growth' compared to conventional sprawling development reduces upfront infrastructure development costs by 38%^[1]. This study cites a number of other studies supporting this notion. A study from 2015 by the New Climate Economy reaches similar conclusions.^[2] Encouragement of Homestar certification can increase the capacity and design life of existing infrastructure – potentially avoiding or delaying costly capital works. High density development close to town	
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^[1] Smart Growth America, 2013, 'Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development'

^[2] The New Climate Economy, 2015, Analysis of Public Policies that unintentionally encourage and subsidize urban sprawl'

	Furthermore, it is noted that no rights that currently exist under the Operative District Plan provisions will be lost, and the proposed MDR zone rules that would be reverted to will provide significantly more development opportunity than exists with the LDR zone at present. Provisions providing for higher density development can have both positive and negative impact on property values. Generally and in a broad sense, upzoning (ie. providing greater density) tends to result in uplift in property values. It is more in rezonings that enable high rise development where the impacts can be more variable (ie. early developers can get big value rises, but those who delay may lose out in terms of impacts on views and then property values). A Westpac economist report in 2015³³ ('Home Truths Special Edition', 14 May 2015) supports the notion that higher density rezonings tend to increase land values: <i>'But in the recent past there has been a strong push from both central and local government to liberalise housing supply rules...These recent regulatory changes – and perhaps an expectation of further liberalisation to come – may have created a perception that it will be easier and cheaper to subdivide today's properties, and intensify Auckland's housing, than it seemed in the past. This has boosted the perceived future value of the land upon which today's houses stand – thus pushing property prices higher'</i>³³.	centres can provide for more affordable living options. Whilst rent associated with new high density apartment living in some cases may not be affordable, transport and heating costs associated with such living on average will be significantly lower than traditional lower density housing located remote from town centres or places of employment. As a result, higher density development – in particular studio apartments – can represent a relatively affordable housing option. Enabling greater density and improving development viability will help support more construction activity and associated employment and economic benefits. The construction industry is a major aspect of the District's economy, with the Council's Economic Development Strategy demonstrating that in 2014 the industry provided estimated GDP of \$171 million, which was second behind 'Rental, hiring and real estate services', and higher than 'Accommodation and Food Services'. The more enabling provisions will help support all three of these major District industries, which despite the goal of diversifying the district's economy will remain major economic drivers. The density bonus expiry rule (or 'sunset clause') will help incentivise and bring forward such development and its associated opportunities, rather than it remaining as a latent opportunity. As discussed in the analysis on economic	
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³³ Westpac Report Home Truths Special Edition', 14 May 2015

	Whilst such land value inflation represents a potential benefit for landowners, it could be argued that it is counterproductive for housing affordability. Whilst true to a point, the impacts are likely to be minor in that: 1. The extent of the MDR zoning is limited relative to overall zonings and taking into account the proposed liberalisation of the LDR zone ; and 2. The increased land value is 'rationed' amongst a higher number of dwellings upon redevelopment, helping to minimise impact 3. The sunset clause provisions will help bring forward development and limit price inflation increases over a longer period. It should also be noted that land supply and provision for increased density is likely to also improve affordability of land outside the zone through reducing 'scarcity'. Social & Cultural Rules 8.5.1 and 8.5.4 enable increased building height and site coverage compared to operative provisions. Enabling further development capacity to higher density may generate some impact on the enjoyment of amenity values by existing property owners and occupants, with the potential for greater noise and impacts on views and outlook. However, building height remains limited to 2 storeys and is consistent with expectations for a residential environment. Recession plane controls will also mitigate amenity effects.	costs, the proposed upzoning is likely to increase land values, rather than devalue them. Homestar certified design can result in cost savings associated with reduced energy and water costs, as well as increasing property re-sale values. Increased density supports the functioning of urban growth boundaries such that land price increases should not be as pronounced. Social & Cultural Enabling the potential for more affordable living options close to town centres helps respond to housing and accommodation shortages in the District; and provides housing in locations where people want to live. Avoids demand for housing being met in locations further removed from centres where living costs (associated with travel) are likely to be higher. The density bonus expiry rule will incentivise earlier uptake of redevelopment potential, more readily facilitating supply and addressing housing diversity and affordability issues. Increased population and greater densities helps support the viability of cultural events and facilities, as well as attracting new events. Increased population and greater densities – especially if within well designed built development - can help support community safety.	
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	Policies relating to energy efficient design and encouragement of walking and cycling, without the support of Rules, may not meet expectations for improving the health and sustainability of the District. Increased density and population may place pressure on community facilities such as schools. This issue appears pressing in Arrowtown. However there is some minor potential for increasing capacity at Arrowtown Primary School, and the Ministry of Education³⁴ projects that the school's roll will start to decline after reaching a peak around 2020. Furthermore, it is anticipated that the number of school age children living in housing enabled by the zoning in Arrowtown will be significantly less than that typically enabled by a low density zoning. In addition, the sunset clause provisions will place a limit on the amount of redevelopment likely to be realised. Impact on school roll could be one of the matters monitored and assessed at the mid point. In order for developers to achieve the greater building density and non-notification provisions enabled in the proposed provisions, Homestar certification is required. This adds some costs, however such costs are considered minor. Evidence demonstrates that achieving a 6 star Homestar rating adds minor costs to development, but provides significant operational cost savings, and utilisation of the bonus provides significant economic	Increased density is recognised to improve health due to its relationship in increasing the uptake of walking and cycling, and relationship in localising services and amenities within walking distance to residences. In particular, the medium density zone at Frankton (sh6) will be is conveniently located in proximity to public transport, facilities and services within the Five Mile development (once completed). Additionally, the location of the zone at Fernill is also located on an operational public transport route, and in proximity to a local shopping node. Increased population density may generate funding for additional infrastructure and services to meet community needs. In Arrowtown, increased population density may stimulate an expansion of local services within the town, avoiding the need for residents to travel to Queenstown for daily needs. Policies relating to energy efficient design and encouragement of walking and cycling, may improve health and increase the amenity values of new developments. The provisions may also help support some older residents remaining within communities as opposed to moving out of communities to find suitable housing.	
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³⁴ Assessment of Arrowtown Special Housing Areas: Queenstown Lakes District Council, Ministry of Education, 15 May 2015.

	incentive through achieving more development yield.		
Alternative options considered less appropriate to achieve the relevant objectives and policies:			
<i>Option 1: Retain the operative provisions</i>		• Lack of clarity around medium density development • Operative medium density subzones are largely limited to Queenstown • Do not sufficiently promote or enable medium density development to achieve goals expressed in objectives • Lack flexibility • Not sufficiently enabling to facilitate adjustment in housing supply to meet demand • Potential for economic decline where the supply of housing cannot keep up with the pace of growth and reduces appeal and liveability of the District	
<i>Option 2: Adopt more liberal rules than proposed</i>		• Would help achieve intensification goals but potentially at the cost of unacceptable impacts on amenity values • Potential effects to the local economy where development outcomes do not maintain acceptable amenity	

Issue 3 and 8 : Quality urban design, amenity and compact urban form

Objectives:

- Development provides a positive contribution to the environment through quality urban design solutions which complement and enhance local character and identity
- New buildings are designed to reduce the use of energy, water and the generation of waste, and improve overall comfort and health.
- Provide reasonable protection of amenity values, within the context of an increasingly intensified suburban zone where character is changing and higher density housing is sought.
- In Arrowtown medium density development responds sensitively to the town's character
- The development of land fronting State Highway 6 (between Hansen Road and Ferry Hill Drive) provides a high quality residential environment which is sensitive to its location at the entrance to Queenstown, minimises traffic impacts to the State Highway network, and is appropriately serviced.

- **Manage the development of land within noise affected environments to ensure mitigation of noise and reverse sensitivity effects.**
- **The Wanaka Town Centre Transition Overlay enables non-residential development forms which support the role of the Town Centre and are sensitive to the transition with residential uses.**

Summary of proposed provisions that give effect to these objectives:

- Enabling increased density to support a compact urban form
- Stronger policies setting clear expectations on good urban design and the wider built environment
- Policies requiring site specific design and enabling flexibility where warranted to achieve a better design outcome
- In Arrowtown, setting specific design outcomes and requiring compliance with the Arrowtown Design Guidelines (and any future adopted updates)
- Marginally more liberal rules for building height, setbacks and recession planes to enable increased site density whilst maintaining a reasonable protection of amenity
- Remove maximum building footprint sizes
- For areas at Frankton (SH6), the inclusion of rules to manage reverse sensitivity effects noise from the State Highway network and Queenstown Airport flight paths
- Increased density and non-notification options to encourage design to a Homestar rating of 6 or more.

<i>Proposed provisions</i>	<i>Costs</i>	<i>Benefits</i>	<i>Effectiveness & Efficiency</i>
<u>Objectives</u> 8.2.2 8.2.3 8.2.4 8.2.6 8.2.11 8.2.12 8.2.13 <u>Policies:</u>	<i>Environmental</i> Increasing building heights may result in adverse effects on amenity values, such as increased shading and blocking some views. However, protection is still offered through recession plane controls and other methods. The height controls will generally retain a two storey building form which is consistent with that expected within a residential environment. Higher density may increase impacts associated with traffic and parking. <i>Economic</i> Requiring high design quality adds costs to development projects, and may impact on housing affordability. However, policies and	<i>Environmental</i> Better enables the urban areas of the District to develop a compact form that reduces reliance on private motor vehicle transport and promotes walking and cycling and use of public transport. High expectations around design quality as expressed in the objectives and policies should help ensure that new development makes a positive environmental contribution from a visual perspective. <i>Economic</i> The Productivity Commission notes that rules aiming to protect amenity often come with significant opportunity costs and the costs associated with compliance often exceed the	More enabling policy and rules are considered to be an effective and efficient method of enabling further capacity for medium density development. However, increased density should not come at the expense of quality urban design. Effectiveness of policy encouraging and enabling urban intensification can be significantly impacted by the extent and nature of rules such as bulk and location controls, private open space requirements and carparking. This fact has been central to the development of the rules and policy. Whilst rules still apply for the protection of amenity values (including building height, recession planes, setbacks and site coverage) these controls have been relaxed

8.2.1.1 to 8.2.1.5	rules which simplify the regulatory process should also act to reduce building costs overall.	benefits they are seeking to achieve ¹⁵ . Liberalisation of regulation better aligns the costs and benefits of rules and should improve development economics.	from the operative provisions in the context of seeking to achieve increased density, and recognising that this zone is intended to accommodate change. The provisions are considered to provide an effective balance in mitigating the effects of this change. Following the review of the costs and benefits associated with the proposed provisions, it is considered that the proposed approach now better aligns with the potential risk and scale of potential effects of urban development – therefore avoiding opportunity costs associated with restrictive planning controls.
8.2.3.1 to 8.2.3.3	Higher density development close to centres is not without infrastructure upgrade costs. However, typically these costs are less than for traditional low density development on the edges or urban areas.	High quality urban design may increase the appeal of urban areas and potentially increase property values over time. This notion is supported by the findings of Newman (2014) whereby land values are noted to be more typically aligned with amenity and access to services – factors which generally improve with increased population density.	
8.2.4.1 to 8.2.4.3			
8.2.6.1 to 8.2.6.3			
8.2.11.1 to 8.2.11.6			
8.2.12.1 to 8.2.12.3	Requirement for sound insulation and mechanical ventilation for locations at Frankton (SH6) subject to airport and road noise may increase building costs, however additional costs of sound insulation are not expected to be significant.		
8.2.13.1 to 8.2.13.2			
<u>Rules:</u>			
8.5.1	Design of buildings to achieve Homestar rating of 6 or more can result in minor increases to construction costs.	Homestar certified design can result in cost savings associated with reduced energy and water costs, as well as increasing property re-sale values.	Specific provisions have been developed where necessary to address localised effects, including those applying to: • Land within the flight paths of the Queenstown Airport • Land adjacent to SH6 • Land within the Wanaka Town Centre Transition Overlay • Development in Arrowtown. Such provisions are considered to effectively address site specific resource management issues and ensure realisation of the benefits associated with development of these areas.
8.5.2			
8.5.5	Non-residential activities in the Wanaka Town Centre Transition Overlay will be required to adhere to the amenity controls of the MDR Zone as a whole. This may limit potential for more intensive uses which may benefit to the town centre. However, policies will enable consideration to variances to amenity controls for developments of high design standard. Recession planes also will not apply for areas of the transition zone which adjoin the town centre.	High quality built forms will contribute to the character of the urban environment, which underpins economic wellbeing within the District.	
8.5.6			
8.5.8		Enabling greater density and improving development viability will help support more construction activity and associated employment and economic benefits.	
8.6.2.1			
8.6.2.2	The imposition of urban growth boundaries (via Chapter 4 of the Proposed District Plan) has the potential to result in adverse effects to housing affordability, if not combined with a suitably enabling framework that enables increased density within these boundaries.	High density development close to town centres and public transport routes can provide for more affordable living options. Whilst rent associated with new high density apartment living may not be affordable, transport and heating costs associated with such living on average will be significantly lower than traditional lower density housing	Direct and unambiguous policies will aid effectiveness and efficiency, as will the concise and streamlined structure of the proposed provisions.

	However, similar effects on house prices are also expected when comparing the change between urban and rural zonings which occurs at the boundaries. This effect is mitigated through enabling increased density within the Medium Density Zone, and is an essential to the successful functioning of a compact urban form; and forms part of the strategic housing approach sought by the Proposed District Plan. There is a general concern within the community that higher density housing has the potential to create 'slums', subsequently reducing the value of properties within and outside of the zone. However, a report by Paul Newman (2014)¹⁷ discusses that there is little evidence to support such claims, and that land values are more typically aligned with amenity and access to services – factors which generally improve with increased population density. As people move to amenity areas the pressure to subdivide/develop increases. If zoning is increased then land values typically increase. Social & Cultural Potential adverse social effects associated with perceived change in amenity due to effect of intensification. However this effect can be mitigated through the inclusion of policies and rules within to mitigate amenity impacts (such as recession planes, setbacks, height limits and maximum site coverage). Intensification in Arrowtown, if not sensitively designed, has the potential to result in	located remote from town centres or places of employment. As a result, higher density development – in particular studio apartments – can represent a relatively affordable housing option. Social & Cultural High urban design standards will ensure quality housing stock is developed with consideration to maintaining sunlight access and minimising heating costs. Enabling increased density supports the functioning of urban growth boundaries and their role in protecting local character and heritage. Enabling the potential for more affordable living options helps respond to the housing issue in the District. Enabling smaller housing forms at increased site density should reduce house and rental prices overall. Inclusion of sound insulation and mechanical ventilation for locations at Frankton subject to airport and road noise will ensure protection of amenity for residents. Increased population and greater densities helps support the viability of cultural events and facilities. Increased population and greater densities – especially if within well designed built development - can help support community safety. Strong development control policies to mitigate against noise and overdevelopment.	
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	adverse effects to the cohesion, character and heritage of the township. For this reason, specific provisions have been developed to manage potential effects. These include a lower building height limit of 7m, and the need for development consent for development involving more than 1 unit per site. Therefore all 'medium density' development proposals will require resource consent and must be assessed against the Arrowtown Design Guidelines. Furthermore, the extent of the Medium Density Zone in Arrowtown has been substantially reduced from initial proposals following the outcomes of public consultation (Refer Section XX) as well as specialist assessment of the zone on existing development patterns and character. An assessment by Richard Knott Limited (Refer Attachment XX) noted that <i>"The majority of the proposed Medium Density Zone is within the southern section of The New Town Precinct. The (Arrowtown Design) Guidelines identify that this area has developed rapidly since the 1970s and bears little relationship to the Old Town. It is suggested that if 'one disregards the setting when entering Arrowtown...one could be in a new residential area anywhere in New Zealand"</i>. Potential for reduced level of amenity for locations at Frankton subject to road and airport noise. However, this effect is appropriately managed through the inclusion of rules requiring sound insulation and mechanical ventilation to accepted standards (established via PC35 and NZ Standard NZS6805) (Rule 7.7.1.2 (a) and (b)). Where sound insulation rules are not met, a	Medium density development in Arrowtown will be required to adhere to high urban design standards, and may benefit in improving the character of the 'New Town Precinct' and its connection with the 'Old Town'. A report by Insight Economics identifies that in Arrowtown, there could be demand for an extra 690 to 870 dwellings over the next twenty years. The Medium Density Zone will enable increased density within the Arrowtown Urban Growth Boundary, and will therefore contribute to meeting a portion of this demand.	
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	proposal would be considered as 'non complying'.		
Alternative options considered less appropriate to achieve the relevant objectives and policies:			
<i>Option 1: Retain the operative provisions</i>		• Do not sufficiently promote or enable density development to achieve goals expressed in objectives • Lack flexibility • Limits development feasibility	
<i>Option 2: Adopt more liberal rules than proposed</i>		• Would help achieve intensification goals but potentially at the cost of unacceptable impacts on amenity values • May compromise residential character, and impact on heritage values of Arrowtown. • Potential effects to the local economy where development outcomes do not maintain acceptable amenity	
<u>Issue 5, 6, 7: Development viability and the impact of restrictive planning controls</u>			
<u>Objectives:</u>			
Medium density development will be realised close to town centres, local shopping zones, activity centres, public transport hubs and non-vehicular trails in a manner that is responsive to housing demand pressures.			
Provide reasonable protection of amenity values, within the context of an increasingly intensified suburban zone where character is changing and higher density housing is sought.			
Summary of proposed provisions that give effect to these objectives:			
• Policies which clearly support intention for increased density building forms • Removal of restrictive planning controls which increase development costs (such as the need for balconies, minimum floor area, private and communal open space) • Liberalising height, site coverage and setback controls to support increased density and improving flexibility for a range of building designs • Use of Rules to enable compliance and potentially avoidance of a resource consent, as opposed to a more rigid approach which requires consent in all circumstances. • Policies which recognises that minor non-compliance or variance may be appropriate to enable a better design outcome • Direct and unambiguous policies to reduce uncertainty and improve developer confidence • For areas at Frankton (Sh6), the inclusion of clear policy intentions and rules to manage reverse sensitivity effects noise from the State Highway network and			

flight paths of the Queenstown Airport • Permitted activity status for certain low risk residential activities • Non-notification of all controlled activities • Non-notification of Restricted Discretionary activities for 4 or more residential units (2 or more residential units in Arrowtown) where the development is able to achieve certification to a minimum 6-star level using the New Zealand Green Building Council Homestar Tool			
<i>Proposed provisions</i>	<i>Costs</i>	<i>Benefits</i>	<i>Effectiveness & Efficiency</i>
<u>Objectives</u> 8.2.1, 8.2.4 <u>Policies:</u> 8.2.1.1 to 8.2.1.5 8.2.4.1 to 8.2.4.3 <u>Activity table:</u> 8.4.10 8.4.22 <u>Rules:</u> 8.6.1 8.6.2 8.5.2	<i>Environmental</i> Removing development controls, such as private open space requirements or balconies, may reduce the amenity features included within medium density developments. Provision for increased density through more liberal development standards will realise some change to the amenity of the zone over time. However, this change will be balanced with the requirement for quality urban design solutions, and the benefits to be gained from increased density. Reduced regulation control may impact on the energy efficiency of housing produced. <i>Economic</i> Limitation of building height to two storeys, and site coverage rules may not go far enough to support a diverse range of building forms. Retention of site coverage and recession plane rules may limit development yield and increase building costs. Requirement for sound insulation and mechanical ventilation for locations at	<i>Environmental</i> Provisions which facilitate increased density within key urban centres will contribute to the protection of urban boundaries and minimise the effects of urban sprawl. Policies which support increased density within urban areas may reduce air emissions through reduced private vehicle usage. <i>Economic</i> The Productivity Commission has consistently identified the detrimental effect of restrictive planning policy on land supply and affordability: <i>“Land use regulations in District Plans affect the supply and price of development capacity, by limiting the use of particular pieces of land and adding steps to development processes”¹⁵.</i> Their recent report also notes that rules aiming to protect amenity often come with significant opportunity costs and the costs associated with compliance often exceed the benefits they are seeking to achieve ¹⁵ . Better clarification of the priority of the zone to accommodate housing ensures the protection of amenity does not restrict supply to the extent which costs are greater than the potential benefits. Additionally, the	The Queenstown Lakes district has a recognised housing and rental supply, and associated affordability issues contributed by ongoing population and tourism growth. Compounding this, are the effects of speculative market behaviour, whereby large areas of developable land are held in a limited number of ownerships having significant control over land supply. Such behaviour is incentivised by restrictive development controls and a complicated regulatory process which reduces developer confidence. The medium density zone aims to support an efficient development market which is not limited by supply. Therefore, the policies set the clear expectation that land within the zone will be developed for medium density housing. The structure of activity status ensures low risk residential activities are not unnecessarily restricted by the regulatory process, whilst land uses which would compromise the integrity of the zone are discouraged. The format of policies and rules is sufficiently enabling to support the type of development anticipated for the zone, and will support the efficient use and development of land.

	Frankton (Sh6) subject to airport and road noise may increase building costs; however additional costs of sound insulation are not expected to be significant. Overall, sound insulation will ensure maintenance of an appropriate level of in-building amenity and will likely benefit property values (in comparison to a non-insulated scenario). Social & Cultural Potential social effects associated with intensification within and at the boundary of the zone. Retention of building height, site coverage, landscaping requirements and recession planes will mitigate impacts to adjoining properties. Non-notification for certain residential activities and will limit the scope of public involvement in the development process – with perceived risk to landowners. However, non-notification provisions of the Proposed MDR zone are generally consistent with the operative approach; and for multi-unit developments of 4 or more residential units (2 or more residential units in Arrowtown) such provisions can only be utilised where development achieves a Homestar™ rating of 6 or more – which has associated social benefits in improving the quality of housing. Furthermore, in order to utilise non-notification provisions the development is required to comply with site design standards.	streamlined structure of the Medium Density Zone, and removal of restrictive Rules should remove perceived barriers and administrative costs to development, therefore improving development feasibility and increasing supply. Use of permitted standards as opposed to restrictive activity status places the onus on the proponent to control the activity status. For example, it is possible for the development of up to 3 units per site in Queenstown to be a permitted activity, provided all Standards are complied with. Providing developers/investors with increased flexibility and control over the planning process will remove perceived barriers to development. Additionally, it will be possible for individual property owners to undertake re-development without the need for resource consents and consultant fees. For example, for areas at Frankton (SH6), rules for sound insulation and mechanical ventilation will still enable development to be permitted (if provided for by the activity table) subject to compliance with all rules, including 8.5.2 for sound insulation. Removal of development standards for private open space and balconies will enable greater market control over such features and reduce build costs. Removal of such rules may also increase the achievable development capacity/yield, and reduce the influence of economic factors which act to reduce development viability. Minor increased building height allowance (from 7m to 8m for sloping sites in	Effectiveness of policy encouraging and enabling urban intensification can be significantly impacted by the extent and nature of rules such as bulk and location controls, private open space requirements and carparking. This fact has been central to the development of the rules and policy. Whilst rules still apply for the protection of amenity values (including building height, recession planes, setbacks and site coverage) these controls have been relaxed from the operative provisions in the context of seeking to achieve increased density, and recognising that this zone is intended to accommodate change. The provisions are considered to provide an effective balance in mitigating the effects of this change
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		Queenstown; and 6 m to 7 m for Arrowtown) and maximum site coverage (from 40% to 45%) may more easily enable 2 storey development avoid the need for non-standard building designs. Requirement for sound insulation, mechanical ventilation and non-complaints covenants for locations at Frankton (Sh6) subject to airport flight paths and road noise will ensure protection of these uses from noise effects; and reduce the operational effects of reverse sensitivity on the Airport and NZTA. Additionally, inclusion of sound insulation will ensure maintenance of an appropriate level of in-building amenity and will likely benefit property values (in comparison to a non-insulated scenario). Provision for smaller housing forms may create economies of scale, reducing construction costs. Unambiguous support for increased density via clear and direct policies and objectives supports the functioning of urban growth boundaries and minimises demand for land outside of these boundaries. The Permitted activity status for certain residential activities and non-notification for specified low risk activities will improve investment certainty, and minimise development costs through potentially minimising delays associated with processing resource consents. Such provisions also minimise the perceived uncertainty surrounding the regulatory process.	
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		Social & Cultural Enabling the potential for more affordable living options helps respond to the housing issue in the District. Enabling smaller housing forms at increased site density should reduce house and rental prices overall. Improving development economics via streamlined regulation should increase the quantity of housing brought to market, providing greater consumer choice. Construction cost savings achieved through smaller housing forms may increase the viability of sustainable building forms, in turn improving the comfort and quality of housing.	
Alternative options considered less appropriate to achieve the relevant objectives and policies:			
<i>Option 1: Retain the operative provisions</i>		• Does not improve on current development restrictions • Lack of clarity around medium density housing forms • Lack of support for medium density housing outside of Queenstown and Wanaka town centres • Potential for economic decline where provisions do not enable the supply of housing and reduce the appeal and liveability of the District	
<i>Option 2: Adopt more liberal rules than proposed</i>		• Would help achieve intensification goals but potentially at the cost of unacceptable impacts on amenity values • Intensification may be greater than the capacity of the land • May compromise residential character, and impact on heritage values of Arrowtown. • Reduced regulatory control may result in poor quality housing stock and adverse impacts on infrastructure • May result inefficient housing forms which are not designed for solar access.	

Issue 9: Economic diversification

- Provide for community activities and facilities that are generally best located in a residential environment close to residents.
- Provide for limited small-scale commercial activities where such activities:
 - contribute to a diverse residential environment;
 - maintain residential character and amenity; and
 - do not compromise the primary purpose of the zone for residential use.
- The Wanaka Town Centre Transition Overlay enables non-residential development forms which support the role of the Town Centre and are sensitive to the transition with residential uses.

Summary of proposed provisions that give effect to these objectives:

- Policies which support community uses and commercial activities from locating within the zone, subject to these being low intensity and appropriate for a residential environment.
- Policies which support the establishment of non-residential and mixed use development within the Wanaka Town Centre Transition Overlay. These properties are located on Russell Street and the southern side of Brownston Street, where it adjoins the Town Centre Zone. In this location, Commercial Activities may proceed as a Permitted Activity; and certain residential activities are also Permitted.
- Discretionary activity status for Commercial Activities of 100m² or less.

<i>Proposed provisions</i>	<i>Costs</i>	<i>Benefits</i>	<i>Effectiveness & Efficiency</i>
<u>Objectives</u> 8.2.8 8.2.10 8.2.12	<i>Environmental</i> Location of commercial and community facilities outside of a town centre may increase transportation requirements where such activities are also supported by a population base outside of the Medium Density Zone. The Wanaka Town Centre Transition Overlay will formalise the existing creep of town centre activities into residential areas located adjacent to the Town Centre Zone. Residents within these areas may prefer that town centre activities remain within the bounds of	<i>Environmental</i> Increased proximity of commercial and community facilities which support residents needs can avoid the need for travel therefore minimising consumption of fossil fuels. As the Medium Density Zone is generally located at increasing distances from major town centres, support for such activities is necessary to offer convenience to residents without the need to travel. <i>Economic</i> Appropriately designed and located community and commercial uses can	Provisions for commercial and community activities within the Medium Density Zone seek to maximise the benefits to be gained from increased proximity of such uses to residential areas, whilst managing their potential effects. The provisions are considered to represent an effective balance in managing the costs and benefits associated with such activities. The occurrence of sensitively designed and located activities can improve the efficiency of the urban environment and the experience of it by the community.
<u>Policies:</u> 8.2.1.1 to 8.2.8.3 8.2.10.1 to 8.2.10.6			

8.2.12.1 to 8.2.12.3 <u>Activity table:</u> 8.4.6 8.4.10 8.4.26 8.4.27	the existing Town Centre Zone due to any adverse effects on residential amenity values that may result. <i>Economic</i> Isolated commercial facilities further removed from a town centre may impact on the viability of established commercial areas. Location of commercial and community facilities outside of a town centre may impact on their commercial viability if not supported by an adequate population base. <i>Social & Cultural</i> Inclusion of commercial and community facilities may result in amenity impacts associated with noise, visual amenity, traffic and parking. However, within the proposed provisions protection is still offered through stipulation for 'low intensity uses only' and limiting commercial uses to 100m² gross floor area (Activity Table 8.4.6). Additionally, other controls such as recession planes, building height and site coverage will also retain a level of amenity; and policies have been developed to guide the type of activities anticipated. In the Wanaka Town Centre Transition Overlay, the Permitted activity status for commercial and certain residential activities (refer Rules 8.4.10, 8.4.26 and 8.4.27) may be perceived to result in un-intended amenity effects. However the scale of development able to utilise the Permitted activity status has been determined with consideration to the potential effects of the activity. Also, the development will still be required to comply	contribute to 'place making' and vibrancy of the urban environment, contributing to the local economy. Proximity of commercial and community uses can reduce financial expenses associated with transportation. Support for such uses can contribute to economic diversification, and avoid the financial impacts of restrictive planning controls. Recognising the proximity of MDR zoned land in Wanaka to the existing town centre, the 'Wanaka Town Centre Transition Overlay' has been provided to enable opportunities for mixed use development forms which enhance the quality of the town centre, activate the street and contribute to a diversified economy. This overlay also formalises the existing creep of town centre activities into these locations. In the Wanaka Town Centre Transition Overlay, the Permitted activity status for commercial and certain residential activities will improve investment certainty, and minimise development costs by potentially minimising delays associated with the resource consents process. Such provisions also minimise the perceived uncertainty surrounding the regulatory process. In the MDR Zone generally, the Discretionary Activity status (as opposed to a more restrictive status) for commercial activities of 100m² or less will improve certainty for investors and allow scope for consideration	The proposed provisions would see the introduction of the Wanaka Town Centre Transition Overlay which would enable the continuation of residential activities (as the land would continue to be zoned for residential uses), whilst enabling non-residential activities to establish as a Permitted Activity. The location of the transition overlay is a discrete area which provides a logical link with the existing town centre. Establishing this overlay is considered to be an efficient and effective method of enabling further capacity for commercial and mixed use developments through incremental change at the fringes of the town centre; and formalises the existing creep of town centre activities into these locations. Development in this area will be required to adhere to the amenity standards applicable for the zone, and buildings require assessment as a Restricted Discretionary activity to ensure appropriate consideration of urban design. These controls are an effective and efficient method of enabling existing residential activities to continue, whilst enabling non-residential activities which may integrate with the town centre. Outside of the Wanaka Town Centre Transition Overlay, a 'Discretionary' status has been applied to both Commercial and Community Activities ensuring that the effects of such activities can be appropriately considered via resource consent.
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	with the amenity controls of the MDR zone.	of integrated mixed use development proposals. Social & Cultural Increased proximity of commercial and community facilities which support residents needs can avoid the need for travel and promote walking and cycling, with associated health benefits. Increased proximity of commercial and community facilities may support social and cultural connectivity. May increase accessibility to essential community services. Opportunities for mixed use development forms within the 'Wanaka Town Centre Transition Overlay' create places for people to gather and socialise. In the MDR Zone generally, the Discretionary Activity status for commercial activities of 100m² or less will enable sufficient consideration of potential effects associated with commercial uses locating within rural areas (such as noise, visual amenity, traffic, parking and access).	
Alternative options considered less appropriate to achieve the relevant objectives and policies:			
Option 1: Retain the operative provisions		• Lack of clarity and transparency around the requirements for non-residential activities within Residential Zones • Requirement for community activities to be located within a designated Community Facility Subzone • Lack of flexibility to cater for changing social or market conditions	

<i>Option 2: Adopt more liberal rules than proposed</i>	• <i>May recognise social and economic benefits but potentially at the cost of unacceptable impacts on amenity values</i> • <i>May compromise residential character</i>
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10 Efficiency and effectiveness of the provisions

The Medium Density Residential Zone of the Proposed District Plan has the purpose to implement policy and tools to increase the supply of medium density forms of housing. The provisions support 'Part 2 – Strategy' of the Proposed District Plan, namely Strategic Direction (Chapter 3) and Urban Development (Chapter 4) which seeks to achieve a compact and integrated urban form within defined limits. The Medium Density Zone, in combination with the provisions of the High Density and Low Density Zones, is essential to the successful functioning of urban growth boundaries which have been established (via Chapter 4) to protect the character and amenity of Queenstown, Wanaka and Arrowtown. The provisions of the Medium Density Zone form one element of the strategic housing approach sought by the Proposed District Plan, with the overall aim to promote higher density housing in areas where people want to live.

The above provisions are drafted to specifically address the resource management issues identified with the current provisions, and to enhance those provisions that already function well. It is noted that the Medium Density Residential Zone has been developed in the context of managing high levels of anticipated growth and its potential effects, not preventing it. It is acknowledged that alternative options may have been considered where growth pressures were not as significant. However, regardless of the relevance of growth pressures, the establishment of the Medium Density Residential Zone supports demands for smaller housing options, an element which the operative District Plan currently lacks. The provisions also improve the efficiency of urban development through taking a forward looking, proactive approach which is able to account for varying economic circumstances, therefore avoiding a reactive approach to growth management.

The key factors which support the efficiency and effectiveness of the provisions for the Medium Density Residential Zone are:

- Ensuring density provisions support the effectiveness of urban growth boundaries (established via Chapter 4 of the Proposed District Plan) to mitigate the potential effects of urban containment
- The zone supports increased density housing through liberalised provisions, providing options for smaller households or people wishing to downsize.
- Permitted Activity status for certain low risk residential and visitor accommodation activities (subject to compliance with amenity controls) and non-notification provisions will improve the efficiency of land release and development, and minimise time and costs associated with the regulatory process.
- The scale and location of the zone increases the supply of land for housing and minimises landbanking incentives;
- Clear and unambiguous policy which provides certainty over the future location of growth for landowners, developers and investors
- Location of the zone in proximity to activity/town centres, public transport routes and trails supports the efficient use of the urban environment to support public health and minimise the environmental and financial impacts of urban sprawl
- Incentives for sustainable building supply should improve the quality of housing stock.

The proposed provisions also improve the implementation of the District Plan. By simplifying the objectives, policies and rules (the provisions), the subject matter becomes easier to understand. Removal of technical or confusing wording, also encourages correct use. With easier understanding, the provisions create a more efficient consent process by reducing the number of consents required and by expediting the processing of those consents. This should also reduce economic impediments which currently restrict housing development and incentivise landbanking,

11 The risk of not acting

Section 32(2)(c) of the Act requires, in the evaluation of the proposed policies and methods, the consideration of the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the policies, rules or other methods.

The provisions of the Medium Density Residential Zone have been developed to address growth pressures experienced within the District, and the potential environmental, social and cultural effects of uncontrolled or

piecemeal urban growth. Population, visitor accommodation and economic growth projections provide a strong basis for the proposed approach; in addition to recognised housing affordability and overcrowding issues affecting the District. Although the projections are considered robust and sound, there is never certainty associated with projections, and population and economic growth scenarios can be disrupted by a wide range of domestic or international events.

The risk of acting by establishing the Medium Density Zone and increased density provisions to respond to projected growth is that, for whatever reason/s, actual growth falls well short of projections; or that economic development is stifled to a point at which demand for new housing and accommodation decreases. Whilst this may be a potential scenario, the provisions are forward looking and are intended to provide for a growing population in a more sustainable and coordinated manner, under a range of economic scenarios. In the event of economic decline, it is still considered relevant to maintain provision for smaller and increased density housing – for example to provide lower cost housing and rental options where employment opportunities decrease. Additionally, the protection of important landscapes and significant environmental or natural features enabled through support for increased density will still be relevant even under a low growth scenario.

The risk of not acting, by retaining or largely retaining the Operative District Plan approach, is that in the event that the projections are realised, or even partially realised, the housing issues and visitor accommodation needs of the District will not be met, economic potential will be under-realised, there will likely be flow on social and economic effects, and potential environmental effects as development pressure moves to the urban margins. Furthermore, recognised issues of overcrowding and housing affordability would be further exacerbated.

Overall, based on the analysis undertaken throughout this report, the risk of not acting is considered significantly higher than the risk of acting.

12 Summary

In reviewing the District Plan, the *Local Government Act 2002* provides that in decision making, a local authority should consider not only current environments, communities and residents but also those of the future.

It is noted that the opportunity to rollover many of the existing provisions exists. This may also be improved by some minor amendments to the provisions in response to the resource management issues raised. Neither of these approaches reflect the current changing nature of the RMA with its drive to simplify and streamline, nor do they address the significant growth pressures affecting the District. The District Plan is a forward planning mechanism and the opportunity to make bold changes in order to make a more noticeable difference. Not taking the more compact approach to this section and others, will not advance the usefulness of the District Plan in pursuit of its function in the sustainable management of natural and physical resources.

Therefore the provisions are forward looking and are intended to provide for a growing population in a more sustainable and coordinated manner. The proposed Medium Density Residential Zone are based on the premise that it is not the role of the RMA or the District Plan to restrict growth, but rather to manage the effects of such growth to meet the foreseeable needs of the community.

The Medium Density Zone is an essential element to the overall housing and urban development strategy across the District, enabled through the hierarchy of the Proposed District Plan. The zone will support increased supply of affordable housing forms to address anticipated population and tourism growth. Without this zone, the ability to achieve urban containment would be compromised by a lack of land supply within defined boundaries, resulting in continued urban sprawl as a means to meet growing demand. Such development poses an unacceptable risk to the quality of the urban environment, with flow on effects to economic, social and cultural wellbeing of the District.

It has been suggested by some members of the community that rather than plan for future growth, that the Council should attempt to limit growth. In such a scenario, alternative options such as maintaining the status quo may have been given more weight. However, following a review of the costs and benefits associated with alternative options, and the costs and benefits of the proposed provisions; it is considered that the benefits to be gained by the proposed approach outweigh the risks associated with a lack of a coordinated growth management response. Whilst growth pressures can vary over time, the provisions reflect a long term view and will enable sustainable management of urban growth during a range of economic conditions.

Attachments

1. *QLDC MDR REVIEW - Infrastructure Assessment*, Holmes Consulting Group - [link](#)
2. *Arrowtown Dwelling Supply and Demand*, Prepared by Insight Economics for Queenstown Lakes District Council, 18 February 2015 - [link](#)
3. *Queenstown Visitor Accommodation Projections*, Prepared by Insight Economics for Queenstown Lakes District Council, 8 April 2015. - [link](#)
4. *Brief Analysis of Options for Reducing Speculative Land Banking*, Prepared by Insight Economics for Queenstown Lakes District Council, 6 August 2014 - [link](#)
5. *Medium to High Density Housing Study: Stage 1a – Review of Background Data*, Prepared by Insight Economics for Queenstown Lakes District Council, 30 July 2014 - [link](#)
6. *Medium to High Density Housing Study: Stage 1b – Dwelling Capacity Model Review*, Prepared by Insight Economics for Queenstown Lakes District Council, 13 March 2015 - [link](#)
7. *Shadow and Recession Planes Study*, Virtual Rift 3D Solutions, prepared 12 March 2015. - [link](#)
8. *Proposed Medium Density Housing Zone, Arrowtown, Review of Proposed Boundaries*, Richard Knott Limited, 4th February 2015. - [link](#)

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