
REPORT 3

**MONITORING REPORT ON DISTRICT PLAN MEDIUM DENSITY
RESIDENTIAL AREAS (MDRAS)**

1. Purpose of report

This report updates the Committee on development activity occurring within the Kilbirnie and Johnsonville Medium Density Residential Areas, and along Adelaide Road where building heights were increased to help support residential intensification. An update on progress towards scoping the potential for further residential intensification areas is also provided.

2. Executive summary

Initial monitoring results of new dwelling consent approvals in Johnsonville show a reasonable level of multi-unit development. Development levels are however much lower in Kilbirnie and along Adelaide Road.

Developers in Johnsonville are beginning to respond to the new development opportunities provided for by the MDRA. Further, there is some optimism that as more developments are completed this will fuel market demand for further redevelopment in this suburb.

Despite the mixed results to date, Officers consider that there is a need to pursue policy work to investigate further areas in the City where residential intensification might occur. Wellington suburban housing stock continues to be dominated by traditional 3 bedroom timber housing. Recently commissioned housing needs research shows that this housing stock will not match future housing needs. An increasingly diverse range of housing will be required in the future to meet anticipated demand. Greater housing choice and supply is needed in all parts of the city to support the ongoing viability of our established suburbs and to allow people to age in place.

Officers are currently scoping the potential for six other residential intensification areas across the city: Tawa, Newlands, Crofton Downs, Karori, Berhampore and Miramar. A further report will be presented to this Committee in November 2014 on the findings of this work. Councillors will be asked to make a decision at that time on the areas that should be pursued to the stage where district plan change options are considered.

To assist in the development of that Committee paper, Officers are seeking a 1-2 hour workshop with Councillors (held in September) to discuss the housing needs research in more detail and to identify issues associated with each of the six potential residential intensification areas.

3. Recommendations

Officers recommend that the Transport and Urban Development Committee:

- 1. Receive the information.*
- 2. Agree to a Councillor workshop in September 2014 to discuss the six identified areas that are being investigated as potential residential intensification areas.*

4. Background

The 2006 Urban Development Strategy outlined the Council's targeted approach to growth management by encouraging future residential development along the Growth Spine. That is Johnsonville, the central area, Adelaide Road, Kilbirnie, and through to the Airport.

One key action from that Strategy was the identification of a series of suburban areas that could be considered for medium density residential development ('Areas of Change'). Typically these areas are close to a town centre, have good access to public transport, and provide a range of existing community facilities in and around the town centre.

While a number of areas were identified as potential 'areas of change', a decision was made to pursue Johnsonville and Kilbirnie in the first instance. These suburbs were considered a priority and aligned well with the growth spine concept. Accordingly, in 2009 Medium Density Residential Areas (MDRAs) were introduced for Johnsonville and Kilbirnie as part of Plan Change 72 – Residential Review.

The Kilbirnie MDRA provisions became operative in 2010. The Johnsonville MDRA provisions were appealed to the Environment Court and only became operative in October 2013. Even so, both sets of provisions had some effect from their notification date in 2009.

Additional building heights were also provided for in the Adelaide Road area as part of Plan Change 73 to support residential intensification. This change helped give effect to the Adelaide Road Framework.¹

Monitoring of development activity in the Kilbirnie and Johnsonville MDRAs has begun to provide insight into their effectiveness and to identify any issues that may arise if Councillors decide to proceed with the roll-out of other MDRAs.

¹ The Adelaide Road Framework (adopted in 2008) sought to identify a long-term vision for future growth and development for land surrounding the northern part of Adelaide Road. A key feature of that Framework was the need for road and public space improvements to create the right conditions for a revitalisation of the area.

5. Discussion

5.1 Development activity in existing MDRAs and Adelaide Road

Residential building and resource consents in Johnsonville and Kilbirnie have been analysed to understand residential development activity in these areas. The findings of a 2013 study by Otago University students into development within the Adelaide Road Framework area has also been included in section 5.1.3 of this report.

5.1.1 Johnsonville Key Findings

Looking broadly at development activity in Johnsonville over the past ten years (ie, building consents for new household units), there was a relatively sharp increase in the overall level of new residential development from 2004 to 2006, followed by a sharp decline in 2007. Since 2010 there has been a notable increase in new housing buildings consents.

Improvements to existing residential stock appear to be strong too. The level of building improvements to the existing housing stock generally exceeds the number of building consents for new residential development, but not by a significant margin. The exception to this trend is in 2012 and the first 6 months of 2013 where building consents for new dwellings exceeded building consents for additions and alterations.

Building consents for multi-units are common which is demonstrated as a purple line in Figure 1. The graph shows that there are more units created than building consents applied for. This implies that some building consents sought approval for more than one dwelling on a site.

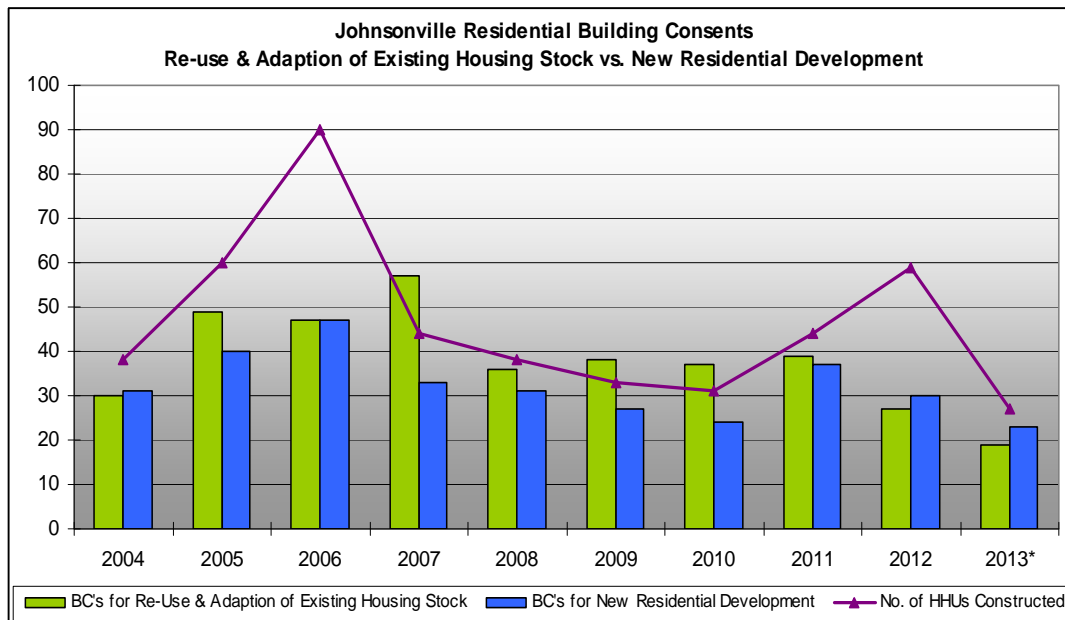


Figure 1. Residential improvements vs. new development in Johnsonville 2004-2013

* NB: 2013 data only covers a 6 month period.

New residential development in the Johnsonville MDRA has typically occurred in areas with available land supply. A total of 31% of the new residential stock in the Johnsonville MDRA is located on vacant sites in Sheridan Terrace and Cresswell Place. Both Sheridan Terrace and Cresswell Place were removed from the MDRA zone as a result of the Environment Court decision, though these sites are now largely been developed.

Resource consent data also demonstrates the growing trend toward higher intensity developments in Johnsonville. Since 2011 there have been nine resource consents issued for five or more household units. Two of these developments (2A Sheridan Terrace - 32 units and 8-10 Middleton Road - 16 units) are considered to be comprehensive in nature and close to the scale envisaged by the MDRA provisions.

As expected, the easy, vacant sites were developed first. To date, there has been little development in the MDRA (or wider Johnsonville) involving comprehensive redevelopment of existing residential sites.

Informal feedback from professionals working in this area shows there is demand for traditional 'infill development' in the MDRA 2 zone, and that the specific provisions of that zone (particularly the minimum site dimension requirement) is preventing those infill applications from occurring. The minimum site dimension was put in place specifically to stem the flow of infill developments (ie. development on one site) that might make comprehensive site redevelopment even more difficult in the future.

Officers are however currently working with a landowner contemplating a comprehensive redevelopment that would transform four sections into a 20-plus unit development. This suggests there is a willingness to deliver comprehensive multi-unit developments, if the sites are available.

It is anticipated that comprehensive site redevelopment will be the next phase of development to occur (particularly with the non-notification clause for developments in the MDRA now having real effect), provided the development economics stack up.

These findings support the conclusions of a Working Paper prepared in 2008 which sought to understand what actions the council would need to take to create the right conditions for residential intensification along the growth spine. Johnsonville and Adelaide Road were used as case studies in that paper. In respect of Johnsonville, the working paper concluded that high density intensification will be hard to achieve in suburbs such as Johnsonville (due to land values) and the pressure for infill will continue to occur. It was noted that realistic options for projects would be those involving public housing projects. Two of the recently completed multi-unit developments in Johnsonville involved significant pre-sale commitments from Housing NZ and IHC NZ.

In another report prepared by property valuation firm DTZ in 2009 for the Section 32 report on Plan Change 72, it was noted that Johnsonville is a good

candidate for the MDRA provisions but that development would be slow to occur. Demand for high quality medium density units will reach the point where land values will rise sufficiently relative to improvement values, making projects more viable for comprehensive redevelopment to take place.

Similarly, evidence prepared by property valuation firm Darroch for the Environment Court appeal on the Johnsonville MDRA, included reference to 6 sites in the MDRA areas that had been purchased with a view to undertaking multi-unit developments. Of these sites, one site has been developed, another is under construction and one site has been the subject of a pre-application process. Council has no information on the remaining three sites. In correspondence with a local architect, officers noted that the architect considered Johnsonville was “humming”.

Comprehensive development in Johnsonville has been slow to take off but there is sufficient evidence to show that momentum for residential development is building. As demonstrated below in section 5.2, changing housing and demographic forces are such that demand will continue to grow for high quality medium density units in areas like Johnsonville. This will boost confidence for developers and their financiers and provide incentives to create further housing in the area.

5.1.2 Kilbirnie Key Findings

The Kilbirnie MDRA provisions have been effectively operative for more than three years. Even so, very little new residential development has occurred in this time or the past 10 years, either in the MDRA area or wider Kilbirnie suburb. The majority of building activity relates to improvement of existing residential stock, rather than new residential development (Figure 2).

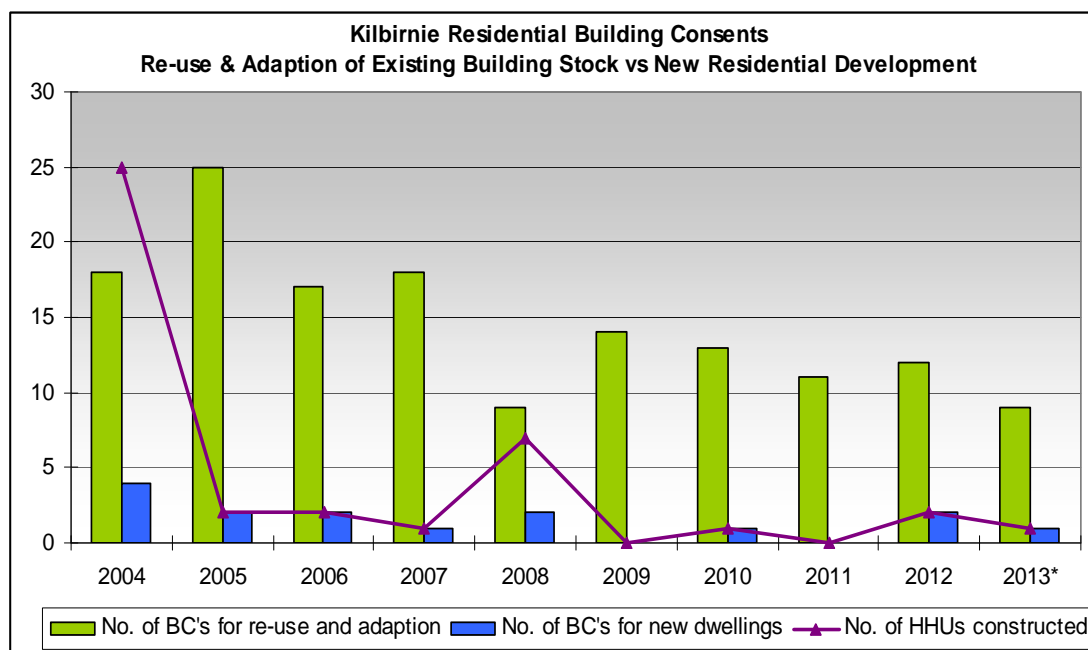


Figure 2. Residential improvements vs. new development in Kilbirnie 2004-2013

* NB: 2013 data only covers a 6 month period.

There have been no resource consents for multi-units granted within the Kilbirnie MDRA since the introduction of the MDRA zone and only a single resource consent (for four units) has been granted since 2008 for the Kilbirnie area outside of the MDRA. There have been no comprehensive multi-unit developments spanning multiple sites in Kilbirnie. Backyard infill appears to be the main form of additional residential growth at this stage, but even this is at very low levels compared with Johnsonville.

Likely reasons why Kilbirnie continues to experience low levels of new residential dwelling activity, despite the MDRA, include:

- long, narrow sections in Kilbirnie with dwellings sited across the entire width of a section restricting vehicle access to rear yards
- limited land supply in Kilbirnie, including few vacant sites
- reasonable quality of housing stock, affecting commercial viability of comprehensive redevelopments
- impact of the global financial crisis.

Comprehensive multi-unit development will require the removal of existing housing stock to facilitate further growth. But it is clear that the development economics do not currently support this scale of redevelopment in Kilbirnie. Accepting that this form of development may still be some way off, officers still consider that there is value in the MDRA provisions in Kilbirnie. Given the key findings of new housing needs research (summarised in section 5.2 below), officers believe that there is a need to provide for residential intensification areas across the city to provide for different housing needs. Further investigations of the likely reasons for slow uptake of the Kilbirnie MDRA provisions will continue as officers explore potential for additional MDRAs.

5.1.3 Adelaide Road Key Findings

Residential development has remained relatively stagnant in the area since 2007. The Otago University report concluded that lack of available vacant land and high land values were the main contributing factors limiting redevelopment in the area.

Once again, these findings largely reflect the 2008 Working Paper which looked at Johnsonville and Adelaide Road. In respect of Adelaide Road, it was noted that residential development returns were only marginally different from returns able to be made in the CBD. However, as the CBD has higher amenity for residents than Adelaide Road, developers will prefer to invest in the CBD as this is a safer investment option. Further, the report noted that demand for commercial land use in this area provides competition for land by potential residential developments.

While increasing building heights in the Adelaide Road area was carried out as part of Plan Change 73 (one of several interventions recommended in the

working paper) it is clear that other interventions will be needed to encourage more live/work developments in this area.

The two recent developments in this area suggest the tide may be turning:

- 181 Tasman Street (41 residential units & 2 commercial units)
- 27 Rugby Street (55 residential units)

It is expected that improvements to the public transport network operating along Adelaide Road along with other road and public space improvements will provide an additional impetus for further residential growth in this area.

5.1.4 Likely reasons for slow development activity levels

Developers have recently provided feedback to the Council on key factors influencing their development investment decisions in the Wellington housing market. Key themes emerging from those interviews are identified below:

Site Selection/Land Availability

- Finding adjoining sites to enable comprehensive residential development in the form envisaged by the MDRA provisions is a challenge.
- There is a lack of available and affordable land in the areas identified for growth.
- Piecemeal infill housing is less risky and provides comparable returns.

Development Costs/Financing

- The cost of land is a significant capital outlay. It can be as much as 50% of total development costs, making underlying land values a key inhibitor to making a project viable.
- The high cost of finance for 'holding' land until sites are redeveloped.
- Site development costs
- Development contributions and the timing of these (required upfront) can be prohibitive to overall return on investment
- There are limited public/private partnership opportunities. For instance, Housing NZ properties have potential but there is some reluctance from HNZN to form partnerships with private entities.

MDRA Provisions

- The non-notification clause for multi units in the MDRA's are supported as it provides certainty of process and limits potential costs for developers.
- Relaxed bulk and location provisions (i.e. building recession planes, site coverage, and open space) enable more flexible design, but it is unfortunate that the 10m building height sought for Johnsonville was reduced to 8m in the Council decision.
- Visitor carparking requirements reduce the area of developable land which impacts on the viability of projects.

- The minimum site dimension requirement (22 metre minimum allotment width in Johnsonville MDRA 2) restricts single site development options. This is because the policy approach in the District Plan is strongly focused on seeking comprehensive development across at least two sites rather than ad-hoc backyard infill within one site.

Of these factors, the initial land purchase costs and the difficulty of acquiring multiple sites for large-scale redevelopment appear to be the most significant hurdles for developers in being able to undertake commercially viable multi unit developments.

5.2 Summary of housing needs research

Council has recently commissioned new research into future housing needs for the city. The report, still in draft form, provides insights into why, despite lower than expected development activity so far in Kilbirnie, Johnsonville and Adelaide Road, the Council should continue its approach of providing for greater housing supply (and choice) in the established residential suburbs.

Population and household demographic factors supporting the need for greater housing supply and housing choice include:

- The 2013 census shows that household composition is changing. Family with children households (36% of all households) are notably outnumbered by single and couple only households (at least 50% of all households). Group housing such as flats and boarding houses make up 12%.
- Of the 14,000 new households needed to accommodate Wellington's projected population growth between 2011 and 2031, 66% of these will be needed for single person and couple only households. Family households will represent just 20% of projected new households.
- Wellington's housing future will be strongly influenced by the ageing population and also a projected increase in the number of students and younger working people aged between 18-34 years².
- The current balance between owner-occupiers and renters is changing. The number of renting households grew by almost 25% between 2001 and 2013 compared to just a 10% growth in owner-occupiers. Based on these trends, 45% of all households will be renting households by 2031.

Housing factors supporting a steady rise in Wellington house values include:

- A highly mobile community with more than 30% of the population having lived in another town/city five years ago.
- A growing number of households living in compact housing and willing to pay more to live close to the city centre.

Another trend is that much of Wellington's housing stock is under-utilised with larger family homes being occupied by single and couple-only households. This

² This age group is an 'echo' of the baby boomer generation, ie. the children of baby boomers.

trend is more apparent in predominantly owner-occupier established suburbs such as Khandallah and Karori.

Given these housing forces, the draft report notes that the suburban housing markets will take a different path to the CBD and Te Aro. In particular, the suburban housing market will:

- see increased demand for 1-2 bedroom units from single and couple only households. This includes demand from households wishing to down-size, while staying in their local community.
- continue to experience demand for family housing, though some areas are at risk from negative population growth due to under-utilisation of larger homes.
- experience 40% of net growth in rental properties.
- experience an increase in 70 plus age groups with an increasing demand for supported housing for the elderly.

5.2.1 Summary

Wellington is beginning to experience a mismatch between existing housing stock and likely future demand. This impacts on housing affordability and quality of life issues. Future demand is diverse and greater housing choice is required to meet that demand. Key benefits of increasing housing choice include:

- convenient access and opportunities for all people to age in place
- enhanced community cohesiveness
- reduction of economic and environmental effects associated with large numbers of people living in more affordable areas and commuting large distances to work
- managing housing affordability
- enabling greater efficiency of services and infrastructure provision.

The draft Housing Forces Report identifies the need for the Council to promote better utilisation of existing suburban housing stock. A key finding from the report specifically related to the suburban housing market is that *the council should continue to promote development of quality, well-located, compact housing near suburban centres to encourage single and couple-only households to downsize within their existing community.*

5.3 Update on current work to scope potential for other MDRA areas

Officers are scoping a further six areas that could have residential intensification provisions applied to them. This is based on work undertaken in 2008. The areas are:

- Tawa
- Newlands
- Karori
- Crofton Downs
- Berhampore
- Miramar

A profile of each area is being developed that includes information on:

- 2013 census data on population, households and housing
- existing housing development patterns and capacity for future residential development
- current infrastructure issues/constraints and any planned investments that would support further intensification (including transport, 3 waters, community and social infrastructure investments)
- Potential development opportunities (ie, vacant or brownfield sites, WCC owned property)
- Property values and development economics of the area

Officers expect to provide a further report to this Committee in November 2014 outlining the key results of this scoping work. That report will recommend the areas that should progress to Stage 2 of the project. Stage 2 involves specific policy development, public consultation and policy/rule drafting for the areas affected. Key dates anticipated for the future of this project:

- Nov 2014 - TUD Paper seeking confirmation of areas that progress to Stage 2 of project
- Feb/March 2015 - targeted consultation
- May 2015 - TUD Committee paper seeking approval to notify plan change

5.4 Consultation and Engagement

Public consultation

The draft Spatial Plan (“Plan Wellington”) includes reference to these six areas as potential residential intensification areas. That plan is expected to be consulted on in July/August 2014. Any feedback received on this component of the Plan will provide an early opportunity to test the waters with the respective communities about the potential for residential intensification before any key decisions are made to definitely pursue the given areas to the plan change stage. This consultation will be important as it has been six years since these communities were last consulted with on a potential residential intensification area in their community.

Targeted public consultation with affected communities is planned for February and March 2015 as part of the next stage of policy development.

Councillor Workshop

Officers consider there is value in holding a 2 hour workshop with Councillors to work through the key findings from the scoping exercise. This process will help to identify key issues from Councillors perspective (particularly affected ward councillors) to ensure these are addressed prior to a decision being made by the TUD Committee on the areas that should proceed to Stage 2. Officers hope to hold this workshop in September 2014.

5.5 Financial considerations

All work on this project will be carried out within the existing District Plan budget.

5.6 Climate change impacts and considerations

Residential intensification is a growth management approach adopted to support the Urban Development Strategy. This strategy takes into account the impacts of climate change, including for example reducing the need for long vehicle based trips. Enabling people to live, work and play in their community allows people to live more sustainably.

5.7 Long-term plan considerations

There are no current Long Term Plan considerations associated with this paper due to the preliminary stage of the policy development.

6. Conclusion

Initial monitoring results of new dwelling consent approvals in Johnsonville, Kilbirnie and along Adelaide Road shows a mixed response so far to the development opportunities provided for in these areas as a result of Plan Changes 72 and 73.

While the development market is slower to respond to the MDRA opportunities than expected, it is also important to recognise that rezonings of this nature take a long time to implement and for the market to respond. With this in mind, it is important for the Council to continue with its strategic approach to managing future population and housing growth. Greater housing choice and supply is needed to support the changing and more diverse housing needs of the city's resident's overtime.

Providing opportunities for residential intensification around key suburban centres helps to support the viability and vitality of established suburbs, enable efficient use of public transport and infrastructure, manage housing affordability concerns and allow for people to age in place.

The current project to investigate six other areas as potential candidates for some form of residential intensification fulfils an earlier commitment to re-look at these areas following the adoption of both Johnsonville and Kilbirnie MDRAs in the Plan.

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SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

District Plan policy development supports the outcomes of the Urban Development Strategy.

2) LTP/Annual Plan reference and long term financial impact

Project C533 – District Plan

3) Treaty of Waitangi considerations

All District Plan work is required to take into account the principles of the Treaty of Waitangi (under section 8 of the Resource Management Act 1991).

4) Decision-making

There are no significant decisions required. The paper provides information to inform Councillors about policy project and requests a Councillor workshop.

5) Consultation

a) General consultation

No consultation required for this briefing paper.

b) Consultation with Maori

n/a

6) Legal implications

There are no direct legal implications.

7) Consistency with existing policy

The paper relates to a rollout of an existing residential intensification planning approach to other parts of the city. In this respect there are no inconsistencies.