Speaking points by Ben Farrell for Andrew and Lisa Rankin

May it please the panel, sincere apologies I cannot present to you in person:

BACKGROUND

Andrew and Lisa Rankin

1. Andrew and Lisa Rankin own 63-65 Thompson Street and have resource consent (RM181593) to redevelop the site from two old houses into 12 new townhouses. The Rankins are hoping to sell some of the units and retain some of the units (as an ongoing revenue stream for them and their children). Their intention is not, currently, to Airbnb any of the units. The Rankins also own other HDRZ property within Queenstown and would like to undertake further "infill" development on that property.

Example: 63-65 Thompson St, Queenstown (RM181593)

2. The resource consent process went relatively smoothly. QLDC agreed early on that an optimum housing yield and design for the site (at that point in time) is 12x3 storey townhouses with a mix of bedroom numbers, all under the maximum building height limit. However, the construction design process has not been smooth. Five years after resource consent was issued, the Rankins still do not have a building consent. As it stands the development needs to be redesigned to reduce construction costs. This redesign requires a variation to RM181593.

3. I cannot disclose the construction cost estimates (it is subject to a competitive tender process). I can say, based on current estimates, the total development costs could be near $20m, factoring in:

    <u>Private Costs:</u>

    a. Site purchase cost
    b. Consenting costs
    c. Construction cost (estimates are astoundingly high)
    d. Selling costs
    e. Holding costs

    <u>QLDC – Direct Costs</u>

    f. Consenting costs
    g. Development contributions
    h. Rates

4. "Administration" costs for this 12-unit development on HDRZ land will easily exceed $1m. If the development is subject to the proposed inclusionary housing tax, then the administration costs would increase by about $300,000 (assuming $150 x 2,000m^2 residential floor space).

5. Regrettably, the Rankins are seriously thinking of walking away from the project – i.e. why would they go through the risk and stresses associated with developing the property when they could sell the land "as is" and potentially make a similar "profit" from the capital gain (i.e. capital gain estimates are around $2.6m – and profits from redeveloping the site could potentially be <3m). If applicable, the inclusionary tax payment could be the breaking straw.

Background to Ben Farrell

6. I am Ben Farrell. I am an expert planner based in Queenstown and dabble in project management, particularly urban developments in Queenstown and Wellington. As a planning expert I have been involved in most parts of the PDP and many consenting processes in this district. I provided planning advice and expertise in a number of HASHA development proposals (not all proceeded) and have experience working (negotiating) with QLDC and the Community Housing Trust in preparing and implementing private developer agreements.

7. I am familiar and have personal experience with Queenstown's housing affordability issues. For example, I reside in Queenstown with my wife and children. I am a ratepayer and have constructed a house. When constructing our house our family (inclusive of two children and two dogs) lived in two 18m^2 container homes. Before moving to Queenstown (in 2015) I could not find or afford a rental - I commuted from Invercargill to Queenstown, sleeping on couches and fold out beds at "mates of mates" houses. When Ailsa and the kids arrived, during winter, we dossed at a family members very old and very cold cottage – sleeping with smoky open fires, hot water bottles and woollen hats.

CONCERNS WITH THE PROPOSAL

8. There are many issues with the proposal, as you have heard throughout this hearing. Some key issues I can think of are highlighted below.

DISTINCTIVE TO PROPERTY DEVELOPMENT (A STICK NOT A CARROT)

a. The proposal is a disincentive to increasing the supply of housing in the district and penalises people like the Rankins from providing housing in locations where higher density housing is most appropriate (the HDRZ).

b. QLDCs seems to assume that "property developers" are sufficiently wealthy or cash rich enough to afford the costs imposed by the proposal. This is not the case, especially for infill developments in the HDRZ. The financial amount required to be paid by developers is not necessarily a marginal cost that can be recovered in sale price.

THE PROPOSAL IS NOT TRIED AND TESTED

c. QLDC is wrong to say the proposal is tried and tested. All previous examples (under HASHA) were voluntary and were negotiated. The negotiations were entered into entirely voluntarily with all associated costs controlled by and known to the applicants. All previous examples were also provided in the form of a compensation – i.e. streamlined and more certain planning processes. However, the proposal provides no certainty to developers. It would be different if the resource consent or plan change outcome could be reasonably certain before a developer embarks on any investment.

d. QLDCs evidence package is in entirely theoretical. There is no evidence or support for the proposal from experienced property developers.

ADHOC AND SILO THINKING

e. QLDC is not looking at, or seeming to understand, the "whole system", including other parts of the housing system and factors influencing affordability.

f. The proposal presents a risk of acting. It potentially creates a rod for back of better alternative options that might be considered in the future.

NOT URGENT

g. The proposal is not going to provide any short-term fixes. The risk of not acting is relatively marginal to negligible.

UNFAIR / UNREASONABLE

h. The proposal should not apply to people like the Rankins, who had no ability to factor in an inclusionary development tax into their costings.

i. The proposal is a form of a tax on people who take the risk and spend the money to develop new houses. The proposal does not seek to gain funding from anyone else in Queenstown's society, including the many businesses that create the demand for housing of low to moderate income earners.

ALTERNATIVE OPTIONS

9. QLDC has not undertaken a thorough assessment of alternatives. Other options (parts of the system / levers to pull) that should be considered meaningfully include:

   a. Rates

      i. To all ratepayers and all businesses (not targeted)

      ii. To non-residential land uses (targeted rate)

   b. Incentives to private sector to provide affordable housing (i.e. allow parties other than the QLHT to provide "affordable" housing)

   c. A financial contribution on all local businesses, included permitted activities

   d. Other funding options (i.e. supporting the QLHT to raise its own capital)

   e. International investment (Central government currently looking at this)

TAKEAWAY MESSAGES

10. The Rankins do not support QLDCs proposal. If they are required to pay a substantial financial contribution, as is proposed, they may walk away from their infill housing projects in the HDRZ in Queenstown. If they walk away it will cost the next landowner an even higher price to consent and construct additional townhouses (because the land cost will be based on current market value).

11. The proposal is a disincentive to the provision of housing by the private sector. QLDC should be incentivising the private sector to provide additional housing, particularly infill of existing HDRZs.

12. All Queenstown residents and visitors should share the burden of contributing to housing affordability in the district – including businesses that attract and employ people (i.e. those who create the demand for the housing supply).

13. The proposal is fundamentally flawed because it presents a silo approach absent of meaningful consideration of alternative options, and it penalises "property developers", nobody else.

QUESTIONS FOR THE PANEL

14. I also have a number of questions the panel should consider when determining if the proposal is appropriate or not.

Takeaway message #1 – not all property developers are rich property developers. Many of them (at least for existing housing stock prime for infill development) are hard-working mums and dads who have invested in property.

Takeaway message #2 – not all residential units in the HDRZ will be used for visitor accommodation, some people want to provide rental housing and remain landlords.

Takeaway message #3 – Property developers always take a lot of risk, often suffer related stresses, and sometimes make zero or little financial gain.

Take away message #4 – the housing affordability issue doesn't simply affect those on "low to moderate" incomes. It is a problem felt by many on "higher" or "good" incomes.

Takeaway message #5 – QLDC does not have a very good understanding of the actual costs and risks to people wanting to provide more housing in Queenstown.

Takeaway message #6 - It would be naive to think that all the development costs can be recovered in the sale price. Income (either through property sales or weekly rental) is set by the market price at the time of sale (a future market). A property developer cannot know the future market price before they decide to invest in developing a property. Property development is high risk.

QUESTIONS

Question #1 - Has QLDC provided you with any real expertise in property development supporting the proposal – i.e. those who have successfully done this before?

Question #2 - Has QLDC provided you with any evidence or research about the number of failed housing developments (i.e. never consented or consented and never built), or developers who have gone bankrupt?

Question #3 – Has QLDC or any party taken into account the costs and implications that might be afforded to developer risks and stress (i.e. QLDC seems focused on worrying about the stresses of low to moderate income earners that cannot afford a house – and not at all worried about the stresses on others in our community, including property developers)?

Question #4 - From a planning perspective, what are the key higher order directives being implemented here. I don't see any particularly "pointy" provisions for you to hang your hat on.

Question #5 - Why is proposed Policy 40.2.1.8 needed and why is the QLHT proposed to be the only financial benefactor from the financial contributions? Surely you do not have enough and evidence to determine that the private sector cannot provide alternative housing affordability mechanisms.

RELIEF SOUGHT

15. The Rankins seek that the proposal be:

    a. Rejected, or otherwise;

    b. Amended so that it does not require financial contributions to be paid on subdivision or development of existing HDRZ land;

    c. Amended so that it does not require financial contributions to be paid on subdivision or development consented before 2024, for example insert something like the following additional clause to 40.2.1.4:

        <u>Any residential lot or unit approved by resource consent approved prior to 1 Jan 2024 (including any changes to conditions, timeframe extensions, and any replacement consents).</u>

I tend to agree with the Rankins request.

Thank you for taking the time to consider the above.

Ben Farrell
6 March 2024