

Lane Hocking
Universal Developments Ltd
7 Hollyhock Lane, Wanaka
February 22, 2021

Tony Avery
General Manager
Planning and Development
Queenstown Lakes District Council

Universal Developments SHA Section Sales, Deed Clause 43

Dear Tony,

Further to my letter of 15 October 2020 please find more detail around our previous request and a reduction in our request to 40% section sales.

We have given careful consideration to what is needed to ensure the development will work from a commercial perspective while still ensuring the social objectives of the SHA are realised as originally intended. We have reduced our proposal for percentage of section sales down to 40% on the basis that first homebuyers will be exempt from this limit.

Sales of sections tend to settle nine to twelve months earlier than for house and land packages. This means section sales are a vital part of the financing for any development and this is the reason they're included in the Deed. Since we originally agreed the Deed however, two marked changes have occurred in our funding environment.

- (i) As a result of Government intervention our contribution of gifted sections to the QLCHT was increased by 25%. This means the gifted value has moved from \$12m to \$15m. Prior to this increase being agreed Universal had volunteered increasing our gifting in the first stage of the development to 20% - meaning that while we have to fund 100% of development works we only receive payment for 80% of the sections created. This is a significant drag on cashflow.
- (ii) Further, there has been a marked tightening of bank lending since 2018 and especially so since COVID-19. It's well noted that the main lending banks have since 2018 applied a much more stringent interpretation of their lending rules and especially in relation to land development. This has been exacerbated post COVID-19 by banks further reducing financing amounts to cover the stoppage risk of developments due to Government mandated-shutdowns and development lag caused by procurement issues. The requirements around pre-sales, equity, and timeliness are now as tight as they've been in recent times. Simple mortgage lending against development land is now beyond the appetite of the banks.

Increasing from 30% to 40% is a major help in addressing these two issues.

It's important to note that a lot of the first homebuyers in this district are tradespeople. They tend to want to organise their own build. Many of them want access to affordable housing but do not want to be railroaded into using one of our ten homebuilding companies.

If we make them exempt from the percentage limit it provides them the choice to follow the path to a house and land package that best suits them. This will avoid the perverse situation where a first homebuyer is turned away from buying their own section because we have reached a limit on section sales.

Our measures are in addition to the existing mechanisms of removing speculators via the five-year prohibition of section on-sales without a house, limiting section sales to one per person, and the affordability criteria for house and land packages. We believe that this reinforces Longview as superior to anything offered to date and enhances it as the most compelling affordable housing product in the District.

Recently there has been significant competition amongst buyers of residential section across the district. An example is a section in Sentinel Park Lake Hawea having 14 offers with the successful purchaser paying \$382,500. People bidding on this section were 80% local first homebuyers. Not only is that a large sum a purchaser has had to pay, it's 13 disappointed parties still without a place to build a house. We want to fix this situation by getting as many sections and house/land packages sold as possible, particularly to first home buyers.

Yours faithfully

Lane Hocking
Director, Universal Developments Ltd