

IN THE MATTER of the Resource Management Act 1991 (**RMA**)

AND

IN THE MATTER of a proposed public plan change to the
Queenstown Lakes District Plan – Inclusionary
Housing

JOINT WITNESS STATEMENT OF ECONOMICS EXPERTS

Expert conferencing held on	30 January 2024
Venue	Council Chambers, 10 Gorge Rd / online
Independent facilitator	Ian Munro
Note taker	Shelley Dawson

1. Attendance

1.1. The list of participants is included in the schedule at the end of this Statement.

2. Basis of attendance and Environment Court Practice Note 2023

2.1. All participants agree to the following:

- a) The Environment Court Practice Note 2023 provides relevant guidance and protocols for the expert conferencing session;
- b) They will comply with the relevant provisions of the Environment Court Practice Note 2023;
- c) They will make themselves available to appear before the Hearings Commissioners;
- d) This statement is to be filed with the Hearings Commissioners and posted on the Council's website.

3. Matters considered at conferencing – agenda and outcomes

3.1. The experts note that the Panel asked many questions. Discussing and answering these occupied most of the conference time. Other than the commissioner questions the following was discussed:

The experts agreed that an important part of addressing potential limitations in the QLD housing market will be through the substantial additional enablement of residential development. The experts were not agreed on the extent to which the proposed variation relates with or is optimal in light of this.

3.2. Specific Questions asked by the Hearings Panel

3.2.1. The problem

1. Does QLD have a shortage of Affordable Housing as per the Variation definitions? Either in absolute or relative terms, within the district and/or in comparison with the rest of the country.
Yes, Queenstown has a shortage of affordable housing in both relative and absolute terms as per the variation definitions, or any other definition the experts have experienced in practice.
2. Does QLD have a shortage of housing or just of Affordable Housing?
Yes, Queenstown has a shortage of all types of housing. The impacts of this are most acute at the affordable housing end.
3. Does QLD have a shortage of housing that is affordable but falls outside the Variation definitions?
Refer to the answers to questions 1. and 2. The experts have nothing further to add.
4. Is the definition of Affordable Housing in the Variation fit for purpose?
Refer to the answers to questions 1. and 2. The experts agree that there is a need for a definition or a line in the sand for the purposes of the variation, but have no basis in economics to say what that should be and propose it may be a question that is better asked of the planning experts.
5. Can the shortage of Affordable Housing in QLD be quantified?
The experts have interpreted this question as seeking guidance on the physical number of houses that may be needed.

SE and PO consider that any quantification of the housing shortfall could be approximated by a range of methods, but each have significant limitations including in terms of accuracy.

FC largely agrees but feels that the results of any such study would just be too unreliable to make it worthwhile.

All agreed in any event that it would not a sufficiently reliable basis for policy decisions.

- a. How should this be done?
The variation does not include any metrics to identify the specific number of affordable homes required by tenure type (e.g. owner-occupier vs long term rental etc). The experts are not confident that there is a practicable method available to estimate the number of houses.
- b. What is the quantification, in absolute and/or relative terms? Current, historic and going forward.
As per above the experts do not believe there is a practicable, reliable way to do this.

6. Given current and forecast circumstances and policy settings, (excluding the Variation) are the causes of the shortage of affordable housing in QLD expected to remain active, and is the shortage expected to continue in the short, medium and long term (with reference to the NPS-UD definitions)? If so, what is the best quantification of that shortage?
The experts consider that the underlying fundamentals of the problem are unlikely to materially change, at least in the short or medium terms. The experts note some of the factors relevant are:
 - a. Significant sustained demand for housing in the district
 - b. Significant natural constraints to where and how development could occur
 - c. Diversion of housing to the short-term rental market
 - d. Historically planning requirements have tended to limit more flexible housing solutions and densities.

7. What makes housing affordable? What are the characteristics of affordable housing, both in the Variation definitions and outside the Variation definitions if relevant?
A complicating factor is that there are several different type of affordable housing and they do not all have the same characteristics. The variation uses the definition of affordability to mean households who have an income of no more than 120% of the district's median household income and spend no more than 35 per cent of their gross income on rent or mortgage repayments. Key characteristics that the experts agree on are:
 - a. Lower costs (all i.e. land, building, regulation etc.)
 - b. Greater competition in land and building markets
 - c. The most enabling possible regulatory framework
 - d. Minimising local constraints (which could be environmental or of community tolerance)
 - e. Addressing the short-term rental market

8. What are the potential societal benefits of increased supply of Affordable Housing?
*SE defers to the social impact assessment.
PO and FC consider benefits primarily/privately accrue to the recipients of affordable housing. The societal benefits are limited, as demonstrated by the indicative CBA provided with the section 42A report by SE*

9. What are the potential societal detriments of doing nothing to address Affordable Housing in QLD?
The experts consider this is the converse of the answers given to question 8.

10. To what extent can these benefits and/ or detriments be quantified, and what is the estimate of that quantification?
Refer to the answers to question 5. The experts also refer to their respective statements of evidence.

3.4.2 The data

11. What is the current level of income that falls within the low-moderate income definition?
Nothing new to add. SE notes the Infometrics estimate (<https://ecoprofile.infometrics.co.nz/queenstown-lakes%2Bdistrict/Population/Growth>)
12. What house purchase price currently is affordable in terms of the provisions?
The experts do not consider that this can be answered because of the constantly fluctuating variables that inform it such as interest rates. SE observed that as at 30 January 2024 the variables indicate a price circa \$815,000¹. This may not be accurate at the time of the hearing. PO notes that this is inherently linked to income and as such what is affordable (as defined by the variation) changes with income brackets.
13. What weekly rental is currently affordable in terms of the provisions?
Refer to the answer to question 12. Based on the same assumptions as at 30 January 2024 a maximum weekly rent of \$996. All the experts note a caution with this figure as many of the households in need of a rental house will have a lower-than-average household income to begin with.
14. What is the value structure of the QLD housing stock?
The experts don't have the information available to answer this question, but FC noted that the Council will have this in its Rating Information Database (RID) and SE noted this can be supplied to the panel if requested.
15. What is the structure of the QLD housing stock in terms of owner-occupied v long term rental v short-term rental v non-resident owner not rented. Are there other relevant categories?
FC has identified 4,447 (per Airbnb) short-term rental dwellings, 4,437 long-term rental dwellings (per MBIE Bond Rent data) and 10,520 owner-occupied (which he calculated as a residual using NPS-UD data on the size of the district's current housing stock). SE and PO have not separately calculated a figure, but SE did estimate 1,800 short-term rentals in his evidence.
16. What is the structure of the QLD housing stock that is on short-term rentals by ownership (corporate or investment vehicle v individual, local resident v non-resident).
The experts don't have the information available to answer this question

3.4.3 The causes

17. What are the principal causes of the QLD shortage of affordable housing? What are the market failures that create the shortage of affordable housing?
The experts refer to their answer to question 6. and 7.

¹ Assumptions: 20% deposit, 6.89% mortgage rate, \$148,000 household income being 120% of the estimated median

18. Are developers/builders not creating affordable homes, or do subsequent market effects make them unaffordable?
The experts don't have the information available to answer this question
19. Do physical characteristics make new builds unaffordable in QLD or is it the ownership/institutional arrangements?
The experts agree that it is all of these things and refer to their answers to questions 6. and 7.

3.4.4 The variation

20. Does enabling increased urbanization of land produce windfall gains to the landowners in QLD? Does this apply to increased density and other planning provisions as well as zone changes?
The experts note that the variation does not in and of itself propose an increase of urbanisation i.e. such as an upzoning, nor in and of itself does it produce any windfall gain.

In more general terms, increased urbanisation of land may produce windfall gains depending on the mechanisms through which the land is enabled. The relevant determining factors are changes to status quo property rights/plan enablement; market demand; costs and characteristics of development itself.

21. Can the windfall gains be estimated? If so, what is the estimate?
The experts don't have the information available to answer this question in a district-wide or general sense. SE identified that, should the panel want it, he would be able to undertake a case study but that this would be site specific and limited. FC and PO consider any such case studies would be too limited to assist and note that, as per the answer to question 20, the variation does not of itself create windfall gains.
22. Are the Variation definitions of low to moderate income households (up to 120% of median household income) and affordable housing (no more than 35% of gross household income required for rent/mortgage payments) appropriate?
The experts refer to their answers to questions 1. through 4. The experts also note that it is for planners or others to set a specific definition for the purpose of the variation.
23. Once the Variation provisions are in place and operative, how will the QLD development land and housing markets adjust to the new provisions?
- a. Where will the burden of the contribution fall? Landowners, developers, other purchasers in the development, the wider housing market, elsewhere?
The burden will initially fall on whomever triggers the contribution. The relative price elasticity of supply and demand will determine the extent to

which the burden can be passed on and (via higher land or dwelling prices, or higher weekly rental values).

The experts note that this question has short-term and long-term aspects, and they are not necessarily the same. It is not always obvious amongst all of the parties involved in bringing a product to market and disposing of it, who is ultimately paying the required contribution in full or in part.

- b. Will the supply of sections for residential builds increase or decrease, and if so by what margin? c. Will the price of sections change?

The experts agree that clauses b. and c. are interrelated and should be answered together.

The variation imposes a cost which must be funded either by lower margins and/or higher selling prices. SE also considers a reduction in land price could result once the policy has become widely applied. FC and PO consider SE's point may be relevant in the specific case of rural land rezoning only.

There is no evidence to suggest that residential supply will increase nor prices decrease as a result of the variation.

The experts consider that the variation will result in either a decrease in residential supply or an increase in prices. SE considers that this effect has been addressed by way of separate Council plan variations seeking to enable additional development entitlements whereas FC and PO do not see or necessarily agree with that link. PO and FC additionally disagree with the principal of balancing or averaging out the consequences of this variation or other separate plan changes or plan variations, and consider that its incremental effects should be viewed in isolation consistent with common economic practice, which is primarily concerned with effects "at the margin" where all other factors are held constant

As a result of all of the above the experts cannot identify a specific whole of district margin whereby prices may increase or supply may decrease. FC refers to the example at paragraph 151 onwards in his evidence. His example indicated that a price increase of approximately 5% per lot could result.

e. Will the price of sections change?

- d. Will any QLCHT builds be additional to the supply of affordable homes, or replace what would otherwise have been created anyway?

SE clarified that in terms of the Community Housing Providers referred to in the variation (currently being only QLCHT) the emphasis on retained affordability as a specific type of affordable housing is an important characteristic and, on that basis, SE considers the variation will be likely to increase this specific supply of retained affordable houses than would otherwise be likely. One consequence of this is that a retained affordable

house will be permanently affordable in a long term, cumulative sense, whereas other affordable houses may only be affordable in the worst case at the time of the first sale. Following on from this SE made the general observation that when counting the total stock of affordable houses that may result, retained affordable dwellings are a more certain contributor than other affordable dwellings that may not stay affordable over time.

Other than the above, the experts do not have sufficient information to comment on whether the variation may or may not result in net more affordable houses under the control of a community housing provider than would otherwise been created.

FC and PO also consider it relevant to acknowledge that any additional affordable houses under the control of a Community Housing Provider that the variation may result in, should not necessarily be regarded as net additional affordable houses that may have been achievable. FC and PO also cannot separate from this issue the potential, as they see it, for the variation to result in a reduction in the total district-wide stock of affordable houses (such as dwellings that could have been sold at a qualifying affordable housing price slipping out of that bracket when the contribution required by the variation is added).

FC also on this point reiterated that the variation is not the only way to provide funding for Community Housing Providers/QLCHT to produce whatever affordable homes this question may be addressing.

*FC also queried the **economic** benefits of owning a home whose price is capped in perpetuity because it foregoes capital gains, which is one of the key reasons for most people to “get on the property ladder” in the first place. While he acknowledges that home ownership offers unrivalled security of tenure, the absence of capital appreciation appears – in his view – to limit the **economic** benefits of home ownership where price caps apply. SE disagreed with this, as the option for normal home ownership is not available to those who meet the criteria for housing assistance through the QLCHT and thus FC’s argument is invalid.²*

24. What are the potential costs of increased supply of affordable housing through the Variation?
1. SE considers this to be a key point of contention requiring substantial thought and that he will address this through the existing rebuttal evidence process. He did not consider attempting to address it in part at this conference to be appropriate.
 2. In light of SE’s position FC and PO have addressed the question as follows
 3. FC and PO consider the potential costs of the variation to include:

² <https://www.qlcht.org.nz/programmes/eligibility-criteria/#:~:text=General%20Eligibility%20Criteria&text=Basic%20eligibility%20criteria%20is%20as,residency%20or%20New%20Zealand%20Citizenship>.



with the data set that the evidence relies on and SE notes that in any event they both show an increase over time.


27. Reconcile Osborne Fig 2 Housing Affordability Trends (stated to be house price to income ratio) with Eaqu House Price to Income Ratio (Eaqu 4.11)

As per the answer to question 26. SE used REINZ data and PO used QVNZ data. Both document a similar change over time.

4. PARTICIPANTS TO JOINT WITNESS STATEMENT

- 4.1 The participants to this Joint Witness Statement, as listed below, confirm that:
- a) They agree that the outcome(s) of the expert conferencing are as recorded in this statement; and
 - b) They agree to the introduction of the attached information – Refer to section 3 above; and
 - c) They have read the Environment Court’s Practice Note 2023 and agree to comply with it; and
 - d) The matters addressed in this statement are within their area of expertise; and

Expert’s name and expertise	Party	Expert’s confirmation (refer para 4.1)
Shamubeel Equb (SE)	Queenstown Lakes District Council	
Fraser Colegrave (FC)	Willowridge Developments Ltd Universal Developments Ltd Metlifecare Ltd Fulton Hogan Land Development Ltd Queenstown Central Ltd Millbrook Country Club Ltd Homestead Bay Trust Ltd Trojan Helmet Ltd Boxer Hill trust Ladies Mile Property Syndicate	

Philip Osborne (PO)	Darby, Glenpanel, Maryhill, Station at Waitiri, Silverlight, Gibbston Highway, Macfarlane Investments, Remarkables Park Limited, Winton	
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