

**BEFORE THE HEARINGS COMMISSIONERS
APPOINTED BY THE QUEENSTOWN LAKES DISTRICT COUNCIL**

UNDER the Resource Management Act 1991

IN THE MATTER of a submission on a Variation to a Proposed District Plan under schedule 1 of the Act

BY **WILLOWRIDGE DEVELOPMENTS LIMITED**
UNIVERSAL DEVELOPMENTS LIMITED
FULTON HOGAN LAND DEVELOPMENT LIMITED
METLIFECARE LIMITED
QUEENSTOWN CENTRAL LIMITED
MILLBROOK COUNTRY CLUB LIMITED
HOMESTEAD BAY TRUST LIMITED
TROJAN HELMET LIMITED
BOXER HILL TRUST
LADIES MILE PROPERTY SYNDICATE

Submitters

SUMMARY STATEMENT OF EVIDENCE OF FRASER COLEGRAVE

Dated: 5 March 2024

Introduction

- [1] My name is Fraser James Colegrave. My qualifications and experience are set out in my evidence in chief, dated 21 December 2023.

Policy Design Concerns

- [2] The Queenstown-Lakes District (**District**) has a chronic housing affordability problem, which everyone acknowledges the need to address. The question is therefore not if to act, but how.
- [3] In my view, though, the proposed inclusionary housing provisions (**Policy**) errs by wrongly targeting residential development even though it is an integral part of the solution, not the problem.
- [4] The Policy also cannot be rationalised through any traditional tax lens. Indeed, it is neither a corrective tax, like on cigarette smoking, nor a rent tax, like those imposed in return for (say) oil and gas permits. It is also unlike any other financial contribution of which I am aware.
- [5] In my view, the Policy fails to address the root causes of affordability. These include the District's extremely high land and construction costs, which are exacerbated by the wide-scale diversion of homes to the short-term rental (**STR**), thus reducing the pool of homes for long term rental (**LTR**). Currently, about 23% of the district's total dwelling stock is listed on AirBnB, versus only 2.3% of all dwellings nationally.
- [6] In short, the Policy creates an additional cost that must be funded somehow, including via likely higher selling prices for new homes.
- [7] As a result, the Policy will make district housing *less* affordable for virtually everyone, except the lucky few helped by the Queenstown Lakes Community Housing Trust (**Trust**).

Likely Costs & Benefits

- [8] With its inordinate complexity and high transactions costs, I expect the Policy to have many unintended economic consequences including increasing the risk, cost, and complexity of development, which will erode

financial viability, reduce likely future supply, and place even greater pressure on district house prices and rental values.

- [9] First home buyers will be particularly hard hit. In fact, the indicative CBA attached to the section 42A report showed that even just a 1% increase in house prices caused by the Policy would impose a \$212 million cost. Under a more probable scenario of a 2% increase, it exceeds \$420 million.
- [10] At the same time, the benefits of the scheme will mostly accrue to the recipients of Trust assistance, with limited (if any) benefits beyond that.

Decoupling Trust Funding & Operation

- [11] I also think that the Policy conflates the Trust's funding and operation, presuming it must be funded by new housing development because it "is in the same business." That is incorrect, with many other potential funding sources available.
- [12] Overall, I consider rates the best way to help fund the Trust because they equitably spread the cost across all ratepayers without penalising those building new homes to keep pace with demand. Rates are also easy to administer and can target specific groups if necessary.
- [13] For example, QLDC could fund half of its annual contributions to the Trust via a general rate on all properties, and the other half via a targeted rate on STR to reflect its adverse effects on LTR supply/affordability. These proportions – and the quantum raised annually – could also be reviewed over time to ensure they remain fit-for-purpose.

Other High-Level Options

- [14] I acknowledge and support the 2023 Joint Housing Action Plan (**JHAP**), which identified nine key solutions to the District's housing issues. In addition, I have considered three broad options to help gradually address the lack of housing, particularly for low- to middle-income families. Those options, which require input from Central Government and other key stakeholders, are:
- (a) Encourage much greater supply, particularly smaller homes on smaller sections, to better align future supply with local needs.

- (b) Address the STR problem to free-up more housing for LTRs; and
- (c) Facilitate the provision of purpose-built worker accommodation.

Response To Council Economic Evidence

[15] I have reviewed the section 42A report, primary evidence, and rebuttal evidence of Mr Eaqub. In addition, I listened to him speak at this hearing. Overall, I continue to strongly disagree with his analysis because, in my view, it does not:

- (a) Properly consider the pros and cons of funding the Trust via general rates or targeted rates instead of via the Policy;
- (b) Relies too much on overseas or past local experience to assess likely impacts despite not being “apples with apples” comparisons;
- (c) Consider the likely unintended consequences of the Policy; and
- (d) Appear to fully grasp the scale and likely impact of the District’s flourishing STR market, particularly its effects on the price and availability of LTRs.

Summary and Conclusion

[16] The Queenstown-Lakes district is a highly desirable place to live, work and play. As a result, coupled with insufficient supply, housing is highly unaffordable.

[17] The Council is right to act. However, in my view, the Policy is not the best response.

[18] Should QLDC wish to keep funding the Trust, it should do so via rates, potentially targeting STRs to effectively “kill two birds with one stone.”

[19] In addition, I strongly encourage addressing the STR problem, and helping to facilitate purpose-built worker accommodation. Until then, the same issues will likely continue to arise.

Fraser James Colegrave

5 March 2024