

Lane Hocking
Universal Developments Ltd
7 Hollyhock Lane, Wanaka
October 15, 2020

Tony Avery
General Manager
Planning and Development
Queenstown Lakes District Council

Universal Developments SHA Section Sales, Deed Clause 43

Dear Tony,

In contrast to some of the previous SHAs, Universal Developments' Hawea SHA is not gifting raw land to QLCHT at the end of the project but fully completed and titled sections throughout the project. Such an approach has actual upfront costs of developing and titling sections rather than just an opportunity cost of land forgone.

As QLDC knows Universal volunteered a doubling of the Stage 1 contribution as a gesture of goodwill. Notwithstanding that, central government then backed us into a corner on the percentage of our contribution to QLCHT. In response we increased the contribution by a further 25% to 12.5% of all sections. As a result, Universal is constructing, titling, and gifting over \$15m of sections to QLCHT. This is a significant number and has a major impact on the cashflows of the project. Further, banks will not recognise any of this \$15m worth of product for lending purposes. When we combine the major upfront expense and loss of cashflow for lending purposes with the extremely tight Covid-19 lending environment it makes development tough.

Under Clause 44 of the Deed Universal seeks to amend Clause 43 of the Deed to reflect an increase of section sales from 30% to 50%. The increase will markedly improve the cashflow and momentum of the project thereby bringing more product to market faster.

As background, the section sale limit of 30% was originally suggested in a conversation between John MacDonald and myself as a way of discouraging speculators from buying and 'flipping' sections. It's important to note that after this principle was adopted Universal then volunteered a limit of one section per purchaser and added a strict 5-year prohibition (in Clause 38 as amended by the Amendment Deed, attached) on section on-sales unless there was a build with that section. We believe those latter controls to be very strong and ones which will effectively remove speculators.

We have discussed the principle of an increase to 50% with John MacDonald and he is supportive of it. Additionally, we have spoken to Julie Scott of QLCHT who is also fully supportive.

Accordingly, we request that you amend Clause 43 of the Deed to allow section sales of 50%.

Yours faithfully

Lane Hocking
Director, Universal Developments Ltd

