

BEFORE THE QUEENSTOWN LAKES DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991 (the "Act")

AND

IN THE MATTER of the Queenstown Lakes District Council Proposed District Plan

AND

IN THE MATTER of Chapter 27 Subdivision

EVIDENCE OF ALEXANDER DOUGLAS REID

14 July 2016

G W Stalker Family Trust:

Mike Henry:

Mark Tylden:

Wayne French:

Dave Finlin:

Sam Strain – 535/534:

Ashford Trust – 1256:

Bill & Jan walker Family Trust - 532/1259:

Byron Ballan – 530:

Crosshill Farms Limited – 531:

Bill and Jan Walker Family Trust – 1267:

Robert and Elvena Heywood - 523/ 1273:

Roger and Carol Wilkinson – 1292:

Slopehill Joint Venture - 537/ 1295:

Wakatipu Equities - 515/1298:

FS Mee Development Limited

Ayburn Farm Estate

ANDERSON LLOYD

LAWYERS

QUEENSTOWN

Solicitor: W P Goldsmith / R E Hill
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Counsel acting: W P Goldsmith (warwick.goldsmith@andersonlloyd.co.nz)

1. Introduction

- 1.1 My full name is Alexander Douglas Reid. I am a Senior Valuer at MAC Property Services Limited trading as Colliers International Queenstown. My qualifications include an Associate membership of the New Zealand Institute of Valuers, Senior membership of the Property Institute of New Zealand. I became Registered as a Valuer in June 1997 and currently hold an Annual Practising Certificate for the 2016 year. I have worked as a valuer based in the Queenstown Lakes District for the past twenty two years.
- 1.2 I have been requested to provide evidence in relation to the likely impact of a change in status, from Controlled Activity to Discretionary Activity, on land valuation and/or on land value as determined through land valuation, as detailed in the Brief from Warwick Goldsmith attached as Schedule 1.
- 1.3 I confirm I have completed numerous subdivision valuation assessments in the Queenstown Lakes District Area since obtaining my Registration as a Valuer in 1997.
- 1.4 I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

2. Valuation Under Scenario A (Refer Brief in Schedule 1)

- 2.1 Typical instructions come into the office through a developer, landowner or bank.
- 2.2 At this time information on the following is requested.
- Is there a concept drawing and proposed subdivision layout. On rare occasions this is not provided, so utilising my opinion on the highest and best use lot sizes, a hypothetical concept is created that complies with QLDC District Plan minimum lot size.
 - Detailed or projected subdivision construction costs. If not available these are sometimes estimated from a database of costings. If not confident, costings will be requested during the valuation process.
 - Information on pre sales if any. Proposed asking prices if any.
 - What resource consents have been obtained, have been requested and are

contemplated.

- Have any geotechnical or environmental impact reports been produced.
- Proposed timing of construction stages and sales.

2.3 From the above an onsite inspection and valuation assessment would be commenced.

2.4 Typically, we would adopt two main valuation approaches, namely the Hypothetical Development Approach and the Discounted Cashflow Method. As a check the Direct Comparison Approach would be adopted on a per hectare and per subdivision yield basis.

2.5 A Hypothetical Development Approach template is attached as an example as Schedule 2.

2.6 Utilising the above methodology a block value is established.

3. **Valuation under Scenario B (Refer Brief in Schedule 1)**

3.1 I have been asked to describe the valuation process under the scenario that lot sizes were a Restricted Discretionary activity.

3.2 As advised in the Brief from Warwick Goldsmith;

- There is no certainty that consent will be granted.
- The specified minimum lot size within a particular zone is merely a minimum and is not a basis for calculating the number of lots which can be consented within a particular area of land.
- A valuer, planner or surveyor would be unable to be predict subdivision yield with any certainty because it will depend upon a discretionary Council judgement in relation to the characteristics of the land being subdivided.

3.3 As a Registered Valuer I believe the Restricted Discretionary activity scenario would increase the risk to a level I would consider discontinuing providing valuation assessments in that area, unless a current resource consent was approved for such a development.

3.4 I believe that a Discounted Cash Flow or Hypothetical Subdivision Analysis

calculation would not be done without some certainty of obtaining consent for a number of allotments.

3.5 The remaining valuation methodologies of use are a Direct Comparison or Summation Approach method on the basis of an alternative use to providing for subdivision. For example as a lifestyle block that provides a single building platform and privacy with the ability to run animals. This value would provide a base value, although could be substantially below its possible full subdivision potential / value.

3.6 The implications of the above could include:

- Inability to transfer property out of non-developer ownership, slowing possible section supply.
- Turning developers away from purchasing blocks due to no certainty of outcome or an expensive consent process upfront.
- Mortgage lending would become very limited due to risk.
- As a valuer I would likely not value a parcel of land for subdivision that did not have a consent for that purpose.

SCHEDULE 1**Brief of Evidence - Memorandum.****ANDERSONLLOYD**

TO Doug Reid, Colliers
 FROM Warwick Goldsmith
 SUBJECT Brief for Valuation Evidence for District Plan Review - Chapter 27 Subdivision

DATE 12 July 2016

1. This Memo sets out a brief for valuation evidence to be prepared for presentation to the District Plan Review ("DPR") Hearings Panel in respect of Chapter 27 Subdivision of the Proposed District Plan. It is anticipated that this Memo will be attached to your evidence so that you can refer to it (to establish what the Brief is for your evidence) and to avoid you having to repeat that in your evidence.
2. This Brief is provided on behalf of a number of submitters who have lodged submissions to the DPR on the general subject of subdivision and on the specific issue of whether subdivision under the District Plan (provided it is compliant with Site and Zone Standards) should be a controlled, restricted discretionary or discretionary activity. The DPR as notified provided for fully discretionary activity status. The s42a Report now recommends restricted discretionary activity status. The Submitters seek controlled activity status.
3. This Brief requests you to respond to the following question:

What is the likely impact of a change in status, from controlled activity to discretionary activity, on land valuation and/or on land value as determined through land valuation?
- 4 You are requested to consider what you have advised us is the 'normal' situation where you are presented with a concept plan of subdivision, usually prepared by a surveying firm or a planning firm ("Concept Plan"). The Concept Plan shows a proposed subdivision layout and design, including roading, and possibly (depending upon the zoning) including reserves. You are requested to provide a registered valuation, taking into account the development potential shown on the Concept Plan, either for the landowner or for a bank that is considering lending money to the landowner.
5. This Brief is limited to consideration of residential zones and rural living zones (Rural Residential and Rural Lifestyle). However they do not need to be considered separately, because the same planning issues apply to both kinds of zoning and the same valuation issues should apply (unless you think differently, in which case please explain that).

Scenario A

6. For the purposes of this Brief we advise that, and you can assume that:
 - (a) The current Operative District Plan ("ODP") provides for subdivision in those zones (assuming compliance with standards) as a controlled activity, which means that consent cannot be refused;
 - (b) The relevant zones all contain a specified minimum lot size;

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- (c) The Council does not control lot size, beyond ensuring compliance with the specified minimum lot size in a particular zone.
7. One of the consequences of the current ODP regime described above is that you can have certainty that the number of lots shown on the Concept Plan can be consented and delivered to the market place. The consenting process may result in changes to the subdivision design, and will result in appropriate conditions of consent relating to servicing, engineering requirements, landscaping and the like, but you can prepare your valuation with certainty that the number of the lots shown on the Concept Plan will be deliverable to the market.

Scenario B

8. For the purposes of this Brief we advise that, and you can assume that, the amended discretionary subdivision regime now being recommended by the Council in the s42a Report prepared for the forthcoming hearing changes the situation described above as follows:
- (a) The change to discretionary activity status means that the Council has a discretion to refuse consent. Therefore there is no certainty that consent will be granted.
 - (b) The Council retains discretion over lot size. Therefore the specified minimum lot size within a particular zone is merely a minimum and is not a basis for calculating the number of lots which can be consented within a particular area of land. Referring to the theoretical Concept Plan referred to above the Council would, by way of example, have the power to require a smaller number of larger lots to be created.
 - (c) How the Council would exercise the discretionary powers referred to in (a) and (b) above is unable to be predicted with any certainty because it will depend upon a discretionary Council judgement in relation to the characteristics of the land being subdivided. By way of example, an area of land zoned Low Density Residential ("LDR") in one location could be able to be subdivided into a greater number of lots than exactly the same sized area of LDR land in another location.
 - (d) The consequences of the above is that, when preparing your valuation based on the Concept Plan, you will have no certainty that the number of lots shown on the Concept Plan can be consented and delivered to the market.

Instruction

9. When preparing your evidence please rely on the factual accuracy of Scenario A and Scenario B described above. Please describe any likely difference in outcome between a Scenario A valuation and a Scenario B valuation in terms of the land valuation process and/or the land valuation outcome.

SCHEDULE 2

Hypothetical Subdivision Analysis - Template

With Resource Consent
(Financial Reserve Contribution)

REALISATION

| | NUMBER OF SECTIONS | SALE PRICE | TOTAL |
|-----------------------|--------------------|---------------------------------------|---------------------|
| Rural Lifestyle Sites | 29 | \$800,000 | \$23,200,000 |
| xx | 1 | \$500,000 | \$500,000 |
| | | | \$0 |
| | | | \$0 |
| | | | \$0 |
| | 30 | Average : \$790,000 | |
| | | Gross Realisation (incl GST) : | \$23,700,000 |
| Less GST : | 15.0% | | \$3,091,304 |
| | | Gross Realisation (excl GST) : | \$20,608,696 |

SELLING EXPENSES

Less Selling Expenses :

| | | | | |
|--------------------|-------------------|-----------|-----------|--------------------------|
| - Commission : | \$500 per title + | \$15,000 | | |
| | 4.5% | \$500,000 | \$675,000 | |
| | 2.0% | \$290,000 | \$174,000 | \$864,000 |
| - Marketing | 0.5% | \$790,000 | \$118,500 | \$118,500 |
| - Legal Expenses : | \$1,200 per lot | | \$36,000 | \$1,018,500 |
| | | | | Net Realisation : |
| | | | | \$19,590,196 |
| Less Profit & Risk | @ | 30.0% | | \$4,520,814 |
| | | | | Outlay : |
| | | | | \$15,069,381 |

DIRECT COSTS

| | | | | |
|------------------------|--------------------------------|-----------|-----------|----------------------------|
| Reserve Contribution : | New Lots x | Rate / m2 | | |
| | 5.0% | 29 | \$790,000 | \$996,087 |
| Headworks Fees : | 29 New Lots x | | \$0 | \$0 |
| Surveying Fees | \$1,335 per lot | | | \$40,050 |
| Professional Fees | | | | \$510,000 |
| Development Costs | \$92,000 per lot | | | \$2,760,000 |
| Contingency | @ 10.0% of dev ¹ co | | | \$276,000 |
| | | | | Total Direct Cost : |
| | | | | \$4,582,137 |
| | | | | \$10,487,244 |

INDIRECT COSTS

| | | | | |
|------------------------------|---------|-------------------|--------------|--------------------|
| Rates on Holding Period | \$5,000 | x _yrs | \$5,000 | |
| Rates per year (Dev. & Sell) | \$2,000 | sites x .5 x _yrs | \$240,000 | \$245,000 |
| Holding Costs | | | | |
| 50 % of : interest rate | 8.5% | period (yrs) | 9.0 | |
| | | x | \$15,069,381 | Outlay |
| | | | | \$5,764,038 |
| | | | | \$6,009,038 |
| | | | | \$4,478,206 |

BLOCK VALUE (excl. GST) \$4,480,000

On an area basis : \$4,480,000 \$2,454 per hectare
1825.723

Block Deduction : 81%

*** VARIABLES***

| | |
|---------------------|-----------|
| Purchase Date | |
| GST | 15.0% |
| Commission | \$500 |
| plus | 4.5% |
| | 2.0% |
| Legal Expenses | \$1,200 |
| Profit & Risk | 30.0% |
| Res' Contribution | 5.0% |
| Land \$ per m2 | \$0 |
| Headworks / lot | \$0 |
| Surveying Fees | \$1,335 |
| Prof Fees | \$510,000 |
| Devel' Costs | \$92,000 |
| Contingency | 10.0% |
| Interest Rate | 8.5% |
| Devel & Sell Period | 8.0 |
| Holding Period | 1.0 |
| Rates - pre Title | \$5,000 |
| Rates per site | \$2,000 |
| Area (ha) | 1825.72 |
| Land Contr. | \$0 |
| 4.9% | COS |

Contributions (Inc. GST)

| | |
|-------------|------|
| Rural | 7.5% |
| Residential | 5.0% |
| Commercial | 7.5% |

1 \$152,738 per site

\$5,152,000 GST Incl.