

Before the Independent Hearings Panel

Under the Resource Management Act 1991

In the matter of submissions on the Inclusionary Housing Variation to the Queenstown Lakes Proposed District Plan

Statement of evidence of Lawrence Yule

(Local Government)

19 December 2023

Introduction

1 My name is Lawrence Yule.

Instruction

2 I have been instructed by Russell McVeagh, Brookfields, and Anderson Lloyd jointly to prepare evidence on behalf of their respective client submitters on the Variation (the '**residential development consortium**').¹

Qualifications and Experience

3 I am a founding partner of Strategic Consultancy Company Yule Alexander. I was Mayor of Hastings from 2001-2017 (16 years) and President of Local Government New Zealand from 2008-2027 (9 years). From 2010 to 2016 I also Chaired the Commonwealth Local Government Forum. From 1027 to 2020, I was the Member of Parliament for the Tukituki Electorate. I have a BE (Hons) and am a Fellow of the Institution of Professional Engineers and a Member Institute of Directors. I have previously sat as Member of the Hastings District Hearings Committee and was a Member of the Treasury Infrastructure Advisory Panel.

4 I have reviewed relevant material publicly available for the Inclusionary Housing Variation (**Variation**), including:

- (a) the Council Section 42A report and evidence;
- (b) Section 32 documentation; and
- (c) the Meredith Connell memorandum to Council considering 'alternative options'.²

Code of Conduct

5 I confirm that I have read the Code of Conduct for Expert Witness contained in the Environment Court Practice Note 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 that 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.

¹ Darby Planning Limited Partnership, Glenpanel Developments Limited, Maryhill Limited, Station at Waitiri, Silverlight Studios, Gibbston Highway Limited, Macfarlane Investments Limited, Remarkables Park Limited and Winton Land Limited.

² Memorandum from Meredith Connell dated 7 July 2021 (**Alternative Options Memorandum**)

Purpose of the Variation

- 6 The Queenstown Lakes District Council (**QLDC**) lists the purpose of the variation on its website:

Inclusionary Housing Variation

We're proposing to introduce Inclusionary Housing rules into the District Plan to help more people access affordable housing in the district.

The proposal would require most new residential subdivisions and developments to pay an 'affordable housing financial contribution'.

This money would be collected by Council and provided to the Queenstown Lakes Community Housing Trust (or another registered Community Housing Provider), providing them with an ongoing funding stream to deliver their incredible work to provide access to affordable housing.

- 7 The provision of affordable housing is a global problem. It is exacerbated in the Queenstown Lakes District due to the provision of holiday homes, limitations imposed by landscape protection, and the popularity of the district for tourism. It is however not the only place in New Zealand or internationally to face this challenge.
- 8 At the crux of the issue is how to fund and provide affordable housing to service a burgeoning population, when the principal market supply is not for this type of housing. There is land available for housing and QLDC has been using 'case by case' Inclusionary Housing deals to assist with affordable housing since 2003. In essence QLDC is attempting to use Financial contribution mechanisms tied to residential subdivision and development to fund a solution for a social issue. I am not aware of another Local authority successfully implementing such a scheme in New Zealand.
- 9 This Plan Variation takes the case-by-case approach to a whole new level, effectively mandating some new residential development to provide for, or pay for, the provision of affordable housing via a non-Council-related charitable entity.
- 10 Internal advice from QLDC staff and released legal advice, both indicate rating mechanisms are legally possible but are not favoured because of political difficulty. This is common with a lot of public policy and funding discussions and is not a sound reason in itself to discount legally available funding options for affordable housing.

- 11 QLDC through this variation is seeking to fund a significant social issue through charging some new residential development. This approach is not equitable as it only targets new developments.
- 12 When considering how to charge for the provision of new infrastructure or services, Councils would normally present an options paper including detailed financial advice on all the alternatives. In my experience, this is a normal prerequisite for rating or development levy decisions and subsequent public consultation.
- 13 Such an analysis would normally consider the beneficiaries of such funding, who should be fairly levied for such services and if the charges are reasonable. Decisions are often made to share the funding costs across all (or targeted) ratepayers as opposed to a select sector of new development.

Local Government Rating

- 14 Advice provided to QLDC in considering 'alternative options', indicates rating mechanisms (i.e. under the Local Government Rating Act) are a legitimate way of funding the provision of generally available services (available to, or benefiting most rate payers) with the district. This can be more targeted through a targeted rate (which could, for example, apply a differential rate to different zones and / or to land that has already provided contributions in the past). It appears this funding system has been discounted because of potential difficulty, rather than on the basis of funding analysis. I note that the alternative options memo concludes the following:

[11] We think that there would be additional difficulties with to levying a targeted rate to address affordable housing. It is unclear to us to whom QLDC would apply a targeted rate (ie to what land and how would this relate to the Schedule 2 matters). It seems to us that applying a targeted rate to residential land would not assist housing affordability and the costs would likely be passed on by developers. Alternatively, QLDC could seek to apply a targeted rate to industrial and commercial land on the basis that it generates employment, which it requires people to meet, and there is a need for housing to be affordable for those people.

- 15 While there may be additional difficulties when levying a targeted rate this relates to scope of the area for targeted rate application in question (i.e. is it just existing residential areas in Queenstown itself?) and how this links to the service being provided. This requires mapping of the targeted rate area but appears possible.

- 16 Both the application of a targeted rate or the proposed Variation financial contributions on residential land will likely result in the costs being passed on by developers.
- 17 While this summation may be correct, all the funding options have not been analysed, in reaching this conclusion. Such an analysis would likely show that it is inequitable to charge a sector of the community (new home builders and developers) for a social problem that is not new, and which should be funded by the whole community with support from Central Government.
- 18 At the time of writing, I have not sighted any financial analysis of alternative funding mechanisms to assist affordable housing provision including general rates, targeted rates, or universal annual charges. QLDC has confirmed, in a response to a LGOIMA request, that this any such funding analysis does not exist. Therefore, the Council has not considered all the funding options available for affordable housing.
- 19 Rates are generally a tax on property value except where Uniform Annual Charges are used to moderate the value range. For the General Rate component, the higher the value the higher the rates. Queenstown property values are higher than many other parts of New Zealand. While this exacerbates the housing affordability issue there is nothing to prevent a rating mechanism being used to fund affordable housing. This can be a direct investment in the provision of affordable housing or in a partnership arrangement with the Queenstown Lakes Community Housing Trust.
- 20 I draw a comparison with Pensioner and Social Housing provided by many Councils in New Zealand. While user charges are implemented, any unfunded costs are funded by General Rates or incorporated into Uniform Annual Charges as funding for a public good.

Development Contributions

- 21 The Alternative Options Memorandum confirms my understanding that Development Contributions would not be possible for Affordable Housing as the function does not fit the definition of community or network infrastructure. While this position is correct, it does appear to me this is exactly what the QLDC is attempting to do the Inclusionary Housing Variation.
- 22 Community Infrastructure is generally defined as infrastructure that is available to all and is catering for a publicly available activity. Affordable housing will be made available to defined group of residents and is not available to most citizens. You cannot walk into an affordable home like you can walk into a library or access a park.

- 23 Networked Infrastructure is funded because a development creates new demand for a networked service such as road, water, and wastewater. Importantly this infrastructure is owned by all the citizens, and they have a say in how it is managed and charged for. Most of the population has access and is connected to these services.

Queenstown Lakes Community Housing Trust

- 24 I make no representation on the effectiveness or support for the Queenstown Lakes Community Housing Trust (QLCHT). It is however very unusual for the Local Authority to collect what are effectively development levies and then give them to a non-elected charitable Trust.
- 25 Councils are subject to rigid auditing and public disclosure requirements including the Local Government Official Information and Meeting Act (**LGOIMA**) in the setting of rates and development contributions. It is highly unusual for a Charitable Trust to be given long term funding Council without owning the asset or the normal public accountability requirement around democracy and reporting. Additionally, Trustees are not subject to public democracy through elections.
- 26 Local Authorities are usually a preferred partner to receive government funding support for issues that impact Central and Local Government common areas of interest. This is because of the robust public accountability processes in place through LGOIMA and Public Agenda and Meeting availability.

Lawrence Yule

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