Before the Independent Hearings Panel Appointed by the Queenstown Lakes District Council

Under	the Resource Management Act 1991
In the matter of	a hearing on submissions on the Variation to the Queenstown Lakes Proposed District Plan – Inclusionary Housing Plan Change
	Sanderson Group and Queenstown Commercial Limited
	Submitter ID: OS137 and FS137

Statement of Evidence of Stephen Jared Charles Baronian

19 December 2023

1 My full name is Stephen Jared Charles Baronian.

2 I am the Chief Executive Officer (**CEO**) of Sanderson Group. I have held this role since 2021 and before this led Sanderson Group's development of Kawarau Park, a 2.4-hectare medical precinct located in Queenstown which included construction of Central Lakes Hospital.

3 Prior to working at Sanderson Group, I spent 25 years working overseas across energy, infrastructure, defence, technology and property sectors.

4 Sanderson Group and Queenstown Commercial Ltd (collectively, the **Submitter**) made a submission (137) and further submission (196) on the Queenstown Lakes Inclusionary Housing Plan Change (**QLPDP**). The Submitter is interested in, and opposed to, the Proposal in its entirety. In particular, the Submitter opposes the methods applied and the use of a financial contribution, including the proposed contribution rates as set out in the notified methods in proposed Chapter 40.

Sanderson Group

5 Sanderson Group have owned and operated retirement villages throughout the country for over 35 years, developing in excess of $1 billion dollars of infrastructure and buildings. Sanderson Group has developments in Auckland, Tauranga, Waikato and Queenstown. While these developments are, in a large part, focused on retirement housing, the Sanderson Group has built commercial, health care, childcare and comprehensive multi story developments.

6 Sanderson Group has significant experience in the Queenstown-Lakes region. Since 2017, the group has developed more than 35 hectares of land on the southern side of Ladies Mile, including the Queenstown Country Club (retirement village), Kawarau Park (medical precinct including Central Lakes Southern Cross Hospital), Kawarau Heights (100 lot subdivision), and Alpine Views (accommodation precinct 11 buildings with 51 rooms).

7 Queenstown Commercial Limited is a branch of Sanderson Group and owns 489 Frankton – Ladies Mile Highway, a 6.27ha property (legally described as Section 51, Part Section 45-46 and Part Section 50 Block III Shotover Survey District on Record of Title OT5C/22) within the Te Pūtahi Ladies Mile Masterplan area and is included within the High Density Residential and Commercial Precincts.

8 While Sanderson Group has deep knowledge and an appreciation of the challenges associated with the fast-growing population in the Queenstown region, we hold a firm view that the Council's proposed Variation is not the best way, or an appropriate way, to enable low-cost housing.

9 The evidence to follow is a summary of key points that Sanderson Group, as experienced developers, feel strongly about, relating to development and provision of housing supply in this this area which we consider is critical.

Inclusionary Zoning

10 Queenstown property prices remain the highest in New Zealand with housing supply continuing to be significantly constrained. The average home value in Queenstown Lakes now sits at $1.7 million compared to $0.9 million. NZ average and Queenstown rentals are rising with a three-bedroom home now a minimum of $800 per week. The median rent of $700 per week is the second most expensive in the country (after Orakei Ward in Auckland).

11 Land in Queenstown is in short supply. Other than private plan changes (Remarkable's Park, Jacks Points, Handley's Farm, Five Mile etc) we are not aware of any Council led residential land rezoning in the last 30 years until the most recent Council lead Te Pūtahi Ladies Mile Plan Variation (currently in process under Streamline Planning Process). Land owners within Ladies Mile have sought to rezone this land without success for the last eight years since the Special Housing Areas 2016. Constraining land in such a sought-after location combined with New Zealand's fastest growing population is a huge driver behind the current situation.

12 The effects of this not only have a catastrophic effect on the lives of local people and businesses, but further cause serious flow on affects to New Zealand given Queenstown's national importance as an economic drawcard for around 3 million of the 5 million New Zealand's total annual tourists which has fully recovered and increased post pandemic.

13 Queenstown is New Zealand's only location to have applied a form of inclusionary zoning since 2003 when the first voluntary deed was signed by the developers of Jacks Point requiring contribution of land to the Queenstown Lakes Community Housing Trust. Since this time most other developments have been required to make contribution including Sanderson Group and Queenstown Commercial Limited.

14 With the highest average housing price in New Zealand, inclusionary zoning as proposed will continue to contribute to the rising cost of Queenstown's long-standing housing supply issue, and even more so in the current climate.

15 The QLDC Inclusionary zoning Telfer Young development scenarios from June 2020 and February 2021 supporting the position for inclusionary zoning are well outdated and no longer stand up for the following reasons:

(a) Funding in one report is 5.75% and the other is 5.0%. The 28 November 2023 rate rise now puts the OCR at 5.5%, BKBM adds a further 0.50% to

0.75% premium to OCR rate, with bank leaning margins applied in addition to this pushing regular bank funding costs upward of 10%. The average floating rate is currently 8.55%. The average 20-year fixed mortgage rate is 7.71%. Given the 20-year OCR averages, and the current funding cost, the funding rates as reported by Telfer Young development scenarios are materially incorrect;

(b) Funding for many developments requires a mix of bank and non-bank sources. Non-bank funding options range from 10% upward to 20% at a mezzanine level. This provides further context on the Telfer Young scenario;

(c) Telfer Young development costs are very light. These have gone up a great deal in the three years since this work was completed including more than 20% construction cost increase, additional costs from new H1 Energy standards further 5%, and increasing consenting requirements. This increases Telfer Young development costs by more than 25% at a conservative level;

(d) Trunk infrastructure works or enabling works have been grossly understated by Telfer Young presenting additional complexity and cost to enable development. Developers face scenarios where they must front foot the cost of providing increasing infrastructure at the gate;

(e) Development Contributions used in the assessment were based on the 2018 QLDC DC policy which is well out of date;

(f) Development holding costs are now significant as developers deal with onerous, timely, and complicated processes associated with resource consenting, engineering approvals, 224 acceptance, and title processing. The 224 process alone can be 3 to 6 months even when development works / civil infrastructure is 100% physically complete to approved plans. Processing times outside of developers' control are increasingly blowing out project development costs even further; and

(g) The poorly considered inclusionary zoning as, it currently stands, only adds further development cost which is only going to be passed onto those home buyers who are not eligible for assistance outcomes proposed by inclusionary zoning. In essence, it is a further hurdle for these first home buyers.

16 The role of public housing supply is one of Central Government not Local Government and this separation needs to remain clear. Kainga Ora is New Zealand’s central agency tasked with providing public housing. Kainga Ora can provide a more effective approach to housing enablement with reduced cost of funding. Kainga Ora has extensive partnerships in place with developers across

New Zealand. QLDC and Kainga Ora have been actively engaging through Whaiora Grow Well Partnership (**WGWP**) for the Queenstown Lakes, a well-established formal partnership between Central Government, Kāi Tahu, QLDC and Otago Regional Council (ORC). WGWP has been tasked to accommodate housing growth and supporting infrastructure for a population increasing from 48,000 current residents to over 82,000 in the next 30 years.

17 New Zealand taxation policy is set by Central Government and local governments do not have a role in creating tax surcharges because they are ineffective. Inclusionary zoning is a local government tax surcharge.

Conclusion

18 Inclusionary zoning does not support those who need homes, especially first home buyers. It only creates further hurdles to project viability, housing cost and supply. Careful consideration must be given to the inevitable outcomes of adopting Inclusionary Zoning as proposed by QLDC. The proposed inclusionary housing plan change must be declined in its entirety in its current form.

Jared Baronian

Dated this 19th day of December 2023