

Before the Independent Hearings Panel

Under the Resource Management Act 1991 (**RMA**)

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

Summary of Evidence of Theodore Benjamin Ries

1 March 2024

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Introduction

- 1 My full name is Theodore Benjamin Ries.
- 2 I prepared a Statement of Evidence on the Inclusionary Housing Variation dated 19 December 2023 (**Statement**).
- 3 My qualifications and experience are set out in my Statement.

Summary

- 4 Speaking as someone who first arrived in the district over a decade ago, it is clear that unaffordability of housing is a tenacious problem, and one which will not be solved by the natural movement of the market alone. It is also the case, as discussed in the Council's own expert advice, that the dire lack of affordable housing is both a moral and an economic problem, and one which impacts on the district at large. Unaffordability destabilises businesses, exacerbates labour shortages in key industries, and is hugely disruptive to the social fabric and wellbeing of the area.
- 5 Your earnest effort to better understand the causes of, and potential solutions to, the affordability crisis are commendable. I applaud you for undertaking this timely and urgent work. I would be delighted to state that I believe that the remedies the Council propose are likely to prove successful. Regrettably, this is not the case.
- 6 I base this assertion in part on simple mathematics. The proposed plan would, in many cases, impose a levy equal to 5% of the value of developed residential property. It is critical to bear in mind that such an impost equates to a very significant proportion of the profits anticipated by developers. In the case of a land development which would otherwise deliver a 20 per cent margin, the proposed levy would reduce such margin to roughly 14 per cent. In other words, the quantum of profit itself would reduce not by 5 per cent but by 30 per cent. This is a seismic shift in economics, and one which must necessarily be compensated for by either: 1) a reduction in costs paid by developers for land acquisition, debt financing or construction costs; or 2) an increase in the price of finished properties.
- 7 Basic economics suggests, therefore, that the proposed levy must result in an exacerbation of the very problems which the Council is seeking to address. Namely, the proposed plan will reduce supply of new housing by lowering incentives for investment, and/or increase the price of new builds.

- 8 It is also worth considering a few broader issues surrounding the proposed levy. As mentioned above, the affordability crisis is a collective moral and economic problem borne by the district as a whole. Given that this is the case, it is not clear why the sole industry being called upon to remedy the problem is the very one which is, in fact, seeking to deliver additional residential units into the market. If this is a problem which interferes with companies large and small throughout the district, then why are such employers not equally culpable for the problem? Is there any suggestion that wages throughout the district should rise, or is it only residential developers who bear responsibility?
- 9 More problematic still is the fact that the parties who will ultimately bear the cost of the proposed levy are not residential developers, but home buyers themselves. The Council's own economic evidence points out that the affordability problem has worsened despite a tremendous growth in the district's supply of housing stock. If the Council were to implement plans which constrain supply and add costs to developers there is no way to avoid an increase in price on newly-built sections and homes. This places the ultimate burden to solve a problem which has been decades in the making not on those who have benefited from such rising prices (i.e. those who have bought property here earlier in the inflation cycle), but on those who are trying to buy into this market. In other words, the proposed levy will harm the very group – workers and their families – which is already struggling mightily. While the mandatory contribution to the Housing Trust may result in a comparatively small number of “winners,” their gains will be paid for by the great majority of their peers. In this regard, the proposed levy structure is rather like seeking to cure poverty by establishing a lottery; there will be a few people who come out ahead, but many more will be harmed.
- 10 To conclude, I encourage the Council to continue its efforts to alleviate a longstanding and dire problem. As you do so, I hope that the solutions you eventually implement are both effective and equitable.

Ted Ries
1 March 2024