

TO: The Hearing Administrator, Lynley Scott, DP.Hearings@qldc.govt.nz

**BEFORE AN INDEPENDENT HEARING PANEL
APPOINTED BY QUEENSTOWN LAKES DISTRICT COUNCIL**

UNDER THE Resource Management Act 1991 (“**Act**”)
IN THE MATTER OF a Variation to the proposed Queenstown Lakes District Plan (Te Pūtahi Ladies Mile) in accordance with Part 5 of Schedule 1 to the Resource Management Act 1991 (“**Variation**”)
BETWEEN **GLENPANEL DEVELOPMENT LIMITED (“GDL”)**
Submitter
AND **QUEENSTOWN LAKES DISTRICT COUNCIL (“QLDC”)**
Proponent of the Variation

**STATEMENT OF EVIDENCE OF ADAM THOMSON ON BEHALF OF GDL
DATED: 20 OCTOBER 2023**

Before a Hearing Panel: David Allen (Chair), & Commissioners Gillian Crowcroft, Hoani Langsbury, Judith Makinson and Ian Munro

INTRODUCTION

Qualifications and experience

1. My full name is Adam Jeffrey Thompson. For the past 22 years I have provided consulting services in the fields of urban economics, property market analysis and property development advisory. For the past 20 years I have owned and managed two consulting firms that have provided services in these fields. I am presently the director of Urban Economics Limited.
2. I have a Bachelor of Resource Studies from Lincoln University (1998), a Master of Planning from Auckland University (2000) and a Dissertation in Urban Economics from the London School of Economics (2014). I have studied urban economics at Auckland University and environmental economics at Lincoln University.
3. I have undertaken over 2,000 economic and property market assessments for a range of private and public sector clients.

Code of conduct

4. Although this is not an Environment Court hearing, I confirm that I have read the Code of Conduct for Expert Witness contained in the Environment Court Practice Note 2023 and that I agree to comply with it together with the requirements for evidence as stated in the new Practice Note. 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.

SCOPE

5. My evidence provides a brief response to the proposed Te Pūtahi Ladies Mile Variation (TPLM Variation). In particular, I address three topics:
 - a. the density provision; and
 - b. a proposed additional 0.6 ha of land to the immediate north of the Flints Park development; and
 - c. the strategic importance of the Flints Park development in the provision of infrastructure for the wider TPLM Variation area.

6. I have reviewed the following documents in preparation of this memo:
- a. S42A report prepared by Mr Jeffrey Brown, dated 29 September 2023, and
 - b. Statement of Evidence of Ms Susan Fairgray, dated 29 September 2023.

DENSITY

7. The TPLM Variation proposes minimum density requirements of 40-48 dwellings per ha for the Medium Density Residential zone (MDR) and 60-72 dwellings per ha for the High Density Residential zone (HDR). Figure 1 outlines the potential lot sizes that can be expected under each zone based on a typical range of development land yields for a medium-high density development.

Figure 1: MDR and HDR Zone Residential Lot Size Estimate (m²)

Zone	Dwelling Yield	Net	Net	Net
		Developable Land Yield - 55%	Developable Land Yield - 60%	Developable Land Yield - 65%
MDR	40	138	150	163
	48	115	125	135
HDR	60	92	100	108
	72	76	83	90

Source: UE

8. Under the MDR, lot sizes of 125-150m² are expected for the 60% development land yield scenario. A slightly higher developable land yield of 65% results in lots sizes of 135-163m². A slightly lower developable land yield of 55% results in lots sizes of 115-138m².
9. Under the HDR, lot sizes of 83-100m² are expected for the 60% development land yield scenario. A slightly higher developable land yield of 65% results in lots sizes of 90-108m². A slightly lower developable land yield of 55% results in lots sizes of 76-92m².
10. The developable land yield will vary from site to site, as it is influenced by a range of factors, for example road sizes, parks, stormwater and geotechnical constraints. However, high density residential will typically yield a developable land yield of around 60%.

11. Ms Fairgray has adopted a developable land yield of 75%, however excludes the large park areas, suggesting an effective developable land yield of circa 70% (Appendix B of her evidence). I do not consider this is achievable. By comparison, the Flint's Park concept plan currently achieves a developable land yield of 63%.
12. What is ultimately built in the MDR and HDR zones will be driven by market feasibility and demand. Generally speaking, on the supply side both terrace houses and apartments will be commercially feasible, given the TPLM area is relatively undeveloped and the current high house prices in Queenstown. On the demand side, terrace houses will be in strong demand as this type of housing has a similar price (per m²) to stand alone housing. However, apartments will be in significantly less demand, as this type of housing has a high price (per m²), typically twice that of stand-alone houses, which makes them less attractive to most households. The high price of apartments is due to the construction of apartments being out of concrete and steel, whereas stand alone dwellings and terrace houses are constructed out of timber. The high prices and corresponding low demand are therefore inherent to this type of housing.
13. Only 4% of new dwellings built in Queenstown (over the past two years) have been apartments. Similarly, only 14% of new dwellings built in Auckland have been apartments. By comparison, 45% of new dwellings built in Queenstown have terrace houses, and similarly, only 60% of new dwellings built in Auckland have been terrace houses. This confirms the relatively low demand for apartments.
14. As a consequence of the low demand for apartments, in my opinion, the TPLM area will achieve a mix of approximately 90% terrace houses (including small town houses) and 10% apartments. Ms Fairgray expresses the opinion that the market for apartments will increase over time, however, her conclusion is based on the implicit assumption that house prices will continue to increase in Queenstown, as apartment demand increases as a consequence of higher house prices (refer below). I do not consider that this assumption is appropriate, as it assumes the significant economic costs of ongoing increasing house prices are inevitable, is contrary to the objectives of the NPS-UD and is not consistent with the conclusions of the Queenstown HBA that there is sufficient capacity which would mean that house prices become more affordable over time.

Medium density dwelling demand is projected to account for a significant share of demand growth in the medium-term, increasing further in the long-term. The demand modelling shows that more intensive attached dwellings (apartments) are likely to become more established over the medium to long-term. Under the higher market shift scenario, the apartment market is projected to become increasingly established in the long-term with the total market becoming significantly larger. The modelling indicates that most of the demand for apartments is projected to occur in the long-term (2031-2051) where they are projected to account for similar shares of growth to detached dwellings under the higher market shift scenario. (para 13, Ms Fairgray, emphasis added)

15. In my opinion, the proposed regulation to require for more intensive housing has some economic benefits. However, an approach that requires a specific number of dwellings per ha, and, within a narrow range, may result in unintended economic costs. Specifically, as the average lot size under the zones is relatively low, broadly in the 80-150 range, this would predominantly enable smaller entry level terrace houses, typically of around 80-120m² across two levels (small 2-3 bedroom units). Whilst some variation could be achieved, for example with some slightly larger units, on say 200m² lots, this would need to be offset with some smaller lots, of under 100m².
16. My expectation is that some developers will seek to provide larger lots, of around 200m², in order to diversify the range of housing built throughout the TPLM area. For example, if there are 1-2 existing developments selling small terrace houses, this will make it difficult for another similar development to enter the market in the same location. Developers will be incentivised therefore to include an apartment building, with say 15-20 units, on a relatively small site, of say 1,000m², to enable the remaining units to have lot sizes of around 200m². The apartment units however, given lower demand, may ultimately not be developed, even over the medium-long term. This would result in inefficient use of the land within the TPLM area and prolong the full development of the area.
17. In my opinion, a regulation that imposes a minimum and maximum lot size (e.g. 200m²) rather than a dwelling yield per ha rule, would be equally

effective at ensuring that medium-high density housing is delivered, however would also ensure unintended economic costs are not incurred.

18. I also note that some developers have a capability and preference for more intensive terrace housing and apartments, and some have a preference for less intensive terrace housing. The proposed provisions are for a relatively narrow range of dwelling types, and this may reduce the ability of some developers to focus on their area of greatest competence.
19. A wider ranging dwelling yield would be equally effective as a maximum lot size, although it may still not respond to site-specific constraints. The proposed range of 40-48 (MDR) and 60-72 (HDR) only allow for a 17% variation in average lot size, which is in my opinion too narrow, and places too much weight on the Council accurately predicting the current and future optimal market. In my opinion, having a greater range (e.g. 35-55 (MDR) and 55-75 (HDR) would ensure that the market is able to respond more fully to market demand). There will be many developers in the TPLM area, and it is the competition between these developers that will inevitably produce housing diversity (type and price).
20. The Flint's Park development currently being proposed achieves a density of 39 dwellings per hectare, marginally below the minimum of 40. The dwelling yield could be increased through the addition of around 10 additional dwellings, and these could potentially include apartments near the local centre. However, I do not consider the difference particularly material.

PROPOSED ADDITIONAL LAND

21. The Flint's Park proposed development has been refined over several years and includes a range of housing and a local centre. A small addition to the local centre is proposed of 0.6 ha, increasing the total area of Flint's Park from 9.5 ha to 10.1 ha.
22. A small expansion to the local centre would, most notably, enable additional residential units above the retail and commercial spaces. This would have several economic benefits. Most notably, it would allow additional high-density housing that allows the development to achieve the minimum density requirement. This would ensure the development is able to proceed in the short term, addressing the current housing shortage.

INFRASTRUCTURE

23. The Flint's Park proposed development has the potential for water reservoirs located to the immediate north of the site. I understand from Mr Murray that having land in this location identified within the urban growth boundary would support the consenting of water reservoirs in a suitable location to service the entirety of the TPLM area (particularly in regard to their elevation). Without this change, the TPLM area might be unable to be provided with water, undermining the entire basis of the Variation.
24. Given the detailed work previously undertaken for Flint's Park, I understand that it could be developed in the short term, and this would enable infrastructure to be available quickly which would support other developments in the TPLM area to proceed. This has a significant economic benefit of enabling additional housing supply in the short-term throughout the entire TPLM area. It would more generally enable more efficient infrastructure cost recovery, as several developments could get underway in the short-medium term, providing additional development contributions and rates.

CONCLUSION & RECOMMENDATION

25. The proposed housing yield provisions enable a relatively narrow range of lot sizes, with only a 17% variation in average lot size. This will lead to unintended economic costs, most notably some developers will increase apartment buildings in their development concept, however, these may not ultimately be built.
26. The provision of an additional 0.6 ha in Flint Park would provide a greater yield, supports its overall commercial viability, and enable the development to proceed in the short term.
27. The inclusion of part of the slope in the UGB would facilitate a suitable location for a water reservoir, which would enable the timely development of the wider TPLM area. This would support more efficient infrastructure cost recovery.

16.10.23

Adam Thompson